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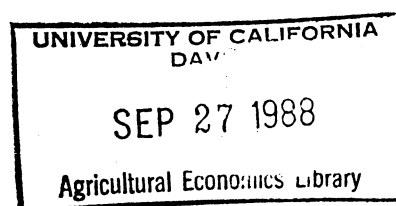
Land-L Public

A LOOK AT PROPOSED INSTITUTIONAL
CHANGES FOR THE MANAGEMENT OF PUBLIC LANDS

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Introduction

The history of public land programs, policies, and organizational structure has been a series of responses to changing social and political needs.^{1/} Despite significant changes in public land policies and programs during recent decades, proposals for consolidation of all public land management functions into a Department of Natural Resources have not come to pass. The most recent proposal (called the Bureau of Land Management - Forest Service (BLM-FS) Interchange) would shift management responsibilities between the two major public land management agencies.

In January of 1985, BLM and FS announced a proposed interchange of lands and minerals responsibilities in order to enhance service, improve management efficiency, and reduce costs. After holding 85 public meetings and 30 formal hearings, a final Interchange proposal was submitted to Congress in 1986. But time ran out on the 99th Congress before it could study and act on the measure. It was resubmitted to Congress as the Federal Lands Administration Act of 1987, where it failed to go beyond the committee and its future remains in limbo.

Approach

This paper looks at some of the economic and political factors surrounding the proposed BLM-FS Interchange which would reallocate about 24 million acres of land between BLM and FS and transfer 204 million acres of minerals jurisdiction from BLM to FS. Given the lack of support for the current public

The views expressed herein are solely those of the author, and do not reflect those of the Department of the Interior.

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^{1/} Paul W. Gates and Robert W. Swenson, History of Public Land Law Development, PLLRC Study Report, 1968.

land swap, it appears destined to suffer a fate similar to previous efforts to form a Department of Natural Resources to manage all Federal lands. Even with the substantial economic and social benefits projected for this compromise proposal, there still remains a strong preference for the status quo. While users of public land resources are not necessarily satisfied with the status quo, they are reluctant to accept uncertainties, real or perceived, resulting from changes in organization and personnel.

Our overall approach will be to: (1) summarize the history, background, and need for consolidation of public land management and briefly review the previous legislative consolidation efforts; (2) outline the major components of the current BLM-FS Interchange, identify the major concerns raised by the public about the Interchange, and broadly classify them into political or economic categories; (3) assess possible reasons for preference of the status quo over the Interchange; and (4) use a political/economic trade-off matrix to indicate opportunities and problems regarding implementation of the Interchange or other alternative consolidation efforts.

History, Background, and Need for Consolidation

The Federal Government administers a third of the land in the United States, 73 percent of it through BLM and FS. In the 48 contiguous States, BLM manages about 177 million acres and FS about 169 million acres. Both agencies are charged by law with managing the lands under the principles of multiple use and sustained yield.

National policy during most of the 19th century promoted settlement and development of the West by disposing of public domain lands acquired through purchase, treaties, and wars. Between 1812 and 1935, the United States disposed of more than one billion acres to individuals and organizations through land sales, homesteading, and land grants to railroads. Grants to

railroads were typically alternating sections of land on each side of the railroad right-of-way, resulting in a checkerboard pattern of land ownership. In addition, when States were admitted to the Union, they received grants of public domain lands to support schools and colleges. In the West, these grants usually were sections interspersed throughout the public domain lands.

While disposing of public domain lands, Congress set aside lands for specific purposes. The President was also given authority to withdraw lands for specific uses. Beginning in the late 1890's several presidents withdrew lands for forest reserves. In 1905, the Department of Agriculture, through FS, assumed responsibility for these reserves (now designated National Forests). Lands were also reserved for other purposes, such as parks, military reservations, and wildlife refuges. The remaining public domain lands were managed by the Department of the Interior, through the General Land Office, which was later merged with the Grazing Service in 1947 to form BLM. As a result of all these actions, present BLM and FS jurisdictions in many areas lie side by side or are intermingled.

The proposed Interchange or other consolidation alternatives would presumably lead to greater efficiency in the management of public lands. Current land patterns are accidents of history, products of compromise, or the result of separate, unrelated land actions dating back to the early 1800s. In many cases, the lands administered by the two agencies are similar, sharing the same users, management problems, and resources. Both agencies often have offices in the same general location with separate staffs performing essentially the same kinds of duties. This situation results in duplication of efforts and unnecessary confusion for those who deal with either agency.

Previous Consolidation Proposals

There have been several major reorganization proposals over the years calling for the consolidation of Federal land management agencies into a Department of Natural Resources. The merger of the FS with the Department of the Interior agencies was proposed as early as 1932 (the Hoover Commission), and the merger of BLM and FS was proposed as early as 1947. Similar recommendations or proposals were made in 1953 by the President's Advisory Committee on Government Organization; in 1964 by the Public Land Law Review Commission; in 1971 and 1973 by President Nixon; and in 1979 by President Carter. Bills were introduced in Congress for most of these proposals but were never enacted. The failure of the 1979 proposal, along with the President's Environmental Message in 1979, gave impetus to the present effort to develop an acceptable interchange of lands and jurisdictions that would improve management without having to merge the two agencies.

Major Components of the BLM-FS Interchange

The major elements of the proposed Interchange and the current situation are summarized in Table 1, which includes acres that would be managed, number of administrative offices, staffing, and costs and savings. A total of 71 communities now have both BLM and FS offices. Adoption of the Interchange would result in only 36 communities having both FS and BLM offices, while the remaining 35 communities would each keep only one office, either FS or BLM.

With regard to staffing, there would be a reduction of 450 BLM personnel, and an increase of 100 with FS, resulting in a net change or elimination of 350 jobs. The net savings during the 5-year implementation period would range from 29 to 35 million dollars, and the average annual savings after implementation would range from 13 to 15 million dollars.

TABLE 1
DATA SUMMARY FOR PROPOSED INTERCHANGE AND CURRENT SITUATION

Acres Managed (millions)					
	BLM		FS		
	Surface	Subsurface	Surface	Subsurface	
Interchange	171.7	216	174.1	204	
Current Situation	177.1	420	168.7	0	
Interchange Action: Surface acres transferred from BLM to FS: 14.8 million					
Surface acres transferred from FS to BLM: 9.4 million					
Offices					
	Two-Agency Towns	BLM*		FS**	
		DO	RA	SO	RD
Interchange	36	44	127	113	612
Current Situation	71	53	146	119	638
Staffing					
	BLM		FS		Combined Change
	Staff	Change	Staff	Change	
Interchange	6,950	-450	29,200	+100	-350
Current Situation	7,400		29,100		
Costs/Savings (\$ millions)					
	First Five Year			Average Annual Savings After Implementation	
	Costs 21-24	Savings 53-56	Net Savings 29-35	13-15	
Interchange					

*BLM: DO = District Office; RA = Resource Area;

**FS: SO = Forest Supervisor's Office; RD = Ranger District

Summarized from Table 2-1, p. 31., Legislative EIS for the BLM-FS Interchange, Bureau of Land Management and Forest Service, Washington, D.C., February 1986.

TABLE 2
MAJOR PUBLIC CONCERNS ASSOCIATED
WITH A PUBLIC LAND INTERCHANGE

Political

User Rights and Appeals
Water Rights
Dual Agency Minerals Management
(Surface Use May Take Preference
Over Minerals Exploration and
Development)
Disposal of Federal Lands
Minerals Access and Availability
Wilderness Review
Differences in Management Intensity
Differing Emphasis in Timber,
Wildlife and Recreation Management

Economic

Receipts to Counties and States
Community Impacts From Gain or
Loss of Employees
Dual Agency Minerals Management
(Delays and Higher Processing Costs)

Public lands transferred to FS management would become National Forest System lands, and National Forest System lands transferred to BLM management would become public lands. Areas formerly having both BLM and FS offices and functions would be combined so that people needing permits, assistance, or information related to National Forest System or public lands would generally be able to find help at a single location.

Major Public Concerns

The major concerns raised by the public were listed in the Legislative Environmental Impact Statement (EIS). These concerns have been classified into political or economic categories in Table 2. Two-thirds of the concerns were political in nature, while one-third were economic. Most of the political concerns had to do with changes in management emphasis or property rights that would reduce the net worth position of individuals or companies. The economic concerns were raised mainly by local government about reduced revenues from Federal lands and by communities anticipating losses of Federal employees.

Analysis of Preference for the Status Quo

Bromley^{3/} suggests three fundamental economic questions (actually, political economy questions) concerning natural resource use:

1. Who is in control of the management rules (institutions) that determine the time-rate use of natural resources?
2. Who is in position to receive the benefits arising from any particular use pattern?
3. Who is exposed to the costs arising from the use of natural resources?

Although Bromley's questions would apply to natural resource use generally, they are just as applicable to the more limited case -- use of public land

^{3/} Bromley, Daniel W., "Land and Water Problems: An Institutional Perspective," Invited Address to the American Agricultural Economics Association, Logan, Utah, August 1-4, 1982, p. 18.

resources. We will combine questions two and three into one economic question: Who gets what benefits and who pays for them? Also, due to the potential effects that a proposed interchange of Federal lands might have on the human environment, an environmental question should be added to the analysis. This results in an environmental, political, and an economic question for use in our analysis, which are restated as follows:

1. What are the environmental impacts, positive or negative, associated with changes in management of public land resources?
2. What agencies are in control of the management rules that determine the time-rate use of public land resources?
3. Who are the recipients of the benefits arising from public land resource use and who bears the costs?

According to the Legislative EIS, implementation of the proposed Interchange would result in little if any environmental impacts or changes (positive or negative) over the status quo. This explains, at least in part, why environmental groups have shown little enthusiasm, either for or against, the proposed Interchange. Therefore, support or opposition to the proposal turns more on the political and economic factors.

The political concerns fall mainly upon the initial users of Federal lands; i.e., grazing permittees, mineral lessees, timber contractors, recreation users, etc.). These same users would also be likely to absorb most of the costs if these concerns became a reality. We are not considering the user charges (grazing fees, mineral lease rents or royalties, campground user fees) since these would be essentially the same under either agency, but the potential long term negative impact upon the net worth position or personal well being. This might be reflected in the loss in ranch value attributed to a substantial reduction in grazing privileges or the negative impact on the financial position of an energy company losing access to Federal coal leases due to a shift in agency policy for surface use (designation of Wilderness or

a Wilderness Study Area) taking preference over minerals exploration and development.

While there would be some benefits or reduced costs to individual users from the one-stop shopping (single-agency service) from the Interchange, the major cost savings or benefits would flow to the Federal land management agencies in terms of reduction in personnel and associated costs, and reduced administrative costs from elimination of offices. The proposed Interchange could cause some minor increases or decreases in Federal receipts to counties and States due to different revenue-sharing formulas. In addition, small scale gains or losses of Federal employees from office closings or consolidations could contribute to relatively small community impacts, depending upon the size, diversity and health of the affected economy.

Preference for the Status Quo: The O&C Example

The manner in which the Oregon and California Railroad Grant Lands (O&C) are dealt with in the Interchange negotiations provides a vivid example of preference for the status quo. The O&C lands^{4/} consist of just over two million acres of primarily old growth Douglas fir commercial timber in Western Oregon under BLM management. There is currently a wide disassociation between the benefits and costs from these lands (the counties receive the bulk of the benefits and BLM incurs most of the costs), and every effort is being made to keep it that way.

In the initial Interchange proposal of June 7, 1985, jurisdiction for these lands would transfer from BLM to the Forest Service by amending the O&C Acts of 1937 and 1939. The O&C counties were concerned that under the Interchange the allowable cut for timber would be reduced, thereby reducing revenues to

^{4/} Originally public domain, this acreage was reconveyed and revested to the United States from grants made to private concerns to construct the Oregon and California Railroad and the Coos Bay Military Wagon Road.

counties. Local governments were also concerned that the Forest Service imposes more requirements on timber contractors than does BLM. Additional requirements increase contractors costs, reducing appraised value of the sales, and thus revenues to the counties. The final Interchange proposal (February 1986) responded to public concern and left practically all of the O&C lands under BLM administration.

There are two major differences in the administration of the O&C lands compared with the Forest Service lands: (1) significantly higher receipt sharing provisions with the counties, and (2) lack of authority requiring payment from contractors for slash removal and reforestation following the sale. For O&C lands, 75 percent of gross receipts from sales are returned to the counties from which they were generated. For Forest Service timber sales, 25 percent of the gross receipts are returned to the States for the benefit of the counties within each National Forest on a pro rata share basis by acreage of the county within the National Forest as a percentage of the total acreage of the National Forest.

Although neither Interchange proposal (June 7, 1985, or February 1986) would change the O&C receipt sharing provisions, the second item (deduction of the costs for slash removal and reforestation from the appraised value) would reduce receipts to counties. To alleviate this impact, the O&C lands were left under BLM management in the February 1986 Interchange proposal. The net result was to remove the O&C lands issue from the Interchange, and solidify the status quo, by insuring a continuation of substantial timber sale revenues to the O&C counties, while the Federal government continues to absorb the bulk of the costs.

Conclusions

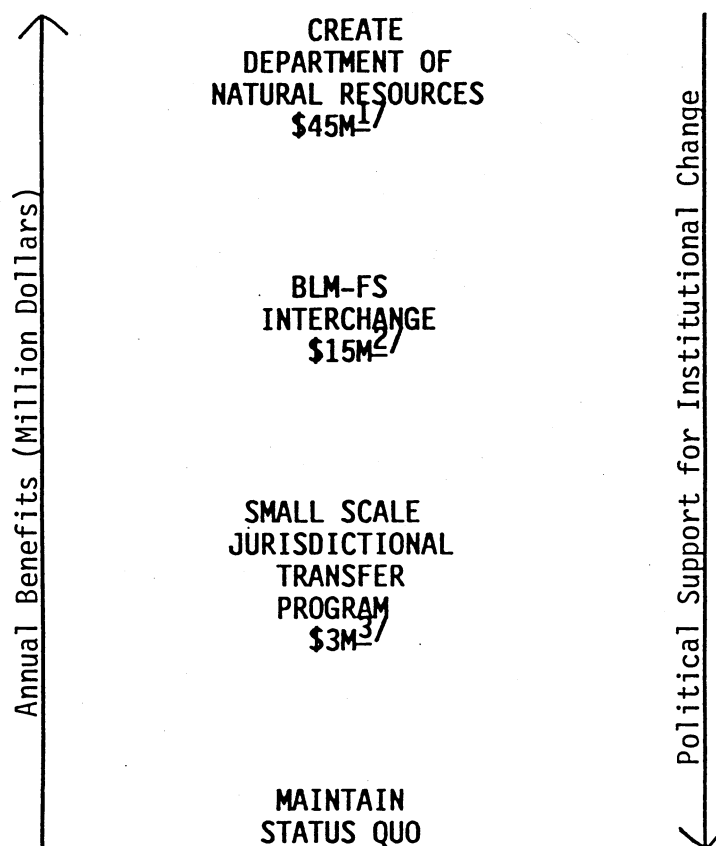
The potential annual economic net benefits (15 million) and institutional changes related to the Interchange, outlined in the Legislative EIS, are used

to establish the midpoint in our political-economic trade-off matrix (Figure 1). A Department of Natural Resources scenario, with associated annual net benefits of 45 million, is placed at the top of the matrix. The small scale jurisdictional transfer program, with an estimated 3 million annual net benefits, is shown below the Interchange, and the status quo provides the base.

The political-economic trade-off matrix depicts the direct relationship between the magnitude of institutional changes and the size of the economic benefits. The more drastic the institutional changes in terms of consolidation of public land management; e.g., Department of Natural Resources, the greater the potential economic benefits. However, with regard to implementation of institutional changes for consolidation, the trade-off matrix supports the notion of increasing resistance to major institutional changes and a willingness to forgo substantial net economic benefits. This may be more a function of distribution (who gets what and who pays for it) and less with efficiency. From a user perspective, the individual benefits (slices of the pie) may be more important than the total economic benefits (size of the pie).

While most of the basic management rules governing the use of public land resources would remain the same, both BLM and Forest Service would utilize these in their management of 24 million surface acres and over 200 million acres of subsurface minerals, previously under the jurisdiction of the other agency. Although the rules are the same, the basic philosophy and organizational environment for the people administering the rules would be significantly different. This could result in different interpretations of the same rules, or a perception of differences in management on the part of users when the agency and the people are different.

FIGURE 1
POLITICAL-ECONOMIC TRADE-OFF
EVALUATION MATRIX



- ^{1/} Projected annual savings (adjusted for inflation) from 1979 Office of Management and Budget study under President Carter.
- ^{2/} Potential annual savings (after initial implementation costs) from Legislative EIS for the BLM-ES Interchange, February 1986.
- ^{3/} Based on 10 percent of full-scale jurisdictional management program analyzed in General Accounting Office, Report to the Secretaries of Agriculture and the Interior, "Program to Transfer Land Between the BLM and the FS Has Stalled," December 1984.

Increasing resistance to the institutional changes may be due to more uncertainty as well as a disassociation of the benefits and costs (over time and between individuals and groups). This results, in part, from the perceived notion that the majority of the benefits would be achieved at the national level, while the burden of the institutional changes and their associated costs would fall upon the users at the local level. Local governments will continue to resist organizational changes which would reallocate or reduce current revenue sharing patterns. Small western communities will lobby to retain at least one local land management office to offset declining rural economies.

Given the austere Federal fiscal climate, the "Don't make waves" attitude prevalent in an election year, and lack of political support from users, industry or environmental groups, as well as county or State governments, the Federal Lands Administration Act of 1987 suffered the same fate as its predecessor bill the previous year. It has not been introduced in 1988. Our trade-off evaluation matrix infers that the more drastic the institutional change (e.g., Department of Natural Resources), the larger the potential economic benefits, but the less political support available for passing the legislation. This premise is supported by recent public land history which documents repeated failure of legislative proposals for a Department of Natural Resources and diminishing support for the Interchange Proposal initiated in January 1985. Therefore, we conclude that consolidation of Federal land management is more likely to be achieved in increments rather than through large scale reorganizations.

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