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HOUSE BILL NO. 676

INTRODUCED BY B. LER, W. GALT, R. GREGG

A BILL FOR AN ACT ENTITLED: "AN ACT ~~GENERALLY~~ REVISING LAWS RELATED TO STATE LANDS AND WATER RIGHTS; ~~ELIMINATING THE WATER COURT DUTY TO ADJUDICATE WATER RIGHTS ON JULY 1, 2030-2031~~; PROHIBITING THE BOARD OF LAND COMMISSIONERS FROM OBTAINING ~~OWNERSHIP OF~~ A PRIVATE WATER RIGHT USED ON STATE LANDS; ~~REQUIRING THE SALE OF ISOLATED PARCELS WITH WATER RIGHTS TO LESSEES~~; ~~REPEALING SECTIONS RELATED TO THE ADJUDICATION OF WATER RIGHTS~~; AMENDING SECTIONS ~~3-7-101, 3-7-211, 3-7-212, 3-7-223, 3-7-311, 3-7-401, 77-1-134, 77-6-301, AND 77-6-302, 85-2-102, 85-2-141, 85-2-234, 85-2-235, 85-2-236, 85-2-306, 85-2-406, 85-2-701, 85-2-702, AND 85-2-704, MCA~~; ~~REPEALING SECTIONS 85-2-212, 85-2-213, 85-2-214, 85-2-215, 85-2-216, 85-2-217, 85-2-218, 85-2-221, 85-2-222, 85-2-223, 85-2-224, 85-2-225, 85-2-226, 85-2-227, 85-2-228, 85-2-231, 85-2-232, 85-2-233, 85-2-237, 85-2-243, 85-2-247, 85-2-248, 85-2-249, 85-2-250, 85-2-270, 85-2-271, 85-2-280, 85-2-281, AND 85-2-282, MCA~~; AND PROVIDING ~~EFFECTIVE DATES AN~~ IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

(Refer to Introduced Bill)

Strike everything after the enacting clause and insert:

**Section 1.** Section 77-6-301, MCA, is amended to read:

**"77-6-301. Improvements authorized.** A lessee of state lands may place upon the lands a reasonable amount of improvements directly related to conservation of the land or necessary for proper utilization of it. These improvements may consist of fences, cultivation, improvement of the land itself, irrigation ditches, sheds, wells, reservoirs, water rights, and similar improvements."

**Section 2.** Section 77-6-302, MCA, is amended to read:

1           **"77-6-302. Compensation for improvements -- actual costs.** (1) Except for the improvements  
 2 described in 77-1-134, ~~prior to renewal of a lease, the department shall request from the lessee a listing of~~  
 3 ~~improvements on the land associated with the lease, including the reasonable value of the improvements. This~~  
 4 ~~information must be provided to any party requesting to bid on the lease~~ a lessee of state lands may register all  
 5 improvements that were made on state lands prior to October 1, 2025. Improvements registered under this  
 6 section may include improvements authorized in 77-6-301. Registrations must be made no later than  
 7 September 30, 2026.

8           (2) Owners of improvements registered under this section are entitled to compensation pursuant to  
 9 77-6-303. Except for the improvements described in 77-1-134, when another person becomes the lessee of the  
 10 land, the person shall pay to the former lessee the reasonable value of the registered improvements. The  
 11 reasonable value may not be less than the full market value of the improvements.

12           ~~(2)~~(3) If the former lessee is unable to produce records establishing the reasonable value or if the  
 13 former lessee and the new lessee are unable to agree on the reasonable value of the improvements, the value  
 14 must be ascertained and fixed as provided in 77-6-306. The former lessee shall initiate this process within 60  
 15 days of notification from the department that there is a new lessee. The department notification must include an  
 16 explanation of the requirements of 77-6-306. Failure to initiate the process within this time period results in all  
 17 improvements, except those described in 77-1-134, becoming the property of the state.

18           ~~(3)~~(4) ~~Upon-On~~ the termination of a lease, the department may grant a license to the former lessee to  
 19 remove the movable improvements from the land. ~~Upon-On~~ authorization, the movable improvements must be  
 20 removed within 60 days or they become the property of the state unless the department for good cause grants  
 21 additional time for the removal. The department shall charge the former lessee for the period of time that the  
 22 improvements remain on the land after the termination of the lease."  
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25           NEW SECTION. Section 3. State ownership of water rights. (1) The board may obtain an  
 26 ownership interest in a water right appurtenant to state lands only if that right has:

- 27           (a) a place of use on state lands; and
- 28           (b) a place of diversion on state lands.

1 (2) A lessee retains a water right not meeting the characteristics in subsection (1).

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3 NEW SECTION. Section 4. Codification instruction. [Section 3] is intended to be codified as an  
4 integral part of Title 77, chapter 6, part 3, and the provisions of Title 77, chapter 6, part 3, apply to [section 3].

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6 NEW SECTION. Section 5. Effective date. [This act] is effective on passage and approval.

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- END -

AMENDED