Interim Report on Activities of Committee to Assess Economic Costs to State of Controlling Federal Lands

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by

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to Assess Economic Costs to State of
Controlling Federal Lands

I. Initiation of Study & Collection of Data

In two earlier memos addressed to Dean Matthews, the committee reported that the application for 4-Corners financing had been completed, initial data from the State department of Natural Resources and U.S. Forest Service had been obtained, and that we were still waiting for instructions from the Governor's office on how to proceed with the Bureau of Land Management. The latter point was resolved about 2 weeks ago and we have now obtained quite a bit of budget and revenue information from the Bureau. At the current time we are in the process of trying to create a systematic scheme to lay out information from the three sources in a manner that will permit reasonably accurate budget/revenue comparisons. This appears to be a complicated task. Our aim is to make a final report 4 months after receipt of 4-Corners funding and a preliminary report before the January Legislative meeting. However, as yet, we do not have the final word on whether the funding application has 4-Corners Commission approval.

II. Some Interim Results

In this section, we will consider briefly and in gross fashion the cost figures that have been cited in recent newspaper articles. It is impossible to be completely precise because we are still in the process
of familiarizing ourselves with all the detail of the legal allocation of BLM and Forest Service receipts.

Recent newspaper articles cite 63M as an approximate cost figure. This is arrived at by creating a 94M "input" composed of 61M combined operating budget of FS, MNI, and Park Service, plus 33M in payments to the state. The State would get 31M in revenue (from 2 of the 3--Park Services are left out). Subtracting from 94M leaves 63M. This somewhat explains the article.

\[
\begin{align*}
61M & \quad \text{operating budget} \\
33M & \quad \text{payments to state} \\
94M & \quad \text{as is} \\
-31M & \quad \text{revenues to state if it controlled federal land} \\
63M & \\
\end{align*}
\]

There are problems with including the park service costs without revenue and in the cited in-lieu payments from BLM of 3.1M. Thus far, for the whole in-lieu total, we have only been able to identify 31M for 78.

Another way to estimate a rough range of costs to the State of Utah, assuming no change in the level of management, programs or personnel, is as follows (no park service):

\[
\begin{align*}
\text{[1,000,000]} \\
\text{Budget} & \quad \quad \text{Revenue} \\
\text{Forest Service} & \quad 34 & \quad .3+ \\
\text{Bureau-Land Mgt.} & \quad 12 & \quad 23+ \\
\text{61M} & \quad 31+M \\
\end{align*}
\]
Net Cost to State

$40 less 31% = 16M plus the following:

allowance for loss in lieu of 4.5M (BLM/FS share of GM)
allowance for loss of highway funds 5.0M estimated
allowance for loss of various monies returned to state and counties from mineral lease and permits, land and materials, grazing, etc.* (BLM 12 + FS 1 = 13 M)

subtotal 37.5M

It might also be necessary for the state to bear some costs which are not currently allocated to individual states due to operation of regional offices, Denver Service Center, etc. There is no way to estimate these at present but a guess is that they could range from 10M - 20M.

Rough maximum total cost estimate would be 45 - 55M.

From these results, we would expect state costs to be above 35M, less any immediate operating efficiencies or scale economies that could be realized from eliminating considerable administrative and program overlaps. In even the worst situation, it seems likely that the cost would be under 5% of the current state budget.

For comparison purposes suppose these state costs turn out to be 40M. This is about 4% of the 1+ billion budget. It would not appear to be an unmanageable burden—the State Department of Natural Resources

*Some of this is returned via the agencies' own activities in certain programs and are built into the original budgets. Also, some of the grants to the state department of Natural Resources do not have to be considered separately since they wash out between the state and federal budgets.

**This is an amount that varies greatly, depending on whether the state has projects ready-to-go, availability of discretionary funds, etc.
already manages a 25M program. The total budget for the cities and rural areas of Cache Valley is about 18M.

Given that a 35 - 50 million cost can also be reduced in many ways, such as by extracting greater revenues or actually putting selected lands on tax rolls, the net cost to the state seems quite low. Any argument against take over based on the burden of increased costs does not seem very telling. All arguments for or against ought to have other foundations.

III. Objects of study: To Refine Gross Calculations

Separate out the particular categories and functions among the 3 groups, Department of Natural Resources, BLM, and F.S. which are truly comparable. Display the data in a way that will keep apples with apples and oranges with oranges. In general this means breaking down all the various programs into as many demarcated components as possible. Within each of these we hope to have personal services, current expense, capital outlays and travel identified. Other persons using the data are then free to create whatever ratios (cost/acre, cost per professional staff, etc.) they please.

Assume the State takes over all functions "as is." Show not only the net costs, but the pattern of distribution of the gross costs and the pattern of distribution of gross revenues. (This may or may not be refined to identified counties, only say, to counties in general.) We make no promises on how far we can carry intrastate breakdowns in a first phase.
Assume State take-over coupled with stipulated reductions in "management" levels, arbitrarily introduced according to some criteria that we will select. Our plan at present is to base part of the selection on sharply rising trends in historic budget data for individual functions.

Assume State take-over and application of a minimum management level strategy. This level might be set according to State Land Board experience in land management costs. (This experience can be calculated using the sort of data prepared as a means to satisfy the first objective.)

Thus we expect to wind up with a sort of maximum cost level, a minimum cost level, and an in-between example. In addition, we will have utilized our best effort to create three sets of data that show the specific management/program categories that are most comparable on cost/revenue basis.