GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill #	HB0131		**Title:**	Generally revise state cabin leasing laws
Primary Sponsor:	Bedey, David		**Status:**	As Introduced-Revised

☐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

	FY 2022 Difference	FY 2023 Difference	FY 2024 Difference	FY 2025 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
State Special Revenue	$157,250	$0	$0	$0
Revenue:				
General Fund	$0	$0	$0	$0
State Special Revenue	$839,587	($45,413)	($45,413)	($45,413)
Net Impact-General Fund Balance:	$0	$0	$0	$0

Description of fiscal impact: HB 131 requires the sale of leased cabin and home sites on Department of Natural Resources and Conservation (DNRC) State Water Projects (SWP) lands if requested by the lessee or improvement owner. The current revenue from the leases is recorded in the State Special Revenue (SSR) Water Project Lands Lease account. This revenue is used for the management of SWP lands. There are long term impacts with loss of lease revenue resulting from the one-time sale of these properties. DNRC estimates that the one-time revenue from the sale of these leased properties will be fully expended by 2035, and SWP does not have an alternative source of revenue for the management of SWP lands.

FISCAL ANALYSIS

Assumptions:

1. To prepare for the sale of leased property at Painted Rocks and Tongue River Reservoirs, DNRC estimates $157,250 in operating expenses, which include the following items: appraisals, easement surveying and recording, quitclaim deed preparations, and county deed filing documentations for each of the 25 leased sites.

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2. The value of the land at the leased sites is estimated at:
    a. Painted Rocks Reservoir - 14 sites at $50,000 and two sites at $25,000 for a total of $750,000.
    b. Tongue River Reservoir - nine sites at $15,000, for a total of $135,000.
3. The $885,000 estimated revenue for the sale of the leased sites would be collected in FY 2022.
4. The current lease revenue is $45,413 per fiscal year.

	FY 2022 Difference	FY 2023 Difference	FY 2024 Difference	FY 2025 Difference
Fiscal Impact:				
Expenditures:				
Personal Services	$0	$0	$0	$0
Operating Expenses	$157,250	$0	$0	$0
TOTAL Expenditures	$157,250	$0	$0	$0
Funding of Expenditures:				
General Fund (01)	$0	$0	$0	$0
State Special Revenue (02)	$157,250	$0	$0	$0
TOTAL Funding of Exp.	$157,250	$0	$0	$0
Revenues:				
General Fund (01)	$0	$0	$0	$0
State Special Revenue (02)	$839,587	($45,413)	($45,413)	($45,413)
TOTAL Revenues	$839,587	($45,413)	($45,413)	($45,413)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	$0	$0	$0	$0
State Special Revenue (02)	$682,337	($45,413)	($45,413)	($45,413)

Long-Term Impacts:

1. The DNRC is presently engaged in a feasibility study to rehabilitate the Painted Rocks Dam. This includes examining the potential for increasing reservoir storage. At this point, a maximum of two sites could be impacted by raising the water level. Also, surrounding property owned by others, including the US Forest Service, would be impacted. Sales of the existing cabin sites would limit the option of DNRC to propose property exchanges to accommodate increased reservoir storage.
2. In the event of future rehabilitation at Tongue River Reservoir that may include an increase in water storage volumes, the DNRC would be required to purchase back any cabin sites sold as a result of this bill that are located on the existing shoreline.
3. The current cabin site leases allow the lessees to have docks that extend into the reservoir outside of the limits of their lease boundaries. A current condition of these leases requires the lessee to purchase insurance and to name the State of Montana as additional insured to limit the state's liability exposure. Sale of these sites would remove this coverage and increase the state's liability due to these structures.

Technical Notes:

1. Section 4 of the draft bill references Title 82; this should be corrected to Title 85.

	1/18/2021	KA	1/18/21
Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*