

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - REGULAR SESSION

COMMITTEE ON EDUCATION & CULTURAL RESOURCES

Call to Order: By Rep. H.S. "Sonny" Hanson, Chair, on March 24, 1993, at 3:05 p.m.

ROLL CALL

Members Present:

Rep. Sonny Hanson, Chair (R)
Rep. Alvin Ellis, Vice Chair (R)
Rep. Ray Brandewie (R)
Rep. Fritz Daily (D)
Rep. Ervin Davis (D)
Rep. Ed Dolezal (D)
Rep. Dan Harrington (D)
Rep. Jack Herron (R)
Rep. Bob Gervais (D)
Rep. Bea McCarthy (D)
Rep. Scott McCulloch (D)
Rep. Norm Mills (R)
Rep. Bill Rehbein (R)
Rep. Sam Rose (R)
Rep. Dick Simpkins (R)
Rep. Wilbur Spring (R)
Rep. Norm Wallin (R)
Rep. Diana Wyatt, Vice Chair (D)

Members Excused: None

Members Absent: None

Staff Present: Andrea Merrill, Legislative Council
Susan Lenard, Committee Secretary

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

Committee Business Summary:

Hearing: SB 31, SB 278, SB 348, HB 665
Executive Action: SB 31, HB 665

HEARING ON HB 665

Opening Statement by Sponsor:

REP. KADAS, House District 55, Missoula, distributed a fiscal note to the committee and said once HB 665 is fully in place it

could generate 2.8 million dollars per year. The last biennium the legislature spent \$250,000 to study the issue of state leased lands. **REP. KADAS** said as a member of the appropriations committee he tried to kill that appropriation several times for he believed the actual implementation would be quite political, no matter the results of the study. House Bill 665 was designed to implement the suggestions resulting from the study. **EXHIBIT 1**

A chart showing the conclusions of the study was presented.
EXHIBIT 2

The interim study looked at leases and whether the state was receiving its fair share on agricultural leases, access, and cabin sites, etc. The issues under consideration are on state lands, those lands received from the federal government when Montana became a state. **REP. KADAS** emphasized the Enabling Act directed these lands and the benefits from them to go toward funding education in the state. Ninety-five percent of these revenues flow directly to the school equalization account. The constitution also requires the state to charge fair market value from these leases. The report focused on trying to determine the fair market value of leases. He noted HB 665 was drafted with the intent of using the low end of the recommendations in the report. Since then, the Select Committee amended the bill and reduced the increase by half. The bill, as it presently stands, represents only half of the increase to get the fair market value as described in the report. He explained the issues under consideration in the study were looked at from several different perspectives. An economic model was built to try to calculate what the fair market value ought to be. This model contained many variables and is called the hedonic model. **REP. KADAS** said that although people will criticize this model, the researchers backed up the hedonic model from many different perspectives. **REP. KADAS** argued that charging \$4.17 per AUM is too low. The bill has the amount set at \$5.40 per AUM, which is still much lower than the amount suggested by the study (for which the legislature spent \$250,000). He said the bill is low where it presently sits, but to kill the bill would be to ignore the issue entirely. In killing the bill the members of this committee would be ignoring their responsibility to maximize revenues from state lands for Montana schools. If the bill does not pass, the committee would be cheating two groups of people, the taxpayers (because they have to pay higher millages to support the differences not made up by state leases) and the school children, because they receive less services.

REP. KADAS stated Bruce Anderson, co-author of "Economic Analysis of the Values of Surface Uses of State Lands", (the report under consideration) was present to answer questions of the committee. He offered amendments to the committee which apply to cabin leases. At present, cabin leases are for a period of fifteen years. The way the bill currently reads, rates on cabin leases would not be able to increase until leases are renewed. He said the amendment would allow for an increase in rates at the time of

the five year review of the lease, thus allowing for the increase to occur sooner. **REP. KADAS** stressed that HB 665 addresses an issue of fairness and of funding schools. He stated that since the legislature has been looking for money this session, it should seriously look at an increase in state lands lease fees for generating some of this essential revenue. **EXHIBIT 3**

Proponents' Testimony: None.

Opponents' Testimony:

John Youngberg, Montana Farm Bureau Federation, provided written testimony. **EXHIBIT 4**

Jim Peterson, Montana Stock Growers Association, provided written testimony. He also presented a report from the Montana Stockgrowers Association written by Pepperdine University. Biographies of **Gerhard N. Rostvold** and **Thomas Dudley**, the co-authors of the Pepperdine University study were distributed. **EXHIBITS 5, 6, 7, and 8**

Steve Roth, IX Ranch Company, presented written testimony. **EXHIBIT 9**

Tom Loftsgaard, Chairman of the Land Management Council, provided written testimony. **EXHIBIT 10**

Larry Munson, Self, provided written testimony. **EXHIBIT 11**

Sam Hofman, Self, provided written testimony in opposition to HB 665. **EXHIBIT 12**

Bob Fouhy, Land Management Council, presented written testimony. **EXHIBIT 13**

John Harwood, Self, said he opposed HB 665 and suggested "the study was sponsored by friends of Ted Turner. If this plan were to be implemented, only the very rich would be able to afford cattle leases" in Montana. He commented on the state charging fair market value on lands. He said "there is nothing fair about a thing you cannot pay for."

Bob Stevens, Grain Growers Association, said he was against the bill because his organization did not get a copy of the study and therefore did not have enough time to look at it carefully.

Dick Harwood, Self, stood in opposition to HB 665.

Brian Hagan, Land Management Council, provided written testimony. **EXHIBIT 14**

Miles Watts, Professor of Agricultural Economics at Montana State University, presented a preliminary evaluation of the study in

question, "Economic Analysis of the Values of Surface Uses of State Lands." **EXHIBIT 15**

REP. LINDA NELSON, House District 19, Medicine Lake, announced that state land comprises twenty-four percent of the land in one of the counties in her district, Daniels County. She stated that much of that land is very poor quality soil and requires a lot of care just to produce a mediocre crop. She said she understands what **REP. KADAS** is trying to accomplish, but asked the committee to consider the hardships that would be imposed on lessees with an increase in state land fees.

Bob Ward, Self, Helena, stood in opposition to HB 665. He stated twenty-five dollars to hunt on state lands when the Fish and Game Department only requires four dollars to hunt across the state is unacceptable.

Informational Testimony:

Bruce Anderson, Bioeconomics, Inc., presented a written response to comments he had received from **Terry Anderson** and **Miles Watts** on the report "Fair Market Value for State Grazing Leases" of which he was co-author. **EXHIBIT 16**

Questions From Committee Members and Responses:

REP. ROSE asked if lessees pay on state lands which are land locked by private land. **Mr. Anderson** said they pay \$4.17 per AUM. **REP. ROSE** asked who performed the survey. **Mr. Anderson** stated the study was performed by **Montana Agricultural Statistics Services**.

REP. DOLEZAL asked **Mr. Watts** why he said the model used in the study, the hedonic model, is flawed. **Mr. Watts** said the hedonic model explains only 26% of the variation in private grazing fees. He questioned what happens to the other 74%, and questioned if that is important in understanding the difference between state leases and private leases. He said the second issue thrown out of the hedonic model concerned noxious weeds. **Mr. Watts** identified a third flaw of the model is in not taking into account the initial cost of building fences.

REP. DOLEZAL asked **Mr. Anderson** why the hedonic model was chosen. **Mr. Anderson** said the hedonic model is considered by most in the field to be the most sophisticated way to approach this sort of problem, because it can be adjusted for many variables at the same time. **REP. DOLEZAL** asked **Mr. Anderson** to respond to the comments of **Mr. Watts**. **Mr. Anderson** said components are removed during statistical analysis when they are proven not to be statistically significant. He noted that when two variables are very highly correlated they cannot successfully included in the same model. He explained that fence construction and fence maintenance would be examples of such highly correlated variables.

REP. ELLIS asked Mr. Peterson if he was comfortable with the percentages given for the number of individuals with noxious weed problems. Mr. Peterson said the survey is probably quite accurate. He said that while the statistical model is sophisticated, he questioned if it was appropriate.

REP. SPRING asked Mr. Anderson if state lands are subleased. Mr. Anderson said the study was not designed to take into consideration the land which is subleased. He said he was unable to give any sure figures, but was confident some of the land is subleased. REP. SPRING asked for the purpose of subleasing. Mr. Anderson said subleasing usually occurs when an individual holding the lease can sublease it for more than they are currently being charged.

REP. DOLEZAL asked Mr. Watts who commissioned him to evaluate the study. Mr. Watts said individuals from the Agricultural Commodity Groups asked him to look at the study. He commented his evaluation looked at just the grazing issue and not the other components of the study. REP. DOLEZAL asked how long he had to do his evaluation to come to the conclusion the analysis might be flawed. Mr. Watts said he believed the first time he looked at the study was approximately three weeks ago. REP. DOLEZAL asked Mr. Watts what a more appropriate model would have been. Mr. Watts stated there could have been some other approaches used which would have provided a lot more information. He said other approaches would have to do with looking very carefully at other hidden costs. He suggested it would be necessary to look in depth at several individual operations.

REP. DOLEZAL asked REP. KADAS for the length of the duration of the study. REP. KADAS replied the study took over one year to complete.

REP. SIMPKINS asked Mr. Anderson if any analysis was done on a cash lease basis, i.e. bidding on the land for cash lease rather than on a share basis. Mr. Anderson said some cash lease and some share were examined but the sample size for the cash lease was not as large and was therefore more difficult from which to draw conclusions.

REP. BRANDEWIE asked how long the study has been available to the public. REP. KADAS replied it has been available since February.

Closing by Sponsor:

REP. KADAS said most of the discussion centered around the model. He stated since the hedonic model is such a complex analysis it is necessary to determine which variables make the most difference. The variables included must be statistically significant. He said another issue is that these variables are not the only predictors in the model. There were surveys taken of present lessees of state land to determine what the general consensus is for the fair market value of state land and private

land. The results were very close to what the hedonic model suggested, yet the opponents of HB 665 propose more time is needed to examine the model. He commented on a bill in the Senate which would allow the State Land Board to set the fees. **REP. KADAS** said the Senate bill might be more appropriate in light of the complaint of the limited amount of time. He suggested that with cutting the increases in half, he did not see how HB 665 was being unfair to anyone. **REP. KADAS** said he had no problem with the committee raising the recreation fee to \$12.50. In closing he said it is important to look at individual cases but when it comes down to setting policy it is necessary to look at a broader picture. **REP. KADAS** stressed is impossible to look at each piece of land individually. He maintained the report was performed in a non-biased manner and the legislature should at least make an attempt to look seriously at the studies it funds. **REP. KADAS** emphasized the need to examine the issue for its fairness and, since it is not being done presently, to consider the responsibility of the state to manage these lands for the benefit of the school system.

HEARING ON SB 31

Opening Statement by Sponsor:

SENATOR BLAYLOCK, Senate District 43, Laurel, said SB 31 is the result of a two year interim study to deal with the supreme court case concerning transportation. He said the state made major changes in the way transportation is funded to bring it more in line with equalization. He stated SB 31 cleans up some of those issues overlooked.

Proponents' Testimony:

Janet Thomson, Office of Public Instruction, emphasized SB 31 is the result of recognizing some errors made in SB 72 during the 1991 session. The first things SB 31 would change are rates previously overlooked. She explained the second change has to do with calculating transportation liability. Language was brought in from the retirement sections of law which included provisions for a thirty-five percent county transportation reserve, which was not intended because there is a reserve at the district level. Senate bill 31 would allow the reserve at the district level to continue but does not allow for a reserve at the county level. The definition of transportation is expanded under SB 31. The present definition of transportation means the transferring of a child between "his home and the school he is attending." The language has been changed to "between his home or a designated bus-stop in the district of attendance." This change has occurred in an attempt to limit the liability school districts would incur should something happen to the child when she/he gets off the bus at the end of the day. She also said she understood there is \$200,000 savings in each year of the biennium.

Opponents' Testimony: None.

Questions From Committee Members and Responses: None.

Closing by Sponsor: SEN. BLAYLOCK closed the hearing on SB 31.

HEARING ON SB 278

Opening Statement by Sponsor:

SENATOR CHRISTIAENS, Senate District 18, Cascade, noted an amendment should have been added in the Senate committee to page 11, line 25. He indicated "1992" should read "1993." SEN. CHRISTIAENS stated SB 278 revises the laws related to educational services in children's psychiatric hospitals and residential treatment. It limits the appropriations costs that are not reimbursable under other provisions in state or federal law, and clarifies the responsibilities among agencies. SEN. CHRISTIAENS SB 278 should leverage income to the federal fund savings to the state of Montana. He referred to the fiscal note for specific funding amounts.

Proponents' Testimony:

Robert Runkel, Director of Special Education for the Office of Public Instruction, provided written testimony in support of SB 278. EXHIBIT 17

Claudia Morley, Inter-mountain Children's Home, stood in support of SB 278, addressing the reasons offered by Mr. Runkel.

Marion Evenson, Director of Student Services, Helena School District, stated there are presently eighty non-resident students with emotional difficulties who reside in the Inter-mountain Home for Children. She said the Helena School District urges the committee to adopt the proposed legislation.

Gary Steuerwald, Billings Public Schools, spoke in support of SB 278.

Opponents' Testimony: None.

Questions From Committee Members and Responses:

REP. DOLEZAL asked Mr. Runkel to define the secondary source of funding he mentioned. Mr. Runkel said section 1, page 3, would provide money in case the funds already appropriated for in-state residential costs for education in HB 2 are "insufficient enough such that the local public school district becomes obligated to provide the education for these children." He said there is an opportunity to access the state equalization aid account to obtain the needed funds.

REP. SIMPKINS asked Mr. Runkel if the elimination of Rule 1 had any effect on SB 278. Mr. Runkel replied it did not have a dramatic effect on SB 278 is because so many children who are attending treatment facilities are eligible for Medicaid, regardless of Rule 1.

Closing by Sponsor: SEN. CHRISTIAENS closed the hearing on SB 278.

HEARING ON SB 348

Opening Statement by Sponsor:

REP. PECK, House District 15, Havre, opened the hearing on SB 348 for SENATOR HALLIGAN. He said the bill comes out of a statewide commission comprised of individuals with varying backgrounds and different ideas on special education. He asked the bill to be implemented as a package. He stated one main point of SB 348 is that full-time special education students, those who attend special education programs more than fifty percent of the time, should be counted for ANB. Senate bill 348 requires a local contribution, which has been set at twenty-five percent.

SENATOR HALLIGAN, Senate District 34, Missoula, said SB 348 attempts to look at special education in a responsible, bipartisan way. He said the bill recognizes there will be limited funding but stressed the commission worked very hard to come up with a bill which addresses special education funding concerns.

Proponents' Testimony:

Gail Gray, Office of Public Instruction, distributed a list of the members of the Special Education Funding Commission. She stood in support of the bill and commended the work of the commission in producing SB 348. EXHIBIT 18

Dorothy Laird, Flathead County Superintendent of Schools, spoke in favor of SB 348 on behalf of the Special Education Funding Commission. She said the new proposed special education funding system distributes special education funds equitably to ensure equal educational opportunity for all students. She said it removes the natural incentives for identifying students as disabled. Testimony from Jude Oberst, Helena, was presented to the committee. EXHIBIT 19

Gail Cleveland, Montana Council of Special Education Administrators, Great Falls School District, stood in support of SB 348.

Steve Gaub, Superintendent of Charlo Public Schools, said SB 348 could change things dealing with special education in a positive manner. He asked for the committee's favorable consideration.

Fred Appleman, Special Education Director for the Missoula Area Cooperative, spoke in favor of SB 348 and read a letter of support from Leo Lorenz, Superintendent of Joliet School District. EXHIBIT 20

Loran Frazier, School Administrators of Montana, stood in support of SB 348.

Pat Boyer, Bozeman Public Schools, spoke in favor of SB 348.

Gary Steuerwald, Billings Public Schools, offered support for Sb 348.

Marion Evanson, Helena Public Schools, advocated the passage of SB 348.

Leonard Orth, Special Education Director for the East Yellowstone Cooperative, noted the disparities in funding for special education programs across the state. He asked for favorable consideration of the bill.

Bill Meehan, Browning Public Schools, offered support for SB 348.

Vernan Barkell, Special Education Director for the Special Education Cooperative for Yellowstone-West, stood in support of the bill, explaining it may not be beneficial to all of the members in the cooperative.

Don Waldron, Montana Rural Education Association, said SB 348 deals with fairness. He asked for support of the bill.

Tim Miller, Director of the Bitterroot Valley Special Education Cooperative, called attention to the fact that SB 348 will not result in higher funding for some schools in his district. He said he did, however, support the measure.

Lanny Steen, Special Education Director for Stillwater/Sweetgrass Cooperative, stood in support of SB 348.

Phil Campbell, Montana Education Association, asked for favorable consideration of SB 348.

Kelly Evans, Southwest Montana Education Cooperative, said SB 348 will change special education funding in a positive direction.

Bill Pellant, Self, Hamilton, expressed support for SB 348.

Opponents' Testimony:

Kathy Schmidt, Anaconda Public Schools, stated opposition to SB 348. Written testimony was presented. EXHIBIT 21

Elaine Colie Spindler, North Central Learning Resource Center, announced opposition to SB 348 because " it would not provide

equitable funding throughout the state."

Judith Gosnall-Lamb, Big Sky Cooperative, stated even with a reapportionment of 65%, the funding for special education is inadequate.

Questions From Committee Members and Responses:

REP. DOLEZAL asked Ms. Gray to comment on the amount the state pays in relation to the costs of the district. Ms. Gray said the district must match at the twenty-five percent level, which is roughly equal to what the permissive would have been generated from that amount. In order to implement this plan, it would be necessary to determine how many districts had to spend more than thirty-five percent of their special education budget. Those schools would then get reimbursed first at the sixty-five percent level.

REP. SIMPKINS asked Ms. Gray if there are any rules which establish or limit administrative costs of these cooperatives. Ms. Gray replied there are no restrictions at the present time. She explained the cooperatives are set up to let local districts determine how they want to spend their money. She said they will not get any more or any less money, just that the money will be received in a block grant form. The administrative goal is to reach the relative services portion of the grant.

Closing by Sponsor:

SEN. HALLIGAN said there are a few points which need to be considered carefully. He stressed that SB 348 is not a political model. It is based upon current information and is concerned with funding instruction and related services. He asked for the committee's support of SB 348.

EXECUTIVE ACTION ON SB 31

Motion/Vote: REP. SIMPKINS MOVED SB 31 BE CONCURRED IN. Motion carried unanimously.

EXECUTIVE ACTION ON HB 665

Motion: REP. HARRINGTON MOVED HB 665 DO PASS.

Discussion:

REP. SIMPKINS said he has a problem with HB 665 because it seems like "everyone is shooting in the dark, trying to put a fix on this thing." He said what he sees is absent is the lease agreement for renting lands on a bid leased cash proposal. He

said the testimony indicated the variance for the land throughout the state was not considered. He said the value for the recreation fees is too low. **REP. SIMPKINS** questioned the legitimacy of the study, calling attention to conflicting arguments in other current reports. He said it was the intent of the study to take into consideration other inquiry performed by the universities. He said the study has not been out long enough to implement the proposed plan.

REP. GERVAIS said federal figures for AUM are larger than those proposed in this study.

REP. ELLIS said he believes the "picture" of fees is relatively fair. He stated he is a lessee of state lands, and there are things the plan does not take into consideration. He mentioned knapweed as one item not considered. **REP. ELLIS** said lessees are subject to losing the land they lease if knapweed is not controlled. He said knapweed control could have a two to five dollar impact on the acreage of the land. He stated the bill needs to be more comprehensive than it is at the present time.

REP. DOLEZAL said, in response to **REP. SIMPKINS** comments, the study was done over a span of a year, in a non-partisan way. He said the subsequent study to refute the findings of the initial report were commissioned by individuals who were in opposition to of the report. He stated his support of the attempts of **REP.**

KADAS. REP. DOLEZAL said the state is not getting a reasonable amount of market value for that land in any form, including recreational access. He expressed his belief the committee should pass HB 665 out of the committee.

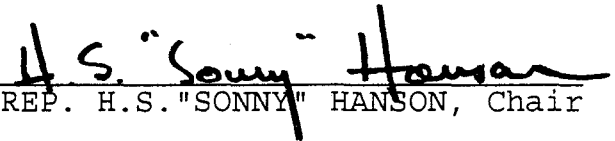
REP. HERRON said he cannot support HB 665 from a farmer's point of view, because the farmer's arguments are absolutely correct. He said farmer's cannot meet costs at thirty-three percent. He suggested the state should stop considering percentage and should charge a flat rate. **REP. HERRON** said HB 665 would allow "a lot of room for error, cheating, and mistakes."

Motion/Vote: HB 665 DO PASS. Motion failed 6 to 12 with **REPS. DAVIS, DOLEZAL, HARRINGTON, GERVAIS, MCCULLOCH, and WYATT** voting yes. **EXHIBIT 22**

MOTION/Vote: **REP. SIMPKINS** MOVED HB 665 BE TABLED. Motion carried 12 to 6 with **REPS. DAVIS, DOLEZAL, HARRINGTON, GERVAIS, MCCULLOCH, and WYATT** voting no. **EXHIBIT 23**

ADJOURNMENT

Adjournment: 6:00 p.m.



REP. H.S. "SONNY" HANSON, Chair



SUSAN LENARD, Secretary

HSH/SL

HOUSE OF REPRESENTATIVES

Education and Cultural Resources COMMITTEE

ROLL CALL

DATE

3/24/93

NAME	PRESENT	ABSENT	EXCUSED
REP. SONNY HANSON , CHAIR	✓		
REP. ALVIN ELLIS , VICE-CHAIR	✓		
REP. DIANA WYATT , VICE-CHAIR	✓		
REP. RAY BRANDEWIE	✓		
REP. FRITZ DAILY	✓		
REP. ERVIN DAVIS	✓		
REP. ED DOLEZAL	✓		
REP. DAN HARRINGTON	✓		
REP. JACK HERRON	✓		
REP. BOB GERVAIS	✓		
REP. BEA MCCARTHY	✓		
REP. SCOTT MCCULLOCH	✓		
REP. NORM MILLS	✓		
REP. BILL REHBEIN	✓		
REP. SAM ROSE	✓		
REP. DICK SIMPKINS	✓		
REP. WILBUR SPRING	✓		
REP. NORM WALLIN	✓		

HOUSE STANDING COMMITTEE REPORT

March 25, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Education and Cultural Resources report that Senate Bill 31 (third reading copy -- blue) be concurred in .

Signed: HS "Sonny" Hanson
Sonny Hanson, Chair

Carried by: Rep. Ellis

Committee Vote:
Yes 12, No 7.

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EXHIBIT 1
DATE 3/24/93
HB 665

FISCAL IMPACT:

	FY '94			FY '95		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
1. Grazing rentals	4,341,524	5,975,488	1,633,964	4,341,524	5,975,488	1,633,964
2. Agricultural rentals	8,700,000	8,700,000	0	8,700,000	9,703,846	1,003,846
3. Cabinsite rentals	291,490	298,778	7,288	291,490	306,064	14,574
4. Recreation Use rentals	144,300	172,968	28,668	144,300	288,600	144,300
Total	13,477,314	15,147,234	1,669,920	13,477,314	16,273,998	2,796,684

Expenditures:

The DSL does not anticipate significant increases in expenditures to implement this proposed legislation.

Revenues:

Revenues from grazing and agriculture will increase significantly in FY 94 and FY 95, respectively, and then remain relatively stable from there on. Revenues from cabinsites will increase each year for the next fifteen years until all leases have been renewed and the new minimum rentals assessed.

Net Impact:

Increased annual revenues to the School Equalization Account and other distributable trust accounts.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

N/A

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

Revenues from grazing and agriculture will increase significantly in FY 94 and then remain relatively stable from there on. Revenues from cabinsites will increase each year for the next fifteen years until all leases have been renewed and the new minimum rentals assessed. The total increase in revenues from FY 1992 level to FY 2008 level is estimated to be \$2,886,214.

TECHNICAL NOTES:

1. The assumptions used to generate the revenues projected above may be faulty to some degree for the following reasons:
 - a. The revenues are based on continuing numbers of grazing, agricultural, and cabinaitle leases/licenses at the current levels. Some leases/licenses may be dropped by existing lessees/licensees due to unwillingness to pay higher rentals.
 - b. New leases may not be issued on some of these former leased tracts due to no applicants.
 - c. State Lands Recreational Use License sales may decrease due to unwillingness to pay the higher cost of these licenses.
 - d. The minimum AUM rate on grazing leases will vary between years depending on fluctuations in the price of beef sold.
 - e. Agricultural rentals based on crop shares are variable in accordance with changes in the market price of the agricultural commodities, climatic conditions, etc.
 - f. Appraised land values for cabinsites are likely to appreciate over the next fifteen years.

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for H066555501, as amended.

DESCRIPTION OF PROPOSED LEGISLATION: "AN ACT INCREASING THE FEES ON CERTAIN LEASES OF STATE SCHOOL TRUST LANDS; AMENDING SECTIONS 77-1-208, 77-1-802, 77-6-501, AND 77-6-507, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATES."

ASSUMPTIONS:

1. Existing agricultural and grazing leases contain the following language; "If the Montana Legislature raises the rentals on state grazing or agriculture lands during the term of this lease, the lessee agrees to pay such increased rental for the years after such increase becomes effective". The 1993 lease year began on March 1, 1993. Therefore, the proposed rental increase in rentals would not go into effect until the 1994 lease year, beginning March 1, 1994.
 - a. 1994 grazing lease rentals will be receipted during FY 94.
 - b. 1994 agricultural lease rentals are not due until November 15, 1994 and therefore, will not be receipted until FY 95.
2. 1/15 of the cabinsite leases are renewed each year. Therefore, it would take fifteen years for all cabinsite rentals to come under increased rentals. All 1993 lease reviews will be completed by the passage of this act. Therefore, the first lease renewals affected by the rental increases will occur in 1994. An additional 1/15 of the leases will than be affected each subsequent year.
3. Increased cost of the State Lands Recreational Use License would go into effect beginning March 1, 1994. Approximately 6,333 of the total recreational licenses are expected to be sold between March 1 and June 31, and therefore, would be included in FY 94 revenues. FY 95 revenues would be the first year in which all recreational use licenses sold would be at the new minimum rate.
4. The revenue projections listed below for grazing, agriculture and cabinsites for the current law are all based on actual revenues received for those uses during FY 92. The revenue projections for current law recreational use license revenues are based on license sales from March 1, 1992 through January 1, 1993.
5. The rates used to estimate future revenues are as follows:
 - a. Grazing - \$5.84/AUM (8.4 x \$.6948/lb)
 - b. Agricultural crop share - 29%
 - c. Cabinsite % of appraised value - 4.75%
 - d. Recreational Use License - \$10
6. The 92 recreational use license year (March 1, 1992 - February 28, 1993) was the first year of sales of the recreational use licenses with a total of 28,860 licenses sold. Indications were that much of the public was unaware of the license requirement and availability. Greater numbers of license sales at \$5 per license could be anticipated with greater awareness of the license requirement.

DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

MIKE KADAS, PRIMARY SPONSOR DATE
Fiscal Note for H066555501, as amended

11.0 CONCLUSIONS

The basic conclusion of this study is that many of the values currently used in setting lease rates on Montana state land surface uses appear to be below "full market value". We summarize in Table 11-1 the current policy and our findings with regard to full market values.

Table 11.1. Full Market Prices for Uses of Montana Department of State Lands Resources

Resource	Current Policy	Present Pricing Level		Fair Market 1992 Average Price
		Minimum	Average	
Grazing	AUM lease rate plus competitive bidding	\$4.17 / AUM	\$4.24 / AUM	\$7.60 / AUM
Cropland	Minimum crop share plus competitive bidding	25%	26%	33%
Recreation	Constant price / unlimited number	\$5.00	\$5.00	Resident \$25.00 Nonresident \$50.00
Cabins	3.5% of appraisal / no competition	3.5%	3.5%	6% - 10%
Outfitters	Negotiated price or competitive bid	--	\$0.11/acre	\$0.66/acre

There is an alternative to merely adjusting minimum lease rates within the framework of existing DSL management policy. With regard to agricultural uses, the state could consider following the example of Nebraska and Oklahoma and move toward shorter lease terms (five years instead of ten), cash rent basis (instead of cropshare and dollars/AUM), annual adjustment of lease rates based on current appraisal, cash rent appraisal to set minimum bids and oral auction on all leases at renewal (no preference rights). With regard to recreational and outfitting uses, these rights could be included with the agricultural surface uses and rented at oral auction. We feel that these kinds of policy changes would merit further study.

currently average \$4.24 per AUM. The preceding analysis suggests that fair market value for these leases is on the order \$7.50 to \$8.00 per AUM.

Table 5.1. Summary of alternative estimates of fair market value for Montana state lands grazing leases (1992 dollar/AUM basis).

Estimate	Mean \$/AUM	95% Confid. Interval	Standard Error	Sample Size	Percent of private dryland
<u>A. Private market reference prices.</u>					
All private leases	11.41	11.06 - 11.76	0.180	243	101
Dryland private	11.27	10.89 - 11.65	0.196	207	100
<u>B. Estimates of fair market value for Montana state grazing leases.</u>					
1. Hedonic model "typical state lease" (no services, term > 5 years)	7.69	6.23 - 9.14	0.740	139	67
2. Subsample of private leases: >5 year, no fence maintenance services, dryland.	7.90	5.85 - 9.95	1.045	6	69
3. Competitive bids for state grazing leases.	8.34			613	73
4. Rancher "reported" fair price for state lease					
- all ranchers	9.01	8.68 - 9.34	0.170	601	79
- state lease holders	7.62	6.93 - 8.31	0.350	137	67
5. Literature review: (Torrell & Gosh and Fowler 1988) ratio of public lease forage value to private					
- New Mexico estimate					70
- Applied to Montana	7.89	7.62 - 8.16	0.137	207	70

Note: Standard error for estimate 5. assumes the ratio .70 is a known constant.

EXHIBIT 3
DATE 3/24/93
HB 665

AMENDMENT TO
HOUSE BILL 665
Second Reading Copy

1. Page 5, line 19.
Following: "act]"
Insert: "and, for leases in effect on [the effective date
of this act], to rentals due after rental adjustments made
pursuant to adjustment provisions in the lease."

-END -



MONTANA FARM BUREAU FEDERATION

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

EXHIBIT 4
DATE 3/24/93
HB 665

March 19, 1993

Mr. Chairman, members of the committee, for the record my name is

John Youngberg. I represent the Montana Farm Bureau Federation.

Montana Farm Bureau is in opposition to HB 665.

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. To cover an entire state that is as geographically diversified as Montana with the same lease formula is folly. Although some land is probably worth more than current leases there is much that is currently leased for its maximum value.

The recently completed and highly criticized study by Duffield and Anderson that is the basis for the bill is flawed. Although there is valuable data in the study the conclusions are highly questionable as you

will hear in other testimony today.

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.

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 that state would reject those

who kept their part of the bargain because you've been told you can make more money. You can't.

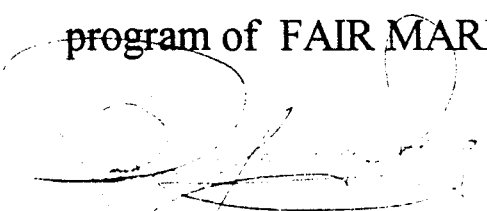
The demand for these lands is limited to those who can reasonably and responsibly use them. Even if you accept a different formula for fees, searching for fairness between users of public lands is complicated.

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 unfeasible 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.

As I am sure you are aware some of the State School Trust Land was returned to the state by homesteaders, because they could not prove up on the land due to lack of water or poor soil conditions. Only through modern and progressive farming practices are these lands able to produce. In a nutshell these lands are not the high production lands that Duffield compares in his study.

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 HB 665.



John Youngberg

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:

Please note: This complete exhibit may be located
at the Historical Society.

EXH. 2.1 6
DATE 3/24/93
#B 665

GERHARD N. ROSTVOLD, PH.D.

Economist, Author, Lecturer, Financial Counselor, Economic consultant to a broad cross-section of corporations, financial institutions, law firms, and public agencies.

SUMMARY OF EXPERTISE

- * Over 25 years of analysis of economic damage issues in a wide variety of law cases.
- * Major research and publication in the field of taxation and fiscal policy.
- * Perform economic impact studies of various forms of development and taxation specializing in the analysis of cost/benefit impacts of public and private projects.
- * Economic forecasting presentations to businessmen, demonstrating workable techniques of forecasting changes in the economy, which provide a framework for business financing, marketing, product development, expansion, and competitive strategies.
- * Professor of Economics and Accounting.
- * Economic Newscaster, KHJ-TV "Ten O'Clock News."
- * Lecturer, The Executive Committee (TEC) Programs.

EDUCATION

Ph.D., Economics, Stanford University, 1955

M.A., Economics, Stanford University, 1949

B.A., Economics-Accountancy, "With Great Distinction", Stanford University, 1948

EMPLOYMENT HISTORY

Consulting Economist, Urbanomics Research Associates, 1965- Present

Adjunct Professor of Economics, Pepperdine University, 1984-Present

Presidential/Key Executive MBA Program

Economic Newscaster KHJ-TV "Ten O'Clock News", 1978-1982

Visiting Professor, Stanford University, Summer of 1974

Professor of Economics and Accounting, Pomona College, 1952-1966

Instructor of Accounting, Stanford University, 1949-1951

Testimony before the Education and Cultural
Resource Committee on H.B. 665
by: Montana Stockgrowers Association, Montana CattleWomen
and Montana Wool Growers Association
March 24, 1993

For the record, my name is Jim Peterson. I am the Executive Vice President of the Montana Stockgrowers Association and a rancher from Central Montana. Today I am speaking in opposition to H.B. 665 on behalf of the Montana Stockgrowers Association, the Montana Wool Growers Association and Montana CattleWomen. The purpose of H.B. 665 is to codify into law, dramatic increases in the fees on leases of State School Trust Lands based on a report released merely one month ago.

The report is entitled, "The Economic Analysis of the Values of Surface Lands 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.

Our greatest concern is the apparent "knee-jerk" reaction to the Duffield Report and now an attempt to codify the study which is barely 30 days old. No one has had a chance to analyze the study adequately, the statistical data has not been provided to other researchers, and in some cases no one is even sure of the assumptions used in the study. Yet, this bill proposes to adopt them into law.

Since the Duffield Study was released in February, four economists--Dr. Myles Watts, and Dr. Terry Anderson from Montana State University, and 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. One of the economists are here today to share with you some of his preliminary findings. In addition to the MSU review, I am providing you with the review from Pepperdine University of California.

We have concentrated our efforts on the grazing fee portion of the study since that is our primary business. We are not opposed to economic studies and analysis on the grazing fees on state lands. In fact, the Montana Stockgrowers and Wool Growers supported the legislature funding this study, and feel when objective analysis and consideration is given to all factors affecting the leasing of state land, along with the comparable economic utility of that land versus private land, that a fair and reasonable fee structure will be the result. However, an objective and meaningful analysis will take more time.

Additionally, we do not feel the Duffield Study considered all the factors adequately. For example, the Duffield Study made no attempt to compare the economic utility and opportunity between state land and private land. It considers noxious weed as being insignificant. It places no value on the state-lease of not having control over access while the leasee is solely responsible for the stewardship of the leased state land. And it does not consider regional differences and areas where the land is blocked.

There is no question that fees on surface uses of state lands should be reviewed extensively in the future and should comply with the constitutional requirement to the school trust. However, it is premature and almost appalling that one study should be handed out as the gospel and then codified into law a mere 30 days from its release.

No analysis, no review, no public discussion, no consideration for other studies and no time allowed for comment is not a good way to resolve this issue. I urge a "do not pass" on H.B. 665 and consider giving everyone more time to review all the information available and come back to the legislature with an objective well thought proposal that addresses everyones concerns.

THOMAS J. DUDLEY, PROFESSOR OF QUANTITATIVE METHODS

EDUCATION

- B.A., Economics and Mathematics, University of Michigan,
1949
- M.B.A., Statistics, Finance and General Management,
University of Michigan, 1954
- D.B.A., Quantitative Business Analysis, Mathematics,
Economics, Finance, University of Southern
California, 1965

TEACHING EXPERIENCE

Instructor in Quantitative Methods, School of Business
University of Southern California, 1962-1966.

Professor of Quantitative Methods, Graduate School of
Business and Management, Pepperdine University,
1968-Present.

Major programs:

- Presidential/Key Executive M.B.A.
- Executive M.B.A.
- Professional M.B.A.

Graduate student population consists of full-time
working adults of approximately 100 Master's candidates
per year at the middle to top levels of management in
all types of organizations.

Faculty advisor to approximately 60 Master's theses per
year. Topics include the entire range of management
problems with the focus on applications of research
methods and statistics, and evaluation of strategic
alternatives for company strategic plans.

Has conducted class in Southern and Northern
California: Dallas and Houston, Texas; and Honolulu,
Hawaii,

MANAGEMENT CONSULTING

Application of quantitative-oriented processes and
techniques to general management problems resulting in
assisting top management in alternative risk evaluation and
decision making.

Application of research methodology and statistical decision
theory to specific problem areas primarily related to loss
damages, Governmental liability requirements, market
research, and product quality control.

EXHIBIT 9
DATE 3/24/93
HB 665

March 24, 1993

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. I would like to speak to this report.

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.

The report barely acknowledges **stockwater**, the single most limiting factor on the ranch's state leased land. There is no mention of stockwater or its development on deeded land that 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 avoids 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.

STOCKING RATES In 1992, three lease agreements renewals with the Department of State Lands were evaluated for range conditions. On all three the AUM capacity was increased. One by 3%, one by 11% and one by 20%. Given the drought conditions of 1992 this is an exemplary statement for the ranch's range management practices. These practices are related to the current grazing fees.

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 and I recommend a **Do Not Pass** on HB 665.

EXHIBIT 10
DATE 3/24/93
HB 665

TESTIMONY
~~H.B.~~ H.B. 665
EDUCATION AND CULTURAL RESOURCES
MARCH 24, 1993

CHAIRMAN SONNY HANSON AND MEMBERS OF THE COMMITTEE, MY NAME IS TOM LOFTSGAARD. I'M CHAIRMAN OF THE LAND MANAGEMENT COUNCIL. WE ARE OPPOSED TO H.B. 665.

ISN'T IT ABOUT TIME TO CUT THE TAX AND SPEND IDEAS. AGRICULTURE HAS AND WILL PAY THEIR FAIR SHARE. BUT JUST LIKE ALL OTHER BUSINESS, WE NEED A PROFIT TO SURVIVE. AS DWIGHT EISENHOWER STATED, "FARMING LOOKS MIGHTY EASY WHEN YOUR PLOW IS A PENCIL, AND YOU'RE A THOUSAND MILES FROM THE CORN FIELD."

IN NORTHEAST MONTANA, THERE IS NOT ENOUGH PROFIT FOR THE STATE LAND LESSEE AT 25% TO MAINTAIN THE CURRENT LEVELS OF PRODUCTION. WE PAY THE HIGHEST FREIGHT RATES IN THE STATE. WE HAVE THE LOWEST YIELDS IN THE STATE. OUR PRODUCTION COSTS ARE DEFINITELY NOT ANY CHEAPER AND 19% OF THE STATES CROPLAND IS IN DANIELS COUNTY.

DANIELS COUNTY HAS AN ASCS AVERAGE WHEAT YIELD OF 21 BUSHEL PER ACRE. DO YOU REALIZE THAT BURLINGTON NORTHERN RECEIVES \$21.00 PER ACRE JUST FOR HAULING THE WHEAT. THE STATE RECEIVES \$21.66 PER ACRE FOR OWNING THE LAND. THE LESSEE RECEIVES \$22.58 PER ACRE, AFTER VARIABLE COSTS, FOR RETURNS TO FIXED COSTS AND MANAGEMENT. WE NEED TO PURCHASE AND MAINTAIN EQUIPMENT, BUILDINGS AND VEHICLES. WE NEED TO FEED, CLOTHE AND EDUCATE OUR CHILDREN LIKE ANYONE ELSE. WE PAY TAXES EVERY YEAR ON THOSE BUILDINGS, THAT EQUIPMENT AND VEHICLES. THOSE TAXES SUPPORT THE SCHOOLS ALSO.

I LEASE SOME GRAZING TRACTS FROM THE STATE. I PAY FOR 260 AUMS OF GRAZING. I CAN ONLY UTILIZE 152 OF THOSE 260 AUMS BECAUSE SOME PIECES ARE NOT FENCED AND ARE NOT FEASIBLE TO FENCE. THERE IS NO WATER AVAILABLE ON THESE TRACTS. THE

COST OF SUPPLYING THE WATER IS TOO HIGH. WHEN YOU FIGURE THE ACTUAL RENT OF THE AUMS, I CAN UTILIZE IT COSTS ME \$6.89 PER AUM.

WE ALSO HAVE CABIN SITES WE LEASE FROM THE DEPARTMENT OF STATE LANDS. I PERSONALLY HAVE A CABIN SITE LEASE UPON WHICH A STEEL BUILDING SETS. THIS COSTS ME \$150.00 PER YEAR TO USE 5 ACRES OF GRAZING LAND. MANY OTHER FARMERS HAVE SIMILAR TYPE LEASES. THESE LEASES HAVE NO AESTHETIC VALUES AS DO THE CABIN SITES WITH A LAKE AND MOUNTAINS INT HE BACKGROUND. THESE LEASES ARE OF LITTLE OR NO INTEREST TO ANYONE EXCEPT THE PRESENT LESSEE.

YOU MAY ELIMINATE MANY OF THE PRESENT LESSEES AND REPLACE THEM WITH A FEW VERY LARGE OPERATIONS. BUT THAT WILL DECREASE THE PERSONAL PROPERTY TAX BASES WHICH DECREASE THE LOCAL COMMUNITIES WHICH WILL DECREASE MORE TAX BASIS. EVENTUALLY EVERY CITY AND TOWN IN MONTANA WILL FEEL THE REPERCUSSIONS FROM THE INCREASE IN LEASE FEES.

I URGE A "DO NOT PASS" ON H.B. 665. THANK YOU.

EXHIBIT 11
DATE 3/24/93
HB 665

HB 665 ~~SENATE BILL 424~~

OPPOSITION TESTIMONY ON BILL:

In regard to raising lease rental on state owned lands--I have a state farm lease that is at 25% share and I also have private leases at 30% and 33 1/3% shares. On state land I bear all the cost of fertilizer and fargo for wild oat control which at this years price is \$22.00 per acre on dryland.

On my private leases, the landlord pays the % of fertilizer and wild oat control that is the same as their respective share (such as 30% and 33 1/3%) plus they also pay property taxes, so I feel this bill is in error stating the state isn't receiving their fair share. I feel they do receive a fair share.

LARRY E. MUNSON

DEVON STAR ROUTE

SHELBY, MT. 59474

TOOLE COUNTY

TESTIMONY BY SAM HOFMAN

OPPOSING SB 424.

opposing HB 665

EXHIBIT 12

DATE 3/24/93

HB 665

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. On 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 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.

Recreation Use License - Price people out-

CHAIRMAN *Hanson* AND MEMBERS OF THE COMMITTEE,

MY NAME IS BOB FOUHY AND I AM REPRESENTING THE LAND MANAGEMENT COUNCIL.

I WILL ADDRESS HB 665 AND INTEND TO MAKE AN ATTEMPT TO PROVE WHY ANY INCREASE IN LEASE RATES IS EXTREMELY DETRIMENTAL IN OUR AREA.

1. DANIELS COUNTY IS 23.9% STATE LAND.
2. THE WEST END OF DANIELS COUNTY IS 50% STATE LAND
 - A. WHAT DOES THIS DO TO THE TAX BASE?
 - B. DEEDED LANDS ALREADY PAY A DISPROPORTIONATELY HIGH RATE OF TAXES TO MAKE UP THE DIFFERENCE.
 - C. THIS AMOUNTS TO A VERY UNFAIR TAX BURDEN ON AREAS SUCH AS OURS WITH A HIGH CONCENTRATION OF TRUST LANDS.
3. STATE LEASES IN OUR AREA ARE LESS PRODUCTIVE THAN DEEDED LANDS.
4. 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.
5. DEEDED LAND IN OUR AREA HAS MORE CONSISTENT SOIL TYPE.
6. FARMING COSTS ARE AS MUCH OR HIGHER TO FARM THE POOR QUALITY STATE LANDS IN OUR AREA AS IT IS TO FARM THE BETTER PRIVATE LAND.
 - A. ON LIGHTER DRAUGHTY LAND COSTS TO FARM ARE OFTEN HIGHER DUE TO MANDATORY HIGHER LEVELS OF MANAGEMENT REQUIRED TO CONTROL EROSION.
 - B. THESE EXTRA COSTS INCLUDE BUT ARE NOT LIMITED TO GRASS ROW BARRIERS, NARROW STRIP FARMING, MORE COSTLY MINIMUM TILL MACHINERY, ETC.

7. IN OUR AREA, A PRIVATE LEASE AT 33% GIVES THE LESSEE THE ABILITY TO MAKE MORE OF A PROFIT THAN A STATE LEASE AT 25%.
 - A. THE SOIL IS OF BETTER QUALITY.
 - B. THE LEASE TERMS ARE NEGOTIABLE.
 - C. CONSERVATION PLAN IS ALREADY IN EFFECT.
 - D. MORE OFTEN THAN NOT, THE OWNER MAY SHARE A COST (SEED, FERTILIZER, SPRAYING, SUMMERFALLOWING, COMBINING, ETC).
 - E. ON A STATE LEASE, THE LESSEE PROVIDES ALL THE INPUT COSTS.
8. TO RAISE THE RENT ON A STATE LEASE ABOVE THE CURRENT MINIMUM OF 25% MAY REDUCE REVENUE.
 - A. THE EXTRA SHARE DUE THE STATE WOULD REDUCE ALREADY MEAGER MONETARY RESOURCES AVAILABLE FOR FERTILIZER, CONSERVATION PRACTICES, ETC.
 - B. INCENTIVE TO MANAGE THE LEASE TO ITS HIGHEST POTENTIAL YIELD WOULD DECREASE.
 - C. EVEN AT THE CURRENT MINIMUM OF 25% CROP SHARE, THE VAST MAJORITY OF PRODUCERS FEEL THAT IT IS TOO EXPENSIVE TO FERTILIZE STATE LEASES.
9. 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 INVESTMENT. THE STUDY BY DUFFIELD AND ASSOCIATES LIMITS ITS ANALYSIS TO FENCE AND WATER MAINTENANCE COSTS ONLY. NO CONSIDERATION IS GIVEN TO THE INITIAL COST OUTLAY TO BUILD THE FENCE OR DEVELOP THE WATER.
10. NORTHEASTERN MONTANA WAS THE LAST AREA TO BE HOMESTEADED IN THE STATE. ALL THE LAND NOT HOMESTEADED WAS PICKED UP BY THE STATE TO SUPPORT

SCHOOLS. THE EARLY HOMESTEADERS NATURALLY SETTLED ON THE MORE PRODUCTIVE PARCELS WITH AVAILABLE WATER. THOSE THAT CAME LATER TRIED TO MAKE A LIVING ON THE TRACTS WHICH WERE NOT AS WELL SUITED FOR AGRICULTURE. IN THE TWENTIES AND THIRTIES MANY HOMESTEADERS FOUND THEY COULDN'T MAKE A LIVING ON THIS POORER LAND AND HAD TO MOVE ON. MOST OF THESE TRACTS WERE PICKED UP THROUGH DEFAULT AND OTHER MEANS AND ARE OWNED BY THE STATE TODAY. THE DESCENDANTS OF THE HOMESTEADERS ABLE TO SETTLE ON THE BETTER QUALITY LAND ARE FOR THE MOST PART STILL FARMING. AT THIS TIME, I WILL PRESENT SEVERAL EXAMPLES OF THE PRODUCTIVE DIFFERENCES BETWEEN DEEDED LANDS AND STATE LEASES IN OUR AREA.

11. ANYONE WHO KNOWS ABOUT LEGAL LAND DESCRIPTIONS WILL BE ABLE TO READILY TELL THAT THESE GRAPHIC EXAMPLES OF SOIL TYPE YIELD POTENTIAL ARE UP TO EIGHT MILES BETWEEN TRACTS. THESE TRACTS ARE ALL FROM THE AGRICULTURAL LEASES AND PRIVATE LANDS FROM ONE FARM. ALL DATA COMES FROM THE USDA SOIL TYPE SURVEY TEXT AND MAPS ON DANIELS AND ROOSEVELT COUNTIES. SOIL TYPES AND YIELD POTENTIAL OF THE SOIL TYPES ARE STATED IN THE SURVEY. PERCENTAGES OF SOIL TYPES WERE ESTIMATED BY ME FROM CLOSE INSPECTION OF THE SURVEYS.

EXHIBIT 14
DATE 3/24/93
HB 665

TESTIMONY
HOUSE BILL 665
EDUCATION AND CULTURAL RESOURCES
MARCH 24, 1993

CHAIRMAN HANSON AND MEMBERS OF THE HOUSE EDUCATION COMMITTEE,
FOR THE RECORD, MY NAME IS BRIAN HAGAN AND I REPRESENT THE LAND
MANAGEMENT COUNCIL. I OPPOSE HOUSE BILL 665.

I FARM STATE SCHOOL TRUST LAND IN WESTERN DANIELS COUNTY. THE
MAJORITY OF THE SOIL ON THIS LAND IS LABELED BY THE SOIL
CONSERVATION SERVICE AS TURNER SANDY LOAM. TURNER SANDY LOAM IS BE
DEFINITION, DROUGHTY. THIS SOIL IS CONSIDERED HIGHLY ERODIBLE AND
HAS A PRODUCTIVE CAPABILITY OF 12 TO 22 BUSHELS PER ACRE, FOR
SPRING WHEAT, UNDER A "HIGH LEVEL OF MANAGEMENT."

DANIELS COUNTY HAS 221,000 ACRES OF THIS SOIL, MOST OF IT
LOCATED IN THE WESTERN HALF OF THE COUNTY. MOST OF THE DANIELS
COUNTY'S STATE SCHOOL TRUST LAND IS ALSO LOCATED IN THE WESTERN
HALF OF THE COUNTY.

SINCE TURNER SAND IS HIGHLY ERODIBLE, MY CONSERVATION PLAN,
WHICH IS MANDATED BY THE FEDERAL GOVERNMENT, REQUIRES ME TO REDUCE
TILLAGE AND INCORPORATE MORE COSTLY CHEMICAL WEED CONTROL SYSTEMS.
SINCE THE FERTILITY OF THIS SOIL IS GENERALLY LOW, I FERTILIZE TO
ENHANCE BOTH PRODUCTION OF GRAIN AND RESIDUE. THE STATE BENEFITS
FROM THESE ADDITIONAL INPUTS EVEN THOUGH IT DOES NOT SHARE IN THE
COSTS.

IF HIGHER MINIMUM RATES FOR STATE LAND LEASES ARE ENACTED, MY
MARGIN WILL BE DECREASED SUBSTANTIALLY. IF I CAN NOT AFFORD TO
APPLY FERTILIZER, THE STATE'S RETURN WILL DECREASE. IF I CAN NOT

AFFORD TO APPLY APPROPRIATE CONSERVATION MEASURES, THE STATE'S RETURN WILL DECREASE. IF I, AND OTHER FARMERS IN WESTERN DANIELS COUNTY, ARE NOT ALLOWED TO MAKE A REASONABLE PROFIT, HOW CAN WE EXPECT OUR LOCAL ECONOMY TO PROSPER AND CONTRIBUTE TO MONTANA'S ECONOMIC RECOVERY?

I URGE A VOTE OF "DO NOT PASS" ON H.B. 665. THANK YOU FOR THE OPPORTUNITY TO EXPRESS MY CONCERN.

REVISED March 23, 1993

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

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

²The 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.

Response to comments by Terry Anderson/Miles Watts

Bruce Anderson, Bioeconomics, Inc.
March 23, 1993.

I appreciated receiving the thoughtful comments of Terry Anderson and Miles Watts on the recent report "Fair Market Value for State Grazing Leases" of which I was co-author. Dr. Anderson and Dr. Watts have obviously given the analysis some careful consideration. The following comments address some of their concerns, as well as some of the concerns I recently heard on a recording of the March 11th hearing for HB665. This note should help clear up some of the myth and misunderstanding about the report, and hopefully will provide some of the interested non-scientists with a better understanding of the analysis. Essentially, the most important aspects of the analysis can be found in the 8 page executive summary, which if you have not read, you might consider reading.

To begin, I would first like to point out that the conclusions of the report are do not rely on any single method or analysis. The conclusion that fair market value of state leases should average \$7.50-\$8.50 is supported by a variety of independent methods. These include the estimates provided by ranchers themselves, the use of a statistical "hedonic" model, the lease rates of competitively bid state leases, comparison with leasing in other states, comparison with BIA leasing, relative values of "per acre" private leases and per acre returns on state leases, and literature review. All of these approaches independently suggest a similar range of values.

While there is room for some technical debate about the various methods, the breadth and strength of the analysis does provide compelling evidence that fair market value of state leases is on the order \$7.50- \$8.50/AUM. Dr. Anderson concurs that state leases are likely to be below fair market value, though questions the amount.

I. "Important variables were not considered."

Many individuals expressed concern that all the relevant variables had not been considered. This is certainly a legitimate concern. The survey was comprehensive, developed by a strong team including Brian Sindelar, Jim Almond, Brian Hansen, John Duffield, and others. Over 150 factors were measured, including services like fence construction, fence maintenance, water development, land productivity, water quantity/quality, forage quantity/quality, weed control, animal weight gains, animal survival, conception rates, inholding status, lease terms, public access, irrigation, leasing from relative, etc. The list is comprehensive, if not exhaustive. I would like to emphasis that all variables in the survey were considered as potentially important in estimating lease values. None were omitted from consideration in the analysis. Individuals concerned that some factors were not evaluated perhaps reached this conclusion because some variables, such as public access or fence construction costs, were not present in the reported "hedonic" models. They are not present because, statistically speaking, they did not help explain lease values given the primary explanatory factors.

As Anderson/Watts have remarked, the hedonic model provides an good approach because it

OPI Testimony on Senate Bill 278

Senate Bill 278 addresses the responsibilities for, and the funding of, education for children attending children's psychiatric hospitals and residential treatment facilities (fondly referred to as House Bill 999 revisited). Significant components of Senate Bill 278 are as follows:

1. Refinancing -- This bill removes from the allowable costs for education those costs that are Medicaid reimbursable. The leveraging of education costs with federal Medicaid funds became possible because of a change in Medicaid regulations. These regulations were published in the *Federal Register* on November 20, 1992 and clarified in a letter from the Health Care Financing Administration received by our Medicaid Division of SRS on February 10, 1993.
2. Equity -- This bill corrects some of the unfairness of the current system by directing the funds to be distributed according to a proration based on numbers of students served in each of the facilities on an ongoing basis. Thus changes in enrollment will be reflected in changes to the level of funding in each of the facilities.
3. Funding -- The bill provides a supplementary source of funding for public school districts in the event the appropriations for education costs for children in in-patient treatment is insufficient to cover actual costs and the district where the facility is located becomes responsible for serving the children.
4. Grandfathering -- The bill includes a grandfathering clause for residential facilities.

This is just a general overview of this bill. I will be available for questions on particular features of the bill.

LIST OF MEMBERS OF THE SPECIAL EDUCATION FUNDING COMMISSION

REPRESENTATIVE RAY PECK
SPEC. ED. FUNDING COMMISSION
729 FOURTH AVE.
HAVRE MT 59501

BOB RICHARDS, SUPERINTENDENT
MILES CITY SCHOOL DISTRICT
1604 MAIN STREET
MILES CITY MT 59301

RICHARD MOE, SUPERINTENDENT
BOULDER PUBLIC SCHOOLS
P.O. BOX 176
BOULDER MT 59632

DOROTHY LAIRD, SUPERINTENDENT
FLATHEAD COUNTY SCHOOLS
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MALTA MT 59538

DUANE SYNOGROUND, SUPERINTENDENT
MELSTONE PUBLIC SCHOOLS
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MELSTONE MT 59054

DENNIS WILLIAMS, SUPERINTENDENT
CONRAD PUBLIC SCHOOLS
215 SOUTH MARYLAND
CONRAD MT 59425

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HAMILTON MT 59840

BILL HICKEY, DIRECTOR
WESTMONT COOPERATIVE
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ANACONDA MT 59711

NED LAIRD, DIRECTOR OF PUPIL
SERVICES
BILLINGS PUBLIC SCHOOLS
415 NORTH 30TH
BILLINGS MT 59101

KATHARIN KELKER, DIRECTOR
PARENTS LET'S UNITE FOR KIDS
EASTERN MONTANA COLLEGE
BILLINGS MT 59107

RICK DAVIS, PRINCIPAL
ELROD SCHOOL
412 3RD AVENUE WEST
KALISPELL MT 59901

BOB MILLER, ASST. PRINCIPAL
CR ANDERSON MIDDLE SCHOOL
1200 KNIGHT
HELENA MT 59601

STEVE RACKI, PRINCIPAL
BIGFORK HIGH SCHOOL
P.O. BOX 188
BIGFORK MT 59911

MIKE RICHTER, SCHOOL BOARD TRUSTEE
SCHOOL DISTRICT #18
P.O. BOX 528
VALIER MT 59486

MIKE KUPILIK
1929 35th ST
MISSOULA MT 59801

JUDE OBERST
SPEC. ED. FUNDING COMMISSION
312 BLAKE
HELENA MT 59601

PEG HUNTER
WARREN SCHOOL
2690 YORK ROAD
HELENA MT 59601

SARA LESTER
CM RUSSELL HIGH SCHOOL
228 17TH AVENUE N.W.
GREAT FALLS MT 59403

Fred Appelmann

EXHIBIT 19

DATE 3/24/93

SB 348

SB 348

Proponent

Jude Oberst

312 Blake

Helena, MT

4443891

My name is Jude Oberst, I have a 10 yr. old boy with special needs. I was parent rep. on the Commission. I believe SB 348 creates a model that is equitable, predictable, allows flexibility and decision-making at local levels. This bill reflects efforts of people who set aside self-interests (budgets) to devise a funding model that is good for kids.

As one of two consumers, as a parent who knows how important the educational environment is to my son's quality of life, I want to tell you what local control & flexibility means to spec.ed. SB 348 is a very important step away from the current system that reduces my son to a number in a category. It is a change in focus from funding based on head count to spending based on program development. Decisions will be made based on real kids with specific needs, not on meeting funding criteria. Embedded in the details of allow. costs/reimbursements in SB 348, there is real potential for admin/teachers/therapists to no longer be in a position where funding drives (or limits) their decisions - rather it allows them to apply their skills as educators to create better service delivery models.

I speak to you in support of SB 348 because I am optimistic that these changes will improve the educational environment for all kids in MT.

Joliet Public Schools

CLERK:
962-3541

DISTRICT NO. 7, CARBON COUNTY
JOLIET, MONTANA 59041
HOME OF THE J-HAWKS

ADMINISTRATION:
962-3541
FAX 962-3958

EXHIBIT 20
DATE 3/24/93
SB 348

March 8, 1993

Mr. Don Bidwell, Supt.
Belfry Public Schools
PO Box 28
Belfry, MT 59008

Dear Mr. Bidwell:

I am writing this letter in support of SB 348 sponsored by Halligan. The bill has recently been referred to the House. The bill deals with revising the special education fund distribution.

Few bills that are entered into the legislative hoppers have gone through such an extensive process of writing as SB 348 has. The writers of the bill have spent many hours to design a bill that is as equitable as possible in touching every school district in the state of Montana.

Any time that a change is made in funding and the "end dollar" is unchanged, it may appear that some districts are "winners" and some are "losers". I really do not know where Joliet School District will fall. I do know, however, that the people involved with the design of SB 348 did the best job possible and with the students of Montana in the foremost. I support their work, understanding of the problems involved, and appreciate the efforts they have put into the most equitable solution possible.

Thanks for hearing me out!

Sincerely yours,

Leo Lorenz Jr., Superintendent
Joliet School District #7

Don
This is a copy of a letter I sent
to Chairman Blaylock, v-chairman Fritz (of the
senate) and chairman Hansen & v-chairman
Ellis (of the House).

Just thought you'd like to see it.

Leo



Anaconda Public Schools

P.O. Box 1281
Anaconda, Montana 59711
Fax 563-7763

EXHIBIT 21
DATE 3/24/93
SB 348

MARY JO ORESKOVICH
SUPERINTENDENT
563-6361

BUSINESS OFFICE
Business Manager/Clerk
J.E. Corrigan
563-8277

SPECIAL SERVICES
Executive Director
Dr. William F. Hickey
563-5101

ANACONDA
HIGH SCHOOL
Principal, Earl Sager
563-5269
FAX: 563-5260

JUNIOR HIGH SCHOOL
Principal, Mike Thompson
563-6242

LINCOLN SCHOOL
Principal, Bob Lemelin
563-6141

W.K. DWYER PRIMARY
Principal, Nancy Stavanja
563-7365

W.K. DWYER
INTERMEDIATE
Principal, Stan Blaz
563-5562

HOUSE EDUCATION COMMITTEE
WEDNESDAY, MARCH 24TH
ROOM 312, 3:00 P.M.

Opponent of Senate Bill 348

Mr. Chairman and members of the Committee, for the record, my name is Kathy Schmidt. I am a teacher in the Anaconda Public Schools and am testifying on behalf of the children and educators of Anaconda. I recognize that there are problems with school finance and special education funding. I have a very strong concern that a simple redistribution of a short money pool is not going to solve the problems of special education finance or school finance.

There is a very strong need to revise special education funding, but this revision must be done in conjunction with a revision of the Foundation Program. It would be much easier to see how the parts of the funding fit together rather than taking each funding component separately. Senate Bill 348 may be incompatible with House Bill 667, but Senate Bill 348 may fit very nicely with Senate Bill 432. Simply stated, you cannot study the parts without considering the whole. Gestalt Psychology requires a study of the whole and not just the parts, that is what I am encouraging you to do.

I am totally for a system of school funding that accommodates both the needs of children with abilities and children with disabilities and has a strong element of taxpayer equity. In the mean time, some of my concerns with Senate Bill 348 are as follows:

1. There are no published simulations of the effects of the Block Grant System on Montana school districts. Who will win? Who will lose? Why did the district win or lose?
2. Published simulations may not be meaningful if the system of regular education finance is drastically changed. It would seem more logical to define the state foundation program and then define the special education component.
3. The Block Grant System does not take into account the pooling of handicapped children

in particular locations. There may be more handicapped children with socioeconomic problems in a large town and the pooling of handicapped children follows some definable factors. A town with socioeconomic problems and a prison, like Deer Lodge, may have a much higher rate of handicapped students than would a town like Big Fork due to the differences from a socioeconomic prospective. Does this system really take into account such difference in various populations?

4. This bill punishes school districts who have higher teacher salaries. The Block Grant favors lower salaried school districts. The reward or incentive is for less education and less experience within the teaching force.
5. The twenty-five percent match causes a competition between children with abilities and children with disabilities. The result in many school districts with less wealth is unequal educational opportunity for both populations.
6. This bill minimizes the state's responsibility for funding and services while it maximizes the responsibility of the local school district. Once again we see a continued shift in taxation from state resources to local resources. If this shift continues, it will cause unequal educational opportunity and unequal taxpayer effort.

I support change in school finance and change in special education finance, but I simply do not support this funding proposal without knowing the general school finance bill it is meant to augment. Without this type of information, I do not feel that we have improved on the current problems and have simply picked the wrong quick-fix. I appreciate the opportunity you have allowed me to express my concerns in opposition to Senate Bill 348.

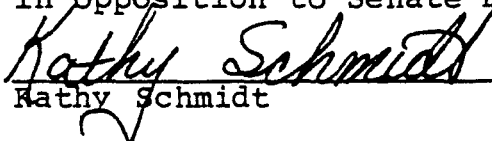

Kathy Schmidt

EXHIBIT 22
DATE 3/24/93
HB 665

HOUSE OF REPRESENTATIVES

Education and Cultural Resources COMMITTEE

ROLL CALL VOTE

DATE 3/24/93 BILL NO. HB 665 NUMBER _____

MOTION: DO PASS

NAME	AYE	NO
Rep. Ray Brandewie		✓
Rep. Fritz Daily		✓
Rep. Ervin Davis	✓	
Rep. Ed Dolezal	✓	
Rep. Dan Harrington	✓	
Rep. Jack Herron		✓
Rep. Bob Gervais	✓	
Rep. Bea McCarthy		✓
Rep. Scott McCulloch	✓	
Rep. Norm Mills		✓
Rep. Bill Rehbein		✓
Rep. Sam Rose		✓
Rep. Dick Simpkins		✓
Rep. Wilbur Spring		✓
Rep. Norm Wallin		✓
Rep. Diana Wyatt	✓	
Rep. Alvin Ellis		✓
Rep. Sonny Hanson		✓

4 12

EXHIBIT 23
DATE 3/24/93
HB 665

HOUSE OF REPRESENTATIVES

Education and Cultural Resources COMMITTEE

ROLL CALL VOTE

DATE 3/24/93 BILL NO. HB 665 NUMBER _____

MOTION: Table

NAME	AYE	NO
Rep. Ray Brandewie	✓	
Rep. Fritz Daily	✓	
Rep. Ervin Davis		✓
Rep. Ed Dolezal		✓
Rep. Dan Harrington		✓
Rep. Jack Herron	✓	
Rep. Bob Gervais		✓
Rep. Bea McCarthy	✓	
Rep. Scott McCulloch		✓
Rep. Norm Mills	✓	
Rep. Bill Rehbein	✓	
Rep. Sam Rose	✓	
Rep. Dick Simpkins	✓	
Rep. Wilbur Spring	✓	
Rep. Norm Wallin	✓	
Rep. Diana Wyatt		✓
Rep. Alvin Ellis	✓	
Rep. Sonny Hanson	✓	

**HOUSE OF REPRESENTATIVES
VISITOR REGISTER**

EDUCATION AND CULTURAL RESOURCES COMMITTEE

BILL NO. HB 665

DATE MARCH 24, 1993 SPONSOR(S) M. KADAS

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Robert Fouhy	Land Management Council		✓
BRIAN HAGAN	LAND MANAGEMENT COUNCIL		✓
John E. Lamm	Lessee of State Land		✓
R. A. Harwood	11 State Land		✓
GEN HARWOOD	lessee of State Land		✓
Bradley K Munson	lessee of State Land		✓
Larry E. Munson	State Land L2452		✓
Sam Hoffman	Ag. Preservation Assoc. + self		✓
Thomas Loftsgaard	Land Mgmt Council		✓
Kirk Anders	Bioeconomo, Inc		
Ed M. Coughlin	State Land Lessee		✓
Gene Compton	" "		✓
Jim Hillman	MSFA		✓
Steve Roth	State Land Lessee		✓

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

**HOUSE OF REPRESENTATIVES
VISITOR REGISTER**

Education & Cultural Resources COMMITTEE BILL NO. HR 665
DATE 3/24/93 SPONSOR(S) REP. KADAS

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
John Hurwood	Self lessee of state land		✓
Bob Stephens	MX - Grain Growers Ass'n		✓
Linda Nelson	Rep - HD 19		✓
Don Youngberg	MT Farm Bureau		✓
Lou Margaret	Self		✓
Don Tambo	Self		✓
Lee Jacobsen	Self		✓
Robert Evans	"		✓
George Evans	"		✓

**PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS
ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.**

**HOUSE OF REPRESENTATIVES
VISITOR REGISTER**

EDUCATION AND CULTURAL RESOURCES COMMITTEE

BILL NO. SB 278

DATE MARCH 24, 1993 SPONSOR(S) C. CHRISTIAENS

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Alice Spindler	NCLRC		X
Claudia Morley	Intermountain Children's Home	✓	
Robert Rankel	OPI	X	
Maion Evenson	Helena Dist #1	X	
Henry Wertheimer	Utica Mont		X
Gary Steuerwald	Billings Public Schools	✓	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

**HOUSE OF REPRESENTATIVES
VISITOR REGISTER**

EDUCATION AND CULTURAL RESOURCES

COMMITTEE

BILL NO. SB 348

DATE MARCH 24, 1993

SPONSOR(S) M. HALLIGAN

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Gail Cleveland	MCASE Mt. Council of Admin. Spec Ed	✓	
Judith Gosnell-Lamb	Big Sky Coop		✓
Kathy Schmidt	Anaconda Public Schools		✓
Vern Barkell	Yellowstone-West/Carbon Coop	✓	
Larry Steen	Stillwater/Sunset Gar. Coop	✓	
William Meekins	Browning School 2	✓	
Leonard Roth	E. Yllwstn. Cnty. Sp Ed Coop	✓	
Elaine Colie Spindler	NCLRC		✓
Joe Padden	NCLRC		✓
Smara Strong	Evergreen/Bigfork/Helena Flats	✓	
Pat Boyer	Bozeman Schools	✓	
Charles Morley	Intermountain Child. Home	✓	
Steve Gault	Charlo Schools	✓	
Fred Popolamano	W.C.S. Area Ed. Coop	✓	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

**HOUSE OF REPRESENTATIVES
VISITOR REGISTER**

Education & Cultural Resources COMMITTEE

BILL NO.

SB 348

DATE 3/24/03

SPONSOR(S) & SEN. HAUGAN

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
William Pellant	citizen	✓	
Tim Miller	Butteroot Valley Coop	✓	
Mary Hedgcock	Lincoln Co. Sup't of Schools	✓	
Jude Oberst	Parents	✓	
Bob Runkel	OPI	✓	
Kelly Evans	Summit Ed. Coop	✓	
Paul Jorg	OPD	✓	
Morothy Laird	Flathead County Sup't.	✓	
Marion Eversen	Helena Dist #1	✓	
Don Waldron	MREA	✓	
Gary Steuerwald	Billings Public Schools	✓	
Phil Campbell	MEA	✓	
Larry Fishbein	Great Falls Public Schools	✓	
Loran Fryer	SAH	✓	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

HOUSE OF REPRESENTATIVES
VISITOR REGISTER

Education & Cultural Resources COMMITTEE BILL NO. SB 348
DATE 3/24/03 SPONSOR(S) SEN. HALLIGAN

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
<i>Lee Jackson</i>			<i>X</i>

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS
ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.