

RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

Program Description

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 executive recommendation for RRGL grants and loans is contained in HB 6 and HB 8.

The Department of Natural Resources and Conservation (DNRC) administers the RRGL program, which involves a biennial application process. DNRC and a technical review team initially evaluate each application for economic and technical feasibility. Qualifying applications are then examined according to five criteria:

- Financial feasibility
- Adverse environmental impact
- Technical merit
- Public benefit
- Renewable resource benefit

The RRGL program consists of two individual programs, a grant program, and a loan program, that will be detailed individually in this report.

Program Budget Comparison

Figure 15 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 15

Program Comparison - Renewable Resource Grant and Loan Program				
Budget Item	Budget 2023 Biennium	Budget 2025 Biennium	Biennium Change	Biennium % Change
Number of Grants Funded	76	70	(6)	-8.6%
Number of Loans Funded	9	12	3	25.0%
	<u>Appropriated</u>	<u>Proposed</u>		
Grants Cost	\$9,220,788	\$8,750,000	(470,788)	-5.4%
Other Grants	2,050,000	7,400,000	5,350,000	72.3%
Loan Program	101,695,000	98,945,000	(2,750,000)	-2.8%
Total Costs	\$112,965,788	\$115,095,000	\$2,129,212	1.8%
State Special	0	16,150,000	16,150,000	100.0%
CST Bond Proceeds	101,695,000	98,945,000	(2,750,000)	-2.8%
GO Bond Proceeds	0	0	0	-
ARPA 9901-602 (HB 632)	11,270,788	0	(11,270,788)	0.0%
Total Funds	\$112,965,788	\$115,095,000	\$2,129,212	1.8%

Executive Proposal

Figure 15 shows the executive proposal for appropriations of \$115.1 million for the RRGL programs in the 2025 biennium. The executive proposal for the RRGL program is 1.8% higher than the appropriations provided for the 2023 biennium; the increase is primarily in funding for planning grants, which falls under the other grants

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category. The requests are included in HB 6 and HB 8, and each of the bills contains a piece of the 2025 RRGL Program as follows:

- HB 6
 - RRGL emergency grants appropriation of \$0.3 million
 - RRGL project planning grants appropriation of \$3.5 million
 - RRGL irrigation grants appropriation of \$0.5 million
 - RRGL watershed management grants appropriation of \$0.5 million
 - RRGL private grants appropriation of \$0.1 million
 - RRGL non-point source pollution reduction, \$2.5 million
 - RRGL specific project grant appropriation of \$8.8 million
- HB 8
 - RRGL loan appropriations of \$98.9 million

More information on the loan program, included in HB 8 with loans supported by coal severance tax (CST) bonds, will follow the RRGL grant program discussion.

Grant Program Discussion

The RRGL grant program received 70 applications requesting project grants of \$8.8 million. The executive recommends funding all the individual project requests with \$8.8 million in cash.

The 2025 biennium executive proposal includes an increase of \$7.4 million for other grants, primarily for project planning grants.

A complete list of the requested RRGL projects and the recommended grant amounts, may be seen in appendix A-12 of this report. The details behind the grants requested for the 2025 biennium RRGL, along with a status of grants awarded in the 2023 biennium, are presented in Vol. 6 of the Governor's Executive Budget.

Loan Program Discussion

The second element of the RRGL program is the loan program. The loan program, proposed in HB 8, would authorize the issuance of CST collateralized bonds to finance RRGL project loans. Proceeds from the issuance of bonds are used to finance the loans and the repayment of the loans pay the associated debt service. Loans have differing interest rates based on the years of the loan and the state's bond rate. The basic interest rate on CST loans is determined by the bond market at the time the CST bonds are sold. Loans may be provided at a rate less than the rate at which the state bond is sold for all or part of them; subsidies vary depending on legislative authorization. Because money from the coal severance tax bond fund is pledged as collateral for debt service payments on the bonds, HB 8 requires a three-fourths vote of the members of each house, as directed by the Montana Constitution.

HB 8 includes twelve loans. Of those, nine loans appeared before in HB 8 from prior sessions and are simply being reauthorized in the 2025 biennium. The remaining three loans are new. Among the new loans, the executive requests \$16.0 million for two dam rehabilitation projects. The total request for bond authority and appropriation is \$98.9 million, which includes \$9.0 million to establish a reserve for the bonds. A complete list of the loans included in HB 8 can be seen in appendix A-15 of this report.

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Funding

The funding for the RRGL grant program is provided through the “natural resource projects” state special revenue fund. To view the full natural resource projects fund balance analysis, see page F-31.

The RRGL loan program is financed with coal severance tax bond issues. The Board of Examiners will be authorized to issue coal severance tax bonds in the amount of \$90.0 million, the proceeds from which would be available to the DNRC for financing the projects identified in the bill.

NATURAL RESOURCES PROJECTS ACCOUNT

Funding

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

- Interest income of the resource indemnity trust (RIT) fund as provided in and subject to the conditions of 15-38-202, MCA (\$3.2 million, when interest earnings are sufficient, each fiscal year for the purpose of making grants)
- Resource indemnity and ground water assessment tax (RIGWA) under provisions of 15-38-106, MCA (50% of the remaining proceeds, after appropriations for CIRCLA debt service, and \$366,000 to the groundwater assessment account, for the purpose of making grants)
- Oil and gas production tax as provided in 15-36-331, MCA (2.16% of oil and natural gas production taxes remaining after the distributions pursuant to subsections (2) and (3))
- Excess coal severance tax proceeds allocated by 85-1-603 (Bond Pool Transfer), 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)

Figure 17

Natural Resource Project Account Fund Balance Analysis - 2025 Biennium					
Account 02577					
	FY 2022	FY 2023	FY 2024	FY 2025	2025 Biennium
	Actuals	Projected	Projected	Projected	Total
Available Balance	\$9,710,996	\$14,359,730	\$8,868,903	(\$6,433,940)	\$8,868,903
Fund Balance Adjustment	0	150	0	0	0
	\$9,710,996	\$14,359,880	\$8,868,903	(\$6,433,940)	\$8,868,903
Revenue Projections ¹					
RIT Interest Earnings	2,220,602	2,953,396	2,361,663	3,200,000	5,561,663
Resource Indemnity & Groundwater	904,754	1,643,634	2,320,183	1,756,882	4,077,065
Oil and Gas Tax	1,689,528	1,884,706	1,698,657	1,670,443	3,369,100
Other Revenues	19,850	0	20,000	1,000	21,000
General Transfers-In	163,347		100,000	100,000	200,000
HB 14 GF Transfer	<u>2,099,322</u>	0	0	0	0
Total Revenues	7,097,403	6,481,736	6,500,504	6,728,325	13,228,829
RRGL Appropriations - HB 6					
Other Grants	0	0	7,400,000	0	7,400,000
Prior Biennia	926,634	4,377,479		0	0
2025 Biennium Grants	<u>75,000</u>	<u>576,530</u>	<u>8,750,000</u>	0	<u>8,750,000</u>
Total RRGL Expenditures/Appropriations	1,001,634	4,954,009	16,150,000	0	16,150,000
RDGP Appropriations - HB 7					
Other Grants	0	800,000	2,000,000	0	2,000,000
Prior Biennia	1,425,770	866,495	0	0	0
2025 Biennium Grants	<u>21,116</u>	<u>5,352,059</u>	<u>3,653,347</u>	0	<u>3,653,347</u>
Total RDGP Expenditures/Appropriations	1,446,886	7,018,554	5,653,347	0	5,653,347
Total Expenditures/Appropriations	2,448,520	11,972,563	21,803,347	0	21,803,347
Estimated Ending Fund Balance	\$14,359,879	\$8,868,903	(\$6,433,940)	\$294,385	\$294,385
¹ HJ 2 projections					

Figure 17 provides the projected balance for the natural resource project fund. The fund is projected to have a beginning balance of \$8.9 million for the 2025 biennium. Most of the RRGL grants in the 2023 biennium were funded with federal ARPA funding, rather than state special revenue funds, resulting in a higher ending fund balance.

NATURAL RESOURCES PROJECTS ACCOUNT

Revenues for the 2025 biennium, as provided in the HJ 2 estimates, are projected to be \$13.2 million. Appropriations from the natural resource projects account are authorized in Title 15, Chapter 38, MCA, which states, "Appropriations may be made from the natural resources projects state special revenue account for grants and loans for designated projects and the activities authorized in 85-1-602, MCA, and 90-2-1102, MCA," the RRGL and RDGP programs.

In the 2025 biennium, the executive budget recommends total appropriations of \$16.2 million for the RRGL program and \$5.7 million for the RDGP program from the natural resource projects fund. The ending fund balance at the end of the 2025 biennium is projected to be a positive \$294,000. For more information on interest earnings, see page F-5 of this report.

Renewable Resource Grants (RRGL)					
HB 6 - 2025 Biennium Proposed Project					
Rank	Applicant / Project Title	Project Type	Total Project Cost	Grant Requested	Cumulative Total
HB 6 Projects					
1	Cooke City Cooke City Wastewater Treatment & Collection System	Wastewater	3,933,186	125,000	125,000
2	West Yellowstone, Town of West Yellowstone Wastewater Treatment Plant Project	Wastewater	33,114,700	125,000	250,000
3	Red Lodge, City of Red Lodge Wastewater System Improvements	Wastewater	1,325,000	125,000	375,000
4	Superior, Town of Superior Wastewater System Improvements Project	Wastewater	4,824,295	125,000	500,000
5	Choteau, City of Choteau Water System Improvements	Water	7,767,856	125,000	625,000
6	Cascade, Town of Cascade Wastewater System Improvements	Wastewater	3,091,000	125,000	750,000
7	Sand Coulee, Town of Sand Coulee Wastewater Improvements	Wastewater	6,534,776	125,000	875,000
8	Kalispell, City of Morning Star Court Water & Wastewater Improvement Project	Water/Wastewater	2,104,695	125,000	1,000,000
9	Saco, Town of Saco Water System Improvements	Wastewater	1,695,000	125,000	1,125,000
10	Drummond, Town of Wastewater Treatment Facility Upgrade	Wastewater	3,548,470	125,000	1,250,000
11	Craig County WSD Craig Wastewater System Improvements	Wastewater	800,000	125,000	1,375,000
12	Gallatin Canyon County Water Sewer District Gallatin Canyon Sewer Project Phase 1.2	Wastewater	22,500,000	125,000	1,500,000
13	Thompson Falls, City of Thompson Falls Water System Improvements Project	Water	5,523,000	125,000	1,625,000
14	Corvallis County Sewer District Corvallis Wastewater Collection System Improvements	Wastewater	1,123,210	125,000	1,750,000
15	Helena, City of Red Mountain Flume Repairs Project #22-05	Water	2,368,052	125,000	1,875,000
16	Havre, City of City of Havre Water System Improvements Project	Water	8,355,390	125,000	2,000,000
17	Bigfork County Water and Sewer District West Trunk Sewer Replacement & Collection Basin Rehabilitation Project	Wastewater	4,115,000	125,000	2,125,000
18	Belt, Town of Town of Belt Water System Improvements	Water	2,855,000	125,000	2,250,000
19	Lincoln County Libby Creek Community Water & Waste Water Improvements	Water/Wastewater	2,363,000	125,000	2,375,000
20	Richey, Town of Richey Water Main Replacement Phase 2	Water	1,850,000	125,000	2,500,000
21	Geraldine, Town of Geraldine Water System Improvements	Water	2,643,000	125,000	2,625,000
22	Victor Water & Sewer District Victor Wastewater Collection and Treatment Improvements Project	Wastewater	1,283,000	125,000	2,750,000
23	Forsyth, City of City of Forsyth Water System Improvements	Water	4,630,258	125,000	2,875,000
24	Townsend, Town of Townsend Water System Improvements Project	Water	13,046,015	125,000	3,000,000
25	Martinsdale Water and Sewer District Water System Improvements	Water	1,998,000	125,000	3,125,000
26	Twin Bridges, Town of Twin Bridges Water System Improvements	Water	2,040,000	125,000	3,250,000
27	Dodson, Town of Dodson Water System Improvements	Water	3,250,300	125,000	3,375,000
28	Sunburst, Town of	Wastewater	2,245,000	125,000	3,500,000

Rank	Applicant / Project Title	Project Type	Total Project Cost	Grant Requested	Cumulative Total
29	Sunburst Wastewater Distribution & Treatment Project Philipsburg, Town of Water Main Replacement Alley between Broadway and Stockton (Duffy-Sansome)	Water	241,995	125,000	3,625,000
30	Missoula, City of City of Missoula Comprehensive Stormwater Plan	Stormwater/Planning	252,200	125,000	3,750,000
31	Denton, Town of Denton Wastewater System Upgrades Phase 1	Wastewater	3,890,100	125,000	3,875,000
32	Dutton, Town of Dutton Water System Improvements	Water	4,079,000	125,000	4,000,000
33	Circle, Town of Circle Waterline Replacement Project Phase 4	Water	2,000,000	125,000	4,125,000
34	Clancy Water and Sewer District Water System Improvements	Water	5,048,600	125,000	4,250,000
35	Basin County Water and/or Sewer District Basin Water System Improvements Project	Water	736,334	125,000	4,375,000
36	Wolf Point, City of Wolf Point Wastewater Project Phase 1	Wastewater	2,400,000	125,000	4,500,000
37	Hideaway Community County Water & Sewer District Hideaway Court Community Sewer Project (HCCWSD)	Wastewater	1,373,378	125,000	4,625,000
38	Chester, Town of Chester Wastewater Improvements Project	Wastewater	3,416,975	125,000	4,750,000
39	Troy, City of Troy Water System Improvements Project	Water	1,540,000	125,000	4,875,000
40	Lockwood Water and Sewer District Lockwood Water and Sewer District Mid Zone Reservoir	Water	3,010,000	125,000	5,000,000
41	Hot Springs, Town of Hot Springs Sewer Lagoon Rehabilitation Project	Wastewater	4,111,000	125,000	5,125,000
42	Hingham, Town of Hingham Wastewater System Improvements Project	Wastewater	3,610,455	125,000	5,250,000
43	Chester, Town of Chester Water System Improvements Project	Water	2,375,800	125,000	5,375,000
44	Shelby, City of City of Shelby Wastewater Improvements Project	Wastewater	889,000	125,000	5,500,000
45	Conrad, City of Conrad Storm Water Project	Stormwater	3,778,313	125,000	5,625,000
46	Absarokee Water and Sewer District Absarokee Water and Sewer District Water System Improvements	Water	\$1,446,000	\$125,000	\$5,750,000
47	North Cut Bank Glacier County Water & Sewer District Wastewater Lift Station Improvements	Wastewater	314,704	125,000	5,875,000
48	Yellowstone Boys & Girls Ranch County W/S District Wastewater System Improvements	Wastewater	238,130	125,000	6,000,000
49	Judith Gap, Town of Judith Gap Wastewater Collection System Improvements	Wastewater	250,000	125,000	6,125,000
50	Boulder, City of City of Boulder Drinking Water System Improvements	Water	2,458,000	125,000	6,250,000
1	Greenfields Irrigation District Pishkun Inlet Hydroelectric Project	Irrigation	5,167,071	125,000	6,375,000
2	Lower Yellowstone Irrigation District #1 Thomas Point Pumping Plant Rehabilitation	Irrigation	465,360	125,000	6,500,000
3	Lower Yellowstone Irrigation Project Critical Structures Rehabilitation Project	Irrigation	718,551	125,000	6,625,000
4	Helena Valley Irrigation District Regulating Reservoir Preservation & Bypass Project	Irrigation	1,595,025	125,000	6,750,000
5	Buffalo Rapids Irrigation Project 2 Shirley Main Canal Rehabilitation Phase 2	Irrigation	247,183	125,000	6,875,000
6	Pondera County Conservation District Birch Creek Diversion Automation Project	Irrigation	385,400	125,000	7,000,000
7	Madison County Big Hole River Restoration Design & Permitting	Other	130,700	125,000	7,125,000
8	Ruby Valley Conservation District	Irrigation	1,252,825	125,000	7,250,000

Rank	Applicant / Project Title	Project Type	Total Project Cost	Grant Requested	Cumulative Total
	Ruby Valley CD Upper Jefferson Channel Restoration Project				
9	Newlan Creek Water District	Irrigation	137,191	125,000	7,375,000
	Newlan Creek Dam Safety Improvements				
10	Savage Irrigation District	Irrigation	511,000	125,000	7,500,000
	Savage Irrigation District Pump Station Rehabilitation				
11	Pondera County Conservation District	Irrigation	493,867	125,000	7,625,000
	PCCRC C-Canal Headworks Automation				
12	East Bench Irrigation District	Irrigation	376,593	125,000	7,750,000
	Carter Creek Lining & Headgate Automation				
13	Buffalo Rapids Irrigation Project 1	Irrigation	269,985	125,000	7,875,000
	Eiker Reach Canal Rehabilitation Project				
14	Hill County	Irrigation	147,000	125,000	8,000,000
	Beaver Creek Dam Tailwater Channel Restoration				
15	Granite Conservation District	Irrigation	250,000	125,000	8,125,000
	Allendale Ditch Rehabilitation				
16	Blaine County	Irrigation	277,502	125,000	8,250,000
	Blaine County NCIA North Chinook Reservoir Dam Outlet Rehabilitation Project				
17	Paradise Valley Irrigation District	Irrigation	491,817	125,000	8,375,000
	Hillside Ditch Pipeline Conversion Phase 2				
18	Huntley Project Irrigation District	Irrigation	1,990,428	125,000	8,500,000
	Highline Discharge Pipeline Rehabilitation				
19	Tin Cup Water & Sewer District	Irrigation	350,000	125,000	8,625,000
	Tin Cup and Mill Ditch Improvements				
20	Billings, City of	Study/PER	138,000	125,000	8,750,000
	Rim Tunnel Rehabilitation Project				
Total RRGL HB 6 Project Grants			\$213,782,683	\$8,750,000	

Renewable Resource Loans HB 8 - 2025 Biennium		
HB 8 Section/Sponsor/Project	Proposal	Cumulative Total
Sec. 1(2) Loans with interest rates of 3.0% or state bond rate, whichever is lower-30 years		
Greenfields Irrigation District Hydro Development	1,500,000	1,500,000
East Fork Dam Rehabilitation	10,000,000	11,500,000
Painted Rocks Dam Rehabilitation	6,000,000	17,500,000
Sec. 2(2) Loan Reauthorization with interest rates of 3.0% or state bond rate, whichever is lower-20 years		
DNRC-Conservation and Resource Development Division (CARDD) Refinance Existing Debt or Rehabilitation of Water and Sewer Facilities	\$8,000,000	\$25,500,000
Sec. 2(3) Loan Reauthorization with interest rates of 3.0% or state bond rate, whichever is lower-30 years		
Central Montana Regional Water Authority Local Match	5,000,000	30,500,000
Dry-Redwater Regional Water Authority Local Match	5,000,000	35,500,000
Dry Prairie Regional Water Authority Local Match	5,000,000	40,500,000
North Central Regional Water Authority Local Match	5,000,000	45,500,000
Lower Willow Creek Irrigation District Right Subdrain Repair Project	200,000	45,700,000
Huntley Irrigation District Tunnel 2 and Canal System	3,500,000	49,200,000
Lockwood Irrigation District Box Elder Siphon, Pump Station, and Pump 3	750,000	49,950,000
Sec. 2(4) Loan Reauthorization with interest rates of 3.0% or state bond rate, whichever is lower-30 years		
St Mary's Water Users Association St. Mary's Diversion Project Local Share ¹	40,000,000	89,950,000
Total Loan Authorizations:	\$89,950,000	
Loan Reserve:	<u>8,995,000</u>	
Total Bond Request	<u>\$98,945,000</u>	