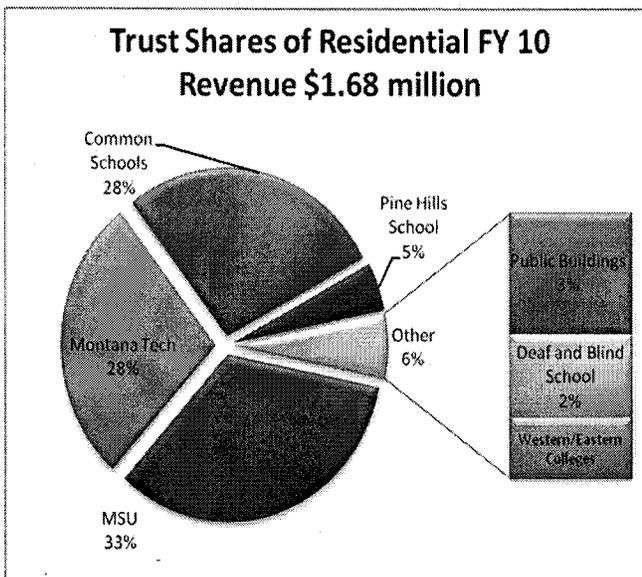


---SENATE BILL 409---
STATE TRUST LANDS CABIN AND HOMESITES

EXHIBIT 9
DATE 3/30/11
SB 409

The DNRC opposes this bill because the future revenues for cabin and homesites will not achieve full market value to the beneficiaries, because:

1. **This bill violates the 1999 Supreme Court decision MonTrust vs State of Montana.** The lease fee under SB 409 is less than 3.5% of the appraised value of the land. The Supreme Court ruled that 3.5% of the properties appraised value is unconstitutional. MonTrust currently has a permanent injunction in place that the land board charge more than 3.5% of the current appraised value.
2. **SB 409 benefits cabin site lease holders at the expense of the trust beneficiaries.** Fiscal impacts to the common schools will be offset by general fund and an increase in the cost of tuition to students by additional fees to offset the reduction in revenues to higher education.
3. **As a result of SB 409, DNRC estimates there would be a reduction in distributable revenue of \$4.1 million dollars, as amended, over a three year period.** The annual reduction in revenue in Fiscal Year 2013 (\$1.32 million) is nearly as much as the total revenue received in Fiscal Year 2010 (\$1.68 million).
4. **SB 409 provides automatic renewals and limits the discretion of the land board.**



SB 409 Fiscal Impact
Primary Trusts: FY 2012-2015 Impact

- Common Schools (-\$1,304,646)
- Montana Tech (-\$1,580,990)
- MSU (-\$757,522)

CURRENT PROCESS LAND VALUE X 5% = LEASE FEE

LAND VALUES

2003 DOR appraised value factored by 6.53% annually (46%) = 2009 Adjusted Land Value

PREDICTIBILITY

Annual increase of 3.25 – 6.5% through 2024

FULL MARKET VALUE

The lease rate remains at 5% and is in keeping with the MonTrust law suit

LEASE TERM

Maximum 35 years or 5 years beyond mortgage

Example of a lease on McGregor Lake

2003 DOR Appraised Value: \$130,050 x 5% = \$6,502

2009 DOR Appraised Value: \$407,898 x 5% = \$20,394

Adjusted 2009 Land Value: \$190,082 x 5% = \$9,504

Senate Bill 409

2009 DOR Appraised Value: \$407,898 x 2% = \$8,157.96

Rogers Lake Avg 2009 Lot Value \$186,242
 Current Process 2013 Rent Avg \$8,832
 2% Avg Min Bid \$3,725
 5% 2009 lot value \$9,312

Flathead Lake Avg 2009 Lot Value \$442,416
 Current Process 2013 Rent Avg \$14,417
 2% Avg Min Bid \$8,848
 5% 2009 lot value \$22,120

Blackfoot River Avg 2009 Lot Value \$94,468
 Current Process 2013 Rent Avg \$3,714
 2% Avg Min Bid \$1,889
 5% 2009 lot value \$4,723

Placid Lake Avg 2009 Lot Value \$164,095
 Current Process- 2013 Rent Avg \$8,299
 2% Avg Min Bid \$3,282
 5% 2009 lot value \$8,204

Other comparables:

- Forest Service 5% of appraised value: Lessees have fewer rights
- California 10%
- Minnesota 9%
- Utah and Wyoming 5 – 5.5%
- Typical Investor 7 – 9%
- Ohio state reservoir 10%
- 30 year mortgages 6.9%
- AAA general obligation bond 4.023%
- Duffield Study 8 – 12%
- Knipe and Knipe report 6.5% - 13%
- RV site in Kalispell on the Flathead river is \$6,256 a year.