Memorandum

To: Agricultural Land Valuation Advisory Committee

From: Amanda Funke, Agricultural and Forest Valuation, Property Assessment Division

Date: June 10, 2026

Subject: Recommendation for Carrying Capacity Requirement for Eligibility of Grazing Land Classification; 15-7-202 (3), MCA

Purpose
The department requests recommendations from the committee to establish a consistent and predictable policy for determining Animal Unit Months (AUMs) to improve stability and fairness for both the department and taxpayers.

Historical AUM requirements from 2009–2028 range from a high of 31 AUMs to a low of 21 AUMs.

2009-2014	2015-2016	2017-2018	2019-2020	2021-2022	2023-2024	2025-2026	2027-2028
30 animal unit months (aums)	31 animal unit months (aums)	31 animal unit months (aums)	31 animal unit months (aums)	23 animal unit months (aums)	25 animal unit months (aums)	22 animal unit months (aums)	21 animal unit months (aums)

Current Process and Associated Challenges

The department currently conducts agricultural classification reviews on a two-year cycle and relies on the most recent AUM data to determine grazing classifications.
The transition from a six-year cycle to a two-year cycle has introduced several operational challenges. This process increased the workload and resources required to analyze potential classification changes, which may result in either increases or decreases in valuation. As a result, this can create a level of volatility that can be difficult to anticipate from cycle to cycle.

These challenges highlight the need for a more stable and clearly defined AUM carrying capacity requirement that will reduce administrative burden, improve consistency, and provide greater predictability for landowners.

The following options are two approaches intended as starting points for the committee's consideration. These are intended to initiate discussion and should not be viewed as final recommendations.

Option 1 - static: Use the Lowest Historical AUM as a Static Floor (21 AUMs)

This option uses the lowest documented AUM value. The 21 AUM carry capacity requirement would remain fixed as the minimum level going forward unless it decreases further.

Pros

• Provides administrative simplicity and consistency.
• Ensures that a producer is not subject to the yo-yo effect of qualifying vs. not qualifying.

Cons

• Does not account for ecological, environmental, or operational changes over time.

Option 2- Adaptive: Use Lowest AUM as Initial Floor, but Adjust if AUM Levels Change by a Set Percentage

This option still anchors policy to the lowest historical AUM (21 AUMs) but incorporates flexibility. The floor would adjust if average AUM levels increased or decreased by a specified percentage (for example, 10% or 15%).

Example:
• *Base floor: 21 AUMs*
• *Trigger: If the rolling X-year average AUM changes by ±10%*
• *Adjustment: New floor = lowest AUM × (1 ± percentage change)*

Illustration
If the X-year average AUM increases by 10% (e.g., from 25 to 27.5 AUMs), the new minimum becomes:
*21 × 1.10 = **23.1 AUMs**, rounded to **23 AUMs**.*

If the X-year average decreases by 10%, the new minimum becomes:
*21 × 0.90 = **18.9 AUMs,** rounded to **19 AUMs.***

However, the committee may choose to cap negative adjustments to maintain operational stability.

Pros
• Protects long-term viability of resources.
• Allows increases in floor values when AUM capacity adjusts to the recommended percentage.

Cons
• More administrative tracking required.
• Adjustments may cause qualified grazing land to be reclassified.

Summary

This memorandum seeks the Committee’s guidance on establishing a more stable and predictable AUM requirement for grazing land classification. Frequent updates under the current two-year review cycle create administrative burden and lead to inconsistent qualifications for grazing land classification for landowners.

Two approaches are presented, but are not limited to, for consideration:
• A **static minimum** using the lowest historical value of 21 AUMs.
• An **adaptive minimum** starting at 21 AUMs but adjusting if long-term AUM averages shift by a set percentage.

The goal is to adopt a clear, dependable standard that improves consistency for both the department and taxpayers.