

RECLAMATION AND DEVELOPMENT GRANTS PROGRAM

Program Description

The Reclamation and Development Grants Program (RDGP) is designed to fund projects that, "...indemnify the people of the state for the effects of mineral development on public resources and that meet other crucial state needs serving the public interest and the total environment of the citizens of Montana (90-2-1102, MCA)." As provided in statute, projects approved under the RDGP are intended to repair, reclaim, and mitigate environmental damage to public resources from non-renewable resource extraction and develop and ensure the quality of public resources for the benefit of all Montana citizens. The program is administered by the Department of Natural Resources and Conservation (DNRC).

Legislative Action

The Sixty-fourth Legislature passed HB 7, the RDGP grant bill, that appropriates \$5.3 million for 9 RDGP grants and other reclamation projects. The HB 7 appropriations include \$3.8 million for RDGP and \$0.8 million for project planning grants. A complete list of the RDGP grants authorized by the Sixty-fourth Legislature is shown below. The legislature provided appropriations for two projects outside the regular RDGP in HB 7, which include:

- \$500,000 - Aquatic Invasive Species (AIS) Control: The funds will be used for aquatic invasive species grants to local governments and contracted technical support
- \$214,000 – Salinity Control Association (MSCA): The funds will be used to support MSCA efforts to investigate, control, and repair saline seep impacted areas

Reclamation and Development Grants (RDGP) HB 7 - 2017 Biennium		
Sponsor/Title	Grants Authorized	Cumulative Total
Montana Department of Environmental Quality Belt Water Treatment Project	500,000	500,000
Montana Department of Environmental Quality Black Pine Mine - South Fork Lower Willow Creek Fluvially Deposited Mill Tailings	500,000	1,000,000
Missoula County Martina Creek & Ninemile Creek Reclamation	484,000	1,484,000
Deer Lodge CD French Gulch Placer Mining Restoration	500,000	1,984,000
Montana Department of Environmental Quality Landusky Bio-Reactor Rehabilitation	500,000	2,484,000
Montana Department of Environmental Quality Basin Creek Mine - Site Stability Project	500,000	2,984,000
Montana Department of Environmental Quality Sand Coulee Acid Mine Drainage Source Control	332,443	3,316,443
Deer Lodge CD Moose-French Placer Mining Restoration	85,000	3,401,443
Montana Department of Environmental Quality Mitigation of Threat to Harlowton Public Drinking Water	82,440	3,483,883
Project grants below this line are fully funded only when projects above withdraw		
Madison County North Willow Creek Reclamation	499,828	3,983,711
Cascade County Identifying the Fate of Acid Mine Drainage and Potential Impacts to Madison Aquifer	327,322	4,311,033
MBMG Enhance Monitoring Fox Hills-Hell Creek Aquifer	499,109	4,810,142
MBMG Enhance Montana's Manufacturing Growth through Production of Commodities from Remediation	498,171	5,308,313
Roosevelt County Kenco Refinery Highest Priority Cleanup	150,000	5,458,313
Total RDGP Grants Authorized	\$5,458,313	\$5,458,313

Funding

The RDGP program appropriations in HB 7, as well as the RRGL grants program appropriated in HB 6, are funded from the “natural resource projects” state special revenue fund. The fund balance projection is provided in the figure on the following page.

Executive Budget Comparison

The Sixty-fourth Legislature reduced the executive budget proposal for the RDGP program. The program was recommended by the executive in HB 5 and included \$1.7 million of bond proceeds to extend funding to all grant applicants. However, the legislature chose to appropriate only the available state special funds for the 2017 biennium. The legislature appropriated the funding for 9 RDGP grants. Total funding for the RDGP program was reduced by \$2.7 million, or 34.0%. A portion of the reduction was related to the actions of HB 226, which resulted in a reduction of \$600,000 of resource indemnity trust interest over the biennium and a corresponding reduction of the priority to fund two grants at \$600,000. For more information on HB 226, see the “Other Legislation” section below.

Program Comparison - Reclamation and Development Grant Program				
Budget Item	Executive Budget 2017 Biennium	Legislative Budget 2017 Biennium	Change	% Change
Number of Grants	17	9	(8)	-47.1%
	<u>Proposed</u>	<u>Appropriated</u>		
Grants Cost	\$4,781,215	\$3,770,620	(\$1,010,595)	-21.1%
Other Grants Cost	1,514,000	1,514,000	\$0	0.0%
Bonded Grants Cost	1,707,693	0	(\$1,707,693)	-
Total Costs	\$8,002,908	\$5,284,620	(\$2,718,288)	-34.0%
State Special	\$6,295,215	\$5,284,620	(\$1,010,595)	-16.1%
GO Bond Proceeds	1,707,693	0	(1,707,693)	-
Total Funds	\$8,002,908	\$5,284,620	(\$2,718,288)	-34.0%

Other Legislation

HB 226 - This legislation changes the allocation of the resource indemnity trust fund interest (RIT), increasing the distribution to the oil and gas damage mitigation account, to the benefit of the Board of Oil and Gas, and decreasing the distribution to the natural resource projects account, which is used to fund reclamation and development grants. In biennia when the RIT interest is sufficient to cover the statutory allocations, the oil and gas damage mitigation account will receive an increase of \$600,000 per biennium on top of the current distribution of \$50,000. The distribution to the natural resource projects account will decrease by \$300,000 per year.

The bill provides an upper limit for the fund balance in the oil and gas mitigation account of \$1.0 million at the beginning of each biennium, and requires that the difference of funding not required to meet the \$1.0 million be deposited in the natural resources projects state special revenue account. In the 2017 biennium, there are not expected to be any related deposits into the natural resource projects fund.

The legislation also struck the statutory priority for \$600,000 of grant funding from the RDGP to the Board of Oil and Gas. With the passage and approval of this legislation, two grant projects costing \$600,000 for the Board of Oil and Gas were struck from HB 7.

The legislation has an effective date of July 1, 2015 and will impact the 2017 biennium.

Natural Resource Project Fund

The figure below shows the projected fund balance for the natural resource project fund for the 2017 biennium. The natural resource projects fund provides funding for the RRGL and RDGP programs, along with the funding for other natural resource projects.

The funding for the natural resource projects fund is established in law and received from the following sources:

1. Interest income of the resource indemnity trust fund as provided in and subject to the conditions of 15-38-202, MCA (\$3.2 million each fiscal year for the purpose of making grants)
2. Resource indemnity and ground water assessment tax under provisions of 15-38-106, MCA (50% of the remaining proceeds, after appropriations for CERCLA debt service, and \$366,000 to the groundwater assessment account, for the purpose of making grants)
3. 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))
4. 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)
5. Fees or charges collected by the department for the servicing of loans, including arrangements for obtaining security interests

Natural Resource Project Account (02577) HB 6 and HB 7 from HAC - 2017 Biennium			
Estimated Beginning Fund Balance (7/1/2015)			\$993,656
		Biennium	
Revenue Projections ¹	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
RIT Interest Earnings	\$2,276,000	\$2,873,301	\$5,149,301
Resource Indemnity & Groundwater Tax	859,626	961,343	1,820,969
Oil and Natural Gas Tax	1,418,552	1,688,285	3,106,838
Redistribution of Excess Fund Balance	14,043	0	14,043
Administrative Fees	31,000	0	<u>31,000</u>
2017 Biennium Revenues			10,122,151
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			<u>(4,172,615)</u>
Total RRGL Appropriations			(5,572,615)
RDGP Appropriations			
Project Planning			(800,000)
Aquatic Invasive Species Control			(500,000)
Montana Salinity Control Association			(214,000)
Proposed RDGP Project Grants			<u>(3,770,620)</u>
Total RDGP Appropriations			<u>(5,284,620)</u>
Estimated Ending Fund Balance (6/30/2017)			<u>\$258,572</u>
¹ Based on HJ2 estimates			

The natural resource projects fund is expected to begin the 2017 biennium with a fund balance of \$1.0 million. The revenues of the fund are expected to be \$10.1 million for the 2017 biennium. Total funds available for appropriation are expected to be \$11.1 million.

For the 2017 biennium, total appropriations from the natural resource projects account for the RRGL (HB 6) program are \$5.6 million and appropriations for the RDGP (HB 7) program are \$5.3 million. The resulting ending fund balance is estimated to be \$258,572 at the end of the 2017 biennium.