

RECLAMATION AND DEVELOPMENT GRANT 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

Figure 18 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 18

Program Comparison - Reclamation and Development Grant Program				
Budget Item	Budget 2017 Biennium	Budget 2019 Biennium	Biennium Change	Biennium % Change
Number of Grants	17	7	(10)	-58.8%
	<u>Appropriated</u>	<u>Proposed</u>		
Grants Cost	\$3,770,620	\$2,929,574	(\$841,046)	-22.3%
Other Grants Cost	1,514,000	1,300,000	(214,000)	-14.1%
Total Costs	\$5,284,620	\$4,229,574	(\$1,055,046)	-20.0%
State Special	\$5,284,620	\$1,300,000	(\$3,984,620)	-75.4%
GO Bond Proceeds	0	2,929,574	\$2,929,574	-
Total Funds	\$5,284,620	\$4,229,574	(\$1,055,046)	-20.0%

Program Discussion

Figure 18 shows the executive proposal for appropriations of \$4.2 million for the RDGP program in the 2019 biennium, as presented to the legislature in and HB 7 and HB 14, Sec. 18. Each of those bills contains a piece of what would have been included in RDGP program in past sessions:

- HB 14 contains a RDGP project grant appropriation of \$2.9 million, includes the transfer of dedicated funds to the general fund, and authorizes the issuance of bonds
- HB 7 contains RDGP planning and AIS grants

The RDGP program received 19 applications requesting grants of \$5.5 million, from which 7 grants are recommended to receive funding of \$2.9 million. The grants list and appropriation are presented in HB

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14, the Creating Jobs in Montana Act, and would be funded with the proceeds of GO bonds. Total RDGP grants funding, as recommended by the executive would be reduced by 20.0% from the level of appropriated for the 2017 biennium, while the number of project grants is reduced by 10, or 58.8%.

Appropriations in HB 7 include \$1.3 million of appropriations for two projects which include:

- \$800,000 for project planning grants
- \$500,000 for the control of aquatic invasive species

A complete listing of the RDGP grants may be seen in figure A-5 in the Section F appendix. The details behind the grants requested for the 2019 biennium RDGP, along with a status of grants awarded in the 2017 biennium, are presented in Vol. 6 of the Governor’s Executive Budget.

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 (\$3.5 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 19

Natural Resource Project Account (02577) Fund Balance Projection - 2017-2019 Biennium			
	FY 2018 Projected	FY 2019 Projected	2019 Biennium Total
Estimated Beginning Fund Balance	\$966,483	(\$874,283)	\$966,483
Revenue Projections¹			
RIT Interest Earnings	2,227,543	3,113,823	5,341,366
Resource Indemnity & Groundwater	769,092	861,998	1,631,090
Debt Service Sweep	1,137,598	1,141,730	2,279,329
Bond Pool Transfer	10,000	10,000	20,000
Administrative Fees	<u>25,000</u>	<u>500</u>	<u>25,500</u>
Total Revenues	4,169,234	5,128,051	9,297,285
RRGL Appropriations - HB 6			
Emergency Grants	100,000	0	100,000
Project Planning Grants	800,000	0	800,000
Irrigation Development Grants	300,000	0	300,000
Watershed Grants	300,000	0	300,000
Private Grants	<u>50,000</u>	<u>0</u>	<u>50,000</u>
Total RRGL Expenditures	1,550,000	0	1,550,000
RDGP Appropriations - HB 7			
Project Planning	800,000	0	800,000
Aquatic Invasive Species Control	<u>500,000</u>	<u>0</u>	<u>500,000</u>
Total RDGP Expenditures	1,300,000	0	1,300,000
General Fund Transfers - HB 14			
	3,160,000	3,160,000	6,320,000
Total Expenditures and Transfers	6,010,000	3,160,000	9,170,000
Estimated Ending Fund Balance	(\$874,283)	\$1,093,768	\$1,093,768
¹ HJ 2			

Figure 19 provides the projected balance for the natural resource project fund. The fund is estimated to have a beginning fund balance of \$966,483 in the 2019 biennium. This beginning fund balance is primarily the result of reduced costs in some of the previous biennium projects. Revenues for the 2019 biennium, as provided in the HJ 2 estimates, are expected to be \$9.3 million.

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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 and 90-2-1102", the RRGL and RDGP programs. In the 2019 biennium, the executive budget recommends total appropriations of \$1.6 million for the RRGL program and \$1.3 million for the RDGP program from the natural resource projects account. In addition to these appropriations, the executive proposes the transfer of \$6.3 million in the 2019 biennium. The transfers are proposed in Section 28 of HB 14, the Creating Jobs in Montana Act. The ending fund balance at the end of the 2019 biennium is projected to be \$1.1 million.

LFD COMMENT

The natural resource projects fund is projected to have a balance of \$1.1 million at the end of the 2019 biennium under the executive proposal. The projection of unappropriated funds provides a number of options for legislative consideration, which

include:

- Appropriate RRGL or RDGP projects in HB 14 with the natural resource projects funds and reduce the amount of bond proceeds requested
- Appropriate the balance in HB 6 or HB 7, increasing the number of construction and/or maintenance projects
- Increase the transfer of natural resource project funds to the general fund in HB 14
- Do nothing and leave the balance in the natural resource project fund for future appropriation