



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0676.01: Generally revise state land and water laws

Primary Sponsor: Brandon Ler

Status: As Introduced

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

FISCAL SUMMARY

	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
Expenditures				
State Special Revenue (02)	\$1,796,572	\$1,790,772	\$1,817,826	\$1,841,319
Revenues				
State Special Revenue (02)	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)
Net Impact	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
General Fund Balance				

Description of fiscal impact

HB 676 revise both state land and state water laws. Implementation of the changes to the water laws will have no fiscal impacts. However, implementation of the changes to the laws regarding state lands will require additional resources for the Department of Natural Resources and Conservation. In addition, there is a potential for lost lease revenues which would have a general fund impact for school BASE Aid payments.

FISCAL ANALYSIS

Assumptions

Department of Natural Resources and Conservation (DNRC)

- The phaseout of the Water Court as detailed in HB 676 does not alter the current operations of or cause a fiscal impact to the DNRC Water Resources Division (WRD) at this time.
- State trust land lessees may register improvements to leased trust lands by providing a list of improvements to DNRC's Forestry and Trust Lands Division (FTLD). DNRC assumes these improvements will be placed in the lease file and no changes will occur to the current tracking or settlement of improvement processes.
- DNRC assumes there would be approximately 80 sales of isolated parcels of state trust lands with appurtenant water rights sold each year as required by HB 676. The Real Estate Management Bureau (REMB) within FTLD would hire 2.00 FTE, real property agents, to manage the sale of these parcels. These positions will be funded out of the state special revenue account.
 - These FTE will cost \$172,508 in FY 2026 and FY 2027, \$175,288 in FY 2028 and \$174,143 in FY 2029. A 1.5% inflationary increase is applied in FY 2028 and FY 2029.
 - One-time-only costs for office set-up for 2.00 FTE will cost \$5,600 in FY 2026.
 - The 2.00 FTE will require network service at a cost of \$3,070 in FY 2026 and FY 2027 and phone service at a cost of \$518 in FY 2026 and FY 2027. An inflationary rate of 1.5% is applied in FY 2028 and FY 2029 for these operating expenditures for a cost of \$3,642 and \$3,696 respectively.

- d. Supplies and real estate training for these positions will be \$1,100 in FY 2026, and \$900 in FY 2027. An inflationary rate of 1.5% is applied in FY 2028 and FY 2029 for an operating expense of \$914 and \$946, respectively.
 - e. Travel costs for 2.00 FTE to fulfill the requirements of HB 676 will be \$13,776 in FY 2026 and FY 2027, \$13,983 in FY 2028 and \$14,192 FY 2029. A 1.5% inflationary increase is applied in FY 2028 and FY 2029.
- 4. Funding needed to process one sale includes survey cost of \$15,000, appraisal cost of \$5,000, and undetermined closing costs that together could total at least \$20,000 per sale. Total costs would be \$1,600,000 in FY 2026 and FY 2027, \$1,624,000 in FY 2028 and \$1,648,360 in FY 2029. (80 sales per year x \$20,000 per sale = \$1,600,000) A 1.5% inflationary increase is applied in FY 2028 and FY 2029.
 - 5. The increase in personal services and operations required would be funded from the state special revenue fund, Trust Administration Account. This increase represents a reduction in the distributable revenue stream for the trust beneficiaries such as the K-12 Common Schools.
 - 6. Appraisers consider the highest and best use of the subject property when determining a sale price, which will be based on the characteristics of the property, including the location of the property, as well as the market. The fair market value in the future is difficult to predict making any projection of one-time revenues from sales of land parcels indeterminable at this time.
 - 7. Loss of revenue from ongoing leasing activities on state trust land parcels from disposing all isolated tracts is estimated to be between \$5 to \$7 million annually.
 - 8. Decreased revenue from state lands for Common Schools will decrease revenue the the state special guarantee account, the first source of BASE aid funding for schools, and increase costs for the state general fund. It is not known specifically, the amount of Guarantee Account loss.

Fiscal Analysis Table

Department of Natural Resources and Conservation				
	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
<u>Fiscal Impact</u>				
FTE	2.00	2.00	2.00	2.00
TOTAL Fiscal Impact	2.00	2.00	2.00	2.00
<u>Expenditures</u>				
Personal Services	\$172,508	\$172,508	\$175,288	\$174,143
Operating Expenses	\$1,624,064	\$1,618,264	\$1,642,538	\$1,667,176
TOTAL Expenditures	\$1,796,572	\$1,790,772	\$1,817,826	\$1,841,319
<u>Funding of Expenditures</u>				
State Special Revenue (02)	\$1,796,572	\$1,790,772	\$1,817,826	\$1,841,319
TOTAL Funding of Expenditures	\$1,796,572	\$1,790,772	\$1,817,826	\$1,841,319
<u>Revenues</u>				
State Special Revenue (02)	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)
TOTAL Revenues	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
State Special Revenue (02)	(\$6,796,572)	(\$6,790,772)	(\$6,817,826)	(\$6,841,319)

Technical Concerns

- Currently, WRD adjudication and technical assistance costs are covered by the temporary adjudication funding. HB 676 does not address 85-2- 243(2), MCA, which provides for this funding mechanism through the Water Court. Without the Water Court, this mechanism will cease to exist, but costs will continue with ongoing technical assistance needed for District Courts and there is nothing in HB 676 that addresses what will happen when the phase-out starts to occur in FY 2028 and beyond and the adjudication funding sunsets on June 30, 2028.

NOT SIGNED BY SPONSOR

Sponsor's Initials

Date



Budget Director's Initials

3/3/2025

Date