



financial assurance

Financial Assurance for Confined Feeding Operations

Financial assurance is a policy designed to guarantee that industrial livestock operations have the financial resources needed to clean up spills or other environmental contamination the operation causes. Financial assurance is most important in instances when the operator is bankrupt or defunct with no assets available to fund cleanup activities. In such cases, a bond, letter of credit or other guarantee of payment can provide funds to clean up contamination, or prevent contamination from occurring at closed facilities.

When financial assurance is not provided, taxpayers or other innocent parties may be required to pay for cleanup of manure spills, or to restore damaged waterways and soils.

The amount of the financial assurance required for specific CFOs or CAFOs will be set by rule, and be commensurate with the size of the operation and the risk posed by the operation.

Has the lack of financial assurance requirements caused problems?

The State of Indiana has been forced to use taxpayer funds in at least one instance to clean up spilled manure at a closed livestock facility. Over 4.5 million gallons of manure were released from a lagoon at the confined hog operation Muncie Sow. Prior to this spill, the State of Indiana was paying to haul the waste to a wastewater treatment plant in Indianapolis. The manure contaminated the Mississinewa River and killed thousands of fish. Because the facility had been sold to new owners, the former owners had no funds to pay for the cleanup. As a result, the state has paid over \$200,000 so far for the cleanup. State officials are seeking to recover these costs from the new owners, but their ability to pay is unknown.



HB 1568 and SB 556 – Sensible Financial Assurance

HB 1568 and SB 556 require that CFOs and CAFOs demonstrate that they have financial assurance at the time they apply for a state permit. Financial assurance can be in the form of:

- a performance bond
- a negotiable certificate of deposit
- a negotiable letter of credit
- insurance policy
- trust fund
- proof of ability to self-insure
- corporate guarantee

Financial assurance requirements for industrial livestock operators will ensure that Hoosiers do not end up paying for the spills and contamination caused by operations that have no resources to clean up their mess.

Do other industries that pose a risk to the environment need financial assurance?

State and federal laws require solid and hazardous waste landfills, underground petroleum storage tanks, and surface coal mining operations to provide financial assurance.

When livestock operations choose to operate as factories, with thousands of animals creating millions of gallons of manure that are stored on-site, then these operations should be held to the same standards as other industries. In 2008 alone, over 40 manure spills were reported and documented in Indiana. With the state already facing budget pressures, it must ensure that industries with the potential to discharge to our streams and lakes are held accountable for damages to public resources and public health if a spill should occur.

Is livestock waste really a problem for our rural communities and water quality?

Indiana's livestock industry is growing rapidly. The number of animals produced at industrial scale facilities has increased from about 64,000 animal units in 2004 to about 164,000 animal units in 2007, mostly due to increases in swine and dairy production.

Of the roughly 3,000 regulated farms in Indiana, 625 are the larger CAFOs. These CAFOs produce more than 80% of livestock raised in Indiana.

Manure contains nitrogen and phosphorus, which makes for an effective fertilizer, but also contains E. coli and other pathogens such as the antibiotic resistant staphylococcus bacteria which causes infections in humans.

Indiana's 2010 list of impaired waters includes 822 Indiana waterways that are contaminated with E. coli levels high enough to interfere with safe recreational use. E. coli is a primary indicator that a water body has been contaminated with fecal material from sewage or manure and that other pathogens may be present. When E. coli exceeds safe standards, that waterbody is considered "impaired" and unsafe for human use.



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