

Resource Indemnity Trust Grant and Loan Programs

Introduction

Resource indemnity trust (RIT) funds are a major source of revenue for several natural resource programs. In addition to the \$7.5 million appropriated for grant programs, approximately \$12.9 million of RIT related funds have been appropriated for various other state functions for the 2001 biennium. Table 12 below summarizes the RIT appropriations for state agencies and grant programs for the 2001 biennium.

Bill No.	Agency or Program	Amount	% of Approp.
HB 6	Renewable Resource Grants	\$ 4,225,000	21.0%
HB 7	Reclamation & Development Grants	3,233,197	16.1%
HB 2	UM-Bureau of Mines	1,312,000	6.5%
HB 2	Dept. of Natural Resources & Conservation	1,743,396	8.7%
HB 2	Dept. of Environmental Quality	6,970,366	34.6%
HB 2	Governor's Office	100,281	0.5%
HB 2	Judiciary	1,276,737	6.3%
HB 2	Library Commission	647,216	3.2%
HB 13	Pay Plan Estimate	150,480	0.7%
Statutory	MSU-Northern	480,000	2.4%
Total RIT Appropriations 2001 Biennium		\$ 20,138,673	100.0%

This section of the Fiscal Report is devoted to the Renewable Resource Grant and Loan Program and the Reclamation and Development Grant Program. The Department of Natural Resources and Conservation (DNRC) summary in Section C of Volume 2 and the Resource Indemnity Trust Fund summary in the Revenue section in Volume 1 provide more detailed information on the allocation and expenditure of RIT proceeds and RIT interest earnings.

The Renewable Resource Grant and Loan Program (RRGL) and the Reclamation and Development Grant Program (RDGP) are funded from investment earnings on the RIT. The RIT receives income from two sources: 1) the resource indemnity and ground water assessment tax (RIGWAT); and 2) oil and gas tax revenues. The Montana Board of Investments invests funds deposited in the RIT. Based on assumptions adopted by the 1999 legislature in HJR 2, interest earnings from these investments are forecast to be \$15.4 million in the 2001 biennium.

Renewable Resource Grant and Loan Program

Program Description

In accordance with statute, a total of \$4.0 million in RIT trust interest earnings is allocated to the RRGL account each biennium for the purpose of making grants (15-38-202, MCA). Created by the 1993 legislature, the RRGL 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 promote the “conservation, development, management, and preservation of water and other renewable resources”.

DNRC administers the RRGL, which involves a biennial application process. DNRC and a technical review team initially evaluate each application for economic and technical feasibility, as well as to ensure that proposed projects are located in Montana. Qualifying applications are then examined according to six criteria:

- 1) financial feasibility;
- 2) adverse environmental impact;
- 3) technical merit;
- 4) public benefit;
- 5) need; and
- 6) urgency.

DNRC submits a list of funding recommendations to the Governor, who reviews the list and submits recommendations to the legislature. Funding for projects comes in the form of grants and/or loans made to both public and private entities. The legislature has final approval for the awarding of RRGL grants and loans.

Legislative Action

The 1999 legislature passed two appropriation bills for the RRGL Program. HB 6 contains appropriations for renewable resource grants and HB 8 contains appropriations for renewable resource loans. Table 13 on page F-30 contains a list of the appropriations contained in both HB 6 and HB 8.

HB 6 – Grants

Table 13 shows the RRGL grants awarded for the 2001 biennium. The 56th Legislature granted a total of \$4.2 million for the following purposes:

- ❑ \$125,000 to the DNRC to be used for emergency projects;
- ❑ \$100,000 to DNRC to be used for private grants;
- ❑ \$4.0 million DNRC for regranting to political subdivisions and local government as renewable resource grants, further allocated as follows:
 - \$400,000 for planning grants to be awarded over the course of the biennium;
 - \$100,000 to the Flathead Lake biological station for water quality monitoring; and
 - \$3.5 million prioritized among 48 projects listed in section 1(2) of HB 6. While 48 projects are approved for funding, only the first 40 will be funded with the revenues available. The 56th Legislature intends that each of the eight grant projects listed after the Rae Water and Sewer District project not receive grant funds unless or until sufficient funds are available for that purpose.

HB 8 – Loans

HB 8 authorizes the issuance of coal severance tax bonds to provide loans for the RRGL projects. Proceeds from the issuance of bonds are used to fund the loans, with loan repayments used to pay the debt service. Because these are general obligation bonds, they constitute a state debt that requires a two-thirds vote of the members of each house. Moreover, because money from the coal severance tax bond fund is pledged for debt service payments on the bonds, HB 8 also required a three-fourths vote of the members of each house, as required by the Montana constitution.

HB 8 authorized seven new loans for a total of \$7.2 million. Eight loans previously authorized by the legislature are reauthorized in HB 8 for a total of \$11.7 million. The majority of the loans in HB 8 are for community water and wastewater projects, with four loans authorized for irrigation districts. Interest rates on the loans are subsidized at rates

based on borrowers' affordability. According to DNRC, approximately \$0.5 million of annual coal severance tax revenue is used to fund these subsidies.

Other Legislation

Senate Bill 49

SB 49 amends 15-38-202, MCA, to increase the statutory allocation of RIT interest for the RRGL program from \$1.0 million to \$2.0 million annually. SB 49 made several other changes to the distribution of RIGWAT and metal mines taxes and RIT trust fund interest earnings. For a complete discussion of the fiscal impacts of SB 49, refer to the Department of Natural Resources and Conservation agency section in Section C of Volume II.

House Bill 29

HB 29 increased the statutory bond limit for renewable resource bonds from \$10 million to \$20 million. The board of examiners is authorized to issue and sell general obligation renewable resource bonds for the renewable resource grant and loan program, provided the total renewable resource bonds outstanding at any time do not exceed \$20 million.

Resource Indemnity Trust Grant and Loan Programs

Table 13
HB 6 & 8 -- Renewable Resource Grant & Loan Program --2001 Biennium

Rank	Applicant	Project Name	HB6 Grants	HB8 Loans	HB8 Loan Interest Rate
Sec 1(1)	Mt. Dept. of Nat. Resources/Cons.	Emergency/Private Grants	\$ 225,000		
Sec 1(2)	Mt. Dept. of Nat. Resources/Cons.	Planning Grants	400,000	-	
Sec 1(2)	Flathead Lake Biological Station	Water Quality Monitoring	100,000	-	
Sec 1(3) Grants:					
1	Glasgow Irrigation District	St. Mary Siphon Repair	100,000	-	
2	Malta Irrigation District	Repair/Mod. Of Dodson Diversion Dam	100,000	\$ 2,274,950	Lower of 4% or state's 20 -yr bond rate
3	Cascade Co. Conservation District	Muddy Ck. Restor/Water Quality Impr.	77,000	-	
4	Madison County	Harrison Wastewater Sys. Impr.	100,000	-	
5	Glasgow Irrigation District	Phase 1-Vandalia Diversion Dam Reha	56,000	-	
6	Petroleum Co. Conservation Dist.	Musselshell River Assmt & Monitoring	50,150	-	
7	Mt. Dept. of Nat. Resources/Cons.	Deadman's Basin Water Quality Improv.	75,000	434,700	State's 20-yr bond rate
8	Tin Cup Co. Water/Sewer Dist.	Tin Cup Lake Dam Restoration Proj.	25,000	-	
9	Fort Shaw Irrigation District	Water Quality & Quantity Improvement	50,000	-	
10	Sheridan Co. Conservation District	Sheridan Co. Groundwater Mgmt	99,700	-	
11	Cut Bank City of	Water System Improvements	100,000	-	
12	Buffalo Rapids Project	Improving Pump Discharge Line Eff	91,622	-	
13	Mt. Dept. of Nat. Resources/Cons.	Seepage Monitoring Program	100,000	-	
14	Sanders County	Floodplain Delineation/Clark Fk River	100,000	-	
15	Missoula Sewer System, City of	E. Reserve St. Phases I & II	100,000	-	
16	Glen Lake Irrigation District	Costich Dam Improvements Project	100,000	-	
17	Denton, Town of	Wastewater Treatment Project	100,000	-	
18	Bitterroot Irrigation District	Water Conservation and Improvement	99,650	-	
19	Frenchtown Irrigation District	Irr. System Water Use/Quality Improve.	32,900	-	
20	Boulder, Town of	Water Systems Improvement	100,000	907,000	State's 20-yr bond rate
21	Daly Ditches Irrigation District	Republican Canal Diver. Dam Replace.	100,000	730,691	State's 20-yr bond rate
22	West Crane Sprinkler Irrig. District	West Crane Irrigation Project	100,000	-	
23	Hebgen Basin/W. Y'stone Refuse	Composting Facility/Municipal Solid Waste	99,425	2,080,000	State's 20-yr bond rate
24	Teton Co. Conservation District	Irrig. Methods & Pesticide Transport/Grndwtr	100,000	-	
25	Glasgow, City of	Combined Sewer Separation Project	100,000	-	
26	Columbia Falls, City of	Sewer Treatment Plant upgrade	100,000	-	
27	Sweetgrass Comm. Co. Water/Sew	Wastewater Trmt Facility Rehab/Upgrade	100,000	-	
28	Sheridan, Town of	Water Supply Improvements	30,000	-	
29	Corvallis Co. Sewer District	Upgrade & Expansion Wastewater Trmt Fac.	100,000	-	
30	Geraldine, Town of	Wastewater Improvements	50,000	-	
31	Roosevelt Co. Conservation District	Ft. Peck Assiniboine & Sious Water Supply	82,109	-	
32	Brockton, Town of	Water and Wastewater System Improv.	100,000	-	
33	Neihart, Town of	Water Distribution Improvements	76,770	-	
34	L&C Co. Water Quality Protection	Helena Area Grndwtr Quality Monitoring	100,000	-	
35	Eureka, Town of	Wastewater Collection, Trmt, & Disposal Imp	100,000	-	
36	Ekalaka, Town of	Ekalaka Water Source Improvement	100,000	-	
37	Garfield Co. Conservation District	Rehab. Irrigation Diversion Dam & Outlet	100,000	-	
38	Drummond, Town of	Sanitary Sewer Rehabilitation Project	100,000	-	
39	Lake Co. Conservation District	Forestry Implementation Project	100,000	-	
40	Rae Water and Sewer District	Wastewater Treatment System Improvement	100,000	-	
41*	Canyon Creek Irrigation District	Canyon Lk & Wyant Lk Restoration Project	100,000	227,000	Lower of 4.5% or state's 20 -yr bond rate
42*	Chinook Division Irrigation Assoc.	Rehab. & Betterment of Water Conveyance	100,000	-	
43*	Big Timber, City of	Lagoon Reconstruction & Lining	100,000	-	
44*	LaCasa Grande Water & Sewer Dis	New Water Supply System	100,000	-	
45*	Missoula, City of	Rattlesnake Ck Flood Plain Restoration/Contrl	74,000	-	
46*	Eureka, Town of	Water System Facility Plan	25,000	-	
47*	Havre, City of	Source-Water Delineation for Havre/Seely Lk	20,000	-	
48*	Troy, City of	Water System Master Plan	23,646	-	
	Mt. Dept. of Nat. Resources/Cons.	Missouri Pipe Span Rehab. Project	-	509,426	Lower of 4.5% or state's 20 -yr bond rate
Reauthorized Projects:					
	Fennis, Town of	Water Storage & Distrib. System Improve.		350,000	
	Glendive, City of	Water Treatment Plant Improvements		2,240,762	
	Hill County Water District	Water Treatment Plant		400,000	
	Forsyth, City of	Water Treatment Plant Improvements		1,218,916	
	Seeley Lake-Msla Co. Water Dist	Water Treatment Plant		1,600,000	
	Ft. Peck Rural Co. Water District			1,325,000	
	Huntley Project Irrigation District	Irrigation System Improvements		3,500,440	
	Mt. Dept. of Nat. Resources/Cons.	N. Fk Smith River Dam Rehabilitation		1,035,467	
Total Grants Approved thru Rank 40			\$ 4,220,326		
Total Loans Approved				\$ 18,834,352	

* Grant contingent upon available funding

Reclamation and Development Grant Program

Program Description

RIT trust interest earnings in the amount of \$3.0 million are to be deposited into the reclamation and development grant account each biennium for the purpose of making grants (15-38-202, MCA). The 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:

- 1) repair, reclaim, and mitigate environmental damage to public resources from non-renewable resource extraction; and
- 2) develop and ensure the quality of public resources for the benefit of all Montana citizens.

The RDGP is also administered by DNRC, which solicits, evaluates, and ranks each application on a biennial basis. Those eligible to apply for grants include state and local governments, political subdivisions, and tribal governments. Applications are evaluated according to specific criteria related to: 1) public benefit, 2) need and urgency, 3) appropriateness of technical design, 4) financial feasibility, and 5) project management and organization.

No grant may exceed \$300,000. DNRC forwards a list of recommendations to the Governor, who reviews the list and submits funding recommendations to the legislature. The legislature gives final approval on grant requests.

Legislative Action

Table 14 lists the RDGP grants approved during the 1999 legislative session. A total of \$3.2 million for 16 awards was granted for the 2001 biennium. The Montana Board of Oil and Gas Conservation receives \$600,000 in RDGP priority grant funding in accordance with 90-2-1113, MCA.

Rank	Applicant	Project Name	HB8 Grant
1	Mt. Board Oil & Gas Conserv.	1999 "A" Orphaned Well Plug	\$ 300,000
2	Mt. Board Oil & Gas Conserv.	1999 "B" Orphaned Well Plug	\$ 300,000
3	Mt. Dept of Environmental Quality	Toston Smelter Reclamation	\$ 300,000
4	Mt. Dept of Environmental Quality	Frohner Mine Reclamation	\$ 300,000
5	Mt. Dept of Environmental Quality	Great Republic Smelter Reclamation	\$ 300,000
6	Park Conservation District	Upper Y'stone River Cumulative Effects Investigation	\$ 299,940
7	Toole County	Toole Co. Plugging & Abandonment	\$ 300,000
8	Butte-Silver Bow Local Gov't	Upper Clark Fk. Basin: Superfund Technical Assist.	\$ 95,236
9	Fergus Co. Conservation Dist.	Central MT Artesian Basin Groundwater Project	\$ 150,000
10	Toole County	North Toole Co. Reclamation Project	\$ 150,000
11	Butte-Silver Bow Local Gov't	Mining City Mineyard Preservation & Enhancement	\$ 297,104
12	Townsend, City of	East Pacific Mine Reclamation	\$ 202,500
13	MT Tech of the Univ. of Montana	Champion Internat'l Gravel Pit Reclamation Project	\$ 57,494
14	Lewistown, City of	Source Location of Hazardous Contaminants	\$ 50,000
15	Glasgow Irrigation District	St. Mary Diversion Repairs	\$ 110,818
16	Mt. Board Oil & Gas Conserv.	Oil Well Abandonment	\$ 20,105
Total Grant Funds			\$ 3,233,197

Other Legislation

House Bill 120

HB 120 eliminated the statutory prohibition on the Board of Oil and Gas Conservation using reclamation and development grant funds for administrative costs. HB 120 amended statute to allow the board to use up to 2.5 percent of the amount of a grant for administrative costs associated with implementing the projects covered in a grant.