

THE HILL



Incentives are the key to federal land management

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The standoff in eastern Oregon has once again focused attention on the role of federal lands in the West. Everyone agrees that these lands are valuable, yet they cost taxpayers more than \$5 billion in 2015. Solving this conundrum turns out to be key to ending the debates that have engulfed these lands for more than a century.

I am fortunate to live 500 feet from a national forest and, depending on the weather, go hiking or cross-country skiing there almost every day I'm home. My neighbors and I highly prize this access to federal lands, but thanks to lobbying by other recreationists, Congress has forbidden the Forest Service from charging us recreation fees.

Other interest groups have obtained similar favors from Congress. Ranchers pay grazing fees that are less than a fifth of the fees they would have to pay to graze their livestock on state or private lands. Miners of most minerals other than coal still pay fees that Congress set in 1872.

Even when agencies collect fees, Congress has often directed that the revenues be used to benefit some special interest group rather than reimburse the Treasury for all the money spent managing the lands. Most grazing fees are used to improve range productivity; most revenues from many timber sales are used to increase forest productivity, and most recreation fees that the agencies are allowed to collect go to buy more recreation lands or improve recreation facilities.

The main revenues that the Treasury earns from public land management are from coal, oil, and gas, and these activities cover less than 1 percent of the federal lands. The other 99 percent cost taxpayers roughly \$10 per acre per year.

These subsidies harm many people besides taxpayers. Private landowners in the West cannot realize the full value of their land because they compete against free or below-cost resources on federal lands.

Subsidized recreation actually harms recreationists because public land managers and private landowners have little incentive to protect recreation values and so offer fewer recreation opportunities. Subsidized grazing harms ranchers because they lead people both inside and outside the agencies to view ranchers as freeloaders.

The key to fixing these problems is to fix the incentives that face public land managers and users. Some believe this can be done by privatizing federal lands. But 350 million acres of private

farms get \$20 billion in subsidies per year, or more than five times the per acre subsidy to federal lands. Privatization doesn't guarantee that the incentives will be fixed.

Other people say federal lands should be turned over to the states. I've reviewed the budgets of more than 150 state agencies and learned that many are as poorly managed as the federal lands, losing money and lurching from crisis to crisis.

A few state agencies, however, are well managed and actually earn a profit. The difference is not that they are managed by the states but that they are legally considered fiduciary trusts, which means their assets are managed by trustees on behalf of certain beneficiaries. Trustees are obligated to make money, to preserve trust assets, and to have a transparent decision-making process. In many cases, state land trusts are also funded out of their receipts, not tax dollars.

This shows that Congress can fix the incentives that influence public land agencies and users without transferring title to the lands to states or private owners. First, instead of subsidizing federal lands with billions of tax dollars, Congress should fund them exclusively out of the user fees they earn. Setting fees at market rates would discourage interest groups from demanding more than they are willing to pay for and encourage them to cooperate with one another to find ways to maximize resource values.

Second, Congress should turn the federal lands into fiduciary trusts, which would fundamentally change the incentives faced by land managers. Most state trusts are managed to benefit schools, but income from federal trusts could benefit a variety of things including endangered species, preservation of historic resources, or simply to repay the U.S. Treasury for all the money these lands have cost taxpayers over the past century.

When combined with the user-pays principle, managing the federal lands as trusts could end the debates and give everyone incentives to cooperate in the future of these lands.

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