

SENATE BILL NO. 305
INTRODUCED BY JERGESON

IN THE SENATE

FEBRUARY 1, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON AGRICULTURE, LIVESTOCK & IRRIGATION. FIRST READING.
FEBRUARY 7, 1989	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
FEBRUARY 8, 1989	PRINTING REPORT.
FEBRUARY 9, 1989	SECOND READING, DO PASS.
FEBRUARY 10, 1989	ENGROSSING REPORT.
FEBRUARY 11, 1989	THIRD READING, PASSED. AYES, 46; NOES, 0. TRANSMITTED TO HOUSE.

IN THE HOUSE

FEBRUARY 11, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON NATURAL RESOURCES.
FEBRUARY 20, 1989	FIRST READING.
MARCH 7, 1989	COMMITTEE RECOMMEND BILL BE CONCURRED IN AS AMENDED. REPORT ADOPTED.
MARCH 11, 1989	SECOND READING, CONCURRED IN AS AMENDED.
MARCH 14, 1989	THIRD READING, CONCURRED IN. AYES, 97; NOES, 1. RETURNED TO SENATE WITH AMENDMENTS.

IN THE SENATE

APRIL 1, 1989

RECEIVED FROM HOUSE.

SECOND READING, AMENDMENTS
CONCURRED IN.

APRIL 4, 1989

THIRD READING, AMENDMENTS
CONCURRED IN.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 State BILL NO. 305
2 INTRODUCED BY Ferguson
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING A STATE LAND
5 LESSEE WHO WISHES TO ENTER THE LAND IN THE FEDERAL
6 CONSERVATION RESERVE PROGRAM TO VOLUNTARILY TERMINATE THE
7 STATE LEASE PRIOR TO THE EXPIRATION DATE SO THAT THE LEASE,
8 UPON RENEWAL, MAY RUN CONCURRENTLY WITH THE FEDERAL PROGRAM;
9 PROVIDING THAT A VOLUNTARILY TERMINATED LEASE IS SUBJECT TO
10 THE SAME COMPETITIVE BIDDING PROCESS AS A RENEWAL LEASE;
11 AMENDING SECTIONS 77-6-109, 77-6-110, 77-6-204, AND
12 77-6-205, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

13
14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

15 NEW SECTION. Section 1. Voluntary termination of
16 lease to allow concurrence with federal conservation reserve
17 program -- competitive bidding required. (1) A lessee of
18 state land who wishes to enter the state land in the federal
19 conservation reserve program may request voluntary
20 termination of the remainder of the lease prior to scheduled
21 expiration in order to seek a renewal lease that will run
22 concurrently with the federal program. The lessee shall
23 apply for voluntary termination to the department on a form
24 prescribed by the department. The form must specify:

25 (a) the name of the lessee and a designation of the

1 leased land for which voluntary termination is sought;

2 (b) the scheduled termination date of the lease; and

3 (c) the term of eligibility of the land under the
4 federal conservation reserve program.

5 (2) Upon receipt of a proper application, the
6 department shall terminate the remainder of the lease. When
7 a request for voluntary termination is granted, the
8 department shall fulfill the notification requirements of
9 77-6-204, and the lease is subject to the same competitive
10 bidding process as renewal leases under 77-6-205. However,
11 the lessee requesting voluntary termination retains the
12 preference right allowed under 77-6-205.

13 (3) If a lease renewal is granted pursuant to 77-6-205
14 to a lessee who has requested voluntary termination under
15 this section, the term of the renewal lease must coincide
16 with the term of eligibility under the federal conservation
17 reserve program.

18 **Section 2.** Section 77-6-109, MCA, is amended to read:

19 "77-6-109. Duration of lease. No Except as provided in
20 [section 1], a lease to for agricultural or grazing lands
21 may not be for a period other than 5 or 10 years. Leases for
22 city lots, town lots, and lands valuable for commercial
23 development may not exceed 40 years."

24 **Section 3.** Section 77-6-110, MCA, is amended to read:

25 "77-6-110. Lease expiration dates. At Except as

1 provided in [section 1], all leases for agricultural lands,
 2 grazing lands issued after February 27, 1939, no matter on
 3 what date issued, shall expire on February 28 within 10
 4 years from the date on which the lease becomes effective."

5 **Section 4.** Section 77-6-204, MCA, is amended to read:

6 "77-6-204. Notification of termination of lease. When
 7 a lease expires, or is canceled, or is voluntarily
 8 terminated under [section 1], the department shall
 9 immediately notify the holder of the lease and all persons
 10 who have expressed an interest in leasing the land during or
 11 immediately preceding the term of the expired, or canceled,
 12 or terminated lease."

13 **Section 5.** Section 77-6-205, MCA, is amended to read:

14 "77-6-205. Renewal leases. (1) A lessee of state land
 15 classed as agricultural, grazing, town lot, city lot, or
 16 land valuable for commercial development who has paid all
 17 rentals due from him to the state or who has voluntarily
 18 terminated a lease under [section 1] is entitled to have his
 19 lease renewed for a period not to exceed the maximum lease
 20 period provided in 77-6-109 at any time within 30 days prior
 21 to its expiration or within 30 days following voluntary
 22 termination if no other applications for lease of the land
 23 have been received 30 days prior to the expiration of his
 24 lease or within 30 days following voluntary termination. The
 25 renewal shall be at the rental rate provided by law for the

1 renewal period and subject to any other conditions at the
 2 time of the renewal imposed by law as terms of the lease.
 3 Except as provided in 77-6-212, if other applications have
 4 been received, the holder of the lease has the preference
 5 right to lease the land covered by his former lease by
 6 meeting the highest bid made by any other applicant.
 7 Applications for lease of lands in this section shall be
 8 given preference in the order of their receipt at the office
 9 of the department.

10 (2) The board shall accept the highest bid. If the
 11 lessee exercises the preference right and believes the bid
 12 to be excessive, he may request an administrative hearing.
 13 Such The request must contain a statement of reasons why the
 14 lessee believes the bid not to be in the state's best
 15 interest and must be accompanied by a deposit equal to 20%
 16 of the competitive bid in the case of grazing lands and \$1
 17 per acre in the case of agricultural lands. The department
 18 shall grant the request for a hearing if it determines that
 19 the statement indicates evidence that the bid may not be in
 20 the state's best interests. The board may, after the
 21 hearing, reduce the rental from the amount bid if the lessee
 22 shows that the bid is not in the best interest of the state
 23 because it is above community standards for a lease of such
 24 land, would cause damage to the tract, or impair its
 25 long-term productivity. If the board reduces the bid, it

1 shall set forth its findings and conclusions in writing and
2 so inform the lessee and competitive bidder. It is the duty
3 of the board to secure the best lessees possible, so that
4 the state may receive the maximum return possible with the
5 least injury occurring to the land.

6 (3) A renewal lease may be canceled pursuant to
7 77-6-113, 77-6-208, 77-6-209, or 77-6-210 for a violation by
8 the lessee that occurred during the previous lease term but
9 no more than 3 years prior to the date on which the notice
10 of cancellation required by 77-6-210 is issued.
11 Cancellation procedures instituted but not completed before
12 renewal are applicable to the renewal lease.

13 (4) A renewal lease may be voluntarily terminated
14 pursuant to [section 1]."

15 NEW SECTION. Section 6. Codification instruction.
16 [Section 1] is intended to be codified as an integral part
17 of Title 77, chapter 6, and the provisions of Title 77,
18 chapter 6, apply to [section 1].

19 NEW SECTION. Section 7. Extension of authority. Any
20 existing authority to make rules on the subject of the
21 provisions of [this act] is extended to the provisions of
22 [this act].

23 NEW SECTION. Section 8. Effective date. [This act] is
24 effective on passage and approval.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB305, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

SB305 would allow a state land lessee who wishes to enter the land in the federal Conservation Reserve Program to voluntarily terminate the state lease so that the lease may run concurrently with the federal program.

ASSUMPTIONS:

1. The Department of State Lands will absorb any costs associated with lease changes in its current appropriations.
2. There is no fiscal impact to the state from the proposed legislation.

Ray Shackelford 2/6/89
RAY SHACKLEFORD, BUDGET DIRECTOR DATE
OFFICE OF BUDGET AND PROGRAM PLANNING

Greg Jergeson 2/6/89
GREG JERGESON, PRIMARY SPONSOR DATE

Fiscal Note for SB305, as introduced

SB 305

APPROVED BY COMMITTEE
ON AGRICULTURE LIVESTOCK
& IRRIGATION

1 Senate BILL NO. 305
2 INTRODUCED BY Jerguson
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING A STATE LAND
5 LESSEE WHO WISHES TO ENTER THE LAND IN THE FEDERAL
6 CONSERVATION RESERVE PROGRAM TO VOLUNTARILY TERMINATE THE
7 STATE LEASE PRIOR TO THE EXPIRATION DATE SO THAT THE LEASE,
8 UPON RENEWAL, MAY RUN CONCURRENTLY WITH THE FEDERAL PROGRAM;
9 PROVIDING THAT A VOLUNTARILY TERMINATED LEASE IS SUBJECT TO
10 THE SAME COMPETITIVE BIDDING PROCESS AS A RENEWAL LEASE;
11 AMENDING SECTIONS 77-6-109, 77-6-110, 77-6-204, AND
12 77-6-205, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

13
14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

15 NEW SECTION. Section 1. Voluntary termination of
16 lease to allow concurrence with federal conservation reserve
17 program -- competitive bidding required. (1) A lessee of
18 state land who wishes to enter the state land in the federal
19 conservation reserve program may request voluntary
20 termination of the remainder of the lease prior to scheduled
21 expiration in order to seek a renewal lease that will run
22 concurrently with the federal program. The lessee shall
23 apply for voluntary termination to the department on a form
24 prescribed by the department. The form must specify:

25 (a) the name of the lessee and a designation of the

1 leased land for which voluntary termination is sought;

2 (b) the scheduled termination date of the lease; and

3 (c) the term of eligibility of the land under the
4 federal conservation reserve program.

5 (2) Upon receipt of a proper application, the
6 department shall terminate the remainder of the lease. When
7 a request for voluntary termination is granted, the
8 department shall fulfill the notification requirements of
9 77-6-204, and the lease is subject to the same competitive
10 bidding process as renewal leases under 77-6-205. However,
11 the lessee requesting voluntary termination retains the
12 preference right allowed under 77-6-205.

13 (3) If a lease renewal is granted pursuant to 77-6-205
14 to a lessee who has requested voluntary termination under
15 this section, the term of the renewal lease must coincide
16 with the term of eligibility under the federal conservation
17 reserve program.

18 Section 2. Section 77-6-109, MCA, is amended to read:

19 "77-6-109. Duration of lease. No Except as provided in
20 [section 1], a lease to for agricultural or grazing lands
21 may not be for a period other than 5 or 10 years. Leases for
22 city lots, town lots, and lands valuable for commercial
23 development may not exceed 40 years."

24 Section 3. Section 77-6-110, MCA, is amended to read:

25 "77-6-110. Lease expiration dates. All Except as

provided in [section 1], all leases for agricultural lands, grazing lands issued after February 27, 1939, no matter on what date issued, shall expire on February 28 within 10 years from the date on which the lease becomes effective."

Section 4. Section 77-6-204, MCA, is amended to read:

"77-6-204. Notification of termination of lease. When a lease expires, or is canceled, or is voluntarily terminated under [section 1], the department shall immediately notify the holder of the lease and all persons who have expressed an interest in leasing the land during or immediately preceding the term of the expired, or canceled, or terminated lease."

Section 5. Section 77-6-205, MCA, is amended to read:

"77-6-205. Renewal leases. (1) A lessee of state land classed as agricultural, grazing, town lot, city lot, or land valuable for commercial development who has paid all rentals due from him to the state or who has voluntarily terminated a lease under [section 1] is entitled to have his lease renewed for a period not to exceed the maximum lease period provided in 77-6-109 at any time within 30 days prior to its expiration or within 30 days following voluntary termination if no other applications for lease of the land have been received 30 days prior to the expiration of his lease or within 30 days following voluntary termination. The renewal shall be at the rental rate provided by law for the

renewal period and subject to any other conditions at the time of the renewal imposed by law as terms of the lease. Except as provided in 77-6-212, if other applications have been received, the holder of the lease has the preference right to lease the land covered by his former lease by meeting the highest bid made by any other applicant. Applications for lease of lands in this section shall be given preference in the order of their receipt at the office of the department.

(2) The board shall accept the highest bid. If the lessee exercises the preference right and believes the bid to be excessive, he may request an administrative hearing. Such ~~The~~ request must contain a statement of reasons why the lessee believes the bid not to be in the state's best interest and must be accompanied by a deposit equal to 20% of the competitive bid in the case of grazing lands and \$1 per acre in the case of agricultural lands. The department shall grant the request for a hearing if it determines that the statement indicates evidence that the bid may not be in the state's best interests. The board may, after the hearing, reduce the rental from the amount bid if the lessee shows that the bid is not in the best interest of the state because it is above community standards for a lease of such land, would cause damage to the tract, or impair its long-term productivity. If the board reduces the bid, it

1 shall set forth its findings and conclusions in writing and
2 so inform the lessee and competitive bidder. It is the duty
3 of the board to secure the best lessees possible, so that
4 the state may receive the maximum return possible with the
5 least injury occurring to the land.

6 (3) A renewal lease may be canceled pursuant to
7 77-6-113, 77-6-208, 77-6-209, or 77-6-210 for a violation by
8 the lessee that occurred during the previous lease term but
9 no more than 3 years prior to the date on which the notice
10 of cancellation required by 77-6-210 is issued.
11 Cancellation procedures instituted but not completed before
12 renewal are applicable to the renewal lease.

13 (4) A renewal lease may be voluntarily terminated
14 pursuant to [section 1]."

15 NEW SECTION. Section 6. Codification instruction.
16 [Section 1] is intended to be codified as an integral part
17 of Title 77, chapter 6, and the provisions of Title 77,
18 chapter 6, apply to [section 1].

19 NEW SECTION. Section 7. Extension of authority. Any
20 existing authority to make rules on the subject of the
21 provisions of [this act] is extended to the provisions of
22 [this act].

23 NEW SECTION. Section 8. Effective date. [This act] is
24 effective on passage and approval.

-End-

1 *Senate* BILL NO. *305*
2 INTRODUCED BY *Ferguson*
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING A STATE LAND
5 LESSEE WHO WISHES TO ENTER THE LAND IN THE FEDERAL
6 CONSERVATION RESERVE PROGRAM TO VOLUNTARILY TERMINATE THE
7 STATE LEASE PRIOR TO THE EXPIRATION DATE SO THAT THE LEASE,
8 UPON RENEWAL, MAY RUN CONCURRENTLY WITH THE FEDERAL PROGRAM;
9 PROVIDING THAT A VOLUNTARILY TERMINATED LEASE IS SUBJECT TO
10 THE SAME COMPETITIVE BIDDING PROCESS AS A RENEWAL LEASE;
11 AMENDING SECTIONS 77-6-109, 77-6-110, 77-6-204, AND
12 77-6-205, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

13
14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

15 NEW SECTION. **Section 1.** voluntary termination of
16 lease to allow concurrence with federal conservation reserve
17 program -- competitive bidding required. (1) A lessee of
18 state land who wishes to enter the state land in the federal
19 conservation reserve program may request voluntary
20 termination of the remainder of the lease prior to scheduled
21 expiration in order to seek a renewal lease that will run
22 concurrently with the federal program. The lessee shall
23 apply for voluntary termination to the department on a form
24 prescribed by the department. The form must specify:

25 (a) the name of the lessee and a designation of the

1 leased land for which voluntary termination is sought;

2 (b) the scheduled termination date of the lease; and

3 (c) the term of eligibility of the land under the
4 federal conservation reserve program.

5 (2) Upon receipt of a proper application, the
6 department shall terminate the remainder of the lease. When
7 a request for voluntary termination is granted, the
8 department shall fulfill the notification requirements of
9 77-6-204, and the lease is subject to the same competitive
10 bidding process as renewal leases under 77-6-205. However,
11 the lessee requesting voluntary termination retains the
12 preference right allowed under 77-6-205.

13 (3) If a lease renewal is granted pursuant to 77-6-205
14 to a lessee who has requested voluntary termination under
15 this section, the term of the renewal lease must coincide
16 with the term of eligibility under the federal conservation
17 reserve program.

18 **Section 2.** Section 77-6-109, MCA, is amended to read:

19 "77-6-109. Duration of lease. No Except as provided in
20 [section 1], a lease to for agricultural or grazing lands
21 may not be for a period other than 5 or 10 years. Leases for
22 city lots, town lots, and lands valuable for commercial
23 development may not exceed 40 years."

24 **Section 3.** Section 77-6-110, MCA, is amended to read:

25 "77-6-110. Lease expiration dates. All Except as

provided in [section 1], all leases for agricultural lands, grazing lands issued after February 27, 1939, no matter on what date issued, shall expire on February 28 within 10 years from the date on which the lease becomes effective."

Section 4. Section 77-6-204, MCA, is amended to read:

"77-6-204. Notification of termination of lease. When a lease expires, or is canceled, or is voluntarily terminated under [section 1], the department shall immediately notify the holder of the lease and all persons who have expressed an interest in leasing the land during or immediately preceding the term of the expired, or canceled, or terminated lease."

Section 5. Section 77-6-205, MCA, is amended to read:

"77-6-205. Renewal leases. (1) A lessee of state land classed as agricultural, grazing, town lot, city lot, or land valuable for commercial development who has paid all rentals due from him to the state or who has voluntarily terminated a lease under [section 1] is entitled to have his lease renewed for a period not to exceed the maximum lease period provided in 77-6-109 at any time within 30 days prior to its expiration or within 30 days following voluntary termination if no other applications for lease of the land have been received 30 days prior to the expiration of his lease or within 30 days following voluntary termination. The renewal shall be at the rental rate provided by law for the

renewal period and subject to any other conditions at the time of the renewal imposed by law as terms of the lease. Except as provided in 77-6-212, if other applications have been received, the holder of the lease has the preference right to lease the land covered by his former lease by meeting the highest bid made by any other applicant. Applications for lease of lands in this section shall be given preference in the order of their receipt at the office of the department.

(2) The board shall accept the highest bid. If the lessee exercises the preference right and believes the bid to be excessive, he may request an administrative hearing. Such The request must contain a statement of reasons why the lessee believes the bid not to be in the state's best interest and must be accompanied by a deposit equal to 20% of the competitive bid in the case of grazing lands and \$1 per acre in the case of agricultural lands. The department shall grant the request for a hearing if it determines that the statement indicates evidence that the bid may not be in the state's best interests. The board may, after the hearing, reduce the rental from the amount bid if the lessee shows that the bid is not in the best interest of the state because it is above community standards for a lease of such land, would cause damage to the tract, or impair its long-term productivity. If the board reduces the bid, it

1 shall set forth its findings and conclusions in writing and
2 so inform the lessee and competitive bidder. It is the duty
3 of the board to secure the best lessees possible, so that
4 the state may receive the maximum return possible with the
5 least injury occurring to the land.

6 (3) A renewal lease may be canceled pursuant to
7 77-6-113, 77-6-208, 77-6-209, or 77-6-210 for a violation by
8 the lessee that occurred during the previous lease term but
9 no more than 3 years prior to the date on which the notice
10 of cancellation required by 77-6-210 is issued.
11 Cancellation procedures instituted but not completed before
12 renewal are applicable to the renewal lease.

13 (4) A renewal lease may be voluntarily terminated
14 pursuant to [section 1]."

15 NEW SECTION. Section 6. Codification instruction.
16 [Section 1] is intended to be codified as an integral part
17 of Title 77, chapter 6, and the provisions of Title 77,
18 chapter 6, apply to [section 1].

19 NEW SECTION. Section 7. Extension of authority. Any
20 existing authority to make rules on the subject of the
21 provisions of [this act] is extended to the provisions of
22 [this act].

23 NEW SECTION. Section 8. Effective date. [This act] is
24 effective on passage and approval.

-End-

STANDING COMMITTEE REPORT

March 7, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Natural Resources report that SENATE BILL 305 (third reading copy -- blue) be concurred in as amended .

Signed: _____

Bob Raney

Bob Raney, Chairman

[REP. GIACOMETTO WILL CARRY THIS BILL ON THE HOUSE FLOOR]

And, that such amendments read:

1. Title, line 9.

Following: "TO"

Insert: "A MINIMUM RENTAL RATE OF A 50% CROP SHARE AND"

2. Page 2, line 9.

Following: "to"

Insert: "a minimum rental rate of a 50% crop share and"

SB 305

HOUSE

531046SC.HBV

COMMITTEE OF THE WHOLE AMENDMENT
Senate Bill 305
Representative Bachini

March 9, 1989 2:52 pm
Page 1 of 1

Mr. Chairman: I move to amend Senate Bill 305 (third reading copy -- blue).

Signed: *Bob Bachini*
Representative Bachini

And, that such amendments to the committee on Natural Resources amendments dated March 7, 1989 to Senate Bill 305 read as follows:

1. Title, line 9.

Following: "TO"

Strike: "A MINIMUM RENTAL RATE OF A 50% CROP SHARE AND"

2. Page 2, line 9.

Following: "to"

Strike: "a minimum rental rate of a 50% crop share and"

ADOPT

REJECT

HOUSE

551452CW.HRT

SB 305 RT

SENATE BILL NO. 305

INTRODUCED BY JERGESON

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING A STATE LAND LESSEE WHO WISHES TO ENTER THE LAND IN THE FEDERAL CONSERVATION RESERVE PROGRAM TO VOLUNTARILY TERMINATE THE STATE LEASE PRIOR TO THE EXPIRATION DATE SO THAT THE LEASE, UPON RENEWAL, MAY RUN CONCURRENTLY WITH THE FEDERAL PROGRAM; PROVIDING THAT A VOLUNTARILY TERMINATED LEASE IS SUBJECT TO ~~A--MINIMUM--RENTAL--RATE--OF--A--50%--CROP--SHARE--AND~~ THE SAME COMPETITIVE BIDDING PROCESS AS A RENEWAL LEASE; AMENDING SECTIONS 77-6-109, 77-6-110, 77-6-204, AND 77-6-205, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

NEW SECTION. **Section 1.** Voluntary termination of lease to allow concurrence with federal conservation reserve program -- competitive bidding required. (1) A lessee of state land who wishes to enter the state land in the federal conservation reserve program may request voluntary termination of the remainder of the lease prior to scheduled expiration in order to seek a renewal lease that will run concurrently with the federal program. The lessee shall apply for voluntary termination to the department on a form prescribed by the department. The form must specify:

(a) the name of the lessee and a designation of the leased land for which voluntary termination is sought;

(b) the scheduled termination date of the lease; and

(c) the term of eligibility of the land under the federal conservation reserve program.

(2) Upon receipt of a proper application, the department shall terminate the remainder of the lease. When a request for voluntary termination is granted, the department shall fulfill the notification requirements of 77-6-204, and the lease is subject to ~~A--MINIMUM--RENTAL--RATE--OF--A--50%--CROP--SHARE--AND~~ the same competitive bidding process as renewal leases under 77-6-205. However, the lessee requesting voluntary termination retains the preference right allowed under 77-6-205.

(3) If a lease renewal is granted pursuant to 77-6-205 to a lessee who has requested voluntary termination under this section, the term of the renewal lease must coincide with the term of eligibility under the federal conservation reserve program.

Section 2. Section 77-6-109, MCA, is amended to read:

"77-6-109. Duration of lease. No Except as provided in [section 1], a lease ~~to~~ for agricultural or grazing lands may not be for a period other than 5 or 10 years. Leases for city lots, town lots, and lands valuable for commercial development may not exceed 40 years."

Section 3. Section 77-6-110, MCA, is amended to read:

"77-6-110. Lease expiration dates. All Except as provided in [section 1], all leases for agricultural lands, grazing lands issued after February 27, 1939, no matter on what date issued, shall expire on February 28 within 10 years from the date on which the lease becomes effective."

Section 4. Section 77-6-204, MCA, is amended to read:

"77-6-204. Notification of termination of lease. When a lease expires, or is canceled, or is voluntarily terminated under [section 1], the department shall immediately notify the holder of the lease and all persons who have expressed an interest in leasing the land during or immediately preceding the term of the expired, or canceled, or terminated lease."

Section 5. Section 77-6-205, MCA, is amended to read:

"77-6-205. Renewal leases. (1) A lessee of state land classed as agricultural, grazing, town lot, city lot, or land valuable for commercial development who has paid all rentals due from him to the state or who has voluntarily terminated a lease under [section 1] is entitled to have his lease renewed for a period not to exceed the maximum lease period provided in 77-6-109 at any time within 30 days prior to its expiration or within 30 days following voluntary termination if no other applications for lease of the land have been received 30 days prior to the expiration of his

lease or within 30 days following voluntary termination. The renewal shall be at the rental rate provided by law for the renewal period and subject to any other conditions at the time of the renewal imposed by law as terms of the lease. Except as provided in 77-6-212, if other applications have been received, the holder of the lease has the preference right to lease the land covered by his former lease by meeting the highest bid made by any other applicant. Applications for lease of lands in this section shall be given preference in the order of their receipt at the office of the department.

(2) The board shall accept the highest bid. If the lessee exercises the preference right and believes the bid to be excessive, he may request an administrative hearing. Such The request must contain a statement of reasons why the lessee believes the bid not to be in the state's best interest and must be accompanied by a deposit equal to 20% of the competitive bid in the case of grazing lands and \$1 per acre in the case of agricultural lands. The department shall grant the request for a hearing if it determines that the statement indicates evidence that the bid may not be in the state's best interests. The board may, after the hearing, reduce the rental from the amount bid if the lessee shows that the bid is not in the best interest of the state because it is above community standards for a lease of such

1 land, would cause damage to the tract, or impair its
2 long-term productivity. If the board reduces the bid, it
3 shall set forth its findings and conclusions in writing and
4 so inform the lessee and competitive bidder. It is the duty
5 of the board to secure the best lessees possible, so that
6 the state may receive the maximum return possible with the
7 least injury occurring to the land.

8 (3) A renewal lease may be canceled pursuant to
9 77-6-113, 77-6-208, 77-6-209, or 77-6-210 for a violation by
10 the lessee that occurred during the previous lease term but
11 no more than 3 years prior to the date on which the notice
12 of cancellation required by 77-6-211 is issued.
13 Cancellation procedures instituted but not completed before
14 renewal are applicable to the renewal lease.

15 (4) A renewal lease may be voluntarily terminated
16 pursuant to [section 1]."

17 NEW SECTION. **Section 6.** Codification instruction.
18 [Section 1] is intended to be codified as an integral part
19 of Title 77, chapter 6, and the provisions of Title 77,
20 chapter 6, apply to [section 1].

21 NEW SECTION. **Section 7.** Extension of authority. Any
22 existing authority to make rules on the subject of the
23 provisions of [this act] is extended to the provisions of
24 [this act].

25 NEW SECTION. **Section 8.** Effective date. [This act] is

1 effective on passage and approval.

-End-