



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

RESOURCES, COMMUNITY,  
AND ECONOMIC DEVELOPMENT  
DIVISION

B-209066

May 30, 1986

The Honorable James A. McClure  
Chairman, Subcommittee on Interior  
and Related Agencies,  
Committee on Appropriations  
United States Senate

The Honorable Sidney R. Yates  
Chairman, Subcommittee on Interior  
and Related Agencies,  
Committee on Appropriations  
House of Representatives

On December 17, 1985, you requested that we review the extent to which Bureau of Land Management (BLM) permittees sublease their grazing privileges and the adequacy of BLM's regulations to control this practice. You expressed particular interest in subleases where permittees are paying BLM one fee for grazing on the public lands and then subleasing their grazing rights to other grazers for a substantially higher fee.

We met with representatives of your offices on March 14, 1986, and discussed BLM regulations on subleasing and the nature of the information available on grazing subleases. It was agreed with your representatives that subleasing as defined by the 1985 BLM regulations would occur infrequently. For this reason, your offices requested that we gather information on the number of, and financial considerations involved in, grazing leases entered into by BLM grazing permittees. We visited eight BLM resource area offices that have 1,576 grazing permittees, which represents 8 percent of all BLM permittees nationwide. At the offices, we examined grazing permittee files and discussed grazing leasing arrangements with BLM range management officials. On May 14, 1986, we briefed representatives of your offices on our findings and agreed to provide you with a written summary of our work.

The Taylor Grazing Act of 1934 authorized the Secretary of the Interior to assign grazing privileges for vacant public lands. The privilege to graze on a parcel of public rangeland is associated with a specific privately owned land base or water base property (base property). The BLM grazing regulations prohibit


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base property owners from profiting by assigning or conveying permits to graze on public land without transferring ownership or control of the base property to which a grazing allotment is assigned and the livestock being grazed. Otherwise, an unlawful arrangement, referred to as a sublease, has been entered into, and the regulations require payment to BLM of any amounts collected in excess of the grazing fee paid BLM, less the cost incurred for any installation and maintenance of authorized range improvements.

Range management officials at the eight BLM resource area offices we visited did not know of any permittees with leases who did not have control of both base property and the livestock grazing on the public lands. The BLM headquarters officials responsible for managing the agency's grazing program stated that there are few instances of grazing subleasing as defined in the agency's regulations and that the agency is taking action in those instances that it has identified. In December 1985, BLM offices were instructed to identify and report quarterly on any instances of grazing subleasing. Nationwide, BLM offices reported 12 instances of grazing subleasing and \$11,169 in collections for the quarter ended March 31, 1986.

Although BLM regulations prohibit base property owners from profiting through subleasing of public rangelands, they do not prohibit fees in excess of those charged by BLM from being incorporated into a broader lease arrangement encompassing both the base property and the related public rangeland. This situation can occur when someone other than the owner of the base property becomes the BLM grazing permittee by entering into a written lease with a base property owner holding the public rangeland grazing rights. Under BLM regulations, the lessee then becomes the BLM grazing permittee. Range management officials at the eight offices we visited identified 224 such grazing permittees. Because BLM does not require its grazing permittees to disclose financial information in lease agreements filed with BLM, any fees in excess of those charged by BLM for public rangeland incorporated in a lease arrangement could not be identified from BLM records.

As directed by your offices, we did not obtain official comments from BLM on this report. At your request, unless you publicly announce its contents earlier, we plan no further distribution of this report until 10 days from the date of this letter. At that time we will provide copies to BLM and make copies available to others upon request. If you have any further questions on these matters, please contact me at 275-7756.

  
Michael Gryskowicz  
Associate Director

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ABBREVIATIONS

AUM	Animal Unit Month
BLM	Bureau of Land Management
GAO	General Accounting Office
OIG	Office of the Inspector General

RANGELAND MANAGEMENT:  
GRAZING LEASE ARRANGEMENTS  
OF BUREAU OF LAND MANAGEMENT PERMITTEES

BACKGROUND AND OBJECTIVES

BACKGROUND ON BLM'S GRAZING PROGRAM:

- BLM ADMINISTERS LIVESTOCK GRAZING ON PUBLIC LANDS
- THE TAYLOR GRAZING ACT OF 1934 IS THE BASIC LEGISLATION GOVERNING GRAZING ON PUBLIC LANDS
- GRAZING PRIVILEGES ON PUBLIC LANDS ARE ATTACHED TO SPECIFIC PRIVATE LAND-BASED OR WATER-BASED PROPERTIES (BASE PROPERTIES)

GAO WAS ASKED TO REPORT ON THE FOLLOWING MATTERS CONCERNING GRAZING LEASES ENTERED INTO BY PERMITTEES WITH GRAZING PRIVILEGES ON BLM-MANAGED PUBLIC LANDS:

- THE EXTENT OF LEASING,
- THE TYPES OF LEASES, AND
- FINANCIAL ARRANGEMENTS.

## BACKGROUND

The Bureau of Land Management (BLM) administers livestock grazing on approximately 176 million acres of public rangeland located in 16 states west of the Mississippi River. For fiscal year 1984, BLM reported that approximately 19,600 permittees grazed their livestock on the public lands, resulting in grazing receipts totaling \$14.4 million.

The Taylor Grazing Act of 1934, as amended (43 U.S.C. 315), is the basic legislative authority governing the management and protection of vacant public lands. This law was enacted in part to stop injury to public grazing lands by preventing overgrazing and soil deterioration. Under section 3 of the Taylor Grazing Act, the Secretary of the Interior was authorized to establish grazing districts and issue permits to graze livestock on public lands within the grazing districts. Section 15 of the Act further authorized the Secretary to issue grazing privileges for vacant public lands not included in a grazing district. Finally, the Act provided for the establishment of a grazing fee to be charged for use of public rangelands.

In assigning grazing privileges, preference was given to persons within or near a grazing district who were landowners engaged in the livestock business, bona fide occupants or settlers, or owners of water or water rights. For vacant public lands outside a grazing district, preference was given to owners, homesteaders, lessees, or other lawful occupants of contiguous private lands to the extent necessary to permit the proper use of private contiguous lands. The privilege to graze a specific parcel of public rangeland thus became associated with a specific private land base or water base property (base property). BLM's implementing regulations provide that it is unlawful for someone to graze livestock on public lands without owning or controlling the base property and the livestock through a written lease.

## OBJECTIVES

On March 14, 1986, your offices requested that we obtain information on BLM permittees' grazing leases. Your offices expressed particular interest in how many permittees have grazing leases involving public lands, the types of grazing lease arrangements, and the grazing fees involved. We agreed to visit several BLM resource area offices to gather the requested information and brief your offices in early May 1986.

SCOPE OF REVIEW AND METHODOLOGY

--WE VISITED AND OBTAINED INFORMATION FROM THE FOLLOWING EIGHT BLM RESOURCE AREA OFFICES:

- HOLLISTER, CALIFORNIA,
- OWYHEE, IDAHO,
- JARBIDGE, IDAHO,
- ELKO, NEVADA,
- WELLS, NEVADA,
- SOCORRO, NEW MEXICO,
- BUFFALO, WYOMING, AND
- PLATTE RIVER, WYOMING.

--WE JUDGMENTALLY SELECTED THE EIGHT RESOURCE AREA OFFICES TO INCLUDE

- OFFICES KNOWN TO HAVE A LARGE NUMBER OF GRAZING LEASES,
- GEOGRAPHIC REPRESENTATION,
- TAYLOR GRAZING ACT, SECTIONS 3 AND 15, GRAZING LANDS,
- LAND- AND WATER-BASED PROPERTIES, AND
- LARGE AND SMALL LIVESTOCK OPERATORS.

--THE EIGHT RESOURCE AREA OFFICES WE SELECTED TO VISIT CONTAIN

- 1,576 GRAZING PERMITTEES AND
- 1.6 MILLION ANIMAL UNIT MONTHS (AUMs).

## SCOPE OF REVIEW AND METHODOLOGY

As agreed with your offices, we visited eight BLM resource area offices to obtain information on permittees' grazing lease arrangements. A resource area office is the BLM field unit level where permittee grazing records are maintained and BLM staff manage the use being made of the public lands. At these offices we asked the BLM range staff to provide us with listings of all permittees known to have entered into grazing lease arrangements. We examined all permittee grazing files and interviewed the range staff responsible for overseeing the grazing program.

We also interviewed BLM headquarters officials responsible for administering the public lands grazing program and reviewed regulations, reports, and other documentation dealing with the leasing of BLM grazing privileges. We contacted the Department of the Interior's Office of the Inspector General (OIG) concerning its recent grazing reviews. We also interviewed BLM appraisal staff who participated in a recently completed grazing fee study conducted jointly by BLM and the Forest Service to obtain information on the grazing leases involving public lands they encountered during their study.

The eight resource area offices we visited were selected judgmentally and not at random. Given the time available for us to do our field work, we decided that it was reasonable for us to visit eight resource area offices. We first identified the offices that OIG and BLM reports indicated had permittees with leasing arrangements. The eight offices were then selected with consideration given to geographic location, whether the office had responsibility for public lands within grazing districts designated by the Taylor Grazing Act (section 3) or outside grazing districts (section 15), and whether the office's grazing privileges are land- or water-based. The eight offices we selected are located in five different states. Five offices have section 3 public grazing lands, and three have section 15 public grazing lands. One office has a grazing program involving water rather than land-based grazing privileges.

BLM has approximately 140 resource area offices. The eight offices we visited contain 1,576 grazing permittees, which represents 8 percent of the total 19,870 permittees reported by BLM as of April 3, 1986. These permittees have grazing privileges totaling 1,637,258 animal unit months (AUMs),<sup>1</sup> which is 11 percent of the 14,675,859 total AUMs reported by BLM as of April 3, 1986.

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<sup>1</sup>Represents the forage needed to sustain one cow or its equivalent for 1 month.



EXTENT OF LEASING OF PUBLIC GRAZING PRIVILEGES

--THE FOLLOWING IS A BREAKDOWN OF PERMITTEE LEASING  
ARRANGEMENTS AT THE EIGHT RESOURCE AREA OFFICES VISITED:

- PERMITTEES LEASING BASE PROPERTY,
- PERMITTEES LEASING LIVESTOCK, AND
- PERMITTEES LEASING BOTH BASE PROPERTY AND LIVESTOCK.

EXTENT OF LEASING OF  
PUBLIC GRAZING PRIVILEGES

Range managers at the eight BLM resource area offices we visited identified 224 grazing permittees with leases of base property and/or livestock during all or part of the 1985 BLM grazing season (March 1985 through February 1986). This represents approximately 14 percent of the permittees at the eight offices. The leases involved 229,724 AUMs, which also represents approximately 14 percent of the total AUM grazing privileges at the eight offices.

Someone other than the owner of base property can become the BLM grazing permittee for a parcel of public land by entering into a written lease with the base property owner for control over the use of the base property and the associated public land for livestock grazing purposes. When such a lease arrangement is entered into, the lessee acquires the privilege of grazing on the public land for the period of the lease. A permittee can also graze livestock that he or she does not own on the public land when he or she has a written lease agreement with the owner of the livestock whereby he or she assumes control over the livestock to be grazed on the public land.

The following categorizes the 224 permittees with leases according to whether the lease involved a base property or livestock control agreement.

--177 permittees had base property leases.

--34 permittees had livestock leases.

--13 permittees had both types of leases.

Some permittees had more than one lease. For example, one of the 224 permittees had 27 livestock leases.

The BLM range managers told us they were confident that they had identified all the permittees with base property leases. However, they were not confident that they knew of all the livestock leasing arrangements of permittees for which they were responsible. Although BLM requires permittees to report both types of leases to the resource area offices, livestock leases do not result in a change of grazing permittee or affect who pays the BLM grazing fee. Unless reported by the permittee, livestock lease arrangements are difficult to identify.

TYPES OF PERMITTEES ENTERING INTO GRAZING LEASES

-- GRAZING LEASES BETWEEN RELATIVES

-- GRAZING LEASES INVOLVING CORPORATIONS

TYPES OF PERMITTEES ENTERING  
INTO GRAZING LEASES

We identified the number of grazing leases at the eight resource area offices we visited that were between relatives. We found that 32 of the 224 permittees with grazing leases leased from a relative. This represents 14 percent of the permittees with grazing leases.

Many of the grazing leases at the eight offices involved a corporation as one or both parties to the lease. Of the 224 permittees with leases, 71, or 32 percent, involved corporations.

Some of the corporations involved in grazing leasing may be small, family-held corporations. We did not attempt to develop data on the various types of corporations because of the limited information in BLM's grazing files.

RESIDENCY OF PARTIES INVOLVED IN GRAZING LEASES

-- RESIDENCY OF PERMITTEES

-- RESIDENCY OF BASE PROPERTY OWNERS

RESIDENCY OF PARTIES INVOLVED  
IN GRAZING LEASES

Permittees grazing livestock on public lands either own or lease the private base property to which the BLM grazing privileges are assigned. From examining BLM grazing files and discussions with BLM resource area office range managers, we developed information on where the parties entering into leases involving grazing on public lands reside. We arbitrarily established 100 miles or less from base property as an indicator of local residence.

The following is a breakdown of where the 224 permittees with grazing leases at the eight offices we visited reside in relation to base property:

- 210 permittees, or 94 percent, reside on or within 100 miles of the base property.
- 2 permittees, or 1 percent, reside 100 miles or more from the base property but within the same state.
- 12 permittees, or 5 percent, reside 100 miles or more from the base property and out of state.

The following is a breakdown of the residence of the 243 owners of the base property associated with the 224 permittees with grazing leases at the eight offices we visited. The total number of base property owners is 243, because several of the 224 permittees had more than one grazing permit and/or leased from more than one base property owner. Of the 224 permittees, 34 owned base property and 190 leased base property. We found that

- 152 base property owners, or 63 percent, reside within 100 miles of the base property;
- 13 base property owners, or 5 percent, reside 100 miles or more from base property but in same state;
- 64 base property owners, or 26 percent, reside 100 miles or more from base property and out of state;
- 14 base property owners, or 6 percent, did not have residences that could be identified.

PERMITTEE GRAZING LEASE  
FINANCIAL ARRANGEMENTS

- FINANCIAL ARRANGEMENT DISCLOSURE
- COMPARISON OF GRAZING FEES CONTAINED IN  
PERMITTEE LEASES WITH BLM'S GRAZING FEE

PERMITTEE GRAZING LEASE  
FINANCIAL ARRANGEMENTS

The amount of financial information on grazing leases permittees provided to BLM varied considerably and generally was insufficient for comparison with BLM's grazing fee. Although BLM requires permittees with grazing leases to submit copies of the lease agreements, it does not require them to disclose the financial terms and fees involved, and many permittees did not disclose such information in their grazing leases on file with BLM. In those instances where financial terms were disclosed, they frequently were in the form of a fixed annual amount, with base property and public land uses combined.

Since the grazing fees applicable to the use of public lands could not be clearly established in the lease agreements, we were unable to compare them with the grazing fees being charged by BLM. However, in February 1986 the results of an extensive joint BLM and Forest Service grazing fee study was released. This study included an assessment of fees associated with grazing leases involving comparable private and public lands. We discuss the results of this assessment on page 17.

FINANCIAL ARRANGEMENT DISCLOSURE

Some financial information on grazing leases was included in the lease information submitted to BLM by 145 permittees at the eight BLM resource area offices we visited. This represents 65 percent of the 224 permittees with grazing leases during the 1985 grazing year at the eight offices. The following is a breakdown of the various types of financial arrangements contained in the 145 permittees' grazing leases on file with BLM:

- 103 permittees had leases that provided for payment of a fixed annual amount.
- 11 permittees had leases that provided for payment on a per animal unit basis.
- 12 permittees had leases that provided for payment that included agricultural crops.
- 14 permittees had leases that provided for payment that included the use of ranch structures.
- 5 permittees had leases that provided for payment in the terms of a share of the calf crop/herd increase.

Some leases involved several uses, such as structures, agricultural crops, and share of calf crops. In such cases we included the lease in only one category.



COMPARISON OF GRAZING FEES  
IN PERMITTEES' LEASES WITH  
BLM'S GRAZING FEE

In February 1986, BLM and the Forest Service released the results of their grazing fee study, which included an appraisal of the market value of grazing on public lands. Livestock operators were contacted concerning the grazing fees paid in leases to graze on both public and private lands. Information was collected on 47,918 grazing leases and sorted for comparability to leases for grazing on public lands. Appraised market values, ranging from \$5.20 to \$9.50 per head month, were reported for six geographic areas. A head month is a pricing unit based on the price paid to graze one animal for 1 month--the price paid for one AUM. The grazing fee charged by BLM is \$1.35 per AUM.

The study estimates of the fair market value of grazing on public rangelands for the regions covering the eight resource area offices we visited were as follows.

--Jarbidge, Idaho	)	
	)	
--Owyhee, Idaho	)	
	)	\$5.90 per AUM
--Elko, Nevada	)	
	)	
--Wells, Nevada	)	
	)	
--Hollister, California		\$6.40 PER AUM
	)	
--Socorro, New Mexico	)	
	)	
--Buffalo, Wyoming	)	\$7.60 per AUM
	)	
--Platte River, Wyoming	)	

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