

RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

Program Description – (RRGL grants)

The Renewable Resource Grant and Loan (RRGL) program was created by the 1993 Legislature. This program combines the former Renewable Resource Development Program, established in 1975, and the Water Development Program, established in 1981. As outlined under Title 85, Chapter 1, part 6, MCA, the purpose of the RRGL is to fund projects that “enhance Montana's renewable resources through projects that measurably conserve, develop, manage, or preserve resources.” The Department of Natural Resources and Conservation (DNRC) administers the RRGL program. The RRGL program is appropriated in two bills, HB 6 (grants) and HB 8 (loans). The two program components of the RRGL are presented separately in this report.

Summary of Legislative Action

HB 6 (Grants)

The Sixty-fourth Legislature passed HB 6 appropriating \$5.6 million from the revenues of the natural resource projects state special fund for the various projects in HB 6. The RRGL program appropriation of \$4.2 million will fully fund 33 RRGL project grants. The legislature also appropriated \$100,000 for RRGL emergency grants and \$700,000 for project planning grants. Beyond the normal RRGL program costs, the legislature appropriated funds for other natural resource projects, which include:

- \$200,000 - Irrigation Development Grants: Provides grants of up to \$15,000 to foster development of new irrigation projects and production of high value crops
- \$300,000 - Watershed Grants: Provides grants of up to \$20,000 for costs associated with collaborative water planning and coordination as recommended in Montana’s State Water Plan
- \$100,000 - Septic Loan Grants: Providing grants to counties to start a revolving loan program to assist county residents to either replace failing septic systems or hook into a nearby municipal system

A complete list of the RRGL grant projects authorized by the Sixty-fourth legislature is seen on the following page.

Funding - grants

The RRGL grants program and other natural resource projects appropriated in HB 6, as well as the RDGP grants program appropriated in HB 7, are funded from the “natural resource projects” state special revenue fund. For more information on the funding of the RRGL program, a fund balance analysis is provided on page F-31 of this report.

Renewable Resource Grants (RRGL) HB 6 - 2017 Biennium					
Applicant / Project Title	Grants Authorized	Cumulative Total	Applicant / Project Title	Grants Authorized	Cumulative Total
			Balance	\$2,625,000	\$2,625,000
Bitterroot Conservation District Supply Diversion Improvement Project	\$125,000	\$125,000	Simms County Sewer District Sewer District Wastewater System Improvements	125,000	2,750,000
Whitefish, City of I & I Mitigation Project	125,000	250,000	Ten Mile/Pleasant Valley Sewer District Wastewater System Improvements Ph. 3	125,000	2,875,000
White Sulphur Springs, City of Wastewater Improvements Project, Ph. 2	125,000	375,000	Laurel, city of Water System Improvements	125,000	3,000,000
Polson, City of Wastewater System Improvements	125,000	500,000	Pondera County Conservation District C-5 Canal Conversion Project	125,000	3,125,000
Livingston, City of Wastewater Treatment Plant Upgrades	125,000	625,000	Fromberg, town of Wastewater System Improvements	125,000	3,250,000
Cascade, Town of Missouri River Reclamation	125,000	750,000	Jefferson County Sugar Beet Row Wastewater System Improvements	125,000	3,375,000
Bitter Root Irrigation District Irrigation District: Siphon 1, Ph. 3 Improvements Project	125,000	875,000	Sweet Grass County Conservation District Electric Light Ditch Irrigation Diversion Rehabilitation Project	125,000	3,500,000
Westby, town of Wastewater System Improvements	125,000	1,000,000	Butte-Silver Bow Government Moulton Reservoir, Reclamation & Protection Project	125,000	3,625,000
Bainville, town of Wastewater System Improvements	125,000	1,125,000	Rocker Montana County Water and Sewer District Sewer Connection to TIFID Wastewater Pipeline	125,000	3,750,000
Fallon County Water and Sewer District Wastewater Collection System	125,000	1,250,000	Tri-County Water District Wastewater Treatment Project	125,000	3,875,000
Sidney, City of Wastewater Improvements Project Ph. II	125,000	1,375,000	Neihart, town of Water System Improvements	125,000	4,000,000
Terry, town of Wastewater Treatment Upgrades	125,000	1,500,000	Cut Bank, City of Wastewater Treatment Project	125,000	4,125,000
DNRC-Water Resources Division Musselshell Basin Instrumentation Project	125,000	1,625,000	Project grants below this line are fully funded only when projects above withdraw		
Pondera County Conservation District Wasteway Rehab./Water Quality Improvements	125,000	1,750,000	Missoula County Buena Vista Trailer Community Wastewater Improv.Ph. 1	125,000	4,250,000
Upper and Lower River Road Water and Sewer District Phase 5 Water and Sewer Improvements	125,000	1,875,000	Denton, town of Water System	125,000	4,375,000
Missoula County Mill Creek Restoration Project	125,000	2,000,000	Buffalo Rapids Irrigation Project District 1 Lateral 19.3 Pipeline Conversion Project Ph. 1	125,000	4,500,000
Flaxville, Town of Wastewater System Improvements	125,000	2,125,000	Winifred, Town of Water System Improvements	125,000	4,625,000
Milk River Joint Board of Control Hydrometric Gauging Station Expansion & Upgrade	125,000	2,250,000	Highwood County Water and Sewer District Wastewater System Improvements	125,000	4,750,000
Missoula, City of Caras Park Outfall Stormwater Treatment Retrofit, Ph. 1	125,000	2,375,000	Lower Yellowstone Irrigation Project Wasteway Project	65,000	4,815,000
Chester, town of Wastewater Improvements	125,000	2,500,000	DNRC-Water Resources Division East Fork Rock Creek Main Canal Lining Project	125,000	4,940,000
Hysham, town of Water System Improvements	125,000	2,625,000	Riverside Water and Sewer District Wastewater Facility Plan	125,000	5,065,000

LONG-RANGE PLANNING

RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

Applicant / Project Title	Grants Authorized	Cumulative Total	Applicant / Project Title	Grants Authorized	Cumulative Total
	Balance \$5,065,000	\$5,065,000		Balance \$7,790,500	\$7,790,500
Lewistown, City Of Riverdale Wastewater Collection System	125,000	5,190,000	Missoula, City of Buckhouse Bridge Outfall, Stormwater Treatment Retrofit	125,000	7,915,500
East Clark Street Water and Sewer District Wastewater Collection System	125,000	5,315,000	Harlowton, City of Harlowton Ph. 3 Water System Improvements	125,000	8,040,500
Daly Ditches Irrigation District Preservation and Conservation of Resources	125,000	5,440,000	Greenfields Irrigation District J-Lake Rehabilitation and Water Quality Improvement	125,000	8,165,500
Buffalo Rapids Irrigation Project District 2 Main Canal Rehabilitation	125,000	5,565,000	Malta Irrigation District Exeter Siphon Replacement Project	125,000	8,290,500
Sidney Water Users Irrigation District High Canal Ph. 5 Project	125,000	5,690,000	Garfield County Conservation District Little Dry Water User's Assn., Infrastructure Improv.	125,000	8,415,500
Lower Musselshell County Conservation District South Canal Pre-Tunnel Lining Project	125,000	5,815,000	Gallatin County Compliance Department Septic System Repair Assistance Program	125,000	8,540,500
Clinton Irrigation District Canal Wasteway Rehabilitation	125,000	5,940,000	Flaxville, Town of Water System Improvements	125,000	8,665,500
Roundup, City of Water System Improvements	125,000	6,065,000	Glasgow, city of Water System Improvements	125,000	8,790,500
Missoula County Weed District MT Biological Weed Control Coord. Project	100,500	6,165,500	Conrad, City of Water System Improvements	125,000	8,915,500
Jordan, Town of Wastewater System Improvements	125,000	6,290,500	Missoula Irrigation District Water Conservation Project	125,000	9,040,500
Crow Tribe of Indians Wastewater Collection Improvement Project	125,000	6,415,500	Malta Irrigation District Peoples Creek Diversion Dike Rehab.	125,000	9,165,500
Helena Valley Irrigation District Irrigation Efficiency and Water Conserv. Project	125,000	6,540,500	East Bench Irrigation District Main Canal Gate Automation	125,000	9,290,500
Fort Shaw Irrigation District Reduce Waste Project	125,000	6,665,500	Dillon, City of Water System Improvements	125,000	9,415,500
Hysham Irrigation District Re-Lift Canal Improvement Project	125,000	6,790,500	Medicine Lake, Town of Wastewater Improvements	125,000	9,540,500
South Wind Water and Sewer District Water distribution and wastewater collection study	125,000	6,915,500	Kevin, Town of Wastewater Improvement Project	125,000	9,665,500
Bainville, town of Water System Improvements	125,000	7,040,500	Department of Environmental Quality Interactive Web Map Application	125,000	9,790,500
Black Eagle-Cascade County Water & Sewer District Wastewater Collection System Rehabilitation Ph. 2	125,000	7,165,500	Liberty County Conservation District Marias River Bank Stabilization Project, Ph. 2	125,000	9,915,500
Yellowstone Boys and Girls Ranch Wastewater Improvements Project	125,000	7,290,500	Foys Lakeside County Water and Sewer District Water System Improvements	125,000	10,040,500
Fort Peck Tribes Lateral L-42M Rehabilitation Project, Ph. 1	125,000	7,415,500	Ruby Valley Conservation District Smith Slough/Smith Ditch Fisheries Enhancement	125,000	10,165,500
Toston Irrigation District Toston Canal Rehabilitation Project	125,000	7,540,500	Green Mountain Conservation District Water Quality & Fish Habitat/Vermilion River Watershed	120,248	10,285,748
Hot Springs, town of Wastewater Improvements Project	125,000	7,665,500	Glen Lake Irrigation District Costich Drop Rehabilitation Project	125,000	10,410,748
Lockwood Irrigation District Pump Station Rehabilitation	125,000	7,790,500	Lincoln County Measuring/modeling effects of mining & reclamation activities	110,500	10,521,248

Applicant / Project Title	Grants Authorized	Cumulative Total	Applicant / Project Title	Grants Authorized	Cumulative Total
Balance	\$10,521,248	\$10,521,248	Balance	\$11,513,748	\$11,513,748
Petroleum County Conservation District Musselshell Watershed Prioritized Projects Initiative	125,000	10,646,248	Park County Conservation District Upper Shields River Fish Barrier and Road Improv.	120,000	11,633,748
Big Sandy, town of Water System Improvements	125,000	10,771,248	Bozeman, City of Sourdough Canyon Natural Water Storage Assess.	125,000	11,758,748
RAE Subdivision County Water and Sewer District No 313 Woodland Park Well	125,000	10,896,248	DNRC-Water Resources Division Willow Creek Access Road Rehab. Project	125,000	11,883,748
Judith Gap, town of Phase Sewer Improvements	125,000	11,021,248	Sanders County Middle Clark Fork River, Plains Reach-Channel Stabilize	125,000	12,008,748
Gore Hill County Water District Water System Improvements	125,000	11,146,248	Thompson Falls, City of Water System Improvements	125,000	12,133,748
DNRC-Flathead Basin Commission Watershed Plan	125,000	11,271,248	Shelby, City of Stormwater System Improvements	125,000	12,258,748
Huntley Project Irrigation District Feasibility study	125,000	11,396,248	Mile High Conservation District Blacktail Creek Non-Point Nutrient Management	125,000	12,383,748
Crow Tribe of Indians Renewable Energy Tech. Wastewater Treatment Facility	117,500	11,513,748	Total RRGL Grants Authorized	\$12,383,748	\$12,383,748

Program Description – (RRGL loans)

The RRGL loan program provides loans for renewable resource projects with the proceeds from the issuance of coal severance tax bonds. Loan repayments are used to pay the debt service on the loans. In some cases, interest rates charged to loans is less than the interest rate of the bond issue. In such cases, a distribution from the coal severance tax subsidizes the difference in the interest cost. The coal severance tax permanent trust is pledged for debt service payments on the bonds. The RRGL loan program is administered by the Department of Natural Resources and Conservation (DNRC).

Summary of Legislative Action

The figure below lists the loans awarded by the Sixty-fourth Legislature for the 2017 biennium with the passage of HB 8. The total bond authority in HB 8 is \$27.5 million, and the appropriations are equivalent. Total loan costs are \$25.0 million and include the authorization for DNRC to grant loans to refinance existing infrastructure debt, six new loans for water system and irrigation projects across the state, and the reauthorization of loans for the local match on the costs of the Dry Prairie and the North Central Regional Water projects. For more information on regional water projects, see the Treasure State Endowment Regional Water Program section, page F-21, of this report. HB 8 also provides a loan to DNRC providing the ability to refinance existing high cost loans assumed by local governments for water and sewer infrastructure projects.

Renewable Resource Loans HB 8 - 2017 Biennium		
Loans-Sponsor/Project	Proposal	Cumulative Total
Section 1.		
<u>(2) Loans with interest rates of 3.0% or State bond rate, whichever is lower-20 years</u>		
DNRC-Conservation and Resource Development Division (CARDD)		
Refinance Existing Debt or Rehabilitation of Water and Sewer Facilities	\$5,000,000	\$5,000,000
<u>(3) Loans with interest rates of 4.0% or State bond rate, whichever is lower-20 years</u>		
Deadmans Basin Project, State Owned Project		
Irrigation Infrastructure	500,000	5,500,000
Department of Natural Resources and Conservation		
Cottonwood Flume Replacment	800,000	6,300,000
Highwood		
Wastewater System Improvments	60,000	6,360,000
Yellowstone Boys and Girls Ranch		
Wastewater System Improvments	800,000	7,160,000
Dillon		
Water System Improvments	50,000	7,210,000
<u>(4) Loans with interest rates of 4.0% or State bond rate, whichever is lower-30 years</u>		
Bitter Root Irrigation District		
Siphon 1 - Phase 3 Improvements Project	1,773,976	8,983,976
Section 2.		
<u>2(2) Loans with interest rates of 4.0% or State bond rate, whichever is lower-30 years¹</u>		
Dry Praire Retional Water System		
Local Share	6,000,000	14,983,976
North Central Regional Water System		
Local Share	10,000,000	24,983,976
Total Loan Authorizations:	\$24,983,976	
Loan Reserve:	<u>2,498,398</u>	
Total Bond Request	<u>\$27,482,374</u>	
¹ Loans to be reauthorized		
NOTE: Projects are grouped by differences in loan circumstances and interest rates.		

Funding - Loans

RRGL program bond authority is provided in 85-1-624, MCA. Money in the coal severance tax bond fund is pledged for the payment of the principal and interest of the bond issue requested in HB 8, as directed in Title 17, Chapter 5, part 7, MCA. The repayment of loans are used to pay the debt service on the loans.

Executive Budget Comparison

The Sixty-fourth Legislature reduced the executive budget proposal for the RRGL grants program, as shown in the figure on the following page. The RRGL program was recommended by the executive in HB 5 and included \$6.3 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 funds for 33 RRGL grants. Total funding for the RRGL program was reduced by \$7.3 million, or 18.2%. The legislature increased funding in the RRGL loan program by \$880,000 with the addition of one loan.

Program Comparison - Renewable Resource Grant and Loan Program				
Budget Item	Executive Budget 2017 Biennium	Legislative Budget 2017 Biennium	Change	% Change
Number of Grants Funded	100	33	(67)	-67.0%
	<u>Proposed</u>	<u>Appropriated</u>		
Grants Cost	6,072,614	4,172,615	(\$1,899,999)	-31.3%
Other Grants	1,400,000	1,400,000	0	0.0%
Bonded Grants Cost	6,311,134	0	(6,311,134)	-
Loan Program	26,602,374	27,482,374	880,000	3.3%
Total Costs	\$40,386,122	\$33,054,989	(\$7,331,133)	-18.2%
State Special	\$7,472,614	\$5,572,615	(\$1,899,999)	-25.4%
CST Bond Proceeds	26,602,374	27,482,374	880,000	3.3%
GO Bond Proceeds	6,311,134	0	(6,311,134)	-
Total Funds	\$40,386,122	\$33,054,989	(\$7,331,133)	-18.2%

Other Legislation

The Sixty-fourth Legislature did not enact any legislation that would directly impact the RRGL program.