

**RECLAMATION AND DEVELOPMENT GRANT PROGRAM**

Program. For more information on the Build Montana Act, see F-4 of this report. The executive recommendation includes grants for other natural resource projects which include:

- \$500,000 for the control of aquatic invasive species
- \$214,000 for a grant to the Montana Salinity Control Association

A complete listing of the RDGP grants may be seen in figure A4 in the Section F appendix. The details behind the grants requested for the 2017 biennium RDGP, along with a status of grants awarded in the 2015 biennium, are presented in Vol. 5 of the Governor's Executive Budget.

**Funding**

The natural resource projects account funds appropriations for natural resource grants and projects authorized by the legislature. Primary programs funded through the account are the RRGL and the RDGP programs. The account receives the income from the following sources:

- Interest income of the resource indemnity trust (RIT) fund as provided in and subject to the conditions of 15-38-202, MCA (\$3.5 million each fiscal year for the purpose of making grants)
- Resource indemnity and ground water assessment tax (RIGWA) under provisions of 15-38-106, MCA (50% of the remaining proceeds, after appropriations for CIRCLA debt service, and \$366,000 to the groundwater assessment account, for the purpose of making grants)
- Oil and gas production tax as provided in 15-36-331, MCA (2.16% of oil and natural gas production taxes remaining after the distributions pursuant to subsections (2) and (3))
- Excess coal severance tax proceeds allocated by 85-1-603, MCA to the renewable resource loan debt service fund (above debt service requirements as provided in and subject to the conditions of 85-1-619, MCA)

Natural Resource Project Account (02577)				
2017 Biennium				
Estimated Beginning Fund Balance (7/1/2015)				\$1,352,575
Revenue Projections <sup>1</sup>	FY 2016	FY 2017	Biennium Total	
RIT Interest Earnings	\$3,082,461	\$2,873,302	\$5,955,764	
Resource Indemnity & Groundwater Tax	853,290	964,319	1,817,609	
Oil and Natural Gas Tax	2,064,451	2,139,665	4,204,116	
Administrative Fees	31,000	0	31,000	
Bond Proceeds RRGL	6,311,134	0	6,311,134	
Bond Proceeds RDGP	1,707,694	0	1,707,694	
2017 Biennium Revenues				20,027,317
RRGL Appropriations				
Emergency Grants			(100,000)	
Project Planning Grants			(700,000)	
Irrigation Development Grants			(200,000)	
Watershed Grants			(300,000)	
Septic Loan Grants			(100,000)	
Proposed RRGL Project Grants			(6,072,615)	
Proposed RRGL Bonded Project Grants			(6,311,134)	
Total RRGL Appropriations				(13,783,749)
RDGP Appropriations				
Project Planning			(800,000)	
Aquatic Invasive Species Control			(500,000)	
Montana Salinity Control Association			(214,000)	
Proposed RDGP Project Grants			(4,781,215)	
Proposed RDGP Bonded Project Grants			(1,707,694)	
Total RDGP Appropriations				(8,002,909)
Estimated Ending Fund Balance (6/30/2017)				(\$406,766)

<sup>1</sup>HJ 2

## RECLAMATION AND DEVELOPMENT GRANT PROGRAM

As shown in the fund balance table above, the natural resource project account is estimated to have a beginning fund balance of \$1.4 million in the 2017 biennium. This beginning fund balance is primarily the result of greater than anticipated revenues from the oil and natural gas tax. Revenues for the 2017 biennium, as provided in the Legislative Fiscal Division (LFD) estimates, are expected to be \$20.0 million.

Appropriations from the natural resource projects account are authorized in Title 15, Chapter 38, MCA, which states, "Appropriations may be made from the natural resources projects state special revenue account for grants and loans for designated projects and the activities authorized in 85-1-602 and 90-2-1102", the RRGL and RDGP programs. In the 2017 biennium, the executive budget recommends total appropriations of \$13.8 million for the RRGL program and \$8.0 million for the RDGP program from the natural resource projects account. The ending fund balance at the end of the 2017 biennium is projected to be a negative \$406,766.

### LFD ISSUE

#### Negative Ending Balance

As shown in the fund balance figure above, the natural resource projects account is expected to finish the biennium with a negative ending fund balance. According to the Montana Constitution, Article VIII., Section 9, "Appropriations by the legislature shall not exceed anticipated revenue." There are a number of options available to the Legislature related to the status of this fund, which include:

- o Reduce the appropriations for the RRGL program in HB 5, Sec. 8
- o Reduce the appropriations for the RDGP program in HB 5, Sec. 9
- o Increase the bond proceed funding for either or both of the programs in HB 5, Sec. 28 and 29
- o Increase revenues on an OTO or ongoing basis by adding funds from the general fund or other sources