



**Montana Legislative Services Division**  
**Legislative Environmental Policy Office**

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## **Memorandum**

To: Environmental Quality Council  
From: Joe Kolman, research analyst  
Re: Review of House Bills 669 and 674

### **Forests and the Forest Industry**

The Legislature passed two measures in 2009 that were linked by bipartisan support and their relationship to trees.

House Bill 674 is known as the bill that would enable the state to purchase forest land near Potomac that was formerly owned by the Plum Creek Timber Co. House Bill 669 established a loan program for the wood products industry.

The House Natural Resources Committee requested both bills and both were crafted by Reps. Chas Vincent, R-Libby, and Jill Cohenour, D-East Helena. The measures were promoted as a package; if one didn't pass, the other would die too.

HB674, which needed a two-thirds majority because it created state debt, passed the House 98-2 and the Senate 37-13. HB669 passed the House 96-4 and the Senate 43-7.

### **House Bill 674**

Key points of HB674 include:

\* Though it is presumed that the \$21 million generated by the sale of bonds will be used to buy 26,000 of land near Potomac, that is not stated in the act. Rather, the Land Board is directed to examine any proposed land purchase for its income-generating potential, its recreational opportunities and the ability to promote sustainable forest management outlined in Title 76, chapter 13, part 7.

Those laws direct the Department of Natural Resources and Conservation to support sustainable forest management practices, including forest restoration, and promote a viable forest and wood product industry.

\* The land must be managed in accordance with Title 77, which governs all state lands.

\* The Land Board is required to offset the amount of land acquired through the purchase by selling an equal amount of land "to the extent practical and consistent with the board's powers and duties pursuant to 77-1-202."

That statute requires the Land Board to manage state lands to secure the largest measure of legitimate and reasonable advantage to the state and provide for the long-term financial support of education.

\* After deductions are made pursuant to law for the state timber sale account and the trust land administration account, the remainder of the funds generated from the land must be deposited in the school facility improvement account.

House Bill 674 also included requirements for the Department of Fish, Wildlife, and Parks that are not related to lands purchased with the sale of the bonds. The department must notify the county commissioners of the county in which the agency proposes to buy land. The notification must include the acreage and the proposed use.

For any land purchased by the DFWP, the agency must pay to the county an amount equal to the amount of taxes that would be payable on county assessment of the property if it was taxable to a private citizen.

### **House Bill 669**

House Bill 669 created a revolving loan program for the wood products industry. Legislators approved \$7.5 million for the program through House Bill 645. The Department of Commerce manages the program and may use up to \$2.7 million per biennium to secure federal matching funds for the program. Other funds may be deposited in the account.

Key provisions of the measure include:

\* Loans must be made to individuals or federally-defined small businesses that are part of the critical, primary wood processing infrastructure and have suffered economic hardships.

\* Loans must be used to sustain and grow the wood products industry in Montana. Loans may be used for the purchase or lease of land or equipment; updating infrastructure, including retrofitting of infrastructure to facilitate new uses; working capital; debt service; matching funds for grants or other loans; or any other use the department determines would sustain and grow the wood products industry.

\* The interest rate must be low, but not less than 1 percent. Loans must be repaid within 15 years.

\* The agency must develop outcome measures that at a minimum include, the uses of loan funds that provided the best overall results and a determination of the overall success of the loan program, including but not limited to the number of jobs created or retained, pay levels, financial status, reports on project activities, the growth of a local economy, and the taxable value of property or equipment.

\* The department must provide a status report to the Economic Affairs Interim Committee.