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STATEMENT OF BOYD L. RASMUSSEN, DIRECTOR, BUREAU OF LAND MANAGEMENT, DEPARTMENT OF THE INTERIOR, BEFORE THE SUBCOMMITTEE ON PUBLIC LANDS, COMMITTEE ON INTERIOR AND INSULAR AFFAIRS, UNITED STATES HOUSE OF REPRESENTATIVES, MARCH 4, 1969, ON GRAZING FEES

The Bureau of Land Management appreciates the opportunity to meet with this Committee on the subject of grazing fees. Grazing fees and the new regulations have been a matter of considerable interest on both sides of the question. Some aspects of the new regulations have been accepted as an improvement over the former system. Unfortunately, these aspects have been largely overlooked in the issue over the new fee amount and its duration. This statement will cover various aspects of the new grazing fee policy and will start with a brief background on the grazing resource and grazing charges.

The Land Base

The Bureau of Land Management is responsible for management of the grazing resource on the public domain lands in the West. In total, the Bureau is responsible for multiple use management on about 450 million acres of land; 175 million acres located in the 11 Western States and 275 million in Alaska. As directed by Congress, and in cooperation with the people and local governments, these lands are administered for forage, wildlife, minerals, recreation, wood and water; open space and community growth. The land area suitable for grazing of domestic livestock in the Western States is about 160 million acres.

Cattle and sheep have grazed the public domain lands for many years going back to the Spanish colonization and the later American settlement periods. Livestock operations on public lands have been an important use and will continue to be. Congress passed the Taylor Grazing Act in 1934 to stop uncontrolled grazing and injury and to provide for orderly use of the lands, as well as to stabilize the dependent livestock industry. The Classification and Multiple Use Act of 1964 reaffirms domestic livestock grazing as part of multiple use management. Public land forage is important to the dependent ranchers and communities in the Western United States. Furthermore, livestock grazing is an important component of balanced land use. On a National basis, public domain lands administered by the Bureau of Land Management provide about one percent of the feed for all cattle and six percent of the feed for all sheep. In the 11 Western States about five percent of all cattle feed and 13 percent of the sheep feed is provided by public domain lands.

History of Grazing Fees

The first grazing fee for use of public domain land in the Bureau of Land Management districts was established in 1936, two years after the passage of the Taylor Grazing Act. At that time the Secretary of the Interior proposed a $0.10 fee. The Department viewed this as a minimum acceptable fee and not a full value fee. The livestock industry was unwilling to accept the $0.10 and the 1936 fee was set at $0.05 per animal unit month.

The flat fee of $0.05 prevailed from 1936 to 1946. From 1947 through 1957, the fee increased through the years by negotiation with the livestock industry to $0.15. Beginning in 1958, the fee was set through a formula using livestock prices as an index. The fee gradually increased to $0.19 in 1962.

Grazing fees became the subject of hearings before the Senate Interior Committee on February 7-8, 1963. These meetings indicated that the fees on public domain continued below the fees charged by other Federal agencies and private lease rates. Based on the livestock price formula, the fee was increased to $0.30 in 1963. In 1968, the fee was $0.33.

Meanwhile, pressure developed for an overhaul of the basis for charging grazing fees. In the Act of August 31, 1951 (65 Stat. 290), Congress spelled out its general policy on fees and charges for Government services, privileges, permits and similar things of value. Subsequently, audit reports of the Comptroller General were critical of the level of fees charged. The Comptroller General's report of September 1958, transmitted to the Congress on September 24, 1959, recommended a joint study be undertaken with the objective of arriving at a uniform basis for establishing grazing fees.

The Bureau of the Budget also expressed interest in charges for federally owned natural resources which resulted in issuance of Budget Circular, A-25, in 1959, and the Natural Resource User Charges Study in 1964.

The basic thrust of these directives is that: (1) where federally owned resources or property are leased or sold, fair market value should be obtained; (2) a uniform basis should be used by all agencies to establish fees; and (3) that fees should be based on the economic value of the use to the user. Economic value should be set by appraisal or competitive bidding. Where competitive bidding is not feasible, the appraisal should take into consideration comparability with fees established for comparable use of State and private grazing lands.

Correspondence in 1959 and 1960 between Chairman Wayne Aspinall of the House Interior Committee, and the Departments of Agriculture and Interior, led to agreement that a uniform approach to grazing fees was desirable and that a task force should be formed to undertake a joint study.

The 1966 Fee Study

An Interdepartmental Grazing Fee Committee consisting of professional representatives of the Departments of Agriculture and Interior, working with the Department of Defense, Bureau of the Budget, and Economic Research Service, made a detailed study of user charges for livestock grazing on all federal lands. Through other studies, some of which were conducted by Western Universities and the Economic Research Service, the Committee selected a set of procedures that would form the basis for a data collection survey. The study design was tested by Utah State University. The study would use appraisal procedures to establish grazing values. This is essentially the same approach used in establishing federal timber and mineral values. The Bureau of the Budget approved the design. The study proposal was reviewed thoroughly with industry representatives and received their approval prior to implementation. They provided an economist to assist in the study design, including the selection of cost items to be inventoried. As a part of the study, it was agreed that transaction evidence regarding sales of permits would be gathered from financial institutions.

The Statistical Reporting Service of the Department of Agriculture conducted the survey for the Bureau of Land Management and Forest Service in 1966. It provided data needed to estimate grazing values on some 98 National Forests, 19 National Grasslands, and 48 Bureau of Land Management Districts. Fact gathering included 17 Western States.

Costs of the study, survey and analysis were about $1,000,000. Some 10,000 individuals and 218 financial institutions were interviewed and more than 14,000 questionnaires were collected. These included Forest Service and the Bureau of Land Management grazing permittees and ranchers who are not permittees, but who lease private grazing lands. Grazing industry representatives were kept informed on the study as it proceeded.

Survey Results

The cost data from the 3,828 Bureau of Land Management permittees and that portion of the private lessees associated with the Bureau of Land Management sample are attached to this statement. The difference between total private costs ($4.65) and total public costs ($3.34) was $1.31. This represented a base fee for the Bureau of Land Management.

To check the analysis of the survey data at this point, the Arthur D. Little Company, Inc., a private management and consulting firm, made an independent analysis of the Bureau of Land Management and private lease data. Their report supported the findings.

The industry worked with the Bureau of Land Management in evaluation of the survey. Between March 1966 and January 1969, 21 meetings were held. Livestock industry representatives and others attended to discuss the survey and resulting data. For example, on August 25, 1967, a meeting of the Special Grazing Fee Committee of the National Advisory Board Council was held to discuss progress on the fee study. The major concern of the industry at that time was the fact that permit values had been excluded as a deductible cost in calculating federal grazing fees. This point was unresolved in the opinion of the industry. Meetings with other groups interested in public lands were also held.

The General Accounting Office and the Bureau of the Budget were concerned with the patch-work fees charged by agencies. The data produced for both the Bureau of Land Management and Forest Service was analyzed to determine if the survey showed any statistical differences between the cost of using each agency's lands, and if there was a basis for a variable fee between and within the agencies. A Technical Committee on the analysis of grazing cost data, chaired by Mr. Earl Houseman, Director of Standards and Research Division, Statistical Reporting Service, performed the analysis. Other members were from the Economic Research Service, Bureau of Land Management, Forest Service and the Bureau of the Budget as ex-officio. The Committee concluded that there was no statistical support from the 1966 Grazing Survey for a different fee base for cattle and sheep, or for Bureau of Land Management and Forest Service, or for variable fees within either agency. The result of combining Forest Service and Bureau of Land Management data was that the base fee for both agencies was $1.23 rather than the $1.31 indicated for the Bureau of Land Management only.

Establishing a New Fee

There is a difference of $0.90 per animal unit month for cattle and sheep between the existing Bureau of Land Management fee of $0.33 and the appraised fair market value of $1.23. In order to allow an adjustment period for the livestock industry, a 10-year period was provided for reaching the full price, amounting to an increase of $0.09 per year. Federal receipts from grazing would be less than fair market value during this period. So would be the share of these receipts returned to the States and to grazing districts for range improvements.

In the past, the grazing fee has been adjusted annually according to changes in the average price of beef and lamb in the 11 Western States. Since the fee is now based on the fair market value of public forage, it would be adjusted annually by an index computed from the average rental rates paid by ranchers for private forage in the 11 Western States. These rental rates are published annually in "Farm Real Estate Market Developments" by the Economic Research Service, United States Department of Agriculture.

The new regulations for fees collected within the Bureau of Land Management districts provide that one-third of the fee be designated by the Department as a range improvement fee and two-thirds as the grazing fee. The range improvement fee, when appropriated by Congress, is used for range improvements which benefit the permittee. Twelve and one-half percent of the grazing fee is returned to the States to be spent for the benefit of the counties from which the fee was collected. The balance goes to the Treasury. The new regulations continue the previous allocation to range improvements.

Permit Value

Much of the current discussion about the new fee schedule has focused on whether the "permit value" should be considered in determining the base fee.

Public domain land grazing permits are transferable. The term "permit value" refers to the cost of acquiring the grazing privilege in a private transaction. It is a transaction between private individuals which does not involve the federal government. In other words, it is the price one rancher pays to another to acquire his grazing privilege. One-third of the Bureau of Land Management permits are held today by their original owner. The value of the permit has increased in price through the years.

The 1966 survey indicated that the average permit value paid in private transactions pertaining to Bureau of Land Management lands was $14.41 per animal unit month. The livestock users ask that the annual interest cost of holding the permit be included as an operating cost in determining the fee. They ask that six percent of the permit value of $14.41 or $0.86 per animal unit month be deducted from the fair market value of forage. The Department did not include this cost in setting the base fee. If it had been included, the base would be $0.37 per animal unit month rather than $1.23. The study did include the cost to the rancher of range improvements placed on the public lands and his maintenance for them. Title to many of these improvements remains in the name of the rancher. Credit for these items has been included in calculating the $1.23 base.

Giving the permittee credit for the interest on the permit value in computing fees would recognize that the permit gives the operator a proprietary interest in the public lands. This is clearly prohibited by the express provisions of Section 3 of the Taylor Grazing Act that . . ."So far as consistent with the purposes and provisions of this Act, grazing privileges recognized and acknowledged shall be adequately safeguarded, but the creation of a grazing district or the issuance of a permit pursuant to the provisions of this Act shall not create any right, title, interest, or estate in or to the lands." Court decisions confirm the fact that the privilege of grazing on public lands cannot become a property right against the sovereign and is withdrawable at any time without payment of compensation.

The Interior Solicitor has stated that, "To base the fee on a credit which represents a return on the market value of a grazing permit as though it were an interest in land like a lease, is directly in conflict with Section 3 of the Taylor Grazing Act since it would recognize what the law prohibits -- a proprietary interest in the public grazing lands. The concept of permit value itself represents an appropriation by the holders of permits of a part of the public's equity in the public lands. In the case of privately owned lands, it is the owner of the land who is realizing the return on his ownership equity, as witnessed by the difference in grazing fees between privately owned and federally owned lands. To allow the permittees the credit on permit value they contend for, would be to permit the permittee rather than the owner of the land, i.e., the public, to realize the return on the lands' value."

Public Reaction to New Grazing Fee Schedule

The proposed regulations announced on November 16, 1968, provided 45 days rather than the normal 30, for comment. Nearly 1,400 letters regarding the fee issue were received. By numbers, about 60 percent supported the proposal. All letters received have been answered. In addition to letters from individuals, the Secretary received position statements from the major national and State conservation and livestock groups, State governments and petitions from many organizations.

The proposal was reviewed by the 54 local district advisory boards who in varying degrees were opposed to the new schedule. Following receipt of these recommendations, a special meeting of the Special Grazing Fee Subcommittee of the National Advisory Board Council was held, followed by a full National Advisory Board Council meeting.

After consideration of all the letters and recommendations, the Secretary adopted a final rule making on the matter on January 14, 1969. The final rule making was essentially as originally proposed. The resulting fee structure is consistent with the requirements of Section 3 of the Taylor Grazing Act which states that permittees . . ."are entitled to participate in the use of the range, upon the payment annually of reasonable fees in each case to be fixed or determined from time to time, and in fixing the amount of such fees the Secretary of the Interior shall take into account the extent to which such districts yield public benefits over and above those accruing to users of the forage resources for livestock purposes." The fee is based on the value of the federal forage received by the public land rancher. Benefits accruing to other public land users are not included, nor are the costs of providing these benefits. In other words, the fees are based upon giving the rancher credit for his cost of using the land.

In reviewing the new grazing fee level, a comparison with private lease rates, commercial values and other federal agencies should be made. The Bureau of Land Management data from the 1966 survey indicates that the average private lease rate is $1.82 per animal unit month. Bids for forage on the McGregor Military Range in New Mexico for the 1969 season varied between a low of $1.51 and a high of $2.52 per animal unit month. One of the high bids was submitted by a Bureau of Land Management permittee. Other federal agencies that use competitive bidding in allotting grazing use result in higher forage values than the $1.23 base.

The regulations additionally provide that the base fee may be studied periodically to determine if adjustments should be made. Reviews would be undertaken concurrently, of the impact of these changes on livestock industry stability, loaning arrangements, collateral values and the private forage market.

The new regulations provide a means to aid the rancher with flexibility in paying fees. Where an allotment management plan has been approved by the rancher and the Bureau, the rancher may now elect to pay his fees at the end of the grazing season and pay for only the amount of grazing use actually made. This would help the rancher to make adjustments in his operation as climate and market conditions dictate and pay for only what he uses.

Impact on Users

A major concern in attaining fair market value for public land forage is that the resulting fee be consistent with the Taylor Grazing Act as to reasonableness and that it should aid in stabilizing the dependent livestock industry.

The impact of the increase will fall, in terms of total grazing fees, in direct proportion to the number of animal unit months grazed. The Bureau of Land Management has 14,419 grazing permittees in the districts. Fifty-two percent of all Bureau of Land Management forage is allotted to only five percent or fewer than 700 ranchers. The majority of Bureau of Land Management permittees are located in the Intermountain Region. The typical family ranch operating on public domain in this area runs about 300 head and about 800 animal unit months. The new fee schedule would increase this operator's annual fee cost from $264 which he paid in 1968 to $984 in ten years.

Approximately 25 percent of the Bureau of Land Management permittees graze fewer than 100 animal unit months annually. The average rancher in this group grazes 12 animal unit months and, therefore, pays the $10 minimum fee. Under the fee schedule, it would take about six years before this group has any increase. The full grazing bill at $1.23 per animal unit month in 1979 would be about $15, or a total increase of $5 for these small operators.

Studies by the Economic Research Service and Western Universities indicate that at a $0.33 grazing fee, the grazing fee bill is about two percent of an average rancher's total operating costs. When the increase in fees reaches $1.23, the grazing fee bill would be about six percent of total operating costs. Other studies indicate that a one cent per pound drop in livestock prices has as great an impact on ranch income as increasing grazing fees to $1.23 per animal unit month.

Conclusion

The fee question has had public review. Litigation is now under way and legislation has been introduced on the subject.

A sustained attempt has been made to keep all concerned informed on the 1966 fee study and its results. The action subsequently taken on the fees reflects a reasoned solution based on a comprehensive study of the facts over a long period of review. The handling of the permit value remains as the central issue throughout.

Livestock grazing is an important use of the public lands in the Bureau of Land Management's programs and to the local communities concerned. A long-term resolution of the fee question would improve the financial aspects of the ranch economy, and strengthen and stabilize livestock use of the public lands.

As indicated by the Secretary's statement of February 18, the Department intends to keep the whole matter under review in the future, taking into account new information and new circumstances, including those developed in the course of judicial proceedings, Congressional hearings, and recommendations of the Public Land Law Review Commission.

Summary of Combined Average Public Costs and Private Costs
Per Animal Unit Month - 1966 1/

	Cattle		Sheep	
Itemized Cost	Combined Public Costs $	Private Costs $	Combined Public Costs $	Private Costs $
1. Lost Animals	.60	.37	.70	.65
2. Association	.08	-	.04	-
3. Veterinary	.11	.13	.11	.11
4. Moving Livestock to and from Allotments	.24	.25	.42	.38
5. Herding	.46	.19	1.33	1.16
6. Salting and Feeding	.56	.83	.55	.45
7. Travel to and from Allotments	.32	.25	.49	.43
8. Water	.08	.06	.15	.16
9. Horse	.16	.10	.16	.07
10. Fence Maintenance	.24	.25	.09	.15
11. Water Maintenance	.19	.15	.11	.09
12. Development Depreciation	.11	.03	.09	.02
13. Other Costs	.13	.14	.29	.22
14. Private Lease Rate	-	1.79	-	1.77
Total Costs	3.28	4.54	4.53	5.66
Difference 2/	$1.26		$1.13	
Weighted Average		$1.23		

1/ Developed from data analysis of the grazing fees technical committee - November 29, 1968.

2/ These differences weighted by corresponding AUMs resulted in weighted average of $1.23.

Note: The average permit value assigned by permittees for BLM grazing privileges was $14.41 per animal unit month as determined by the survey.