Fiscal Note 2017 Biennium

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Bill #	SB0326	**Title:**	Revise state land laws
Primary Sponsor:	Hinkle, Jedediah	**Status:**	As Introduced

- ☐ Significant Local Gov Impact
- ☑ Needs to be included in HB 2
- ☑ Technical Concerns
- ☐ Included in the Executive Budget
- ☑ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2016 Difference	FY 2017 Difference	FY 2018 Difference	FY 2019 Difference
Expenditures:				
General Fund	$697,485	$368,446	$374,452	$380,474
State Special Revenue	$109,625	$55,754	$56,111	$56,547
Revenue:				
General Fund	$0	$0	$0	$0
State Special Revenue	$109,625	$55,754	$56,111	$56,547
Other	($109,625)	($57,715)	($58,605)	($59,506)
Net Impact-General Fund Balance:	($697,485)	($368,446)	($374,452)	($380,474)

Description of fiscal impact: SB 326 impacts the Department of Natural Resources and Conservation (DNRC) Trust Land Management Division (TLMD) by opening all roads to motorized vehicle recreational use, unless those roads are closed by DNRC. SB 326 would require new administrative rules to implement closures and restrictions, while retroactively applying these new rules to existing restrictions under present law and rules.

FISCAL ANALYSIS

Assumptions:

Department of Natural Resources and Conservation (DNRC)

1. The Trust Land Management Division (TLMD) manages approximately five million surface acres and six million subsurface acres on behalf of the numerous trust beneficiaries. Land management activities on these acres are in four programs: agriculture and grazing (including recreational use), real estate, minerals, and forest management. The land management activities are diverse and statewide, including minerals management for oil, gas, and coal; real estate activities, including commercial development, rights-of-way, utility leases, land sales, exchanges, and acquisitions; agriculture and grazing leases, and recreational use; and forest management, including timber harvest, and forest improvement activities. The division has four

bureaus, six area offices and numerous unit offices that are responsible for land management activities statewide.

2. Section 2 would open all roads that are currently closed, unless DNRC signs them as closed. DNRC would need to sign and maintain all roads in order to avoid anticipated problems including: the spread of noxious weeds; erosion and resource damage; conflicts between recreationists and lessee activities; and to maintain commitments made in the DNRC Habitat Conservation Plan as well as other wildlife management plans.
3. Section 5 requires the new administrative rules which would be adopted to implement restrictions in Section 2 be retroactively applied on all existing restrictions. Approximately 66 tracts have restrictions in place under current administrative rules.
4. For fiscal note purposes, it is assumed that 6.00 FTE range specialists would be needed to inventory and travel to all identified tracts to post them with roads closed signs. These staff would also be responsible for retroactively processing existing restrictions, as well as managing any new closure or restriction requests.
5. Expenditures for the new FTE would include personal service costs, operating costs, and equipment. Operating costs would include an office package, computer, and funds for travel, gasoline, overnight lodging, supplies, communication, and other expenses. An inflation factor of 1.5% has been added to costs for FY 2018 and FY 2019. Equipment needed would be ½ ton 4x4 pickup trucks for off road and field work and an ATV for each FTE in FY 2016. Costs of printing the road closure signs/recreational use signs is estimated at $165,200 for FY 2016 only.
6. These costs would be paid from the division's primary funding source, the state special revenue account – trust administration account. The account is funded by a portion of the revenues generated by land management activities from the trust beneficiaries' distributable revenue stream.
7. An increase in the trust administration account represents a reduction in the distributable revenue stream for the trust beneficiaries. The costs for fiscal note purposes were allocated based on surface acres by trust. The trust beneficiaries are common schools (K-12), the university system (Montana State University, Montana Tech, the state normal school [Eastern and Western] and University of Montana), other trusts (School for the Deaf and Blind, State Reform School – Pine Hills) and the public buildings trust.
8. Reductions to the common schools distributable revenue are allocated 95% to the guarantee account and 5% to the common schools permanent fund. Reductions to the guarantee account represent a reduction to K-12 BASE Aid funding which must be offset by general fund expenditures.
9. Reductions in the deposits to the common schools permanent fund reduce interest in the fund and distributable interest to the trust.
10. The permanent fund generates interest for the trust beneficiaries. Interest for the common schools trust is distributed 95% to the common school guarantee account annually with 5% reinvested in the permanent fund. Interest on the common schools permanent fund is forecasted at a rate of 3.70% for FY 2016, 3.50% for FY 2017, 3.30% for FY 2018, and 3.10% for FY 2019. Interest rates were provided by the Board of Investments, whose responsibility it is to manage the trust and legacy fund.

	FY 2016 Difference	FY 2017 Difference	FY 2018 Difference	FY 2019 Difference
Fiscal Impact:				
FTE	6.00	6.00	6.00	6.00
Expenditures:				
Personal Services	$364,200	$364,200	$369,663	$375,208
Operating Expenses	$242,600	$60,000	$60,900	$61,813
Equipment	$200,310	$0	$0	$0
TOTAL Expenditures	$807,110	$424,200	$430,563	$437,021
Funding of Expenditures:				
General Fund (01)	$697,485	$368,446	$374,452	$380,474
Trust Admin Account SSR (02)	$807,110	$424,200	$430,563	$437,021
Com School Guar Acct SSR (02)	($697,485)	($368,446)	($374,452)	($380,474)
TOTAL Funding of Exp.	$807,110	$424,200	$430,563	$437,021
Revenues:				
General Fund (01)	$0	$0	$0	$0
Trust Admin Account SSR (02)	$807,110	$424,200	$430,563	$437,021
Com School Guar Acct SSR (02)	($697,485)	($368,446)	($374,452)	($380,474)
CS Trust - Perm Fund (09)	($36,710)	($19,392)	($19,708)	($20,025)
University Trusts Dist	($27,158)	($14,274)	($14,488)	($14,705)
Other Trusts Dist	($16,469)	($8,656)	($8,785)	($8,917)
Public Buildings Dist	($29,288)	($15,393)	($15,624)	($15,859)
TOTAL Revenues	$0	($1,961)	($2,494)	($2,959)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($697,485)	($368,446)	($374,452)	($380,474)
Trust Admin Account SSR (02)	$0	$0	$0	$0
Com School Guar Acct SSR (02)	$0	$0	$0	$0
CS Trust - Perm Fund (09)	($36,710)	($19,392)	($19,708)	($20,025)
University Trusts Dist	($27,158)	($14,274)	($14,488)	($14,705)
Other Trusts Dist	($16,469)	($8,656)	($8,785)	($8,917)
Public Buildings Dist	($29,288)	($15,393)	($15,624)	($15,859)

Long-Term Impacts:

1. SB 326 could threaten DNRC ability to generate revenue for the trust beneficiaries through timber sales within grizzly bear habitat (see Technical Notes 1 and 2).

Technical Notes:

1. TLMD Forest Management Program administrative rules govern road restrictions and road use within grizzly bear habitat. These rules are based on negotiated agreements with the United State Fish and Wildlife Service (USFWS) and require DNRC to restrict road use concurrent with those agreements.
    a. These agreements include the Swan Valley Grizzly Bear Conservation Agreement (1996) and the Montana DNRC Forested State Trust Lands Habitat Conservation Plan (HCP; 2011). Approximately 35% (275,000 acres) of DNRC forested state trust land is within grizzly bear habitat (both non-recovery occupied habitat (NROH) and recovery zone habitat).
    b. Within both grizzly bear NROH and recovery zone areas, these agreements require DNRC to not exceed certain open road densities, baseline linear amounts, or as otherwise stipulated by the provisions of the agreements. DNRC is thus very limited in the amount of new open road it may construct and also in the amount of existing road it may open for public motorized use.
2. Noncompliance with these agreements would make DNRC vulnerable to lawsuits under the Endangered Species Act (see Long-Term Assumption 1).

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*