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PREPARED FOR THE FEDERAL LAND ACTION GROUP FORUM, "EXAMINING THE FEDERAL ESTATE: OPTIONS FOR BETTER MANAGEMENT AND MORE CONTROL," WASHINGTON, D.C.

JULY 28, 2015

Key Points:

- The federal government loses money managing valuable natural resources on federal lands, while states generate significant financial returns from state trust lands.

- According to a recent study at PERC, state trust lands in Montana, Idaho, New Mexico, and Arizona earn an average of $14.51 for every dollar spent. The U.S. Forest Service and Bureau of Land Management generate only 73 cents in return for every dollar spent on federal land management.

- On average, states generate more revenue per dollar spent than the federal government on a variety of land management activities, including timber, grazing, minerals, and recreation.

- These outcomes are the result of the different statutory, regulatory, and administrative frameworks that govern state and federal lands. States have a fiduciary responsibility to generate revenues from state trust lands, while federal land agencies face overlapping and conflicting regulations and often lack a clear mandate.

- If federal lands were transferred to state control, states could likely earn much greater revenues than the federal government. However, transfer proponents must carefully consider how land management would have to change in order to generate those revenues under state control.

Introduction:

Nearly half of the western United States is owned by the federal government. In recent years, several western states have considered resolutions demanding that the federal government transfer much of this land to state ownership. These efforts are motivated by local concerns over federal land management, including restrictions on natural resource development, poor land stewardship, limitations on access, and low financial returns.

In a recent study published by the Property and Environment Research Center (PERC) entitled "Divided Lands: State vs. Federal Management in the West," Holly Fretwell and I contrast state and federal land management in the West.[1] The study examines the revenues and expenditures associated with federal land management and compares them with state trust land management in four western states: Montana, Idaho, New Mexico, and Arizona. The report explains why revenues and expenditures differ between state and federal land agencies and discusses several possible implications of transferring federal lands to the states. Our key findings are summarized below.

1. The federal government loses money managing valuable natural resources on federal lands.

The U.S. Forest Service and Bureau of Land Management together lose nearly $2 billion each year, on average. These agencies receive only 73 cents in return for every dollar they spend on federal land management.

Table 1
The Cost of Land Management: Federal vs. State (annual average 2009-2013)

	Revenue	Expenses	Revenue per Dollar Spent	Net Revenue
Federal Multiple-Use Lands	$5,261,863,132	$7,216,610,309	$0.73	-$1,954,747,177
State Trust Lands	$239,921,512	$16,540,387	$14.51	$223,281,126

Note: Data are 5-year annual averages from 2009-2013, adjusted to 2013 dollars. Federal multiple-use lands include lands managed by the U.S. Forest Service and the Bureau of Land Management. BLM data includes Office of Natural Resource Revenues (ONRR) revenues. Federal data is not state-specific. State trust land data includes Montana, Idaho, New Mexico, and Arizona.

[1] Holly Fretwell and Shawn Regan. 2015. Divided Lands: State vs. Federal Management in the West." PERC Public Lands Report. March. Available at http://www.perc.org/articles/divided-lands-state-vs-federal-management-west.

2. States generate significant financial returns from state trust lands.

State trust lands consistently produce generous financial returns. The four states examined in our study—Montana, Idaho, New Mexico, and Arizona—earn an average of $14.51 for every dollar spent managing state trust lands.

Table 2 - The Cost of Land Management: Federal vs. State

	Revenue	Expenses	Revenue per Dollar Spent
U.S. Forest Service	$571,781,109	$5,708,126,237	$0.10
Bureau of Land Management	$4,690,082,024	$1,508,484,072	$3.11
Montana	$107,610,838	$12,443,132	$8.65
Idaho	$66,033,347	$23,572,154	$2.80
New Mexico	$554,218,262	$13,516,608	$41.00
Arizona	$231,823,603	$16,629,652	$13.94

Note: Data are 5-year annual averages from 2009-2013, adjusted to 2013 dollars. BLM data includes Office of Natural Resource Revenues (ONRR) onshore mineral revenues.

3. On average, states generate more revenue per dollar spent than the federal government on a variety of land management activities.

Timber

The Forest Service generates 32 cents for every dollar it spends on timber management, and the BLM receives 38 cents per dollar spent. By contrast, Montana and Idaho earn an average of $2.51 for every dollar spent on timber management.

Table 3 - The Cost of Timber Management: Federal vs. State

	Revenue	Expenses	Revenue per Dollar Spent	Net Revenue per mbf* sold
U.S. Forest Service	$181,719,687	$565,664,914	$0.32	-$148.90
BLM	$28,239,188	$75,278,587	$0.38	-$197.71
Montana	$9,479,033	$6,013,601	$1.58	$60.80
Idaho	$52,022,745	$18,473,180	$2.82	$126.13
State Trust Lands	$30,750,889	$12,243,391	$2.51	$114.60

*Note: 5-year annual average from 2009-2013, adjusted to 2013 dollars. There is no commercial timber harvesting on state trust lands in New Mexico or Arizona. State trust lands are the annual averages from Montana and Idaho. * mbf = thousand board feet.*

Grazing

The Forest Service generates only 10 cents for every dollar spent on rangeland management, and the BLM generates 14 cents for every dollar spent. State trust lands earn an average of $4.89 per dollar spent on rangeland management.

Table 4 - The Cost of Grazing: Federal vs. State

	Revenue	Expenses	Revenue per Dollar Spent	Revenue per Acre of grazing land
U.S. Forest Service	$5,738,466	$55,808,212	$0.10	$0.06
BLM	$13,039,887	$91,249,453	$0.14	$0.08
Montana	$7,990,322	$1,596,173	$5.01	$1.94
Idaho	$1,715,411	$1,264,582	$1.36	$0.95
New Mexico	$6,204,218	$485,484	$12.78	$0.72
Arizona	$2,601,249	$439,921	$5.91	$0.31
State Trust Lands (Averaged)	$4,627,800	$946,540	$4.89	$1.63

Note: 5-year annual averages from 2009-2013, adjusted to 2013 dollars. The expense data for Montana and Arizona includes expenses associated with agriculture as well as grazing on state trust lands.

Minerals

Federal land agencies generate $19.76 for every dollar spent managing mineral production on federal lands, while state trust lands generate an average of $138.08 per dollar spent on minerals management.

Table 5 - Minerals: Federal vs. State

	Revenue	Expenses	Revenue per Dollar Spent
All Federal Lands	$4,413,338,743	$223,367,859	$19.76
Montana	$59,988,493	$957,347	$62.66
Idaho	$3,479,576	$501,570	$6.94
New Mexico	$533,447,123	$2,592,115	$205.80
Arizona	$25,852,473	$459,012	$56.32
State Trust Lands	$155,691,916	$1,127,511	$138.08

Note: 5-year annual averages from 2009-2013, adjusted to 2013 dollars. Federal land revenue data include all onshore federal mineral receipts reported by the Office of Natural Resource Revenues, Forest Service, and BLM. Federal land expenditure data includes all Forest Service and BLM mineral expenses.

Recreation

The Forest Service generates 28 cents for every dollar spent on recreation, and the BLM generates 20 cents for every dollar spent on recreation. By contrast, Montana and Idaho earn an average of $6.86 per dollar spent on recreation.

Table 6 - Recreation: Federal vs. State (annual average 2009-2013)

	Revenue	Expenses	Revenue per Dollar Spent
USFS	$130,086,271	$465,984,985	$0.28
BLM	$17,900,454	$87,370,266	$0.20
Montana	$1,119,052	$177,294	$6.31
Idaho	$348,006	$36,584	$9.51
State Trust Lands (MT and ID average)	$733,529	$106,939	$6.86

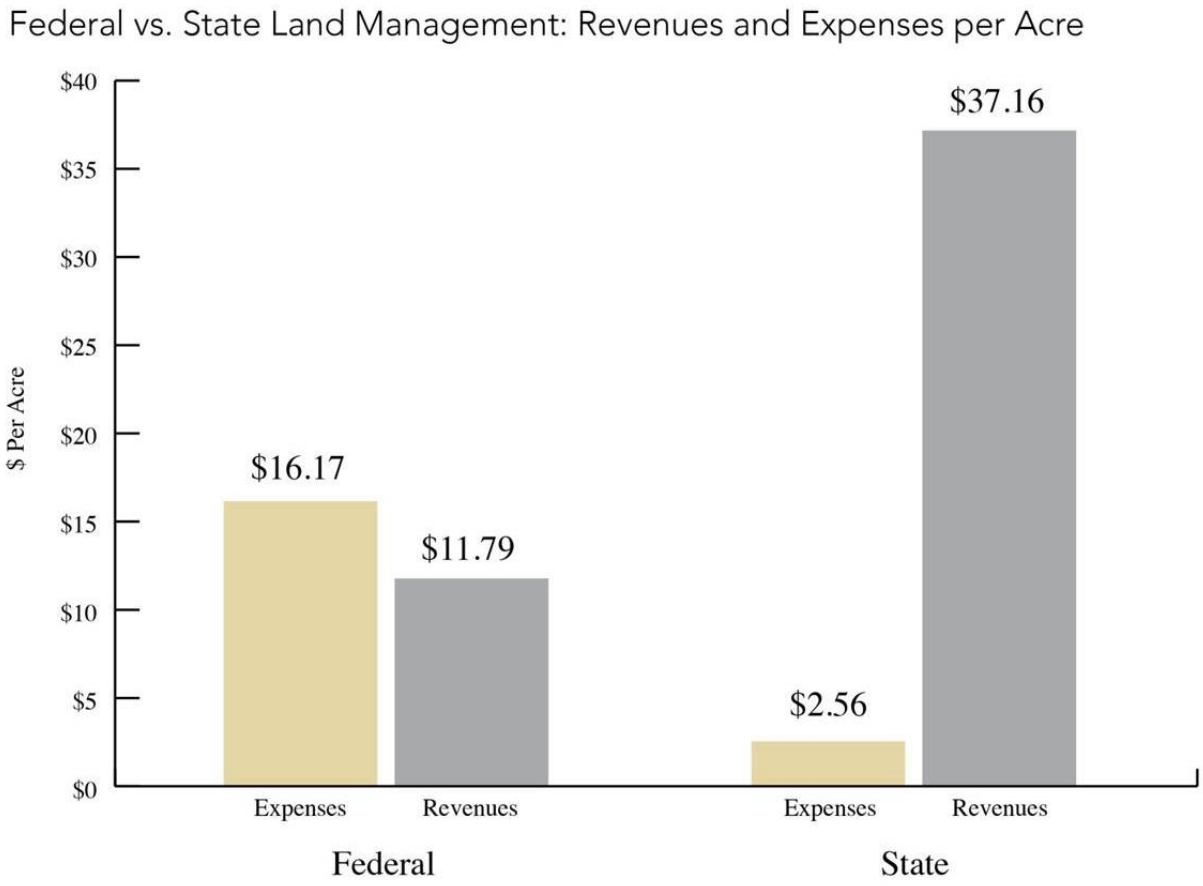
Note: 5-year annual averages from 2009-2013, adjusted to 2013 dollars. Recreation revenue and expenditure data are not available from New Mexico and Arizona.

4. These outcomes are the result of different statutory, regulatory, and administrative frameworks that govern state and federal lands.

State trust land agencies have a fiduciary responsibility to generate revenues for trust beneficiaries. This provides trust managers with clarity and accountability to manage for long-term revenue generation and resource stewardship. Because of the trust mandate, state trust land agencies are often able to resist excessive political influence, respond to market signals, and accommodate new resource demands.

On the federal side, public land management lacks a clear purpose. Federal land agencies are not required to generate revenues sufficient to cover their costs. Overlapping and conflicting regulations create “analysis paralysis,” which increases costs and hinders the agencies’ ability to respond to resource needs or resolve competing resource demands. Political interests have also prevented federal agencies from evolving in ways that state trust agencies have—for example, by adjusting lease rates, encouraging competitive bidding, or allowing conservation leasing.

Figure 1



Note: 5-year annual averages from 2009-2013, adjusted to 2013 dollars. Federal data includes U.S. Forest Service and Bureau of Land Management. State data includes Montana, Idaho, New Mexico, and Arizona state trust lands.

Conclusion

Federal land agencies lose billions of dollars each year managing valuable resources on federal lands. The current federal land system fails to foster fiscal responsibility and, in some cases, also fails to produce environmental stewardship. Managing these lands should provide a rich source of revenues to benefit the public, but it is instead coming at a high cost to taxpayers.

In our recent report "Divided Lands: State vs. Federal Management in the West," Holly Fretwell and I examine the costs of managing specific resources on federal lands and concludes that there is plenty of room for improvement. State trust lands, which are governed by a different set of laws, demonstrate that land management agencies can be fiscally responsible. Unlike the federal government, states consistently produce generous financial returns while managing similar resources. For every resource that we examined—from timber and grazing to minerals and recreation—states generated, on average, more revenue per dollar spent than the federal government.

Importantly, these results are the product of the different statutory, regulatory, and administrative frameworks that govern state and federal lands. State trust agencies have a fiduciary responsibility to generate revenues for trust beneficiaries. This provides trust managers with clarity, accountability, and the responsibility to manage for long-term resource stewardship. State trust managers have demonstrated their ability to resist excessive political influence, respond to market signals, and accommodate new resource demands over time.

On the federal side, public land managers lack a clear purpose or sense of direction. Overlapping and conflicting regulations create what one Forest Service chief called "analysis paralysis," which increases costs and hinders the agency's ability to respond to resource needs or resolve conflicting resource demands. Federal land management is also, by its nature, political land management. Politics become entangled in many aspects of federal land management and often prevent agencies from evolving in ways that state trust agencies have—by adjusting lease rates, encouraging competitive bidding, or allowing conservation leasing.

It is important to note that state control alone will not necessarily solve the problems that exist on the federal estate. As we have shown, there are important differences between state and federal land management. For states to produce the type of results we describe in this report, the transferred lands would have to be managed as state trust lands are today. This could have significant effects on current land management practices and existing public land users, including higher lease rates, increased leasing competition, and modest fees for recreation access. Moreover, our report does not directly address the cost of managing and suppressing wildfires, which presents a significant financial and environmental challenge on federal lands. Whether states could absorb or defray these costs, or whether other collaborative management alternatives might exist, is a question for future research.

States have clearly demonstrated their ability to generate greater returns from land management than the federal government—a fact that is even more remarkable considering how scattered state trust lands are across the West. But states are not guaranteed to become better land stewards than the federal

government if they are burdened by similar regulations and restrictions as federal land agencies. We suggest that the central question in the debate over the transfer of public lands is *how* the lands would be managed under state control.

There is nothing inherently national in scope about many federal land management responsibilities. Timber harvesting, livestock grazing, and energy development are carried out responsibly and profitably on state trust lands. Our results provide further evidence to question whether these activities should remain federal responsibilities. States could likely earn much greater revenues managing these activities, but transfer proponents must consider how management practices would change in order to generate those revenues under state control.

Nonetheless, there are many lessons the federal government could learn from the state trust land model. It is clear that higher revenues could be generated on federal lands, and at much lower costs. A variety of state trust land management practices, such as escalating mineral lease rates and conservation leasing, could be adopted by federal land managers to increase revenues and resolve conflicting resource demands.

State trust lands offer compelling evidence that our federal lands are in need of reform. Regardless of whether federal lands remain in federal ownership or are transferred to the states, we can do better.