

**Department of State Lands
Report & Recommendation to the Director
2008 Grazing Fee Advisory Committee**

Purpose of Report:

As specified in Oregon Administrative Rule 141-110-0080(3), the department is required to review the rangeland forage fee formula and its factors to ensure a fair market return is obtained for livestock grazing on state-owned Trust land. The last time this formula was reviewed was in 2004-2006.

The task of the committee was to review the rangeland forage fee formula and its factors to determine whether or not the Common School Fund was receiving a fair market rental value for its livestock grazing program.

Committee Members:

The department selected a six-member committee in May of 2008. Those selected represented the livestock industry, the general public and a Common School Fund Beneficiary. Solicitations were also made for a representative from a special interest group. Even though personal contacts were made with the Oregon Natural Desert Association, no name was submitted as representative for the group.

Dan Nichols, Harney County Commissioner
George Grier, Public-at-Large
Diana Oberbarnscheidt, Public at Large
Joe Flynn, Permittee
Mark MacKenzie, Permittee
Kim Mueller, Beneficiary (withdrew)

DSL representatives: Nancy Pustis, Randy Wiest, and Sheena Miltenberger. Department representatives organized, lead and documented all the meetings, and provided information as requested by committee members.

Committee Meetings

Members of the committee reside all across the state. At the first meeting, it was agreed to by all members that all meetings be held in Bend due to its central location in the state. Note: there was discussion of holding the September meeting in Burns to accommodate a time for public comments by permittees at the meeting. However, due to the personal commitment of various members after that particular meeting, it was again agreed to hold the September meeting in Bend.

Four meetings were held; May 28, June 26, July 24, and September 25, 2008.

All meetings were open to the public. However, the only meeting the public was present at was the September meeting. Several letters were received from the department's livestock grazing permittees prior to the meeting. And, during the meeting a couple additional permittees letters were received. All of which were submitted into the record. All letters noted opposition to any increase in the department's grazing fee, primarily for economic reasons.

Discussion:

As a basis, the 2008 grazing fee formula is:

$$30 \text{ lbs} \times .80 \times .20 \times \$1.053 = \$5.06/\text{AUM}$$

(calf weight gain x marketable calf crop x state share of calf gain x average weighted calf weight gain (USDA-Oregon Agri-Facts price data October-September))

Grazing related information was gathered from sources such as Eastern Oregon University, western states land offices, the Oregon Department of Revenue, Lake, Harney and Malheur County Assessor's, and the results of a questionnaire sent to DSL's livestock grazing permittees.

By the third meeting (July), a preliminary recommendation had formalized. The proposal increased the calf weight gain to 45 lbs and the state share to 25%. It also included a "discount" of \$2.00/AUM. The discount was to compensate the permittee for time invested in dealing with public nuisance factors such as cut fences, open gates, and lost cattle.

The committee members narrowed the conversation regarding which factors to evaluate and agreed that the two primary factors to look at were 1) the average calf weight gain, and 2) the state's share factor. There was also concern from the industry representatives present that the \$2.00/AUM discount could be construed to be a subsidy to the permittees. So, the committee agreed to drop any consideration for a discount for public nuisance. The committee also discussed a process to phase in the new fee formula so the impact to the permittees would be gradual.

Averages as presented by Larry Larson and supported by the results of the permittee questionnaire shows that the average calf weight gain per month is approximately 38lbs. And, the average state share is an average of 31.5% as supported by the research submitted.

Both factors were manipulated in several different ways to decipher what the final AUM rate would be and the subsequent financial impact to the permittee. For example:

$34\text{lbs} \times 80\% \times 20\% \times \$1.053 = \$5.71/\text{AUM}$
 $36\text{lbs} \times 80\% \times 20\% \times \$1.053 = \$6.05/\text{AUM}$
 $38\text{lbs} \times 80\% \times 20\% \times \$1.053 = \$6.38/\text{AUM}$
 $30\text{lbs} \times 80\% \times 25\% \times \$1.053 = \$6.32/\text{AUM}$
 $35\text{lbs} \times 80\% \times 25\% \times \$1.053 = \$7.35/\text{AUM}$

The committee had a difficult time agreeing on a final determination. Primarily because any way the factors were manipulated, the final rate per AUM would result in a grazing rate that is too high and would result in a financial hardship to the permittee.

All members agreed that the formula was working and provided a consistent and equal impact (positive or negative) to both the state and the permittee.

Committee Recommendation:

After a vigorous discussion and review of the information submitted since May, the committee is recommending the following change to the department's livestock graze fee formula:

Increase the calf weight gain from 30 to 35 lbs

Formula: $35\text{ lbs} \times 80\% \times 20\% \times \$1.053 = \$5.88/\text{AUM}$
(This is a \$0.82 increase from the 2008 grazing fee)

Respectively submitted,
November 10, 2008

Nancy N. Pustis
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