Funding Mechanisms for Federal Public Land Agencies

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Executive Summary: This memo is intended to address funding shortfalls currently and historically experienced by federal public land management agencies. Funding shortfalls have resulted in an array of challenges to effective management, particularly in relation to the growing demand for outdoor recreation on public lands. As a result of funding gaps, agencies often make the difficult choice to defer maintenance of infrastructure and allow the environmental impacts of visitation to accumulate. If left unchecked, this dynamic could threaten the growth of the outdoor recreation industry and the ecological value of our public lands. I have analyzed different funding mechanisms intended to close this funding gap, thereby enabling effective conservation and sustainable recreation on federal public lands. The proposed policy alternatives I investigated include Maintaining the Status Quo, Diverting Tariffs, Levying Excise Taxes on Outdoor Products, Permanently Funding the Land and Water Conservation Fund (LWCF), and Increasing Onshore Royalty Rates. Based on notions of equity, cost effectiveness, political and administrative feasibility, and general effectiveness, I recommend that the U.S. Congress improve funding mechanisms by advocating for and pursuing a suite of policy options including Diverting Tariffs, Funding the LWCF, and Increasing Onshore Royalty Rates. These policies will help to grow the critically important outdoor recreation economy while protecting America's public lands in perpetuity.

I. Effects of public land agency funding gaps on the outdoor recreation industry

Outdoor recreation contributes to the degradation of public lands, and funding mechanisms for addressing this degradation are currently insufficient. According to the Outdoor Industry Association and the Bureau of Economic Affairs, the outdoor recreation industry contributes between $412 billion and $887 billion to the national economy annually, depending on what categories are included in the analysis (U.S. Bureau of Economic Analysis 2016; Outdoor Industry Association 2017). Despite the wide range in these numbers, they clearly demonstrate that the outdoor recreation industry is a major component of the US economy. The Bureau of Economic Affairs calculated that the industry represents about 2.2% of the national Gross Domestic Product, a larger share than oil, agriculture, mining, or the pharmaceutical industry (Mitka 2018). Failure to sustainably manage the federal public lands upon which the outdoor industry relies could have significant, detrimental effects on the 7.6 million Americans whose jobs depend directly on the health of the industry. There is currently $18 billion in deferred maintenance across the National Park Service (NPS), U.S. Forest Service (USFS), the Fish and Wildlife Service (FWS), and the Bureau of Land Management (BLM) (Vincent 2017). In order to adequately maintain our federal public lands and the outdoor industry that relies on their sound management, these agencies require more robust funding mechanisms.

II. Goals

The goal of this policy memo is to identify funding mechanisms which could reduce the funding gap for federal public land management agencies. Long-term funding that is not subject to political winds will lead to better planning and decision making due to reliability of funds and the ability to predict budgets far in advance. The suite of preferred funding mechanisms that I have identified will not impose burdensome costs on outdoor gear manufacturers, consumers, or extractive industries.

III. Visitation trends and economic conditions

The outdoor industry is an economic powerhouse, and participation in outdoor activities is growing. The Outdoor Foundation estimates that nearly half of all Americans "participated in at least one [outdoor] recreational activity in 2016" (Levin 2017). Visitation to National Parks reflects this figure: over the past decade, visitation to all National Parks has increased from 275 million to nearly 331 million (U.S. Department of the Interior 2017). Without a commensurate increase in funding, agencies are left attempting to steward increasingly degraded lands with stagnating budgets. Impacts from outdoor recreation include vegetation loss, introduction of non-native plants, soil compaction and erosion, litter, dog waste, water quality degradation, and wildlife disruption. Beyond these material losses, much more is at stake. Public lands are a manifestation of the American ideals of freedom, and they provide unmatched beauty for those who choose to revel in their brilliance. Some citizens may see public lands as an expansive playground. Others may choose to see them as a sacred sanctuary or a source of their livelihood. Each interpretation is valid, as public lands are incalculably valuable to all citizens in myriad ways. Failing to fund their continued protection would result in a profound loss for current and future generations.

IV. Description of alternative funding mechanisms

i. Maintaining the status quo

The Status Quo has proven to be ineffective. Federal land management agencies are chronically underfunded, leading to a massive backlog of deferred maintenance (Vincent 2017). The NPS alone has an estimated $11.6 billion in deferred maintenance; however, its 2017 congressional appropriation of $2.9 billion was only able to cover $519 million in maintenance that year (Bachmann 2018). Even though discretionary funding for the NPS has grown over the past decade, it simply cannot keep pace with the growth in visitation and the maintenance backlog. Furthermore, traditional funding mechanisms such as congressional appropriations are subject to political winds, introducing uncertainty that is incongruent with the goals of long-term planning and management. Additional funding mechanisms such as the Land and Water Conservation Fund (LWCF) have also been somewhat flawed—Congress is keen to raid the fund for non-conservation purposes, so LWCF has only kept its full $900 million entitlement once (U.S. Department of the Interior 2015).

ii. Diverting tariffs

The Outdoor Industry Association (OIA) claims that consumers pay around $700 million in tariffs on imported gear—an amount greater than 75% of the LWCF when it is fully funded (Boian 2016; Outdoor Industry Association 2017). Recent tariffs imposed by the Trump Administration on Chinese products and materials will inflate this amount (Harper 2018). OIA also claims that pre-Trump tariffs were exceptionally high, with some as high as 40%. This tariff revenue is not intended for a particular purpose—it goes to the US Treasury's General Fund and a small percentage is incidentally appropriated to federal land management agencies (Boian 2016).

This policy alternative proposes earmarking all tariffs levied on outdoor products and diverting those funds directly to the LWCF or a similar fund. In doing so, funding for federal agencies becomes coupled with spending on imported outdoor products. Such a policy would not generate sufficient revenue and must be supplemented by additional funding mechanisms. Opponents of this policy may argue that the money would be best used for an alternative purpose, such as assisting US-based manufacturers of outdoor products affected by the high tariffs; however, state governments are already leading this effort through newly established outdoor recreation agencies.

iii. Levying excise taxes on outdoor products

Some states, including Missouri, Minnesota, Arkansas, Texas, Georgia, and Virginia, have imposed various tax schemes to support conservation initiatives on state public lands (Delhomme 2013; Tilt 2018). The results have been substantial: Arkansas collected $475 million in the first decade of its program, and Missouri generates $107 million

annually for conservation projects (Delhomme 2013). In addition, hunters and anglers each pay a federal excise tax (implemented by the Pittman-Robertson Act of 1937 and the Dingell-Johnson Act of 1950) that contribute directly to wildlife and fishery management respectively. Collectively, these taxes are referred to as "pay to play" taxes, and they are generally accepted by hunters and anglers as successful (Boian 2016). This policy alternative proposes mandating a federal excise tax on outdoor goods that is modelled after the "pay to play" taxes.
Unfortunately, the implementation of excise taxes on outdoor goods is problematic because certain goods exist in a "grey area." How can a policymaker know if goods will be used on a trail versus on a college campus? More importantly, excise taxes on outdoor goods have the potential to make products prohibitively expensive (Boian 2016; Outdoor Industry Association 2017). This trade-off should be avoided—access and inclusivity in outdoor recreation is more important than ever, and excise taxes conflict with accessibility.

iv. Permanently reauthorizing the LWCF
The LWCF administers funds and matching grants for recreation and natural resource protection programs at the federal, state, and local levels. The fund is authorized with a cap of $900 million annually, sourced from offshore drilling royalties (U.S Department of the Interior 2015). This detail is of particular import: the fund's innovative philosophy rests upon offshore oil being a public resource from which extraction should benefit all Americans (Long 2018). No monetary support for the LWCF comes from taxpayers, and oil companies would pay the 18.5% royalty regardless. Congress failed to reauthorize the LWCF in September 2018, causing the fund to expire for the first time since its inception. Prior to this expiration, the LWCF generated about $2.5 million dollars per day (Land and Water Conservation Fund 2018). There are no anticipated trade-offs with reauthorizing and dedicating the entirety of the LWCF.

Despite the permanent reauthorization of the LWCF in 2019 by the Natural Resources Management Act, it is also necessary to pass the Land and Water Conservation Fund Permanent Funding Act. This act would to ensure that the entire $900 million fund is fully dedicated to conservation in perpetuity. This policy alternative proposes passing the aforementioned act so that LWCF funds cannot be diverted to other purposes.

v. Increasing onshore royalty rates
Currently, oil and gas producers operating on federal lands must pay 12.5% of the value of extracted petroleum products to the Bureau of Land Management (U.S. Department of the Interior 2018). This royalty rate generated about $2.5 billion in revenue in 2016 (U.S. Government Publishing Office 2015). 49% of this money is returned to the state that encompasses the federal lands, 40% goes to the Bureau of Reclamation, and 11% ends up in the US Treasury (U.S. Department of the Interior 2018). Ultimately, royalties compose one of the largest non-tax sources of revenue for the federal government (U.S. Government Accountability Office 2017). This policy alternative proposes increasing onshore royalty rates and directing the additional revenue to the LWCF or a similar fund.

A Government Accountability Office study has revealed that increasing the onshore royalty rate from 12.5% to 22.5% would only result in a 2% decrease in production and a $5 to $38 million increase in federal revenue annually (Ibid.). A separate analysis by the Center for Western Priorities has also proposed that increasing the rate to 18.75% would increase annual revenue for five western states by $600 million (Center for Western Priorities 2013). In 2015, an Advanced Notice of Proposed Rulemaking (ANPR) promulgated by the BLM proposed updating onshore royalty rates to "ensure that the American people receive a fair return on the oil and gas resources extracted from BLM-managed lands" (U.S. Government Accountability Office 2015). This proposal has since stalled, and royalties remain at the low rate of 12.5%.

Critics may argue that such an increase in production costs caused by increased royalty rates would ultimately harm consumers by increasing gas prices or increasing U.S. reliance on foreign oil; however, these price increases will serve to accelerate the transition to already-competitive alternative energy sources such as solar or wind power.

V. Chosen policy alternatives and rationale

I here propose a suite of policy alternatives which will effectively reduce the funding gap for conservation projects on federal public lands. Included in this suite is Permanently Funding the LWCF, Increasing Onshore Royalty Rates, and Diverting Tariffs. A fully funded LWCF would ensure a consistent baseline of support, while the addition of revenues from onshore royalties and tariffs on outdoor products would serve to bolster this fund without imposing significant economic hardship on any stakeholders. One might argue that increasing royalty rates constitutes an inequitable solution for oil and gas producers; however, current royalty rates do not provide the American people a fair return on resources extracted from public lands. Furthermore, this suite of solutions does not create any burdensome taxes, nor does it introduce any administrative hurdles which may be prohibitive to implement.

To achieve these outcomes, two processes are required. Increasing onshore royalty rates would necessitate the BLM's initiation of an informal rulemaking process, and unlike the 2015 effort, it is critical that the BLM follow that process to completion, leading to the establishment of a published rule. As a member of Congress, you are in the position to assemble a caucus of your peers who can aid in advocating this process to Michael Nedd, Acting Director of the BLM. The remaining two policy alternatives must be achieved via a concentrated effort to advocate the benefits of Diverting Tariffs and Permanently Reauthorizing the LWCF to Congress.

V. Conclusion

Based on my analysis of five policy alternatives, I recommend Permanently Reauthorizing the LWCF, Increasing Onshore Royalty Rates, and Diverting Tariffs. These practical funding mechanisms will serve to alleviate the funding gap faced by federal public land management agencies. These funding mechanisms do not place undue economic burdens on any stakeholders, and these alternatives rank highest in the criteria of equity, cost effectiveness, political and administrative feasibility, and general effectiveness. If implemented, these funding mechanisms can rescue America's federal public lands from death by budgetary starvation, paving the way for future generations to enjoy these lands' immense benefits.

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