

HB 458 INTRODUCED BY GLASER, ET AL.
LEASE OF AGRICULTURAL LAND BASED ON AVERAGE CROP
VALUE

1/26 INTRODUCED
1/26 REFERRED TO AGRICULTURE, LIVESTOCK &
IRRIGATION
1/27 FISCAL NOTE REQUESTED
2/02 FISCAL NOTE RECEIVED
2/11 TABLED IN COMMITTEE

1 House BILL NO. 458
 2 INTRODUCED BY John Sandoz
 3 Chairman
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH A LEASE
 5 VALUE FOR AGRICULTURAL STATE LAND BASED ON AVERAGE CROP
 6 VALUE OF LAND IN THE COUNTY WHEREIN THE STATE LAND IS
 7 LOCATED; AND AMENDING SECTIONS 77-6-203, 77-6-209, 77-6-501,
 8 AND 77-6-506, MCA."

9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 Section 1. Section 77-6-501, MCA, is amended to read:

12 "77-6-501. Agricultural leases. (1) As to agricultural
 13 lands, all leases shall be continued or made upon a an
 14 average crop share value rental basis of not less than
 15 one-fourth 25% of the average annual value of crops to--the
 16 state--or--the--usual--landlord's--share--prevailing--in--the
 17 district, whichever is greater, produced on land in the
 18 county during the 3 years prior to the current year of the
 19 lease. The average crop value must be determined by
 20 multiplying the average annual production yield of the
 21 particular crop on all land in the county on which the crop
 22 was produced during the 3 years prior to the current year of
 23 the lease, as established by the Montana agricultural
 24 statistics service, United States department of agriculture,
 25 times the average price per unit of production for the

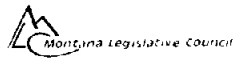
1 particular crop during the months of July, August, and
 2 September of the current year of the lease, also as
 3 established by the Montana agricultural statistics service,
 4 United States department of agriculture. The percentage of
 5 average crop value bid for land that is not cropped each
 6 year must reflect such cropping practice in accordance with
 7 rules adopted under 77-1-209.

8 (2) The board may, however, approve special average
 9 crop share value rentals of less than one-fourth 25% for
 10 high production cost crops such as but not limited to
 11 potatoes and sugar beets or for high production cost methods
 12 when these methods would result in more income to the state.
 13 The board may not delegate the authority to approve such
 14 special average crop share value rentals.

15 (2)(3) If it is in the best interests of the state,
 16 the department may authorize a lease upon other basis than
 17 average crop share value, but in these cases the rental
 18 shall at least equal the value of the usual landlord's share
 19 prevailing in the district under similar circumstances, and
 20 the department shall set forth in the records the conditions
 21 of the case and the rental to be charged."

22 Section 2. Section 77-6-203, MCA, is amended to read:

23 "77-6-203. Bid deposit. (1) A person bidding for the
 24 lease of state lands shall deposit with the department, as
 25 evidence of good faith, a certified check, cashier's check,



1 or money order in an amount equal to 20% of the annual
 2 rental bid in the case of grazing land and an amount equal
 3 to \$1 per acre for each acre of agricultural land contained
 4 in the lease in the case of agricultural land on which the
 5 bid is made on a an average crop share value basis.

6 (2) The department shall retain the deposit of the
 7 successful bidder, apply it on the rental for the first year
 8 of the lease only, and return any balance of the deposit at
 9 the end of the first year to the successful bidder. The
 10 department shall return the deposits of the unsuccessful
 11 bona fide bidders. If the department finds a bid has been
 12 submitted that is frivolous, forged, or a bad faith bid or a
 13 bid submitted for purposes of harassment, the deposit is
 14 forfeited. The department shall make a reasonable attempt to
 15 notify the bidder in writing of the forfeiture and reasons
 16 therefor.

17 (3) If the successful bidder fails to execute the
 18 lease for any reason, his deposit shall be forfeited.

19 (4) The department shall credit all forfeited deposits
 20 to the interest and income account of the proper trust."

21 Section 3. Section 77-6-209, MCA, is amended to read:

22 "77-6-209. Change from grazing lease to agricultural
 23 lease. (1) When land is leased for grazing purposes and the
 24 lessee desires to cultivate any part of the land, he shall,
 25 before doing any such cultivation, make application to the

1 department stating how much land he desires to cultivate and
 2 showing the location in the section of the land and agree
 3 that for the remainder of the term of the lease the annual
 4 rental shall be at the rate of the original lease until such
 5 time as the first crop is harvested from the cultivated
 6 portion of the lease. At the time of the first harvest, the
 7 lease shall be at the original rate for that portion
 8 remaining as grazing land plus the average crop share value
 9 rental for that portion cultivated. If any person cultivates
 10 lands leased for grazing purposes without first securing the
 11 right to do so under this section, the department shall
 12 either cancel the lease, subject to the appeal procedure
 13 provided in 77-6-211, or require the lessee to pay twice the
 14 regular agricultural rental on the land so cultivated in
 15 addition to the grazing rental.

16 (2) The provisions of this section shall be
 17 incorporated in every lease."

18 Section 4. Section 77-6-506, MCA, is amended to read:

19 "77-6-506. Date when rental due -- cancellation for
 20 nonpayment. (1) For grazing leases, the grazing portion of
 21 leases containing both agricultural and grazing land, and
 22 agricultural leases not based on a an average crop share
 23 value, the rental for the first year of the lease shall be
 24 paid at or before the time of the execution of the lease;
 25 however, in the case of leases which take effect on and

1 after October 1 and before the expiration of the coming
 2 February, both the rental for the fractional year and for
 3 the next full year beginning March 1 shall be paid and
 4 collected at the time of issuing the lease. If the United
 5 States is the lessee of state lands for grazing purposes,
 6 the rental shall be payable at the end of each year of the
 7 lease. The rental for each succeeding year on leases
 8 hereafter issued, with the exception of leases wherein the
 9 United States is the lessee, is due and payable before March
 10 1, and if not paid by April 1 the entire lease is canceled.

11 (2) For agricultural leases and the agricultural
 12 portion of leases containing both grazing and agricultural
 13 land, when the rental is paid on a an average crop share
 14 value basis or on a an average crop ~~share~~/cash value/cash
 15 basis, the rental is due in cash on or before November 15 of
 16 the year in which the crop is harvested. If the rental is
 17 not paid on or before December 31 of the year in which the
 18 crop is harvested, the entire lease is canceled. The
 19 department may extend the deadline in writing. If the lessee
 20 does not make the rental payment by the date of extension,
 21 the entire lease is canceled.

22 (3) At least 2 weeks prior to the final deadline for
 23 payment under subsection (1) or (2), the department shall
 24 send by certified mail to each lessee who has not made
 25 payment a letter notifying the lessee that the lease is

1 canceled if payment is not received by the final deadline.
 2 The notice shall be sent to the lessee at the address given
 3 in the lease.

4 (4) When a lease is canceled under subsection (1) or
 5 (2), the department shall notify the lessee of the
 6 cancellation by letter at the address given in the lease.
 7 The land is then open for lease to applicants."

8 NEW SECTION. Section 5. Extension of authority. Any
 9 existing authority of the board of land commissioners to
 10 make rules on the subject of the provisions of this act is
 11 extended to the provisions of this act.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB458, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

This bill would convert crop share leases on state land to a cash lease based on average crop value in the county.

ASSUMPTIONS:

1. The proposed legislation would provide an equitable method of setting rentals on state-owned agricultural lands.
2. All information used in determining rentals will be based on data provided by the Montana Agricultural Statistics Service, U.S.D.A..
3. All state land would be leased and cropped to capacity.

FISCAL IMPACT:

	FY88			FY89		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
<u>Revenues:</u>						
Permanent						
Trust Fund	\$ 4,393,681	\$14,800,000	\$10,406,316	\$ 4,393,681	\$14,800,000	\$10,406,316

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The increase in lease costs will probably reduce the number of leases. When this happens, the amount of additional revenue deposited in the trust fund will also decrease.

TECHNICAL OR MECHANICAL DEFECTS IN PROPOSED LEGISLATION OR CONFLICTS WITH EXISTING LEGISLATION:

The bill creates a double averaging of the values of crops (Section 1). The bill requires three years of average annual crop value. Then it defines average annual crop value as computed on three years prior data, which results in an average of averages.

The data to set the price of leases is not available on a timely basis. The rental rate set forth in Section 1 does not account for cropping practices. Section 1 does not adequately allow for summer fallow or land that is not in production to be reflected in the calculation of rental value.

David L. Hunter

DATE

1/21/87

DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

William Glaser

DATE

Feb 2, 87

WILLIAM GLASER, PRIMARY SPONSOR

Fiscal Note for HB458, as introduced.

HB 458