Policy Analysis

Cato Institute Policy Analysis No. 276: Should Congress Transfer Federal Lands to the States?

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Executive Summary

When Republicans talk about federal land policy, the conversation inevitably turns to the desirability of transferring most of those lands to the states. During the last Congress, legislation was forwarded to do just that. Although the bill did not get far, the belief that states would do a better job of managing public lands is a fixture in this nation's ongoing debate about the federal land estate.

Examination of state land management policies indicates that state governments are no better managers than are federal bureaucrats. They are just as economically inefficient, ecologically short-sighted, and politically driven as their federal counterparts. Moreover, the belief that states would be more inclined to privatize public land is generally unsupported. In fact, state governments have been rapidly expanding--not divesting--their land estates, and there is little reason to believe that (with the possible exception of a few states) federal land transferred to their jurisdictions would be passed on to private citizens.

The fundamental problem is, not federal incompetence, but the political allocation of natural resources to favored constituencies, which subsidizes some at the expense of others and inflicts harm on both the ecological system and the economy as a whole. Transferring land to the states will only change the venue of those political manipulations.

People who are concerned about the inability of the federal government to intelligently manage public lands can best address the problem by getting politics out of land management to the greatest extent possible. While that would mean privatization to many, it can also be achieved in the near term by creating public land trusts. Such a system would do more to improve fiscal and environmental management of public lands than would transferring them to the states.

Introduction

The 105th Congress is considering legislation on many aspects of natural resources, including endangered species, timber salvage sales, and environmental regulations. But none of the topics considered by Congress has provoked as much commentary from as wide a range of people as have various proposals to turn federal lands over to the states.

Nearly everyone agrees that federal lands are badly managed. The agencies in charge spend nearly $5 billion more administering resources that ought to produce huge profits than the use of those resources returns to taxpayers. [1] The environmental condition of the lands the federal agencies manage is poor: forests are dying, grasslands are overgrazed, and parks are in ecological crisis.

What people disagree about are the causes of and solutions to those problems. People who advocate transferring the lands to the states argue that the states would be better managers because they are closer to the land than are people in

Washington and, therefore, would be better able to solve local problems. Some supporters and many opponents of transferring the federal land estate believe that transfer might ultimately lead to privatization of much of that land.

This study will examine those proposals to answer three important questions:

- Is land transfer to the states a step toward privatization?
- If the states keep the lands, will they be more responsible fiscal managers of natural resources than is the federal government?
- Will the states be better environmental managers of natural resources than is the federal government?

The best way to answer those questions is to examine the history of state land management. In the first part of this study I will examine the history of state land practices to see whether states are likely to sell or otherwise dispose of newly transferred federal lands. In the second part I will examine the revenues and costs associated with state lands to see if states are better fiscal managers. In the third part I will examine the states' environmental records to see if states are more sensitive to environmental concerns than are federal agencies. Before looking at any of those questions, however, I will briefly inventory the federal land base and congressional proposals to transfer land to the states.

The Federal Estate

The federal government owns about 650 million acres of natural resource lands. Aside from a few million acres managed by the Department of Defense, those lands are nearly all managed by four agencies, three of which are in the Department of the Interior:

- The most valuable lands are the 192 million acres of national forests managed by the Forest Service, which is in the Department of Agriculture;
- The most extensive lands are the 270 million acres managed by the Bureau of Land Management (BLM) of the Department of the Interior;
- The most famous lands are the 80 million acres of parks, monuments, historic sites, and recreation and other areas managed by the National Park Service of the Department of the Interior;
- The most obscure lands are the 90 million acres of fish and wildlife refuges managed by the U.S. Fish and Wildlife Service, also in the Department of the Interior.

A vast majority of those lands, including more than 75 percent of the national forest acres, more than 90 percent of the national park acres, and more than 99 percent of the BLM acres, are located in the 12 western states including Alaska.

Proposals to Transfer Federal Lands to the States

During the last Congress several bills were offered that would transfer some of those lands to the states. Although those proposals are unlikely to attract serious legislative attention in the 105th Congress (the 1996 election having severely tempered Republican enthusiasm for federal land reform), they are indicative of how many conservatives would reform federal land management if given the political chance. The bills introduced during the last Congress included

- S. 1031 and a companion bill in the House that would offer all BLM lands to the states. State governors would have two years during which to decide whether or not to take the lands. They would have to accept all lands and would not be able to pick and choose among them. They would not receive title until 10 years after accepting the offer. Once they had title, they would have to honor all leases, permits, and claims issued or made before the transfer and would be required to manage wilderness areas under the terms of the Wilderness Act.
- H.R. 2413, the Tongass Transfer and Transition Act, would allow the Alaska legislature to take over the 17-million-acre Tongass National Forest. Alaska would also get other Forest Service property in the area as well as all gross timber receipts during the year before actual transfer of title.
- S. 976 would transfer the Tishomingo National Wildlife Refuge to the state of Oklahoma. The state could not sell the land and would be required to manage it as a wildlife refuge. The bill authorizes continued federal funding at half the refuge's current budget.
- H. 260, the National Park System Reform Act of 1995, directs the Park Service to develop criteria for

determining which parks should remain under federal control and to review all parks using those criteria. The agency would recommend that parks not meeting those criteria be transferred to other entities, probably state or local park districts. If the Park Service failed to follow that direction within a certain time period, a parks review commission would be automatically created to do so.

Although S. 1031 proposed wholesale transfer of BLM lands, Congress took no action on the bill. No other bill has proposed agency-wide transfer of national forests, national parks, or national wildlife refuges to the states.

The only bill expected to be introduced in the 105th Congress that would significantly affect the federal estate is legislation currently being prepared by Sen. Larry Craig (R-Idaho), chairman of the Subcommittee on Forests and Public Land Management of the Senate Committee on Energy and Natural Resources. The bill (in draft form at the time of this writing) is expected to grant management authority over certain federal lands to state governments.

Will the States Privatize Transferred Lands?

If Congress does transfer some or all federal lands to the states, some people hope-Ã³and others fearÃ³-that the states will, in turn, sell the lands to private parties. The best indication of the likelihood of such sales is past state responses to such transfers. In other words, have the states privatized lands previously transferred to them by the federal government? To answer that question, it is important to understand the history of federal land grants to the states.

History of Federal Land Disposal

Shortly after the formation of the Republic, the states and the federal government agreed that title to most of the land outside of the original 13 states would be held by the federal government. A portion of that land would be transferred to new states as they were created, and the remainder would be distributed to the people through land sales, land grants, and similar arrangements. [2]

That policy of land disposal continued through most of the 19th century. Before the 1870s, Americans supported the land disposal policy and most would have thought the idea of the federal government's maintaining large holdings a threat to their freedom, or at least peculiar. But after the Civil War the rise of railroads and other industry gave Americans something else to fear: large corporations. People who worried about monopoly turned to the relatively small and apparently benign federal government for protection.

The growth of the anti-monopoly movement coincided with a growth in conflicts over federal land in the West. Many attributed those conflicts to the same causes as the problems caused by corporations, which they identified using such terms as "greed" and "short-sightedness." In fact, many of the land conflicts were due to poorly designed federal disposal policies.

For example, various homestead laws allowed settlers to obtain for free or for very little money 160 acres of land for farms and dwellings. The settlers soon found that, in the arid West, it took far more than 160 acres of land to sustain a family. Much of the land was not suitable for farming and was used instead for livestock grazing. Yet the amount of land necessary for a viable cattle or sheep ranch was typically thousands, not hundreds, of acres. [3]

A settler would typically homestead 160 acres of bottom land, where water was most reliable and the climate most moderate. The settler's livestock would then be allowed to graze on all of the federal land in the surrounding hills or mountains. That land was, in effect, a commons, since it was open to any livestock.

Many of the stories of the West dramatized in books, movies, and television shows are based on the conflicts over that commons. Established ranchers would attempt to control the commons by including all the year-round water supplies in their legal homesteads. But homesteaders would still move in, leading to Shane-like battles, one of which took place between Pete French, the owner of the largest ranch in eastern Oregon, and a homesteader (French lost). [4]

An even more serious problem was the classic conflict between cattle and sheep ranchers. Contrary to the movies, there was no natural animosity between cattle and sheep owners--provided the sheep were confined to particular pieces

of land. But some sheepherders took their herds over thousands of miles, sometimes over several states, during the course of a year. Since the land on which they grazed was a commons, the cattle ranchers had no legal way of keeping them off. Yet the sheep often ate grass that the cattlemen had counted on for their herds. [5]

To discourage the transitory sheepherders, cattle ranchers would sometimes deliberately overgraze parts of the range, leaving nothing for the sheep. The environmental destruction that resulted was blamed on greed rather than inept land disposal policies. [6]

People who worried about overgrazing, forest destruction, and other environmental problems joined the anti-monopolists in the 1880s in the Progressive movement. In 1891 Congress responded to that growing movement by authorizing the president to set aside forest reserves. Several million acres of the West were soon closed to private ownership, which led to major protests from western senators and representatives. Since those politicians were outnumbered by those from the East, the amount of withdrawn land grew rapidly.

In 1905 Chief Forester Gifford Pinchot convinced Congress to transfer those forest reserves from the Department of the Interior to his Bureau of Forestry in the Department of Agriculture. Pinchot renamed the bureau the Forest Service and started the tradition of federal land management that lasts till this day. Although Pinchot was primarily interested in forests for timber, the main value of the forest reserves--now called national forests--at that time was for livestock grazing. From 1905 through 1919 the Forest Service consistently earned more money from grazing fees than from timber sales. [7]

Although many ranchers protested having to pay grazing fees on land they had used for decades, most supported the Forest Service as a means of regulating the commons. Forest managers halted transitory sheep grazing, adjudicated disputes between ranchers and homesteaders, and developed a consistent set of rules and policies about who could graze the federal lands.

To disqualify the transitory sheep herds, for example, the rules stated that only those who owned their own ranch land would be allowed a Forest Service grazing permit. When the Grazing Service--predecessor of the BLM--was created in 1935, it adopted similar rules. [8]

After 1935 land not set aside as national forests or national parks was theoretically still available for homesteading or other disposal. But both political and economic factors prevented much additional disposal. The 100 million acres managed by the General Land Office consisted mainly of deserts and other "lands no one wanted." The 165 million acres of land managed by the Grazing Service became part of the fiefdoms of local ranchers who opposed disposal to anyone else when they could use the lands for less than market value.

In 1946 the Grazing Service and the General Land Office were merged to form the Bureau of Land Management. Although Congress did not close the BLM lands to homesteading or other forms of disposal until 1976, the agency managed to maintain most of its land during that period.

History of Federal Land Transfers to the States

Between 1803, when Ohio became a state, and 1912, when New Mexico achieved statehood, the federal government granted 78 million acres of land to the states at statehood. That land was to be used to provide money for schools.

Table 1 shows two important trends. First, federal land grants were increasingly generous over time. Initially, states received roughly 1 square mile of every 36 square miles of federal land in the state. After 1859 that was increased to 2 square miles. In 1896 that was doubled again to 4 square miles, except for Oklahoma, which received 3 square miles. Second, although most states created before 1865 disposed of all their land, states after that time increasingly retained their land. [9]

Table 1
State Trust Lands (acres in thousands)

State	*Year of Statehood*	*Acres Granted*	*Acres Today*	*Percentage of Original*
Ohio	1803	724	0	0
Louisiana	1812	807	0	0
Indiana	1816	669	0	0
Mississippi	1817	824	0	0
Illinois	1818	996	0	0
Alabama	1819	912	0	0
Missouri	1821	1,222	0	0
Arkansas	1836	934	0	0
Michigan	1837	1,022	0	0
Florida	1845	975	0	0
Texas	1845	0	810	NA
Iowa	1846	1,001	0	0
Wisconsin	1848	982	0	0
California	1850	5,534	587	11
Minnesota	1858	2,875	0	0
Oregon	1859	3,399	1,438	42
Kansas	1861	2,908	0	0
Nevada	1864	2,062	0	0
Nebraska	1867	2,731	1,514	55
Colorado	1876	3,686	2,858	78
Montana	1889	5,198	5,132	99
North Dakota	1889	2,495	723	29
South Dakota	1889	2,733	821	30
Washington	1889	2,376	2,812	118
Idaho	1890	2,964	2,404	81
Wyoming	1890	3,473	3,602	104
Utah	1896	5,844	3,739	64
Oklahoma	1907	2,044	785	38
Arizona	1912	8,093	9,471	117
New Mexico	1912	8,711	9,217	106
Total/Average		78,194	45,913	59

Source: Jon Souder and Sally Fairfax, "The State Land Trusts," *Different Drumme* 2, no. 3 (1995): 37.
Note: NA = not applicable.

Since the state land grants were widely scattered, the obvious expectation was that states would sell the land and use the receipts for schools. But such disposals became less frequent after the 1870s, partly because the growing Progressive movement successfully argued that government control of land would be better than control by "monopolists." [10]

The muckraking press delighted in finding examples of land "swindles" in which wealthy people or companies acquired federal or state land illegally. One such swindle, involving the disposal of most of Oregon's school lands in the 1890s, led to the indictment of a U.S. senator (who died before going to trial) and the conviction of several state political leaders. Other classic stories include the tale of people meeting the terms of a homestead law by building a 14-by-16 house on the land--only the house they built was 14 inches by 16 inches. [11] Such stories encouraged states to keep, rather than sell, the land they were granted.

Public-choice economists today point out that such "swindles" were the direct result of land disposal laws that prevented anyone from obtaining a minimally viable number of acres. Farmers, timber owners, and ranchers had a choice between failure and violating the law, and it is not surprising that many chose to violate the law by obtaining more land than they were legally allowed. But that does not change the fact that such violations contributed to the movement for public retention of both federal and state lands.

During the depression, the states acquired many more acres of land as a result of the owners' failure to pay taxes. Often the states chose to retain the land, particularly when forfeited properties were in close enough proximity to one another to be manageable. Most of the economically valuable land owned by pre-Civil War states California and Oregon was obtained in that way.

Few if any states except Alaska have disposed of significant amounts of land since World War II. Although the state of Washington recently adopted a policy of selling land that it owns near urban areas for urban development, that policy calls for the revenues from the land sales to be spent on buying more land in more remote areas. Thus, that land "disposal" policy will actually lead to an increase in state ownership. [12]

Today there are significant interests that would oppose any further attempts by states to reduce the size of their land bases. Those interests include many of the schools and other government entities that enjoy the rents earned from timber and other uses, private landowners whose land values are enhanced by being adjacent to state land that is not likely to be subdivided, and the agencies in charge of managing the land.

As Congress contemplates the transfer of federal lands to the states, opponents of privatization worry (and supporters of privatization hope) that such transfers will merely be a step on the road to privatization. Yet few western states are likely to sell any land they get from the federal government.

The few states that might turn federal land over to private parties include Nevada, Alaska, and Utah. Nevada owns very little land today and so has no natural resource agency or major constituency groups, such as schools or other potential beneficiaries, ready to advocate land retention. Alaska has sold considerable amounts of land since it was made a state, but most of that land is in the warmer parts of the state suitable for farming or urban use. Most federal land in the state, particularly that managed by the BLM, is not suitable for such uses. Although land in the Tongass National Forest is valuable as timberland, the state already has a history of retaining state forests. Recent elections indicate that Alaskan voters tend to favor development over preservation, but not by much and possibly not by enough to favor private development over state ownership.

Utah is in a similar political situation. Voters favor development interests, but a constituency has recently emerged among school districts and their advocates that supports better management of state lands. That constituency would undoubtedly argue in favor of the state's retaining any lands obtained from the federal government.

Most other western states would almost certainly retain most, if not all, lands transferred to them by the federal government. Pacific coast states in particular have strongly progressive electorates and powerful natural resource agencies that would be eager to expand their holdings, and the representatives of some of those agencies have so testified before Congress. [13]

Will States Manage Natural Resources More Efficiently?

Some of the objections to federal resource management are fiscal. Each of the four resource agencies manages assets whose value is in the tens of billions of dollars. Rather than earn money for the U.S. Treasury, each of the agencies'

land management programs costs taxpayers from $0.6 billion to $2.0 billion per year. [14]

A close examination of the agencies reveals that they lose money because the congressional budgetary process gives them incentives to do so. Rather than fund the agencies out of user fees, which would encourage revenue maximization, or out of their net user fees, which would encourage profit maximization, Congress funds the agencies largely out of appropriated tax dollars. That means that the agencies' goal is not to please users but to please Congress.

Rather than treat user fees as an incentive for better management, Congress applies a hodgepodge of inconsistent rules to resource fees.

- Although the agencies manage a diverse array of resources, they are rarely allowed to charge fair market prices for them. With the exceptions of timber, oil and gas, and certain minerals, the agencies must provide all resources to the public for free or a price that is well below market value.
- When they are allowed to charge fees, the agencies are rarely allowed to keep them. The Forest Service cannot keep fees from most recreation sites and the BLM cannot keep fees from most timber.
- When the agencies are allowed to keep fees, Congress sometimes removes any incentive to collect fees by simply reducing budgets to compensate for increased fee collections. National parks are legally allowed to keep half the fees they collect, but since their budgets are reduced by the amount they collect, they have little incentive to collect fees. A 1993 Department of the Interior inspector general's report found that, as a result, parks take in only 20 percent of the fees they are legally allowed to collect. [15]
- In a few cases, Congress allows agencies to keep most or all fees regardless of whether the share going to the Treasury covers costs. That encourages the agencies to lose as much money as they can. Forest Service timber sales, for example, are funded out of tax dollars, yet the agency gets to keep an unlimited share of timber receipts and is under no obligation to return to the Treasury the cost of the sales. According to a recent General Accounting Office report, the Forest Service turns only 10 percent of its total timber receipts, far less than the amount taxpayers pay to administer the sales, over to the Treasury. [16]

Aside from the 46 million acres of state lands managed for schools that are shown in Table 1, the states manage at least 140 million acres of other lands for parks, wildlife areas, and other purposes. In evaluating whether state management is fiscally any better than federal management, two questions are important:

- Do state resource agencies make or lose money for their states on the natural resources in their care?
- Do state legislatures give agencies appropriate incentives to be fiscally responsible managers?

To answer the first question, I collected revenue and expense data from nearly 150 state resource agencies. To answer the second question, I scrutinized the budgetary processes of the states for some 100 of those agencies. The data on state resource agencies are presented in Tables 2 (state forests), 3 (fish and wildlife agencies), and 4 (parks). The conclusions vary widely depending on the type of land and agency under consideration.

State Forests

Many states manage their forests as trusts, dedicating some or all of the receipts from sales of forest products to schools or other state and local institutions. Both economist Don Leal and Souder and Fairfax have reported favorably on that arrangement, pointing out that state trust agencies tend to be more fiscally responsible and often more environmentally sensitive than federal land agencies. [17]

Yet significant qualifications are necessary. Every state but one reports owning at least 10,000 acres of forest lands, yet 30 percent of the states report spending more on state forest management than they collect in user fees (Table 2). Ten states did not provide data on the costs of managing their forests, so the actual number of money-losing states may be greater.

Ironically, one of the money-losing states is New Hampshire, whose legislature is notorious for being fiscally conservative and whose parks and wildlife agencies are funded completely from user fees. Yet the New Hampshire Division of Forests reports with a straight face, "We do not feel that a state (public) agency should be supported by

user fees. Our state resources are part of the public good and should be supported through state general fund revenue." [18] No doubt the managers of the other money-losing state forests can similarly rationalize their losses.

Most of the money-losing states are in the East, but several, including Alaska, Wyoming, and Hawaii, are western states that manage their lands under the trust arrangement. Minnesota, whose lands barely break even, also uses the trust arrangement.

Table 2
State Forest Acres, Revenues, and Costs (thousands)

State	*State Forest Acres*	*User Fee Revenue ($)*	*State Forest Budget ($)*	*Net State Forest Income ($)*
Alabama	200	7,003	920	6,083
Alaska	21,500	523	3,257	-2,734
Arizona	3,300	145	47	98
Arkansas	341	1,278	0	1,278
California	200	10,869	2,252	8,617
Colorado	422	728	163	565
Connecticut	210	570	515	55
Delaware	14	76	100	-24
Florida	489	7,257	0	7,257
Georgia	300	7,302	300	7,002
Hawaii	850	12	1,316	-1,304
Idaho	1,900	38,679	5,615	33,064
Illinois	60	665	50	615
Indiana	308	5,236	0	5,236
Iowa	156	828	829	-1
Kansas	10	429	0	429
Kentucky	190	1,178	93	1,085
Louisiana	300	2,042	200	1,842
Maine	163	28	0	28
Maryland	200	908	10	898
Massachusetts	550	332	500	-168
Michigan	3,800	9,706	9,711	-5
Minnesota	3,700	8,661	8,641	20
Mississippi	700	5,359	2,932	2,427
Missouri	439	1,044	3,200	-2,156
Montana	800	4,216	2,826	1,390
Nebraska	50	0	0	0
Nevada	0	324	0	324
New Hampshire	191	300	407	-107
New Jersey	450	145	800	-655

New Mexico	172	18	0	18
New York	4,000	4,184	2,585	1,599
North Carolina	346	5,495	370	5,125
North Dakota	31	342	16	326
Ohio	398	3,405	3,887	-482
Oklahoma	115	438	0	438
Oregon	880	38,912	12,874	26,038
Pennsylvania	3,500	15,751	0	15,751
Rhode Island	50	126	450	-324
South Carolina	178	1,184	1,361	-177
South Dakota	85	892	0	892
Tennessee	422	1,171	1,598	-427
Texas	68	1,530	50	1,480
Utah	1,500	243	34	209
Vermont	200	472	895	-423
Virginia	211	6,221	700	5,521
Washington	2,065	162,018	30,600	131,418
West Virginia	200	705	135	570
Wisconsin	710	4,500	609	3,891
Wyoming	200	320	875	-555
Total	57,124	363,769	101,722	262,047
Average	1,142	7,275	2,034	5,241

Source: National Association of State Foresters. All data are for 1993. "Net State Forest Income" is equal to "User Fee Revenue" minus "State Forest Budget." Nine states that reported timber sale receipts did not report separate forest budgets, so the net will be high for those and perhaps other states.

Three states--Idaho, Oregon, and Washington--manage just 8.5 percent of state forest land yet produce 66 percent of the revenues and 73 percent of the profits. That is due in part to those states' having valuable timber, but it is also due in part to the strength of the trust arrangements in those states. Because the forests in those states make such a large contribution to education funds, educators and elected officials make more effort to monitor the agencies managing the forests. By comparison, educators and other officials in states such as Alaska and Wyoming have made little effort to monitor agency performance because they have considered the forests of little consequence for education budgets. [19]

State Fish and Wildlife Agencies

States began charging user fees for hunting and fishing around the beginning of this century. By the 1920s game revenues were significant enough that some states treated game as they treated forests: as a profitable resource that could be used to fund other state programs.

That stopped after 1936 when Congress passed the Pittman-Robertson Act. That law diverted an existing federal tax on firearms and ammunition to state wildlife agencies for wildlife habitat acquisition and improvement. The law was sponsored by Sen. Key Pittman of Nevada and Rep. Willis Robertson of Virginia.

Most of the bill had been written by Pittman's staff, but Robertson had been on his state's game and fish commission and resented the state legislature's spending game revenues on other purposes. So he added a provision that states would get those tax dollars only if they dedicated all game revenues to wildlife. A similar provision was included in the later Dingell-Johnson Act, which dedicates a federal tax on fishing gear to fish habitat. Those provisions have been strictly enforced by the Fish and Wildlife Service, which recently imposed sanctions on Kansas for allegedly diverting game revenues to state parks.

State legislatures seem to have responded by managing fish and wildlife agencies as nonprofit organizations, funding them exclusively out of the agencies' own revenues. The major exceptions include marine fisheries agencies along the Gulf and Atlantic coasts, which deal more with commercial fisheries than with sports fishing, and northwestern fish agencies, which spend large sums on fish hatcheries to mitigate the effects of dams. Those two types of agencies have traditionally cost taxpayers more than they have returned.

Table 3
State Fish and Wildlife Revenues and Costs (thousands of dollars)

State	*Wildlife User Fees*	*Federal Grants*	*State Tax Subsidy*	*Total Revenues*	*Total Expenses*
Alabama	14,665	5,215	276	20,156	18,361
Alaska	15,744	36,408	42,312	96,629	98,400
Arizona	18,517	11,148	10,563	41,293	37,559
Arkansas	17,999	6,391	372	25,515	25,612
California	93,899	26,575	34,677	155,151	159,005
Colorado	59,413	9,757	424	70,604	63,243
Connecticut					
Delaware	2,623	2,757	4,184	9,564	9,564
Florida	31,518	15,812	25,614	81,957	88,383
Georgia	20,851	7,757	5,176	33,784	33,811
Hawaii					
Idaho	21,053	19,345	0	42,808	42,004
Illinois	23,699	5,824	4,073	33,595	32,673
Indiana	16,222	3,965	2,270	22,457	23,731
Iowa	22,393	4,679	1,239	28,310	22,989
Kansas	502	0	3,710	4,212	26,602
Kentucky	14,667	6,575	81	21,323	21,323
Louisiana	25,729	6,048	5,960	38,505	42,250
Maine	13,277	3,927	58	17,262	16,980
Maryland					
Massachusetts	6,084	3,743	755	10,519	9,824
Michigan	35,857	10,794	832	47,732	47,732
Minnesota	38,338	12,577	0	51,033	52,402
Mississippi	23,497	7,449	4,000	34,947	35,366

Missouri	23,950	7,973	41,761	74,151	60,291
Montana	23,608	12,046	4,599	40,253	40,253
Nebraska	9,108	3,820	903	14,025	12,416
Nevada	4,043	5,500	1,201	11,344	11,763
New Hampshire	5,818	3,222	0	11,734	10,455
New Jersey	12,069	0	0	12,069	12,230
New Mexico	12,737	6,650	128	19,804	21,105
New York	36,016	8,182	16,259	60,457	63,212
North Carolina	17,270	5,590	5,021	28,351	31,153
North Dakota	6,400	4,800	0	11,200	11,246
Ohio	28,351	5,773	0	34,125	31,352
Oklahoma	15,512	6,379	0	21,891	25,758
Oregon	36,076	35,249	7,159	78,485	78,485
Pennsylvania	68,863	13,586	1,952	84,474	89,568
Rhode Island	1,123	2,829	537	4,500	4,500
South Carolina	15,371	9,284	21,888	47,258	45,537
South Dakota	12,002	6,428	0	18,529	16,249
Tennessee	22,211	9,366	1,179	33,178	31,132
Texas	56,000	30,000	18,200	104,200	80,100
Utah	20,868	6,051	2,559	31,265	25,297
Vermont	5,139	3,344	219	8,701	8,851
Virginia	17,057	6,523	405	27,368	24,158
Washington	30,090	31,473	43,524	115,776	114,027
West Virginia	19,731	4,122	628	24,486	29,815
Wisconsin	51,464	14,324	0	65,788	100,142
Wyoming	29,470	2,967	0	32,469	36,791
Total	1,096,896	452,225	314,698	1,903,232	1,923,699
Average	23,338	23,338	23,338	40,494	40,930

Source: State agencies. Most data are for 1993, but for a few states only 1994 data were available. Data are combined for Pennsylvania fish and wildlife departments and Florida game and marine fisheries departments. Marine fisheries agencies are not included for other states if in a separate department from wildlife. Data not available for Connecticut, Hawaii, and Maryland; according to the U.S. Fish and Wildlife Service, those three states account for less than 2 percent of nationwide totals.

Since wildlife agencies tended to get all their receipts from hunters--either directly through license sales or indirectly through the federal tax on guns and ammunition--they tended to focus their efforts on game species. In recent years they have been criticized for neglecting nongame species, especially those whose habitats are diminishing and may

become endangered. Some hunters resent the idea that their fees and taxes may be spent on nongame concerns.

State wildlife agencies have responded by seeking other sources of revenue for their nongame programs. Their favorite idea is a federal tax on certain sporting goods, such as binoculars, cameras, and sleeping bags, that may be used by people in the course of viewing nongame wildlife. That tax would be distributed to the states much as are the PittmanRobertson or Dingell-Johnson funds. [20] However, unlike the other two taxes, this tax receives little support from sporting equipment manufacturers, who say that most of the equipment that would be taxed would probably not be used for nongame wildlife viewing. [21]

With no federal source of dollars, state agencies have sought either general funds from state legislatures or a state tax of some sort dedicated to nongame species. As a result, those agencies have gone from being mostly self-sufficient in 1970 (if the federal taxes can be considered part of self-sufficiency) to mostly subsidized today.

Of the 49 state agencies reporting, only 10 (those in Idaho, Minnesota, New Hampshire, New Jersey, North Dakota, Ohio, Oklahoma, South Dakota, Wisconsin, and Wyoming) continue to rely exclusively on user fees and their share of the federal tax dollars. All the rest receive some state support in the form of state general funds, state lottery money, or a state tax dedicated to their activities (Table 3).

State Park Agencies

Whereas states appear to have viewed forest agencies as for-profit organizations and wildlife agencies as nonprofit organizations, they have traditionally viewed state parks as charity cases (Table 4). A few early advocates of parks, including Richard Lieber, founder of the Indiana State Park System, believed that, once acquired, parks should operate out of their own user fees. [22] But few people seem to have shared that view, and state legislatures have tended to fund parks as potential tourist attractions or simply as a matter of state pride.

Table 4
State Park Acres, Revenues, and Expenses (thousands)

State	*Park Acres*	*User Fee Revenue ($)*	*Park Budget ($)*	*Net Revenue ($)*	*Tax Subsidy ($)*
Alabama	50	23,912	28,631	-4,719	632
Alaska	3,240	1,156	7,399	-6,243	5,895
Arizona	45	2,917	14,787	-11,870	5,787
Arkansas	48	12,661	23,335	-10,674	11,481
California	1,330	79,065	200,029	120,964	- 51,030
Colorado	342	7,258	17,734	-10,476	9,567
Connecticut	174	3,536	21,544	-18,008	9,735
Delaware	14	4,029	15,793	-11,764	4,509
Florida	428	19,196	57,958	-38,762	37,675
Georgia	57	18,475	42,357	-23,882	21,488
Hawaii	25	1,102	13,785	-12,683	8,760
Idaho	42	2,271	6,585	-4,314	4,525
Illinois	391	3,978	64,897	-60,919	41,022
Indiana	54	9,323	12,839	-3,516	3,714
Iowa	54	2,500	10,000	-7,500	7,050
Kansas	324	2,367	11,181	-8,814	3,694

Kentucky	43	40,800	68,578	-27,778	23,262
Louisiana	39	2,141	9,186	-7,045	6,467
Maine	75	1,621	5,652	-4,031	4,412
Maryland	242	8,266	30,302	-22,036	14,889
Massachusetts	292	7,686	28,700	-21,014	23,900
Michigan	288	22,862	42,806	-19,944	8,731
Minnesota	234	7,600	21,400	-13,800	11,700
Mississippi	22	5,196	13,471	-8,275	6,219
Missouri	126	4,636	23,593	-18,957	20,145
Montana	44	1,501	2,564	-1,063	1670
Nebraska	142	8,729	15,060	-6,331	7982
Nevada	146	700	8,384	-7,684	4,326
New Hampshire	75	4,225	6,238	-2,013	1,500
New Jersey	305	6,573	31,373	-24,800	23,148
New Mexico	121	3,026	12,392	-9,366	7,420
New York	260	33,259	143,680	-110,421	122,675
North Carolina	135	2,238	14,795	-12,557	11,765
North Dakota	19	799	2,429	-1,630	1605
Ohio	209	16,707	45,784	-29,077	30,441
Oklahoma	72	17,240	29,013	-11,773	16,196
Oregon	91	9,437	27,670	-18,233	14569
Pennsylvania	276	8,975	54,344	-45,369	44,444
Rhode Island	9	2,789	6,395	-3,606	3,820
South Carolina	80	12,034	23,790	-11,756	7,876
South Dakota	93	4,201	9,342	-5,141	4,589
Tennessee	133	21,033	36,216	-15,183	15,183
Texas	499	15,178	46,382	-31,204	13,969
Utah	97	3,724	17,762	-14,038	10,677
Vermont	64	4,246	5,504	-1,258	0
Virginia	67	2,350	16,889	-14,539	9,408
Washington	247	7,577	77,455	-69,878	69,314
West Virginia	199	14,937	26,052	-11,115	9,748
Wisconsin	127	8,184	19,571	-11,387	9,214
Wyoming	120	378	4,206	-3,828	3,428
Total	11,610	504,594	1,475,832	-971,238	791,256
Average	232	10,092	29,517	-19,425	15,826

Source: National Association of State Park Directors. All data are for 1993.

Two notable exceptions are New Hampshire and Vermont. [23] Those states have historically attempted to operate their parks exclusively out of user fees. They tended to slip from that view in the 1970s, when most state governments grew rapidly. But in 1991 the legislatures clamped down again. Today neither state park agency has received general funds for several years, yet both report having healthy, thriving park systems.

State Range Management

State resource departments in the West also manage some 37 million acres of rangelands that are leased to private ranchers for livestock grazing. The evidence indicates that the states are more inclined to make money from those lands than the federal government is from its rangelands. Yet the states also cater to the political power of the ranchers far more than makes sense from a strict fiscal point of view.

Inordinately low federal grazing fees have been a controversial issue for many years. Most states charge significantly more than the less than $2 per animal unit month (AUM) collected by the federal government. But state charges vary widely, from less than $1.50 per AUM in Arizona to more than $40 in Oklahoma. [24]

Many states follow the federal practice--pioneered by the Forest Service 90 years ago--of requiring that permittees own their own land and of giving preference to existing permittees when leases are up for renewal. That keeps competition for permits low and effectively reduces the returns to the states.

Montana, for example, has a competitive bidding process but gives the existing permittee first right of refusal to match the high bid. Moreover, permittees who match the bid can then petition to have their fees reduced to "locally prevailing rates." When conservationists bid $15 per AUM on a particular pasture with the intention of leaving the grass for wildlife, the permittee matched the bid and then had the fee reduced to $4 per AUM.

The only state where that practice has been successfully challenged is Oklahoma, where the Oklahoma Education Association sued on behalf of schools to allow more open bidding on permits. That led to fee increases averaging 80 percent and resulted in some of the highest grazing fees paid to any public land agency in the country. [25]

Environmentalists in Oregon, Idaho, Montana, and New Mexico are meeting significant resistance in their challenges to state grazing policies. A Republican administration in Idaho and a Democratic administration in Oregon have vowed to reject any bid from environmentalists who seek to obtain leases and leave the forage for wildlife. Bids have even been rejected when there were no other bidders. [26] State courts have not yet ruled on those cases, but clearly the main state goal is to provide favors to ranchers rather than to produce revenue for the trusts.

The Problem of Incentives

The above survey finds that, of roughly 150 state forest, park, and fish and wildlife agencies, no more than about 55 break even or earn a profit for their states. Yet the agencies reviewed own at least 74 million acres of land as well as extremely valuable fish and wildlife resources. To understand how they can manage such valuable land and resources at a loss, it is important to review the incentives faced by agency managers.

The Federal Role

Before looking at the states, it is important to underscore the role the federal government has played in creating incentives for state agencies. Many state forests were among the original state land grants, and therefore any income from them is dedicated to schools. While the federal land grants did not use the term "trusts," state and federal courts have interpreted the grants and subsequent provisions in state constitutions regarding state lands as mandating trust responsibilities. [27] Forest lands that were not part of the initial land grants are also managed on a trust basis in several states, usually pursuant to trust requirements incorporated into the state constitution. But in most cases it took the

initial federal land grant to set the trust mechanism in motion.

Federal influences are also obvious in the fish and wildlife agencies. The Pittman-Robertson and Dingell- Johnson laws dictated that state fish and wildlife not be regarded as a for-profit resource. Indirectly, they led states to regard game as a not-to-be-subsidized resource since nearly all states responded by Pittman-Robertson by funding game agencies exclusively out of receipts and federal funds.

Federal influences are more indirect in the case of park agencies, but they are powerful. Most state park agencies are the children of the National Park Service. When the latter agency was created in 1916, fewer than 20 states had parks, and several of those that did had only one park. The Park Service's founder, Stephen Mather, decided to promote state park systems that could protect areas of less-than-national significance without federal dollars. Within a few years all but three states had parks. [28]

The fledgling state park agencies all consciously modeled themselves, and their funding policies, after the National Park Service. In some cases, they had no choice. Why would people pay market value recreation fees to visit a state park in California or Wyoming when recreation in Yosemite and Yellowstone National Parks was virtually free? As a result, an "ethic" developed in nearly all state park agencies--parallel to a similar belief ingrained in the National Park Service--that taxpayers ought to subsidize parks so that parks could be open to people of all incomes.

Poor State Incentives: Agencies Cannot Keep Revenues

Federal influences created the tradition whereby state forest agencies make money, fish and wildlife agencies break even, and park agencies lose money. But a vast majority of state legislative actions over the years have tended to reinforce losses, rather than profits, in all types of agencies.

First, most state legislatures insist on the right to appropriate funds to resource agencies rather than simply let agencies keep their own receipts. Most state forest agencies, including many that manage state trust lands, are funded out of tax dollars. [29] Since the agencies receive funding regardless of their revenue-generating performance, they have little incentive to maximize either gross or net revenues.

Some state forest agencies are funded out of a fixed percentage of their gross receipts. But the percentages are arbitrary, and little effort has been made to ensure that they are optimal. For example, the Washington Department of Natural Resources keeps 25 percent of the receipts from most of its timber sales, but on some lands it keeps 50 percent. No one seems to have asked which percentage produces more returns to the beneficiaries, but it seems likely that the lower percentage would.

Although Idaho timber values are lower than those in Washington, the Idaho Department of Natural Resources gets to keep only 10 percent of revenues. In actual practice, it places "surcharges" on its timber that bring the total closer to 15 percent--but that is still significantly less than in Washington. Meanwhile, the Oregon Department of Forestry gets 36.25 percent of its timber receipts. It is doubtful that that higher percentage produces more returns to schools than does Idaho's 10 to 15 percent.

Other states allow agencies to keep a percentage of receipts so small that it must be supplemented with appropriated tax dollars. The Montana Department of Natural Resources gets to keep only 2.5 percent of receipts, and that is supplemented with enough appropriated funds to bring the agency's state forest budget to well over 50 percent of its receipts. Like Washington's, Wyoming's forest agency gets to keep 25 percent, but low timber values have convinced the legislature to supplement that money with so many tax dollars that the agency loses money.

State park agencies also suffer from legislative controls on their budgets. Most charge user fees and most also receive appropriated tax funds. About a dozen state park agencies get to keep their user fees; most of the remainder are allowed to keep only such fees as the legislature appropriates to them. The fees from a few park agencies go straight into state general funds, and appropriated park budgets bear no relation to fee collections. [30]

The result is that most state park agencies have little incentive to collect fees or to be responsive to users as sources of

income. Washington park officials say they collect user fees equal to a quarter of park operating costs, but since those fees go into the general fund they get no benefit from them. [31]

Some park agencies whose fees are reappropriated to them say they have little incentive to increase fee collections because the legislature will probably respond by reducing appropriations. State park officials in Massachusetts say that they once got to keep their receipts, but "our experience was that there was no incentive to us to collect greater revenues, as whatever increases we realized were simply deducted from the general fund appropriations we received." [32] A New Jersey park official echoes that sentiment, saying, "Whenever we speak of retaining revenues, there is the possibility of correspondingly reducing our appropriation by the same amount." [33]

Legislative control of their budgets is less of a problem for state wildlife agencies since Pittman-Robertson and Dingell-Johnson ensure that the agencies are allowed to keep all their user fees. But most state wildlife agencies suffer from another problem: legislative control of those user fees. Typically, the legislature fixes most or all fees and allows increases only once every few years. The result is that agency budgets do not keep up with inflation and users get upset at the relatively large increases that are required. Smaller increases would be required if fees could be increased each year.

Several state wildlife agencies reported that their programs were suffering from a shortage of funds. "The Arkansas Game and Fish Commission is faced with a funding crisis," says its director, Steve Wilson. [34] His words are echoed by officials from Louisiana, Florida, and several other states. Ostensibly, the cause of the "crisis" is a declining number of hunters in our increasingly urban society, combined with increasing pressures to manage nongame wildlife. In reality, a major part of the crisis is that the legislatures in those states fix license fees well below market value.

Some legislatures have attempted to compensate for low resident license fees by charging steep fees to nonresidents. Idaho nonresident fees are 10 to 17 times greater than resident fees, depending on the species to be hunted. The high nonresident fees discourage out-of-state hunters, and the state Fish & Game Department thinks it could increase its revenues by reducing fees. [35] But the legislature prefers to reserve most wildlife for its constituents. Few states outside the Rocky Mountain West have wildlife reputations sufficient to command high out-of-state fees.

Since legislatures seem to have ruled out market value game fees, many wildlife agencies are seeking a new source of tax dollars to fund their operations. The Missouri Department of Conservation, which manages both forests and fish and wildlife, collects a 0.125 percent sales tax on all taxed purchases in the state. [36] That tax generates twothirds of the agency's budget, which gives it the sixth largest wildlife program in the nation. Naturally, the agency makes little effort to earn a profit from either its forests or its wildlife.

Missouri's program is the envy of surrounding states, and Arkansas and Louisiana agencies have both proposed similar sales taxes. [37] Other state wildlife agencies receive or have proposed taxes on sporting equipment or a share of state lottery funds.

State park agencies also suffer from legislative fixing of user fees. Park officials in Kansas, Iowa, and Delaware were among those reporting that legislative fee limits hampered their parks' ability to fund themselves. [38] As are wildlife agencies, some park agencies are seeking dedicated taxes to supplement general fund appropriations and user fees. Michigan recently convinced voters to dedicate state oil and gas revenues to a park endowment fund. The Arkansas park agency is seeking a dedicated share of the state sales tax.

Legislative resistance to game and, particularly, park fee increases stems in part from a widespread public belief that such fees ought to be low. Several states, including Iowa and Arkansas, reported that attempts to charge park entrance fees met with such public opposition that they were discontinued. Yet Nebraska generates more than $3 million a year in park entrance fees, which suggests either that local politics is different or that Nebraska park officials did a better job of introducing such fees to the public. [39]

Attempts to use recreation fees to fund parks are sometimes sabotaged by elected officials seeking favor with the public. A few years ago, Massachusetts parks covered twothirds of their costs out of user fees. But in 1994 Gov.

William Weld arbitrarily reduced user fees by more than half. Today, fees cover only a fifth of park budgets. [40]

Remedying State Land Management Practices

My review of annual reports, budget documents, and other agency publications from some 100 agencies suggests that state legislatures rarely consider the effects of their budgeting actions on the incentives managers face. Ideally, state resource agencies should be allowed to keep a fixed percentage of the net income they earn. That would give them an incentive to maximize profits, which would make them responsive to the users of the resources in their care. With the exception of some rare or endangered species, states manage very few resources that cannot be funded out of user fees.

Few states agencies come close to meeting that standard. At first glance, the closest seems to be the Minnesota Division of Forestry, which is allowed to keep one-third of the net income it earns from timber sales. [41] Yet the agency's definition of "net" leaves out major costs, such as road construction and overhead. Agency funding is also supplemented by appropriated general funds. As a result, the agency barely breaks even on its state forest program.

In reality, states that fund their forest agencies out of a percentage of gross revenues come closer to meeting the standard. Those states include Idaho, Oregon, and Washington. Yet, as already noted, the percentage of gross income that they are allowed to keep varies widely, and it is technically impossible to tell what percentage is best. Funding out of net income would better ensure that the agencies produced maximum net revenue for their beneficiaries.

Incentives for state wildlife agencies are controlled by Pittman-Robertson and Dingell-Johnson. Those laws at least keep the agencies responsive to users even if they do not earn any profits. Incentives provided to state park agencies are so poor that the few exceptions are interesting to contemplate even if they do not meet the standard of funding out of net income. Most state park agencies feel stressed by state budget cuts and, as noted, are seeking other sources of revenue.

Several of those that are not stressed by budget cuts report an arrangement with state legislatures that general funds will more or less "match" fee collections. Minnesota park officials report that they have "a general understanding with the legislature" that $2 in general funds will match each $1 in user fees. [42] That gives park managers incentives to collect fees and to be responsive to users, but not to earn a profit. Of course, such arrangements can last only as long as the legislatures do not feel a budget crunch; budget crunches in Michigan and Wisconsin led to major problems for state parks.

As noted, the New Hampshire and Vermont legislatures each decreed that state parks would be self-sufficient. That led the park agencies to streamline their operations, increase user fees, and reconsider such programs as garbage collection. They found, for example, that asking people to pack out what they brought in led to cleaner parks at lower cost than did placing garbage cans in the parks. [43]

The most interesting experiment with incentives is taking place in the Texas park system. There, park managers are given incentives to be "entrepreneurial" by written contracts that guarantee them budgetary rewards for both saving money and increasing user fee collections. Parks that increase user fees or reduce costs get to keep in their next year's budget 35 percent of the increased fees or savings. Moreover, they can spend the money any way they like and do not have to follow strict line-item appropriations. [44] Such contracts are revolutionary for government agencies, which are often penalized for reducing costs by getting lower budgets the next year.

The Texas system is far from perfect. While Texas parks get no support from state general funds, they do get a share of the state sales tax collected on sporting goods. Thus, they produce no profits or break even. But the agency remains unusual in that it is thinking about the incentives its budget creates for managers--and, so far at least, the legislature and the governor have gone along with the program.

Summary: States No More Efficient Than Feds

Reviewers of state trust operations have reported that trust agencies tend to be fiscally responsible. That has led many observers to conclude that the states would be better fiscal managers of natural resources than the federal government.

This review has shown, however, that most state natural resource agencies cost state taxpayers far more than they return to state general funds. The key to the profitability of state trusts is not that they are state but that they are trusts. In fact, even some trusts lose money; the key to state trust profitability is either incentives provided by the legislature--such as funding limited to a fixed portion of revenues--or monitoring by trust beneficiaries.

Funding natural resource agencies out of net revenues would seem to be an ideal solution to the problem. In effect, that makes the resource agency one of the beneficiaries of its management, giving the agency an incentive to return a profit to the treasury or to other beneficiaries. But no state legislature seems to have figured that out. In fact, state legislatures seem to be as prone as is the U.S. Congress to using resources to benefit selected users or interest groups, such as ranchers or park recreationists.

Are States Better Stewards of Natural Resources?

"There's a long history of states managing state-owned lands," said Marion Clawson, whom many regard as the dean of resource economists, in an interview commemorating his 90th birthday. Echoing a book he had written in 1983, he added, "And pretty nearly all of it is bad." [45] The only evidence he cites is that state lands were often transferred to private hands through fraud.

Clawson is correct only if by "bad" he means states sold their land and by "all of it" he means "all of it before 1900." Given the fragmented nature of state land grants--1, 2, or 4 sections per township of 36 sections--it made little sense for states to hold on to those lands. Yet there is little evidence that any state except Alaska disposed of significant pieces of land after around 1930.

In fact, the reverse is true: most western states acquired large acreages during the depression and have continued to do so since then. Table 1 shows that the last of the lower 48 states to be admitted, Arizona and New Mexico, have more land today than they were initially granted. Most of Oregon's original land grant was sold before 1900, so much of the 1.4 million acres it manages in trust today has been acquired since then. States have also acquired millions of acres of land not shown in Table 1 for parks, wildlife preserves, and other purposes.

There is no evidence that the states' environmental records for managing their lands are any worse than those of the federal agencies. Indeed, where trust obligations apply, they have sometimes forced managers to have better environmental records.

Washington, for example, has established a good record managing its 2.1 million acres of timberlands. Whereas the Forest Service sells timber from fragile, submarginal forests at a loss, Washington's revenue mandate has led the state to avoid such lands. When cutting of old growth became controversial in the late 1980s, the legislature withdrew lands from cutting and appropriated funds to reimburse the trust beneficiaries, effectively buying "conservation easements."

Oregon's Tillamook State Forest, the largest piece of forest land owned by the state, was acquired after a fire in the 1930s wiped out most of the timber in the area. State voters agreed to spend several million dollars on reforestation in an era when reforestation was the exception rather than the rule. Today the state is reaping tens of millions of dollars in annual income from cutting the second growth, and the cutting generates little controversy among environmentalists.

The trust framework used for many state lands can contribute significantly to the environmental sensitivity of management. After Oklahoma increased its grazing fees, managers had both the funding and the incentive to carefully monitor lessees to minimize overgrazing. [46]

Aside from that sort of anecdotal evidence, it is difficult to determine whether state management is more or less environmentally sensitive than federal management. That is because most measures of environmental quality are necessarily subjective. Leal reports that a review of federal and state management in Montana found that "the state does a better job of protecting watersheds from the impacts of logging than the Forest Service." [47] Since the study cited by Leal was done by the Montana Department of State Lands, however, it is about as reliable as a Microsoft study showing that Windows is easier to use than the Macintosh operating system.

One thing that is certain is that state management has generated far less environmental controversy than has federal management. That is true for two reasons. First, in most western states, at least, federal lands are much more predominant, so federal management is visible to more people and more likely to generate controversy. That suggests that transfer of federal lands to the states could simply result in a transfer of controversies from the federal to the state level (which some would say is a good thing).

A second reason that federal management has generated more controversy is that, ironically, federal managers--especially those in the Forest Service--tend to be highly responsive to their critics. Federal officials take seriously their charge as public stewards, multiple-use managers, and servants of the people. Environmentalists and others therefore find it rewarding to challenge federal land policies because such challenges often produce positive responses. By comparison, state managers tend to be more dominant-use oriented and less responsive to the views of other interest groups. Thus, challenging state management is less rewarding.

Advocates of transferring federal lands to the states say that, since most states do not have the plethora of environmental laws by which federal agencies must abide, the states can manage the land professionally with less judicial interference. That argument falls into the fallacy of scientific management: that professional managers paid by the government can do a good job if they are insulated from political interference. [48] In reality, transferring lands from the federal government to the states will merely transfer political battles to state legislatures and other venues.

John Howard, county commissioner of Union County, Oregon, notes that Oregon and most other western states have "an initiative petition process which could result in ballot measures which could adversely affect land management." [49] Heavily urban states, such as California, Colorado, Oregon, and Washington, could pass measures effectively "locking up" ex-federal lands in state control. More development-oriented states, such as Idaho, Utah, or Wyoming, could pass measures effectively directing that lands be overexploited. Either way, land management by ballot measure is likely to be no better, and could be far worse, than land management by the federal courts.

Federal Land Trusts: An Alternative to Federal-State Transfer

Congressional proposals to transfer federal lands to the states are interpreted by some as "land grabs" by developmental interests intent on disregarding legitimate environmental goals. [50] A different interpretation is that such proposals represent a congressional admission that centralized micromanagement of federal lands and resource agency budgets has failed. At least some of the people considering land transfers are doing so in an effort to get the lands out of the reach of members of Congress, who are invariably tempted to manipulate federal resources to deliver favors to constituents.

Transferring federal lands to states will succeed in reducing, if not eliminating, congressional interference in the management of such lands. That does not automatically mean, however, that the lands will be managed with more fiscal responsibility, with more environmental sensitivity, or with less interference by politicians. Nor, with the possible exception of Nevada, is state ownership a likely steppingstone to privatization.

To turn federal lands into an asset, rather than a liability, for taxpayers, as well as ensure that they will be managed with both commodity and environmental interests in mind, the lands must receive much better insulation from politicians than would be provided by merely transferring them from one political entity to another. Many people propose to achieve such insulation through privatization. Yet the huge subsidies provided to the nation's croplands that, acre per acre, are several times larger than the subsidies provided for federal land management, indicate that private lands are not immune to fiscal manipulation by politicians.

It is hard to imagine the large-scale privatization of public lands occurring any time soon. However, attractive possibilities for reform exist now.

The most important lesson learned from examining state management is the frequent success of the trust model in promoting fiscal and environmental responsibility. The federal government need not transfer lands to the states to match that success; it can create its own land trusts insulated from congressional action. Properly designed trusts have

proven resistant to political interference. Carefully designed federal land trusts could provide all user and interest groups with ways to protect the resources they care about.

State experience indicates that there are three key elements that should be incorporated in any trust design:

- Trust managers should be funded out of their net income, not out of gross income or tax dollars. That will minimize political attempts to micromanage the lands. It also solves a weakness in many state trusts, which is that beneficiaries are sometimes lax in monitoring trust performance, leading to inflated costs and reduced revenues. Funding trust managers out of their net income would effectively include the managers among the beneficiaries.
- Trust managers should be allowed to charge whatever they wish for any and all resources in their care. That will lead to charges that roughly approximate fair market value and will minimize political attempts to give favors to constituents in the form of resources at less than market value. It will also ensure a level playing field so that all resource users can compete with one another in the marketplace, rather than in courts or the political system.
- A share of trust user fees should be dedicated to a separate trust fund to be used to protect biodiversity and endangered species. The managers of that trust fund would be able to give trust and other land managers incentives to protect species or biodiversity in ways similar to the state of Washington's compensation of its trust beneficiaries by "buying" timber and not cutting.

Such trusts may not be perfect; no system is. But this review of state land and resource management has shown that the states are far from perfect managers. Some of the best managed state lands, however, are those that are managed within the trust framework. Adopting that framework would do far more than transferring lands to improve the fiscal and environmental management of federal lands.

Notes

[1]. Based on 1994 budgets presented in the explanatory notes to the 1996 budget requests of each of the four agencies. U.S. Department of the Interior, Bureau of Land Management, *Budget Justifications, FY 1996* (Washington: USDI, 1995); U.S. Department of the Interior, Fish and Wildlife Service, *Budget Justifications, FY 1996* (Washington: USDI, 1995); U.S. Department of the Interior, National Park Service, *Budget Justifications, FY 1996* (Washington: USDI, 1995); and U.S. Department of Agriculture, Forest Service, FY 1996 Budget Explanatory Notes for Committee on Appropriations (Washington: USDA, 1995).

[2]. Jon Souder and Sally Fairfax, "The State Land Trusts," *Different Drummer* 2, no. 3 (1995): 36Ã±41.

[3]. Wallace Stegner, *Beyond the Hundredth Meridian* (1954; reprint, Lincoln: University of Nebraska Press, 1982).

[4]. Giles French, *Cattle Country of Peter French* (Portland, Ore.: Binsford & Mort, 1964).

[5]. Karl Hess and Randal O'Toole, "The Open Range,1500Ã±1905," *Different Drummer* 1, no. 2 (1994): 5.

[6]. Phillip Foss, *Politics and Grass: The Administration of Grazing on the Public Domain* (Seattle: University of Washington Press, 1960).

[7]. U.S. Department of Agriculture, Forest Service, *Annual Report* (Washington: USDA, 1905-19).

[8]. Foss.

[9]. The "Acres Today" column in Table 1 includes lands acquired by means other than grants at statehood (including later federal grants such as those to land grant colleges), which explains why the figures in that column are sometimes larger than those in the "Acres Granted" column.

[10] Gifford Pinchot, *Breaking New Ground* (1946; reprint, Covelo, Calif.: Island Press, 1989), pp. 506Ã±7.

[11] Ibid., p. 81.

[12] Jon Souder and Sally Fairfax, "Forestry and State Trust Lands," *Different Drummer* 2, no. 3 (1995): 52.

[13] See, for example, James Brown, Oregon state forester, Testimony before the Forests and Public Land Management Subcommittee of the Senate Energy and Natural Resources Committee, November 2, 1995.

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