

HOUSE BILL NO. 6

INTRODUCED BY J. FITZPATRICK

BY REQUEST OF THE OFFICE OF BUDGET AND PROGRAM PLANNING

A BILL FOR AN ACT ENTITLED: "AN ACT IMPLEMENTING THE RENEWABLE RESOURCE GRANT AND LOAN PROGRAM; APPROPRIATING MONEY TO THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION FOR GRANTS UNDER THE RENEWABLE RESOURCE GRANT AND LOAN PROGRAM; PRIORITIZING PROJECT GRANTS AND AMOUNTS; ~~REQUIRING A LOCAL GOVERNMENT TO ESTABLISH AND FUND A CAPITAL RESERVE ACCOUNT BEFORE RECEIVING GRANT FUNDING;~~ AMENDING SECTION 85-1-612, MCA; ESTABLISHING CONDITIONS FOR GRANTS; PROVIDING FOR THE COORDINATION OF FUNDING; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Appropriations.** (1) There is appropriated from the natural resources projects state special revenue account established in 15-38-302 to the department of natural resources and conservation for the biennium beginning July 1, 2025, up to:

- (a) \$500,000 for emergency projects grants to be awarded by the department over the biennium;
- (b) ~~\$2 million~~ \$1 MILLION for planning grants to be awarded by the department over the biennium;
- (c) \$500,000 for irrigation development grants to be awarded by the department over the biennium;
- (d) \$150,000 for private grants to be awarded by the department over the biennium; and
- (e) ~~\$1 million~~ \$500,000 for nonpoint source pollution reduction grants to be awarded by the department over the biennium.

(2) There is appropriated ~~\$5.25 million~~ \$2.5 MILLION \$4,750,000 from the natural resources projects state special revenue account established in 15-38-302 to the department of natural resources and conservation for the biennium beginning July 1, 2025. The funds in this subsection (2) must be awarded by the department to the named entities for the described purposes and in the grant amounts listed in subsection (4),

subject to the conditions set forth in [sections 2 and 3] and the contingencies described in the renewable resource grant and loan program's January 2025 report to the 69th legislature titled: "Governor's Executive Budget Fiscal Years 2026–2027 Volume 6".

(3) Funds must be awarded up to the amounts approved in subsection (4) in the order of priority listed until the available funds are expended. Funds not accepted or used by higher-ranked projects must be provided for projects farther down the priority list that would not otherwise receive funding. If at any time a grant recipient determines that a project will not begin before June 30, 2027, the grant recipient shall notify the department of natural resources and conservation. After all eligible projects are funded, any remaining funds may be used for any renewable resource project authorized under this section.

(4) The prioritized infrastructure grant projects are as follows:

RENEWABLE RESOURCE INFRASTRUCTURE GRANT PROJECTS

Rank	Applicant/Project	Amount
1	Arlee Lake County Water and Sewer District	
	Arlee Lake County Water and Sewer District Wastewater System Upgrades	\$125,000
2	Whitehall, Town of	
	Whitehall Drinking Water System Improvements	\$125,000
3	Deer Lodge, City of	
	Deer Lodge Wastewater Collection System Improvements	\$125,000
4	Missoula, City of	
	Missoula Public Library Living Roof Stormwater Control	\$125,000
5 <u>4</u>	Harrison Water and Sewer District	
	Harrison Wastewater System Improvements	\$125,000
6 <u>5</u>	Madison County	
	Madison County Pennington Bridge Big Hole River Restoration	\$125,000
7 <u>6</u>	South Wind County Water and Sewer District	
	South Wind Drinking Water and Wastewater Improvements, Phase 4	\$125,000
8 <u>7</u>	Willow Creek Sewer District	
	Willow Creek Sewer District Wastewater System Improvements	\$125,000

1	9 <u>8</u>	Roundup, City of	
2		Roundup Wastewater Lagoon System Upgrades	\$125,000
3	40 <u>9</u>	Judith Basin County	
4		Judith Basin County Geyser Wastewater Treatment System Improvements	\$125,000
5	44 <u>10</u>	Martinsdale Water and Sewer District	
6		Martinsdale Water and Sewer District Water System Improvements	\$125,000
7	42 <u>11</u>	Alder Water and Sewer District	
8		Alder Water and Sewer District Wastewater System Improvements	\$125,000
9	43 <u>12</u>	Fairfield, Town of	
10		Fairfield Drinking Water System Improvements	\$125,000
11	44 <u>13</u>	Dutton, Town of	
12		Dutton Drinking Water System Improvements, Phase 2	\$125,000
13	45 <u>14</u>	Circle, Town of	
14		Circle Water System Improvements, Phase 5	\$125,000
15	46 <u>15</u>	Malta, City of	
16		Malta Drinking Water System Improvements	\$125,000
17	47 <u>16</u>	Red Lodge, City of	
18		Red Lodge Wastewater System Improvements, Phases 2 and 3	\$125,000
19	48 <u>17</u>	Hysham, Town of	
20		Hysham Drinking Water System Improvements, Phase 2	\$125,000
21	49 <u>18</u>	Darby, Town of	
22		Darby Wastewater System Improvements	\$125,000
23	20 <u>19</u>	Sheridan, Town of	
24		Sheridan Drinking Water System Improvements	\$125,000
25	24 <u>20</u>	Richey, Town of	
26		Richey Drinking Water System Improvements, Phase 3	\$125,000
27	22 <u>21</u>	Ennis, Town of	
28		Ennis Drinking Water System Improvements	\$125,000

1	23 <u>22</u> Basin Water and/or Sewer District	
2	Basin Water and/or Sewer District Drinking Water System Improvements	\$125,000
3	24 <u>23</u> Manhattan, Town of	
4	Manhattan Water System Improvements	\$125,000
5	25 <u>24</u> Cooke City Water District	
6	Cooke City Drinking Water Infrastructure Improvements	\$125,000
7	26 <u>25</u> Treasure State Acres Water and Sewer District	
8	Treasure State Acres Wastewater Treatment System Improvements	\$125,000
9	27 <u>26</u> St. Ignatius, Town of	
10	St. Ignatius Wastewater Collection Main Replacement	\$125,000
11	28 <u>27</u> Twin Bridges, Town of	
12	Twin Bridges Drinking Water System Improvements	\$125,000
13	29 <u>28</u> Libby, City of	
14	Libby Wastewater System Improvements	\$125,000
15	30 <u>29</u> Sun Prairie Village County Water and Sewer District	
16	Sun Prairie Village Drinking Water System Upgrades	\$125,000
17	31 <u>30</u> Plentywood, City of	
18	Plentywood Drinking Water System Improvements	\$125,000
19	32 <u>31</u> White Sulphur Springs, City of	
20	White Sulphur Springs Drinking Water System Improvements	\$125,000
21	33 <u>32</u> Big Timber, City of	
22	Big Timber Drinking Water Storage Improvements	\$125,000
23	34 <u>33</u> Wolf Point, City of	
24	Wolf Point Wastewater System Improvements, Phase 3	\$125,000
25	35 <u>34</u> Bigfork County Water and Sewer District	
26	Bigfork Drinking Water System Improvements	\$125,000
27	36 <u>35</u> Shelby, City of	
28	Shelby Wastewater System Improvements	\$125,000

1	37 36 Ronan, City Of	
2	Ronan Wastewater System Improvements	\$125,000
3	38 27 Bearcreek, Town of	
4	Bearcreek Drinking Water System Improvements, Phase 1	\$125,000
5	39 38 Conrad, City of	
6	Conrad Wastewater System Improvements	\$125,000
7	40 39 Pinesdale, Town of	
8	Pinesdale Drinking Water System Improvements	\$125,000
9	41 40 Hinsdale County Water and Sewer District	
10	Hinsdale County Water and Sewer District Water System Upgrades	\$125,000
11	42 41 Joliet, Town of	
12	Joliet Wastewater System Improvements	\$125,000

13 (5) There is appropriated ~~\$3,474,500~~ ~~\$2,520,000~~ \$2,744,500 from the natural resources projects
14 state special revenue account established in 15-38-302 to the department of natural resources and
15 conservation for the biennium beginning July 1, 2025. The funds in this subsection (5) must be awarded by the
16 department to the named entities for the described purposes and in the grant amounts listed in subsection (7),
17 subject to the conditions set forth in [sections 2 and 3] and the contingencies described in the renewable
18 resource grant and loan program's January 2025 report to the 68th legislature titled: "Governor's Executive
19 Budget Fiscal Years 2026–2027 Volume 6".

20 (6) Funds must be awarded up to the amounts approved in subsection (7) in the order of priority
21 listed until the available funds are expended. Funds not accepted or used by higher-ranked projects must be
22 provided for projects farther down the priority list that would not otherwise receive funding. If at any time a grant
23 recipient determines that a project will not begin before June 30, 2027, the grant recipient shall notify the
24 department of natural resources and conservation. After all eligible projects are funded, any remaining funds
25 may be used for any renewable resource project authorized under this section.

26 (7) The prioritized irrigation grant projects are as follows:

27 RENEWABLE RESOURCE IRRIGATION GRANT PROJECTS

28	Rank Applicant/Project	Amount
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1	1 Granite County Conservation District	
2	Granite County Flint Creek Dam Improvements	\$125,000
3	2 <u>1</u> Pondera County Conservation District	
4	Pondera County Conservation District S-Canal Pipeline Conversion	\$125,000
5	3 <u>2</u> Yellowstone County	
6	Yellowstone County Billings Bench Water Association Rattlesnake Reservoir Water Management	
7	Improvements	\$125,000
8	4 <u>3</u> Yellowstone Irrigation District	
9	Yellowstone Irrigation District Canal Rehabilitation	\$125,000
10	5 <u>4</u> Lower Yellowstone Irrigation District #1	
11	Lower Yellowstone Irrigation District Thomas Point Pump Station Rehabilitation, Phase 2	
12		\$125,000
13	6 <u>5</u> Savage Irrigation District	
14	Savage Irrigation District Pumping Plant Rehabilitation, Phase 2	\$125,000
15	7 <u>6</u> Clinton Irrigation District	
16	Clinton Irrigation District Schoolhouse Lateral Pipeline Conversion, Phase 4	\$125,000
17	8 <u>7</u> Helena Valley Irrigation District	
18	Helena Valley Irrigation District Lateral 26.6 and Lateral 20.7-3.3 Seepage Mitigation	
19		\$125,000
20	9 <u>8</u> Helena Valley Irrigation District	
21	Helena Valley Irrigation District Pumping Plant Automation	\$125,000
22	10 <u>9</u> Greenfields Irrigation District	
23	Greenfields Irrigation District Check Replacement, Phase 2	\$125,000
24	11 <u>10</u> Tongue and Yellowstone River Irrigation District	
25	Tongue and Yellowstone River Irrigation District Cowles Creek Flume Replacement	
26		\$125,000
27	12 <u>11</u> Tongue and Yellowstone River Irrigation District	
28	Tongue and Yellowstone River Irrigation District Jones Creek Flume and Canal Conversion	

1		\$125,000
2	43 <u>12</u> Bitterroot Conservation District	
3	Bitterroot Conservation District Union Diversion Resource Improvements	\$125,000
4	44 <u>13</u> Fort Belknap Irrigation District	
5	Fort Belknap Irrigation District Main Canal Lining Project	\$125,000
6	45 <u>14</u> Petroleum County Conservation District	
7	Petroleum County Conservation District McDonald Creek Diversion Structures Replacement	
8		\$125,000
9	46 <u>15</u> Malta Irrigation District	
10	Malta Irrigation District Black Coulee Siphon Replacement	\$125,000
11	47 <u>16</u> Yellowstone Irrigation District	
12	Yellowstone Irrigation District Lateral 17.6 Rehabilitation, Phase 1	\$125,000
13	48 <u>17</u> Sweet Grass Conservation District	
14	Sweet Grass Conservation District Crest Ditch Headgate Rehabilitation	\$125,000
15	49 <u>18</u> Petrolia Irrigation District	
16	Petrolia Irrigation District Main Canal Pipeline Conversion	\$125,000
17	20 <u>19</u> Glen Lake Irrigation District	
18	Glen Lake Irrigation District Doxie Slough Seepage Mitigation Project	\$125,000
19	21 Granite Conservation District	
20	Granite Conservation District Allendale Ditch Rehabilitation	\$125,000
21	22 <u>20</u> Hammond Irrigation District	
22	Hammond Irrigation District Big Porcupine Siphon Rehabilitation	\$125,000
23	21 <u>SUNSET IRRIGATION DISTRICT</u>	
24	<u>HEADGATE REPAIR</u>	<u>\$20,000</u>
25	23 <u>22</u> Greenfields Irrigation District	
26	Greenfields Irrigation District J-Wasteway Modernization	\$125,000
27	24 <u>23</u> Bitter Root Irrigation District	
28	Bitter Root Irrigation District Diversion Control Modernization	\$99,500

1	25 <u>24</u>	Zurich Irrigation District	
2		Zurich Irrigation District Brown Creek Siphon Rehabilitation	\$125,000
3	26 <u>25</u>	Kinsey Irrigation District	
4		Kinsey Irrigation District Harris Creek Spill Structure Rehabilitation	\$125,000
5	27 <u>26</u>	Kinsey Irrigation District	
6		Kinsey Irrigation District Hammerbacker Lateral to Pipeline Conversion	\$125,000
7	28 <u>27</u>	Fort Shaw Irrigation District	
8		Fort Shaw Irrigation District Simms Creek Siphon Replacement	\$125,000
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10 NEW SECTION. **Section 2. Coordination of fund sources for grants to political subdivisions**
11 **and local governments.** A grant recipient listed under [section 1(4) and (7)] may not receive funds from both
12 the reclamation and development grants program and the renewable resource grant and loan program for the
13 same project during the same biennium.

14
15 NEW SECTION. **Section 3. Condition of grants.** The disbursement of funds under [section 1] is
16 subject to the following conditions that must be met by the grant recipient:

17 (1) The grant recipient must have a scope of work, schedule, and budget for the project that is
18 approved by the department of natural resources and conservation. Any changes in scope of work or budget
19 after legislative approval may not alter project goals and objectives. Changes in activities that would reduce the
20 public or natural resource benefits as presented in department of natural resources and conservation reports
21 and applicant testimony to the 69th legislature may result in a proportional reduction in the grant amount.

22 (2) The grant recipient must document that other matching funds required for completion of the
23 project are firmly committed.

24 (3) The grant recipient must have a project management plan that is approved by the department
25 of natural resources and conservation.

26 (4) The grant recipient shall comply with the auditing and reporting requirements provided for in 2-
27 7-503 and establish a financial accounting system that the department can reasonably ensure conforms to
28 generally accepted accounting principles. Tribal governments shall comply with the auditing and reporting

requirements provided for in 2 CFR 200.

(5) The grant recipient shall satisfactorily complete the conditions described in the recommendation section of the project narrative of the program report to the legislature for the biennium ending June 30, 2027, or, in the case of planning grants issued under [section 1(1)], complete the conditions specified at the time of written notification of the approved grant authority.

(6) The grant recipient shall execute a grant agreement with the department of natural resources and conservation.

(7) Any other specific requirements considered necessary by the department must be met to accomplish the purpose of the grant as evidenced from the application to the department or from the proposal as presented to the legislature.

NEW SECTION. SECTION 4. — LOCAL GOVERNMENT REQUIREMENTS BEFORE FUNDS ARE RELEASED. (1) To
BE ELIGIBLE TO RECEIVE FUNDING UNDER [THIS ACT], A LOCAL GOVERNMENT SHALL ESTABLISH AND CONTINUALLY FUND
A CAPITAL RESERVE ACCOUNT MEETING THE REQUIREMENTS OF SUBSECTION (3) FOR NECESSARY INFRASTRUCTURE
IMPROVEMENTS, INCLUDING BUT NOT LIMITED TO IMPROVEMENTS TO WATER SUPPLY SYSTEMS, WASTEWATER SYSTEMS,
IRRIGATION SYSTEMS, AND WATER STORAGE DAMS WITH WATER STORAGE CAPACITY IN EXCESS OF 3,000 ACRE FEET
AND THAT ARE NOT PART OF A PUBLIC WATER SYSTEM.

(2) — THE CAPITAL RESERVE ACCOUNT MUST BE ESTABLISHED PRIOR TO THE RECEIPT OF GRANT FUNDS
UNDER [THIS ACT].

(3) — THE LOCAL GOVERNMENT SHALL DEPOSIT INTO THE CAPITAL RESERVE ACCOUNT:

(A) — AN AMOUNT EQUAL TO 10% OF THE REVENUES RECEIVED BY THE LOCAL GOVERNMENT FROM WATER
SUPPLY FEES, WASTEWATER SYSTEM USAGE FEES, OR WATER DELIVERY FEES ASSESSED BY THE LOCAL GOVERNMENT;
OR

(B) — FOR THE OWNERS OF WATER STORAGE DAMS DESCRIBED IN SUBSECTION (1), AN AMOUNT EQUAL TO \$5
PER ACRE FOOT OF WATER STORAGE CAPACITY. REVENUES OR ROYALTIES FROM THE PRODUCTION AND SALE OF
ELECTRICITY, GENERAL FUND REVENUES USED FOR THE MAINTENANCE OF WATER STORAGE DAMS AND OTHER
STRUCTURES OWNED BY THE LOCAL GOVERNMENT, AND FEES LEVIED ON ALL MEMBERS OF A CONSERVATION DISTRICT
AS THE CONSERVATION DISTRICT EXISTED ON JANUARY 1, 2025, WHERE THE DAM IS LOCATED MAY BE USED TO MEET

~~THE REQUIREMENT OF THIS SUBSECTION (3)(B):~~

~~(C) A LOCAL GOVERNMENT MAY NOT CREATE ANY FORM OF SPECIAL OR IMPROVEMENT DISTRICT TO FUND
THE CAPITAL RESERVE ACCOUNT PROVIDED FOR IN THIS SECTION.~~

~~(4) A LOCAL GOVERNMENT MAY ONLY EXPEND FUNDS FROM THE CAPITAL RESERVE ACCOUNT TO FUND
PROJECTS WITH A TOTAL ESTIMATED COST OF AT LEAST \$50,000.~~

~~(5) AS USED IN THIS SECTION, "LOCAL GOVERNMENT" MEANS A COUNTY, CITY, TOWN, CONSOLIDATED CITY-
COUNTY, IRRIGATION DISTRICT, DRAINAGE DISTRICT, CONSERVATION DISTRICT, OR WATER USERS' ASSOCIATION OR
DITCH COMPANY ORGANIZED AND INCORPORATED PURSUANT TO TITLE 35, CHAPTER 14, OR TITLE 85, CHAPTER 6, PART
1.~~

NEW SECTION. Section 4. Appropriations established. There is appropriated to any entity of state government that receives a grant under [section 1] the amount of the grant upon award of the grant by the department of natural resources and conservation. Grants to entities from prior biennia are reauthorized for the completion of contract work.

NEW SECTION. Section 5. Approval of grants -- completion of biennial appropriation. The legislature, pursuant to 85-1-605, approves the renewable resource grant and loan program grants listed in [section 1]. The authorization of these grants constitutes a biennial appropriation from the natural resources projects state special revenue account established in 15-38-302.

SECTION 6. SECTION 85-1-612, MCA, IS AMENDED TO READ:

"85-1-612. Rulemaking authority. The department shall adopt rules:

- (1) prescribing a reasonable application fee and the form and content of applications for grants and loans;
- (2) governing the application of the criteria for awarding loans and grants to private persons;
- (3) providing for the servicing of loans including arrangements for obtaining security interests and the establishment of reasonable fees or charges to be made;
- (4) describing the terms and conditions for making grants and loans, the security instruments, and

the agreements necessary;

(5) describing the ranking criteria used to evaluate and prioritize grants to governmental entities, which must include a ratio calculated by dividing the amount of the locally provided match, which includes cash or capital improvement funds, by the annual operating budget for the system. Projects with a higher ratio of match may be given priority over other projects with a lower ratio, and consideration must be given to the size and cost of the proposed project, the number of users the project serves, and the ability of the applicant to fund the fund dedicated to capital improvements.

(6) specifying any other procedures necessary to accomplish the objectives of the renewable resource grant and loan program."

NEW SECTION. Section 7. Notification to tribal governments. The secretary of state shall send a copy of [this act] to each federally recognized tribal government in Montana.

NEW SECTION. Section 8. Severability. If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

COORDINATION SECTION. Section 9. Coordination instruction. (1) If both [this act] and an act that provides additional funding for renewable resource grant and loan program grants from a source other than the natural resources projects state special revenue account established in 15-38-302 are passed and approved, the projects listed in [section 1(4) and (7) of this act] that do not receive funding from the appropriations in [section 1(2) and (5) of this act] may receive funding from the appropriation in the other act designated for renewable resource grant and loan program grants in the order of completion of the conditions of [section 3 of this act] and to the extent that there is appropriation authority available.

(2) Appropriations made in [section 1(1)(a) through(1)(e)] may be adjusted within [section 1(1)(a) through (1)(e)] within the biennium based on demand or emergencies.

NEW SECTION. Section 10. Effective date. [This act] is effective July 1, 2025.

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- END -