

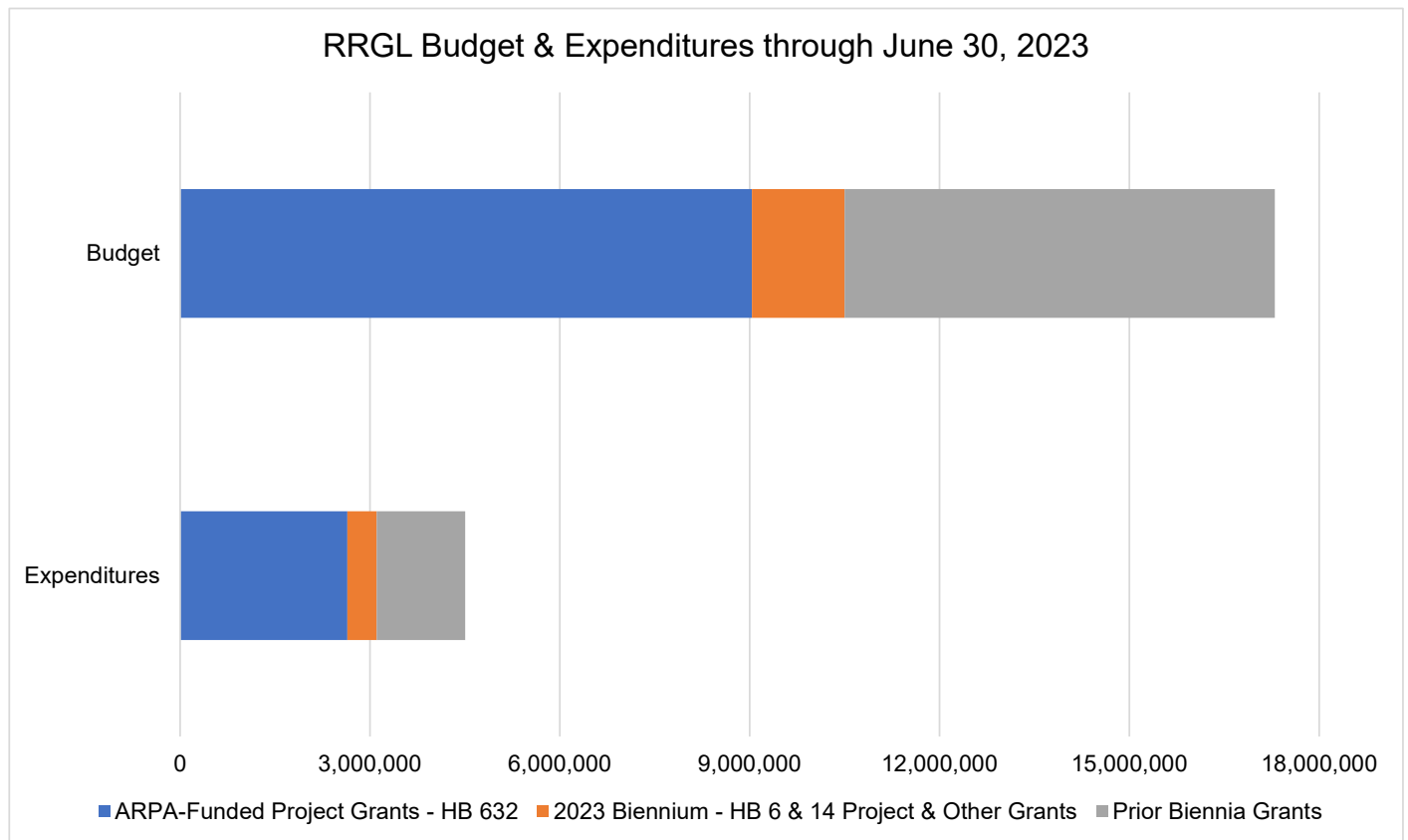
RENEWABLE RESOURCE GRANT & LOAN PROGRAM

PROGRAM SUMMARY

The Renewable Resource Grant and Loan Program (RRGL) 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 program is administered by the Department of Natural Resources and Conservation (DNRC).

BUDGET & EXPENDITURES

The following chart and table show RRGL FY 2023 budget and expenditures through June 30, 2023 (fiscal year-end 2023).



RRGL Budget and Expenditures through June 30, 2023				
Item	Appropriations	Expenditures	Balance	% Expended
ARPA-Funded Project Grants - HB 632	9,034,771	2,644,014	6,390,756	29.3%
2023 Biennium - HB 6 & 14 Project & Other Grants	1,465,328	462,790	1,002,538	31.6%
Prior Biennia Grants	6,797,315	1,396,125	5,401,190	20.5%
Total Appropriations/Expenditures	17,297,414	4,502,929	12,794,484	26.0%

HB 6 and 14 RRGL projects were primarily funded by federal special revenue through the American Rescue Plan Act (ARPA) for the 2023 biennium; funds will be expended for reimbursement of costs associated with the projects awarded. Through June 30, 2023, approximately \$2.6 million was expended for those reimbursements. ARPA funds must be obligated by December 31, 2024 and spent by December 31, 2026. Note that the table above shows the ARPA funding specifically for the RRGL grants; in addition to that funding, under HB 632, \$462.7 million was appropriated for competitive grants for eligible state and local water and sewer projects. There was also \$150.0 million appropriated for minimum allocation grants to local governments for eligible water and sewer projects. An award status sheet for ARPA water and sewer grants, current as of August 22, 2023, is available here:

https://dnrc.mt.gov/docs/conservation/ARPA/Awards/ARPA_Award_Contract_Status.pdf

Originally, RRGL projects authorized under HB 6 and 14 in the 2023 biennium were to be fully ARPA-funded for the state portion of the project cost; however, some entities are using the funds as the match requirement for larger federal grants. These federal grants do not allow the local match portion to be federal funding, including ARPA funding. Therefore, the DNRC established approximately \$1.5 million of the authority in the natural resource projects account for those projects. Of this authority, in FY 2023, \$407,000 was expended for project grants and \$56,000 was expended for other types of grants, such as planning grants.

Approximately \$6.8 million of the budget was established for grants authorized in prior biennia. Expenditures of this budget totaled \$1.4 million in FY 2023. This includes expenditures for HB 6 projects authorized in prior biennia, totaling \$1.0 million for 16 project grants, as well as other types of grants including emergency grants and planning grants. Additionally, about \$358,000 was expended for 12 projects for water and wastewater system improvements and irrigation districts that were authorized under HB 652 (2019).

FUND BALANCE

The following chart shows the projected fund balance for the natural resource project account, based on 2023 biennium actuals and 2025 projections.

Natural Resource Project Account Fund Balance Analysis - 2025 Biennium					
Account 02577					
	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Projected	FY 2025 Projected	2025 Biennium Total
Available Balance	\$9,710,996	\$14,359,730	\$18,956,192	(\$5,930,420)	\$18,956,192
Fund Balance Adjustment	<u>0</u>	<u>150</u>	<u>0</u>	<u>0</u>	<u>0</u>
	\$9,710,996	\$14,359,880	\$18,956,192	(\$5,930,420)	\$18,956,192
Revenue Projections ¹					
RIT Interest Earnings	2,220,602	3,146,156	2,361,663	3,200,000	5,561,663
Resource Indemnity & Groundwater	904,754	1,966,345	2,320,183	1,756,882	4,077,065
Oil and Gas Tax	1,689,528	1,789,925	1,698,657	1,670,443	3,369,100
Other Revenues	19,850	1,350	20,000	1,000	21,000
General Transfers-In	163,347	246,505	100,000	100,000	200,000
HB 6 General Fund Transfer	<u>2,099,322</u>	<u>0</u>	<u>26,000,000</u>	<u>0</u>	<u>26,000,000</u>
Total Revenues	7,097,403	7,150,281	32,500,504	6,728,325	39,228,829
RRGL Appropriations - HB 6					
Other Grants	0	56,028	9,960,000	0	9,960,000
Prior Biennia	926,634	1,038,035	4,299,228	0	4,299,228
2025 Biennium Grants	<u>75,000</u>	<u>406,763</u>	<u>6,350,000</u>	<u>0</u>	<u>6,350,000</u>
Total RRGL Expenditures/Appropriations	1,001,634	1,500,825	20,609,228	0	20,609,228
RRGL Appropriations - HB 6					
Milk River Project Loan Funding	<u>0</u>	<u>0</u>	<u>26,000,000</u>	<u>0</u>	<u>26,000,000</u>
Total Milk River Project Loan Funding	0	0	26,000,000	0	26,000,000
RDGP Appropriations - HB 7					
Other Grants	0	147,360	2,000,000	0	2,000,000
Prior Biennia	1,425,770	526,350	5,124,542	0	5,124,542
2025 Biennium Grants	<u>21,116</u>	<u>379,284</u>	<u>3,653,347</u>	<u>0</u>	<u>3,653,347</u>
Total RDGP Expenditures/Appropriations	1,446,886	1,052,994	10,777,889	0	10,777,889
Total Expenditures/Appropriations	2,448,520	2,553,819	57,387,116	0	57,387,116
Estimated Ending Fund Balance	\$14,359,879	\$18,956,192	(\$5,930,420)	\$797,904	\$797,904

¹HJ 2 projections

Because grants for RRGL and RDGP are appropriated from the natural resources project account, both are included in the table to show the fund balance for the account. Additionally, under HB 6 (2023), the 68th Legislature authorized a general fund transfer to the natural resource project account of \$26.0 million to be used for loans for the Milk River Project.

Aside from authorized general fund transfers, funding for the account typically comes from various sources including interest income of the resource indemnity trust fund; resource indemnity and ground water assessment tax; oil and gas tax production tax; and fees or charges collected by DNRC. Total actual revenues in FY 2023 were higher than HJ 2 (2021) projections by approximately \$421,000. The greatest difference was in resource indemnity and ground water assessment tax revenue, which increased by \$323,000.

As mentioned, ARPA funds was used to fund the majority of RRGL grants authorized in the 2023 biennium. During FY 2023, a total of \$462,790 of state special revenue budget from the natural resources project account was expended for seven 2023 biennium grants, to be used as the non-federal match requirement for federally funded grants. Because ARPA is federal funding, ARPA funds could not be used as a match for those projects. The ending fund balance at the end of the 2023 biennium, including expenditures for the both the RRGL program and the RDGP program, totaled \$19.0 million.

For the 2025 biennium, revenue projections for HJ 2 total \$13.2 million of state special revenue, plus the general fund transfer of \$26.0 million to the account. Under HB 6, the RRGL program budget was authorized at \$16.3 million; this includes funding for project grants, as well as other grants such as for planning, emergencies, irrigation, watershed management, private grants, and non-point source pollution reduction.

The current projected 2025 biennium ending fund balance is \$798,000.