

MINUTES OF THE MEETING
AGRICULTURE COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

March 13, 1985

The meeting of the Agriculture Committee was called to order by Chairman Schultz on March 13, 1985 at 3:40 p.m. in Room 317 of the State Capitol.

ROLL CALL: All members were present.

CONSIDERATION OF HOUSE JOINT RESOLUTION NO. 40: Rep. Gary Spaeth, District #84, sponsor of the bill, testified in support of it. He stated that essentially this bill is a study resolution that the legislature goes on record as studying the grazing fees. There has been several questions raised about the grazing fees and whether it is an actual assessment. Now is a good time to tell how capital varies and what they may find is that it is too high or too low. An interim study would solve this problem.

PROPOSERS: Dennis Hemmer, representing the Department of State Lands, testified in support of the resolution. He stated that the question was raised who should set the rates, however, the rates have been set by the legislature. He informed the committee that they will cooperate fully and asked them for their concurrence.

Stuart Doggett, representing the Montana Stockgrowers Association, appeared and offered testimony before the committee in favor of the resolution. He stated they feel it would help provide information on both sides of the issue. They, also, would like to be involved in this process.

Eric Feaver, representing the Montana Education Association, testified in support of HJR 40. He stated that this is a serious issue and that it is simply an effort to engage what is a fair market value.

Larry Acke, speaking of behalf of Secretary Jim Waltermire, stated he would like to go on record as supporting this bill.

There being no further proponents and no opponents to the resolution, Rep. Spaeth closed saying this is a serious question and it is time we take some action before other erupt pertaining to this issue. He strongly urged the committee for their support.

DISCUSSION OF HOUSE JOINT RESOLUTION NO. 40: Rep. Cody asked Rep. Spaeth who determines the market value now.

Rep. Spaeth said that essentially it is based on crop sharing or market sharing, which is 6 times the average price of cattle.

Rep. Holliday asked Mr. Feaver what happens if the cost that is incurred would be reason to lower the price, and do you feel that the education committee would accept that. Mr. Feaver replied yes, but unless we do the study we leave it up to others to determine what the fair market value should be.

Rep. Switzer stated that the price has been established by the livestock committee that meets with the taxgrowers.

Rep. Ellerd asked Mr. Feaver if he thinks the land is going to go up in value. Mr. Feaver answered that that is a lean question and he has no background about the agricultural community. He thinks this will allow us to come to an understanding of what the fair market value is.

Rep. Patterson asked Mr. Hemmer if they pay for the improvements. He answered that all improvements are the property of the leasee. He further stated that they do have a cost share program for the improvements.

Rep. Howe asked Mr. Hemmer if they would change the rules for accepting the leases if the fair market value is determined higher. He answered that the rate in the lease is determined by the legislature.

There being no further questions, the hearing on HJR 40 was closed.

CONSIDERATION OF SENATE BILL NO. 301: Senator Max Conover, District #42, sponsor of the bill, testified in support of it. He stated that it brings the agricultural leases for grazing lands to the leasees attention and if it is not paid by April 1st, the lease is cancelled. He said that this would insure quick collection of rentals due, and clear up the requirements for agricultural leasing. The department has a system similar to that proposed in this bill in place on grazing lands, and that system works very well. He handed to the committee Exhibits A and B.

PROPOSERS: Dennis Hemmer, commissioner of state lands, testified before the committee. He said that the Department of State Lands supports the passage of SB 301 regarding the establishment of deadlines for receiving rentals on state lands' agricultural leases. He read his testimony to the committee which was marked as Exhibit C.

There being no further proponents and no opponents to the bill, Senator Conover closed without further comment.

DISCUSSION OF SENATE BILL NO. 301: Rep. Schultz asked Senator Conover if he said there would be another letter before the notification period. Senator Conover said that they send a certified letter notifying the person that they have not yet received his payment.

Rep. Keller asked if all the grazing lands are due the first of March, and if so, would this be changed under this bill. Dennis Hemmer answered saying the grazing portion would still be due, but we are putting a statute in in compliance with the grazing portion.

There being no further questions, the hearing on SB 301 was closed.

CONSIDERATION OF SENATE BILL NO. 378: Senator Leo Lane, District #38, sponsor of the bill, appeared and offered testimony in support of SB 378. He said that this is just a smaller committee bill clarifying the language of the funds.

PROPOSERS: Ralph Peck, representing the Department of Agriculture, stated they would like this issue resolved and he urged the committee to pass the bill.

Mary Evans, representing the Department of Agriculture, stated that the budget amendment has requested that it will be very clear when we put these in account.

There being no further proponents and no opponents to the bill, Senator Lan closed without further comment.

DISCUSSION OF SENATE BILL NO. 378: Rep. Jenkins asked Ms. Evan if he is correct in saying that the appropriations committee tried to cut the funding for this in this session. Ms. Evans stated that yes, that is correct, however, the cut is not related to this particular bill.

There being no further discussion, the hearing was closed on SB 378.

EXECUTIVE SESSION

DISPOSITION OF SENATE BILL NO. 378: Rep. Holliday made a motion that SB 378 BE CONCURRED IN. A second was received by Rep. Compton and the motion CARRIED.

March 13, 1985

Page 4

DISPOSITION OF SENATE BILL NO. 301: Rep. Bachini made a motion to amend SB 378 by:

1. page 2, line 17

Strike: "statutory deadline or"

Rep. Ellison seconded the motion and the amendment carried. Rep. Keller made a motion that SB 378 BE CONCURRED IN AS AMENDED. Rep. Compton seconded the motion and discussion followed.

Rep. Cody asked Mr. Hemmer if there has been any increase in the number of leases. Mr. Hemmer said last year they sent out over 300 certified letters and this year they have sent out 540 certified letters.

Rep. Rapp-Svrcek asked Mr. Hemmer if the amount adjusts with the weather patterns such as we have had in the past few years. He replied that grazing leases they do not and agriculture leases are on a straight crop share basis.

Having had no further discussion, the question was called on the motion that SB 378 BE CONCURRED IN AS AMENDED. The motion CARRIED.

DISPOSITION OF HOUSE JOINT RESOLUTION NO. 40: Rep. Ellerd made a motion to DO NOT PASS HJR 40. He stated that the MEA looks at an increase in these funds and if they thought it wouldn't go up they would not be in here.

Rep. Keller stated that he thought this would be an educational process.

Rep. Cody said that it has been a long time since this has been studied.

Rep. Ellison stated that this has been a subject of conjecture for a long time.

Rep. Holliday stated that this study is necessary and for that reason she made a substitute motion to DO PASS HJR 40. The motion CARRIED with Rep. Ellerd voting no.

ADJOURN: There being no further business before the committee, the meeting was adjourned at 5:10 p.m.



JAMES SCHULTZ, Chairman

DAILY ROLL CALL

Agriculture COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 3-13-85

NAME	PRESENT	ABSENT	EXCUSED
James Schultz, Chairman	✓		
Gay Holliday, V-Chairman	✓		
Bob Bachini	✓		
Dorothy Cody	✓		
Duane Compton	✓		
Gerry Devlin	✓		
Robert Ellerd	✓		
Orval Ellison	✓		
Harry Fritz	✓		✓
Ramona Howe	✓		
Loren Jenkins	✓		
Vernon Keller	✓		
Francis Koehnke	✓		
John Patterson	✓		
Bing Poff	✓		
Paul Rapp-Svrcek	✓		
Gary Spaeth	✓		
Dean Switzer	✓		

STANDING COMMITTEE REPORT

March 14 19 85.....

MR. Speaker.....

We, your committee on Agriculture.....

having had under consideration Senate..... Bill No. 378.....

Third reading copy (Blue)
color

**CLARIFYING THAT PESTICIDE EDUCATION FEES BE USED FOR
PESTICIDE EDUCATION**

Respectfully report as follows: That Senate..... Bill No. 378.....

**BE CONCURRED IN
~~BY~~**

STANDING COMMITTEE REPORT

March 14

19 35

MR. Speaker

We, your committee on Agriculture

having had under consideration Senate Bill No. 301

Third reading copy (Blue)
color

TO ESTABLISH PAYMENT DEADLINES FOR STATE AGRICULTURAL LEASES

Respectfully report as follows: That Senate Bill No. 301
BE AMENDED AS FOLLOWS:

1. Page 2, line 17
Strike: "statutory deadline or"

AND AS AMENDED,
BE CONCURRED IN

~~DO PASS~~

STANDING COMMITTEE REPORT

.....March 14..... 19 85.....

MR. Speaker.....

We, your committee on.....Agriculture.....

having had under considerationHouse Joint Resolution..... Bill No. 40.....

First reading copy (White)
color

INTERIM STUDY OF GRAZING FEES ON STATE LAND

Respectfully report as follows: That.....House Joint Resolution..... Bill No. 40.....

DO PASS

Exhibit H
SB 301
3-13-85

BACKGROUND ON SENATE BILL NO. S.B. 301
FOR SENATOR MAX CONOVER

An act establishing payment deadlines for State agricultural leases; amending Section 77-6-506, MCA.

Senate Bill No. 301 would amend Section 77-6-506, MCA, by requiring a lessee of classified agricultural land to submit payment in cash to the Department by November 15 of the year in which a crop is harvested, and if not paid on or before December 31 of that year, the lease is cancelled. The deadline may be extended by the Department for good reason.

The Department does have the ability to cancel agricultural leases under 26.3.114 paragraph (3) Administrative Rules of Montana. However, the rule indicates that "Failure to pay rental when due may result in cancellation of the lease." and is not reinforced in law. The Department feels that the Administrative Rule does not allow the needed enforcement authority.

The Department of State Lands has had difficulty in collection of agricultural rentals of State lands due to some confusion in the law. In many cases, grazing and agricultural privileges are granted in the same lease. Section 77-6-506, MCA, requires that rental payments for grazing are due on February 28 of the year, which constitutes a payment before use takes place. A problem occurs when the lessee has paid his grazing rental, but has not paid the agricultural rentals on the same tract. The Department has not had the ability to cancel a portion of the lease in the past. Consequently, delinquent payments are received as much as a year late.

The proposed legislation would insure quick collection of rentals due the Trust and clear up the requirements for agricultural leasing, especially when grazing and agricultural activities are occurring on the same lease.

The Department has a system similar to that proposed in this bill in place on grazing land. This system works very well.

Exhibit B
SB 301
March, 13, 85

SENATE BILL 301

Senate Bill 301 does one specific thing. It notifies the lessee when his crop payment is due and of the grace period. The lessee will receive a notice that the crop share is due November 15 in the year the crop was harvested and if not paid on or before December 31 the lessee will receive a certified letter that his lease has been cancelled. The land is then open for lease to other applicants.

In many cases, grazing and agricultural privileges are granted in the same lease. We already have a required date for grazing land. The date for grazing land is March 1st to April 1st.

TESTIMONY ON SENATE BILL 301

FROM DENNIS HEMMER, COMMISSIONER OF STATE LANDS

The Department of State Lands supports the passage of Senate Bill 301 regarding the establishment of deadlines for receiving rentals on State Lands' agricultural leases. The collection of crop share rentals has been a problem for the Department for some time. There needs to be a requirement for timely payments of agricultural leases; by not making these timely payments, the school trust loses income that it could be collecting as interest on these payments. Likewise delinquent crop share payments create a problem in bookkeeping and add monitoring and auditing that shouldn't be required. Grazing leases do have a requirement in statute that if a grazing lease is not paid by the first of April, the lease will be cancelled. There is not a similar statutory requirement for the deadline for paying a crop share rental. While there is an administrative rule that states that the Department may cancel a lease for failure to pay, the Department has been reluctant to enforce that in all but the most blatant of instances. Senate Bill 301 will simply extend the requirements made of grazing leases to agricultural leases.

Senate Bill 301 does however provide ability for the Department to grant extensions to lessees in extenuating circumstances. There are instances when due to equipment breakdown, contractual agreements, or the fact that the elevators are full, that the lessee is unable to sell his crop. Likewise there are instances, whereby allowing the lessee to hold the crop for a period of time, the Trust may increase its revenue.

The procedure outlined by this bill for both grazing and agricultural leases is that if payment is not received by the first deadline, the lessee is sent a certified letter notifying him that unless payment is made by the final deadline, his lease will be cancelled. Passage of this bill will allow the Department of State Lands to better manage school trust interest to insure the timely receipt of the income.

I would ask your favorable consideration of this bill.

