

RECLAMATION AND DEVELOPMENT GRANTS PROGRAM

Program Description

The Reclamation and Development Grants Program (RDGP) is designed to fund projects that, “...indemnify the people of the state for the effects of mineral development on public resources and that meet other crucial state needs serving the public interest and the total environment of the citizens of Montana” (90-2-1102, MCA).

As provided in statute, projects approved in the RDGP are intended to:

- Repair, reclaim, and mitigate environmental damage to public resources from non-renewable resource extraction
- Develop and ensure the quality of public resources for the benefit of all Montana citizens

The RDGP is administered by DNRC, which solicits, evaluates, and ranks applications on a biennial basis. The program is required to prioritize \$800,000 of funding to any government entity for abandoned mine reclamation projects. RDGP grants are limited to \$500,000. Public entities eligible to apply for grants include state and local governments, political subdivisions, and tribal governments. Applications are evaluated according to specific criteria related to:

- Public benefit
- Need and urgency
- Appropriateness of technical design
- Financial feasibility
- Project management/organization
- Program budget comparison

Program Budget Comparison

Figure 16 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 16

Program Comparison - Reclamation and Development Grant Program				
Budget Item	Budget 2023 Biennium	Budget 2025 Biennium	Biennium Change	Biennium % Change
Number of Grants	16	10	(6)	-37.5%
	<u>Appropriated</u>	<u>Proposed</u>		
Grants Cost	\$5,802,155	\$3,653,347	-\$2,148,808	-37.0%
Other Grants Cost	800,000	2,000,000	1,200,000	150.0%
Total Costs	\$6,602,155	\$5,653,347	-\$948,808	-14.4%
State Special	\$6,173,155	\$5,653,347	-\$519,808	-8.4%
GO Bond Proceeds	0	0	0	0.0%
ARPA 9901-602 (HB 632)	429,000	0	-429,000	-100.0%
Total Funds	\$6,602,155	\$5,653,347	(\$948,808)	-14.4%

Executive Proposal

Figure 16 shows the executive proposal for appropriations of \$5.7 million for the RDGP program in the 2025 biennium. The executive proposal is 14.4% lower than the appropriations provided for the 2023 biennium.

RECLAMATION AND DEVELOPMENT GRANTS PROGRAM

The 2025 biennium proposal is requested in HB 7 and includes:

- RDGP project planning grants appropriation of \$2.0 million
- RDGP project grants appropriation of \$3.7 million

The RDGP grant program received 10 applications requesting \$3.7 million in grants. The executive recommends funding all the individual projects with cash.

A complete listing of the RDGP grants may be seen in appendix A-16 of this report. The details behind the grants requested for the 2025 biennium RDGP program, along with a status of grants awarded in the 2023 biennium, are presented in Vol. 5 of the Governor's Executive Budget.

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.

Reclamation and Development Grants (RDGP)					
HB 7 - Proposed 2025 Biennium Projects					
Rank	Applicant / Project Description	Project Type	Total Project Cost	Grant Proposed	Cumulative Total
<u>Grants Funded in HB 7</u>					
1	Beaverhead Conservation District Grasshopper Creek Mine Tailings Stream Bank Stabilization	Mining	429,180	419,180	419,180
2	DNRC - State Water Projects Bureau Willow Creek Dam Rehabilitation Project	Crucial State Need	12,802,500	500,000	919,180
3	DNRC - State Water Projects Bureau East Fork of Rock Creek Dam Rehabilitation	Crucial State Need	13,194,365	500,000	1,419,180
4	Chester, Town of Chester Motors Petroleum Cleanup	Hazardous Waste	423,561	300,000	1,719,180
5	Black Eagle Sewer Black Eagle Sewer System Improvements 2023	Mining	1,329,620	125,000	1,844,180
6	Harlowton, City of Asbestos Removal, Cleanup, and Restoration of Contaminated Soils at The Harlowton Roundhouse in Harlowton, MT	Hazardous Waste	532,923	500,000	2,344,180
7	Deer Lodge, City of Milwaukee Roundhouse CECRA Site Passenger Refueling Area VCRA Program Remediation	Hazardous Waste	326,636	342,500	2,686,680
8	Philipsburg, Town of Philipsburg Wastewater Project	Mining	1,225,000	316,667	3,003,347
9	Cascade Conservation District Muddy Creek Restoration and Resilience Project	Crucial State Need	2,488,591	500,000	3,503,347
8	DNRC - Water Management Bureau Expansion of Water Resources Division Hydrology Data Portal	Crucial State Need	247,970	150,000	3,653,347
Total HB 7 Projects			\$33,000,346	\$3,653,347	