

Fees And Charges As Tools Of Public Policy — A Discussion¹

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Highlight

This is a critique of the address by Charles J. Zwick. Clearly defining the nature of the fee problem is essential. Ranching is part of agriculture, and grazing fees should be considered as part of total agricultural policy. Basic user charge policies are examined and serious questions raised about their application.

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Clearly and adequately defining a problem is the first step to finding a solution. Defining the problem of user fees in connection with grazing is more difficult than generally supposed. It might be regarded as similar to that of user fees for government services such as airports, airways communications and navigation facilities, inland waterways, highways and so forth.

Alternatively, the problem might be limited and placed in a general category of user fees for natural resources types of government activities, services, or resources. In delimiting in this manner, then, the problem is perhaps analogous to that of user fees in connection with national parks and monuments, or water impoundments con-

structed by the Bureau of Reclamation or Corps of Engineers.

Finally, ranching constitutes a significant part of agriculture in many of the western states. Therefore, the question of user fees must be viewed in part as an agricultural question and specifically as an agricultural policy question. Dr. Zwick brought out the importance of the principle of equity between users in considering user fees. There is also a question of equity between different segments of agriculture in the way in which agricultural programs are applied.

Two Bureau of the Budget documents are relevant to this discussion. These are Circular No. A-25 dated September 23, 1959 and "Natural Resources User Charges—A Study," dated

June 1964. Dr. Zwick referred to Circular A-25, but discussed its contents only in the most general terms. He did not discuss, or refer us to, the important 1964 natural resources charges study. The first document infers that user fees applied to rangelands are to be viewed in the same light as user fees applied to airports, highways, or other of the approximately 1,500 different user fees. The second document treats user fees for grazing as part of the larger problem of user fees for natural resources. The view that user fees applied to grazing actually are in the area of agricultural policy has been ignored.

Under general policy Circular A-25 states: "Where a service (or privilege) provides special benefits to an identifiable recipient above and beyond those which accrue to the public at large, a charge should be imposed to recover the full cost to the Federal Government of rendering that service. For example, a special benefit will be considered to accrue and a charge should be imposed when a government-rendered service (a) enables the beneficiary to obtain more immediate or substantial gains or values (which may or may not be measurable in monetary terms), than those which accrue to the general public . . ."

Circular A-25 further states that the maximum fee for a special service will be governed by its total cost and not by the value of the service to the recipient. This, incidentally, conflicts with the policy on natural resources.

The preceding quotes have been given to emphasize the position which was apparently taken at times in the past by the Executive Office of the President and the Bureau of the Budget. I think now it may be worthwhile to examine some of the terminology which has been used. The terminology "Federal

activities," or "services," or "resources," can all be found in these documents attached to the further terminology "which conveys special benefits to identifiable recipients above and beyond those which accrue to the public at large."

The U.S. Department of Agriculture engages in many such activities and services. The Soil Conservation Service provides many technical services at great expense, and, as far as I am able to ascertain, without collecting user fees. In fact, a second agency, the Agricultural Stabilization and Conservation Service, pays recipients of the technical assistance from the Soil Conservation Service for participation in Agricultural Conservation programs. The amount of assistance from 1956 through 1964, not including salaries or operating expenses of ASC or SCS, has ranged from about \$210 million to \$239 million per year and was much higher in earlier years.

There can be little doubt that these are federal activities or services which provide special benefits to identifiable recipients. These benefits are both in current income, capital investment, and capital gains. There may be some argument that such special benefits are not "above and beyond those which accrue to the public at large"; although, in my opinion, a good argument can be made that this is true.

Other federal activities or services which "convey special benefits to identifiable recipients" include many price supporting and market regulating activities for crops such as wheat, cotton, tobacco, sugar beets and cane, dairy products, and many other crops produced under market regulations. The individuals who reap a major part of these benefits are those who have accumulated a history over a period of years of pro-

ducing these products. This is analogous to range users accumulated history on which grazing privileges seem to depend.

The special market which has been created and provided to identifiable recipients is perhaps a little different type of federal resource than the "natural resources" of land. The principle seems to be no different. As far as I know, the "identifiable recipients of these benefits" are not paying user fees for the privileges. They are not paying the administration costs of the programs except for some of the products marketed under marketing orders. The recipients are certainly not paying fees which represent the true market value of the privileges of producing these crops. There remains a question, perhaps, as to whether the "special benefits to identifiable recipients" are "above and beyond those which accrue to the public at large."

A principle enunciated in "Natural Resources User Charges: A Study," the report of the Bureau of the Budget pertaining to federal lands, is this: "Fees should be based on the economic value of the use of the land to the user, taking into account such factors as the quality and the quantity of forage, accessibility, and market value of livestock. Economic value should be set by an appraisal that will provide a fair return to the government and equitable treatment to the users. Competitive bidding should be used to provide reliable guidelines for establishing a fee structure that represents true market value where feasible." The emphasis on true market value or economic value contrasts with emphasis in Circular A-25 on recovering costs.

Dr. Zwick suggests that perhaps the economic value principle might still be applied. He does not indicate how it might

be determined, or administered, and these remain very large questions.

If an economic value principle were implemented, ranchers using public lands would be one of the few segments of agriculture to be charged fees for the use of federal activities, services, or resources on that basis. The present subsidy to the livestock grazing interests is small compared to the subsidies and benefits accruing to many of the other segments of agriculture for the use of federal activities, services, or resources, and for which essentially no user fees are being paid.

Dr. Zwick has also suggested that fees should reflect full value as a guide to investment. The criterion that investments made for conservation purposes should be justified on the basis of the value of grazing produced has not generally been applied in the past. It is not completely clear whether this criterion is suggested for future application. It has not been applied, or has been applied only with reservations, on ASC, SCS, or Great Plains programs activities. These programs have all resulted in investments on private lands on a cost-sharing basis. Presumably the farm or ranch operator participating in these programs can justify his share of the investment on purely economic grounds of tangible returns received. The public share of these investments is justified on the basis of extra-market values such as soil and water conservation, and as an income subsidy to agriculture.

Investments on public lands also result in the extra-market values of soil and water conservation, improvement of wild-life habitat, improvement of access for recreation, and so forth. Why should a stringent criterion requiring grazing to cover full costs of range improvements and soil and water conservation investments be applied to public lands? The government is participating in these types of investments on private lands on a much less stringent basis.

Finally, ranch operators have been using public lands for many years. Essentially, they have been in partnership with the Forest Service for 60 years or more and in partnership with the BLM for 30 years. Ranch operators have contributed substantially over this long time period by constructing roads and trails, developing muddy seeps into clear flowing springs, and constructing other forms of stock water facilities. They have also made many other types of conservation investments. These types of developments and investments are proving extremely useful to the general public wishing to use range and forest lands for recreational purposes today. Range users continue to make these types of contributions even now. They provide much of the continuing maintenance and some new construction or development from year to year. These types of activities should not be ignored, and ranchers should receive greater credit for this than they have in the past.

The use of public property by ranch operators is not a one-way street. It is true that private lands and public lands are frequently complementary in use. Productivity of private lands is affected by and to an extent is dependent upon, access to public lands.

By the same token there is much public use and public dependence upon private lands. For instance, private lands lying between National Forests and large blocks of BLM lands provide significant big-game ranges in Wyoming and make a significant public contribution in this respect. Private lands further removed from National Forests are also very significant.

Recreational uses of private lands are another example of public use. For instance private lands provide a major portion of the forage for deer and antelope in Wyoming. Probably more than 50% of the harvest of these animals is from private lands. Frequently convenient access to public lands is obtained only through use, at least through crossing, of private lands. Continuing and increased use of private property for public purposes, especially outdoor recreation, is desirable.

It is good to note the general moderate tone of Dr. Zwick's paper. Others might follow this example. The really significant problems in resource use might best be solved through cooperation, diplomacy, and due recognition of the contributions of private property, rather than through antagonistic recriminations about fee levels.