



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # HB0173

Title: Revise laws regarding state timber sales

Primary Sponsor: Loge, Denley M

Status: As Introduced

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

FISCAL SUMMARY

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
Expenditures:				
General Fund		\$0	\$0	\$0
State Special Revenue	\$40,000	\$40,000	\$40,000	\$40,000
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$40,000	\$40,000	\$40,000	\$40,000

Description of fiscal impact: The fiscal summary includes estimates of expenditures that may occur via the statutory appropriation. Actual expenditures in any given year will vary due to actual Hazard Reduction Agreement (HRA) bond forfeitures and associated slash abatement expenses. Expenditures may be more or less than revenue received from bonds forfeited, but in no case will annual expenses exceed available cash in fund. Based upon experience, the annual revenue and expenses would reach a maximum of \$40,000.

FISCAL ANALYSIS

Assumptions:

1. Sections 76-13-401 thru 76-13-414, MCA, require:
 - a) that forest fire hazards resulting from logging, thinning, post cutting or right-of-way clearing on private forest lands in Montana be reduced or managed;
 - b) that the landowner, logger, or mill treating the hazard must hold an HRA with the Department of Natural Resources and Conservation (DNRC) prior to cutting any forest product on private lands in Montana;
 - c) that each HRA holder posts a performance bond to ensure slash treatment occurs and related fire hazard is abated at the conclusion of logging activities;


- d) that the HRA holder willingly forfeits their bond when failing to satisfactorily abate slash fire hazard; and
 - e) that the DNRC receives revenue from forfeited bond funds and transfers and/or assumes the responsibility to abate slash fire hazard.
2. Expenditures that may occur via the statutory appropriation in any given year will vary due to actual Hazard Reduction Agreement (HRA) bond forfeitures and associated slash abatement expenses. Expenditures may be more or less than revenue received from bonds forfeited, but annual expenses cannot and will not exceed available cash in fund. Based on experience, the annual revenue and expenses would be maximum of \$40,000.
3. Section 17-1-508, MCA, requires analysis of the statutory appropriation relative to the guidance in 17-1-508(3), MCA, to be published in the fiscal note. In reviewing and establishing statutory appropriations, the legislature shall consider the following guidelines.

	<u>YES</u>	<u>NO</u>
a. The money is from a continuing, reliable, and estimable source.		X
b. The use of the appropriation or the expenditure occurrence is predictable and reliable.		X
c. The authority exists elsewhere.		X
d. An alternative appropriation method is available, practical, or effective.		X
e. It appropriates state general fund money for purposes other than paying for emergency services.		X
f. The money is used for general purposes.		X
g. The legislature wishes to review expenditure and appropriation levels each biennium.		X
h. An expenditure cap and sunset date are excluded.	X	

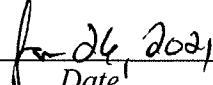
	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Services	\$10,000	\$10,000	\$10,000	\$10,000
Operating Expenses	\$30,000	\$30,000	\$30,000	\$30,000
TOTAL Expenditures	\$40,000	\$40,000	\$40,000	\$40,000
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$40,000	\$40,000	\$40,000	\$40,000
TOTAL Funding of Exp.	\$40,000	\$40,000	\$40,000	\$40,000
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$40,000	\$40,000	\$40,000	\$40,000
TOTAL Revenues	\$40,000	\$40,000	\$40,000	\$40,000

Long-Term Impacts:

- Without statutory appropriation to expend state special revenues received from HRA bond forfeitures, DNRC would lose the ability to expend the forfeited bond funds to complete the slash treatment, either through re-assigning the HRA or having state employees perform the treatment. The department would then treat slash using general fund previously appropriated for other forestry program priorities. In cases where alternate funding is not available, slash may go un-treated creating higher risk for wildfires.



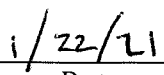
 Sponsor's Initials



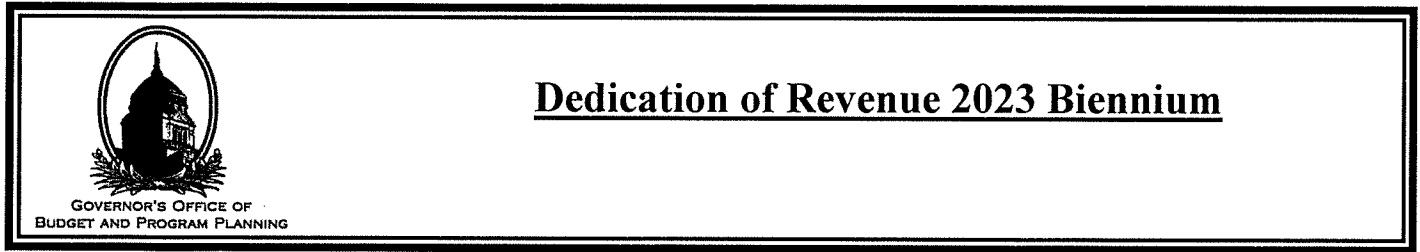
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 Budget Director's Initials



 Date



17-1-507, MCA.

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)** Yes. Montana citizens who may potentially suffer negative impacts from wildland fire in Montana benefit from fire hazard reduction activities.
- b) **What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?** State special revenue is collected according to statutory requirements specifically for the purpose of ensuring slash hazards will be abated. General fund is not needed if forfeited bond funds can be used for this purpose.
- c) **Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)** Yes.
- d) **Does the need for this state special revenue provision still exist? Yes / No (Explain)** Yes.
- e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)** No. The purpose of the funding is solely related to statutory requirements.
- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)** Yes. The department currently does not have spending authority to accomplish slash cleanup as required under existing statute (MCA 17-7-502 and 76-13-410).
- g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)** This revenue provision will allow the department to correctly account for the funds collected and spent in relation to the statutory requirements.