

HOUSE BILL NO. 652

INTRODUCED BY LARSON, HARP, BENEDICT, BIRD,
BURNETT, BECK, PECK, BARDANOUVE, WANZENRIED,
BRANDEWIE, REAM, WAGNER, NATHE, SWIFT, FISHER,
PETERSON, ORR

IN THE HOUSE

FEBRUARY 20, 1993

INTRODUCED AND REFERRED TO COMMITTEE
ON APPROPRIATIONS.

FIRST READING.

MARCH 19, 1993

COMMITTEE RECOMMEND BILL
DO PASS AS AMENDED. REPORT ADOPTED.

MARCH 22, 1993

PRINTING REPORT.

MARCH 25, 1993

SECOND READING, DO PASS AS AMENDED.

ON MOTION, RULES SUSPENDED AND BILL
PLACED ON THIRD READING THIS DAY.

THIRD READING, PASSED.
AYES, 94; NOES, 4.

TRANSMITTED TO SENATE.

IN THE SENATE

MARCH 26, 1993

INTRODUCED AND REFERRED TO COMMITTEE
ON FINANCE & CLAIMS.

FIRST READING.

APRIL 7, 1993

COMMITTEE RECOMMEND BILL BE
CONCURRED IN AS AMENDED. REPORT
ADOPTED.

APRIL 8, 1993

SECOND READING, CONCURRED IN.

APRIL 12, 1993

THIRD READING, CONCURRED IN.
AYES, 48; NOES, 0.

RETURNED TO HOUSE WITH AMENDMENTS.

IN THE HOUSE

APRIL 14, 1993

SECOND READING, AMENDMENTS
CONCURRED IN.

APRIL 15, 1993

THIRD READING, AMENDMENTS
CONCURRED IN.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 House BILL NO. 552
 2 INTRODUCED BY Sen. HARP BENEDICT Dist. 1
 3 Perk Wagner NATHE BANJAN WENZEL BORR BEAN
 4 A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE AMOUNT
 5 OF REVENUE RETURNED TO THE SCHOOL TRUST BY ALLOCATING A
 6 PERCENTAGE OF INCOME RECEIVED FROM THE SALE OF TIMBER FROM
 7 STATE TRUST LANDS TO THE DEPARTMENT OF STATE LANDS TIMBER
 8 SALE PROGRAM TO BE USED TO INCREASE ACTIVITIES THAT WILL
 9 RESULT IN ADDITIONAL TIMBER SALES; CLARIFYING STATUTORY
 10 REFERENCES TO DEDUCTIONS MADE FOR THE DEVELOPMENT OF STATE
 11 LANDS; ELIMINATING THE TERMINATION DATE ON THE TIMBER SALE
 12 PROVISION; AMENDING SECTIONS 17-3-1003, 18-2-107, 20-25-422,
 13 77-1-606, 77-1-607, AND 77-1-608, MCA, AND SECTION 6,
 14 CHAPTER 14, SPECIAL LAWS OF JANUARY 1992; AND PROVIDING AN
 15 EFFECTIVE DATE."

16
 17 WHEREAS, the amount of timber harvested from state lands
 18 continues to decline; and

19 WHEREAS, the gap between the level of harvest and the
 20 biological sustained yield continues to grow; and

21 WHEREAS, the price of timber continues to escalate
 22 because of market conditions and reduced harvesting of
 23 federal timber; and

24 WHEREAS, Montana schools and other institutions face a
 25 continuing funding crisis; and

1 WHEREAS, the rate of return on timber sales is
 2 approximately 3 to 1; and

3 WHEREAS, the use of state trust lands is intended to
 4 provide the maximum dollar return to the trusts; and

5 WHEREAS, investment of a portion of the money from
 6 timber sales on state lands directly into activities that
 7 will result in additional sales being offered will result in
 8 more revenue flowing to the trusts.
 9

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

11 NEW SECTION. Section 1. Deduction of portion of income
 12 received from sale of timber from state trust lands --
 13 creation of account. (1) There is an account in the state
 14 special revenue fund. Six percent of the income received
 15 from the sale of timber from state trust lands must be
 16 deducted and placed in the account to the credit of the
 17 state timber sale program for use by the department in the
 18 manner set out in this section to enhance the revenue
 19 creditable to the trusts.

20 (2) Timber sale program funds deducted under subsection
 21 (1) must be directly applied to timber sale preparation and
 22 documentation.

23 (3) In order to increase the volume of timber sold at
 24 the earliest possible time while continuing to meet the
 25 requirements of applicable state and federal laws and in

order to avoid unnecessary delays and extra costs that would result from increasing its permanent staff, the department shall, if necessary to achieve a level of no net loss to the trusts, contract for services that will enable achievement of the purposes of this section.

(4) To maximize overall return to the trusts, the timely salvage of timber must be considered. However, salvage timber sales may not adversely affect the implementation of green timber sales programs.

(5) A timber purchaser who successfully bids on a contract to purchase timber from state trust lands shall deposit with the department 20% of the bid price as a downpayment prior to the award of the contract.

Section 2. Section 77-1-606, MCA, is amended to read:

"77-1-606. Restriction on use of income from school and institutional lands. Moneys Money in the resource development account created in 77-1-604 that is derived from the income from public school lands, university lands, agricultural college lands, scientific school lands, normal school lands, capitol building lands, or institutional lands ~~shall~~ must be expended by the department solely for the purpose of defraying the costs and expenses necessarily incurred in developing public lands of the same trust. If the board determines that public lands in a trust may be developed and moneys in the account from that trust are

insufficient to defray the necessary costs and expenses incurred, the board may transfer sufficient moneys from other trusts in the account. Trust accounts from which money is transferred ~~shall~~ must be reimbursed by a method approved by the board."

Section 3. Section 77-1-607, MCA, is amended to read:

"77-1-607. Deductions from income for development account -- ~~maximum percentage.~~ (1) The board shall determine the amount or percentage of income, not to exceed 2 1/2%, ~~which that~~ is necessary to achieve the purposes of this part and shall provide by rule for deductions of that amount or percentage from the income which is secured from the lands by the department for the trusts benefited by this part.

(2) The maximum percentage limitation in subsection (1) does not apply to income deducted and expended under the provisions of [section 1]."

Section 4. Section 77-1-608, MCA, is amended to read:

"77-1-608. Crediting of deductions. All deductions from gross proceeds made in accordance with 77-1-607(1) ~~shall~~ must be paid into the account, and the balance of the proceeds ~~shall~~ must be paid into the state treasury to the credit of the proper account."

Section 5. Section 17-3-1003, MCA, is amended to read:

"17-3-1003. Support of state institutions. (1) For the support and endowment of each state institution, there is

1 annually and perpetually appropriated, after any deductions
 2 made under Title 77, chapter 1, part 6, the income from all
 3 permanent endowments ~~therefor~~ for the institution and from
 4 all land grants as provided by law. All ~~moneys~~ money
 5 received or collected in connection with ~~such permanent~~
 6 endowments by all higher educational institutions,
 7 reformatory, custodial and penal institutions, state
 8 hospitals, and sanitariums, for any purpose whatever, except
 9 revenues pledged to secure the payment of principal and
 10 interest of obligations incurred for the purchase,
 11 construction, equipment, or improvement of facilities at
 12 units of the Montana university system and for the refunding
 13 of such obligations or ~~moneys--which--may~~ money that
 14 ~~constitute~~ constitutes temporary deposits, all or part of
 15 which may be subject to withdrawal or repayment, ~~shall~~ must
 16 be paid over to the state treasurer who shall deposit the
 17 ~~same money~~ to the credit of the proper fund.

18 (2) Except as provided in subsection (3), all money
 19 received from the investment of grants of a state
 20 institution and all money received from the leasing of lands
 21 granted to a state institution ~~shall~~ must be deposited with
 22 the state treasurer of Montana for each ~~of such institutions~~
 23 institution, to the credit of the state special revenue
 24 fund.

25 (3) All money received from the sale of timber from

1 lands granted to a state institution must be deposited to
 2 the credit of the permanent trust fund for the support of
 3 the institution."

4 **Section 6.** Section 18-2-107, MCA, is amended to read:

5 "18-2-107. Deposit of capitol building grant revenues.
 6 (1) The state treasurer ~~is hereby authorized and instructed~~
 7 to shall deposit in a capital projects fund all revenue from
 8 the capitol building land grant after any deductions made
 9 under Title 77, chapter 1, part 6.

10 (2) The funds ~~so accumulated shall~~ must be held and
 11 dedicated for the purpose of constructing capitol buildings
 12 or additions ~~thereto to buildings~~ in accordance with the
 13 provisions of section 12 of The Enabling Act."

14 **Section 7.** Section 20-25-422, MCA, is amended to read:

15 "20-25-422. Support of university of Montana. (1) For
 16 the support and endowment of the university there is
 17 annually and perpetually appropriated:

18 (a) the university fund income and all other sums of
 19 money appropriated by law ~~thereto to the university fund~~
 20 after any deductions made under Title 77, chapter 1, part 6;

21 (b) all tuition and matriculation fees; and

22 (c) all contributions derived from public or private
 23 bounty.

24 (2) The entire income of all ~~such the funds shall~~ must
 25 be placed at the disposal of the regents by transfer to its

1 treasurer and ~~shall~~ must be kept separate and distinct from
2 all other funds. The income ~~shall~~ must be used solely for
3 the support of the colleges and departments of the
4 university or those connected therewith with the university.

5 (3) All means derived from other public or private
6 bounty ~~shall~~ must be exclusively devoted to the specific
7 objects ~~for which they shall have been~~ designated by the
8 donor."

9 **Section 8.** Section 6, Chapter 14, Special Laws of
10 January 1992, is amended to read:

11 "Section 6. Effective date ~~---termination~~. [This act]
12 is effective on passage and approval, ~~---and---{sections---3~~
13 ~~through-5}-terminate-June-30, 1993.~~"

14 NEW SECTION. **Section 9.** Codification instruction.
15 [Section 1] is intended to be codified as an integral part
16 of Title 77, chapter 1, part 6, and the provisions of Title
17 77, chapter 1, part 6, apply to [section 1].

18 NEW SECTION. **Section 10.** Effective date. [This act] is
19 effective June 30, 1993.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0652, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION: An act increasing the amount of revenue returned to the school trust by allocating a percentage of income received from the sale of timber from state trust lands to the Department of State Lands timber sale program to be used to increase activities that will result in additional timber sales; clarifying statutory references to deductions made for the development of state lands; eliminating the termination date on the timber sale provision.

ASSUMPTIONS:

Department of State Lands (DSL)

1. The state land board is required to administer the school trust lands to secure the largest measure of legitimate reasonable advantage to the trust (77-1-202, MCA).
2. Under the direction of the state land board, DSL is authorized to sell timber and other forest products off of trust lands (77-5-201, MCA).
3. DSL will sell an additional 5 million board feet (MMBF) of timber annually as a result of this act, beginning in FY95.
4. Revenue estimates are based on estimates of additional timber volume contracted for sale as a result of this act.
5. The average price on previously sold timber was \$194/MMBF. Timber to be sold under the terms of this act will be \$170/MMBF. The difference is based on the 20% required down payment which will reduce the stumpage prices received.
6. No increase in stumpage prices over time.
7. The projected 6% of timber sale receipts that will fund this program are based on: a) existing sales that will be harvested at a variety of rates depending upon uncut volume and the contract end date; b) FY93 sales will be 50% harvested in FY94 and 50% in FY95; c) FY94 sales will be 50% harvested in FY95 and 50% in FY96; d) FY95 sales will be 50% harvested in FY96 and 50% in FY97.
8. The four foresters hired under this program will be grade 13 and the two resource specialists will be grade 14. 4% salary increases for FY94 and FY95 are included.
9. All positions will be filled by October 1, 1993.

Department of Administration

10. General Services Division, Department of Administration, is appropriated \$58,801 in FY94 and in FY95 from capital building grant revenues to perform capital projects.
11. Projected revenues to be deposited in the general fund debt service account that pays principal and interest on bond issues for executive, legislative, and judicial public buildings are \$843,199 in FY94 and \$834,199 in FY95.
12. Principal and interest debt service payments are statutorily appropriated.
13. If public building tracts are harvested, 94% of the revenues generated from the timber sales will be deposited in the general fund debt service account to pay principal and interest on bond issues for public buildings.

(continued on next page)

David Lewis 3-9-93
DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Don Larson 3/3/93
DON LARSON, PRIMARY SPONSOR DATE

Fiscal Note for HB0652, as introduced

HB 652

FISCAL IMPACT:
SL, Forestry Division

	FY '94			FY '95		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
<u>Expenditures:</u>						
FE	0	4.5	4.5	0	7.2	7.2
Personal Services	0	132,000	132,000	0	219,000	219,000
Operating expenses	0	37,000	37,000	0	74,000	74,000
Equipment	<u>0</u>	<u>47,000</u>	<u>47,000</u>	<u>0</u>	<u>70,000</u>	<u>70,000</u>
Total	0	216,000	216,000	0	363,000	363,000
<u>Revenues:</u>						
Value - added contracted timber volume:	0	0	0	0	850,000	850,000
<u>Net Impact:</u>			(216,000)			487,000

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES: The proposal would increase spending in local communities and sustain or increase the timber-dependent tax base.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION: The amount of timber that is contracted to sell from trust lands should increase by 5 MMBF annually beginning in FY95. This volume increase will increase timber sale receipts by about \$850,000.

TECHNICAL NOTES: The down payment requirement equaling 20% of the bid price, prior to the award of the contract, would require a potential purchaser to pay DSL before they have a signed contract that assures them timber stumpage in return. This needs to be changed so the 20% down payment is required when the contract is awarded, rather than prior to award.

STATE OF MONTANA - FISCAL NOTE

Form BD-15

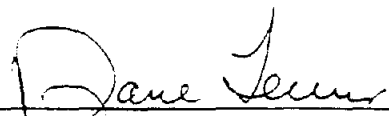
In compliance with a written request, there is hereby submitted a Revised Fiscal Note for HB0652, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION: An act increasing the amount of revenue returned to the school trust by allocating a percentage of income received from the sale of timber from state trust lands to the Department of State Lands timber sale program to be used to increase activities that will result in additional timber sales; clarifying statutory references to deductions made for the development of State Lands; eliminating the termination date on the timber sale provision.

ASSUMPTIONS:

1. The State Land Board is required to administer the school trust lands to secure the largest measure of legitimate reasonable advantage to the trust (77-1-202 MCA).
2. Under the direction of the State Land Board the Department of State Lands (DSL) is authorized to sell timber and other forest products off of trust lands (77-5-201 MCA).
3. DSL could sell an additional 5 million board feet (MMBF) of timber annually as a result of this act, beginning in FY 95.
4. DSL revenue estimates are based on conservative estimates of receipts from current and proposed timber sales.
5. DSL assumes an average price on previously sold timber is \$194/MBF and timber sold under the terms of this act would be \$170/MBF. This difference is based on the assumption that the 20% downpayment required by this act will reduce the stumpage prices received.
6. No increase in stumpage prices over time is assumed.
7. In estimating the 6% of timber sale receipts that would fund this program DSL assumed: existing sales would be harvested at a variety of rates depending on uncut volume and the contract end date; FY 93 sales would be 50% harvested in FY 94 and 50% in FY 95; 20% of FY 94 sales would be harvested in FY 94 (i.e. because of 20% downpayment); 30% harvested of FY 94 sales would be harvested in FY 95 and 50% in FY 96; 20% of FY 95 sales would be harvested in FY 95 (i.e. because of downpayment; 30% of FY 95 sales would be harvested in FY 96 and 50% in FY 97.
8. The four foresters hired under this program would be grade 13 and the two resource specialists would be grade 14. All the positions would be filled by the beginning of the second quarter, FY 94.
9. Because the exact locations of future timber sales are uncertain, the fiscal note assumes that the distribution of timber sale receipts among trusts would reflect the distribution of acreage among trusts (i.e. 68% of acres associated with the Common Schools Trust and 32% in others).

(Continued)

 3-17-93
DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

 3-27-93
DON LARSON, PRIMARY SPONSOR DATE

Revised Fiscal Note for HB0652, as introduced

HB 652 - #2

FISCAL IMPACT:

	FY '94			FY '95		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
<u>Expenditures</u>						
FTE	39.7	44.2	4.5	39.7	45.7	6.0
Personal Services	1,303,727	1,435,727	132,000	1,303,727	1,522,727	219,000
Operating expenses	155,443	190,943	35,500	155,443	230,943	75,500
Equipment	<u>16,360</u>	<u>112,860</u>	<u>96,500</u>	<u>16,360</u>	<u>33,860</u>	<u>17,500</u>
Total	1,475,530	1,742,530	267,000	1,475,530	1,787,530	312,000
<u>Funding</u>						
General Fund	1,475,530	1,475,530	0	1,475,530	1,475,530	0
State Special Revenue	<u>0</u>	<u>267,000</u>	<u>267,000</u>	<u>0</u>	<u>312,000</u>	<u>312,000</u>
Total	1,475,530	1,742,530	267,000	1,475,530	1,787,530	312,000
<u>Revenues</u>						
State Special Revenue	0	267,000	267,000	0	312,000	312,000
School Equalization	0	2,703,409	2,703,409	0	3,158,237	3,158,237
Permanent Trusts	<u>3,601,844</u>	<u>1,481,435</u>	<u>(2,120,409)</u>	<u>5,330,912</u>	<u>1,730,675</u>	<u>(3,600,237)</u>
Total	3,601,844	4,451,844	850,000	5,330,912	5,200,912	(130,000)
<u>Net Impact</u>						
Revenues minus expenditures	2,126,314	2,709,314	583,000	3,855,382	3,413,382	(442,000)

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION: The amount of timber that is contracted to sell from trust lands should increase by 5 MMBF annually beginning in FY 95. This increase in volume will increase timber sale receipts by about \$850,000 in FY 96 and beyond.

TECHNICAL NOTES: The requirement for 20% of the bid price as downpayment prior to the award of the contract would require a potential purchaser to pay the Department before they have a signed contract that assures them timber stumpage in return. This needs to be changed so the 20% downpayment is required when the contract is awarded, rather than prior to award. The Department is willing to draft an amendment to resolve this issue.

APPROVED BY COMMITTEE
ON APPROPRIATIONS

HOUSE BILL NO. 652

INTRODUCED BY LARSON, HARP, BENEDICT, BIRD,
BURNETT, BECK, PECK, BARDANOUVE, WANZENRIED,
BRANDEWIE, REAM, WAGNER, NATHE, SWIFT, FISHER,
PETERSON, ORR

A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE AMOUNT
OF REVENUE RETURNED TO THE SCHOOL TRUST BY ALLOCATING A
PERCENTAGE OF INCOME RECEIVED FROM THE SALE OF TIMBER FROM
STATE TRUST LANDS TO THE DEPARTMENT OF STATE LANDS TIMBER
SALE PROGRAM TO BE USED TO INCREASE ACTIVITIES THAT WILL
RESULT IN ADDITIONAL TIMBER SALES; CLARIFYING STATUTORY
REFERENCES TO DEDUCTIONS MADE FOR THE DEVELOPMENT OF STATE
LANDS; ELIMINATING THE TERMINATION DATE ON THE TIMBER SALE
PROVISION; AMENDING SECTIONS 17-3-1003, 18-2-107, 20-25-422,
77-1-606, 77-1-607, AND 77-1-608, MCA, AND SECTION 6,
CHAPTER 14, SPECIAL LAWS OF JANUARY 1992; AND PROVIDING AN
EFFECTIVE DATE."

WHEREAS, the amount of timber harvested from state lands
continues to decline; and

WHEREAS, the gap between the level of harvest and the
biological sustained yield continues to grow; and

WHEREAS, the price of timber continues to escalate
because of market conditions and reduced harvesting of

federal timber; and

WHEREAS, Montana schools and other institutions face a
continuing funding crisis; and

WHEREAS, the rate of return on timber sales is
approximately 3 to 1; and

WHEREAS, the use of state trust lands is intended to
provide the maximum dollar return to the trusts; and

WHEREAS, investment of a portion of the money from
timber sales on state lands directly into activities that
will result in additional sales being offered will result in
more revenue flowing to the trusts.

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

NEW SECTION. **Section 1.** Deduction of portion of income
received from sale of timber from state trust lands --
creation of account. (1) There is an account in the state
special revenue fund. Six percent of the income received
from the sale of timber from state trust lands must be
deducted and placed in the account to the credit of the
state timber sale program for use by the department in the
manner set out in this section to enhance the revenue
creditable to the trusts.

(2) Timber sale program funds deducted under subsection
(1) must be directly applied to timber sale preparation and
documentation.

(3) In order to increase the volume of timber sold at the earliest possible time while continuing to meet the requirements of applicable state and federal laws and in order to avoid unnecessary delays and extra costs that would result from increasing its permanent staff, the department ~~shall, if necessary, to achieve a level of no net loss to the trusts,~~ MAY contract for services that will enable achievement of the purposes of this section AND THAT WILL ACHIEVE THE HIGHEST NET RETURN TO THE TRUSTS.

(4) To maximize overall return to the trusts, the timely salvage of timber must be considered. However, salvage timber sales may not adversely affect the implementation of green timber sales programs.

(5) A timber purchaser who successfully bids on a contract to purchase timber from state trust lands shall deposit with the department 20% of the bid price as a downpayment ~~prior to the award of the contract~~ WHEN THE CONTRACT IS AWARDED.

Section 2. Section 77-1-606, MCA, is amended to read:

"77-1-606. Restriction on use of income from school and institutional lands. Moneys Money in the resource development account created in 77-1-604 that is derived from the income from public school lands, university lands, agricultural college lands, scientific school lands, normal school lands, capitol building lands, or institutional lands

~~shall must~~ be expended by the department solely for the purpose of defraying the costs and expenses necessarily incurred in developing public lands of the same trust. If the board determines that public lands in a trust may be developed and moneys in the account from that trust are insufficient to defray the necessary costs and expenses incurred, the board may transfer sufficient moneys from other trusts in the account. Trust accounts from which money is transferred ~~shall must~~ be reimbursed by a method approved by the board."

Section 3. Section 77-1-607, MCA, is amended to read:

"77-1-607. Deductions from income for development account -- maximum percentage. (1) The board shall determine the amount or percentage of income, not to exceed 2 1/2%, which that is necessary to achieve the purposes of this part and shall provide by rule for deductions of that amount or percentage from the income which is secured from the lands by the department for the trusts benefited by this part.

(2) The maximum percentage limitation in subsection (1) does not apply to income deducted and expended under the provisions of [section 1]."

Section 4. Section 77-1-608, MCA, is amended to read:

"77-1-608. Crediting of deductions. All deductions from gross proceeds made in accordance with 77-1-607(1) ~~shall~~ must be paid into the account, and the balance of the

proceeds ~~shall~~ must be paid into the state treasury to the credit of the proper account."

Section 5. Section 17-3-1003, MCA, is amended to read:

"17-3-1003. Support of state institutions. (1) For the support and endowment of each state institution, there is annually and perpetually appropriated, after any deductions made under Title 77, chapter 1, part 6, the income from all permanent endowments therefor for the institution and from all land grants as provided by law. All ~~moneys~~ money received or collected in connection with such permanent endowments by all higher educational institutions, reformatory, custodial and penal institutions, state hospitals, and sanitariums, for any purpose whatever, except revenues pledged to secure the payment of principal and interest of obligations incurred for the purchase, construction, equipment, or improvement of facilities at units of the Montana university system and for the refunding of such obligations or ~~moneys--which--may~~ money that constitute constitutes temporary deposits, all or part of which may be subject to withdrawal or repayment, ~~shall~~ must be paid over to the state treasurer who shall deposit the same money to the credit of the proper fund.

(2) Except as provided in subsection (3), all money received from the investment of grants of a state institution and all money received from the leasing of lands

granted to a state institution ~~shall~~ must be deposited with the state treasurer of Montana for each ~~of-such-institutions~~ institution, to the credit of the state special revenue fund.

(3) All money received from the sale of timber from lands granted to a state institution must be deposited to the credit of the permanent trust fund for the support of the institution."

Section 6. Section 18-2-107, MCA, is amended to read:

"18-2-107. Deposit of capitol building grant revenues.

(1) The state treasurer ~~is hereby authorized and--instructed~~ to shall deposit in a capital projects fund all revenue from the capitol building land grant after any deductions made under Title 77, chapter 1, part 6.

(2) The funds ~~so-accumulated-shall~~ must be held and dedicated for the purpose of constructing capitol buildings or additions thereto to buildings in accordance with the provisions of section 12 of The Enabling Act."

Section 7. Section 20-25-422, MCA, is amended to read:

"20-25-422. Support of university of Montana. (1) For the support and endowment of the university there is annually and perpetually appropriated:

(a) the university fund income and all other sums of money appropriated by law thereto to the university fund after any deductions made under Title 77, chapter 1, part 6;

(b) all tuition and matriculation fees; and

(c) all contributions derived from public or private bounty.

(2) The entire income of all such the funds shall must be placed at the disposal of the regents by transfer to its treasurer and shall must be kept separate and distinct from all other funds. The income shall must be used solely for the support of the colleges and departments of the university or those connected therewith with the university.

(3) All means derived from other public or private bounty shall must be exclusively devoted to the specific objects ~~for which they shall have been~~ designated by the donor."

Section 8. Section 6, Chapter 14, Special Laws of January 1992, is amended to read:

"Section 6. Effective date ~~---termination~~. [This act] is effective on passage and approval, ~~and--(sections--3 through-5)-terminate-June-30-1993.~~"

NEW SECTION. Section 9. Codification instruction. [Section 1] is intended to be codified as an integral part of Title 77, chapter 1, part 6, and the provisions of Title 77, chapter 1, part 6, apply to [section 1].

NEW SECTION. Section 10. Effective date. [This act] is effective June 30, 1993.

-End-

1 HOUSE BILL NO. 652

2 INTRODUCED BY LARSON, HARP, BENEDICT, BIRD,
 3 BURNETT, BECK, PECK, BARDANOUVE, WANZENRIED,
 4 BRANDEWIE, REAM, WAGNER, NATHE, SWIFT, FISHER,
 5 PETERSON, ORR
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7 A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE AMOUNT
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 9 PERCENTAGE AN AMOUNT OF INCOME RECEIVED FROM THE SALE OF
 10 TIMBER FROM STATE TRUST LANDS TO THE DEPARTMENT OF STATE
 11 LANDS TIMBER SALE PROGRAM TO BE USED TO INCREASE ACTIVITIES
 12 THAT WILL RESULT IN ADDITIONAL TIMBER SALES; CLARIFYING
 13 STATUTORY REFERENCES TO DEDUCTIONS MADE FOR THE DEVELOPMENT
 14 OF STATE LANDS; ELIMINATING THE TERMINATION DATE ON THE
 15 TIMBER SALE PROVISION; AMENDING SECTIONS 17-3-1003,
 16 18-2-107, 20-25-422, 77-1-606, 77-1-607, AND 77-1-608, MCA,
 17 AND SECTION 6, CHAPTER 14, SPECIAL LAWS OF JANUARY 1992; AND
 18 PROVIDING AN EFFECTIVE DATE."
 19

20 WHEREAS, the amount of timber harvested from state lands
 21 continues to decline; and

22 WHEREAS, the gap between the level of harvest and the
 23 biological sustained yield continues to grow; and

24 WHEREAS, the price of timber continues to escalate
 25 because of market conditions and reduced harvesting of

1 federal timber; and

2 WHEREAS, Montana schools and other institutions face a
 3 continuing funding crisis; and

4 WHEREAS, the rate of return on timber sales is
 5 approximately 3 to 1; and

6 WHEREAS, the use of state trust lands is intended to
 7 provide the maximum dollar return to the trusts; and

8 WHEREAS, investment of a portion of the money from
 9 timber sales on state lands directly into activities that
 10 will result in additional sales being offered will result in
 11 more revenue flowing to the trusts.
 12

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

14 NEW SECTION. Section 1. Deduction of portion of income
 15 received from sale of timber from state trust lands —
 16 creation of account. (1) There is an account in the state
 17 special revenue fund. Six-percent THE AMOUNT OF \$290,000 PER
 18 YEAR of the income received from the sale of timber from
 19 state trust lands must be deducted and placed in the account
 20 to the credit of the state timber sale program for use by
 21 the department in the manner set out in this section to
 22 enhance the revenue creditable to the trusts.

23 (2) Timber sale program funds deducted under subsection
 24 (1) must be directly applied to timber sale preparation and
 25 documentation.

(3) In order to increase the volume of timber sold at the earliest possible time while continuing to meet the requirements of applicable state and federal laws and in order to avoid unnecessary delays and extra costs that would result from increasing its permanent staff, the department ~~shall, if necessary, to achieve a level of no net loss to the trusts,~~ MAY contract for services that will enable achievement of the purposes of this section AND THAT WILL ACHIEVE THE HIGHEST NET RETURN TO THE TRUSTS.

(4) To maximize overall return to the trusts, the timely salvage of timber must be considered. However, salvage timber sales may not adversely affect the implementation of green timber sales programs.

(5) A timber purchaser who successfully bids on a contract to purchase timber from state trust lands shall deposit with the department 20% of the bid price as a downpayment ~~prior to the award of the contract~~ WHEN THE CONTRACT IS AWARDED.

Section 2. Section 77-1-606, MCA, is amended to read:

"77-1-606. Restriction on use of income from school and institutional lands. Moneys Money in the resource development account created in 77-1-604 that is derived from the income from public school lands, university lands, agricultural college lands, scientific school lands, normal school lands, capitol building lands, or institutional lands

~~shall~~ must be expended by the department solely for the purpose of defraying the costs and expenses necessarily incurred in developing public lands of the same trust. If the board determines that public lands in a trust may be developed and moneys in the account from that trust are insufficient to defray the necessary costs and expenses incurred, the board may transfer sufficient moneys from other trusts in the account. Trust accounts from which money is transferred ~~shall~~ must be reimbursed by a method approved by the board."

Section 3. Section 77-1-607, MCA, is amended to read:

"77-1-607. Deductions from income for development account -- maximum percentage. (1) The board shall determine the amount or percentage of income, not to exceed 2 1/2%, which that is necessary to achieve the purposes of this part and shall provide by rule for deductions of that amount or percentage from the income which is secured from the lands by the department for the trusts benefited by this part.

(2) The maximum percentage limitation in subsection (1) does not apply to income deducted and expended under the provisions of [section 1]."

Section 4. Section 77-1-608, MCA, is amended to read:

"77-1-608. Crediting of deductions. All deductions from gross proceeds made in accordance with 77-1-607(1) ~~shall~~ must be paid into the account, and the balance of the

proceeds ~~shall~~ must be paid into the state treasury to the credit of the proper account."

Section 5. Section 17-3-1003, MCA, is amended to read:

"17-3-1003. Support of state institutions. (1) For the support and endowment of each state institution, there is annually and perpetually appropriated, after any deductions made under Title 77, chapter 1, part 6, the income from all permanent endowments therefor for the institution and from all land grants as provided by law. All moneys money received or collected in connection with such permanent endowments by all higher educational institutions, reformatory, custodial and penal institutions, state hospitals, and sanitariums, for any purpose whatever, except revenues pledged to secure the payment of principal and interest of obligations incurred for the purchase, construction, equipment, or improvement of facilities at units of the Montana university system and for the refunding of such obligations or moneys--~~which--may~~ money that constitute constitutes temporary deposits, all or part of which may be subject to withdrawal or repayment, ~~shall~~ must be paid over to the state treasurer who shall deposit the ~~same money~~ to the credit of the proper fund.

(2) Except as provided in subsection (3), all money received from the investment of grants of a state institution and all money received from the leasing of lands

granted to a state institution ~~shall~~ must be deposited with the state treasurer of Montana for each ~~of-such-institutions~~ institution, to the credit of the state special revenue fund.

(3) All money received from the sale of timber from lands granted to a state institution must be deposited to the credit of the permanent trust fund for the support of the institution."

Section 6. Section 18-2-107, MCA, is amended to read:

"18-2-107. Deposit of capitol building grant revenues.

(1) The state treasurer ~~is-hereby-authorized-and--instructed~~ to shall deposit in a capital projects fund all revenue from the capitol building land grant after any deductions made under Title 77, chapter 1, part 6.

(2) The funds ~~so-accumulated-shall~~ must be held and dedicated for the purpose of constructing capitol buildings or additions thereto to buildings in accordance with the provisions of section 12 of The Enabling Act."

Section 7. Section 20-25-422, MCA, is amended to read:

"20-25-422. Support of university of Montana. (1) For the support and endowment of the university there is annually and perpetually appropriated:

(a) the university fund income and all other sums of money appropriated by law thereto to the university fund after any deductions made under Title 77, chapter 1, part 6;

1 (b) all tuition and matriculation fees; and

2 (c) all contributions derived from public or private
3 bounty.

4 (2) The entire income of all such the funds shall must
5 be placed at the disposal of the regents by transfer to its
6 treasurer and shall must be kept separate and distinct from
7 all other funds. The income shall must be used solely for
8 the support of the colleges and departments of the
9 university or those connected therewith with the university.

10 (3) All means derived from other public or private
11 bounty shall must be exclusively devoted to the specific
12 objects for which they shall have been designated by the
13 donor."

14 **Section 8.** Section 6, Chapter 14, Special Laws of
15 January 1992, is amended to read:

16 "Section 6. Effective date ~~---termination.~~ [This act]
17 is effective on passage and approval ~~---and---{sections--3~~
18 ~~through-5}-terminate-June-30-1993.~~"

19 NEW SECTION. **Section 9.** Codification instruction.
20 [Section 1] is intended to be codified as an integral part
21 of Title 77, chapter 1, part 6, and the provisions of Title
22 77, chapter 1, part 6, apply to [section 1].

23 NEW SECTION. **Section 10.** Effective date. [This act] is
24 effective June 30, 1993.

-End-

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
April 7, 1993

MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration House Bill No. 652 (third reading copy -- blue), respectfully report that House Bill No. 652 be amended as follows and as so amended be concurred in.

Signed: Judy H. Jacobson
Senator Judy H. Jacobson, Chair

That such amendments read:

1. Title, line 15.

Following: "PROVISION;"

Insert: "PROVIDING AN APPROPRIATION;"

2. Title, line 18.

Following: "DATE"

Insert: "AND A TERMINATION DATE"

3. Page 2, line 17.

Strike: "\$290,000"

Insert: "\$312,000"

4. Page 7, following line 13.

Insert: "NEW SECTION. Section 8. Appropriation. There is appropriated to the office of public instruction from the school equalization aid account up to \$500,000 in fiscal year 1994 and up to \$500,000 in fiscal year 1995 of the additional funds deposited in the account under [this act], for the purposes of providing state matching funds for the systemic initiative for Montana mathematics and science grant."

Renumber: subsequent sections

5. Page 7, following line 24.

Insert:

"NEW SECTION. Section 12. Termination. [This act] terminates June 30, 1995."

-END-

AMC
Amd. Coord.
Sec. of Senate

Bianchi
Senator Carrying Bill

Bianchi

SENATE
HB 652
781550SC.San

1 HOUSE BILL NO. 652

2 INTRODUCED BY LARSON, HARP, BENEDICT, BIRD,
3 BURNETT, BECK, PECK, BARDANOUVE, WANZENRIED,
4 BRANDEWIE, REAM, WAGNER, NATHE, SWIFT, FISHER,
5 PETERSON, ORR
6

7 A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE AMOUNT
8 OF REVENUE RETURNED TO THE SCHOOL TRUST BY ALLOCATING A
9 PERCENTAGE AN AMOUNT OF INCOME RECEIVED FROM THE SALE OF
10 TIMBER FROM STATE TRUST LANDS TO THE DEPARTMENT OF STATE
11 LANDS TIMBER SALE PROGRAM TO BE USED TO INCREASE ACTIVITIES
12 THAT WILL RESULT IN ADDITIONAL TIMBER SALES; CLARIFYING
13 STATUTORY REFERENCES TO DEDUCTIONS MADE FOR THE DEVELOPMENT
14 OF STATE LANDS; ELIMINATING THE TERMINATION DATE ON THE
15 TIMBER SALE PROVISION; PROVIDING AN APPROPRIATION; AMENDING
16 SECTIONS 17-3-1003, 18-2-107, 20-25-422, 77-1-606, 77-1-607,
17 AND 77-1-608, MCA, AND SECTION 6, CHAPTER 14, SPECIAL LAWS
18 OF JANUARY 1992; AND PROVIDING AN EFFECTIVE DATE AND A
19 TERMINATION DATE."
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21 WHEREAS, the amount of timber harvested from state lands
22 continues to decline; and

23 WHEREAS, the gap between the level of harvest and the
24 biological sustained yield continues to grow; and

25 WHEREAS, the price of timber continues to escalate

1 because of market conditions and reduced harvesting of
2 federal timber; and

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4 continuing funding crisis; and

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6 approximately 3 to 1; and

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18 special revenue fund. ~~Six--percent~~ THE AMOUNT OF \$290,000
19 \$312,000 PER YEAR of the income received from the sale of
20 timber from state trust lands must be deducted and placed in
21 the account to the credit of the state timber sale program
22 for use by the department in the manner set out in this
23 section to enhance the revenue creditable to the trusts.

24 (2) Timber sale program funds deducted under subsection
25 (1) must be directly applied to timber sale preparation and

1 documentation.

2 (3) In order to increase the volume of timber sold at
3 the earliest possible time while continuing to meet the
4 requirements of applicable state and federal laws and in
5 order to avoid unnecessary delays and extra costs that would
6 result from increasing its permanent staff, the department
7 ~~shall, if necessary, to achieve a level of no net loss to the~~
8 ~~trusts, MAY~~ contract for services that will enable
9 achievement of the purposes of this section AND THAT WILL
10 ACHIEVE THE HIGHEST NET RETURN TO THE TRUSTS.

11 (4) To maximize overall return to the trusts, the
12 timely salvage of timber must be considered. However,
13 salvage timber sales may not adversely affect the
14 implementation of green timber sales programs.

15 (5) A timber purchaser who successfully bids on a
16 contract to purchase timber from state trust lands shall
17 deposit with the department 20% of the bid price as a
18 downpayment ~~prior--to--the--award--of--the--contract~~ WHEN THE
19 CONTRACT IS AWARDED.

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24 the income from public school lands, university lands,
25 agricultural college lands, scientific school lands, normal

1 school lands, capitol building lands, or institutional lands
2 ~~shall must~~ be expended by the department solely for the
3 purpose of defraying the costs and expenses necessarily
4 incurred in developing public lands of the same trust. If
5 the board determines that public lands in a trust may be
6 developed and moneys in the account from that trust are
7 insufficient to defray the necessary costs and expenses
8 incurred, the board may transfer sufficient moneys from
9 other trusts in the account. Trust accounts from which money
10 is transferred ~~shall must~~ be reimbursed by a method approved
11 by the board."

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13 "77-1-607. Deductions from income for development
14 account -- maximum percentage. (1) The board shall determine
15 the amount or percentage of income, not to exceed 2 1/2%,
16 which that is necessary to achieve the purposes of this part
17 and shall provide by rule for deductions of that amount or
18 percentage from the income which is secured from the lands
19 by the department for the trusts benefited by this part.

20 (2) The maximum percentage limitation in subsection (1)
21 does not apply to income deducted and expended under the
22 provisions of [section 1]."

23 **Section 4.** Section 77-1-608, MCA, is amended to read:

24 "77-1-608. Crediting of deductions. All deductions from
25 gross proceeds made in accordance with 77-1-607(1) ~~shall~~

1 must be paid into the account, and the balance of the
2 proceeds ~~shall~~ must be paid into the state treasury to the
3 credit of the proper account."

4 **Section 5.** Section 17-3-1003, MCA, is amended to read:

5 "17-3-1003. Support of state institutions. (1) For the
6 support and endowment of each state institution, there is
7 annually and perpetually appropriated, after any deductions
8 made under Title 77, chapter 1, part 6, the income from all
9 permanent endowments ~~therefor~~ for the institution and from
10 all land grants as provided by law. All ~~moneys~~ money
11 received or collected in connection with such permanent
12 endowments by all higher educational institutions,
13 reformatory, custodial and penal institutions, state
14 hospitals, and sanitariums, for any purpose whatever, except
15 revenues pledged to secure the payment of principal and
16 interest of obligations incurred for the purchase,
17 construction, equipment, or improvement of facilities at
18 units of the Montana university system and for the refunding
19 of such obligations or moneys--which--may money that
20 constitute constitutes temporary deposits, all or part of
21 which may be subject to withdrawal or repayment, ~~shall~~ must
22 be paid over to the state treasurer who shall deposit the
23 same money to the credit of the proper fund.

24 (2) Except as provided in subsection (3), all money
25 received from the investment of grants of a state

1 institution and all money received from the leasing of lands
2 granted to a state institution ~~shall~~ must be deposited with
3 the state treasurer of Montana for each ~~of-such-institutions~~
4 institution, to the credit of the state special revenue
5 fund.

6 (3) All money received from the sale of timber from
7 lands granted to a state institution must be deposited to
8 the credit of the permanent trust fund for the support of
9 the institution."

10 **Section 6.** Section 18-2-107, MCA, is amended to read:

11 "18-2-107. Deposit of capitol building grant revenues.

12 (1) The state treasurer ~~is hereby authorized and instructed~~
13 to shall deposit in a capital projects fund all revenue from
14 the capitol building land grant after any deductions made
15 under Title 77, chapter 1, part 6.

16 (2) The funds ~~so--accumulated--shall~~ must be held and
17 dedicated for the purpose of constructing capitol buildings
18 or additions ~~thereto~~ to buildings in accordance with the
19 provisions of section 12 of The Enabling Act."

20 **Section 7.** Section 20-25-422, MCA, is amended to read:

21 "20-25-422. Support of university of Montana. (1) For
22 the support and endowment of the university there is
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24 (a) the university fund income and all other sums of
25 money appropriated by law ~~thereto~~ to the university fund

1 after any deductions made under Title 77, chapter 1, part 6;

2 (b) all tuition and matriculation fees; and

3 (c) all contributions derived from public or private
4 bounty.

5 (2) The entire income of all ~~such the funds shall~~ must
6 be placed at the disposal of the regents by transfer to its
7 treasurer and ~~shall must~~ be kept separate and distinct from
8 all other funds. The income ~~shall must~~ be used solely for
9 the support of the colleges and departments of the
10 university or those connected therewith with the university.

11 (3) All means derived from other public or private
12 bounty ~~shall must~~ be exclusively devoted to the specific
13 objects ~~for--which--they--shall--have--been~~ designated by the
14 donor."

15 NEW SECTION. SECTION 8. APPROPRIATION. THERE IS
16 APPROPRIATED TO THE OFFICE OF PUBLIC INSTRUCTION FROM THE
17 SCHOOL EQUALIZATION AID ACCOUNT UP TO \$500,000 IN FISCAL
18 YEAR 1994 AND UP TO \$500,000 IN FISCAL YEAR 1995 OF THE
19 ADDITIONAL FUNDS DEPOSITED IN THE ACCOUNT UNDER [THIS ACT],
20 FOR THE PURPOSES OF PROVIDING STATE MATCHING FUNDS FOR THE
21 SYSTEMIC INITIATIVE FOR MONTANA MATHEMATICS AND SCIENCE
22 GRANT.

23 **Section 9.** Section 6, Chapter 14, Special Laws of
24 January 1992, is amended to read:

25 "Section 6. **Effective date** ~~---termination.~~ [This act]

1 is effective on passage and approval, ~~---and---[sections--3~~
2 ~~through-5]-terminate-June-30, 1993."~~

3 NEW SECTION. Section 10. Codification instruction.
4 [Section 1] is intended to be codified as an integral part
5 of Title 77, chapter 1, part 6, and the provisions of Title
6 77, chapter 1, part 6, apply to [section 1].

7 NEW SECTION. Section 11. Effective date. [This act] is
8 effective June 30, 1993.

9 NEW SECTION. SECTION 12. TERMINATION. [THIS ACT]
10 TERMINATES JUNE 30, 1995.

-End-