

RECLAMATION AND DEVELOPMENT GRANTS PROGRAM

PROGRAM BUDGET COMPARISON

Figure 32 compares the 2021 biennium appropriated budget to the 2023 biennium appropriated budget by type of expenditure and source of funding.

Figure 32

Program Comparison - Reclamation and Development Grant Program				
Budget Item	Budget 2021 Biennium	Budget 2023 Biennium	Biennium Change	Biennium % Change
Number of Grants	11	13	2	18.2%
Grants Cost	<u>Appropriated</u> \$3,969,000	<u>Appropriated</u> \$5,802,155	\$1,833,155	46.2%
Other Grants Cost	1,844,778	800,000	(1,044,778)	-56.6%
Total Costs	\$5,813,778	\$6,602,155	\$788,377	13.6%
State Special (HB 7)	4,566,778	6,173,155	1,606,377	35.2%
GO Bond Proceeds	1,247,000	0	(1,247,000)	-100.0%
ARPA 9901-602 (HB 632)	0	429,000	429,000	-
Total Funds	\$5,813,778	\$6,602,155	\$788,377	13.6%

PROGRAM DISCUSSION

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)." The program is administered by the Department of Natural Resources and Conservation (DNRC).

LEGISLATIVE ACTION

As shown in Figure 32, the 67th Legislature provided \$6.6 million of appropriations for the RDGP in HB 7 and HB 14. This is an overall program increase of \$788,337, or 13.6% from the appropriation level of the 2021 biennium. The following list shows the appropriations for RDGP.

- \$800,000 for project planning grants in HB 7
- \$3.7 million to fund nine RDGP project grants in HB 7
- \$2.1 million to fund an additional seven RDGP projects in HB 14

Figure 33 provides a complete list of the RDGP grants authorized by the 67th Legislature.

RECLAMATION AND DEVELOPMENT GRANTS PROGRAM

Figure 33

Reclamation and Development Grants (RDGP)					
HB 7 and HB 14 - 2023 Biennium					
Rank	Applicant / Project Description	Project Type	Total Project Cost	Grant Awarded	Cumulative Total
<u>Grants Funded in HB 7</u>					
1	Philipsburg, Town of Wastewater Treatment System Improvements, Metals Contaminated Sludge Removal & Disposal (funded with HB 632)	Mining	752,000	429,000	429,000
2	Mineral County Conservation District Flat Creek Dispersed Tailings Removal and Restoration	Mining	1,138,205	219,960	648,960
3	Missoula County Ninemile Creek Placer Mine Reclamation	Mining	893,482	351,000	999,960
4	Harlowton, City of Contaminated Soils and Free Product Removal at the Harlowton Roundhouse in Harlowton, MT Phase 4	Hazardous Waste	1,031,547	500,000	1,499,960
5	Mineral County Interim Remedial Action at Milwaukee Road - Haugan State Superfund Facility	Hazardous Waste	525,206	499,324	1,999,284
6	Powell County Milwaukee Roundhouse Area Remediation - Phase 2	Hazardous Waste	505,000	500,000	2,499,284
7	Montana Tech - Montana Bureau of Mines and Geology Modernization of Montana's Regional Seismic Network	Crucial State Need	845,250	499,739	2,999,023
8	Montana Department of Environmental Quality Landusky Swift Gulch High Flow Treatment System and Stream Rehabilitation	Mining	416,177	411,199	3,410,222
9	Lewis and Clark County Water Quality Protection Dist. Grizzly Gulch Placer Mine Reclamation	Mining	331,676	292,611	3,702,833
Total HB 7 Projects			\$5,686,543	\$3,702,833	
<u>Grants Funded in HB 14</u>					
10	Lewistown, City of Central Post and Treating Company CECRA Facility: Phase II, Capping and Site Reclamation	Hazardous Waste	528,720	500,000	4,202,833
11	Sunburst, Town of Suta South Clean Up	Hazardous Waste	220,600	185,805	4,388,638
12	City and County of Butte-Silver Bow Butte Mining District: Reclamation and Protection - Phase V	Mining	404,470	224,680	4,613,318
13	Ruby Valley Conservation District Granite Creek Reclamation Realignment	Mining	3,486,500	461,500	5,074,818
14	Deer Lodge Valley Conservation District Upper French Gulch Fish Passage and Restoration	Mining	219,832	194,832	5,269,650
15	Fort Peck Assiniboine and Sioux Tribes - <u>withdrawn</u> Orphaned Oilwell Abandonment and Reclamation	Oil and Gas	503,862	300,000	5,569,650
16	Ryegate, Town of Former Ryegate Conoco Groundwater Remediation	Hazardous Waste	235,474	232,505	5,802,155
Total HB 14 Projects			\$5,599,458	\$2,099,322	
Total RDGP Projects			\$11,286,001	\$5,802,155	

Note: some identical projects are listed in HB 7 and HB 14. The RDGP projects were fully listed in HB 7 to allow the normal program function of moving down the list of grants should local governments with higher ranked grants withdraw their requests. The funding for projects will not be duplicated.

RECLAMATION AND DEVELOPMENT GRANTS PROGRAM

FUNDING

The RDGP appropriations in HB 7, as well as the RRGL grants program appropriated in HB 6, are funded from the “natural resource projects” state special revenue fund. The fund balance projection is provided on page F-56 of this report. HB 7 is coordinated with HB 632, and one grant is funded with federal ARPA funds.

EXECUTIVE BUDGET COMPARISON

Figure 34 provides the legislative changes from the executive budget proposal.

Figure 34

Executive Comparison - Reclamation and Development Grants				
Budget Item	Budget	Budget	Change	% Change
	2023 Biennium	2023 Biennium		
Number of Grants	16	16	0	0.0%
	<u>Proposed</u>	<u>Appropriated</u>		
Grants Cost	\$5,802,155	\$5,802,155	\$0	0.0%
Other Grants Cost	800,000	800,000	0	0.0%
Total Costs	\$6,602,155	\$6,602,155	\$0	0.0%
State Special	4,502,833	6,173,155	1,670,322	37.1%
GO Bond Proceeds	2,099,322	0	(2,099,322)	-100.0%
ARPA 9901-602 (HB 632)	0	429,000	429,000	-
Total Funds	\$6,602,155	\$6,602,155	\$0	0.0%

The 67th Legislature approved the RDGP budget with no changes to appropriations from the executive budget, but the legislature did make changes to the sources of program funding. As seen in Figure 34, the following funding changes were made:

- HB 7 – Change in funding, \$429,000 initially recommended to be funded from the natural resources project account, instead funded with HB 632 federal ARPA funds
- HB 14 – Change in funding, \$2.1 million initially recommended to be funded from bond proceeds, instead funded with a general fund transfer into the natural resource projects account

OTHER LEGISLATION

- HB 632, Implementing the American Rescue Plan Act – This legislation provides funding in accordance with the rules, current and future, as determined by the federal government. The area of direct interaction with the RDGP include:
 - Section 37. Coordination instruction - House Bill No. 7. “...the amount of \$429,000 is allocated to the department of natural resources and conservation from the funds appropriated in [section 2] of House Bill No. 632 for grants to political subdivisions and local governments during the biennium beginning July 1, 2021.”

NATURAL RESOURCE PROJECTS ACCOUNT

NATURAL RESOURCE PROJECT ACCOUNT

Figure 35 shows the projected fund balance for the natural resource project account for the 2023 biennium. The natural resource projects account provides funding for the RRGL and RDGP programs, along with the funding for other natural resource projects and programs.

The funding for the natural resource projects account is established in law and received from the following sources:

1. Interest income of the resource indemnity trust fund as provided in and subject to the conditions of 15-38-202, MCA (\$3.2 million each fiscal year for the purpose of making grants-when there are sufficient amounts of interest earnings from the trust).
2. Resource indemnity and ground water assessment tax under provisions of 15-38-106, MCA (50.0% of the remaining proceeds after appropriations for the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) debt service and \$366,000 to the groundwater assessment account for the purpose of making grants).
3. 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)).
4. Excess coal severance tax proceeds allocated by 85-1-603, 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).
5. Fees or charges collected by the department for the servicing of loans, including arrangements for obtaining security interests.

Figure 35

Natural Resource Project Account Fund Balance Analysis - 2023 Biennium					
Account 02577					
	FY 2020	FY 2021	FY 2022	FY 2023	2023 Biennium
	Actuals	Projected	Projected	Projected	Total
Available Balance	\$10,242,619	\$9,376,853	\$252,689	(\$270,835)	\$252,689
Revenue Projections ¹					
RIT Interest Earnings	2,176,299	2,803,247	1,914,606	2,293,628	4,208,234
Resource Indemnity & Groundwater	804,083	840,500	573,704	512,938	1,086,642
Oil and Gas Tax	921,370	966,567	1,061,999	977,543	2,039,542
Other Revenues	96,335	0	0	0	0
HB 14 GF Transfer	<u>0</u>	<u>0</u>	<u>2,099,322</u>	<u>0</u>	<u>2,099,322</u>
Total Revenues	3,998,087	4,610,314	5,649,631	3,784,109	9,433,739
RRGL Appropriations - HB 6					
Other Grants	599,266	600,734	0	0	0
Prior Biennia	2,480,645	5,972,683	0	0	0
2023 Biennium Grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total RRGL Expenditures/Appropriations	3,079,911	6,573,417	0	0	0
RDGP Appropriations - HB 7					
Other Grants	32,518	867,482	800,000	0	800,000
Prior Biennia	1,751,423	6,293,580	0	0	0
2023 Biennium Grants	<u>0</u>	<u>0</u>	<u>5,373,155</u>	<u>0</u>	<u>5,373,155</u>
Total RDGP Expenditures/Appropriations	1,783,941	7,161,062	6,173,155	0	6,173,155
Total Expenditures/Appropriations	4,863,852	13,734,479	6,173,155	0	6,173,155
Estimated Ending Fund Balance	\$9,376,854	\$252,689	(\$270,835)	\$3,513,273	\$3,513,273

¹HJ 2 projections

NATURAL RESOURCE PROJECTS ACCOUNT

As shown in Figure 35, the natural resources state special revenue account is expected to begin the 2023 biennium with a fund balance of \$252,698. Revenues to the account, including a general fund transfer of \$2.1 million directed to the account as provided in HB 14, amount to \$9.4 million. In the 2023 biennium, appropriations for the RRGL (HB 6) program are paid through a federal ARPA allocation in HB 632. Additionally, one of the RDGP (HB 7) projects is also funded with an ARPA allocation. Remaining appropriations from the natural resource projects account include a \$800,000 appropriation for RDGP planning grants and appropriations amounting to \$5.4 million in HB 7 and HB 14. The resulting ending fund balance is estimated to be \$3.5 million at the end of the 2023 biennium. The account balance will be retained in the natural resource projects state special revenue account and will be available for future appropriations.