

MINUTES
MONTANA SAGE GROUSE OVERSIGHT TEAM

February 11, 2022
Meeting Summary
DNRC Building, Montana
Conference Room and
Virtual Zoom Meeting

Members Present

Mr. Michael Freeman, Chair, Governor's Natural Resource Policy Advisor
Ms. Diane Ahlgren, Rangeland Resources Committee
Mr. Chris Dorrington, Montana Department of Environmental Quality, Director
Mr. Jim Halvorson, Montana Board of Oil and Gas, Administrator
Ms. Amanda Kaster, Montana Department of Natural Resources and Conservation (DNRC), Director
Representative Rhonda Knudsen, House District 34, by Proxy (Proxy Senator Mike Lang)
Senator Mike Lang, Senate District 17
Mr. Malcolm Long, Montana Department of Transportation, Director
Mr. Hank Worsech, Montana Department of Wildlife, Fish and Parks, Director

Staff Present

Mr. Mark Bostrom, DNRC Conservation and Resource Development Division, Administrator
Ms. Therese Hartman, Sage Grouse Habitat Conservation, Acting Program Manager
Mr. Logan Cain, Sage Grouse Habitat Conservation, Geographer
Mr. Adam Kauth, Sage Grouse Habitat Conservation, Program Reviewer
Ms. Ella Lunny, Sage Grouse Habitat Conservation, Program Reviewer
Ms. Jamie McFadden, PHD, Sage Grouse Habitat Conservation, GIS Analyst
Ms. Emily Moran, DNRC Conservation and Resource Development Division, Administrative Attachment Assistant
Ms. Erin Reather, Sage Grouse Habitat Conservation, Program Reviewer
Mr. Nate Wold, Sage Grouse Habitat Conservation, GIS Analyst

Call to Order and Administrative Matters

1:02 pm: Chairman Freeman: called the February 11th Montana Sage Grouse Oversight Team (MSGOT) meeting to order.

Chairman Freeman: introduced the Montana Sage Grouse Oversight Team members in attendance, quorum confirmed.

Senator Lang: designated proxy for Representative Knudsen for the February 11th, 2022, MSGOT meeting.

1:05 pm: Chairman Freeman: called for a motion to approve the draft September 16, 2021, MSGOT minutes.

Director Worsech motioned to approve the draft September 16th, 2021 MSGOT minutes.

Second: Ms. Ahlgren.

Voice vote conducted: voted unanimously to approve.

Discussion: None.

Motion passed.

Grant Cycle Process- Program Presentations

1:06 pm: Therese Hartman introduced Nate Wold, a new GIS analyst working for the Program. Two Program presentations ensued.

1:07 pm: Program Presentation- Overview Grant Cycle Process
Therese Hartman presented the overview of the Montana's Greater Sage-Grouse Stewardship Grant process.

1:17 pm: Program Presentation- Credit/Debit Summary
Jamie McFadden, GIS Analyst for the Program presented the data results of the credit and debit summaries over the past six years.

1:28 pm: MSGOT Discussion
Chair: Compensatory mitigation functionally means a project will be initiated and then mitigation will come after. The Program is designed to have fluctuating credits and debits.

Currently the Program has three conservation projects still pending, only one in the central area, and the other two are in the southwest. The current pending project in the Central Service Area will not have a large impact on that area.

It is important to note that the figures and datum included in the presentations and handouts do not include permittee responsible mitigation, only what is coming into the Stewardship Account and out in the form of Stewardship Grants have been included in these analyses.

Conservation Lease Discussion

1:31pm: Program Presentation- Conservation Lease Background

Mark Bostrom presented background information of Conservation Leases throughout the Program's history.

1:36 pm: MSGOT Discussion

Chairman Freeman and Director Worsech agreed that the Program should measure credits and debits with the same standard of three percent applied.

Mr. Bostrom: MSGOT are the stewards of the corpus of the appropriation that was originally made to establish the mitigation system. If the Program uses the same system for credit and debit projects, it will be easy and predictable for incoming credit projects to see a projects value if the HQT and the same 3% devaluation process were to be applied; it could be a tool MSGOT can use to manage the Stewardship Account overtime.

1:39 pm: Ms. McFadden: Presented a graph that showed the average cost per credit by grant cycle

There are two evaluation methods: The blue bar represents the actual grant amount awarded by MSGOT. The green bar represents the average cost per credit if the 3% decrease was applied. First grant cycle did not lose any money, the subsequent two grant cycles saw a higher cost per credit compared to what the cost would have been if the 3% would have been applied.

Mr. Bostrom: In the second grant cycle the average maximum amount to balance account is higher because there was a restoration project valued at 100% of credits moved to market, as well as a conservation lease that was valued to move 100% of the credits to market. Mr. Bostrom would not recommend moving to 100% of credits to market from a conservation lease in the future; it is suggested they comply to the 40% moving to market as the permanent conservation easements adhere to. The third cycle shows loss of purchasing power due to the higher cost paid per credit.

Ms. Ahlgren: At the November 2019 MSGOT meeting, three 15-30yr leases and credits were granted, the 40% base was not applied. MSGOT had agreed that the Program would not accept any more lease options until the market value could be determined. Ms. Ahlgren would like the possibility for term easements again, it is a great way to keep family ranches afloat and continue conservation on the ground. Thanks staff for producing a viable solution to this problem, but adaptive management may be needed in the future.

Administrative Action: Authorization of 2022 Grant Cycle

1:47 pm: Ms. Ahlgren: Asked if MSGOT needed to make a motion to authorize staff to accept t lease applications again after the motion to pause leases was passed at the November 21, 2019, MSGOT meeting.

Motion passed at the November 21, 2019 MSGOT meeting:

“Director Tubbs: Assured MSGOT member there will be discussion about term leases at the next meeting. There will not be a term lease project on the agenda in the future until an MSGOT policy discussion takes place. Stated his willingness to vote on these three projects today but wants MSGOT discussion on this issue.”

Mr. Bostrom: It would be helpful to have a motion to remove the pause that MSGOT passed to capture this change in MSGOT’s administrative record. The 2019 motion was passed to table conservation leases because there was no equivalent way of evaluating conservation leases and perpetual easements. This can be solved by applying the same 3% standard to each project.

1:50 pm: Chairman Freeman called for a motion to authorize the 2022 grant cycle for a time period of 6 months.

Mr. Bostrom: Before a call for a motion, it is important to consider two things. The Stewardship account balance sits at \$5.2 million as of February 11th, 2022. MSGOT will need to vote on how much of the account the Program is authorized to use for a grant cycle, and the duration of the grant cycle.

Chairman Freeman called for discussion of the amount the Program is authorized to use for the grant cycle.

Ms. Ahlgren: What amounts have the Program been authorized to use in the past and what does the Program staff recommend?

Mr. Bostrom: \$4.1 million contribution from Clearwater which is largely the current make-up of the Stewardship account. A future MSGOT discussion may revolve around targeting that contribution back to the Central Service Area. The first grant cycle authorized \$5 million; the second grant cycle

authorized around \$3 million.

Chairman Freeman: Clarified the amount authorized does not mean that is the amount obligated.

Mr. Bostrom: Confirmed the amount authorized is not the amount obligated. He recommended MSGOT look at proposals against the 3% devaluation curve as a tool to remain solvency in the account overtime. It is also important to maintain balance in service areas overtime.

Ms. Ahlgren: Does staff have any indication of any future projects that would be included in the authorized grant cycle?

Mr. Bostrom: There are always potential projects and development in the Land Trust community. The authorization of conservation leases may attract more proposals.

Director Worsech: MSGOT has an option to move the whole balance forward or a portion of the balance. What is the benefit either way?

Mr. Bostrom: Authorizing the full Stewardship account balance is the best option; the Program's goal is to create credits where debits exist. Currently there are two service areas that are in a credit deficit, an emphasis in these areas in the 2022 grant cycle would be meaningful.

Chairman Freeman: The presentations today have shown that the Program needs to make more credits and to receive the most credits per dollar. If MSGOT authorizes the full amount, we can be selective with proposals. If all the Stewardship account balance is not spent in this current grant cycle, it can always be put towards the next grant cycle.

Ms. Ahlgren: Agreed with Chairman's and Bostrom's decisions.

Mr. Bostrom: It is important to note that the balance of the Stewardship Account constantly fluctuates due to state interest payments and new debit projects.

Director Dorrington: Suggested MSGOT should authorize a no-limit grant round to see how much MSGOT receives.

Ms. Hartman: It was established that the third grant cycle was over prescribed, in that instance, the Program and MSGOT decided to take a portion of funding off each project.

Mr. Bostrom: \$5 million a large amount, and historically MSGOT has been successful with that amount, specifically the first round was in the black.

Ms. Ahlgren: She is comfortable authorizing the full amount; MSGOT can always be selective on which projects to fund. Having a large amount of funds available allows MSGOT flexibility to fund larger projects if they are submitted.

Chairman Freeman: \$5 million allows MSGOT the largest flexibility and has the potential to attract the largest and most effective projects.

Senator Lang: He agrees MSGOT should go forward with authorizing the full fund amount. MSGOT and the Program should fund projects in core habitat first; in rule, the credits can be in one service area and used to help other adjacent service area.

Ms. Ahlgren: Previously, staff recommend against sharing across adjacent service area boundaries. If the state needs projects in central and southeast service areas, in policy MSGOT can increase the percent of credits per acre from 40% to 50%; could MSGOT implement this as an incentive for projects in these service areas?

Mr. Bostrom: The central and southeastern area which are both in credit deficits are adjacent to each other, so they cannot borrow from each other. MSGOT should emphasize projects that are within these service areas. MSGOT can list the incentive in the announcement of the opportunity if it is written in policy.

Director Dorrington: If there is a practical limit for total dollars available, MSGOT should offer the total available and have the available to be selective of funding projects.

Mr. Bostrom: A potential motion would include four parameters: MSGOT to authorize the Program the full Stewardship fund amount available, to allow conservation leases to be accepted, to open a grant cycle for six months, and to focus on projects in core habitat first.

Chairman Freeman: The motion should also include allowing MSGOT and the Program flexibility to choose projects.

Administrator Halvorson: Is there value in including the areas with the most deficits are, i.e., the central and southeastern service areas in the announcement?

Chairman Freeman and Mr. Bostrom: Both agreed it should be included in the announcement.

2:11 pm: Chairman Freeman: Opened the meeting to public comment.

Public Comment

2:11 pm: Chris King – King Ranch

2:12 pm: Brad Hansen- Montana Land Reliance

2:16 pm: Zach Winfield- DNRC Trust Lands Division

2:18 pm: Corey Baker- Westech Environmental

2:19 pm: Skip Ahlgren- Landowner and Chairman of the State Grazing Districts

2:20 pm: Glenn Marx- Director of Montana Association of Land Trusts

2:26 pm: Rebecca Boslough- Montana Association of Conservation Districts

2:27 pm: Ms. Hartman: Is appreciative of the public's interest in restoration and there are incentives in place for restoration and enhancement projects

Administrative Action: Authorization of 2022 Grant Cycle

2:28 pm: Chairman Freeman called for a motion to MSGOT

2:29 pm: Director Worsech moved MSGOT authorize the Program to initiate a new grant cycle of 6 months, allows conservation leases in the projects considered, and make full amount of stewardship account available. For conservation leases, 40% of all credits shall move to market similar to perpetual conservation easements and that MSGOT use a net present value of 3% as

the guidance value for reviewing grants

Senator Lang: Moved to divide the question into two motions. The first motion would be that MSGOT authorizes the Program to spend all the money in the Stewardship Account and to take from the table Term or Conservation Easements up to 15 years or what is mandated by Montana law. The second motion would be the second part of the first motion

2:30 pm: Chairman Freeman called for a division of the original motion.

Director Worsech moved MSGOT authorize the Program to initiate a new grant cycle of 6 months, allows conservation leases in the projects considered, and make full amount of stewardship account available.

Second: Diane Ahlgren.

Vote conducted: voted unanimously. Representative Knudsen voted by proxy, Director Long voted by proxy.

Discussion: None

Motion passes

2:31 pm: Chairman Freeman called for a second motion

Director Worsech moved for conservation leases 40% of credits shall move to market similar to perpetual conservation easements and that of the 40% moved to market MSGOT use net present value of 3% as the guidance value for reviewing grants.

Second: Diane Ahlgren.

Discussion:

Mr. Bostrom: The 3% at present value in the motion should be used as guidance. There may be cases benefit to select a project that exceeds present net value guidance because a project is in an area with credit deficit.

Vote conducted: passed unanimously. Representative Knudsen voted by proxy, Director Long voted by proxy.

Motion passes

Public Comment on Any Other Matter

2:33 pm: Chairman Freeman asked to hear public comment of any other matter.

Senator Lang: Agrees we need restoration plans. Reminder to industry that the Program needs restoration projects, A future MSGOT discussion may be about awarding credits to companies who donate restoration to the Program.

2:35 pm: Chairman Freeman moved to adjourn the meeting

Seconded: Senator Lang.

Vote Conducted: Passed Unanimously.

Meeting Adjourned at 3:35 pm.