

RENEWABLE RESOURCE GRANT & LOAN PROGRAM

PROGRAM BUDGET COMPARISON

Figure 27 compares the 2021 biennium appropriated budget to the 2023 biennium appropriated budget by type of expenditure and source of funding.

Figure 27

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%
Number of Loans Funded	9	9	0	0.0%
	<u>Appropriated</u>	<u>Appropriated</u>		
Grants Cost	\$8,965,000	\$9,220,788	255,788	2.8%
Other Grants	2,375,000	2,050,000	(325,000)	-15.9%
Loan Program	81,950,000	101,695,000	19,745,000	19.4%
Total Costs	\$93,290,000	\$112,965,788	\$19,675,788	17.4%
State Special	6,365,000	0	(6,365,000)	-
CST Bond Proceeds	81,950,000	101,695,000	19,745,000	19.4%
GO Bond Proceeds	4,975,000	0	(4,975,000)	-
ARPA 9901-602 (HB 632)	0	11,270,788	11,270,788	100.0%
Total Funds	\$93,290,000	\$112,965,788	\$19,675,788	17.4%

PROGRAM DISCUSSION – (RRGL GRANTS)

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 Department of Natural Resources and Conservation (DNRC) administers the RRGL program. The RRGL program is normally appropriated in two bills, HB 6 (grants) and HB 8 (loans), which are presented separately in this report. In the 2023 biennium, the program is also appropriated in HB 14.

SUMMARY OF LEGISLATIVE ACTION

HB 6 (Grants)

The 67th Legislature provided \$11.3 million of appropriations for the RRGL grants program in HB 6 and HB 14. The appropriations for the grant program are \$69,212, or 0.6%, lower than appropriation level of the 2021 biennium. Total appropriations for grant projects listed in the pieces of legislation are \$9.2 million.

Figure 28

RRGL Other Grants Appropriations	
Emergency Grants	100,000
Project Planning Grants	1,000,000
Irrigation Grants	300,000
Watershed Mgt. Grants	300,000
Private Grants	100,000
Emergency Grant-Savage Elementary	250,000
Total	\$2,050,000

HB 6 includes other appropriations that fund a variety of natural resource projects as shown in Figure 28. The other grants include a set of usual appropriations, such as emergency, project planning, irrigation, watershed management, and private grants. The legislature added one grant to this list, an emergency grant to Savage Elementary School due to an issue with copper piping at the school that came to light during the session.

A complete list of the RRGL grant projects authorized by the 67th Legislature is seen in Figure 29 on the following pages.

RENEWABLE RESOURCE GRANT & LOAN PROGRAM

Figure 29

Renewable Resource Grants (RRGL) HB 6 and HB 14 - 2023 Biennium					
Rank	Applicant / Project Title	Project Type	Total Project Cost	Grant Awarded	Cumulative Total
<u>HB 6 Projects</u>					
1	Milk River Joint Board of Control St. Mary Diversion Dam & Headworks Design Completion	Irrigation	\$3,498,362	\$125,000	\$125,000
2	Gardiner Park County Water & Sewer Dist. Wastewater Improvements	Wastewater	4,166,900	125,000	250,000
3	Greenfields Irrigation Dist. Arnold Coulee Hydroelectric	Irrigation	5,368,360	125,000	375,000
4	Cooke City Water & Sewer Dist. Wastewater Collection and Treatment System	Wastewater	300,000	125,000	500,000
5	Fort Smith Water & Sewer Dist. Wastewater System Improvements	Wastewater	4,451,700	125,000	625,000
6	MT Department of Corrections Powell Dam Rehabilitation	Dam	1,143,030	125,000	750,000
7	Lewis and Clark Conservation Dist. Beaver Creek Restoration, Phase 2	Other	572,460	125,000	875,000
8	Lockwood Water and Sewer Dist. CS3-1 Collection System Improve., Phase 3	Wastewater	10,764,000	125,000	1,000,000
9	Manhattan, Town of Water Reclamation Facility Improvements, Phase 1	Wastewater	7,793,000	125,000	1,125,000
10	Helena Valley Irrigation Dist. Terminal Wasteway & Lateral Automation & Measurement	Irrigation	339,915	125,000	1,250,000
11	Total Potentially Unfunded HB 7 Projects Wastewater System Improvements, Phase 3	Wastewater	6,948,000	125,000	1,375,000
12	Butte-Silver Bow Government Basin Creek Dam #1 Rehabilitation	Dam	2,030,052	125,000	1,500,000
13	Deer Lodge, City of Wastewater Collection System Improvements	Wastewater	1,100,000	125,000	1,625,000
14	Pondera County Conservation Dist. Dupuyer Creek Diversion Automation	Irrigation	197,390	125,000	1,750,000
15	Teton Conservation Dist. Eureka Dam Safety Improvements	Dam	281,486	125,000	1,875,000
16	Darby, Town of Wastewater System Improvements	Wastewater	1,853,596	125,000	2,000,000
17	Libby, City of Wastewater System Improvements	Wastewater	1,039,000	125,000	2,125,000
18	DNRC-Water Resources Division Ackley Lake Outlet Canal Rehabilitation	Irrigation	160,047	125,000	2,250,000
19	Greenfields Irrigation Dist. SRS-71 Headworks & SRS Re-Regulation	Irrigation	3,557,585	125,000	2,375,000
20	Valier, Town of Wastewater System Improvements, Phase 3	Wastewater	2,015,000	125,000	2,500,000
21	Greenfields Irrigation Dist. Spring Coulee Headworks Replacement	Irrigation	256,474	125,000	2,625,000
22	Helena Valley Irrigation Dist. (partial) Lateral 11.9 Canal Conversion and Gate Rehabilitation	Irrigation	1,057,580	125,000	2,750,000
23	Big Mountain Sewer Dist. Wastewater Collection System Improvements	Wastewater	1,000,000	125,000	2,875,000
24	Lower Musselshell County Conservation Dist. DMWUA Main Canal Diversion Gates Automation	Irrigation	216,343	125,000	3,000,000
25	Bitterroot Conservation Dist. Bitterroot River Irrigation Management Study	Irrigation	131,250	125,000	3,125,000
26	Wolf Point, City of Wastewater Collection System Improvements	Wastewater	5,050,000	125,000	3,250,000

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Figure 29 - Continued

Rank	Applicant / Project Title	Project Type	Total Project Cost	Grant Recommended	Cumulative Total
27	Havre, City of Clear Creek Court Sanitary Sewer System Improvements	Wastewater	455,000	125,000	3,375,000
28	Missoula, City of-Parks and Recreation Dept. Rattlesnake Creek Wilderness Dams Improvements	Dam	315,245	125,000	3,500,000
29	Missoula County Buena Vista Wastewater System Improvements, Phase 2	Wastewater	1,267,000	125,000	3,625,000
30	Fort Belknap Indian Community Milk River Diversion Gate Automation	Irrigation	188,747	125,000	3,750,000
31	Shelby, City of Water System Infrastructure Improvements	Water	1,325,000	125,000	3,875,000
32	Fort Peck Tribes Frazer and Wiota Pump Automation and Monitoring	Irrigation	129,055	125,000	4,000,000
33	Lower Willow Creek Irrigation Dist. Reservoir Toe Drain Repair	Irrigation	589,000	125,000	4,125,000
34	Hill County Beaver Creek Dam Improvements	Dam	125,000	125,000	4,250,000
35	East Helena, City of Wastewater System Improvements	Wastewater	3,252,400	125,000	4,375,000
36	Bitter Root Irrigation Dist. Water Efficiency, Modernization, and Planning Study	Irrigation	131,250	125,000	4,500,000
Total HB 6			\$58,893,937	\$4,500,000	
HB 14 Projects					
37	Beaverhead County Conservation Dist. Irrigation Efficiency and Water Measurement	Irrigation	231,232	125,000	4,625,000
38	Stillwater Conservation Dist. Mendenhall Ditch Intake and Drop Structure Rehabilitation	Irrigation	137,968	125,000	4,750,000
39	DNRC-Water Resources Division Deadman's Supply Canal Rehabilitation	Irrigation	160,051	125,000	4,875,000
40	Lower Yellowstone Irrigation Project Lateral V Check Structure & Lateral W Headgate Rehab.	Irrigation	164,080	125,000	5,000,000
41	DNRC-Water Resources Division Two Dot Canal Rehabilitation	Irrigation	170,047	125,000	5,125,000
42	Circle, Town of Water Improvements, Phase 3	Water	1,503,200	125,000	5,250,000
43	Roundup, City of Water Main Improvements, Phase 6	Water	1,770,000	125,000	5,375,000
44	Clinton Irrigation Dist. Schoolhouse Lateral Pipeline Conversion	Irrigation	134,194	125,000	5,500,000
45	Ten Mile/Pleasant Valley Sewer Dist. Wastewater Improvements	Wastewater	125,000	125,000	5,625,000
46	Carbon County Conservation Dist. Mutual Ditch Siphon Replacement	Irrigation	180,795	125,000	5,750,000
47	Ekalaka, Town of Water System Improvements	Water	1,372,000	125,000	5,875,000
48	Glen Lake Irrigation Dist. Rolling Hills Canal Rehabilitation	Irrigation	143,020	125,000	6,000,000
49	Buffalo Rapids Irrigation Project Dist. 1 Irrigation System Automation	Irrigation	370,704	125,000	6,125,000
50	Flaxville, Town of Water Improvements	Water	1,248,800	125,000	6,250,000
51	North Valley County Water and Sewer Dist. Water Improvements, Phase 1	Water	1,500,000	125,000	6,375,000
52	Buffalo Rapids Irrigation Project Dist. 2 Lateral 1.6 Pipeline Conversion, Phase 2	Irrigation	144,297	125,000	6,500,000

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Figure 29 - Continued

Rank	Applicant / Project Title	Project Type	Total Project Cost	Grant Recommended	Cumulative Total
53	Petroleum County Conservation Dist. Petrolia Dam Outlet Works Headgate Replacement	Irrigation	112,992	105,742	6,605,742
54	Harlowton, City of Water System Improvements, Phase 4	Water	1,914,000	125,000	6,730,742
55	Alfalfa Valley Irrigation Dist. East Flynn Canal Rehabilitation, Phase 2	Irrigation	162,050	125,000	6,855,742
56	Malta Irrigation Dist. Main Canal Lining-Wagner Reach	Irrigation	162,000	125,000	6,980,742
57	Glasgow Irrigation Dist. Spaniard Check Structure	Irrigation	134,460	125,000	7,105,742
58	Lewistown, City Of Water System Improvements	Wastewater	4,860,909	125,000	7,230,742
59	Glen Lake Irrigation Dist. Infrastructure Modernization Study	Irrigation	137,000	125,000	7,355,742
60	Big Timber, City of Water System Improvements	Water	1,505,000	125,000	7,480,742
61	Alberton, Town of Water Improvements	Water	1,901,480	125,000	7,605,742
62	Hysham Irrigation Dist. Intake Improvements	Irrigation	452,850	125,000	7,730,742
63	Three Forks, City of Water System Improvements	Water	3,142,000	125,000	7,855,742
64	Choteau, City of Water System Improvements	Water	4,160,000	125,000	7,980,742
65	Fairfield, Town of Water System Improvements	Water	2,423,000	125,000	8,105,742
66	Huntley Project Irrigation Dist. Yellowstone Riverbank Stabilization	Irrigation	1,248,688	125,000	8,230,742
67	Sweet Grass County Conservation Dist. Post-Kellogg Ditch Headworks Improvement	Irrigation	125,000	125,000	8,355,742
68	Lewistown, City Of Ditch Rehabilitation	Irrigation	132,371	125,000	8,480,742
69	Joliet, Town of Water System Improvements	Water	1,931,713	125,000	8,605,742
70	Richey, Town of Water System Improvements, Phase 1	Water	1,502,000	125,000	8,730,742
71	Fort Benton, City of Water System Improvements	Water	1,600,000	125,000	8,855,742
72	Big Sandy, Town of Stormwater Improvements	Other	969,342	125,000	8,980,742
73	Belgrade School Dist. Ridge View Elementary Solar	Other	126,233	115,046	9,095,788
74	Paradise Valley Irrigation Dist. Milk Riverbank Stabilization	Irrigation	285,281	125,000	9,220,788
Total HB 14			\$38,343,757	\$4,720,788	
Total RRGL Grants			\$97,237,694	\$9,220,788	

Note: Some identical projects are listed in HB 6 and HB 14. The RRGL projects were fully listed in HB 6 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 individual projects will not be duplicated.

RENEWABLE RESOURCE GRANT & LOAN PROGRAM

FUNDING - GRANTS

The RRGL program appropriations in HB 6, as well as the RDGP grants program appropriated in HB 7, 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 6 is coordinated with HB 632, and all RRGL grants listed in HB 6 and HB 14 are funded with federal ARPA funds.

Program Discussion – (RRGL loans)

The RRGL Loan program provides loans for renewable resource projects with the proceeds from the issuance of coal severance tax bonds. Loan repayments are used to pay the debt service on the loans. In some cases, interest rates charged to loans are less than the interest rate of the bond issue. In such cases, a distribution from the coal severance tax subsidizes the difference in the interest cost. The coal severance tax permanent trust is pledged for debt service payments on the bonds. The RRGL loan program is administered by the Department of Natural Resources and Conservation (DNRC).

SUMMARY OF LEGISLATIVE ACTION

The 67th Legislature provided \$101.7 million of appropriations for the RRGL loan program for the 2023 biennium. Figure 30 shows the RRGL loan program projects by loan sponsor/applicant and project.

Figure 30

Renewable Resource Loans HB 8 - 2023 Biennium		
HB 8 Section/Sponsor/Project	Proposal	Cumulative Total
<u>Sec. 1(2) Loans with interest rates of 3.0% or state bond rate, whichever is lower-20 years</u>		
DNRC-Conservation and Resource Development Division (CARDD) Refinance Existing Debt or Rehabilitation of Water and Sewer Facilities	\$8,000,000	\$8,000,000
<u>Sec. 1(3) Loans with interest rates of 3.0% or state bond rate, whichever is lower-20 years</u>		
Central Montana Regional Water Authority Local Match	10,000,000	18,000,000
Dry Red Regional Water Authority Local Match	10,000,000	28,000,000
<u>Sec. 1(4) Loans with interest rates of 3.0% or state bond rate, whichever is lower-30 years</u>		
Lower Willow Creek Irrigation District Right Subdrain Repair Project	200,000	28,200,000
<u>Sec. 2(2) Loan Reauthorization with interest rates of 3.0% or state bond rate, whichever is lower-30 years</u>		
Dry Prairie Regional Water Authority Local Match	10,000,000	38,200,000
North Central Regional Water Authority Local Match	10,000,000	48,200,000
<u>Sec. 3 Loan Reauthorization with interest rates of 3.0% or state bond rate, whichever is lower-30 years</u>		
Huntley Irrigation District Tunnel 2 and Canal System	3,500,000	51,700,000
Lockwood Irrigation District Box Elder Siphon, Pump Station, and Pump 3	750,000	52,450,000
<u>Sec. 4 Loan Reauthorization with interest rates of 3.0% or state bond rate, whichever is lower-30 years</u>		
St Mary's Water Users Association St. Mary's Diversion Project Local Share ¹	40,000,000	92,450,000
Total Loan Authorizations:	\$92,450,000	
Loan Reserve:	<u>9,245,000</u>	
Total Bond Request	<u>\$101,695,000</u>	

¹The loan is contingent on the formation of and water users' association, must have the financial capacity to pay the annual loan repayment, and the federal government entering into an agreement with the state to share the total costs.

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While the total loans authorized are \$92.5 million, there is a strong likelihood that several of the loans will not be issued and other loans may be finalized at a lower amount than shown in Figure 30. For example, the \$8.0 million loan to DNRC to re-finance debt and rehabilitate water and sewer facilities will be used only as requested by local governments. Additionally, the four loans to regional water authorities require the authorities to accept the loan offer. Two of the regional water project loans have been included in HB 8 since the 2015 biennia and the authorities have not yet borrowed from the program. Additionally, the \$40.0 million loan to the local water users of the St. Mary’s water system is contingent upon the following (as extracted from the legislation):

- ~~i. the federal government entering into an agreement with the state that designates the federal and state share of the total project cost;~~
- ii. the forming of a water users' association of Montana users of the waters flowing from the Milk River that includes cities, towns, districts, water users' associations, and other unassociated individuals and entities; and
- iii. the water users' association demonstrating to the satisfaction of the department of natural resources and conservation its financial capacity, through water user fees or other available sources of funding, to pay the annual costs of the loan repayment over the term of the loan.

However, SB 191 included coordination language that eliminated the requirement that the borrowers establish an agreement with the federal government designating the state and federal share of an estimated \$200.0 million in project costs. While HB 8 has a greater level of appropriation than in past years, there is no certainty about the amount of coal severance tax (CST) bonds that will be issued for projects.

FUNDING - LOANS

RRGL program bond authority is provided in 85-1-624, MCA. Money in the coal severance tax bond fund is pledged for the payment of the principal and interest of the bond issue requested in HB 8, as directed in Title 17, Chapter 5, part 7, MCA. The loan payments are used to pay the debt service on the loans.

EXECUTIVE BUDGET COMPARISON

Figure 31 provides the legislative changes from the executive budget proposal.

Figure 31

Executive Budget Comparison - Renewable Resource Grants & Loans				
Budget Item	Budget 2023 Biennium	Budget 2023 Biennium	Change	% Change
Number of Grants Funded	74	74	0	0.0%
Number of Loans Funded	9	9	0	0.0%
	<u>Proposed</u>	<u>Appropriated</u>		
Grants Cost	\$9,220,788	\$9,220,788	0	0.0%
Other Grants	1,800,000	2,050,000	250,000	13.9%
Loan Program	78,595,000	101,695,000	23,100,000	29.4%
Total Costs	\$89,615,788	\$112,965,788	\$23,350,000	26.1%
State Special	6,300,000	0	(6,300,000)	-100.0%
CST Bond Proceeds	78,595,000	101,695,000	23,100,000	29.4%
GO Bond Proceeds	4,720,788	0	(4,720,788)	-100.0%
ARPA 9901-602 (HB 632)	0	11,270,788	11,270,788	-
Total Funds	\$89,615,788	\$112,965,788	\$23,350,000	26.1%

RENEWABLE RESOURCE GRANT & LOAN PROGRAM

As shown in Figure 31, the legislature appropriated the RRGL budget that was \$23.4 million or 26.1% greater than the executive proposal. The legislature made the following changes to the executive proposal:

- HB 6 – \$250,000 in appropriation to fund a grant to the Savage Elementary School
- HB 8 – \$23.1 million that increased the loans to three regional water authorities from \$3.0 million to \$10.0 million, along with an increase in the loan reserve appropriation
- HB 6 and HB 14 – Changes in funding, initially recommended to be funded from state special and bond proceeds, to HB 632 funds

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 RRGL include:
 - “Section 5. Grants to regional water authorities -- matching funds - uses. (1) Of the appropriation made in [section 2] of coronavirus state fiscal recovery funds, \$10 million is allocated to the department of natural resources and conservation to provide each regional water authority a grant of \$2.5 million. (2) For a grant under this section, a regional water authority must provide one-to-one matching funds. (3) The regional water authority may use grant funds and loans secured by bonds to serve as matching funds for federal grants.”
‘Section 36. Coordination instruction -- House Bill No. 6. ...[the introductory paragraph of section 1(1)] of House Bill No. 6 must read:“(1) For the biennium beginning July 1, 2021, there is allocated to the department of natural resources and conservation from funds appropriated in [section 2] of House Bill No. 632, up to: (\$2.1 million – see Other Grants)” and “(2) The amount of \$4,500,000 is allocated to the department of natural resources and conservation from the funds appropriated in [section 2] of House Bill No. 632, for the biennium beginning July 1, 2021.’
- SB 191, An Act Generally Revising State Finance Laws – This legislation included sections that directly impacted laws related to the LRP program funding statutes and coordinated with an LRP bill (HB 8) to change loan requirements as follows:
 - ‘Section 11. Coordination instruction. If both [this act] and House Bill No. 8 are passed and approved, then [section 2(4)(b) of House Bill No. 8] must read:
 - “(b) The loan in this subsection (4) is contingent on the following:
 - (i) the forming of a water users' association of Montana users of the waters flowing from the Milk River that includes cities, towns, districts, water users' associations, and other unassociated individuals and entities; and
 - (ii) the water users' association demonstrating to the satisfaction of the department of natural resources and conservation its financial capacity, through water user fees or other available sources of funding, to pay the annual costs of the loan repayment over the term of the loan.”