



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2023 Biennium

**Bill #** SB0408

**Title:** Revise sale of state trust land laws

**Primary Sponsor:** Cuffe, Mike

**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>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue		(unable to determine savings - see assumption 6)		
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue		(unable to determine revenue loss - see assumptions 4 and 5)		
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Description of fiscal impact:** The fiscal impact to the Department of Natural Resources and Conservation (DNRC) Trust Lands Management Division (TLMD) due to the passage of SB 408 is not possible to determine.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Natural Resources and Conservation (DNRC)**

1. The Trust Land Management Division has had a goal of selling 40 cabin sites per year since 2016.
2. The TLMD has seen a rate of withdrawals under the current program of 28% per year.
3. It is assumed that the removal of the existing lessees' ability to withdraw 10 days prior to the auction will cause a reduction in participation in both the cabin site and traditional land banking programs. It is impossible to determine how much that reduction will be.

- 4. Annually, cabin site sales generate about \$5,257,875 into the land banking fund. Other land sales generate about \$1,693,675 into the land banking fund each year. Combined, these sales generate about \$6,951,550 into the land banking fund.
- 5. The department estimates a potential range of 25-75% reduction in participation in cabin site sales and a 10-35% reduction in land banking sales. The total losses are estimated to be anywhere from \$1,483,837 to \$4,536,192.
- 6. There will be a cost savings to the Trust Lands Management Division ranging from \$32,000 to \$96,000 annually in appraisals, surveys, processing and administration costs, and marketing depending on the level of reduction experienced.

**Technical Notes:**

- 1. The contemplated new report that will be created is based on a hypothetical future rate of returns on acquisitions/investments. This could create difficulty for a hearings examiner to adjudicate the values. The hypothetical condition could range from a low of putting the money in the Trust and Legacy Fund at 2.5%, to a high of a 5% investment in commercial real estate.
- 2. Replacement properties are generally bought with sale funds from multiple sales, and the replacement property is usually unknown at the time of a sale. When a replacement property is found, sale funds and their associated incomes are analyzed and compared to the potential net income and purchase price of the replacement lands. Title 77, Chapter 2, part 364 (4), MCA, provides for 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. This statute refers to actual income, not to a minimum based on a recent appraisal.
- 3. According to 77-3-363 (1)(b), MCA, the estimated fair market value must be determined by a Montana-licensed and Montana-certified appraiser. If the data in the report is collected and analyzed by someone other than a certified appraiser, and the report estimates a value for the sale property, that report would be in conflict with 77-2-364 (2), MCA to use the report to set minimum bid.

**NO SPONSOR SIGNATURE**

Sponsor's Initials	Date	Budget Director's Initials	Date
	4/6	KA	3-31-21