FINAL
ENVIRONMENTAL ASSESSMENT

Adoption of Administrative Rules Setting Fees For Cabinsite Leases on State Trust Lands

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May 13, 2010

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

TRUST LANDS MANAGEMENT DIVISION

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FINDING NOTICE
ADOPTION OF ADMINISTRATIVE RULES SETTING FEES FOR CABINSITE LEASES ON STATE TRUST LANDS

An interdisciplinary team (ID team) has completed the Environmental Assessment (EA) for the proposed Department of Natural Resources and Conservation (DNRC) administrative rules pertaining to how lease fees will be assessed for the cabin and homesite leases. The purpose of the EA is to evaluate the impact to the physical and human environment that could result if the proposed administrative rules are adopted. The proposal affects state trust lands developed for residential purposes. The revenues from cabin and homesite leasing support the following trusts are as follows (with the number of leases per trust are shown in parentheses): Common Schools (318), MSU 2nd Grant (195), MSU Morrill (2), Public Buildings (55), Deaf and Blind School (37), School of Mines (106), Veterans Home (1), State Industrial School (35), State Normal School (12) and U of M (1). These leases are predominantly in western Montana.

A. ALTERNATIVES CONSIDERED

The Board of Land Commissioners (Land Board) reviewed a list of reasonable alternatives presented by DNRC (DNRC, 2009).On December 21, 2009 the Land Board selected “Alternative 3B” as the preferred alternative and eliminated the other alternatives from further consideration.

The EA considers two alternatives – the Action Alternative (the proposed administrative rules implementing Alternative 3B) and the No-Action Alternative (the current administrative rules). These two alternatives are presented and fully analyzed in the EA.

<u>No-Action Alternative</u>
Under the No-Action Alternative cabinsite fees would continue to be assessed in accordance with the existing rules and the terms and conditions of the existing lease agreement. Existing rules and terms generally provide for the following:

a. Lease fee determined by the 2009 and subsequent Montana Department of Revenue (DOR) reappraisal of cabinsite land value, multiplied by a five (5) percent lease rate. DOR reappraisals occur every six years.
b. The lease fee would remain the same for the six year period following a DOR reappraisal.
c. The cabinsite lease term is 15 years.
d. No consideration provided to a lessee with a financial hardship.
e. A lessee has two (2) years to sell the improvements.

<u>Action Alternative</u>
Under the Action Alternative, new cabinsite rules consistent with Alternative 3B would be formally adopted consistent with the Montana Administrative Procedures Act (MAPA).

In 2010 the cabinsite lease fee will be the higher of:

a. The bid amount;
b. One of the following, whichever is less;
    a. The full, phased-in contract rent from the review and renewal period after 2003, multiplied by 6.53 percent a total of six times (which represents the six years between the 2003 and 2009 DOR appraisal cycles). The result will be the base lease fee; or
    b. Five (5) percent of the 2009 appraised value, or;
c. A minimum annual rental of $250.

From 2011 to 2024, the lease fee will be the higher of 1) the newly established base lease fee as described above, multiplied by the annual escalator, 2) the bid amount, or 3) a minimum annual rental of $250. The annual escalator (termed the Lease Fee Indicator, or LFI) is recalculated annually using the average of the national Consumer Price Index (CPI) and the Real Estate Index, but will be constrained to be not less than 3.25 percent and not more than 6.5 percent.

Other conditions include:

a. The cabinsite lease term would be 15 years but may be up to 35 years for loan security purposes.
b. Lease fee adjustment every 15 years. The first lease fee adjustment will be in 2025.
c. A cabinsite lessee with demonstrated financial hardship may request a deferment for a maximum of 25 percent of the lease payment. An eligible lessee may obtain an annual lease deferment for a maximum of three years. At the end of the three years the deferred rent must be paid back.
d. Time available to lessee for sale of improvements is 3 years.

B. ALTERNATIVE SELECTED

After a thorough review of the EA and comments received I have selected the Action Alternative described above and listed in Section F (pages 2 & 3) of the EA for the following reasons:

a. The Action Alternative meets the Project Objectives in Section C of the EA.
b. The analysis of identified issues did not reveal information compelling the DNRC not to implement the Action Alternative.
c. The Action Alternative identifies mitigation measures to address issues raised by the public which include effects on soils, fisheries, aesthetics, revenues, human health and safety, water quality, weeds, tax revenue, local economy, DNRC management, and the cabinsite lessees.

C. SIGNIFICANCE OF IMPACTS

1. Soils

The State’s cabinsites are either developed residential sites, or are vacant and physically suitable for development. Most cabinsites are on slopes less than 25 percent.

Advantages and Disadvantages of the Alternatives
The developed land has experienced soil disturbance through development of the property for residential purposes. Authorization of the removal of the improvements under either alternative would include stipulation for reclamation to reduce impacts.

Alternative(s) Considered Environmentally Preferable
The No Action alternative would cause the lease fees to increase greater than under the Action alternative. Likely fewer lessees would choose to remove their improvements under the Action Alternative. Therefore, the Action alternative would be environmentally preferable.

Short and Long Term Effects of the Decision
The short term effects would be mitigated through reclamation requirements. No long term effects are anticipated.

Policy Considerations in Making the Decision
No policies were modified in making the decision.

Practical Means to Avoid or Minimize Environmental Harm
A land use license will be issued if soil is disturbed if improvements are removed from the state trust land.

Implementation Plans, Monitoring and Enforcement
An implementation handbook will be developed along with the appropriate forms and documents to implement the Action Alternative.

2. Fisheries

The Action Alternative would minimize the abandonment of leases. Currently, authorized docks are required to conform to local regulations and be of materials that are not harmful to the environment. If docks were left without continuation of maintenance by the former lessee, the DNRC would remove a dock or remove the contamination if the dock was a source of contamination.

Advantages and Disadvantages of the Alternatives
Disadvantage under either alternative: If docks were left without continuation of maintenance by the former lessee, the DNRC would remove a dock or remove the contamination if the dock was a source of contamination.

Alternative(s) Considered Environmentally Preferable
The No Action alternative would cause the lease fees to increase greater than under the Action alternative. Likely fewer lessees would choose to abandon their lease and improvements under the Action Alternative. Therefore, the Action alternative would be environmentally preferable.

Short and Long Term Effects of the Decision
The DNRC would mitigate for contamination related to abandoned docks in the short term. A new lessee would lease the land and be responsible for the improvement in the long term under lease terms and conditions.

Policy Considerations in Making the Decision
No policies were modified in making the decision.

Practical Means to Avoid or Minimize Environmental Harm
Existing improvements must be in compliance with the lease agreement.

Implementation Plans, Monitoring and Enforcement
An implementation handbook will be developed along with the appropriate forms and documents to implement the Action Alternative.

3. Aesthetics

The aesthetics of state cabinsites may vary due to the nature of the site, its location, desirability, the quality of the dwelling, and the level of maintenance and investment by the lessee. Dwelling size and quality of construction can vary greatly, as too can the level of investment in landscaping and accessory improvements.

Advantages and Disadvantages of the Alternatives
Disadvantage under either alternative: If lessees abandon their improvements deferred maintenance of structures would occur until such time as a new lessee is secured. DNRC would be responsible for maintenance related only to public health and safety.

Alternative(s) Considered Environmentally Preferable
The No Action alternative would cause the lease fees to increase greater than under the Action alternative. Likely fewer lessees would choose to abandon their lease and improvements under the Action Alternative. Therefore, the Action alternative would be environmentally preferable.

Short and Long Term Effects of the Decision
DNRC would be responsible for maintenance related to only public health and safety. A new lessee would lease the land and be responsible for the improvement in the long term under lease terms and conditions.

Policy Considerations in Making the Decision
No policies were modified in making the decision.

Practical Means to Avoid or Minimize Environmental Harm
Existing improvements must be in compliance with the lease agreement. DNRC would be responsible for maintenance related to only public health and safety.

Implementation Plans, Monitoring and Enforcement
An implementation handbook will be developed along with the appropriate forms and documents to implement the Action Alternative.

4. Revenues

The Action Alternative generates less income for the beneficiaries over the long term as compared to the No-Action Alternative. The potential decrease in income is at least partially offset by the expected lower potential for lease abandonment and vacancies under the Action Alternative.

Advantages and Disadvantages of the Alternatives
Disadvantage under either alternative: If lessees abandon their improvements deferred maintenance of structures would occur until such time as a new lessee is secured. DNRC would be responsible for maintenance related to only public health and safety.

Alternative(s) Considered Environmentally Preferable
The No-Action Alternative would cause the lease fees to increase greater than under the Action alternative. Likely fewer lessees would choose to abandon their lease and improvements under the Action Alternative. Therefore, the Action Alternative would be environmentally preferable.

Short and Long Term Effects of the Decision
DNRC would be responsible for maintenance related to only public health and safety. A new lessee would lease the land and be responsible for the improvement in the long term under lease terms and conditions.

Policy Considerations in Making the Decision
No policies were modified in making the decision.

Practical Means to Avoid or Minimize Environmental Harm
Existing improvements must be in compliance with the lease agreement. DNRC would be responsible for maintenance related to only public health and safety.

Implementation Plans, Monitoring and Enforcement
An implementation handbook will be developed along with the appropriate forms and documents to implement the Action Alternative.

5. Human Health and Safety

Minor, indirect effects to human health and safety are anticipated. Such circumstances are forecasted to occur only rarely.

Advantages and Disadvantages of the Alternatives
Disadvantage under either alternative: If lessees abandon their improvements effects to human health and safety could occur until such time as a new lessee is secured.

Alternative(s) Considered Environmentally Preferable
The No-Action Alternative would cause the lease fees to increase greater than under the Action alternative. Likely fewer lessees would choose to abandon their lease and improvements under the Action Alternative. Therefore, the Action Alternative would be environmentally preferable.

Short and Long Term Effects of the Decision
DNRC would be responsible for maintenance related to only public health and safety following complete abandonment by a lessee. A new lessee would lease the land and be responsible for the improvement in the long term under lease terms and conditions.

Policy Considerations in Making the Decision
No policies were modified in making the decision.

Practical Means to Avoid or Minimize Environmental Harm
Lessees that choose to remove their improvements will be issued a LUL which would include terms and conditions for the reclamation of the site and elimination of safety hazards.

When management responsibility for a cabinsite has reverted to DNRC, the agency would, as part of the agency's management responsibility and normal operations, respond to and correct those conditions that directly impair health and safety or are controlled by local, state or federal laws or regulations. Such issues would include any water or soil contamination, the presence of hazardous or dangerous materials or structures, removal of hazard trees, and trespass or other illegal activities taking place on the cabinsite.

Implementation Plans, Monitoring and Enforcement
An implementation handbook will be developed along with the appropriate forms and documents to implement the Action Alternative.

6. Weeds

Short-term increases in weeds could be expected on abandoned cabinsites.

Advantages and Disadvantages of the Alternatives
Disadvantage under either alternative: If lessees abandon their improvements deferred maintenance of vegetation and weeds would occur until such time as a new lessee is secured. DNRC would be responsible for noxious weed management.

Alternative(s) Considered Environmentally Preferable
The No-Action Alternative could cause the lease fees to increase greater than under the Action alternative. Likely fewer lessees would choose to abandon their lease and improvements under the Action Alternative. Therefore, the Action Alternative would be environmentally preferable.

Short and Long Term Effects of the Decision
DNRC would be responsible for weed management following full abandonment by the current lessee. A new lessee would lease the land and be responsible for the improvement in the long term under lease terms and conditions.

Policy Considerations in Making the Decision
No policies were modified in making the decision.

Practical Means to Avoid or Minimize Environmental Harm
Mitigation measures to control the establishment of noxious weeds on abandoned leases will be required of lessees that seek compensation for their cabinsite improvements during the 3 year marketing period.

If DNRC becomes the responsible entity, the department will include abandoned cabinsites on the list of all state trust lands that have been identified for weed management. This list is coordinated with county weed boards. Weed management actions would be taken commensurate with existing weed control budgets until such time as a new lessee is found for the cabinsite. These actions will address the potential for short term increase in weeds and may help to a long term reduction in the noxious weed population.

Implementation Plans, Monitoring and Enforcement
An implementation handbook will be developed along with the appropriate forms and documents to implement the Action Alternative.

7. Tax Revenue

Minor and short term effects are anticipated to tax revenues originating from taxes paid by lessees on the value of their improvements. If the improvements become the property of the state, the improvements will not generate tax revenue until a new lessee is found. This situation may result in a decrease in property tax revenue for an unknown period of time. Insufficient information exists to determine the number and location of abandonments that may occur.

Advantages and Disadvantages of the Alternatives
Tax revenue resulting from lease abandonment will occur under either alternative. Fewer abandonments are expected to under the Action Alternative.

Alternative(s) Considered Environmentally Preferable
The No-Action Alternative would cause the lease fees to increase greater than under the Action alternative. Likely fewer lessees would choose to abandon their lease and improvements under the Action Alternative. Therefore, the Action Alternative would be environmentally preferable.

Short and Long Term Effects of the Decision
Short term decreases in taxes paid on improvements would occur during the period the state has ownership of abandoned improvements. In the long term, a new lessee would lease the land and resume payment of taxes.

Policy Considerations in Making the Decision
No policies were modified in making the decision.

Practical Means to Avoid or Minimize Environmental Harm
No practical means to avoid short term decreases in tax revenues are available.

Implementation Plans, Monitoring and Enforcement
An implementation handbook will be developed along with the appropriate forms and documents to implement the Action Alternative.

8. Local Economy

Indirect and cumulative effects are anticipated to the local economy under either alternative. The degree of effect is not known; however, greater effect may be anticipated under the No-Action Alternative than would occur under the Action Alternative.

Advantages and Disadvantages of the Alternatives
Disadvantage under either alternative: If lessees abandon their improvements it is anticipated that those lessees may spend less of their income in the local economy. Fewer abandonments are expected to under the Action Alternative.

Alternative(s) Considered Environmentally Preferable
The No-Action Alternative would cause the lease fees to increase greater than under the Action alternative. Likely fewer lessees would choose to abandon their lease and improvements under the Action Alternative. Therefore, the Action Alternative would be environmentally preferable.

Short and Long Term Effects of the Decision
It is anticipated that cabinsites will be re-leased within the 3 year period. Local spending may decrease in the short term as a result of abandonment but is expected to be replaced and maintained in the long term following release of abandoned cabinsites.

Policy Considerations in Making the Decision
No policies were modified in making the decision.

Practical Means to Avoid or Minimize Environmental Harm
No practical means to avoid short term decreases in local spending are available.

Implementation Plans, Monitoring and Enforcement
An implementation handbook will be developed along with the appropriate forms and documents to implement the Action Alternative.

9. DNRC Management

Effects to DNRC management workload may occur as a result of lease abandonment. Abandoned cabinsites that become the agency's responsibility may require the agency to respond to and correct those conditions that directly impair health and safety or are controlled by local, state or federal laws or regulations. Such issues would include any water or soil contamination, the presence of hazardous or dangerous materials or structures, removal of hazard trees, and trespass or other illegal activities taking place on the cabinsite.

Advantages and Disadvantages of the Alternatives
Abandonments are possible under either alternative. Fewer lessees are expected to abandon their lease and improvements under the Action Alternative.

Alternative(s) Considered Environmentally Preferable
The No-Action Alternative would cause the lease fees to increase greater than under the Action alternative. Likely fewer lessees would choose to abandon their lease and improvements under the Action Alternative. Therefore, the Action Alternative would be environmentally preferable.

Short and Long Term Effects of the Decision
The Action Alternative would lessen the rate at which lease fees are increasing, both immediately and in the long term (in relation to the No-Action Alternative). This is likely to result in fewer abandonments and fewer lessees experiencing the financial impact of losing the value of their improvements.

Policy Considerations in Making the Decision
No policies were modified in making the decision.

Practical Means to Avoid or Minimize Environmental Harm
DNRC would be responsible for maintenance related to only public health and safety.

Implementation Plans, Monitoring and Enforcement
An implementation handbook will be developed along with the appropriate forms and documents to implement the Action Alternative.

10. Cabinsite Lessees

Cabinsite lessees that do not sell their improvements will suffer a direct financial loss.

Advantages and Disadvantages of the Alternatives
Disadvantage under either alternative: If lessees abandon their improvements deferred maintenance of structures would occur until such time as a new lessee is secured. DNRC would be responsible for maintenance related to only public health and safety.

Alternative(s) Considered Environmentally Preferable
The No-Action Alternative would cause the lease fees to increase greater than under the Action alternative. Likely fewer lessees would choose to abandon their lease and improvements under the Action Alternative. Therefore, the Action Alternative would be environmentally preferable.

Short and Long Term Effects of the Decision
DNRC would be responsible for maintenance related to only public health and safety. A new lessee would lease the land and be responsible for the improvement in the long term under lease terms and conditions.

Policy Considerations in Making the Decision
No policies were modified in making the decision.

Practical Means to Avoid or Minimize Environmental Harm
No practical means are available to avoid impacts to lessees that abandon their improvements.

Implementation Plans, Monitoring and Enforcement
An implementation handbook will be developed along with the appropriate forms and documents to implement the Action Alternative.

D. SHOULD AN ENVIRONMENTAL IMPACT STATEMENT (EIS) BE PREPARED?

Based on the following considerations, I find that an EIS does not need to be prepared:

a. The EA adequately addresses the issues identified during the scoping process and displays the information needed to make the decisions.
b. Evaluation of the potential impacts of the proposed adoption of the administrative rules indicates that no significant impacts would occur.
c. The ID Team provided adequate opportunities for public review and comment. Public concerns were incorporated into the development of the rules and the analysis of impacts.

____
Jeanne Holmgren
Chief, Real Estate Management Bureau

Date: May 13, 2010

ENVIRONMENTAL ASSESSMENT
ADOPTION OF ADMINISTRATIVE RULES SETTING FEES FOR CABINSITE LEASES ON STATE TRUST LANDS

A. PROPOSED ACTION

The Trust Land Management Division (TLMD) of the Montana Department of Natural Resources and Conservation (DNRC) proposes to adopt administrative rules under the Montana Administrative Procedures Act (MAPA) consistent with Alternative 3B as approved by the State Board of Land Commissioners (Land Board) on December 21, 2009.

The following questions will be answered as a result of this Environmental Assessment (EA) and will be incorporated into the *FINDING*:

1. Do the alternatives presented meet the project objectives?
2. Which alternative should be selected?
3. Would implementing the selected alternative cause significant effects to the human environment, requiring the preparation of an Environmental Impact Statement (EIS)?

B. PURPOSE OF PROPOSED ACTION

The purpose of the proposed action is to develop and adopt administrative rules consistent with Alternative 3B.

Table 1: Comparison of Alternative 3B and the No-Action Alternative

	ALTERNATIVE 3B	**NO-ACTION ALTERNATIVE**
Appraised Value of Lease Land	DNRC will use one of two methods to value a state lease parcel, whichever is less: 1) The agency will amend the rules to indicate lease fees will be calculated by using the full, phased-in contract rent in the time period between 2003 and 2013, and project that amount forward by 6.53 percent, compounded 6 times to represent the six years between appraisal cycles. The projected lease fee will be the "base rent."; or 2) the 2009 Department of Revenue (DOR) appraised value for a state parcel.	The 2009 DOR appraised value.
Lease Rate/Fee	The lease rate is 5% of the appraised value. Lease fee is the higher of 1) 5% of appraised value, 2) the bid amount, or 3) a minimum annual rental of $250.	Same as Alternative 3B
Annual Escalator (Annual Percentage	The annual escalator (termed the Lease Fee Indicator, or LFI) is recalculated annually using the average of the national Consumer	No annual escalator.

	ALTERNATIVE 3B	NO-ACTION ALTERNATIVE
Increase in Lease Fee)	Price Index (CPI) and the Real Estate Index, but will be limited in that it will never be less than 3.25 percent and will never be more than 6.5 percent.	
Lease Term	The cabinsite lease term would be 15 years but may be up to 35 years for loan security purposes.	The cabinsite lease term would be 15 years.
Lease Fee Adjustment	Every 15 years.	Every 6 years.
Financial Hardship	A cabinsite lessee may request a deferment for a maximum of 25 percent of the lease payment. An eligible lessee may obtain an annual lease deferment for a maximum of three years. At the end of the three years the deferred rent must be paid back.	No consideration for financial hardship.
Time Available to Lessee for Sale of Improvements	3 years.	2 years.

The impetus for development of new rules for the setting of cabinsite lease fees is in response to the increase in the appraised values for many cabinsites from 2003 to 2009 (as determined by the Department of Revenue [DOR]) and the resulting increases in current and future expected cabinsite lease fees. There has been widespread concern among lessees that the lease fees are not reasonable and for some may be beyond their ability to pay.

The DNRC began investigating in May 2009 what changes to the lease fee process would entail, how lessee concerns might be addressed, and what changes might mean to projected lease revenues. The result of this process was the development of Alternative 3B.

The purpose of this EA is two-fold: 1) ensure compliance with MAPA and MEPA procedural requirements and 2) to assess the impacts to the human and natural environment that would result from the proposed action.

Summary of the Cabinsite Leasing Program

The DNRC administers 802 cabinsite and homesites across the state. Currently 764 sites are considered “active” leases, and 38 sites are “inactive” or vacant. Most of the active lease site (624) are located in western Montana in forested or lakeside areas, with concentrations on Flathead, Echo, Rogers, Placid, Elbow and Seeley Lakes, DNRC also administers a smaller number of leases (140) in eastern Montana.

As required by 77-1-208, Montana Code Annotated (MCA), DNRC uses the DOR regular appraisal values as the basis for calculating lease fees for cabinsite leases on state trust lands. All DNRC cabinsite leases are assigned to a “cycle,” labeled A, B, C, D or E. Roughly one-fifth of all leases are assigned to each cycle and renewed over a five-year period, resulting in a staggered lease fee review. Nearly all the leases are in the process of completing a phase-in which, when complete between 2009 and 2013, will bring all cabinsite leases from a lease fee amount of 3.5% of the 1997 appraised value to 5% of the 2003 appraised value.

As mentioned above, the DNRC uses the DOR regular appraisal values as the basis for calculating lease fees for cabinsite leases on State Trust Lands. The DOR conducts a statewide appraisal of property every six years, the last being in 2009.

The majority of the cabin sites, 619 sites, which is 81% of all cabin sites, saw an increase of 0% to 200% in DOR appraised value between 2003 and 2009. The average increase for the state's cabinsite lease sites is 130%. Two cabinsites saw increases of 1142.5% and 1350% respectively (both sites are in eastern Montana), and the value of a few sites actually decreased from 2003 to 2009 (DNRC, 2009).

Among the higher-value sites of western Montana, the change in rents closely follows the change in values. In eastern Montana, however, rents show a smaller rate of change due to the fact that many lessees were paying the minimum rent amount of $250 as required by statute, which equaled more than 5% of the appraised value of their cabinsite (DNRC, 2009).

C. OBJECTIVES OF PROPOSED ACTION

In alignment with DNRC's 2009 analysis of lease rent calculation alternatives (DNRC, 2009), DNRC has set the following 7 objectives for the proposed action:

1. Provide a predictable lease rent.
2. Increase the lease term to provide for lending security purposes.
3. Provide full market value for the beneficiaries.
4. Moderate fee increases from one year to the next by using a Lease Fee Index (LFI) and a cap to mitigate considerable increases and decreases.
5. Clarify and simplify lease administration; bring all leases into the same review and renewal schedule.
6. Provide consideration for "low-income" residents.
7. Modify the improvements management policy as recommended in DNRC report (2009).

D. LEGAL AND ADMINISTRATIVE FRAMEWORK

Through the Enabling Act of 1889 (25 STAT. 679), the U.S. Congress granted the state of Montana Section 16 and 36 in each township (or other lands in lieu of those sections) "for the support of common schools." The Enabling Act also created several other smaller trusts that provide income for the state universities and other state institutions. All state trust lands are under the direction and control of the Land Board, as provided by Article X, Section 4 of the Montana Constitution. The DNRC is charged with the management of trust lands under the direction of the Land Board (2-15-3201 and 77-1-301, MCA).

The Land Board has authority to set lease fees to optimize the financial return to the school trust (77-1-106, MCA). Cabinsite value is to be based upon DOR appraisal (77-1-208, MCA).

E. ENVIRONMENTAL ASSESSMENT DEVELOPMENT

This EA was developed concurrently with final revision of the draft cabinsite rules. The EA was prepared through an interdisciplinary approach in compliance with MEPA. A list of the preparers and documents referenced in this EA may be found in **Attachment A**.

F. OTHER GOVERNMENTAL AGENCIES WITH JURISDICTION

1. Montana Board of Land Commissioners.
2. Environmental Quality Council (EQC) – The EQC has administrative oversight of DNRC with regard to rule-making.

G. PROPOSED SCHEDULE OF ACTIVITIES

The Chief of the Real Estate Management Bureau will select an alternative prior to final, formal adoption of rules. Should the Action Alternative be selected and rules be adopted consistent with the Action Alternative, an adoption notice would be published in the Montana Administrative Register (anticipated July 2010). Rules text will be made available to all interested parties.

H. ALTERNATIVES CONSIDERED

<u>NO-ACTION ALTERNATIVE:</u> Under the No-Action Alternative, new rules would not be adopted. Cabinsite fees would continue to be assessed in accordance with the existing rules and the terms and conditions of the existing lease agreement if the current rulemaking process to implement Alternative 3B is not completed.

<u>ACTION ALTERNATIVE:</u> Under the Action Alternative, new cabinsite rules consistent with Alternative 3B would be formally adopted under MAPA procedures.

I. PUBLIC INVOLVEMENT, AGENCIES, GROUPS OR INDIVIDUALS CONTACTED

The process to consider and develop alternatives to the current lease fee calculation methodology began in June 2009 with the first phase (Alternatives Development). Alternatives development began with solicitation of comments from the cabinsite lessees about the current program and possible alternatives. DNRC then developed a selection of alternatives and presented the alternatives, along with a lessee-developed alternative, as an informational item at the Land Board September 21, 2009. Based upon lessee and Land Board input, DNRC developed Alternative 3B as a variation of Alternative 3 presented at the September 21 hearing.

The second phase (Rules Development) began with the October 21, 2009, Land Board hearing at which the Land Board selected Alternative 3B and directed DNRC to begin rules development to implement the alternative. On December 21, 2009, the Land Board gave preliminary approval for the draft rules. DNRC then held a 30-day comment period on the draft rules and held two hearings, Feb. 2, 2010, in Kalispell and Feb. 4 in Seeley Lake.

The third phase (MEPA Review) began February 19, 2010, with a 30-day public scoping process, used to inform the interested parties of the proposed action – administrative rules development – and to notify the parties that they have the opportunity to express their comments or concerns about the possible effects of Alternative 3B. Two scoping meetings were held, March 2 in Missoula and March 4 in Kalispell, at which numerous comments were received. Comments were also collected via mail. With close of the scoping period DNRC began development of this environmental review.

The following timeline describes in further detail the history of the process and the opportunities for public involvement. See **Attachment B: Interested Parties List** for a list of persons notified during the administrative rules development process and the MEPA scoping period.

PHASE 1: ALTERNATIVES DEVELOPMENT

June 9, 2009: letter sent to all lessees inviting comments on lessee's thoughts on ways to change the way the DNRC determines full market value for cabinsite leases.

June 22: lessee meetings in Seeley Lake, 105 people attended.

June 23: lessee meetings in Kalispell, 107 people attended.

June 30: Close of comment period. 221 comments received.

July: Creation of a special email account to collect lessee comments.

July: Development of cabin info web site.

July: Compilation of lessee comments – email, written, and verbal – and posted on cabin info web site.

July: Creation of a listserv subscription account to put out information to lessees.

July 2: web site update.

July 9: post card information update.

July 10: web site update

July 14: listserv update

July 30: post card update sent to lessees; info posted as well on the web update and sent to the list serv.

September 4: DNRC sent a letter to each cabinsite lessee describing the lease fee calculation alternatives to be presented to the Land Board as an informational item at its September 21 hearing. Letter included final DOR appraisal values for each cabinsite lease and a calculation of lease fee projections per lease as calculated under each alternative scenario. Put up lease fees calculations by alternative on DNRC web site.

September 10: the interim legislative committee, the Environmental Quality Council (EQC) received a report and oral presentation on cabinsite leasing from the DNRC.

September 18: Close of second comment period. 23 comments received.

September 21: Land Board hearing. Lease fee calculation alternatives presented to the Land Board as an informational item (DNRC, 2009).

September/October: DNRC developed Alternative 3B as a variation of Alternative 3. Alternative 3B added a component to the lease calculation methodology that based the lease fee in part on a Lease Fee Indicator (LFI) that would change in response to current economic conditions.

PHASE 2: ADMINISTRATIVE RULES DEVELOPMENT

October 21: Land Board hearing. Land Board selected Alternative 3B and directs DNRC to develop rules based on the criteria of that alternative.

October/November: DNRC develops FAQs about Alternative 3B and puts them on cabinsite information website.

November 17: listserv update and post card mailing on status of rules per direction from October 21 Land Board hearing.

September 22 to December 1: An additional 39 comments came in to the DNRC and are included in the comments collected during the second comment period described above.

December 14: DNRC updates recent FAQ information on website.

December 21: Land Board approves the draft rules for Alternative 3B.

December 31: A rules comment period opens, letter sent to all lessees including copy of the draft rules.

February 2, 2010: Rules comment hearing held in Kalispell. 62 people attended, 19 comments received.

February 4: Rules comment hearing held in Seeley Lake. 56 people attended, 28 comments.

February 11: Close of draft rules comment period. 132 comments collected during the period.

PHASE 3: MEPA REVIEW

February 19: Letter sent to all lessees announcing MEPA scoping period and ability to comment, also reiterating lease fee calculator on DNRC web site.

March 2: MEPA scoping meeting held in Missoula. 45 people attended, 42 comments collected.

March 4: MEPA scoping meeting held in Kalispell. 45 people attended, 48 comments collected.

March 4: Todd Everts, EQC Legal Staff presents his report on cabinsite leasing to the EQC; DNRC staff answer questions from the committee members.

March 19: Close of MEPA scoping period. 124 comments collected.

J. SUMMARY OF SCOPING COMMENTS

DNRC received a large number of comments from the meetings, hearings, and comment periods described in the previous section. Comments received during the MEPA scoping period and scoping meetings expressed many of the concerns shared during the alternatives development and rules development phases described in the previous section.

Many comments received suggest or anticipate an impact to the human and natural environment as a result of the proposed action, with many comments being similar in their topic and suggested impacts. A summary of oral and written comments received during the MEPA scoping period are presented in **Attachment C** along with DNRC response.

K. EXISTING ENVIRONMENT AND ENVIRONMENTAL IMPACTS

Introduction

The discussion of the environmental consequences of the No-Action and Action Alternatives is based upon the assumption that a certain number of lessees will give up their lease as a result of the increases to lease fees. Three likely scenarios are identified. They are:

Scenario 1: Lease Abandonment; Improvements Sold
As a result of increasing lease fees, a lessee abandons (quits leasing) the cabinsite. The now former lessee sells the lessee-owned improvements on the cabinsite to a new lessee secured by DNRC through a competitive bidding process.

This scenario is considered the most likely of the four presented here. Reasons include: 1) lessee-owned improvements have value, 2) in many cases, lessees have invested a significant amount of time and money in maintaining and upgrading their improvements, and 3) the availability is limited for comparable privately-owned properties and demand for these cabinsites has historically been high.

Under Scenario 1, former lessees will have two years (No-Action Alternative) or three years (Action Alternative) to sell their improvements to a new lessee. During the two or three year period, the former lessee may continue to be responsible for maintenance of the cabinsite and improvements through a Land Use License. Following sale, responsibility for maintenance will pass to the new lessee.

Scenario 2: Lease Abandonment; Improvements Revert to State
If during the two or three year period the cabinsite is not re-leased and the improvements sold to a new lessee, then ownership for the improvements will revert to the state and become the responsibility of DNRC.

Available information is insufficient to determine how often the scenario will occur. DNRC will actively market vacant cabinsites for lease through competitive bidding, and assist the lessee to find a buyer for the improvements. It is the department's assumption that cabinsites actively marketed and priced competitively will re-lease within the 2 to 3 year window.

Scenario 3: Lease Abandonment; Improvements Removed
A lessee abandons his or her cabinsite and moves the lessee-owned improvements to another location not on state land.

The scenario is not expected to occur often. The cost of acquiring a suitable vacant piece of land and a cabin or other structures will limit the number of lessees that choose to remove their improvements.

Scenario 4: Lease Abandonment; Improvements Relinquished to State
A lessee abandons his or her cabinsite and relinquishes possession of the improvements. The improvements on the cabinsite become the ownership and responsibility of the state.

Available information is insufficient to determine how often the scenario will occur. However, given that the improvements on most cabinsites have market value, it is anticipated that this scenario will occur only minimally.

Terms Used In This Analysis

1. Abandonment means a lessee ceases to lease his or her cabinsite.
2. Relinquishment means a lessee surrenders all rights and interests in the lessee-owned improvements on the cabinsite.
3. Reversion means that the lessee has not sold his or her improvements in the two or three year period, and the improvements have become the property of the state.

The following analysis has been conducted within the context of the scenarios listed above.

I. IMPACTS ON THE PHYSICAL ENVIRONMENT

1. Geology and Soil Quality, Stability and Moisture

a. Existing Conditions

The State's cabinsites are either developed residential sites, or are vacant and physically suitable for development. Most cabinsites are on slopes less than 25 percent.

b. Environmental Consequences

NO-ACTION ALTERNATIVE: No direct, indirect, or cumulative effects to geology and soil quality, stability and moisture are anticipated.

Lessees that choose to remove their improvements (Scenario 3) will be issued a LUL which would include terms and conditions for the reclamation of the site. Reclamation may include removal of a foundation and septic tank, and grading and revegetation of the site following removal of structures.

ACTION ALTERNATIVE: The Action Alternative proposes changes that are largely administrative in scope, and does not direct or promote the physical disturbance of land. No associated direct, indirect or cumulative effects to geology and soil quality, stability and moisture differing from those under the No-Action Alternative are anticipated.

2. Water Quality, Quantity and Distribution

a. Existing Conditions

Most cabinsites are adjacent to lakes, rivers and streams in Montana. The Montana Department of Environmental Quality (DEQ) monitors the condition of these water bodies in compliance with the federal Clean Water Act and the Montana Water Quality Act (75-5-301, *et seq, MCA*). Adjacent lakes, rivers, and streams and their status are shown in Table 2.

Table 2: Rivers, Lakes and Streams and their Water Quality

Water Body	DEQ Water Quality Category (Year)*
Ashley Creek	5 (2008)
Ashley Lake	3 (2008)
Beaver Lake	NA
Blackfoot River	4A (2008)
Clearwater River (Seeley Lake Outlet)	3 (2008)
Copper Creek	NA
Echo Lake	NA
Elbow Lake	NA
Fish Creek	4C (2008)
Fishtrap Creek	1 (2008)
Flathead Lake	5 (2006)
Grant Creek	5 (2008)
Landers Fork	1 (2008)
McGregor lake	NA
Morrell Creek	NA
Mudd Creek	NA
Placid Lake	NA
Rogers Lake	NA
Seeley Lake	1 (2008)
Thompson Creek	NA
*Water Quality Categories: 1 - All uses assessed and fully supported. 3 - Insufficient data to assess any use. 4A - All TMDLs needed have been completed. 4C - TMDLs are not required; no pollutant-related use impairment identified. 5 - One or more uses are impaired and a TMDL is required. NA - Not assessed. Water quality categories are based upon Montana's Water Quality Standards. Specifically, water body's category is determined by water quality assessments made on the basis of available water monitoring data and the status of Total Maximum Daily Loads (TMDLs) established by DEQ for that water body.	

Source: DEQ Clean Water Act Information Center, http://cwaic.mt.gov.

b. Environmental Consequences

NO-ACTION ALTERNATIVE: During the scoping process several commenters stated that cabinsite abandonment could indirectly lead to contamination of surface and ground water. Examples would be leaking or overflowing septic tanks or garbage being placed or otherwise ending up in the adjacent lake or river (also see the discussion under *Aesthetics*). There is no evidence to suggest such incidents would occur more often on abandoned and vacant cabinsites than on leased and occupied cabinsites.

Under Scenario 1 the lessee will remain responsible for up to two or three years for any point source pollution to surface and ground water originating on the cabinsite. Under Scenario 2 or 4, DNRC will be responsible for correcting water quality issues until a new lessee is found. Under scenario 3 it is possible the cabin may be removed while a potential point source, such as a septic tank, will remain. As in Scenario 1, the former lessee will remain responsible for impacts related to any improvements on the cabinsite.

ACTION ALTERNATIVE: No direct, indirect or cumulative effects to water quality, quantity and distribution differing from those under the No-Action Alternative are anticipated.

3. Air Quality

a. Existing Conditions

The U.S. Environmental Protection Agency has designated 7 Montana communities as nonattainment areas for PM10 pollutants ("coarse" particulate matter between 2.5 and 10 microns in diameter); they are Butte, Columbia Falls, Kalispell, Libby, Missoula, Thompson Falls, and Whitefish. Laurel and East Helena are also designated as nonattainment areas for sulfur dioxide.

Cabinsite lessees affect air quality as a direct result of their use and maintenance of the cabinsite. These effects are a result of:

- Wood stoves, pellet stoves and other solid fuel heating appliances.
- Burning of vegetation and landscape waste.

b. Environmental Consequences

NO-ACTION ALTERNATIVE: No direct, indirect, or cumulative effects to air quality are anticipated. The State's cabinsites are developed residential sites. It is expected that, with the exception of a limited number of cabinsites that may have some or all of the structural improvements removed following abandonment, cabinsites will remain intact and under their present use. Temporary air quality impacts resulting from physical modifications to existing structures or from soil disturbance (such as from removal of improvements) are not expected to be minimal.

ACTION ALTERNATIVE: No associated direct, indirect or cumulative effects to air quality differing from those under the No-Action Alternative are anticipated.

4. Vegetation Cover, Quantity and Quality

a. Existing Conditions

The vegetation on developed cabinsites is typical of that found in rural residential areas and includes turf grass and other non-native landscape plants along with native tree and shrub cover. With respect to intact native plant communities, the vegetation of state cabinsites is considered "disturbed."

Lessees are responsible for the management of vegetation on the cabinsite.

b. Environmental Consequences

NO-ACTION ALTERNATIVE: Minor effects to the quantity of vegetation may occur under the No-Action Alternative on vacant lease sites that do not receive regular maintenance during the growing season.

In addition, irregular or deferred maintenance on unleased cabinsites may result in minor increases in noxious weeds on abandoned cabinsites. Noxious weeds would be the responsibility of the former lessee until the lessee either sells, removes the improvements, or relinquishes the improvements to the state. If DNRC becomes the responsible entity, the department would include these cabinsites on the list of all state trust lands that have been identified for weed management. This list is coordinated with county weed board. Weed management actions would be taken commensurate with existing weed control budgets until such time as a new lessee is found for the cabinsite.

ACTION ALTERNATIVE: No direct, indirect or cumulative effects to vegetation cover, quantity and quality differing from those under the No-Action Alternative are anticipated. Because lease abandonments are expected to be greater under the No-Action Alternative than under the Action Alternative (ECONorthwest, 2010), it is anticipated that the degree of effects will be lower under the Action Alternative.

5. Terrestrial, Avian and Aquatic Life and Habitats

a. Existing Conditions

The cabinsites are developed residential sites. They may be visited by wildlife species commonly found in proximity to human habitation such as deer, fox, coyote and a variety non-game bird species. What value the cabinsites provide as wildlife habitat is incidental to their residential land use.

b. Environmental Consequences

NO-ACTION ALTERNATIVE: No change to the current types or frequency of wildlife present on or near the cabinsites or to the quality of habitat found on the cabinsites is anticipated.

It was suggested during the scoping period that lessees may leave docks in place when they abandon their cabinsite. Docks left in place are anticipated to have a minor beneficial effect to fish populations by providing hiding places and shade.

Improvements, including docks, will be the responsibility of the former lessee until the lessee either sells, removes the improvements, or relinquishes the improvements to the state. When DNRC is responsible for maintenance of the cabinsite for any period of time (Scenario 2 and 4), the department will ensure that a dock left in the water is not a source of contamination, and if it is, remove the contamination.

ACTION ALTERNATIVE: No associated direct, indirect or cumulative effects to terrestrial, avian and aquatic life and habitats differing from those under the No-Action Alternative are anticipated. Because lease abandonments are expected to be greater under the No-Action Alternative than under the Action Alternative (ECONorthwest, 2010), it is anticipated that the degree of effects will be lower under the Action Alternative.

6. Unique, Endangered, Fragile or Limited Environmental Resources

a. Existing Conditions

A search of the Montana Natural Heritage Program database identified the animal and plant species of concern in the state. The Natural Heritage Program report is available upon request from the DNRC Real Estate Management Bureau.

The cabinsites are developed residential sites. Many of the cabinsites have been developed for decades and occur within areas of fairly dense residential development. This development tends to degrade the value of the parcel as a source of wildlife habitat. If the cabinsites provide value as habitat for species of concern it is incidental to their primary use as residential property.

b. Environmental Consequences

NO-ACTION ALTERNATIVE: Because no change to land use or density is proposed under either Alternative, no change is anticipated to the current types or frequency of species of concern present on or near the cabinsites or to the quality of habitat suitable to species of concern on the cabinsites.

No direct, indirect, or cumulative effects to unique, endangered, fragile or limited environmental resources are anticipated.

ACTION ALTERNATIVE: No associated direct, indirect or cumulative effects to unique, endangered, fragile or limited environmental resources differing from those under the No-Action Alternative are anticipated.

7. Historical and Archaeological Sites

a. Existing Conditions

For the most part a systematic inventory of the state cabinsites for cultural and paleontologic resources has not been conducted. Under either alternative, DNRC would maintain compliance with the state Antiquities Act (Title 22, Chapter 3, Part 4, MCA) and the DNRC rules that implement said Act (ARM 36.2.801, *et seq*).

b. Environmental Consequences

NO-ACTION ALTERNATIVE: No direct, indirect, or cumulative effects to historic and archaeological sites are anticipated.

ACTION ALTERNATIVE: No associated direct, indirect or cumulative effects to historic and archaeological differing from those under the No-Action Alternative are anticipated.

8. Aesthetics

a. Existing Conditions

The aesthetics of state cabinsites may vary due to the nature of the site, its location, desirability as a recreation property, the quality of the dwelling, and the level of maintenance and investment provided by the lessee.

The cabinsites in western Montana are generally forested and adjacent to a river, lake or stream. Most cabinsites are approximately one acre in size, but may range in size from one-half acre to 5 acres. They are generally clustered with other state cabinsites, though some cabinsites may be isolated from other cabinsites or residential dwellings by 300 feet or more. Cabinsites are in largely rural areas; however, certain sites in or near large population centers, particularly in Seeley Lake and the cabinsites throughout the greater Flathead Valley, are more suburban in character.

A much lower proportion of cabin and homesites in eastern Montana are adjacent to a water body. The range in size for sites on the east side is greater (up to 27 acres). The sites are generally more isolated and may be a half mile or more away from the nearest dwelling. These sites are more allied with agriculture and ranching uses and character than with the recreational purposes more common to cabinsites on the west side of the state.

Dwelling size and quality of construction can vary greatly, as too can the level of investment in landscaping and accessory improvements.

b. Environmental Consequences

NO-ACTION ALTERNATIVE: Lease abandonments under any of the three Scenarios may have certain secondary effects to the aesthetics of individual cabinsites. Anticipated secondary effects include:

- Deferred maintenance of landscaping and natural vegetation on vacated cabinsites.
- Deferred maintenance to structural improvements.
- Abandoned cabinsites, particularly those where the lessee relinquishes the improvements as well (Scenario 2 and 4), may be left in the condition they were in at the time of abandonment
- Abandoned and vacant cabinsites may experience trespass, may be subject to vandalism, or be used as garbage dumps.
- Abandoned cabinsites with removed improvements (Scenario 3) may be left with foundations, septic tanks or other “immovable” improvements.

During the scoping period it was also identified that changes to aesthetics may have a tertiary effect by impairing property values for the abandoned cabinsite and neighboring properties.

Under Scenario 1 a former lessee would have a period of time to sell the improvements to a new lessee. During this period, responsibility for maintenance of the cabinsite and improvements will likely remain with the former lessee. If the period passes without a new lessee purchasing the improvements (Scenario 2), the improvements will revert to the state.

Until a new lessee has taken over a cabinsite and improvements, local DNRC field staff would prioritize maintenance or rehabilitation of the cabinsite along with all other management objectives and administrative duties and as staff personnel and funding are available. It is expected that those aesthetic issues that persist would be corrected upon lease of the cabinsite by a new lessee.

Minor indirect effects to aesthetics are anticipated. Given the uncertainty regarding how many lessees would abandon their lease under either Alternative, or what option they may choose for dealing with the sale/removal/relinquishment of the improvements, it is difficult to predict the degree of effect to aesthetics and the attendant tertiary effect to property values that could be experienced under the No-Action Alternative.

A Land Use License (LUL) would be issued to a lessee that chooses to maintain their improvements during the 2 or 3 year period (Scenario 1) as well as to a lessee that chooses to remove their improvements (Scenario 3). A LUL for removal of improvements would include terms and conditions for the reclamation of the site. *ACTION ALTERNATIVE*: Minor indirect effects to aesthetics are anticipated. Because lease abandonments are expected to be greater under the No-Action Alternative than under the Action Alternative (ECONorthwest, 2010), it is anticipated that the degree of effect to aesthetics will be lower under the Action Alternative.

9. Demands on Environmental Resources of Land, Water, Air or Energy

a. Existing Conditions

The cabinsites are developed residential sites. The land, water, air and energy consumed by cabinsites and its occupants is assumed to be consistent with residential properties in Montana. Most cabinsites are approximately one acre in size, but may range in size from one-half acre to 5 acres.

Many cabinsites serve as a second or vacation home for a lessee. In these cases, a lessee who uses his or her cabinsite as a seasonal residence may have a greater impact on environmental resources, particularly land, than a lessee who uses the cabinsite as his or her primary residence.

b. Environmental Consequences

NO-ACTION ALTERNATIVE: No direct, indirect, or cumulative effects to demand for environmental resources of land, water, air or energy are anticipated.

ACTION ALTERNATIVE: No associated direct, indirect or cumulative effects to demand for environmental resources of land, water, air or energy differing from those under the No-Action Alternative are anticipated.

II. IMPACTS ON THE HUMAN POPULATION

10. Human Health and Safety

a. Existing Conditions

Cabinsites are used for residential purposes. Conditions present on occupied cabinsites that impact human health and safety are the responsibility of the lessee.

b. Environmental Consequences

NO-ACTION ALTERNATIVE: Lease abandonments under Scenario 2, 3 and 4 may have certain secondary effects to the human health and safety among remaining residents in a neighborhood. Anticipated secondary effects include:

- Abandoned and vacant cabinsites may have dangerous materials upon them that may pose a hazard to persons trespassing upon the property. Such materials may have been abandoned by the cabinsite lessee or may be on the cabinsite as result of illegal dumping.
- Septic tanks or other improvements that may pose a danger or cause soil contamination, groundwater or surface water contamination.
- Cabinsites abandoned under Scenario 3 may be left with foundations that could pose a physical danger to anyone walking across the site.
- Accumulating vegetation on vacated cabinsites due to deferred maintenance of landscaping and natural vegetation may increase the fire hazard on these sites.

Under Scenario 1 a former lessee would have a period of time to sell the improvements to a new lessee. During this period, responsibility for maintenance of the cabinsite and improvements will remain with the former lessee. If the period passes without a new lessee purchasing the improvements (Scenario 2), the improvements will revert to the state and DNRC will be responsible for management of the cabinsite until a new lessee is found – this would also occur under Scenario 4.

Lessees that choose to remove their improvements (Scenario 3) will be issued a LUL which would include terms and conditions for the reclamation of the site and elimination of safety hazards.

When management responsibility for a cabinsite has reverted to DNRC, the agency would, as part of the agency’s management responsibility and normal operations, respond to and correct those conditions that directly impair health and safety or are controlled by local, state or federal laws or regulations. Such issues would include any water or soil contamination, the presence of hazardous or dangerous materials or structures, removal of hazard trees, and trespass or other illegal activities taking place on the cabinsite.

Minor, indirect effects to human health and safety are anticipated. Such circumstances are forecasted to occur only rarely under the No-Action Alternative.

Cabinsites in western Montana exist in a fire prone landscape. Deferred maintenance of landscaping and natural vegetation on a cabinsite of one-half to one acre in size may cause a change in the wildfire fire hazard on the individual cabinsite and to neighboring properties. The effect of deferred maintenance on fire hazard is not so discernable on the larger scale that wildfires occur. At a landscape scale other factors would be more important to fire hazard, such as forest type and fire regime, forest structure, fuel loading, drought, and the availability of wildland firefighting resources. It is anticipated that fire fighting protocols and the response of local and state firefighting resources would be identical regardless of alternative, occupancy of the cabin site, or fuel loads on unoccupied lease sites.

ACTION ALTERNATIVE: Minor, indirect effects to human health and safety are anticipated. Because lease abandonments are expected to be greater under the No-Action Alternative than under the Action Alternative (ECONorthwest, 2010), it is anticipated that the degree of effect to human health and safety will be significantly lower under the Action Alternative.

11. Industrial, Commercial and Agriculture Activities and Production

a. <u>Existing Conditions</u>

The state cabinsites are residential in nature and are not the site of industrial, commercial and agriculture activities and production.

b. <u>Environmental Consequences</u>

NO-ACTION ALTERNATIVE: No direct, indirect, or cumulative effects to industrial, commercial and agriculture activities and production are anticipated.

ACTION ALTERNATIVE: No associated direct, indirect or cumulative effects differing from those under the No-Action Alternative are anticipated.

12. Quantity and Distribution of Employment

a. <u>Existing Conditions</u>

Local businesses within communities near to cabinsites benefit when lessees and their families buy their goods and services. Money spent locally in turn goes to support employment among these local businesses.

b. <u>Environmental Consequences</u>

NO-ACTION ALTERNATIVE: Indirect and cumulative effects are anticipated to the quantity and distribution of employment in local communities under the No-Action Alternative. The degree of effect is not known.

It is anticipated the No-Action Alternative, through increasing lease fees and the resulting likelihood that lessees may abandon their lease, may indirectly cause a loss of lessee expenditures on local goods and services that could contribute to the loss of jobs among the local retail and service businesses that are used by lessees.

The current economic recession has also reduced receipts among retail and service businesses. The No-Action Alternative, along with the current state of the economy, may cumulatively result in effects to local employment in these job sectors greater than either effect alone.

Available data are insufficient at this time to quantify:

1. The number of lessees that will abandon their lease if the No-Action is selected, and;
2. Of those lessees that abandon, the number that will no longer spend money in the local community as a result of;
   i. moving from the community (if they were permanent residents of the area) or
   ii. no longer returning to the community seasonally or intermittently (if the cabinsite served as a second, or recreational, home).

It is anticipated that cabinsites will be released within the 2 or 3 year period. In these instances, local spending lost as a result of abandonment would be replaced when new lessees take over the cabinsite.

ACTION ALTERNATIVE: No associated direct, indirect or cumulative effects differing from those under the No-Action Alternative are anticipated. Because lease abandonments are expected to be greater under the No-Action Alternative than under the Action Alternative (ECONorthwest, 2010), it is anticipated that the degree of effect to quantity and distribution of employment will be lower under the Action Alternative. According to the ECONorthwest report the difference in the degree of effect between the two alternatives would be small.

13. Local and State Tax Base and Tax Revenues

a. <u>Existing Conditions</u>

State cabinsites lands are owned by the state in trust for the designated beneficiaries. State-owned lands are tax-exempt and neither the state nor a lessee pays property taxes on the value of the land. Lessees, however, do pay taxes on the value of their improvements (dwelling, accessory structures, etc).

b. Environmental Consequences

NO-ACTION ALTERNATIVE: Neither Alternative proposes a change in land ownership. As a result, no changes to local or state tax base or tax revenues from the cabinsite land itself are anticipated. Minor effects are anticipated to local and state tax base and tax revenues originating from taxes paid by lessees on the value of their improvements.

The ECONorthwest study (2010) finds that the effect of rising lease fees have on taxes derived from the improvements is “not discernable.” While this may be true on a statewide level, it is anticipated that certain effects may be evident at the level of the individual lessee or community.

If the improvements become the property of the state under Scenario 2 or 4, the improvements will not generate tax revenue until a new lessee is found. This situation may result in a decrease in property tax revenue for an unknown period of time. Insufficient information exists to determine the number and location of abandonments that may occur that follow Scenario 2 or 4. Again, it is DNRC’s assumption that Scenario 1 will occur much more often than the other three scenarios.

If under Scenario 1 the former lessee does not pay the taxes on the improvements during the 2 or 3 year period, the County will expect payment of back taxes at time of sale of the improvements to a new lessee. This may ultimately result in a reduction in the proceeds from the sale that the former lessee may receive.

There may be back taxes owned under Scenario 2, 3, or 4. The state would not pay for back taxes, but DNRC would cooperate with the county if it seeks back taxes for released cabinsites.

ACTION ALTERNATIVE: No associated direct, indirect or cumulative effects differing from those under the No-Action Alternative are anticipated. Because lease abandonments are expected to be greater under the No-Action Alternative than under the Action Alternative (ECONorthwest, 2010), it is anticipated that the degree of effect to tax base and tax revenues will be lower under the Action Alternative.

14. Demand for Government Services

a. Existing Conditions

Demand for government services among cabinsite lessees would be similar to per capita demand among the state’s population as a whole. Available information is insufficient to determine the demand for government services among cabinsite lessees that reside elsewhere and use their cabinsite seasonally or intermittently.

b. Environmental Consequences

NO-ACTION ALTERNATIVE: During the scoping period it was mentioned that, as a result of rising lease fees, certain lessees will be forced to give up their lease and seek public housing or other assistance.

Based upon a review of the mailing addresses for the 764 active cabinsite lessees, it is estimated that 8 to 15 percent (61 to 115 lessees) use their cabinsite as a primary residence. It is among these lessees that the demand for government subsidized housing may increase as a result of abandonment.

Cabinsites are leased for a fee calculated using the appraised value of the land and a rate determined to provide a fair return to the Trust. Cabinsites are not a substitute for subsidized housing.

Effects to demand for government services are anticipated. The degree of effect is not known, as available data are insufficient to quantify the change in demand for government services that may result. More information about the financial status of lessees that permanently reside on their cabinsite and the housing options available to them would be necessary to quantify the degree of effect on demand for government services.

ACTION ALTERNATIVE: No associated direct, indirect or cumulative effects differing from those under the No-Action Alternative are anticipated. Because lease abandonments are expected to be greater under the No-Action Alternative than under the Action Alternative (ECONorthwest, 2010), it is anticipated that the degree of effect to demand for government services will be lower under the Action Alternative.

15. Locally Adopted Environmental Plans and Goals

a. Existing Conditions

Uses on state cabinsites must comply with state and local plans and regulations including zoning, sanitation and floodplain regulations, lake and streamside setbacks, and community decay ordinances.

1. County Zoning Regulations
Most of the cabinsites are not within a county zoning district. Exceptions include:

Missoula County Zoning District 8 (Placid Lake) – The district includes all of the cabinsites adjacent to Placid Lake. This district limits lot sizes and restricts uses to residential and accessory purposes only.

Missoula County is also proposing a Zoning District for the Seeley Lake area under Part 2 of Title 76, MCA. It is unknown when adoption of this ordinance will take place.

Flathead County District RL (Rogers Lake) – The district includes all of the cabinsites adjacent to Rogers Lake. This district permits agriculture/silviculture uses, single-family residences (including mobile homes), temporary recreational vehicle or camping and permitted accessory uses. The district also has bulk, dimensional and setback requirements, including a minimum setback from the lake (see Streamside Setbacks).

Flathead County District AL (Ashley Lake) – The district includes all of the cabinsites adjacent to Rogers Lake. This district permits agriculture/silviculture uses, single-family residences (including mobile homes), home occupation, public service utility installations and permitted accessory uses. The district also has bulk, dimensional and setback requirements, including a minimum setback from the lake (see Streamside Setbacks).

Cabinsite lessees are obligated through their lease agreement to meet these regulations in their use of the state cabinsite. Lessee actions that may trigger one or more local regulations as a result of either Alternative include the removal of the cabin or house, the septic system, or other structural improvements that may have relevance to public health or safety. If and when these actions are taken by a lessee, the lessee will be required to obtain all necessary permits and other approvals from the appropriate regulatory authority, including the DNRC.

2. Sanitation Regulations
The Sanitation in Subdivisions Act, 76-4-101, MCA, sets standards and requirements for the review and approval of water systems for subdivisions to protect the quality and potability of water for public uses. These standards apply to public and private water supplies (including individual wells), sewage disposal facilities, storm water drainage ways and solid waste disposal. The Montana Department of Environmental Quality (DEQ) reviews subdivisions and enforces these requirements except where it has delegated the duty to a local county department or board of health.

3. Floodplain Regulations
The Montana Floodplain and Floodway Management Act, 76-5-101 through 76-5-406, MCA, restricts type and construction of improvements within a designated 100-year floodplain or floodway. The State of Montana manages the floodplain program in all but a handful of counties where the county has direct responsibility for floodplain management.

4. Streamside Setbacks
Beaverhead, Cascade, Flathead, Lewis and Clark, and Ravalli Counties have some form of streamside setback requirements to limit the construction of dwellings or other structures within a certain distance of lakes or streams for the purpose of protecting habitat, surface water quality and to promote floodplain stability.

Flathead County requires a 20 foot setback on most parcels abutting lakes and streams; on Rogers Lake (which has 34 state cabinsites) the setback is 50 feet.

In some instances the expansion of non-conforming dwellings are permitted. All of the streamside setbacks require compliance if the structure is destroyed or removed (as defined by the county).

Per 36.11.101 of the Administrative Rules of Montana (ARM), no buildings may be constructed on state cabinsites within 100 feet of shoreline on river or lakes except for boat docks. Most cabinsites were constructed prior to establishment of this rule and are exempted by a "grandfather clause." Removal of improvements as described in Scenario 3 may void the exemption and any new dwelling would be required to comply.

5. Community Decay Ordinances (CDO)

Pursuant to 7-5-2110 and 7-5-2111, MCA, a county may regulate conditions that contribute to community decay on or adjacent to any public roadway within the county.

Six counties with state cabinsites have adopted a CDO: Cascade, Flathead, Gallatin, Lewis and Clark, Missoula and Yellowstone. Butte-Silver Bow and Ravalli County also have CDOs but do not have state cabinsites.

Table 3: Counties with a CDO

County	Number of Cabinsites
Cascade	5
Flathead	181
Gallatin	15
Lewis and Clark	67
Missoula	248
Yellowstone	4
Total	**520**

Source: DNRC data

State statute limits the purpose and scope of community decay to mean "a public nuisance created by allowing rubble, debris, junk or refuse to accumulate resulting in conditions that are injurious to health, indecent, offensive to the senses or which obstruct the free use of property so as to interfere with the comfortable enjoyment of life or property."

Lewis and Clark County defines a "public nuisance" in its CDO as the accumulation of:

> *(a) Metal Fixtures, Vehicles, Appliances, and Related Items. The storage or accumulation of iron, metal, component vehicle and machine parts, junk vehicles, household appliances, barrels, and other salvaged metal items.*
> *(b) Boxes, Building Materials, and Related Items. The storage or accumulation of cardboard, packing material, construction and building material, demolition waste, concrete or concrete blocks·, or other similar materials.*
> *(c) Recreational Vehicles. The storage or accumulation of wrecked, ruined, or dismantled snowmobiles, four wheelers, camp trailers, pedal bikes, motorbikes, and boats or their component parts.*

(d) Modular or Mobile Homes, Sheds, Buildings. The storage, accumulation, or presence of mobile or permanent structures that are uninhabited and dilapidated due to neglect or inattention.
(e) Garbage or Trash. The storage or accumulation of trash or garbage that is not contained in a garbage receptacle.
(I) Furniture. The storage, accumulation, or presence of household furniture not designed for outdoor use.
(g) The storage or accumulation of raw materials, equipment parts, or bulk commodities. (h) Other Rubble, Debris, Junk, or Refuse. The storage or accumulation of any other rubble, debris, junk, or refuse meeting the definition of community decay.

The other counties' ordinances are similar in their definition of conditions posing a public nuisance.

The ordinances for Missoula and Gallatin excludes residential maintenance and landscaping from the definition of community decay. Butte-Silver Bow explicitly regulates through its CDO such additional conditions as landscaping, vegetation, weeds, maintenance of the exterior surfaces of structures, grading and drainage. The remainder of the counties are silent on the subject of residential maintenance and landscaping.

Flathead, Gallatin, Missoula and Yellowstone provide that shielding such as fencing or other manmade barriers may be used to conceal from public view conditions of community decay on residential property.

b. <u>Environmental Consequences</u>

NO-ACTION ALTERNATIVE: No change is proposed to land use, density, or land management that would directly impact county zoning regulations. A limited number of cabinsites that are abandoned according to Scenario 2, 3 or 4 may experience certain effects as a result of zoning, floodplain and sanitation regulations, streamside setbacks and community decay ordinances.

County Zoning Regulations
Cabinsite lessees are obligated through their lease agreement to meet these regulations in their use of the state cabinsite. Lessee actions that may trigger one or more local regulations as a result of either Alternative include the removal of the cabin or house, the septic system, or other structural improvements that may have relevance to public health or safety. If and when these actions are taken by a lessee, the lessee will be required to obtain all necessary permits and other approvals from the appropriate regulatory authority, including the DNRC.

Sanitation Regulations
Certain cabinsites may not have been built consistent with current sanitation regulations, and may be "grandfathered in" under the early regulations in place at the time the cabinsite was developed. If a lessee abandons and removes the improvements (under Scenario 3), the DEQ or the local regulator may require a new lessee to complete additional review and possible changes to the type or placement of septic and potable water systems when reconstructing the dwelling.

The effect is expected to be negligible, commensurate with the low occurrence expected of Scenario 3.

Floodplain Regulations
Most cabinsites were developed prior to the 1970s and are exempt from new, more restrictive local land use regulations that did not exist at the time the cabinsite was developed. Such exemption is commonly lost once a change in the land use or the structure is proposed that meets the threshold for compliance with the new regulation. It is anticipated that Scenario 3 (removal of improvements) may possibly lead to one or more cabinsites becoming unusable if the current land use regulations impose restrictions that effective limit use of the site for residential purposes. Floodplain regulations and streamside setbacks are the most likely regulations to result in a cabinsite becoming unusable for residential purposes. Several developed cabinsites are partly or entirely within a designated 100-year floodplain. The effect is expected to be negligible, commensurate with the low occurrence expected of Scenario 3.

Streamside Setbacks
Under Scenario 3 the removal of improvements may void the exemption from current county setbacks and/or the DNRC 100 foot setback requirement. Any new dwelling built on a cabinsite that had the dwelling removed would be required to comply with the current regulations. This situation may increase slightly the cost to rebuild a dwelling and thus decrease the desirability and marketability of the site. Such sites may have a longer time on market before they are released. The effect is expected to be negligible, commensurate with the low occurrence expected of Scenario 3.

Community Decay Ordinances
An unknown number of lessees with a cabinsite in those counties with a decay ordinance may abandon their cabinsite in the manner described in Scenarios 2, 3, and 4. Of these, some number of cabinsites may be on, or adjacent to, a public road and left with materials constituting community decay, however, the terms and conditions of the lease require that the lessee maintain the cabinsite and ensure the site complies with all state and local regulations and ordinances. As a result the impact to DNRC’s administrative workload is anticipated to be minor to negligible.

ACTION ALTERNATIVE: No associated direct, indirect or cumulative effects to to local environmental plans and goals differing from those under the No-Action Alternative are anticipated. Because lease abandonments are expected to be greater under the No-Action Alternative than under the Action Alternative (ECONorthwest, 2010), it is anticipated that the degree of effect will be lower under the Action Alternative.

16. Access to and Quality of Recreational and Wilderness Activities

a. <u>Existing Conditions</u>

Currently, state cabinsites are closed to general recreation use by the public per ARM 36.25.150. Many cabinsites are within 50 or more miles from a designated wilderness area or recreational site. See **Attachment D** for a list of wilderness and recreation areas of Montana.

b. Environmental Consequences

NO-ACTION ALTERNATIVE: No direct, indirect, or cumulative effects to access to and quality of recreational and wilderness activities are anticipated.

ACTION ALTERNATIVE: No associated direct, indirect or cumulative effects to access to and quality of recreational and wilderness activities differing from those under the No-Action Alternative are anticipated.

17. Density and Distribution of Population and Housing

a. Existing Conditions

State cabinsites are located primarily in the areas of high recreational value in western Montana, adjacent to rivers, lakes and streams. As the following table illustrates, most cabinsites are clustered at a specific location with one or more other cabinsites. The remaining cabinsites are not associated with a neighborhood and may be isolated from other cabinsites. Homesites are an example of a cabinsite not associated with a neighborhood; these are found primarily in eastern Montana and are typically coupled with an adjacent agriculture or grazing lease tract rather than a lake or other feature of recreational potential.

Table 4: Distribution of Cabinsites

Neighborhood	# of Cabinsites	County	Nearest Community
Ashley Creek	8	Flathead	Kalispell
Beaver Lake	20	Flathead	Whitefish
Clearwater Outlet	51	Missoula	Seeley Lake
Copper Creek	19	Lewis & Clark	Lincoln
Echo Lake	40	Flathead	Kalispell
Elbow Lake	30	Missoula	Seeley Lake
E. Shore Flathead Lake	15	Lake	Kalispell, Polson
Fish Creek	3	Mineral	Superior, Missoula
Fishtrap Creek	9	Sanders	Thompson Falls
Grant Creek	5	Missoula	Missoula
Landers Fork	11	Lewis & Clark	Lincoln
Lincoln Flats	33	Lewis & Clark	Lincoln
McGregor lake	28	Flathead	Kalispell
Morrell Creek	10	Missoula	Seeley Lake
Morrell Flats	18	Missoula	Seeley Lake
Mudd Creek	20	Missoula	Seeley Lake
Olney Townsite	20	Flathead	Whitefish
Placid Lake	28	Missoula	Seeley Lake
Rogers Lake	34	Flathead	Kalispell
Seeley Lake	100	Missoula	Seeley Lake
Sperry Grade	10	Missoula	Seeley Lake, Missoula
Thompson Creek	3	Sanders	Thompson Falls
No Neighborhood	249	*various*	*various*
Total	**764**		

Source: DNRC Data

Based upon a review of the mailing addresses for the 764 active cabinsite lessees, it is estimated that 8 to 15 percent (61 to 115 lessees) use their cabinsite as a primary residence. Cabinsites identified as possible primary residences are found throughout the state, with clusters identified in Olney, the Seeley Lake/Placid Lake Area and Lincoln. The remainder of the cabin and homesites are assumed to serve as second homes, recreational homes or as seasonal housing.

b. Environmental Consequences

NO-ACTION ALTERNATIVE: The number of lessees that will choose to abandon their lease, as a result of increasing cabinsite lease fees expected under either Alternative, is expected to be small. Given that a relatively small percentage of the cabinsites are occupied as the lessee's primary residence, any change to population density and distribution as a result of lease abandonment would be seen largely in seasonal population numbers or temporary population numbers.

Limited minor indirect effects are anticipated to density and distribution of population. However, it is anticipated that cabinsites will be released within the 2 or 3 year period and population lost due to abandonment will be replaced by new lessees that take over the cabinsite.
ACTION ALTERNATIVE: No associated direct, indirect or cumulative effects differing from those under the No-Action Alternative are anticipated. Because lease abandonments are expected to be greater under the No-Action Alternative than under the Action Alternative (ECONorthwest, 2010), it is anticipated that the degree of effect will be lower under the Action Alternative.

18. Social Structures and Mores

a. Existing Conditions

Implementation of the proposed action will not have any anticipated effect on social structures and mores.

b. Environmental Consequences

NO-ACTION ALTERNATIVE: No direct, indirect, or cumulative effects to social structures and mores are anticipated.

ACTION ALTERNATIVE: No direct, indirect or cumulative effects to social structures and mores differing from those under the No-Action Alternative are anticipated.

19. Cultural Uniqueness and Diversity

a. Existing Conditions

Implementation of the proposed action will not have any anticipated effect on cultural uniqueness and diversity.

b. Environmental Consequences

NO-ACTION ALTERNATIVE: No direct, indirect, or cumulative effects to cultural uniqueness and diversity are anticipated.

ACTION ALTERNATIVE: No associated direct, indirect or cumulative effects to cultural uniqueness and diversity differing from those under the No-Action Alternative are anticipated.

20. Other Appropriate Social and Economic Circumstances

a. Existing Conditions

ECONorthwest of Eugene, Oregon prepared an Economic Impact Statement (2010) on behalf of DNRC that analyzes the likely direct, indirect and cumulative economic impacts of the two Alternatives upon the Trust beneficiaries and the cabinsite lessees.

b. Environmental Consequences

NO-ACTION ALTERNATIVE: Minor direct, indirect, and cumulative effects are anticipated by ECONorthwest (2010) under the No-Acton Alternative.

An additional cumulative effect not analyzed in the ECONorthwest report may be the current decline in the real estate market and how that may affect the ability of lessees to find a buyer for their improvements. Flathead County, for example, has experienced declines in residential sales in all price categories for the last three years, 2006-2009. As of January 2010 there are 23.9 months of unsold housing inventory in Flathead County (Kelly, 2010). Few counties are faring much better. This situation can make it difficult right now for both fee owners and state cabinsite lessees alike to find a buyer. The No-Action Alternative, along with the current state of the real estate market, may cumulatively result in effects to lessees and their ability to recoup investment greater than either effect alone.

The financial impact to lessees may be greater among those lessees that may have acquired the lease and improvements recently, particularly those that may have paid more for the improvements than they were valued at the time. These lessees may have a difficult time recapturing the full amount of their investment as a result not only of the increasing property values but also as a result of the phase-in described in Section B of this document under *Summary of the Leasing Program*.

ACTION ALTERNATIVE: No associated direct, indirect or cumulative effects differing from those under the No-Action Alternative are anticipated. Because lease abandonments are expected to be greater under the No-Action Alternative than under the Action Alternative (ECONorthwest, 2010), it is anticipated that the degree of effect will be lower under the Action Alternative.

L. ALTERNATIVE SELECTED

The Action Alternative has been selected and it is recommended that new cabinsite rules consistent with Alternative 3B be formally adopted under MAPA procedures.

M. SIGNIFICANCE OF POTENTIAL IMPACTS

I have evaluated the comments received and potential environment effects and have determined significant environmental impacts would not result from the proposed adoption of administrative rules implementing Alternative 3B. I have reviewed the comments and believe that all concerns have been adequately addressed under the appropriate headings.

N. NEED FOR FURTHER ENVIRONMENTAL ANALYSIS

No Further Analysis

O. ENVIRONMENTAL ASSESSMENT APPROVAL

Jeanne Holmgren
Chief, Real Estate Management Bureau

Signature: Jeanne Holmgren Date: **May 13, 2010**

ATTACHMENT A: LIST OF PREPARERS AND REFERENCES

A. LIST OF PREPARERS

Tom Butler, DNRC Assistant Attorney General
Brett Holzer, DNRC REMB Fiscal Analyst
Patrick Rennie, DNRC Archaeologist
Ethan Stapp, DNRC Statewide Land Use Planner
Mike Sullivan, DNRC Property Management Section Supervisor

B. REFERENCES

DNRC, 2009. Analysis of Cabinsite Lease Rental Calculation Alternatives for Cabinsites on Montana's Trust Lands. September 2009. Helena, Montana.

ECONorthwest, 2010. Economic Impact Statement; The Potential Economic Impacts of Proposed Changes to Lease Fees for the State of Montana's Cabinsites. March 2010. Eugene, Oregon.

Kelly, Jim. 2010. 2009 Market Trends in Flathead County. Kelly Appraisal. January 2010. Kalispell, Montana. http://kelleyappraisal.net/FlatheadMarket09.pdf

Attachment B: Interested Parties List

The following is a list of the individuals and entities 1) notified by mail on or after February 19, 2010 about the proposed action and opportunity to provide comment on the potential impacts and 2) notified of the availability of the draft EA and the opportunity to comment.

Abel, Richard & Linda

Adams, Jes & Angi

Adams, Mary Riggs

Albright, Marcie

Alexander, Ed & Putnam, Jeff & Deena M

Allen, Donna & Jerry

Allred, Heather

Anderson, Anne T

Anderson, Arthur F

Anderson, Barbara Kaye/Kent

Anderson, Duane

Anderson, Duane E & Jeanne C

Anderson, Dustin, Travis & Dallas

Anderson, Frances

Anderson, Gwendalyn & Brian & Sudan, Rene

Anderson, Harry M

Anderson, James D

Anderson, Ross & Sandra

Andes, Roy

Apple, Karl A

Armentrout, Thomas

A-S Ranch Inc

Ashby, Kenneth/Patricia/Tim

Atcheson, Ken

Averill, Doug

Bailey, Diane

Bailey, Steven A

Baird, James/Barbara/Mark

Baker, Jay & Mabel & Moore, Karen

Balam, Colleen

Baldwin, Betty

Bandt, Bret & Sandra

Banka, Larry

Baptiste, Ronald

Barnes Revocable Trusts

Barringer, Henry R & Linda L

Basque, Marc & Joy

Bates, Ronald & Sherry, Dan & Nancy

Baumann, Charles & Linda

Bbg Lakeshore LLC

Beaudette, Thomas & Debbie

Beck, John & Lois

Becker, John/Bonny

Beckner, Randall

Bedard, Toby P.

Beebe, Martin & Joan

Beebe, Wallace, Nila & Holly

Behner, George & Robert

Benton, Ed & Thomas

Benz, Edward, Forrest & Eleanor

Berg, Sonja L

Bergmeister, Roger
MONTRUST

Berlyn, Daniel & Tamra

Bertoglio Family, LLC

Bertsch, Brian

Beskoon, Garyl K.

Betts, Robert & Tuula

Billingsley, Mary

Bjork, Todd & Charlene

Blackler, Jerry & Vicki

Blattie, Harold
Montana Association of Counties

Boehmler, Doris E

Boland, Christopher W. & Christopher W.E.

Bolton, Samuel & Terry

Bostedt, Earl C. & Joy E.

Bostedt, John & Barbara

Boughton, Richard S.

Bourgault, Martha & Michael

Bovington, Jean

Bowe, John

Boyd, Robert & Patricia

Brackee, Delroy E & Anna Belle

Brandewie, Kayla

Brassfield, Debra Lynn

Breding, Ed

Brenden, James & Deena

Bretz, David & Stacy

Briggs, Susan
University of Montana Dillon

Bronson, Ronald & Judith

Brooke, Scott & Charlotte

Brosten, Deann

Brown, Charles C

Brown, Helen

Browning, William/Linda

Brue, Leland & Jimmy

Bruner, Scott & Heather

Bryan, Tom & Mary Anna

Bryson, Eric

Buck, Peter & Diane

Buechle, James & Donna

Bulman, Dennis

Bulpin, Teresa Clare

Bultman Meadows LLC

Bunch, Clifford R

Burk, G I & Ronald

Bury, Chris & Tara

Butcher, Mary Lou & Bruce

Butler, Brenda

Byers, Darlene

Cameron, Robert A

Campbell, Jeffrey Lynn & Charlie

Cannon Investments LP

Cannon Jr, Terry W

Canty, Carlo & Marietta

Carlson, John & Kenneth

Carroll Ferestad Inc

Cassidy, Daniel & Cheryl

Cassidy, Joe & Joan

Castle, Wendi

Cavanaugh, Glen E

Cebulski, Raymond G & Barbara

Cebulski, Stuart

Chambers, Frank et al

Chapman, James

Chappelle, Tyrus & Terhune, Rebecca

Charles Good Ranch, Inc

Charles, Patrick

Chollak, Robert & Shelly, Brian & Christine

Christensen, Carol

Christensen, John & Elaine

Christopherson, F Edward & Fae

Churchill, Jerry
Legislative Services

Clark, Barbara & Fisher, Fred

Clark, Thayne

Clark, Walter J. & Davison, Janet C.

Clarke, Lloyd & Shelley

Clearwater Partners, LLP

Clevenger, Gary/Brad/Hal/Ritchey, Linda

Closson, Douglas E

Coldiron, Margaret

Collins, Patricia & Ludemann Nancy

Combs, Gene & Hegel, Dale

Conkle, Nathan & Patti

Connell, Bonnie

Conover, John & Kerri

Conrad, Charles & Loretta

Conrad, Robert & Sally

Cook, Larry J & Bonnie Jo

Cook, Steven & Kendra

Cook, Stewart

Cooley, David & Jody

Copp, Kevin

Corbett, Joyce M

Corcoran, Margaret M

Coulter, Ronald, Judy & Rae

Coverdell, Pearl

Craig Iii, Aaron H

Crismore, Challis

Crismore, Wayne & Reedy, Seth

Crocker, Roy & Crocker Fox, Pat

Croft, George & Sandall, Pam

Crosby, Dorothy

Croucher, Bret & Borup-Croucher, Becky

Croymans, Ed & Julie

D H Ranch

Daigle, Armond & Darlene

Dailey, Von Allen & Arthur Dwain

Davis, Alan B. & Cooper, Karen J.

Davis, Donna & White, Denise

Davis, Lila & Clatterbuck, Guy

Deal, Robert W

Deborde, Jeremy

Deer Lodge Valley Conservation District

Denning, Jeffrey & Martin-Denning, Terry

Dennison, Donald & Claudia

Depuydt, Andrew & Suzanne

Destein, Ronald & Charlotte

Devins, John & Sheila

Dewitt, Donald & Catherine

Dickinson, David

Dickinson, Karin R

Dickson, Eric

Diede, A James & Loretta

Dipasquale, Ray
Territorial Landworks

Doble, Sam & Janice

Dodge, Steven V

Dodson, Reyes & Lopez, Michael

Dolatta, Cathie & Robert

Dougherty, Leo

Dougherty, Patrick & Ward, Tom

Dove, Roy & Alisa

Downs, Llewellyn & Woody

Drew, Robert G. & Maxine M.

Dustin, John & Betty

Edman, Scott & Kathleen

Elder, Patrick & Monte

Eliason, James & Caryn

Elliot, Deena & Christopherson, Boe

Ellis, F. Clinton

Erck, Louis C & Ruby

Ereth, Ken & Rhonda

Ericksen, Donald & Sara

Erickson, Stuart

Eshelman, Jeff & Maria

Esparza, Joe & Higgins, Ris

Etzel, Robert & Kelly

Eubank, Don & Hardy, Kay

Evans, Michael

Evans, Richard & Sharon

Everts, Todd
Environmental Quality Council

Ewer, David
Office of Budget and Program Planning

Farch, Wendy

Farra, Esther

Farren, Robert

Fauske, Dean

Fauske, Steven

Feenan, June & Theissen, Ginger

Ferda, Jerry M

Fernando, Linda & Priyanka

Ferriter, Rosemary

Fillinger, Dan & Linda

Fischer, Jerry

Fitzpatrick, John & Mildred

Fitzsimmons, Calvin & Patrick

Flodberg, Wallace D

Flowers, Mayre
Citizens For A Better Flathead

Ford, Rita

Forney, Harold & Elizabeth

Foss, Ben & Mary

Fouhy, Carol J. & Joseph L.

Fox, Kenneth D

Franson, Neal & Roberts, Barb

Fredenberg, Laverne

Frey, Charles & Brown, Roy & Joleen

Frey, Raymond & Darlene

Frohreich, Carrie
Governor's Office

Froines, Chris

Fuller, Russell & Harvey, Taz

Gagnon, John & Bonnie

Galbraith, Harlan

Galt, Ben R

Gama, Jill

Gamble, Dr. Geoffrey
Montana State University

Gangloff, Delvin & Lois; Heath, Sheri & Shane

Gariepy, Joanne

Gatlin, Don & Bonnie

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Gibb, Patricia

Gibb, Verda L

Gibson, Michael

Gibson, Paul & Mary

Gibson, Ronald & Lisa

Gies, Carolyn E

Giese, Peter

Giffin, Dwight & Shirley et al

Gilbert, John & Pattie

Gilbert, Marvin

Gilmore, Dr. Frank
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Goforth, Sam & Nichols, Sharon

Golliday, Stephen & Amber

Graham, J Bruce & Kathy

Grassy, John
DNRC

Graving, Bruce & Peggy

Greslin, Kenneth & Della

Grindeland, Gary & Kim

Groff, James P & Kay

Gross, J Peter & Colette

Grove, Earl R, Steven & Greg

Grundhauser Jr, John & Jody

Gunder, Sean

Gurnsey, John & Mary

Gurnsey, L Wayne & Judy

Gustuson, Janet C

Hagen, Marvin & Judith

Hambley, Philip B

Hamilton, Chris

Hammond, Michael & Debbie

Hanson, Lloyd

Hanson, Ron

Harker, Loretta

Harness, Joe & Kim

Harris, Fred & Julie

Hart, Thomas & Deacetis, Rick & Deacetis, Dave

Hawley Oil

Hay Creek Ranch Inc

Haynes, Ovidia

Hedahl, Susan

Hedstrom, Robin & Steven

Heggen, Wayne & Arlene

Heidrick, Shawn & Nichole

Heiken, Steven & Jeanette

Helbach, Charlie & Julie

Herron, Edna & Emery, Carol

Hicks, Douglas M & Bowers, Debra A

High Mountain Rentals Llc

Hileman, Leona L & Vicki D

Hill, Gary L & Lisa M

Hill, Gary L & Lisa M

Hiller, Forest & Vicky

Hiller, Patrick, Nancy, Arvid & Lynn

Hinther, Lance, Laura, Roger & Brent

Hironaka, Wesley

Hlavacek, Rodney & Cross, Carla

Hoard, A William & Marva et al

Hodge, Tyler & Lori

Hodges, Starla

Hoenke, David & Virginia

Holgate, Deloris R

Holland Ranch Co

Holliday, Ronald & Vicki

Hollowtop Partners Llc

Holmes, Shannon

Holzer, Michael & Susan

Hughes, Susan

Hulslander, David & Judy

Hummel, Carolyn

Hunt, Kim A

Huntley, Doug & Machelle

Hutchens, Derald & Eileen

Hutson, Raymond & Kelly

HutzSusan

Hyatt, Pam
Montana Tax Payers Association

Ibey, Inga Ann

Inman, Joan

Jacobs, Theodore & Marjorie

Jamieson, Bruce & Ann

Jeffrey L. & Kathleen B. Cunniff Living Trust

Jenkins, Levi W

Jensen, Leslie E & Shelley M

Jimmerson, Richard & Miller, Sylvia

Job, Marvin & Lynn

Johnson, Byron & Terry

Johnson, Ella & Gerald

Johnson, Mark & Jennifer

Johnson, Marty

Johnson, Randy

Johnson, Randy & Marcia

Johnston, Stephen & Yvonne

Johnstone, Roy N

Jones, Geraldine

Jorgenson, Robert

Joseph Heigis Trust

Joyes, Aldon

Judith Mountain Property LLC

Jungers, John B

Kasl, Charlotte

Keating, Therese M

Keersemaker, John & Penni

Keller, Edward

Keller, Rosi
University of Montana

Kelley, Robert & Angie

Kelly, Karen & Lonnie

Kerkvliet, Dale

Kerr, Rick & Dora

Kerscher, George & Gail

Ketland, Melvin J & Norma

Kidder, Raine & Hugh

Kimpton, Steve & Kathy

King, Garry B

Kingsley, Russell

Kinney, William & Garnet

Kinsey, David/Nancy

Kite Cattle Co

Klapperich, Beverly

Kleeman, Roger

Kleiv, Raymond/Thomas

Klemer, Edward D

Knuchel, Thomas & Sandra

Knudsen, Claudia

Knudson, E Wayne & Jacquelyn

Knudson, Jacki & Kaul, Dennis

Knutson, James & Luchea

Knutson, Terry

Kogut, Edward

Kolman, Joe
Environmental Quality Council

Kramer, Richard

Krass, Joseph & Kathleen

Krause, Mary

Krawiec, John Or Max

Kreitzberg, Joanna B

Kujawa, Mary

Kyle, Everett & Kathleen

Kyle, James & Linda

Lachance, Tom & Cindy

Langston, Libby

Lantz, Stephen O & Weiss, Brian J

Lapham, David & Julie

Largent, John & Mariann

Largent, Walter, Richard & Greg

Larson, Larry E

Larson, Dan & Joyce

Larson, Robert

Larum, Michael L

Latrielle, Mark & Timothy

Layman, Michael & Taylor, Beth

Lazy D K Ranch Inc

Lee, Myron K

Leland, Barbara

Lenon, A.F.

Lenon, Albert & Lenon

Leufkins, Buddy & Judy

Levengood, Karla & Abe

Levesque, Rene

Libby, Patrick & Marion

Lindgren, Vincent & Relinda

Lindstrom, Jason

Linford, Edward L

Lipscy, Catherine L

Little, James Grier

Little, Warren

Llewellyn, William & Debra

Lloyd, Roger
Legislative Services

Locke, Wesley

Lockwood, Auguste & Suraya

Lockwood, Rose & Moon

Lord, Bradford & Barbara

Lovett, Michael Scott & Laura A. Hambley

Ludeman, Todd

Lulack, Jacob & Louise

Lyman, Kurt

Lynch, Larry & Shawnee

Lynch, Terry

Mace, Kirk & Kim

Maki, John/Susan

Malinak, Nora Jean

Margaret A. Cowan Trust

Marsh, Fred & Marlene

Martin, Robert L

Martin, Robin & Grace

Martin, Robin & Grace

Mavencamp, Charles D

Mavity Bros

Mayert, Denis & Sandra

Mayhew, Dennis K

McAllister, Kathleen

McBroom, Norma

McColloch, Melissa

McConnell, Clarence D

McCullough, Linda
Office of Public Instruction

McGahey, Patrick

McGillivray, Craig & Shaw, Brittany

McGrann, Max L

McHugh, Timothy & Virginia

McKay, Diane M

McKinley, Gib K

McKinley, Robynn J

McKnight, Ethel

McLauchlin, Eldon & Shelley

McManus, Martha & Ikerd, Gary

McMickle, Zoette

McQueary, Dan

Melcher, Claudia

Meltreger, James R & Daleo, James A.

Menssen, Paul & Anita

Meredith, Richard W

Meyn, Richard & Elizabeth

Michaelson, Ronald & Nancy

Michalski, Duane J & Teresa

Miewald, David & Bretz, David

Mikes Bros LLP

Mikeson, Jeff, Lyle & Dorothy

Missouri Breaks Ranch Inc

Mitchell, Roger W

MJ Ranch Corp

Montelius, Donald & Maureen

Moody, Elizabeth

Moon, Gary/Nagel, Lea

Moore, Carlene

Moore, Janae

Moore, Leland

Moore, Leland & Darlene

Morin, Richard

Morris, David & Debra

Moser, Joshua & Janna

Motl, Debbie

Mower, Michael & Pamela

Muir, Freida B & Gordon R

Muir, Gordon R

Mundee, Kathleen E. & Kurt D.

Munro, Greg
Board Of Regents

Munski, June

Myers, Elmer

Myers, Elmer Jr. & Elizabeth

Nace, Howard

Nadeau, Donald et al

Nay, Bradley & Debbie

Neater, Chris

Negaard, Daniel, Mickel, Stephen & Duane

Neibauer, Christopher

Neibauer, John & Mary

Neidhardt, Donald J

Nelson, James E

Nelson, Leroy, Mary, & Todd

Nelson, Lou Ann & Marosits, Michael

Nelson, Ronald L. & Ellis, Katherine J.

Newmont North America Exploration Ltd

Nicholson, John & Anna

Nicol, William G.

Niles, Linda Kay

Nistler, Lawrence E & Jean

Norman Bros Partnership; Carr, Patricia

Northcott, Richard D. & Deborah Ellen

Novotne, Nick & Lauri

Oconnell, Mary/Mancini, Mary Ann

Odt, David & Lu Anne

Oelfke, Joel & Sandru, Lori

Ogden, Ronald & Deborah

Ohler, Tim & Christina

Oliver, Janice

Olsen, Arnold & Pamela Ann

Olson Farms Inc

Ott, Benjamin & Landsberger, Casie

Overman Gary & Shirley

Owens, Lisa

Padlock Ranch Co Inc

Pancich, Ray & Shalvey, Karen

Parke, Grant & Rachel

Parsons, Gail J

Pearson, Frank & Jeanette

Pelletier, Thomas H.

Pembroke, Arthur

Perrodin, James & Edna

Petersen, Lucille

Petersen, Mereanus & Barbara

Peterson, John W

Peterson, Rayma Jo

Phares, Mark
Dnrc

Phelps, Joseph & Ogg Phelps, Margaret

Pierce, Terry

Pirone, Zena & Gorham, Gregory

Piscopo, Anthony F.

Pittsley, David & Jean

Pope, Gary & Bonnie

Pope, Jerry & Joye

Porch, Bryan, Robert, Martha, Bradley,

Pratt, Jerry

Pringle, Shawnee

Probst, Werner & Michaela

Proctor, Mary Sue & Leonard

Pryor, Doug & Judy

Purcell, Dennis

Purviance, Greg & Christine

Puyear, Dave
Montana Rural Education Association

Quirino, Robert & Nancy

Raffety Cattle Co

Raisland, Glen

Rambo, James/Mary Lou/Renee

Rammell, Elden L & Dorine M

Ramsden, Jack & Harris, Julie

Rankin, Jerome R & Margaret C

Rapley, Harold

Rau, Robin

Reed, Vincent

Rehbein, M Ann

Renner, Donald

Rhodes, Cecil I A

Richards, Glen & Carol

Richards, John

Richardson, William L

Robbins, James & Barbara

Roberts, C E

Roberts, Howard J & Starla R

Roberts, Jerry

Robinson, Mick
Montana University System

Roderick, Jack & Gail et al

Roest, Irene

Rogers, Richard & Bridget

Rogers, Robert

Rohlf, Charles & Virginia

Rosenow, Katie Lou & Jason

Rugland, Darlyne M.

Rupp, Rex & Jana

Ruppert, George

Rusk, Julia & Sally

Rusk, Wayne E. & Vivian J.

Ryerson, Lawrence & Brandon

Sadowski, Mary Ann

Sampsen, Richard E & Mary G

Sande, Evelyn L

Sandefur, Paula & Dirk; et al

Sanders, Ronald J

Sanders, Gregory & Nancy

Sandvig, Connie & Victor

Sanguine, Burt & Amalia

Santisteban, Adela Marie

Sauerbier, Gloria & Kirkland, Helen I & Layne L

Sautter, Gregg E

Sayre Family Limited Partnership

Sayre, Fred & Carolyn

Schenck, Eric & Howke, Steve

Schilke, Thomas, Karen & Christy

Schleicher, Bob
Governor's Office

Schmidt, Barbara

Schmutzler, Clifford & Jocelyne

Schneider, Frank & Meredith

Schneider, Matt

Schubert Gretchen V

Schwab, Robert D. & Thomas G.

Schwegel, Gregory & Janet

Schwenk, Marjorie & Kathy

Schwenk, Michael & Patrice

Schwenk, Timothy & Cheryl

Schwenk, William & Lori et al

Scott, Margaret & David

Semler, James D

Sexton, Dr. Donald
Montana State University - Billings

Sharpe, Tammie R.

Sharpe, Tammie R.

Shatzkin, Robert

Sheppard, Larry

Sherrill, Wayne & Rachael

Shimer, Richard & Laela

Shipp, Marvin, Fay Ann, Leith, Julie, Brent

Shipstead, Mark, Gary & Jeff

Sikkema, Carlene

Simkowitz, Sara

Sinrud, John
NW Montana Association Of Realtors

Skelton, Sanna L

Slater, Christopher & Debbie

Sloan, Kelly & Rice, Jim

Smeby Family, Llc

Smith, Barb
Legislative Services

Smith, David Iii & Kenneth

Smith, Gene & Shirley

Smith, Jacqueline J.

Smith, James A.

Smith, Richard E. & Joanne

Smith, Roger H & Rosalind I

Snavely, David

Sol, Betty & Wittenberg, Mary Ann & David

Sol, Olive & Doty, Patricia Ann

Solberg, Russell & Carol

Sowell, John & Lynda

Spady, Robert & Messerly, Lorna Ann

Spear, Nidia

Spettigue, Dale & Gollette, Joseph

Spruced Moose, Inc

Spurlock, Ellen Harriet

St Stephens Charitable Fund

Stachofsky, Patti Sue

Stack, Dennis

Standley Bros Partnership

Stearns, Sheila
Montana University System

Stedman, June & Terry

Steffes, Larry & Carmie

Stenhjem, Kevin & Cyndi

Stevens, Daniel

Stevenson, Katherine V

Stiegler, Bruce & Louise

Stiger, Todd & Margaret

Stobie, Drew & Maura

Stohr, Stan & Pam

Stoner, Douglas & Shirley

Storey, Dr. Richard
Western Montana College of the University of Montana

Strand, Bruce & Sherry

Strander, Carol

Strean, John & Karen

Struck, Darvin & Bonnie

Struckman, William B & Carol A

Sturm, Roy/Jeri

Sturm, Roy/Jeri

Sullivan, Larry Ruark, Alberta

Summers, Rita M. & Erik

Sunrise Properties Inc

Susan J. White Living Trust

Svingen, Ed & Preston, Peggy

Swanson, Harlan

Swartz, Douglas, Della, Craig & Leonard

Swenson, Jerry & Zona

Swift, Cathy
Montana Board of Regents

T & M Farming

Talarico, Thomas & Denise

Tams, Richard & Van Seters, Jake

Tanberg, Tim & Karen

Tardif, Eugene

Taylor, Gerald & Rita

Taylor, Leslie
MSU Bozeman

Taylor, Richard & Royle

Taylor, Rody & Colleen

Terry, Ron & Merna

The Doris M. Bendickson Revocable Living Trust

Theissen, Dennis et al

Thoeny, Michael

Thomas, Betty L

Thomas, Bruce

Thomas, Jean

Thompson, Don et al

Thompson, Stephen & Kathleen

Tiemyer, Ralph

Tilden, George & Glenda

Tomsich, Larry & Pauline

Tonne, Mark

Tooke, John, et al

Torgerson, Margaret, Melissa & T.Jason

Torgerson, Minnie & Lance

Torgerson, Stuart V & Diane

Toste, Jim & Pamela

Trapp, Edward D & Sue

Tronstad, John & Clarice

Tucker, Michael & Dolores

Turley Ranch

Turner, Mary Ellen, Donald & Jolley, Joanne

Ueland, Don

US Bank, Trustee, Kathleen Skelton Revocable Trust

Van Hook, Kathy
Governor's Office

Vanek, David Jr. & Denyse

Varholdt, Ronald

Vetter, Michael

Vick, Terry

Virginia & James Moose Revocable Trust, et al

Visser, Leonard C

Vogel, Bob
Montana School Boards Association

Von Bergen, Kay & Jay

Vorhies, Aaron

Wadsworth, Jimmy & Heidi

Walburger, Conrad

Waldron, Douglas

Walker, George

Walker, Matthew

Waller, John & Nina

Walsh, David A

Walsh, Paula & Holka, Terry Lynn

Walton, Richard & Gayle

Wambach, Jessica

Warden, Marcelle M

Warner, Dianna

Warren, Robert & Wendy

Washburn, Gilbert

Waters, Laura

Watkins, Lawrence D

Watson, Gary D

Watson, Cathy Or Frank

Watson, Gary & Michelle

Watson, Jon & Lori

Watson, Katherine M.

Webber, Paul & Catherine

Weber, David & Sarah; McEwen, David; Juhl, Shirley

Weber, John

Weiler, Bernard & Eleanor

Wekkin, Stanley A. & Carol M.

Welch, Dorothy & Mullen, Nancy

Welch, William John

Weldon, Peggy Jo; Weldon, Rick; Westberg, Barbara

Weller, Tana Rae

Weller, Gerald & Cheryl

Wendel, David L

Wheatley, Nanette & Morris

Wheeler, Robert & Carolyne

Whipps, Harvey & Barbara

Whitcraft, Don & Stevenson, Edward

White, Catherine M.

White, Elden & Betty

Wicka, Jr, John

Wilckens, Blaine B & Helga M

Wilcox, Terry L.

Wilhelm, Albert & Patricia

Williams Living Trust

Williams, Brent

Williams, Jack & James

Williams, Martha

Wilson, Cathy E

Wilson, Anna J

Wilson, Sheena
Governor's Office

Windsor, Starla & Guckenberg, Ted Paul

Wolf, Bobby & Jane

Wolfe, Gary A & Harry L

Wollenberg, James & Middlestead, Glenn,

Wood, Debbie

Wood, Linda & Hamilton, Russ

Workman, James & Kathleen

Yenne, Jolynn et al

Young, Helen A.

Yuhas, David & Margaret

Yulga, Tom & Rozanne

Zane, Bryan S

Zebarth, Paula S

Zemp, Kevin & Jeannette

Attachment C: Summary of Scoping Comments and Responses

#	Comment/Issue	Name	Response	Where Discussed in EA
Oral Comments Received at the Missoula Scoping Meeting, March 2, 2010				
1	What will happen to abandoned improvements that are not being maintained?		Unmaintained improvements will depreciate in value. Until a new lessee has taken over a cabinsite and improvements, local DNRC field staff would prioritize maintenance or rehabilitation of the cabinsite along with all other management objectives and administrative duties and as staff personnel and funding are available. It is expected that those aesthetic issues that persist would be corrected upon lease of the cabinsite by a new lessee.	EA Section K.I.8
2	Concern with abandonment and docks being left behind in the lake (which will be damaged by winter ice and become litter).		There is a potential for docks to be left in place. When a dock poses an environmental hazard or is dangerous to public health and safety either DNRC or the lessee will correct the concern as required or as necessary.	EA Sections K.I.2, K.I.5 and K.I.8
3	The need to clean up messes on lease sites will be exacerbated by abandonment of leases.		There may be a decline in the aesthetics of some abandoned cabinsites. DNRC or the lessee will correct issues of community decay on abandoned sites.	EA Section K.I.8
4	What impact will abandoned improvements have on surrounding neighborhoods?		See response to comment #3.	EA Section K.I.8
5	Is there a point of diminishing returns between raising cabinsite lease fees and people leaving their cabinsite leases.		The Economics Impact Statement (ECONorthwest, 2010) shows that it is unlikely that all lessees will abandon their lease, and further shows that it is unlikely that abandoned leases will remain unleased.	EA Section K.II.20
6	What are the impacts of litigation against the implementation of the cabinsite rules?		Outside the Scope of MEPA.	
7	Hitting the wall financially. At some point, every lessee will eventually reach a point when they personally cannot or will not be able to afford their lease fee.		See response to comment #5.	EA Section K.II.20
8	If all the leases are abandoned the income to the trusts would be zero. Administrative costs would increase for the DNRC. What is the benefit to the system?		See response to comment #5.	EA Section K.II.20
9	We cannot sell improvements on the leases because by 2024 the lease fee will be $7000.		It is DNRC's view that the lower lease fees and greater consistency provided by Alternative 3B will make cabinsites more marketable than at present.	EA Section K.II.20
10	Leases cost more than property taxes.		Comment noted.	

#	Comment/Issue	Name	Response	Where Discussed in EA
11	No one is interested in buying cabins on state leases.		See response to comment #5.	EA Section K.II.20
12	Some lessees are on fixed incomes and the lease fees will increase to a point that is unaffordable.		The new lease calculation methodology presented in Alternative 3B in most cases results in a lower lease fee than would be charged under the No-Action Alternative. Alternative 3B provides an option for low-income lessees to defer up to 25% of their lease fees each year for up to three years.	EA Section B
13	If you paid 5 percent of the cost of deeded land, in 20 years you would own that land.		Comment noted.	
14	The land board is assuming that people with money will take over the leases.		Comment noted.	
15	Leases won't generate revenue for schools if leases are abandoned.		See response to comment #5.	EA Section K.II.20
16	People leaving the community will have financial impacts.		See response to comment #5.	EA Sections K.II.12, K.II.13, and K.II.20
17	Local merchants benefit from lessee patronage – maintenance costs, fuel. The economic support of seasonal summer folks maintains the community.		See response to comment #5.	EA Sections K.II.12 and K.II.20
18	School enrollment in Seeley Lake is decreasing; there are 96 students in the high school and there used to be 156. If people leave Seeley Lake the student numbers will decrease and what will happen to school funding. Schools lose $8,000 per student if that student isn't there.		See response to comment #5.	EA Sections K.II.13 and K.II.20
19	The decrease in population will impact the volunteer firefighter's ability to respond to structure fires.		Population changes are discussed in the EA.	EA Section K.II.17
20	Will lessees pay higher lease fees for minimal use or seasonal use?		Outside the scope of MEPA.	
21	Lessees pay taxes to the county on their improvements.		See response to comment #5.	EA Sections K.II.13 and K.II.20

#	Comment/Issue	Name	Response	Where Discussed in EA
22	The Montana Department of Revenue (DOR) appraised value does not reflect the real estate market in Seeley Lake.		Comment noted.	
23	State and lessee partnership is broken now that leases are compared to deeded land.		The agency is the fee owner of the land and expects that the appraising agency, the DOR, is using professional appraisal standards. A lower appraisal would require a higher lease rate to achieve full market value.	EA Section B
24	This is an issue of deeded land being used to value leased school trust lands.		See response to comment #23.	EA Section B
25	Lease land is restrictive and does not provide the same rights as fee ownership.		Comment noted.	
26	DNRC should give DOR instructions on how to appraise the property. A DOR person told me, "If I change your value, I will have to change everyone's value."		Outside the scope of MEPA.	
27	Since we cannot sell our improvements the land value is zero because there is no market.		Comment noted.	
28	If leases are abandoned what about fire control? Weeds? Wells and septic? Fisheries habitats?		Weeds are discussed in EA Section K.I.4. Wells and septic are discussed in EA Section K.I.2, K.I.8 and K.II.10. Fisheries habitat is discussed in EA Section K.I.5.	EA Section K.I.4; K.I.2; K.I.8; K.II.10; K.I.5
29	If lessees aren't on the property, it makes them more vulnerable to fire. And if a wildland fire comes through the land values will be lower, so lessees are protecting the land values.		See response to comment #5.	EA Section K.II.20
30	What about the human factor, what if someone commits suicide, what about the mental health of the lessees, the stress, depression, that the dream of having a cabinsite is gone?		Outside the Scope of MEPA.	
31	Many leases are permanent homes.		The topic of a cabinsite serving as primary residence is discussed in Section K.II.14 and K.II.17.	EA Section K.I.14; K.II.17
32	Does abandonment impact credit ratings?		Outside the scope of MEPA.	
33	Decision makers should visit the cabinsites to see how they are for themselves.		Comment noted.	
34	If the DNRC wants to generate more revenue, they should lease more land to people.		Comment noted.	

#	Comment/Issue	Name	Response	Where Discussed in EA
35	Leasing is all one-sided. Lessees and DNRC should be on the same side of the table.		Comment noted.	
36	Why did the lessee alternative proposed last fall not become the preferred alternative?		The State Board of Land Commissioners directed DNRC to develop rules implementing Alternative 3B as the Board's preferred alternative.	EA Section I.
37	Lessees will have to become wards of the county to satisfy the school's needs.		Demand for government services is discussed in the EA.	EA Section K.II.14
38	Lease holders are getting ripped off by the state.		Comment noted.	
39	In one place there is a surcharge specifically applied to a city water user just for being on school trust lands.		Comment noted.	
40	Why not have a one-time opportunity to buy? This occurred decades ago, and then like now, any sale of school trust lands would be at a competitive bid.		Comment noted.	
41	Lessees are good stewards.		Comment noted.	
Oral Comments Received at the Kalispell Scoping Meeting, March 4, 2010				
42	What about the mess and negative appearance of empty foundations and trees cut to allow cabins to be moved?		See response to comment #3	EA Section K.I.8
43	Abandoned cabinsites will be used as dumps .		This is an illegal activity that DNRC will respond to promptly.	EA Section K.II.10
44	There will be litigation over cleanup of adjacent, abandoned cabinsites.		Comment noted.	
45	Garbage is left at abandoned lease sites, people will have fires and parties on vacant lots.		See response to comment #43.	EA Section K.II.10
46	Decay of improvements will require DNRC to manage decaying improvements at additional costs to DNRC.		See response to comment #1.	EA Section K.I.8
47	The positive impacts of Alt. 3B only delay the increased payments of the current method slightly.		Comment noted.	
48	What about loss of income when a site can't be leased for three years because a lessee won't sell their improvements?		It is unlikely that such a situation will occur. Improvements have market value. A lessee that chooses not to sell his or her improvements during the three year period will lose them to the state and forego any potential financial return from sale of the improvements.	EA Section K.II.20
49	The beneficiaries will have lost income when the leases don't sell for three years.		See response to comment #5.	EA Section K.II.20

#	Comment/Issue	Name	Response	Where Discussed in EA
50	Abandonments will cause a loss of income to the beneficiaries.		See response to comment #5.	EA Section K.II.20
51	What if lessees stop paying taxes on improvements during the 3-year “abandoned” period?		There would be delinquent taxes owing on the improvements. In a normal escrow process, current year taxes are usually pro-rated at the time of closing or escrow between the interested parties, based on the number of calendar days each party held ownership during the fiscal year. Pro-ration is a matter strictly between the parties involved.	EA Section K.II.13
52	Abandonments will impact the tax base.		See response to comment #5.	EA Section K.II.13
53	Seasonal costs to ancillary businesses are $1,200 per month.		Comment noted.	
54	What about lost costs to seasonal workers hired by out of state lessees to look after lease sites?		It is anticipated that cabinsites will be released within the 2 or 3 year period. In these instances, local spending lost as a result of abandonment would be replaced when new lessees take over the cabinsite.	EA Section K.II.12
55	Abandoned lease lots will also impact other private landowners.		The EA discusses the effects to aesthetics and property values for neighboring residents.	EA Section K.I.8
56	What about fiscal impacts to ancillary businesses and services providers such as phone, insurance, power, etc.		See response to comment #54.	EA Section K.II.12
57	Market value means lease value, not fee simple appraised value.		See response to comment #23.	EA Section B
58	DOR’s appraisals are flawed and the values are wrong.		DOR has an appeals process; lessees that believe the 2009 appraised value of their cabinsite is not correct may contact the DOR.	EA Section B
59	Cabinsites should be appraised at “lease value,” not fee simple value.		See response to comment #57.	EA Section B
60	Keggers and mud-boggers will damage the natural environment on lease sites.		These activities are an act of trespass and will be dealt with by DNRC as such.	EA Sections K.I.8 and K.II.10
61	Abandoned leases are more of a fire hazard.		Comment noted.	
62	What are the impacts to the environment after abandonment: septic, garbage, and fire.		The EA discusses the impacts to aesthetics and public health and safety.	EA Sections K.I.8 and K.II.10

#	Comment/Issue	Name	Response	Where Discussed in EA
63	There is too much fiscal burden on cabinsites to fund education.		According to the 2009 Annual Report for the DNRC Trust Land Management Division, residential leasing and licensing contributed less than 1.5% of the total gross revenue generated from trust lands that year.	
64	Lessees selling cabins can never recoup improvements costs.		See responses to comments #5, #9 and #54.	EA Sections K.II.12 and K.II.20
65	When leases are abandoned the improvement owners will lose equity in their improvements.		See responses to comments #5, #9 and #54.	EA Sections K.II.12 and K.II.20
66	Most financial and other impacts will occur whether Alt. 3B is selected, or even if the no action alternative is selected.		Many impacts are common to both Alternatives, and some occur only under the No-Action Alternative. In nearly all cases the degree of impact under Alternative 3B is lower than the No-Action Alternative.	EA Section B
67	Will homeowners insurance cover a cabin that is unoccupied.		Outside the scope of MEPA.	
68	Lessee presence keeps the "Saturday night" crowd away. There will be too many abandoned leases for law enforcement and the DNRC to patrol.		This is an illegal activity that DNRC will respond to promptly.	EA Section K.II.10
69	Lessees communicate with local law enforcement and notify law enforcement when problems are occurring, that will be lost if leases are abandoned.		See response to comment #5.	EA Section K.II.20
70	There is speculation that some future legislative remedy may come too late for lessees that are forced into adverse financial situations.		Outside the scope of MEPA.	
71	School funding method (cabinsite leasing) is outdated and needs a legislative fix. There should be less pressure on this income source.		See response to comment #63.	
72	The purchase price for leases is the same as the lease payment.		Comment noted.	
73	Let's have lessees buy their cabinsite lots.		Comment noted.	
74	If land is available for sale, why would someone lease?		Outside the scope of MEPA.	
75	Rich people don't lease cabinsites.		Comment noted.	

#	Comment/Issue	Name	Response	Where Discussed in EA
76	How can schools sell bonds on future trust income that hasn't been collected?		Outside the scope of MEPA.	
77	Mud Creek has seen land values increase 400% to 600%		Comment noted.	
78	Leases in the Thompson River area are just seasonal and not worth the land value increases.		Comment noted.	
79	Folks without resources will become a burden on the community once they are turned out from their leases.		Demand for government services is discussed in the EA.	EA Section K.II.14
80	Lessees beautified these cabinsites, made improvements to the lots, and now no one will lease these cabinsites.		See response to comment #5.	EA Section K.II.20
81	All abandonments won't be seen for at least two or three years due to people completing the phase-in.		Comment noted.	
82	Where/to whom will the cabinsite leases be marketed to?		Outside the scope of MEPA.	
83	If lots are abandoned and improvements removed, some lots that are currently "grandfathered" will lose their ability to be a lease lot.		Discussed in the EA.	EA Section K.II.15
84	Just because mass abandonment hasn't happened before doesn't mean it won't happen now.		Comment noted.	
85	The history of leasing cabinsites was fair, but after lease fees increased beyond 3.5% of fair market value it became unfair.		Comment noted.	
Written Comments Received During the Scoping Period, February 19 - March 19, 2010				
86	Either put the lots for sale and let everyone have a fair shot at them, with some sort of compensation for those who have already put thousands of dollars into these lands, or get realistic about land that is used only 2 months out of a year.	Allred, Heather	Comment noted.	
87	You have now made my own home out of reach for me.	Bedard, Toby	Comment noted.	
88	This is not what we want in Montana. Lease fees have to be on average with other lands so all people can afford to enjoy the very best Montana has.	Benson, Darlene and Munski-Feenan, June	Comment noted.	

#	Comment/Issue	Name	Response	Where Discussed in EA
89	The main attraction for these lots was that they were cheap and a person could wind up with a place to live without a huge investment.	Bolton, Sam	Comment noted.	
90	DNRC cabinsite leases have little real estate value. Realtor market assesment, private appraisal, and comparative market analysis indicate state lease land is undesirable, and very hard to sell.	Cassity, Daneil S. and Zebarth, Paula	Comment noted.	
91	The human impact of the increasing and excessive lease fees on leaseholders with both 3B and the no-action alternative is emotionally and financially crushing to us leaseholders.	Cebulski, Barbara and Raymond	Comment noted.	
92	760 lessees were contacted by mail and email to solicit their opinion about the changes to their lease fees should either the No Action or the 3B Alternative go into effect. Of those, 148 lessees responded to the internally conducted survey and offer a 92% confidence level for the results of the survey.	Chicadee Remediation	Comment noted.	
93	Our lot on the outlet of Seeley is swamp land and not even usable 4 months of the year.	Daigle, Armond and Darlene	Comment noted.	
94	Seems like you should be paying us for all the improvements we make to your land! We keep the grounds clean, upgrade the buildings, maintain the roads, repair and rebuild the docks, and do whatever else is necessary to maintain this property and keep it looking neat and clean.	Daigle, Armond and Darlene	Improvements on the cabinsite are the property of the lessee, not the state.	
95	Do you really think that by raising our fees that you will be bringing in more monies?	Dawn, Lila	The new lease calculation methodology presented in Alternative 3B in most cases results in a lower lease fee than would be charged under the No-Action Alternative.	EA Section B
96	How will this entire fiasco be viewed in fifty years by an unbiased, logical, rational human being?	Ford, Ken	Outside the scope of MEPA.	
97	We are retired on a fixed income which has been diminished by 30%, and possibility of this continuing in this spiral decline for the next two or three years is obvious.	Harker, Loretta	Comment noted.	
98	While we support adequate school funding, we don't believe that those supporting these unacceptable lease rate increases fully understand the unintended consequences of their actions.	Johnson, Marcia	Comment noted.	

#	Comment/Issue	Name	Response	Where Discussed in EA
99	We have attended two of the meetings that allowed comment and listened to the tragic stories of the other leaseholders, many of whom are senior citizens on fixed incomes, who will have to abandon the cabin sites that have been in their families for generations.	Johnson, Marcia	Comment noted.	
100	The Legislature should address the false appraised values, the Montrust ruling, and the CURRENT economic situation during its next session.	Juhl, Shirley	Comment noted.	
101	I have quit making donations to the School of Business in Missoula after seeing the greed coming out of the University system and their attitude that they can soak the no voice lease holders.	Mitchell, Roger	Outside the scope of MEPA.	
102	Times are tough and the state land board should not single out seven hundred and fifty lease holders to bail them out.	Mitchell, Roger	Comment noted.	
103	To me after fifty two years of our family making lease payment to the state of Montana they have singled out a certain class of leases to treat unfairly and they should be held accountable for their actions for not making some sort of common ground, that would be amicable and work for all parties involved.	Mitchell, Roger	Comment noted.	
104	The agency does not want the 2003 appraisal value used as a basis for the lease fee calculation methodology.	Montana Dept of Revenue	The agency will amend the rules to indicate lease fees will be calculated by using the full, phased-in contract rent in the time period between 2003 and 2013, and project that amount forward by 6.53 percent, compounded 6 times to represent the six years between appraisal cycles. The projected lease fee will be the "base rent."	
105	The new appraisal price is valued at which I cannot afford. I am 70 years old both my parents and myself are native Montanans.	Montelius, Donald L.	Comment noted.	
106	Please change for the Montana residents and not the wealthy coming in.	Munski-Feenan, June	Comment noted.	

#	Comment/Issue	Name	Response	Where Discussed in EA
107	I feel the terms as stated in the original lease agreement should stay intact until, at least, the end of the lease.	Myers, Elmer and Elizabeth	Alternative 3B allows lessees to choose to either 1) have their lease fee calculated according to the new methodology described, starting with the next billing cycle, or 2) continue with the terms of their current lease contract until the lease is up for renewal. At renewal, all leases will include the new methodology.	EA Section H.
108	Determining the value of the lease by increasing the appraised value by 6.53% from 2003 to 2009 doesn't reflect the true economy of the market value of the property, which I feel is somewhat unfair.	Myers, Elmer and Elizabeth	The 6.53% escalator was determined from a survey of property value increases over the twenty year period from 1983 to 2003 (DNRC, 2009).	
109	If lease holders cannot afford to make their lease payments, can't sell their structure, or can't move their structure, and need to relinquish their lease, the Land Boards ends up with numerous cabins or houses on their leases that could be a great source of revenue.	Myers, Elmer and Elizabeth	See responses to comments #5 and #9.	EA Section K.II.20
110	If we try to remove some of our improvements before we are forced to abandon our lots then the one property will only be allowed as a picnic area because our cabin, which was grandfathered in, is too close to the high water mark and cannot be rebuilt according to the leaseholder's agreement.	Nay, Bradley and Debbie	Discussed in the EA.	EA Section K.II.15
111	The Land Board and the DNRC hold an underlying assumption that they will not suffer any loss of income if the current lessees leave. They assume that new lessees will be interested in leasing state lots for more than they would pay to purchase equivalent deeded property in Montana.	Rice, Jim and Sloan, Kelly	See response to comment #5.	EA Section K.II.20
112	Alternative 3B maximum is quite high considering that the homesite is neither of any scenic or recreational value as at Flathead Lake.	Shipp, Marvin	Comment noted.	
113	The time has come to begin the process to offer the leaseholders the opportunity to buy their leased lots.	Spurlock, Ellen Harriet	Comment noted.	
114	I am requesting an Agency action to address my concerns and proposal and advise me what steps the DNRC intends to take to respond to myself and other leaseholders.	Spurlock, Ellen Harriet	Comment noted.	

#	Comment/Issue	Name	Response	Where Discussed in EA
115	When you put your actions on a business level you are in the process of bankrupting your enterprise. In the business this generally means you go out of business with the loss of jobs. In government there is no bankruptcy, the enterprise does not go out of business and no one loses his or her job.	Stohr, Stan and Pam	Comment noted.	
116	All of Seeley Lake will suffer from the mismanagement of the DNRC. We ask for your help, these new lease rates are not justified and they must not be implemented.	Tanberg, Tim and Karen	Comment noted.	
117	People are losing their lease to wealthy people so you can share a great amount of money for the school fund - a great lesson to teach our kids - do they know you have taken homes from people so they can sit in their classes?	Theissen, Ginger and Munski-Feenan, June	Comment noted.	
118	Sure must not be a true Montana running the lots now. I should own it by now.	Turner, Ellen	Comment noted.	
119	We've hired a lawyer to fight for us and to lower leases to be same as other same value lots!	Ward, Nicolette	Comment noted.	
120	Please drop the proposed increases in cabinsite leases.	Whitesitt, David	Comment noted.	
121	In this era of economic distress, you lob it on the poorest people in Seeley Lake to make up money needed by the state by raising lease fees that throw people out of their homes.	Williamson, Elinor	Comment noted.	
122	Why should the school district require rate increases??? They should be more than happy to receive anything they get above and beyond their normal government funding.	Lindgren, Vince and Relinda	Comment noted.	
123	Doing the right thing is not measured in dollars alone.	McEwen, David	Comment noted.	
124	…allow current residents of their lease lots who are seniors to continue at their current rate with only modest (say 2%) yearly increases."	Winnie, John Sr.	The Land Board directed the DNRC to draft rules to implement alternative 3B.	EA Section I

Attachment D: State and Federal Wilderness and Recreation Areas of Montana

1. **NATIONAL FORESTS AND ASSOCIATED WILDERNESS AREAS**
   (U.S. Department of Agriculture, Forest Service)

Beaverhead-Deerlodge National Forest
- Anaconda-Pintler Wilderness
- Lee Metcalf Wilderness

Bitterroot National Forest
- Anaconda-Pintler Wilderness
- Selway-Bitterroot Wilderness

Custer National Forest
- Absaroka-Beartooth Wilderness

Flathead National Forest
- Bob Marshall Wilderness
- Great Bear Wilderness
- Mission Mountains Wilderness

Gallatin National Forest
- Absaroka-Beartooth Wilderness
- Anaconda-Pintler Wilderness
- Lee Metcalf Wilderness

Helena National Forest
- Gates of the Mountains Wilderness
- Scapegoat Wilderness

Kootenai National Forest
- Cabinet Mountains Wilderness

Lewis and Clark National Forest
- Bob Marshall Wilderness
- Scapegoat Wilderness

Lolo National Forest
- Rattlesnake Wilderness
- Scapegoat Wilderness
- Selway-Bitterroot Wilderness
- Welcome Creek Wilderness

2. **NATIONAL PARKS AND RECREATION AREAS**
   (U.S. Department of the Interior, National Park Service)

Bighorn Canyon National Recreation Area

Glacier National Park

Grant-Kohrs National Historic Site

Little Bighorn Battlefield National Monument

Yellowstone National Park

3. **NATIONAL WILDLIFE REFUGES AND THEIR ASSOCIATED WILDERNESS AREAS**
   (U.S. Department of the Interior, Fish and Wildlife Service)

Benton Lake National Wildlife Refuge

Benton Lake Wetland Management District

Bowdoin National Wildlife Refuge

Charles M. Russell National Wildlife Refuge

Halfbreed Lake National Wildlife Refuge

Lake Mason National Wildlife Refuge

Lee Metcalf National Wildlife Refuge

Lost Trail National Wildlife Refuge

Medicine Lake National Wildlife Refuge
- Medicine Lake Wilderness

National Bison Range

Red Rock Lakes National Wildlife Refuge
- Red Rock Lakes Wilderness Area

UL Bend National Wildlife Refuge
- UL Bend Wilderness Area

War Horse National Wildlife Refuge

4. BUREAU OF RECLAMATION RECREATION AREAS
(U.S. Department of the Interior)

Anita Reservoir

Canyon Ferry Lake

Clark Canyon Reservoir

Fresno Reservoir

Gibson Reservoir (administered by the U.S. Forest Service)

Helena Valley Reservoir (administered by the Montana Department of Fish, Wildlife, and Parks)

Lake Elwell ("Tiber" Reservoir)

Nelson Reservoir

Pishkun Reservoir (administered by the Montana Department of Fish, Wildlife and Parks)

Willow Creek Reservoir (administered by the Montana Department of Fish, Wildlife and Parks)

5. MONTANA STATE PARKS AND RECREATION SITES
(Montana Department of Fish, Wildlife and Parks)

1. Ackley Lake
2. Anaconda Smelter Stack
3. Bannack
4. Beaverhead Rock
5. Beavertail Hill
6. Black Sandy
7. Brush Lake
8. Chief Plenty Coups
9. Clark's Lookout
10. Cooney
11. Council Grove
12. Elkhorn
13. First Peoples Buffalo Jump
14. Flathead Lake
    - Big Arm
    - Finley Point
    - North Shore
    - Wayfarers
    - West Shore
    - Yellow Bay
15. Fort Owen
16. Frenchtown Pond
17. Giant Springs
18. Granite
19. Greycliff Prairie Dog Town
20. Hell Creek
21. Lake Elmo
22. Lake Mary Ronan
23. Lewis and Clark Caverns
24. Logan
25. Lone Pine
26. Lost Creek
27. Madison Buffalo Jump
28. Makoshika
29. Marias River
30. Medicine Rocks
31. Missouri Headwaters
32. Painted Rocks
33. Parker Homestead
34. Pictograph Cave
35. Pirogue Island
36. Placid Lake
37. Rosebud Battlefield
38. Salmon Lake
39. Sluice Boxes
40. Smith River
41. Spring Meadow Lake
42. Thompson Falls
43. Tongue River Reservoir
44. Tower Rock
45. Travelers' Rest
46. Whitefish Lake
    - Les Mason
    - Whitefish Lake
47. Wild Horse Island
48. Yellowstone River

6. OTHER

Mission Mountains Tribal Wilderness Area (Flathead Reservation)

Attachment E

Economic Impact Statement

The Potential Economic Impacts of Proposed Changes to Lease Fees for the State of Montana's Cabinsites

March 2010

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ECONorthwest (ECONW) specializes in the economic and financial analysis of public policy. ECONW has analyzed the economics of resource-management, land-use development, and growth-management issues for municipalities, state and federal agencies, and private clients for more than 30 years.

Throughout the report we have relied on the Montana Department of Natural Resources and Conservation to provide the data for our analysis and clarification regarding the cabinsite program and the proposed rules. Within the limitations imposed by uncertainty and the project budget, ECONW has made every effort to check the reasonableness of the data and assumptions. In our analysis, we acknowledge that any forecast of the future is uncertain. The fact that we evaluate assumptions as reasonable does not guarantee that those assumptions will prevail. The analysis reflects the financial information relevant to the analysis, but does not address other economic factors that might be relevant to the analysis.

We gratefully acknowledge the assistance of the individuals who provided us with information and insight, but emphasize that we, alone, are responsible for the report's contents. We have prepared this report based on our general knowledge, and on information derived from government agencies, the reports of others, interviews of individuals, or other sources believed to be reliable. ECONW has not verified the accuracy of such information, however, and makes no representation regarding its accuracy or completeness. Any statements nonfactual in nature constitute the authors' current opinions, which may change as more information becomes available.

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EXECUTIVE SUMMARY

The Montana Department of Natural Resources and Conservation (DNRC) manages 802 cabinsite leases across the state. Cabinsites are parcels of state-owned land available for lease to individuals who may develop or maintain cabins and related improvements on the sites. Lessees pay annual lease fees, generating revenue for 10 trusts. In 2009, after the announcement of increases in lease fees stemming from historically high appreciation of land values statewide, including cabinsite appraised values, the state Board of Land Commissioners (Land Board) directed DNRC to draft changes to the rules regulating cabinsites. The changes in the rules were intended to mitigate the magnitude of the potential increase in lease fees. To that end, DNRC prepared five alternatives to the current rules. DNRC's analysis of the five alternatives, along with public comments, led to the Land Board's selection of Alternative 3B (Alt 3B) as the preferred alternative. DNRC has since drafted New Rules I-XIII, described in Montana Administrative Register Notice No. 36-22-143, that, if adopted, would implement Alt 3B. Against this backdrop DNRC commissioned ECONorthwest (ECONW) to produce an Economic Impact Statement (EIS) analyzing the impacts of Alt 3B relative to the No-Action Alternative (NAA).

In this report, we evaluate the primary, secondary, and cumulative impacts on several classes of persons potentially affected by Alt 3B. The core classes are those who potentially would feel the impacts of Alt 3B most directly: the current and future lessees of cabinsites, and the beneficiaries of the trusts. We also consider the potential impacts on classes of persons who potentially would feel impacts indirectly: communities near cabinsites, and those who participate in the market for cabinsites.

Alt 3B changes the overall method DNRC uses to calculate lease fees. Under the NAA, DNRC would continue to adjust lease fees every six years; under Alt 3B it would adjust them annually. Alt 3B also starts from a lower base rent than the NAA.

Lease Fees. We project lease fees 30 years into the future, from 2010 through 2039, under both Alt 3B and the NAA. Our projection in each instance embodies two key elements: the estimated lease fees in 2010 and the rate at which the fees increase in future years. Table 1 summarizes our findings. It first shows the estimated median and average lease fee every five years, beginning in 2010. It then shows the present value of the median and average lease fee over the 30-year period. In each instance, the present value is a single number whose value is equivalent to the 30-year stream of annual values. It is calculated by converting each year's future value to its equivalent, present value, using a process called discounting, at an interest rate that reflects society's preferences for economic assets now rather than the promise of assets in the future.

Table 1. Summary of Median and Average Lease Fees (in 2009 dollars)

	Median Lease Fees		Average Lease Fees	
	NAA	Alt 3B	NAA	Alt 3B
2010	$2,100	$1,600	$3,000	$2,500
2015	$2,500	$2,000	$4,600	$3,700
2020	$3,300 – $3,800	$2,400 – $2,400	$6,100 – $6,900	$4,300 – $4,400
2025	$4,400 – $5,600	$3,500 – $4,100	$8,100 – $10,400	$6,600 – $7,400
2030	$5,700 – $8,200	$4,000 – $4,800	$9,800 – $13,800	$7,500 – $8,700
2035	$7,200 – $11,400	$4,500 – $5,600	$11,700 – $18,200	$8,400 – $10,300
Present Value of 30-Year Stream	$98,100 – $131,000	$68,100 – $76,800	$170,600 – $223,900	$125,800 – $141,000

Source: ECONorthwest with data from DNRC

Notes: The ranges in this table represent the median and average values resulting from the assumptions of our analysis and do not represent the full range of potential impacts. Actual impacts on individual sites may be lower or higher.

We find that, for all years, most cabinsites would have lease fees lower under Alt 3B than under the NAA.[1] Depending on the appreciation rate, 727–760 of the 764 cabinsites included in our analysis would have lower lease fees under Alt 3B than under the NAA, and 4–37 cabinsites would have higher lease fees under Alt 3B than under the NAA. The present value of the lease fees also would be lower under Alt 3B than under the NAA. The average lease fee, for example, has a present value of about $171,000–$224,000 under the NAA, and about $126,000–$141,000 under Alt 3B.

Trust Revenues. The potential impact on beneficiaries of the trusts is indicated by the impacts on trust revenues. The DNRC may incur different costs for administering the cabinsite program under each alternative, however this would not impact the revenues generated by the cabinsite program on behalf of the trusts. The revenues generated for the trusts are determined by the lease fees and the number of cabinsites being leased. Our analysis indicates that Alt 3B generally would increase lease fees less than the NAA, as we describe above, and have little, if any, impact on the number of cabinsites being leased. Consequently, we anticipate that the cabinsites likely would generate lower revenues for the trusts in 2010 and future years under Alt 3B than under the NAA.[2] Table 2 shows the anticipated revenues generated for the trusts under the NAA and Alt 3B.

Available data are insufficient to support quantification of the potential indirect impacts on communities near cabinsites, or on those—other than DNRC and its

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[1] Under both alternative, however, lease fees likely will be higher in the future than they have been in the past.

[2] Under either alternative, however, the cabinsites likely would generate higher revenues in 2010 and future years than were generated in 2009.

Table 2. Summary of Revenues Generated for the Trusts (in 2009 dollars)

	Total Revenues Generated for the Trusts	
	NAA	Alt 3B
2009	$1.6 mil.[1]	N/A
2010	$2.3 mil.	$1.9 mil.
2015	$3.5 mil.	$2.8 mil.
2020	$4.7 mil. – $5.3 mil.	$3.3 mil. – $3.4 mil.
2025	$6.2 mil. – $7.9 mil.	$5.0 mil. – $5.7 mil.
2030	$7.5 mil. – $10.5 mil.	$5.7 mil. – $6.7 mil.
2035	$9.0 mil. – $13.9 mil.	$6.4 mil. – $7.9 mil.
Present Value of 30-Year Stream	$130.3 mil. – $171.1 mil.	$96.1 – $107.8 mil.

Source: ECONorthwest with data from DNRC

[1] DNRC. 2009. *Analysis of Lease Rent Calculation Alternatives for Cabinsites on Montana's State Trust Lands. September.*

Notes: The ranges in this table represent the values resulting from the assumptions of our analysis and do not represent the full range of potential impacts. Actual revenues may be lower or higher.

lessees—seeking to buy, sell, or lease cabinsites. It is reasonable to expect that, as lessees generally would pay less to DNRC in lease fees under Alt 3B, they likely would spend some of the savings on goods and services in nearby communities. The overall impact in neighboring communities likely would be too small to distinguish, however, as the potential savings in 2010 represent less than 1.5 percent of average personal income in Montana, and lessees likely would spend some of the savings in more distant communities. The most notable potential cumulative impacts of adopting Alt 3B would occur in the Seeley Lake area, where lessees face the prospect of paying new fees associated with a proposed sewer district. These fees, if they materialize, would occur under both Alt 3B and the NAA.

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I. Introduction and Background

The Montana Department of Natural Resources and Conservation (DNRC) manages 802 cabinsite leases across the state. Cabinsites are parcels of state-owned land that are leased to individuals who pay annual lease fees, generating revenue for 10 trusts. The size of cabinsites varies from 0.5 to about 27 acres, but most are about one acre. Lessees are allowed to make improvements, such as cabins and other infrastructure, on their cabinsites. If the lessee decides to end the lease, he or she can sell the improvements to the next lessee and keep the revenue, or remove the improvements from the site. DNRC manages the cabinsites, determines the lease fees for each cabinsite, collects lease fee payments, and advertises vacant cabinsites.

In 2009, after the announcement of increases in lease fees stemming from historically high appreciation of land values statewide, including cabinsite appraised values, the state Board of Land Commissioners (Land Board) directed DNRC to draft changes to the rules regulating cabinsites that would mitigate the magnitude of the potential increase in lease fees. To that end, DNRC prepared five alternatives to the current rules. DNRC's analysis of the five alternatives, along with public comments, led to the Land Board's selection of Alternative 3B (Alt 3B) as the preferred alternative. DNRC has since drafted New Rules I-XIII, described in Montana Administrative Register (MAR) Notice No. 36-22-143, that, if adopted, would implement Alt 3B. Against this backdrop DNRC commissioned ECONorthwest (ECONW) to produce an Economic Impact Statement (EIS) analyzing the impacts of Alt 3B relative to the No-Action Alternative (NAA).

A. EIS Requirements

As stated in the Montana Code Annotated (MCA) 77-1-121, the State of Montana requires DNRC to conduct a Montana Environmental Policy Act (MEPA) analysis on the development of administrative rules. As part of the MEPA analysis, DNRC has chosen to develop an EIS addressing the requirements contained in MCA 2-4-405 and the cumulative impacts of the change in rules, which are described in Administrative Rules of Montana (ARM) 36.2.525. Table 1 describes the EIS requirements. In our analysis, we address requirements A, B, D, and H by describing and evaluating the following relative to the NAA:

- The classes of persons potentially affected by Alt 3B.
- The potential primary impacts of Alt 3B on the classes.
- The potential secondary impacts of Alt 3B.
- The potential cumulative impacts of Alt 3B.

Table 1: Description of EIS Requirements

EIS Requirements as Described in MCA 2-4-405
A. a description of the classes of persons who will be affected by the proposed rule, including classes that will bear the costs of the proposed rule and classes that will benefit from the proposed rule;
B. a description of the probable economic impact of the proposed rule upon affected classes of persons, including but not limited to providers of services under contracts with the state and affected small businesses, and quantifying, to the extent practicable, that impact;
C. the probable costs to the agency and to any other agency of the implementation and enforcement of the proposed rule and any anticipated effect on state revenue;
D. an analysis comparing the costs and benefits of the proposed rule to the costs and benefits of inaction;
E. an analysis that determines whether there are less costly or less intrusive methods for achieving the purpose of the proposed rule;
F. an analysis of any alternative methods for achieving the purpose of the proposed rule that were seriously considered by the agency and the reasons why they were rejected in favor of the proposed rule;
G. a determination as to whether the proposed rule represents an efficient allocation of public and private resources; and
H. a quantification or description of the data upon which subsections (A) through (G) are based and an explanation of how the data was gathered.
Cumulative Impact as Described in ARM 36.2.525
'Cumulative impact' means the collective impacts on the human environment of the proposed action when considered in conjunction with other past and present actions related to the proposed action by location or generic type. Related future actions must also be considered when these actions are under concurrent consideration by any government agency through pre-impact statement studies, separate impact statement evaluation, or permit processing procedures.

Sources: Montana Code Annotated 2-4-405 and Administrative Rules of Montana 36.2.525

Before presenting this analysis, we briefly summarize DNRC's findings regarding requirements C, E, F, and G.[3]

Requirement C

The implementation costs DNRC would incur under Alt 3B are unclear. The immediate costs of implementing Alt 3B would be derived from staff time spent developing, analyzing, scoping, and finalizing new Administrative Rules. DNRC does not anticipate it would incur other costs from implementing Alt 3B. DNRC anticipates the costs of enforcing Alt 3B would be incurred primarily by the Area Office staff. These costs would include a change in the allocation of staff time. If,

[3] DNRC. 2009. *Analysis of Lease Rent Calculation Alternatives for Cabinsites on Montana's State Trust Lands. September*; Holzer, Brett. Fiscal Analyst, Real Estate Management Bureau, DNRC. 2010. Personal Communication. March 24.

Table 2. Revenues by Trust for Fiscal Year 2009

Trust	Gross Distributable Revenues	Revenues Generated by Cabinsites	Percent of Gross Distributed Revenues Generated by Cabinsites
Common Schools	$69.8 mil.	$0.4 mil.	0.6 percent
School of Mines	$1.1 mil.	$0.5 mil.	41.2 percent
Montana State University – 2nd Grant	$1.2 mil.	$0.5 mil.	42.5 percent
Other[1]	$4.2 mil.	$0.2 mil.	5.0 percent
Total	$76.3 mil.	$1.6 mil.	2.1 percent

Source: ECONorthwest with data from DNRC

[1] This category includes the following trusts: Public Buildings, Montana State University – Morrill, State Normal School, University of Montana, School for Deaf and Blind, State Reform School, Veterans Home.

for example, Alt 3B requires more staff time be spent on the cabinsite program, the staff would have less time to devote to other responsibilities. The overall budget, however, would not change under Alt 3B as it is set biennially according to legislative guidelines.

Under Alt 3B, the trusts likely would receive different revenues than they would under the NAA. The analysis presented in the remainder of this report shows the overall change. The change in future revenues likely would impact some trusts more than others. Table 2 shows how much of each trust's gross distributable revenues were generated by the cabinsite program. The impact of a change in revenues generated by cabinsites likely would be larger on trusts with a high percentage of their gross distributable revenues coming from the cabinsite program.

Requirement E

In its 2009 report, DNRC analyzed four alternatives. DNRC evaluated the four alternatives based on 12 criteria. For an alternative to be feasible, it had to meet all 12 criteria. Of the alternatives that met all of the criteria, Alt 3B was determined to be the least costly and least intrusive method to achieve the purpose of the proposed rules.

Requirement F

In its 2009 report, DNRC evaluated four alternative methods for achieving the purpose of the proposed rules. DNRC compared the four alternatives in terms of how well each met the 12 criteria DNRC created. The Land Board selected, on October 19, 2009, Alt 3B as the alternative that best met the 12 criteria.

Requirement G

The Enabling Act of 1889 granted the State of Montana over 5.8 million acres of land. The Act requires that any proceeds from the land be held in trust for the benefit of public education and that the land be administered to return 'full market value' to the beneficiaries. Montana's Constitution identifies the Land Board as having decision-making authority for school-trust land. The Land Board, in turn, delegates to DNRC the responsibility of practical, day-to-day administration of the land.

The Land Board directed DNRC to develop administrative rules related to the action alternative that best met the 12 criteria. The costs DNRC incurs from managing and administering the trusts' land are funded by the revenues generated by the trusts' land. Therefore, no public or private sector resources would be used in the implementation of the proposed rules.

B. Description of Alternatives

The main differences between the two alternatives involve the methods used to determine annual lease fees. Table 3 describes the specific differences between Alt 3B and the NAA.

1. The No-Action Alternative

Under the NAA, the lease fee for any particular cabinsite would be adjusted on a six-year cycle beginning the year the lease was activated or renewed, whichever is more recent. The lease fee would equal five percent of the most recent appraised value for the cabinsite.[4] Cabinsites would be appraised on a six-year cycle, the most recent of which concluded in 2009. A lease that was renewed in 2006, for example, would pay five percent of the 2003 appraised value (the most recent appraisal value as of 2006) of the cabinsite, each year, for six years.[5] In 2012, the lease fee would be changed to equal five percent of the 2009 appraisal value, and the lessee would pay that lease fee for six years, and so on.

2. Alternative 3B

Alt 3B changes several steps of the overall method used to calculate lease fees. The first change involves the method DNRC would use to determine the base rent for a cabinsite's lease. Under Alt 3B, DNRC would consider two methods and choose whichever yields the lower value: (1) a base rent equal to five percent of the 2003 Montana Department of Revenue (DOR) appraised value for a cabinsite increased annually by 6.53 percent to 2009, or (2) a base rent equal to five percent of DOR's 2009 appraised value for the cabinsite. Like the NAA, Alt 3B would use one of three methods to determine the lease fee, whichever is

[4] The appraised value of a cabinsite is the appraised value of the land only. The appraised value of the improvements on that land is determined separately, and is not part of the lease fee calculation.

[5] Leases paying on the 2003 value are actually phasing-in to five percent of the 2003 value over a six-year period. This is a one-time phase in. Under Alt 3B and the NAA there will be no phase-in.

Table 3: Description of Alt 3B and the NAA

	Alt 3B	NAA
Lease Fee	The lease fee for a cabinsite will be the highest of 1) the base rent, 2) the bid amount, or 3) a minimum annual rental of $250.	Same as Alt 3B.
Base Rent	DNRC will use one of two methods to determine the base rent of a cabinsite, whichever is less: 1) five percent of the 2003 Montana Department of Revenue (DOR) appraised value for a cabinsite increased annually by 6.53 percent to 2009, or 2) five percent of the 2009 DOR appraised value for a cabinsite.	Five percent of the 2009 DOR appraised value for a cabinsite.
Annual Escalator (Annual Percentage Increase in Lease Fee)	The annual escalator (termed the Lease Fee Indicator, or LFI) will be recalculated annually using the average of the change in the national Consumer Price Index (CPI) over the previous year and the Real Estate Index, which is the 25-year average of annual appreciation rates of cabinsite appraised values. The LFI will never exceed 6.5 percent and will never fall below 3.25 percent.	No annual escalator.
Lease Fee Adjustment	Lease fees are adjusted every 15 years to realign with updated base rents.	Every six years.
Financial Hardship	A cabinsite lessee may request a deferment for a maximum of 25 percent of the lease payment. An eligible lessee may obtain an annual lease deferment for a maximum of three years. At the end of the three years the deferred rent must be paid back.	No consideration for financial hardship.

greatest: (1) the base rent, (2) the bid amount, or (3) $250. Under Alt 3B, some lessees facing financial hardship would be eligible to defer up to 25 percent of their lease fee for up to three years.

The second change involves how lease fees change over time. Rather than adjust on a six-year cycle, lease fees under Alt 3B would increase annually. The annual increase would equal the previous year's lease fee multiplied by the Lease Fee Indicator (LFI). The LFI is equal to the average of the change in the national Consumer Price Index (CPI) over the previous year and the average annual appreciation of DOR's appraisals of cabinsites over the previous 25 years. The LFI is bound between 3.25 and 6.5 percent.

In 2025, to re-align lease fees with updated appraised values, the annually-escalated lease fees would be compared to lease fees determined by DOR's 2021 appraised values for the cabinsites. If the magnitude of the difference between the lease fee paid in 2024 and five percent of the 2021 DOR appraised value of the cabinsite is less than 15 percent (positive or negative), the lease fee would continue to increase annually as previously described. If the magnitude of the difference is greater than 15 percent (positive or negative), the 2025 lease fee would reflect the difference in magnitude, with the maximum change capped at 50 percent. The new lease fee would increase annually, as previously described, in accord with the LFI. Lease fees would be readjusted this way every 15 years.

If adopted, Alt 3B would not affect current lessees until the completion of their current six-year cycle. Once the six-year cycle on a particular cabinsite has expired, the lessee would have two options. Under the first option, a current lessee would continue to pay lease fees in accordance with their current lease contract until the lease is up for renewal. Under the second option, a current lessee would sign a supplemental lease agreement, amending the lease to comply with Alt 3B. Current lessees could sign the supplemental lease agreement at any point. All future leases and all lease renewals would comply with Alt 3B.

C. Classes of Persons Potentially Affected by Alternative 3B

In this report, we evaluate the primary, secondary, and cumulative impacts on the classes of persons potentially affected by Alt 3B. The *primary economic impacts* of adopting Alt 3B would affect two, core classes of persons, who potentially would feel the impacts of Alt 3B most directly: the current and future lessees of cabinsites, and the beneficiaries of the trusts. We consider the potential *secondary economic impacts* on classes of persons who potentially would feel impacts indirectly: communities near cabinsites, and those who participate in the market for cabinsites. We consider potential *cumulative economic impacts*, looking at how the changes in lease fees associated with Alt 3B might interact with other foreseeable changes. The only notable such change is the proposed sewer district that might initiate sewer fees for lessees of cabinsites in the Seeley Lake area.

II. Methods and Assumptions

A. Framework of Analysis

We begin our analysis by summarizing the potential effects of Alt 3B on lease fees, the time cabinsites spend on the market, and on lessees facing financial hardships. We compare the projected lease fees under Alt 3B to those under the NAA, from 2010 to 2039. We then evaluate the potential primary, secondary, and cumulative impacts of Alt 3B. Where possible, we quantify the potential impacts of Alt 3B. Where quantification is not possible, we provide a qualitative description of the potential impacts. Throughout our analysis, we describe the potential influence of uncertainty on our findings.

B. Assumptions

We rely on these assumptions to evaluate the potential economic impact of Alt 3B:

- The annual appreciation rate of cabinsites' appraised values will be 6.53 percent (low) or 8.74 percent (high).
- The annual change in Consumer Price Index (CPI) will follow the most recent 10-year forecast of the Congressional Budget Office (CBO) for the next decade, and subsequently will average two percent.[6]
- The discount rate will follow the real (inflation-adjusted) interest rates on Treasury Notes and Bonds, as specified by the Office of Management and Budget.[7]
- Lessees with the option to sign the supplemental lease agreement will do so only when Alt 3B would generate a lower lease fee than the NAA in the following year.
- For the calculations in our projection, we assume for each alternative:
    - Cabinsites will be leased in perpetuity.
    - Lessees paying less under Alt 3B than under the NAA will not abandon their cabinsites.
    - Abandoned cabinsites will immediately be leased by someone else at the same fees.

The appreciation rates we use come from DNRC's evaluation of historical records of the appraised values of Montana's cabinsites. From 1983 to 2003, the appraised values of cabinsites appreciated by an average of 6.53 percent per year. From 1983 to 2009, the appraised values appreciated at an average rate of 8.74 percent per year. We use 8.74 percent as the upper bound for our analysis. For the lower bound, we use 6.53 percent. Typically, where we present ranges, the

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[6] United States Congressional Budget Office. 2010. *The Budget and Economic Outlook: Fiscal Years 2010 to 2020.* January 26. Retrieved on March 10, 2010, from: http://www.cbo.gov/budget/econproj.shtml.

[7] United States Office of Management and Budget. 2009. *Circular No. A-94.* December. Retrieved on March 10, 2010, from: http://www.whitehouse.gov/omb/circulars_a094_a94_appx-c/.

values represent averages or medians from the two bounds of our assumptions; actual values may be lower or higher.

The CBO periodically forecasts the change in CPI. For our analysis, we rely on the most recent 10-year projection of CPI.[8] The projection tapers off at two percent, and, hence, we assume an annual change in CPI of two percent for years beyond the 10-year horizon of the CBO forecast. The annual LFI rate equals the average of the expected change in CPI over the previous year and the 25-year average annual appreciation rate. All of the LFIs we use (as projected by our assumptions on CPI and appreciation rates) are within the legal bounds of 3.25 and 6.5 percent.

When a lessee has the option to sign the supplemental agreement and switch from the NAA to Alt 3B, we assume he or she will do so only when Alt 3B offers a lower lease fee in the following year than the NAA. Once the lessee has switched, he or she cannot switch back.

We also assume cabinsites would be leased in perpetuity under both Alt 3B and the NAA. This assumption is required to complete our projection of the revenues generated for the trusts. Hence, our projection describes the upper bound of revenues generated for the trusts under Alt 3B and the NAA within the parameters of our assumptions. For a sensitivity analysis, we assume a range of potential vacancy rates, 3–15 percent. We assume these vacancies would be distributed equally over all cabinsites and over all years, and describe the potential impact of these vacancy rates on the revenue generated for the trusts.

Our analysis of the impacts of Alt 3B considers 764 of the 802 cabinsites managed by DNRC. Most of the 38 cabinsites not considered have never been leased and are likely to remain inactive under both the NAA and Alt 3B.

[8] United States Congressional Budget Office. 2010. *The Budget and Economic Outlook: Fiscal Years 2010 to 2020.* January 26. Retrieved on March 10, 2010, from: http://www.cbo.gov/budget/econproj.shtml.

III. Economic Characteristics of Alternative 3B

Alt 3B changes two central components of the overall method DNRC uses to calculate lease fees. One, it changes the method DNRC uses to determine a cabinsite's base rent, resulting in lower base rents for most cabinsites than under the NAA. Two, it changes the method DNRC uses to change lease fees over time. Under the NAA, DNRC would adjust lease fees every six years; under Alt 3B it would adjust them annually. In addition to these two major changes, Alt 3B also extends the amount of time lessees have to sell their improvements, from two years to three years, and it allows lessees experiencing financial hardship to defer up to 25 percent of their lease fee for up to three years. These changes may affect the revenues generated from cabinsites.

A. Lease Fees

Under Alt 3B, DNRC would consider two methods for determining base rent and choose whichever yields the lower value: (1) a base rent equal to five percent of the 2003 DOR appraised value for a cabinsite increased annually by 6.53 percent to 2009, or (2) a base rent equal to five percent of DOR's 2009 appraised value for the cabinsite. Alt 3B would use one of three methods to determine the lease fee, whichever is greatest: (1) the base rent, (2) the bid amount, or (3) $250. For subsequent years, under Alt 3B, DNRC would increase lease fees annually, using the LFI, rather than adjust lease fees on a six-year cycle as under the NAA.

Overall, we find lease fees under both alternatives likely would be higher than lease fees in past years, but in the future, the average lease fee under Alt 3B likely would be less than the average lease fee under the NAA. We calculate the lease fees under each alternative based on the framework and assumptions outlined in Section II. Table 4 summarizes our findings. It first shows the median and

Table 4. Summary of Median and Average Lease Fees (in 2009 dollars)

	Median Lease Fees		Average Lease Fees	
	NAA	Alt 3B	NAA	Alt 3B
2010	$2,100	$1,600	$3,000	$2,500
2015	$2,500	$2,000	$4,600	$3,700
2020	$3,300 – $3,800	$2,400 – $2,400	$6,100 – $6,900	$4,300 – $4,400
2025	$4,400 – $5,600	$3,500 – $4,100	$8,100 – $10,400	$6,600 – $7,400
2030	$5,700 – $8,200	$4,000 – $4,800	$9,800 – $13,800	$7,500 – $8,700
2035	$7,200 – $11,400	$4,500 – $5,600	$11,700 – $18,200	$8,400 – $10,300
Present Value of 30-Year Stream	$98,100 – $131,000	$68,100 – $76,800	$170,600 – $223,900	$125,800 – $141,000

Source: ECONorthwest with data from DNRC

Notes: The ranges in this table represent the median and average values resulting from the assumptions of our analysis and do not represent the full range of potential impacts. Actual impacts on individual sites may be lower or higher.

average lease fees (in 2009 dollars) every five years, beginning in 2010, under the NAA and Alt 3B. It then shows the present value of the median and average lease fees over the 30-year period. In 2010, the average lease fee under the NAA and Alt 3B would be about $3,000 and $2,500, respectively. Over the next 30 years, the average lease fee under the NAA and Alt 3B would have a present value of about $171,000–$224,000 and $126,000–$141,000, respectively, with the range for each alternative reflecting the low and high bounds of the appreciation rate.

Future lease fees under Alt 3B likely would be lower than those under the NAA because of the option under Alt 3B to use a lower base rent. For most cabinsites, a base rent equal to five percent of the 2003 DOR appraised value for a cabinsite increased annually by 6.53 percent to 2009 is lower than a base rent equal to five percent of DOR's 2009 appraised value for the cabinsite. Since lease fees are determined by base rents, and most cabinsites would have lower base rents under Alt 3B than under the NAA, most lessees would pay lower lease fees under Alt 3B than they would under the NAA. After 2010, lease fees under Alt 3B would increase annually by the LFI rate. In contrast, lease fees under the NAA would increase only every six years. Even accounting for the escalation of lease fees annually under Alt 3B, rather than every six years under the NAA, most cabinsites would have lower lease fees in future years under Alt 3B than under the NAA.

B. Time on Market

Most new lessees buy improvements from the former lessees, or build their own improvements on their cabinsites. Common improvements include cabins, trailers, garages, wells, septic systems, and storage sheds. Under the NAA, former lessees have a maximum of two years after the termination of their leases to sell their improvements to new lessees. Alt 3B would extend this window to three years. The extra year would allow former lessees more time to sell their improvements, but may potentially lengthen the period of time the cabinsite is not under lease.

Lease fees for cabinsites go unpaid during the time between lessees. Lengthening the time between lessees would, thus, decrease the revenues generated for the trusts. Overall, it is unclear how often former lessees would spend more than two years looking for buyers under Alt 3B. If no one buys the improvements within three years, they become the property of the trusts. The improvements could be of value to the trusts only if the trusts can sell them. If, however, DNRC removes the improvements, the trusts would not benefit from the sale of the abandoned improvements. We anticipate that the extended time on the market offered under Alt 3B would benefit current lessees by providing them more time to sell their improvement, but the impact on revenues generated for the trusts remains unclear.

C. Financial Hardship

Under Alt 3B, lessees would have an opportunity to defer up to 25 percent of their lease fee for up to three years. The deferred payments, with interest, would be due within four years of the last deferred payment. Under the NAA, lessees would not have this option, and their leases could be terminated if they do not pay their lease fees on time.

While it is unclear how many lessees would take advantage of this deferment program, it is likely that the program would decrease the number of cabinsites that are vacant. Lessees would benefit from the ability to defer some of their lease fees. If it decreases abandonment, which is likely, this deferment option offered by Alt 3B would increase the revenues generated for the trusts relative to those generated under the NAA. Additionally, lessees may supplement payment of lease fees with existing assistance programs, such as Section 8 housing.

IV. Potential Primary Impacts of Alternative 3B

Adoption of Alt 3B would change the lease fees paid by current and future lessees. Overall, median and average lease fees would be lower under Alt 3B than they would be under the NAA.[9] However, the lease fees for some cabinsites likely would be higher under Alt 3B than they would be under the NAA. As the amount of money lessees spend on lease fees changes, so too will the amount of their incomes they have left to purchase other goods and services. For lessees facing lower lease fees under Alt 3B than under the NAA, the amount of money they have left, after paying lease fees, to buy other goods and services will be higher under Alt 3B than under the NAA. Conversely, lessees facing higher lease fees under Alt 3B than under the NAA will have less money left, after paying lease fees, to buy other goods and services under Alt 3B than the NAA. The change in lease fees under Alt 3B will also change the revenues that cabinsite leases generate for the trusts relative to the revenues generated under the NAA. Under both Alt 3B and the NAA, however, the revenues generated for the trusts will be higher in 2010 and in the future than they were in 2009.

A. Potential Primary Impacts on Lessees

Under Alt 3B and the NAA, lease fees for all cabinsites likely will be higher in the future than they have been in the past. The lease fees for most cabinsites would be lower under Alt 3B than they would be under the NAA. For some cabinsites, however, lease fees would be higher under Alt 3B than they would be under the NAA. Table 5 summarizes the present value of the average lease fee under Alt 3B and the NAA for these two groups of cabinsites: those with lower lease fees under Alt 3B relative to the NAA, and those with higher lease fees under Alt 3B relative to the NAA.

Table 5. Summary of Present Value of Lease Fees under Alt 3B and the NAA (in 2009 dollars)

	Cabinsites With Lower Lease Fees under Alt 3B Relative to the NAA	Cabinsites With Higher Lease Fees under Alt 3B Relative to the NAA
Number of Cabinsites	727 – 760	4 – 37
Present Value of Average Lease Fee under Alt 3B	$127,600 – $141,600	$32,000 – $91,500
Present Value of Average Lease Fee under the NAA	$174,800 – $224,900	$31,300 – $87,700
Percent Difference between Present Value of Average Lease Fee under Alt 3B and the NAA	28 – 37 percent	2 – 4 percent

Source: ECONorthwest with data from DNRC

Notes: The ranges in this table represent values resulting from the assumptions of our analysis and do not represent the full range of potential impacts. Actual changes could be smaller or larger.

[9] Under both alternative, however, lease fees likely will be higher in the future than they have been in the past.

1. Potential Impacts on Lessees Facing Lower Lease Fees under Alternative 3B Relative to the No-Action Alternative

While all lease fees, under either Alt 3B or the NAA, likely will be higher in the future than they were in the past, the lease fees for 727–760 of the 764 cabinsites in our analysis likely would be lower under Alt 3B than they would be under the NAA. The number of cabinsites facing the relatively lower lease fees is determined by the appreciation rate. Table 5 summarizes our results. Assuming a low appreciation rate, 6.53 percent per year, we find that 727 cabinsites would face lower lease fees under Alt 3B than they would under the NAA. Within this group of cabinsites, the present value of the average lease fee over the next 30 years would be about $128,000 under Alt 3B and about $175,000 under the NAA. Assuming a high appreciation rate, 8.74 percent per year, we find that 760 cabinsites would face lower lease fees under Alt 3B than they would under the NAA. Within this group of cabinsites, the present value of the average lease fee over the next 30 years would be about $142,000 under Alt 3B and about $225,000 under the NAA. In other words, the lease fees for 727–760 cabinsites would be 28–37 percent less under Alt 3B than they would be under the NAA.

As described above, 727–760 cabinsites would have lower lease fees under Alt 3B than they would have under the NAA. Table 6 shows how the expected differences in the present value of lease fees between Alt 3B and the NAA would be distributed among these cabinsites. Assuming a low appreciation rate, the present value of the lease fees for 153 cabinsites would be $0–$5,000 less under Alt 3B than it would be under the NAA. The present value of lease fees for another 140 cabinsites would be $5,000–$15,000 less under Alt 3B than it would be under the NAA, and so on. Assuming a high appreciation rate, the present value of the lease fees for 81 cabinsites would be $0–$5,000 less under Alt 3B than it would be under the NAA. The present value of lease fees for another 108 cabinsites would be $5,000–$15,000 less under Alt 3B than it would be under the NAA, and so on.

Table 6. Distribution of the Differences in Present Value of Lease Fees between Alt 3B and the NAA for Cabinsites with Lower Lease Fees under Alt 3B Relative to the NAA (in 2009 dollars)

Difference in Present Value of Lease Fees between Alt 3B and the NAA	Number of Cabinsites (Low Appreciation)	Number of Cabinsites (High Appreciation)
$0 – $5,000	153	81
$5,000 – $15,000	140	108
$15,000 – $40,000	230	179
$40,000 – $75,000	96	186
Over $75,000	108	206
Total	727	760

Source: ECONorthwest with data from DNRC

Under the NAA, lease fees would increase every six years. Some lessees may abandon their cabinsites under the NAA due to the magnitude of the increase in lease fees they would face as a result of the high 2009 appraised values. There is no reason why Alt 3B would result in a larger number of abandonments for the group of lessees considered here (those that would face lower lease fees under Alt 3B than they would under the NAA). So, while some of the lessees in this group may abandon their cabinsites under Alt 3B, it is likely that more lessees would do so under the NAA, although the abandonment rate could be zero under both alternatives.

Since cabinsites in this group would have lower lease fees under Alt 3B than under the NAA, the lessees of these cabinsites would have more money left over after paying their lease fees under Alt 3B than they would after paying their lease fees under the NAA. With more money left over for the consumption of other goods and services, the economic well-being of this group likely would be better under Alt 3B than under the NAA.

2. Potential Impacts on Lessees Facing Higher Lease Fees under Alternative 3B Relative to the No-Action Alternative

While all lease fees, under either Alt 3B or the NAA, likely will be higher in the future than they were in the past, the lease fees for 4–37 of the 764 cabinsites in our analysis would be higher under Alt 3B than they would be under the NAA. The number of cabinsites facing the relatively higher lease fees is determined by the appreciation rate. Table 5 summarizes our results. Assuming a low appreciation rate, 6.53 percent per year, we find that 37 cabinsites would face higher lease fees under Alt 3B than they would under the NAA. Within this group of cabinsites, the present value of the average lease fee over the next 30 years would be about $91,000 under Alt 3B and about $88,000 under the NAA. Assuming a high appreciation rate, 8.74 percent per year, we find that four cabinsites would face higher lease fees under Alt 3B than they would under the NAA. Within this group of cabinsites, the present value of the average lease fee over the next 30 years would be about $32,000 under Alt 3B and about $31,000 under the NAA. In other words, the present value of lease fees for 4–37 cabinsites would be 2–4 percent more under Alt 3B than they would be under the NAA.

Table 7 shows how the expected differences in the present value of lease fees between Alt 3B and the NAA would be distributed among these cabinsites. Assuming a low appreciation rate, the present value of the lease fees for eight cabinsites would be $0–$1,000 more under Alt 3B than it would be under the NAA. The present value of lease fees for another 12 cabinsites would be $1,000–$2,500 more under Alt 3B than it would be under the NAA, and so on. Assuming a high appreciation rate, the present value of the lease fees for three cabinsites would be $0–$1,000 more under Alt 3B than it would be under the NAA, and the present value of the lease fee for the other cabinsite would be $1,000–$2,500 more under Alt 3B than it would be under the NAA.

Table 7. Distribution of the Differences in Present Value of Lease Fees between Alt 3B and the NAA for Cabinsites with Higher Lease Fees under Alt 3B Relative to the NAA (in 2009 dollars)

Difference in Present Value of Lease Fees between Alt 3B and the NAA	Number of Cabinsites (Low Appreciation)	Number of Cabinsites (High Appreciation)
\$0 – \$1,000	8	3
\$1,000 – \$2,500	12	1
\$2,500 – \$5,000	9	0
Over \$5,000	8	0
Total	37	4

Source: ECONorthwest with data from DNRC

Under the NAA, lease fees would increase every six years. Some lessees may abandon their cabinsites under the NAA due to the magnitude of the increase in lease fees they would face as a result of the high 2009 appraised values. It is likely that the abandonment rate for this group of lessees would be higher under Alt 3B than it would be under the NAA, because they face higher lease fees under Alt 3B relative to the NAA, although the abandonment rate could be zero under both alternatives. The extent to which the abandonment rate will differ between the two alternatives, however, is unclear.

Since cabinsites in this group would have higher lease fees under Alt 3B than under the NAA, the lessees of these cabinsites would have less money left over after paying their lease fees under Alt 3B than they would after paying their lease fees under the NAA. With less money left over for the consumption of other goods and services, the economic well-being of lessees in this group likely would be worse under Alt 3B than under the NAA.

B. Potential Primary Impacts on the Trusts

Because lease fees likely would be lower under Alt 3B than under the NAA, the revenue they generate for the trusts likely would also be lower. Table 8 describes the potential revenues generated by the cabinsite program for the trusts. In 2009, the cabinsite program generated about \$1.6 million for the trusts. In 2010, the cabinsite would likely generate about \$2.3 million for the trusts under the NAA and about \$1.9 million under Alt 3B. The NAA likely would continue to generate higher revenue for the trusts than would Alt 3B. The present value of the 30-year stream of revenues generated for the trusts would be about \$130–\$170 million under the NAA and about \$96–\$108 million under Alt 3B.

In our analysis, we assume a vacancy rate of zero under both alternatives, and the projections throughout our report reflect this assumption. For a sensitivity analysis, we assume a range of vacancy rates, 3–15 percent, for each alternative. Table 9 describes the present value of the 30-year stream of revenues generated by the cabinsite program for the trusts assuming the range of vacancy rates. We

Table 8. Summary of Revenues Generated for the Trusts (in 2009 dollars)

	Total Revenues Generated for the Trusts	
	NAA	Alt 3B
2009	$1.6 mil.[1]	N/A
2010	$2.3 mil.	$1.9 mil.
2015	$3.5 mil.	$2.8 mil.
2020	$4.7 mil. – $5.3 mil.	$3.3 mil. – $3.4 mil.
2025	$6.2 mil. – $7.9 mil.	$5.0 mil. – $5.7 mil
2030	$7.5 mil. – $10.5 mil.	$5.7 mil. – $6.7 mil.
2035	$9.0 mil. – $13.9 mil.	$6.4 mil. – $7.9 mil.
Present Value of 30-Year Stream	$130.3 mil. – $171.1 mil.	$96.1 – $107.8 mil.

Source: ECONorthwest with data from DNRC

[1] DNRC. 2009. *Analysis of Lease Rent Calculation Alternatives for Cabinsites on Montana's State Trust Lands. September.*

Notes: The ranges in this table represent the values resulting from the assumptions of our analysis and do not represent the full range of potential impacts. Actual revenues may be lower or higher.

assume these vacancy rates would be distributed equally over all cabinsites and over all years. If, for example, the vacancy rate would be nine percent under the NAA and six percent under Alt 3B, the present value of the 30-year stream of revenues generated by the cabinsite program for the trusts would be about $118.6–$155.7 million under the NAA, and about $90.3–$101.3 million under Alt 3B. Hence, depending on the vacancy rate under each alternative, the revenues generated for the trusts, as well as the difference between the revenues generated for the trusts under each alternative, will vary.

If all of the 764 cabinsites we consider in our analysis were leased for the next 30 years, the present value of the revenues they generate would be 26–38 percent

Table 9. Sensitivity Analysis of Revenues Generated for the Trusts (in 2009 dollars)

	Total Revenues Generated for the Trusts	
Vacancy Rate	NAA	Alt 3B
3 percent	$126.4 mil. – $166.0 mil.	$93.2 mil. – $104.6 mil.
6 percent	$122.5 mil. – $160.8 mil.	$90.3 mil. – $101.3 mil.
9 percent	$118.6 mil. – $155.7 mil.	$87.5 mil. – $98.1 mil.
12 percent	$114.7 mil. – $150.7 mil.	$84.6 mil. – $94.9 mil.
15 percent	$110.8 mil. – $145.4 mil.	$81.7 mil. – $91.6 mil.

Source: ECONorthwest with data from DNRC

Notes: The ranges in this table represent the values resulting from the assumptions of our analysis and do not represent the full range of potential impacts. Actual revenues may be lower or higher.

lower under Alt 3B than under the NAA. Table 10 shows the present value of the expected revenues generated for specific trusts under both the NAA and Alt 3B. The present value of the revenues generated by the Common Schools Trust's leases would be about $46–$60 million under the NAA and about $29–$32 million under Alt 3B. In other words, the revenues generated for the Common Schools Trust's would be 36–48 percent less under Alt 3B over the next 30 years than they would be under the NAA. Similarly, the revenues generated for the Montana Tech School of Mines Trust would be 21–33 percent less under Alt 3B than under the NAA, and the revenues generated for the Montana State University Trust would be 15–26 percent less.

It is unclear how a change in the revenues generated by the cabinsite program for the trusts would affect their overall budgets. The Common Schools Trust is unique in that the revenue it receives from the cabinsite program is a portion of overall state funding for schools. Hence, increases or decreases in the Common Schools Trust's revenues from the cabinsite program would not, all else equal, affect the total funding for schools, but it would affect the amount of funding that must come from other sources.

Table 10. Present Value of Revenues Generated over 30 Years for Specific Trusts (in 2009 dollars)

Trust	NAA	Alt 3B
Common Schools	$46.0 mil. – $60.3 mil.	$28.7 mil. – $31.6 mil.
School of Mines	$39.9 mil. – $52.3 mil.	$31.7 mil. – $35.3 mil.
Montana State University – 2nd Grant	$30.6 mil. – $40.3 mil.	$25.9 mil. – $30.0 mil.
Other[1]	$13.8 mil. – $18.1 mil.	$9.8 mil. – $10.0 mil.
Total	$130.3 mil. – $171.1 mil.	$96.1 mil. – $107.8 mil.

Source: ECONorthwest with data from DNRC

[1] This category includes the following trusts: Public Buildings, Montana State University – Morrill, State Normal School, University of Montana, School for Deaf and Blind, State Reform School, Veterans Home.

Notes: The ranges in this table represent the values resulting from the assumptions of our analysis and do not represent the full range of potential impacts. Actual revenues may be lower or higher.

V. Potential Secondary Impacts of Alternative 3B

The main differences between Alt 3B and the NAA involve the methods used to determine annual lease fees. In Section IV, we describe the primary impacts of the change in lease fees on the lessees and on the trusts. In this section, we describe the secondary impacts of Alt 3B. Secondary impacts include:

- Impacts on communities near cabinsites.
- Impacts on the market for cabinsites.

In most cases, data are unavailable to quantify these secondary impacts. Consequently, we describe the potential impacts in qualitative terms and how they relate to the primary impacts we previously described.

A. Potential Secondary Impacts on Communities near Cabinsites

Nearby communities benefit from the cabinsites in three ways: (1) lessees and their families likely generate jobs and incomes by consuming goods and services sold, (2) some lessees using their cabinsite as a primary residence have children enrolled in public schools nearby, which may be funded based on enrollment numbers, and (3) lessees pay property taxes on their improvements. Adoption of Alt 3B likely would affect the first of these variables, relative to the NAA. Lessees facing lower lease fees under Alt 3B relative to the NAA likely would have more of their incomes left, after paying their lease fees, to spend in local communities, whereas those facing higher lease fees under Alt 3B relative to the NAA likely would have less of their incomes left to spend. The extent of the change in local spending remains unclear, however. Table 11 lists the percent of cabinsites in each community with higher lease fees under Alt 3B relative to the NAA, as well as the average present value of lease fees under Alt 3B and the NAA over the next 30 years. There is insufficient information at this time to quantify the potential impact of Alt 3B on local schools. Since Alt 3B would not impact the appraised values of improvements, we find that Alt 3B likely would have no impact on revenues from property taxes.

1. Consumer Spending in Communities near Cabinsites

In 14 of the 23 neighborhoods, the present value of lease fees for all lessees likely would be lower under Alt 3B than under the NAA. Consequently, these lessees would have more of their incomes left, after paying their lease fees, to spend on other goods and services under Alt 3B than they would under the NAA. Some may spend their extra money near the cabinsite, others may spend it in other communities, and others may not spend it at all. Without more specific data describing the consumption patterns of current lessees, it is unclear how much of this leftover income these lessees would spend in nearby communities. The overall impact in neighboring communities likely would be too small to

Table 11. Summary of Lease Fees in Cabinsite Neighborhoods (in 2009 dollars)

Neighborhood	Present Value of Average Lease Fee		Percent of Cabinsites Paying Higher Lease Fees under Alt 3B Relative to the NAA	Total Number of Cabinsites
	NAA	Alt 3B		
Ashley Creek	$133,100	$100,200	0%	8
Beaver Lake	$456,500	$340,600	0%	20
Clearwater Outlet	$121,800	$89,600	2%	51
Copper Creek	$84,200	$67,700	0%	19
Echo Lake	$468,700	$369,500	0%	40
Elbow Lake	$131,800	$116,500	3%	30
E Lake Shore	$719,000	$292,100	0%	15
Fish Creek	$38,100	$41,200	67%	3
Fishtrap Creek	$22,300	$16,100	22%	9
Grant Creek	$176,100	$133,900	0%	5
Landers Fork	$86,800	$74,100	0%	11
Libby Creek	$98,000	$79,500	0%	1
Lincoln Flats	$78,500	$68,100	3%	33
McGregor lake	$610,200	$379,300	0%	28
Morrell Creek	$58,800	$46,300	30%	10
Morrell Flats	$70,100	$64,300	17%	18
Mudd Creek	$24,900	$16,500	0%	20
Olney Townsite	$70,900	$40,000	0%	20
Placid Lake	$285,900	$274,600	11%	28
Rogers Lake	$325,900	$282,200	0%	34
Seeley Lake	$140,600	$119,700	7%	100
Sperry Grade	$169,800	$127,700	0%	10
Thompson Creek	$21,000	$17,000	0%	3
No Neighborhood	$73,500	$48,200	6%	248

Source: ECONorthwest with data from DNRC

Notes: The values in this table represent the results of our analysis assuming a low appreciation rate of 6.53 percent.

distinguish, however, as the potential savings in 2010 represent less than 1.5 percent of average personal income in Montana.[10]

The lessees facing higher lease fees under Alt 3B than under the NAA would have less income left, after paying their lease fees, to spend on other goods and services than they would under the NAA. The incidence of cabinsites with higher lease fees under Alt 3B than under the NAA would be highest in: Fish Creek (67 percent), Morrell Creek (30 percent), Fishtrap Creek (22 percent), Morrell Flats (17 percent), Placid Lake (11 percent), and Seeley Lake (7 percent). It is unclear, however, whether these lessees would cut their consumption in communities near their cabinsites or elsewhere, or if they would cut their consumption at all. The smaller the number of cabinsite lessees relative to the total population in an area, the greater the likelihood that the secondary impacts of Alt 3B on the community would not be distinguishable.

The data from DNRC suggest that about 10 percent of lessees use their cabinsites as primary residences, rather than as second homes or vacation cabins. A majority of lessees using their cabinsites as permanent residences are in the neighborhoods around Seeley Lake and Olney. Lessees using cabinsites as permanent residences likely make a higher percentage of their expenditures locally than do lessees using cabinsites on a temporary basis. Hence, the potential change in local spending might be greater for this group.

2. Funding of Public Schools near Cabinsites

Some lessees using their cabinsites as permanent residences likely have children attending local schools. The funding for these schools may be determined, in part, by the number of students enrolled. There is not enough information at this time to determine how many lessees fall into this category, how many children they have, or how they may react to Alt 3B, relative to the NAA. DNRC reports that most lessees using their cabinsites as permanent residences live in Seeley Lake neighborhoods and Olney. There are no data, however, on the number of school-aged children living at these sites. Furthermore, it is unclear how these families would react in the future under the two alternatives. The impact on the funding of public schools near cabinsites would depend on how many of these lessees moved out of the school district. The impact on school funding near cabinsites is unclear, but, due to the relatively small number of lessees using cabinsites as permanent residences, the impact likely would not be distinguishable.

3. Revenues Derived from Property Taxes

Lessees pay property taxes only on the value of improvements. A change in the lease fees for a cabinsite likely would not alter the appraised value of the improvements on the cabinsite. Furthermore, the property taxes for abandoned

[10] The Bureau of Economic Analysis estimates that average personal income in Montana in 2008 was $34,644. Our analysis shows that the average lease fee in 2010 under Alt 3B is about $500 less than it would be under the NAA, representing about 1.5 percent of average personal income.

cabinsites are either paid by the former lessee or back-paid by the new lessee. The improvements on cabinsites that are not re-leased after abandonment become property of the state, which is exempt from paying property taxes. Historically, few improvements have become property of the state. Hence, adoption of Alt 3B likely would have no discernable effect on property taxes derived from the improvements.

B. Potential Secondary Impacts on the Market for Cabinsites

Overall, lease fees likely would be less under Alt 3B than they would be under the NAA. We find that the total number of current lessees likely to abandon their cabinsites would be lower under Alt 3B than under the NAA, although it may be zero under both alternatives. Since most of the state's cabinsites likely would remain leased, and thus would remain unavailable to other prospective lessees, the overall effect of Alt 3B likely would not be distinguishable.

VI. Potential Cumulative Impacts of Alternative 3B

Cumulative impacts are the collective impacts of a proposed action considered in conjunction with other similar or nearby actions, past and present.[11] DNRC has identified one such action that may yield impacts in conjunction with Alt 3B: plans currently in development for a Seeley Lake sewer district. If implemented, lessees in Seeley Lake neighborhoods would each pay an estimated $50 per month, or $600 per year, for the services. In return, they would receive better services for the treatment of sewage. Lessees would incur the cost of this fee, however, under both Alt 3B and the NAA.

Implementation of the sewer district would not alter the general level of services available to cabinsites in the area. Without it, a cabinsite would receive wastewater-disposal services from a septic system; with it, the cabinsite would receive those services from a sewer system. If a cabinsite cannot support a septic system, then implementation of the sewer district would improve the level of services available to it.

It is unclear what impact the sewer services would have on the appraised values of the cabinsites. There could be cumulative impacts if creation of the sewer district would increase the overall sum of fees paid by lessees. The impacts under Alt 3B would be less than under the NAA because the lease fees for up to seven lessees in this area would be less under Alt 3B than under the NAA. We assume that those seven lessees would maintain their existing lease contracts until renewal or the next re-appraisal cycle or at such time that Alt 3B becomes financially advantageous.

[11] Administrative Rules of Montana 36.2.525

Attachment F: Comments Received on Draft Environmental Review and Agency Response

Public Comment Period on the Draft EA, April 5 to May 5, 2010

#	Comment	Name	Response
1	I think we are paying too much already. The lease renewed to 15 years is OK – I would like to be able to buy the land at a fair price.	S & J Schmutzler	Comment noted.
2	New legislation must be posed to get the fair amount charged for cabin site leases (to equal or less than private owned land). We say NO to both your 3A and 3B alternatives. No one is going to keep their leases if they are over the average non accessible private owned lake prices in the Valley and leases are not as valuable as owned land on non-year around accessible, no utilities, etc, private owned lot.	June Feenan	The state is the fee owner of the land and expects that the appraising agency, the Department of Revenue, is using professional appraisal standards and maintaining compliance with Montana statute and applicable administrative rule in determining the market value of state cabinsites.
3	If I remember correctly it did not take you long to raise the taxes when the real-estate climbed sky high. Now when the economy is bad, gas prices are high, foreclosures are numerous. Some people have to work away from home and kids in order to keep a home, such as myself. I have been in Iraq more than a year. So when real-estate prices have dropped up to 25%, we would appreciate anything you can do to help us out.	Terry Knutson	Comment noted.
4	We have been reading and following the process of lease renewal fee changes and we don't understand how the DNRC can continue to go through with this process. No one is going to benefit and there will be millions of dollars lost especially to the state schools which are already struggling badly. Put a freeze on these leases for at least 5 years until you can come up with a fair way to get your money, money in your hand now is better than the 0 dollars you will be getting soon, plus the expense you are going to have of taking care of all the abandoned lake front.	Harry and Cindy Sizeland	The Economics Impact Statement (ECONorthwest, 2010) shows that it is unlikely that all lessees will abandon their lease, and further shows that it is unlikely that abandoned leases will remain unleased. The new lease calculation methodology presented in Action Alternative in most cases results in a lower lease fee than would be charged under the No-Action Alternative. The lower lease fees and greater consistency provided by Alternative 3B will make cabinsites more marketable than at present.

#	Comment	Name	Response
5	Tim and I have leased our cabin site on Elbow Lake for the last 17 years. We have made improvements on the lease as we could afford them and have been diligent and mindful of the DNRC's regulations regarding the approval process for all the improvements which we have made. Our partnership with the DNRC and the State of Montana have been long standing and benefitted all parties involved. However, after reviewing the new projected lease fees, we no longer feel it is in our families best interest to continue paying for a State Lease which will soon cost more than our deeded home mortgage. We considered selling our lease option and the improvements made on the property, but were disappointed by the response we got from two prospective buyers this year. Both parties were concerned with the long term lease costs in accordance with Alternative 3B calculations and felt the prospective fees were exorbitant. Additionally, family and friends we approached to "buy into" the cabin and lease, also felt the same way about the prospective lease fees and declined to commit to the joint-ownership option. At this point, we would like to continue using our lease and make small improvements to our cabin but feel our efforts could be senseless. If Alternative 3B is implemented, within three years we will no longer be able to justify nor afford the cost of the lease. We're also betting no other reasonable person would be willing to buy our improvements and the lease option either. It would be logical to say that neither parties, the leasee nor the State of MT, would win in a situation like this. Please consider re-evaluating the lease fee and rule making process regarding State leases.	Tim and Cheryl Schwenk	Comment noted. Also see response to Comment #4.
6	We feel that the "new lease rules" should be re-evaluated as they are grossly unfair. These leased properties should be appraised individually as each lot is very unique. Our Lot on the outlet of Seeley is swamp land and not even usable 4 months out of the year. This certainly does not compare to any property leased on the lake, and therefore, should be appraised as such. With all the improvements made and paid for by the leasees on YOUR LAND, how do you justify these new rules? seems like you should be paying us for all the improvements we make to YOUR LAND! We keep the grounds clean, upgrade the buildings, maintain the roads, repair and rebuild the docks, and do whatever else is necessary to maintain this property and keep it looking neat and clean. We also support all the local businesses, and without all of us, they may have to close their doors. We pay our lease, our taxes, spend our money in the town, and pay for all improvements to our leased property. For this you seem to think we should be penalized with this exorbitant fee hike! This is totally unacceptable and unjust. And while we do all of this, you can't even keep your word about cutting down the beetle kill trees and cleaning up the mess. You have now passed even this job onto us. This all really has to be discussed once again to come up with a fair plan; not just for the State, but for all of us who give these sites our all. Hopefully you will read and take into consideration the thoughts and realities we are explaining to you and "go back to the drawing board" so to speak. You owe us that much considering all we have done to improve YOUR LAND.	Armond and Darlene Daigle	Comment noted.

#	Comment	Name	Response
7	I'll get right to the point: How and the hell with a straight face can you people push this Alternative 3B on us. There is no way that this will work all you will do by doing this is for the people to leave their lease. I personally will leave if this goes through. There are people here that have went and got other places in other towns. Boy know that makes some you people should lease the lease pay 20% and no annual increases. But again like I said before "no common sense and its all about the money." I've personally talked to Business and People that have money like I was told "why should I lease and be stuck with nothing when I can own my own place and land?" This is totally unjustified. Like up here in Olney we take care of our roads. No garbage removal. No police up here. No water unless we have a well. I have personally have two robberies here the last one the cops didn't even come up. I had lot of problems with sno-cats on my road. My next door neighbor couldn't get out 3 times to go the doctor and when the fish and game came up they talked to the people and after they left the sno-caters were right back on the road. The point I am making is you guys want all this money and wat do we get nothing. Also I have been personally threatened with my life from these sno-caters.	Jerry Roberts	Comment noted.
8	Our main objection to a large increase in our land lease is, of course, financial. Our lots are right in Geraldine and we have an old mobile home on these lots. We are not agriculture related and there is no profit to these lots. My husband is on SS disability (63yr) and I work part time (64yr). We have been paying $300 a year land lease and cannot afford a large increase. If this happens, we may consider moving our mobile home elsewhere. Since these lots are right inside this small town, I cannot see were there would be a big demand for someone else to lease them. We have lived here for 20 years and do not want to move.	Max and Marie McGrann	Comment noted.

#	Comment	Name	Response
9	The EA is invalid for the following reasons: 1) It compares two hypothetical proposals (the No Action Alternative and Alternative 3B) that result in nearly identical medium and long term outcomes for the impacted parties. 2) It does not consider the current situation for a base case and does not establish the current situation with any clarity. 3) It should have used the 2008-2009 (or earlier) lease fees as the base case and then compared the No Action and 3B Alternatives to the base case. 4) The ECONorthwest uses self-referencing assumptions. 5) The ECONorthwest report does not have any independent sources to establish if the underlying assumptions in the report are true or not. 6) The ECONorthwest report does not include any data about the current lessees and their perspective.	Kelly Sloan	Comments noted. The No-Action Alternative (the present cabinsite leasing rules) is the base upon which the impacts of the Action Alternative are compared. For the most part the impacts of the two alternatives are similar; where they differ is a result of the decreased lease fees that a majority of lessees will experience under the Action Alternative. The ECONorthwest report has been provided by an independent third party and is believed to be impartial, reasoned and credible.

#	Comment	Name	Response
10	These comments are submitted for and on behalf of the Montana State Lease Holders Association.	Mont. St. Leaseholders Ass'n	Comment noted.
	By this reference DNRC is asked to incorporated in the administrative record all comments and materials submitted at each phase of the rule adoption process summarized at page 5 of the EA.		Comment noted.
	By this reference, MLA incorporates the scoping and MEPA comments submitted by MLA members, other cabin site lease holders and interested parties concerned about the adverse impact the proposed rules (alternative 3b) will have on existing leases and revenue to the beneficiaries as a component of the effected human environment.		The adverse and beneficial impacts of the rule adoption to the human environment are described in the Economic Impact Statement (2010) prepared by ECONorthwest of Eugene, Oregon on behalf of DNRC.
	The EA does not meet the requirements of MEPA because it fails to consider and compare the impact that other alterative rules considered by the Land Board will have on the human environment.		The Land Board's directive to proceed with a review of Rule 3B properly limited the scope of the EA to an action and no-action alternative.
	The EA is procedurally deficient because it assumes and supports a predetermined result, namely the adoption of alternative 3b, without considering the environmental impact of the other reasonable alternative considered by the Land Board. MEPA is intended to provide a decision maker with information about the impact various alternatives may have on the human environment. The Land Board was not able to consider those impacts for any of the reasonable alternatives before adopting a preferred choice.		Alternatives may be properly eliminated from consideration according to the purpose and need of the rule proposed. MEPA mandates how the Department should identify and evaluate the environmental impacts of proposed rules; not whether certain rules must be adopted.
	The EA fails to adequately consider the economic impact of alterative 3b by comparing it to alternatives that would have demonstrably less impact on lease holders, beneficiaries and the local economy.		The adverse and beneficial impacts of the rule adoption to the human environment are described in the Economic Impact Statement (2010) prepared by ECONorthwest of Eugene, Oregon on behalf of DNRC.
	The conclusions of the EA are not adequately supported by the record.		The record cited is found in the Economic Impact Statement and the EA.