



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2009 Biennium

**Bill #** SB0179

**Title:** Require cash leasing on all state agricultural leases

**Primary Sponsor:** Hansen, K.

**Status:** As Introduced-Revised

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input type="checkbox"/> Technical Concerns                         |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input checked="" type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<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>
<b>Expenditures:</b>				
General Fund (01)	\$0	\$0	\$83,773	(\$167,547)
Guarantee Account (02)	\$0	\$0	(\$83,773)	\$167,547
<b>Revenue:</b>				
Guarantee Fund (CS 95%) (02)	\$0	\$0	\$83,773	\$167,547
Distributable Funds (02)	\$0	\$0	\$355	\$711
Public Buildings (05)	\$0	\$0	\$629	\$1,257
Other (71)	\$0	\$0	\$1,941	\$3,881
Permanenant Fund (09) CS	\$0	\$0	\$4,409	\$8,818
Resource Dev Acct (02)	\$0	\$0	\$2,818	\$5,636

#### Description of fiscal impact:

The proposed legislation requires that beginning in January 2009, state agricultural leases be converted from a crop share rental to a cash rental upon renewal. Revenue increases to the trust beneficiaries are expected for FY 2010 and FY 2011. Additional school trust revenue offsets general fund school Base Aid expenditures.

### FISCAL ANALYSIS

#### Assumptions:

##### **Department of Natural Resources (DNRC)**

1. Cash rentals would be required on leases beginning with renewals in 2009. Revenues for those leases would first be collected in fiscal year 2010.
2. Approximately ten percent of the agricultural acres (42,500 acres) would be converted to a cash rental each year beginning in FY 2009.

3. The current five year average income on state agricultural lands (crop share and cash leases), excluding those enrolled in the Conservation Reserve Program (CRP), is \$15.41 per acre.
4. Approximately seven percent of state agricultural leases are on a cash basis. The current average rental rate for those leases is \$17.62 per acre.
5. The expected average cash rental under the proposed legislation is unknown at this time. For fiscal note purposes, revenues are estimated by comparing the current rentals received (\$15.41 per acre) to the existing average cash lease rate on state lands (\$17.62 per acre). This comparison would suggest that rentals may increase \$2.21 per acre as leases are converted from a crop share to cash basis.
6. In FY 2010, approximately 42,500 acres would be converted to a cash rental with a potential increase in revenue of \$2.21 per acre, generating an additional \$93,925. FY 2011, a total of 85,000 acres would be converted to cash rental for a total revenue increase of \$187,850.
7. Revenue estimates are based on the percentage of agricultural lands for each trust (\$93,925 x percent of total classified agricultural acres).
8. The State Special Revenue Account for Resource Development would receive three percent of revenues, although the program will be implemented with existing staff and budget and no additional spending authority is requested.
9. Distributions to the trust beneficiaries are estimated as follows:

			<u>FY 2010</u>	<u>FY 2011</u>
Resource Development Account 3%			\$2,818	\$5,636
	<b><u>Grant</u></b>	<b><u>Classified Ag Acres</u></b>	<b><u>Percent of total</u></b>	
	Common Schools (95%)	552,375	96.79%	\$83,773
	Common Schools (5%)			\$167,547
	MSU - Morrill	1,421	0.25%	\$4,409
	MSU-2nd Grant	84	0.01%	228
	University of Montana	1,896	0.33%	9
	Montana Tech	6,328	1.11%	301
	State Normal School	2,474	0.43%	1,011
	School for the Deaf & Blind	1,409	0.25%	392
	State Reform School	823	0.14%	228
	Public Buildings	3,912	0.69%	128
	<b>Total</b>	<b>570,722</b>	<b>100.00%</b>	<b>\$629</b>
				<b><u>1,257</u></b>
	<b>Total</b>			<b>\$91,107</b>
				<b>\$182,214</b>
	<b>Total</b>			<b>\$93,925</b>
				<b>\$187,850</b>

10. The additional Guarantee Account (Common Schools 95%) revenue is statutorily appropriated to school Base Aid. Total Base Aid to schools expenditures are determined by statute and will not change by the provisions in this bill. The additional guarantee account revenue will offset the same level of general fund expenditures.

	<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>
<b><u>Fiscal Impact:</u></b>				
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	(\$83,773)	(\$167,547)
Guarantee Fund (02) CS	\$0	\$0	\$83,773	\$167,547
<b>TOTAL Expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b><u>Revenues:</u></b>				
Resource Develop Acct (02)	\$0	\$0	\$2,818	\$5,636
Guarantee Fund (02) CS	\$0	\$0	\$83,773	\$167,547
Other - Perm Fund CS (09)	\$0	\$0	\$4,409	\$8,818
Distributable Funds (02)	\$0	\$0	\$355	\$711
Public Buildings (05)	\$0	\$0	\$629	\$1,257
Other (71) University system	\$0	\$0	\$1,941	\$3,881
<b>TOTAL Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$93,925</b>	<b>\$187,850</b>

**Net Impact to Fund Balance (Revenue minus Funding of Expenditures):**

General Fund (01)	\$0	\$0	\$83,773	\$167,547
Resource Develop Acct (02)	\$0	\$0	\$2,818	\$5,636
Guarantee Fund (02) CS	\$0	\$0	\$0	\$0
Other - Perm Fund CS (09)	\$0	\$0	\$4,409	\$8,818
Distributable Funds (02)	\$0	\$0	\$355	\$711
Public Buildings (05)	\$0	\$0	\$629	\$1,257
Other (71) University system	\$0	\$0	\$1,941	\$3,881

**Long-Range Impacts:**

1. The proposed legislation would not be fully implemented until FY 2018.
2. When fully implemented, revenues from state agricultural lands are expected to be more stable with less year-to-year fluctuations due to climatic conditions and changes in commodity prices.
3. When fully implemented, DNRC will no longer have an involvement in farm program participation, freeing up field office staff for other assigned duties.

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*