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State Land Board

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April 10, 2006

Ms. Ann Hanus, Director
Department of State Lands
775 Summer St NE
Salem, OR 97301-1279

RE: Final Report of the Director's Grazing Fee Advisory Committee

Dear Ms. Hanus:

On behalf of your Grazing Fee Advisory Committee, I am pleased to transmit this Final Report to you.

You charged this Committee to do the following:

1. Review the March 2004, Secretary of State's audit report findings as to the grazing fee;
2. Analyze whether the current rate reflects at least a fair market value rental rate; and
3. Make recommendations to you concerning the fee formula.

The Committee held six, day-long meetings between September 2004 and May 2005. Each meeting allowed for public comment. In addition, the Committee dedicated the afternoon of one meeting (Burns-January 2005) to public testimony. During the course of the Committee's work, it heard from a variety of individuals including current lessees; DSL staff; Charles Hibner of the Secretary of State's audit staff; Bruce Eklund of the U.S. Department of Agriculture's National Agricultural Statistics Service (Oregon State office); and Bend-La Pine School District board member Nathan Hovkamp.

In addition, the Committee compiled, reviewed and discussed numerous reports, studies and information from other states and Oregon applicable to the Committee's "charge" (see the Appendices to the Final Report).

Your Committee worked diligently to reach consensus to complete these tasks and respectfully offers the following recommendations:

- **Recommendation 1.** ***The Committee recommends*** that the current fee formula remain in place and that DSL collect supplemental data about the leases sufficient to evaluate the formula factors prior to the next scheduled review that shall be no later than 2008. However, recommendations 4 and 5 address minimum fees.
- **Recommendation 2.** ***The Committee recommends*** that DSL compile private land lease data (including data about services provided and their costs) for the SE Oregon counties for grazing lease lands comparable to DSL leaseholds. Comparable properties will be those of similar size, productivity, forage quality, improvements, access etc. Adjustments may be needed to make sites/rates comparable.

- **Recommendation 3.** ***The Committee recommends*** that if DSL is to meet its Trust mandate in the management of rangelands, then it must explore and implement, where feasible, other alternatives for revenue production including but not limited to:
    - Charging for public outdoor recreation opportunities including but not limited to, guided hunting or controlled hunts; and
    - Leasing for alternative energy exploration/production.
- **Recommendation 4.** ***The Committee recommends*** that DSL amend the grazing fee formula rule to limit the annual AUM fee to no less than $4.25 per AUM.
- **Recommendation 5.** ***The Committee recommends*** that DSL amend the rangeland management rules to set the minimum grazing fee at the amount necessary to recover the Department's cost of lease administration of those small leases.
- **Recommendation 6.** ***The Committee recommends*** that the current Range Manager position be established as a permanent position in the DSL budget and that there be added to the budget such seasonal positions as are necessary to continue the range inventory and improvements work. *(Note: The 2005 Legislature authorized the Range Manager as a permanent position.)*
- **Recommendation 7.** ***The Committee recommends*** that a new committee be formed for the next review (2008) of the fee formula with representation from the public, lessees and beneficiaries. The composition of the Committee should be such that there is equal and balanced representation from among the interests. In addition, the services of a third party facilitator, with an understanding of grazing permit/lease issues, are recommended in order to allow DSL to more freely participate in discussions.

The members of the Committee wish to thank you for the opportunity to serve DSL and the Land Board concerning this issue of vital interest to the management of Oregon's Common School Fund lands.

Cordially,

John E. Lilly
Chair

Attachment: Final Report of the Director's Grazing Fee Advisory Committee

cc: Members of the Director's Grazing Fee Advisory Committee
Steve Purchase, Assistant Director, DSL

DEPARTMENT OF STATE LANDS

2004-2006 GRAZING FEE ADVISORY COMMITTEE

FINAL REPORT

April 10, 2006

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Department of State Lands
2004-2006 Director's Grazing Fee Advisory Committee
Final Report
April 10, 2006

Project Overview/Purpose

The Department of State Lands (DSL) manages about 634,000 acres of rangeland in Southeastern Oregon primarily in Lake, Harney and Malheur Counties. The lands are considered to be assets of the Common School Fund, a fund established at statehood to provide financial support for Oregon's public K-12 schools. The State Land Board (Board), consisting of the Governor, the Secretary of State and the State Treasurer, are the trustees of the Fund and direct the policies of the Department. Much of the land is leased for grazing. There are 143 lessees, each operating under contract with the Department and annually paying fees based upon the carrying capacity of the leasehold and a formula adopted by the Board and implemented by DSL. The last fee formula change was in 1995; the fee itself is adjusted annually in accordance with the provisions of the formula.

In 2004 the Secretary of State's Audits Division released an audit of DSL's rangeland management program (see Appendices). The scope of the audit was to determine if DSL was maximizing long-term income generated from rangeland assets. The report did not explore rangeland characteristics that limit potential revenue or the required costs of administration. The Audits Division found that the grazing fee had not been periodically reviewed as required by the Board's rules; was not maximizing revenue; and recommended that the fee be increased to approximate lease rates reported by the USDA National Agriculture Statistics Service (NASS) for private non-irrigated grazing lands.

The Committee and its Task

The Director of DSL determined that the fee formula was in need of review. An advisory committee was appointed by the Director and consisted of the following members who represented a variety of interests, such as DSL, lessees, a rangeland economist, a rangeland scientist, a local government official, public interests and a school beneficiary:

- John Tanaka, Oregon State University, Cove, range economist
- Larry Larson, Oregon State University, La Grande, range ecologist
- Tom Clemens, Bend, citizen
- Martine Andre, Arock, lessee
- Joe Flynn, Plush, lessee
- Dan Nichols, Harney County Commissioner, Diamond
- George Grier, citizen, Springfield
- Diana Oberbarnscheidt, Bend, representing school beneficiaries
- John Lilly, Assistant Director, Department of State Lands

John Lilly also served as Chair of this Committee, which was called the "Grazing Fee Advisory Committee", and facilitated much of its discussions.

The Director sought recommendations from the advisory committee regarding the existing grazing fee formula. The Director plans to review the recommendations and report any change in them to the Land Board along with DSL's recommendations for action. No new formula or fee for forage use of rangelands is to be imposed until the Land Board has approved a change in its administrative rules (OAR 141-110).

The Grazing Fee Advisory Committee (Committee) was specifically asked to:

1. Review the Secretary of State's audit report findings as to the grazing fee;
2. Analyze whether the current rate reflects at least a fair market value rental rate; and
3. Make recommendations to the Director concerning the fee formula.

Guiding Principles of the Committee

The Committee, in deliberating over its tasks, was asked by the Director to adhere to the following principles with its recommendations:

1. The Land Board and DSL must obtain fair market value from the use of Common School Fund trust lands in order to meet fiduciary responsibilities; and
2. The Common School Fund Trust Lands must be managed to conserve the productivity and sustainability of the lands for the Common School Fund over the long term.

Committee Operations/Decisionmaking

1. The Chair ensured that:
   - Meetings were orderly, meaningful and stayed on schedule;
   - All members had an equal opportunity to participate in discussions and deliberations;
   - Meetings were scheduled to meet the time commitments of as many members as possible; and
   - The committee discussed work assignments and future agendas.

   The Chair was expected to lead as well as participate in all discussions.

2. All Committee meetings were conducted as public meetings. Advance press notices were sent out prior to each meeting. Notices were sent prior to each meeting to lessees and interested parties. Recordings of the meetings were kept and a summary of each meeting compiled and approved by the Committee. All work products are treated as public records.

3. The Committee allowed for public comment at each meeting. Often the public freely participated in Committee discussions.

4. The Committee was supported in its work by DSL staff; and frequently sought the advice of staff.

5. If a member was unable to attend a meeting, the member was allowed to send an alternate to monitor the discussion and report meeting results to the absent member. Alternates were not, however, permitted to participate in consensus discussions.

6. The Committee made its decisions by consensus. For this project, consensus meant that a member could "live with" the recommendation or decision and that the decision was, at a minimum, not inconsistent with the member's interests. When consensus was reached, it usually meant that the members would not work to block the recommendation or decision.

Description of Committee Work

The Committee held 6 meetings in two locations (Bend and Hines) over the term of its work (see schedule below).

September 17, 2004	Bend
December 1, 2004	Bend
January 21, 2005	Hines
February 25, 2005	Bend
April 1, 2005	Bend
May 6, 2005	Bend

The Committee specifically invited public comment at its meeting on January 21, 2005 in Hines.

Following the May 2005 meeting, Chair Lilly compiled the final draft of the report. Between May 2005 and March 2006 three drafts of the final report were circulated to the Committee for review and comment (see Appendices).

Findings of the Committee

1. Other States' Audits State land grazing studies/audits were recently conducted in Washington (2005) and Idaho (2001). Washington's study, done by the Joint Legislative Audit and Review Committee, answered the question: "Does the DNR-managed grazing program make money for trust beneficiaries?"

The University of Idaho conducted the Idaho study "Evaluating Financial Performance of Forest and Rangeland Assets".

Both studies were similar to the Oregon audit in that they looked at the question of maximization of state revenue. Both studies:

- Noted that public grazing fees are not established in an open market and that their grazing fee formula is generally arrived at through either cattle price share or discounted private lease sales comparison.
- Found insufficient lease data within each state to establish fair market value and relied upon range economics literature for guidance in their analysis.
- Conclude that revenue maximization was not being achieved under the current grazing fee formulas.

The Washington study did not include a thorough examination of all methods to increase revenues on grazing lands.

However, Washington concludes that, according to its Benefit Cost Assessment methodology, the "status quo provides the greatest net benefit, and second highest beneficiary income" of the alternatives evaluated.

The Idaho report says:

> "It would be difficult to argue that the current income from rangelands is 'maximum long term financial return' as the Idaho Constitution requires. There is undeniably a social value based on tradition in maintaining large areas of rangelands in Idaho, especially when the alternative is land parcelization into smaller units for a variety of land uses...".

2. Fair Market Value "Fair market value rental rate" means the rental income that a property owner would most probably command in the open market; indicated by the current rent paid and asked for comparable space. The pool or population of people that form the market must have the operational capacity to utilize and meet the criteria of the lease agreement. It is their ability and willingness to pay different prices for the lease that defines fair market value.

Federal grazing permits are not representative of a true open market. The open marketplace for grazing leases tends towards negotiated grazing fees for private, non-irrigated grazing. Setting fees via competitive bidding (true open market) for DSL leases is only possible for new leases, as existing active lessees "in good standing" have rights of renewal provisions in the existing lease contracts.

3. Oregon Grazing Fee Formula Grazing lease contracts are similar from state to state. However, each state has individualized their grazing fee formula and uses a variety of economic indexes. Oregon uses a formula based on calf prices (cattle price share approach) derived from Oregon sales data (of all calves). The current Oregon formula was implemented by administrative rule by the Land Board in 1995.

$$\text{AUM Grazing Fee} = G \times CC \times S \times P$$

Where:

G = 30 lb/mo weight gain on the calf in the AUM unit
CC = 80% marketable calf crop from the cow herd
S = State share of 20%

P = Average per lb sales price in Oregon

Prior to 1994, fees were $2.50 per AUM for "wet" pasture; $1.25 for "dry" pasture. "Wet" pastures are the lakebed lands as found in the Warner Basin. Lessees paid additional fees to "pay off" the capital costs of improvements financed by DSL. No interest was charged for this money.

4. DSL Rangeland Usage Oregon rangelands have a carrying capacity of about 70,000 AUM. Oregon has 143 leases; 31 lessees pay the minimum rate ($100.00) because their leasehold is small and they run so few livestock. Subleases must be approved by DSL. Fifty percent of any increased rent from the sublessee is due to DSL. There are two subleases who report, with only one reporting additional fees. The remaining population of DSL leases and leaseholders (Table 1) provides a basis for defining operational characteristics shared by the ranch population that form the DSL lease market and separates them from ranch operations that form other markets.

Table 1. DSL Lease Characteristics [1]

	Acreage	AUM's	Pastures	Grazing Units
Total	540,459	56,379	151	9.6 acres/AUM
Average	12,569	1,311	3.5	375 AUMs/Pasture

Average grazing use period in a given year is 4.5 months.

[1] Data provided by DSL staff

A pasture is a defined grazing area within a leasehold. A typical lessee has 290 cow/calf units (or their equivalent) available within their operation to utilize an average block leasehold offered by the state. The DSL data summarized in Table 1 indicate that an average leaseholder utilizes their lease for 4.5 months with 1,311 AUMs of forage being consumed over 3.5 pastures (375 AUMs / pasture).

5. Forage Fee Comparisons Oregon's 2005 grazing fee of $5.03 per AUM ranked fifth highest among nine western states (Arizona, New Mexico, Utah, Wyoming, Idaho, Montana, Washington, Oregon and Colorado). Colorado is the highest at $8.04; Arizona the lowest, $2.23. Since 2000, Oregon's fee formula has been increasing the annual grazing fee at a rate faster than most Western states. In 2000 only Arizona and Utah had lower grazing fee rates than Oregon. The current formula increased grazing fee revenue 35% over the last 7 years (2000-2006). The fee for 2006 is $5.60, an increase of 11.3% over 2005. Calf prices during the period of 2002 to 2006 rose 19.2% and 10.1% between 2005 and 2006. See Table 2 for Oregon grazing fees from 1995 to 2005.

Table 2. Oregon Grazing Fee, 1995 - 2005 [2]

Calendar Year	Fee/AUM
1995	$ 3.33
1996	$ 3.43
1997	$ 2.62
1998	$ 3.72
1999	$ 3.81
2000	$ 3.64
2001	$ 4.36
2002	$ 4.52
2003	$ 4.16
2004	$ 4.32
2005	$ 5.03

[2] Data provided by DSL staff

6. DSL Rangeland Management Costs The cost of DSL's rangeland grazing management program is roughly in balance with revenues (2003-2004 budget year: Costs $240,573 and Grazing Fees $310,648; 2004-2005: Costs $363,525 and Grazing Fees $315,563). Costs may increase at a rate faster than revenues due to increased emphasis on rangeland condition surveys and weed control. Some costs as in weed and fire control are for land protection and are influenced by non-grazing land use (e.g. public recreation use). Also, costs for land improvement and protection are considered under the state's accounting system to be 'capital costs' and are not included in the calculation of annual operating costs and are added to the value of the land. These costs are typical of costs associated with arid land management in the western U.S.

DSL invested about $50,000 in 2004-2005 on noxious weed control on rangelands. Since the mid 1990's, the Department has invested 12% of the annual revenue from grazing into improvements such as fencing and water.

7. DSL Grazing Lessees The annual operation of current grazing lessees cannot be uniformly characterized. Each leaseholder operates their lease in accordance with their particular needs. Some leaseholders utilize state lands during periods of plant dormancy while others utilize them during the spring and summer months. Almost all lessees sell calves as the current fee formula contemplates.

8. DSL Fee Assumptions AUMs are priced by the current formula assuming a cow calf unit is grazing on state land between May to September. This assumption maximizes the weight gain on which the fee is calculated. Leaseholders that utilize AUMs during late fall and winter are charged at the May through September rate even though feed value is considerably lower.

9. DSL Fee Formula Data DSL, like Idaho and Washington, has not been directed to collect data specific to their leases that would validate the current grazing fee formula. This same statement can be made for most if not all the western states that have a rangeland grazing program. This task is expensive and requires replication through time.

10. Research By Others In the absence of a leaseholder database, the committee turned to research data and literature to evaluate the current formula. Information from several studies that relate to the validity of the calf weight gain and marketable calf crop assumptions contained in the current formula are shown in the appendices. The summary includes an article (1991) that evaluated 15 years of data from the Eastern Oregon Agricultural Research Center (Burns, OR). The data indicate that the weight gain estimates used in the current formula are representative of DSL rangeland conditions (block lands). The marketable calf crop assumption is supported by a 1990 national study of 55 beef cattle herds and 38 years (1966-2004) of research herd management data from the Center.

11. National Agricultural Statistics Services (NASS) Information Given the recommendation of the state audit to utilize the NASS statistics, the committee reviewed the use of NASS data in grazing fee formula. NASS data (beef cattle pricing) is used in the grazing fee formulas of four states. Three states (Colorado, Washington and Wyoming) use NASS data on private non-irrigated grazing land leases to establish the annual grazing fee. States using the NASS private lease information discount their state grazing fee to account for differences between private and state leases and the services provided by each.

The process of defining a discount rate was reviewed and is not straightforward. Criteria, rates and procedures used by the states that have developed a discount rate are variable. For example, Colorado discounts the fee by 35%, but the selection of the discount is not well documented. Colorado contracts with NASS to conduct a survey of private land non-irrigated grazing fees every 4 to 5 years. Over 2800 surveys are sent out. Our review of the data collection strategy used by NASS, revealed that the Oregon data would not be statistically valid for Southeastern Oregon, where DSL blocked lands are concentrated, and that acquiring a valid data set could be costly and would require replication before each mandated review. NASS's Oregon representative offered to conduct an in-depth, reliable survey of SE Oregon ranchers if paid for by DSL.

12. Privateland Grazing Information Given the absence of a public data base or clearinghouse for private non-irrigated grazing lease information, the Committee attempted to develop data on private non-irrigated grazing leases that would relate to DSL blocked lands. Private lease data were obtained from the open market in Harney, Lake, Crook, Klamath and Jefferson Counties. There were limited data available from Lake, Crook, Klamath and Jefferson Counties. Private fees appear to be in the range of $10 to $12 per AUM with the average being $11.18. No data exist to show what services, beyond forage and water, private land lessors are providing to their lessees. The lease data from Harney County (Table 3) contained information that defined their market characteristics. An equivalent comparison to state leases requires that the private leases share similar characteristics with DSL lands. Their productivity should be approximately 9.6 acres per AUM with an average lease length should be 4.5 months.

Table 3
Summary of Harney County private lease data

	Lease Size < 200 acres	400-800 acres	1200-1500 acres
# of Leases	8	9	3
Average Acreage	132	607	1350
AUMs in Lease	13.7	63	140
CC Pairs Supported For 4.5 Months	3	14	31
Average Lease Fee	$10.43	$10.95	$13.80

The largest private lease category listed in Table 2 contains only 10% (140 AUMs vs. 1311 AUMs) of the carry capacity represented in an average DSL lease. Three private leases in Klamath County range in size from 40,000 acres to 90,000 acres and charge $10/AUM. Most private land leases are for much smaller acreage leaseholds than DSL's. These facts indicated that the private lease data presented to the Committee came from livestock operations that have a different operational capacity than those of an average state leaseholder (Table 1).

13. DSL Lands DSL block lands have limited potential for generating calf revenue given their average carrying capacity of 9.6 acres per AUM. DSL lands are similar to SW Idaho and NE Nevada in terms of climate and range productivity when compared to the 9 western states that lease grazing land. Some of the subarea's of Colorado's state rangelands resemble DSL lands in regard to carrying capacity.

14. Lessee Costs Little quantitative data exist that document the costs associated with maintaining a DSL leasehold. A review of research literature indicates that fee differences between public and private leases are the result of fee discounts that take into account the operational costs absorbed by the rancher while grazing primitive or otherwise undeveloped rangelands. The state share factor in the current fee formula adjusts the grazing fee to reflect the operational costs absorbed by the rancher.

A 1997 study by Van Tassel et al. (Van Tassel, L., A. Torell, N. Rimby and E. Bartlett. 1997. Comparison of forage value on private and public grazing leases. J. Range Manage. 50:300-306.) utilized data (Idaho, N. Mexico and Wyoming) compare costs from 141 ranches with BLM, 60 ranches with USFS and 134 ranches with private leases to estimate costs being absorbed by ranchers on federal and private leases. The following table (Table 4) is a summary of their findings.

Table 4
Summary of Rancher Expenses ($/AUM)

	BLM	USFS	Private
Cost & Animal Loss	3.17	4.61	2.22
Moving Livestock	2.61	4.49	1.93
Herding	3.63	5.00	2.94
Salt & Feeding	1.41	1.12	1.80
Water	0.47	0.24	0.11
Maintenance	2.86	3.41	1.84
Other	1.26	3.02	0.49
Permit/Lease Cost	1.92	1.92	7.71
TOTAL	17.33	23.81	19.04

DSL leases are not impacted directly by federal mandates that elevate rancher operational costs. However, they do share many commonalities with the hardships of operating an extensive BLM lease on sagebrush steppe. In 1997, the sale yard price for calves in Oregon was $0.67 per pound, generating an average AUM gross revenue from state land of $16.07. All of these data suggest that the cost bore by individuals holding state leases is significant.

Conclusions

The Committee spent considerable time discussing the merits of the current fee formula; its ease of understanding; applicability to DSL's leases; and the validity of the factors. It also spent a lot of time discussing the lease rates charged by private grazing landowners.

A majority of the members (Tanaka, Larson, Andre, Flynn and Nichols) agreed that the current grazing fee formula reflects fair market rental value. However, no one supporting the current formula felt that sufficient leasehold data were available to validate the formula. Although no one identified the "Calf Price" as a factor in need of review, each identified other factors that needed attention and additional research such as the State Share (20%); the Weight Gain factor; and considerations for location, access and water.

Those members supporting the current formula felt the best arguments that the current fee formula reflects fair market rental value are:

- It is an amount the buyer (the lessee) is willing to pay
- It represents the relative value of what is being produced (i.e. calves) on the land being leased.

All parties agreed that if DSL continued to use the current fee formula, then the factors would need to be reviewed, updated and validated. A well thought out methodology including a disclosure on how the data will be used is considered essential.

Some members (Oberbarnscheidt, Grier, Clemens and Lilly) disagreed that the current fee formula represents fair market rental value. As their reasons for their conclusions they cited:

- The lack of recent data to verify the factors, particularly Weight Gain
- The private grazing land lease values of about $11/AUM on smaller-sized leases (number of cattle/acres)
- The dissimilarity between private land lease ratemaking and DSL (i.e. DSL is not 'acting' like the market)
- The ease of understanding a fee based on comparables.

There was agreement that **IF** private land grazing lease rates were used to establish the DSL grazing fee, the rates would likely need to be discounted to reflect differences in services provided. Ideas for making the adjustment included:

- Adjustment factors could include presence of water and services provided by the landlord or lessee
- Adjustments could be made on a basis similar to a 1991 Colorado study
- Use of an expanded NASS survey with follow up to increase response
- DSL compile by independently researching private land lease rates for lands in vicinity of state leases
- Offer 'vacant' state leases through competitive bid to establish market price
- Compile information about value of current state grazing lease subleases.

The Committee discussed several other points that influence the DSL rangeland program and management by lessees. Among the issues is open public access and obtaining additional revenue from other land users. The public testimony in Hines raised the later point. According to the public testimony and members of the Committee, open public access to state-owned leased land negatively affects both the landlord and lessee by increasing their costs of operation/management and their risk of liability. For example, lessees have to gather cattle let out through open gates/ broken fences and the landlord has additional cost associated with vandalism, weed and erosion control.

Recommendations/Discussion

- **Recommendation 1.** ***The Committee recommends*** that the current fee formula remain in place and that DSL collect supplemental data about the leases sufficient to evaluate the formula factors prior to the next scheduled review that shall be no later than 2008. However, recommendations 4 and 5 address minimum fees.

  Discussion
  Strong support for this recommendation came from members (Nichols, Larson, Flynn and Andre). Other members (Oberbarnscheidt, Clemens, Lilly and Grier) supported the recommendations but with less enthusiasm. Among the concerns were: the need for DSL to set a time for the next fee review and not waiver from it; the need to set a 'floor' to the fee; and the need for more data concerning the variables in the formula

(e.g. weight gain, survival rate, and state share) that are in need of validation. One member (Larson) recommended that, to be accurate, a study be done of the weight gain of calves while on state lease land. The Committee agreed that the current method of using the annual USDA Oregon (statewide) sales data for calves is acceptable. All members agree lessees, where feasible, need to participate in data gathering.

Members (Andre, Larson, Flynn and Nichols) strongly opposed replacing the current formula with a fee schedule based on comparable private land lease rates discounted to reflect the services provided by the DSL. This new schedule would need to be adjusted to reflect the relative value of leaseholds by taking into account access, location, fencing, forage value and availability of water. Two members (Grier and Lilly) gave qualified support to this approach. Concerns were raised about the ability of DSL to compile and research comparable private land lease rates in order to make the formula reliable and reproducible. Two members (Clemens and Oberbarnscheidt) opposed this approach because they felt the data needed was lacking; however, they endorsed continuing efforts to compile comparable private land lease data prior to next fee review.

- **Recommendation 2.** ***The Committee recommends*** that DSL compile private land lease data (including data about services provided and their costs) for the SE Oregon counties for grazing lease lands comparable to DSL leaseholds. Comparable properties will be those of similar size, productivity, forage quality, improvements, access etc. Adjustments may be needed to make sites/rates comparable.

- **Recommendation 3.** ***The Committee recommends*** that if DSL is to meet its Trust mandate in the management of rangelands, it must explore and implement, where feasible, other alternatives for revenue production including but not limited to:

  - Charging for public outdoor recreation opportunities including but not limited to, guided hunting or controlled hunts; and
  - Leasing for alternative energy exploration/production.

  These alternative uses should be pursued while maintaining the grazing uses of the lands and not jeopardizing or violating the current lease agreements.

Discussion

The Committee considered a recommendation that DSL explore closing certain lands to public access and/or providing for controlled or regulated hunts to lessen the management costs of lessees. Several members (Grier, Oberbarnscheidt, Larson and Andre) endorsed this idea; two (Larson, Andre) of those were concerned with the implementation (enforcement) and one (Grier) with there being insufficient documentation to justify the action. Lilly, Nichols and Clemens did not support this recommendation. All but Nichols endorsed a recommendation that DSL investigate the possibility of charging for recreational access to certain rangelands including a fee (pass) for ATV/ORV use. The recommendation was revised to gain support of all members.

- **Recommendation 4.** ***The Committee recommends*** that DSL amend the grazing fee formula rule to limit the annual AUM fee to no less than $4.25 per AUM.

- **Recommendation 5.** ***The Committee recommends*** that DSL amend the rangeland management rules to set the minimum grazing fee at the amount necessary to recover the DSL's cost of lease administration of those small leases.

- **Recommendation 6.** ***The Committee recommends*** that the current Range Manager position be established as a permanent position in the DSL budget and that there be added to the budget such seasonal positions as are necessary to continue the range inventory and improvements work. (*Note: The 2005 Legislature authorized the Range Manager as a permanent position.*)

- **Recommendation 7.** ***The Committee recommends*** that a new Committee be formed for the next review (2008) of the fee formula with representation from the public, lessees and beneficiaries. The composition of the Committee should be such that there is equal and balanced representation from among the interests. In addition, the services of a third party facilitator, with an understanding of grazing permit/lease issues, are recommended in order to allow DSL to more freely participate in discussions.