



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill # SB0131

Title: Revise land banking laws

Primary Sponsor: Cobb, J.

Status: As Introduced

- Significant Local Gov Impact
 Include in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
State Special Revenue	\$274,980	\$274,980	\$281,854	\$288,900
Other - Land Bank	\$6,150,000	\$6,150,000	\$6,303,750	\$6,461,344
Revenue:				
State Special Revenue	\$274,980	\$274,980	\$281,554	\$288,900
Other - Land Bank	\$6,150,000	\$6,150,000	\$6,303,750	\$6,461,344
Net Impact-General Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal Impact:

Senate Bill 131 extends the sunset date of the Land Banking program of the Department of Natural Resources and Conservation (DNRC) from October 2008 to FY 2011 and reduces the number of days bid deposits are due from 45 to 20 days prior to an auction. The bill also requires the prospective purchaser to deposit funds for appraisals, archeological surveys, land surveys, and advertising prior to the state incurring those costs. The accounting period will also be extended from 20 years to 60 years when calculating rates of return on forested lands.

FISCAL ANALYSIS

Assumptions:

1. The DNRC will sell 10,000 acres of state trust lands and purchase 10,000 acres of land each year.
2. Land sale appraisal costs are estimated at \$2 per acre or \$20,000 annually (\$2 x 10,000 acres).
3. Archeological services for land sales are estimated at \$7 per acre or \$70,000 annually (\$7 x 10,000 acres).

4. Survey and advertising costs for land sales are estimated at \$1 per acre or \$10,000 annually (\$1 x 10,000 acres).
5. It is estimated that 18% of lands sold would be legally accessible properties and marketed through a realtor. The estimated sale costs for these lands are 3% commission on 1,800 acres at \$2,870 per acre or \$154,980 in realtor fees. ((1,800 acres x \$2,870) x 0.03) annually.
6. Contracted land sale expenses, estimated to be \$254,980 in 2008, will be paid to DNRC by the purchaser at the time the tracts of land are nominated for sale. These funds will be deposited in the State Special Revenue Account for the Land Banking Program.
7. For FY 2010 through FY 2011, a 2.5% inflation factor has been applied to revenues and expenditures.
8. All expenditures would be paid from the State Special Revenue Account for the Land Banking fund. Land acquisition appraisal costs are estimated at \$2 per acre or \$20,000 annually (\$2 x 10,000 acres). These costs are paid by the department from the State Special Revenue Account for the Land Banking fund.
9. Land sale proceeds less administrative costs will be deposited into the Land Bank and used to purchase replacement properties. The land acquisitions are shown as capital expenditures of \$6,130,000 each year of the 2009 biennium.
10. For fiscal note purposes, it is assumed that the Common Schools trust will be the sole beneficiary associated with buying and selling land (based on historical information from land banking sales conducted in FY 2007).
11. Pursuant to 77-2-363 (b), MCA, up to 10% of the proceeds in the state land bank may be used to fund transaction costs, etc. The department forecasts that 1,800 acres of high value land at \$2,870 per acre would be sold and 8,200 acres at an average of \$120 per acre would also be sold each year (\$5,166,000 and \$984,000) for total sales of \$6,150,000. Based on these annual sales, up to 10% of proceeds would be available for placement in the State Special Revenue Account to cover costs detailed in Assumption 9 for the Land Banking program. The department forecasts that \$20,000 will be needed each year of the 2009 biennium from land sale proceeds for land acquisition costs combined with \$254,980 paid by land sale purchasers to fund the costs of land sales and acquisitions.

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$274,980	\$274,980	\$281,854	\$288,900
Capital - Land	\$6,130,000	\$6,130,000	\$6,283,250	\$6,440,331
Transfers	\$20,000	\$20,000	\$20,500	\$21,013
TOTAL Expenditures	<u><u>\$6,424,980</u></u>	<u><u>\$6,424,980</u></u>	<u><u>\$6,585,604</u></u>	<u><u>\$6,750,244</u></u>
<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$274,980	\$274,980	\$281,854	\$288,900
Other - Land Bank (09)	\$6,150,000	\$6,150,000	\$6,303,750	\$6,461,344
TOTAL Funding of Exp.	<u><u>\$6,424,980</u></u>	<u><u>\$6,424,980</u></u>	<u><u>\$6,585,604</u></u>	<u><u>\$6,750,244</u></u>
<u>Revenues:</u>				
State Special Revenue (02)	\$274,980	\$274,980	\$281,854	\$288,900
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TOTAL Revenues	<u><u>\$6,424,980</u></u>	<u><u>\$6,424,980</u></u>	<u><u>\$6,585,604</u></u>	<u><u>\$6,750,244</u></u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
State Special Revenue (02)	\$0	\$0	\$0	\$0
Other - Land Bank (09)	\$0	\$0	\$0	\$0

Sponsor's Initials

Date

Budget Director's Initials

Date