GRAZING MANAGEMENT REFORM

HEARING

BEFORE THE

SUBCOMMITTEE ON
NATIONAL PARKS, FORESTS AND PUBLIC LANDS

OF THE

COMMITTEE ON NATURAL RESOURCES
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

ON

H.R. 1602

TO REFORM THE MANAGEMENT OF GRAZING ON THE PUBLIC RANGE LANDS

H.R. 643

TO RAISE GRAZING FEES ON PUBLIC LANDS, AND FOR OTHER PURPOSES

HEARING HELD IN WASHINGTON, DC
APRIL 20, 1993

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HOUSE OF REPRESENTATIVES

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H.R. 1602, TO REFORM THE MANAGEMENT OF GRAZING ON THE PUBLIC RANGELANDS; AND H.R. 643, TO RAISE GRAZING FEES ON PUBLIC LANDS, AND FOR OTHER PURPOSES

TUESDAY, APRIL 20, 1993

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON NATIONAL PARKS,
FORESTS, AND PUBLIC LANDS,
COMMITTEE ON NATURAL RESOURCES,
Washington, DC.

The subcommittee met at 10:00 a.m. in Room 1324 of the Longworth House Office Building, the Honorable Bruce Vento, chairman of the subcommittee, presiding.

OPENING STATEMENT OF HON. BRUCE VENTO

Mr. VENTO. The Subcommittee on Parks and Public Lands will come to order. I have a brief opening statement.

We are meeting today for a hearing on two bills dealing with raising fees and other aspects of the management of our western rangelands by the BLM and the Forest Service.

One bill, H.R. 643, was introduced by the gentleman from Oklahoma, our friend and colleague, Mr. Synar, who has been persistent in his efforts to increase and deal with the reforming of the grazing fees. It is cosponsored by another gentleman with a longstanding interest in the matter, Congressman Ralph Regula, the ranking member on the Interior Subcommittee of the Appropriations Committee, both of whom are our lead-off witnesses this morning as we engage this issue.

The other bill, H.R. 1602, a modest effort, was introduced by myself along with our former committee colleague, Congressman Buddy Darden. Mr. Darden, of course, is not new to the issue on which he has been a leader in the House for many years along with our colleagues at the witness table.

Our committee has actively considered the matters addressed by these bills in committee and on the House floor for the last 6 years. In fact, in recent years a hearing on grazing fees and range management has become something of a regular event in this subcommittee, which has held legislative oversight or oversight hearings concerning grazing in 1987, 1989, 1991, and again last year.

Nor is this a new issue for the House, which in the last 2 years has 3 times voted to revise the way in which grazing fees are set and to make some of the other changes in law and policy that are provided for in the two bills before us today. However, one impor-

tant thing has changed this year with the arrival of a new administration.

Both President Clinton and Secretary Babbitt have indicated an interest in revising policy applicable to grazing, as well as other issues of the lands owned by the American people. In fact, the bill Mr. Darden and I have introduced includes a provision that would specifically authorize the Secretaries of Interior and Agriculture to establish what has been described as an incentive-based fee concept.

Therefore, while I am looking forward to hearing today the administration's preliminary views, I think that we should recognize that this is something that is actively being considered and refined. I hope we can work closely with the new administration and more fully develop the details as the proposals evolve, and work as well with members on the committee, I might add.

As we all know, the Clinton Administration earlier proposed provisions such as those in the bill before us be included in the committee's portion of the overall reconciliation measure designed to meet the requirements of this year's budget resolution. In fact, they do appear in the budget documents as submitted.

However, as the debate ensued on this topic, the administration has indicated its understanding of the likelihood that other vehicles may have to carry this new grazing policy initiative as well as other matters.

In any event, I believe that 1993 is the time for our committee, the Natural Resources Committee, to report to the House proposals long overdue, a comprehensive reform of range management either as a free-standing bill or as part of a larger measure.

Today's hearing is intended to be a step in that important process. Certainly there is room for adjustments and refinements in the bills as they now stand, including the bill Mr. Darden and I have introduced, but it is my intention to seek to have our subcommittee and full committee face up to the policy matter and act on the subject and do so in a timely way.

A copy of the two bills and the background materials are before Members. I will, therefore, not describe them further to the Members, but would ask Mr. Hansen or others if they have any brief opening comments.

[Text of the bills, H.R. 1602 and H.R. 643, follows:]

I

103D CONGRESS
1ST SESSION

H. R. 1602

To reform the management of grazing on the public range lands.

IN THE HOUSE OF REPRESENTATIVES

APRIL 1, 1993

Mr. VENTO (for himself and Mr. DARDEN) introduced the following bill; which was referred to the Committee on Natural Resources

---

A BILL

To reform the management of grazing on the public range lands.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE AND FINDINGS.

(a) SHORT TITLE.—This Act may be cited as the "Public Rangeland Grazing Reform Act of 1993".

(b) FINDINGS.—The Congress finds—

(1) the Federal rangelands and riparian areas under the jurisdiction of the Bureau of Land Management and the Forest Service in Western States should be managed in a manner to achieve and sustain a status of healthy native range and riparian

ecosystems and in a manner that will sustain a full and thriving spectrum of biologically diverse plant and animal species within such ecosystems;

(2) a substantial amount of Federal rangeland continues to be in a deteriorated condition;

(3) measures taken by the Bureau of Land Management and the Forest Service to improve the condition of Federal rangelands have not resulted in sufficient progress toward the achievement of ecologically healthy and biologically diverse range and riparian ecosystems for these lands;

(4) the fee formula established by Executive Order Numbered 12548 of February 14, 1986, has resulted in fees that have not returned to the Nation's citizens an adequate return for the privilege of utilizing affected rangeland for livestock grazing; and

(5) it is necessary to revise applicable law so as to improve management of grazing on rangelands in Western States managed by the Bureau of Land Management and the Forest Service.

SEC. 2. GRAZING FEES.

(a) FLPMA AMENDMENT.—Section 401 of the Federal Land Policy Management Act of 1976 (43 U.S.C. 1751) is amended by repealing subsection (a) and para-

graph (b)(1), by redesignating paragraph (b)(2) as paragraph (a)(1), by redesignating paragraph (b)(3) as paragraph (a)(2), and by adding at the end of the section the following:

"(b)(1) Except as provided in subsection (c), the Secretary of Agriculture, with respect to national forest lands in the 16 contiguous Western States (including national grasslands) administered by the United States Forest Service where domestic livestock grazing is permitted under applicable law, and the Secretary of the Interior with respect to public domain lands administered by the Bureau of Land Management where domestic livestock grazing is permitted under applicable law, shall establish and implement, beginning with the grazing season which commences on March 1, 1994, an annual domestic livestock grazing fee equal to fair market value.

"(2)(A) For purposes of this subsection, the term 'fair market value' is defined as follows:

$$\text{Fair Market Value} = \frac{\text{Appraised Base Value} \times \text{Forage Value Index}}{100}$$

"(B) For the purposes of subparagraph (A)—

"(i) the term 'Forage Value Index' means the Forage Value Index (FVI) computed annually by the Economic Research Service, United States Depart-

ment of Agriculture, and set with the 1991 FVI equal to 100; and

"(ii) the term 'Appraised Base Value' means the 1983 Appraisal Value conclusions for mature cattle and horses (expressed in dollars per head or pair month), as determined in the 1986 report prepared jointly by the Secretary of Agriculture and the Secretary of the Interior entitled 'Grazing Fee Review and Evaluation', dated February 1986, on a westwide basis using the lowest appraised value of the pricing areas adjusted for advanced payment and indexed to 1991.

"(3) Executive Order Numbered 12548, dated February 14, 1986, shall not apply to grazing fees established pursuant to this Act.

"(c) ALTERNATIVE FEES.—The Secretary concerned is authorized to implement a program enabling persons permitted to graze domestic livestock on land described in subsection (b) to pay grazing fees in an amount less than would otherwise be required by subsection (b) if such persons meet requirements established by such Secretary to improve the condition of affected range and riparian ecosystems and the biological diversity of such ecosystems.

"(d) CONSOLIDATION OF BOARDS.—The grazing advisory boards established pursuant to Secretarial action,

notice of which was published in the Federal Register on May 14, 1986 (51 Fed. Reg. 17874), are hereby abolished, and the advisory function exercised by such boards, shall, after the date of enactment of this subsection, be exercised only by the appropriate councils established under this section.

"(e) U.S. SHARE OF RECEIPTS.—Funds appropriated pursuant to section 5 of the Public Rangelands Improvement Act of 1978 (43 U.S.C. 1904) or any other provision of law related to disposition of the Federal share of receipts from fees for grazing on public domain lands or National Forest lands in the 16 contiguous Western States shall be used for restoration and enhancement of fish and wildlife habitat, for restoration and improved management of riparian areas, and for implementation and enforcement of applicable land management plans, allotment plans, and regulations regarding the use of such lands for domestic livestock grazing. Such funds shall be distributed as the Secretary concerned deems advisable after consultation and coordination with the advisory councils established pursuant to section 309 of this Act and other interested parties.".

(b) TAYLOR GRAZING ACT AMENDMENT.—Section 10 of the Taylor Grazing Act (43 U.S.C. 315i) is amended to read as follows:

"SEC. 10. RECEIPT SHARING.

"(a) PAYMENT TO LOCAL GOVERNMENTS.—From the moneys received by the United States in return for the grazing of domestic livestock on public domain lands and National Forest lands in the 16 contiguous Western States, the Secretary of the Treasury shall pay to the units of local government with jurisdiction over the lands with respect to which such moneys are collected an amount equal to 12.5 percent of such moneys collected under section 3 of this Act and 50 percent of such moneys collected under section 15 of this Act during each fiscal year.

"(b) USES.—Payments made under this subsection shall be in addition to any payments made to units of local government under other applicable law. Moneys received under this section may be used for any governmental purpose, including but not limited to schools and roads, but may not be expended in support of or opposition to any legislative proposal pending before Congress prior to its enactment into law or in connection with any action or claim in any court or other agency of the United States or of any State relating to the management of domestic livestock grazing on public lands or National Forest lands.

"(c) DEFINITION.—For purposes of this section, the term 'unit of local government' shall have the same definition as such term has in chapter 69 of title 31 of the Unit-

ed States Code (providing for payments for entitlement land).

"(d) PROPORTIONS.—If any grazing district includes lands within the jurisdiction of more than one unit of local government, payments to each such unit shall be in proportion to the percentage of the total area of such grazing district located within each such unit's jurisdiction.".

SEC. 3. TERM OF GRAZING PERMITS.

Subsections (a) and (b) of section 402 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1752) are amended by striking the words "ten years" each time such words occur in such subsections and by inserting in lieu thereof the words "five years".

SEC. 4. NONGRAZING USE.

Section 402 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1752) is amended by adding at the end thereof the following:

"(i) ALLOTMENT MANAGEMENT PLANS; NONGRAZING USES.—

"(1) If a State natural resource or wildlife agency, or nongovernmental organization or private person in a cooperative agreement with a State natural resource or wildlife agency, is a holder of a grazing permit or a lease and notifies the Secretary concerned that such holder intends to refrain from

utilizing for livestock grazing some or all of the forage available for such purposes under such permit or lease for an interval of at least 2 years for the purpose of conservation or wildlife enhancement, the Secretary shall place such forage on a nonuse status for the interval specified by such holder at the time of notification.

"(2) Forage placed on a nonlivestock-use status under this subsection shall not be available for domestic livestock grazing under any permit or lease, and the unavailability of such forage for livestock grazing shall be taken into account by the Secretary in connection with the preparation or revision of plans for the management of the affected lands.

"(3) The holder of a grazing permit or lease who has utilized the option under this subsection of having some or all of the forage covered by such permit or lease placed on a nonuse status shall be given the first priority, pursuant to this subsection, for receipt of a new permit or lease for the land covered by such permit or lease after its expiration.

"(4) Any fee otherwise applicable for utilization by grazing of forage under a grazing permit or lease shall be reduced to the extent that such forage is on a nonuse status under this subsection.".

SEC. 5. PROHIBITION OF SUBLEASING.

Section 402 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1752), as amended by section 3 of this Act, is further amended by adding at the end thereof the following:

"(j) PROHIBITION OF SUBLEASING.—(1) Subleasing is hereby prohibited.

"(2) For purposes of this subsection the following terms shall have the following meanings:

"(A) The term 'subleasing' means the grazing, on public lands or on National Forest lands covered by a grazing permit, of domestic livestock which is not both owned and controlled by the holder of the grazing permit.

"(B) The term 'grazing permit' means a permit or lease of the type described in subsection (a) of this section which has been issued by the Secretary concerned pursuant to applicable law and which authorizes for a specified term of years the grazing of domestic livestock on public lands or lands within National Forests in the 16 contiguous Western States.

"(3) To assure compliance with this subsection, the Secretary concerned shall require each holder of a grazing permit to file annually an affidavit that such holder owns and controls all livestock which such holder is knowingly

allowing to graze on public lands or National Forest lands covered by such holder's grazing permit.

"(4)(A) A grazing permit shall terminate 30 days after the effective date of any lease, conveyance, transfer, or other voluntary action on the part of a holder of a grazing permit which has the effect of removing from the control of the holder of such permit the privately owned property or part thereof with respect to which a grazing permit was issued. No grazing pursuant to such permit shall be permitted after such termination unless, prior to such termination, the party that has obtained or will obtain control of such property or part thereof has submitted an application for a grazing permit based on such control, in which case the Secretary concerned may allow grazing to continue if such Secretary has reason to believe that such application is likely to be approved. Such continued grazing shall be for a period no longer than the remainder of the grazing year during which such application was submitted.

"(B)(i) A grazing permit held by a natural person shall terminate upon the death of its holder, but the Secretary may permit grazing to continue on lands covered by such grazing permit for a period not to exceed 2 years after the date of the death of such holder if necessary or

appropriate in order to facilitate the orderly management of the deceased holder's estate.

"(ii) A grazing permit shall terminate upon an involuntary transfer from the control of its holder (including a transfer by operation of law) of the privately owned property (or portion thereof) with respect to which such grazing permit was issued, but the Secretary may permit grazing to continue on lands covered by such grazing permit for a period not to exceed 1 year after such involuntary transfer, if necessary, in order to facilitate the redemption, sale, or other disposition of such property or portion thereof.

"(iii) After any continuation of grazing pursuant to either clause (i) or (ii) any grazing on lands affected by such continuation shall occur only subject to a new grazing permit.

"(iv) Any decision by the Secretary concerned to permit a continuation of grazing pursuant to this paragraph shall be discretionary, and this paragraph shall not be construed as vesting in any party any right to graze livestock on any lands owned by the United States or any right to any grazing permit.

"(5) Any holder of a grazing permit who knowingly allows subleasing to occur on public lands or National Forest lands covered by such permit shall forfeit to the United

States the dollar equivalent of any value in excess of the grazing fee paid or payable to the United States with respect to such permit, shall be disqualified from further exercise of any rights or privileges conferred by that permit or any other grazing permit, and shall be subject to the penalties specified in section 303 of this Act.

"(6) Any person other than the holder of a grazing permit who knowingly engages in subleasing on or after the date of enactment of this subsection shall be subject to the penalties specified in section 303 of this Act.".

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103D CONGRESS
1ST SESSION

H. R. 643

To raise grazing fees on public lands, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 26, 1993

Mr. SYNAR (for himself and Mr. REGULA) introduced the following bill; which was referred to the Committee on Natural Resources

---

A BILL

To raise grazing fees on public lands, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. ANNUAL DOMESTIC LIVESTOCK GRAZING FEE.

Section 401 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1751), is hereby amended by adding at the end the following new subsections:

"(c)(1) Notwithstanding any other provision of law, the Secretary of Agriculture, with respect to National Forest lands in the 16 contiguous western states (except National Grasslands) administered by the United States Forest Service where domestic livestock grazing is permitted under applicable law, and the Secretary of the Interior

with respect to public domain lands administered by the Bureau of Land Management where domestic livestock grazing is permitted under applicable law, shall establish beginning with the grazing season which commences on March 1, 1993, an annual domestic livestock grazing fee equal to fair market value: *Provided,* That the fee charged for any given year shall not increase nor decrease by more than 33.3 percent from the previous year's grazing fee.

"(2)(A) For purposes of this subsection, the term 'fair market value' is defined as follows:

$$\text{Fair Market Value} = \frac{\text{Appraised Base Value} \times \text{Forage Value Index}}{100}$$

"(B) For the purposes of subparagraph (A)—

"(i) the term 'Forage Value Index' means the Forage Value Index (FVI) computed annually by the Economic Research Service, United States Department of Agriculture, and set with the 1993 FVI equal to 100; and

"(ii) the term 'Appraised Base Value' means the 1983 Appraisal Value conclusions for mature cattle and horses (expressed in dollars per head or per month), as determined in the 1986 report prepared jointly by the Secretary of Agriculture and the Secretary of the Interior entitled 'Grazing Fee Review and Evaluation', dated February 1986, on a

westwide basis using the lowest appraised value of the pricing areas adjusted for advanced payment and indexed to 1993.

"(3) Executive Order No. 12548, dated February 14, 1986, shall not apply to grazing fees established pursuant to this Act.

"(d) The grazing advisory boards established pursuant to Secretarial action, notice of which was published in the Federal Register on May 14, 1986 (51 Fed. Reg. 17874), are hereby abolished, and the advisory functions exercised by such boards, shall, after the date of enactment of this sentence, be exercised only by the appropriate councils established under this section.

"(e) Funds appropriated pursuant to section 5 of the Public Rangelands Improvement Act of 1978 (43 U.S.C. 1904) or any other provision of law related to disposition of the Federal share of receipts from fees for grazing on public domain lands or National Forest lands in the 16 contiguous western States shall be used for restoration and enhancement of fish and wildlife habitat, for restoration and improved management of riparian areas, and for implementation and enforcement of applicable land management plans, allotment plans, and regulations regarding the use of such lands for domestic livestock grazing. Such funds shall be distributed as the Secretary concerned

deems advisable after consultation and coordination with the advisory councils established pursuant to section 309 of this Act and other interested parties.".

O

Mr. VENTO. Mr. Hansen.

Mr. HANSEN. Thank you, Mr. Chairman. I would like to have my full testimony submitted to the record.

Mr. VENTO. Without objection, the opening statements of all Members and witnesses in their entirety will be made part of the record.

Hearing no objection, so ordered.

STATEMENT OF HON. JAMES V. HANSEN

Mr. HANSEN. Mr. Chairman, what we are going to hear today is a lot of testimony on the anti-public use philosophies that are being taken by the western ranchers. The testimony will tell us that the tax burdens of this country are subsidizing the grazers of public lands and they are committing environmental chaos on these lands.

Honestly, coming from the West and having spent hundreds of hours on the public lands, I don't think much of that is true. I think basically we are looking at three things. One, we are going to lose the money from the ranchers. Two, we are going to put a lot of people in bankruptcy that are going to lose their ranches. The worst one of all, Mr. Chairman, is we are going to burn the public lands.

Now, come on, Mike, let me get through it.

Here we go again—one of the most important things we have working with the people on the public lands is the idea, how do you use this management tool on the range, taking out the grass on the range? It has been used to keep it down. I could submit and will submit for the record the testimony of a dozen people who are land management experts, doctor's degrees, that say we're going to burn the range just like we burned Yellowstone Park if we take away this tool.

I don't know why people seem to ignore that consciously. This committee has explored the same type of legislation for years and has never received sufficient support for it to become law. The truth of the matter is that our ranchers represent the best and cheapest stewards of this public land that the public could ask for.

The public range is currently in better condition than it has been for years. That is due to the resource management of both the agencies involved and the ranchers themselves. As Secretary Babbitt himself has stated, we cannot afford to drive our ranchers off the public range, for if we do we will wreak environmental havoc on these lands, so he himself has made that statement. What I was just talking about, I think there is a lot of validity, if we will listen to the experts, of what we are going to do with the public lands.

Mr. Chairman, the fair market value approach of H.R. 1602 and H.R. 643 is based on faulty numbers and results in economic destruction to our western ranching industry. An increase from $1.86 per annum to $4.96 per annum would be devastating not only to the family ranchers in the West but also the lands which are currently under the careful stewardship of the ranchers.

However, the raw numbers are not the real issue here. I as well as the ranchers are concerned about the resource. That should be our focus here. I do not think that anyone should be heard saying that the resource is a secondary factor.

Lastly, Mr. Chairman, I believe that the ranching people want to go back to working the land rather than working us here in Washington. The PRIA formula has been successful and continues to work by improving the resource. If we are going to seriously look at improving the grazing system, let's do it with all parties involved, and not with some formulas that simply put certain parties at ease that ranchers are not being subsidized.

I thank the witnesses for coming and look forward to this hearing. Thank you, Mr. Chairman.

Mr. VENTO. Congressman Smith?

STATEMENT OF HON. ROBERT F. SMITH

Mr. SMITH. Thank you, Mr. Chairman.

Each spring when the sun comes out in Washington, we begin discussing grazing fees. This is no different matter. It is unfortunate, I think, that this issue has been demagogued so badly by preservationists, who I suppose sincerely believe, not knowing any other term to use, sincerely believe that somehow livestock are destroying the ranges in the West, and the facts just refute, of course, that charge.

There is an agenda by preservationists to eliminate all private uses of public lands, be it timber or mining or livestock grazing. These bills which we are going to hear will do exactly that by the time we reach $5 per animal unit month (AUM).

You are not raising any money for the Treasury. Don't kid me or anybody else about the fact that there is not a diminishing return as you raise grazing fees, simply because of the affordability. Anybody that wants to balance the budget with these bills or increase revenue with these bills are frankly kidding themselves, because just the opposite will occur. We will have less revenue and surely less agriculturalists in the West.

There are about 31,000 families who depend upon grazing the public land, and these are the people that are at stake in this battle. For an administration and a party to declare that people should be first, this seems to me to be a backward approach, because with these bills enacted as they are written, people are eliminated from the use of lands in the West.

These bills would increase the fee, Mr. Vento's bill by 167 percent, and of the 31,000 people, you are not getting at huge corporations. You are getting at people. Eighty-eight percent of the people who hold grazing fees average $28,000 per year income. So these are small people depending upon public lands and depending upon, by the way, their government to continue their operations, and certainly not to eliminate the use of those lands.

Mr. Chairman, you can slam dunk this bill in the House, as it has occurred in the past, and the Senate will stop it, as it has in the past, and possibly we can get sometime to some reasonable resolution. But our President recognizes the importance of this issue. Of course, having been visited by several members of the Senate, he himself backed away from this issue, so I think he is beginning to understand the problem.

I have spoken with Secretary Babbitt. I know he is going to hold hearings in the West. I look forward to that prospect, and I think

he will again realize that you can't price people off the range for no purpose, no reason.

So we will go through this ritual again, and there will be those who will want to price us off the range, and finally and possibly this year we might find some reasonable position, but it surely isn't either one of these bills and it surely won't happen out of this committee.

Mr. VENTO. The gentlewoman from Arizona, Ms. English.

Ms. ENGLISH. I have no opening comments, but I do thank you for the opportunity.

Mr. VENTO. Ms. Shepherd?

Ms. SHEPHERD. Thank you, Mr. Chairman. I have no opening comments.

Mr. VENTO. Mr. Thomas?

STATEMENT OF HON. CRAIG THOMAS

Mr. THOMAS. Yes, sir, I do have some opening comments. Thank you.

Mr. Chairman, I want to say I appreciate you having this hearing in the authorizing committee. I think that is where we ought to be handling these things. So for our spring ritual, this is a good place to do it, as opposed to in the appropriations bill.

The interesting thing, it seems to me, is three or four things in here that are generally of great concern to us. One is jobs. Another is the land pattern in the West, and I think another is to find a resolution so that people who live in the West can have some stability in the future and in the values of those lands, and know where we are going.

It is ironic, it seems to me, that the great debates are going on in the Congress, particularly in the Senate over the last several weeks, about jobs, about a relatively small number of jobs, jobs that are temporary summer jobs, and then we come in with an operation like this that really affects not only the specific jobs of people on ranches, but the specific livelihood of people who live in small communities that are supported by agriculture in the West.

We can talk all we want to about the changes in land use and about the similarities with market prices in other parts of the country, Oklahoma or whatever, but there is a particular land pattern in the West that must be recognized. The checkerboard land pattern means that in order to utilize the resources that are there, both public and private resources, there has to be a way of utilizing public lands.

I don't think you want to go in and fence out the Federal lands. I don't think the Federal Government is prepared to do that, and there are a lot of folks who could operate on their own land. We can't forget how these lands were developed, in the checkerboards and so on.

The other factor is, we need a resolution. There is clearly a problem, a long-term problem, every year wondering where we are going to be. How would you like to be trying to sell a family ranch that is dependent on Federal lands, which is interspersed with Federal lands, and try to find a value to that when it is uncertain as to what the use and price of those Federal lands will be?

So we are not talking about welfare here, we are talking about private sector jobs and thousands of jobs that are created by an industry. We aren't talking about people who are looking for a government handout, we are talking about a way of life and using a resource.

So I really wish we would find some resolution, and I would like to be part of that, and stop this annual wrangling. And really the exposure, I am sure, is not quite worth the price. So, Mr. Chairman, I am pleased that we are here. I hope we can get on with it. Thank you.

Mr. VENTO. I thank the gentleman. I listened carefully to his statement. I hope that we can work together on this. I think we probably can.

Mr. Calvert, did you have an opening statement this morning?

STATEMENT OF HON. KEN CALVERT

Mr. CALVERT. Yes, Mr. Chairman.

I look forward this morning to hearing from BLM, the Forest Service, and other groups who know so much about managing grazing lands and grazing fees. As a Congressman in the western region of the United States, I know how vital the cattle industry is to our economy and how important this subject is to them.

Having worked for the BLM on a variety of projects before becoming a Congressman, I know the extent to which the Federal Government owns and manages lands in the West. With so many people earning their livelihood on these lands, whether through ranching, farming or mining, we as a committee need to take care that everyone's interests are considered when making a major policy change.

We all understand the need to reduce the deficit. I am not sure raising grazing fees, which is in essence another form of taxation, is the answer. Perhaps reducing spending is a better solution.

Thank you, Mr. Chairman.

Mr. VENTO. Thank you, Mr. Calvert.

PANEL CONSISTING OF HON. RALPH REGULA, A U.S. REPRESENTATIVE FROM THE STATE OF OHIO; HON. MIKE SYNAR, U.S. REPRESENTATIVE FROM THE STATE OF OKLAHOMA; AND HON. JOE SKEEN, A U.S. REPRESENTATIVE FROM THE STATE OF NEW MEXICO

Mr. VENTO. We are pleased to welcome our colleagues, and I am pleased to note that Congressman Joe Skeen is appearing this morning as well. We didn't get notice of that, Joe. We are sorry.

Mr. SKEEN. I just wanted to surprise you, Mr. Chairman.

Mr. VENTO. We appreciate your participation and look forward to your working with us on this. You obviously have a keen interest in it.

We are pleased to welcome Congressmen Regula and Synar, who have teamed up in a number of instances to lead successful amendments on the floor, with Congressman Darden and others on the committee. We will take them in that order. Your statements, my friends, have been made part of the record. Ralph, you can proceed to summarize or read the portions that you choose to. Welcome.

STATEMENT OF HON. RALPH REGULA

Mr. REGULA. Thank you, Mr. Chairman. I will be brief and summarize my testimony, which is in the record.

I think the gentleman from Wyoming is correct. There should be a resolution to this matter, because of course the people that depend on the use of grazing fees need to know what their costs will be prospectively. In turn we need to know in the Interior Appropriations how to manage these lands and how much to allocate from the resources. Farming is not something you can get into and out of overnight, so that having some constancy about what grazing fees will be and the formula in the years ahead is an important element. I also agree that land patterns are a vital part of this, because these lands have a multiple use and are part of the Nation's resources.

I have supported modest increases in the past, and I think what we are proposing here is a modest increase. Certainly when you look at the GAO reports and recognize what is being paid for State lands as well as private lands, there is a very substantial difference. I would think that this committee would want to evaluate the formula to determine whether it represents fairness to the taxpayers that owns these lands. I think this would be the objective we would hope to achieve with H.R. 643.

These are public lands. I find a little bit, in dealing with western landowners, a feeling that the public lands are really a private element, to the point that they are sold sometimes, or at least the access to the leases is part of the sale of a private adjoining piece of land. But we can't forget that these are owned by all the people in these United States.

I think that the present fee is flawed, in that in structuring the fee the formula does not adequately reflect a fair return. It is interesting to note that under the current formula the fees have declined in the past two years, and it would certainly indicate that the present formula is creating an artificially low AUM cost.

For example, the formula includes the ability-to-pay factors twice, using a mathematical design that has served to suppress increases in the fee over time. As a result, the grazing fee is 20 percent lower than it was in 1981. It is quite easy to understand that with inflation prices are considerably more generally than they were in 1981, and yet the grazing fee is lower.

When you contrast this with the fact that there has been a 25 percent increase in private lands, I think it clearly indicates that the formula needs to be revisited. I also think the grazing fee formula is inconsistent with the Federal Lands Grazing Policy Management Act, which requires the government to receive fair market value for its public land resources.

The point has been made that this would have a great impact on jobs, put people out of business. Yet, only 2 percent of the livestock producers have Federal grazing permits, so the other 98 percent are competing with the 2 percent that have the advantage of these lower grazing fees. The other 98 percent are either grazing on private lands owned by the farmer or leased from the State and from other private owners.

I think that in fairness the cost should be equal, and particularly in terms of the grazing fee that the Federal Government is charg-

ing. For example, the fees collected by State boards, which do not use the PRIA formula, range from $2.50 to $11.20 per animal unit, and on private lands it is as high as $20, yet we find under the present formula it is much lower on the Federal lands. And of course we find the present formula emphasizes cost elements most affected by inflation and market changes, such as fuel and equipment costs, and excludes those that tend to increase less over time, such as feed and fertilizer.

Now we recognize that you can't get to a fair market value overnight, so we provide that no more than one third in any fiscal year can be levied until fair market value is reached. And so the bill includes a basis for calculating fair market value, but which slows the rate of increase by using the appraised value of grazing lands in the area which has the lowest land values on a West-wide basis.

What I am saying here is that we are trying to be fair. We are recognizing that you need to take time to get to fair market value, and in constructing a formula we tried to use the appraised values that are recognized to be fair to those that are grazing.

I think it is important that we address this problem. I think it is important that we settle it. I know it has been around. I have been before this committee, I think, for maybe four or five years. We always get shot down in the Senate. They have incorporated it into the Interior appropriations bill, and it is usually one of the last items in conference that gets tossed out because of the resistance on the part of the West.

But it would seem to me that what this committee ought to do and what the Senators should do is get a fair formula and resolve the problem. Otherwise it will be revisited, obviously. Probably the department can deal with it by an executive order, and may choose to do so, but I think the more proper way to do it is to adopt a formula that is equitable and do it through the policymaking responsibility that we as a legislative body have in dealing with these public lands.

I would hope the committee will seriously evaluate what we have proposed in the legislation and perhaps make some changes that you think represent a more equitable approach, but nevertheless not ignore the problem and cause us to be back next year with the same circumstances. Maybe it would be better if you were to deal with it, rather than to leave it to the department to do it by executive order.

[Prepared statement of Mr. Regula follows:]

TESTIMONY OF HON. RALPH REGULA

Mr. Chairman, first let me thank the subcommittee for holding hearings on this important issue. It is not one that is new to this committee. I have been appearing before this Committee to argue for an increase in grazing fees since 1987. As you all know I have supported modest increases which have passed as part of the Interior Appropriations bill for the past several years. I was also successful in having an amendment included in the BLM reauthorization bill that cleared the House during the last Congress. Regrettably all of these efforts have been Pyrrhic victories because, as we all know, reform efforts fall on deaf ears when they reach the other body.

When Mike Synar and I introduced our grazing fee bill, however, in January I held out new hope that grazing and other much needed public land reforms might become a reality this year given the Administration's support. However, those hopes too were dashed a few weeks ago when the President bowed to the special interests of the west. The burden is once again squarely on your shoulders, Mr. Chairman.

As we all know, the current formula for setting fees charged livestock operators that graze domestic livestock on federal lands was established in the Public Rangeland Improvement Act of 1978 (PRIA). PRIA prescribed a formula that was to be in place for a 7-year trial period. The experiment has failed and Mr. Chairman, if I may echo our President, it is time for a change.

The Fair Market Grazing for Public Rangelands Act H.R. 643, if implemented would improve the management of 250 million acres of publicly-owned rangelands administered by the Bureau of Land Management and the Forest Service. It would also begin to provide for a fairer return to the public for the use of these lands.

Mr. Chairman, I want to emphasize that these lands are publicly owned. We have a duty to the owners, the American taxpayers, to see that these lands are managed properly and that the taxpayer receives a fair return for the use of these lands. That has not happened to date, but the bill Congressman Synar and I have introduced would right that injustice.

Congress has, and will likely continue to debate the issue of what a fair fee is. What should not be debatable, however, is that the current grazing fee formula is flawed. By any measure the current fee, which has declined in each of the past two years under the current formula, is too low. The current formula is specifically designed to keep the fee artificially low.

According to the General Accounting Office (GAO) in a 1991 report, relatively low fees are an inherent result of the existing formula's design. The formula begins with a low base grazing fee value and adjusts this value in subsequent years using an index that heavily weights factors aimed at measuring rancher "ability to pay." The formula includes these ability-to-pay factors twice using a mathematical design that has served to suppress increases in the fee over time. As a result, the federal grazing fee is 20 percent lower than it was in 1981. This contrasts with a 25-percent increase in private grazing land lease rates over the same period.

The current grazing fee formula is inconsistent with the Federal Land Policy and Management Act which requires the government to receive fair market value for its public land resources. It does not even recover reasonable program costs or provide a revenue base that can be used to better manage and improve federal lands.

For example in fiscal year 1990 grazing fee collections totaled $27,035,000. Of that amount less than $8 million was retained by the U.S. treasury and only $13.5 million was deposited to the Range Betterment Fund. The average cost of the range management program that same year was $3.22 per AUM versus a grazing fee of $1.81 per AUM.

Proponents of the status quo argue that the costs associated with operating on public lands are significantly higher than on private lands. In fact the current formula has taken that concern into account twice by double counting ability-to-pay factors. It is also simply not the case. Last year D. Michael Curran of Wolf Creek Montana testified before the Senate on the BLM reauthorization. According to Mr. Curran his basic business is the sale of grass. Quoting from his testimony: "We consider our greatest competitors to be the BLM and the Forest Service. These are the people that subsidize our competition by leasing them grazing land at prices far below our costs of ownership, (taxes, water development etc.) far exceed those borne by federal permittees.

Many permittees try to argue that they make investments in the public lands that benefit the government. Whether these investments do or do not benefit the government, the 1992 updated Grazing Fee Review and Evaluation Report revealed that these permittee investments in range improvement averaged only $0.17 per AUM in 1990 and totalled less than $3 million.

By virtually any measure the federal fee is the lowest around. For example fees collected by state land boards which do not use the PRIA formula range from $2.50 to $11.20. Private land lease rates are as high as $20 per AUM. Once again the federal government is charging and receiving bargain basement rates.

The existing formula further suppresses the fee by emphasizing cost elements most affected by inflation and market changes, such as fuel and equipment costs and excluding those that tend to increase less over time such as feed and fertilizer.

As much as I support increasing the fee charged I have actually voted against some grazing fee increases because I believe they went too far too fast. The fill before us today, however, is fair. It does not attempt to drive the western ranchers off the public lands, but merely to begin recovering some of the costs of managing the range lands and begin approaching something resembling a fair market value for grazing permits.

Our bill proposes to increase the fee by no more than one third in any one fiscal year until fair market value is reached. In the first year that would result in a fee of $2.56.

The bill also uses a basis for calculating "fair market value" which further slows the rate of increase by using the appraised value of grazing lands in the area which has the lowest land values—the westwide basis.

Further the argument that any increase in grazing fees will drive western ranchers out of business is simply not supported by the facts. Based on the 1992 Grazing fee update produced by the Forest Service and BLM even at a fee as high as the private lease rate of $9.19 reveals a positive return in every case. In the short-term, the average producer would be able to cover production costs while maintaining current herd levels.

In reality livestock enterprise returns are much more sensitive to changes in livestock prices than they are to changes in grazing fees.

Congress must act to begin phasing in a fairer, more market based grazing fee, both for its economic benefits and its environmental ones.

I urge my colleagues on this committee to report a bill revising the grazing fee formula along the lines advocated in this bill and I look forward to working with the Committee to accomplish this goal.

Mr. VENTO. I thank the gentleman. We are going to hold our questions until we hear from you and Mike and Joe, if that is going to work out for you, Congressman Regula.

Congressman Synar, welcome.

Mike has been a real leader. He has taken on this issue, obviously forcing everyone to face up to it at the very least.

Thanks, Mike. Please proceed to your testimony.

STATEMENT OF HON. MIKE SYNAR A U.S. REPRESENTATIVE

Mr. SYNAR. Thank you, Bruce. Let us all hope this is the last time we have to come together on this particular subject.

Let me start by saying that in no way do my disagreements with Jim, Bob, and Craig in any way take away from the immense amount of respect that I have for them and the way they fight for this issue. We are back again, and Ralph and I have a very simple proposition, as we have before.

We want to give you the opportunity to have a twofer. The twofer being, we want to give you the opportunity to improve the management of more than 250 million acres of publicly held ranch lands in this country. We also want to deliver to your pocket $325 million over the next 5 fiscal years. That is exactly what the Fair Market Grazing Public Rangelands Act will do.

The facts are very clear. Taxpayers are losing 80 cents of every dollar that we use in this Federal program. In fact, the grazing fee, as Ralph pointed out, has gone down from $1.98 per AUM to $1.86. That is because of the problem with the formula, as Ralph pointed out.

That formula, which was developed in 1978, was an experiment to put in place basically a political compromise, and what we have learned since that date is that that experiment was a failure. As a result, what we are seeing is that grazing fees are going in the opposite direction, the $1.86. That is at the same time when the price of beef, the demand for grass, private land lease rates for all comparable lands, have all increased. So that shows you how idiotic the formula is.

Now unlike what people would hold out about Mike Synar and Ralph Regula, both of whom grew up on farms and were active in 4–H, we both believe and are convinced that a healthy livestock industry is an important element in maintaining the western open space and western economy. Where we disagree is that we don't believe that retaining the low-cost grazing rights for 23,000 public

rangeland livestock producers is essential in maintaining western values.

It comes down to this. It is time to run our Federal rangelands like a business. We want to give these ranchers a good dose of free enterprise. The simple truth is that the Federal grazing permit holders are feeding, not off the grain, not off the land, but off the Federal Treasury.

Today I am going to issue one more report which accompanies literally the stack in front of us that has been issued over the last 8 years, none of which facts have ever been disputed. It is going to show one more time the need to revamp this program.

This report will show that although the BLM has obligated more than $46 million in rangeland improvement from 1987 to 1991, the agency does not have a complete inventory of the investment of range improvements or an accurate accounting of the range improvements costs by projects. This report will show that out of 1,353 so-called range improvement projects undertaken in 1990 and 1991 alone, only 2 were specifically directed at combatting the environmental effects of grazing and improving wildlife habitat.

It is the same old story. BLM is unaccountable. This program is out of control. It doesn't pay for itself. It is very disturbing to learn in this report that in 47 percent of all the projects on which BLM collected cost data, the data were inaccurate. So unfortunately the BLM continues to demonstrate what we have seen for many years, which is a lax attitude towards these public expenditures and the condition of the public rangelands.

Let me close as I always do in these debates. We need to do this. It is good for the taxpayers. It is good for the Federal lands. It is long overdue, and if we are serious about deficit reduction and running government like a business, you have to support this legislation.

[Prepared statement of Mr. Synar follows:]

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Subcommittee on National Parks, Forests and Public Lands
Committee on Natural Resources

H.R. 643, Fair Market Grazing for Public Rangelands Act of 1993

REPRESENTATIVE MIKE SYNAR
April 20, 1993

Mr. Chairman, thank you for the opportunity to testify in support of H.R. 643, the Fair Market Grazing for Public Rangelands Act of 1993, which I introduced along with my good friend Representative Ralph Regula of Ohio. Enactment of this measure will be good for both the taxpayers and the environment.

The Fair Market Grazing for Public Rangelands Act will improve the management of more than 250 million acres of publicly-owned rangelands administered by the Department of Interior's Bureau of Land Management and the Department of Agriculture's U.S. Forest Service. Equally importantly, this Act could save the taxpayers more than $325 million over the next five Fiscal Years.

Mr. Chairman, in 1934, in the midst of the Dust Bowl era, Congress enacted the Taylor Grazing Act in an effort to stop injury to the public grazing lands by preventing overgrazing and soil deterioration, and to provide for their orderly use, improvement, and development. But it has not been an easy job.

This year the taxpayers may lose another 80 cents for every dollar spent to administer the federal grazing program. Notwithstanding this sorry statistic, the federal grazing fee has actually declined in each of the past two years from $1.98 per Animal Unit Month [AUM] to $1.86 per AUM, even though private land lease rates and other market indexes have consistently increased. (An Animal Unit Month is the amount of forage required to sustain one animal unit -- a cow and calf, mature horse or five sheep -- for one month. An AUM is a standard unit of measure used to price forage regardless of the carrying capacity -- or biological productivity -- of any particular tract of land.)

The problem, Mr. Chairman, is the current grazing fee formula. It was an

experiment put into place as the result of a political compromise in 1978. It is an experiment that has failed. It was adopted to protect western livestock grazing operators from the rigors of the market place by supporting the view that the economic stability of the industry could only be protected thorough low grazing fees. However, the other side of the compromise has been all but forgotten in the intervening years. This seldom remembered aspect of the 1978 legislation reduced federal gazing fees, while the Forest Service and BLM went out to study the real-life economics of public rangelands, appraise the fair market value of publicly-owned forage and find a range of market-based solutions to pricing this taxpayer asset. Then, although we subsequently got the answers to those important fair market value questions, President Reagan scuttled the reports, locked-in the current fee formula at favorable rates and simply ignored all evidence of its inherent unfairness thereafter. As a result, the taxpayers have lost millions of dollars subsidizing 2 percent of the nation's livestock producers.

In fact, Mr. Chairman, ridiculously low grazing fees are an unavoidable result of the existing fee formula's design. The formula begins with a low base value grazing fee and adjusts this value in subsequent years using an index that heavily weights factors aimed at measuring rancher "ability to pay." In fact, the formula is so generous that it includes these ability-to-pay factors twice, using a mathematical design that has consistently served to suppress increases in the fee over time. As a result, the federal grazing fee is 20 percent lower now than its was 12 years ago. This contrasts with a 25 percent increase in private grazing land lease rates over the same period.

As a result, Mr. Chairman, the current grazing fee formula Federal grazing fees have declined to $1.86/AUM in 1993 even though the price of beef, the demand for grass and the private land lease rate for comparable lands all increased. The fees may continue to decline in future years, because the formula uses a rancher cost-of-operations index that emphasizes cost elements most affected by inflation and excludes cost elements that tend to increase less over time. This Prices Paid Index (PPI) was developed solely for use in the 1978 Public Range Improvements Act and is made up of selected components of the National Index of Prices Paid by Farmers maintained by the National Agricultural Statistical Service. The PPI excludes farm-produced cost components included in the broader index such as feed, feeder livestock, seed and fertilizer. The exclusion of those components overstates the public lands livestock operators' production costs. Moreover, since the noninclusive index is subtracted in absolute terms from the other market-driven factors in the existing fee formula, it acts to significantly reduce the fee ultimately calculated.

Mr. Chairman, the benefits of low-cost federal grazing have not been widely shared. Public rangeland grazing permit holders complain that it costs them a lot more to operate on federal lands. I question that assertion. Certainly, they have to handle their cattle, pay veterinarians bills, dig stock ponds, fix fences, provide salt, transport stock to pasture and sometimes the animals must be replaced. But ranchers in may District and all over the United States have the same expenses and they must either buy their land and pay taxes on that rangeland, or pay $4.25 to $11.00 per AUM to a state wildlife agency for grazing rights,

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or pay as much $20 per AUM to lease private land.

Only 2 percent of the 932,000 cattle producers in the country graze their cattle on Bureau of Land Management and Forest Service land. Only 23,600 ranches and farms out of the total 240,300 livestock producers in the 16 Western and Great Plains states have public rangeland grazing permits, with 14 percent of those producers grazing livestock on both Forest Service and BLM administered rangelands.

Mr. Chairman, for years, many of my Oklahoma constituents -- and many of the people who oppose federal grazing fee increases -- have told me: "Congressman, what you need to do is run the government more like a business!" Well, I agree. It is time to run public rangelands more like a business.

After all, Mr. Chairman, what is wrong with the market place? After all, reliance upon market principles is the essential ingredient needed to provide the taxpayers with improved management of 250 million acres of public rangelands administered by the Department of Interior's Bureau of Land Management and the Department of Agriculture's U.S. Forest Service.

Running the government more like a business does not mean that livestock grazing should be removed from public rangelands. In fact, I think that livestock grazing is a valid and valuable use of suitable public lands when it is managed by resource professionals. I believe that proper livestock grazing on public rangeland can benefit wildlife habitat, by managing both wildlife and livestock in concert. And, I am convinced that a healthy livestock industry is an important element in maintaining Western open space and the Western economy.

Although I have repeated those observations in virtually every statement I have ever made on federal grazing, many of my detractors continue to accuse me of wanting to "get cattle off public lands." Nothing could be further from the truth. My efforts have always focused on the economics of public land ranching rather than any arguments of special interest groups. Unfortunately, instead of joining a debate on the facts, many public land ranchers have preferred to view any effort to discuss this important public policy issue as a threat to rural lifestyles, Western values or anything but the unreasonably low cost of federal grazing rights.

Believe it or not, Mr. Chairman, I have never singled out grazing fees or public land ranchers. In fact, I favor placing all resource uses on public lands -- including Western range programs --- on a "pay as you go" basis. In fact, I think it is time for Congress to give all commercial uses of public lands a good dose of free enterprise.

However, Mr. Chairman, I do not believe that retaining below-cost grazing rights for the 23,600 public rangeland livestock producers is essential to maintaining Western values. It is quite the opposite. I contend that Western virtues of self-reliance and independence

are poorly served by a policy that protects a few producers from competition and the market place. I think the merits of the Western way of life will survive a reasonable increase in federal grazing fees. It will be good for both the taxpayers and good, old fashioned competition.

The existing federal grazing fee formula is fatally flawed. It only protects public land ranchers from the rigors of the market place by keeping the federal grazing fees unrealistically low. Even the Secretaries of the Interior and Agriculture have admitted that the current grazing fee formula overstates the costs of doing business by "double counting" the expenses of doing business on public lands. As a result, the formula is not fair to the taxpayers. And it is not fair to private land ranchers who must compete against federal government subsidies.

While federal rangeland issues have been a source of continuing political controversy and debate throughout most of this century, the arguments have changed very little since the first grazing fees were instituted in 1906. In fact, whenever I prepare to debate these questions, I am reminded of the words of Rep. John Andrew Martin of Colorado during the debate on the Taylor Grazing Act:

> As I listened to the debate this afternoon I reflected that Members of this body could go back into the debates of Congress 25 or 26 or 28 years ago, and not only find everything that has been said against this bill here this afternoon but 20 times more.

It is true, the same arguments you will hear today were made 58, 80 and 87 years ago. Each time Congress considers charging fair market value for the privilege of grazing on public lands -- and, it is a privilege, not a right -- the same old arguments are raised to prevent it. I think it is time for a change.

Today, more than 58 years after passage of the Taylor Grazing Act, much of the public rangeland is still in poor or unsatisfactory condition. In fact, the Bureau of Land Management's own reports show that as much as 60 percent of the public rangeland will continue to be in fair to poor condition well into the next century.

According to a recent report by the Secretaries of the Interior and Agriculture, the federal grazing program costs more the taxpayers than $73 million to administer, but grazing fees equal only $27 million -- of which, more than $5 million was sent back to the states. So even the past Administration admitted that the annual taxpayer subsidy to the grazing program is at least $50 million each year.

To be sure, under our proposal, a few ranchers would eventually lose their subsidy and have to compete with the other 98 percent of all livestock producers, who have no federal leases or subsidies.

But, we will all have to make sacrifices to put the federal government back on track.

Government charity is as difficult to stop on western rangelands as it is in the ghettos of our major cities. Since cattle prices have been at a reasonably high level for the past three years, isn't it time that everyone paid their fair share? I think it is.

We introduced this legislation because we are concerned about the future of our rangelands and the future of our deficit. We want to head grazing management in the right direction. We believe that unless grazing fees are increased, the taxpayer will continue to subsidize livestock that represents only 2 percent of total U.S. meat production; the costs of the grazing program will continue to exceed receipts; and the government will continue to encourage overgrazing of our public lands.

Mr. Chairman, I believe Congress should begin to phase-in a more realistic grazing fee beginning immediately. The Fair Market Grazing for Public Rangelands Act of 1993 does just that. This new federal rangeland grazing fee structure would produce a Fiscal Year 1993 grazing fee for Bureau of Land Management and U.S. Forest Service lands in 16 Western States of $2.56 per AUM. (National Grasslands and so-called Eastern National Forests are covered by other rules and regulations and are therefore excluded from this measure.) Beginning in Fiscal Year 1994, the balance of the fair market value for federal grazing rights would be phased-in as the federal rangeland grazing fee is increased by no more than 33 percent per year until it is equal to the so-called westwide application of a Modified Market Value Fee system as described by the Secretaries of Interior and Agriculture in reports to Congress in 1986 and 1992. Under this so-called Modified Market Value Fee System, the Fiscal Year 1994 grazing fee would be approximately $3.41 per AUM. The Fiscal Year 1995 fee could be raised to $4.52 per AUM. And, in Fiscal Year 1996, the grazing fee could increase again to $5.36 per AUM, depending on market conditions.

As a result of this action, Congress could reduce the grazing subsidy significantly over the next five Fiscal Years. In turn, these savings can be used to fully fund federal range improvement activities on a "pay as you go" basis.

Simply stated, Mr. Chairman, the Fair Market Grazing for Public Rangelands Act of 1993 requires the return of reasonable value for the lease of publicly-owned assets. It is fair. It is reasonable.

I urge the Committee to report H.R 643 to the House with a favorable recommendation. Moreover, I urge all of my colleagues to join as co-sponsors of the Fair Market Grazing for Public Rangelands Act of 1993. It will be good for both the taxpayers and the environment.

Grazing Fee Comparison

	Current Fee Formula	Synar/Regula H.R. 643 Westwide Base Value
1993	$1.86[1]	$2.56[2]
1994	1.80[3]	3.41
1995	1.74	4.52
1996	1.68	5.36[4]
1997	1.61	5.36[5]

[1] Federal grazing fee has fallen from $1.98/AUM in 1991 and from $1.92/AUM in 1992 under current formula.

[2] Fee formula used to establish fees based on Modified Market Model described by the 1986 Grazing Fee Review and Evaluation Report (at page 38) and 1992 Grazing Fee Review and Evaluation Update Report (at page 39), by Secretaries of Interior and Agriculture. Annual increase would be limited to not more than 33.3 percent per year (H.R. 643, Section 1, page 2, lines 6).

[3] Federal grazing fees have declined from $1.98/AUM in 1991 to $1.86/AUM in 1993 even though the price of beef, the demand for grass and the private land lease rate for comparable lands all increased. The fees may continue to decline in future years, because formula uses a rancher cost-of-operations index that emphasizes cost elements most affected by inflation and excludes cost elements than tend to increase less over time. This Prices Paid Index (PPI) was developed solely for the use in the 1978 Public Range Improvements Act and is made up of selected components of the National Index of Price Paid by Farmers maintained by the national Agricultural Statistical Service. The PPI excludes farm-produced cost components included in the broader index such as feed, feeder livestock, seed and fertilizer. The exclusion of those components overstates the public lands livestock operators' production costs. Moreover, since the noninclusive index is subtracted in absolute terms from the other market-driven factors in the existing fee formula, it acts to significantly reduce the fee ultimately calculated. See: U.S. General Accounting Office, Rangeland Management: Current Formula Keeps Grazing Fees Low, GAO/RCED-91-185BR (June 1991), which predicted future fees declines at page 21; Champney et al. (1992) grazing fee policy paper, which predicts that fee may go to "floor" ($1.35/AUM) in 1994.

[4] 1992 appraised value for Area 1 (Dakotas and Nebraska) was $10.13; Area 2 (Kansas, eastern New Mexico and eastern Colorado) was $7.63; Area 3 (Montana, eastern Wyoming, central Colorado and central and northern New Mexico) was $8.15; Area 4 (Washington, Oregon, Idaho, eastern Utah, northern California, southwestern Wyoming and northwestern Colorado) was $6.39; Area 5 (Nevada, western Utah Arizona, southwestern New Mexico and California desert) was $5.66; and Area 6 (central and southern California) was $6.91. Under Modified Market Value Fee system described 1986 Grazing Fee Review and Evaluation Report (at page 38) and 1992 Grazing Fee Review and Evaluation Update Report (at page 39), by Secretaries of Interior and Agriculture and used as the basis of H.R. 643, the grazing fee would be approximately ten percent less than lowest Pricing Area appraised value.

[5] Fee to be determined by formula to determine "Fair Market Value" using the "Forage Value Index" computed annually by the U.S. Department of Agriculture times the "Appraised Base Value" on a "westwide basis" and adjusted for advanced payments and indexed to 1993. Increases would be limited to no more than 33 percent per year. See: H.R 643, Section 1.

Mr. VENTO. Thank you, Mike.

We are pleased to welcome Congressman Skeen.

Your statement will be placed in the record in its entirety, Joe. Please proceed with your statement.

STATEMENT OF HON. JOE SKEEN, A U.S. REPRESENTATIVE FROM THE STATE OF NEW MEXICO

Mr. SKEEN. Thank you, Mr. Chairman, members of the committee. I appreciate the opportunity.

First of all, I believe it is appropriate that this issue be resolved here in the authorizing committee and not in an appropriations bill. I appreciate your efforts to move this debate back to the authorizing committee because I think it is a matter that should be discussed here fully.

If you want to talk about fair market value, where is the market? There is no market for these public lands because they are interspersed and almost unmanageable from the standpoint of, could you isolate the public lands away from the private lands or the State lands that they are intermixed with and try to come up with a market and establish a market value? And the way to establish a market value is to put them up for sale.

That has been done in the history of this country, when they lifted the moratorium on land sales and some of these lands were sold to private individuals, with me being amongst them. We bought them, and we bought them on the open market, but then there is no market for them as leased lands at all.

That is the basic flaw in the philosophy of the people who are saying we are going to save a lot of money, because they are not going to save a lot of money because they can't retrogress the entire system and get back to something called a market-based system, because that isn't the way it was designed, that isn't the way it evolved, and they should know better. This stack of documents that you see here is replete with mistakes. They even contradict their own data in many cases.

More than a third of the land in New Mexico is Federal lands. Many of the ranchers in the State depend on the Federal leases to provide a viable base for livestock operations.

I continue to support the Public Lands Improvement Act, PRIA, where Congress expressed its desire to implement a grazing fee formula that would prevent economic disruption of the western livestock industry. It was in the public interest to implement a formula that reflects annual changes in the cost of production, and that is what the formula that we are using today does. If the beef market goes up, fees on these lands go up, notwithstanding some of the statements that have been made earlier.

Again I want to stress that an arbitrary increase would effectively end grazing on public rangelands, because right now you are walking right on the borderline of the economic abyss as far as these grazing fees are concerned. If Federal land is priced out of reach, such operations will immediately go out of business.

That is why you have such large holdings among some of the big corporations that have been cited here time after time. It is because most of those folks were lenders of money to people who had

the grazing leases, and had to assume them when they went out of business.

Lending institutions lend money based on the long-term tenure provided by the PRIA formula, and they will call in their loans if that security is removed. Without the ability to finance a loan, livestock operators will not stay in business. Property values will be greatly reduced, which in turn will adversely affect the bonding capacity of the counties in these western States.

There seems to be a misconception that these ranchers and farmers who graze on BLM lands are the beneficiaries of extreme wealth. I have been a rancher most of my life, and this is just not the case. Almost 90 percent of the permittees are small or medium operations and family-owned, and provide the family's sole source of income. That average income runs around $17,000 a year.

According to research conducted at Western New Mexico University, if the grazing fees went up to $4.45 per animal unit month, all of the small ranchers, which make up 60 percent of the ranchers in this area, and part of the medium ones would go out of business. In addition, I urge you to listen closely to Dr. John Fowler of New Mexico State University, who will present further testimony which validates the severe impact that any arbitrary increase will have on New Mexico.

Finally, I want to assure my colleagues that what is needed—I am not here to try to fight for lower grazing fees—what I think is needed is a formula that offers ranchers fair and stable grazing fees under the conditions within which they have to operate, with their lands interspersed and their improvements that they paid for and some of the other assets that they have contributed to the system. I believe on most of the public lands ranchers would have no objections to paying higher grazing fees if an increase was accompanied by improved market conditions. The best way to do this is to retain the current fee formula or something near that approach.

That is the end of my statement.

Mr. VENTO. Thanks, Joe, for your comments and statements.

Congressman Synar pointed out the stack of documents in front of him, and said that they were not disputed. I would say they were probably not successfully disputed. I think members of the committee would be remiss in not observing what has been, I think, some contentious responses to the documents. But, you know, it isn't just that there has been disagreement.

My colleague from Oregon, Congressman Smith, here stated disagreement, with the CBO and OMB studies, in terms of what the amounts of dollars that would be raised would be. They disagree with all of the 7 or 8 GAO reports. I don't know about the latest one that is out. I received a preliminary report on it last night, Congressman Synar, but I suspect that there will be some disagreement or questioning of it.

They disagree with the review and evaluations of the Departments of Agriculture and Interior, the original report in 1985 and the update in 1992. They don't agree with the Inspector General report that came out last year, and I guess that they obviously are in disagreement with former Secretary Lujan.

I don't know what the disagreement is with Secretary Babbitt, as he hasn't come forward with his reform proposal yet, but I think

we know what the outlines of it are going to be, at least. We know what their position is, obviously, and that is to substantially increase grazing fees, perhaps with a two-tiered system.

It isn't just a matter of one or two issues, and these are obviously done by objective sources. I know there are some scientists, some range specialists and others, that have raised points of contention and reflect a different attitude with regard to this issue.

All of us, I think, understand the importance of this issue, not necessarily its importance from the standpoint of having the BLM and the other land agencies pay their way in terms of the improvements and activities. Obviously there are continuing indications of a higher-cost service; in other words, that these services end up costing more than they can recoup in revenue. That is basically what we are getting in terms of allocation.

I think the recent report that both the Inspector General and the report that Congressman Synar called for is indicating that. That is the issue of this accounting mechanism, that we are spending a lot more money in terms of managing it than we are actually recouping. That is okay just so long as we understand the positive aspects, because as they go through the reports they find that often services are being credited to other values that in fact aren't the case. They principally accrue to the benefit of range management for grazing purposes.

So I think really our concern is to try and put this on a path of certainty, predictability, and I hope that this year we can bring this matter together and do so.

I don't want to hold my colleagues up here that are here today. I would simply point out that this livestock grazing in the western States covered by this formula represents a small portion of what is in livestock production, in both cow-calf and sheep utilization.

For some States, I have been surprised to notice how small. I was surprised to notice, for instance, how Wyoming had such a small amount of actual grazing activities that go on. One of the States most dependent on public land grazing was Arizona. I know that generally they are key lands, but they are not as important as others. I will share that with my colleague from Wyoming, certainly.

In any case, you have examined the various bills. I propose providing the Departments of Agriculture and Interior with authority to offset credits against the larger fee, whatever the fee might be set. I would set it, of course, based on the Interior and Agriculture evaluation and report, based on the system which we call specifically Modified Market Formula. Modified Market Formula is what I use, setting up credits.

Ralph, do you think that is a viable approach, to set that up? I know it isn't in the initial legislation you introduced. You don't have the credit element in it.

Mr. REGULA. I think we have to recognize the multiple-use factor here. Therefore, some type of credit would be equitable.

The thing that puzzles me is that no one has ever quite explained to me why State lands and private lands are worth so much more than Federal lands. Maybe there is a reason, but the beef that goes to market, whether it comes from any of the three,

is getting the same price, and I would be interested if somebody could explain why those other lands aren't more valuable.

Mr. VENTO. I am sure you will get some questions on it, since you invited them.

But the question I asked about the credit issue with regard to this, Congressman Synar, what about the administrative difficulty of such a credit, if I can be the devil's advocate with my own bill?

Mr. SYNAR. I think the report I issued today kind of shows you the fact that we don't have a basic inventory of the improvements that have been made since 1987. In order for an incentive or credit program to work, Bruce, I think you have to have a demonstratable, measurable, substantial improvement program that can be put in place, and from the report I am issuing today that doesn't appear to be the case. So yes, maybe credits and contributions should be taken into account, but only if we can account for them in our measurement.

Mr. VENTO. I agree that is a concern. One of the accounting problems I have is demonstrated by the fact that recently I received a copy of the *Elko Daily Free Press* from Elko, Nevada, where in fact they report the District 1 Grazing Board voted in December to distribute $200,000, the bulk of the district's treasury, to members of the district—so they gave it back to themselves without any type of requirements as to improving or enhancing the range.

Of course I am not suggesting it is illegal. I am just suggesting that the 12.5 percent receipts returned simply were distributed, as if they were cash bonuses, to those that had paid them in. So not only do you have a grazing fee that has actually been reduced this year to $1.85 per AUM, but in fact they have rebates going on within the context of it, and so you can actually knock that down, at least in this instance in Nevada, by another 25 cents per AUM or so, for that particular year, whenever they received it.

This may not be the practice in many areas, but it is possible while these grazing boards, which have been set up by executive order, are maintained. In the bill I have, and in the bill that Congressmen Synar and Regula have introduced, we would end them and that would eliminate this particular thing. They wanted to take the money and use it to fight the national government on property rights issues in the national courts. Now in my judgment, I think it is a legitimate right to do this. I don't know that they ought to be using these particular fees.

So when we talk about accounting and the probability of having credits, the reason I bring this up is because, if we are going to get into that type of system, I know it is my hope that we can work something out because this would help address the concerns of some about increases in fees. We are going to have to address this type of problem. I don't think it is going to be a subterfuge, in which we are going to have the money then distributed back in such a way and/or used for nonrelated issues.

It is interesting, as you read the cast of characters in Elko, Nevada, they are people that have appeared before the Committee. They are not names that are unfamiliar to the members of the Committee in terms of having been here. So I feel like we are really on top of the issue.

I would ask unanimous consent to put that article in the record and share it with my colleagues that are present here who may have an interest in such.

[The article follows:]

Grazing district: 12/10/92

Drought, Del Papa cited as board drains account

Members of the District One Grazing Board voted Saturday to distribute $200,000 -- the bulk of the district's treasury -- to members of the district. The move was done as an emergency measure, with board Chairman Harvey Barnes citing the lengthy drought.

Board members also noted the Nevada Attorney General Frankl Sue Del Papa's office has been asking for minutes of board meetings and making other inquiries and Barnes indicated that if the board were to let the money sit in the bank much longer, it could be snatched by the state government.

Board member Dean Rhoads, a state senator, agreed, noting most Western states use similar funds for roads and schools. The grazing district's revenues flow from the grazing fees paid to the federal government by livestock operators running cattle and sheep on lands administered by the U.S. Bureau of Land Management and U.S. Forest Service. That fee is $1.92 per animal unit month (AUM). One AUM equals one cow and calf on the range for one month, or five sheep for one month. The money is sent to the federal government, and 12.5 percent is returned to the various grazing districts. District One includes Elko County and parts of Eureka and Lander Counties.

In Nevada, those funds are to be used for range improvements -- although there are provisions for emergency disbursements such as was done Saturday. An argument developed in July over whether the money could be used to hire lawyers to fight the federal government. The argument stemmed from a request by lawyers for Wayne Hage for the $200,000 distributed Saturday. A majority of the board voted down the proposal.

Board member Demar Dahl, joined by Cliff Gardner and Von Sorensen, voted against the disbursement Saturday. Dahl said the drought will go away sooner or later, but the federal government and the people who want ranchers off the land will not. Dahl said the money should be used to fight in court for property rights. Voting for the distribution of funds were Bob Reed, Deloyd Satterthwaite, Rhoads, Charlie Van Norman and Bob Wright. Barnes only votes in case of a tie.

Gardner said the money should be used for range improvements, rather than drought relief, but Barnes said few requests to fund such improvements are received by the board. The district receives approximately $130,000 a year and the account had reached $290,000 prior to Saturday's actions. Van Norman said it is difficult to improve the range due to BLM regulations. For example, he said, a rancher can't build a water pipeline across BLM ground unless he agrees to give the BLM a portion of the water.

Van Norman's point was emphasized later in the meeting when a BLM representative told the board it would need an environmental assessment, including an archaeological survey, before it could install a cattle guard on a road in Ruby Valley.

In addition to the emergency distribution, the board voted to spend $30,000 on predator control and $1,600 on the cattle guard in Ruby Valley, where ranchers complained tourists were leaving gates open and wild horses searching for food were wandering onto pastures. Derrill Fry, contractor for predator control, said nearly 2,500 coyotes have been killed so far this year "and they're still awful thick." Hunters in aircraft took 1,435 of the coyotes while another 1,000 were killed from the ground. Fry said it cost about $18 a head to shoot them from the air; about $25 from the ground.

The distribution of the $200,000 will go to approximately 280 grazing permittees within the district, based on the number of AUMs each operator paid for, averaged over the past three years. Barnes said there would be no strings attached to the money and permittees could spend it in any manner they wished.

Reed said his portion of the money would help cover feed bills for his cattle. Without the money, he added, he would have to look at selling off cows this winter. Van Norman told him "we're all in the same boat."

The board also voted, along the same lines as the distribution vote, to send 20 percent of next year's receipts to the central committee, composed of representatives from the various grazing districts. Dahl had urged a 50 percent contribution to allow the central committee to become more active in the courts. On advisory questions posed by the central committee, the board voted that individual districts should not spend money on litigation; nor should the central committee. Those votes also saw Dahl, Gardner and Sorensen on the losing side.

Elko DAILY Free Press
Elko, NEVADA Dec. 10, 1992

Mr. VENTO. We really appreciate, though, Congressman Skeen, your response and interest in working on this. I know you have been positive, and the Appropriations Committee members, two members have said that your help has been real. I would like to try and solve it through the authorizing process, but I will tell you I am at a point where we have tried in good faith to do it this way, then we have to take the path of reconciliation or we have to take the path—I think it is a close call on appropriations here with what we do in terms of fees in this particular instance. Then we have to work with our colleagues to get the job done.

So, I am willing to work but I am not going to become subject to tactics that simply result in a dead end. So often in the Senate it seems to me that these issues end up with one or two Senators. I am not so worried about a filibuster as I am one or two Senators alone knocking the issue off of the agenda, because in dollars it may not have a large effect but I think in terms of range management it has a profound effect on a significant amount of Federal acreage that we are managing. While there may be improvements, I think we want to try and accomplish an ideal management, not just an adequate management of those resources.

Mr. REGULA. Mr. Chairman, if I could just comment, one of the things that troubles me on the appropriations side, we spend $73 million on BLM management of lands and get a return of $27 million, $5 million of which goes to the States. It doesn't seem to make sense in terms of managing Federal dollars to do so.

And one other comment you mentioned about credits. The study of the Forest Service indicates that the average expenditure is 17 cents by the permittees per animal unit. Certainly that is not adequate, or doesn't recognize the value they are getting in the low AUM fee.

Mr. VENTO. It is especially disturbing when you provide the dollars to go back. First of all, the allocation question in terms of the overall cost to BLM. Then when you allocate the dollars back at 12.5 percent for the idea of range improvement, and you find it being use to perpetuate property rights cases that are unrelated to the issue of improving range management, it is disturbing. They are more a private interest than they are of a public nature or dealing with the nature of enhancing range. Or when you just find simply the distribution of it back as a rebate, as it were, in Nevada, that I think undercuts the entire credibility of any type of a rebate program.

In the one instance I am very disturbed to recognize this. We had had suspicions before. I think, as we go through the whole record here, we can find a good case to first of all get back into a multipurpose type of BLM land management boards, and to address reconstituting how we deal with this 12.5 percent. I think through this credit system, with adequate accounting, we could probably do a lot better job.

I especially wanted to call this to your attention, Congressman Regula, on the Appropriations Committee, and others that are interested in this matter, and hope that we can resolve it. But my time has long expired.

Congressman Hansen, are you ready? Congressman Hansen.

Mr. HANSEN. Thank you, Mr. Chairman.

I don't really like to be on the other side of an issue with Ralph Regula or Mike Synar. I have the greatest respect for both of these gentlemen, and they have always been shown to be very respected and fine people to deal with.

However, I have to say in listening to the testimony I feel a certain thing missing regarding the feeling that we may have for the people in the West. I almost wish you could come out with me to my district, which happens to touch Wyoming, Idaho, Nevada, and Arizona, so you can well imagine that a lot of that is agriculture.

Most people have been there an awfully long time. As you go to their ranches, you will see that they are operating on an extremely marginal basis. They are barely making it, many of them. Whether they should be in or out I guess is a debate for another day, but they are having a very hard time now.

The cattlemen out there tell me that they are going to lose 70 percent of them if that is the case. Well, maybe we could argue they ought to be in something else. I don't know if I like that argument, but I guess some people would argue that way.

It is a little different than in some of the other areas we have. Ralph, I was pleased to see that you talk about multiple use of the ground. I am glad that concept is there. I think it is very important. However, the multiple use of the ground in Utah and the western States today is substantially different than it was 200 years ago, whenever the pioneers went into those areas.

I almost think if we are going to be fair with this thing, we ought to look at multiple use of everybody who uses the private ground—the guy who fishes and hunts like I do, the backpacker, the bird-watcher, the four-wheeler, all of those people—if we want to bring it up, because we are never going to make that thing you brought up about the price of what it costs the BLM and what they get. Their testimony was it was $2.18 per AUM, the last time they were here, if you look just at that particular part. But an awful lot of people use the public land that didn't used to use it, and it seems like someone should have the opportunity to get some benefit out of it.

So, I honestly think you should give some real thought to this industry that is going down. We won't get our $18 million. It will be substantially less than that if our figures are right, if those ranchers are all going to go under. People won't be there any longer. We are doing the same thing as we go away from the multiple-use concept in all of those areas.

Kaibab Industries the other day came up and said, "We are closing two plants." Therefore, the price of lumber doubled in southern Utah in that area, because of all of the challenges that they have. This just keeps putting a stranglehold on the people that are using the public land.

I would just hope we could come up with some solution to this. I think all of us are a little tired of coming to these meetings and going head-to-head on these particular issues.

I appreciated the testimony of all three gentlemen, Mr. Chairman. I ask unanimous consent that the statement of Senator Orrin Hatch be included in the record.

Mr. VENTO. Without objection, Senator Hatch's statement will be made part of the record.

[Prepared statement of Senator Hatch follows:]

STATEMENT OF SENATOR ORRIN HATCH
BEFORE THE
HOUSE SUBCOMMITTEE ON NATIONAL PARKS, FORESTS AND PUBLIC LANDS
ON H.R. 643 AND H.R. 1602

Mr. Chairman: I again appreciate the opportunity to provide comments on the issue of increasing grazing fees on public lands. I presented similar testimony to this committee last February in conjunction with a General Accounting Office report that recommended raising grazing fees to a level similar with those contained in the two bills that are the subject of this hearing, H.R. 643 and H.R. 1602.

H.R. 643 and H.R. 1602 would increase grazing fees on public lands to a level equal to "fair market value." In the case of H.R. 643, this increase could be as high as 33.3 percent above the previous year's grazing fee. At the same time, both bills propose significant changes to the Public Rangelands Improvement Act (PRIA) and effectively repeal Executive Order 12548 that establishes the current grazing fee formula. Because of the change in the PRIA formula, I cannot support these measures and would ask this committee to codify Executive Order 12548, rather than take action to negate it.

As I mentioned on the Senate floor last month during debate on the President's fiscal year 1994 budget, proposals to increase grazing fees are being put forward as an easy way to generate revenue for the federal government. I am convinced, and was reminded again and again during the Easter recess, that increasing the grazing fees to the level authorized by H.R. 643 and H.R. 1602 may force many Utah ranchers out of the grazing business. I predict that within five years, these ranchers would either go bankrupt or voluntarily relinquish their permits. Once that happens, there will be no additional revenues achieved from these proposals, and everyone will lose. There will be no ranchers raising livestock, and there will be no revenues coming into the Treasury. No one will be using the land in the future, at least not for grazing purposes, and this will cause serious repercussions throughout the entire country. It will not take long for consumers everywhere to know the West has been hit again by another hike in federal fees. They will simply be able to check their pocketbooks after a trip to the supermarket or local hamburger establishment.

Considerable attention is being paid this year to the formula that establishes annual fees to graze on public lands as if the formula needs to be changed or modified. I do not subscribe to this notion because, in my estimation, this formula, as contained in the Federal Land Policy and Management Act of 1978 as established by the Public Rangelands Improvement Act of 1978, is working and reflects the appropriate fee that should be charged to use public lands. Those of us who represent states with 50-, 60-, and even 70-percent or more of land owned by the federal government, must continue to oppose changes in this

formula.

The grazing formula functioning under PRIA is working because ranchers grazing on public lands do not own these grazing lands. Yet, it is their responsibility to manage and maintain these lands in a condition that is conducive to grazing activities. What this means is that the rancher is charged with the responsibility of providing 100 percent of the maintenance costs for all improvements on his grazing allotment.

Such improvements would include springs, watering troughs, floats, and other apparatus to control water flow, pipeline systems used to distribute water over a large part of the range, roads, fences, and cattle guards. Ranchers also supply all or a substantial portion of the funds necessary to put the water systems and improvements in place. Many, if not all, of these improvements are used not only by domestic livestock, but also by the public and all types of wildlife.

The costs involved with these improvements, referred to as "non-fee" costs, are not included in the calculation of the grazing fee formula, but they are essential to proper management of livestock grazing and preservation of the natural resources of this country. As I mentioned, wildlife benefits tremendously from many of these improvements. If these "non-fee" costs were included in the grazing fee formula, then the total cost to graze on public lands would be comparable to the total cost to graze on private lands, which is often cited as representative of a fair market value for grazing.

When a rancher uses private land for grazing purposes, he, too, is charged a fee to gain access to the land. However, this fee is higher than the fee determined by the PRIA formula because the rancher is not required to pay the additional "non-fee" costs I mentioned above. These costs are covered by the landowner who is in the business of leasing his own land for grazing purposes. For this important reason alone, the fee to graze on public land is low relative to the fee to graze on private land. And, it should remain so. I am sure "non-fee" costs were not included in the original PRIA fee model to compensate for these expenses.

For the record, I would like to mention the latest fee and "non-fee" costs that are associated with grazing livestock on private and public lands. These figures are provided by Dr. Darwin B. Nielsen, a professor in the Economics Department at Utah State University in Logan, Utah. Dr. Nielsen has done considerable research on this subject matter and is a recognized expert in this field.

Using 1966 as his base, Dr. Nielsen has calculated the costs of specific items associated with grazing livestock on private and public lands. His analysis indicates that as of July 1992, the total "non-fee" costs for a private lease was $11.32. When a private fee of $4.74 per Animal Unit Month (AUM) is added to this

amount, the total costs last year to graze on private land was $16.06 per AUM. This means a rancher using private acreage for grazing would pay this amount to the landowner. In regard to public lands, Dr. Nielsen's studies indicate the total "non-fee" costs for a lease to graze on public lands was $13.28. When the fee cost, as determined by PRIA, of $1.92 per AUM for both Forest Service lands and Bureau of Land Management lands is added to this figure, the total costs in 1992 to graze on public land equalled $15.20 per AUM. As one can see, the figures are nearly identical. The rancher has to bear these costs no matter which type of lease he obtains. Increasing the fee to graze on public lands any significant amount will substantially push the total public lease costs well above the private lease figure.

A summary of Dr. Nielsen's findings for both private and public lands is included in two tables attached to my statement. To compare the costs for both types of lands, Dr. Nielsen used the costs of such items as lost animals, herding, water and fence maintenance, salting and feeding, and travel expenses. All of the ranchers I have talked with about these tables agree that Dr. Nielsen has included every major cost category that is required to successfully operate their ranches. In other words, he has not chosen categories that are extraneous or obsolete to current grazing operations. I urge this committee to review these tables carefully, and I would respectfully encourage this committee to invite Dr. Nielsen to testify on his findings on a formal or informal basis. To date, I have yet to see any one challenge Dr. Nielsen's findings or provide a differing opinion on the important issue of "non-fee" costs.

Mr. Chairman, approximately 70 percent of Utah is currently owned by the federal government. In order to sustain a viable ranching operation in Utah, access to these public lands is necessary. In fact, it is critical to the economic maintenance of this industry. Agriculture is an important industry to Utah's total economy, and livestock production forms an integral part of that industry. The Utah State Department of Agriculture estimates that livestock production results in over $1 billion of economic activity every year in Utah, most of it occurring in the rural or remote areas of the state. An increase in grazing fees will have a dramatic ripple impact on Utah's economy if access to over two-thirds of Utah's land mass becomes off limits by being priced out of the market. And, make no mistake, consumers elsewhere in America will feel it, too.

This ripple will go far beyond the specific numbers, which are important, but which do not fully represent all the casualties that will result from these two bills. I am talking about the lifestyle in our ranching areas, the rural areas, which is as much a part of American West as the watermen are in the East. These are real people that make their living off the land. They take care of the land because they know it is in their direct interests to be good stewards of the land. As one rancher from Layton, Utah told me last week, "the rancher has been close

to the range on a daily basis season after season. He has become intimately familiar with it, in most cases for generations, and he would not do anything to hurt the range." Some have labeled the effort to raise grazing fees as cultural genocide, because it will eliminate the culture that typifies the West. It all boils down to this question: Are we going to ask America's small rural communities to give up the intrinsic beauty of this livelihood and lifestyle just because Congress refuses to make the hard choices on spending cuts? That is what we are talking about today - Congress' attempt to reduce the deficit by raising revenues rather than adopting spending cuts. We need to be sensitive to the cultural traditions that the proposed increases in grazing fees contained in these two bills will certainly threaten, if not totally destroy.

Let me repeat, Mr. Chairman: The livestock industry is an essential economic activity to my state of Utah. A large increase in grazing fees will negatively diminish this industry's benefit to all Utahns and to all Americans. The figures just do not justify a huge increase in grazing fees.

Mr. Chairman, thank you again for the opportunity to provide testimony at today's hearing. In addition to the summary of Dr. Nielsen's study, I am attaching a resolution recently adopted by the Utah State Legislature that supports an equitable grazing fee as embodied in PRIA. This resolution succinctly indicates the critical nature of this issue to my state in general and its locally elected officials specifically. I would be pleased to discuss this matter at anytime with you or any other member of the committee.

Thank you.

SUMMARY OF PUBLIC LAND FEE AND NONFEE COSTS

By: Darwin B. Nielsen
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Utah State University
Logan, UT 84322-3530

Fee and Nonfee Costs of Grazing Federal Lands
(Updated with July 1992 Index Numbers)

Item	1966	1977 (index)	1992 (index)		
Lost animals	$0.60	(1.68)	(1.76)*	(meat animals/prices received)	= $1.78
Association fees	0.08	(2.00)	(1.76)	(production items)	= 0.28
Veterinarian	0.11	(2.26)	(2.12)	(wage rates)	= 0.53
Moving livestock	0.24	(2.30)	(2.37)	(autos & trucks) + (wage rates)	= 1.30
Herding	0.46	(2.26)	(2.12)	(wage rates)	= 2.20
Salting & feeding	0.56	(2.10)	(1.92)	(auto & truck) + (feed)	= 2.27
Travel	0.32	(2.18)	(2.34)	(auto & truck) + (fuel & energy)	= 1.64
Water	0.08	(2.00)	(1.76)	(production items)	= 0.28
Fence maintenance	0.24	(2.28)	(1.81)	(wages) + (building & fencing)	= 1.00
Horse cost	0.16	(1.86)	(1.23)	(feed)	= 0.37
Water maintenance	0.19	(2.28)	(1.81)	(wages) + (building & fencing)	= 0.78
Devel. depreciation	0.11	(2.00)	(1.76)	(production items)	= 0.39
Other costs	0.12	(2.00)	(1.76)	(production items)	= 0.46
	$3.28			TOTAL NONFEE COST	= 13.28

1992 FEE COSTS:

Forest Service = $1.92/AUM
BLM = $1.92/AUM

TOTAL 1992 COSTS: Forest Service – $13.28 + $1.92 = $15.20
BLM – $13.28 + $1.92 = $15.20

*Indices taken from USDA, "Agricultural Prices," Washington, D.C., National Agricultural Statistics Service, USDA, July 31, 1992.

Fee and Nonfee Costs of Grazing Private Lands
(Updated with July 1992 Index Numbers)

Item	1966	1977 (index)	1992 (index)		
Lost animals	$0.37	(1.68)	(1.76)*	(meat animals/prices received)	= $1.09
Association fees	0.00	(2.00)	(1.76)	(production items)	= 0.00
Veterinarian	0.13	(2.26)	(2.12)	(wage rates)	= 0.62
Moving livestock	0.25	(2.30)	(2.37)	(autos & truck) + (wage rates)	= 1.38
Herding	0.19	(2.26)	(2.12)	(wage rates)	= 0.91
Salting & feeding	0.83	(2.10)	(1.92)	(auto & truck) + (feed)	= 3.34
Travel	0.25	(2.18)	(2.34)	(auto & truck) + (fuel & energy)	= 1.29
Water	0.06	(2.00)	(1.76)	(production items)	= 0.21
Fence maintenance	0.25	(2.28)	(1.81)	(wages) + (building & fencing)	= 1.03
Horse cost	0.10	(2.00)	(1.23)	(feed)	= 0.23
Water maintenance	0.15	(2.28)	(1.81)	(wages) + (building & fencing)	= 0.62
Devel. depreciation	0.03	(2.00)	(1.76)	(production items)	= 0.11
Other costs	0.14	(2.00)	(1.76)	(production items)	= 0.49
	$2.75			TOTAL NONFEE COST	= 11.32

1992 FEE COSTS:

Private Fee = $4.74/AUM(excluding nonfee cost)

TOTAL 1992 COSTS: Private Lease = $11.32 + $4.74 = $16.06

*Indices taken from USDA, "Agricultural Prices," Washington, D.C., National Agricultural Statistics Services, USDA, July 31, 1992.

A CONCURRENT RESOLUTION OF THE LEGISLATURE AND THE GOVERNOR ENCOURAGING CONTINUATION OF A FAIR GRAZING FEE FORMULA FOR CONTINUED LIVESTOCK GRAZING ON FEDERAL LANDS.

Be it resolved by the Legislature of the state of Utah, the Governor concurring therein:

WHEREAS agriculture is one of Utah's most important industries;

WHEREAS livestock production is the catalyst for over $1 billion of economic activity annually which is critical to the health of our economically stressed rural communities;

WHEREAS the federal land resource which represents nearly two-thirds of the land area of Utah plays an important part in combining enough private and public land to create economically viable ranching operations;

WHEREAS the fee collected from grazing the federal lands pays an inordinately high portion of the multiple use costs of administering the public lands;

WHEREAS there is consistency between the economic activity on the public land as well as its multiple use and the material well being of the range and the animal and plant species on it;

WHEREAS contrary to popular theory if public land is left to run wild it would deteriorate over time, create fire hazards, and bring an end to species diversity;

WHEREAS over several generations public lands ranchers have developed the confidence to invest in fencing, water development, roads, and forage quality which provides an outdoor experience for public use and increased wildlife populations;

WHEREAS the cost of purchasing the permit and its associated non-fee costs such as lower productivity, larger land area needs, predatory animal losses, and more herders need to be taken into account when comparing public land grazing fees and private land leases; and

WHEREAS there is a movement among radical environmental groups and some members of the United States Congress to increase the grazing fee to levels that would seriously threaten the stability of Utah's livestock industry:

NOW, THEREFORE, BE IT RESOLVED that the Legislature of the state of Utah, the governor concurring therein, support the continuation of an equitable fee structure as is embodied in the Public Rangeland Improvement Act fee formula that preserves confidence and integrity over time and provides benefits to all Americans through multiple use of the federal lands including livestock grazing.

BE IT FURTHER RESOLVED that copies of this resolution be sent to the President of the United States, the United States Secretary of Agriculture, the United States Secretary of the Interior, the President of the United States Senate, the Speaker of the United States House of Representatives and the members of Utah's congressional delegation.

Mr. VENTO. Congresswoman English?

Ms. ENGLISH. Thank you, Mr. Chairman.

I have a question of a specific nature on how it deals with Arizona for either of you. Arizona has much more of an arid ecosystem and it takes a lot more land for cattle to graze. More of the ranchers are dependent on more public land because there is less private land available.

Those two concerns to me indicate that if there is a new formula in place, that Arizona ranchers, even though they may be paying an increased fee, would have less of a competitive opportunity to exist. I am wondering if you can address the regional status or differences in setting up grazing fees, whatever those fees would be, and not having a formula that is sensitive to the idiosyncracies in Arizona.

Mr. SYNAR. Karen, I am glad you brought that up, because there is often a confusion about how we do these values, but an AUM is based upon the different terrains and situations that exist, whether it be in Arizona or Wyoming, and the AUM formula itself takes into account the amount of acreage it would take to carry one cow-calf unit.

Secondly, when you talk about marginal ranchers, whether it be in Arizona, or as Mr. Hansen said, in Nevada, what I find interesting is that the formula does not take into account that we presently use feed, livestock feed, our feeder livestock, seed or fertilizer. The ranchers in Ohio and Oklahoma have to take that into account in their costs, but that is not taken into account as they have to pay their fair market value. That shows you that "these marginal people are not even" using the same types of basic costs as every other of the 98 percent of the livestock producers in the country.

Finally, I don't think there has been anybody other than Ralph and I who have been more sensitive to the fact that we would run anybody off the rangelands. Ralph, to his credit, asked a Republican administration to run the numbers on the Synar-Regula bill and how many ranchers in Arizona, Wyoming, or wherever would be run off by this increased fee. We came down and the report is before you. Not one. Not one rancher would leave. Now why is that?

Well, maybe you can answer this question. What is the grazing fee for Arizona, the State fee?

Ms. ENGLISH. I don't have a clue.

Mr. SYNAR. It is about five times what the Federal fee is.

Ms. ENGLISH. On the private land?

Mr. SYNAR. On State land. I'm sorry. In Arizona it is different, but in most of them—

Mr. VENTO. If the gentlewoman would yield, Arizona mimics the national program. Arizona, incidentally, has 60 percent of its dependency in national public lands. Wyoming is 23 percent.

Mr. SYNAR. Right, and Arizona is indexed. That is the unique part of that. In most of these the State lands, look at—just read them to them.

Mr. REGULA. Colorado is $4.70; Idaho, $4.91; Montana, $4.24, Wyoming is $2.50; Oregon, $2.50.

Mr. SYNAR. Substantially greater than the Federal fee.

Mr. REGULA. Right. I don't know exactly what the multiple-use impact on State lands is. These would be the Federal lands, and that could be a factor. I think that is why it is important that this committee take into consideration all these. Maybe we don't have the perfect formula. Maybe the chairman's formula is not perfect. But the numbers would indicate in all these reports that the present formula does not represent a fair return to the taxpayers of the United States that own the lands.

Ms. ENGLISH. Mr. Chairman?

Mr. VENTO. Do you have further questions?

Ms. ENGLISH. Just a brief one. I don't dispute that at all, and I am much more familiar with Arizona than the other lands, and I know of the checkerboard nature of State lands, BLM, Forest Service.

I also know that it is much more difficult. It takes a longer time to grow the same kind of forage. It is a different ecosystem, and I want that difference to be considered when those formulas are adopted.

Mr. SYNAR. It already is, because that is what an AUM is.

Ms. ENGLISH. You used some comparisons, however, of a region that Arizona is included in, and I don't believe that in that particular region Arizona has received the sensitivity that it should have, just for the record.

Mr. VENTO. I thank the gentlewoman.

Congressman Smith.

Mr. SMITH. I just wanted to correct a couple of things that have been alleged here today. First of all, as you indicated, Mr. Chairman, many of us disagree with the reports that Mr. Synar has in front of him. I might point out that with every one of the reports from the GAO there is not a range scientist who was consulted, not one, so my opinion is as good as theirs. I disagree with them.

We haven't disagreed with the Bureau of Land Management and the Forest Service here. They have come before this committee time after time opposing any change in the formula. Now that may change, but we have followed the advice of the range managers, the Forest Service and BLM in the past. They have always opposed these bills.

I wanted to address, Ralph, the question that you raise and that Mike raises constantly about 2 percent only of all the livestock in the country graze on public lands. The problem is, you have buried us in percentages, and that does not accurately point out what is happening in the West, simply that there are only 11 western States that have all of the public lands or 98 percent of them, 50 percent of all the United States marketable lands. And 40 percent of all cattle herds of more than 100 head are raised in the 11 western States, if you want my numbers, and they are absolutely dependent upon public lands.

I might mention to my good friend from the State of Idaho, 88 percent of the Idaho cattle depend upon public forage, 88 percent of the livestock. Now you, by using 2 percent, seem to demean the dependency that we have in Arizona and Oregon and Wyoming upon public lands, but that is simply not true. There are huge communities, many communities, dependent upon those very grazers.

So I want to make sure we understand the critical nature of this to us in the West. I might just observe that I don't know that there is a BLM permit in Ohio or Oklahoma. I doubt it.

I wish I were sitting where you are. It would be very easy for me to criticize this program, I suppose, if I didn't have any, but you are really inserting yourself into a question of whether or not we can exist in the West. That is why we are so exercised and so concerned.

End of my question. [Laughter.]

Mr. VENTO. If either of our witnesses have an answer to the——

Mr. SYNAR. I do. I want to first of all respond to Bob's original statement that no economists were used that understand rangeland. That is absolutely false, and we know that, those of us who have worked with GAO and directed them to go out of their way to do that. In fact, in the 1991 report on the current formula keeping grazing fees low, let me read you from the report, universities throughout the West and various interest groups.

We also obtained assessments of the formula from a number of economists knowledgeable about ranching economics, State and Federal agency officials, livestock industry representatives, and representatives of environmental groups. So, Bob, that is not right.

Mr. SMITH. Well, it is right. There is not a range scientist on the staff of the GAO.

Mr. SYNAR. On the GAO, but that doesn't mean that they don't go consult with them, Bob. That is exactly——

Mr. SMITH. I said there is not a range scientist on the GAO staff. That is what I said.

Mr. SYNAR. I think it is a little bit disingenuous for Republicans who want to cut budgets back in the legislative and executive branches, then to say that there are not people on those various agencies, to then come in here and argue that.

But let me go to the second thing. Let's look at who these grazers are. The 500 largest permit holders out of the 23,600 in the West control 46.5 percent or 76 million total acres.

Now who are these fine people? They are oil companies like Union Oil, Getty Oil, Hunt Oil, Texaco, major utilities like PacifiCorp, Utah Power and Light Company. We have got Zenchiku Land, a livestock company out of Dillon, Montana, and Japan; feed lot operators; major insurance companies like Metropolitan and John Hancock. We have got one guy, Daniel Russell, out there in California. We have talked about him before. He controls 5,632,502 acres, which is larger than the State of Massachusetts. These aren't Ma and Pa Kettle operations we are talking about.

We basically have 2 percent of the industry that has this benefit, and of that 2 percent, 2 percent control half the land. So making this argument that it goes to the values of the West just doesn't match up with the statistics, which are indisputable.

Mr. SMITH. Eighty-eight percent of the people, Mike, are small agriculturalists. Eighty-eight percent of the BLM users are small people. Now you are using one side of the argument and I am using the other, obviously, but the facts are you can't disguise, using the great oil companies, using those numbers, you can't disguise the fact that 88 percent of these people are small agriculturalists.

Mr. SYNAR. Bob, Ralph and I offered you six years ago, five years ago, four years ago, three years ago, two years ago, one year ago, a deal on this very issue, separating small and large farmers on this, and you have turned us down every year. You have taken the route you don't want to do anything. So, again, it is disingenuous for you to come in here and argue for the small farmer and rancher, when we both offered you that deal six times.

Mr. SMITH. I am delighted for the offer, frankly. I thought we got rid of that idea, but of course you folks like to soak the rich, and so you want to demean anybody that grows.

Mr. SYNAR. Is that directed at me, or at me and Ralph? I think Ralph might want to say something. [Laughter.]

Mr. VENTO. Ohio seems kind of quiet.

Mr. SMITH. I thought we defined that as socialism somehow.

Mr. VENTO. Are you a socialist, Ralph? [Laughter.]

Mr. REGULA. I think the issue here is fairness. Certainly you can say we have no BLM lands in Ohio, but we have taxpayers, we have citizens of the United States, and they own the land just as much as those who live in the West, and therefore they are entitled to a fair return. They are the ones that are paying the taxes, along with the westerners, to support BLM.

Now the Forest Service and the BLM in their report stated that no one would be put out of business, and they are friendly to the ranchers, they are friendly to the permittees. And in testimony in front of our Interior Appropriations, reflecting the language that was included, I think it was in the 1991 appropriation, they said that their studies indicated that no one permittee would be put out of business.

And I think the formula we had represented fairness. That is the real issue here this morning, not rich-poor, big-little. It is what is fair to the owner of the land, namely the people of the United States, and what is fair to the permittee, and I think the present formula does not represent equity.

Now if this committee can construct a formula that achieves the objective of fairness, great. That is really the responsibility of the committee. We have put out one plan; the chairman has put out another. Perhaps some of you have another. I know that some of the western Members have said to me privately that we recognize that there ought to be some change, and the same thing is true on the mining reform program.

But I am afraid if we open the door, it will get wider than we want it to happen. That is what the legislative process is all about, to achieve that objective of treating all the parties equitably.

Mr. VENTO. I thought he had yielded, but I like the opportunity to get my friends together to discuss these issues. [Laughter.]

Frankly, more positive results I think come out of this, provided that we can get it accomplished and get the facts out. You know, I was looking on my background sheet here and the updated agency report, and realized in the western States that are affected by this, they raise about a quarter million livestock, if they have that many. I guess it must be in AUMs. I don't know about the grazing. But they are saying that about 10 percent of the western livestock operators graze on Federal allotments, or about 25,000 western

producers. Nationally, they represent only about 3 percent of the industry.

So I think sometimes it gets pushed a little bit out of proportion in terms of its importance because so many of these lands are marginal lands.

I think we all understand that agriculture and ranching have been in trouble economically, and that nobody wants to visit further economic problems on folks, but I think we are concerned about the overall range management. We are not going to solve the budget problems on this issue. Now let me recognize the gentlewoman from Utah, Ms. Shepherd.

Ms. SHEPHERD. Thank you.

Welcome. This is my first grazing hearing, and I think Karen and I may be the only two here that are having this experience for the first time.

I have got two issues, the one being how much does the land cost and how does that relate to the private land and the State land? In Utah, for example, there is also a difference between what the State charges and what the Federal land is.

There is also the other issue of the improvement of the range, and keeping it of a quality that is sustainable for both wildlife and cattle. And what I have noted as I have started to work with this is that there is a huge difference in people's view of this.

On the one hand you hear that the range is in better shape than it has ever been. On the other hand you hear that it is in worse shape than it has ever been. I would like to know how you see that dispute, and why you think those differences arise, and what is the best criteria by which to judge the quality of the land.

Mr. REGULA. We get into this in the Interior Appropriations Committee with the BLM testimony. It probably varies from place to place because the ecological conditions, as was pointed out by the gentlelady from Arizona, are at great variance. I visited some of these places in the West. I have been on ranches and I grew up on a farm and lived on a farm. I can see the necessity for that. So there is not one blanket statement you can make about it.

The mission of BLM, of course, and the Forest Service, who control most of these lands, is to have a continued improvement of the land, not only for the permittee but for the development of wildlife. I think, as was pointed out by one of the members of the committee, there has been an explosion of multiple use on public lands. I used the figure that the Forest Service has twice the visitor days of the Park Service, and most people are astounded to hear that, but it is because they have large acreages and because there is great interest on the part of people who want to hunt, fish, bird watch, camp, you name it, many of which they can't do in the parks.

So we need to strike a balance here, and I recognize, having been there, that the multiple use is a burden. I am not sure whether the States place the same burden on their lands. Maybe some of you could tell me that, because that may be a factor in the differential in what they get versus what the Federal Government gets. But I believe that is something this committee needs to address with a little more of a fact basis.

Mr. SYNAR. In all the reports we have, we know two things. One, we know that 60 to 70 percent of the land in the West is classified as poor or unsatisfactory. That is an indisputable fact. Has there been improvement? I suspect there has, but we may never know. That is why this report which I am issuing today tells us how difficult it is to see what that improvement is, because the BLM can't account for half of the money that we have put in it, and therefore we don't know if the improvements are being made.

When you can only identify 2 of the 1,353 projects where the money went, how do you know if improvements have been made? But I will grant that some improvements could have been made, but the classification of all the Federal lands is, 60 to 70 percent of them are in poor or unsatisfactory conditions, which says massive improvement is necessary. The only way to do that is increasing the fees to do that.

Mr. SMITH. Will the gentlelady yield to me for a moment?

Ms. SHEPHERD. Yes.

Mr. SMITH. Thank you very much. I want to quote directly to her question from Mr. Penfold, who is the assistant director of the Bureau of Land Management, May 12, 1992, in testimony before this committee directly to your point and for the record. I am quoting him.

"In 1991 the BLM classified over 60 million acres, accounting for 35 percent of rangeland, in good to excellent condition; 61 million acres, about the same amount, 61 million acres, accounting for another 36 percent, in fair condition; only 26 million acres or 15 percent in poor condition. The remainder has not been classified."

For the record, those are the facts.

Ms. SHEPHERD. Can I just follow this a minute?

Representative Synar, the dispute here then is that you are saying that the BLM figures——

Mr. SYNAR. That is the same agency that doesn't have an inventory of what they have done. How in the heck can they come up with these numbers? They don't even know where the money they got to spend went. It is a bit hard for an agency to come here and tell us they have classified lands when they can't even account for the money.

The fact is that the BLM's published range report, May 1991, disputes the testimony that Mr. Penfold has cited and Mr. Smith continues to cite. The report by their own agency disputes those numbers.

Mr. VENTO. If the gentlewoman would yield to me at this point, maybe just to spread it a little, I think the concern here is that we have had a number of reports on specific features of BLM lands such as riparian or desert areas. I think it is recognized generally that the overall improvement of the condition of most of the range starting from the mid-1930s has been rather steady, and we would hope that it would continue.

There are some problems with drought and other issues, but I think the major concern is, if we look at our critical features like riparian areas and other features that are so necessary for diversity, biological diversity and so forth, these are the areas that get impacted. These are the areas that get impacted, and there are a number of reports that have been put out on those.

And clearly part of it gets back to the appropriation process, part of it gets back to what the cost is. So I would just suggest that sometimes the numbers—and I don't want to get into a debate, we obviously want to encourage a positive response from BLM and the Forest Service—but that the BLM in fact in those reports has done a poor job in terms of riparian areas and the impact of grazing, whereas the Forest Service has done a better job. It isn't perfect yet, I think there is something still to be desired.

I think this is what is critical. We are talking about these areas in terms of the amount and monitoring the overgrazing and the effect on various allotments and whether they are able to actually deliver on these issues, so I would hope we could keep that in focus.

Ms. SHEPHERD. Thank you very much.

Mr. VENTO. Mr. Thomas?

Mr. THOMAS. Thank you, sir. We have gotten away from the questions here, I see, but one of the problems in finding a resolution is that we seem to have a completely different view of the world and support it with facts. I think there are some myths floating around. You probably don't think they are. I do.

Mr. Synar, you have your famous 500 chart here. The Cattlemen's Association did look at that, I understand? Spot-checked 25 of the 500 permittees that you mentioned. Half of them were in the wrong State. The one that I am familiar with in my State was overstated to the extent that actually it was 20 percent of what was listed.

So you can use those figures if you want to, I suppose, but it is kind of too bad that you don't use figures that——

Mr. SYNAR. That is BLM public agency data. It is not mine. It is your agency.

Mr. THOMAS. I use the figures that are accurate.

Mr. SYNAR. Tell your own BLM that you were in control of for 12 years.

Mr. THOMAS. Where did you get the 60 percent in poor shape?

Mr. SYNAR. That is from the BLM data, from their own reports that you have been in charge of for 12 years.

Mr. THOMAS. It isn't from the BLM. I have got it right here in front of me. It is right here.

Mr. SYNAR. BLM published range.

Mr. THOMAS. They said they are in good shape. Mike, you don't have those figures now. Well, let's go on.

Mr. Chairman, you talked about the importance of 66 percent of the cattle in Wyoming at one point or another being on public land. Let me share with you one of the reasons why it is a little different.

Much of Wyoming grazing is on public land in the summer and you have to feed them in the winter, so there is a relatively short time in which you use the public range. I am interested in the multiple-use aspect. It is pretty obvious that wildlife does not exist on public lands all year round, and someone has to feed them in the winter for the most part, and often the places where you raise hay and where you have water are on public lands. So it is really important that we try to do something that is based on the facts, and it is really tough to have total differences in view.

Let's talk about the stewardship of BLM. Whose responsibility is it to monitor grazing? What does that have to do with fees, Ralph?

Mr. REGULA. What does the monitoring of grazing have to do with what?

Mr. THOMAS. With the fees.

Mr. REGULA. Of course I think that the way the land is used is an important element in determining a fee structure, and I am the first to recognize that the multiple-use burden has to be taken into consideration in trying to establish a fee schedule.

No one has yet answered my question, and that is, do the States have the same multiple-use concept of the lands that they lease as does the Federal Government? If so, if there were not that activity by the State, why then there would be some explanation for the differences in value.

Mr. THOMAS. There really aren't in our State. They are basically exclusive uses. Furthermore, in the information here it takes 8.8 acres on public land generally to equal the forage on 3.8 acres on State land. So you have got a lot better productivity and there are some management costs that are different there, you know. I know you understand the difference in those things.

Mr. REGULA. Frankly, from the appropriations standpoint we are pressed on the allocation of resources. I think that probably any fee increases will generally get plowed back into range management.

Mr. THOMAS. That may be, but my point is this. The management of the land by the BLM, which they are statutorily directed to do, has little if anything to do with the fee. If the place is overgrazed, then it ought to be changed.

Mr. REGULA. I am no fan of BLM management.

Mr. THOMAS. Furthermore, let me make one more comment.

Mr. SYNAR. Do you want an answer or not?

Mr. THOMAS. I want to finish my question, if you don't mind.

The other is that there is no shortage of BLM folks in Wyoming, about 700. Now if you would like to comment, Mr. Synar, I would be happy to have it.

Mr. SYNAR. Well, great, Craig. Let's talk about it. First of all, the published report that I was citing is "Range of our Vision," May 1991, where they cite 60 percent in poor or unsatisfactory condition. I would be interested to see where your source is.

Mr. THOMAS. I have it right here.

Mr. SYNAR. If you would like to cite that, cite where it says that is not true.

Mr. THOMAS. Page 2.

Mr. SYNAR. With respect to why it is important that the BLM's management policies be taken into account, if we truly believe a program ought to pay-as-you-go, if BLM can't account for the improvements that they are responsible for and manage those, and secondly they can't tell us whether or not they are making progress, then we will never know what the fair market value of the land is if we are going to go as pay-as-you-go. Management policies are the integral juncture in this thing, and if we are committed to the principle of pay-as-you-go which most of you all endorse, then they are the critical link in there, so that we will know exactly how much ranchers and farmers should pay.

Mr. THOMAS. I understand, and I agree with that.

Mr. VENTO. Let's see if I understand this. He is saying 60 percent is in fair or poor condition. You are saying 60 percent is. One comes from a 1990 BLM figure and one comes from a 1991 figure. It sounds like it is going downhill fast. [Laughter.]

Mr. THOMAS. This is called "Public Rangelands," 1990.

Mr. SYNAR. I am quoting 1991.

Mr. VENTO. I guess we are going downhill.

Mr. THOMAS. It says respected authorities, Mr. Synar. Apparently respected authorities in range sciences have stated that public rangelands are in better condition than ever before in this century. Well, now——

Mr. VENTO. So much for the BLM, I guess. We are on our own, guys.

Mr. THOMAS. The point, I guess, of this whole thing is, we really have to come together on some facts, because we just can't keep going on, like this. You can have your own opinions, and we won't agree on that, but you can't have your own facts.

Mr. SYNAR. Craig, on that I absolutely agree with you. Let me first remind you, because you are on the Committee of Government Operations, I have given this challenge every year for six years here on the floor or anywhere else I have debated any of you all. If you can show us where these facts are wrong, I will change, but, in the six years we have debated this, not one shred of evidence has ever been presented that we didn't then look at, analyze and come back with, that disputes anything that is in here.

Second, and most important, what we have here is not a situation where we can continue to debate the facts. It is over. My recommendation to you western Republican Congressmen is to sit down with us and work this thing out, and quit fighting over this thing of whether or not they are going to go up. They are going up. You can either be part of the solution or you can just walk away from it. I want you to be part of the solution, but I have got to tell you, I hate this issue. I hate coming in here.

Mr. THOMAS. You love it. It is the biggest thing you have found.

Mr. SYNAR. But I am not going to sit here and tell you. I mean, I do oversight. That is my job. That is what you all sent me to do. Everything I have done with you, it is not only with Ralph, it is with Bill Clinger and every member of my subcommittee, unanimous. This is not Mike Synar's fight. This is your oversight committee in a bipartisan fashion that for six years has brought you this. If you want it, fine. If not, fine. Let's move on. Don't beat up on me. Just tell me to quit doing oversight.

Mr. THOMAS. Okay, quit doing oversight. [Laughter.]

Mr. REGULA. Craig, I would like to make an offer to you. If you would like to have some questions submitted for the record when BLM appears before the Interior Appropriations Committee, I would welcome a chance to put them in the record on your behalf, because I think we have to clarify the facts and this would be a good opportunity to do so. They will be appearing before us, but I appreciate that.

Mr. THOMAS. I appreciate that, and I will stop.

Mr. VENTO. Mr. LaRocco?

Mr. LAROCCO. Thank you, Mr. Chairman.

To my colleagues, welcome. I don't know what suggestions you have for western Democrats, Mike, but I think it might be the same thing. I was reviewing some floor statements I made last year. My colleagues, Karen and Karen of Utah and Arizona, have not gone through these hearings.

But let me just say at the outset, Mr. Chairman, I applaud you for having these hearings in this committee because my frustrations last year were based on the fact that I was going to the floor of the House, debating this issue on the floor, and hearing about the debate in the Appropriations Committee rather than in the germane committee, the authorizing committee, where I thought this debate should have taken place in a more deliberate manner. But there we were on the floor again, with things going through quickly.

My constituents were faced with a shot to the head, I thought, when we really hadn't figured out what the condition of the rangelands was, we hadn't really considered whether the BLM or the managing agencies were doing a good job and whether they had the resources to do a good job. So I am basically happy that we are back here.

I also would observe that I think that we are part of the clean-up crew, quite frankly, of some 12 years of a bit of disinterest about this issue, on what was really going on out in the public lands States. For the record, let me say that 64 percent of my State is owned by the Federal Government, and 90 percent of the cattle raised in Idaho do find their way to public lands at one time or another. I am having trouble with the 23 percent dependency figures that are thrown around the committee, when 90 percent of the cattle raised in Idaho do find their way to the public lands.

We have a joke out there that they are 20–40 cows, where they have to go through a 20-foot swath at 40 miles an hour to find enough forage just to exist out in Idaho, and there are about 3,700 permittees out in Idaho. That is not a lot. That is not Exxon. That is not Metropolitan Life. There are people like Randall Brewer, standing in the back of this committee room, who are family ranchers and who have been on that land for a long time.

So I really want to get to the bottom of this issue. I am not going to just be a desk-pounding, finger-pointing western Congressman that just says "Hell, no" to this issue. I want to resolve this in the tradition of my former boss, Frank Church, who helped to develop PRIA. If it doesn't work now, if the rangelands are in a deteriorating state, if the range managers are not handling this job properly, then I want to get to the bottom of it. I really do. I don't want to be here next year.

And I think the change of administration kind of kicks us in the butt a little bit and helps us down that road as a clean-up crew. I am not going to get into a debate with you on the figures here. I want good data. That is why I am glad it is here in the authorizing committee. I will do everything I can to get that data.

I think that Exxon can take care of itself, quite frankly. I think they can go out and issue debt, they can go out to the capital markets if they need money, but my family ranchers can't do that, and I don't want to toss them off the land. I think they are good produc-

ers, I think that they are honorable people and they are good stewards of the land.

And to my colleague, Mr. Regula, we should have a discussion about the differences between private lands and State lands. Out there we deal with this issue all the time with regard to timber harvests. The more favorable growing sites for timber in the State of Idaho are owned by Potlatch and owned by Weyerhauser and owned by Boise Cascade at the low elevation sites. That is why they keep them. That is why they manage that land in such a fashion as to have reentries into the land.

Unfortunately, the Nation of the United States owns some of the lousier growing lands, and the State has more favorable lands and it is closer to the roads. It is not isolated. The ranchers don't have to put in their own improvements.

So I don't want to go to the floor of the House any more and look at those figures, apples and oranges, between State lands, private lands. I don't want to be there on the floor defending Exxon. I want to defend the 3,700 permittees that I think don't need a shot to the head. Congressman Williams and I have written to cattle ranchers and to cattle association people and said, "Let's go to the table." Let's go there, because we don't want a handout out West. We don't want something for nothing. We just want the facts.

I know this is more of an opening statement type question, but Mike and Ralph, I want to give you the opportunity at least to say what you think may have been going wrong with the administration up to this point. The reason we have this document, it seems to me, and there is a lack of inventory, is because somebody hasn't been doing their job.

That is why we are here in this committee. That is why we have got a problem. It is because we don't have the inventory in the document. That is why I have been frustrated by going right to the floor of the House and trying to pass this thing. It is why I am glad that it stopped in the Senate last time.

Mr. SYNAR. I just want to say one thing about this fact thing, because this seems to be the bone of contention today.

You know, I and Ralph have been zealous, would be the word that I would describe, that we have not been playing on facts that were reliable. That is why I commissioned, on behalf of the Energy and Natural Resources Subcommittee which I chair, a report by GAO which is the 1991 report in June that went back and literally took everything that had ever been written about grazing, whether it be academic, government, State, and they went in and interviewed 1,000 people out West.

And they came up with the report that was supposed to end the debate on the facts, and the report very simply confirms everything that all those reports I had stacked in front of us have said over and over again. This report is the culmination of trying to eliminate that debate on the facts.

There is no debate on the facts. There is no debate on the facts. We are now down to cutting the deal on when these fees are going to go up and who is going to have to pay them. So I think we do ourselves a great disservice, the taxpayers, the environment and everybody else, the States, by continuing to think that there is a difference in facts. There isn't. This was signed off by every Repub-

lican and Democratic Congressman on the subcommittee and full committee of Government Operations.

So let's get off the facts. Let's get back to the basics. Let's cut the deal. I want you at the table. I think you and Pat Williams are two of the most responsible Members. You have tried to come forward, you have been encouraging your ranchers to do that, and I think that is to be commended.

Mr. LAROCCO. Thank you, Mr. Chairman.

Mr. VENTO. Thank you.

Mr. Duncan.

Mr. DUNCAN. Thank you, Mr. Chairman.

I suppose in one respect I don't have a stake in this, being from Tennessee, but those of us in the East are affected by what goes on in the West, as we are seeing now in the great increases in lumber prices and other things that are happening. And I don't want to see our meat prices double or triple overnight, or go way up, so we will be affected by this.

But, Mike, you mentioned a while ago all these big landholders or these big ranchers, and you said you had offered Bob a deal for the last six years. As I understand it, in this legislation that we are dealing with now there is no distinction or difference made between the small ranchers and the really big giants, and Larry mentioned that he didn't want to defend the Exxons, he wanted to take care of the small rancher. Is there not some compromise or something that we can do to set up these small ranchers and maybe have lower increases?

Mr. SYNAR. Absolutely, and I would encourage you to go see Senator Jeffords, your former colleague, who has been the strongest proponent of this kind of action in the Senate. I can tell you in my conversations with Secretary Babbitt, this is one of the alternatives and options they are looking at, so I encourage you to contact them.

I am more than happy, and I know Ralph is, to sit down and work with you on it. This is not some new proposal. This has been floating out there for six years. Senator Jeffords has really been the strongest proponent in the Senate. We didn't put it in our bill because it was clear those who had been opposed to the grazing fee increases altogether didn't want to bargain at all, so why should we give in to something when clearly we weren't going to get you on board? If you come to the table, you get some of the pie.

Yes, Ralph?

Mr. REGULA. I think obviously someone who is leasing 100 acres has a different set of circumstances than someone that is leasing 10,000 acres. Therefore, there has to be a differential to respect the economic impact of a small acreage lease versus a large acreage lease. That is why I think it is important that this committee try to revise the formula to reflect some of those concerns, and also to end up with something that is fair to all the parties, namely the owners and the permittees.

Mr. DUNCAN. Over the last several years it seems that all the regulations and rules and red tape of the Federal Government have been driving small business out of existence at a very rapid rate. I would like to see something, some protection put in for the small rancher.

Mr. REGULA. There is no greater advocate of the family farm and concern for the small than myself. I think that is a very fair underlying assumption that should be made in developing a formula. There has to be some recognition of that, but thus far it has just been stonewalling. "We want nothing." And that is what happens when we get to the other body.

Mr. DUNCAN. Thank you very much.

Thank you, Mr. Chairman.

Mr. VENTO. I would just point out, as to administrative feasibility, historically the natural resource land use policies have been replete with exemptions for small farmers, small operators and small miners, and very often the spirit in which they were offered was not followed through in terms of how it actually ended up being applied. Water use, what was the acreage? A hundred and sixty acres on reclamation lands.

Well, gentlemen, I think that perhaps you have set a record for being the longest testimony from Members, but this is obviously something in us responded to this issue. I don't know if Congressman Smith is going to put his request in writing to Congressman Synar for you to cease and desist—but in any case we hope that after this year we all can take a reprieve. Either of you are welcome to stay and remain for the other part of the meeting. [Laughter.]

PANEL CONSISTING OF MICHAEL PENFOLD, ASSISTANT DIRECTOR, LAND AND RENEWABLE RESOURCES, BUREAU OF LAND MANAGEMENT, DEPARTMENT OF THE INTERIOR; AND DAVID G. UNGER, ASSOCIATE DEPUTY CHIEF, FOREST SERVICE, DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY ROBERT WILLIAMSON, DIRECTOR OF RANGE MANAGEMENT

Mr. VENTO. Thank you very much.

We are pleased to recognize the first panel: Mr. Michael Penfold, the assistant director of the Bureau of Land Management of the U.S. Department of Interior, which will settle the 60 percent question; and Mr. David Unger, the associate deputy chief of the Forest Service, Department of Agriculture. So I hope your helpers are back there working on that 60 percent question, Mr. Penfold.

Welcome. Your statements have been made part of the record, without objection. You can proceed to summarize or read the relevant portions.

STATEMENT OF MICHAEL PENFOLD

Mr. PENFOLD. Thank you, Mr. Chairman. It is a pleasure for us to participate in this quiet dialogue that you are having with your colleagues. We will try to deal with the 60 percent question.

Secretary Babbitt extends his best to you and wishes that he could be with you personally here today to discuss these important matters. As you know, the Secretary, in the February 16 orientation hearing before the full committee, indicated he was keenly aware of these public lands issues, particularly the grazing fee as well as the broader issues of grazing land.

The administration is fully committed to finding a workable and equitable solution to the grazing fee debate. To further that cause, the Secretary has scheduled a series of upcoming grazing meetings

in the West to hear ideas on a fair and sensible policy for all affected parties. The Secretary believes we should receive a fair return on our rangeland resources, and do so in a way that is sensitive to the impact not only to the taxpayers but to the affected communities and to the lands owned by the public.

We need to explore the needs of small ranchers, the ones who are out there trying to feed their families and support their communities, and see how they can participate in the process of improving range conditions and the ecological health of the public lands. While the conditions of the grazing lands are improving, some critical areas are still in poor condition and improvements must be accelerated. Hence, the debate that you just had.

We certainly appreciate congressional efforts to focus on the full range of grazing issues. In response to the ongoing congressional debate over the existing fee formulas, the Departments of the Interior and Agriculture are continuing to examine the viability of an alternative incentive-based fee. The basic idea would be to set a fair market-value grazing fee for public land ranchers and give them credits for good land stewardship, for improving the range and enhancing riparian wetland areas.

The idea behind the concept is to study a fee system that offers a means to accomplish several objectives. It can be used to more closely align public and private land grazing fees, promote good land stewardship while sustaining local economies, and perhaps even quiet the century-old debate that has divided so many interests in the West.

The study is coming along quite well. Departing from my comments here just a moment, we have asked for a peer review panel of some of the economic data by people that we have gotten recommendations from, both the conservation and the livestock communities, to look over our data. Unfortunately, it will be another month or so before we have that information available.

Before decisions are made on any fee structure, the Secretary has deemed it very critical to meet with individual State and local officials and other interest groups who want to provide their views on grazing policy issues. These four meetings are scheduled in the West—in Bozeman, Montana; Grand Junction, Colorado; Reno, Nevada; and Albuquerque, New Mexico.

A little bit more on these meetings, because you may have heard quite a bit about them here recently. They are designed to explore ways of fulfilling the Secretary's dual goals of providing a fair return to taxpayers for public resources and ensuring good stewardship of those resources so that the public lands are productive for future generations. The Secretary feels that before he can recommend a course of action to ensure a fair return for resources, he needs to listen to people in the West that are affected, real people who live with these issues on a day-to-day basis.

It would be tremendously difficult to come to firm options today absent that kind of input from these people in the West. The Secretary will not make up his mind on these issues until after these meetings. He is particularly concerned that the meetings not be an activity where people show up in vast numbers to vote on one issue or another. He is interested in real dialogue with real people on

these issues, and people who have ideas as to what the solutions are.

The Department has had some criticism here recently about these meetings. We understand that the Secretary has been incredibly busy, coming on the heels of the Forestry Conference and other major issues that he is dealing with. Criticisms on times and schedules and places and all those difficult things in the short time we have had to arrange, I can assure you we are hearing a lot of criticism from parties on all sides. So it is important that these meetings go off well and the right people come, and we hope the committees themselves would feel welcome to participate in this activity.

The Secretary is really not interested in slick presentations at these meetings, but rather an opportunity to talk with folks. He is eager to hear comments on issues broader than just the grazing fee issue at these meetings, but as well on important issues that are embraced in your bill, Mr. Chairman.

We do appreciate being here. These are issues that are of vital concern to the administration, Congress and the American people, and you have the Secretary's pledge that the Department will work with you and others to achieve improved public rangelands and a legacy for future generations.

I know that there will be a comment or a question, at least, on the 60 percent, but I will hold that until later.

[Prepared statement of Mr. Penfold follows:]

STATEMENT OF MICHAEL PENFOLD, ASSISTANT DIRECTOR, LAND AND RENEWABLE RESOURCES, BUREAU OF LAND MANAGEMENT

I appreciate the opportunity to appear here today to provide the Administration's views on public rangeland grazing fees and management of the rangelands by the Department of the Interior.

As you know from Secretary Babbitt's February 16 "orientation" hearing before the full Committee, he is keenly aware that management of the public lands for livestock grazing continues to be a source of controversy—both with regard to the fee charged for such use and the condition of the public rangeland. This Administration is committed to finding a workable and equitable solution to the grazing fee debate. To further this cause, the Secretary has scheduled a series of upcoming grazing meetings in the West to hear ideas on a fair and sensible policy from all affected parties.

We must receive a fair return on our rangeland resources, and do so in a way that is sensitive to the impacts not only to taxpayers, but to the affected communities, and to the lands owned by the public. We must explore the needs of the small ranchers, the ones who are out there trying to feed their families and support their communities, and see how they can participate in the process of improving range condition for maximum productivity.

While the condition of grazing lands is improving, some critical areas are still in poor condition and improvements must be accelerated. We appreciate all congressional efforts to focus on the full range of grazing issues.

Today, grazing fees are based on a formula established by the 1978 Public Rangelands Improvement Act (PRIA). The PRIA stipulated a fee formula that would provide "a fair market price" for grazing privileges and would also "prevent economic disruption and harm" to the western livestock industry. While the PRIA grazing fee formula was originally enacted for a 7-year trial period, Executive Order No. 12548 has continued the fee formula since 1986. The 1993 fee is $1.86 per Animal Unit Month (AUM).

The Bureau of Land Management (BLM) administers livestock grazing on approximately 165 million acres of public lands. More than 19,000 farmers and ranchers graze livestock on these lands, comprising 21,600 allotments. About 90 percent of these permittees have small—less than 100 head—or medium—100 to 500 head—operations. Over the past several years, permittees have used an average of 10 mil-

lion AUM's annually. Of these, large operations—over 500 head—account for nearly half of the AUM's.

In response to the ongoing congressional debate over the existing fee system, the Departments of the Interior and Agriculture are continuing to examine the viability of an alternative "incentive-based" fee. The basic idea would be to set a market-value grazing fee for public land ranchers and give them credits for good land stewardship—for improving the range and enhancing riparian-wetland areas.

The idea behind the concept was to study a fee system that offered a means to accomplish several objectives. It can be used to more closely align private and public land grazing fees, promote good land stewardship while sustaining local economies, and perhaps even quiet the century-old debate that has divided so many interests in the West.

Secretary Babbitt has deemed it critical to meet with individuals, State and local officials, and interest groups that want to provide their views on grazing policy issues. Four meetings are currently scheduled in the West to provide an open forum for such discussions. These meetings are planned for the next 3 weeks in Bozeman, Montana; Grand Junction, Colorado; Reno, Nevada; and Albuquerque, New Mexico. We anticipate that issues raised at these meetings will include:

methods for determining fair market value;
whether fee increase will be phased in over a period of time;
subleasing of grazing permits;
how best to evaluate range conditions;
possible components of a range stewardship incentive program;
whether and how to differentiate between large and small operators, and those who rely solely on ranging income; and
broader land and ecosystem management issues, including suggestions for how we can do a better job of managing the public's land.

In order to construct a fair and reasonable policy on the grazing issue, those that will have to live with the outcome must be part of the process. Only after these meetings are held and the issues fully addressed, will we be in a position to provide specific views on rangeland legislation introduced in the 103rd Congress.

I would like to thank Chairman Vento for scheduling this hearing today on this important topic. The health of America's rangelands are of vital concern to the Administration, Congress, and the American public. You have the Secretary's pledge that the Department will work with all interests to achieve improved public rangelands, as a legacy for future generations.

This concludes my statement. I will be happy to answer questions.

Mr. VENTO. The 1993 version of that particular program.

Mr. Unger, your brief statement has been placed in the record. I guess you relied on BLM to set forth Secretary of Interior Babbitt's position, and obviously are cluing into whatever his recommendations might be.

STATEMENT OF DAVID G. UNGER

Mr. UNGER. I might just summarize what is a brief statement, as you have indicated.

The Department of Agriculture does support the concept of reforming the grazing fee system on public lands in the western States. A detailed administration proposal regarding grazing fees has not been developed at this time.

We believe the most appropriate method to proceed with resolution of the issue, as Mr. Penfold has indicated, is to gather the views of the public at these Department of the Interior and Agriculture meetings that are being scheduled now for late April and May. As Mike has pointed out, the purpose is for the Departments to listen to members of the public, ranching families and interest groups in order to gather information needed to help develop an administration proposal that moves grazing fees toward an equitable market value and encourages good land stewardship.

After compiling the information from these public meetings, we would like to work with the Congress in developing an acceptable proposal.

[Prepared statement of Mr. Unger follows:]

STATEMENT OF DAVID G. UNGER, ASSOCIATE DEPUTY CHIEF, FOREST SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman and Members of the subcommittee: Thank you for the opportunity to offer our views on public rangeland grazing fees and management of the rangelands by the Department of Agriculture.

The Department of Agriculture supports the concept of reforming the grazing fee system on public lands in the western states. However, a detailed Administration proposal regarding grazing fees has not been developed at this time. We believe the most appropriate method to initiate resolution of the grazing fee issue is to gather views of the public at the series of joint Department of the Interior and Agriculture meetings now being scheduled in the western States during late April and May.

The purpose of these meetings is for the two Departments to listen to members of the public, ranching families, and interest groups in order to gather information needed to help develop an Administration proposal that moves grazing fees toward an equitable market value and encourages good land stewardship.

After compiling the information from these public meetings, we would then like to work with the Congress in developing an acceptable proposal.

In summary, the Department of Agriculture supports the concept of moving grazing fees toward an equitable market value in line with the President's 1994 budget. However, we would like to defer discussion of a specific proposal until the Departments of the Interior and Agriculture have completed the public meetings in the West and the input has been analyzed. At the appropriate time, we would like to work with the Congress to develop an acceptable proposal.

Mr. VENTO. Thank you. What is the acreage, Mr. Unger, of grazing land that the Forest Service has? I know in AUMs it is about six million, but what is the total acreage of land that is covered? I know in Mr. Penfold's example that about two-thirds of the BLM surface where we have fee simple land is actually used for this purpose as well as for others. Do you know what the Forest Service number would be?

Mr. UNGER. We have about 97 million acres of rangelands in the 191 million acre National Forest System.

Mr. VENTO. That are actually grazing lands? Is that nationwide or just the West?

Mr. UNGER. That is nationwide.

Mr. VENTO. What about the western portion? Can you differentiate that?

Mr. UNGER. I haven't broken it out, but most of the grazing land is in the western States.

Mr. VENTO. I guess that is right. Just to clarify things, I don't know if this is relative to the number of AUMs or permittees in the Forest Service or the BLM, I just know I hear this number—there are 22,000 permittees. Does that include both the BLM and the Forest Service?

Mr. UNGER. We have about 10,000 permittees in the Forest Service.

Mr. PENFOLD. And we have about 19,000.

Mr. VENTO. Nineteen thousand. What are the numbers of allotments that you have available? So that would give us, then, if there is a shortfall, that all the allotments are not actually under permit now.

Mr. UNGER. Our figure is 9,600 allotments.

Mr. VENTO. And you have got 10,000 permittees?

Mr. UNGER. Some are multiple permittees.

Mr. VENTO. So, in other words, you essentially have no nonuse, then, of areas available. Is that what that means?

Mr. UNGER. Let me ask Mr. Williamson, our director of range management.

Mr. VENTO. Why don't you sit up there, Mr. Williamson and give your name and title. You have got a little room there.

Mr. WILLIAMSON. Thank you, Mr. Chairman. Robert Williamson, director of range management.

The numbers Mr. Unger just provided include the small amount of allotments under nonuse. I don't have that readily at my fingertips, but we can provide that.

Mr. VENTO. There is a suggestion that because of existing economic conditions some of the allotments are not being used, which tends to reflect that maybe there is an economic problem or that the costs here exceed the value of the use, but you have a very small amount?

Mr. WILLIAMSON. It is a very small amount, and it has been relatively stable the last four or five years.

Mr. VENTO. Could you give an observation as to why you think that is the case, in your own judgment?

Mr. WILLIAMSON. Most of the allotments that are vacant right now are high elevation sheep allotments, and have been vacant for a considerable length of time. We also have some allotments that are vacant right now on marginal ranges. Some of those have impact on them from other uses that have made them uneconomical. The permittees have just walked away from them.

But by and large, then, we also have some that are in partial nonuse. They have permits on them but they are in partial nonuse. But, once again, most of the vacant allotments are high elevation sheep allotments.

Mr. VENTO. If you want to give us more definitive information on that, you can always fill it in. I appreciate your responsiveness to that question.

Mr. Penfold, could you similarly respond in terms of the BLM——

Mr. PENFOLD. Yes, sir. We have 26,000 allotments. Approximately 1 percent of those allotments are currently vacant. Then within some of the allotments there is some amount of nonuse, particularly in some of the drought areas this past year. We had a lot of nonuse because of poor forage conditions, so the numbers—

Mr. VENTO. Is there anything unusual about this over the history of management, or is it just sort of a certain amount that do slip into this category?

Mr. PENFOLD. This is pretty normal.

Mr. VENTO. So the cost goes up, the cost goes down?

Mr. PENFOLD. I am not aware that we have seen anything like that.

Mr. VENTO. Well, how about the 60 percent question that was debated back and forth?

Mr. PENFOLD. The numbers actually haven't changed.

Mr. VENTO. Don't tell me it is 50 percent, the perfect answer.

Mr. PENFOLD. What happens is, we put range condition in three categories. Good to excellent, fair, and poor to bad. What tends to

happen is where you throw the "fair," you throw it in the "poor" category or you throw it into "good."

For example, in 1991 we have 36 percent of the range allotments that are in good to excellent, 36 are in fair, and 15 percent are in poor. There is another 13 percent that is unclassified.

Mr. VENTO. Does this have simply to do with man's impact, or does this also have to do with the drought and other types of physical problems?

Mr. PENFOLD. It has to do with all different kinds of conditions. Generally we are not looking at temporary drought conditions. It may have to do with invasion of nonindigenous plants that suppress the ecological condition and other factors that don't have anything to do with livestock grazing, for example.

Mr. VENTO. I wouldn't say that invasion of non-native or exotic species has nothing to do with livestock. Cows and sheep are, I think, somewhat selective in terms of what they consume and what they don't, and there has been I guess some examples of intentional removal of native species such as sage and so forth. You still see some chaining activities in various areas, as well, something I am very concerned about. So I would say in that sense there are multiple factors that affect the type of plant community, I would think.

But certainly I want to listen to your concern. In any case, in getting into this issue I didn't mean to interrupt my colleague earlier, but to point out, isn't it more important or isn't it equally important in looking at some of the specific features like the riparian area impact and so forth, which are more critical to biodiversity and to the quality of public lands?

Mr. PENFOLD. Absolutely right, Mr. Chairman. We have put quite a bit of emphasis, focus on riparian zones in recent years, and we think have had very significant success in rehabilitating some of those areas. We find a lot of our riparian areas are in much better shape than they were in years past, and a good share of our focus now is on those critical areas that are important to biological diversity of the public rangelands.

Mr. VENTO. I would just point out one other thing from the fact sheet that we have, based on the updated report. I would just point out to my colleagues on page 9—if they are interested in where I am taking my numbers from, the information from the report that the Majority staff has provided—it talks about the 1990 rangeland management costs, including range improvements. What it indicates is that the total program for BLM was $3.21 per AUM; for the Forest Service, about $3.24 per AUM. The grazing fees came in at $1.81 in that particular year, 1990. This is the updated statement from the two Departments. We have a summary of it for the Members in the sheet. It is on page 6 of the backgrounder. This points out that for grazing management solely it is less than that, but those are the reported costs for the total program. Can either of you explain for the committee members what the facts are? What this indicates is that in 1990 the overall receipts were about $27 million for a $73 million program and then we gave back $5 million, so that the total net deficit for the year in these programs, for these purposes, when we include range management, range improvements, is over $50 million a year.

Mr. Penfold.

Mr. PENFOLD. Yes, sir. If you would let me use gross figures to illustrate what the situation is. Our appropriation for rangeland programs is around $50 million. We think that about $35 million of that are spent because of livestock management activities. Our receipts are approximately $19 million, so if you do the quick math, there is about $16 million difference.

Mr. VENTO. I guess my figures here are a little less for 1990, but you may have more updated figures.

In any case, I would just point this out to my colleagues. I think that none of us are looking for less range improvement. In fact, some of the criticisms that have been forthcoming from the Inspector General and from the GAO and others have been that we don't do an adequate job of range management, which translates into a need for more BLM and Forest Service personnel in the field, which translates into higher costs.

So what I am trying to point out to my colleagues here is that as we increase fees, we would be wise to look at how we can improve the stewardship of this on a different basis. I will get back to that in a minute. That is what I am trying to set a ground floor for, in terms of what these costs are and how we can enable the land management agencies or the permittees themselves to help us in terms of the stewardship concept of range management.

Mr. Unger, do you want to respond to this particular question similarly?

Mr. UNGER. Yes. Those figures you quoted are accurate. When we took a look at our allotment planning and inventory, grazing management, and range improvement costs in 1990, that totaled about $30 million or $3.25 per AUM. When we looked at those aspects of those costs that were directly attributable to livestock grazing and would not be performed if we did not have a grazing program, that share of those costs was $22 million or $2.40 per animal unit month.

Mr. VENTO. I guess the fee revenue I have here is only for BLM. Can you tell us what your fee revenue was that year or not?

Mr. UNGER. For 1990 it probably would have been something less than $10 million.

Mr. VENTO. Apparently they are telling me I got the combined number. It does say BLM and Forest Service. Pardon me. I'm sorry. I wonder if we have got our numbers correct on this.

Mr. UNGER. It would have been about $9 million in receipts in 1990.

Mr. VENTO. That is your part of the $27 million, and you also then do the 12.5 percent rebate.

Mr. UNGER. We have a 25 percent rebate to the counties, 50 percent to the Range Betterment Fund and 25 percent to the Treasury.

Mr. VENTO. Twenty-five percent to the Treasury. Does it also have a portion, then, of the State's that goes to the Grazing Advisory Boards?

Mr. UNGER. We don't have Grazing Advisory Boards in the Forest Service.

Mr. VENTO. So for the National Forests, we don't have that particular problem. I don't know, but the States may give them some dollars.

Mr. UNGER. Mr. Chairman, Mr. Williamson wants to add something.

Mr. VENTO. Yes, Mr. Williamson?

Mr. WILLIAMSON. What you are talking about there, that 12.5 percent is under the Taylor Grazing Act, and the Taylor Grazing Act does not apply to the Forest Service. We have never been involved in those State Advisory Boards.

Mr. VENTO. One of the things I do in the bill I have is, I include the National Grasslands in the same bill. My colleagues let that fall out. Is there any reason that we shouldn't include them in here, Mr. Unger?

Mr. UNGER. Our feeling would be that it would be appropriate to consider inclusion of the grasslands in the fee structure for the western National Forest grazing lands. We do believe it would also be appropriate, however, to retain the other aspects of administration of the grasslands as they are at present.

Mr. VENTO. The bill that we have doesn't touch that and other administrative aspects of it, but that is something I think we will pay attention to.

My time has expired. Mr. Hansen?

Mr. HANSEN. Thank you, Mr. Chairman.

Mr. Penfold, when the chairman asked you about the condition of the range, you in effect quoted from your 1991 BLM report. From that point on, how is it going?

Mr. PENFOLD. Good. The drought has impacted some in the West, but our riparian program is showing very good progress.

Mr. HANSEN. Would you update these figures you just gave the chairman, coming out of your 1991 report, where you quoted that verbatim?

Mr. PENFOLD. I don't have updated figures.

Mr. HANSEN. But in your own opinion it is better. Is that right?

Mr. PENFOLD. Yes, sir, excluding the riparian areas.

Mr. HANSEN. You also mentioned riparian areas. You think they are better?

Mr. PENFOLD. Yes, sir.

Mr. HANSEN. One of the things that some Utah and Nevada ranchers have told me is that the most detrimental thing on BLM ground to riparian areas is the wild horse. Do you agree with that?

Mr. PENFOLD. We have significant wild horse populations in Nevada and the other parts of the West. I would agree, wild horses are a significant impact in Nevada. I don't think it is a major impact in other States.

Mr. HANSEN. Your BLM people out in that area tell me they just crucify riparian areas. Are your folks wrong?

Mr. PENFOLD. Are you talking about Nevada, sir?

Mr. HANSEN. Yes.

Mr. PENFOLD. No, our people are right. We have overpopulations in places in Nevada that are affecting riparian areas.

Mr. HANSEN. Much more than cows, sheep and other domestic animals, is that correct?

Mr. PENFOLD. We have studies. What you have is combined impact in some areas, and we have studies that work towards separating what the effects of horses are—and I am talking again of Nevada—and what the effects of livestock are, and it varies from one area to the other depending on the numbers.

Mr. HANSEN. In fact, I have been given to understand by some range management people that if the wild horse seems to keep perpetuating itself and growing in numbers, that it could ruin the range more than any other single animal. Is that a correct statement?

Mr. PENFOLD. The wild horse can have very significant negative impact on rangeland conditions, and our program has made some pretty good progress over the last couple of years, though. We are making substantial progress with birth control techniques and new policies on the horse program.

Mr. HANSEN. Excuse me, Mr. Penfold. How much do you spend on each wild horse per year?

Mr. PENFOLD. The population is about 50,000 wild horses. The program is funded roughly at a $14 million level.

Mr. HANSEN. So we are talking $18 million if we take the ranchers off the range, if we lose; but we are paying $15 million for wild horses that are ruining riparian areas. Is that a correct statement?

Mr. PENFOLD. We are talking about horses in one State. The situation in Utah, for example, is in good shape.

Mr. HANSEN. Well, wherever they may be, I mean, this issue today is the range of the West. The horses seem to be in southern Idaho, western Utah and Nevada, and it is true Wyoming has a lot of them. But it disturbs me in a way that we are spending that kind of money on wild horses that you folks have just acknowledged create more trouble to riparian areas, yet we are going to throw the cattleman off the range for $18 million. It is almost a switch. It is almost a trade.

I find it interesting in your testimony that you talked a lot about Secretary Babbitt going to hold public meetings on this issue and mentioned the places. I have no argument with that. Is the Secretary going to be at these meetings?

Mr. PENFOLD. Yes, sir.

Mr. HANSEN. He is committed to being at all four of these meetings?

Mr. PENFOLD. Yes, sir.

Mr. HANSEN. What emphasis and importance will these public meetings have upon his decision?

Mr. PENFOLD. I tell you, I can just absolutely assure you the Secretary is deadly serious about hearing what people have to say, and not making any decisions before these meetings. We briefed the Secretary on some issues relative to this, and I can absolutely verify he wants to hear this thing out before anybody makes any decisions in our department.

Mr. HANSEN. So in your department, in the Secretary's mind, as best you can look at it, there are no preconceived ideas on how this thing is going to fall out?

Mr. PENFOLD. I think the preconceived ideas are these. He comes from a very strong ranching background, and I think he understands very well the importance of small agricultural operations to

these local communities and the lifestyle. I think he is very keenly aware of that.

On the other hand, too, he is interested in trying to find a fair fee, and particularly make improvements of those range conditions that are not what they should be. He has a very balanced outlook on this, I believe, and he sincerely wants to have a chance to hear people out and work with this body and our citizens to find a good solution to these issues.

Mr. HANSEN. In these meeting you expect the constituency of what? The people who live on the range, so to speak, to come in? You said earlier you don't want a mass demonstration, which I can surely understand. You want some really objective, articulate, factual types of testimony. Is that correct?

Mr. PENFOLD. That is true, and there will be panels that will be invited to present comments, and the meetings will also be open to the public for brief comments. Also, opportunity to submit written comments will be provided.

Mr. HANSEN. Will you give this committee, if we ask, your synopsis?

Mr. PENFOLD. I am sure the Secretary is going to be very eager to discuss what he finds with this committee.

Mr. HANSEN. Thank you. I appreciate your comments, Mr. Penfold.

Thank you, Mr. Chairman.

Mr. VENTO. Ms. English.

Ms. ENGLISH. Just a quick question. I know we are running out of time here.

The riparian areas in Arizona have improved immensely this year with the incredible amount of water we have received. In fact, now we need some way to channel and save some of that water. Previous to that we have had many years of drought.

So the facts that people are disputing today clearly are fluid, and I don't mean that as a pun. I mean it is just very fluid every year. With changing weather conditions, those riparian areas seem to also change, but there is also an increase in riparian areas in Arizona.

Are either of you familiar with an informal group called Six–Six in Arizona?

Mr. PENFOLD. I am not familiar with that.

Ms. ENGLISH. There are six Sierra Club members and six ranchers without any—they aren't just Sierra Club members, I should take that back—Audubon and some of the other environmental communities who got together without Federal or State involvement and started talking about good management practices.

I have been on at least two ranches that, without the Federal Government telling them what to do, they are now sitting down at the table and applying the sciences of sustainability and the need for good ranching and the economic opportunities for the State, and coming up with not only protecting the riparian habitats but also increasing productivity and having less of a need for ranching subsidies. I think it is an excellent example. I think that you should take a look at it.

A ranch that I visited was Phil Knight's ranch in the Rickenberg area, and one of the people involved in it is Dan Daggett, who is

a Sierra Club member. I think it is a first to get these two very adversarial groups to be talking about how to really accomplish stuff, rather than the badgering that has gone on even in this room, which I think is way past the time for this dialogue where we are so critical of each other. Let's get ahead and get on with trying to solve the problems.

They have done some pilot programs. They have increased riparian habitat on a number of ranches. It should be looked at as very good potential for other States. I just hold Arizona up as a good example in that kind of a program.

No questions, just more comments.

Mr. UNGER. We will certainly look into that and learn what we can. There are other good examples in other parts of the country where the differing interests have gotten together and been able to work out accommodations, but this is good to know about and we will certainly follow up on it.

Mr. PENFOLD. My staff just passed me a note and said, "Dummy, you should know about that. It is an outstanding example of what is going on out there." So that is the kind of positive stuff we like to hear.

Mr. VENTO. Congressman Smith.

Mr. SMITH. Thank you, Mr. Chairman. I yield to my friend from Utah.

Mr. HANSEN. Thank you for yielding.

Mr. Chairman, I ask unanimous consent that the statements of Senator Conrad Burns of Montana, Congresswoman Barbara Vucanovich of Nevada, and Congressman Jim Kolbe of Arizona be inserted in the record.

Mr. VENTO. Without objection.

[The statements follow:]

STATEMENT OF SENATOR CONRAD BURNS

Mr. Chairman, I would like to thank you for the opportunity to comment on two bills before your subcommittee today, H.R. 643 and H.R. 1602. Both of these bills would increase the fees ranchers pay for grazing livestock on public lands.

The perennial fight over grazing fees has begun. And this year, instead of pushing the issue as an environmental one, proponents are pushing the increase as an economic one. While I am the first to admit we need to tackle our deficit problems, I don't see how pushing an increase in grazing fees will help solve this problem. The fact is the two bills before your subcommittee today will hurt rural economies in sixteen western states.

Proponents of the fee increase and the eastern press have emotionalized the issue to make it sound like western ranchers are living in the lap-of-luxury. Well, I only wish that was the case in Montana! The livestock industries are economically unstable at best.

People who fully understand the intricate parts of this debate can attest to the fact that the proposed increases will probably do more economic damage than if the fee remained the same. In my home state of Montana, nearly 5,000 ranches will be put at an economic risk if unrealistic increases, like the ones contained in these bills, are enacted. And as everyone here realizes, the economic repercussions will be felt all the way down to the local gas station and grocery store.

Also, people from the eastern part of our country do not understand that agriculture benefits wildlife. In Congressman Vento's bill, H.R. 1602, provisions are included to have a part of the revenues raised go toward fish and wildlife improvements. However, maintaining current land uses is often the best way of protecting wildlife. Ranching provides for the large open spaces that wildlife need. Wildlife managers can work with a single resource oriented livestock producer to put into place wildlife programs. That would be difficult if not impossible to implement if large acreages are subdivided. Once the economic stability of ranching is worsened,

neighboring private land will be subdivided into small ranchetts. The loss of large western ranches is not only an economic loss, it is a loss for wildlife corridors.

With over thirty-five percent of the State federally owned Montanans have had to deal with the large federal bureaucracy as a neighbor and landlord. However, overall the grazing program is a good example that private-public partnerships can work. I do think the grazing fee formula needs to be re-evaluated, and a modest increase may be in order. However, if an increase is imposed, provisions also need to be included which allow for ranchers to be reimbursed for improvements made by them on these public lands. Congressman Synar's bill, H.R. 643, does allow for this to some extent. Many Montanans perform the day-to-day duties which are needed to keep these lands in good condition. And most of these lands are in better condition today than they were years ago. Maintaining fencing and stream banks are just two examples of the daily duties ranchers perform on our public lands.

Ranchers in Montana want to stay in business. And unreasonable fee increases will put these people at economic risk. I am hopeful that the proponents of these bills will take a closer look at what these provisions will do to local communities in the West and in Montana.

Again, thank you for the opportunity to comment.

STATEMENT OF HON. BARBARA F. VUCANOVICH

Mr. Chairman, thank you for holding this hearing. Although I am no longer a member of this Subcommittee, this issue remains a top priority of mine and I appreciate your allowing me the opportunity to participate.

Mr. Chairman, this is a familiar issue pitting western rural areas against urban areas. The question is whether American taxpayers receive a fair return for use of federal lands by the public land livestock industry. I believe the return to the taxpayer is much higher than would be if federal land management agencies were left to their own devices. Briefly, let me explain.

We constantly hear arguments from environmental extremists and individuals hostile to the public lands rancher that Animal Unit Month (AUM) receipts do not cover the cost to the federal government to administer the grazing program. This is arguably so, but only if examined in the narrowest of terms, a very naive approach.

Public land allotments comprise lands our homesteading forefathers didn't want. In many instances, the land is far from ideal. In general, the land is poorer in forage value than comparable private allotments. In fact, more than 20 percent of AUMs go unused annually. It is not accurate to compare public allotments to private pasture leases. However, to limit my remarks, I will only speak of the benefits to the taxpayer of having ranchers on the public lands.

The west is vast. Federal agencies do not have near the resources to properly manage the west for wildlife, recreation and other uses. This is where the family rancher comes in. Today, the rancher provides out-of-pocket costs for water-development, riparian management, road maintenance and other activities which not only benefit the family's herd, but wildlife, recreationists, and other land use demands, as well. Wildlife competes for forage, uses developed water, enjoys enhanced riparian areas, etc, all of which is provided by the rancher, rarely the federal agency. How does one place a value on this? The taxpayer receives these benefits to wildlife, as well as enhanced recreational areas, from the rancher, while all the time, her livestock operation is paying money into the Treasury.

In contrast, the removal of the public lands rancher will result in the loss of these benefits to the taxpayer. The long term effect would be an increase in federal money spent for upkeep of improvements. The rancher-borne improvements benefit wildlife and recreationists and have come to be expected by the American people. The result of removing the public lands rancher would be a net loss to the Treasury as no new dollars would be produced by the land.

I was heartened to hear President Clinton agreed to take a reasonable approach to natural resource issues. He came to understand what trying to raise 87 million dollars through the federal grazing program would do to the Treasury, a net loss. The bills before the Subcommittee today reflect the same arguments we've heard for years. Fortunately, however, out on the range reason still prevails. Today, along with twenty of my colleagues, I am re-introducing legislation to codify the existing formula. Until the Democratic Members of this Subcommittee follow President Clinton's lead, you can be assured we will fight tooth-and-nail against such unreasonable proposals as H.R. 1602 and H.R. 643.

In closing, Mr. Chairman, I would like to welcome a fellow Nevadan to the Subcommittee. Barbara Curti, testifying on behalf of family ranchers belonging to the

National Farm Bureau Federation, owns and operates a dairy and ranch in northern Nevada with her husband and children. I am pleased she can once again be with us. Also, Mr. Chairman, thank you, again, for allowing me to participate today.

STATEMENT OF HON. JIM KOLBE

Mr. Chairman,, I am submitting this statement to express my strong opposition to HR 643 and HR 1602. My reasons for opposing these bills are simple. They are fundamentally unfair to western ranchers as they seek to dramatically increase grazing fees on public lands and they are unnecessary.

The current practice of levying grazing fees continues to work well. It is fairly based on prevailing market conditions, rising and falling to reflect various changes in the market. Grazing fees are determined using a formula devised by this body—a formula supported by the Carter, Reagan, and Bush Administrations,—and a formula that has withstood challenge in federal court.

HR 1602 would increase fees from $1.86 to $4.96, almost a 200% increase. The result, according to one economic study, would be a decrease in average net incomes of $2,500 per ranch household. This, according to the same economic study, would cause about half of the 19 million AUM's currently used by western permittess to go unused or taken over by large corporate ranching operations.

The family rancher will be history if this bill is successful. We hear much talk these days about job creation. This bill is a job destroyer. Not only will this devastate the families who depend on ranching for their livelihood, but entire rural communities, consumers of beef and the environment will all be worse-off without the contributions of public ranchers.

The fee increase contained in these bills fails to recognize the marked difference between federal and private leases. Most federal rangeland is not lush meadows, but sparse desert or mountainous terrain. Federal "permittees" bear additional costs of transportation, herding, and predator and death losses. These permittees must pay for and maintain water systems on public lands that benefit grazing livestock as well as wildlife. The federal permittee has the right to the grass only, yet must pay for all maintenance and improvements. When these costs are added up, the differences between federal and private lease rates, not surprisingly, disappear. In many cases, final costs to federal permittees actually surpass private lease rates.

Those who seek to remove cattle and ranchers from the west rely on the 1986 Department of Agriculture and Interior grazing fee report. This report and a 1992 update, were recently analyzed. That analysis found, among other things, that the data used to draw the final report's conclusions is completely unreliable. But sound and fair data is not what these bills are based on. They are based on the political goal of abolishing public ranching. This is neither fair nor in the public interest and these bills ought to be summarily rejected by this subcommittee.

Mr. SMITH. Mr. Penfold, I want to get at this question of the updated grazing fee allotted to livestock for a moment. Isn't it true there is a debate going on in your agency with respect to capital costs versus administrative costs? In other words, of the shortfall, I am reading from a memo that indicates in 1990 there was $10 million expended for range improvements, but they are not operating costs, they are capital investments from which the taxpayers receive a tremendous increase as well.

Mr. PENFOLD. There is a debate as to what you should include in costs.

Mr. SMITH. Now if you indeed subtracted the capital programs, this memo indicates that the shortfall for range improvements investments would be about $1.8 million, and if you subtract the $1.5 million invested by grazers and permittees, that would shrink to $300,000. And then you have to add in, of course, the unknown but substantial amounts that grazers assist in managing publicly owned range improvements, which is an unknown factor. So this memo seems to indicate there isn't any deficit.

Mr. PENFOLD. The factor depends a great deal on how you look at range improvement investments, as to who benefits from that and where that charge should be made.

Mr. SMITH. Exactly. I think we have to be careful that we don't overemphasize the issue. In other words, you mentioned that you thought there was a $16 million shortfall. That would mean you would have to double the grazing fees to cover the shortfall, just for the cost. But if you eliminate capital improvements, which you probably should—that is not an administrative cost, and it is a broad-based benefit to wildlife, to the investment—then you get to the point that I think BLM testified last year that it cost $1.68 for the administration of grazing on public lands per AUM. I think the Forest Service was $2.40, which they have testified again today. Is that correct, Mr. Unger? What is the fee now that the Bureau of Land Management attributes to grazing for the cost of administration?

Mr. PENFOLD. My staff tells me we haven't recalculated it this year, Congressman. We would be happy to do that for you if you would like.

Mr. SMITH. I think the point is that we must not mislead these folks into thinking that there is a huge deficit and a huge subsidy, which by the way there is not a huge subsidy in the existing grazing fee.

Mr. VENTO. Will the gentleman yield?

Mr. SMITH. Just let me finish my line of thought, Mr. Chairman, and I would be happy to yield.

Mr. Unger, this raises another question. Why does it take six times the personnel for the Forest Service to manage the animal unit months in grazing than it does the Bureau of Land Management?

Mr. UNGER. I don't know that it does.

Mr. SMITH. Well, I think it does.

Mr. UNGER. Could you give us an idea?

Mr. SMITH. I am just taking the AUMs managed by both agencies and attributed to range management. You have allotted six times the people. I will send you a letter enumerating that if you would like.

Mr. UNGER. I don't have the particulars of our program before me.

Mr. SMITH. You might want to answer me by letter, and I will yield to the Chair.

Mr. VENTO. Yes. I'm sorry to interrupt. This really gets back to your other point.

First of all, the updated report does articulate the difference in terms of including range improvements which you cite as capital cost. Is that correct?

Mr. SMITH. I have the updated in front of me, Mr. Chairman.

Mr. VENTO. No, I understand that, but you are referring to those as capital costs?

Mr. SMITH. I am suggesting that before we determine what the management fee is for BLM, we have got to separate out capital expenditures.

Mr. VENTO. I am just trying to understand if you are equating range improvements for the total program, the difference as in the

numbers I have. I am not asking you to agree on the numbers, but they are $3.24 for the Forest Service and $2.40 without the capital cost. Is that your point?

Mr. SMITH. No, that is included in the capital costs.

Mr. VENTO. The $3.24 includes them? Well, in any case——

Mr. SMITH. Mr. Chairman, I think the point is that the Forest Service testified and that is the number they used last year. It cost $2.40 for them to manage livestock on the public ranges. That is what it cost per animal unit month. Last year the Bureau of Land Management had a much lower number than that. In fact, the grazing fee last year was higher than their number. I am trying to get at this question.

Mr. VENTO. The only point that I would make is not to be argumentative about the numbers. I was just trying to understand what numbers you were using and what you were referring to. My point would only be that if you don't include the capital costs in the year that they are expended, you would have to amortize them over a period of years, in which case you would be amortizing I guess past costs that are currently being utilized in a given year.

Mr. SMITH. No, don't put words in my mouth.

Mr. VENTO. I am not putting any words in your mouth.

Mr. SMITH. Thank you. I am suggesting that these capital investments are investments not only for livestock but for other reasons. That is the discussion that is going on and the debate, if you may. There are other purposes and benefits from these capital investments that are included in this shortfall, and I am trying make the point—and I think I have made it—that you can't attribute those investments to the administrative cost of managing cattle on public lands. If you do, you skew the issue. If you skew the issue, then you have an argument to raise fees astronomically, and I am trying to get at the point. You can't use that argument because it isn't there.

Mr. VENTO. The gentleman has the last words. I have many more I could say, but we will continue our discussion on capital costs and amortization. The meeting will be in recess while the Members vote.

[Recess.]

Mr. VENTO. If I could have the witnesses back at the witness table, we could probably proceed. I have a few other questions.

This issue reminds me of the Mo Udall story where he talks about bringing together the lamb and the lion and trying to settle some peace, and his observation was, you could bring them together but the lamb wouldn't get much sleep.

Mr. PENFOLD. We lambs appreciate that.

Mr. VENTO. I was referring to the members of the committee more than the sacrificial lambs that we have as witnesses today.

In any case, I had a series of questions. I was trying to make a point with my colleague about the issue in terms of range management costs, and the higher figure per AUM that the Forest Service uses in that updated study was substantially higher than BLM's—I think he was trying to point that out to you, Mr. Unger—which apparently is attributed to full time equivalent personnel assigned. He suggested it would be better to exclude capital costs.

But if you were to withdraw all capital costs or extract them, then presumably you would have to factor them back in on an amortized basis. You would have it over 10 years or 15 years, whatever you thought the lifetime of the projected effort was, so you would be picking up capital improvements that had been put in in the 1960s and would be reflected now—well, if it is a 30-year AUM, you would be picking up some of those costs later and just describing a certain percentage in a given year. So I don't know that it would make a lot of difference.

So I think that would put another record-keeping burden on the agencies. And, referring to a record-keeping issue—Congressman Synar has released this new GAO report, as you are well aware, Mr. Penfold. Mr. Unger, I don't know how much a part you were of this particular study, I guess not much, because it deals with BLM only. But the implication of this GAO study—which apparently GAO didn't hold for comments from the agency, although you are aware of the fact that it was being done, Mr. Penfold—is that your database is incomplete and inaccurate, and I guess Congressman Smith was implying there were some problems with it as well. Do you want to comment on that?

Mr. PENFOLD. We haven't had a chance to see the report. We just had a chance to see one here a few minutes ago, so we haven't had a chance to study it yet, but we are very much aware that we have a problem in what we call our GABS accounting system, as well as all of our field managers doing a careful job of keeping records of where investments are made. So when we have a chance to study the report, we will probably find ourselves in considerable agreement.

Mr. VENTO. It is unusual not to have the information from the BLM. I know that last year, as you recall painfully, we also took up with BLM the issue raised by the Inspector General in terms of BLM field office operation costs, and there was quite a to-do about the fact that there wasn't this traceability of dollars. This new report is really, I think, something similar dealing with the range management. It is very important here, in connection with fees. Frankly, I hope that the numbers we have in the fee report, are more accurate than other BLM records, so we can use them, I mean the 1990 updated report and/or some variation on it.

The implication here is that in the updated report there are substantial costs attributed directly to grazing which have really no multipurpose use. That is, at least, what I read from the report, but that is my sort of quick look at it and summary look at it. That is the implication of that particular report, that there are in fact—and I will repeat it again for emphasis or for clear understanding—that there are costs attributed to other activities of BLM that really only benefit grazing, so that would tend to in fact put more cost into it.

We may reach a point here when indeed, because of the marginal nature of some of the land that is utilized, it would end up being higher. Do you expect that would happen, Mr. Penfold, if we raised the fees? Can you predict with any accuracy or any certainty what would happen?

Mr. PENFOLD. In terms of the amount of costs to the government?

Mr. VENTO. The amount of cost to the individual permittee.

Mr. PENFOLD. If you raise the fees, the cost would be higher.

Mr. VENTO. I think the question is, would there be a discontinuance of use, is really what the question is.

Mr. PENFOLD. There certainly is a point when there would be a discontinuance of use. We have looked at that to some degree. Certainly at a $9 figure we see less AUMs being used, at a $5 fee maybe not so much.

Mr. VENTO. Of course the CBO and OMB score it as an increase in terms of revenue, sir, not assuming a substantial drop-off in terms of utilization.

Mr. Thomas hasn't had a chance to ask any questions, so let me recognize him at this time.

Mr. THOMAS. Thank you, Mr. Chairman.

Mr. Penfold, what is your view of the merits of Grazing Advisory Boards?

Mr. PENFOLD. The Grazing Advisory Boards? Historically they have provided a useful tool, particularly in relationship to their peer pressure on other permittees who needed to change their behavior. They have been useful there.

The administration right now is taking a look at all advisory boards, including grazing and our District Advisory Boards, getting our comments on those to decide under the President's leadership which advisory boards and councils can be eliminated. Obviously there are some functions that are important to take place that would have to be provided for under any advisory board situation that we face.

Mr. THOMAS. But in general, in your experience in the past, the Grazing Advisory Boards have been a useful tool for you?

Mr. PENFOLD. Yes, sir.

Mr. THOMAS. There has been some discussion, or rumor perhaps it is, that the fees would be decided by executive order. What do you know about that?

Mr. PENFOLD. There has been no decision on that at all.

Mr. THOMAS. That is a possibility?

Mr. PENFOLD. It is a fundamental question. The administration would very much like to find an administrative way to establish a fee. We looked at the legal aspects of that and there are several alternatives that look like they could be administratively implemented.

Mr. THOMAS. Despite the disagreement we have, which is not uncommon in the Congress, wouldn't you suspect we ought to have a little voice in that?

Mr. PENFOLD. I think under any scenario the administration would want to chat with particularly this committee.

Mr. THOMAS. That would be nice.

What about Mr. Unger? The paper indicates that the cost for managing livestock grazing is $2.40.

Mr. UNGER. In 1990? Yes, sir.

Mr. THOMAS. So if a formula were devised based on your cost, then, you could say that would offset the incremental specific costs that you have, $2.40.

Mr. UNGER. We certainly can provide information on what it costs us to administer the part of the range program that is attributable directly to grazing.

Mr. THOMAS. And that is what this is currently?

Mr. UNGER. Yes, that is what it was in 1990. We haven't updated it since then.

Mr. THOMAS. What do you suppose would be the result if private grazers did not use grass on the forest, and hence were reluctant to let the wildlife use the private land in the winter? What would be the impact of that, do you suppose?

Mr. UNGER. It is true, as I think was stated earlier in this hearing, that the role of livestock grazing has significance in terms of managing the resource. There are other herbivores that graze, wildlife in particular. If you assume that there was no more livestock grazing, one would have to look at what the impact would be in terms of greater use of the forage by wildlife or whether there would be other management techniques that would need to be used to accomplish a particular objective, whether it be recreation or anything else.

Mr. THOMAS. I just remember specifically being up in the Pitchfork Ranch country in Meteetse, Wyoming, a year ago. They have cattle in the summer on the forest for a few months, but the elk are down in the hay meadows all winter. No offset to the rancher. It is sort of interesting. What is your experience, Mr. Penfold, on the ability to divide the lands if we were to do that, for instance, if you would fence out the Federal lands?

Mr. PENFOLD. Very difficult, certainly, as represented in your State, in most States, and the public lands in all States are really very fractured ownership. Some States like Nevada have some fairly good solid blocks, but in most cases it is a very fractured ownership, almost impossible to fence separately. The ecological condition on the private lands is as important to the wildlife as the ecological conditions on the public lands. Programs need to be worked out jointly and cooperatively with the private landowners and across the Federal lands.

Mr. THOMAS. The nature of the development, making claims, you are taking the water and the better lands and leaving the rest. You simply can't separate the use of those lands in the West.

Mr. PENFOLD. You can hardly separate them. I think as a rule of thumb, though, a lot of the better lands are homesteaded, which emphasizes your point, too, in that particularly for winter habitats, a lot of the prime winter habitats are on private land in a lot of the West.

Mr. THOMAS. I guess I wasn't clear, then. We had a little exchange this morning, as you know, where Mr. Synar indicated that 60 percent of the lands were in poor shape. That does not square with your analysis.

Mr. PENFOLD. As I indicated, I think the question is whether you consider "fair" to be in the poor category or "fair" to be in the good category.

Mr. THOMAS. "Fair" and "poor" are two different things. He said that there were 60 percent that were in poor condition. You wouldn't agree with that?

Mr. PENFOLD. No, we think not.

Mr. THOMAS. The management issue seems to me to be somewhat divided from the fee. Now it is your responsibility in both agencies, isn't it, to manage the land?

Mr. PENFOLD. Yes, sir.

Mr. UNGER. Yes.

Mr. THOMAS. So if you had an allotment that was overgrazed or for some reason needed to be changed, it is your responsibility to do that?

Mr. PENFOLD. Yes, sir.

Mr. THOMAS. Do you tie it to the fee?

Mr. PENFOLD. Presently there is no tie to the fee. Of course, the concept of an incentive program——

Mr. THOMAS. I'm sorry. I didn't make myself clear. Your management of the land is not tied to what the fees are?

Mr. PENFOLD. No, sir.

Mr. UNGER. The only relationship in our program is that a proportion of the fees that is collected is turned over to the Ranch Betterment Fund, and therefore is used for improvement, so there is that relation.

Mr. THOMAS. That is a good point. I understand that. But if we came to you and said this portion is poorly managed, then regardless of the fee there ought to be something that you do about that.

Mr. UNGER. That would be our responsibility, that is right.

Mr. THOMAS. My point, of course, is that people keep making the connection between poor grazing conditions and fees. I would suggest to you that there is no real relationship between those two things.

Thank you very much, Mr. Chairman.

Mr. VENTO. I think it would be useful, to go out and look at the whole evolution of plant succession in terms of grazing areas, because it is implied that there would be an impact on the range if there wasn't as much grazing. I hope that is not going to be the outcome of what we do here, that we completely eliminate grazing.

Mr. THOMAS. That is a management decision, Mr. Chairman. It has really little to do with the fee. If this will support 100 AUMs or 60, that decision needs to be made. It has little to do with the fee.

Mr. VENTO. And I appreciate this. I thank the gentleman—I agree with his conclusion. If it is a question about putting enough resource back or if we are not treating the land properly, clearly that is important.

My point was a little bit different; that is, just to look at the natural succession when sagebrush is removed and other types of exotic species are encouraged like cheatgrass, and eventually you get tumbleweed. That is very susceptible to fire because it accumulates and builds up on fence rows and does a variety of other things that are very problematic.

And then you see later the type of plant community of juniper and pinon, and I guess ecologists and so forth on your staff could give us a pretty good walk-through as to what has happened. That is one of the reasons I get very concerned about some of the chaining that goes on, because you are really disrupting what is a pretty settled type of plant community in these areas.

Ironically, we were back over in the Snake River Birds of Prey Area, and BLM and the Department of Defense were planting sagebrush to restore a natural type of plant community, and then I flew to Utah and BLM was doing chaining. So I was a little confused. I understood what was happening, but I think we have really got to get our act together on some of those matters.

Let me ask a question that also dovetails, and Craig, if you want to jump in, please feel free to do it. But let me say, President Clinton, I think, could issue a new executive order to describe a new formula for determining fair market value for the purpose of grazing fees. In fact, I think that likely would occur. I hope that we can settle that legislatively at some point, with that necessarily as an understanding, but does the administration believe that it could do more without specific authority?

For instance, there are three aspects here that I see. One is the incentive-based provisions that Congressman Darden and I included in the bill that we put in and that Secretary Lujan talked about. Second is a two-tier system which apparently President Clinton is interested in. Third is a factor that was reflected in the bills that we have before us, and that is the phase-in. So those are at least three aspects where we think or suspect legislative authority or authorization language in law may be necessary.

Mr. Penfold.

Mr. PENFOLD. And there are others that will be looked at, as well, as you start arraying the different variations on the theme. There is quite a long list of different variations on a theme that could be made on grazing fees.

There is consultation going on right now with the solicitors, and will be as we really start identifying and analyzing alternatives that come out of these meetings for the Secretaries and the administration. Some of those are going to require some additional legal work to see if they can be done administratively. So that is kind of where we are on that.

Mr. VENTO. I appreciate the response. I guess we are concerned because at least an initial analysis leads us to think that for incentive-based fees, two tier fees, and phase-ins legislation is needed. There may be others that require legislative change. The result would be, if an executive order came out that in fact put in place a higher fee, you couldn't have any of the offsetting impacts. It makes it more difficult and makes it more imperative that we then should act on these other issues which I think the Secretary and the President feel are important.

Mr. Unger, did you want to comment?

Mr. UNGER. No. I agree.

Mr. VENTO. You concur with what your colleague says. Obviously the basic law requires fair market value return on forage. The 1986 executive order of then–President Reagan is still in effect. It requires use of a specific formula as a way to implement the basic requirements to set the grazing fee.

Does that in fact get us back to the fair market value? The 1986 Executive Order was attacked in court, and it was upheld, but it is a concern, I think, that we actually get going on this particular issue. If you did try to administratively set a multiple price system, you may get variations. It was upheld on the single price, not on

multiple variations. That is the point that my staff is pointing out to me, and which I would share with you.

There are a couple of other issues here. Let me try this with Mr. Unger. It is true that the Forest Service has somewhat stricter requirements than BLM for obtaining grazing permits in terms of the ownership of base property and local residence. That is to say, the issue here of circumventing and subleasing is more difficult.

Would it be appropriate to consider similar requirements for permittees seeking to qualify for a small operator fee system? That is to say that the Forest Service now has somewhat stricter requirements than BLM for obtaining grazing permits, in terms of ownership of base property and local residence. Could that type of system be put in place for different size operators, in other words, having more information on those issues?

Mr. UNGER. I am just trying to think through how that would work in practice. We do require ownership of base property and the animals as a condition, and to avoid subleasing under those circumstances. You are saying could that be done differently or applied to small operators?

Mr. VENTO. If the size of the operation is to be the basis of distinguishing fees, I guess I don't know what the profile of the Department of Agriculture permittees is, but before you go on and give me the profile, why don't you try to respond, if you can?

Mr. UNGER. I am going to ask Mr. Williamson to approach that question.

Mr. WILLIAMSON. Mr. Chairman, we are doing that to a certain degree. Base property requirements, the acreage of base property, is set at the local level. The forest level, generally speaking, is in an acreage basis. That acreage varies from forest to forest.

Generally speaking, based on my knowledge, where we have smaller operators or clusters of smaller operators, then that base property requirement is lower for them than it is where we have the larger operators. So yes, that particular thing can work and is working to a degree, and we try to keep that base property current within the local area as it relates to the common practice of the operators in that area.

Mr. VENTO. Mr. Penfold, do you think that tightening up that type of system or the BLM having that type of system would work for the BLM or not?

Mr. PENFOLD. We have base property requirements, as well, or base water, one or the other, so there are some similarities there.

Mr. VENTO. The implication is in my question, and I think the reality is, that the BLM is not as strict with regards to the base property qualifications, and/or you talked about water?

Mr. PENFOLD. Are you talking about subleasing?

Mr. VENTO. Yes, I am talking about subleasing. That is one effect of it. The other would be having a foundation to actually administer a two-tiered system, having a foundation to actually administer that sort of system which I think most Members here seem to be interested in, at the very least. I won't say that they favor it.

Of course past attempts, as I said in my comments previously, to give small operators a break have been often manipulated to the benefit of others, so that the 160-acre reclamation limitation or

other types of limits have become unworkable or irrelevant. So I am concerned about, as we go down this path, whether or not we have the base type of information or can develop it, or does the BLM type of land use pattern and permittee allotments not lend itself to that?

Mr. PENFOLD. We have pretty good information on base types.

Mr. VENTO. So you believe you can parallel it?

Mr. PENFOLD. I believe we could.

Mr. VENTO. I think the open question is to try and prevent a small-operator break from becoming just a big loophole.

Let me say one other thing. I know my colleagues are waiting, including Mr. LaRocco, but Congressman Thomas asked to get an update—to some extent an update, not a formal and complete study, I guess—of what the costs are of operations for the most recent year available. We have 1990. Insofar as that is going to be completed by the Forest Service on Mr. Thomas' request, I think it would be helpful were it also done by the BLM, so we would have an update of both BLM and Forest Service. It would also be useful to the Secretary to have that in the event that there are some unusual developments that have occurred since 1990.

I guess we could get 1992 data at this time, could we not?

Mr. PENFOLD. Yes, sir, and there is something else that might be useful. I think it is going to be useful to the administration. That is the economic work that we are doing right now, which is looking at the cost of operating on private land and the cost of operation on Federal land.

Mr. VENTO. Is there a parallel? Is that being done collaboratively with the Forest Service?

Mr. PENFOLD. Yes.

Mr. VENTO. You talked about that study coming out in about a month. Is that the study you talked about?

Mr. PENFOLD. Yes.

Mr. VENTO. Insofar as you are answering questions specifically for Mr. Thomas with respect to the Forest Service's overall costs, updated and I guess on a 1992 basis, I just wanted to make certain that we have that information sort of broadly.

Mr. PENFOLD. I would be happy to.

Mr. VENTO. Let me cease at this time.

Mr. Thomas, did you have a comment?

Mr. THOMAS. Yes, sir. I would like to follow up just a little bit on this business of subleasing and all that sort of thing.

Mr. VENTO. I wanted to recognize Mr. LaRocco, who has been patient with me.

Mr. THOMAS. You are going to miss my question. It was an excellent one. [Laughter.]

Mr. VENTO. It is up to Mr. LaRocco. He can call the shot on that.

Mr. LAROCCO. Thank you, Mr. Chairman. I want to hear Mr. Thomas' question, but I was just going to invite our witnesses to advise the committee with regard to this whole fairness question and the dialogue I had with Congressmen Synar and Regula about fairness and the statistics.

If we were to probe a little bit with this committee to look for a fair price or to institute, legislate, some more fairness into this program, where would you direct, both of you, this committee? Just

give me one example of where we should head. I know you are regarded as expert witnesses here. You have many years in the field, and this is not an indictment of what has happened in the past, but what rocks should we uncover? Where should we head?

Mr. PENFOLD. Certainly one would be to take a look at what private land, similar lands in the private sector are leasing for. I think that is something that ought to be looked at.

Let me just add this comment, though, Congressman. The more we look at the work we did in 1966—we did additional work in the mid-1980s, we updated that in 1992, we will have another review that I think will add some additional light on all this—I don't think, my gut reaction is that we are not going to see a silver bullet come out of this that gives us exactly the clearest answer. All of these pieces of information I think are going to be helpful, they are going to be constructive.

The kind of question you are asking is the right one, because we are going to have to look at a lot of different factors and make our best judgments on that in terms of what that fair value is.

Mr. LAROCCO. Are there any factors that are the highest priority? I am just trying to have you help us give some direction.

Mr. PENFOLD. I think, in sync with what the Secretary's concerns are, is that we also must recognize we have substantial public benefit from proper management on the private lands and the stability of those local communities. So it is important that the taxpayers get properly reimbursed for the value of that forage that is used, but not to the point that we devastate these local communities. There is a tough balance, I think, in there to find.

Mr. LAROCCO. Well, that stability jibes with some of my goals out in Idaho with regard to certainty and stability. I just heard what you said, but is there anything, any report, anything academically from the bureaucracy or from the economists that stands out, that is so relevant to this committee that you would want to flag it for me?

Mr. UNGER. I guess what I am trying to say is that all of this information is relevant. Certainly among the pieces of information is this update of the grazing fee report that was done a couple of years ago, but there are many other sources of information that you need to look at as well.

Mr. LAROCCO. I am going to yield my time to Mr. Thomas. I want to hear that question. [Laughter.]

Mr. THOMAS. I am not sure I am going to be able to produce but two things very quickly, because there is another panel.

What about longevity or being able to depend on having a lease? Are you concerned about 10-year versus 5-year leasing, Mr. Penfold?

Mr. PENFOLD. In terms of adjustment of permitted members and items that are critical to taking care of the range resource, the government has the ability and the authority to do that at any time during the permit period. We are always concerned about administrative activities that take away from the more productive management activities, so in looking at a 5-year versus a 10-year period that is something that we would think carefully about, administrative time involved

Mr. THOMAS. Very decisive. Thank you.

Mr. PENFOLD. I thought it was a great, great question and a great answer. [Laughter.]

Mr. THOMAS. There is a tenure issue here, isn't there? We are not just looking at the convenience of the agency. That is not our main interest. Our interest is in a stable agricultural community in the West.

Mr. PENFOLD. My understanding is that banking institutions and lenders do prefer to see the longer-term permit, even though probably when you get down to the legalities of all of it, it doesn't mean a great deal, but the institutions tend to like that. I have been informed of that.

Mr. THOMAS. Do you have a feeling on it, Mr. Unger, on the length of leases?

Mr. UNGER. Our policy historically, of course, has been to have 10-year permits on the grounds that it provides a measure of more opportunity for commitment on the part of the permittee to carry out range improvements and proper management and so forth. But this is something, if the administration wants to examine some shorter periods, we certainly will look at that and see whether there are any advantages.

Mr. THOMAS. You hear occasionally about subleasing. If there is subleasing going on that is inappropriate, isn't that a management problem? I mean, that is against the rules.

Mr. PENFOLD. It is against the law and the rule.

Mr. THOMAS. Why does it seem to be a concern? If it is happening, then that is a management problem for you, isn't it?

Mr. PENFOLD. We have normally maybe a dozen cases a year of subleasing that we take legal action on. Sometimes there is confusion about subleasing, which is illegal, and pasturing, which is legal, and there are significant differences between those two activities which I could go into if you wanted me to.

Mr. THOMAS. I guess my point, and I think you were saying there were 10 cases last year, to be precise, it really isn't a significant issue. It isn't a policy issue here, is it?

Mr. PENFOLD. I think it is an appropriate issue for there to be discussion on right now.

Mr. THOMAS. You would like to see it changed, see the law changed?

Mr. PENFOLD. What we think is that it is appropriate to have some discussion on this. We haven't concluded whether we want to see a change in this arena or not.

Mr. THOMAS. Thank you.

Mr. VENTO. We could ask a lot more questions, and I think we will just reserve the right to hand in questions in writing.

Mr. VENTO. Not to have an editorial comment on the things my colleagues say, but the interspersed nature of the lands in terms of water and in terms of private lands obviously results in sharing or utilization of some of these permittees either through informal or formal agreements, which may in fact end up being a circumvention, at least in a policy nature, of what goes on here.

I have a lot more questions, but we will relent at this point unless there are further questions of the panel members.

[No response.]

Mr. VENTO. Thank you very much, Mr. Penfold, Mr. Unger, Mr. Williamson.

PANEL CONSISTING OF JACK METZGER, CHAIRMAN, FEDERAL LANDS COMMITTEE, NATIONAL CATTLEMEN'S ASSOCIATION, ON BEHALF OF NATIONAL CATTLEMEN'S ASSOCIATION AND THE PUBLIC LANDS COUNCIL; BARBARA CURTI, PRESIDENT, NEVADA FARM BUREAU FEDERATION, ON BEHALF OF THE AMERICAN FARM BUREAU FEDERATION; DR. JOHN M. FOWLER, PROFESSOR OF AGRICULTURAL ECONOMICS, NEW MEXICO STATE UNIVERSITY; AND TOM DOUGHERTY, WESTERN DIVISION STAFF DIRECTOR, NATIONAL WILDLIFE FEDERATION

Mr. VENTO. We then would like the next panel, whose names I have right here. Jack Metzger of the National Cattlemen's Association; Barbara Curti from the Nevada Farm Bureau Federation; John Fowler of New Mexico State University; and Tom Dougherty of the National Wildlife Federation. We appreciate their patience while we have sort of debated the issue among ourselves this morning.

Some of these names are familiar because the witnesses have been before the committee before. Your statements have been made part of the record. Therefore, you can feel free to summarize your statements or read the portions that are most appropriate to your presentation. We are pleased to welcome you. Mr. Metzger, please proceed.

STATEMENT OF JACK METZGER

Mr. METZGER. Thank you, Mr. Chairman, members of the committee. This is kind of interesting. Seventeen years ago my father appeared before this same committee, Mr. Chairman. You were chairman. Not very many things have changed, except we have changed generations. We do want to make that point.

I have a few thoughts to make that would be in addition to what I have submitted in testimony. First is the level of confusion that our industry has trying to track the debate that has occurred here this morning. Probably the biggest issue for us, that was just discussed a minute ago again, is the question of fairness.

The question of fairness is a relative question because we have to ask, "Fair to whom, and for what purpose?" Those questions are still loose out there. They are still floating around. Mr. LaRocco made reference to that. Mr. Thomas has. You have, sir.

From our perspective, if we are going to define fairness it has to be in some sort of a broad overreaching sort of set of principles or a premise. There is a group of people out there who are capitally invested on the land. They are invested there. Their homes, their lives, their roots, their dollars, their futures are all invested in the lands. There are whole community structures, economic systems, including systems of land and resource management, that are also invested in on the land, part of the social and public fabric of the rural West.

And so how important that is in a regional context, in a small community context, in a national context, will determine the relative fairness of that question of what is a fair fee, depending upon

the context, the direction of the Nation and the direction of the community, et cetera.

So far I don't think this committee or this Congress or this government has decided where it wants to be on that issue, and we certainly don't know how to respond. In terms of a dollar fairness, dollar equity basis, the best approach to determine that is a simple economic comparison. When we consider all things, the conditions of lease, dollars invested, the requirements that are made upon our industry, that basic approach was attempted and was put into law in terms of the PRIA formula.

It is interesting that there has been a lot of discussion this morning of other numbers. There has been an assumption made on the part of Mr. Synar, Mr. Regula here, that that formula is incorrect, that the results of it are incorrect. But no one has ever looked at that formula and done a clear and simple study of it that has survived any kind of peer review, that says it is not working.

We have an entire argument and perception and essentially public wisdom agreement on the fact that the Federal land grazing fee is too low. Most of that, if not all of that, comes from one study, the 1986 report to Congress which, had it considered all things, perhaps would have amassed an appraisal that perhaps would have been a good number. But all things were not considered. That study has been soundly disputed on economic terms, statistical terms, et cetera.

Again, what are we going to use as a basis for defining the parameters of this debate? We don't have that clear in our minds. I can tell this morning, after watching the conversation, it is not clear in the minds of this committee. We as an industry would happily sit down and discuss with someone, anyone, a solution, but based on what premise?

Are rural communities important? Is that something we need to continue and to define as a realistic and good public benefit? Is production from that land important? If so, is the Congress interested in maintaining an equitable economic opportunity out there, or is it our responsibility to pay for all public benefits, all social benefits that might accrue under that broad category called "range"? Is that something we are supposed to do?

Depending upon how we approach that, there are multitudes of different answers as to what is a fair fee. Frankly, from our perspective, until someone tells us under what premise we are going to define fairness, we don't know how to come to the table. It is difficult.

From the environmental point of view, I was pleased that Congresswoman English mentioned the Six–Six thing that was done in Arizona. I was one of the six ranchers that was a founder of that. It has been a very positive and productive thing.

One of the results of that has been a recognition from all parties that the system is broken; it is not working. The system of how we manage our Federal resources is not working. That is the grassroots level, with a broad base of people. We have Audubon, Sierra Club, Lions Unlimited, Earth First, wildlife people, local construction people, tire salesmen. We have everybody in our communities who are starting to be involved in these things, and frankly there is a big lack of confidence in the system and in the process.

Again, it is based on where are we going and why. If we look at the environmental issue that sits in front of us, it is a very carefully, well-orchestrated effort. We have seen all kinds of evidence to indicate that the world that the cowboys have out there is degrading.

I don't know whether you all can see these. They are supposed to have been much bigger, but this is a new company that I had do this. These are two riparian areas in the hot desert of Arizona. I can pass these around to you if you would like to look at them. One is on a working cattle ranch and one is in a nature preserve.

Biologically there is basically no difference. They are both extremely healthy. The people you see there are part of the Arizona Riparian Council, and on one of those pictures with the people walking in the stream, Representative English was there the day that picture was taken.

The issue of the West being trashed by livestock is probably the most misrepresented thing that we have out there. Here is another couple of pictures, again taken very recently. These two pictures on the right, these two pictures are taken three-eighths of a mile apart this spring, same day, five or six weeks ago. One is a nature preserve; one is a working cattle ranch. One is cattle-free for 17 years. The other one has cattle on it today.

I am sure you can guess that this is a trick. The preserve is the one that looks like hell, frankly. It is becoming a biological desert. It has had no livestock on it for 17 years. The plant diversity is declining, the animal diversity is declining, the insect diversity is declining, the soil is starting to move. It is degrading terribly.

This is a working cattle ranch three-eighths of a mile away. Again, there is an orchestration out there that says reality is different than what it is. This is a close-up of that same situation, a tremendous amount of forage here. We are actually measuring soil development. This is high desert, hot high desert, high elevation but hot desert. And on here we have actual soil erosion and it is being measured and it is a tragedy. This preserve is owned by the Audubon Society. This is a private ranch.

The point, I guess, is that if we make the mistake with this fee issue, that is what we are risking. We can get that.

I took, Mr. Chairman, your bill to the ranch last weekend and played with the numbers. Should it pass, I am through, very simply. My family will be gone. So we can get to this point. It took 17 years in southern Arizona. It won't take quite that long where I live.

What bothers our industry is that from a social standpoint and an environmental standpoint and an economic standpoint is a win-win-win. We get a grazing fee, we get a product, we get a healthy environment, plus we have a base for multiple use. We have wildlife, we have healthy watersheds, together.

This is cattle-free, where we have broken and denied that natural biological symbiosis that exists between grazing and herding animals and land. We have denied that. We said it doesn't work. So here we have a degrading watershed, a simplifying plant community, no product, no grazing fee, and no jobs in the community.

So the questions that our industry cannot figure out how to work with you, work with Congress, is on what basis are we going to de-

termine a grazing fee? What is the basic direction we are trying to go, and why? And then a grazing fee will be simple to solve.

But as long as we are defining this issue in terms of too many wildlife or not enough, or riparian degradation or not, or dollars here and dollars there, are we responsible to pay for the wild horse and burro program, et cetera, et cetera, until those questions are answered, Mr. Chairman, I don't know how we can be constructive in this process. We are willing to. We would like to.

[Prepared statement of Mr. Metzger follows:]

STATEMENT SUBMITTED BY

THE PUBLIC LANDS COUNCIL
NATIONAL CATTLEMEN'S ASSOCIATION

ON

H.R. 1602 AND H.R. 643

BEFORE THE SUBCOMMITTEE ON NATIONAL PARKS AND PUBLIC LANDS
COMMITTEE ON NATURAL RESOURCES

Submitted by:

Randall Brewer, President, Public Lands Council

and

Jack Metzger
Chairman, Federal Lands Committee, National Cattlemen's Association

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The Public Lands Council represents the 31,000 western ranchers who graze cattle and sheep on federal lands in the 14 western states, and coordinates the federal land policies of the National Cattlemen's Association, American Sheep Industry Associatiion and the Association of National Grasslands. The National Cattlemen's Association is the national spokesman for all segments of the beef cattle industry -- including cattle breeders, producers, and feeders. The NCA represents approximately 230,000 cattlemen. Membership includes individual members as well as 46 affiliated state cattle associations and 29 breed associations.

Mr. Chairman and Members of the Subcommittee, my name is Jack Metzger. My family owns and operates a cattle ranch in northern Arizona near Flagstaff.

I am here today as both the representative of the Public Lands Council and Chairman of the Federal Lands Committee of the National Cattlemen's Association. The Public Lands Council represents 31,000 Americans who graze livestock on lands managed by the Bureau of Land Management, Forest Service and the National Grasslands. The Public Lands Council's Board of Directors is comprised of permittee representatives from each of the 14 western states where federal lands grazing occurs. In addition, the Board includes representation from the Association of National Grasslands, the American Sheep Industry Association and the National Cattlemen's Association.

Mr. Chairman, the attempt in Congress to discredit the current, properly functioning federal grazing fee formula has been undertaken for four consecutive years now in numerous forums. I'm sure the perennial task of debating the merits of the federal grazing fee has become a tiresome one for you and Members of the Subcommittee; this is certainly the case for the livestock industry. What is most unfortunate is the fact that the issue has been a highly charged emotional one, and this has gravely distorted the issue. These distortions of reality have made "news", and, in turn, created a national perception that fuels this debate. The western livestock industry eagerly wants, and needs, to resolve the grazing fee debate once and for all as the livelihoods of thousands of responsible, family ranchers hang in the balance due to the clouded uncertainty that has resulted from the annual, unjustified attempts to significantly alter the federal grazing fee.

The western livestock industry supports the current Public Rangeland Improvement Act (PRIA) grazing fee formula for two primary reasons. First, it is the only system made available to date that defines an equitable fee for the price of federal forage - for this is what a livestock producer who utilizes federal lands pays for - and provides for equal opportunity, all things considered, year after year between federal and private lands ranchers. Second, there has not been any peer review evaluation - not even by harsh opponents - which says that PRIA does not accomplish what it was enacted to do.

When the PRIA formula was enacted in 1978, it had strong approval from virtually all affected interests, from livestock producers throughout the industry to environmentalists to budget experts because it provided for an equitable fee and provided certainty for ranchers year after year. Federal lands ranchers aren't asking for grazing fees that would be counter to the livestock industry's, the public's or the western range's best interests nor are they opposed to an equitable fee. We are asking only for a means of determining an equitable fee considering the unique cost of production and lower efficiency inherent in federal lands as dictated by the PRIA in 1978.

The fact that the federal grazing fee is lower than the typical "fee" a private lands rancher pays to rent private land has never been disputed by the western livestock industry, but it is extremely inappropriate to compare federal lands grazing fees with private pasture rents. In addition, the grazing fee does not reflect the rancher who uses federal lands total cost of production. Much of the confusion over the grazing fee issue comes from attempts to compare it with the "private lease rate." In a private lease situation, the rancher buys for one price, exclusive access and complete control of a self-sufficient production unit. In contrast, the federal fee buys only one component of that production unit--the grass. The federal lands are dependent upon privately owned water rights, privately owned intermingled lands, and privately developed improvements in order to have productivity.

When the law which enacted PRIA expired in 1985, and was consequently re-established by Executive Order 12548, there was a gigantic outcry from those who, for various reasons, were opposed to the formula. Since then, the basic argument against the fee is that it is too low. As a result, the Secretaries of The Interior and Agriculture produced a report in February of 1986,

Grazing Fee Review and Evaluation, which, instead of reviewing the PRIA fee structure, appraised and evaluated the market value of forage on the range and concluded that the rancher using federal lands was paying much less for forage than the private lands rancher. This report, however, did not take into consideration the conditions of lease which add to the total cost of production and, therefore, that study was so controversial that neither of the Secretaries of The Interior or Agriculture would sign the completed report for submission to Congress.

But we've seen that this report, as well as a second similar agency forage study last year that merely updated the 1986 study with the same conclusions, is terribly flawed. The *New Perspectives On Grazing Fees And Public Land Management In The 1990's*, produced last year in a Report to Congress by Drs. Thomas J. Dudley and Gerhard N. Rostvold at Pepperdine University's Graduate School of Business in Malibu, California, found that "the "Mass Appraisal" approach to valuation used by the Forest Service and the Bureau of Land Management in the 1986 and 1992 grazing fee studies yielded highly questionable conclusions, and the probability that the data used to draw final conclusions accurately reflects the data collected is less than one percent." Among other things, the Pepperdine report found that "Congress has not been given the minimum accountability mandated by law from the agencies. One can only conclude that, at best, the Congress has been ill-served, or at worst, it has been misled." The "forage study report" in 1986 and update in 1992 has given opponents of PRIA to this day the only "document" to waive in their debate to dismantle the PRIA formula. Is Congress going to continue to allow this report to be the centerpiece of debate in resolving the grazing fee issue? If so, the future condition of America's federal lands and our production of food and fiber is in grave trouble.

The western livestock industry believes that Congress must answer two questions in order to settle this debate once and for all: Do you want livestock producers to continue ranching on the federal range, and if so, are fees - with all things considered - going to be equitable with private land rents? Because of the present ambiguity of those answers, most ranchers who are dependent on federal lands believe the future of their ranches to be very unstable. If the answer to these questions is "yes," then let's proceed with sound numbers and science and put this emotion-driven, misinformation-based problem to bed - for a very long rest.

The livestock industry is willing to work with Congress to resolve the debate over grazing fees ... in its proper forum, the authorizing committees, where all the credible data can be reviewed so that policy can be established that takes into account the long-term ramifications of legislation. Livestock producers are weary of the distractions thrust upon them by those who deal in misperceptions rather than reality. We are anxious to get back to the ground where they can preserve the past, produce for the present, and provide for the future.

Mr. VENTO. Thank you for your statement. We will get back with a question or two in a moment, but at this time we want to make sure that all the panelists have a chance to testify.

We are pleased to welcome Barbara Curti from Nevada Farm Bureau Federation.

STATEMENT OF BARBARA CURTI

Ms. CURTI. Thank you, Mr. Chairman. My name is Barbara Curti, president of the Nevada Farm Bureau Federation. I am here today to represent the American Farm Bureau Federation. My family owns and operates cattle ranches in Nevada and California.

The American Farm Bureau Federation supports the current grazing fee formula. Earlier this year Farm Bureau voting delegates from all 50 States and the Commonwealth of Puerto Rico approved a policy which calls for grazing fees equitably established on the basic economic principles of the current grazing fee formula for Federal lands, and established in statutes rather than by executive order.

The current formula, first set by the Public Rangelands Improvement Act, has worked for the industry, the land involved, and for the Federal Government. PRIA has worked for the industry because it is stable and consistent. It has worked for the land involved, as evidenced by the continued improvement of our Nation's rangeland. PRIA has worked for the Federal Government and the Nation's taxpayers.

Without the presence of ranchers on the land, the Federal Government would face the choice of expending many scarce tax dollars to provide management and labor on the ground or allowing the resource to degrade. But from our perspective PRIA has also had its failings. Of the nearly 23 million animal unit months permitted for use in 1991, some 5 million were not utilized. The nonuse of such an important sustainable and renewable resource can be attributed to two factors, total cost of operation and denial of credit.

The grazing fee is but a part of the total cost of operating on Federal land. Ranchers are passing up use of the permits or dropping permits because they are too expensive. The banking industry has concerns about PRIA, as well, not that it believes the formula doesn't work, but the attacks on PRIA create uncertainty.

I know, Mr. Chairman, that your other committee assignment has made you particularly aware of the banking industry's aversion to uncertainty. Some bankers in the West have ceased making operating loans to some permittees because they feel the fee could rise to the point where their ranch customers will have no choice but to default. Young ranchers are unable to obtain financing to buy ranches.

We need to resolve the contentious issue of grazing fees and we need to do it this year. As I have stated, Farm Bureau supports PRIA, but if we cannot have PRIA, what do we support?

Unfortunately, when alternatives are discussed, all too often the discussion centers around numbers. Numbers are important, but fee levels do not exist in a vacuum. For any meaningful resolution to the grazing fee issue to occur, four main points must be ad-

dressed and agreed to before Farm Bureau would support a new fee structure.

First, the fee must be fair and equitable.

Second, the permit must provide reasonable tenure so that the rancher has the incentive to make investments and long-term improvements on public land. We are pleased to hear that Secretary Babbitt recently stated that land tenure is probably the single most important factor in keeping livestock grazing on the land. We agree.

Third, the rancher needs to know that the carrying capacity of the permit will not be diminished without justifiable reasons. We should provide incentives for enhancement of the range so that more AUMs are permitted and judiciously used.

Last, permits must have practical and flexible management requirements. All too often ranchers are asked to follow management guidelines that lack common sense. We know the land, its potential, its problems and its needs. Management plans must recognize ranching economics, and management practices need to have benefits as well as costs.

Mr. Chairman, we sincerely want to resolve the grazing fee issue. Many of our members are baffled and bewildered by the current turmoil surrounding the grazing fee issue. The grazing fee program is not a subsidy program. We are not abusing the land resource. It is in our interest to protect the land for both future generations and the Nation.

We want a future in ranching. To whatever extent needed, we will work to that end. Ranchers are looking forward to being actively involved in Secretary Babbitt's town meetings over the next few weeks. Many will be stressing what I have discussed here today.

Thank you very much.

[The prepared statement of Ms. Curti follows:]

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STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION TO THE SUBCOMMITTEE ON NATIONAL PARKS, FORESTS AND PUBLIC LANDS OF THE HOUSE COMMITTEE ON NATURAL RESOURCES WITH REGARD TO GRAZING FEES

Presented by
Barbara Curti, President
Nevada Farm Bureau Federation

April 20, 1993

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April 20, 1993

Mr. Chairman, my name is Barbara Curti. I am President of the Nevada Farm Bureau Federation, and I am here today to represent the American Farm Bureau Federation. I am a rancher, and my family has permits to graze our livestock on federal lands.

The American Farm Bureau Federation supports the current grazing fee formula. Earlier this year, Farm Bureau voting delegates from all 50 states and the Commonwealth of Puerto Rico approved policy which calls for "grazing fees equitably established on the basic economic principles of the current grazing fee formula for federal lands and established in statute rather than by executive order."

The current formula, first set by the Public Rangelands Improvement Act (PRIA), has worked for the industry, the land involved and for the federal government.

PRIA has worked for the industry because it is stable and consistent. It has reflected the difference in total cost between private land grazing leases and a federal government forage permit. I call it a forage permit, because forage, the plant matter that our livestock consumes, is what we pay for. Until we recognize that forage use is but one of many uses provided by federal lands, the issue of federal land grazing will continue to be shrouded in myth and misinformation.

The PRIA formula has worked for the land involved as evidenced by the continued improvement of our nation's rangelands. Any abuses that may have occurred in the past by the livestock industry have been addressed. Although we need to remain ever vigilant, it must be acknowledged that those in the industry who abuse the land are the rare exception, not the norm. The stability of the industry, through PRIA, has allowed permittees to have the confidence to provide the management and capital necessary to improve and enhance the range.

PRIA has worked for the federal government and the nation's taxpayers. More than 30,000 ranch families provide management and care for our federal lands. Without their presence on the land, the federal government would face the choice of expending many scarce tax dollars to provide management and labor on the ground or allowing the resource to degrade. The land stewardship of federal forage permittees has generally been ignored by

detractors of this use, though the stewardship ethic is as much a part of a rancher as his hat or his horse.

But from our perspective PRIA also has had its failings.

Of the nearly 23 million Animal Unit Months (AUM)s permitted for use in 1991, some 5 million were not utilized. The non-use of such an important sustainable and renewable resource can be attributed to two factors—total cost of operation and denial of credit.

The grazing fee is but a part of the total cost of operating on the federal lands. Those of us who use the federal land forage find ourselves providing goods and services that we do not need to provide in a private land lease. Permittees typically provide fencing, roads and water development on permits, while these are generally included in a private land lease arrangement. Additionally, we are operating on land that is too high, too dry, too cold or too rough to have been taken up by our homesteading forefathers. It has productive use, but it is more expensive to utilize or harvest the forage when compared to private land opportunities. Ranchers are passing up use of the permits, or dropping permits, because they are too expensive.

The banking industry has concerns about PRIA as well. Not that it believes the formula doesn't work, but the attacks on PRIA and the proposals that have been advanced in Congress create uncertainty about the industry. I know, Mr. Chairman, that your other committee assignment has made you particularly aware of the banking industry's aversion to uncertainty. Some bankers in the west have ceased making operating loans to some permittees because they feel the fee could rise to the point where their ranch customers will have no choice but to default.

Young ranchers are unable to obtain financing to buy ranches. Our industry is a family industry, but we are losing the ability to pass on our ranches, our way of life, our stewardship ethic and the irreplaceable knowledge of how to produce food and fiber in a natural and environmentally sound manner to future generations.

We need to resolve the contentious issue of grazing fees—and we need to do it this year—not only for this generation, but also for the next.

As I have stated, Farm Bureau supports PRIA. But if we cannot have PRIA, then what do we support?

Unfortunately, when alternatives are discussed, all too often the discussion centers around numbers. Numbers are important, but fee levels do not exist in a vacuum. For any meaningful resolution to the grazing fee issue to occur, four main points must be addressed and agreed to before Farm Bureau would support a new fee structure.

First, the fee must be fair and equitable. It needs to reflect the real economic differences between private land lease rates and federal forage permits. It needs to have stability.

Second, the permit must provide reasonable tenure so that the rancher has the incentive to make investments and long-term improvements on public land. Not only is ranching a commitment to a way of life, but it also is a lifelong commitment. We in the ranching business must take a long-term view of our operations. In order to capitalize and justify improvements and enhancements of a federal land permit, the rancher has to know that he or she will have the necessary time to pay for those improvements and enhancements. We are pleased to hear that Secretary Babbitt recently stated that "land tenure is probably the single most important factor in keeping livestock grazing on the land." We agree.

Furthermore, the rancher needs to know that the carrying capacity of the permit will not be diminished without justifiable reasons. Indeed, we need to encourage activities on our rangelands that will allow for better utilization of the forage. We should provide incentives for enhancement of the range so that more AUMs are permitted and judiciously used. This would go a long way to increasing federal revenues and enlisting ranchers in a cooperative management program.

Last, permits must have practical and flexible management requirements. We want to see a real partnership with the Bureau of Land Management and the Forest Service in managing this resource. It is in our best interest to make that partnership work. But all too often, ranchers are asked to follow management guidelines that lack common sense. We know the land, its potential, its problems and its needs. If ranchers are to be required to live under a management plan, it is imperative that we have some input in its design. Furthermore, the management plans must recognize ranching economics, and that management practices need to have benefits as well as costs.

Mr. Chairman, we sincerely want to resolve the grazing fees issue of grazing fees. Many of our members are baffled and bewildered by the current turmoil surrounding the grazing fee issue. The grazing program is not a subsidy program. We are not abusing the land resource. It is in our interest to protect the land for both future generations and the nation. We want a future in ranching. To whatever extent needed, we will work to that end. Ranchers are looking forward to being actively involved in Secretary Babbitt's "town meetings" over the next few weeks. Many will be stressing the points I have discussed with you today.

Thank you for this opportunity.

Mr. VENTO. Thank you.

Dr. Fowler from New Mexico State University, welcome. Please proceed with your statement, doctor. I know that you have a long statement, so if you can summarize it, it would be helpful, so we can hear from all the witnesses before we have to break for some work on the floor.

STATEMENT OF JOHN M. FOWLER

Dr. FOWLER. I will be brief, Mr. Chairman. Thank you very much for the opportunity to be here in front of you and the distinguished members of this committee.

I will focus my discussion primarily on the appraised base value that is the subject of much controversy. We will keep away from the numbers game because I believe, as has been previously presented, that that is a regulated number that does not respond to economic factors directly except in certain instances where an individual can take reduced numbers due to economic conditions or resource conditions.

When you examine the appraised base value, which is included both in H.R. 643 and H.R. 1602, there is commonality there. There are several firsts. I think it is the first time that the stack of literature of critique is larger than the voluminous report in itself. I think it is also the first time that economists agreed that this report is without merit. I would like to expound on those conditions, if I may, Mr. Chairman.

I am not quite as critical as the Pepperdine report in criticizing the very paper it was written on. However, I think there are some very important pieces that were put forward by both Pepperdine, by Oregon State University, by Utah State University, New Mexico State University, the University of Wyoming, and the list goes on and on.

Number one, the appraised base value is not the fundamental question that was asked and addressed in the 1966 study. The question addressed in 1966 was what fee equalizes the total costs between Federal land grazing and private grazing. The appraised base value does not address that question.

The appraised base value looks at the value of exchange. It does not look at the value in use. There is a very important distinction between these two measurements, Mr. Chairman.

The appraised base value also makes some horrendous assumptions on comparability. We have heard those already addressed today. Are private lands comparable to Federal lands? Obviously they are not in terms of productivity, but I would address and focus your attention on Table 1. That would indicate that the Federal lands, both the Bureau of Land Management and the U.S. Forest Service require from 11 to 12 acres per animal unit month, whereas the private lands require slightly over 4 acres per animal unit month, Mr. Chairman. These lands are not directly comparable.

The State sections which we have talked about already today, established in 1988 by the Ferguson Act, in 1912 by the Enabling Act, and then on a random basis sections 216, 32 and 36, given a much more random basis and are much more equivalent and representative of the average productivity by State. That, as you see, is directly in line at 6 acres per animal unit month. The best lands

were homesteaded first. They are not comparable. They should not be the basis for comparison with the residual Federal lands.

In addition, Mr. Chairman, the appraised base value of the 1983 study was looking at no discount for services that are tendered in these cattle care contracts on private lands. Not only is there a quality difference, there is a total cost difference in grazing livestock per animal unit month. There is also a difference in the particulars of the transaction.

Services and facilities on private land transactions are not comparable to what you would receive in a Federal land lease. They should be adjusted. I appreciate the problem that the appraisers had in 1983 in trying to determine the value of these factors. It is a very confusing and confounding element in the issue.

In 1985 we did the same study, the exact same design that the Federal Government did in New Mexico. They reported 280 results. We found 650 separate private land leases and attempted to value these services and facilities. Rather than the 5 percent value, it was subjectively determined by the appraisers and incorporated in their appraisal base value.

Indeed, the value of the services and facilities comprised 33 percent of the gross transaction price on private lands. That is a very, very important figure to be retained, Mr. Chairman. Not only do we have a productivity difference, we have a difference in facilities and services. To make the appropriate adjustments, you must compare forage to forage.

Forage is a derived demand. It is a function of the productivity factor and it is also a function of the value of the final product. As livestock prices have been high in the last five years, it has kept animals on the land. As the sheep prices have dropped, and we have all seen the crush in the American sheep industry, you see vacant allotments. That is how the market system works within the livestock industry.

Mr. Chairman, I will be brief in terms of the methodology. It is replete with errors, insufficient sample size, lack of proportionate weighting by State, no correlation, at least as accounting through time, multi-colinearity between the variables, and on and on. This list of academic criticisms must be made.

To you, Mr. Chairman, to reexamine your use of the appraised base value, I noticed in your own mind you must be skeptical of this value because you have chosen the lowest one for one region. What about the others? There is room for skepticism. You will also notice in the 1983 update, from 1983 to 1992, the appraisers themselves said they rejected any lease over 10 years old, yet they themselves went on leases that were taken from 1981 to 1983 and said, "No change to 1992." A little difference in terms of their approach, Mr. Chairman.

I believe if we take all these factors into consideration—and Mr. Representative, you are asking for pieces to examine, rocks to look under—the study should not be cast away. The methodology should be reexamined. It does have a basis for one point in time.

If you will also look at Federal land being exchanged on a competitive lease in the private sector, we have an example in New Mexico, the McGregor Range. The data there would indicate that in the last two grazing years, and services that are provided by the

Bureau that aren't provided in other Federal leases, indeed the value of Federal forage, high quality, the best quality Federal forage, is in the range of $2.70 an animal unit month. This should be used as an upper limit, Mr. Chairman, because there is no compensability requirement on those particular lands and it is indeed the highest quality.

Mr. Chairman, I would compliment you on the choice of usage of the forage value index as a method in moving through time. It did keep the ratio between the private land value, lease value in 1966, and the value of the fee that equalized the $1.23; it has kept that value constant to 1993. The ratio was .337 in 1966. The ratio is still .337 in 1993. It is a mechanism of moving through time.

What is not incorporated in that mechanism is a transfer of responsibility from the Federal Government to the permittee. He has had additional maintenance responsibilities that have increased his cost of operation, and therefore even again the forage value index should be viewed as an upper limit through time. But it does track and it does account for inflation, Mr. Chairman.

I thank you for the time.

[Prepared statement of Mr. Fowler follows:]

Testimony to the

Subcommittee on

NATIONAL PARKS AND PUBLIC LANDS

of the

COMMITTEE ON

INTERIOR AND INSULAR AFFAIRS

House of Representatives

ONE HUNDRED and THIRD CONGRESS

FIRST SESSION

on

H.R. 1602

To reform the management on the public lands

H.R. 643

To raise grazing fees on public lands

Hearing Held in Washington D.C. April 20, 1993

by

Dr. John M. Fowler

Professor of Agricultural Economics

New Mexico State University

INTRODUCTION

Mr. Chairman and members of the esteemed subcommittee, I appreciate the opportunity to address you on the topic of federal grazing fees.

Controversy and federal land grazing fees have emerged as synonymous terms. The issues have evolved and matured to the extent that emotion, which can rapidly surge and abate, is being carefully controlled by coalitions of special interest groups. The coalitions work diligently to "market" their respective positions. Political ramifications are always paramount. However, recent effort has been directed toward educating the general public that is further removed from agricultural production practices with each new urban and suburban generation.

The heart of the controversy is who shall "control" federal land. The power struggle evolves around two central themes; the trend in ecological condition of westerN rangelands and the price level that simultaneously provides a reasonable rate of return to the federal treasury and a positive return to rancher permittees. Ecological condition assessment is conducted by the managing agency which determines a long-run carrying capacity for each allotment. The long-run carrying capacity can be adjusted through suspended preference or voluntary reduction, i.e. taking non-use or by applying for temporary non-renewable increases in stocking rate if resource conditions are favorable. The end result is that the number of livestock are regulated and do not respond to traditional economic factors. Therefore, the supply of forage allocated to livestock is relatively fixed in terms of the number of animal unit months (AUMs). Thus directing attention to the cost of the federal forage as a factor of production to the livestock industry and as a source of revenue for the federal government of leasing a renewable natural resource.

The bills under consideration for this hearing (H.R. 643 and H.R. 1602) both present new mechanisms to price federal forage and have a common formula used to arrive at a fair market value. (FMV).

$$\text{Fair Market Value} = \frac{\text{Appraised Base Value} \times \text{Forage Value Index}}{100}$$

It is this adjustment mechanism that is the focus of my testimony. The formula originated from the 1986 report prepared jointly by the Secretary of Agriculture and Secretary of the Interior entitled "Grazing Fee Review and Evaluation".

The literature is replete with references questioning virtually all aspects of this study. The most recent was a report prepared by Professor Rostvold and Dudley from Pepperdine University. This report is a scathing attacK on the Mass Appraisal approach, the analytical methodology and the altering of data. The authors detailed the steps of the performance tested "Scientific Method" with respect to the 1986 and 1992 Grazing Fee Review and Evaluation and concluded that "if the most important beginning step, i.e. the statement of the problem and the most important analytical step, i.e. analysis and interpretation, were not

performed appropriately how can the conclusions reached be appropriate. All conclusions advanced as a result of this study are suspect." These same conclusions were expressed in 1985 by Nielson et al from Utah State University and again in my own testimony to this very subcommittee on September 22nd, 1987.

MASS Appraisal Techniques

The mass appraisal technique was selected as an appropriate technique to determine the rental value of federal forage based on the market rental value of private native rangeland. Mass appraisal is defined as "The process of valuing a universal of properties as of a given date in a uniform order, utilizing standard methodology, employing a common reference of data, and allowing for statistical testing." The technique relies solely on market data and does not incorporate the income approach to value or the replacement cost depreciated approach to value. Differences in these approaches are usually reconciled. The income approach has historically been lower than the market value; this would indicate that market values should be viewed as upper limits.

The mass appraisal technique may provide an indication of the market rental rates but this rate is for a specific point in time. The period studied was 1983 through 1984, which was a peak lease period. The peak was both in terms of numbers of leases but equally important the prices of the grazing lease were at an all-time high as evidenced by the competitive lease bids on the McGregor Range. In addition to the questions of the appropriate time period, value in exchange versus value in use; the question of comparability of public to private lease must be examined.

Another major point is that in water based states, which exist in the southwestern portion of our country, each parcel of land is associated with water. Inclusion of leases without direct inclusion of the whole water unit constitutes appraisal by parts and grossly overvalues parcels that don't have water but are serviced by water from adjoining land not included in the appraisal.

The market value approach of the mass appraisal technique examines similar properties and makes adjustments necessary to improve comparability. Some very strong assumptions were necessary before the properties could be considered similar. The appraisers concluded that similarity exists based on five factors: (1) on-sight stock water, (2) similar season of use, (3) similar availability of access, (4) similar ranges in size, and (5) similarities in pricing size. Each "similarity" must be considered and must outweigh the dissimilarities. A major concern would be the comparability of management objectives; is the "highest and best use" of private profit maximization similar to the agency objective of multiple use and sustained yield? Are the services, facilities and improvements involved in the private leases similar to the service facilities and improvements of the federal lands? Is the inherent quality of the land similar or were the best quality lands homesteaded first, thereby making the deeded private lands higher in quality then the retained federal lands?

Broad generalizations of rangeland productivity are evident in table 1. Federal lands were the least productive with 11.2 and 12.1 acres respectively required to support an AUM. The average capacity for state land is roughly seven acres per AUM or nearly 8 head per Section on a year-round basis. Private fee simple land rated as the most productive averaging 4.2 acres/AUM westwide or 12.7 head per section.

Table 1. Acres required per AUM of Grazing in the Western States.

STATE	BLM	USFS	STATE	PRIVATE[2]
ARIZONA	11.43	10.49	7.80	7.42
CALIFORNIA	13.20	15.79	N/A	4.86
COLORADO	14.90	12.76	4/12	2.45
IDAHO	10.18	17.02	10.21	3.32
MONTANA	7.41	10.37	5.48	3.22
NEVADA	16.48	15.42	10.09	5.44
NEW MEXICO	9.47	11.91	5.78	4.88
NORTH DAKOTA	6.21	5.14	2.80	2.88
OREGON	10.70	13.82	8.32	5.56
NE & SD	5.10	6.00	4.33	2.83
UTAH	19.16	10.85	8.34	2.78
WASHINGTON	9.37	11.94	8.18	4.93
WYOMING	8.21	10.93	7.11	4.19
WEIGHTED[1] AVERAGE	11.19	12.09	6.74	4.20

[1]Weighted by number of responses in survey for each state.
[2]Irrigated Pasture was probably included in these figures.

Source: Survey of 4200 Western Livestock Ranches

Forage quality, combined with rangeland features such as topography, slope, aspect, relief, elevation, and rangeland developments, such as water (Tembo, 1990) determined the range's actual value (Rowlands and Struth, 1989, Squires, 1988). Range/animal performance interactions were not considered in the 1986 study. Herd performance, individual weight gains, calf crops, weaning weights, etc., indicate that performance is higher on private rangelands than public (Stoddart and Smith, 1943, Holechek, In Press). Higher grazing fees would be obtainable for rangelands that provide peak animal performance.

The value of the forage, whether it is public or private is a result of derived demand for that factor of production. The more efficient the factor and the higher the value of the final product imputes a higher fee for the factor; i.e. a higher marginal value product attributable to the factor.

Appraisal Methodology and Analysis

The overall mass appraisal approach does have merit and validity if conducted correctly. However, adjustments are necessary. It was the ability to analyze and make appropriate inferences that were seriously deficient in the 1986 Grazing Fee Evaluation Report.

There was no scientific or statistical credibility to the method of analysis or the conclusions drawn in this grazing fee study. Actual survey sample size was much too small to lend itself to statistical validity. The actual number of lease transactions for mature cattle that had at least 70 percent nonfederal ownership was only 1,131 leases in 1983 for all six pricing regions of the west. The total was 3,101 observations for the period between 1977 thru 1983. In certain areas surveys targeted the wrong people (i.e. farmers). Farmers seldom lease native range. They lease improved pasture and/or crop aftermath (fodder). Prices for these leases are generally much higher due to "quality" of forage and "availability of forage". Specific entities were selectively left off the mailing list for the survey. Union Pacific Railroad, the largest landlord in Wyoming, was excluded from the Wyoming data set, (Kearl, 1986). Their grazing fees were much lower than most of the targeted survey groups.

Area responses were not weighted to give a clear picture of private land lease rates. Nevada, an area of lower lease rates had only 12 responses to the survey, while California, the area of highest lease rates had 332 responses, (Kearl, 1986). Since no weighting factor was developed a bias may have been created that indicates a higher private land grazing fee for the western U.S. Observations of 1 year leases exceed those for all other periods by 120 percent. Thus an analysis that includes a disproportionate share of 1 year leases will skew and bias results toward higher lease fees. Therefore, incorrect inferences will likely be drawn unless adjustments are made for a longer term of lease. Ninety-five percent of the private leases were five years or less, 69 percent of private leases were for one year or less, which is not representative of the ten-year federal permits (Public Land Council, 1984).

Another fatal flaw of the analysis was the practice of counting each year of a lease as a separate observation. In statistical analysis, each observation must be independent. This leads to a statistical problem known as autocorrelation resulting in disproportionate weighting. When observations are made over time a "disturbance" occurring at one period will carry over into other periods because of lack of independence (Kmenta, 1971). There were three fundamental problems with autocorrelation, which apply to this study. First, unbiased estimates of the population were not obtained. Second, least squares formulas for sampling variances of the regression coefficients (used in statistical analysis), resulted in a serious underestimate of sample variances. In any case these formulas are no longer valid, nor are the precise forms of the t and F tests derived for the linear model. Third, inefficient predictions were obtained, that is predictions with needlessly large sample variances (Johnston, 1963).

Individual leases that included different classes or species of livestock were separated into different samples. This leads to a problem in statistical analysis referred to as multicollinearity. The consequences of creating a data set that has linear dependence between the explanatory variables are as follows:

1. "The precision of estimation falls so that it becomes very difficult, if not impossible, to disentangle the relative influences of the various X variables. This loss of precision has three aspects: specific estimates may have very large errors; these errors may be highly correlated, one with another; and the sampling variances of the coefficients will be very large.

2. Investigators are sometimes led to drop variables incorrectly from an analysis because their coefficients are not significantly different from zero, but the true situation may not be that the variable has no effect but simply that the set of sample data has not enabled the variation to be isolated.

3. Estimates of coefficients become very sensitive to particular sets of sample data, and the addition of a few more observation can sometimes produce dramatic shifts in some of the coefficients" (Johnston, 1963, pg 160).

The authors' inability to account for multicollinearity prohibited an accurate valuation of services provided in the private lease. This resulted in a highly subjective five percent estimate for services that had no foundation or credibility.

The statistical analysis performed did not properly treat the presence of heterogeneity in the range livestock industry. This is a major problem since data cannot properly be aggregated unless it is similar. Data aggregation, in spite of obvious heterogeneity, is another fatal flaw of this study. The appraisers stratified the western U.S. into six "price areas" based on their criteria of "reasonable homogenous prices". The stratifications were inappropriate in that there exists a great deal of variability within and among subfiles. There appear to be twenty-fold differences, or more, between the lowest and highest prices within any price area and subfile. Differences of 100-fold or more occur, and differences of only 10-fold seem to be the exception in subfiles with significant numbers of observations (Kearl, 1986).

Categorizing lease samples into subfiles without testing for statistical differences is unacceptable. If differences occur they needed to be accounted for, not "dismissed". Reasons for excluding individual subfiles from analysis were inconsistent and scientifically invalid. It was inappropriate to include subfile G in an analysis of native range when subfile G was defined to include observations with greater than ten percent irrigated or sub-irrigated pasture. Only areas undergrazed (75 percent of carrying capacity) and overgrazed (125 percent of carrying capacity) were included in subfile D. Why separate these from "normal stocking rate" if they are all included in final analysis? Why were leases that had not been renegotiated within the past 10 years deleted from subfile I, which is defined as ownership as 100 percent corporate, railroad, or state? Subfile J contains transactions with on-site stockwater and vegetative cover predominately native and less than ten percent of the lease subirrigated or irrigated. This subfile was included into the overall computation of private lease rates and was also used to determine the value of federal lease rates. This could cause bias of the means, by drawing the mean of the private lease rate closer to the mean of the Federal lease rate.

Subfile A includes those leases with transactions that were considered being based on "other than Fair Market Value". They were deleted from consideration for this reason but who is to consider "other than Fair Market Value" (Gray, 1986). This adds another confounding factor. Subfile B leases that were paid in alternative methods, were also deleted. This "alternative method" should have been converted into monetary value and included. Subfile E, those leases that were considered "take in " leases, was also excluded from consideration in the final analysis. It should have been included after services, facilities, and improvements were valued and subtracted to determine the value of the forage.

Clipping, removing the top and bottom 15 percent of the data, is not acceptable in statistical or in economic theory. Ranching in the western United States is heterogeneous, clipping distorts the data even more. The true variation in the ranching industry is not represented. The t-test, which was used for statistical analysis, assumes normality, clipping assumes the data is not normally distributed. It was also stated that the data show strong correlation among the lease variables, but this is not presented or discussed further.

The variability in grazing fees charged on private rangelands was brushed off as "obviously erroneous or misstated". The factors responsible; "cost of services" by the lessors, were excluded from consideration in pricing leases, yet they are critical in explaining variations in grazing fees on private lands. Services and facilities are a major reason grazing fees on private rangeland are higher. Landlord services and facilities contribute approximately 33 percent of the market rental rate (MRR) (Fowler, et al., 1985). These services and facilities are not provided on federal lands grazing. Failure to include service and facilities prohibits a direct comparison to private land grazing fees. Services include but are not limited to; direct "caretaking of the livestock", doctoring, supplemental feeding, salting, rotating livestock, and repairs to improvements. Facilities include use of headquarters, corrals, traps and other ranch operational improvements.

The ability of the appraisal team to adequately analyze the data collected was a major limitation of this study. That, coupled with the lack of available information concerning the value of services and facilities provided by lessors, greatly detract from the validity of this study. The analysis did not distinguish the forage value separately from other goods and services provided in the private leases; therefore a valuation of solely forage, which is all that is transferred in a federal permit, was not possible.

An independent appraisal team did review the report. However, this team did not gather any new data, thus they were constrained by the inadequate information previously collected. A letter verifying that the information collected on the original questionnaires was correct, was sent out to 868 parties. Five hundred and sixty-eight out of the eight hundred and sixty-eight did not respond. No Response was interpreted as meaning that the original information collected was correct. This information is highly misleading and does not follow established statistical sampling procedure.

Federal grazing permit holders have a different division of fixed and variable costs than the private land lessees or owner operators. Final estimates of the appraised rental value of public land grazing were based on private land lease rates for a given area adjusted downward five percent. According to the report the adjustment reflects the impact of the terms and conditions associated with a federal grazing permit and privileges as compared to typical private land lease terms and conditions. The five percent adjustment is insufficient

to account for services and facilities not included in the federal lease let alone offsetting favorable lease terms and lease conditions, which change the entire situation for public lessees compared to private. The specific costs incurred by permittee were never obtained. The grazing fee only represents 15-20 percent of the total costs to ranchers on public grazing permits. Non-fee costs, which were not addressed for federal land, are four to five times higher than the grazing fee (Obermiller and Lambert, 1984).

Average total cost per AUM on leased land after considering such expenses as turnout costs, gathering/takeoff, routine management, maintenance, salting, feeding, and veterinary services, meetings, death loss, fees and rents, and other expenses were comparable or higher on public leases than on private leases in Oregon and Idaho during 1982. In Nevada, during 1983, the average total cost per AUM for permittees came to $10.39; Wyoming, during 1983, had total labor costs per AUM vary from $13.55 on Thunder Basin National Grassland to $14.67 on other federal and state leases. Average total costs were only $7.54 for grazing livestock on deeded land during this same period in Wyoming. Average total costs per AUM for permittees grazing livestock on North Dakota National Grasslands during 1983 varied from $14.78 on McKenzie Grazing Association to $10.89 on Medora Grazing Association. During 1983, the average total costs per AUM experienced by South Dakota permittees grazing livestock on national grasslands varied from $9.75 on Grand River Cooperative Grazing District to $10.38 on White River Cooperative Grazing District. The average total cost per AUM for grazing livestock on National Forest allotments in South Dakota in 1983 varied from $20.94 to $17.40. Variations in the cost/AUM resulted from differences in the size of the permit or lease, number of animals in the allotment, length of grazing season, distance of the allotment from the ranch headquarters, distance from the last pasture on allotment in which the livestock were grazed, existence of mining or geological survey work in the allotment, and class of livestock on the allotment (Obermiller and Lambert, 1984). Non-fee costs incurred are far from "erroneous". But these costs incurred by permittee were never obtained in the appraisal report. PRIA (1978), Section 6, states that "fees should be based on the economic value of the use to the user" (i.e. value in use), not the fair market rental value of forage; therefore, non-fee production costs incurred by the lessee are critical.

Formula Adjustment

The PRIA formula was established under the correct premise; that the "total cost of grazing should be equal across all graziers whether public or private in all sections of the nation". Because of the great degree of variability, a single fee will under-price some federal forage and over-price others, however, a fee system on a per animal unit month basis is a variable fee with respect to acreage per AUM and partially offsets variation.

When the total costs of grazing federal land are considered then the PRIA formula is doing an adequate job of tracking the movement of private native rangeland base rates as a proxy for pricing federal forages. The cornerstone of the previous statement is equalizing total costs of grazing between federal and private grazing. Permit value is a legitimate cost of conducting business on federal land; when amortized and included the total costs of grazing are approximately equal. This situation gives no comparative advantage to federal permittees over the private sector livestock producers; and provides a

reasonable return for federal forage.

Improvements in the PRIA formula can be made; the base of 1.23 was established from an industry wide survey in 1966. The period 1964 through 1968 was selected as a period of stability; the western livestock industry has just been through another period of stability from 1987 through 1992. This period might well be studied to update the historic $1.23 base fee. Caution must be exercised and great attention to detail is necessary to account for all costs of private and federal grazing. Changes in federal policy have transferred a greater maintenance burden to federal permittees.

A re-examination of the three separate indices of PRIA also reveals that the forage value index may well suffice in tracking the prices of the private sector as a proxy for determining the "value in use" of the federal forage. However, greater monitoring of private leases is necessary for two primary reasons. First, more observations are necessary to establish the market. Second, greater attention to the conditions of the lease are necessary to differentiate between the lessor provided services, the lessor provided facilities, and the forage quality of the lease transaction. Only the forage components of the private leases should be used as a basis to determine the market value of federal forage. However, the private lands are the highest quality as evidenced by an acres per AUM comparison and the very fact that they were homesteaded. What is necessary to minimize adjustments would be large-scale competitive leases for federal forage.

The proposed formulas for determining Fair Market Value (FMV) obviously delete the Beef Cattle Price Index (BCPI) and the Prices Paid Index (PPI) of the PRIA formula. These indices were included in the PRIA formula to account for a net income measure of the financial well-being of the range livestock industry. The index of prices paid by the industry (PPI) has risen from 113 in 1970 to 419 in 1991 or 271%; this has the largest single factor in holding down the federal fee. Rather than dropping the index, the index should be corrected to account for the specific production items involved in the cow-calf beef operation. The BCPI has the obvious flaw in that the price for calves under 500 pounds was not included; this can be easily remedied. There is justification for having only one index account for annual changes in economic conditions. The Forage Value Index (FVI) is determined from competitive lease arrangements which are consistent with criteria for an efficient price.

The proposed formulas selected the critical "base value" from the 1986 Grazing Fee Review and Evaluation report from the Secretaries of USDA and USDL. This report was updated to 1992. Both reports are seriously flawed and should not be considered reliable. A detailed summary of the flaws are highlighted in the following sections.

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Mr. VENTO. Thank you. We are trying to get to the floor here. We are not only the committee that has perhaps the longest hearings, but has the entire floor program today.

So we are pleased to welcome Mr. Dougherty, Western Division staff of the National Wildlife Federation. I am momentarily going to have to leave while you are speaking, Mr. Dougherty, but please proceed.

STATEMENT OF TOM DOUGHERTY

Mr. DOUGHERTY. Thank you, Mr. Chairman, Mr. Thomas and the rest of the committee. I deeply appreciate the opportunity to come here today. I have been privileged to be allowed to testify both on this side of the fence and in the Senate as it relates to this issue. I think sometimes I walk away from here having a tall ceiling phobia and always wondering if I was able to get across the sentiment that I feel needs to be expressed as we debate this issue.

The National Wildlife Federation has supported the notion of raising grazing fees with Mr. Synar's bill as long as four years ago, and I think primarily because of the notion that the increased fees would provide a revenue source for some much-needed improvements on public lands in the western grazing lands. I feel that many of the environmental conservation, sportsmen, public land user groups are in your, Chairman Vento, as well as Mike Synar's debt for at least providing a forum for discussion.

I would be remiss if I didn't leave today by not trying to verbalize that we hear various scenarios about the condition of the range. Unfortunately, a lot of it is tied to grazing fees. I don't often agree with Mr. Thomas on many issues, but I do believe that grazing fees and the condition on the range are separate issues. I am not convinced that raising grazing fees suddenly improves the range conditions that many of the individuals in my organization and other public land user groups are so concerned with.

There are many provisions of Chairman Vento's proposal that we are in support of. We do believe the issue of subleasing, i.e., pasturing, needs to be addressed. We are very much in support of the elimination of the current structure for Grazing Boards. We are very much in support of the redistribution methods for grazing fee receipts.

But in actuality, will the combination of raised grazing fees, eliminating Grazing Boards, eliminating subleasing, translate to the type of changes that we believe need to be taken on many acres of public lands in the West, specifically the desert Southwest but certainly cases in Wyoming, Montana, Idaho, Colorado? The answer is probably no. We feel that Congress has done a wake-up call to the U.S. Forest Service and the Bureau of Land Management, but in the end analysis it is going to be ultimately the responsibility of those Federal Land Managers to invoke the will and translate the law into meaningful change on the land.

I am here to tell you that as recently as a month ago I just finished analyzing a resource management plan called the Green River Resource Management Plan, which is the master document, the planning document for the activities on public lands in a given district. In that document they recognized that 80 percent of the allotments are in fair to poor condition or in a declining trend.

They go on to recommend that various management processes be implemented to take a look at. They will do everything except face the bold reality that in some of these allotments and in some of the allotment management plans, that management has to be fairly dramatically altered, and in some cases livestock has to be removed from these depleted and poor riparian areas.

I heard testimony earlier this morning that somehow represented that our rangelands are in the best condition ever. I don't know what the reference point is. I was born and raised and lived in Wyoming, and in my short lifetime I have seen improvements on some areas of rangeland and I have seen some severe degradation continue to occur year after year after year, primarily because the will of the Federal Land Managers at the district level, at the area level, at the ranger level, is not there to be able to effect the type of management that needs to be put into place.

I feel that Mr. Synar's, Mr. Vento's discussions or proposals are a much-needed element to continue discussion on a much-needed aspect of range reform. Six years ago or five years ago, I don't know which, a Wyoming Game and Fish Department official spoke in here, and he made a bold statement that he considered excessive livestock grazing as the single greatest factor in the deterioration of the ecological condition of riparian areas in the West.

I have since asked many land managers and wildlife officials. With no exception, there is agreement that excessive livestock grazing or abusive livestock grazing has a very detrimental impact on wildlife populations, has a significant impact on some threatened and endangered species. As our population increases and as people want to utilize the public lands more and more, we are hearing a demand from those individuals and those other user groups that reform is much needed on western public lands.

Again, I thank this committee, and stand ready to participate in this process, and will try to answer any question that I may now or in the future.

[Prepared statement of Mr. Dougherty follows:]

Working for the Nature of Tomorrow.

NATIONAL WILDLIFE FEDERATION

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STATEMENT OF
TOM DOUGHERTY
WESTERN DIVISION STAFF DIRECTOR
NATIONAL WILDLIFE FEDERATION

Before the

SUBCOMMITTEE ON NATIONAL PARKS, FORESTS,
AND PUBLIC LANDS
HOUSE NATURAL RESOURCES COMMITTEE

Regarding

LIVESTOCK GRAZING MANAGEMENT ON
PUBLIC LANDS

April 20, 1993

Mr. Chairman, Members of the Subcommittee. Thank you for the opportunity to come before the Natural Resources Committee today to discuss the livestock grazing programs on our public lands. My name is Tom Dougherty, Western Division Staff Director of the National Wildlife Federation. The National Wildlife Federation is the nation's largest conservation/education organization with over 5.3 million members and supporters, and a national network of affiliated organizations, and we work to educate and assist individuals and organizations to conserve natural resources, and protect the Earth's environment.

The mismanagement of livestock grazing on public lands administered by the U.S. Forest Service and Bureau of Land Management (BLM) is one of the most important public lands issues facing this Congress and the new Administration. I want to take this opportunity to thank Chairman Vento for his continued oversight of the public lands grazing programs. Through your interest in this issue, the Congress and the public have developed a strong body of evidence that points to the need for dramatic change in the way grazing is managed on public lands.

I appear before the Committee today in support of H.R. 1602, the Public Rangeland Grazing Reform Act of 1993. Chairman Vento has brought together in one bill many of the reforms that have been debated, and adopted, by the House of Representatives over the past several years. Included among the reforms we support are:

- **The adoption of a prohibition on livestock grazing subleasing.** A number of forms of leasing are legal under the current BLM grazing program, and livestock operators on public lands are able to obtain a private profit from the sale of public lands grazing privileges. A 1992 Inspector General Report indicates that the federal government could have realized millions of dollars in revenue by receiving the true market revenues paid for public lands grazing in 1990.[1] This rip-off of the taxpayer should be stopped.

- **The elimination of livestock grazing advisory boards.** When Congress enacted the Federal Land Policy and Management Act in 1976, it intended to replace the single use grazing boards with the broad public representation on multiple use advisory councils. The grazing boards are a hold-over from another era, and are inconsistent with today's public lands management philosophy. The National Wildlife Federation joined the Natural Resources Defense Council and other organizations to petition the Secretary to repeal the livestock grazing advisory boards. The boards are sanctioned under Secretarial

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[1] USDI Office of Inspector General, "Audit Report Selected Grazing Lease Activities, Bureau of Land Management," No. 92-I-1364, September 1992 (summary attached).

policy, and could be eliminated through administrative or legislative action.

- **The adoption of a modified market value grazing fee formula.** NWF repeatedly calls upon Congress to ensure that the public receive a fair return for livestock grazing activities on public lands. Current public lands lease rates set by Executive Order in 1986 establish a lease rate of $1.86 per animal per month (Animal Unit Month or AUM) in 1993, while the Department of Agriculture indicates that comparable private land lease rates are over $10.00 per AUM this year. President Clinton recently expressed his continued commitment to reform of grazing fee practices on public lands. This is the year Congress needs to act to establish a fair and equitable return to the government for grazing on public lands. Both H.R. 1602 and H.R. 643 would ensure such a return.

- **The redistribution of grazing fee receipts to rangeland restoration activities.** Increasing livestock grazing fees on public lands must be tied to provisions to distribute fee receipts for resource conservation and restoration activities, not just livestock management. Of the grazing fee receipts returned to the federal government that the BLM was able to track between 1980 and 1990, over 96 percent were spent on livestock related activities, while less than 4 percent were used for riparian restoration, fish and wildlife habitat, watershed protection or other, similar activities. The available funds must be focused where the need is greatest, and today the need to restore and maintain the ecological balance on our public rangelands is paramount.

In addition to the grazing reforms identified above, H.R. 1602 would authorize the Secretary to develop a stewardship incentive program for livestock grazing on public lands. Section 2(c) of H.R. 1602 would authorize the Secretary to discount the grazing fee for livestock operators that meet requirements for improving range condition and biological diversity. NWF believes the idea of a stewardship incentive program tied to the federal grazing fee has merit, and we look forward to working with the new Administration and this Committee in further consideration of a proposal that would result in on-the-ground improvements in range condition.

However, NWF was dismayed at the approach to a stewardship incentive program under consideration by the Lujan Interior Department. The Lujan-Jamison plan for an Incentive-Based Stewardship program was fatally flawed for a number of reasons:

- the proposed criteria for participation in the fee incentive program are insufficient to either encourage or assure improved range and riparian conditions.

- o the incentive fee concept fails to articulate public land management objectives.

- o fair market value grazing fees will not be realized under the fee incentive concept proposed in the Lujan-Jamison plan.

A critique of the Lujan-Jamison plan for a fee incentive program is attached to our testimony.

The National Wildlife Federation also supports H.R. 643, which is pending before the Natural Resources Committee. NWF commends Rep. Mike Synar (D-OK) and Rep. Ralph Regula (R-OH) for their efforts and determination to ensure that the public receive reasonable rates for grazing on public lands. The Synar-Regula bill would increase grazing fees to a modified market rate over four years, adopt critical grazing fee reforms that would redistribute grazing fee receipts where they are needed most, and abolish livestock grazing boards. This proposal has been adopted for the past two years by the House of Representatives as an amendment to the Interior and Related Agencies Appropriations bill. We plan to continue to work for its adoption by the Congress.

While both H.R. 1602 and H.R. 643 include needed reform provisions in the public lands grazing program, neither bill includes measures that address the fundamental problem facing public rangelands today: the degraded condition of these lands from overgrazing by livestock. The evidence of livestock overgrazing and its impacts on public lands is clear, and much of the recent data on the deteriorated condition of our rangelands has been collected at the request of this Committee. In 1988, the General Accounting Office (GAO) released the first in a series of reports on range condition documenting the unsatisfactory ecological condition of over one-half the public rangelands, or over 130 million acres.[2] GAO found that millions of acres of land were actually in declining trend, despite a decade of concerted management dictated by the Federal Land Policy and Management Act, National Forest Management Act, and the Public Rangeland Improvement Act.

The following year, NWF released with Natural Resources Defense Council a summary of rangeland condition amassed from the environmental impact statements prepared on its grazing program by the BLM, and found similar results. According to the data published in Our Ailing Public Lands: Still Ailing report, 68 percent of the public rangelands administered by the BLM are in unsatisfactory condition, according to BLM data published at that time.

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[2] U.S. General Accounting Office, "Rangeland Management: More Emphasis Needed on Declining and Overstocked Grazing Allotments," GAO/RCED-88-80, June 1988.

The GAO also documented specific impacts associated with livestock grazing practices in hot desert ecological communities in the desert southwest.[3] These ecosystems are particularly fragile, and when subjected to the stresses of livestock overgrazing are slow to recover, if they can recover at all. The GAO found "evidence of damage occurring on BLM lands as well as evidence of livestock grazing's adverse impacts on several wildlife species."[4]

The adverse impacts of livestock overgrazing are not limited to the desert Southwest. Numerous studies indicate the severe problems in riparian or streamside zones caused by overgrazing. When livestock congregate in these ecological communities, vegetation is destroyed, streambanks erode, and fish and wildlife species can no longer find food or shelter. These riparian communities are only a small portion of the public range, but are disproportionately important for fish and wildlife populations that inhabit the range. Both the General Accounting Office and the Environmental Protection Agency prepared recent reports on the impacts of livestock grazing on riparian habitats.[5] The Environmental Protection Agency found that "riparian areas throughout much of the West were in the worst condition in history."[6]

At the local level, the impacts of livestock overgrazing can be devastating on plants, fish and wildlife, and other public land users. A recent resource plan prepared for the Prescott National Forest in Arizona indicated that 99 percent of the riparian or streamside habitats were in degraded condition. Livestock overgrazing in the Aldo Leopold Wilderness Area of the Gila National Forest in New Mexico is the leading cause in the decline of the gila trout, a threatened species listed by the U.S. Fish and Wildlife Service. In Comb Wash, part of southern Utah's

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[3] U.S. General Accounting Office, "Rangeland Management: BLM's Hot Desert Grazing Program Merits Reconsideration," GAO/RCED-92-12, November 1991.

[4] Ibid, at 3.

[5] U.S. General Accounting Office, "Public Rangelands: Some Riparian Areas Restored but Widespread Improvement Will Be Slow," GAO/RCED-88-105, June 1988.

U.S. Environmental Protection Agency, "Livestock Grazing in Western Riparian Areas," U.S. Government Printing Office, July 1990.

[6] U.S. Environmental Protection Agency, supra, at 3.

spectacular canyon country, BLM lands are overgrazed to the detriment of recreational opportunities on those lands.

In short, the current grazing program fails to integrate livestock grazing with other, equally important public lands uses. In considering legislation before the Subcommittee today, Congress needs to act to establish a balance between livestock grazing and other public land uses.

First, Congress needs to establish (or re-establish) that the goals of public land management are to conserve our Nation's public lands for a variety of uses. The public rangelands need to be managed to restore and maintain a complete spectrum of indigenous plant, fish and wildlife species in healthy native range and riparian ecosystems. To achieve this goal, a fundamental shift in philosophy away from promoting commodity uses of public rangelands needs to occur, and that can best be achieved by Congress sending clear direction to the BLM and Forest Service on how public rangeland should be managed.

Second, Congress needs to clarify that the Bureau of Land Management and Forest Service have an affirmative duty to manage livestock grazing in such a manner that grazing is not to the detriment of other resource values on public lands. The federal agencies should prepare an ecological site evaluation of the lands subject to each grazing permit at the time of renewal of a grazing permit (at a minimum), to identify the ecological condition of the grazing allotment and the current carrying capacity for livestock grazing, taking into account other resource uses. For example, the BLM needs to make carrying capacity determinations for livestock forage that take into account the presence of wildlife species and wild horses and burros, among other uses, that also have forage needs. If BLM and Forest Service range managers are unable to determine the condition of the grazing land, or its carrying capacity for livestock grazing, that land should not be grazed until such a determination is made.

NWF calls upon Congress to enact legislation that would require an ecological assessment of a livestock grazing allotment and a determination of the carrying capacity of an allotment prior to the issuance or renewal of a federal grazing permit or lease.

Third, range managers need to assess public lands to determine whether these lands are suitable for livestock grazing at all, taking into account other public lands uses. For example, should the recreational values of a designated tent camping area for public lands users preclude livestock grazing within this area? Are there biological, archeological or other values established in lands set aside as Research Natural Areas or Areas of Critical Environmental Concern that are significant, are adversely impacted by livestock grazing, and their presence on public lands might preclude livestock grazing? To the extent that either the BLM or

the Forest Service attempts to address these questions now, it is done haphazardly.

NWF calls on Congress to enact legislation that would provide for a systemic review of public lands currently grazed by livestock to assess the suitability of lands for livestock grazing.

Fourth, adequate and consistent public participation in livestock grazing management decisions needs to be addressed an absolute right established in federal legislation. Congress enacted the Federal Land Management and Policy Act, and the National Forest Management Act, in part to enable the public to be involved in public lands. BLM has left decisions about the level of public involvement permissible in grazing decisions up to the state director. The result is inconsistent treatment of the public who try to participate in grazing management decisions, depending on which state an interested member of the public resides. The rights of the public to be involved in public lands decisions concerning grazing must be clearly established.

NWF calls on Congress to enact legislation to ensure that any interested member of the public can become involved in livestock grazing decisions on public lands. We need to make sure that the public has a role in public lands management at all levels, including the grazing management program.

In conclusion, H.R. 1602 represents a good start to addressing the reform measures needed to improve our public rangelands. But without the reforms discussed in our testimony, H.R. 1602 will not address the deteriorated condition of these rangelands, and will not put these lands on the road to recovery. We urge this Subcommittee to adopt the reforms needed to correct the condition of our rangelands.

Thank you for the opportunity to present the views of the National Wildlife Federation on grazing management reforms needed on our public lands.

Attachments

United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20240

OCT 15 1992

MEMORANDUM

TO: The Secretary

FROM: Inspector General

SUBJECT SUMMARY: Final Audit Report for Your Information - "Selected Grazing Lease Activities, Bureau of Land Management"

DISCUSSION: The report concluded that the Bureau of Land Management did not limit the amount of grazing benefits that could be obtained by ranching operators because the Taylor Grazing Act, which formed the cornerstone of the Bureau's grazing program, did not specifically address Federal benefit limitations. Furthermore, Bureau policies and procedures did not preclude individuals from profiting through leasing arrangements involving their base property and the attached Bureau grazing privileges. Specifically, our review disclosed that:

- The Bureau, unlike the Forest Service, allowed large ranching operations to receive unlimited benefits and did not preclude foreign-owned companies from obtaining Federally subsidized grazing privileges. The Bureau also allowed domestic corporate conglomerates, such as a national oil company, a national life insurance company, and a major domestic brewery, to obtain grazing privileges at less than the Bureau's cost of providing grazing services to these entities. Had the Bureau placed limits on Federal benefits provided to large individual or corporate operators, it could have recovered potential additional revenues ranging from $1.6 million to $8.4 million in 1990 and less than 3 percent of the approximately 19,000 grazing permittees would have been affected by these limits on grazing.

- The Bureau did not preclude individuals and companies from profiting from the Federal grazing privileges attached to their private base property landholdings when entering into lease arrangements with lessees, who were then authorized to obtain Bureau grazing permits. The Forest Service specifically prohibited such base property leases arrangements, in part, to discourage land

Prepared by: Harold Bloom
Extension: 208-4252

speculation. Although the Interior Appropriations Act of 1985 attempted to redress the Bureau's practice of allowing lessors to profit from lease arrangements, the Bureau could not determine the extent to which lessors were profiting because the Bureau, in its implementing regulations, did not require the lessors or the lessees to disclose the financial terms of their lease arrangements. Consequently, the approximately 1,800 private landholders engaged in lease arrangements in 1990 could have realized profits totaling up to $5.1 million, based on the difference between the average fair market rental value of the grazing privileges attached to their leased land and the Federal grazing fees recovered from permittees. Comparatively, the Bureau's unrecovered costs related to these lease arrangements totaled up to $2.9 million in 1990.

To address these policy issues and to correct the problems identified in our audit, we made three recommendations related to establishing limits on grazing privileges and eliminating the opportunities for lessor profits. If implemented, these recommendations would allow the Bureau to recover a greater portion of its grazing program costs, which in 1990 exceeded program revenues by an estimated $30 million. In its response, the Bureau addressed the concept of grazing fees but did not comment on the issue of limiting benefits, which was the subject of our report. We therefore considered the three recommendations unresolved and have asked the Bureau to reconsider its position.

James R. Richards

Attachment

cc: Solicitor
Assistant Secretary for Land and Minerals Management
Assistant Secretary for Policy, Management and Budget
Director, Bureau of Land Management
Director, Office of Public Affairs

Critique of the Incentive-Based Grazing Fee System - A Progress Report to Congress for Public Rangeland Administered by the Bureau of Land Management (BLM) and United States Forest Service.

A grazing fee stewardship incentive program could provide a powerful tool for the Administration to encourage ranchers to improve public rangelands. However, the concept developed by the Lujan Administration suffers from major deficiencies. It is so flawed that it should not be sent forward as a basis for considering changes in the BLM and Forest Service's range management programs.

Proposed Criteria for Participation in the Fee Incentive Program Are Insufficient to Either Encourage or Assure Improved Range and Riparian Conditions.

Incentives should be provided only when the public rangelands are improving in ecological condition, or have achieved the management objectives for the particular allotment subject to the program.

In its report to Congress, the BLM appears to be considering a fee incentive for operators who sign an agreement to improve rangeland condition, regardless of whether steps are taken to implement the agreement. Good intentions may be important on the part of the livestock permittee and the BLM range official when they negotiate and sign an agreeement to improve the range, but incentive credits should only be available for implementing that agreement. We object to giving permittees an incentive merely for good intentions. The permittee needs to demonstrate that steps are being taken to implement the agreement, resulting in changes on the ground to be eligible.

In addition, the reliance on agreements as basis for an incentive will mean that range conservationists will be facing a massive workload in writing management plans for grazing allotments, when their time would be better spent working on the ground to improve range condition. BLM has signed management agreements for only 10 percent of its grazing allotments. Permittees will be exerting tremendous pressure on staff resources to write management agreements in order to become eligible for the fee incentive program.

Incentive Fee Concept Fails to Articulate Public Land Management Objectives.

BLM needs to articulate the management objectives that will be achieved in the fee incentive program. The concept in the fee incentive program report would allow incentives to be earned for achieving "desired plant community," without providing any guidance to BLM personnel about what is desired in BLM's rangeland program. BLM range staff have indicated that "desired plant community" could mean a monoculture grass community that supports predominantly livestock, if that was the "desire" of the land manager. The

"desired plant community" concept is a sham that allows the BLM to further evade any accountability in addressing difficult resource conflicts.

The concept of a fee incentive program contains no mention of the riparian restoration objectives BLM adopted several years ago, or the objectives spelled out in the Fish and Wildlife 2000 and Recreation 2000 initiatives. Restoring public waters and meeting water quality standards is not identified as an objective, nor is the Secretary's new initiative on biological diversity. The Department of The Interior needs to provide meaningful guidelines to the range conservationists in the determination of qualifications for a fee incentive program.

Fair Market Value Grazing Fees Will Not Be Realized Under the BLM Fee Incentive Concept.

An incentive based system must be predicated on the federal government receiving fair market value for public rangeland forage. Currently, the U.S. Department of Agriculture indicates that the average private land lease rate for rangelands is around $10.00 per animal per month. Similarly, the Grazing Fee Review and Evaluation Update prepared in 1992 indicated that private land lease rates in the western states ranged from $6.00 to $12.00 per animal per month. According to a 1986 study of subleasing activities on public lands, the average price of public rangeland forage was $7.76 per animal per month. Clearly, the market indicates that the public rangeland forage is worth three to five times the current public lease rate. The grazing fee needs to be increased to reflect the true value of the forage.

Instead of adopting one of several available analyses of market value of forage, the BLM is "reinventing the wheel" by going out to western states and interviewing ranchers to obtain the rancher's perspective on market rates. There is no statistical validity to the approach to market value appraisal that BLM is taking, the methodology is questionable, and the results of the survey to determine market rates will be highly questionable.

Input From Environmental Community Misrepresented.

It appears that the BLM misrepresents the extent to which the environmental community participated in the development of the current fee incentive concept. The task force appointed by the BLM to develop a fee incentive concept was made up exclusively of federal agency personnel from the Bureau of Land Management and Forest Service. One briefing was held in Reno Nevada early in the scoping process, in which two representatives of the environmental community were present. One additional briefing was held in Washington D.C. for environmental organizations to explain the fee incentive concept, once it had been developed. There has been no broad public participation in the development of the fee incentive concept. The Bureau has made no effort to seek comments from the public through notices in the Federal Register or other means.

Mr. LAROCCO [presiding]. Thank you, Mr. Dougherty. I want to thank the panel for their testimony and for summarizing some of their remarks, so the chairman could hear those remarks while he was present in the committee room.

This would be a frightening sight for Mr. Synar, to see a westerner chairing a hearing on grazing fees. I have some questions for the panel. We will move through these swiftly and get to my colleagues' questions.

For Mr. Metzger, I think we are basically in agreement that we need to start from an articulation of principles and objectives. You mentioned Mr. Vento's bill, H.R. 1602, which starts with a series of five findings. Can you respond to any of those, or do you have any reactions or comments about these findings that you would like to state for the record?

Mr. METZGER. I don't have that bill right in front of me. Maybe someone has got a copy of it.

Let's talk about riparian areas very quickly. That flows over into all kinds of other issues. We can have riparian areas that are perfectly healthy, sustainable, biologically diverse, from a livestock production standpoint, yet they may not be adequate for a particular species that might be in that riparian area. Again, it is a question of goals.

That is a relative question. I am sure that the gentleman from the Wildlife Federation and I might have a different idea of what is a healthy riparian area, and both of us be totally correct. That is again a question of judgment, a question of direction that confuses our industry.

Mr. LAROCCO. Do you have any particular comments about the articulation there in the bill, about how that reads? How does it strike you?

Mr. METZGER. The question of being a thriving spectrum of biologically diverse plant and animal species, the question there is, there are different levels of diversity depending on different goals for a riparian area. If we are going to have a riparian area that is specific to some very esoteric requirements for a little bird or a plant or something, then that would have to be defined that way. If we are going to have a healthy riparian area for tubing and rafting, that might be entirely different. So again this is not clear enough for anyone in a management position to make a decision. It does not direct the management of riparian areas in the western United States.

Mr. LAROCCO. Any comments on the other findings there? I know you didn't have them in front of you when I asked the question, but it would be helpful to the committee if you had any thoughts, knowing that you have read the bill and taken it home, taken it out to the ranch there.

Mr. METZGER. Number two. "The rangeland continues to be in a deteriorated condition." A good part of that is a semantics problem that has been hopefully dealt with by at least the scientific and academic community, where we are beginning to talk in terms of several stages of development, progression. The discussions this morning of excellent, fair, good, and poor are really not relevant and they are not used on the land any more in terms of assess-

ment. The whole discussion this morning was really kind of out-of-date.

I think this also references that point. For example, with big game, if we wanted to have an antelope range it might be a relatively low successional or at best a mid-successional range, but if we wanted a truly fine elk range, we would want to have a high successional or high series. So again it is a question of relative values or output needs or demands that would determine where you are from a biological succession standpoint.

So this is almost useless rhetoric, really, in terms of land management, biological systems, successional plant communities. It does not make sense.

The third point flows right into that. How do you know that the BLM and the Forest Service have not achieved some of those things, when in actuality if we are measuring an output in antelope, for example, maybe we do want a low successional range, but someone else who sees that and may prefer to have elk on it, there should be a high successional range. I am just using a simplistic example here.

But again there is a question of relativity here, there is a question of values. It is judgmental. Frankly, from the standpoint of how the land really works, it manages best from the ground up. Given the sense of output and direction, things like community stability, wildlife population stability, watershed conditions, those sorts of things can drive land management from the bottom up and it makes sense. This kind of approach, where we are saying that the world has gone to pot and we are going to send from the top down some decisions and solutions from on high, hasn't worked well, that is true.

Mr. LAROCCO. I might make a request at this time that the Cattlemen's Association and the Public Lands Council, if you want to submit any findings or anything that would be appropriate at the objectives of the bill, the committee would certainly invite you to do that, to help the committee.

Mr. METZGER. We could certainly do that.

Mr. LAROCCO. That would be helpful, and if you want to basically comment on the fourth or fifth, that would be helpful as well.

Mr. METZGER. The last one, I suppose, the question of whether the fee is an adequate return for using the rangelands. That kind of got to the point I was making earlier, adequate return by whose standards, for what purposes?

It is possible that the productive value of the Federal forage, given the conditions of lease and given the management constraints that we are under, might not be worth anything. And I know that is the case in particular circumstances and situations because there are ranches where people are actually walking away from them, so the value is nothing or may be less than nothing.

Given that, how can we say that Uncle Sam has been denied a fair return, if in actuality the conditions of operation and the basic productivity of the land will not support a fee? By contrast, there will be other areas where the PRIA formula which is in place today might be underpricing the forage. There is everything in that whole spectrum on there. I think everyone is aware of that.

But the extension that comes from that is, how much of what the public wants from those lands is the livestock industry's responsibility? That seems to cloud that fairness issue somehow. Are we responsible for all riparian considerations? Are we responsible for all wildlife considerations?

You hear the Federation speaking on the other end down here, saying that we need to reallocate grazing fees for wildlife habitat. I can speak very personally to that. There are 120 stock ponds on my family's ranch. The Federation hasn't put a penny in them, and we have 1,200 or 1,300 head of elk on them, 500 head of antelope and 300 or 400 head of deer, and 140-some days of organized hunt. So I wonder who is subsidizing whom here?

That does grate on our industry, when we are putting in so much infrastructure and so much base for multiple use, to hear the multiple users come back and say, "Hey, we need a little bit more." Again it is a question of who is providing what and for what purposes and where the equability lies in there that clouds this whole debate. It is another rock that needs to be turned over, in your words, sir.

Mr. LAROCCO. Thank you. That is very helpful. Thanks for your comments.

Ms. Curti, I note that you express support for having the grazing fees set by statute rather than by executive order. Does this extend to the possibility of an incentive-based system, as well, to be set by statute?

Ms. CURTI. I am not sure that all the rules and regulations could be written through statute, but I think the livestock industry has addressed the issue and believes that the stewardship inputs are important. From a practical standpoint, I would like to see the fee formula be put in statute and then have the stewardship part of that be worked up as an extra, not necessarily in the legislation.

When you are talking stewardship throughout the West, there are different ways to treat the different types of land, and I think that is part of one of the problems that we are seeing in the management techniques on the land. Our agencies have a rule book and they are using that book on the West. When you compare Nevada lands to some lands in northern Idaho, say, they are not comparable, and you do different things in order to reach your goals on those allotments. So I think we need the flexibility to write up stewardship goals that would target specific areas.

As far as the fee, I would think that that should be legislated and would be one fee overall.

Mr. LAROCCO. Thank you for that thought. I know out in Idaho, where we are trying to deal with some forestry issues right now, the thought of changing administrations, we are trying to deal with these issues from administration to administration to administration without tying anybody's hands, as well, and that comes to bear here on this issue, as well.

I am going to skip to Mr. Dougherty for a second and then get back to Dr. Fowler. Mr. Dougherty, thank you for your testimony. Will the National Wildlife Federation be participating in Secretary Babbitt's series of town meetings, do you know?

Mr. DOUGHERTY. Most definitely. The one in Bozeman, Albuquerque, Grand Junction, and Reno. I know that members of our orga-

nization, as well as members of the environmental conservation sportsmen's community planned on attending those hearings to express some of the concerns that have been raised here today, but it isn't, you know, a one side is right and one side is wrong type of issue. That is why we so welcome the debate that is occurring here today.

But it is not inconsistent for the public, people from Vermont, Rhode Island, New Jersey, to want to also participate in this discussion. These lands that we are talking about are public lands, and except in very radical quarters do I hear any of them saying that that means the cows have to go off the land. But what they are wanting, and some of the values that they recognize that are important to them and their families are the wildlife, the open space, the land in good ecological condition.

They want to participate in this process. I would have liked to have seen a hearing occur in the East for the people that are affected or that want to participate in this process.

Mr. LAROCCO. You mean eastern Montana? [Laughter.]

Or St. Paul, for example?

Mr. DOUGHERTY. But we do definitely plan on participating in those discussions.

Mr. LAROCCO. Mr. Metzger said that if the Vento bill was passed it would put him out of business. How do you respond to that? Do you dispute his numbers or his calculations? How does the Wildlife Federation feel about that heartfelt thought?

Mr. DOUGHERTY. It is really difficult on an individual case for me to dispute an individual's livelihood or their participation in the process. I think the evidence is to the contrary, with the exception of very few marginal operations. In fact many cattlemen that I have visited with were almost embarrassed by the lowering of the grazing fee this year, under the PRIA formula, and they feel that a responsible or a modest fee increase is not going to affect their operation.

Now were this to climb to in excess of fair market value, or if it was to climb in excess of what we are hearing some of the grazing fee receipts on some private land, I think it would have an adverse impact on some operations. I don't suspect that this esteemed body will ever allow that to happen, nor should they.

But I do believe that one of the focuses that we have got to get away from is trying to pick that magic formula. I believe that there is merit in some incentive-based type formula. I disagree with the Lujan proposal. I think it is shortsighted. I think there needs to be more discussion on how that could occur. But I have seen Congressman Synar make the offer to a lot of people, and I have yet to see evidence that there is going to be a massive folding up of the tents in the western public land grazing allotments.

Mr. LAROCCO. Thank you for responding to that.

For Dr. Fowler, the committee thought it was important to get a few things for the record here, if I can. On page 8 of your statement you say, "Permit value is a legitimate cost of conducting business on Federal land; when amortized, and included, the total costs of grazing are approximately equal." I have some questions about that part of your testimony.

I assume that the reference to "equal costs" refers to a comparison between cost of grazing under a Federal permit and the use of nonfederal lands. Is that correct?

Dr. FOWLER. That is correct, sir.

Mr. LAROCCO. And by "permit value" I assume that you mean the value for a ranching business that comes from having a permit to graze on public rangelands. Is that correct?

Dr. FOWLER. That is correct, sir.

Mr. LAROCCO. But isn't it true that a grazing permit is not a property right, but merely a license to utilize a certain amount of public forage on certain parts of the public rangelands? That is sort of an open-ended question for you.

Dr. FOWLER. That is an encompassing statement. It is the way the West was formulated and founded, was through adjudication of grazing and adjudication of rights to those individuals who had established and developed and formulated business units, so the very right came from a recognition of those who had invested in the Federal lands historically.

Through time those rights have been transferred in the market. There is an established market. It is a recognized market by the Internal Revenue Service, in which 80- to 90-percent of the current ranch families have at one time or another paid for the permit. It is an actual cost of their doing business.

So when I refer to it as being a legitimate cost, I am referring to it, Mr. Congressman, as being a legitimate recognized business cost. And that is really the dispute we are talking about. Is it recognized? Is it equitable? If there is an increase in grazing fee, that will reduce that long-term equity base. It is an equity question; it is not an efficiency question. The individuals have paid it. There is a market for it and they have invested in it. It is recognizable.

Mr. LAROCCO. Thank you. Also on page 8 of your statement you quote from the 1978 PRIA Act, that said fees "should be based on the economic value of the use to the user," and not the fair market value of the forage. Isn't it true that PRIA expired in 1985?

Dr. FOWLER. Yes, sir, and the executive order continued its recognition of reasonableness. I think that is what we are really talking about. The value of that forage in use, as stated earlier, is a derived demand for the forage.

Mr. LAROCCO. And they extended the fee?

Dr. FOWLER. Yes, sir.

Mr. LAROCCO. The formula for the fee?

Dr. FOWLER. Yes, sir.

Mr. LAROCCO. Isn't it true that FLPMA says the taxpayer should receive the fair market value of the forage sold through grazing permits?

Dr. FOWLER. The resource should be adequately priced as a resource, yes, sir, and derived demand.

Mr. LAROCCO. That is in agreement with FLPMA?

Dr. FOWLER. Those things are not mutually exclusive terms.

Mr. LAROCCO. So is it your testimony that the purpose of the current formula and the reason you support its retention is to maintain permit values, meaning the value of the ranching businesses, of grazing permittees?

Dr. FOWLER. No, sir. The formula is to equate total cost of grazing between Federal lands and private lands. That is exactly what the formula is designed to do, to include both the permit costs, the fee costs, on both Federal and private land.

So the formula, the $1.23, was derived from the terms of equity, and recognizing that the costs of grazing on Federal lands are higher than similar costs on private lands, and that the lease values on Federal land were higher. They are offsetting. The $1.23 made everything equal. No one was subsidized, and the general public received a fair market return for their Federal forage.

Mr. LAROCCO. Thank you very much. My time has long expired.

Mr. Thomas, my colleague from Wyoming.

Mr. THOMAS. Thank you.

Jack, you made the point that it is hard to really determine where we are going. I couldn't have agreed with that more. There are some, I think, who do sincerely want all commodity uses off the land. That is rather an extreme one. There are others who want to make it just a straight comparison between rental property and these leases. Others move in different directions.

So it seems to me one of the problems is understanding the difference in the value. How do you differentiate between the actual value of a Federal lease as opposed to private leases? How would you define that?

Mr. METZGER. One method would be conceptually to pursue what PRIA was supposed to do. Whether it is or not is part of the question here. But given the fact that Uncle Sam has only one thing to sell, which is forage, if we truly define the differential in opportunity between the Federal land sector and the private land sector, whatever that number is would actually be the forage value because that is the only commodity that actually changes hands in that transaction. That is one way to look at it.

Another way to determine what that might be in a market setting would be some kind of a bid approach, but that is impossible to work given the land patterns that exist out there, the differential fee on the water on the Federal lands, and others don't. That is just a complete mess. That would be another way to determine it. All things have to be considered in the two different business scenarios.

Mr. THOMAS. One of the political problems is there is not much of a recognition. Tom, you talked about these lands are owned by everybody, and that is certainly true, but most people in Rhode Island, they don't see federal lands as it exists between Casper and Shoshoni. They sort of see it as Grand Teton National Park, and it ain't that. So somehow we have to get that done.

Tom, nice to see you. I didn't realize you were going to be here.

We talked about wildlife. The increases have been fairly significant since 1960. Elk have increased 900-and-some plus percent on Federal land. The same is true with moose, though not quite as much, deer and elk. There is a substantial increase. How does that fit into the challenges that you see of livestock being a threat to wildlife?

Mr. DOUGHERTY. Well, the species you are talking about, the high profile ungulate species, there is little disagreement that your Wyoming State Game and Fish and the Idaho Game and Fish De-

partment have done an excellent job of stewarding and managing big game populations, and probably maximizing to the extent possible those types of populations.

There certainly is documentation in those same agencies about the adverse impact that sheep grazing, cattle grazing, have had on bighorn sheep populations. There is certainly a great deal of information that the range capacity for wildlife, big game, small game, nongame species, is affected by livestock grazing. In Wyoming, for instance, which has a fine State stewardship program, they set herd unit objectives for pronghorn antelope, for elk, for mule deer, based on available forage, based on competition in grazing with or browsing with livestock. To think for one minute that that number could not be higher if desired, is impacted on a tolerance factor, much of which has been pointed out several times here today, that a lot of these big game species winter on Mr. Metzger's property as well as a lot of other private land properties in virtually all of the western states.

I think when we speak of wildlife we have also got to think of the Hila trout; we have also got to think of the desert tortoise; we also have to think of those species that are riparian-dependent or are dependent on a vegetative community in a riparian area, that are taken down to the ground by livestock or that are having an impact on those species.

Now, again, except for a very minute element of people, I don't think there is a person involved in this debate that is saying one of them should be replaced with the other. We do believe that you can have compatible livestock grazing. I will even admit in this panel that there are circumstances in which livestock grazing increases the health and welfare of some vegetative communities in some allotments.

There are other allotments, and specifically in Arizona and New Mexico and Utah, where there is no chance for that vegetative community to ever recover. Those species that are dependent on that quality habitat are given the short shrift on this, and they are not able to respond, and many of them are in trouble.

Mr. THOMAS. I appreciate that. I appreciate also your recognition of the part that private ownership and private lands and private winter feed play in livestock. It is certainly significant in the northern part of the country, at least, where you have to feed things in the winter.

Dr. Fowler, do I understand that basically you would leave in place a formula similar to the one that is there now, and update the base of it based on value? Would that be your recommendation?

Dr. FOWLER. Representative Thomas, I think we have a unique opportunity to reexamine the base of the PRIA formula.

Mr. THOMAS. By "base" you mean the $1.23?

Dr. FOWLER. The equating factor that was set in 1966, that was set between the period 1964 through 1968, during a period of stability in the livestock industry. We have had a period of stability in the livestock industry from 1987 through 1992. By examining the total cost of grazing on private land and the total cost of grazing on Federal land, we can reexamine the costs that would equate all of the costs so there would be no subsidy. There would be equalization.

Mr. THOMAS. Have you played with the numbers? Do you have an idea?

Dr. FOWLER. No, sir. That is one of the charges of the Bureau of Land Management/Forest Service. I mean, that is what they are supposed to do, is look at that base.

Mr. THOMAS. You know, I don't know that ranchers are any more profitable than they were in the 1960s. Do you, generally, over time? I guess what I am saying then is, rate of return, does that play a part?

Dr. FOWLER. Representative Thomas, 1.5–2 percent rate of return is what we have experienced in this industry for a long, long period of time. There have been aberrations. In seventy-nine it was good. Ninety-one was a good year. That kind of rate of return does not attract capital. It does not attract young people in the industry, and that is part of our problem.

Mr. THOMAS. It goes back to Jack's initial comment. No one has really demonstrated what the fee should be, that this one is absolutely wrong. If you go on rate of return, I don't know that ranchers have a greater profit margin now than they did 30 years ago, on the contrary, even though they are handling a lot more money. Is that a reasonable assertion?

Dr. FOWLER. That is a reasonable statement. I think they are living off depreciation, and they have been for a long time.

Mr. THOMAS. Ms. Curti, how is the range condition in your judgment in Nevada generally?

Ms. CURTI. This year it is great because we finally, I think, have broken the back of the drought, at least for this one year. I had an opportunity to tour central Nevada and northeastern Nevada. The ranges look excellent in those places where we have controlled management, where the cattle, wildlife and all that are in good percentages.

Recently, though, I was on an allotment in northern Washoe County, which is just north of Reno. I got a call from a rancher up there who runs a thousand head of cows on a 12-month period, both BLM and Forest Service. He was asked last year because of the drought to come off early in September, and he did. He has been feeding his cattle all winter.

He thought he could go back on on March 1, and determined that the forage wasn't ready. We went out and took a look, went out in a helicopter, and we found a thousand head of wild horses on that allotment who have devastated that allotment. This man is being asked now to cut numbers and times out as if it is his fault that we have wild horses on an allotment that BLM can't manage. And I am not blaming BLM because they try. The problem is, every time they go out there somebody files an appeal and stops a gather, and this is getting out of hand in Nevada.

In more and more instances I am getting calls for help. My numbers are being cut beyond what I can survive with, and I am willing to work with anybody. Come on and help us resolve this situation. We have got to move these wild horses. In eastern Nevada we have got too many elk. I know that is a problem in Utah, although it is not as big an issue right now as the wild horses are in Nevada.

So when we look at management and stewardship, we have to look at it from the whole of what is happening on the land, not just

from the rancher's perspective. "Okay, it's your fault, and it's cattle that are doing it, and we are going to move you." I think we have got to, all of us, broaden our terminology or our mind set as far as stewardship goes, and recognize what all the impacts out there are on the land, whether it be public or whether it be wild horses or wildlife. I think we need to work these things out.

Mr. THOMAS. Thank you. There is a herd of elk in eastern Utah that comes over and eats our grass in the summer in Wyoming, and then runs back across the line before the hunting season starts. We have got to do something about that. [Laughter.]

Thank you.

Mr. LAROCCO. Thank you.

The gentleman from Oregon, Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman.

Dr. Fowler, I want to discuss with you for a couple of minutes this proposed idea about a grazing fee set at a high price and then, determining on the investment that I make on the public lands, my fee may go down. I am wondering if you have thought about that, and if you have, I am wondering how you think that might be enforced?

Dr. FOWLER. I have had the occasion to think briefly on this, Representative Smith.

Firstly, accounting for investment is not incurred in one period. It is a long-time, historic investment process, so simply picking up the investment pattern in one year will not adequately reflect the long-term investment of the permittee through time.

So I believe you have to go back. I mean, there is no sense starting the clock in 1993 and saying, "From now on we start an investment." I believe that is an erroneous way of doing business.

Mr. SMITH. If my allotment were in the good to excellent condition, as 36 million acres are in this country, and I had been a part of that investment process that created that category, if indeed we started in 1993, would I be terribly penalized? Is that your point?

Dr. FOWLER. I think they would reexamine how they measured "excellent," but in reality I think the persons who would be penalized would be those moving from poor to fair to good through this incentive plan. The carrots that are waved in this incentive plan are, number one, you will sign an AMP, an allotment management plan. That has certain positive values to the agency, not necessarily to the permittee.

If the permittee is involved directly with the formulation of the allotment management plan and involved in changing the flexibility, he will be a signer. He will participate in the first incentive plan. The movements through time, I mean, they are talking about changing the ecologic measurement to a desired future condition or a desired plant community. That has to be determined. The goal has to be determined.

The permittee will be one of a multitudinous set to determine that future condition. It might not be in his best interest, what has been determined for his particular allotment that he has been associated with.

Mr. SMITH. Beyond that, if I built a water hole and you built a fence on your permitted land, wouldn't there have to be somebody to come out and verify how big my water hole was? Did I build a

three-wire fence or a four-wire fence? How many miles of fence did I build?

Dr. FOWLER. Theoretically, on these permits, when you apply for the permit that value of the improvement is supposed to have been registered with the Forest Service or with the Bureau of Land Management. Now the BLM, they have a special category, section 4, where you can retain that improvement in private ownership. There is no such similar situation in the Forest Service lands.

Mr. SMITH. But if I were in an investment formula, I would likely have to have somebody from the BLM come to my place and look at my fence or my water hole. And let's see, there are 21,000 permittees.

Dr. FOWLER. There are a lot more permittees than that.

Mr. SMITH. Wouldn't that be a huge oversight responsibility?

Dr. FOWLER. They will have a tremendous job doing that. They will also have to value them. They will also have to place an expected life on each type of improvement. This is no simple matter, to attempt to do that, to attempt to give credit for investments. These improvements obviously are of different quality, different placement and location. A fence in New Mexico on flat land is not the fence on forest land. You go up on the mountainside, there is a tremendous different cost.

In addition, how do you value the permittees' labor involved with these improvements and replacements? Typically that is how they are done, on a cost-shared basis. The agency will provide the materials; the rancher will provide the labor. What is he worth? Do you value him at $4 an hour, $5 an hour? There are managerial costs, there are all types of things that will be incorporated in this improvement valuation process.

Mr. SMITH. Jack, do you have a response to this discussion we are in?

Mr. METZGER. I am agreeing with Dr. Fowler on this, right through. I guess the question that is most important to me in terms of this incentive thing is the constantly moving goal line in terms of what we are managing for on Federal lands. Today's improvement might be in the way tomorrow, as we see it. Today we might be managing for riparian, and tomorrow it could be big game, and the next day it could be dirt bikes or whatever. We just keep changing what we are managing for. So how do you put in a constructive system of improvements that would meet anything long-term? We just have a short-term perspective.

One of the things that is important to note is that we don't have any base information, particularly on the National Forest System. I was surprised this morning when there was discussion of that 17-cent figure that appeared in the 1992 update as Forest Services permittees' contributions. The National Forest System has no way that they, by any standard method, track permittee investment in Federal permits. There is nothing of record. There is no standard system. It is not tracked anywhere. So where that 17 cents came from, your guess is as good as mine, so it is a good place to start.

Mr. SMITH. Thank you.

Thank you, Mr. Chairman.

Mr. LAROCCO. Thank you.

In following up on that, I would note there are many of these changes and improvements to the land and the surrounding areas that are capital investments, and some are managerial as well, just in terms of when you bring the cattle on and when you take them off and the numbers and so forth that can meet certain objectives, as well.

I want to thank the panel for their excellent testimony and for responding to the questions of the committee. With that, the Subcommittee on National Parks, Forests and Public Lands is adjourned.

[Whereupon, at 2:05 p.m., the subcommittee was adjourned.]

APPENDIX

APRIL 20, 1993

ADDITIONAL MATERIAL SUBMITTED FOR THE HEARING RECORD

SUMMARIES AND BACKGROUND, H.R. 643 AND H.R. 1602
GRAZING FEES AND RANGELAND MANAGEMENT

I. BILL SUMMARIES

H.R. 643

H.R. 643, introduced by Representatives Synar and Regula, is identical to their proposal adopted by the House as an amendment to a BLM reauthorization bill in 1991. It would do the following:

1. Replace the current grazing fee formula for western public lands and National Forests (but not National Grasslands) by a "Modified Market" formula identified in 1986 joint report by Interior and Agriculture Departments. The formula would be applied on a westwide basis tied to the lowest appraised value of forage and indexed to 1993. According to Administration calculations, under this formula, the 1992 fee would have been about $5.30 per AUM (instead of $1.92/AUM fee charged in 1992). However, the bill provides that fees could not increase or decrease by more than 33.3% annually, so the actual 1992 fee under the bill would have been $2.62 per AUM.

2. Abolish grazing advisory boards and shift their functions to Federal Land Policy and Management Act (FLPMA) multiple-use advisory councils.

3. Require that the Federal share of grazing-fee receipts be used (subject to appropriation) only for restoration and enhancement of fish and wildlife habitat, restoration and improved management of riparian areas, and enforcement of land-management and allotment-management plans and grazing regulations.

H.R. 1602

H.R. 1602, introduced by Representatives Vento and Darden, has the short title of "Public Rangeland Grazing Reform Act of 1993." It includes the following provisions:

1. Generally, grazing fees would be set at "fair market value", defined by the same "modified market" formula as specified in H.R. 643.

2. Full fair-market-value fees would apply to National Grasslands as well as western National Forests and western rangelands managed by BLM, and would take effect in 1994 (not be phased in as per H.R. 643 and 1991 House bill), except that--

3. Secretaries of the Interior and Agriculture could establish a program of discounted fees in return for grazers' meeting requirements set by relevant Secretary to improve range and riparian ecosystems.

4. Grazing fees would be waived for a State natural resources or wildlife agency (or other permittee in a cooperative agreement with such an agency) placing permitted forage on non-use for conservation or wildlife enhancement for at least 2 years; permittee would also retain preference for permit renewal.

5. The Federal share of receipts would be used (subject to appropriation) for restoration and improvement of fish and wildlife habitat, restoration and improved management of riparian areas, implementation and enforcement of land-use plans, and management of grazing. FLPMA multiple-use advisory councils would advise on distribution of funds. (Same as House 1991 BLM Reauthorization bill and 1992 appropriation bill)

6. Share of receipts returned to States would go to local government units (counties), not to grazing advisory boards, to be used for governmental purposes. Shared receipts could not be used to lobby Congress or for administrative or judicial cases related to management of grazing.

7. Grazing permit terms would be 5 years (instead of 10)

8. Subleasing prohibition would be strengthened by closing existing loopholes (the same provisions as in BLM Reauthorization bill passed by the House in 1991)

9. Grazing advisory boards would be abolished, and their functions transferred to FLPMA multiple-use advisory councils.

II. BACKGROUND INFORMATION

Grazing Fees

Twice in 1991 and again in 1992, the House of Representatives voted to change the current formula for setting grazing fees for western rangelands managed by the BLM and the Forest Service.

That formula was first established in 1978 by the Public Rangelands Improvement Act ("PRIA"), which required its use on a trial basis through 1985 and directed preparation by the Interior and Agriculture Departments of a joint report on grazing fees, anticipating new legislation to set fees for 1986 and after. The report was submitted, but negotiations toward new legislation broke down, and on February 14, 1986, President Reagan issued an Executive Order mandating continued use of the PRIA formula.

In 1991, both the Synar-Darden-Atkins amendment to the FY 1992 appropriations bill and the Regula amendment to the BLM Reauthorization bill provided for replacing the current formula with an alternative identified in the 1986 joint Interior and

Agriculture report. Both amendments also provided for termination of the existing grazing advisory boards (composed solely of grazing permittees) and transfer of their functions to the broader-based Multiple-Use Advisory Councils provided for by the Federal Land Policy and Management Act of 1976 (FLPMA). Both amendments also provided for broadening uses of the Federal share of grazing fee receipts, to emphasize restoration and enhancement of fish and wildlife habitat, restoration and better management of riparian areas, and for more intensive rangeland management by BLM and the Forest Service.

All these provisions are included in both H.R. 643 and H.R. 1602.

However, while the FY 1992 appropriations bill amendment would have fully implemented the formula in 1992, the BLM reauthorization bill as passed by the House provided for a more gradual increase, by providing that fees could increase or decrease no more than 33.3% annually. This provision is in H.R. 643 but not in H.R. 1602.

(Thus, if H.R. 643 had been in effect, the 1992 fee would have been $2.62 per AUM, compared with an actual 1992 fee of $1.92 per AUM. In 1991 it was $1.97 per AUM, and in 1993 is $1.86 per AUM).

The Senate omitted grazing-fee provisions from its version of the fiscal 1992 appropriations bill, and House-Senate conferees dropped grazing fee provisions from the final bill. Instead, the conferees directed the Interior and Agriculture Departments to contract for a review and update of the information contained in their 1986 joint report and to report the results to House and Senate authorizing and appropriations committees.

In 1992, the House adopted a Synar grazing-fee amendment to the FY 1993 Interior and related agencies appropriations bill. That amendment provided for minimum fees: $4.35/AUM for 1992; $5.80/AUM for 1993; $7.25/AUM for 1994; and $8.70/AUM "or fair market value, whichever is higher" for 1995. "Fair market value" was defined as the result of application of the same formula as in the 1991 appropriation bill and the BLM reauthorization bill.

Updated Grazing Fee Report

Based on contracted work of real estate appraisers and consultants from Salem, Oregon, and Greeley, Colorado, the Interior and Agriculture Departments produced a report, dated April 30, 1992 and entitled "Grazing Fee Review and Evaluation, Update of the 1986 Final Report."

The report updated the 1986 data but did not try to revise the methodology used in producing the original 1986 joint report.

Reflecting the views of the Bush Administration (and especially the Interior Department), a cover letter noted the update "should be used with caution", noting that the 1986 report's methodology "was the subject of controversy...and is likely to be so in this

version". A "Highlights" section identified "key issues" raised by industry, conservation, and other groups.

The contractors interviewed 260 grazing permittees in Arizona, California, Colorado, Idaho, Kansas, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, and Wyoming; reviewed 56 Government agency grazing leases with fees set by competitive bidding (not the formula applicable to BLM and Forest Service lands); and interviewed over 100 State and Federal officials, plus active investors and professional appraisers.

The update reflects economic conditions between 1983 and January, 1992. It finds "no discernable linkage" between farmland prices and grazing rental rates, but "an industry-professed linkage between beef cattle prices and the rates paid for leased grazing." It notes that from 1983 to 1990, the number of beef cattle in the 16 Western States covered by the Executive Order fee formula dropped about 12.4%, but cattle prices rose 74%.

A digest of other parts of the updated report follows:

Market Values of Federal Forage

a) By pricing Area (see attached map)

The update concludes that the 1986 report's adjustments (for differences in terms and conditions) are still valid to compare grazing charges for private land with the fees for public rangeland grazing. After such adjustments (subtractions from private-land grazing rates), the update reports the January 1, 1992 "Appraised Market Value of Grazing on Public Rangelands" in 6 pricing regions (see map) as follows :

PRICE AREA	APPRAISED MARKET VALUE (per head or pair month)
	Mature Cattle and Horses
1	$10.26
2 *	$6.39
3	$7.74
4	$6.39
5 *	$4.68
6	$6.85
	Yearling Cattle (under 18 mos. of age)
1	$7.74
2 *	$5.76
3	$6.03
4	$5.85
5 *	$4.68
6	$4.77
	Sheep *
westwide	$0.95

* NOTE: data for areas 2 and 5 unchanged from 1983;lack of data prevented updating 1983 appraised market value for grazing sheep.

b) Westwide

The 1986 report also estimated a westwide rate of $7.00 per AUM for grazing on private lands in 1983. As of January 1, 1992, according to the update, the corresponding rate was $8.00 per AUM, so that, after making the requisite adjustments to reflect the differences in terms and conditions, "the indicated market value for grazing on public rangelands was $6.84" per AUM, as compared with $1.92 per AUM under the current formula.

c) Compared with Fees Actually Charged

From 1988 to 1992, the update states, the actual grazing fees charged "averaged 27 percent of the indicated market value, with a range from 24 percent in 1988 to 29 percent in 1990", with the difference between the actual fees and the indicated market value ranging from $4.70 per AUM to $5.05 per AUM; from 1986 to 1992, actual fees averaged $4.89 per AUM below indicated market value.

Alternatives to Current Formula

As did the 1986 report, the update discussed several alternatives to the current grazing fee formula:

Updated PRIA Formula

"Updated PRIA": The 1986 report identified weaknesses in the fee formula established by the Public Rangelands Improvement Act (PRIA) in 1978. (Fees are now set by Executive Order using the same formula, except that the minimum fee is $1.35 per AUM; PRIA set no minimum fee). Some of these weaknesses were also discussed by GAO in its June, 1991 report entitled "Current Formula Keeps Grazing Fees Low". The update discusses an "updated PRIA" formula with remedies for these weaknesses: updating the base value from $1.23 to $2.95 (to shift from 1966 to 1990 data); similarly updating the forage value and beef price indices; expanding the prices paid index to include ranchers' costs now excluded; and using the ratio (instead of the difference) between beef prices and costs (to dampen variability). The resultant 1991 fee: $2.90/AUM

Modified PRIA

"Modified PRIA": This would make technical changes as per the preceding, but set fees either westwide by using a base value of $4.68, reflecting grazing's lowest market value (i.e, for area 5) or by pricing area (see map), with the appraised market value as the base for each area. Using a $4.68 base, a westwide 1991 fee would have been $4.63 per AUM under this formula; if done by pricing area, the 1991 fees would have been:

Area 1	$ 10.15 per AUM
Area 2	$ 6.33 per AUM
Area 3	$ 7.66 per AUM
Area 4	$ 6.33 per AUM
Area 5	$ 5.10 per AUM
Area 6	$ 6.78 per AUM

Combined Value

"Combined Value" System: This would make the technical changes in PRIA, then average the updated base ($2.93) with the indicated westwide market value ($6.84) to produce a base value of $4.88. The resultant 1991 fee: $4.85 per AUM.

Modified Market

"Modified Market Value" System: The 1991 and 1992 House amendments were based on this formula, and it is used in both H.R. 643 and H.R. 1602, on a westwide basis.

The modified market formula can be used either westwide or by pricing area (see map) and animal class. It simply adjusts the market value by the forage value index.

H.R. 643 and H.R. 1602 both would apply the formula westwide, and the resultant westwide 1991 fee would have been $4.54 per AUM.

If applied by pricing areas (see map) and animal classes, the 1991 fees under the modified market formula would have been:

Mature Cattle

Area 1	$ 9.95 per AUM
Area 2	$ 6.20 per AUM
Area 3	$ 7.51 per AUM
Area 4	$ 6.20 per AUM
Area 5	$ 4.54 per AUM
Area 6	$ 6.64 per AUM

Yearling Cattle

Area 1	$ 7.51 per AUM
Area 2	$ 5.59 per AUM
Area 3	$ 5.85 per AUM
Area 4	$ 5.67 per AUM
Area 5	$ 4.54 per AUM
Area 6	$ 4.63 per AUM

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Grazing Fees for State and Other Federal Lands

The update has data about 1991 fees for grazing on State lands (The 1991 BLM and Forest Service fee was $1.92/AUM) Excerpts:

STATE LAND GRAZING RATES

State	1991 Fee ($/AUM)
Arizona	$ 1.48 (per modified PRIA formula)
California	$ 1.92 (per PRIA formula)
Colorado	$ 4.70
Idaho	$ 4.91
Montana	$ 4.24
Nebraska	$ 3.85 to 11.20
New Mexico	$ 3.46
North Dakota	$ 8.50 (per rate per acre)
Oklahoma	$ 5.00 to $10.83
Oregon	$ 2.50 to $11.50
South Dakota	$ 7.08
Utah	$ 2.32 (per modified PRIA formula)
Washington	$ 4.36 to 5.71
Wyoming	$ 2.50

Effects of Fee Changes

a) On Permittees

Effects of higher grazing fees on livestock businesses would depend on the extent of dependency on public rangelands, herd size, and beef prices. Arizona producers are most dependent on public rangelands--60% of forage for an average Arizona cattle operation is from public range; other dependency levels: New Mexico, 44%; Nevada 36%; Utah 35%; Colorado, 25%; Idaho, Oregon, and Wyoming, 23% (the median); California, 15%; Nebraska and Washington, 13%; South Dakota, 12%; Montana, 11%.

The update says in 1990 there were about 240,000 livestock producers in the 16 Western States covered by the current grazing-fee formula, of which 23,600 (10%) were Federal grazing permittees. Grazing fees were about 3% of permittees' cash costs. Permittees had 14% lower cash costs than the Western industry average, but also had 11% lower cash receipts and 47% higher capital replacement costs--with the result that while their receipts less cash costs were 6% above the industry average, addition of replacement costs meant residual receipts dropped to 17% below the industry average.

The update compared 1990 per-cow and per-ewe returns above short-term cash costs for an average cattle operation in 13 Western States and an average sheep operation in 9 States (no data for Arizona, Nebraska, South Dakota, and Washington) at 6 different fee levels (free grazing; actual 1990; "Updated PRIA"; "Combined Value"; "Modified Market Value"; and private-land lease rates). For 1990, the results showed a positive return above short-term

cash costs in every case: "In the short-term, the average producer would be able to cover production costs while maintaining the current herd levels."

The update also compared the effects of different fee levels on cattle enterprises with different herd sizes in terms of return above variable cash costs of permittees, with the following result for 1990:

		small herd (1-99 head)	medium herd (100-500 head)	large herd (500+ head)
	Fee per AM	------return in dollars per cow----------		
1.	$1.81	$148	$150	$189
2.	$2.93	$133	$144	$184
3.	$4.68	$124	$136	$177
4.	$4.88	$123	$135	$176
5.	$9.19	$101	$114	$158

1.=1990 actual fee; 2.="updated PRIA"; 3.="modified market"; 4.="combined market value"; 5.=1990 private land lease rate, per USDA.

(The update indicates that of BLM permittees, 45% have "small" herds, 45% have "medium" herds, and 10% have "large" herds, while of Forest Service permittees, 35% have "small" herds, 46% have "medium" herds, and 19% have "large" herds")

But there is a different result from projecting the results of the same 6 fee levels on returns above all costs. Then, while the result is positive returns for the average cattle operation at most fee levels (ranging from free to $9.19 per AUM) except for South Dakota (where returns above all costs are negative at all fee levels), for Arizona, Idaho, Nevada, Utah, and Washington negative returns result from private-land lease rates. Average sheep operations show negative returns at various fee levels in California, Montana, New Mexico, Oregon, Utah, and Wyoming.

Still, the update notes that "Livestock enterprise returns are more sensitive to changes in livestock prices than they are to changes in grazing fees...a 2 cents per pound increase in livestock prices, under 1990 prices and costs of production, would increase gross sales [of a median Idaho cattle operation] by $6,120 and would be more than enough to off-set the increase of the cost of the federal grazing fee [to $4.00 per AUM]", while in Arizona (the State with highest dependency on public rangeland grazing) "An increase...to the $4/AUM fee level would increase total fee costs [for an average cattle operation] by $10,832 annually. A little more than 5 cents per pound increase in live-weight beef cattle prices, under 1990 prices and costs of production, would be required to offset the increase in fees."

b) On Federal revenues

The update brings up to 1991 the estimates of differences in Federal revenues from different methods of setting grazing fees. It reports that for 1991 the current formula produced a fee that

resulted in $34.3 million, while the adoption of one of the alternative ways of setting fees would have had the following results:

Fee System	1991 Fee ($/AUM)	1991 Revenue * ($000's)
Current	$1.97	$34,278
Updated PRIA	$2.90	$50,460
Modified PRIA	$4.63	$80,562
Combined Value	$4.85	$84,390
Modified Market (mature cattle)	$4.63	$80,562

* Revenue estimates assume all available AUMs used at each fee level; with higher fees, there may be decreased demand but update says this cannot be projected with any degree of certainty. Revenue estimate numbers were rounded in update.

Fees Compared With Agency Costs

To compare receipts from fees with the agency costs for rangeland management, including management of grazing, the update presents data about these costs "with and without" livestock grazing in 1990. For that year, BLM's total rangeland funding (including range improvements) was $43.505 million, of which $29.582 million was attributable to management of grazing; the Forest Service's total rangeland funding was $30.300 million, of which $22.422 was attributable to managing grazing.

Stated in terms of $/AUM, the comparison between fees and agency costs is as follows:

1990 RANGELAND MANAGEMENT COSTS (INCLUDING RANGE IMPROVEMENTS)
(IN $ PER AUM)

	BLM*		FOREST SERVICE
For Total program	$ 3.21/AUM	*	$ 3.24/AUM
For managing grazing	$ 2.18/AUM	*	$ 2.40/AUM

(1990 grazing fee: $ 1.81/AUM)

Total combined 1990 BLM and Forest Service costs for managing grazing were $73.805 million; the total grazing fee receipts for 1990 were $27.035 million; $5.534 million went to State and local governments, leaving a net deficit of $52.304 million for managing grazing (made up by appropriations).

*It should be noted that in 1992 the Interior Department's Inspector General took issue with BLM's estimates of these costs. The Inspector General's report on this and related matters is discussed below.

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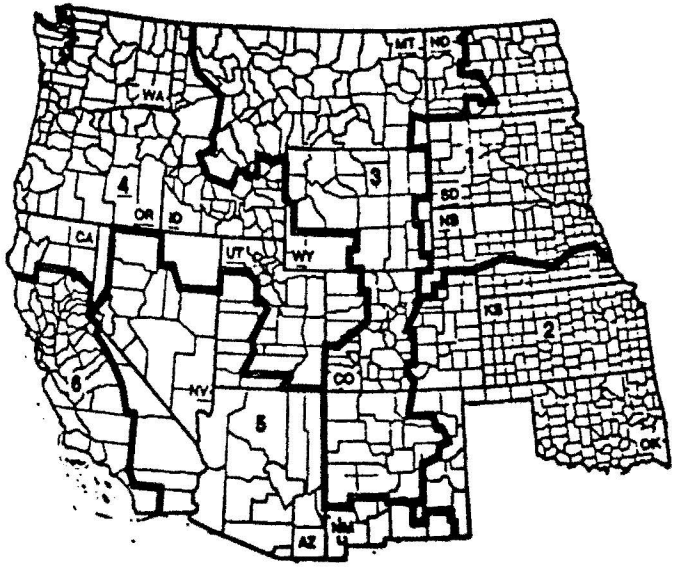
MAP OF "PRICE AREAS" FROM 1986 REPORT AND THE UPDATE



Inspector General's Report

In 1992, the Inspector General of the Department of the Interior issued an audit report, entitled "Selected Grazing Lease Activities, Bureau of Land Management," based on an investigation aimed at determining whether BLM grazing permittees are "unduly benefitting" from the grazing program.

Although dated "September 1992," the report was not forwarded to Secretary Lujan until October 15, and not sent to Congress until October 20th. It was based on a comparison of BLM and Forest Service grazing policies, review of GAO and Administration reports and House hearings on the grazing fee and related issues, and interviews with BLM, Forest Service, and State officials.

The report dealt with two aspects of BLM's grazing program--the absence of limits on the size, nationality, or other aspects of companies allowed to utilize grazing permits; and what the report calls BLM's failure to effectively prevent permittees' actual or virtual subleasing of grazing allotments for more than the fees paid to the United States. The conclusion was that these policies do enable permittees to unduly benefit from the grazing program.

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Possible Two-Tier Fee System

Unlike the Forest Service, BLM allows grazing permits (and the current fee structure) to be used by ranching operations of any size, including foreign companies and domestic conglomerates. (GAO has found that only 10 to 15% of BLM permittees graze 500 or more livestock, but control from 47 to 58% of the total AUMs.)

To estimate large operators' benefits from the current grazing fee, the Inspector General assumed the current fee would apply up to a certain number of AUMs, after which the fee would be based either on the cost to BLM of providing grazing, or on the fair market value of the forage.

The Inspector General did not accept BLM's method of developing its 1992 estimate that the 1990 cost to administer the grazing program was either $2.18 or $3.21 per AUM; instead, the report said "we estimated that the Bureau's cost of administering its grazing program...in 1990 was $4.59" per AUM.

Based on that estimate, the report concluded that in 1990 BLM could have recovered an between $1.6 million and $4.77 million of its costs by limiting availability of current grazing fees.

Alternatively, the report said, BLM could increase receipts by requiring payment of fair market value for AUMs over a set limit. Here, for 1990, the Inspector General used the estimated "westwide" figure of $6.84/AUM from the BLM/Forest Service 1992 grazing fee update; subtracting the 1991 fee of $1.97/AUM gives a "benefit received" total of $4.87/AUM. If the $6.84/AUM fee were applied to grazing above certain limits, BLM could have collected an additional $2.8 million to $8.36 million.

Here are the Inspector General's estimates of additional 1990 receipts (measured by saved BLM costs or by forage value) from limiting AUMs covered by the current formula:

Limit on current fee	AUMS in excess of limit	Additional receipts	No. of operators Affected (est.)
5,000 AUMs	1,717,000	$4.773 million (costs) $8.362 million (value)	414
10,000 AUMs	897,000	$2.494 million (costs) $4.368 million (value)	144
15,000 AUMs	576,000	$1.601 million (costs) $2.805 million (value)	66

Subleasing of Grazing Allotments

Allotment subleasing is illegal. The FY 1985 appropriations bill required BLM to act to recover subleasing profits for the U.S., but the Inspector General said BLM has not done enough.

The Inspector General did not focus on direct subleasing (taking money to allow another's livestock to graze on an allotment) but on a more subtle form involving leasing of private base property. Unlike the Forest Service, BLM does not require permittees to own both the base property and the permitted livestock; so, owners can lease base property and "pad" the rent to reflect the economic value of the Federal forage available to the tenant under a grazing permit (which tenants must get for themselves).

In 1984, Senator McClure inserted in the Congressional Record a statement to the effect that base property leases weren't covered by the requirement to recoup subleasing profits; so, BLM regulations don't require base property owners or tenants to provide data to identify amounts paid by tenants for base property leases, and no recoupment occurs. Therefore, the Inspector General said, the recoupment requirement "was not fully implemented" by BLM. Section 5 of H.R. 1602 is intended to close this loophole.

The report said in 1990 there were about 1,850 leases of base property--about 9.7% of BLM permittees. To estimate possible profits that should have been recouped, the Inspector General calculated that these cases involved 1,047,600 AUMs (9.7% of 1990 AUMs billed), then multiplied by either $ 2.78 (the Inspector General's estimate of BLM costs not covered by grazing fee) or $4.87 (estimated forage value not covered by grazing fee). Thus, the report said BLM should have recouped between $2.9 million (BLM-cost approach) and $5.1 million (forage value approach).

As the report pointed out, these are crude estimates, not reflecting actual base-property lease rates--BLM has no data on those. The Inspector General recommended that BLM require base-property lessors to provide this data, or raise grazing fees for base-property tenants (as opposed to owners).

OTHER RANGELAND MANAGEMENT ISSUES

In addition to grazing fees, both H.R. 643 and H.R. 1602 address larger issues related to the management of western rangelands by BLM and the Forest Service.

These provisions are based on information developed through Committee hearings and oversight activities and the work of others, as discussed below.

GAO Reports

Since 1988, the General Accounting Office (GAO) has reviewed aspects of range management programs of the BLM and Forest Service, in some cases at the request of the Chairmen of the Committee on Interior and Insular Affairs and the Subcommittee on National Parks and Public Lands.

Based on these reviews, GAO has submitted a series of reports, including the following:

--"More Emphasis Needed on Declining and Overstocked Grazing Allotments" (June 1988);
--"Some Riparian Areas Restored but Widespread Improvement Will be Slow" (June 1988);
--"Improvements Needed in Federal Wild Horse Program" (August 1990);
--"BLM Efforts to Prevent Unauthorized Livestock Grazing Need Strengthening" (December 1990);
--"Forest Service Not Performing Needed Monitoring of Grazing Allotments" (May 1991);
--"Current Formula Keeps Grazing Fees Low" (June 1991);
--"Comparison of Rangeland Condition Reports" (July 1991);
--"BLM's Hot Desert Grazing Program Merits Reconsideration" (November 1991); and
--"Interior's Monitoring has Fallen Short of Agency Requirements" (February 1992).

In January, 1992, Resource Concepts, Inc., based in Carson City, Nevada, submitted to Congress a document entitled "A Technical Review of U.S. General Accounting Office Rangeland Management and Public Rangelands Reports 1988-1990." This stated that the first three GAO reports listed above were based on "technically unqualified investigations" with the result that they have "technically invalid conclusions", and that therefore these three reports "should not be seriously considered by Congress in the deliberation of public land issues." At the request of Subcommittee Chairman Vento, GAO reviewed the Resource Concepts document and submitted a point-by-point response.

Hearings

Previous subcommittee hearings on grazing fees and related range management issues were held in September 1987, April 1989, March 1991, and May 12, 1992.

Congressman Larry LaRocco
Subcommittee on National Parks, Forests and Public Lands

H.R. 643 and H.R. 1602
Grazing Fees and Rangeland Management
April 20, 1993

Thank you, Mr. Chairman, and thank you for holding this hearing today to examine grazing fees and rangeland management in the West.

Mr. Chairman, the cattle and sheep industries play a large and vital role in the economies of the Western states. Although Idaho is well known for potatoes, in fact the single largest agricultural commodity produced in Idaho are cattle.

With two-thirds of Idaho's land base owned by the Federal government, some 90% of Idaho's livestock is raised on land managed by the Forest Service and the Bureau of Land Management. Therefore, many of my constituents have a significant stake in the outcome of the grazing fee issue.

In contrast to much of the private land forage often cited by proponents of grazing fee increases, most of the public lands have little vegetation. It's on these lands that ranchers graze what are known as "twenty-forty" cows. The range is so sparse that the cows must have mouths twenty feet wide and must run forty miles per hour to eat enough to stay alive.

Mr. Chairman, I understand the BLM will soon propose a new system of grazing fees on public lands. It would gradually increase the fees and credit the permitees for good stewardship of the public lands.

This proposal, although not in final form has some promise to best serve public policy. It will improve the conditions on public lands; it will reward good stewards of the land; it will make grazing fees on public lands competitive with private lands; and, it will not kill a vital industry in the West.

Mr. Chairman, while I welcome this hearing, as well as the Administration-sponsored hearings currently underway around the West, I have serious reservations about H.R. 643 and H.R. 1602. While Western ranchers recognize that changes will come to the current system of grazing and rangeland management, they want any new system to be balanced, to be fair, and to be workable.

For in the end, Mr. Chairman, it is the ranchers who are closest to the land and who know it must be managed well if they are to survive. We must all keep this in mind as we hear from this morning's witnesses.

California Farm Bureau Federation
1601 Exposition Boulevard • Sacramento, CA 95815 • Telephone (916) 924-4000

April 15, 1993

Honorable Bruce F. Vento
Chairman, House Natural Resources
Subcommittee on National Parks, Forests,
and Public Lands
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Vento:

The California Farm Bureau Federation (CFBF) is a general farm organization with a membership of about 75,000 families. Approximately 1,600 ranchers, most of whom are CFBF members, pay for permits to graze cattle and/or sheep on lands in California managed by the Bureau of Land Management (BLM) and the U.S. Forest Service (USFS). Therefore, we have a interest in grazing fee legislation.

We oppose H.R. 643 (Synar/Regula) since its enactment would increase grazing fees on public lands to unreasonably high levels. The legislation states, "that the fee charged for any given year shall not increase or decrease by more that 33.3 percent from the previous year's grazing fee."

California's permittees are very concerned about the economic stability of ranching operations if the grazing fee formula is revised as proposed by H.R. 643. We believe the Public Rangelands Improvement Act of 1978 (PRIA) has resulted in equitable grazing fee levels.

H.R. 643 does not recognize the range improvements by permittees. Stock ponds and other water impoundments built by permittees benefit livestock and wildlife. Salt distribution, brush control, grass seedings, and predator control also benefit wildlife species. These improvements for livestock grazing have increased wildlife numbers and improved habitat, especially in areas with little rainfall or running water.

Permittees using public lands make investments averaging $8,000 per year. These costs include construction and maintenance of corrals and fences, revegetation, water hauling and pumping, supplemented feeding, and noxious weed and predator control.

High grazing fees would shrink the amount of money collected by the BLM and USFS because fewer permittees could pay the higher rates. Some producers would go out of business. Others would reduce the amount of federal grazing. As the numbers of AUM's drops, taxable income drops, which also would harm not only the income to the federal government but also to state and local governments.

Grazing fee increases of the magnitude called for in H.R. 643 would discourage continued grazing on public lands and cause a serious disruption to the economy of local communities and a serious impact to the permittees. We urge the National Parks, Forest, and Public Lands Subcommittee to oppose H.R. 643.

Sincerely,

Bob L. Vice

BOB L. VICE
President

BLV:gwr

cc: Representative Bill Baker
Representative John Doolittle
Representative Bill Thomas
Richard W. Newpher, AFBF

SRM SOCIETY FOR RANGE MANAGEMENT

6512 Orland Street, Falls Church, VA 22043

April 20, 1993

The Honorable Bruce F. Vento
Chairman
Subcommittee on National Parks, Forests and Public Lands
Committee on Natural Resources
United States House of Representatives
Washington, DC 20515-6205

Dear Mr. Chairman:
The Society for Range Management offers the following comments on H.R. 1602, the "Public Rangeland Grazing Reform Act". SRM is the scientific and educational organization whose 5400 members provide professional expertise and leadership in the science and art of range management in the United States and internationally.

Sec. 2. Grazing Fees: While the Society takes no position on grazing fees, considering that issue to be in the realm of economics and politics rather than natural resource management we acknowledge that a fee system which embodies strong incentives for excellent range management practices could well help to enhance range condition and productivity. We also recognize the substantial difficulties in fairly implementing such a system on a national scale.

Sec 2 (a) seems to repeal the provisions in FLPMA commonly referred to as the Range Betterment Fund. This seems counterproductive since it could inhibit investments in infrastructure contributing to better management of rangeland resources. Sec. 2 should also be clarified to correct the impression that PRIA and the Taylor Grazing Act apply to Forest Service management of the National Forest System. Such clarification would maintain a stronger management posture for the agency.

Language in Sec.3 providing for reduction in the term of grazing permits from 10 to 5 years is, we feel, counterproductive. This change flies in the face of longstanding efforts to provide stability for communities and individual ranch operations. Further, it would serve to double paperwork and associated costs, wasting money which

could better be spent on monitoring and implementing plans to achieve improved conditions on the ground.

Sec. 4 provides potentially helpful support for non-use of grazing privileges for wildlife enhancement purposes. This provision can have highly beneficial ramifications for avoiding big-game and livestock conflicts in many key habitat areas. However, the language as drafted removes discretion from the land-managing agency and vests it in the permittee. The decision to grant non-use for any purpose should rest with the agency charged with administering the land.

Sec. 5. has the generally worthwhile objective of preventing subleasing of grazing permits; Forest Service regulations already do this, and BLM should have parallel requirements. However, this section should be revised to authorize issuance of permits to grazing associations who may in turn issue permits to their members, as is commonly done on some National Grasslands and in other situations. In addition, the restriction on subleasing might be inappropriate in some public lands situations where federal landownership constitutes only an incidental portion of the allotment under permit. Finally, this section should provide for ownership and control of both base property and permitted livestock to qualify for a grazing permit in all but exceptional situations.

We request that these comments be made a part of the record of the hearing on this legislation. We hope our views will be helpful to the Subcommittee in its deliberation on H.R. 1602.

Sincerely,

Ray M. Housley
Washington Representative

SIERRA CLUB

PUBLIC LANDS COMMITTEE
P.O. BOX 8409, RENO, NEVADA 89507
(702) 329-6118

April 26, 1993

The Honorable Bruce Vento, Chair
Subcommittee on Public Lands
Washington, DC 20515

Dear Chairman Vento,

On behalf of the Sierra Club and the Natural Resources Defense Council (NRDC), we are submitting these comments on H.R. 1602, the Public Rangeland Grazing Reform Act of 1993. We strongly support the findings of this legislative proposal, especially the requirement that Federal rangelands and riparian areas be managed to achieve and sustain healthy native ecosytems as well as a full and thriving spectrum of biologically diverse plant and animal species within such ecosytems.

For many years, the Sierra Club and NRDC have been deeply concerned about the lack of significant progress towards improvement of conditions on public rangelands, the imbalance in federal agency management emphasis which continues to favor commodity production over environmental protection and non-commodity uses of public lands and resources, and the continuing loss of federal revenues from grazing fees charged at less than fair market value.

Our members have been working for years for administrative and legislative grazing reforms to correct environmentally damaging grazing practices and inequitable public land policies. These problems are well documented in a series of reports by the General Accounting Office and investigations by the Office of Inspector General prepared over the last 15 years through the previous three administrations.

We commend you for this first comprehensive legislative proposal to remedy many of the chronic problems in the public land grazing program.

We strongly support the following provisions:

1. the setting of grazing fees at fair market value (FMV): FMV grazing fees will provide an adequate return to the US Treasury for the sale of public resources; they will correct the current inequity between public and private livestock operations; they will provide a part of the necessary funding for the extensive restoration and rehabilitation of Western public rangelands damaged by livestock grazing, as well as basic permit administration; and they will remove the current incentive public land livestock operators have to resist necessary grazing management changes, including reducing stocking rates to the carrying capacity of the lands.

2. immediately implementing FMV grazing fees: Without such a strong financial reason, we doubt whether very many public land livestock operators will be willing to work on the development of an incentive-based grazing fee program.

3. directing the use of the federal share of grazing fee receipts to restoration and improvement of fish and wildlife habitat, restoration and improved management of riparian areas, and implementation and enforcement of land-use plans, allotment plans, and grazing regulations: We believe strongly that grazing funds should be used to cover the costs of administration of the terms and conditions of grazing permits. If this Section provides for use of grazing fee receipts for "on-the-ground range improvements," we would strongly oppose it since, in our experience, such improvements are routinely used to increase or maintain livestock production in ways which are environmentally damaging.

4. restricting the States' share of grazing fee receipts to local governmental purposes, not for lobbying Congress or to finance administrative or judicial cases related to grazing management: We have previously forwarded press clippings showing how a grazing advisory board in Nevada divided up its share of grazing fee receipts among its members, absent any U.S. or State prohibition for personal gain. Although it would be difficult to find an argument to support how the public interest is served by permittees splitting up federal funds meant for "range improvement," this action was less

damaging than the one being considered at the time by the grazing advisory board of financially supporting a public land livestock operator's lawsuit against the U.S. government.

5. changing the term of grazing permits from 10 years to 5: Although we understand that the longer term was intended to support the "stability" of the livestock industry, it has not achieved its purpose. In fact, we are now told that the industry's stability is totally dependent on continued economic subsidies, regardless of environmental costs (or length of permit). Instead, the 10 year permit is now considered by Federal agencies and permittees into a guarantee that grazing permits will be issued whether necessary changes in grazing practices are included or not.

6. closing loopholes which permit the continuing practice of subleasing federal grazing permits for windfall profits: Subleasing is a blatant abuse of the privilege of grazing livestock on the public lands and yet perfect proof that if the market set grazing fees, the value of federal grazing permits would be considerably higher than the PRIA-formula based current fees. We object, however, to provisions which permit the Secretary to allow trespass livestock to continue to graze on public lands. These provisions provide yet other loopholes which will be exploited by unscrupulous livestock operators who intend to profiteer off federal grazing permits. These should be eliminated.

7. eliminating grazing advisory boards (GABs): The rancher-only boards continue to facilitate the livestock industry's influence over the BLM. No other public land interest has its own "advisory boards," whether wildlife or wilderness or mining, etc. And GABs exert influence on not only the expenditure of grazing fee receipts for "range improvements" and allotment management plans, but also BLM decisions on wilderness study areas, wild horse numbers and management, and other public land decisions.

8. waiving of grazing fees and livestock licensing requirements for allotments on which permittees decide to put forage on a nonuse status for conservation or wildlife enhancement: One of the most serious flaws in the current federal grazing program is that the federal agencies lack the option of NOT issuing grazing permits or believe that they cannot, except for a very short time, even if the current

permittee wishes to put his or her permit in non-use for conservation or wildlife purposes. We believe that authorizing such non-use for a minimum period of 2 years is wise, but urge you to clarify that the non-use time period is open-ended. In the arid West, 2 years is a very short time to accomplish significant restoration or rehabilitation of W. rangelands devasted by decades of overgrazing.

The only major provision about which we have serious reservations is Sec. 2(c) authorizing alternative fees. While we are very supportive of a program which would require improvements in the "...condition of affected range and riparian ecosystems and the biological diversity of such ecosystems..." as stated in this section, the Bush Administration's incentive-based grazing fee proposal is seriously flawed. We have provided detailed comments on both the strong and weak points of the last Administration's fee incentive proposal to you previously as well as suggestions for strengthening amendments.

We would like you to consider adding strengthening amendments to H.R.1602, as follows:

1. **Provisions permitting livestock grazing only on public lands in satisfactory condition, except under agency approved rehabilitation plans.** The criteria for satisfactory conditon should include lands in good and excellent condition with static or upward trends, with riparian areas in proper functioning condition, with healthy wildlife habitat, and with grazing practices in compliance with land use plan objectives, standards and guidelines, and with permit requirements.

2. **Provisions recognizing all U.S. citizens as "affected interests" on public land grazing decisions.** Federal agencies are currently unjustifiably denying certain members of the public from participating in management decisions on public lands. All Americans own and are entitled to have our concerns about public lands and resources taken seriously by our federal managers.

3. **Provisions for identifying lands unsuitable for livestock grazing and the retirement of all grazing permits on such lands.** Livestock grazing is not an appropriate use for every acre of public lands. Unsuitable lands may include: critical habitats for threatened and

endangered species, lands which are actively desertifying or on which grazing is not ecologically sustainable, lands which have outstanding biological values which would be damaged or lost by the impacts of livestock grazing, and sensitive cultural resource areas.

4. Provisions to withdraw from livestock grazing all public lands for which federal agency monitoring data do not provide an adequate basis for evaluating range conditions, estimating carrying capacity, determining whether land use planning objectives are being met by current grazing practices, and adequately administering the terms and conditions of grazing permits. Currently, federal agencies issue annual grazing permits whether monitoring is adequate for the above purposes or not. The excuse is that the agencies do not have enough staff or funds to do an adequate job of monitoring and permit administration. We believe that the only solutions to the agencies inability or unwillingness to make tough grazing decisions are to either require permit issuance to be based on legally enforceable agency certification that livestock permittees are actually complying with land use planning objectives and permit terms and conditions or to simply prohibit agencies from issuing grazing permits on allotments which they cannot adequately monitor.

Thank you for considering our comments.

Sincerely,

Rose Strickland

Rose Strickland, Chair
National Grazing Subcommittee

Johanna Wald /s/

Johanna Wald, Senior Attorney
Natural Resources Defense Council

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