

# RENEWABLE RESOURCE GRANT & LOAN PROGRAM

## Section F

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### JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

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#### -----Agencies-----

Long-Range Building Program  
State Building Energy Conservation Program  
Long-Range Information Technology Program  
Montana Coal Endowment Program  
Montana Coal Regional Water Program

Renewable Resource Grant & Loan Program  
Reclamation & Development Grants Program  
Cultural & Aesthetic Grant Program  
Montana Historic Preservation Grant Program

#### -----Committee Members-----

##### House

Representative John Fitzpatrick (Chair)  
Representative Scott Rosenzweig  
Representative Paul Tuss  
Representative Mike Vinton

##### Senate

Senator John Esp (Vice Chair)  
Senator Ellie Boldman

#### -----Fiscal Division Staff-----

Erica Thomas

## RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

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### 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 executive recommendation for RRGL grants and loans is contained in HB 6 and HB 8.

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

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

## RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

Figure 16

Program Comparison - Renewable Resource Grants & Loans Program				
Budget Item	Budget		Change	% Change
	2025 Biennium	2027 Biennium		
Number of Grants Funded	72	70	(2)	-2.8%
Number of Loans Funded	12	16	4	33.3%
	<u>Appropriated</u>	<u>Proposed</u>		
Grants Cost	\$8,750,000	\$8,724,500	(25,500)	-0.3%
Other Grants	7,400,000	4,150,000	(3,250,000)	-43.9%
Loan Program	98,945,000	133,318,288	34,373,288	34.7%
<b>Total Costs</b>	<b>\$115,095,000</b>	<b>\$146,192,788</b>	<b>\$31,097,788</b>	<b>27.0%</b>
State Special	16,150,000	12,874,500	(3,275,500)	-20.3%
CST Bond Proceeds	98,945,000	133,318,288	34,373,288	34.7%
<b>Total Funds</b>	<b>\$115,095,000</b>	<b>\$146,192,788</b>	<b>\$31,097,788</b>	<b>27.0%</b>

### Executive Proposal

Figure 16 shows the executive proposal for appropriations of \$146.2 million for the RRGL programs in the 2027 biennium. The executive proposal for the RRGL program is 27.0% higher than the appropriations provided for the 2025 biennium; the increase is primarily in funding for loans provided by CST bond proceeds. The requests are included in HB 6 and HB 8, and each of the bills contains a piece of the 2027 RRGL Program as follows:

- HB 6
  - RRGL emergency grants appropriation of \$0.5 million
  - RRGL project planning grants appropriation of \$2.0 million
  - RRGL irrigation grants appropriation of \$0.5 million
  - RRGL private grants appropriation of \$0.15 million
  - RRGL non-point source pollution reduction of \$1.0 million
  - RRGL specific project grant appropriation of \$8.7 million
- HB 8
  - RRGL loan appropriations of \$133.3 million

More information on the loan program, included in HB 8 with loans supported by coal severance tax (CST) bonds, will follow the RRGL grant program discussion.

### Grant Program Discussion

The RRGL grant program received 71 applications requesting project grants of \$8.7 million. The executive recommends funding 70 of the individual project requests with \$8.7 million in cash. However, please note that if revenues are not sufficient, the department will not be able to fund all applications and will be limited by the cash available in the fund. Project grants will be awarded fund in order of rank.

The 2027 biennium executive proposal includes a decrease of \$3.3 million for other grants, with no watershed management grants requested in the 2027 biennium.

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A complete list of the requested RRGL projects and the recommended grant amounts, may be seen in appendix A-12 of this report. The details behind the grants requested for the 2027 biennium RRGL, along with a status of grants awarded in the 2025 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 collateralized 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 basic interest rate on CST loans is determined by the bond market at the time the CST bonds are sold. Loans may be provided at a rate less than the rate at which the state bond is sold for all or part of them; subsidies vary depending on legislative authorization. Because money from the coal severance tax bond fund is pledged as collateral 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 sixteen loans. Of those, nine loans appeared before in HB 8 from prior sessions and are simply being reauthorized in the 2027 biennium. One reauthorization is \$40 million for the St. Mary's Milk River Project match. The remaining seven loans are new. Among the new loans, the executive requests \$19.0 million for two dam rehabilitation projects. The total request for bond authority and appropriation is \$133.3 million, which includes \$12.1 million to establish a reserve for the bonds. A complete list of the loans included in HB 8 can be seen in appendix A-15 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 figure F-18.

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 not to exceed \$121,198,444 in the biennium beginning July 1, 2025 of which \$12,119,844 is to be used to establish a reserve for the bonds, and the proceeds will be available to the DNRC for financing the projects identified in the bill.