

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 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

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Figure 14

Program Comparison - Renewable Resource Grant and Loan Program				
Budget Item	Budget 2021 Biennium	Budget 2023 Biennium	Biennium Change	Biennium % Change
Number of Grants Funded	72	74	2	2.7%
	<u>Appropriated</u>	<u>Proposed</u>		
Grants Cost	\$8,965,000	\$9,220,788	255,788	2.8%
Other Grants	2,375,000	1,800,000	(575,000)	-31.9%
Loan Program	81,950,000	78,595,000	(3,355,000)	-4.3%
Total Costs	\$93,290,000	\$89,615,788	(\$3,674,212)	-4.1%
State Special	6,365,000	6,300,000	(65,000)	-1.0%
CST Bond Proceeds	81,950,000	78,595,000	(3,355,000)	-4.3%
GO Bond Proceeds	4,975,000	4,720,788	(254,212)	-5.4%
Total Funds	\$93,290,000	\$89,615,788	(\$3,674,212)	-4.1%

Program Discussion

Figure 14 shows the executive proposal for appropriations of \$89.6 million for the RRGL programs in the 2023 biennium. The executive proposal for the RRGL program is 4.1% lower than the appropriations provided for the 2021 biennium, but the RRGL grant awards are 2.8% higher. The requests are included in HB 6, HB 8, and HB 14, and each of the bills contains a piece of the 2023 RRGL Program as follows:

- RRGL emergency grants appropriation of \$0.1 million – HB 6, Natural Resource (NR) projects funds
- RRGL project planning grants appropriation of \$1.0 million – HB 6, NR projects funds

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- RRGL irrigation grants appropriation of \$0.3 million – HB 6, NR projects funds
- RRGL watershed management grants appropriation of \$0.3 million – HB 6, NR projects funds
- RRGL private grants appropriation of \$0.1 million – HB 6, NR projects funds
- RRGL specific project grant appropriation of \$4.5 million – HB 6, NR project funds
- RRGL specific project grant appropriation of \$4.7 million – HB 14, GO bond proceeds
- RRGL loan appropriations of \$78.6 million – HB 8, Coal Severance Tax (CST) bonds

Grant Program Discussion

The RRGL grant program received 76 applications requesting project grants of \$9.5 million, from which 74 applicants requesting \$9.2 million were recommended by the program. The executive recommends funding all the individual project requests with a combination of \$4.5 million in cash and \$4.7 million in general fund GO bond proceeds.

A complete list of the RRGL grant projects and the recommended grant amounts, may be seen in appendix item A-5 of this report. The details behind the grants requested for the 2023 biennium RRGL, along with a status of grants awarded in the 2021 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 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 interest payments on some of the bonds may be subsidized with earnings from the coal severance tax bond fund. Because money from the coal severance tax bond fund is pledged 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 nine loans. Of those, seven loans appeared before in HB 8 of the 2019 session and are being reauthorized if the legislature approves HB 8 in its proposed form. Two of the loans included in HB 8 are new. Among the new loans, the executive requests \$8.0 million to refinance higher interest debt for water and sewer facilities and one loan would support an irrigation project. The total request for bond authority and appropriation is \$78.6 million, which includes \$7.1 million to establish a reserve for the bonds. A complete list of the loans included in HB 8 can be seen in appendix item A-6 of this report.

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-28.

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 \$78.6 million, which would be appropriated to the DNRC for financing the projects identified in the bill.