

HOUSE BILL 665

Introduced by Kadas, et al.

3/09	Introduced
3/09	Referred to School Funding Select Committee
3/09	First Reading
3/09	Fiscal Note Requested
3/11	Hearing
3/13	Committee Report--Bill Passed as Amended and Rereferred to Education & Cultural Resources
3/15	Fiscal Note Received
3/15	Fiscal Note Printed
3/24	Hearing
3/24	Tabled in Committee

1 *House* BILL NO. *665*
 2 INTRODUCED BY *Kedra Cobb Pack WINTERHOUT, R. Belman*
 3 BY REQUEST OF THE HOUSE SELECT COMMITTEE ON EDUCATION

4
 5 A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE FEES ON
 6 CERTAIN LEASES OF STATE SCHOOL TRUST LANDS; AMENDING
 7 SECTIONS 77-1-208, 77-1-802, 77-6-501, AND 77-6-507, MCA;
 8 AND PROVIDING AN EFFECTIVE DATE AND APPLICABILITY DATES."

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

11 **Section 1.** Section 77-1-208, MCA, is amended to read:

12 "77-1-208. Cabin site licenses and leases -- method of
 13 establishing value. (1) The board shall set the annual fee
 14 for each cabin site subject to a license or lease in effect
 15 on January 1, 1988, for each licensee or lessee who at any
 16 time wishes to continue or assign his the license or lease.
 17 ~~The fee must be \$3.50~~ at a rate of not less than 6% of the
 18 appraisal of the cabin site value as determined by the
 19 department of revenue or \$150, whichever is greater. The
 20 licensee or lessee has the option to pay the entire fee on
 21 March 1 or to divide the fee into two equal payments due
 22 March 1 and September 1. The value may be increased or
 23 decreased as a result of the statewide periodic revaluation
 24 of property pursuant to 15-7-111. An appeal of a cabin site
 25 value determined by the department of revenue ~~shall~~ must be

1 conducted pursuant to Title 15, chapter 2.

2 (2) The board shall set the fee of each initial cabin
 3 site license or lease or each current cabin site license or
 4 lease of a person who does not choose to retain the license
 5 or lease. The initial fee must be based upon a system of
 6 competitive bidding but may not be less than 6% of the
 7 appraisal of the cabin site value. The fee for a person who
 8 wishes to retain that license or lease must be determined
 9 under the method provided for in subsection (1).

10 (3) The board shall follow the procedures set forth in
 11 77-6-302 through 77-6-306 for the disposal or valuation of
 12 any fixtures or improvements placed upon the property by the
 13 then-current licensee or lessee and shall require the
 14 subsequent licensee or lessee whose bid is accepted by the
 15 board to purchase those fixtures or improvements in the
 16 manner required by the board.

17 ~~{4}--Nothing-in-this--section--may--be--construed--as--a~~
 18 ~~delegation-of-rulemaking-authority-to-the-board."~~

19 **Section 2.** Section 77-1-802, MCA, is amended to read:

20 "77-1-802. Recreational use license -- fee. (1) The fee
 21 for a recreational use license ~~is \$5~~ may not be less than
 22 \$25. ~~The fee is based upon:~~

23 ~~{a}--a--\$3-charge-as-the-value-of-1-year-of--recreational~~
 24 ~~use-of-state-lands;--and~~

25 ~~{b}--a--\$2--surcharge--for--the--administrative-costs-of~~

~~providing--recreational--access--to--state--lands--and--the
maintenance--of--a--state--lands--recreational--use--account
pursuant-to-77-1-808.~~

(2) Money received by the department from the sale of recreational use licenses must be credited as follows:

(a) \$23 of the proceeds collected under subsection (1)~~(a)~~ must be apportioned on a pro rata basis to the land trusts, in proportion to the respective trust's percentage contribution to the total acreage of all state land trusts; and

(b) the remainder of the proceeds collected under the ~~surcharge--of~~ subsection (1)~~(b)~~, less 50 cents for each license to be returned as a commission to license dealers, must be deposited in the state lands recreational use account established by 77-1-808 for use by the department in the management of state lands open to general recreational use.

(3) The department may contract with the department of fish, wildlife, and parks for the distribution and sale of recreational use licenses through the license agents appointed by and the administrative offices of the department of fish, wildlife, and parks and in accordance with the provisions of Title 87, chapter 2, part 9."

Section 3. Section 77-6-501, MCA, is amended to read:

"77-6-501. Agricultural leases. (1) As to agricultural

lands, all leases ~~shall~~ must be continued or made upon a crop share rental basis of not less than ~~one-fourth~~ one-third of the annual crops to the state or the usual landlord's share prevailing in the district, whichever is greater. The board may, however, approve special crop share rentals of less than ~~one-fourth~~ one-third for high production cost crops such as but not limited to potatoes and sugar beets or for high production cost methods when these methods would result in more income to the state. The board may not delegate the authority to approve ~~such~~ the special crop share rentals.

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

Section 4. Section 77-6-507, MCA, is amended to read:

"77-6-507. Formula for fixing annual rental. (1) In this section:

(a) "animal unit" means one cow, one horse, five sheep, or five goats;

(b) "animal-unit-month carrying capacity" means that amount of natural feed necessary for the complete

1 subsistence of one animal unit for 1 month.

2 (2) The board shall establish the minimum per-annum
3 yearly rental rate per section of all grazing lands that are
4 the property of the state by multiplying ~~six~~ 10.94 times the
5 average price per pound of beef cattle on the farm in
6 Montana for the previous year times the animal-unit-month
7 carrying capacity of the land.

8 (3) The carrying capacity of the land to be used in the
9 above formula must be in accordance with the determinations
10 of the department made under 77-6-201.

11 (4) The average price per pound of beef cattle on the
12 farm in Montana must be taken from statistics published by
13 the United States department of agriculture current at the
14 time of computation of the rental or from other reliable
15 sources current at that time."

16 NEW SECTION. Section 5. Applicability. (1) [Section 1]
17 applies to leases entered into or renewed on or after [the
18 effective date of this act].

19 (2) [Sections 2 through 4] apply to leases and licenses
20 issued or renewed after December 31, 1993.

21 NEW SECTION. Section 6. Effective date. [This act] is
22 effective July 1, 1993.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0665, as introduced.

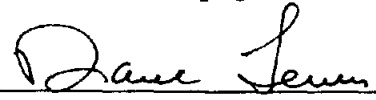
DESCRIPTION OF PROPOSED LEGISLATION: An act increasing the fees on certain leases of state school trust lands.


ASSUMPTIONS:

Department of State Lands (DSL)

1. The proposed legislation applies to newly issued or renewal agricultural leases. 1/10 of the state agricultural leases are renewed each year. Therefore, increased rentals on those types of leases will take ten years to be in effect on all leases. The first rental for 1994 agricultural lease renewals will not be due until FY95 (November 15, 1994). The only increase in agricultural revenues during FY94 would be increased Federal Farm Program advance deficiency payments. It is impossible to estimate what those increased revenues would be due to the variability of the farm program payments and the dates by which the payments would be received by the department.
2. The proposed legislation applies to newly issued or renewal grazing leases. 1/10 of the grazing leases are renewed each year. Therefore, increased rentals on those types of leases will take ten years to be in effect on all leases. The first leases affected by this legislation would be those renewed in March, 1994. The 1994 rentals on renewal leases are due before the end of FY94. An additional 1/10 of the leases will be increased in rentals for each subsequent year until all leases have been renewed.
3. The proposed legislation applies to new or renewal cabinsite leases. 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 renewals 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 then be affected each subsequent year.
4. Increased cost of the State Lands Recreational Use License would go into effect beginning March 1, 1994. Approximately 6,333 of the total recreational leases are expected to be sold between March 1 and June 31, and, therefore, would be included in FY94 revenues. FY95 revenues would be the first year in which all recreational use licenses sold would be at the new minimum rate.
5. The revenue projections for agriculture grazing, and cabinsites for the current law are all based on actual revenues received for those uses during FY92. The revenue projections for current law recreational use license revenues are based on license sales from March 1, 1992 through January 1, 1993.
6. The rates used to estimate future revenues based on the proposed legislation are as follows:
 - a. Grazing - \$7.60/AUM (10.94 x \$.6948/lb)
 - b. Agricultural crop share - 33%
 - c. Cabinsite % of appraised value - 6%
 - d. Recreational Use License - \$25
7. FY92 and FY93 (1992 license year) was the first year of sale of the recreational use license. 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.

(continued on next page)

 3.13.93
DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

 3/15/93
MIKE KADAS, PRIMARY SPONSOR DATE

Fiscal Note for HB0665, as introduced

HB 665

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

FISCAL IMPACT:

	<u>FY '94</u>			<u>FY '95</u>		
	<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>						
Grazing Rentals	4,341,524	4,617,702	276,178	4,341,524	4,968,659	627,135
Agricultural Rentals	8,700,000	8,700,000	0	8,700,000	8,934,231	234,231
Cabinsite Rentals	291,490	306,065	14,575	291,490	320,639	29,149
Recreation Use Rentals	<u>144,300</u>	<u>270,960</u>	<u>126,660</u>	<u>144,300</u>	<u>721,500</u>	<u>577,200</u>
Total	13,477,314	13,894,727	417,413	13,477,314	14,945,02	1,467,715

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES: None.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

Revenues from grazing and agricultural leases will increase each year for the next ten years until all leases have been renewed and the new minimum rentals assessed. Revenues from cabinsites leases 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 the FY92 level to FY09 level is estimated to be \$6,562,511.

TECHNICAL NOTES:

- The current multiplier of six in 77-6-507, MCA will need to be retained in order to calculate the minimum annual rental for those ongoing leases not subject to renewal for up to ten years.
- The assumptions used to generate the revenues projected above may be faulty to some degree for the following reasons:
 - The revenues are based on continuing numbers of grazing, agricultural, and cabinsite leases/licenses at the current levels. Some leases/licenses may be dropped by existing lessees/licensees due to unwillingness to pay higher rentals.
 - New leases may not be issued on some of these former leased tracts due to no applicants.
 - State Lands Recreational Use License sales may decrease due to unwillingness to pay the higher cost of these licenses.
 - The minimum AUM rate for grazing will vary each year depending on the price per pound of beef.
 - Agricultural rentals based on crop shares are variable in accordance with changes in the market price of agricultural commodities, climatic conditions, etc.
 - Appraised land values for cabinsite are likely to appreciate over the next fifteen years.
- The phasing in of the new rental rates is apt to create confusion for lessees because of different leases having different minimum lease rentals depending on when they are renewed.

HB 665

APPROVED BY THE SELECT
COMMITTEE ON EDUCATION

HOUSE BILL NO. 665

INTRODUCED BY KADAS, COBB, PECK,

WANZENRIED, R. JOHNSON

BY REQUEST OF THE HOUSE SELECT COMMITTEE ON EDUCATION

A BILL FOR AN ACT ENTITLED: "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 APPLICABILITY DATES."

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"77-1-208. Cabin site licenses and leases -- method of
establishing value. (1) The board shall set the annual fee
for each cabin site subject to a license or lease in effect
on January 1, 1988, for each licensee or lessee who at any
time wishes to continue or assign his the license or lease.
~~The fee must be 3.5% at a rate of not less than 6% 4.75%~~ of
the appraisal of the cabin site value as determined by the
department of revenue or \$150, whichever is greater. The
licensee or lessee has the option to pay the entire fee on
March 1 or to divide the fee into two equal payments due
March 1 and September 1. The value may be increased or
decreased as a result of the statewide periodic revaluation
of property pursuant to 15-7-111. An appeal of a cabin site

value determined by the department of revenue ~~shall~~ must be
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(2) The board shall set the fee of each initial cabin
site license or lease or each current cabin site license or
lease of a person who does not choose to retain the license
or lease. The initial fee must be based upon a system of
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77-6-302 through 77-6-306 for the disposal or valuation of
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then-current licensee or lessee and shall require the
subsequent licensee or lessee whose bid is accepted by the
board to purchase those fixtures or improvements in the
manner required by the board.

~~{4}--Nothing-in-this--section--may--be--construed--as--a
delegation-of-rulemaking-authority-to-the-board--"~~

Section 2. Section 77-1-802, MCA, is amended to read:

"77-1-802. Recreational use license -- fee. (1) The fee
for a recreational use license ~~is \$5~~ may not be less than
\$25 \$10. ~~The fee is based upon:~~

~~{a}--a \$3 charge as the value of 1 year of recreational
use of state lands; and~~

(b) ~~a \$2 surcharge for the administrative costs of providing recreational access to state lands and the maintenance of a state lands recreational use account pursuant to 77-1-808.~~

(2) Money received by the department from the sale of recreational use licenses must be credited as follows:

(a) \$23 \$8 of the proceeds collected under subsection (1)(a) must be apportioned on a pro rata basis to the land trusts, in proportion to the respective trust's percentage contribution to the total acreage of all state land trusts; and

(b) the remainder of the proceeds collected under the ~~surcharge of~~ subsection (1)(b), less 50 cents for each license to be returned as a commission to license dealers, must be deposited in the state lands recreational use account established by 77-1-808 for use by the department in the management of state lands open to general recreational use.

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

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(b) "animal-unit-month carrying capacity" means that

1 amount of natural feed necessary for the complete
2 subsistence of one animal unit for 1 month.

3 (2) The board shall establish the minimum ~~per-annum~~
4 yearly rental rate per section of all grazing lands that are
5 the property of the state by multiplying ~~six~~ ~~10.94~~ 8.4 times
6 the average price per pound of beef cattle on the farm in
7 Montana for the previous year times the animal-unit-month
8 carrying capacity of the land.

9 (3) The carrying capacity of the land to be used in the
10 above formula must be in accordance with the determinations
11 of the department made under 77-6-201.

12 (4) The average price per pound of beef cattle on the
13 farm in Montana must be taken from statistics published by
14 the United States department of agriculture current at the
15 time of computation of the rental or from other reliable
16 sources current at that time."

17 NEW SECTION. Section 5. Applicability. (1) [Section 1]
18 applies to leases entered into or renewed on or after [the
19 effective date of this act].

20 ~~(2) {Sections-2-through-4}-apply-to-leases-and-licenses~~
21 ~~issued-or-renewed--after--December--31--1993:~~ [SECTION 2]
22 APPLIES TO LICENSES ISSUED AFTER FEBRUARY 28, 1994.

23 (3) [SECTIONS 3 AND 4] APPLY TO ALL LEASE YEARS
24 BEGINNING AFTER DECEMBER 31, 1993.

25 NEW SECTION. Section 6. Effective date. [This act] is

1 effective July 1, 1993.

-End-