

OFFICE OF THE GOVERNOR
STATE OF MONTANA

STEVE BULLOCK
GOVERNOR



MIKE COONEY
LT. GOVERNOR

May 8, 2019

The Honorable Corey Stapleton
Secretary of State
State Capitol
Helena, MT 59601

Dear Secretary Stapleton:

In accordance with the power vested in me as Governor by the Constitution and the laws of the State of Montana, I hereby veto Senate Bill 329 (SB 329), "AN ACT ALLOWING THE LAND BOARD TO EXTEND A COAL LEASE FOR UP TO 10 YEARS IF THE EXTENSION IS IN THE BEST INTEREST OF THE STATE; REQUIRING A PROCESSING FEE; AMENDING SECTION 77-3-314, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

Senate Bill 329 gives the state Land Board the power and discretion to extend a coal lease, which under current law are for a primary term of 10 years, if the Land Board finds that the extension is in the "best interests" of the state. As proposed, an extension can be granted for up to 10 years. Moreover, the Board can determine and assess "bonus, rental, and royalty amounts."

Restricting state lands under semi-permanent lease, without any clarity as to whether coal will actually be developed, keeps nearby landowners – including the Northern Cheyenne Nation – in a state of perpetual uncertainty. Decisions about buying, selling, or improving lands depend in part on the status of adjacent state lands. Speculative leases of the type proposed by SB 329 could undermine southeastern Montana's agricultural economy.

If a current lessee wishes to extend their lease, the Land Board has a process in place for doing so when the existing lease expires, using a competitive bid process. If, at the end of the 10-year lease term, the lessee is operating under a valid permit and producing coal, the state must continue their lease. This process already protects the trusts' interests, and SB 329 is not needed.

Moreover, to the extent this bill is particularly focused on the Otter Creek Coal tracts, the state lease of those lands does not expire until 2022. Another legislative session remains prior to that lease expiration to continue these discussions.

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For these reasons, I veto SB 329.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Steve Bullock', with a horizontal line above it.

STEVE BULLOCK
Governor

cc: Legislative Services Division
Scott Sales, President of the Senate
Greg Hertz, Speaker of the House