

**MINUTES**  
**MONTANA SAGE GROUSE OVERSIGHT TEAM**

June 28, 2022  
Meeting Summary  
DNRC Building, Montana  
Conference Room and  
Virtual Zoom Meeting

**Members Present**

Mr. Michael Freeman, Chair, Governor's Natural Resources Policy Advisor  
Ms. Diane Ahlgren, Rangeland Resources Committee (RRC), Chairman  
Mr. Chris Dorrington, Montana Department of Environmental Quality (DEQ), Director (Proxy James Fryer, DEQ)  
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  
Senator Mike Lang, Senate District 17  
Mr. Malcolm Long, Montana Department of Transportation (MDT), Director  
Mr. Hank Worsech, Montana Department of Fish, Wildlife, & Parks (FWP), Director

**Staff Present**

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

**Call to Order and Administrative Matters**

1:01 pm: Chairman Freeman called the June 28th Montana Sage Grouse Oversight Team (MSGOT) meeting to order.

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

Mr. James Fryer is the designated proxy for Director Dorrington for the June 28th, 2022, MSGOT meeting.

Chairman Freeman invited Common Ground Capital to introduce themselves and present.

**Common Ground Capital Presentation**

1:02 pm: Wayne Walked, from Common Ground Capital introduced himself and Greg Schildwachter. The Common Ground Capital Presentation ensued.

1:23 pm: MSGOT Discussion

Chairman Freeman: Within your presentation, you characterized the Stewardship Account as liabilities. Do you have any recommendations how the Program could limit that liability? We have had conversations on how we could stretch our dollars and get the best "bang for our buck", the liabilities are in the credit system, not in the dollars. In your experience working with other programs, have there been successful ways to achieve this?

Greg Schildwachter: To clarify, when we use the word liability, we're using it in the sense of accounting.

Chairman Freeman: Correct, from my understanding, the money has been obligated to meet a certain number of credits. If we could stretch the credits per dollar, the 'liability' would become smaller; our obligations are to meet the credit deficit, not the per dollar deficit.

Wayne Walker: That is a great question, in your Program's case, there are two parts. Assuming you can confirm with the Fish and Wildlife Service that they will look favorably on using the grant and the conventional matching methodology, then the best thing to do is leverage it to your best ability. There is a large group of people who utilize this method; if there is room for improvement in that venture, then great, but in reality, it comes down to the landowner.

From what we have seen, there is a small percentage of landowners that are looking to protect their ranch as a legacy, they'll effectively sell you this service for a low price versus a charitable tax deduction; it is important to include these types of folks when you can. Landowners typically want a large infusion of cash when committing to a program, especially in the high conservation value areas, which gets back to my point that conservation standards have to dictate the price, versus setting the fee at a 'per acre' amount.

Greg Schildwachter: The core of the strategy is to find the best sage grouse ground. It starts with habitat quality, the strongest existing bird populations, and where the grounds sit in relation to the next best areas. The birds need these strongholds or core areas to survive the dry years. Wayne and his technical team are especially good at identifying the lands that represent the greatest number of credits; this is what the upfront feasibility step and costs represent. You will get the most credits on the highest quality ground, and if they are higher than the neighboring property, then, for a similar amount of money, you will be able to earn the highest credit per dollar factor. It is smart to use this approach, rather than accepting whoever comes into the door.

1:29 pm: Mr. Bostrom: Wayne, in your presentation you posed an open-ended question about how the debit projects are coming in and making contributions to the Stewardship Account rather than seeking their own, permittee-responsible conservation. I would like to explore that and think it would benefit from further analysis. From my impression, it is easier for people seeking credits to make contributions to the Stewardship Account and it seems more economically feasible than going the permittee-responsible route. There is a set price on both the credit and debit side, which is supposed to balance the account, similar to a revolving fund, and perhaps that is set too low. I am concerned that people bringing in credit projects are struggling to fund new credit projects; there was testimony of that at the last May 27<sup>th</sup> MSGOT meeting. Maybe this is something we could explore further if you have knowledge.

Wayne Walker: Sure, I would be happy to explore that further. I think your initial assessments are pretty on target.

Mr. Bostrom: If you were in our position and were actively seeking projects in the southeastern service area, how would you overcome the standards that have been set around the per credit and per debit balance that is in our industry?

Wayne Walker: Per Greg's point, our goal is to sit down and make sure we fully understand the map, then look at the sites that have the highest conservation value. Reach out to those landowners and other conservation stakeholders who might need to be involved (i.e., we typically partner with an easement provider). It is important to figure out what it's going to take to get high value properties in the Program. At the end of the day, the landowner wants to know what they are going to get paid per acre, which we can figure that out through the HQT. My initial hypothesis is that the Program is going to need to increase the fee to industry to secure the higher conservation sites, even the ones that are providing more credits per acre, because they're a higher conservation value. We will not know if the hypothesis is true or not until we can work together and figure it out.

1:32 pm: Chairman Freeman: In referencing high value quality habitat and high-quality properties, are you referring to them in terms of each particular project? Do you also do projects that provide uplift? Basically, properties that need habitat improvements to bring them up. I know there are also credits from conserving what's already there, but what is your experience in doing an analysis of a property and making projects that provide habitat uplift?

Wayne Walker: That is a great question. What we are seeing, at least with the lesser prairie chicken, is that the service has transitioned from preserving the strongholds, to also preserving 10,000's, if not 100,000's of acres of habitat. I think the strategic restoration of properties, especially of those that can be linked together for genetic connectivity, is vital. This is where the analysis gets thick because there are different levels of degradation, different causes of degradation, and different threats to the ecosystem; each of these layers have different timelines from its baseline to success. I would need to look at a lot of those things in specific areas, and try to determine the costs, both in terms of money and time, of how long it would take to get those areas restored, or to a level that started contributing positively to the sage grouse. This probably the most complicated part to it.

1:35 pm: Ms. Ahlgren: Great information, Wayne. From a landowner's point of view, I really appreciate the information. I wanted to clarify that I am understanding that the Service is moving from preserving to restoring, is that correct?

Wayne Walker: That is what I am hearing for our species, the lesser prairie chicken. We do not have sage brush, but we do have sand sage and grasslands, so there are a few similarities, but I don't want to speak for the Service is interested in from a restoration perspective in the State of Montana. I would hope that we could get support to have those discussions with them at the table so there is no confusion later about what restoration means to the various parties.

Ms. Ahlgren: You are talking about a feasibility analysis, is that something you would not require payment for until you had the credits available? Is the feasibility looking at the core land and is something you are doing in preparation?

Wayne Walker: We would hope we could have some level of pilot funding on the feasibility so we could first understand if it is something MSGOT would be interested in, if it is, then we would be putting our dollars at risk exclusively to secure partnerships with various ranchers, most likely through some sort of pay for performance contract with the committee.

Ms. Ahlgren: Do you think this has been well documented with our Program? Would this be an extensive feasibility study, or more of a fine tune of the existing information?

Greg Schildwacher: I think we have a number of technical questions that stand between us and knowing the answer to your question. I don't think it would be an extensive revision, or it wouldn't even be a revision of what exists; it would be a matter of getting our heads around exactly what you know about where the highest credit bearing properties are and having conversations with

landowners in that region about how much they value their land.

Wayne Walker: That is exactly right, the Program has done a phenomenal job on your mapping and online tools. It only comes down to what it is going to take for that rancher to make it work. The rancher ecosystem has to exist the same as the sage grouse ecosystem has to exist. They both must coexist, or it won't work and sometimes it is hard puzzle to crack. We have found that landowners have to have something meaningful happen to help them sustain their legacies, pay off their debt, take care of their children, or buy the next piece of fence, etc. The income has to be meaningful, not just a replacement program. Part of this would be figuring out what is meaningful, but that won't be figured out until the ranchers are included in the conversation.

1:40 pm: Mr. Bostrom: When referring to a pay for performance type arrangement with MSGOT, what would your interaction be with the players that are already bringing conservation easements to the table? Would you be an extension to the granting system that we currently have, or are you in competition with them?

Wayne Walker: That is a great question. Oftentimes we are seen as competitors, but that is not our intent. Our intent here is to figure out if the current grant system and fees are adequate to sustain the program both financially and provide enough conservation value to the birds so that you stay out of the federal crosshairs. We really help facilitate price discovery. The first question is if the grant system can stand alone and be sustainable over the long-term; this will be part of our analysis, but it would be up to MGSOT and the Program to decide what to do. Beyond that, I think everyone would settle into their respective roles and responsibilities; we would be partnering with easement providers, versus competing with them like a traditional bank or PRM. Every one of our transactions is attached to an easement provider, and their job is to negotiate the easement with us, the landowner gets approved by the federal or state level, and they are responsible for monitoring the easement, perpetually. They receive an enforcement endowment to monitor the easements, and we get an endowment that does the management of the property over long-term, which keeps the landowner out of that risk. Although we may be seen as a competitor initially, we just want to partner with them. It seems that even your easement providers, who are the lowest cost because of their nonprofit structure, are struggling to get stuff cheap enough; hopefully this analysis will help us figure these things out.

1:43 pm: Chairman Freeman: Recently we included term easements into our toolbox. Do you have any experience using term easements, and the differences between term easements and perpetual easements, or any thoughts you have? I am not sure if the other state programs you have worked with have term easements as part of their toolbox.

Wayne Walker: That is a hot topic, you all are full of great questions. I am from the old school perpetual easement world, philosophically I am not aware of too many development impacts to wildlife that are temporary; maybe a pipeline where you're reburial and revegetating it quickly, but no one is tearing down houses or even windfarms. Having said that, I am not inflexible, and I have heard loud and clear that a lot of landowners, landowner groups, and even some nonprofits who advocate for them because they think it is more of an acceptable option for landowners. Back to my earlier point, we have to define what permanent and term credits are to determine what ratio of permanent versus credit the Program wants. Without defining the credits, there is uncertainty, both from a market perspective in terms of what things can really cost, and then the value or the benefits. A very important situation to keep in mind is if there is a ten-year credit that is offsetting an impact that is permanent (or longer than ten years), who is going to pay the rate it takes in year 11 to extend that term contract with existing landowner 'a' or move it to existing landowner 'b'? It means that you will have to go back to the customer and ask for more money, and they don't like to do that. They typically want to capitalize it upfront as part of construction costs, which is reasonable. If the customer doesn't want to pay, it means MSGOT would be on the hook for finding the money to extend the term contract later. It is important to keep this in mind as you define what the term

structure.

1:46 pm: Senator Lang: I am not really engaged in five or ten year term easements, but to your question, who is going to be around to judge a perpetuity easement?

Wayne Walker: That is a fair question. From experience, we look at the economics and try to price in the long-term management on the front end versus gaining a very cheap credit and later realizing something wasn't priced in. We have various model that we use to calculate the long-term operational costs of the credit; it's not perfect, but it has been used with enough frequency in the species, wetland, and stream markets that there is a fair degree of certainty around it.

Senator Lang: From my perspective, most of the easements we have done in perpetuity were to save the ranch somehow, or to create this long-term thing. You said you were raised on a ranch, if you go and buy a specific set of bulls or brood cows and you haven't found the answer in 25 years, you are broke.

If you are raising crop, or whatever, I see no reason to be in perpetuity, I think we can do things in short term. Now the ultimate question is, if someone does a good job on a term easement, what's wrong with asking for another term easements that can turn into perpetuity? Yet, you have to have an evaluation on both sides of the coin, whether you want to partake or whether you're doing a job. That is one thing we have not been doing, we have not been looking at the habitat restoration.

Wayne Walker: These are great points, Senator. Ultimately, what it comes down to is who is going to wear the financial risk to make sure these term easements have enough capital to be renewed, or for MSGOT to have enough capital find a new term easement. The question is, how do we have enough money up front so that we can keep those term easements going as long as the Program needs them to be going.

Senator Lang: One question that has not been discussed enough in Montana, over the years, and I am assuming you have some of the same pressures in Kansas. What about the predation? In Montana, we have documentation that birds have a 52% survivability rate due to predation, yet there has never been a predation talk. How does this fit into your equation of the U.S. Fish and Wildlife Service, and how you see us in the future?

Wayne Walker: That is a great question, Senator. In Kansas, academics have done a fair amount of research on predation, and it is clearly a factor. The Service has not been a huge advocate for controlling varmints and predators, they see it as one type of risk in the overall ecosystem. If you wanted to bring this up to the Service, we would be more than happy to participate in the discussion. Our family ranch in West Texas does not have lesser prairie chicken, unfortunately, although, we were part of their historic range some 100 odd years ago. We do some predator control on the r

Chairman Freeman: Any other questions? I appreciate your time, Mr. Walker and Greg, and I am sure we will be in touch and continue to work on this. This was a very helpful presentation.

Wayne Walker: Great, thank you again. Accolades to Therese and Program staff for understanding the details, programs like these are not simple and have a lot of moving parts. We will look forward

1:15 pm:

to hearing from you through Therese in the coming days and weeks and we hope we can help some way, in the future.

Senator Lang: I have one more question for Mr. Walker. I would like your thoughts on publicly traded companies that want to do project versus small rural/local co-ops; local co-ops do not have the resources to plan mitigation like the publicly traded companies do. You touched on not supporting waivers, in Montana, there are a lot of complications with landownership that seem to be affecting the survivability of the Program.

Wayne Walker: Senator, that is a good question, but it is also a hard question. I will be honest, it is hard to make exceptions, I understand that a co-op has a different profit structure than a publicly traded company, but it's hard. To be simplistic, it is hard to have two different prices of gasoline, or two different prices of wheat. I don't know if that is an adequate answer for you, but when you make mitigation cheaper for one party, then the big guys try to manipulate the system, so they also receive the discount, it is tough.

Greg Schildwachter: Senator, we spend a lot of time making sure all the costs involved make sense, because a lot of things you have brought up are things that others bring to the conversation. We are trying to figure out what works. Yes, a lot of people say perpetuity is the only way to go, but not always. Just breaking the conversation down to what it really takes to do something on the ground, this is why the performance standard is so important. All of us have spent decades with the Fish and Wildlife Service, they are very cautious which leads to specific things they want to see in the performance standard that ultimately drive the cost up, which might not always be necessary. Speaking about co-ops, Wayne is right, you cannot have two costs for things, but on the flip side, you cannot have a crazy price either. A big part of fixing this problem is working with both sides to get the right price, and that at least gets us down to the best way to cover that price.

Wayne Walker: Thank you, Senator, and thank you to the Committee. Therese, I appreciate the opportunity, hopefully we can reconnect soon to see if there's a possible way forward.

### Update 2022 Grant Cycle Proposed Projects

1:56 pm: Therese Hartman: Now, the Program would like to give an update on the Projects that have been submitted from this grant cycle. There will be two parts, part one is the overview of the grant pre-applications, and the second part will be about the HQT.

1:56 pm: Program Presentation- Part 1: Overview of Grant Pre-Applications

Dr. Jamie McFadden and Ms. Therese Hartman presented background information on the statewide and central service area credit balances and gave an overview of the pre-applications submitted this grant cycle.

2:06 pm: MSGOT Discussion

Chairman Freeman: To adjust the cost of a credit, or the current 3% net present value (NPV) adjustment, would MSGOT have to go through the process of changing the Policy Guidance Document?

Therese Hartman: The Policy Guidance Document says MSGOT should review the 3% NPV and \$13/credit annually.

Chairman Freeman: So, we wouldn't not have to change the text of the Policy Guidance Document?

2:07 pm: Therese Hartman: Correct, the text gives you authorization to review and change the rates. I propose to maintain the open grant cycle with periodic reviews and approvals.

Chairman Freeman: I don't see why we shouldn't keep the grant cycle open. I would like to hear the opinions of other members. What was the original reason to not have a continuous grant cycle?

Therese Hartman: It is a workload and grant administration issue.

Chairman Freeman: I can see the benefit if we were trying to compare various project to others. Having a set grant cycle allows everyone to have the same deadlines and be compared equally.

Representative Knudsen: Those problems are when you have too many applications.

Chairman Freeman: Correct, and right now, we don't have enough.

Mark Bostrom: Another factor is that initially, the Program could only use \$5 million of the original \$10 million corpus until the HQT was built. The limited grant cycle was used to reflect the limited funds available.

2:08 pm: Therese Harman: I would like to invite Brad Hansen from the Montana Land Reliance to join the conversation. Brad has brought the majority of current projects applications to the Program, and I would like to him to have the opportunity to explain why some of the projects are not going forward.

### **Public Comment**

2:09 pm: Brad Hansen, Montana Land Reliance.

Thank you. I think it may be helpful for members of the committee, just to know a little bit about what's happening on the projects, like Therese and Jamie mentioned. When they came back to us and we were negotiating these deals with the landowner, we have to figure out, on the program side, how many credits are generated.

Therese and Jamie were instructed to stick to that \$13 paid to a landowner on a per credit generated so balances on the debit side with a \$13 charge to industry, so some of these projects, generate more credits than others, some of them have restoration components, so all that factors in. We have enough land, in fact more landowners that are interested in the program, what we are limited by is that payment of \$13 per credit. I have 11 projects that could spend the full \$5.2 million, but it would require the committee to pay more than \$13 per credit, which gets back to the challenge Mr. Walker presented. I can't go to a landowner who has a conservation easement value of \$1.5 million and offer then \$175,000, they would just laugh, rightfully so. They might be in core habitat and the Program is working on ways to squeeze every credit out of these, but some of them are closer to the market value of the easement, and others, due to the location of the property and appreciation of land values, are just not close.

If the Committee is willing to pay select projects over \$13 per credit, MLR would support that decision. Like in past grant cycles, MSGOT has paid more than \$13 for some projects; if we can get rid of the 3% adjustments, that significantly helps us get closer to the market value for these easements and for the restoration costs to generate these projects. I just wanted to make it clear that we have projects, and we can spend your money, we just want to make sure that before we go through all the work of submitting full applications, we have a commitment, or at least a feeling that something will be there. Right now, if MSGOT is set on \$13 per credit, then there are several landowners that it just doesn't make financial sense for, and I wouldn't pressure them because it is not a good deal.

From the Land Trust side, we are doing some restoration work and getting new credits. If we could get all the projects funded, I think we would be over 400,000-450,000 credits, based off the preliminary scores, that would be a significant increase to the Program, and I have worked hard to make sure they are all located in the Central Service Area to address the deficit. If there is a way for you to help us, on our end, we will keep bringing you good projects.

2:13 pm: Chairman Freeman: How is the market value for a conservation easement set?

Brad Hansen: We work with appraisers who have experience doing these types of projects and they have specific certifications. We have the appraisers provide a preliminary evaluation, they will either visit the property or look at comparable sales in the area. Right now, we are seeing in central Montana, depending on the area, the take down or diminution value of 25-40%. For example, Mr. Chairman, if you had a \$5 million ranch at fair market value and you had that 30% takedown, you would have a conservation easement value of roughly \$1.5 million. That would be what the landowner expects to get paid to encumber his land in perpetuity, we are just not there yet.

Chairman Freeman: This is more of a philosophical question, and anybody else feel free to jump in. Who else is buying easements? Typically, a market has multiple participants, and an appraisal assumes there is a competitive market, so who else is buying easements? It is The Nature Conservancy?

Brad Hansen: No one really has the money to do these big deals other than this Program and NRCS Agricultural lands easement program, those are the two big players. Two of the projects I have submitted applications for have that federal sage grouse dollar match to help it be competitive and to help generate credits. Those are the two main sources of funding, the other source we have utilized in previous grant cycles has been the National Fish and Wildlife Foundation, which is the granting arm of the Fish and Wildlife Foundation and then the conservation fund. Then of course, most of these projects include a significant amount of landowner donated value, which is just a part of the easement value that they are not getting paid for; hopefully they pay the tax benefit, but it's essentially a loss in what they could have received in cash at the full amount. I am always fighting for the full easement value on behalf of the landowners, but that is a great question.

Chairman Freeman: It gets down to how we create value here. I always like to see a market play out, but sometimes we are trying to mimic the market as best we can, if it's not there.

Mr. Bostrom: That makes a great case for someone to do an assessment. Many of your predecessors struggled with the use of the easement appraisal to come up with a value; it is really an apple to oranges thing. So, what you are looking at with a conservation easement is the diminution of value for the landowner, it is under the assumption of development, and then over here, you're basing debit in the fee type charges, based upon reduction of function acre for sage grouse. They are not really the same thing. There was quite a bit of pushbacks from the appraisals involved on us even considering/contemplating the facts and figures of appraisal setting our prices, they didn't like that. It was like \$12.56, and we decided to use \$13.



Chairman Freeman: The value of something is how much someone will pay for it. If you have a semi-functioning market, you don't need appraisals, but in the absence of competition we need to somehow simulate competition or somehow attach value. The Blue Book is based on similar principles of marketing. I appreciate your comments and your points are well taken.

Mr. Bostrom: I would make one other point out of that. MSGOT does have the power to pay greater than \$13 per credit, it is not set in stone, but the effect of that is the same effect of a waiver. It diminishes the corpus that the Stewardship Account has available to do their 'fine line walking' of no net loss. If we desire these projects, you could offer more than \$13, it just drives down the corpus of the Stewardship Account.

Director Long: It is also setting precedence.

Representative Knudsen: Let me go on the record to say that I think it is a really bad time to think about raising a piece that we're going to have to charge projects. If we are trying to make the equation balance, I don't think we can go on that side. I get wanting to pay more for the credits.

Therese Hartman: But if we pay more for the credits, at some point we will go bankrupt.

Chairman Freeman: As prices rise for things like gas, their margins also increase.

2:20pm: Senator Lang: A question for Therese to refresh my mind. The gentleman was talking about when you bring in federal funds equal to state funds to get an easement and credits are created. Does MSGOT get the credits based off the percent of money they put into the project? Is that how we are determining what credits we get?

Chairman Freeman: Senator Lang, is your question whether we receive the full credits from federally matched projects?

Therese Hartman: That gives us more credits. We had projects that have matching funds and it gets us more credit, so more bang for our buck.

Chairman Freeman: Hypothetically speaking, someone could donate credits to us if they did it all their own, for free.

Therese Hartman: Same as a landowner who donates to us. The credits are the credits, whether we paid \$13 out of our pocket, or if \$10 came from other sources.

2:22 pm: Ms. Ahlgren: I will be the first to admit to a horrible memory. It was my understanding that we did not get credits from a federal part of an easement, like the ALE monies that were put into an easement; has that changed, or was it a misunderstanding from the beginning?

Therese Hartman: We don't separate them out, we run the HQT and get 'x' number of credits for a project.

Chairman Freeman: If it was a complete separate project that we didn't cost share? I think Senator Lang's original question was, if the Federal Government did something completely on their own, could we get credit?

Therese Hartman: No, that is a different world. When looking at how much land has been

conserved, NRCS has their own database, BLM has their own, and we have our own database. It all goes into the pool that counts how many acres have been conserved, which is a little different.

Mr. Bostrom: We don't track exclusive federal in our registry, and we haven't been tracking FWP Habitat Montana type projects. The one that would be appropriate to take a look at would be Habitat Montana.

Chairman Freeman: If NRCS wanted to, all they would have to do is work with the Program, right?

Mr. Bostrom: That brings us the double dipping question. I think we determined that we are not double dipping as long as we have a cost-share, if it is an exclusive federal project under SGI, we're not going to record that in our registry.

Jeff Berglund: Diane is correct (from the FWS perspective). The Service, if ultimately asked, would only recognize the pro-rata share of a Fed conservation easement program (SGI) associated with the non-Federal contribution. We wouldn't recognize the "credits" associated with the Fed contribution. Per our policies, that would be double-dipping.

2:25 pm: Brad Hansen: I did have one comment on Mr. Walker's presentation. He did mention to beware of add-on conservation programs, especially the Farm Bill programs. Almost all of the projects that have been funded from MSGOT have some sort of Farm Bill portion, so that has already happened, and is happening. I don't know what impact or potential danger that has if the BLM or the Fish and Wildlife Service where to 'look under the hood' and see all the federal match. All the match is Sage Grouse Initiative dollars, from our Montana Land Trust audit, it was found that SGI dollars is the only way the Program is not already bankrupt. Over the four grant cycles, those sage grouse projects have contributed over \$20 million to the conservation easements, where the state funding is somewhere closer to 40% of the total. It is about 60% match and 40% state dollars. If the Program had to make the argument that it was self-sustaining, it would be hard to back up the argument that it stands on its own; that is what Mr. Walker was alluding to when he cautioned against add-on conservation. This gets back to the healthy conversation over where or not to change the 3% adjustment or to increase the amount charged to development.

2:26 pm: Senator Lang: If you have 1,000 credits being generated and 30% of the money is coming from MSGOT, 70% comes from SGI, do we get just get the 300 credits? That is what has been explained to us over the past, but are we incorrect there?

Mark Bostrom: We get all of it, Senator

Jeff Berglund: Just in case this helps clarify a bit - here's an excerpt from our Policy Regarding Prelisting Conservation Actions: Conservation actions on non-Federal lands that are supported by Federal funds, or an associated non-Federal match are (generally) not eligible to accrue credits for purposes of this policy. In the exceptional case in which: 1) acquisition of private land easements through U.S. Department of Agriculture (USDA) conservation easement programs are an essential element of an effective species conservation strategy, 2) crediting of the non-federal contribution to the USDA conservation easement program to mitigation purposes is necessary in order to make participation financially feasible for the affected private landowners, and 3) USDA agrees to allow the non-federal contribution to be credited for mitigation, the pro-rata share of benefits of a USDA conservation easement program associated with the non-federal contribution may be accepted as a qualifying Voluntary Prelisting Conservation Action.

Mark Bostrom: Do we report that in our registry?

Dr. McFadden: We record the match amount in dollars, but not in credits. We can break out the credits.

Director Long: That is the answer to your question, Senator Lang, a definite maybe.

Therese Hartman: We will explore this further.

Chairman Freeman: What would prevent the federal government from participating in the MSGOT program?

Senator Lang: That is one of the fallacies that has been with the project since it started. We tie up 10,000 acres, Montana people put up the money for 2,000 acres and there is still 8,000 acres worth of sage grouse protection and we get no credit for it. It's unjust to a Montanan.

Chairman Freeman: I think we have plenty to dwell on.

Mark Bostrom: We need to take a look at it and see if our registry is recording the same thing US Fish and Wildlife Service database. I believe we have looked at this before and determined we are not double dipping, but we will verify that point.

Chairman Freeman: If there are no further questions, let's continue on with the presentation.

2:29 pm: Program Presentation- Part 2: Understanding HQT Results: Multiple Data Sources--> One Basemap

Dr. Jamie McFadden and Ms. Therese Hartman presented background information on the Program Basemap, and how to understand the HQT results.

2:40 pm: MSGOT Discussion

Senator Lang: Are the maps you showing in deeded acres?

Dr. McFadden: Theses are preapplication grant proposals. Roen and Pfister have no federal lands and are all deeded acres. We cannot speak for Schultz Ranch; we will look into that right now.

Ms. Ahlgren: It seems like the HQT has come a long way. I appreciate that you have changed the sage grouse height, in my area, we do not have tall sage brush, but have sage grouse populations. I also appreciate you guys showing us how you came to your conclusion, it has been very helpful. Thank you.

2:41 pm: Therese Hartman: Senator Lang, the Schultz term lease project does have state trust lands and BLM lands within their project boundaries.  
Senator Lang: Thank you.

2:42 pm: **Chairman Freeman moved to adjourn the meeting.**

**Second: Director Long**

**Meeting Adjourned at 2:42 pm.**

Chair for this meeting:

/s/ x 

Michael Freeman, Governor's Natural Resource Policy Advisor