

OFFICE OF THE GOVERNOR
STATE OF MONTANA

STEVE BULLOCK
GOVERNOR



MIKE COONEY
LT. GOVERNOR

May 25, 2017

The Honorable Corey Stapleton
Secretary of State
State Capitol
Helena, MT 59620

Dear Secretary Stapleton:

In accordance with the power vested in me as Governor by the Constitution and the laws of the State of Montana, I do hereby veto Senate Bill 235 (SB 235), "AN ACT ALLOWING THE LAND BOARD TO EXTEND A COAL LEASE IF THE EXTENSION IS IN THE BEST INTEREST OF THE STATE; AMENDING SECTION 77-3-314, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

SB 235 gives the state Land Board the power and discretion to extend a coal lease if it finds that the extension is in the "best interests" of the state. Under current law, a state coal lease that is not producing coal in commercial quantities prior to the end of the lease term must be terminated. The requirement is in place to ensure state lands are not indefinitely tied up in speculative leases.

SB 235 would take away that clarity and could allow the Land Board to continue a lease forever, regardless of whether coal is ever developed. Restricting state lands under semi-permanent lease, without any clarity as to whether coal will actually be developed, keeps nearby landowners – including the Northern Cheyenne Nation – in a state of perpetual uncertainty. Decisions about buying, selling or improving lands depend in part on the status of adjacent state lands. Speculative leases of the type proposed in SB 235 could undermine southeastern Montana's agricultural economy.

If, near the end of the term of a lease, a lessee wishes to simply extend the current lease, the Land Board already has a process in place for the lessee to bid and continue leasing the state coal when the current lease expires. If a lessee is operating under a valid permit and producing coal, the state must continue their lease. If the lessee does not have a valid permit and the lease expires, then the Land Board has the power already to award another lease through a competitive bid process. This process already has protected the trusts' interests and will continue to do so in the future, without the need for SB 235.

Moreover, to the extent this bill is particularly focused upon the Otter Creek Coal tracts, the State lease of those lands does not expire until 2022. Two additional legislative sessions remain prior to that lease expiration to continue these discussions.

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For these reasons, I veto SB 235.

Sincerely,

A handwritten signature in blue ink, appearing to read "Steve Bullock", with a long horizontal flourish extending to the right.

STEVE BULLOCK
Governor

cc: Legislative Services Division
Scott Sales, President of the Senate
Austin Knudsen, Speaker of the House