

MINUTES

**MONTANA SENATE
52nd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON AGRICULTURE, LIVESTOCK, & IRRIGATION

Call to Order: By Senator Greg Jergeson, on January 25, 1991, at
1:00 P. M.

ROLL CALL

Members Present:

Greg Jergeson, Chairman (D)
Francis Koehnke, Vice Chairman (D)
Gary Aklestad (R)
Thomas Beck (R)
Betty Bruski (D)
Gerry Devlin (R)
Jack Rea (D)
Bob Williams (D)

Members Excused: Bernie Swift (R)

Staff Present: Doug Sternberg (Legislative Council).

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Announcements/Discussion: None

HEARING ON SENATE BILL 150

Presentation and Opening Statement by Sponsor:

Senator Bob Hockett, Senate District 7, advised that Senate Bill 150 was introduced at the request of the Department of State Lands. It is an act to eliminate the carrying capacity adjustment to the minimum rental rate on state grazing leases. He advised that currently there are three classes of animal-unit-month (AUM) classification for lease rental charges. The intent would be to put them all in one classification (Class B). The reason for the fiscal difference is that there are more acres in the Class C group than in the Class A group with a differential of ten cents per AUM between Class A and Class B, and also a differential of ten cents between Class B and Class C per AUM. This change will save a considerable amount of time for the State Lands Department. He advised the Stockgrowers are neither supporting or opposing the bill.

Proponents' Testimony:

DENNIS CASEY, Commissioner of the Department of State Lands,

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advised that the purpose of this amendment to 77-6-507, MCA, is to simplify the billing and processing of grazing leases on state lands. Current use of the three separate rates is time consuming to calculate and often confusing to the lessees and the public. According to Mr. Casey, a new single rate could be easily explained and would be consistent for all leases. One of the confusing things about this bill is that it amends language that refers to "animal unit". However, their Department bills on the basis of AUMs, and they place AUM ratings on the system. The confusion occurs when there is a different number of acres than 640, and calculations then need to be done. The three rates currently used serve no particular purpose. The state is leasing the grazing on these leases according to the forage available. The lessee is charged for that available forage in accordance with the stocking rate established by a field evaluation. When this law was passed in 1963, it set up the three categories. AUM rates were 46 cents, and so 10 cents either way did mean something. The base rate next year will be \$4.24, and a 10 cents differential is something different on that amount. If a lease is on high production range land, the lessee pays for that higher production reflected by a higher AUM stocking rate. Conversely, a lease with low production range land will have a lower rental because of a lower AUM stocking rate. He added that when they do their evaluation, land that is determined to be unsuitable for livestock grazing is classified as "unsuitable" and the lessee is not charged AUMs for those lands.

Opponents' Testimony:

None.

Questions From Committee Members:

Senator Jergeson pointed out the fiscal note indicates an impact of \$51,000, but as the stocking rates are adjusted to make everyone consistent to being in Class B, that should probably eliminate itself from having any fiscal impact at all. Ultimately, the stocking rate will have adjusted to where the lessee would end up paying the same dollar amount.

Mr. Casey stated that is correct. He further informed that there will be an increase in revenue to the state next year of \$51,000 because there are more C rates than A rates, which would be reduced.

Senator Jergeson asked how often is a field evaluation done to determine stocking rate. Mr. Casey advised that by law they must evaluate those grazing leases once during the term of the lease. Most of the leases are for ten years. They try to make the inspection either in the last or next to the last year of lease. Under certain conditions, if grazing changes dramatically in that ten-year period, and a lessee requests the Department to come out and readjust, the Department is willing to do that.

Senator Jergeson asked if there is any expectation that when this change is made that several of these lessees may ask them to come out immediately and readjust that grazing rate.

Mr. Casey replied that he would not anticipate that happening.

Senator Rea asked for clarification of the AUM rate. Mr. Casey advised that the \$4.24 AUM rate for the coming year is derived by the formula set forth in line 24, page 1, of the bill.

Senator Devlin inquired if State Lands allows non-use in case of drought or hoppers. Mr. Casey advised that in extreme conditions, and they are requested to do so, they will work with the lessee to adjust the rate. He gave fire as an example.

Senator Devlin also asked what is the overall increase to the Department income because of the changing price of beef cattle this year.

Mr. Casey stated they have about a million AUMs, and the AUM rental will be increased from last year by 32 cents, amounting to \$320,000.

Senator Williams asked how the \$4.24 fee ranks with BLM and Forest Service fees. He was informed that BLM and the Forest Service are charging \$1.97 per AUM.

Senator Aklestad asked how the A, B and C classifications get established. Mr. Casey informed that the present law says that the minimum annual rental for grazing land with an annual carrying capacity of more than 14 and less than 20 animals is the base rental (6 x the average price of beef cattle). The law also goes on to say that the minimum annual rent for grazing land with an annual carrying capacity of more than 19 animals is ten cents more than the base rental, and land with less than 15 animal units per section is 10 less than the base.

Senator Aklestad stated that since there is going to be an increase of 32 cents, if the Department wants to go to one classification (Class B), why wasn't the formula compressed so it would just be a wash. Mr. Casey stated they did not wish to get into the issue of the formula or how AUMs were established. They are only eliminating the adjustment factor. He added that on the basis of the formula now in the law, the base AUM will be \$4.24. If this bill becomes law, that would be the rental for all AUMs. If the bill does not pass, there will be three rates to structure: \$4.24 for Class B; \$4.14 for the C, and \$4.34 for the Class A.

Senator Aklestad gave a hypothetical example using \$4.20 which would make the difference on the fiscal note be zero. Mr. Casey stated that in order to arrive at \$4.20, the formula used to determine the AUM would need to be amended. A factor other

than six times the price of beef cattle would have to be used. He stated they were reluctant to get into discussion of what the value of an AUM should be. Therefore, the bill does not address the rate or the formula used to determine the AUM; it only addresses the categories.

Senator Jergeson stated that by changing the AUM rate to \$4.19, it would be necessary to open up the formula to debate and amendment through the course of the Legislature. He stated he believed the Department of State Lands had this bill drawn up to specifically avoid that formula being opened up. Mr. Casey affirmed that as correct.

Closing by Sponsor:

Senator Hockett stated he hoped the Committee would not get into the readjustment of the AUM, since it would open up more problems than they would care to deal with.

HEARING ON SENATE BILL 155

Presentation and Opening Statement by Sponsor:

Senator Greg Jergeson, Senate District 8, advised that the purpose of SB 155 is to repeal the annual audit requirement for the Agricultural Loan Authority. He stated that when the Agriculture Loan Authority was set up, one of the provisions for the Loan Authority was to have an annual audit by the Legislative Auditor. The Loan Authority has been essentially inactive since its inception, and another bill has been introduced to deal with that. Since this program has been inactive, an annual audit is unnecessary. The Legislative Audit Committee determined that the bi-annual audit required for all programs is adequate. He informed that Scott Seacat, Legislative Auditor, was available to answer questions.

Proponents' Testimony:

MIKE MURPHY stated he was representing Everett Snortland, Director of the Department of Agriculture. He stated they wished to voice their support of SB 155. He furnished a written statement from the Department (Exhibit #1).

Opponents' Testimony:

None.

Questions From Committee Members:

Senator Devlin asked what is the status of Rep. Cobb's bill (HB 90) which would repeal the Montana Agricultural Loan Authority Act.

Mr. Seacat informed that the bill is currently in sub-

committee. There was some concern for the reallocation of the dollars. He stated that Senator Towe suggested that perhaps the program should be left on the books even though it is inactive. Senator Jergeson had SB 155 on hold pending action on HB 90, but since that bill has not come out of committee, the Legislative Audit Committee requested that action be taken on SB 155. He added that there is already audit coverage of this program by the Legislative Auditor.

Closing by Sponsor:

No further comments.

EXECUTIVE ACTION ON SENATE BILL 150

Recommendation and Vote:

Senator Beck made a motion that Senate Bill 150 DO PASS. In favor - 8; opposed - 0. Senator Swift voted following the meeting. Final vote: In favor - 9; opposed - 0. Motion CARRIED.

EXECUTIVE ACTION ON SENATE BILL 155

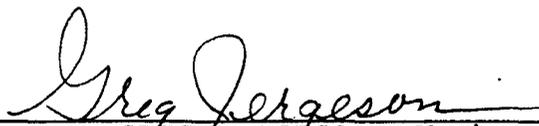
Recommendation and Vote:

Senator Devlin made a motion that Senate Bill 155 DO PASS. In favor - 8; opposed - 0. Senator Swift voted following the meeting. Final vote: In favor - 9; opposed - 0. Motion CARRIED.

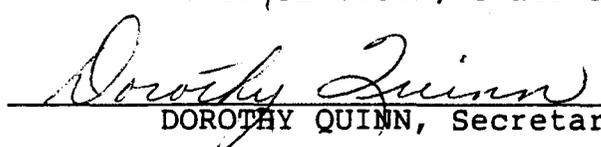
The committee unanimously recommended that SB 155 be placed on the Consent Calendar.

ADJOURNMENT

Adjournment At: 1:45 P. M.



GREG JERGESON, Chairman



DOROTHY QUINN, Secretary

GJ/dq



STAN STEPHENS
GOVERNOR

STATE OF MONTANA
DEPARTMENT OF AGRICULTURE

OFFICE OF THE DIRECTOR
AGRICULTURE/LIVESTOCK BLDG.
CAPITOL STATION
HELENA, MONTANA 59620-0201

SENATE AGRICULTURE

EXHIBIT NO. #1

DATE 1/25/91

BILL NO. #155

TELEPHONE:
AREA CODE 406
444-3144

FAX 406-444-5409

EVERETT M. SNORTLAND
DIRECTOR

FRIDAY, JANUARY 25, 1991
SENATE BILL 155
SENATE AGRICULTURE COMMITTEE
TESTIMONY OF MONTANA DEPARTMENT OF AGRICULTURE
EVERETT SNORTLAND, DIRECTOR

Chairman Jergeson and members of the committee. The Montana Agricultural Loan Authority and associated beginning farm loan program have been inactive during the past several years. Therefore, a statutory provision requiring annual audit by the Legislative Auditor is unnecessary.

We also suggest that this legislation be closely coordinated with House Bill 90 which if passed, would repeal the Montana Agricultural Loan Authority Act. If HB90 does pass, Senate Bill 155 will not be required.

The Montana Department of Agriculture supports Senate Bill 155.

wordperf/market/dm/SB155

ROLL CALL
AGRICULTURE COMMITTEE

DATE 1/25/91

52nd
LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SEN. JERGESON	X		
SEN. KOEHNKE	X		
SEN. AKLESTAD	X		
SEN. BECK	X		
SEN. BRUSKI	X		
SEN. DEVLIN	X		
SEN. REA	X		
SEN. SWIFT			X
SEN. WILLIAMS	X		

Each day attach to minutes.

SENATE STANDING COMMITTEE REPORT

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January 25, 1991

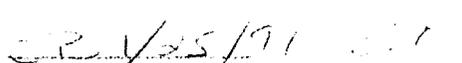
MR. PRESIDENT:

We, your committee on Agriculture, Livestock, and Irrigation having had under consideration Senate Bill No. 155 (first reading copy -- white), respectfully report that Senate Bill No. 155 do pass and unanimously recommend that it be placed on the Consent Calendar.

Signed:


Greg Jergesen, Chairman


Amd. Coord.


Sec. of Senate

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
January 25, 1991

MR. PRESIDENT:

We, your committee on Agriculture, Livestock, and Irrigation having had under consideration Senate Bill No. 150 (first reading copy -- white), respectfully report that Senate Bill No. 150 do pass.

Signed: *Greg Jergeson*
Greg Jergeson, Chairman

JAL 1-25-91

Asst. Coord.

SB 1/25 2:00

Sec. of Senate

ROLL CALL VOTE

SENATE COMMITTEE AGRICULTURE

Date 1/25/91 Bill No. 150 Time 1:28

NAME	YES	NO
SEN. AKLESTAD	X	
SEN. BECK	X	
SEN. BRUSKI	X	
SEN. DEVLIN	X	
SEN. REA	X	
SEN. SWIFT	X	
SEN. WILLIAMS	X	
SEN. KOEHNKE	X	
SEN. JERGESON	X	

D. QUINN
Secretary

GREG JERGESON
Chairman

Motion: Motion made by Senator Beck
that SB 150 DO PASS. In favor -9;
Opposed - 0 MOTION CARRIED.

ROLL CALL VOTE

SENATE COMMITTEE AGRICULTURE

Date 1/25/91 Bill No. 155 Time 1:35

NAME	YES	NO
SEN. AKLESTAD	X	
SEN. BECK	X	
SEN. BRUSKI	X	
SEN. DEVLIN	X	
SEN. REA	X	
SEN. SWIFT	X	
SEN. WILLIAMS	X	
SEN. KOEHNKE	X	
SEN. JERGESON	X	

D. QUINN

GREG JERGESON

Secretary

Chairman

Motion: Senator Devlin made a motion
that SB 155 DO PASS.
In favor - 9; Opposed - 0.
Motion CARRIED