

SENATE BILL NO. 213
INTRODUCED BY J. COBB

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING THAT THE ~~BOARD OF LAND COMMISSIONERS SHALL SET A MINIMUM BID AMOUNT BASED ON AN ESTIMATED FAIR MARKET VALUE ON ALL STATE LAND SOLD THROUGH THE LAND BANKING PROGRAM~~ VALUATION OF THE TRUST LAND OFFERED FOR SALE THROUGH THE LAND BANKING PROGRAM MAY NOT REFLECT A REDUCTION IN VALUE DUE TO LACK OF LEGAL ACCESS; PROVIDING THAT THE ESTIMATED FAIR MARKET VALUE MUST BE DETERMINED BY A ~~LICENSED AND CERTIFIED~~ MONTANA-LICENSED AND MONTANA-CERTIFIED APPRAISER; AMENDING SECTIONS 77-2-213, 77-2-363, AND 77-2-364, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

SECTION 1. SECTION 77-2-213, MCA, IS AMENDED TO READ:

"77-2-213. Department to investigate. (1) When a proposal for an exchange pursuant to 77-2-211 is made and the owners of the respective tracts involved seem agreeable to negotiate ~~such~~ exchanges, the proposal ~~shall~~ must be referred to the department and the department shall thoroughly investigate all the lands involved in the proposal, ~~and~~ estimate the value of all of the lands, and consider every factor in connection with the proposal ~~as~~ that may affect the public interest.

(2) The estimated fair market value must be determined by a Montana-licensed and Montana-certified appraiser. The valuation of the trust land offered for exchange may not reflect a reduction in value due to lack of legal access."

Section 2. Section 77-2-363, MCA, is amended to read:

"77-2-363. Land banking land sales and limitations. (1) (a) The board may not cumulatively sell or dispose of more than 100,000 acres of state land. Seventy-five percent of the acreage cumulatively sold must be isolated parcels that do not have a legal right of access by the public. At any one time during the life of the land banking process, the board may not sell more than 20,000 acres of state land unless the board has acted to use the revenue from that land to make purchases pursuant to 77-2-364.

(b) The board shall establish a minimum bid amount based on an estimated fair market value for any

~~property sold as part of the land banking program. The estimated fair market value must be determined by a licensed and certified MONTANA-LICENSED AND MONTANA-CERTIFIED appraiser. THE VALUATION OF THE TRUST LAND OFFERED FOR SALE MAY NOT REFLECT A REDUCTION IN VALUE DUE TO LACK OF LEGAL ACCESS.~~

(2) (a) A person bidding to purchase state land offered for sale shall 45 days prior to the day of auction deposit with the department a bid bond in the form of a certified check or cashier's check drawn on any Montana bank equal to at least 50% of the minimum sale price specified by the department pursuant to 77-2-323(1) to guarantee the bidder's payment of the purchase price.

(b) If the current lessee of the land to be sold has initiated the sale as authorized by 77-2-364, the lessee may cancel the sale by giving notice to the department at least 30 days prior to the day of the auction. When the sale is canceled by the lessee, the lessee shall pay the costs incurred by the department for the preparation of the sale including any costs incurred for preparation of documents required by 75-1-201.

(c) The department shall retain the bid bond of the successful bidder and shall return the bid bonds of the unsuccessful bidders. If the successful bidder fails to comply with the terms of the sale for any reason, the successful bidder's bid bond must be forfeited and credited to the interest and income account of the proper trust.

(3) Except for a sale that is initiated by the lessee of the parcel of land proposed for sale, prior to the proposed sale of any parcel of state land under the land banking process, the board shall give 60 days' notice of the proposed sale to the lessee of the parcel to allow the lessee sufficient time to determine whether the lessee wishes to propose an exchange of the land to the board.

(4) For a sale initiated by the board or the department, the lessee of the land must be afforded all the rights and privileges to match the high bid, as provided in 77-2-324."

Section 3. Section 77-2-364, MCA, is amended to read:

"77-2-364. Land banking purchases. (1) The board may select and purchase, lease, receive by donation, hold in trust, or in any manner acquire for and in the name of the state of Montana, in trust for the beneficiaries specified in sections 10 through 19 of The Enabling Act of Congress (approved February 22, 1889, 25 Stat. 676), as amended, any interest in real property and improvements, tracts, and leaseholds of land that the board considers proper in order to best provide prudent, maximum, long-term revenue for the beneficiaries.

(2) Sales of state land may be initiated only by the board, the department, or at the request of a lessee, pursuant to 77-1-202, 77-1-301, 77-2-301, or 77-2-308. The board shall ensure that the full market value of the land sold is realized for each trust by using the appraisal, sale, advertising, and competitive bid procedures contained within 77-2-303, 77-2-321, 77-2-322, 77-2-323, and 77-2-324. ~~The board shall establish a minimum~~

~~bid amount based on an estimated fair market value for any property sold as part of the land banking program. The estimated fair market value must be determined by a licensed and certified MONTANA-LICENSED AND MONTANA-CERTIFIED appraiser. THE VALUATION OF THE TRUST LAND OFFERED FOR SALE MAY NOT REFLECT A REDUCTION IN VALUE DUE TO LACK OF LEGAL ACCESS.~~

(3) When it is not inconsistent with the purpose of the trust, the board shall purchase land possessing legal access for all legal purposes.

(4) When purchasing land, easements, or improvements for the existing trusts, the board shall develop and apply appraisal and revenue projection procedures to ensure that the land or easements proposed for purchase or that the improvements proposed to be acquired are likely to produce more net revenue for the affected trust than the revenue that was produced from the land that was sold. The board may not purchase land, easements, or improvements pursuant to 77-2-361 through 77-2-367 unless it has first prudently determined that the land, easements, or improvements are likely to produce a greater or equal annual rate of return, as may be reasonably expected over a 20-year accounting period, with an acceptable level of risk for the affected trust, than the current annual rate of return from the state land that has been sold pursuant to 77-2-363. As guidance, the board shall use generally accepted accounting standards and the Uniform Appraisal Standards for Federal Land Acquisitions published by the U.S. department of justice and the appraisal institute.

(5) Prior to purchasing any land, easements, or improvements, the board shall determine that the financial risks and benefits of the purchase are prudent, financially productive investments that are consistent with the board's fiduciary duty as a reasonably prudent trustee of a perpetual trust. For the purposes of implementing 77-2-361 through 77-2-367, that duty requires the board to:

(a) discharge its duties with the care, skill, prudence, and diligence that a prudent person acting in a similar capacity with the same resources and familiar with similar matters should exercise in the conduct of an enterprise of similar character and aims;

(b) diversify the land holdings of each trust to minimize the risk of loss and maximize the sustained rate of return;

(c) discharge its duties and powers solely in the interest of and for the benefit of the trust managed;

(d) discharge its duties subject to the fiduciary standards set forth in 72-34-114; and

(e) maintain, as closely as possible, the existing land base of each trust, consistent with the state's fiduciary duty.

(6) Prior to purchasing a parcel of land in excess of 160 acres in any particular county, the board shall consult with the county commissioners of the county in which the parcel is located."

NEW SECTION. **Section 4. Effective date.** [This act] is effective on passage and approval.

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