



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

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|-------------------------|--------------|----------------|--|
| Bill # | HB 647 | Title: | Prohibit state land leases to nonprofits |
| Primary Sponsor: | Ler, Brandon | Status: | As Introduced |

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> 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: | | | | |
| General Fund | unable to determine | unable to determine | unable to determine | unable to determine |
| State Special Revenue | unable to determine | unable to determine | unable to determine | unable to determine |
| Revenue: | | | | |
| General Fund | unable to determine | unable to determine | unable to determine | unable to determine |
| State Special Revenue | unable to determine | unable to determine | unable to determine | unable to determine |
| Net Impact-General Fund Balance: | <u>unable to determine</u> | <u>unable to determine</u> | <u>unable to determine</u> | <u>unable to determine</u> |

Description of fiscal impact: HB 647 prohibits the Forestry and Trust Lands Division (FTLD) of the Department of Natural Resources and Conservation (DNRC) from leasing state lands to nonprofit organizations. Currently, the FTLD leases 193 parcels of state trust lands to approximately 40 nonprofit organizations. The fiscal impact cannot be determined.

FISCAL ANALYSIS

Assumptions:

Department of Natural Resources and Conservation (DNRC)

1. HB 647 implementation would impact 193 state trust land leases with non-profits. These leases account for approximately \$500,000 in annual lease revenue.
 - a. Of the 193 leases, approximately 100 agriculture and grazing leases are set to expire within one to ten years from the effective date of HB 647. Within this ten-year timeframe all legally accessible land classified as agricultural and grazing state lands will be re-leased to other entities.

- b. Thirteen leases have no public access. These tracts could never be bid out for lease due to legal access and/or landlocked private ownership by the current nonprofit lessee on adjacent and surrounding lands.
 - c. Eighty of the remaining leases to non-profits are a combination of special recreation use and real estate use leases. DNRC is unable to determine if these leases will be able to be re-leased, so any potential loss of revenue cannot be calculated.
2. Upon the expiration or termination of a lease, Forestry and Trust Land Division (FTLD) incurs costs associated with the re-leasing process. The 180 tracts of land eligible for re-leasing are indeterminable due to a number of factors. There is the preparation of tracts to advertise for a bid, re-appraisal and valuation, requests for proposals, State Board of Land Commissioner approvals, lessee settlement for damages and settlement improvement arbitration hearings, MEPA analyses, etc. All of these administrative procedures will increase staff time and operating expenses.
3. Upon expiration of the lease agreements, the lessee could request a settlement for damages and improvements; these costs cannot be determined at this time.
4. The increase in expenditures to re-lease tracts of state trust lands, as well as the decrease of revenue from leasing opportunities in HB 647 represents an indeterminable reduction in the distributable revenue for the trust beneficiaries, including K-12 schools.

Technical Notes:

Department of Natural Resources and Conservation

1. The Real Estate Management Plan and Administrative Rules require notification to conservation entities when a development proposal has been received on a parcel of state trust land. These entities would likely be non-profit groups who would no longer be eligible to participate in state trust lands management real estate development proposals.

NOT SIGNED BY SPONSOR

Sponsor's Initials

Date

Budget Director's Initials

Date