

## HOUSE BILL NO. 226

INTRODUCED BY T. RICHMOND

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4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING LAWS RELATED TO FUNDING OF OIL AND GAS  
5 RECLAMATION PROJECTS; DECREASING FUNDS FOR RECLAMATION AND DEVELOPMENT GRANTS;  
6 INCREASING FUNDS FOR OIL AND GAS DAMAGE MITIGATION; AMENDING SECTIONS 15-38-202,  
7 82-11-161, AND 90-2-1113, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

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11 **Section 1.** Section 15-38-202, MCA, is amended to read:

12 **"15-38-202. Investment of resource indemnity trust fund -- expenditure -- minimum balance. (1)**

13 All money paid into the resource indemnity trust fund must be invested at the discretion of the board of  
14 investments. Only the net earnings, excluding unrealized gains and losses, may be appropriated and expended  
15 until the fund balance, excluding unrealized gains and losses, reaches \$100 million. After the fund balance  
16 reaches \$100 million, all net earnings, excluding unrealized gains and losses, and all receipts may be  
17 appropriated by the legislature and expended, provided that the fund balance, excluding unrealized gains and  
18 losses, may never be less than \$100 million.

19 (2) (a) At the beginning of each fiscal year, there is allocated from the interest income of the resource  
20 indemnity trust fund:

21 (i) ~~\$3.5 million~~ \$3.2 million to be deposited in the natural resources projects state special revenue  
22 account, established in 15-38-302, for the purpose of making grants;

23 (ii) \$300,000 to be deposited in the ground water assessment account established in 85-2-905;

24 (iii) \$500,000 to the department of fish, wildlife, and parks for the purposes of 87-1-283. The future  
25 fisheries review panel shall approve and fund qualified mineral reclamation projects before other types of qualified  
26 projects.

27 (b) At the beginning of each biennium, there is allocated from the interest income of the resource  
28 indemnity trust fund:

29 (i) ~~an amount not to exceed \$50,000~~ \$650,000 to be deposited in the oil and gas production damage  
30 mitigation account pursuant to the conditions of 82-11-161;

1 (ii) \$500,000 to be deposited in the water storage state special revenue account created by 85-1-631;

2 and

3 (iii) \$175,000 to be deposited in the environmental contingency account established in 75-1-1101.

4 (c) The remainder of the interest income is allocated as follows:

5 (i) Sixty-five percent of the interest income of the resource indemnity trust fund must be allocated to the  
6 natural resources operations state special revenue account established in 15-38-301.

7 (ii) Twenty-six percent of the interest income of the resource indemnity trust fund must be allocated to  
8 the hazardous waste/CERCLA special revenue account provided for in 75-10-621.

9 (iii) Nine percent of the interest income of the resource indemnity trust fund must be allocated to the  
10 environmental quality protection fund provided for in 75-10-704.

11 (3) Any formal budget document prepared by the legislature or the executive branch that proposes to  
12 appropriate funds other than as provided for by the allocations in subsection (2) must specify the amount of  
13 money from each allocation that is proposed to be diverted and the proposed use of the diverted funds. A formal  
14 budget document includes a printed and publicly distributed budget proposal or recommendation, an introduced  
15 bill, or a bill developed during the legislative appropriation process or otherwise during a legislative session."  
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17 **Section 2.** Section 82-11-161, MCA, is amended to read:

18 **"82-11-161. (Temporary) Oil and gas production damage mitigation account -- statutory**  
19 **appropriation.** (1) There is an oil and gas production damage mitigation account within the state special revenue  
20 fund established in 17-2-102. The oil and gas production damage mitigation account is controlled by the board.

21 (2) (a) At the beginning of each biennium, there must be allocated to the oil and gas production damage  
22 mitigation account ~~\$50,000~~ \$650,000 from the interest income of the resource indemnity trust fund, except that  
23 if at the beginning of a biennium the unobligated cash balance in the oil and gas production damage mitigation  
24 account:

25 (a)(i) equals or exceeds ~~\$200,000~~ \$2 million ~~\$650,000~~ \$1 MILLION, no allocation will be made; or

26 (b)(ii) is less than ~~\$200,000~~ \$2 million ~~\$650,000~~ \$1 MILLION, then an amount less than or equal to the  
27 difference between the unobligated cash balance and ~~\$200,000~~ \$2 million ~~\$650,000~~ \$1 MILLION, but not more than  
28 ~~\$50,000~~ \$650,000, must be allocated to the oil and gas production damage mitigation account from the interest  
29 income of the resource indemnity trust fund.

30 (b) If \$650,000 is not allocated pursuant to subsection (2)(a), the remainder must be deposited in the

1 natural resources projects state special revenue account established in 15-38-302 for the purpose of making  
 2 grants.

3 (3) In addition to the allocation provided in subsection (2), there must be deposited in the oil and gas  
 4 production damage mitigation account all funds received by the board pursuant to 82-11-136.

5 (4) If a sufficient balance exists in the account, funds are statutorily appropriated, as provided in  
 6 17-7-502, from the oil and gas production damage mitigation account, upon the authorization of the board, to pay  
 7 the reasonable costs of properly plugging a well and either reclaiming or restoring, or both, a drill site or other  
 8 drilling or producing area damaged by oil and gas operations if the board determines that the well, sump, hole,  
 9 drill site, or drilling or producing area has been abandoned and the responsible person cannot be identified or  
 10 located or if the responsible person fails or refuses to properly plug, reclaim, or restore the well, sump, hole, drill  
 11 site, or drilling or producing area within a reasonable time after demand by the board. The responsible person  
 12 shall, however, pay costs to the extent of that person's available resources and is subsequently liable to fully  
 13 reimburse the account or is subject to a lien on property as provided in 82-11-164 for costs expended from the  
 14 account to properly plug, reclaim, or restore the well, sump, hole, drill site, or drilling or producing area and to  
 15 mitigate any damage for which the person is responsible.

16 (5) Interest from funds in the oil and gas production damage mitigation account accrues to that account.

17 **82-11-161. (Effective on occurrence of contingency) Oil and gas production damage mitigation**  
 18 **account -- statutory appropriation.** (1) There is an oil and gas production damage mitigation account within  
 19 the state special revenue fund established in 17-2-102. The oil and gas production damage mitigation account  
 20 is controlled by the board.

21 (2) (a) At the beginning of each biennium, there must be allocated to the oil and gas production damage  
 22 mitigation account ~~\$50,000~~ \$650,000 from the interest income of the resource indemnity trust fund, except that  
 23 if at the beginning of a biennium the unobligated cash balance in the oil and gas production damage mitigation  
 24 account:

25 (a)(i) equals or exceeds ~~\$200,000~~ \$2 million ~~\$650,000~~ \$1 MILLION, no allocation will be made; or

26 (b)(ii) is less than ~~\$200,000~~ \$2 million ~~\$650,000~~ \$1 MILLION, then an amount less than or equal to the  
 27 difference between the unobligated cash balance and ~~\$200,000~~ \$2 million ~~\$650,000~~ \$1 MILLION, but not more than  
 28 ~~\$50,000~~ \$650,000, must be allocated to the oil and gas production damage mitigation account from the interest  
 29 income of the resource indemnity trust fund.

30 (b) If \$650,000 is not allocated pursuant to subsection (2)(a), the remainder must be deposited in the

1 natural resources projects state special revenue account established in 15-38-302 for the purpose of making  
 2 grants.

3 (3) In addition to the allocation provided in subsection (2), there must be deposited in the oil and gas  
 4 production damage mitigation account all funds received by the board pursuant to 82-11-136(1).

5 (4) If a sufficient balance exists in the account, funds are statutorily appropriated, as provided in  
 6 17-7-502, from the oil and gas production damage mitigation account, upon the authorization of the board, to pay  
 7 the reasonable costs of properly plugging a well and either reclaiming or restoring, or both, a drill site or other  
 8 drilling or producing area damaged by oil and gas operations if the board determines that the well, sump, hole,  
 9 drill site, or drilling or producing area has been abandoned and the responsible person cannot be identified or  
 10 located or if the responsible person fails or refuses to properly plug, reclaim, or restore the well, sump, hole, drill  
 11 site, or drilling or producing area within a reasonable time after demand by the board. However, the responsible  
 12 person shall pay costs to the extent of that person's available resources and is subsequently liable to fully  
 13 reimburse the account or is subject to a lien on property as provided in 82-11-164 for costs expended from the  
 14 account to properly plug, reclaim, or restore the well, sump, hole, drill site, or drilling or producing area and to  
 15 mitigate any damage for which the person is responsible.

16 (5) Interest from funds in the oil and gas production damage mitigation account accrues to that account."  
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18 **Section 3.** Section 90-2-1113, MCA, is amended to read:

19 **"90-2-1113. Evaluation criteria -- priority.** (1) Except as provided in ~~subsections~~ subsection (2) and  
 20 (3), the department shall consider the following criteria in evaluating eligible applications and in selecting projects  
 21 to be recommended to the governor for funding:

22 (a) the degree to which the project will provide benefits in its eligibility category or categories;

23 (b) the degree to which the project will provide public benefits;

24 (c) the degree to which the project will promote, enhance, or advance the policies and purposes of the  
 25 reclamation and development grants program;

26 (d) the degree to which the project will provide for the conservation of natural resources;

27 (e) the degree of need and urgency for the project;

28 (f) the extent to which the project sponsor or local entity is contributing to the costs of the project or is  
 29 generating additional nonstate funds;

30 (g) the degree to which jobs are created for persons who need job training, receive public assistance,

1 or are chronically unemployed; and

2 (h) any other criteria that the department considers necessary to carry out the policies and purposes of  
3 the reclamation and development grants program.

4 ~~(2)(a) Subject to the conditions of this part, the department shall give priority to grant requests, not to  
5 exceed a total of \$600,000 for the biennium, from the board of oil and gas conservation beginning on July 1, 2015.  
6 The board of oil and gas conservation shall use a grant that received priority under this subsection (2)(a) for oil  
7 and gas reclamation projects. The board may use a maximum of 2.5% of the amount of a grant for administrative  
8 costs associated with implementing the projects covered in the grant.~~

9 ~~————(b) Any unobligated fund balance of a grant that received priority under subsection (2)(a) remaining at  
10 the end of the current biennium must be included as part of the \$600,000 limitation for the next biennium.~~

11 ~~————(c) The priority given to the board of oil and gas conservation under subsection (2)(a) does not preclude  
12 the board of oil and gas conservation from submitting additional grant requests. The department shall evaluate  
13 additional grant requests from the board of oil and gas conservation in accordance with the provisions of  
14 subsection (1).~~

15 ~~(3)(2) Subject to the conditions of this part, the department shall give priority to grant requests not to  
16 exceed a total of \$800,000 for the biennium for abandoned mine reclamation projects. A grant may not be used  
17 for personnel costs or general operating expenses."~~

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19 **NEW SECTION. Section 4. Effective date.** [This act] is effective July 1, 2015.

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