

NATIONAL PUBLIC LANDS GRAZING CAMPAIGN

Fiscal Benefits to Taxpayers of the Multiple-Use Conflict Resolution Act

The table below depicts two ways to evaluate the savings derived from paying willing-seller federal grazing permittees/lessees to end their grazing on public lands under the Multiple-Use Conflict Resolution Act (MUCRA; H.R. 3166).

The following assumptions were used to develop the measurements:

- The proposed rate of compensation in MUCRA is **\$175/AUM** (animal unit month; the amount of forage necessary to sustain a cow and calf for one month).¹
- Approximately **17,617,986** AUMs/year are authorized on Forest Service (USFS) and Bureau of Land Management (BLM) lands.²
- The cost to administer the BLM and USFS grazing programs is about **\$200,000,000** annually, or \$10.46 per year for each AUM provided on public lands (\$200,000,000 divided by 17,617,986 authorized AUMs).³

Yardstick	Measurement	Explanation	Calculation
<i>Benefit/Cost Ratio</i>	1.57:1	Benefit received (in dollars) for each dollar spent on the buyout program.	\$274.48 (the present net value* [PNV] of the annual expenditure for the next 50 years of \$10.46 [annual taxpayer cost of providing one AUM]) <i>divided</i> by \$175 (proposed rate of compensation per authorized AUM).
<i>Return on Investment</i>	6%	The percentage of the initial expenditure for permit/lease buyout saved each year.	\$10.46 (annual taxpayer cost of providing an AUM) <i>divided</i> by \$175 (proposed rate of compensation per AUM) <i>multiplied</i> by 100 to convert to percentage.

*Present net value is calculated by discounting back to the present the "perpetual" taxpayer expenditure of \$10.46/AUM each year for the next 50 years, using a real interest rate of 3.1% (OMB direction for analysis in 2005). This calculation determines the present value of these accumulated future costs that would be avoided by the proposed voluntary buyout program. Since both the benefits (future grazing subsidies avoided) and costs (one-time buyout price) are present values, a direct comparison is possible.

Further documentation of assumptions and calculations is available from NPLGC upon request.

Ways to Describe the Savings to Taxpayers of Voluntary Grazing Permit Buyout

Assuming that \$100,000,000 is authorized to buy federal grazing permits/leases from willing-seller permittees/lessees at \$175/AUM, then 571,429 AUMs could be retired (\$100,000,000 divided by \$175). Following are ways to describe the fiscal benefits of the voluntary federal grazing permit compensation program.

- *"The legislation has a return on investment for the taxpayers of over six percent annually."*
- *"The legislation has a benefit-cost ratio of about 1.57:1, or \$1.57 saved for every dollar spent."*

As drafted, MUCRA only authorizes \$100 million for grazing permit/lease compensation. If demand for buyouts exceeds the appropriated and/or authorized funds, private conservation organizations can contribute funds for additional buyouts **and** Congress can appropriate/authorized more funds. In the unlikely event that every federal grazing permittee/lessee desired and received a buyout, federal taxpayers would be relieved of a total subsidy of as much as \$10 billion over the next 50 years, a present value of \$4.8 billion.

¹ The proposed payment is well above the average west-wide market value of \$35-75/AUM and is proposed to encourage permittee/lessee participation. Bartlett, E. T., L. A. Torell, N. R. Rimbey, et al. Valuing grazing use on public land. *J. Range Manage.* 55: 426-438 (reporting permit values are between \$35-\$75 in seasonal grazing states, and higher rates in states where yearlong grazing occurs) (citations omitted); Torell, L. A., N. R. Rimbey, J. A. Tanaka, S. A. Bailey. 2001. The lack of profit motive for ranching: implications for policy analysis. *Proc. Current Issues in Rangeland Resource Economics Symp. Western Reg. Coord. Comm. on Rangeland Economics WCC-55.* New Mexico State University Res. Rep. Ser. 737. New Mexico State University. Las Cruces, NM (unpaginated) (reporting average permit value of \$40/AUM on public lands in Idaho and Wyoming).

² The average total animal unit months authorized annually on lands managed by the Bureau of Land Management and forests and grasslands managed by the USDA-Forest Service. Data available from NPLGC.

³ The direct costs of the Bureau of Land Management and U.S. Forest Service grazing programs total \$126 million annually. Moscovitz, K. and C. Romaniello. 2002. *Assessing the Full Cost of the Federal Grazing Program.* Center for Biological Diversity. Tucson, AZ: 13-14. When additional indirect subsidies are factored, the total cost increases to as much as \$500 million annually. NPLGC. "The Cost of the Forest Service and Bureau of Land Management Livestock Grazing Programs," available at www.publiclandsranching.org/htmlres/PDF/FS_Fiscal_Costs.PDF. Comparable amounts have been independently reported by *The Economist* and Hess and Wald. Subsidized cow chow. *The Economist* (Mar. 7, 2002): 39; Hess, K. and J. H. Wald. 1995. "Grazing reform: here's the answer." *High Country News* 27(18).