

MINUTES OF THE MEETING
AGRICULTURE, LIVESTOCK & IRRIGATION
MONTANA STATE SENATE

February 12, 1979

The fourteenth meeting of the Agriculture, Livestock and Irrigation Committee was called to order on the above date in Room 415 of the State Capitol Building by Chairman Galt at 12:30 p.m.

ROLL CALL: All members present with the exception of Senators Graham, Hager and Aklestad.

The witnesses that were present to testify are attached.

CONSIDERATION OF SENATE BILL 407: Senate Chet Blaylock from district #35 was the chief sponsor of this bill. He said this bill changes the rental fee on state school land. The new fee would be established by multiplying six times the average price per pound of beef. He stated that there is about 4,097,000 acres of school land. He said this was a priceless heritage for Montana and felt it would be a mistake if it were ever sold. The state school land is not for ranchers but was originally set aside for the education of Montana's children. 95% goes straight to the schools and 5% goes into the permanent school fund. The cost of our schools is going up and so is the cost to the ranchers, but he felt this bill was something equitable to both. There are three grades for classifying land. He presented an exhibit (#1) which shows one grade and how the formula would work. He said by using the multiple of 6 the only way the school lands could be hurt would be if cattle went below 50¢.

Mr. Leo Berry, Department of State Lands, spoke as a proponent. His testimony is attached. See exhibit #2.

Phil Campbell, Montana Education Association, said they find this bill reasonable to keep the funds available for school operations and for that reason they supported the bill.

Bob Biggerstaff, State Grazing Districts, submitted a proposed amendment, attachment #3. He said they were in favor of the bill if the amendment were incorporated into the bill. They were not in favor of the multiple of six. The proposed amendment would put a limit on the upper end to keep it in line with the federal grazing fees. The federal fees take into consideration three things. (1) forage value index, (2) cattle prices and (3) price paid or cost of production. The federal fees were supported by all the livestock organizations in the nation. He also felt higher fees would put the state preference system in jeopardy.

Mons Teigen, Montana Stockgrowers and Woolgrowers, also he was speaking for the Montana Farm Bureau and the Montana Farmers Union. He said these groups are composed of many

land users. They could support the bill with the proposed amendment. The amendment would provide some protection from the rapid increase of cattle prices. Removing the base fee would help in the down years.

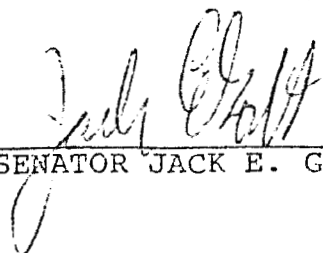
Senator Blaylock in closing said he would resist the amendment. He felt the fee would never go above the 110% and felt his bill was reasonable as it was introduced.

CONSIDERATION OF SENATE BILL 410: Senator Etchart, sponsor of the bill was not able to be present since he was visiting an institution. Mr. R. A. Ellis, Helena Valley Irrigation District explained the bill. The bill is to distribute the cost of hiring a water commissioner. When water is taken out of a reservoir and turned into the river and then diverted for an irrigation district people that do not belong to the district are pumping it also. This bill would benefit all the water users and it would prohibit the person who had no water right from taking it. The commissioner at present is appointed by the district judges and paid by the irrigation districts. This bill would require that if an irrigation district requested a commissioner, then all water users would have to pay for him.

DISPOSITION OF SENATE BILL 410: Senator Conover moved that Senabe Bill 410 DO PASS. Motion carried. Senators Hager, Graham and Aklestad absent.

DISPOSITION OF SENATE BILL 407: Senator Boylan moved the proposed amendment (exhibit #3). Motion carried.

Senator Boylan moved that Senate Bill 407 as amended DO PASS. Motion carried. (Note absences.)



SENATOR JACK E. GALT, Chairman

#1

Total AUMS 1,056,111
 Total Acres 4,097,196
 A Category 197,937 AUMS
 B Category 574,751 AUMS
 C Category 284,323 AUMS

The below rates assume there is only one category--that being "B"

	Average Price of Beef	Fee Under Current Formula	7 x Average Price of Beef	6 x Average Price of Beef	5 x Average Price of Beef
1974	\$.3958	\$1.69 \$.44/acre	\$2.77 \$.71/acre	\$2.37 \$.61/acre	\$2.48 \$.64/acre
1975	\$.4294	\$1.79 \$.46/acre	\$3.01 \$.78/acre	\$2.58 \$.67/acre	\$2.64 \$.68/acre
1976	\$.2656	\$1.30 \$.34/acre	\$1.85 \$.48/acre	\$1.59 \$.41/acre	\$1.83 \$.47/acre
1977	\$.3250	\$1.48 \$.38/acre	\$2.28 \$.59/acre	\$1.95 \$.50/acre	\$2.12 \$.55/acre
1978	\$.3177	\$1.45 \$.37/acre	\$2.22 \$.57/acre	\$1.91 \$.49/acre	\$2.08 \$.54/acre
1979	\$.3919	\$1.68 \$.43/acre	\$2.75 \$.71/acre	\$2.35 \$.60/acre	\$2.46 \$.63/acre
Estimate(1980)	\$.50	\$2.00 \$.52/acre	\$3.50 \$.90/acre	\$3.00 \$.77/acre	\$3.00 \$.77/acre
Estimate(1980)	\$.60	\$2.30 \$.59/acre	\$4.20 \$ 1.08/acre	\$3.60 \$.93/acre	\$3.50 \$.90/acre

#2
TESTIMONY - DEPARTMENT OF STATE LANDS

SB 407

The Constitution of the State of Montana requires that the state receive full market value for every lease of state owned land. During the past several years, efforts have been made to insure that the school trust is being fairly compensated for the use and consumption of its resources.

In 1975, e.g., the legislature raised the minimum rental on oil and gas leases from \$1.00/acre to \$1.50/acre and from \$50 per lease to \$100 per lease. The Department has experienced record breaking sales and income from oil and gas rentals for the past two years.

Also in 1975 the legislature changed the rentals on coal leases from \$50 per lease to \$2 per acre and changed the royalties from a minimum of \$.12½ per ton to 10% of the f.o.b. mine price (approximately \$.50-\$.80 per ton). In addition the Board of Land Commissioners has increased other rentals and royalties on various uses of state land.

The current base rental on state grazing lands is \$1.68 per AUM or \$.43 per acre. The rate in 1977 was \$1.48 per AUM or \$.38 per acre. By comparison the rate on private land in 1977 was \$7.30 per AUM or approximately \$1.87 per acre. Comparison of Montana's 1979 rate of \$1.68 per AUM with other western states shows the following:

Colorado - \$3.00/AUM

Idaho - #3.50/AUM

N. Dakota - \$2.65/AUM

Wyoming - \$1.25/AUM

S. Dakota - \$8.00/AUM

Some western states' rates are significantly higher than those listed; some are somewhat lower. And it must be recognized that the states use various

methods of determining their rates. However the listed states give a good cross-section the average rates used by western states.

In 1979 1,474 leases expired. The Department received 70 competitive bids on those leases. The low bid was \$1.65/AUM and the high was \$18.75/AUM and the average competitive bid was \$5.92/AUM for those leases expiring in 1979.

At the invitation of Senator Blaylock, the Department has discussed the proposed rate increase with representative user groups. The Department has committed to support an increase to a level which would be fair to both the lessees and the school trust. We recognize, e.g., that the ranching industry suffered through adverse economic conditions several years. By utilizing a formula which closely ties the grazing fee to the price of beef, SB 407 minimizes the price impact on the livestock industry. Under the proposed rate change, this years rentals would be \$2.35/AUM or \$.60/acre. That level is much more defensible in terms of the full market value requirement of the school trust as measured by current competitive bidding, comparable rates in western states, and the impact of inflation.

23
MONTANA ASSOCIATION OF STATE GRAZING DISTRICTS

7 Edwards
Helena, MT

Amendment to Senate Bill 407 introduced by Senator Blaylock.

"An Act To Revise The Formula For Computing Base Rental In Fixing Annual Grazing Rentals On State Lands."

Amendment:

Page 2, line 11, Insert subsection "(e) The maximum rental rate shall not exceed (110) percent of the annual grazing fee established by the 'Public Rangelands Improvement Act of 1978'."

Make the appropriate line changes for Sections (4) and (5).

STANDING COMMITTEE REPORT

February 12 1979

MR. President

We, your committee on Agriculture, Livestock & Irrigation

having had under consideration Senate Bill No. 407

Respectfully report as follows: That Senate Bill No. 407, introduced bill, be amended as follows:

I. Page 2,

Following: line 10

Insert: "(C) The maximum rental rate shall not exceed (110) percent of the annual grazing fee established by the 'Public Rangelands Improvement Act of 1978'."

And, as amended,

DO PASS

JACK E. GALT,

Chairman.

STANDING COMMITTEE REPORT

February 12 19 79

MR. President

We, your committee on Agriculture, Livestock & Irrigation

having had under consideration Senate Bill No. 410

Respectfully report as follows: That Senate Bill No. 410

DO PASS