



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill #	HB0131	Title:	Generally revise state cabin leasing laws
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Primary Sponsor:	Bedey, David	Status:	As Amended in House Committee
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- 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	\$0
State Special Revenue	\$0	\$157,250	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$839,587	(\$45,413)	(\$45,413)
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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:

- Without a way to accurately predict the pace of sales, the expenditures and revenues are all shown in the second year. This fiscal note estimate is based on the approximately 40 sales that the Trust Management Land

Division transacts in a year. It is likely that the revenues and expenditures will span over several years and it is also possible that some of the sites may not be sold.

2. 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.
3. The DNRC will determine by January 1, 2022, which sites would be adversely impacted by an expansion of a state water project; these sites would not be eligible for sale.
4. 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.
5. The \$885,000 estimated revenue for the sale of the leased sites would be collected in FY 2023.
6. The current lease revenue is \$45,413 per fiscal year.
7. Given these assumptions, \$885,000 represents the maximum possible revenue gains from cabin site sales and (\$45,413) per year represents the maximum possible revenue losses from fewer leases due to these cabin site sales. The time frame over which this occurs is indeterminable.

	<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	\$0	\$0	\$0	\$0
Operating Expenses	\$0	\$157,250	\$0	\$0
TOTAL Expenditures	\$0	\$157,250	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$157,250	\$0	\$0
TOTAL Funding of Exp.	\$0	\$157,250	\$0	\$0
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$839,587	(\$45,413)	(\$45,413)
TOTAL Revenues	\$0	\$839,587	(\$45,413)	(\$45,413)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$682,337	(\$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. HB 131 does not address potential increases in water storage volumes.
2. 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 affect existing liability coverage and require the State to address these concerns.

NOT SIGNED BY SPONSOR

Sponsor's Initials

2/12/21
Date

ICA
Budget Director's Initials

2/11/21
Date