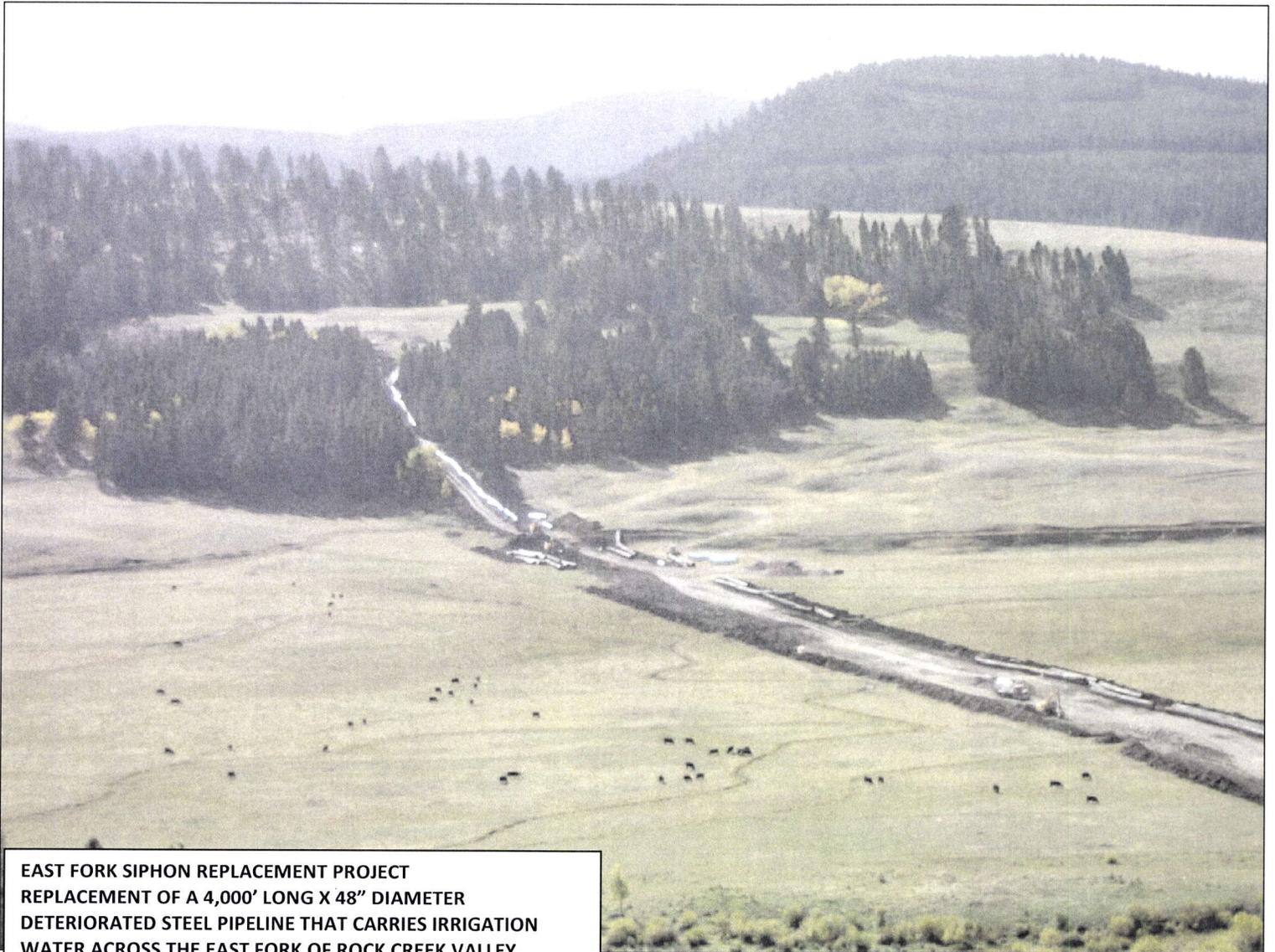


**PROGRAM UPDATE**  
**RENEWABLE RESOURCE GRANT AND LOAN PROGRAM**

**Montana Department of Natural Resources and Conservation**

**February 14, 2012**



**EAST FORK SIPHON REPLACEMENT PROJECT  
REPLACEMENT OF A 4,000' LONG X 48" DIAMETER  
DETERIORATED STEEL PIPELINE THAT CARRIES IRRIGATION  
WATER ACROSS THE EAST FORK OF ROCK CREEK VALLEY.**

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## INTRODUCTION

This report summarizes the current status of the Montana Department of Natural Resources and Conservation (DNRC) Renewable Resource Grant and Loan (RRGL) program. The information in this report updates DNRC's 2010 RRGL biennial report. The biennial report was prepared September 2010 and is Volume 6 of the Governor's Executive Budget Fiscal Years 2012 – 2013. The biennial report includes summaries of each project recommended for funding to the 2011 Legislature and contains a comprehensive description of RRGL program policies and procedures. Volume 6 of the Governor's Executive Budget Fiscal Years 2012 – 2013 is available at the following website:

<http://dnrc.mt.gov/AboutUs/Publications/2010/2012-2013RRGLExecutiveBudget.pdf>.

The RRGL program is composed of five grant programs and three loan programs described in Sections 1 - 5 of this report and summarized below in **Table 1**:

<b>TABLE 1</b>			
<b>FUNDING LIMITS &amp; LEGISLATIVE APPROPRIATIONS FOR 2013 BIENNIUM</b>			
<b>RENEWABLE RESOURCE GRANT AND LOAN PROGRAM</b>			
<b>Program</b>	<b>Funding Limit*</b>	<b>Eligible Applicants</b>	<b>Total Appropriation 2013 Biennium</b>
<b>Grant Programs</b>			<b>House Bill 6</b>
Project Grants	\$100,000	Public Entities	\$6,260,000
Planning Grants	\$20,000	Public Entities	\$ 800,000
Emergency Grants	\$30,000	Public Entities	\$ 100,000
Irrigation Development Grants	\$20,000	Public and Private	\$ 300,000
Private Grants	\$2,500	Private	\$ 50,000
<b>Total Appropriation</b>	variable	Public and Private	<b>\$7,510,000</b>
<b>Loan Programs</b>			
Loans to Public Entities	No limit	Public Entities	House Bill 8 – authority to issue coal severance tax bonds up to a total of \$13,724,457
Emergency Loans	\$10,000,000	Public Entities	
Loans to Private Individuals	\$ 400,000	Private individuals and groups	General obligation bond authority
Loans to Private Associations	\$3,000,000		

**\*Funding Limits:** DNRC sets funding limits consistent with those imposed by the Joint Subcommittee on Long Range Planning in past legislative sessions. These were put in place to obtain optimal public benefit from the investment of public funds. Loan limitations are also based on ability of the borrower to repay the loan.



Mill Lake Dam Rehabilitation Project  
Mill Creek Irrigation District near Hamilton, Montana

## Program Background

The RRGL program is the product of two earlier resource management programs: the Renewable Resource Development Program and the Water Development Program. The former Renewable Resource Development Program was established by the Legislature in 1975 to promote the development of Montana's renewable resources. Funds generated by the use of nonrenewable mineral resources were pledged toward the purchase, lease, planning, design, construction, or

rehabilitation of projects that conserved, managed, developed, or preserved land, water, vegetation, fish, recreation, and other renewable natural resources. Under the Renewable Resource Development Program, only governmental entities are eligible to apply for funding. The former Water Development Program was established by the Montana Legislature in 1981 to promote and advance the beneficial use of water, and to allow Montana's citizens full use of the state's water by providing grants and loans for water development projects and activities. Under the Water Development Program, both governmental entities and private persons were eligible to apply for funding.

In 1993, the Renewable Resource Development Program was combined with the Water Development Program to form the RRGL. The role of the DNRC was expanded to provide for DNRC's coordination of the development of the state's renewable resources. The Resource Development Bureau of DNRC thus assumed responsibility for administering the RRGL as stipulated under Title 85, part 6, MCA. Combining the two programs streamlined program administration but did not change applicant and project eligibility criteria.

The 2007 Legislature revised the funding structure of the RRGL by establishing two Natural Resources, State Special Revenue Accounts (SSRA): the Natural Resources Projects SSRA and the Natural Resources Operations SSRA. The Projects SSRA receives revenue to be used exclusively for grants for designated projects authorized in statute. Funds from this account are shared by the RRGL and the Reclamation and Development Grant program. The Natural Resources Operations SSRA funds expenses necessarily incurred in the administration of these

two natural resource grant programs. Other related agency expenses are also charged to the operations account. This change in funding structure is designed to ensure that funds from the Resource Indemnity Trust (RIT) and other resource extraction revenue sources are expended as originally intended. **Figure 1** is a flow chart summarizing revenue sources for the Natural Resources Projects and Operations SSRAs. The percent allocations in **Figure 1** can change each legislative session.

### **Purpose**

The purpose of the RRGL is to further the state's policies, set forth in Section 85-1-101, MCA, regarding the conservation, development, and beneficial use of renewable resources. The goal of the program is to invest in renewable natural resource projects that preserve economic and other benefits of the state's natural heritage for the citizens of Montana.

### **Project Eligibility**

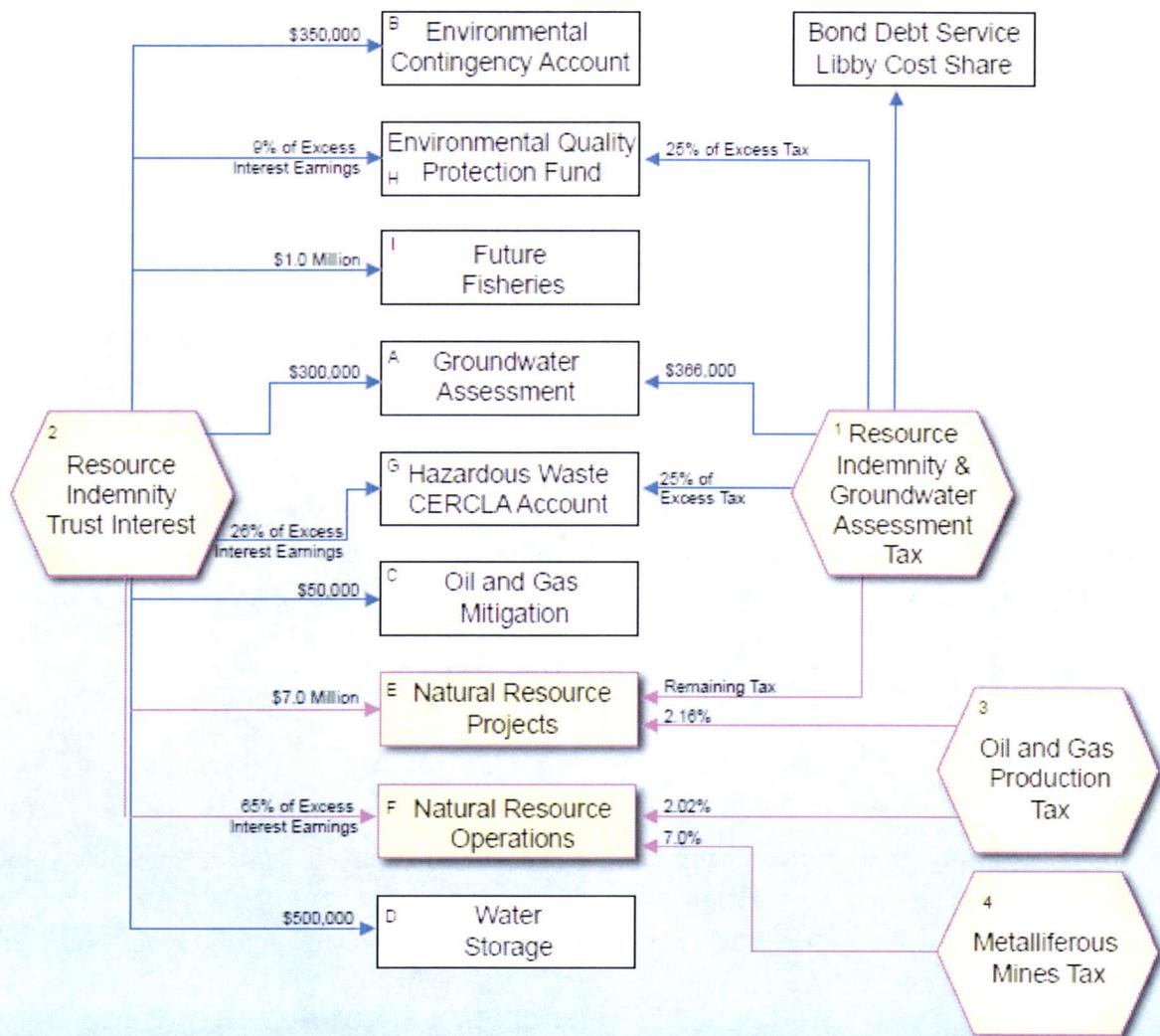
Grants and loans are available for projects that conserve, manage, develop, or preserve the state's water, land, vegetation, fish, recreation, and other renewable resources. The majority of projects funded under this program are water resource projects; but forestry, soil conservation, renewable energy, and solid waste projects also have received funding. Project funding is available for construction, research, design, demonstration, and planning. Watershed projects that preserve and improve water quality and projects that help plan for future management and protection of water sources (such as groundwater assessment studies) have received funding in the past.

### **Funding Authority**

The Sixty-Second Legislature appropriated \$7,510,000 in House Bill 6 for renewable resource grants. Of that amount, \$6,260,000 will fund 65 project grants, \$800,000 will fund 85 planning grants, \$300,000 will fund irrigation development grants, \$100,000 will fund emergency grants, and \$50,000 will fund private grants. The public and private renewable resource loan programs are funded through the issuance of general obligation and coal severance tax bonds. Public loans are authorized in House Bill 8.

Figure 1.

# Allocation of Funding Sources for Natural Resource Programs 2013 Biennium



## What makes the RRGL Program Different?

A Renewable Resource grant or loan is, in many cases, not the only funding for a given project. Projects with budgets greater than a \$100,000 combine grants and loans from other sources such as Montana's Treasure State Endowment Program (TSEP), the Future Fisheries Program, the Coal Board, the State Revolving Fund, or a Conservation District, for example. In addition, federal monies from sources such as the Natural Resources Conservation Service, the Community Development Block Grant Program, and Rural Development can be part of the mix. Applicants also receive funding from local governments, private donors, and appropriations from Congress. Compared to other funding programs, Montanan's RRGL program is unique for several reasons.

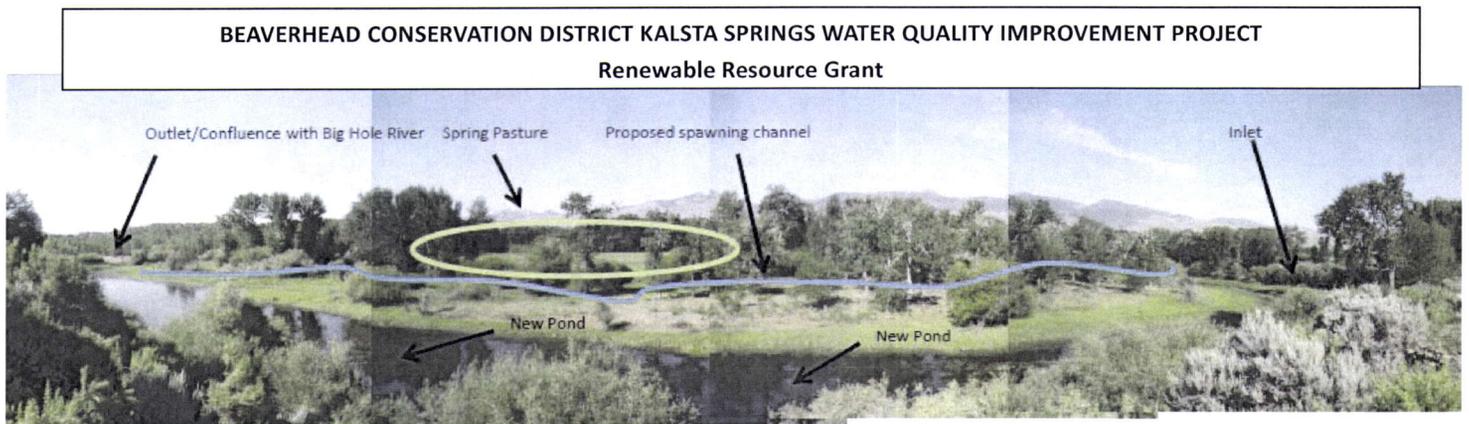
- Although applicants are encouraged to contribute to the project and seek matching funds, DNRC does not require a match for RRGL project or planning grants.
- Projects that expected additional funding from other sources do not automatically lose their RRGL funding if other funding falls through. These project sponsors are allowed to keep their RRGL grant if they can use it to address a distinct phase of the project. This policy is in place to help communities implement large projects in affordable increments if funding problems otherwise limit their ability to construct the entire project at one time.
- RRGL funds both public and private entities.
- About a quarter of RRGL grant funds go toward improving irrigation system infrastructure and management. Producers, irrigation districts, and water user associations have very few other sources of grant funds.



HYSHAM IRRIGATION DISTRICT ELECTRICAL IMPROVEMENTS GRANT

- The RRGL program allows grants to be spent early in the project. This policy is in place because for large projects with multiple funders, some grant programs will not allow their grants to be used until the project is underway. This can stall a project for months or years waiting for one grant program to go before another.

The following four sections describe the various renewable resource grant and loan programs and list current projects in each program.



## SECTION 1 RENEWABLE RESOURCE GRANTS TO PUBLIC ENTITIES

The DNRC Resource Development Bureau accepts applications for public grants and loans that are submitted or postmarked by May 15 of each even-numbered year. Applications for the current biennium were received May 15, 2010. Applications for the next biennium are due May 15, 2012 and will be considered by the 2013 Legislature. Under the RRGL program, a public entity is registered with the Secretary of State and is typically a city, town, county, school district, irrigation district, water and/or sewer district, state agency, university, or conservation district.

## Project Grants

DNRC solicits a wide variety of project applications to maintain the competitive nature of the program. Those projects that most closely meet statutory priorities rank the highest and are most likely to rank above the cut-off point for available funding. Projects that do not rank competitively and fall below the projected funding line are less likely to receive legislative approval.

The DNRC received 112 applications in May 2010 that requested a total of \$10.8 million. In the previous cycle, 92 applicants requested \$8.64 million in grant funding.

## Application Review and Ranking

DNRC contracts with engineering and natural resource specialists throughout Montana to review applications for technical and financial feasibility. In addition to a primary reviewer, most applications receive an evaluation from secondary reviewers for specific portions of the application. The secondary reviewer can be someone from another state agency (Department of Environmental Quality, for example, may be asked to comment on an application asserting benefits to wetlands). DNRC also solicits views of local governments and other affected parties to verify public benefit. DNRC provides guidelines specifically for application review to ensure a consistent basis for reviewing applications.



Hyalite creek municipal water supply protection project;  
Renewable Resource Grant to the City of Bozeman

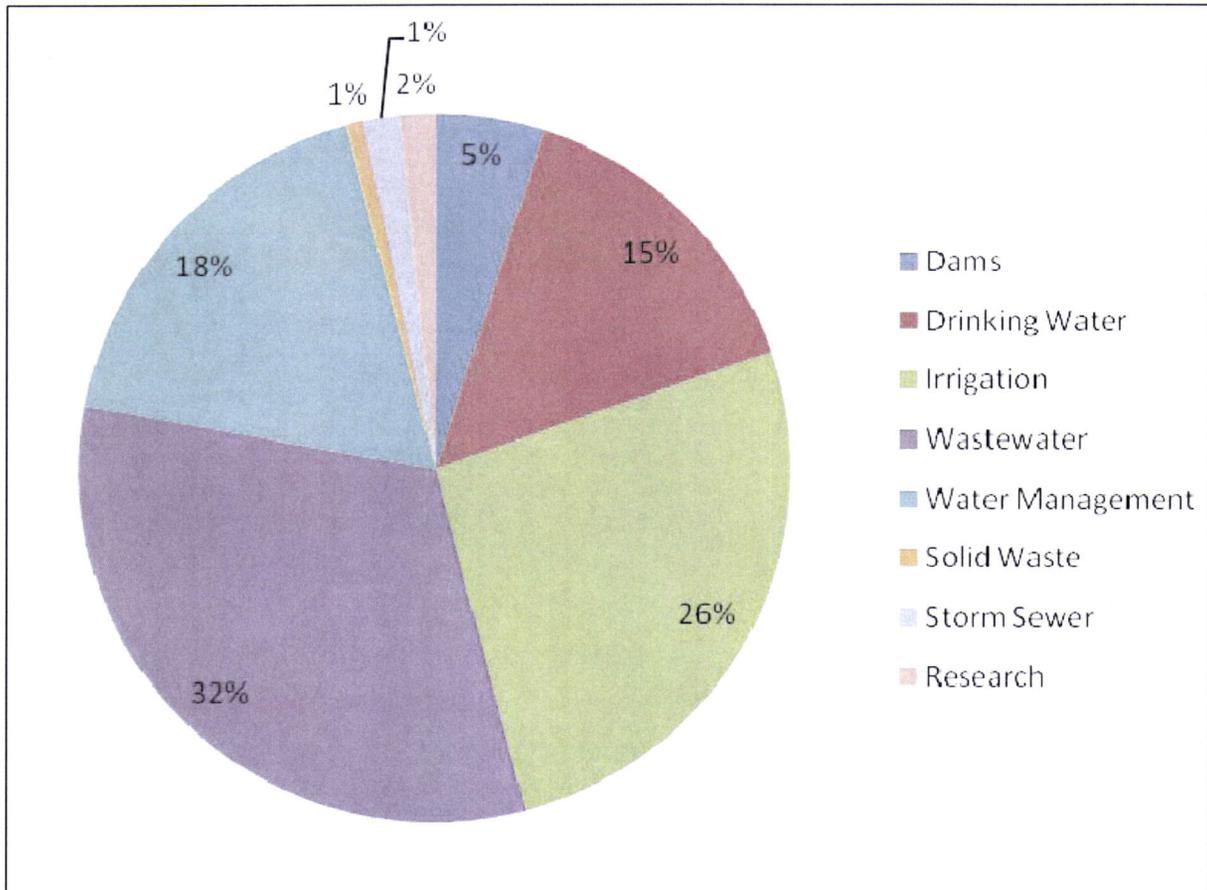
DNRC's scoring and ranking system is used to determine the relative merit of every proposal submitted for grant funding. Each project is scored based on technical and financial feasibility, project management ability, and the degree to which a project will benefit, develop or better manage a renewable resource. This information is summarized for the DNRC Director, who in turns presents the DNRC recommended ranked list of projects to the Governor.

DNRC's recommendation of project rank is not binding. Either the Governor or the Legislature may make adjustments to the recommendations to reflect their assessment of natural resource and other policy priorities. An appropriations bill containing project ranking recommendations (typically House Bill 6) is drafted and introduced to the Legislature. Actual funding decisions are made by the Legislature.

### Funding Recommendations

Eight types of grant projects were recommended for funding during the 2013 biennium (Figure 2). These recommendations are listed in House Bill 6 and shown on Table 2.

Figure 2. Renewable Resource Project Grant Types in House Bill 6 2013 Biennium



## DNRC's Project Management and Oversight

Procedures for monitoring projects are governed by a grant agreement between DNRC and the project sponsor. Currently the RRGL program consists of 4.5 full-time staff responsible for overseeing about 300 active public grants and loans at any given time.

DNRC attempts to make site inspection visits to all projects during the construction phase. Site visits are made to spot check for problems or to respond to a request for assistance from the project sponsor. Budget and staffing constraints preclude DNRC site involvement at every project site.

In addition to expense documentation, DNRC requires quarterly progress reports. Program staff document decisions and conversations that affect ongoing



Renewable Resource Grant to Nashua to connect the town to the Fort Peck - Dry Prairie regional drinking water system

projects, make notes to the file, and document important conversations with correspondence. Amendments to grant agreements are prepared and issued in response to any problems that require changes to the time line or budget.

Upon project completion, DNRC requires submission of a final project report to document project history and the quantifiable results of the expenditure of grant dollars. This report summarizes grant expenditures, documents the work accomplished, and compares project objectives as presented to the Legislature with final projects results. Evaluation through a final project report enables DNRC to measure how well the project implemented the program goals of conserving, developing, managing, and preserving Montana's renewable resources. Projects are considered successful if they complete the scope of work outlined in the grant agreement and meet claims for resource benefits.

**TABLE 2  
RENEWABLE RESOURCE GRANTS IN HOUSE BILL 6  
2011 LEGISLATIVE SESSION  
(in order of House Bill 6 as passed)**

<b>Applicant</b>	<b>Project Name</b>	<b>Grant Amount</b>
MT DNRC WATER RESOURCES DIVISION	MT DNRC HYDROPOWER FEASIBILITY STUDY	\$100,000
SHERIDAN, TOWN OF	SHERIDAN WASTEWATER SYSTEM IMPROVEMENTS	\$100,000
DEER LODGE, CITY OF	DEER LODGE WASTEWATER SYSTEM IMPROVEMENTS	\$100,000
FERGUS CONSERVATION DISTRICT	FERGUS CD BIG SPRING CREEK STREAM RESTORATION AT THE MACHLER CONSERVATION EASEMENT	\$100,000
MT DNRC TRUST LAND MANAGEMENT DIVISION	MT DNRC SMITH LAKE DAM REHABILITATION	\$100,000
CULBERTSON, TOWN OF	CULBERTSON WASTEWATER SYSTEM IMPROVEMENTS	\$100,000
UPPER AND LOWER RIVER ROAD WATER & SEWER DISTRICT	UPPER AND LOWER RIVER ROAD WSD WATER AND WASTEWATER SYSTEM IMPROVEMENTS	\$100,000
BEAVERHEAD CONSERVATION DISTRICT	BEAVERHEAD CD POINDEXTER SLOUGH FISHERY ENHANCEMENT	\$100,000
PONDERA CONSERVATION DISTRICT	PONDERA CD PONDERA COUNTY C CANAL	\$100,000
BUFFALO RAPIDS PROJECT DISTRICT I	BUFFALO RAPIDS ID IRRIGATION SYSTEM IMPROVEMENTS- LATERAL 26.4	\$100,000
PONDERA CONSERVATION DISTRICT	PONDERA CD IRRIGATION INFRASTRUCTURE IMPROVEMENTS- PONDERA WASTEWAY REHABILITATION AND WATER QUALITY IMPROVEMENT	\$100,000
FLATHEAD COUNTY	FLATHEAD COUNTY BIGFORK STORMWATER SYSTEM IMPROVEMENTS	\$100,000
HEBGEN LAKE ESTATES COUNTY WATER AND SEWER DISTRICT	HEBGEN LAKE ESTATES WSD WASTEWATER SYSTEM IMPROVEMENTS	\$100,000
HARLEM, CITY OF	HARLEM WASTEWATER SYSTEM IMPROVEMENTS	\$100,000
POLSON, CITY OF	POLSON WATER SYSTEM IMPROVEMENTS	\$100,000
AMSTERDAM-CHURCHILL COUNTY SEWER DISTRICT NO. 307	AMSTERDAM-CHURCHILL WASTEWATER SYSTEM IMPROVEMENTS	\$100,000
STANFORD, TOWN OF	STANFORD WATER SYSTEM IMPROVEMENTS	\$100,000
HELENA VALLEY IRRIGATION DISTRICT	IRRIGATION SYSTEM IMPROVEMENTS -PUMP NO 2 REHAB	\$100,000
BELT, TOWN OF	BELT WATER SYSTEM IMPROVEMENTS	\$100,000
SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT	SUN PRAIRIE VILLAGE WATER SYSTEM IMPROVEMENTS	\$100,000
FORT BELKNAP INDIAN COMMUNITY	FORT BELKNAP INDIAN COMMUNITY WATER CONSERVATION PROJECT	\$100,000
SWEET GRASS COUNTY CONSERVATION DISTRICT	SWEET GRASS CD BIG TIMBER CREEK CHANNEL STABILIZATION PROJECT	\$99,998
SIDNEY WATER USERS IRRIGATION DISTRICT	INCREASING IRRIGATION EFFICIENCY: DISTRICT 1 & 2, PHASE 3	\$100,000
SIDNEY WATER USERS IRRIGATION DISTRICT	INCREASING IRRIGATION EFFICIENCY: DISTRICT 5, LATERAL 2	\$100,000
CLINTON IRRIGATION DISTRICT	IRRIGATION SYSTEM IMPROVEMENTS SCHOOLHOUSE PIPELINE	\$100,000
EAST BENCH IRRIGATION DISTRICT	MAIN CANAL CHECK STRUCTURE REHABILITATION	\$100,000
LOWER MUSSELSHELL CONSERVATION DISTRICT	LOWER MUSSELSHELL DELPHIA MELSTONE IRRIGATION STRUCTURE REHABILITATION/CANAL LINING	\$100,000

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Applicant	Project Name	Grant Amount
MADISON CONSERVATION DISTRICT	SOUTH MEADOW CREEK WATER EFFICIENCY	\$100,000
CONFEDERATED SALISH AND KOOTENAI TRIBES	JOCKO UPPER S CANAL LINING	\$100,000
MALTA IRRIGATION DISTRICT	DODSON NORTH CANAL SIPHONS REPLACEMENT PROJECT	\$100,000
ROBERTS CARBON COUNTY WSD	ROBERTS CARBON COUNTY WSD WATER AND WASTEWATER SYSTEM IMPROVEMENTS	\$100,000
CHIPPEWA CREE TRIBE	CHIPPEWA CREE DRY FORK FARMS IRRIGATION ENHANCEMENT PROJECT	\$97,429
FLATHEAD JOINT BOARD OF CONTROL	JOCKO UPPER J CANAL DIVERSION STRUCTURE	\$100,000
LOCKWOOD IRRIGATION DISTRICT	IRRIGATION SYSTEM IMPROVEMENTS - INTAKE CANAL SPILLWAY REPLACEMENT	\$100,000
GLENDIVE, CITY OF	GLENDIVE FLOODPLAIN FEASIBILITY STUDY	\$100,000
FORT SHAW IRRIGATION DISTRICT	IRRIGATION SYSTEM IMPROVEMENTS	\$100,000
DALY DITCHES IRRIGATION DISTRICT	IRRIGATION SYSTEM IMPROVEMENTS- HEDGE CANAL	\$100,000
GALLATIN GATEWAY COUNTY WATER AND SEWER DISTRICT	GALLATIN GATEWAY WASTEWATER SYSTEM IMPROVEMENTS	\$100,000
GREENFIELDS IRRIGATION DISTRICT	IRRIGATION SYSTEM IMPROVEMENTS -BIG COULEE	\$100,000
PARK CONSERVATION DISTRICT	IRRIGATION SYSTEM IMPROVEMENTS- PARK BRANCH PARADISE CANAL	\$100,000
HUNTLEY PROJECT IRRIGATION DISTRICT	IRRIGATION SYSTEM IMPROVEMENTS- LOWER CANAL SEEPAGE LINING	\$100,000
ANACONDA – DEER LODGE COUNTY	<del>WATER SYSTEM IMPROVEMENT: SYSTEM WIDE WATER METER INSTALLATION</del> <i>project withdrawn by applicant</i>	\$0
FAIRFIELD, TOWN OF	WATER SYSTEM IMPROVEMENTS	\$100,000
FORT PECK TRIBES	IRRIGATION SYSTEM IMPROVEMENTS LATERAL L-2M REHAB	\$100,000
HARDIN, CITY OF	WATER SYSTEM IMPROVEMENTS	\$100,000
BITTER ROOT IRRIGATION DISTRICT	BITTER ROOT IRRIGATION SYSTEM IMPROVEMENTS- SIPHON 1, PHASE 2	\$100,000
NORTH HAVRE COUNTY WATER DISTRICT	NORTH HAVRE WATER SYSTEM IMPROVEMENTS	\$100,000
ROUNDUP, CITY OF	MUSSELSHELL WATERSHED SUSTAINABLE IRRIGATION MANAGEMENT	\$60,000
MT DNRC WATER RESOURCES DIVISION	MT DNRC CLARK FORK RIVER BASIN TASK FORCE ----- <i>amended to increase from \$32,000 to \$63,000</i>	\$63,000
GREEN MOUNTAIN CONSERVATION DISTRICT	TUSCOR CREEK RESTORATION PROJECT	\$84,778
LEWISTOWN, CITY OF	LEWISTOWN EAST FORK DAM REPAIR	\$100,000
CROW TRIBE OF INDIANS	CROW TRIBE OF INDIANS WATER SYSTEM IMPROVEMENTS PHASE 4A	\$100,000
HILL COUNTY WATER DISTRICT	HILL COUNTY WD WATER SYSTEM IMPROVEMENTS	\$100,000
ROUNDUP, CITY OF	ROUNDUP WATER SYSTEM IMPROVEMENTS	\$100,000
KEVIN, TOWN OF	KEVIN WATER SYSTEM IMPROVEMENTS, PHASE 3	\$100,000
LACASA GRANDE WATER AND SEWER DISTRICT	<del>LACASA GRANDE WASTEWATER SYSTEM IMPROVEMENTS</del> <i>project withdrawn by applicant</i>	\$0
WHITEFISH, CITY OF	WHITEFISH HASKILL BASIN WATER CONSERVATION AND PRESERVATION PROJECT	\$100,000

**TABLE 2**  
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**2011 LEGISLATIVE SESSION**  
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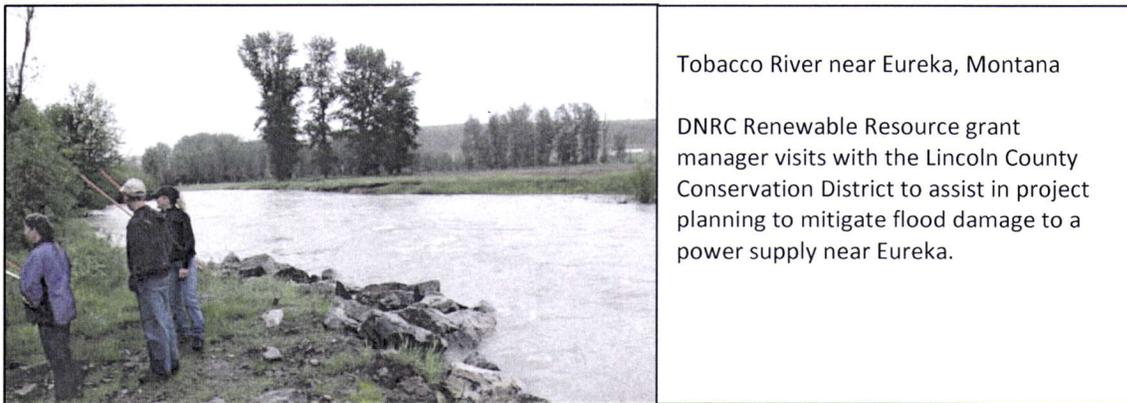
Applicant	Project Name	Grant Amount
RAVALLI COUNTY	RAVALLI COUNTY PHASE 3 LIDAR MAPPING FOR FLOOD HAZARD ID	\$75,000
LOCKWOOD WATER AND SEWER DISTRICT	WASTEWATER SYSTEM IMPROVEMENTS	\$100,000
MT DEPARTMENT OF FISH, WILDLIFE & PARKS	CHADBOURNE DIVERSION DAM REPAIR AND SELECTIVE FISH PASSAGE RETROFITS	\$99,500
MT DNRC WATER RESOURCES DIVISION	MT DNRC EAST FORK ROCK CREEK DIVERSION AND FISH SCREEN PROJECT	\$100,000
TETON CONSERVATION DISTRICT	EUREKA RESERVOIR IMPROVEMENTS	\$100,000
EAST HELENA, CITY OF	EAST HELENA WASTEWATER SYSTEM IMPROVEMENTS	\$100,000
MISSOULA COUNTY	<del>WASTEWATER SYSTEM IMPROVEMENTS- SPRING MEADOWS ADDITION</del> <i>project withdrawn by applicant</i>	\$0
MISSOULA COUNTY	MISSOULA COUNTY LIDAR MAPPING	\$50,000
MT DNRC WATER RESOURCES DIVISION	MT DNRC IRRIGATION SYSTEM IMPROVEMENTS- MARTINSDALE SUPPLY CANAL HEADWORKS REHAB	\$98,688
RAVALLI COUNTY ENVIRONMENTAL HEALTH	RAVALLI COUNTY BITTERROOT VALLEY SEPTIC SYSTEMS IMPACT MODEL, PHASE 2	\$73,745
	<b>HB 6 project funding level \$6,260,000</b>	
FOYS LAKESIDE COUNTY WATER AND SEWER DISTRICT	FOYS LAKESIDE WATER SYSTEM IMPROVEMENT: MAIN REPLACEMENT & METERING	\$100,000
PABLO LAKE COUNTY WATER AND SEWER DISTRICT	PABLO WATER SYSTEM IMPROVEMENTS	\$100,000
CUT BANK, CITY OF	CUT BANK WATER SYSTEM IMPROVEMENTS, PHASE 4	\$100,000
UNIVERSITY OF MONTANA	NATURAL HERITAGE PROGRAM WETLAND AND RIPARIAN MAPPING FOR THE LOWER AND MIDDLE MUSSELSHELL WATERSHEDS	\$99,934
BOZEMAN HIGH SCHOOL, DISTRICT #7	MANDEVILLE CREEK RESTORATION AND COMMUNITY ED PROJECT	\$100,000
WHITE SULPHUR SPRINGS, CITY OF	WHITE SULPHUR SPRINGS WATER SYSTEM IMPROVEMENTS	\$100,000
MT DNRC WATER RESOURCES DIVISION	MT DNRC COONEY AND DEADMAN'S BASIN AUTOMATED INSTRUMENTATION	\$100,000
PARK CONSERVATION DISTRICT	IRRIGATION INFRASTRUCTURE IMPROVEMENTS- LIVINGSTON DITCH	\$100,000
CARBON CONSERVATION DISTRICT	IRRIGATION SYSTEM IMPROVEMENTS- WHITEHORSE CANAL	\$82,950
RONAN, CITY OF	RONAN STORMWATER SYSTEM IMPROVEMENTS	\$100,000
FROMBERG, TOWN OF	FROMBERG WATER SYSTEM IMPROVEMENTS	\$100,000
JORDAN, TOWN OF	JORDAN WATER SYSTEM IMPROVEMENTS	\$100,000
LOWER YELLOWSTONE IRRIGATION PROJECT BOARD OF CONTROL	SCADA WATER MEASUREMENT PROJECT	\$100,000
BUTTE-SILVER BOW CONSOLIDATED CITY-COUNTY GOVERNMENT	BUTTE-SILVERBOW BIG HOLE RIVER (BHR) PUMPSTATION REHAB	\$100,000
MANHATTAN, TOWN OF	MANHATTAN WATER SYSTEM IMPROVEMENTS	\$100,000
NORTH POWELL CONSERVATION DISTRICT	BLACKFOOT VALLEY IRRIGATION EFFICIENCY	\$60,000
KALISPELL, CITY OF	KALISPELL WOODLAND PARK POND REMEDIATION	\$100,000

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<b>Applicant</b>	<b>Project Name</b>	<b>Grant Amount</b>
MT DNRC WATER RESOURCES DIVISION	MT DNRC STREAMSTATS INTERACTIVE WEB MAP APPLICATION	\$100,000
LIBBY, CITY OF	LIBBY WASTEWATER SYSTEM IMPROVEMENTS	\$100,000
TOSTON IRRIGATION DISTRICT	CROW CREEK PUMPING PLANT REHABILITATION	\$100,000
EM-KAYAN COUNTY WATER AND SEWER DISTRICT	EM-KAYAN WATER SYSTEM IMPROVMENTS	\$100,000
GALLATIN COUNTY SOLID WASTE DISTRICT	GALLATIN COUNTY LOGAN LANDFILL WASTE-TO-ENERGY FEASIBILITY STUDY	\$100,000
HILL COUNTY CONSERVATION DISTRICT	HILL COUNTY MILK RIVER BASIN RIPARIAN AND HYDROLOGY RESTORATION- INVASIVE SPECIES REMOVAL	\$54,245
BRADY COUNTY WATER AND SEWER DISTRICT	WATER SYSTEM IMPROVEMENTS	\$100,000
LINCOLN CONSERVATION DISTRICT	SINCLAIR CREEK WATERSHED IMPROVEMENTS	\$100,000
TIN CUP WATER AND SEWER DISTRICT	TIN CUP LAKE DAM IMPROVEMENTS	\$94,638
MELROSE WATER AND SEWER DISTRICT	WASTEWATER SYSTEM IMPROVEMENTS	\$100,000
AUGUSTA WATER AND SEWER DISTRICT	AUGUSTA WASTEWATER SYSTEM IMPROVEMENTS	\$100,000
TARGET RANGE WATER AND SEWER DISTRICT	TARGET RANGE WSD REPLACING OBSOLETE SEPTIC SYSTEMS	\$100,000
CARBON CONSERVATION DISTRICT	IRRIGATION IMPROVEMENTS PROJECT- PLEASANT VALLEY CANAL REHAB	\$100,000
TROY, CITY OF	TROY WATER SYSTEM IMPROVEMENTS	\$100,000
MT DNRC WATER RESOURCES DIVISION	MT DNRC WATER RESOURCE SURVEY FRAMEWORK	\$71,000
UNIVERSITY OF MONTANA	DEVELOPING WOLF POPULATION MONITORING TECHNIQUES TO ADVANCE MANAGEMENT AND CONSERVATION OF WILDLIFE IN MONTANA	\$100,000
LOCKWOOD AREA/YELLOWSTONE COUNTY WATER AND SEWER DISTRICT	LOCKWOOD WSD WATER SYSTEM IMPROVEMENTS	\$100,000
EUREKA, TOWN OF	EUREKA WASTEWATER SYSTEM IMPROVEMENTS	\$100,000
JOLIET, TOWN OF	JOLIET WATER SYSTEM IMPROVEMENTS	\$100,000
UNIVERSITY OF MONTANA	AN EXPERIMENTAL ASSESSMENT OF THE ECOLOGICAL AND SOCIAL DIMENSIONS OF HUMAN BEAR CONFLICT MITIGATION	\$99,067
BIGFORK COUNTY WATER AND SEWER DISTRICT	BIGFORK WATER SYSTEM IMPROVEMENTS	\$100,000
PARK COUNTY	PARK COUNTY SHIELDS RIVER SURFACE AND GROUNDWATER ANALYSIS	\$81,192
PETROLEUM COUNTY CONSERVATION DISTRICT	HORSE CREEK COULEE WATER STORAGE PROJECT	\$82,286
SHELBY, CITY OF	SHELBY WEST INTERCEPTOR PROJECT	\$100,000
SIDNEY, CITY OF	SIDNEY -OPTIMIZING WATER DEVELOPMENT FROM THE WELL FIELD	\$100,000
THOMPSON FALLS, CITY OF	THOMPSON FALLS WATER SYSTEM IMPROVEMENTS-ASHLEY CREEK TRANSMISSION MAIN	\$100,000

## Renewable Resource Project Planning Grants

The Renewable Resource Project Planning Grant program provides funds up to \$20,000 to plan projects that will measurably conserve, develop, manage, or protect Montana renewable resources. The 2011 Legislature authorized \$800,000 for project planning grants. No match funding is required.



DNRC awarded 69 grants to public entities for planning projects during the 2011 biennium and, as of January 31, 2012, has awarded 84 grants during the 2013 biennium (**Table 3**). In the first six months of the 2013 biennium, \$797,500 of the \$800,000 appropriated for planning grants has been contracted. This popular program assisted local governments with planning for more than half of the larger RRGL grant applications received in 2010.

<b>TABLE 3</b>		
<b>2013 BIENNIUM PLANNING GRANTS AWARDED AS OF JANUARY 31, 2012</b>		
<b>APPLICANT</b>	<b>PROJECT TYPE</b>	<b>GRANT AMOUNT</b>
ALBERTON	WASTEWATER	\$10,000
BEAVERHEAD JACKSON WATER AND SEWER DISTRICT	WATER	\$5,000
BELGRADE	WATER RIGHTS STUDY	\$5,000
BELT	WASTEWATER	\$10,000
BIG SKY WATER AND SEWER DISTRICT	WASTEWATER	\$10,000
BITTER ROOT IRRIGATION DISTRICT	IRRIGATION	\$10,000
BLACK EAGLE WATER AND SEWER DISTRICT	WASTEWATER	\$15,000
BROADWATER CONSERVATION DISTRICT	IRRIGATION	\$15,000
BUFFALO RAPIDS IRRIGATION DISTRICT 1	IRRIGATION	\$10,000
BUFFALO RAPIDS IRRIGATION DISTRICT 2	IRRIGATION	\$10,000
CASCADE COUNTY	STORMWATER	\$10,000

**TABLE 3  
2013 BIENNIUM PLANNING GRANTS AWARDED AS OF JANUARY 31, 2012**

APPLICANT	PROJECT TYPE	GRANT AMOUNT
CASCADE COUNTY- TRAILER TERRACE COMMUNITY	WATER&WASTEWATER	\$10,000
CHOTEAU	WASTEWATER	\$10,000
CLINTON IRRIGATION DISTRICT	IRRIGATION	\$10,000
COOPERATIVE MANAGEMENT ENTITY- FLATHEAD IRRIGATION PROJECT	IRRIGATION	\$5,000
CUT BANK	WATER	\$10,000
CUT BANK	WASTEWATER	\$5,000
DALY DITCHES IRRIGATION DISTRICT	IRRIGATION	\$10,000
DEER LICK SUBDIVISION WATER DISTRICT	WATER	\$5,000
DEER LODGE VALLEY CONSERVATION DISTRICT	IRRIGATION	\$10,000
DEER LODGE VALLEY CONSERVATION DISTRICT	IRRIGATION	\$10,000
DUTTON	WATER	\$5,000
EAST CANYON FERRY COUNTY WATER AND SEWER DISTRICT	SOILS STUDY	\$10,000
ELK MEADOWS RANCHETTES COUNTY WATER DISTRICT	WATER	\$10,000
ENNIS	WATER	\$10,000
ENNIS	WASTEWATER	\$5,000
FAIRFIELD WATER AND SEWER DISTRICT	WASTEWATER	\$10,000
FLAXVILLE	WATER	\$10,000
FORT BELKNAP INDIAN COMMUNITY	IRRIGATION	\$10,000
FORT PECK TRIBE	IRRIGATION	\$10,000
FORT SHAW IRRIGATION DISTRICT	IRRIGATION	\$20,000
FRENCHTOWN IRRIGATION DISTRICT	IRRIGATION	\$10,000
GALLATIN COUNTY CONSERVATION DISTRICT	IRRIGATION	\$10,000
GALLATIN LOCAL WATER QUALITY DISTRICT	STREAMBANK RESTORATION	\$10,000
GLEN LAKE IRRIGATION DISTRICT	IRRIGATION	\$10,000
GREAT FALLS	IRRIGATION AUDIT	\$5,000
HARLOWTON	WATER	\$10,000
HAVRE	WASTEWATER	\$10,000
HELENA	IRRIGATION AUDIT	\$5,000
HELENA (DAM)	DAM	\$10,000
HELENA VALLEY IRRIGATION DISTRICT	IRRIGATION	\$10,000
HIGHWOOD COUNTY WATER AND SEWER DISTRICT	WASTEWATER	\$10,000
HILL COUNTY	DAM	\$10,000
HYSHAM IRRIGATION DISTRICT	IRRIGATION	\$5,000
JEFFERSON COUNTY	WASTEWATER	\$5,000
JEFFERSON COUNTY	WATERSHED ASSESSMENT	\$10,000
JUDITH BASIN CONSERVATION DISTRICT	IRRIGATION	\$10,000
KEVIN	WATER	\$10,000
LEWIS AND CLARK COUNTY	FLOODWAYS STUDY	\$10,000
LEWIS & CLARK CONSERVATION DISTRICT	IRRIGATION	\$10,000

**TABLE 3  
2013 BIENNIUM PLANNING GRANTS AWARDED AS OF JANUARY 31, 2012**

APPLICANT	PROJECT TYPE	GRANT AMOUNT
LIBBY	DAM	\$10,000
LOCKWOOD IRRIGATION DISTRICT	IRRIGATION	\$10,000
LODGE GRASS	WASTEWATER	\$5,000
LOWER MUSSELSHELL CONSERVATION DISTRICT	IRRIGATION	\$10,000
MADISON CONSERVATION DISTRICT	IRRIGATION	\$10,000
MADISON COUNTY	FLOODWAYS STUDY	\$10,000
MALTA IRRIGATION DISTRICT	IRRIGATION	\$10,000
MANHATTAN	WATER	\$10,000
MILK RIVER JOINT BOARD OF CONTROL- LOHMAN	IRRIGATION	\$15,000
MISSOULA CONSERVATION DISTRICT	IRRIGATION	\$10,000
MISSOULA IRRIGATION DISTRICT	IRRIGATION	\$10,000
MOORE	WASTEWATER & CAPITOL IMPROVEMENTS PLAN	\$12,500
PLAINS	STREAMBANK RESTORATION	\$10,000
PLEVNA	WATER	\$10,000
POLSON	IRRIGATION	\$5,000
PONDERA CONSERVATION DISTRICT	IRRIGATION	\$10,000
RIVERSIDE WATER AND SEWER DISTRICT	WASTEWATER	\$10,000
RUBY VALLEY CONSERVATION DISTRICT	WATERSHED ASSESSMENT	\$10,000
SIDNEY	WASTEWATER	\$10,000
SWEET GRASS CONSERVATION DISTRICT	IRRIGATION	\$10,000
SWEET GRASS CONSERVATION DISTRICT	IRRIGATION	\$10,000
TETON CONSERVATION DISTRICT	DAM	\$10,000
THREE FORKS	WASTEWATER	\$10,000
TIMBRSHOR/LAKE COUNTY WATER AND SEWER DISTRICT	WASTEWATER	\$10,000
TOSTON IRRIGATION DISTRICT	IRRIGATION	\$10,000
TOWNSEND	WASTEWATER	\$10,000
VALIER	WASTEWATER	\$10,000
VALLEY COUNTY SUNNY HILLS	WATER	\$20,000
VAUGHN FLOOD CONTROL DISTRICT	LEVEE CERTIFICATION STUDY	\$10,000
WIBAUX	CAPITAL IMPROVEMENTS PLAN	\$5,000
WINNETT	WASTEWATER	\$10,000
WHITE SULPHUR SPRINGS	WASTEWATER	\$10,000
YELLOWSTONE CONSERVATION DISTRICT	IRRIGATION	\$10,000
<b>TOTAL</b>		<b>\$797,500</b>

## SECTION 2 IRRIGATION DEVELOPMENT GRANTS

### Background

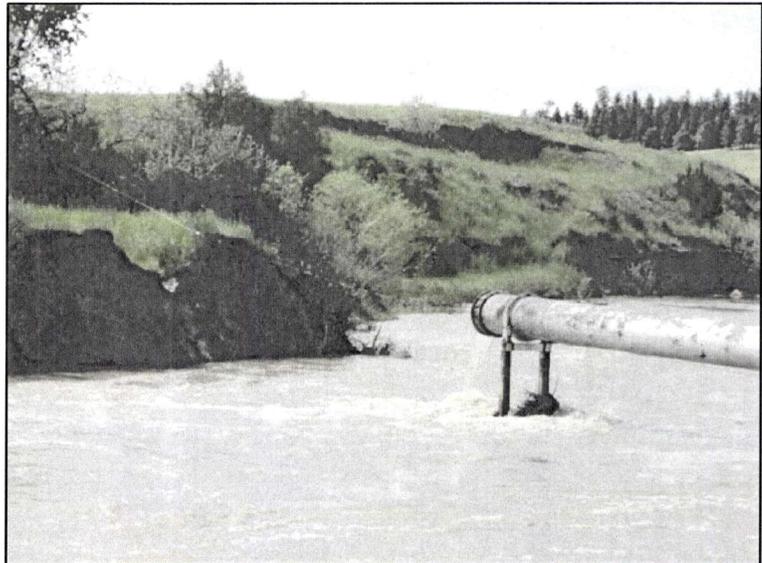
The Irrigation Development Program (IDG) was initiated by the 1999 Legislature to foster development of new irrigation projects and production of high-value crops such as potatoes and sugar beets. Program staff provide financial, technical and legal assistance to government and private entities. The program also works with numerous irrigation districts and associations to address current issues and training needs. This work includes assistance on dealing with the numerous aging infrastructure issues in irrigation throughout the state.

Grants range from \$400 to \$20,000 per project. Project examples include feasibility studies on irrigation system improvements or new irrigation projects, purchase and training for flow monitors to improve irrigation efficiencies and add to instream flows, and agriculture tours to educate producers on new technology.

The Irrigation Development Program has assisted producers and irrigators to develop over 40,000 acres of new irrigation since 2001. Projects funded by this program have played an important role in improving the management and conservation of over 220,000 acres of existing irrigation so that more water is available for all uses.

In Eastern Montana, the Irrigation Development Program assisted in increasing the acres used for malting barley, dairy feed and potatoes. The program has also been very closely involved with the Fort Peck Tribes in their efforts to implement the proposed Fort Kipp Irrigation

Project. This 2,200 acre project will be a blueprint for how the Tribes will build many new irrigation projects along the Missouri River over the next several decades. Efforts have also



#### **Musselshell River near Musselshell, Montana**

Delphia Melstone Water Users Association received an Irrigation Development Grant and an RRG Planning Grant to address bank scour away from end of pipe at canal crossing shown in picture.

begun to assist the Dry Fork Farms of the Chippewa Cree Tribe to finish developing an additional 1,400 acres and pipeline on the Rocky Boy's Reservation.

### Project Solicitation and Review

To request funds, applicants are required to submit an application that describes the project, identifies the sources and uses of funding, and discusses the implementation schedule for the study.

All submitted applications are evaluated for completeness and compliance with the intended purposes of the program. Requests for irrigation development grants funds are reviewed by DNRC staff and funded, if appropriate, on a first come basis. There is more demand than there is available funding every year.

<b>TABLE 4</b> <b>2013 BIENNIUM IRRIGATION DEVELOPMENT GRANTS</b> <b>AWARDED AS OF JANUARY 31, 2012</b>		
<b>Recipient</b>	<b>Amount</b>	<b>Contracted Date</b>
HELENA VALLEY IRRIGATION DISTRICT	\$15,000.00	8/10/2011
GLEN LAKE IRRIGATION DISTRICT	\$15,000.00	8/16/2011
DELPHIA MELSTONE CANAL WATER USERS ASSOCIATION	\$5,000.00	8/12/2011
PONDERA COUNTY CANAL & RESERVOIR COMPANY	\$15,000.00	8/12/2011
CENTRAL MONTANA REGIONAL WATER SYSTEM	\$4,436.00	8/17/2011
MISSOULA COUNTY TREASURER	\$5,000.00	8/29/2011
ORCHARD HOMES DITCH COMPANY	\$5,000.00	11/10/2011
GRASS VALLEY FRENCH DITCH	\$11,850.00	10/25/2011
SUN RIVER WATERSHED PROJECT	\$10,000.00	10/18/2011
GREENFIELDS IRRIGATION DISTRICT	\$15,000.00	10/5/2011
MISSOULA COUNTY TREASURER	\$5,000.00	10/26/2011
BITTER ROOT IRRIGATION DISTRICT	\$4,850.00	10/17/2011
ORCHARD HOMES DITCH COMPANY	\$5,000.00	11/10/2011
DEER LODGE VALLEY CONSERVATION DISTRICT	\$15,000.00	12/7/2011
HELENA VALLEY IRRIGATION DISTRICT	\$9,500.00	12/12/2011
HUNTLEY IRRIGATION DISTRICT	\$395.00	2/3/2012
WATERSHED RESTORATION COALITION	\$5,000.00	1/13/2012
FRED BURR HIGH LAKE CORPORATION	\$8,090.00	1/19/2012
DELPHIA MELSTONE CANAL WUA	\$395.00	1/17/2012
PETROLEUM COUNTY CONSERVATION DISTRICT	\$395.00	1/26/2012
HELENA VALLEY IRRIGATION DISTRICT	\$395.00	1/18/2012
CARBON COUNTY CONSERVATION DISTRICT	\$395.00	1/30/2012

### SECTION 3. EMERGENCY GRANTS AND LOANS

In addition to the regular funding available during each RRGL funding cycle, limited funds are available for immediate projects to address qualified emergencies. These funds are reserved to help finance emergency projects which otherwise would be eligible for grant or loan funding, and, if delayed until legislative approval during the next funding cycle, would result in substantial damages or legal liability for the project sponsor.

DNRC accepts applications for emergency grants and loans from public entities when an emergency occurs. No application fee is required.

To request funds, applicants are required to submit a letter containing:

- A description of the problem;
- A statement of when the problem occurred;
- The proposed solution;
- Cost estimates, with documentation; and,
- Documentation of the community's financial condition and ability to otherwise pay for the proposed repairs



Emergency Grant to the Canyon Creek Irrigation District near Hamilton.

Repair the Canyon Lake Dam after sinkhole damage.

## Application Review

As with funding for other renewable resource projects, emergency funds must be used for projects that manage renewable resources in the state through conservation, management, development or preservation; for assessing feasibility or planning; for implementing renewable resource projects; or for similar purposes approved by the Legislature. Requests for emergency funds are reviewed by DNRC staff. A DNRC engineer investigates the problem to determine feasible alternatives. The project is evaluated to determine its eligibility for funding under the RRGL. Engineers and technical experts from other state agencies may be solicited for technical opinions, guidance, and information.

## Funding Recommendations

The 2011 Legislature authorized \$100,000 in House Bill 6 to fund emergency grants for this biennium. Typically, a grant for an individual emergency project is limited to a maximum of \$30,000. The limited total amount of funding available each biennium dictates close management of funding limits for each emergency project. The amount available for emergency loans is \$10,000,000 per biennium. The amount available per loan is based on the applicant's ability to repay the loan.

As of January 31, 2012, no 2013 biennium emergency grants have been awarded. To illustrate the types of projects that receive emergency grants, Table 5 shows emergency grants awarded during the 2011 biennium.

<b>APPLICANT</b>	<b>EMERGENCY PROJECT</b>	<b>GRANT AMOUNT</b>
BITTER ROOT IRRIGATION DISTRICT	EMERGENCY REPAIR OF LOST HORSE FEEDER CANAL	\$ 15,000.00
FORT SHAW IRRIGATION DISTRICT	REPAIR OF A CONCRETE SIPHON	\$ 5,000.00
CHIPPEWA CREE TRIBE	BOTTLED WATER FOR ROCKY BOY'S RESERVATION	\$ 15,000.00
CANYON CREEK IRRIGATION DISTRICT	EMERGENCY REPAIR OF A SINKHOLE IN CANYON LAKE DAM	\$ 15,000.00
BLODGETT CREEK IRRIGATION DISTRICT	EMERGENCY REPAIR OF HIGH LAKE DAM	\$ 6,000.00
BUFFALO RAPIDS IRRIGATION DISTRICT NO. 1	EMERGENCY REPAIR GLENDIVE PUMP STATION NO. 1, ICE/FLOOD DAMAGE	\$ 20,000.00
YELLOWSTONE CONSERVATION DISTRICT	EMERGENCY FLOOD MITIGATION	\$ 24,000.00

## SECTION 4 LOANS TO PUBLIC ENTITIES

The Resource Development Bureau also accepts applications for public loans at the same time grant applications are due from public applicants under this program. These loans are funded with proceeds from the sale of coal severance tax secured bonds and frequently are offered at a subsidized interest rate.

### **Application Review**

The RRGL team follows the same methodical review process for the project grants described in Section 1 with the exception of comparative ranking. DNRC assigns a favorable funding recommendation to all feasible public loan applications that are eligible for funding. The DNRC recommendation includes the amount of financing needed to meet project and financing expenses and a suggested interest rate. There is no maximum allowable loan amount. Public loans are limited to the amount an applicant has the ability to repay under the standard repayment terms and by the bonding capacity of DNRC.

### **Interest Rates**

Loans may be provided at a rate less than the rate at which the State bond is sold for all or part of the term. During the financial review of each loan application, DNRC prepares a funding recommendation that may include a recommended interest rate subsidy based on the affordability of the proposed project. Recommendations are developed to be consistent with past direction provided by the Long Range Planning subcommittee of the Legislature.

The basic interest rate on coal severance tax loans is determined by the bond market at the time coal severance tax bonds are sold. The rate of interest on most loans from the program will vary in accordance with the rate on the State coal severance tax bonds. The basic rate of interest for each public loan financed from the proceeds of a single bond issue is the same. Subsidies may vary depending on legislative authorization.

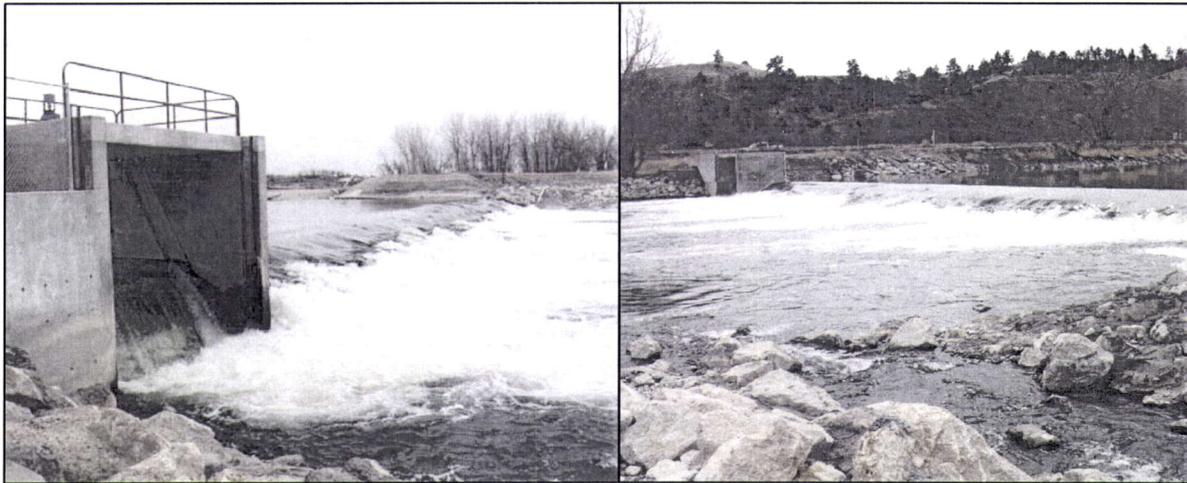
### **Project Management**

After a public loan is authorized by the Legislature and the project sponsor is ready to secure financing, DNRC performs a more thorough review of the applicant's ability to repay the loan. If the borrower provides documentation of the ability to repay a loan and all legal requirements to incur debt are met, a bond purchase agreement is prepared and executed. The agreement

includes specific requirements and covenants with respect to a project or improvements to the project being financed. Borrowers must acquire all property rights necessary for the project, including water rights, rights-of-way, and interest in land needed for a project's construction, operation, and maintenance. As appropriate, these and other stipulations also are contained in a bond resolution. Unless otherwise authorized, each loan, including principal and interest, shall be payable over a term approved by DNRC, not to exceed the term authorized by the Legislature. The cost of issuing the coal severance tax bond also is paid by borrowers.

Each borrower must agree not to sell, transfer, lease, or otherwise encumber the project, any portion of the project, or interest in the project without prior written consent from DNRC. Further, the borrower must notify DNRC of any changes or modifications in a project, either before or during construction. Borrowers are required to acquire and maintain, with respect to the project, property, casualty, and liability insurance. Insurance policies must name DNRC as a certificate holder for notification purposes.

Loan agreements require quarterly progress reports during construction, expenditure reports during construction, a final project report, and annual financial reports over the term of the loan. Projects are closely monitored during construction.



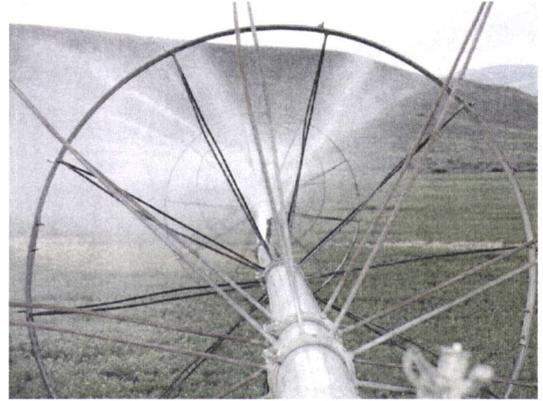
Huntley Irrigation District Public Loan Project to build a diversion dam and a sluice gate (pictured left) designed to be opened periodically to flush silt that accumulates above the diversion dam. This diversion is on the Yellowstone River about a mile upstream from the town of Huntley, east of Billings.

Active Renewable Resource loans to public entities are presented in **Table 6**.

<b>TABLE 6</b>			
<b>ACTIVE PUBLIC LOANS</b>			
<b>(Loan balance as of January 31, 2012)</b>			
<b>APPLICANT</b>	<b>BALANCE DUE</b>	<b>APPLICANT</b>	<b>BALANCE DUE</b>
BEAVERHEAD COUNTY/RED ROCK WATER & SEWER DISTRICT	\$ 1,139,684	DUTTON, TOWN OF	\$ 6,024
BITTERROOT IRRIGATION DISTRICT	275,711	DUTTON, TOWN OF	1,077
BITTERROOT IRRIGATION DISTRICT	466,347	EAST BENCH IRRIGATION DISTRICT	195,706
BROADWATER (Toston Dam)	8,855,000	FAIRFIELD, TOWN OF	109,688
BUFFALO RAPIDS IRRIGATION DISTRICT #1	585,621	FLATHEAD COUNTY-EVERGREEN WSD	462,191
DALY DITCHES IRRIGATION DISTRICT	215,557	FORSYTH, CITY OF	88,791
DALY DITCHES IRRIGATION DISTRICT	328,437	FORT BENTON	222,330
DNRC/STATE WATER PROJECTS BUREAU		HUNTLEY IRRIGATION DISTRICT 1	477,379
ACHLEY LAKE DAM REHAB	153,339	HUNTLEY IRRIGATION DISTRICT 2	114,516
BAIR DAM	538,347	HUNTLEY IRRIGATION DISTRICT 3	41,911
BROADWATER-MISSOURI PIPESPAN	162,267	HUNTLEY IRRIGATION DISTRICT 4	158,513
DEADMAN'S BASIN (BARBER)	213,672	HYSHAM, TOWN OF	76,866
DEADMAN'S BASIN (CANAL)	40,903	LOCKWOOD WATER & SEWER DISTRICT	1,046,716
DEADMAN'S BASIN (OUTLET)	360,020	LOWER WILLOW CREEK IRRIGATION DISTRICT	26,849
EAST FORK ROCK CREEK DAM	300,000	MALTA IRRIGATION DISTRICT	1,352,798
EAST FORK SIPHON	185,715	MANHATTAN, TOWN OF	1,194,899
MARTINSDALE RESERVIOR	74,268	MILL CREEK WATER & SEWER DISTRICT	289,872
NEVADA CREEKDAM REHAB	298,582	MILL CREEK IRRIGATION DISTRICT	486,638
NORTH FORK OF THE SMITH RIVER	316,090	SUN PRAIRIE WATER & SEWER DISTRICT	31,952
PETROLIA DAM	126,614	TIN CUP WATER DISTRICT	100,770
RUBY RIVER WATER USERS ASSOCIATION	1,869,627	TONGUE RIVER DAM	7,533,333
RUBY RIVER WATER USERS ASSOCIATION	3,606,429	<b>TOTAL</b>	<b>\$ 34,131,050</b>

## SECTION 5 GRANTS AND LOANS TO PRIVATE ENTITIES

Applications for water-related projects from any individual, association, for-profit corporation, or not-for-profit corporation, may be considered for funding. Only water-related projects may be funded. Projects must have quantifiable benefits that will exceed costs. Projects must also provide public benefits in addition to any private benefits.



### **Grant Application Review and Recommendations**

All applications are evaluated and ranked according to the extent each application presents a project that is critically needed, will protect public health, provides opportunities for resource conservation, and improves the environment. All applicants must hold or be able to acquire all necessary lands other than public lands and interests in the lands and water rights necessary for the construction, operation, and maintenance of the project. Any potable water system project must be approved by the Montana Department of Environmental Quality to ensure that it meets State standards.

According to the Montana Constitution, the Legislature may not appropriate funds to private individuals. However, State entities have the authority to distribute public funds to private individuals. To provide for private grants in 2011, the Legislature appropriated \$50,000 to DNRC to fund grants for private entities.

DNRC reviews and screens grant requests to determine whether the proposed projects are technically feasible. By law, grant funding for any project may not exceed 25% of the total estimated cost of the project.

### **Grant Project Management**

After the DNRC Director has acted on the funding recommendations prepared by staff, DNRC notifies the applicants of their funded or not-funded status. DNRC does not reimburse any project cost incurred before a formal funding agreement is executed.

Project sponsors must: (1) pay all project costs, (2) submit a claim and obtain a reimbursement of allowable costs from DNRC, or (3) arrange for an advance of funds. Invoices may be submitted monthly, and all costs must be supported by invoices, receipts, or both.

### Private Grant Activity

DNRC has not awarded any private grants during the 2013 biennium. To illustrate the types of projects funded under this program, **Table 7** shows private grants awarded during the 2011 biennium.

TABLE 7 PRIVATE GRANTS AWARDED DURING THE 2011 BIENNIUM		
Grant Title	Recipient	Amount
REPAIR CONCRETE OUTLET TOWER	PIPESTONE WATER USERS ASSOCIATION	\$2,500.00
MULTIPLE DAM INSPECTONS	PIPESTONE WATER USERS ASSOCIATION	\$2,500.00
UPGRADE SEWER SYSTEM TO MEET COUNTY & HEALTH	SMITH, MONTE	\$2,500.00
SWIFT DAM ENGINEERING FEES FOR REQUIRED INSPECTION	PONDERA COUNTY CANAL & RESERVOIR COMPANY	\$1,872.50
REPLACE FAILED SEWER SYSTEM	ENGSTROM, MARCUS	\$2,500.00
REPLACE OBSOLETE SEPTIC SYSTEM	DEFILIPPIS, DOMINICK	\$2,245.00
REPLACEMENT OF FAILED SEPTIC SYSTEM	STEELE, KATHERINE	\$2,085.00
PRIVATE GRANT REPLACE SEPTIC	VERBICK, GAIL A	\$1,717.50

### Renewable Resource Loans to Private Individuals and Groups

Loan funding became available in 1981 when the Legislature earmarked \$350,000 under the former Renewable Resource Development program to finance loans to private individuals. At the same time, DNRC was given the authority to issue general obligation bonds to finance private loans. Loans to private individuals must promote and advance the beneficial use of water and allow Montana citizens to fully use State waters.

### Loan Application Review and Recommendations

Loan applications may be submitted at any time. DNRC staff reviews the application for completeness and requests additional information when needed. Technical aspects of the project are usually completed by Natural Resource Conservation Service or a private engineer. If the project is not designed by a qualified professional, DNRC will closely review the project design and specifications. Financial review is completed by DNRC and includes an evaluation of the applicant's financial strengths, weaknesses, and risk-taking capacity. The review also includes an evaluation of the security offered and a determination of the relative security position DNRC will have. All of these factors are considered in the recommendation to the loan committee.

Projects must be technically and economically feasible, and must pay for themselves over the life of the installation through water savings, increased crop production, or other measurable benefits. Applications that meet feasibility and eligibility criteria are funded if the applicant demonstrates the ability to repay the loan.

The maximum loan amount allowable for private individuals under the RRGL is \$400,000. Water user associations may borrow up to \$3,000,000 based on ability to pay. Loans are for a term not longer than either 30 years or the estimated useful life of the equipment purchased or materials installed. For new irrigation equipment, the allowable term is 15 years; for used irrigation equipment, the term usually is 10 years or shorter.

### Interest Rates

The rate of interest on the State's general obligation bond determines the interest rate for private loans. The basic rate for private loans has typically varied from 4.03% to 9.5 %. In fiscal years 2010 and 2011, the program was able to deliver a lower rate of 4%.

Longer terms and competitive fixed interest rates, in most cases, continue to make these loans attractive to borrowers interested in long-term financing for major equipment or system purchases.

### Loan Project Management

Borrowers must acquire all property rights necessary for the project, including rights-of-way and interest in land needed for the construction, operation, and maintenance of the project. Title insurance, a title opinion or other documents showing the ownership of the land,

mortgages, encumbrances, or other liens must be provided to DNRC. Loans must be secured with real property valued higher than the loan amount requested.

Loan Project Monitoring

Borrowers must maintain proper and adequate records of accounts that show the complete and correct entries of all receipts, disbursements, and other transactions related to the project. If applicable, borrowers must document the monthly gross revenue derived from project operations. Any segregation and application of the gross revenue resolution also must be shown in such reasonable detail, as may be determined by the borrower in accordance with generally accepted accounting practices and principles.

Private Loan Projects Funded

As of December 31, 2011, 500 private loans have been approved under the RRGL and a total of \$47,320,318.00 has been advanced since the beginning of the program. In Fiscal Years 2011 and 2012, DNRC has approved 17 private loans (**Table 8**). Loans are typically used to finance new and refurbished irrigation systems to increase irrigation efficiencies, drill irrigation wells, and refurbish private drinking water systems.

<b>TABLE 8</b>		
<b>PRIVATE LOANS AUTHORIZED JANUARY 1, 2011 - JANUARY 31, 2012</b>		
<b>Contract Number</b>	<b>Location by County</b>	<b>Loan Amount</b>
WDL-11-3628	Broadwater	\$ 180,000
WDL-11-3629	Broadwater	165,000
WDL-11-3630	Carbon	270,000
WDL-11-3631	Gallatin	221,000
WDL-11-3632	Cascade	100,000
WDL-11-3633	Teton	99,845
WDL-11-3634	Teton	92,000
WDL-11-3635	Teton	48,280
WDL-11-3636	Lewis & Clark	130,000
WDL-11-3637	Teton	56,480
WDL-11-3638	Broadwater	40,000
WDL-11-3639	Teton	301,390
WDL-11-3640	Teton	120,000
WDL-12-3641	Wheatland	201,000
WDL-12-3644	Teton	93,000
<b>Total</b>		<b>\$2,117,995</b>

## SECTION 6

### ADDITIONAL INFORMATION

The information in this report updates DNRC's RRGL biennial report. The biennial report was prepared in September, 2010 and is Volume 6 of the Governor's Executive Budget Fiscal Years 2012 – 2013. The biennial report includes summaries of each project recommended for funding to the 2011 Legislature and contains a comprehensive description of RRGL program policies and procedures. Volume 6 of the Governor's Executive Budget Fiscal Years 2012 – 2013 is available at the following website:

<http://dnrc.mt.gov/AboutUs/Publications/2010/2012-2013RRGLExecutiveBudget.pdf>.

Every grant program under the Renewable Resource Grant and Loan umbrella has an application and guidelines for applicants. These are available by contacting the Resource Development Bureau and at the following website:

<http://dnrc.mt.gov/cardd/LoansGrants/Default.asp>

#### Grant Program Contact Information

##### **RRGL Project and Planning Grants**

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406-444-6839

##### **RRGL Private Grants and Loans**

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406-444-6686

##### **RRGL Public Loans & Emergency Grants**

Bob Fischer  
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406-444-6688

##### **RRGL Irrigation Development Grants**

Pat Riley  
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406-247-4413

##### **Resource Development Bureau Chief**

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