

RECLAMATION AND DEVELOPMENT GRANT PROGRAM

Program Description

The Reclamation and Development Grant 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 under the RDGP are intended to repair, reclaim, and mitigate environmental damage to public resources from non-renewable resource extraction and develop and ensure the quality of public resources for the benefit of all Montana citizens. The program is administered by the Department of Natural Resources and Conservation (DNRC).

Legislative Action

The Sixty-third Legislature passed HB 7, the RDGP grant bill, that appropriates \$6.2 million for 19 RDGP grants and other reclamation projects. The HB 7 appropriations include \$4.4 million for RDGP grants and \$1.0 million for project planning grants. Other appropriations made in HB 7 include \$525,000 for aquatic invasive species control projects and \$300,000 for oil and natural gas groundwater testing. The figure below lists the RDGP grants authorized by the 2013 Legislature.

Reclamation and Development Grants (RDGP) Grants Authorized - HB 7 - 2015 Biennium		
Sponsor/Title	Grants Authorized	Cumulative Total
Missoula County Kennedy Creek Mine Reclamation	\$300,000	\$300,000
Montana DEQ - Abandoned Mine Lands Bureau South Fork Lower Willow Creek Black Pine Mine Reclamation	300,000	600,000
Philipsburg, Town of Tailings-Contaminated Sludge Disposal from Decommissioned Wastewater Lagoons	300,000	900,000
Montana DEQ - LUST/Brownfields Petroleum Product Delineation & Mitigation of Threat to Harlowton Public Water Supply Well	300,000	1,200,000
Confederated Salish & Kootenai Tribes Joseph Allotment and Elmo Cash Store - Cleanup Implementation	126,998	1,326,998
Powell County Milwaukee Roundhouse Recreational Subarea Interim Cleanup Action - Phase 2	300,000	1,626,998
Missoula County Sawpit Ninemile Reclamation	300,000	1,926,998
Malta, City of Former Malta Airport Facility - Herbicide/Pesticide Cleanup	249,480	2,176,478
Cascade Conservation District Barker-Hughesville Reclamation Area Fish Barrier Projects on Dry Fork Belt Creek	113,300	2,289,778
Butte-Silver Bow City-County Government Butte Mining District: Reclamation & Protection Project Phase IV	244,720	2,534,498
Ryegate, Town of Former Ryegate Conoco Groundwater Remediation	206,080	2,740,578
Cascade County County Shops Remediation of Wood Treatment Preservatives	300,000	3,040,578
Butte-Silver Bow City-County Government Irrigation Project for Butte Acidic Mine Waters	275,690	3,316,268
Custer Conservation District Addressing Cumulative Effects on the Yellowstone River	127,377	3,443,645
Ruby Valley Conservation District Upper Missouri Headwaters River/Flood Hazard Map Development	300,000	3,743,645
Montana DEQ -Water Quality Planning Baseline Groundwater Sampling in Areas of Anticipated Oil & Gas Development	160,000	3,903,645
Yellowstone Conservation District Lower Pryor Creek Stabilization and Restoration	70,000	3,973,645
Montana DEQ - Abandoned Mine Lands Bureau Sheridan County 2012-2013 Reclamation Project	300,000	4,273,645
Montana DNRC - Water Projects Deadman's Basin Diversion Dam	145,000	4,418,645
Total RDGP Grants Authorized	<u>\$4,418,645</u>	

The legislature provided appropriations for two projects outside the regular RDGP in HB 7, which include:

- \$525,000 - Aquatic Invasive Species (AIS) Control. The state has five known infestations of Eurasian water milfoil that include: 1) the lower Jefferson River, 2) upper Missouri River and associated reservoirs (to upper Canyon Ferry), 3) Fort Peck Reservoir, 4) lower Clark Fork River (Noxon and Cabinet Gorge Reservoirs), and 5) Beaver Lake in the Flathead Valley. This appropriation will fund grants and technical support to local governments for the control of aquatic invasive species. Activities may include on-the-ground treatment, surveys, environmental monitoring, preparation of action plans, treatment demonstration, research or design, or other related actions. For more information on the state’s management of and funding for AIS, see Section C of the Legislative Fiscal Report.
- \$300,000 - Oil and Gas Development Groundwater Sampling. This project will address the concerns of conservation districts about the risk of contamination to stock water and drinking water wells from oil field activities. The purpose of the monitoring project is to establish baseline groundwater quality and availability in advance of oil and gas activity and in areas currently at risk from oil field activities. The project will characterize well water and aquifers currently used for domestic or stock water. Knowing pre-development groundwater conditions will be valuable in resolving conflicts that may arise over whether oil and gas operations have caused adverse impacts to groundwater resources. This monitoring program is limited to conservation districts with high risk aquifers and active or proposed oil field injection wells.

Funding

The RDGP program with appropriations in HB 7, as well as the RRGL grants program appropriated in HB 6, is funded from the “natural resource projects” state special revenue fund. For more information on the funding of the RRGL program, a fund balance analysis for the natural resource projects fund is provided on the following page.

Executive Budget Comparison

The Sixty-third Legislature made no changes to the executive request for HB 7.

Program Comparison - Reclamation and Development Grant Program				
Budget Item	Executive Recommendation	Legislative Budget	Change	% Change
	2015 Biennium	2015 Biennium		
Number of Grants	19	19	0	0.0%
	<u>Proposed</u>	<u>Appropriated</u>		
Grants Cost	\$4,418,645	\$4,418,645	\$0	0.0%
Other Grants	1,825,000	1,825,000	\$0	0.0%
Total Costs	\$6,243,645	\$6,243,645	\$0	0.0%
State Special	\$6,243,645	\$6,243,645	\$0	0.0%
Total Funds	\$6,243,645	\$6,243,645	\$0	0.0%

Other Legislation

HB 586 – This legislation establishes authority for the Department of Fish, Wildlife and Parks’ (FWP) for check stations and quarantine measures for aquatic invasive species (AIS). This legislation, in coordination with the Governor’s new statewide AIS plan, will provide a multiple agency plan of attack in mitigating the impacts of AIS currently in the state (Eurasian water milfoil) and reducing/eliminating the potential for threat of other AIS that have not yet entered the state (zebra mussels). The funding provided in the bill will be used in coordination with appropriations provided in HB 7.

Natural Resource Project Fund

The figure to the right shows the projected fund balance for the natural resource project fund for the 2015 biennium. The natural resource projects fund provides funding for the RRGL and RDGP programs, along with the funding for other natural resource projects.

The funding for the natural resource projects fund 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 (\$3.5 million each fiscal year for the purpose of making grants)
2. Resource indemnity and ground water assessment tax under provisions of 15-38-106, MCA (50% of the remaining proceeds, after appropriations for 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

Natural Resource Project Account (02577)			
Fund Balance Projection, 2015 Biennium			
Estimated Beginning Fund Balance (7/1/2013)			\$1,536,779
Revenue Projections	FY 2014	FY 2015	Biennium Total
RIT Interest Earnings	\$3,398,646	\$3,500,000	\$6,898,646
Resource Indemnity & Groundwater Tax	939,422	978,922	1,918,344
Oil and Natural Gas Tax	2,360,621	2,314,913	4,675,534
Administrative Fees	31,000	0	31,000
Orphan Share Transfer	0	250,000	250,000
General Fund Transfer	0	20,473,686	<u>20,473,686</u>
2015 Biennium Revenues			34,247,210
HB 6 Appropriations			
Emergency Grants:			
RRGL Authorized			(100,000)
Ten Mile/Pleasant Valley Sewer Dist.			(250,000)
Project Planning Grants			(1,062,000)
Irrigation Development Grants			(300,000)
Private Grants			(100,000)
Capacity Building Grants			(200,000)
State Water Plan			(200,000)
Big Pipestone/Jefferson River Sloth Watershed Restoration			(1,273,686)
People's Creek Minimum Flow Acct. Deposit			(3,000,000)
Blackfeet Tribe Water Rights Compact Infra. Account			(14,000,000)
Proposed RRGL Project Grants			<u>(8,967,632)</u>
Total RRGL Appropriations			(29,453,318)
HB 7 Appropriations			
Project Planning			(1,000,000)
Aquatic Invasive Species Control			(525,000)
Oil and Gas Development Groundwater Sampling			(300,000)
Proposed RDGP Project Grants			<u>(4,418,645)</u>
Total RDGP Appropriations			<u>(6,243,645)</u>
Estimated Ending Fund Balance (6/30/2015)			<u>\$87,026</u>

The natural resource projects fund is expected to begin the 2015 biennium with a fund balance of \$1.5 million. The positive fund balance is related to higher than anticipated revenues in the 2013 biennium and the savings attributed to withdrawn grants. The normal fund revenues are expected to be \$13.5 million for the 2015 biennium. The legislature provided two transfers to the fund: 1) \$250,000 from the orphan share state special revenue fund, and 2) \$20.5 million from the general fund. The transfers were provided to fund an emergency grant, additional project grants in the RRGL program, other natural resource projects, and deposits for tribal compacts. With the transfers, the total fund revenues are estimated to be \$34.2 million in the 2015 biennium.

In the 2013 biennium, total appropriations from the natural resource projects account for the RRGL (HB 6) program are \$29.5 million and appropriations for the RDGP (HB 7) program are \$6.2 million. The resulting ending fund balance is estimated to be \$87,026 at the end of the 2015 biennium.