WHY WE NEED TO REFORM GOVERNMENT POLICIES THAT REQUIRE U.S. TAXPAYERS TO SUBSIDIZE THE USE OF PUBLIC LANDS AND RESOURCES FOR PRIVATE PROFIT

Introduction

The current fiscal policy governing the lease of public lands for resource exploitation is unsustainable and immoral. Despite a record deficit of $1.47 trillion, the United States congress continues to hand out generous subsidies and tax breaks to a wide range of favored corporate interests. These federal subsidies reward prosperous corporations with low-cost public land leases in order to extract precious natural resources for enormous private profit. Taxpayers are left to bear substantial external costs associated with environmental cleanup and other consequences that linger long after these companies take their profits and leave.

Between 2007 and 2011, it is estimated that federal energy tax expenditures benefiting the oil and gas industry amounted to more than $11 billion at a time when the United States has a national debt of more than $13 trillion and growing.\textsuperscript{1,2} The current public debt (2010) for each individual in the U.S amounts to a burden of $42,738 or $119,618 per taxpayer, of which 9.5 percent are now unemployed.\textsuperscript{3} More than 80 percent of our overall deficit in the long term is due to interest payments.\textsuperscript{4} If we enlarge the debt or defer payments, the compounding burden will be passed on to future generations.

The Resource Renewal Institute (RRI) believes that our current subsidies do not encourage a move toward environmental sustainability, nor are many current subsidies in the public interest. We believe that it is time to re-evaluate the generous public subsidies doled out to private entities. This paper considers some of the economic and environmental consequences associated with just four types of government subsidized resource exploitations. These subsidies involve the private use of public lands and their impact to taxpayers; they are oil and gas royalties, coal mining royalties, lack of fees for hardrock mining, grazing fees, and water subsidies. These subsidies are economically distorting, socially inequitable and environmentally harmful.

For years, various non-profit and citizen groups have protested the government’s policy of providing excessive subsidies for oil and gas royalty relief. Similarly, the absence of royalties for hardrock mining, and the enormously low fees charged to graze livestock on public land have also been cited. These extractive industries have all been subsidized for decades and not just in terms of cash relief. There are significant hidden indirect costs in terms of environmental consequences that have plagued our public lands and pocketbooks for decades. Because these government subsidies are such a great deal for corporate interests, each time the issue of reform is raised, industry lobbyists wage a strong push-back. These aggressive and exploitive industries have developed political muscle as never seen before.

One cannot speak about subsidies without considering the vast water subsidies offered to large agribusiness and water districts at the expense of taxpayers, water consumers, and the environment. In the arid west, there is no more important or disputed resource and water subsidy
is an issue worthy of further examination. For example, it is estimated that the California Central Valley Project provides up to $416 million in subsidized water at the expense of fish and the environment.\textsuperscript{v} In California alone, the 2002 water subsidies to the Westlands Water District have been estimated at $110 million.\textsuperscript{vi} Water subsidies are pervasive and lopsided: in 2002, the largest 10 percent of California farms received 67 percent of the water, for an average subsidy of $349,000 each at market rates for replacement water. Twenty seven farms received subsidies of $1 million or more at market rates, compared to a median subsidy for all recipients of $7,076.\textsuperscript{vii} Valuable water resources have been usurped by large agribusiness with incredible speed and influence. Similar to the other subsides, these perverse subsidies also have serious environmental consequences.

Extensive subsidies are now entrenched as corporate entitlements and are prime examples of the \textit{tragedy of the commons}, a scenario first detailed by Garrett Hardin in 1968. The “commons” in our examples are protected by the Department of the Interior, an agency with a fiduciary responsibility to protect the public’s property and resources. A fiduciary is a public servant that exercises trust and honesty in their dealings for the benefit of the public. A fiduciary must act at all times in the interest of the principal (American taxpayers). We have entrusted our precious natural resources to be stewarded through laws that benefit corporate interests over public interest. This behavior is environmentally and economically unsustainable and is inconsistent with a public servant’s fiduciary responsibility to act in the public interest. Public servants and elected officials are responsible for protecting the economic value of our resources without conflict of interest. Therefore, it is immoral to award our precious natural resources and public lands to for-profit corporate interests at rates that severely harm the public interest. These actions have resulted in incalculable environmental harm and expense to taxpayers and must be reformed.

RRI believes that the public interest is not being protected. As Abraham Lincoln said in his Gettysburg Address “we are a government of the people, by the people and for the people”. As such, it is our responsibility as the elder generation to safeguard our natural wealth through the careful stewardship of our natural resources for future generations. With this goal in mind, we plan to assemble a Council of Elders to examine these four subsidy issues and develop recommendations for public policy reform for the protection and wise use of our public trust lands and natural resources. The framework for elder discussions and policy recommendations will be based on the following public trust principles.

**Public Trust Principles**

- It is morally wrong to reward resource abuse on public lands.
- Public lands and all their resources are owned by the American people and held in trust by the federal government for the benefit of all Americans, including future generations.
- Lease of public lands for resource extraction is a privilege, not a right.
- Public servants and elected officials have a fiduciary responsibility to act in the public interest and to assure that the public rather than corporate powers will benefit from the use of America’s natural resources.
- Resource extraction and public land leasing must be a transparent and open process.
- Taxpayers should not be required to pay additional costs to restore public lands after they have been leased to private entities.
• Subsidies should only be available when the cost benefit is in the public interest.
• Cost benefit analysis must also include evaluation of ecosystem services and environmental consequences as well as fair market values in exchange for any lease or extraction.
• Whistleblowers that uncover waste and fraud must be protected; public servants should be held accountable for corrupt or unethical practices contrary to their fiduciary responsibility.
• Public agencies must assure full consideration of environmental impacts and mitigation for all federal undertakings, including the full costs and environmental consequences of non-renewable resource extraction to future generations.
• Public agencies must balance resource extraction with maintaining biological diversity and healthy ecosystems.
• Legislators that do not act in the public interest should not be elected for future terms and should be exposed for pandering to special interests.
• If subsidies are used for double-dipping or triple dipping they should be examined for reform.

OIL AND GAS

The petroleum industry has established unfair and excessive political clout and consequently reaps more than 2 billion a year in subsidies and tax breaks for oil and gas recovery on treasured public lands, both on- and off-shore. During the George W. Bush Administration, individuals such as Gale Norton and Steven Griles (Griles served time in federal prison for making false statements) were installed as Secretary, and Deputy Secretary of the Interior because of their anti-environmental and pro-oil stances. These individuals sought to open up oil and gas drilling in prime habitat in the Yellowstone National Park, in Arches and Canyonlands National Parks and in other sensitive areas so that special oil and gas interests would profit.

With such preferential treatment many large multi-national oil corporations have seen record profits in recent years, at the taxpayer’s expense. Between 2001 and 2008, the five largest oil companies reported profits of $586 billion; while the Mineral Management Service (MMS) collected meager $8-9 billion in average annual royalties. For example, the cost of a federal oil and gas lease has decreased in the past 25 years and is now $1,961 less per acre to lease than it was between 1954 and 1982. This has resulted in an increase in the overall acreage controlled by these corporations.

In 2007 the Government Accounting Office reported that the U.S. receives one of the lowest government takes from oil and gas (bonuses, rent, royalties, corporate income taxes and special fees or taxes) in the world. In a 2008 report, the Energy Information Administration (EIA) calculated that energy subsidies and the tax benefit of “cost over depletion” losses to the U.S. government over five years is estimated to be 3.2 billion. This was the benefit to oil companies and the loss to the U.S. Treasury. In the period between 1968 to 2007, the estimated taxpayer loss from cost over depletion tax breaks were equal to $102 billion and subsidizing exploration and development costs resulted in taxpayer losses estimated at roughly $53 billion (in 2007 dollars) over this same period. As all levels of government are now searching for revenue
sources to continue social services and educational programs, it is ludicrous that there has been no mention of cutting subsidies that are giveaways to large profitable corporations.

By now most of us have read reports about the corruption within MMS. A 2009 General Accounting Office (GAO) report found many inconsistencies and erroneous information concerning the collection of royalties. Other investigative reports indicated that government officials were more than cozy with the industry that they were regulating. For instance, MMS employees were engaging in sexual misconduct, accepting gifts and gratuities, and even found to be moonlighting with those they were regulating. In addition, MMS staff made egregious contracting errors resulting in billions of dollars of royalties that were uncollectible due to these errors. MMS estimate that their contracting mistakes ranged from $15.7 billion to $21.2 billion of lost royalty revenues resulting from the erroneous Gulf of Mexico leases in 1996, 1997, and 2000. The GAO estimates that more than $160 million in uncollected royalties during the 2006-2007 period were due to corporate self-reporting errors.

Purchasing a federal oil and gas lease is a steal. The price to lease 2,500 to 5,670 acres is only $5.90 to $9.50 annually and the average lease is for a term of 5 to 10 years. Oil companies have leased 47.5 million acres of on-shore federal lands, but only 13 million acres are now in production. Similar production trends occur offshore where only 10.5 million of the 44 million leased acres are producing oil and gas. Companies have stockpiled more than 100,000 extra permits to drill because it is so inexpensive to do so. Another federal giveaway to oil companies limits their corporate liability requirements to be responsible for only $75 million in damages. What happens when the damages exceed that amount?

A Clinton Administration legacy from 1995 exempted oil companies from paying royalties for deepwater drilling leases in The Outer Continental Shelf Deepwater Royalty Relief Act of 1995. This created much interest in drilling offshore and in the Gulf of Mexico. This approach gained additional momentum throughout the G.W. Bush administration. Presently, there are approximately 35,637,392 acres that are leased in the Gulf of Mexico. Of the 8,221 active offshore oil and gas leases, about 54% are in deep water Gulf of Mexico. In 2005, the G.W. Bush Administration provided additional royalty relief in the Energy Policy Act of 2005 and more than $12 billion in industry tax breaks. For the past fifteen years most deepwater drilling has been a royalty-free-ride.

The MMS permits oil companies to self-report their volumes and provide royalty payments in-kind, meaning that they can exchange some of the crude oil for what they estimate that they owe in royalties. In 2006, the estimated value of Royalty-In-Kind revenues from deepwater drilling was approximately $4 billion, approximately 42 percent of the $9.74 billion in total royalties. Some of this payment of oil may go into the Strategic Oil Reserve but the rest of the oil and gas must be sold by the United States, ostensibly to make a profit; however several investigative reports indicate that this has not been the case. In fact, reports show that MMS’s royalty-in-kind production verification for its gas program is less adequate than that used in the oil program.

Can we imagine a world when fair royalties might be collected from the major oil companies? Unfortunately, despite all the tax breaks and subsidies that are offered to oil companies,
taxpayers still must litigate in order to collect our rightful royalties. For instance, between 2000 and 2009, the Project on Government Oversight (POGO) filed and won False Claims Act lawsuits and recovered $400 million in settlements with no acknowledgement of wrongdoing by the oil companies.\textsuperscript{xvii} Lawsuits by oil companies challenging price thresholds, if successful, could result in the loss of an additional $30-53 billion in royalties due to our treasury over the next 25 years.\textsuperscript{xvii} Federal auditors finding such inconsistencies and omissions reported them as they should, but instead of receiving justice, they were fired.\textsuperscript{xviii} Such anomalies raise questions of how much royalty revenue has been hidden and how much is still uncollected. Isn’t it time to end these dirty subsidies and tax breaks and invest in clean renewable energy?

**MINING**

The federal government has given away more than $200 billion in mineral reserves through royalty-free mining and the federal give-away of public lands to the hardrock mining industry.\textsuperscript{xxix} Unfortunately, the budget for fiscal year 2011 continues this freebie to mining corporations by squeezing state governments to make up the difference. The federal budget requires states that receive mineral revenue payments must help to defray the federal costs of managing mineral leases. This is the current rule rather than amending the one hundred-thirty-eight year-old law to require that mining companies finally begin to pay a fair federal royalty on mining.\textsuperscript{xxx}

The General Mining Act of 1872 (also known as the Mining Law of 1872) is an archaic federal statute that allows mining companies to extract valuable hardrock minerals from our public lands without paying any royalties to federal taxpayers – while at the same time degrading water quality, destroying fish and wildlife habitat and limiting recreational opportunities.\textsuperscript{xxxi} Additionally, the mining act allows mining companies to purchase federal land for the low price of $5.00 per acre.

The original intent of the General Mining Act was to encourage people go west and stake individual mining claims as an incentive to settle western lands. The PEW Campaign for Responsible Mining has estimated that the lost federal revenues could be close to $160 million annually: this includes $40 million in lost royalties, $29 million in lost reclamation fees, and a $100 million subsidy that the industry receives annually in tax breaks.\textsuperscript{xxxii} In addition to the lost royalties, American taxpayers have paid over $2.6 billion since 1998 to clean up the toxic wastes left by mining companies.\textsuperscript{xxxiii}

This ancient mining law drafted during the Ulysses S. Grant Administration has never been substantially revised and still does not require any protection of natural resources, including water quality or wildlife habitat. As a result, this law has created an epic legacy of environmental degradation. Dangerous levels of environmental contaminants that have been dumped on public lands still pose hazards to the unsuspecting public. Many abandoned hard rock mines are sources of acid mine drainage and toxic pollutants such as cyanide, arsenic, mercury and lead and these substances pose a hazard to humans and wildlife. According to the EPA, 12,000 miles of streams and 180,000 acres of lakes and reservoirs have been polluted by mine wastes and at least 40 percent of the headwaters of western rivers and streams are still degraded from mineral activities.\textsuperscript{xxxiv}
The vast majority of public lands open to hardrock mining under the 1872 Mining Law are mostly in the 12 Western States, including Alaska.xxxv These mining sites are typically large, complex, and very costly to clean up. With over 161,000 abandoned hardrock mining sites existing in the United States, approximately 33,000 abandoned sites have degraded the environment.xxxvi In 2004, the GAO estimated that the cost to clean up 63 mining sites on Superfund’s National Priorities list was approximately $7.8 billion; much of this is expected to be paid by taxpayers.xxxvii Many of these sites have been long abandoned by the mining companies and are now taxpayers’ liability. More often than not, these sites take decades to cleanup, possibly due to the lack of accountability, the lack of adequate funds, and the complexity of the environmental damages.

Pew’s Environmental Group Campaign for Responsible Mining conducted an interesting comparison between the extraction of coal and the extraction of mineral resources on public lands. Pew reports that hardrock mining, subject to the 1872 Mining Law, exempts royalties for hardrock minerals such as gold, silver, copper and uranium mined on public lands.xxxviii To the dismay of many, this law has not changed substantially in 138 years. Coal mining, on the other hand, is governed by the Mineral Leasing Act which was passed in 1920 and amended several times. This law recoups a royalty that is shared with the states. PEW estimates that from 1920 to 2000 royalties collected from coal mined on federal lands totaled more than $6 billion. In contrast, no royalties have ever been collected under the 1872 Mining Law for hardrock minerals.xxxix

In another example contrasting the ownership of public land for coal versus minerals, Pew found that the coal extraction laws subject to the Mineral Leasing Act allowed public land to remain in public ownership; while the 1872 Mining Law allowed hardrock mining companies to purchase public land for no more than $5 per acre.xl This purchase option has been temporarily halted through appropriations riders since 1995, but is still included in the Mining Law of 1872, which has never been amended.

Mining is hazardous and safety issues abound; open shafts and unmarked mines have claimed lives on public land. The GAO estimates that there are more than 500,000 abandoned hard rock mines in the U.S. and that western states contain approximately 161,000 of these abandoned hardrock mines. The GAO estimates that approximately 332,000 mining features may pose physical safety hazards, such as open shafts or unstable or decayed mine structures.xli For example, the U.S. Mine Safety and Health Administration identified 33 abandoned mine fatalities between 1999 and 2007 on public and private lands in the Western United States.xlii An increasing number of mines require water quality treatment and remediation that will require many years and probably decades of remediation. Such historic use of our federal lands without financial assurances and accountability has also limited recreation opportunities as well as creating substantial safety hazards on federal lands in and around many of our western national parks.

BLM’s abandoned mine lands program has been chronically and drastically underfunded. In its abandoned mine lands strategic plan, BLM identified funding needs of about $130 million through fiscal year (FY) 2013 for high-priority sites.xliii The GAO found that clean-up of environmental hazards in California’s Rand Mining District alone will cost over $170 million,
and the total costs to mitigate abandoned mine sites bureau-wide could ultimately amount to billions of dollars.\textsuperscript{xlii} Currently BLM’s abandoned mine lands program receives less than $10 million in annual funding from various sources including appropriations for soil, water and air; hazard management, and resource restoration.\textsuperscript{xliii} Significant progress to permanently address physical safety and environmental hazards at BLM abandoned mine sites will not be achieved unless substantial additional resources are made available.\textsuperscript{xliv}

Approximately $1 billion of hardrock minerals are taken from public lands each year.\textsuperscript{xlv} The availability of modern mining technologies combined with the escalating prices for hardrock minerals has sparked a mining boom. Since 2003, mining claims on Western public lands have increased by 80 percent.\textsuperscript{xlvi} Isn’t it time that Congress address the enduring legacy of hard rock mining impacts on our nation’s fish and wildlife resources? Isn’t it time that hardrock mining companies pay a fair royalty for the use of our public lands? Isn’t it time to stop our public land giveaways to mining companies?

**GRAZING**

The leasing of federal lands for grazing is a costly proposition for taxpayers. Based on a study by the Center for Biological Diversity in their investigation of the full costs of grazing leases on public lands, they estimate that the full annual cost to the U.S. Treasury for lands operated by the BLM and FS amounts to a minimum of $128 million and could approach $1 billion annually.\textsuperscript{xlvii} The grazing fees charged to ranchers account for only a fraction of the direct costs and the formula used by BLM and FS does not consider many of the indirect environmental costs, which are substantial.

American taxpayers subsidize approximately 6 percent of all livestock producers, the roughly 23,600 public lands ranchers.\textsuperscript{li} Approximately 48 percent (320 million acres) of the western lands are public lands owned by the American people. Privately owned livestock graze approximately 81 percent, or 258 million acres, of public land.\textsuperscript{lii} Power (2002) estimates that public lands presently contribute four percent of all beef and cattle in the United States, including forage and feed grains.\textsuperscript{liii} Public lands ranching accounts for only 0.1 percent of western employment and income.\textsuperscript{liv}

The low fee that ranchers pay to graze private livestock on public land was established in 1978 with the Public Rangeland Improvement Act (PRIA), where the purpose of the fee calculation was to “prevent economic disruption and harm to the western livestock industry.”\textsuperscript{lv} The PRIA formula used by BLM and FS to calculate grazing fees is based on the value of forage to ranchers rather than the cost to taxpayers of providing the service. The low fees charged today ($1.35 per Animal Unit Month (AUM))\textsuperscript{li} equals the lowest allowable federal grazing fee, and lower than market-rate fees charged on private land which in the western states is reported to average $13 per AUM.\textsuperscript{lx} The base value of $1.35 per AUM was established in 1966 and made

\textsuperscript{1} Animal Unit Month (AUM) is the amount of forage needed to sustain one cow, five sheep, or five goats, all over 6 months of age, for one month. An animal unit is based on average daily forage consumption of 26 pounds of dry matter per day.
permanent by President Reagan in 1986.\textsuperscript{lvii} Table 1 illustrates the grazing fees charged since 1981.

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The average monthly lease rate for grazing on private land in 11 western states in 2006 was $15.10 per head.\textsuperscript{lviii} The GAO found that BLM and the FS grazing fees decreased by 40 percent from 1980 to 2004, while grazing fees charged by private ranchers increased by 78 percent for the same period.\textsuperscript{lviii} To recover expenditures, BLM and FS would have had to charge $7.64 and $12.26 per animal unit month, respectively.\textsuperscript{lix}

Fifty percent of all fees collected by BLM and FS, or $10 million – whichever is greater – go to a range betterment fund in the Treasury.\textsuperscript{lx} The fund is used for range rehabilitation, protection, and improvement including grass seeding and reseeding, fence construction, weed control, water development, and fish and wildlife habitat. One half of the fund is to be used as directed by the Secretary of the Interior or of Agriculture, and the other half is authorized to be spent in the district, region or forest that generated the fees.\textsuperscript{lx}

The two agencies allocate the remaining 50 percent of the fees differently. Both agencies allocate a portion of the fees to the state, which varies depending on the agency and the type of grazing authorization. Some additional increment between 25 - 37.5 percent may go to the federal treasury. Grazing fees subject to grazing allotments do not contribute to the treasury; however the remaining 50 percent of the allotment grazing fees go to the state. For any state share, the fee revenue goes to the county in which the grazing occurs.

Natural biological systems are substantially affected by grazing. Grazing by livestock has damaged 80 percent of the streams and riparian ecosystems in arid regions of the western United States.\textsuperscript{lxii} Fish stocks have been damaged by the removal of vegetation, trampling and other intrusions. Overgrazing and livestock trampling facilitate the loss of soils and native vegetation and increases the introduction of exotic weeds. Roads and improvements intrude on wildlife habitat and migration corridors, and native species are replaced with exotic species. If natural predation kills or injures livestock, the natural predators are typically eliminated in government sponsored programs supported by taxpayers.
There continues to be ongoing debate about grazing reform. Environmental groups have pressed for grazing reforms to no avail. President Clinton proposed, and Congress considered, grazing fee reform in the 1990s, but no reforms were ever adopted. In 1993, the Clinton Administration proposed an increase in the administrative fees and revisions of other grazing policies. The proposed fee formula established a new base of $3.96 per AUM and was to be adjusted to reflect annual changes in private land lease rates in the West (called the Forage Value Index). Congress did not pass the fee or policy proposals. Both the 104th and 105th Congress also looked at reforms, but no grazing fee bills have passed either chamber for several years.

The 109th Congress considered buying out the grazing leases with H.R. 3166. Congress and proposed to buy out permittees at a rate of $175 per AUM, estimated at more than twice the market rate. This would have closed the allotments permanently. The proposed buyout program would have cost the public about $3.1 billion if all permits were relinquished, but it is estimated that it would save more than that over time. There was much criticism and opposition to this proposal and it was never implemented.

Grazing fees and the use of public land for private profit needs to be re-examined and reformed. Why do we continue to subsidize long-term grazing entitlements on public lands when there is no benefit to the public?

WATER

The agricultural sector has particularly benefited from water subsidies over other users. Agriculture accounts for 80 percent of the nation’s consumptive water use and over 90 percent in many western states. In the west, 30 percent of the harvested cropland is irrigated. While most irrigated farms in the west are small, the largest 10 percent (with more than $500,000 in annual farm sales) use nearly half of all water used by farms. The extremely low cost of water encourages the production of crops that are both low-valued and highly water intensive and it provides no incentive to use water efficiently. Even modest changes in agricultural water use practices would free up substantial amounts of water for other agricultural uses, urban needs, and for environmental restoration.

Water issues, particularly in the arid west, are very complex and government subsidies typically benefit the only the largest farms. For instance, in 2002, California, agricultural subsidies to the Westlands water district benefited approximately 156 large farms for a value of $22.5 million. In many cases these farms grow subsidized crops that use excessive water rather than crops that would be better adapted to the arid climate. This is a trend throughout the west: large agribusinesses pay less per unit of water than smaller farms, you or I; substantially less.

Such liberal water policies for an increasingly scarce resource has created an environment of liberal water use, thus water resources are rapidly being depleted at a high cost to taxpayers, fish and wildlife. Most large operators are not required to pay the true cost of infrastructure, delivery, and fees such as the operation and maintenance charges that other users must pay. Massive farms in California and the rural west receive more water they actually need because western water rights are based on use, not need. Consequently there is little real incentive to conserve water
because the allocations would decrease, and more importantly a profit can be made by selling excess water. Subsidized water is frequently sold by farmers to cities. As with the other subsidies, water is one more carefully guarded corporate entitlement with a powerful congressional lobby.

Water accounting and subsidies are difficult to calculate and track; but most reports indicate that the public and small farms get the short end of the deal economically. Some reports indicate that California’s Central Valley Project subsidy recipients receive a minimum discount of 55 percent below market value, ranging up to almost 90 percent, for the water they procure. Conversely, California taxpayers pay full market value to the Bureau of Reclamation for water that is needed to restore fish and wildlife habitat (from the Environmental Water Account).

The Environmental Working Group has reported that subsidies offered by the Bureau of Reclamation for the California Central Valley Project are approximately $400 million [per year? Citation needed]. The subsidy amounts are the difference between what should have been paid for the water minus what they actually paid. George Miller (D-Martinez, CA) lamented that, “what is especially outrageous is that the Bureau of Reclamation is secretively negotiating long-term water contracts worth billions of dollars that would provide these same handouts to these same special interests for decades to come, while the rest of California is either running short of water or paying top dollar for it. I wrote a water reform law in 1992 to end these costly giveaways, but the Bureau of Reclamation is ignoring the law and the public and trying to lock in these subsidies for generations.”

The public typically bears the capital cost of water infrastructure, the energy costs to transport it and the costs of environmental spills or cleanup. Peter Gleick, a respected water policy expert, noted that inappropriate pricing policies and economic subsidies encourage wasteful use of water and inhibit efficiency and conservation programs. Professor Gleick has advocated treating water as a special economic good, a concept that was identified as one of four principles for water and environmental sustainability adopted at the 1992 International Conference on Water and the Environment in Dublin Ireland. While there is disagreement about how to define “economic good” or to apply the concept, a variety of new economic and pricing approaches are now contributing to the shift in international water resources development approaches.

The International Conference on Water and the Environment in Dublin (January 26-31, 1992) set forth four principles for water and environmental sustainability.

1. Water is a finite, vulnerable and essential resource which should be managed in an integrated manner.
2. Water resources development and management should be based on a participatory approach, involving all relevant stakeholders.
3. Women play a central role in the provision, management and safeguarding of water.
4. Water has an economic value and should be recognized as an economic good, taking into account affordability and equity criteria.

Water that is accurately priced will give a clear signal to the users that water is indeed a scarce good that should be used sparingly. It would stimulate conservation, may curb demand and would encourage the use of water for high value users. Water pricing, interpreted in this sense, is
consistent with the concept of integrated water resources management and with the fourth Dublin principle.

A more reasonable use of subsidy would be to use it to ensure that water will always be affordable to everyone including commercial and environmental uses that provide public benefit.

**Conclusion**

This paper has been written with the intent to generate a dialogue about public lands and government subsidies at a time of massive public deficit. The historic and current practice of subsidizing the exploitation of public resources and land is unsustainable and extremely damaging. This is not to suggest that subsidies are inappropriate, but our government expenditures should be under careful scrutiny at this time. It is outrageous and immoral that private corporations and individuals are profiting from public trust resources at a cost to taxpayers and the environment. The subsidies that we have given in the past and any that we employ today should not be expected tomorrow or at any other time. Subsidies must not be handed out as corporate or individual entitlements or be rewards to strong lobbies, trade associations or political contributors. Subsidies should be limited to those that can positively stimulate the economy once they have gained traction and are unlikely to result in additional taxpayer expense or environmental degradation that is not considered in the overall cost of the subsidy for public benefit. It is important to subsidize only those entities that can make a positive difference in our environment and economy. Subsidies should benefit the public trust and be transparent. America needs to move to a lower carbon standard of living, one that is economically and environmentally transparent and sustainable. By examining our federal policies toward subsidies, we can contribute to creating a more sustainable approach to managing our natural resources.

**Lynn Alexander for Resource Renewal Institute**

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Center for Biological Diversity, Karyn Moskowitz, MBA, Chuck Romaniello, MS Ag. Econ. October 2002. Assessing the Full Cost of the Federal Grazing Program.  


Ibid.


Gleick --