

MINUTES

**MONTANA SENATE
53rd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON TAXATION

Call to Order: By Chairman Mike Halligan, on March 19, 1993, at 8:00 a.m.

ROLL CALL

Members Present:

Sen. Mike Halligan, Chair (D)
Sen. Dorothy Eck, Vice Chair (D)
Sen. Bob Brown (R)
Sen. Steve Doherty (D)
Sen. Delwyn Gage (R)
Sen. Lorents Grosfield (R)
Sen. John Harp (R)
Sen. Tom Towe (D)
Sen. Fred Van Valkenburg (D)
Sen. Bill Yellowtail (D)

Members Excused: Sen. Spook Stang (D)

Members Absent: None.

Staff Present: Jeff Martin, Legislative Council
Bonnie Stark, Committee Secretary

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

Committee Business Summary:

Hearing: SB 424, SB 429
Executive Action: Committee Bill Request

EXECUTIVE ACTION:

MOTION/VOTE:

Senator Harp moved that this Committee REQUEST A COMMITTEE BILL as drafted in Exhibit No. 1 attached to these minutes. The motion CARRIED UNANIMOUSLY on oral vote.

HEARING ON SB 429

Opening Statement by Sponsor:

Senator Delwyn Gage, Senate District 5, presented SB 429, which is an act requiring the Department of Natural Resources and

Conservation to give priority to the \$600,000 figure in the biennium to reclamation and development grant requests from the Board of Oil and Gas Conservation (Board). The contents of this bill were previously discussed in this committee prior to obtaining the Committee bill, which is SB 429. Senator Gage said there would be a couple of amendments offered. One amendment will say that the Board must use this grant money for projects, it cannot be used for operating expenses; and another amendment will say to the extent that they have not used any of the funds over the biennium period, they would count toward the next year's \$600,000. Senator Gage said he did not anticipate any problems with those two amendments.

Proponents' Testimony:

Tom Richmond, Administrator and Petroleum Engineer for the Board of Oil and Gas Conservation, said the Board has discussed the purpose of the funds for SB 429. He advised the committee that the Board supports the bill as a reasonable way for providing funding for an on-going program.

Janelle Fallon, Montana Petroleum Association (MPA), said the MPA liked Senate Bills 144 and 148 better, but since those bills are not going anywhere, they do support SB 429 and hope the committee will pass it.

Ray Beck, Administrator of the Conservation and Resource Development Division of the Department of Natural Resources and Conservation (DNRC), presented Exhibit No. 2 to these minutes, which are amendments to SB 429. The DNRC administers the funds for the Reclamation and Development Grant program which SB 429 addresses. Mr. Beck said the DNRC has two concerns, which are expressed in their amendments, and they ask support of SB 429 with the amendments.

Exhibit No. 21 to these minutes is a letter from Warren H. Ross in support of SB 429.

Opponents' Testimony:

None.

Informational Testimony:

None.

Questions From Committee Members and Responses:

Senator Van Valkenburg asked if the funds involved are earmarked funds. Senator Gage said the source of the funds are earmarked and after the appropriations, they would be earmarked.

Closing by Sponsor:

Senator Gage reminded the committee that these projects can only be used where there is no identifiable party or the identifiable party is not financially responsible enough to be able to take care of the problems that the projects cover. Senator Gage said the Board would not be asking for funds where there is an identifiable party who has the financial ability to take care of the problems. If the person refused to correct the problems, the Board would go after them in Court to recover the funds.

HEARING ON SB 424**Opening Statement by Sponsor:**

Senator Chet Blaylock, Senate District #43, presented SB 424, which would require the Board of Land Commissioners (Board) to attain full market value for leases on state school trust lands. Mr. Blaylock said the study asked for two years ago was recently completed. This \$250,000 study (Duffield Study) of school lands was headed by John Duffield, Professor of Economic Studies at the University of Montana. Senator Blaylock said SB 424 would remove the authority for grazing and crop-share arrangements on state school lands from the State Legislature and deposit that authority with the Board of Land Commissioners. The make-up of the Board is the Governor, as Chairman, the Attorney General, the Secretary of State, the State Superintendent of Public Instruction, and the State Auditor. These are the top five state-elected officials of the State of Montana.

Senator Blaylock said the present system with the Legislature being the imposing authority for the state school lands grazing and crop-share arrangements is not working. The last time the base figure for grazing rates was raised was in 1977.

Senator Blaylock said a great number of people who lease state school lands are honest, decent people, who are good stewards of the land.

Originally, state grazing permits were set up on a 10-year bid process. Senator Blaylock said this system is not working because some lands are entirely enclosed by private land, and the only access to the state land is by crossing private land. Those state lands are bid at the minimum rate, which is \$4.17 per animal unit month (AUM). This figure is arrived at by taking 6 times the beef price in the previous year. The Duffield Study shows the state is receiving an average of \$4.24, 7 cents above the minimum rate. Private grazing rates average \$11 to \$12.50 per AUM. Included in the private grazing rates, the landlord may provide fencing, or water resources, salt, etc. The Duffield Study took all of this into account and determined the state should be receiving approximately \$7.50 per animal unit month.

Senator Blaylock said a fair comparison is the BIA-leased land on the Fort Peck Reservation, where the land is comparable to much of the state school lands. Depending on whether the landlord buys everything, they are getting \$11.50 per AUM. If the landlord is not buying anything, they are getting approximately \$7.50 per AUM.

Senator Blaylock said these state school lands do not belong to the people who have rented them; the lands belong to the school children of the State of Montana. This was set up in the 1889 Montana Enabling Act, and reaffirmed in the Montana Constitution of 1972, that we shall give full market value to these lands. That is what the Legislature is directed to do. There is also a large amount of case law which said that the Legislature is to act with undivided loyalty when it comes to handling the state school lands for the children. The Senator suggested the Legislature cannot deal with the factors because they only meet every two years for 90 days, they deal with a myriad of issues, and cannot focus on this issue and do right by these lands. The Board of Land Commissioners meets monthly and would have a better chance of dealing with this issue if they had the authority to do so. SB 424 gives the Board this authority. The Board can meet with the farmers and ranchers, react more quickly, and be a more flexible system than the Legislature.

Senator Blaylock said the monies from the state school lands are a valuable asset which flows directly into the School Foundation Program. There are 5,200,000 acres presently included in state school lands.

Proponents' Testimony:

State Auditor Mark O'Keefe, a member of the State Land Board, spoke as a proponent of SB 424, and said he would be asking for an amendment at the end of his testimony. Mr. O'Keefe presented Exhibit No. 3 to these minutes. He said he, as well as other members of the State Land Board, took oaths that they would uphold the Constitution which states they will receive full market value of school lands and the revenue is to go to the school children of Montana. Mr. O'Keefe believes the state is not now receiving full value for its school lands. SB 424 deals with one thing: it establishes who sets the rates for full market value of school lands. Under current law, the State Land Board already has the right, and the authority, to set rentals or fees in the case of agricultural uses for crops, grazing, or special recreational use. It does not have the right to set the fees for cabin sites or general recreational use. SB 424 will allow the members of the State Land Board to treat cabin sites and general recreational uses the same way they treat agricultural, grazing, and special recreational rates. Mr. O'Keefe asked for an amendment to take out the \$25 fee for recreational users. He said no other rates or fees are set in SB 424. If the Land Board is to set rates for full market value, then the Legislature should not be setting those rates. He asks

that the Land Board be allowed to set that full market value for recreational land use as it evaluates and looks at other uses of state school lands. Mr. O'Keefe said the Land Board is willing to deal with the challenge, and come up with what the Board thinks is full and fair market value of the use of those lands.

Nancy Keenan, State Superintendent of Schools, spoke in favor of SB 429. Ms. Keenan believes it is a constitutional mandate for the Land Board to obtain full market value for school trust lands. She said the Land Board is charged with managing the largest farming/ranching operation in this state, 5.2 million acres. At the same time they are charged to manage these lands in a good and very equitable manner. These state lands were set aside for the children of the State of Montana. She said there are three partners in this: the ag community, the State of Montana, and the children of the State who will benefit by the resources that ultimately go into the trust. Ms. Keenan asks that the amendment proposed by Auditor O'Keefe be adopted, and she believes it is consistent with the authority of the Land Board in setting the other rates, as well. Ms. Keenan said the State Land Board sits each month deliberating on whether it should let mining leases go, whether it is providing access to a particular piece of state lands, whether it is determining what it should lease cabin sites for, or whether to sell an unmanageable piece of land that is not in the best interests of the state to retain, and she thinks the Board is able to take the time to closely consider the issues at hand through an open public forum. Ms. Keenan said if the state gets full market value for school lands, it will help the Legislature in trying to fund public schools.

Leo Berry, an attorney in private practice, spoke in favor of SB 424, saying he worked for the Department of State Lands for several years. During that time, he educated himself as to the history and purpose of these lands. The original intent of grant lands was to create a school trust, and it wasn't a land-based trust, it was a monetary trust. The original concept behind school trust lands was to sell the lands and create a monetary trust. Other states have sold their lands for virtually nothing. In Montana's Enabling Act, Congress placed a \$10/acre minimum sale fee. In 1889, the state couldn't sell the land for \$10 an acre and this is how the leasing system came into being. The principle of obtaining full market value was incorporated into the Enabling Act and into the Constitution. The state is obligated to obtain full market value for any interest-holding in the land. These lands were given to the state for one reason, to support education. It is not so people can recreate on it, it is not so people can raise crops on it, it is not so they can graze their cattle on it, although all of these are beneficial uses. The purpose is to raise revenue for the educational system of this state. This Legislature has an obligation to ensure that happens. The last time the rates were changed was 1977, and it hadn't been changed for many years prior to that. The school lands have basically subsidized the private lands in the past.

Mr. Berry said some of the private lands are at the rate they are, and people can afford to bid on them because they have lower rates on their school trust lands. Eventually, as school trust land leasing rates rise, private land leasing rates will lower. The school trusts will benefit in that, and Mr. Berry doesn't think it will harm any agricultural interests. All that is being talked about is fair market value. The Board of Land Commissioners are better suited to deal with the realities because it meets more often, and has a broader perspective of what these lands are for, than does the Legislature. SB 424 places the authority to obtain full market value in the Board of Land Commissioners.

Don Waldron, representing the Montana Rural Education Association (MREA), said MREA believes full market value should be set, and they don't think setting rates in the Legislature is fair to the people leasing that land, and in some cases it is not fair to the students. Mr. Waldron said they could not support a bill that would double or triple the amount the taxpayers are paying for leasing that land, but SB 424 allows the students to get a fair market value from the trust fund that benefits them.

Dennis Casey appeared in support of SB 424 as an individual. Mr. Casey said he is a former Commissioner on the Department of State Lands and has a life-time interest in issues surrounding those lands that have been set aside for public schools and institutions in Montana. Mr. Casey said decisions for obtaining the full market value of those lands should be with the body who meets as the trustees of public lands, the Board of Land Commissioners. Establishing full market value through the legislative process does not work for several reasons: (1) The time constraints of the sessions; (2) The lack of understanding of some legislators as to the responsibility to that trust; and, (3) The attempt to serve both the trust and constituents whose goals and objections at times may differ.

Eric Feaver, Montana Education Association (MEA), rose in support of SB 424. Mr. Feaver said hard economic times are forcing massive school cuts and massive tax increases on the very people whose programs and services are being cut. In 1983, the Attorney General ruled that it was the obligation of the Land Commissioners to establish full market value for state school lands. In 1985, the MEA came to the Legislature with a bill to do substantially what is being considered now. That bill became a Resolution for an interim study, but the Resolution was not funded. Mr. Feaver said even though it is agreed that the Board of Land Commissioners is empowered to do what it thinks needs to be done, without legislation that obligates it to establish full market value, he doesn't think the Land Commissioners will do it. He also doesn't think the Legislature will do it, either. Mr. Feaver thinks the best value from state school lands should be obtained for support of state schools, and SB 424 will place the burden where it should have been all along. It will empower the Board of Land Commissioners to get the job done as our State

Constitution requires, and he feels it is very important to get full market value for state school lands.

Tony Schoonen, representing the Coalition for Appropriate Management of State School Lands, appeared in support of SB 424. Mr. Schoonen said there is a mandate by the Constitution to set the full market value, but that has not been done. He said the Coalition went to court on this issue and their lawsuit brought out basically everything included in the study by John Duffield. Their Coalition would like to see some of the "sacred cows" booted from the school lands; they would rather sacrifice some "sacred cows" than state children. Mr. Schoonen said the Coalition has been contacting other states on recreational value of state lands for nearly 20 years, and they question Dr. Duffield's study results in this respect. The recreationists are willing to pay their fair share of use of state school lands, but they feel they have been subsidizing the present levies through higher mill levies, law enforcement on public lands, wildlife, and management on public lands. Other states don't charge for these services, and because of those indirect values to the Trust, members of the Coalition are still willing to pay, but he asks that it be fair.

Opponents' Testimony:

Senator John Brenden spoke in opposition to SB 424 as a representative of Daniels, Sheridan, and Roosevelt counties. His written testimony is attached to these minutes as Exhibit No. 4, and a map of State Lease Lands is attached as Exhibit No. 5.

Tim Tanberg, President of the Montana State Leaseholder Association, of Seeley Lake, presented his written testimony in opposition to SB 424, which is attached to these minutes as Exhibit No. 6.

Richard Miller spoke in opposition to SB 424. He said in the past 15 years that he has been actively paying leases on state school lands, the leases have jumped from \$10 to \$30, to \$60, to \$450, to well over \$1,000 this year. The land he is referring to is under water in the spring. Mr. Miller believes SB 424 is unfair in that the current assessment by the Montana State Department of Revenue (DOR) is not accurate in the assessment of the land. It is being assessed without the DOR even setting foot on the land to view it. Mr. Miller thinks if the lease amount is being based on that assessment, it is an unfair lease amount. This leased land has been in his family since it was first put on the records, and any changes in the assignment of the lease will result in open bidding at public auctions. That means that his mother cannot sell that lease to him without it going to public auction. He would like to pay a fair price for the lease; however, the jump from \$450 to \$1,000 is pretty steep.

John Youngberg, representing the Montana Farm Bureau, spoke in opposition to SB 424, and presented his written testimony as Exhibit No. 20.

Jim Peterson, representing the Montana Stockgrowers Association, Montana CattleWomen, and Montana Wool Growers Association, spoke in opposition to SB 424, and presented his written testimony as Exhibit No. 8.

San Hofman, Manhattan, spoke in opposition to SB 424, and presented his written testimony as Exhibit No. 7.

Tom Loftsgaard, Chairman of the Land Management Council, spoke in opposition to SB 424, and presented his written testimony as Exhibit No. 9.

John Bloomquist, representing the Montana Stockgrowers Association, spoke in opposition to SB 424, and presented a written evaluation by Terry Anderson and Myles Watts, Exhibit No. 10 to these minutes; and a study conducted by Pepperdine University, Exhibit No. 11 to these minutes.

Steven Roth, representing the IX Ranch Company of Big Sandy, appeared in opposition to SB 424; his written testimony is Exhibit No. 12.

Steve Carney, a farmer from Daniels County, spoke in opposition to SB 424, and presented his written testimony as Exhibit No. 13.

Myron Halverson, Daniels County farmer, presented his written testimony in opposition to SB 424, as Exhibit No. 14.

LeRoy Nelson, agricultural education teacher at Peerless School, representing the Land Management Council, spoke in opposition to SB 424, and presented his testimony as Exhibit No. 15.

Barry Handy, Scobey farmer/rancher, presented his written testimony in opposition to SB 424, as Exhibit No. 16.

Marvin Tade, Scobey, presented Exhibit No. 17 to these minutes, which is a copy of farm and ranch operation accounts on 160 farms in NE Montana, covering the years 1988 through 1991. Mr. Tade said 23% of land in Daniels County is state land and almost every land owner in the County has to farm some state school land. Mr. Tade is opposed to SB 424.

Bob Fouhy, a Board Member of, and representative of, the Land Management Council, presented his written testimony in opposition to SB 424 as Exhibit No. 18 to these minutes.

Tom Loftsgaard presented Brian Hagan's written testimony opposing SB 424, attached to these minutes as Exhibit No. 19.

Informational Testimony:

None.

Questions From Committee Members and Responses:

Senator Grosfield asked John North, Chief Legal Counsel, State Lands Department, if the Enabling Act applies to certain state lands and the Constitution applies to certain state lands, but neither one of these applies to all state lands. Mr. North said the Enabling Act applies to all lands that were granted to the State of Montana in trust, which includes the school trust lands, the lands granted in trust for the University System, State Reform Schools, Schools for the Deaf and Blind, and the State Normal School. The provision in the Constitution regarding the fair market value applies to all state lands.

Senator Grosfield said Section 10 of SB 424 has to do with the effect of competitive bidding and establishes a rental price higher than the rental price established by the Board. The Senator asked Mr. North the purpose of that language in the bill. Mr. North said the purpose is to insure that the lessee does not abuse the land in order to obtain the revenue necessary to pay the lease rate.

Senator Grosfield said Section 9 (2) of the bill talks about raising the rentals during the term of the lease, and asked if this would make any difference using the new full market value approach. Mr. North said that language is currently in grazing and agricultural leases and provides that if the Legislature raises the rate mid-term, that is applicable to the next lease year. Since the bill is transferring the authority to the Land Board, the purpose would be to provide that anything that the Land Board does to raise the rates would also go into effect the next lease year. The Senator asked if this means that the landlord could do that every year in response to what it is calling fair market value considerations. Mr. North replied, "Legally, yes".

In looking at the fiscal note, and looking at the Duffield Study, Senator Doherty asked Bud Clinch, State Lands, how many grazing leaseholders there are in Montana, and how many agricultural grants there are in Montana. He said the information he is interested in is how many leaseholders there are, who they are, how many animal unit months they are working, and a spread sheet that shows for each of these people how much additional they would be paying if the Duffield Study is used for both the farming and the grazing. He is interested in knowing the individual impact of the individual outlay. Mr. Clinch said they could give a rough figure for the combination of the entire leasing; it would take time to compile individual figures. Senator Doherty said he would like a list of all members of the Legislature who have state grazing or farm leases. The State Lands Department will provide this information.

Senator Doherty said some families have had cabin sites for generations and have made a lot of improvements to the land. He asked Senator Blaylock if the State Land Board would take a look at those improvements, including water and fencing, etc., that lease operators have put in, in order to determine the full market value of lease land, and could it be possible that they would come up with a number that might be less than the current charges the state is now collecting on those leases. Senator Blaylock said this is possible, and he thinks that is a good part of this whole proposal to give support to the State Land Board because he thinks there needs to be a lot more flexibility to what they are doing, and it will probably wind up being fairer to a lot of people who are leasing state lands.

Senator Doherty asked Jim Peterson what full market value is, as stated in the Constitution. Mr. Peterson said there has to be a comparable analysis including all of the factors in determining the full market value. In good conscience, the long term productivity of the resource needs to be considered; what is good for the land and how will that work long-term, and what is good long-term for the lessee.

Senator Doherty asked Mr. Peterson what he would think about adding some amendments that would direct the Land Board to take those things into consideration. There are substantial improvements being made by leaseholders, making the property much more valuable, and he thinks it goes beyond just the cost of the actual water system and the fence. Mr. Peterson agreed, and said another factor is weed control costs of \$30 to \$60 per acre, which are more than the lease itself. If the lessee is making these improvements, there needs to be some process defined so some credit can be made for those improvements.

Senator Yellowtail asked Mr. Peterson if he knows what percentage of farmers and ranchers in Montana are leasers of state lands, and what percentage of the Stockgrowers Association membership leases state lands. Mr. Peterson did not know.

Senator Yellowtail said most of the criticism heard today is of the Duffield Study. He asked Senator Blaylock if the Legislature transfers the full responsibility to the State Land Board, would this Study be the model that would be used for establishing full market value. Senator Blaylock replied, "No".

Senator Gage asked if the State Land Board currently sets the grazing fees. Mr. Peterson said the minimum rental is codified in law, but the Board has the authority to adjust those minimums, both in the case of grazing leases and crop shares. If SB 424 passes, the formula for fixing the annual rental will be repealed, and the State Land Board will be given the authority to set the fee based on their judgment. They will have to come up with a new formula or a new process and the lease will be adjusted. Mr. Peterson believes cabin site leases and recreation fees are set by the Legislature and codified.

Senator Gage asked if the statute sets the minimum. Mr. Peterson said this is correct, and the minimum is 25% on crop shares, and 6 times the market price of beef on grazing.

Senator Gage asked if the Board would have the authority to go below the minimum if the market was below minimum. Mr. Peterson said he understands that is a possibility, if the Board chose to credit some of the enormous costs associated with weed control. Their main concern is that there is no process here to insure any of that happening.

Senator Van Valkenburg asked Mr. Peterson if, even though he opposes SB 424, did he support the concept of giving full authority to the Land Board to set the minimum lease rates as opposed to using a legislative process to do it. Mr. Peterson said this is not correct. His testimony said that it ought to be one way or the other. Right now, some is set legislatively, and some is established by the Land Board. At this point in time, the Montana Stockgrowers Association, Montana CattleWomen, and Montana Wool Growers Association, are uncomfortable the way the bill is written and oppose it because it doesn't protect the resource or the lessees with just a Land Board working in what he considers to be a corporate environment. There is no process established. He said as frustrating as the legislative process can be, at least there is a process requiring hearings. There is no guarantee in SB 424 that will happen.

Senator Van Valkenburg asked Mr. Casey if he thinks there is any real way the lease rates could be increased, if that were appropriate, through the legislative process. Mr. Casey said he thinks it would be difficult, and the hearing today points up that fact. What the opponents have said today has a lot of validity and should be part of the process in determining what the lease rates would be. If the Legislature had the time to go through the process, which would include hearings, then this might be the proper place. He thinks that the Land Board is the best place to make those decisions.

Senator Towe asked Mr. Peterson if he said that all of the price-setting should be done by the Land Board, or all of it done by the Legislature, but it shouldn't have it like it is today. The Senator said SB 424 seems to give all the authority to the Land Board, and everyone said they are not bound by the Duffield Study, and they can take it and determine their own fair market value. He asked Mr. Peterson what is so wrong with a bill that would do that. Mr. Peterson said the biggest problem he sees with the bill is that it does not define the process; it doesn't insure a long-term process for the benefit of the resource or the lessee. It mandates full market value, implying that this is in the Duffield Study, through the fiscal note, and through testimony heard today. He thinks there has to be a clarification of what is meant by full market value, to insure the long-term benefit.

Closing by Sponsor:

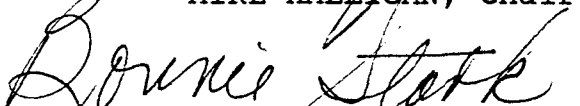
Senator Blaylock said the existing process is not working, in that only 8% of the state school land is competitively bid. He has read the Duffield Study and he does not believe it is far off the mark. If the agricultural people do not like the figures in the Study, they should look at their own agricultural statistics and they will find the Duffield Study tracks very closely with those statistics gathered and produced annually. He has offered amendments to the bill, and asks the Committee to consider the amendments with its deliberations on SB 424.

ADJOURNMENT

Adjournment: The meeting adjourned at 10:00 a.m.



MIKE HALLIGAN, Chair



BONNIE STARK, Secretary

MH/bjs

ROLL CALL

SENATE COMMITTEE

TAXATION

DATE 3-19-93

NAME	PRESENT	ABSENT	EXCUSED
Sen. Halligan, Chair	✓		
Sen. Eck, Vice Chair	✓		
Sen. Brown	✓		
Sen. Doherty	✓		
Sen. Gage	✓		
Sen. Grosfield	✓		
Sen. Harp	✓		
Sen. Stang			✓
Sen. Towe	✓		
Sen. Van Valkenburg	✓		
Sen. Yellowtail	✓		

DRAFT

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LC _____

53rd Legislature

SENATE TAXATION

EXHIBIT NO. 1
DATE 3-19-93

BILL NO. _____

INTRODUCED BY _____

BILL NO. _____ BY REQUEST OF THE MONTANA DEPARTMENT OF REVENUE

Sen Morrison

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE PROPERTY TAXATION OF MIGRATORY PERSONAL PROPERTY BY PRORATING THE PROPERTY TAX TO THAT TIME THE PROPERTY IS LOCATED IN MONTANA; AMENDING SECTIONS 15-16-613 AND 15-24-303, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE"

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

Section 1. Section 15-16-613, MCA, is amended to read:

"15-16-613. Refund of certain taxes paid on migratory property. (1) Subject to the provisions of 15-16-601 and upon proof that a tax was paid in another state on the same property, a taxpayer whose property is assessed under 15-24-303 for a period longer than the actual number of months that the property ~~has taxable situs~~ is located in the state is entitled to a refund, as provided in this section.

(2) To obtain a refund, a taxpayer shall file an application for refund with the county treasurer in the county where the property was originally taxed. A taxpayer shall apply for a refund allowed under this section by January 31 following the year of assessment, and the county shall make the refund within the first quarter of the following fiscal year. The application must be made on a form provided by the department of revenue and may require

information as prescribed by rule of the department.

(3) The amount of the refund is the difference between the amount of tax paid under 15-24-303 and the tax owed based upon the number of months the property ~~had taxable situs~~ was located in the state for the year. The refund may not exceed the amount of the tax paid.

(4) For the purposes of this section, "month" means any part of a calendar month."

Section 2. Section 15-24-303, MCA, is amended to read:

"15-24-303. Proration of tax on personal property. The tax on personal property brought, driven, or coming into or otherwise located in any county the state, on or after the assessment date must be prorated according to the ratio ~~which the remaining of the~~ number of months that the personal property is located in the state in during the year bears to the total number of months in the year. This section does not apply to motor vehicles taxed under Title 61, chapter 3, part 5."

NEW SECTION. Section 3. Applicability. [This act] applies to all tax years after December 31, 1992.

NEW SECTION. Section 4. Effective date. [This act] is effective on passage and approval.

- End -

DRAFT

Department of Natural Resources and Conservation

AMENDMENTS TO SENATE BILL NO. 429
INTRODUCED BILL (WHITE COPY)

1. Page 2, line 16

FOLLOWING: "conservation."

INSERT: "Any beginning fund balance remaining from previously awarded grants will be considered as part of the \$600,000 allocation for the upcoming biennium."

(b) The board of oil and gas must use this funding for oil and gas reclamation projects and may not use this funding for personnel costs or general operations expenses."

2. Page 2, line 17

FOLLOWING: "("

STRIKE: "b"

INSERT: "c"

SENATE TAXATION

EXHIBIT NO. 2

DATE 3-19-93

BILL NO. SB429

EXHIBIT NO. 2

DATE 3-19-93

BILL NO. 8924

AUTHORITY OF BOARD TO SET RENTALS AND LICENSE FEES

CONSTITUTIONAL LANGUAGE: Article X, Section 4 provides that the Board shall control and lease state lands "under such regulation and restrictions as may be provided by law." Article X, Section 11 (2) provides that the Board must obtain full market value, "to be ascertained in such manner as may be provided by law..."

STATUTES:

Type of Use	Citation	Does statute give Board authority to set rental or fee?
Agriculture	77-6-501	Yes
Grazing	77-6-507	Yes (40 Op.A.G., No.24)
Special Recreational Use	77-1-805(2)	Yes
Cabinsites	77-1-208	No
General Recreational Use	77-1-802	No

SENATE TAXATION

EXHIBIT NO. 4

DATE 3-19-93

BILL NO. SB 424

CHAIRMAN HALLIGAN AND MEMBERS OF THE TAXATION COMMITTEE. I AM SENATOR JOHN BRENDEN AND AM SPEAKING ON BEHALF OF MY CONSTITUENTS.

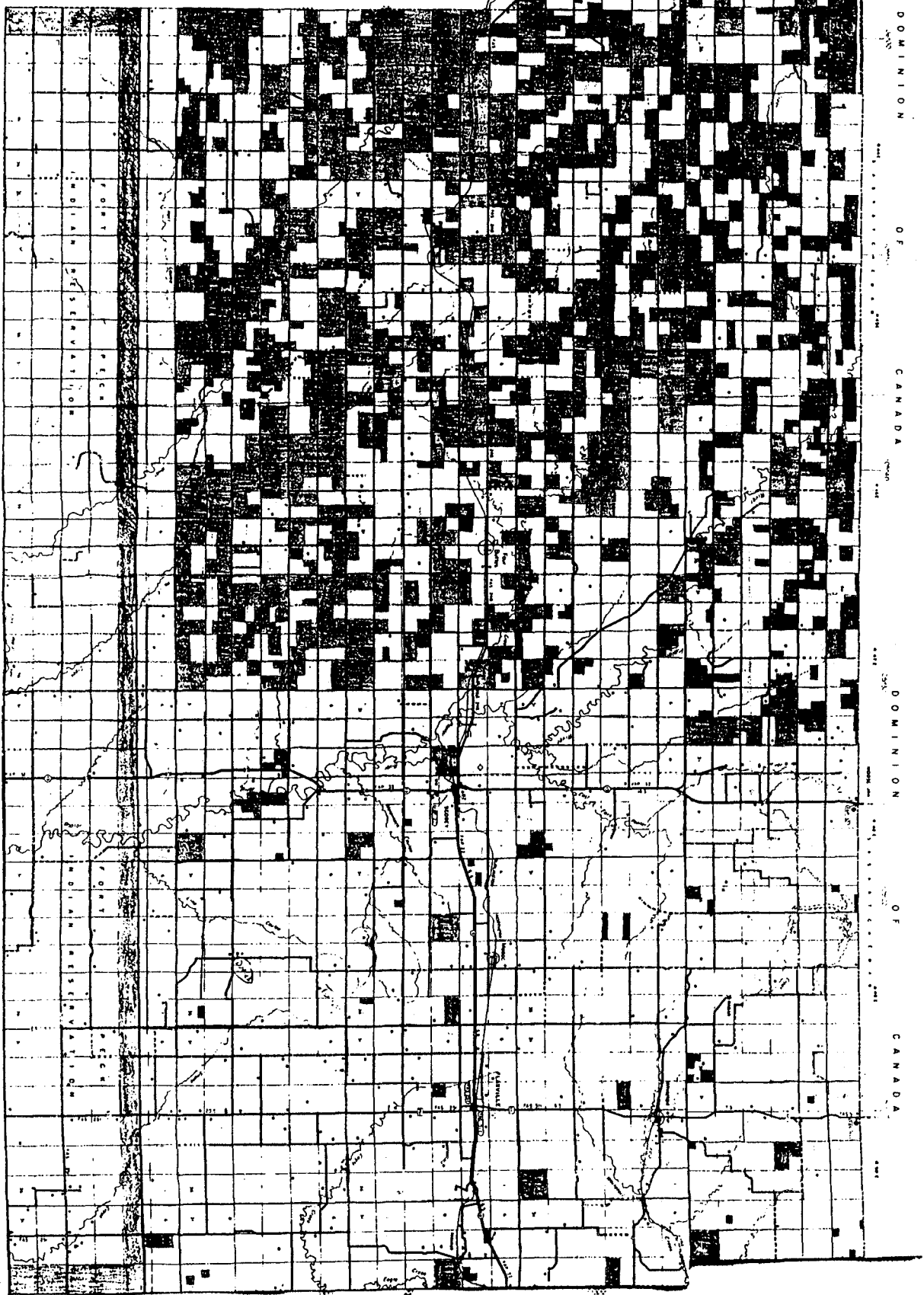
TO RAISE THE CROP SHARES AND AUM'S ON STATE LEASES SUBSTANTIALLY WILL NEGATE THE ABILITY OF THE LESSEE TO CARE FOR THESE LEASES FOR THE COMMON GOOD OF THE PEOPLE OF MONTANA AS SET FORTH IN MCA 77-1-601.

MCA 77-1-601 READS: IT IS IN THE BEST INTEREST AND TO THE GREAT ADVANTAGE OF THE STATE OF MONTANA TO SEEK THE HIGHEST DEVELOPMENT OF STATE OWNED LANDS IN ORDER THAT THEY MIGHT BE PLACED TO THEIR HIGHEST AND BEST USE AND THEREBY DERIVE GREATER REVENUE FOR THE SUPPORT OF THE COMMON SCHOOLS, THE UNIVERSITY SYSTEM, AND OTHER INSTITUTIONS BENEFITING THEREFROM, AND THAT IN SO DOING THE ECONOMY OF THE LOCAL COMMUNITY AS WELL AS THE STATE IS BENEFITED AS A RESULT OF THE IMPACT OF SUCH DEVELOPMENT.

DANIELS COUNTY

Denotes State Leases

SENATE TAXATION
EXHIBIT NO. 5
DATE 3-19-93
BILL NO. AB424



DOMINION OF CANADA

N

1
TIM TANBERG PRES, MONT, ST.
INTRO member of committee LEASEHOLDER ASSN
Wm TT pres mt sla BOX 136
SEELEY LAKE 59868

SB 424
The implementation of SB 424 will be disastrous to the cabin site lease program. The current assessment of 3.5% of property value is a RESPONSIBLE + rational attempt to find a reasonable and accurate lease rate. The fact that every 2 years the legislature throws new changes at the cabin site lease program quite likely will destroy it.

These leases have been developed + maintained by leaseholders, with minimal expense to the state since their conception in the 30's, and much of their present value can be attributed directly to the efforts of the leaseholders.

The 250,000⁰⁰ DUFFIELD STUDY, that has the entire capitol in a huff, is hardly broad, or accurate enough, to base reasonable or fair lease increases upon. The entire receipts from 1992 cabin site rentals were a little more than \$9000⁰⁰ OVER what Mr. DUFFIELD was paid for this study. Money that would have gone a long way toward, paying salaries, buying books, or maintaining facilities for the school system.

LEGISLATIVE DIVISION
EXHIBIT NO. 6
DATE 3-19-83
BILL NO. SB 424

2

While taxpayers are asked to tighten their BELT, while valuable programs are dropped or cut back, while the UNIVERSITY systems are asked to sacrifice FRIVOLOUS studies like this are awarded 44 million dollar contracts.

It should be noted that this study is 1 sided and fails to even touch upon the human element of the lease program. TAXES, the lessee's contribution to the STATE + local economies, the stewardship of the land itself, are completely ignored. The failures by the DSE and its employees to follow surface management rules to the detriment of the program are never mentioned.

MR DUFFIELD, in his desire to present what he felt, wanted to be heard, failed to contact even 1 cabin site or homesite leaseholder and expanded upon what basically was an essay by several DSE employees, and the findings of 1 or 2 appraisers.

It is interesting to note that Mr Duffield targeted 100% of every other group examined in his study, but when it came to cabin sites he targeted less than 3% of the 618 leaseholders in the program.

EXHIBIT 6
DATE 3-19-93
X SB-424

and then drew the conclusion that HEY
they do it in IDAH0!

Mr. Duffield's conclusion, that you can
get more, possibly beas some merit, however
he makes no suggestion as to how to do it
equitably, or without destroying the program
altogether. After listening to Mr. DUFFIELD
defend his study before the land board and
the testimony from the agricultural ~~community~~
community about it. It can be assumed that
the state of Mont. GOT NO BARGAIN from
this study.

77-1-601 of the M.C.A. states "It is in
the best interest and to the best advantage of
the state of Mont. to seek the highest development
of state owned lands in order that they might
be placed to their highest and best use and
thereby derive greater revenue for the support
of the common schools, the university system,
and other institutions benefiting therefrom, and
that in so doing the economy of the local community
as well as the state is benefited as a result of
the impact of such development."

Under the current program the DSC rewards those who fail to improve their leases and penalizes those who do improve their leases by using personal property as leverage to increase rates. SB 424 will make matters worse if a person is barred from a reasonable return on investment in improvements.

It needs to be recognized that the lease program HAS to maintain a level of profit for the TRUST and interest to the lessee and potential lessee, that lends itself to the perpetuation of the program to achieve the highest development and return. The FUTURE of the school trust lease program depends on people being interested in continuing to lease, to the benefit of the state, the schools, the local communities, and themselves and their families.

With 150 legislators, 5 members of the land board and many other parties continuously throwing legislation and rule changes at the program, personal property values drop, frustration builds and the likelihood of the survival of the lease program diminishes.

5

It is unacceptable that 618 cabin site leases are targeted with rate increases that range from hundreds to thousands of percentages, and those leases comprise fewer than 2000 acres of a system that includes 5.2 million acres less than .05% of the school trust lease program. They cannot and should not be expected to maintain such a great and ever increasing portion of the burden of school funding.

if these cabin site leases are so valuable why aren't there more? There are 4 basic reasons first; because the DSC can't handle the greater work load.

second, None of the lease receipts go toward administration of the lease program therefore there is no incentive to maintain an efficient method that will adequately respond to changing market trends

third The lease market itself is not nearly as large as many imagine it to be. (For example) there are many platted lease lots that have never been leased and have been removed from offering. There are sections of

6

out of 640 are leased with no return to the trust on the remainder.

and fourth Many of these leases are misrepresented by the DSL as having ~~some~~ great recreational value, when they should be listed as residential or city & town lot.

If SB 424 becomes law rather than gaining the added revenue that this legislature seeks. Many leaseholders will abandon the program entirely, leaving the DSL with the enormous task of dealing with the liability of abandoned buildings, sewer systems, junked cars and garbage. The number of cabin site leases will decrease to where the trust will receive far less than what it realizes now.

and the prospect of lawsuits over treatment that many perceive to be discriminatory is

rapidly becoming more likely. Therefore we urge you to ~~kill this bill~~. Amend the cabin site lease portion out of this bill and or kill it altogether. Thanks

TESTIMONY BY SAM HOFMAN, Tax Collector
OPPOSING SB 424.

SENATE TAXATION

EXHIBIT NO. 7

DATE 3-19-93

BILL NO. SB 424

Lessees of State Land now pay an initial fee of \$25.00 for a Land Use License. The cost of the license is \$50 per year but paid in advance at the time the lease is renewed. (\$500.) The purpose is for grain bin storage and buildings. In the private sector, leases usually include the use of all buildings and improvements.

In the Private sector, landowners pay for one-third of the fertilizer expenses on crop share agreements. In addition, landowners also pay a share of the weed control costs, usually one-third. In my agreement with my sister I pay all the weed control costs in exchange for grazing benefits. If weed control costs were deducted from my sister's crop share, her return per acre would be consistently less than the State's share even under the 25% rental agreement we now have.

Most farmers in my area do not run cattle and therefore are not able to utilize the grazing on their State leases that they are required to pay for.

GRAZING FEE COMPARISONS

Following figures are 5 year averages.

Brachens	$\frac{1}{2}$ section	\$ 95. per year
DeBoer	$\frac{1}{2}$ section	95. - -
Bronner	1 section	220. - -

State of Mont 1 section 90 AUM at \$4.05 = \$364.50

Fiscal note increase to \$7.60 per AUM = \$684.00

Wheat

1992 84.04 bu per acre at \$3.05 per bu = \$256.26 Return per acre
 $\frac{1}{4}$ $\frac{1}{3}$ Sister's Place $\frac{1}{3}$ crop share

State share	64.07	85.42	Her share	85.42 less $\frac{1}{3}$ fert. 13.58 = 71.84
Renter share	192.19	170.84	Mys share	170.84
less Fertilizer	<u>40.75</u>	<u>40.75</u>	less $\frac{2}{3}$ fert	<u>27.17</u>
Renter Net	151.44	130.09	Renter net	143.67

1991 36.75 bu per acre at \$2.83 per bu = \$104.18 Return per acre
 $\frac{1}{4}$ $\frac{1}{3}$ Sister's Place $\frac{1}{3}$ crop share

State share	26.04	34.73	Her share	34.73 less $\frac{1}{3}$ fert \$12.02 = 22.71
Mys share	78.14	69.45	Mys share	69.45
less Fertilizer	<u>36.05</u>	<u>36.05</u>	less $\frac{2}{3}$ fert.	<u>24.03</u>
Renter net	42.09	33.40	Renter net	45.42

1990 38.12 bu per acre at \$2.48 per bu = \$94.64 return per acre
 $\frac{1}{4}$ $\frac{1}{3}$ Sister's Place $\frac{1}{3}$ crop share

State share	23.66	31.55	Her share	31.55 less $\frac{1}{3}$ fert \$14.13 = \$17.42
Mys share	70.98	63.09	Mys share	63.09
less Fert.	<u>42.39</u>	<u>42.39</u>	less $\frac{2}{3}$ fert.	<u>28.26</u>
Renter net	28.59	20.70	Renter net	34.83

1989 44.15 bu per acre at \$3.82 per bu = 168.58 Return per acre
 $\frac{1}{4}$ $\frac{1}{3}$ Sister's Place $\frac{1}{3}$ crop share

State share	42.14	56.19	Her share	56.19 less $\frac{1}{3}$ Fert. 15.57 = 40.62
Mys share	126.44	112.39	Mys share	112.39
less Fertilizer	<u>46.70</u>	<u>46.70</u>	less $\frac{2}{3}$ fert	<u>31.13</u>
Renter net	79.74	65.69	Renter net	81.26

Wheat

1988 44.48 bu per acre at \$3.55 per bu = 158.14 return per acre

$\frac{1}{4}$ $\frac{1}{3}$

Sister's Place $\frac{1}{3}$ crop share

State share	39.53	52.71	Her share	52.71 less $\frac{1}{3}$ Fert. 13.99 = 38.72
My share	118.61	105.43	My share	105.43
less Fertilizer	<u>41.96</u>	<u>41.96</u>	less $\frac{2}{3}$ Fert.	<u>27.97</u>
Renter net	76.65	63.47	Renter net	77.46

BARLEY

1992 86.62 bu per acre at \$1.89 per bu = \$163.62 return per acre.

$\frac{1}{4}$ $\frac{1}{3}$

Sister's place $\frac{1}{3}$ crop share

State share	40.90	54.54	Her share	54.54 less $\frac{1}{3}$ Fert. 9.50 = 45.04
My share	122.72	109.08	My share	109.08
less Fertilizer	<u>28.49</u>	<u>28.49</u>	less $\frac{2}{3}$ Fert.	<u>18.99</u>
Renter net	94.23	80.59	Renter net	90.09

1991 38.5 bu per acre at \$1.54 per bu = 59.14 return per acre

$\frac{1}{4}$ $\frac{1}{3}$

Sister's Place $\frac{1}{3}$ crop share

State share	14.78	19.71	Her share	19.71 less $\frac{1}{3}$ Fert. 12.73 = 6.98
My share	44.36	39.43	My share	39.43
less Fertilizer	<u>38.18</u>	<u>38.18</u>	less $\frac{2}{3}$ Fert.	<u>25.45</u>
Renter net	6.18	1.25	Renter net	13.98

BARLEY

EMOUNT 7
 DATE 3-19-93
 SB-424

1990 43.6 bu per acre at $\frac{1}{4}$ \$1.76 per bu = 76.83 return per acre
 $\frac{1}{3}$ Sister's Place $\frac{1}{3}$ crop share

State share	19.21	25.61	Her share	25.61 less $\frac{1}{3}$ fert 10.93 = 14.68
Mg share	57.62	51.22	Mg share	51.22
less Fert.	<u>32.78</u>	<u>32.78</u>	less $\frac{2}{3}$ fert.	<u>21.85</u>
Renter net	24.84	18.44	Renter net	29.37

1989 43.75 bu per acre at $\frac{1}{4}$ \$1.87 per bu = 81.66 return per acre
 $\frac{1}{3}$ Sister's Place $\frac{1}{3}$ crop share

State share	20.41	27.22	Her share	27.22 less $\frac{1}{3}$ fert 11.55 = 15.67
Mg share	61.25	54.44	Mg share	54.44
less Fert.	<u>34.64</u>	<u>34.64</u>	less $\frac{2}{3}$ fert	<u>23.09</u>
Renter net	26.61	19.80	Renter net	31.35

1988 50.19 Bu per acre at $\frac{1}{4}$ \$2.27 per bu = \$114.15 return per acre.
 $\frac{1}{3}$ Sister's Place $\frac{1}{3}$ crop share

State share	28.54	38.05	Her share	38.05 less $\frac{1}{3}$ fert 9.18 = 28.87
Mg share	85.61	76.10	Mg share	76.10
less Fert.	<u>27.53</u>	<u>27.53</u>	less $\frac{2}{3}$ fert	<u>18.35</u>
Renter net	58.08	48.57	Renter net	57.75

LANDOWNER SHARES
CROP SHARE COMPARISONS

WHEAT

SISTERS PLANT

	State share $\frac{1}{4}$	State share $\frac{1}{3}$	5 copies $\frac{1}{3}$ fertilizer
1992	64.07	85.42	71.84
1991	26.04	34.73	22.71
1990	23.66	31.55	17.42
1989	42.14	56.19	40.62
1988	39.53	52.71	38.72
AVERAGE	39.09	52.12	38.26

BARLEY

1992	40.90	54.54	45.04
1991	14.78	19.71	6.98
1990	19.21	25.61	14.68
1989	20.40	27.22	15.67
1988	28.54	38.05	28.87
AVERAGE	24.77	33.03	22.25

LANDOWNER SHARES

CROP SHARE COMPARISONS

WHEAT

State share 25%

State share 30%

SISTER'S PLACE
1/3 couple 2/3 Family

Year	State share 25%	State share 30%	SISTER'S PLACE 1/3 couple 2/3 Family
1982	53.04	63.65	58.41
1981	58.74	70.48	66.29
1979	32.76	39.31	36.17

AVERAGE	48.18	57.81	53.62
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BARLEY

1982	26.22	31.47	21.32
1981	35.48	42.58	35.37
1979	27.74	33.29	29.46

AVERAGE	29.81	35.78	28.71
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RENTER NET SHARES

7

DATE 3-19-93

CROP SHARE COMPARISONS

SB-434

WHEAT

SISTERS PLACE

State $\frac{1}{4}$

State $\frac{1}{3}$

Washburn $\frac{1}{3}$ Fortley

1992	151.44	130.09	143.67
1991	42.09	33.40	45.42
1990	28.59	20.70	34.83
1989	79.74	65.69	81.26
1988	76.65	63.47	77.46

AVERAGE 75.70 62.67 76.52

BARLEY

1992	94.23	80.59	90.09
1991	6.18	1.25	13.98
1990	28.84	18.44	29.37
1989	26.61	19.80	31.35
1988	58.08	48.57	57.75

AVERAGE 42.79 33.73 44.51

SENATE TAXATION

EXHIBIT NO. 8

DATE 3-19-93

BILL NO. S.B. 424

TESTIMONY

Senate Tax Committee on S.B. 424
Montana Stockgrowers Association, Montana CattleWomen,
and Montana Wool Growers Association
March 19, 1993

For the record, my name is Jim Peterson. I am executive vice president of the Montana Stockgrowers Association and a rancher from central Montana. Today I am speaking in opposition to S.B. 424 on behalf of the Montana Stockgrowers, the Montana Wool Growers and the Montana CattleWomen.

The purpose of S.B. 424 is two fold: First, to place authority for establishing fees on all uses of state school trust lands with the State Land Board and to require the Board of Land Commissioners to attain "full market value" for leases on school trust lands. Second, to use the recently released, "Duffield Study" as guidelines for the Board of Land Commissioners to attain "full market value" for leases on state school trust land. While not specifically stated in the bill itself, the fiscal note implies and provides guidelines that the Duffield Study's recommended fees should be used by the Board of Land Commissioners in obtaining full market value.

First, this discussion should be separated into two parts: (1) Who has or should have the authority to establish fees on state school trust lands--the Legislature or the State Land Board? and, (2) What guidelines should be used, (i.e. studies, or surveys) in establishing the land use fees themselves. S.B. 424 tends to throw both issues together through the bill and the fiscal note which in our opinion should not be done. The issues are separate and should be addressed separately.

Our opposition to S.B. 424 and the establishment of authority within the Land Board to set fees and requiring "full market value" is based on a basic lack of consideration for the long-term protection of the resource and the lessees. For example, S.B. 424 places authority with the State Land Board but establishes no procedure for "due process" for establishing fees and no procedure for users of state lands to participate. As you may know, the current State Land Board meets once a month, discuss issues placed on the agenda, and then make decisions. For an issue as important as establishing fees, there is no required notice to state land lessees, no requirement for hearings and comments, and no appeals process. Some say the Land Board decisions will not be political, but we all know there is certainly no guarantee of that, given the political makeup of the State Land Board and how it may change.

It is very interesting to us, that the legislature is very frustrated with the Board of Regents and is considering pulling authority away from the Board of Regents back to the legislature. However, in this case, the legislature is being asked to give up authority and grant tremendous power to set fees to the State Land Board which conceivably could become another Board of Regents itself. As frustrating as it might be, at least the legislature is bound to a democratic process.

Finally, S.B. 424 includes some land uses on state lands but not all. For example, cabin site licenses and leases are addressed, recreational use is addressed, and grazing fees are addressed, but it is not clear what happens to a crop share lease or other special uses of state lands such as outfitting fees or other commercial

Testimony S.B. 424
Page 2
March 19, 1993

use fees. Specifically on grazing fees, S.B. 424 eliminates any tie to the formula reflecting current cattle prices which we feel is very important in maintaining equity and fairness in grazing fee leases.

The second part of my testimony centers around the implication that the Duffield Study should be used as a guideline by the Board of Land Commissioners in obtaining "full market value". Just a little over a month old, the Duffield Study is entitled, "The Economic Analysis of the Values of Surface Uses of State Lands" and was prepared for the Montana Department of State Lands by Bio Economics, Inc., which is principally Dr. John Duffield, Professor of Economics at the University of Montana. Dr. Duffield's report recommends a fair market 1992 average price for grazing, crop land, recreation, cabin sites and outfitting uses of state lands.

Our greatest concern with this report is the apparent "knee jerk" reaction to the recommendations and the attempt to codify the recommendations by Rep. Kadas in H.B. 665 and now an attempt to use the recommendation as guide lines for the Board of Land Commissioners to use in setting fees. No one has had a chance to really analyze the study adequately, the statistical data has not been reviewed by other researchers and in some cases reviewers are unsure and question the assumptions used in the study. Yet this bill proposes to adopt the recommendations in the fiscal note and use them as guidelines for the Board of Land Commissioners.

Since the Duffield Study was released in February, four economists--Dr. Myles Watts and Dr. Terry Anderson from Montana State University, Dr. Gerhard Rostvold and Dr. Thomas Dudley from Pepperdine University in California, have been reviewing the economic theory and statistical analysis used in the study. All four have indicated concern over the methodology and analysis used.

A preliminary report by Dr. Myles Watts and Dr. Terry Anderson was presented to the Select Committee on School Funding as testimony in opposition to H.B. 665 on March 11, 1993. A copy of that testimony is being provided to you for your review. Just yesterday, we received the report by Pepperdine University reviewing the Duffield Study which I will also provide to you for your review.

In both reports, highly respected economists strongly recommend a detailed review of the methodologies, the factual foundation, and conclusions drawn by Professor Duffield, et. al., before any major adjustments are made in grazing lease prices on state school trust lands in Montana.

As you will probably hear, Dr. Duffield used six different approaches to estimate what he calls, "current fair market value" for state school grazing leases in Montana.

The first approach was based on a statistical model called the "Hedonic Model" and both groups of researchers question the appropriateness of this model in comparing lease fees on private lands and predicting the "market value" of grazing fees on state school trust lands in Montana. Both groups of researchers conclude that this price theory model is not appropriate in this case.

Testimony S.B. 424

Page 3

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The second approach looked at the average price of the private leases that are most like state leases. The Duffield Report uses a sample of only six private leases in deriving a state wide mean and this data base simply provides no foundation for the conclusions drawn.

The third approach looked at average competitive bid for the 8% of all state school land grazing leases which are competitive bid. It is highly unlikely that the competitive bidding process on state lands meets the well defined criteria of a purely competitive market where many buyers, (ranchers) are bidding for the product (grazing lands) being offered by many sellers. Again, the reality of the situation simply does not fit the model and does not describe the market model fundamental to the conclusions of the Duffield Report.

The fourth approach was to look at what the ranchers report as a "fair market price" for state leases. Ranchers were asked to provide a AUM based average price for private leases in their area and was then asked to estimate the percent of that average private lease rate they though represented the price for state leases. Individual factors comparing the two were not discussed with the ranchers surveyed and as the Pepperdine economists articulated, "opinions rarely meet the test of factual objectivity."

A fifth approach was to examine what other public land agencies such as BLM, Forest Service and Bureau of Indian Affairs were using as lease rates for grazing lands. Professor Duffield and his colleagues completely dismissed BLM and the Forest Service lease rates as not providing useful information, but they quickly accepted leases on the Fort Peck Indian Reservation as they seemed to fit better into their recommendations. Again, we must question the comparability issue and the objectivity of this approach.

And finally, approach six was to undertake a literature review of the studies concerned with economic values of forage on public and privately owned grazing lands in the western states. Professor Duffield uses a ratio established in New Mexico and then assumes the same ratio will apply to Montana. I don't know how many of you have visited New Mexico and its grazing lands, but there is a very serious question of comparability of Montana grazing lands and New Mexico grazing lands that Professor Duffield does not attempt to address.

In conclusion, I would urge you to study the preliminary analysis by Montana State University economists and by the Pepperdine University economists. Both are very credible sources and provide an additional perspective to Professor Duffield's. Our concern here is more time is needed to properly evaluate and insure that all factors are considered when establishing fees particularly in the area of grazing.

There is no questions that the fees on surface lands, state lands, need to be reviewed extensively in the future and should comply with the constitutional requirement to the school trust. However, "fair market value" alone does not consider the long-term protection of the resource itself. Maximizing return over the long-term, considering the resource protection factors, is a better approach. It is premature and almost appalling that one study should be handed out as the gospel,

Testimony S.B. 424
Page 4
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then used to codify fees in one case or recommend fees in another case to the State Land Board.

Much work needs to be done on this bill and on this issue before final recommendations can be made that will be based on sound, objective, factual information. More time is required and the decision should be reached through a democratic process that insures that all interest--the school trust, the land, and the lessees and state land users--are considered. Thank you, and I urge a "do not pass" on S.B. 424.

SENATE TAXATION

EXHIBIT NO. 9

DATE 3-19-93

FILE NO. SB 424

CHAIRMAN HALLIGAN AND MEMBERS OF THE SENATE TAXATION COMMITTEE:

MY NAME IS TOM LOFTSGAARD. I AM CHAIRMAN OF THE LAND MANAGEMENT COUNCIL. WE ARE AN ORGANIZATION OF LESSEES OF SCHOOL TRUST LANDS. WE OPPOSE SENATE BILL 424.

WHAT IS FULL MARKET VALUE? IS IT THE VALUES SUGGESTED BY THE ECONOMIC ANALYSIS OR QUOTE "DUFFIELD STUDY". MONTANA CODE ANNOTATED 77-1-101 STATEMENT OF POLICY: IT IS HEREBY DECLARED TO BE IN THE POLICY OF THE STATE, THAT IN THE INTEREST OF ACCOMPLISHING A SUSTAINED INCOME FOR THE SCHOOLS, ETC.

AT SOME TIME IN HISTORY OUR LEGISLATURE RECOGNIZED THE VALUE, BUT ALSO THE LIMITATIONS OF OUR AGRICULTURAL AND GRAZING LANDS RESOURCE. YOU CAN NOT EXPECT LAND TO BE A SOURCE OF UNLIMITED WEALTH, BUT IT CAN BE A SOURCE OF NEVER ENDING WEALTH. WITHOUT A FAIR RETURN, THE LESSEES OF STATE AGRICULTURAL AND GRAZING LANDS WILL NOT BE ABLE TO MAINTAIN EVEN THE PRESENT REVENUES TO THE SCHOOL TRUST.

DEEDED LAND SUBSIDIZES THE STATE LEASES IN OUR AREA. BECAUSE THE DEEDED LAND IS INDISPUTABLY BETTER QUALITY, IT RAISES OUR COUNTY AVERAGE SO THE STATE OF MONTANA REALIZES MORE PROFIT FROM THE FARM PROGRAM.

ACCORDING TO U.S.D.A SOIL CONSERVATION SUPERVISOR STAN FRENCH, 61 PERCENT OF THE CROPLAND IN DANIELS COUNTY IS HIGHLY ERODIBLE SOIL. NINETY PERCENT OF THE STATE CROP LAND IN DANIELS COUNTY IS CLASSIFIED AS HIGHLY ERODIBLE SOIL. THE FEDERAL GOVERNMENT HAS MANDATED THAT THE EROSION OF OUR CROPLAND MUST BE REDUCED TO A TOLERABLE LEVEL. WE MUST HAVE AN INDIVIDUAL CONSERVATION PLAN AND BE PROPERLY APPLYING THAT PLAN BY

JANUARY 1, 1995. THIS PLAN CAN AND WILL CHANGE THE WAY WE FARM. IT WILL MOST LIKELY INCREASE THE COST OF FARMING. WE WILL NEED TO USE MORE CHEMICALS INSTEAD OF TILLAGE. THIS WILL REQUIRE SOME ADDITIONAL INVESTMENTS IN EQUIPMENT. OUR SEEDING AND SPRAYING EQUIPMENT WILL REQUIRE THE BIGGEST CHANGES.

HERE IS AN EXAMPLE OF VERY MINIMUM AND AVERAGE RETURNS OF FARMING AN ACRE OF HARD RED SPRING WHEAT STATE CROPLAND IN OUR AREA:

PER ACRE COSTS:

SUMMERFALLOW 3 times at \$4.00	\$12.00
SEED, SEED TREAT AND CLEANING	\$4.49
SEEDING	\$6.00
SPRAYING	\$4.00
HARVEST	\$12.00

=====

TOTAL COST PER ACRE	\$38.49
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PER ACRE RETURNS:

21 BUSHELS (a.s.c.s ave yield) x 3.14	\$65.94
STATE 1/4 SHARE	\$16.49

=====

LESSEE'S SHARE	\$49.45
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PER ACRE COST	\$38.49
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LESSEE REVENUE AFTER COSTS	\$10.69
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PRICE SUPPORT PAYMENTS FROM U.S.D.A	\$15.35
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STATE SHARE OF PRICE SUPPORT	\$3.84
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LESSEES SHARE	\$11.51
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EXHIBIT 9
DATE 3-19-93
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STATE SHARE FROM CROP \$16.49

STATE SHARE FROM U.S.D.A PRICE SUPPORT \$3.84

=====

TOTAL STATE SHARE \$20.33

LESSEE CROP SHARE AFTER COSTS \$10.96

LESSEE SHARE FROM U.S.D.A PRICE SUPPORT \$11.51

=====

TOTAL LESSEE SHARE \$22.47

THE FEDERAL GOVERNMENT IN ITS EFFORTS TO REDUCE THE DEFICIT, IS PLANNING TO HAVE ALL SUPPORT PAYMENTS ELIMINATED IN THE 1995 FARM BILL.

THIS IS A VERY BASIC EXAMPLE. I AM TRYING TO ILLUSTRATE THAT THE POTENTIAL FOR ANYONE TO PAY MORE WITHOUT CUTTING COSTS IS IMPOSSIBLE. THE ONLY COSTS THAT CAN BE CUT ARE SUMMERFALLOW AND SPRAYING AND BOTH OF THESE WILL RESULT IN A DIRECT REDUCTION IN YIELDS AND WILL NOT ACCOMPLISH A SUSTAINED INCOME FOR THE SCHOOL TRUST.

WE ARE OPPOSED TO GIVING THE STATE LAND BOARD THE AUTHORITY TO SET RENTAL RATES. THIS WOULD BE TOTALLY SIDESTEPPING THE DEMOCRATIC PROCESS. WE FEEL THE LEGISLATURE BEING A MORE DIVERSE BODY WOULD BE MORE REPRESENTATIVE OF THE STATES INTERESTS AS A WHOLE. THANK YOU.

An Preliminary Evaluation
prepared by
Terry L. Anderson and Myles Watts
Professors of Agricultural Economics and Economics
Montana State University¹
of an
*Economic Analysis of the Values
of Surface Uses of State Lands*²

I. Introduction

The pricing of services from governmental lands at both the state and federal levels is controversial because governmental agencies that control these lands are not subject to the same market forces as the private sector. Private land owners presumably maximize their wealth by getting the most value of their assets. Governmental land managers, on the other hand, are subject to political pressures from a variety of special interest groups who would like to pay less than the resource is actually worth. Because the political land managers do not directly benefit from maximizing asset values and because competitive bidding does not exist for all public resources, there is reason to expect that state and federal governments will not obtain full value from resources under their control.

Unlike most governmental lands that are managed for multiple uses, school trust lands were set aside to generate revenues for public education. Therefore a failure to maximize the value of these lands constitutes a violation of the trust responsibility of the state. Collecting less than lands are worth clearly reduces revenues for schools. Less obvious but just as important is the fact that charging more than uses are worth can leave lands idle and also reduce revenues. For these

reasons it is crucial that the Montana Department of State Lands (DSL) carefully consider its land pricing policy.

It should be noted at the outset that this is a preliminary evaluation. We have only seen the final report prepared by Duffield and Anderson and have not yet obtained the data summarized in that report. Moreover, due to short notice, we have not had sufficient time to fully evaluate all aspects of the Duffield-Anderson Report.

II. Determinants of Grazing Fees

Determining the "fair market value" of grazing leases is complicated by the fact that lands are of different quality and that the lessor and lessee contribute different inputs to the production process. Generally we would expect the lease price received by the lessor to be positively related to livestock prices, alternative forage costs, and the value of lessor-provided inputs (e.g. fencing, water development, and weed control) and negatively related to length of the lease and lack of access control by the lessee.

The D-A Report attempts to gather information on private lease prices and compare them to state land lease prices. Given that lease prices depend on a number of variables, it is necessary to control for these in any comparison. The D-A Report makes a number of comparisons, but fails to adequately control for the many variables that could explain differences in lease prices within the private sector or between the private and public sectors. In some cases the D-A Report simply compares lease prices on private and public lands with leases greater than five years, no fence maintenance services, and dryland. In other cases the D-A Report compares

state land lease prices across states. In our opinion neither of these approaches has much credibility because neither adequately controls for important variables.

The best method of controlling for the many variables that affect lease prices used in the D-A Report is the "hedonic pricing model." This model attempts to estimate a statistical relationship between private lease prices and the variables mentioned above. The "hedonic pricing" method they use has been criticized in the economics literature because it fails to sufficiently distinguish between demand and supply variables that enter into a final determination of a market price. These criticisms aside, in order for a hedonic pricing model to be a useful policy tool, it must be a good predictor. Their "complete model" (see Table 4-17, 33) reports an "adjusted R²" of 0.261. This means that only 26% of the variance in lease prices is explained by the variables they use, and raises the question of what accounts for the other 74% of the variance. In other words, their model does not do a good job of explaining what determines private lease prices and therefore cannot do an adequate job of predicting what state lease prices should be.

III. Evaluation of the Hedonic Model

The main reason that the D-A Report fails to explain variances in private lease prices is that the data used do not adequately control for the many variables that influence leases. For example, to capture the impact that landowner provided inputs might have on lease prices, the D-A survey asked whether the landowner contributed to the costs of fencing maintenance, weed control, and water development. I did not ask how much the lessor contributed to fence maintenance and water development,

but it did ask how much the tenant and landowner contributed to the costs of weed control. The data on noxious weed control, however, were not used in the statistical analysis, and the D-A Report does not explain why.

To understand the impacts of not including the costs of lessor-lessee contribution, suppose that the lessor provides for all fence maintenance and this is worth \$2 per AUM to the lessee. All else equal, the lessee would be willing to pay \$2 more for this lease. On the other hand, if the lessor contributes only \$0.05 for fence maintenance, the lease would only pay an additional \$0.05. In the D-A analysis both of these would be reported as a lessor contribution, but there is no way to differentiate between the two. Therefore it is inappropriate to use this hedonic price model estimated from private lease data to predict what state grazing fees should be.

It is important to note that the noxious weed variable is removed from their "reduced model" because it is not found to be significant. Such removal, however, is inappropriate in a predictive model where the variable is expected to have an impact. Clearly a lessee would prefer a lease without a weed problem particularly if the lessee must pay for weed control as the is the case with state lands. Moreover, the usual statistical test for determining whether a variable is significant is based on the probability that the coefficient on the variable is zero. Using this standard approach, the probability the coefficient on noxious weeds is zero is about 17% and the probability it is not zero is 83%. The noxious weed variable should not be omitted from the model.

Even though control variables for fence maintenance and water development

are found to be significant, the use of the "dummy variable" technique is inappropriate for predictive purposes. The D-A Report enters a 1 if the landowner participates in the costs and 0 if not. The appropriate statistical measure would be the degree of participation. Therefore it is not surprising that the D-A Report can not adequately predict private lease prices.

Another problem with the D-A method of accounting for fencing contributions is that they only ask if the landowner participated in maintenance costs; they do not determine whether the landowner made the initial investment. This becomes particularly important on state leases where there are not fences. On private leases it is typical for the landowner to provide the initial cost of the fencing because it is permanently attached to the land. However, on state lands, the lessee is responsible for fence construction which would reduce the value of a state grazing lease, all else equal.

The D-A Report does not control for access which is likely to be an important determinant of the grazing fee. We can infer this from the amount of effort agricultural interests were willing to put into their fight to keep recreationists off state lands leased for agricultural purposes. Moreover, D-A find that lessees were "willing to pay" as much as \$1.13 more for private leases without public access. If state lands have public access, at least this amount must be subtracted from the "fair market value." Such an adjustment is not made by D-A and is not included in their model.

IV. Cattle Prices and Grazing Fees

The D-A Report is critical of basing grazing fees on cattle prices. This criticism

is based on their regression analysis reported in Table 4-45 (57) which shows that 77% of the variance in private lease prices can be explained by beef prices between 1969 and 1991, but that only 10% can be explained between 1980 and 1991. One possible explanation for the big difference between the two is the small sample (12) for the latter period. Given that beef prices explain more variance in the long term than does the hedonic model produced by D-A, there is reason to believe that it may be a better predictor. Data are available to do a more sophisticated statistical analysis of the relationship between beef prices, and grazing fees and preliminary results show this is a promising approach.

V. Competitive Bidding

The D-A Report suggests that a major reason for lower grazing fees on state lands is the lack of competitive bidding. They report survey results that many ranchers do not want to bid against their neighbors, concluding that this effectively provides sufficient collusion to depress grazing fees. On the other hand, their survey results show that 22% to 36% of those surveyed are willing to bid against their neighbors, yet only 8% of the leases have more than one bid. These statistics appear inconsistent. If so many are willing to bid and if grazing fees on state lands are so far below the fair market value why aren't there more bids?

An explanation for the lack of more than one bid on 8% of the state lands is that these leases are not worth significantly more than the minimum of \$4.17. If there are some lands where the grazing is worth far more than \$4.17, we would expect more competition for them. The fact that the average competitive bid is \$8.34 (40) may

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indicate that some lands are worth more. For example, if state land is near an urban area, the forage for "hobby farmers" may be worth much more than it is for the typical Montana cattle rancher. In short, the fact that only 8% of state lands receive only one bid tells us little about whether tacit collusion is holding down state grazing fees.

VI. Comparison with Other States

The D-A Report compares Montana state land grazing fees to other states and concludes that "Montana is toward the lower end of the scale in terms of the ratio of state grazing lease rates as a percentage of market value." Table 1-12 reveals that 8 of the 14 other states have ratios near or below Montana's; only 6 other states have ratios higher than Montana's. No statistical analysis is provided by D-A.

To make comparison with other states valid, it would be necessary to control for the same variable discussed above. Do other states provide or share in improvements; are other states less urban; do other states have public access; how do other states deal with drought conditions? Until question such as these are addressed, comparison with other states is of little value in predicting what Montana's grazing fee should be.

VII. Conclusion

It is important that Montana maximize the value of its state lands especially to the extent that these lands were specifically set aside to support public education. The problem is determining what is the value maximizing price to charge for various uses. If the state decides to raise grazing fees significantly, it may discover unanticipated impacts. For example, under current practices there is little or no monitoring of leases.

If fees are increased to disipate profits from grazing, the lessee will have more incentive to overstock. Not only will this reduce long term productivity of the range, it will ultimately reduce the revenues from leasing. This scenerio would require that the state increase monitoring expenditures thus offsetting potential revenue gains.

It is wise for the DSL to study this issue in depth, but the D-A Report does not provide an adequate basis for changing the state law regarding the grazing fees. The statistical analysis does not predict very well what factors determine private grazing fees and is not adequate to predict what state grazing fees should be. The D-A Report does present evidence that suggests that state grazing fees may be below fair market value, but additional statistical analysis is necessary to determine what that fair market value is. Before state law is changed in a way that can significantly disrupt an important sector in the state's economy and potentially disrupt revenues and expenditures associated with grazing, more careful analysis should be performed.

1. The ideas expressed in this evaluation are those of the authors and not necessarily those of Montana State University.

2. The report under evaluation here was done for the Department of State Lands by John Duffield and Bruce Anderson, *Economic Analysis of the Values of Surface Uses of State Lands*, Bioeconomics, Inc., Missoula, MT, February 1993. This evaluation covers on "Task 3, Fair Market Value for Grazing Leases." Hereafter this report is referred to as the D-A Report.

SENATE TAXATION

EXHIBIT NO. 11

DATE 3-19-93

BILL NO. SB 424

PEPPERDINE UNIVERSITY

SCHOOL OF BUSINESS AND MANAGEMENT

REPORT TO THE MONTANA STOCKGROWERS ASSOCIATION

CRITIQUE OF THE REPORT ENTITLED ECONOMIC ANALYSIS OF THE VALUES OF SURFACE USES OF STATE LANDS, BY JOHN DUFFIELD, BRUCE ANDERSON AND CHRIS NEHER

AUTHORS OF CRITIQUE:

Dr. Gerhard N. Rostvold

Dr. Thomas J. Dudley

It is the primary purpose of this report to present a preliminary analysis and evaluation of (1) the economic market model, and (2) the statistical model utilized by Professor Jon Duffield and his colleagues in their February 1993 report to the Montana Department of State Lands. Our analysis and evaluation of the economic/market and statistical models used to support the final conclusions of the study program will be confined to the question of the full or fair market value of the forage produced on state school trust lands in Montana. In other words, are state grazing leases in Montana priced at fair market value?

Our work program has centered upon a review of the Summary Report, Economic Analysis of the Values of Surface Uses of State Lands, and the TASK 3 Report, Fair Market Value for Grazing Leases. Both reports (henceforth to be referred to as the Duffield Reports) were published under date of February 1993.

CONCLUSION OF THE DUFFIELD REPORTS CONCERNING THE ADEQUACY OF CURRENT STATE LEASE RATES IN MONTANA

The conclusions drawn with respect to the adequacy of current lease rates for grazing on state school trust lands in Montana were set forth in the TASK 3 Duffield Report (p. 65) as follows:

5.4 CONCLUSIONS.

As a result of an intensive (and extensive survey of Montana ranchers concerning grazing lease rates and four additional methods of analysis, we conclude that current state lease rates are much lower than current fair market value. Lease rates on Montana DSL grazing leases currently average \$4.24 per AUM. The preceding analysis suggests that fair market value for these leases is on the order of \$7.50 to \$8.50 per AUM.

METHODOLOGIES UNDERLYING THE CONCLUSIONS DRAWN IN THE DUFFIELD REPORTS

Professor Duffield and his colleagues used six specific approaches to estimate a current fair market value for state grazing leases in Montana. The six approaches are described in the Summary Report (pp. 17-18), and the TASK 3 Report along the following lines:

The original is stored at the Historical Society at 225 North Roberts Street, Helena, MT 59620-1201. The phone number is 444-2694.

EXHIBIT

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REPORT TO CONGRESS

New Perspectives On Grazing Fees And Public Land Management In The 1990's

Part I - An Agenda For The 1990's

The original is stored at the Historical Society at 225 North Roberts Street,
Helena, MT 59620-1201. The phone number is 444-2694.

GERHARD N. ROSTVOLD

Lecturer in Economics

and

THOMAS J. DUDLEY

Professor of Quantitative Methods

May 1992

PEPPERDINE UNIVERSITY

Graduate School of Business and Management

SENATE TAXATION

EXHIBIT NO.

12

DATE

3-19-93

March 19, 1993

BILL NO.

SB404

Mr. Chairman and members of this committee. My name is Steve Roth. I represent the IX Ranch Company, a family owned, Montana corporation, from Big Sandy. I am a graduate of MSU and have been actively engaged in ranching for the past 22 years.

I believe the impetus for this legislation is a report developed by Bioeconomics of Missoula. This report lacks the integrity necessary to develop legislation.

COMMENTS

In terms of lease rates for agriculture, in particular grazing, applying "market" value to a renewable resource encourages poor resource management. Short lease periods, high lease costs and uncertainty of renewal obligate the lessee to obtain the highest return for the least investment. Assigning a "productive" value to the resource, based on the lands ability to produce should be used to determine grazing fees. Although this method may not bring as much short term revenue, it insures a sustainable income while husbanding the resource.

Bioeconomics' analysis assumes wildlife on state land never go onto private land. The opposite is true since the water, preferential grazing and cover are primarily on private land, not state land. This is especially true in the winter months.

There are no lessee costs assigned to weed and rodent control or fire suppression.

Only scientific data from other states has been presented. Why was no scientific range data from Montana been included when a great deal exists? There is not one Montana study of grazing lease rates cited. No data was presented to compare range **condition** of private leases to state leases. Private leases tend to be over grazed and in poor condition in North Central Montana.

While briefly mentioned, **STOCKWATER** is ~~the~~ the single most limiting factor on the ranch's state leased land. There is no mention of stockwater or its development on deeded land at accommodates grazing on state lands.

There is no evidence that increasing the staff of the Department of State Lands, as a result of higher grazing fees, to annually monitor grazing would result in a net increase in income to the school trust or preserve the resource.

There is no discussion as to whether or not increased fees and other proposed changes will discourage the lessee from investing in improvements on state land. The present fee formula does.

State lands in western Montana are vastly different than those in North Central Montana due to different soil types, growing seasons and precipitation levels. The report does not recognize this.

In Montana, lessee's of state land are required by law to allow licensed hunting on those state lands. The report does not consider the many costs of allowing this hunting.

In general, this report gives very little, if any, thought to the perpetuation of the basic resource-the land and its forage cover. This aspect should be a major concern in this "environmental" age.

The following are actual expenditures by IX Ranch Company on its state leased lands:

NOXIOUS WEED CONTROL

In cooperation with Dow Chemical, IX Ranch has mapped its Leafy Spurge population. As a result, the ranch has been able to estimate the cost of Leafy Spurge control on its state leased land. Over a 3 year period, from 1990 through 1992, control on approximately 280 acres amounted to \$16,873 for chemical and \$10,045 for application; a per year total of \$8,843 or \$31 per acre spent to control Leafy Spurge on state lands.

The ranch has been attempting to control this noxious weed since 1960. The tenacity and propagation by wild life of Leafy Spurge, together with the increased costs of chemical and application (Tordon 22K & helicopter), will continue to escalate the cost of leasing state land.

Stockwater Development

From 1988 through 1992, IX Ranch, with the approval of the Department of State Lands, has completed stockwater developments consisting of 3 wells, 8.25 miles of pipe line and 14 stockwater tanks on state land alone at a total cost of \$57,700. These are complex systems, electrically powered by line or generator, with pressure tanks and automatic floats on all tanks to conserve but insure water not only for livestock but wildlife.

In 1992, the ranch spent \$28,786 on stockwater development just on state lands, serving to better distribute grazing on approximately 3,840 acres. Per acre cost was \$7.50 or \$26.25 per AUM. This amount does not take into consideration annual fuel and electricity costs for these developments or maintenance and repair costs of other stockwater developments on state land.

Nor does the above account for expenditures on stockwater development and maintenance on private land that also accommodates grazing on state land. Since 1955, the ranch has completed 52 stockwater developments on its state leased land. This is evidence of how poorly watered the state land is. In 1993, the ranch plans to install two additional stockwater tanks requiring over two miles of pipe line.

FENCING COSTS

IX Ranch hires a fencing contractor to do much of its fencing and fence repair. Contract fencing repair costs for the ranch average \$212 per mile for labor and equipment and \$39 per mile for materials. To graze its state leases the ranch maintains over 86 miles of fence.

RODENT CONTROL

Required by the state to control prairie dogs on its leased land, the ranch estimated, in 1991, 188 acres of prairie dog towns on its state leased lands. Federal law now prohibits above ground poisoning. No other effective means of control has been found. In 1992, these towns were found to be increasing at the rate of 20% per year. This further decreases the value of the grazing lease as these prairie dog towns completely denude the ground.

FIRE SUPPRESSION

Annually the ranch donates \$730 to the local volunteer fire department for fire suppression on its state leased land. This does not include the cost of ranch labor and equipment for fire suppression on state land.

NON-USE

In 1992, lack of stockwater, on the ranch's state leased lands required a 26% (660 pairs) reduction in the ranch's cow herd. Loss of income from the forced sale of these calves in May was \$165,000.

SUMMARY

In 1992, IX Ranch spent over \$38,000 in improvements, maintenance and repairs on its state leased land. This amount is 86% of the ranch's 1992 lease fee. Adding these expenditures to 1992's lease cost of \$44,206 increases the ranch's cost per AUM to \$7.74.

Agriculture is extremely capital intensive. The ranch's "Return On Assets" averages less than 3%. To continue to husband the state's land and make necessary improvements that enhance and stabilize the resource, grazing fees must not reach a level that discourages good range management practices. Increasing fees to a fair market value will cause degradation of this valuable resource by creating a situation in which the lessee must get everything out of the lease without investing anything in return.

I ask this committee to consider the impact upon the resource first and the state's affinity for money second. Using the existing formula format to establish a reasonable fee based on the lands ability to **produce**, rather than fair market value, will continue to encourage lessee's to invest in stewardship and enhancement of the state's leased land.

Thank you for allowing this testimony.

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SENATE BILL NO. 424 by Blaylock by Request of the Senate Education and Cultural Resources Committee

Chairman Halligan and members of the Senate Taxation Committee:

My name is Steve Carney. I am a farmer from western Daniels County and am a lessee of School Trust Lands. My purpose in appearing before this committee is to share with you my observations of what this bill will do for the State of Montana. Montana has in excess of five million acres of state lands and is one of the few that has maintained its basic land grant of state lands today. We are apparently happy with the retention of the great bulk of our Land Grant. But it does present us with problems as considered in Senate Bill 424.

The study conducted by Dr. Duffield seems to have the premise that cropland and rangeland owned by the state has the same value for leasing purposes as privately owned land. I was unable to locate any such analysis when everything is considered. The basic school sections were sections 16 and 36 in each township. But what happened was that in many cases you had "homesteaders or "squattors that settled on 16 and 36 before they were designated as state land. In other cases you had Indian Reservations take over 16 and 36 as well as the National Forst Reserve areas. Congress says we have a problem, so they amended the Enabling Act and gave the various Board's of Land Commissioners the right to select "in lieu" of section 16 and 36. The "in lieu" selections were to be as contiguous as may be to section 16 and 36. This was not done and created a problem of misdistribution of state land between counties. The argument that one piece of land is the same as the piece of land down the road as Dr. Duffield suggests does not prove itself when the land is put through a soil survey analysis. The people that earn their living from the soil know that land does have very distinct production capabilities. My understanding of the homestead days of Montana lead me to believe that private individuals usually made the first selections of land in any given area. For example, the ranchers usually were looking for a water supply and a farmer was looking for productive land and the lay of the land or how hilly it was. The Land Commissioner usually made

his selections after the rancher and farmer. This leads me to believe that the land selected by the state was in many cases a "second choice" situation. In my experience I have noticed that the better land the state now owns they obtained from being in the Farm Loan business and the homesteader lost his land to the State. Make no mistake, the State does have some excellent agricultural land and it has had outstanding care while under the rental status. Most renters of state land are top-notch operators and give the state land the same consideration and care they give their own private land. Really they operate under the premise that "you take care of the land and it will take care of you." As a share cropper, I also must have a margin to perform the production factors needed to achieve satisfactory yields for myself and the State. Dr. Duffield's report was based totally of the potential for increasing revenues on state lands and failed to take all factors into consideration.

*FACTORS AFFECTING STATE LAND LEASES:

1. Many agricultural leases also have grazing lands that cannot be farmed or grazed, yet we pay a grazing lease payment on them. Lack of water would be the main reason for this. The study failed to mention that I must take money from my crop share to pay the grazing rental fee. The wildlife are the primary beneficiaries of the grazing.

2. Much of the grazing land in our area is polluted with club moss. Grazing leases should have this considered when the evaluation is done every 10 years. Many private landowners renovate and reseed their pastures to obtain the full value of the land. S.B. 424 wants "full market value" but fails to mention how to improve the land to achieve it as private leases most often do.

3. As mentioned earlier, many grazing leases do not have water for stock. In our area most pastures have stock ponds that were dug for impounding runoff. To the best of my memory, we have had no runoff since 1982 and most dugouts and dams are dry. The only effective way to utilize these lands is to haul water to the stock. This involves extra money and time as the average cow will drink 15 gallons a day during the summer. Most private lands would be willing to dig a well to solve this problem we have.

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4. Winter and Spring wheat yields- As you probably know spring wheat yields are lower than winter wheat yields. Therefore the rentor has fewer bushels to share with the state or pay farm and ranch expenses. We are supplying you with a copy of information taken from the Montana Agricultural Statistics books for a 10 year period from 1982 thru 1991. This chart shows the respective yields of winter and spring wheat in the 18 counties listed which contain the majority of agricultural state land acres. The spring wheat yield is only about 80% of the yield of winter wheat over this 10 year period. The primary winter wheat area is the Triangle Area and the primary spring wheat area is the northeast corner of the state. Dr. Duffield fails to mention this in his report of which I believe should have been a major consideration. For example a winter wheat yield of 25 bushels per acre times the 33% cropshare would return 16.75 bushels to the rentor while a 20 bushel spring wheat yield times the 25% cropshare would only return 15 bushels to the rentor. This would have an effect on what "full market value" is. This should be a factor when comparing different state's cropshares with ours as they most often are higher production winter wheat areas.

5. The agricultural lessee must pay to deliver the state's share of the crop to the nearest elevator. With rail line abandonment we are finding that a longer haul must be made to deliver the grain, thus adding more expense.

6. Rail transportation went up to 99 cents at Scobey this past year to deliver one bushel of grain to the west coast. The State of Montana and the producers are captive shippers as has been proven in the McCarty Farms case which is still in the courts with Burlington Northern and their army of lawyers fighting it. This case proves that Nebraska and Oklahoma, as Dr. Duffield often compares us with are getting their grain shipped cheaper than we are, yet going farther distances. This results in lower returns to the state and the rentor.

7. All cost associated with farming land have been increasing from gas, diesel fuel, parts, cost of machinery, labor, chemicals, fertilizer and any improvements that would be associated with the land. These factors are cited so you committee members can be alerted to the fact that an economic squeeze does exist and increased

rental rates will add to that squeeze. We have enclosed a chart for the past 4 years showing the average net farm profit of approximately 160 farmers and ranchers in our area. You can see that we are not getting rich and increased rates on state lands would make it worse.

8. On March 2, 1993 a Montana sale for oil and gas leases was held in Helena. Of the 94 tracts advertised, only 26 sold for more than the minimum of \$1.50 per acre. At about the same time, my brother and I leased lands for \$10.00 per acre. So what is the full market value on oil leases? Why was this not included in the study?

9. When a comparison is made between state ag. land and privately owned ag land you have the value of buildings and their use that goes with the deeded land to the rentor of that land. The buildings may be granarys, machinery storage buildings or even residential homes. State agricultural land usually does not come with any buildings that would add to the value of the land to the rentor. Ask yourself which tract of land you would want, one with granaries, outbuildings and possibly a home for your use or just a bare piece of land with no improvements.

10. Elimination of preference rights would create total havoc in counties such as Daniels where the state owns 24% of the lands. To rent the land to someone else that bids only a fraction more than the current leasee could prove to be a detriment to the school trust. Get rich quick schemes, taking everything from the land to pay increase rentals, enviornmental and economic impacts would occur. As can be seen by looking at the map, I know of no farm or ranch that would be a sufficient economic unit in western Daniels county without leasing state lands. There is no doubt in my mind that the ability to continue farming long term is in your hands. Balanced judgement and fairness should prevail in your decisions. Preference rights are needed both for the states long term benefit, as well as mine. How would you feel if you had good business in a rented building and were a good tenant if the landlord said that they were going to rent the building to the first person that would offer them a dime more at the end of your contract. How about tenured teachers that would be let go because the school district could find another teacher at less salary and you would not have the right to match

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their offer.

11. Below is the soil types most often found on state lands in Daniels and Roosevelt Counties as taken from the Soil Survey done by the S.C.S., B.I.A. and the Mt. Ag Experiment Station in 1980.

Turner Sandy Loam- class 4 soil, 0-8% slopes -Well drained, droughty soil that has a surface layer of dark brown sandy loam 10 inches thick. It is formed in outwash and may be gravelly. If the soil is used for nonirrigated crops, it is limited by the hazard of soil blowing and by droughtiness.

Farland-Cherry Silt Loam- 2-8% slopes, Class 3 soil- deep, well drained formed in alluvium derived from sedimentary material. It is limited mainly by the hazzards of soil blowing and water erosion. This soil is in most of Daniels and Roosevelt Counties.

Typic Ustifluvents- Class 6 soil- eratically stratified gravellyloamy sand to silty clay

Adger Nobe Complex- Class 6- found in bottom lands which is limited mainly by the content of sodium and salts in the soils.

To my knowledge, there is no land in northeastern Montana that has class 2 soils. This would be the higher production type of soil. Also, rainfall is a big factor in yields. I have found out thru most of the 80's that it doesn't have to rain.

12. State Equalization Payments-

March 2, 1992

Mr. Larry S. Schaefer
Daniels County Assessor
Daniels County Courthouse
Scobey, MT 59263

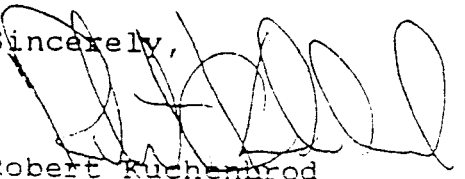
Dear Assessor Schaefer:

The 1992 Special Session of the State Legislature reinstated the 8 percent "cut" for the State Equalization Payments and, therefore, we are mailing to each of the 18 counties their apportionment share.

The enclosed payment of \$6,784 represents the 8 percent eliminated from the original disbursement in November, 1991 and totals \$84,690 for the year for your county.

Please feel free to call if any questions should arise.

Sincerely,


Robert Kuchembrod
Administrator
Central Management Division

/ns

cc: Dennis D. Casey

STATE LAND "IN LIEU" PAYMENTS

It is interesting to read Dr. Duffield's report concerning state lands located along roads so better access would be possible. He failed to mention that all roads along state lands were originally build and maintained with the taxes of local property taxpayers. It was not until the 1967 Legislature that a law passed called the State Land Equalization bill which provided that the State make payments to those counties with state lands in excess of 6% (6% represents sections 16 & 36 as tax exempt) of the total land area of that county. "In lieu" payments started in 1969 to be used for county roads and education of the children. These payments are to be in the same dollar amount as if the state land was in private ownership. The "in lieu" payments have been falling short in the 18 affected counties with only 59% received in 1991. Thus the burden of obtaining the extra money needed falls on the private land owners. A study submitted in 1959 indicated that the large amount of tax-free land does create an inequity which is borne by the private landowners. In Daniels and Valley Counties this burden will increase with the recent abandonment of the Scobey- Opheim branch line railroad. In western Daniels County, Peerless will lose approximately 30% of its funding for the school. This should be considered when determining "full market value" on state lands. The 33% crop share and \$7.60-\$8.37 per AUM Dr. Duffield study suggests fails to take this into account.

STATE LAND REIMBURSEMENT FOR DANIELS COUNTY
from Daniels County Assessor

YEAR	PAID	REQUESTED	% PAID
1969	\$37,967.55	\$38,032.00	.9983
1970	\$37,965.55	\$38,032.00	.9983
1971	\$57,420.00	\$64,577.00	.8892
1972	\$52,200.00	\$70,182.00	.7438
1973	\$52,384.00	\$67,218.00	.7793
1974	\$55,472.00	\$67,129.00	.8263
1975	\$59,762.50	\$71,726.00	.8332
1976	\$61,198.49	\$75,365.00	.8120
1977	\$61,858.95	\$69,858.00	.8855
1978	\$55,179.97	\$61,021.00	.9043
1979	\$70,159.00	\$77,319.00	.9074
1980	\$67,293.00	\$77,337.00	.8701
1981	\$69,923.00	\$80,273.00	.8711
1982	\$67,790.00	\$80,655.00	.8405
1983	\$84,671.00	\$99,298.00	.9527
1984	\$79,375.00	\$93,577.00	.8482
1985	\$86,278.00	\$106,215.00	.8123
1986	\$80,844.61	\$103,980.00	.7775
1987	\$78,621.00	\$97,620.00	.8054
1988	\$86,897.32	\$117,483.00	.7397
1989	\$82,804.00	\$115,434.00	.7173
1990	\$81,450.00	\$112,636.00	.7238
1991	\$81,450.00	\$112,636.00	.7238

CONCLUSION:

15
DATE 3-19-93
SB-424

It is my earnest hope that S.B. 424 will not become a struggle between the Landlord or the State of Montana and the Tenants or us the farmers and ranchers because the tenants do not win many battles with the landlord. In this case the landlord is the entity with the ownership of the land and the tenant only has a piece of paper (lease) to show for his or her long efforts as the operator of the land. I would call us a sharecropper if my understanding of the word is correct. Most of the states have disposed of their land grant by the sale of the lands. Montana is apparently happy with the retention of the great bulk of their land grant. Only the good judgement of the legislature and the Board of Land Commissioners has kept a balance between divergent positions of the state and its renters. In one case a desire exists to have more revenue for the schools or the so called doctrine of "undivided loyalty" and in the other situation where a belief may exist that the renter is paying all the rent he can economically afford. Balanced judgement and fairness must prevail in the conflict between landlord and renter. We plead for that balance in our appearance before this committee. In reading Dr. Duffield's report, a lot of opinions were stated and I assume we are to believe them as facts. I feel that other important information should be given that could affect a person's well-being, and the states as well. I personally see nothing wrong with the current system on state lands. With all factors being considered, the state is receiving "full market value" from their lands now. It is my sincere hope that this committee agrees with me and kills S.B. 424.

SELECTED INFORMATION FOR FARM & RANCH OPERATIONS IN NE MONT

FOUR-YEAR COMPARISON

AVERAGE

	1988	1989	1990	1991
FARM INCOME:				
NET SALE OF RESALE ITEMS	1,515	909	771	725
GRAINS, LIVESTOCK, ETC.	31,755	27,847	26,014	26,015
NET PATRONAGE DIVIDENDS	294	734	505	204
AG. PROGRAM PAYMENTS	24,850	14,699	22,595	21,149
CCC LOANS	4,764	1,503	3,852	6,836
CROP INSURANCE	8,898	3,406	9,172	2,899
CUSTOM HIRE INCOME	3,405	3,113	2,087	2,201
MISC. SCH. F. INCOME	2,147	3,928	2,393	2,982
TOTAL FARM INCOME	<u>\$77,627</u>	<u>\$56,140</u>	<u>\$67,389</u>	<u>\$63,010</u>

FARM DEDUCTIONS:				
CHEMICALS	2,054	2,287	2,359	2,134
CUSTOM HIRE	1,684	1,633	1,106	2,506
DEPRECIATION	9,293	9,522	7,980	7,095
FEED	2,355	2,797	2,907	1,941
FERTILIZERS	584	506	264	174
FREIGHT, TRUCKING	279	101	177	242
GAS, FUEL, OIL	4,268	4,373	4,550	4,983
INSURANCE	2,511	3,186	3,267	3,964
INTEREST	8,898	9,778	12,647	9,941
LABOR	864	1,015	913	884
RENT	3,332	3,543	4,875	5,565
REPAIRS	4,221	4,333	4,180	4,309
SEEDS	2,203	1,254	887	826
SUPPLIES	2,287	2,490	2,016	2,134
TAXES	2,737	2,598	2,858	2,934
UTILITIES	1,010	1,058	1,071	957
VETERINARY	257	289	291	237
LEGAL/ACCOUNTING	620	497	508	347
CCC LOANS REPAID/BASIS	6,053	1,454	1,658	1,900
CALF/CROP/WOOL SHARES	1,037	1,104	679	903
BUSINESS CAR/TRAVEL	453	494	584	491
DUES, FEES, SUBS., BANK	286	320	424	428
CCC REPAYMENTS			1,836	727
OTHER FARM EXPENSES	2,190	3,296	1,826	2,714
TOTAL DEDUCTIONS	<u>\$59,476</u>	<u>\$57,928</u>	<u>\$59,865</u>	<u>\$58,338</u>
NET FARM PROFIT/LOSS	<u>\$18,151</u>	<u>(\$1,788)</u>	<u>\$7,523</u>	<u>\$4,673</u>

Land Board rejects man's bids for northeast Montana land

By FRANK ADAMS

Tribune Capitol Bureau

HELENA — With a delegation of

anxious farmers looking on, the

Board of Land Commissioners

Friday agreed to hold 29 leases of

state land in northeast Montana at a

quarter crop share, rejecting bids of

one-third or more by John Sorensen

of McCabe in Roosevelt County.

The board, consisting of the gov-

ernor, secretary of state, auditor, su-

perintendent of public instruction and

attorney general, unanimously ac-

cepted the recommendation of State

Lands Commissioner Dennis Hem-

mer, which he called the most diffi-

cult he has ever brought to the

board.

Hemmer said Sorensen's bids

were so high as to discourage proper

agricultural practices.

Sorensen, 31, who farms 100 acres

of wheat in Roosevelt County, un-

leashed a storm of hostility and pro-

test when he bid on some 10,000 acres

of cultivated school trust land cur-

rently leased to 36 ranchers, one in

Sheridan County and the rest in Dan-

ielis County. All the lessees exercised

their preference right to match the

bids, which ranged from 24 to 38 per-

cent of gross proceeds from crop

production on the land, but 29 of

them requested hearings to try to get

the price back down to a quarter

share.

Hemmer's report to the board

Friday said that such a "high" crop

share would not allow Sorensen to

make a profit from the low produc-

ing and highly erodible land.

The inability of a lessee to make a

profit on state land prompts a high

turnover in lessees and encourages

them to "take short cuts in man-

agement of the land," Hemmer said.

For example, some farmers testi-

fied at bid hearings that a 38 percent

crop share would force a farmer to

eliminate some use of fertilizer,

weed control measures, and water

bid deposits when it's shown that the

bidder has no intention of taking the

lease.

However, Hemmer said his sug-

gestion was prompted by two ques-

tionable bids elsewhere in the state,

including a farmer harassing his

neighboring brother-in-law. He would

not have retained Sorensen's deposit,

he said, since he believed Sorensen's

intentions were honorable if mis-

guided.

"Good luck!" said Gov. Ted

Schwinden of Hemmer's suggestion

for deposit retention authority. Hem-

mer should first bring some options

to the board, he said, since it's diffi-

cult to draw a line between serious

and frivolous bids.

Milton Shipstead of Scooby, chair-

man of a group of lease holders, said

farmers in the area were frightened

because of Sorensen descending on

them, and they also fear the Land

Board and the system.

Tom Hagen of Scooby, one of the

farmers Sorensen bid against, said

most of the land in the area is poor,

as indicated by the fact that the crop

shares reported are quite low for the

most part.

Hemmer said some of the land

was poor and some was "fairly de-

cent," but a daylong tour of the par-

ceals left him with "very serious

doubts" as to the wisdom of raising

the lease prices above a quarter crop

share.

The motion to leave them all at a

quarter share was made by Secre-

tary of State Jim Wattermire.

Sorensen told the Tribune earlier

this month that Hemmer's recom-

mendation amounted to a political

catering to a "cartel" of farmers

who had been "screwing the state"

for many years.

He said he is convinced the land is

worth a one-third crop share and

that he had a plan and financial back-

ing to make a go of it.

If the land is so marginal that it's

only worth a quarter share, it should

be put back into grass, he said.

The board accepted Hemmer's

recommendations on 11 other con-

tested leases also, some of which in-

voled increases to the amount bid

State Auditor Sonny Omholt tried un-

successfully to get the amount

dropped on three.

In two instances, the board ac-

cepted Hemmer's recommendations

of increased lease amounts: in Hill

County that the bidder had at-

tempted to withdraw because of per-

ceived intimidation.

Rambo Grain and Cattle of Gild

ford bid on leases held by Allen

Woepfel of Havre and Orville Welsh

of Gildford. After the Rambo grain

elevators had holes chopped in them,

Art Rambo asked to withdraw the

bids, saying he feared he would end

up with vandalism to his equipment.

Hemmer refused to let Rambo

withdraw the bids. "The precedent of

being terrorized out of bidding is just

unacceptable," he told the Tribune.

Hemmer said he asked the cur-

rent lease holders at the hearings if

they knew anything about the vandali-

sm. "They said 'no' under oath, so I

guess I believe them," he said.

Tax base may erode in four county area

HILLINE EXPRESS, THURSDAY, JULY 9, 1992-5

The Interstate Commerce Commis-

sion hearing in Opheim brought out

some hard facts about the loss of

taxes for the Scooby-Opheim area in

the event that the railroad branch line

were to be abandoned.

Peerless School, which continues

to get the highest academic ratings in

the state, will lose approximately 30

percent of its funding; the Opheim

School is also going to lose about

\$14,565 if the Appellate Court rules

that the line can be taken out.

The likelihood of the whole line

being a candidate for abandonment in

the future is a very real possibility,

unless we keep our options open via

the legislature and a four-county

Transportation Authority.

In order to get that authority, it has

to get on the November

ballot and to get on that ballot

means that 20 percent of the voters in

the districts involved must sign peti-

tions before August. Daniels and

Valley counties are already working

on the situation.

The county treasurer's report that

the Burlington Northern paid

the following taxes on just the Bain-

ville-Opheim line: Valley,

\$40,959.65; Daniels, \$192,003.20;

Sheridan, \$137,127.57; and Roosev-

elt, \$215,096, for a total of

\$585,186.42.

SP-424
10 year average yields (82-92)
from Mt. Ag Statistics

MONTANA

18 counties with over 6% state land
WM - winter wheat SW - spring wheat

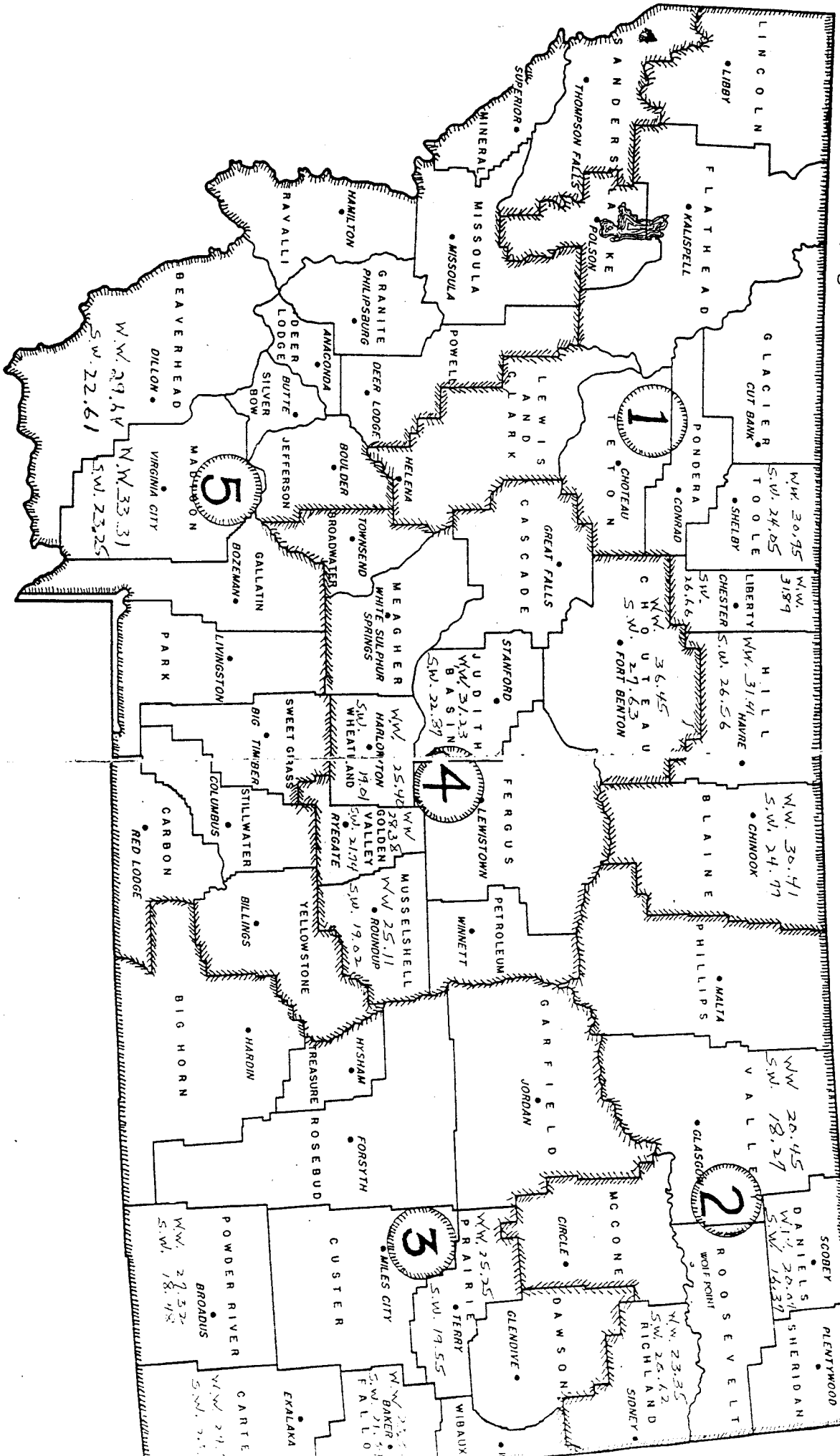
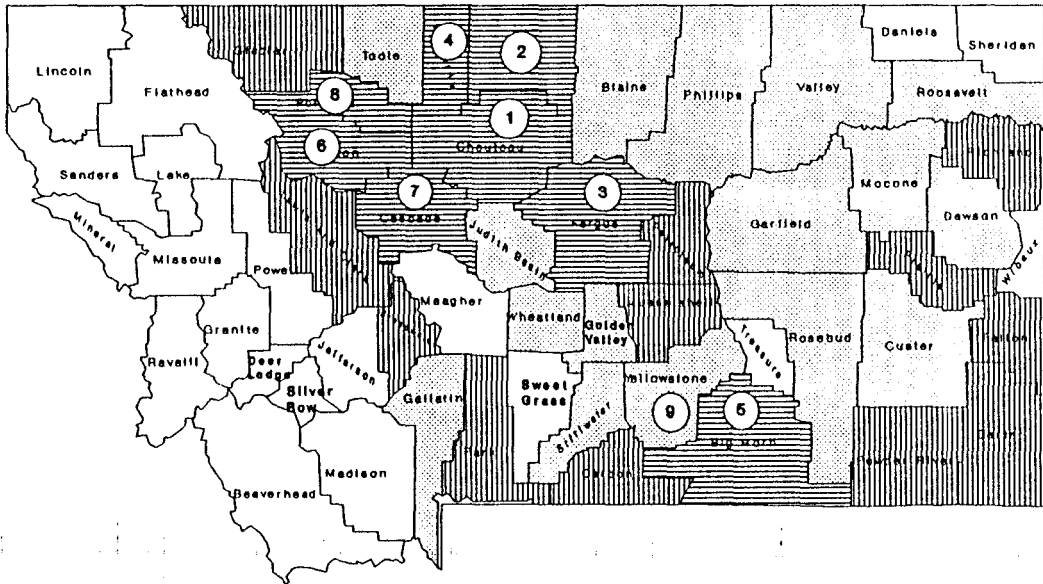


EXHIBIT 13
 DATE 3-19-93
 SB-424

**WINTER WHEAT - 1990
 HARVESTED ACREAGE**



Numbers show ranking of top ten.

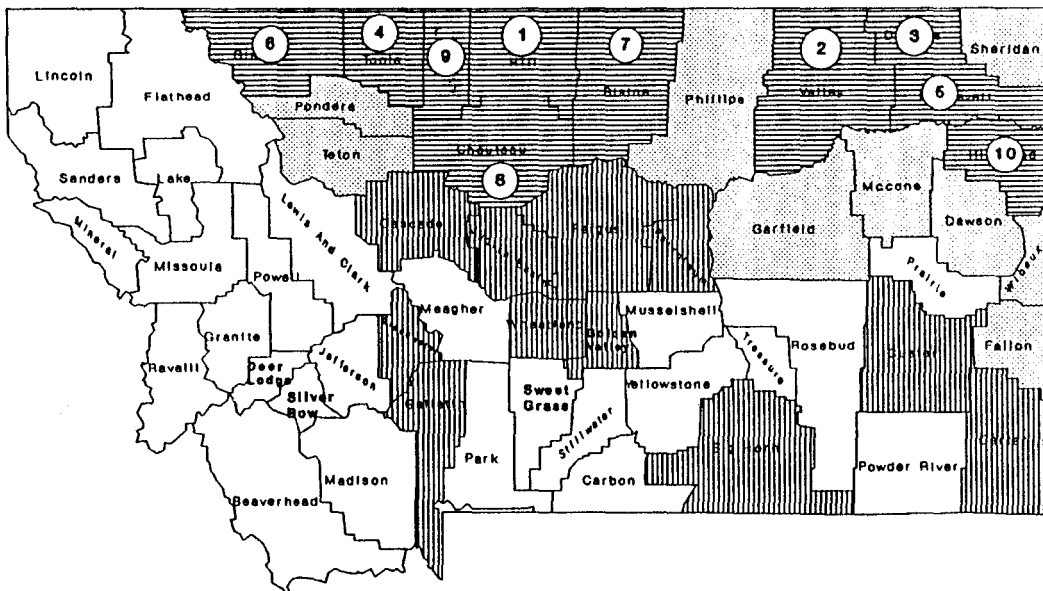
0-9,999 □

30,000-89,999 ▤

10,000-29,999 ▨

90,000+ ▩

**SPRING WHEAT EXCLUDING DURUM - 1990
 HARVESTED ACREAGE**



Numbers show ranking of top ten.

0-9,999 □

30,000-99,999 ▤

10,000-29,999 ▨

100,000+ ▩

INFORMATION TAKEN FROM MONTANA AGRICULTURAL STATISTICS FROM 1982 thru 1991--TEN YEAR PERIOD

	STATE	1982		1983		1984		1985		1986		1987		1988		1989		1990		1991		AVERAGE
		SW	NW	SW	NW	SW	NW	SW	NW	SW	NW	SW	NW	SW	NW	SW	NW	SW	NW	SW	NW	
1	BEAVERHEAD	33239	172	30	40	32	42	26	38	31	41	35	45	29	39	32	42	26	36	30	40	32
2	BLAINE	7454	706	31	34	24	27	17	18	14	15	20	25	12	15	12	15	18	22	28	32	27
3	CARTER	1786	1786	11	33	19	31	17	21	14	19	24	35	8	10	8	10	12	14	17	19	17
4	CHAUTEAU	24047	56129	46	42	41	38	22	25	10	11	14	16	11	11	11	11	11	11	11	11	11
5	DANIELS	20354	103854	25	25	22	22	16	16	16	16	16	16	13	13	13	13	13	13	13	13	13
6	EDMAN	8042	9897	27	25	21	25	22	22	19	22	25	35	8	8	8	8	8	8	8	8	8
7	GANDER VILLY	48270	24777	37	25	23	20	12	12	9	9	12	24	18	11	25	14	11	11	11	11	11
8	HILL	50976	7577	40	35	35	35	24	24	14	14	14	14	16	12	16	16	16	16	16	16	16
9	JUDITH POIN	97512	17115	34	31	31	31	25	25	17	17	21	42	24	19	38	20	25	25	25	25	25
10	LIBERTY	8166	19194	40	34	32	35	27	27	12	12	12	29	14	9	35	13	12	12	12	12	12
11	MARSHALL	75477	2789	34	34	34	34	28	28	18	18	25	33	18	12	28	13	16	16	16	16	16
12	PAWNEE	200860	969	31	28	24	25	15	15	10	10	10	23	11	6	22	11	11	11	11	11	11
13	POWERS	71887	5397	32	24	25	20	22	22	14	14	15	26	9	7	21	16	17	17	17	17	17
14	RICHMOND	80977	7517	32	24	25	20	22	22	14	14	15	26	9	7	21	16	17	17	17	17	17
15	TRALE	48877	18277	38	27	24	23	17	17	12	12	12	27	14	13	37	14	14	14	14	14	14
16	VALLEY	20545	20545	25	24	22	23	17	17	12	12	12	27	14	13	37	14	14	14	14	14	14
17	WHEATLAND	72777	2119	33	25	20	20	14	14	12	12	12	31	20	9	28	14	14	14	14	14	14
18	WILDERS	1432	1432	41	31	27	27	17	17	17	17	17	48	34	14	46	23	20	20	20	20	20
19																						
20																						
21																						
22	YEARLY PER ACRE YIELDS			61916	5064	5587	446	9148	5579	7539	1869	1516	411	5442	487	521	408	526	353	568	575	575
23				344	2813	3103	2418	2245	3099	1412	1038	2862	66	2705	17	1038	2874	2266	2922	1961	3155	3194
24	W.W. WINTER WHEAT																					
25	S.W. SPRING WHEAT																					
26	The acres of state land, state agricultural acres and percent of state land may vary somewhat from the present situation. Figures that are current are hard to obtain.																					
27																						
28																						
29																						
30																						
31																						
32																						

8220 of 25 1/3 = 26.66
 AS KENTON, FEE & F
 SPRING WHEAT

SENATE TAXATION

EXHIBIT NO. 14DATE 3-19-93BILL NO. SB 924

March 18, 1993

Members of the Senate Taxation Committee:

My name is Myron Halverson. I'm a farmer from Daniels County. Over half of the land I farm is State land, and I am worried about my future as a farmer.

I take care of the state land same as my own, no difference at all. I think we all have to look at not only what this land will return to us but the long term care of the land. The Duffield Study says that fair market value is 33½% cropshare. That is a 32% increase in what I'm now paying. This will change my bottom line from "black ink" to "red ink."

If I can no longer make a profit on this farm, I will be forced out of business. Larger farmers will take my place, no question about it, this is the trend. We've all heard of Big Bud tractors, huge machinery and Greytak. But.....will they have the long term care of the land in mind; or will they farm it for the best possible bottom line?

This land is fragile and it needs good care. Remember, in the west side of my county where I live, about half of the land is state land, this is a huge farm.

I would like to continue farming, and to do that I have to show a profit. If I could raise winter wheat and grow more bushels per acre, then there would still be enough left for me. Winter wheat just won't survive our winters. If I could get a decent price of 5 or 6 dollars a bushel I could give the state a bigger share. Low protein wheat in my home town of Four Buttes was \$2.76 yesterday. If I farmed just out side of Great Falls, I'd get another \$40 just in freight difference.

This is a big state, we can't all be lumped together like the Duffield study tends to do. (example-- page 18 bottom graph of the crooland report.) There are many differences. What will work in one county won't work in another. Each county should be looked at individually. You just can't compare irrigated with dryland farming.

I think we should leave the rental rates alone until the long-term effects can be established. Lets keep Montanans in Montana and build up a better state. I know I'd like to stay here, and I will if I can show a profit. My family and I will be here paying taxes. If I'm squeezed out, the big corporate farms that will take my place may not have the best interests of the State School Trust Lands in mind.

Sincerely,

A handwritten signature in cursive script that reads "Myron Halverson".

Myron Halverson

SENATE TAXATION

EXHIBIT NO. 15

DATE 3-19-93

BILL NO. SB424

CHAIRMAN HALLIGAN AND MEMBERS OF THE COMMITTEE:

MY NAME IS LEROY NELSON AND I TEACH AGRICULTURE EDUCATION AT THE PEERLESS SCHOOL AND I ALSO REPRESENT THE LAND MANAGEMENT COUNCIL.

I BELIEVE SENATE BILL 424 WOULD ULTIMATELY BE DETRIMENTAL TO THE SCHOOL FUNDING SYSTEM. DANIELS COUNTY HAS 23.9% STATE LAND. IN THE PEERLESS SCHOOL DISTRICT, WE HAVE 50% OF THE ENTIRE DISTRICT OWNED BY THE STATE SCHOOL TRUST SYSTEM. LITTLE IMAGINATION IS REQUIRED TO SEE WHAT THIS DOES TO OUR TAX BASE. DEEDED LANDS ALREADY ARE CALLED UPON TO PAY A DISPROPORTIONATELY HIGH RATE OF TAXES TO MAKE UP THE DIFFERENCE. WE HAVE A SITUATION WHICH CREATES A VERY UNFAIR TAX BURDEN WITH SUCH A HIGH CONCENTRATION OF TRUST LANDS.

TO NEARLY DOUBLE THE GRAZING FEE WOULD BE VERY DETRIMENTAL PARTICULARLY TO OUR AREA AND TO OTHERS WITH SIMILAR CIRCUMSTANCES. TO CONSIDER THE INITIAL CAPITAL INVESTMENTS ASSOCIATED WITH FENCING, CORRALS, BUILDINGS, AND WATER DEVELOPMENT IS OF PARAMOUNT IMPORTANCE. THESE ITEMS ARE PROVIDED IN A PRIVATE LEASE BUT ON A STATE LEASE THE LESSEE HAS THE RESPONSIBILITY FOR PAYING THE ENTIRE INVESTMENT. THE STUDY BY DUFFIELD AND ASSOCIATES LIMITS ITS ANALYSIS TO FENCE AND WATER MAINTENANCE COSTS ONLY. NO CONSIDERATION IS GIVEN TO THE COST OUTLAY TO BUILD THE FENCE OR DEVELOP THE WATER.

IF PRIVATE GRAZING IS LEASED THE LESSEE IS PAYING FOR GRASS WHICH IS THERE AND IMPROVEMENTS WHICH ARE ALREADY IN PLACE. THE STATE OFFERS NO LANDLORD SERVICES. THE LESSEE IN A STEWARD LIKE

MANNER WILL REST A STATE LEASE PERIODICALLY EITHER BY REMOVING THE AUM'S FOR A PERIOD OF TIME OR BY REDUCING THE AUM'S. THIS PROVIDES FORAGE IN YEARS TO COME, WHILE ALL THE WHILE PAYING THE FULL AMOUNT OF THE AUM'S ASSESSED ON ANY GIVEN GRAZING LEASE. IF THE FORAGE IS DESTROYED IN ANYWAY BE IT FIRE, HAIL, INSECTS, OR WILDLIFE THE STATE LESSEE CONTINUES TO PAY THE RENT. IN THE STUDY PROFESSOR DUFFIELD STATES, "IT IS POSSIBLE THAT THE MONTANA FORMULA MAY PROVIDE A REASONABLE APPROXIMATION TO A FAIR MARKET PRICE." ALTHOUGH THE CURRENT PRICE PER AUM IS \$4.24, BECAUSE OF THE PRECEDING REASONS AND EXAMPLES A STATE GRAZING LEASEHOLDER IS IN ALL ACTUALITY PAYING CLOSE TO DOUBLE THAT AMOUNT.

I KNOW OF MANY TRACTS OF STATE GRAZING LEASES WHICH ARE UNFENCED AND ARE COMPLETELY SURROUNDED BY FENCED DEED LAND. THERE IS NO WATER ON THE MAJORITY OF THESE LEASES AND GIVEN THE COST OF FENCING AND THE COST OF A WELL, THESE LEASES ARE TOTALLY WORTHLESS WITHOUT THE WATER ON THE SURROUNDING DEEDED LAND. THIS IS AN EXAMPLE OF MANY SUCH LEASES WHICH ARE MADE PRODUCTIVE ONLY BY THE PROXIMITY TO DEEDED LAND. THE STUDY DOES NOT MENTION ANYTHING ABOUT THE VALUE OF A TRACT OF STATE LEASE ISOLATED WITHIN A LANDOWNERS OPERATION. THE STUDY ALSO FAILS TO RECOGNIZE MOST OF THE SIGNIFICANT DIFFERENCES THAT EXIST BETWEEN STATE LEASES AND PRIVATE RENTAL AGREEMENTS.

I WOULD ASK THE COMMITTEE KILL SENATE BILL 424. THANK YOU FOR YOUR TIME.

SENATE TAXATION

EXHIBIT NO. 16DATE 3-19-93BILL NO. SB 424

Honorable Senate Taxation Committee Members:

Regarding the Duffield Study, I believe there are many items that weren't considered that are very important for your committee to consider, while these considerations may not be in order of importance they all hopefully will be considered very carefully, by each committee member and will make a difference in your recommendation on Bill #424.

1. I have both Private Leases and State Leases and would like to compare the difference. In 1991 because of the drought we had to haul our cattle to Fort Belknap and we payed \$10.00 a month per pair, but I was not able to graze my State Leases at all and I still had to pay the Lease for grazing, plus the Private Lease as well, the Private Lease that I have in Daniels County are also \$10.00 per month. But because we were unable to use these Leases we don't pay for these Leases unless we are able to use them. We also had the same drought conditions in 1992 and 1993, this means that the State Lease Holder payed for these years of grazing that they were unable to use because of the drought.
2. All the Private Leases we have we do not provide any fencing or fencing repair nor the cost of keeping water to the cattle.
3. The land owner completely assumes responsibility for our cattle from the time they are on his property until they leave, including any lost cattle.
4. I believe in the interest of the school trusts, that we are paying a fair market price for these Leases as the money generated off of the cattle stays in our county in the form of taxes which the majority of those taxes support our school systems. There should also be consideration to the family farmers and ranchers entered in this as well because they are getting less and less each year and without them we will have no communities left. There has to be a profit in these Leases to the Lessee to be able to provide them with the funds to have good fences and water supply to the cattle and be good Stewards of these Leases.
5. These Grazing Leases should be tied to the price of calves so the rancher is not paying for an over priced Lease when calves go down. In the Duffield Study these Leases were at current Private Lease rates and took into consideration irrigation and dryland and as near as I can tell averaged the Leases to come up with the recommended Lease fee. There are several things that are wrong with this method, but two important ones are: Private Leases come down with the price of calves and I don't believe the Irrigated Land should be averaged into Dryland Leases.

Regarding the Farmland Increase: Again I have Private Leases that vary from 1/3 of the crop to 1/2 the crop to \$12.00 per acre Cash Lease. Each one of these Leases are very different in that the 1/2 Lease the Landowner is providing 1/2 of all the expenses and providing all of the grain storage and this equals out to be the same as my 1/4 crop I have with the State. The 1/3 Share the Land owner is providing the grain storages for the grain I produce and so does the Landowner of the Cash Lease.

I would also like you to consider several studies that have been made showing that even with the price of calves that most ranchers are barely making it. The same is true for the farmers. Sadly there are Auction Sales in Montana every day from farmers and ranchers that have went broke. These people have payed to much for land, cattle, machinery, or extented drought. Some of these Leases in the study undoubtedly were included in these figures. Just a few years ago there were all kinds of ranches for sale when cattle prices went down. In the interest of the school trust, I believe that the Leases currently are at fair market value. If we all go broke the state could be looking at getting even less then they are now. Once this bill is passed there would be no means to adjust the fees for the Leases regarding these conditions I have talked about. Any type of increases in our Leases must have a provision in the law so these Leases could be adjusted immediately.

Enclosing you know how the state costs have gone up in the recent years. The farmers and ranchers costs have also gone up, but our income can very greatly, in the change in prices of our commodities and the risk of drought and other natural diasters that occur. We have to make a profit to withstand the years we don't. Incidentally the 80s were mostly losses due to prolonged drought. Over the long period of time these Leases have to be fair to both parties in the interest of everyone concerned. Please consider these points that have been made.

Barry Handy
Phone 783-5351
Scobey, Mt. 59263

Average of 160 Farms

SELECTED INFORMATION FOR FARM & RANCH OPERATIONS IN NE MONT

FOUR-YEAR COMPARISON

AVERAGE

	1988	1989	1990	1991
FARM INCOME:				
NET SALE OF RESALE ITEMS	1,515	909	771	725
GRAINS, LIVESTOCK, ETC.	31,755	27,847	26,014	26,015
NET PATRONAGE DIVIDENDS	294	734	505	204
AG. PROGRAM PAYMENTS	24,850	14,699	22,595	21,149
CCC LOANS	4,764	1,503	3,852	6,836
CROP INSURANCE	8,898	3,406	9,172	2,899
CUSTOM HIRE INCOME	3,405	3,113	2,087	2,201
MISC. SCH. F. INCOME	2,147	3,928	2,393	2,982
TOTAL FARM INCOME	<u>\$77,627</u>	<u>\$56,140</u>	<u>\$67,389</u>	<u>\$63,010</u>

FARM DEDUCTIONS:

CHEMICALS	2,054	2,287	2,359	2,134
CUSTOM HIRE	1,684	1,633	1,106	2,506
DEPRECIATION	9,293	9,522	7,980	7,095
FEED	2,355	2,797	2,907	1,941
FERTILIZERS	584	506	264	174
FREIGHT, TRUCKING	279	101	177	242
GAS, FUEL, OIL	4,268	4,373	4,550	4,983
INSURANCE	2,511	3,186	3,267	3,964
INTEREST	8,898	9,778	12,647	9,941
LABOR	864	1,015	913	884
RENT	3,332	3,543	4,875	5,565
REPAIRS	4,221	4,333	4,180	4,309
SEEDS	2,203	1,254	887	826
SUPPLIES	2,287	2,490	2,016	2,134
TAXES	2,737	2,598	2,858	2,934
UTILITIES	1,010	1,058	1,071	957
VETERINARY	257	289	291	237
LEGAL/ACCOUNTING	620	497	508	347
CCC LOANS REPAYD/BASIS	6,053	1,454	1,658	1,900
CALF/CROP/WOOL SHARES	1,037	1,104	679	903
BUSINESS CAR/TRAVEL	453	494	584	491
DUES, FEES, SUBS., BANK	286	320	424	428
CCC REPAYMENTS			1,836	727
OTHER FARM EXPENSES	2,190	3,296	1,826	2,714
TOTAL DEDUCTIONS	<u>\$59,476</u>	<u>\$57,928</u>	<u>\$59,865</u>	<u>\$58,338</u>
NET FARM PROFIT/LOSS	<u>\$18,151</u>	<u>(\$1,788)</u>	<u>\$7,523</u>	<u>\$4,673</u>

SENATE TAXATION

EXHIBIT NO. 17

DATE 3-19-93

PREPARED BY: Tade Accounting

SENATE TAXATION

EXHIBIT NO. 18

DATE 3-19-93

BILL NO. SB 424

CHAIRMAN SENATOR HALLIGAN AND MEMBERS OF THE TAXATION COMMITTEE:

MY NAME IS BOB FOUHY AND I AM A BOARD MEMBER OF AND REPRESENT THE LAND MANAGEMENT COUNCIL. WE OPPOSE SENATE BILL 424.

LANGUAGE IN THIS BILL CONTAINS VERY LITTLE IF NO FORESIGHT IN REGARD TO THE DAMAGE IT ULTIMATELY WILL DO IN THE LONG TERM TO THE SCHOOL TRUST LANDS FUND. ALTHOUGH THE LANGUAGE TO RETAIN THE PREFERENCE RIGHT APPEARS TO BE LEFT ALONE IN THIS BILL, WE STILL MUST QUESTION WHETHER OR NOT THAT WILL REMAIN SO, WHEN THE TERM "FULL MARKET VALUE" IS DEFINED.

BY CHANGING THE CURRENT LANGUAGE TO READ "FULL MARKET VALUE" THE TRUST LANDS COULD BE OPEN TO OPTIONS SUCH AS, ELIMINATION OF THE PREFERENCE RIGHT, SHORTER LEASE TERMS, AND ORAL AUCTION ON LEASES AT RENEWAL.

THE PREFERENCE RIGHT IS VERY IMPORTANT TO THE SCHOOL TRUST AND THE LESSEE. THIS GIVES THE LESSEE STABILITY FOR A BASE AND AT THE SAME TIME CREATES STABILITY FOR THE SCHOOL TRUST. THE PREFERENCE RIGHT AND THE CURRENT LENGTH OF THE LEASE TERM ALLOWS THE LESSEE TO DEVELOP CONSERVATION PLANS FOR THE CONTIGUOUS STATE AND PRIVATE LANDS WITHIN THEIR FARM OR RANCH OPERATIONS. IN OUR AREA, WE HAVE FARMS AND RANCHES WHICH CONTAIN 70%, 80%, AND SOME OPERATIONS THAT ARE 100% STATE LANDS. TO HAVE A LESSEE WHO WOULD ONLY LEASE THE LAND FOR A SHORT LEASE PERIOD WOULD ENCOURAGE A MAKE-MONEY-QUICK-WITH-MINIMAL-EXPENSE ATTITUDE. THIS ATTITUDE WOULD CONTRIBUTE TO DAMAGE WHICH MAY EVEN BE IRREPARABLE TO THE SCHOOL TRUST LANDS IN THE NEAR FUTURE AND ALSO WHICH WOULD ULTIMATELY RESULT IN LESS REVENUE FOR OUR SCHOOLS. IT DOESN'T TAKE MUCH IMAGINATION AND FORESIGHT TO REALIZE WHAT THE END RESULT WOULD BE IF LEGISLATION LIKE SB424 WERE TO BECOME LAW.

CONSERVATION AND HUSBANDRY CANNOT BE OVERSTRESSED. WE NEED TO CARE FOR THESE LANDS OVER THE LONG TERM NOT ONLY FOR OURSELVES BUT FOR THE FUTURE OF OUR CHILDREN. THE INCENTIVE TO ERADICATE THAT NOXIOUS WEED PATCH AND INSTALL

CONSERVATION MANAGEMENT PRACTICES MUST NOT BE TAKEN AWAY IN THESE AREAS. OFFERING THE LEASES AT ORAL AUCTION AND SHORTENING THE LEASE PERIOD WOULD UNDENIABLY BE DETRIMENTAL IN A VERY SHORT PERIOD TO THE SCHOOL TRUST, COMMUNITIES, AND TO ENTIRE FAMILY FARM OPERATIONS, AS I PREVIOUSLY STATED.

AGAIN, THE PREFERENCE RIGHT OF TRUST LANDS LESSEES AND A 10 YEAR LEASE PERIOD IS OF PARAMOUNT IMPORTANCE TO THE FAIRNESS AND HUSBANDMAN-LIKE MANNER IN WHICH SCHOOL TRUST LANDS ARE LEASED AND CARED FOR. THE ELIMINATION OF THIS IN THE PURSUIT OF REVENUE WOULD CREATE PURE PANDEMONIUM IN AREAS OF MONTANA SUCH AS OURS WITH HIGH TRUST LAND CONCENTRATIONS. IT WOULD DESTROY MOST OF THE FARMS AND RANCHES IN WESTERN DANIELS COUNTY AND THE COMMUNITIES THAT THESE AGRI-BUSINESSES SUPPORT.

HOMESTEAD LEASES IN OUR AREA WHICH ARE REFERRED TO AS CABIN SITES IN WESTERN MONTANA HAVE NO AESTHETIC VALUE AS DO THE CABIN SITES IN THAT PART OF OUR STATE WHERE ONE MAY HAVE A LAKE OR MOUNTAIN VIEW IN THE BACKYARD. THE HOMESTEAD LEASES ARE YEAR-ROUND FARM HOMES WHERE FARM BUSINESS IS CONDUCTED AND FOR THIS REASON THEY SHOULD NOT BE INCLUDED AS A RECREATIONAL CABIN SITE.

UNFORTUNATELY, THE STUDY BY PROFESSOR DUFFIELD AND ASSOCIATES HAS BEEN PERCEIVED AS GOSPEL BY A NUMBER OF LEGISLATORS. THERE ARE MANY DISPARITIES IN THIS STUDY AND THE CONCLUSIONS WHICH WERE DRAWN IN THE SUMMARY ARE MERELY SUGGESTIONS ON THE PART OF PROFESSOR DUFFIELD TO RAISE RENTS AS HE WOULD WISH.

BECAUSE THE LANGUAGE IN THIS BILL COULD ULTIMATELY RESULT IN A REDUCTION OF REVENUE TO THE SCHOOL TRUST, AND WOULD ADVERSELY AFFECT ENTIRE COMMUNITIES WE ASK YOU TO TAKE THE NECESSARY ACTION TO KILL THIS BILL.

THANK YOU,

SENATE TAXATION

EXHIBIT NO. 19DATE 3-19-93BILL NO. SB 424

Chairman Halligan and Members of the Taxation Committee:

My name is Brian Hagan and I farm School Trust Lands located in southwestern Daniels County. I oppose Senate Bill No. 424. In our area I believe that the Department of State Lands is already achieving full market value for much of their property. I farm privately held leases for a 25% cropshare, which is the same rate as the State owned land. The difference is that the private lessors provide grain storage, pay 25% of the fertilizer bill, pay taxes in our county and do not charge grazing fees for unused grass. For 1993 I have paid \$435.00 to the Department of State Lands for grazing fees even though I have no cattle. A good portion of this grazing acreage is impossible to graze since it has no water, no fences and is intermingled with growing crops from April through August.

I believe Montana's Legislature has acted in the best interests of Montana when establishing rates, fees, share and lease agreements. To put this power in the hands of a few individuals, who very possibly do not represent all of Montana's diverse interests, would be very unfair.

Thank you for the opportunity to express my concern.



MONTANA FARM BUREAU FEDERATION

502 South 19th • Bozeman, Montana 59715
Phone: (406) 587-3153

March 19, 1993

Mr. Chairman, members of the committee, for the record my name is John Youngberg. I represent the Montana Farm Bureau Federation. I am in opposition to SB 424.

I am not here to say that all leases of state lands fully maximize the value of these lands, I do question whether this bill would achieve the desired end.

My first question would be how is the state land board going to determine full market value of state leases. My assumption is that the recently completed and highly criticized study by Duffield and Anderson would be the basis for determining full market value. Although there is valuable data in this study the conclusions are highly questionable as I am sure you will hear in further testimony this morning.

Something that is lacking in the Duffield study is a visual presentation of the array of state lands across Montana. In other words a map.

I went to a map published by the BLM and looked at the distribution of Federal, State, and Private Land. It tells a story when you see it that way. The state lands are interspersed with the private lands in a vast checkerboard pattern. It is clear to anyone familiar with the state, particularly the eastern region, that these lands are not in great demand for any purpose other than what they are being used. To suggest otherwise is silly.

STATE TAXATION

EXHIBIT NO. 20

DATE 3-19-93

FILE NO. SB424

There was no demand for these lands until the '30s when the state went to private landowners and asked their help in maintaining these areas, with the incentive that lease rates would be kept affordable for even the poorest farmer or rancher. Now the state would reject those who kept their part of the bargain because you've been told you can make more money. You can't.

The demand for these lands is limited to those who can reasonably and responsibly use them. Even if you accept a different formula for fees, searching for fairness between users of public lands is complicated.

One issue that further complicates the lease situation on grazing lands is that many state land sections, particularly in eastern Montana have no reliable source of water and in some cases are landlocked by private lands, making it unfeasable for anyone but the surrounding or adjoining land owners to lease. If these leases are not picked up by the adjoining or surrounding landowner, chances are the land would go unleased, resulting in not more revenue for Montana Schools, but actually a reduction. Add the fact that the state would then be required to control weeds and given Montana's open range law, be required to fence out adjoining land owners cattle. Land that once produced revenue would become a tax burden.

The risk to our economy is too great to move too quickly to change a revenue program that is already working. Further analysis of the conclusions drawn from the Duffield study are needed to determine a program of FAIR MARKET VALUE. Please vote no on SB 424.

Rte. 71, Box 18
Chinook, MT 59523

357-3593

Warren H. Ross
Donald T. Ross
406-357-2748

ROSS 8-7 RANCH, INC.

COMMERCIAL HEREFORDS SINCE 1887

March 17, 1993

Senate Taxation Committee
Capitol Station
Helena, MT. 59 59620

SENATE TAXATION

EXHIBIT NO. 21
DATE 3-19-93
BILL NO. B 429

Chairman Halligan and Members of the Committee:

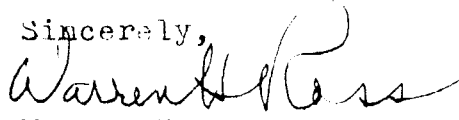
I write in support of S.B. 429.

I have served on the Board of Oil and Gas Conservation for six years. In that time we have not had designated funding available to set up a program for plugging of abandoned and orphan wells. Our damage mitigation account has been needed to meet emergencies. This biennium we do have two projects with primary priority to be funded by E.I.T. grants. This is the first year we have had a project priority above 12 and, I believe, these will make a total of 5 projects funded over the years.

Our staff assures me 6 to 700,00 dollars per biennium would fund an organized program of plugging abandoned wells.

This is a serious problem and one that must be addressed. The Board and Staff are ready to move and commit^{to} an ongoing program. We would request the funding from the Oil and Gas supported E.I.T. grant fund to get going.

Sincerely,


Warren H. Ross

DATE 3-19-93

SENATE COMMITTEE ON Taxation

BILLS BEING HEARD TODAY: SB 424, SB 429

Name	Representing	Bill No.	Check One	
			Support	Oppose
TIM TAMBERG	MOUNT ST LEASEHOLDERS	424		<input checked="" type="checkbox"/>
Ric Miller (2)	" " "	424		<input checked="" type="checkbox"/>
Steve Carney	self	424		<input checked="" type="checkbox"/>
BARRY HANDY	SELF	424		<input checked="" type="checkbox"/>
Marvin Dade	SELF	424		<input checked="" type="checkbox"/>
Myron HALVERSON	Self	424		<input checked="" type="checkbox"/>
Ernest Tobey	Mount St. Leaseholders	424		<input checked="" type="checkbox"/>
Robert Forby	Land Management Council	424		<input checked="" type="checkbox"/>
LeRoy Nelson	" " "	424		<input checked="" type="checkbox"/>
TOM RICHMOND	BOARD OF OIL'S GAS	429	X	
J.W. Halverson	BOARD OF OIL'S GAS	429	X	
Sam Hoffman	A.P.F.	424		X
Bob Hoffman	A.P.A.	424		<input checked="" type="checkbox"/>
Thomas L. Stogard	Land Mgmt Council	424		X
Tom Stogard	A.P.A.	424		<input checked="" type="checkbox"/>
Frank P. P.	Resident	424		<input checked="" type="checkbox"/>

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

DATE 3-14-93

SENATE COMMITTEE ON Taxation

BILLS BEING HEARD TODAY: S.B 424 S.B 429

Name	Representing	Bill No.	Check One	
			Support	Oppose
Sen John A. Brenden	Self	SB 424		X
Janelle Tallan	MT Petroleum	429	X	
Rusty Hayes	State Auditor	424	X	
Dennis Caskey	SELF	424	X	
Don Waldron	MREA	424	X	
Dean Anderson	MT Mt. Guides	424		X
Eric Beaver	MEA	424	X	
Mark Rafe	St Auditor	424	X	
D. Zimmerman	MT State Treasurer	424		X
Nancy Keenan	STATE Superintendent	424	X	
Doug Abelina	NORTHERN MT. OIL GAS ASSN	429	X	
Garth Jacobson	Sec of State	424	✓	
John Bloomquist	MT. Steelmongers	424		✓
Lisa Beary	self	424	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY