United States General Accounting Office

GAO

Report to the Honorable George Miller, House of Representatives

September 2001

BLM AND THE FOREST SERVICE

Federal Taxpayers Could Benefit More From Land Sales

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United States General Accounting Office
Washington, DC 20548

September 10, 2001

The Honorable George Miller
House of Representatives

Dear Mr. Miller:

Since 1781, the federal government has transferred or sold[1] about 1.1 billion acres to nonfederal entities—such as state and local governments, businesses, nonprofit groups, and individual citizens—under various initiatives that promoted general economic development, developed transportation systems, supported public schools, and encouraged settlement of the western frontier. Today, the Department of the Interior's Bureau of Land Management (BLM) and the Department of Agriculture's Forest Service administer about 70 percent of the 657 million acres that remain in federal ownership. These agencies continue to transfer and sell federal land, now under more limited circumstances and usually at the request of nonfederal entities; for example, a community wanting to develop a public park, a nonprofit group wanting land for a shooting range, or a neighboring homeowner wanting to obtain clear property title after mistakenly building part of his residence on federal land.

Interested in the authority for and the extent of such transfers and sales, and concerned about whether they serve the federal taxpayers' interest, you asked that we: (1) determine the key statutes authorizing BLM and the Forest Service to transfer land and the transfers made during the past decade (i.e., fiscal years 1991 through 2000); (2) determine the key statutes authorizing the agencies to sell land and the sales made during this 10-year period; and (3) assess whether the agencies received the appraised value—which estimates fair market value—when they sold land during this period.

In conducting our work, we obtained aggregate annual data reported by the agencies on the transfers and sales that they completed during fiscal years 1991 through 2000, to ascertain the key statutes and the transactions

[1]In this report, we consider land to be "transferred" when the government is authorized by law to receive less than its fair market value (or zero value) and "sold" when the government is directed by law to receive at least its fair market value.

made under them. We also reviewed all of the transfers and sales the agencies completed in calendar year 1999 (the most recent year for which complete data were available when we began our review) to understand how the agencies implemented the various statutory requirements and to examine the appraisals. Details of our scope and methodology are discussed in appendix I.

Results in Brief

During fiscal years 1991 through 2000, BLM alone was authorized by law to transfer land. In total, it transferred about 79,000 acres during this period under four key statutes and received about $3 million. The oldest of the four statutes is the Desert Land Act, which was enacted in 1877 to provide arid agricultural land to individuals who have made efforts to irrigate it and meet certain other requirements; under this statute, BLM transferred about 13,000 acres during this 10-year time frame for the price set in law of $1.25 per acre. Most of the land transferred by BLM during this period was transferred under the Recreation and Public Purposes Act, which allows land to be transferred to communities for recreational and other public purposes. Under this statute, BLM transferred about 42,000 acres for below-market prices—ranging from 90 percent of the fair market value down to zero, depending on the purpose for which the land will be used and type of applicant. Of the four statutes, BLM transferred the least land under the Color-of-Title acts, which provide land to eligible individuals who mistakenly believe they already own it; under these acts, BLM transferred about 4,000 acres generally for a minimum price set by the agency of $1.25 per acre. The most recent of the four transfer statutes is the Southern Nevada Public Land Management Act, enacted in 1998 to provide land to Clark County, Nevada, for certain public purposes; as directed by this statute, BLM transferred about 20,000 acres at no cost to the county.

BLM and the Forest Service are both authorized by law to sell land and are directed by law to receive at least fair market value when they do so; BLM has broader authority and has sold much more land. In total, BLM sold about 56,000 acres during fiscal years 1991 through 2000 under three key statutes and received about $74 million. BLM's primary sales statute is the Federal Land Policy and Management Act, enacted in 1976, which allows BLM to identify land that may be sold and directs the agency to use competitive bidding procedures unless it determines that noncompetitive sales are necessary for reasons of equity—for example, to give preference to current users of the land. Under this statute, BLM sold about 55,000 acres—offering about 24,000 acres under competitive bidding procedures—for about $38 million during this 10-year period. The other

two statutes authorize BLM to sell certain land in southern Nevada under the requirements of the Federal Land Policy and Management Act: under the Santini-Burton Act, BLM sold about 600 acres for about $27 million, and under the Southern Nevada Public Land Management Act, BLM sold about 100 acres for about $10 million; almost all of this land was sold competitively. In contrast, the Forest Service sold only about 2,000 acres—all noncompetitively—during this period and received about $5 million, under two key statutes. Under the Townsite Act, which provides land to western communities for community purposes, the Forest Service sold about 800 acres and received about $3 million. Under the Small Tracts Act, which allows the sale of small parcels that are isolated or difficult to manage, or used by nonfederal entities who believed they had a right to do so, the Forest Service sold about 1,200 acres and received about $2 million.

When BLM and the Forest Service sold land, they both generally received at least the appraised value. BLM generally offered land for competitive sale when agency personnel believed there to be more than one potential buyer for the parcel; in these sales, the agency used appraised values as starting bids—that is, as minimum sale prices—and received prices that were, on average, about 18 percent higher than appraised values. BLM sold land directly (noncompetitively) to applicants when the parcel for sale was in use (whether the use was authorized or not) and agency personnel believed that the current user was the only potential buyer. When BLM or the Forest Service sold land noncompetitively, they generally set the sale price as the appraised value. Some of the parcels the agencies sold noncompetitively might have been more appropriately offered for competitive sale, and in some of the noncompetitive sales, the appraised value underestimated the fair market value because it was not based on the land's current or planned use. For example, BLM allowed a city in Arizona to use an 80-acre parcel as a sand and gravel pit; after the pit was depleted, the city applied to buy the parcel to use as a landfill. The parcel was appraised for use as an industrial or recreational site and the excavated area was determined to have no value for these uses—although the city planned to use the land explicitly because it was excavated. BLM sometimes sold land for less than its fair market value as estimated by its appraised value—despite having no authority to do so—generally to resolve trespasses that posed difficult management situations.

Under the key land-sales statutes, both BLM and the Forest Service have opportunities to enhance federal revenues when they sell land, by increasing their use of competitive sales and appraising parcels that are sold noncompetitively on the basis of their current or planned use. In

addition, we recommend that BLM not sell land for less than its fair market value, unless it obtains specific legislation to do so under specific circumstances, and that it clarify certain requirements when it transfers land. We requested comments from the Departments of the Interior and Agriculture, but none were provided.

Background

When BLM or the Forest Service estimates a parcel's fair market value, they generally obtain an appraisal that complies with federal appraisal standards.[2] According to the standards, fair market value is defined as the amount for which a property would be sold—for cash or its equivalent—by a willing and knowledgeable seller with no obligation to sell, to a willing and knowledgeable buyer with no obligation to buy. The standards require an appraiser to first identify the property's "highest and best use," which is defined as the use that is physically possible, legally permissible, financially feasible, and maximally profitable for the owner. The appraiser must estimate the property's value using at least one of three approaches: (1) the sales comparison approach, which compares the property with other properties that have been sold; (2) the income approach, which applies a capitalization rate to the property's potential net income; or (3) the cost approach, which adds the estimated value of the land to the current cost of replacing any improvements (such as buildings). The sales comparison approach is generally considered to be the most reliable when sufficient market data are available; it considers various factors—such as the location, size and other physical characteristics, and uses of the properties—to estimate the extent of comparability between the property being appraised and the comparable properties. On the basis of the prices of the properties that are judged to be the most comparable, the appraiser then estimates the fair market value of the property being appraised.

Federal appraisal standards generally address appraisal procedures and documentation rather than outcomes. The standards explicitly allow for the application of professional judgment in estimating a property's fair market value: "The appraiser should not hesitate to acknowledge that

[2]Two sets of standards apply to appraisals of federal land: (1) the *Uniform Appraisal Standards for Federal Land Acquisitions*, revised in 1992 by the Interagency Land Acquisition Conference, a voluntary organization established in 1968, chaired through the Department of Justice, and composed of representatives of federal agencies that acquire land; and (2) the *Uniform Standards of Professional Appraisal Practice*, developed in 1986-1987 and annually updated by the Appraisal Standards Board of The Appraisal Foundation, a not-for-profit educational organization established in 1987 and directed by a board of trustees.

appraising is not an exact science and that reasonable men may differ somewhat in arriving at an estimate of the fair market value." Before either agency uses an appraised value, an agency appraiser must review the appraisal report, assure it complies with federal appraisal standards, and approve it for agency use.

BLM Transferred 79,000 Acres Under Four Key Statutes

Four key statutes authorize BLM to transfer land. Under these statutes, BLM transferred about 79,000 acres for about $3 million during fiscal years 1991 through 2000: about 13,000 acres under the Desert Land Act; about 42,000 acres under the Recreation and Public Purposes Act (R&PPA); about 4,000 acres under the Color-of-Title acts; and about 20,000 acres under the Southern Nevada Public Land Management Act (SNPLMA). The Forest Service did not transfer land during our study period, although it recently received authority to do so under the Education Land Grant Act.

Desert Land Act

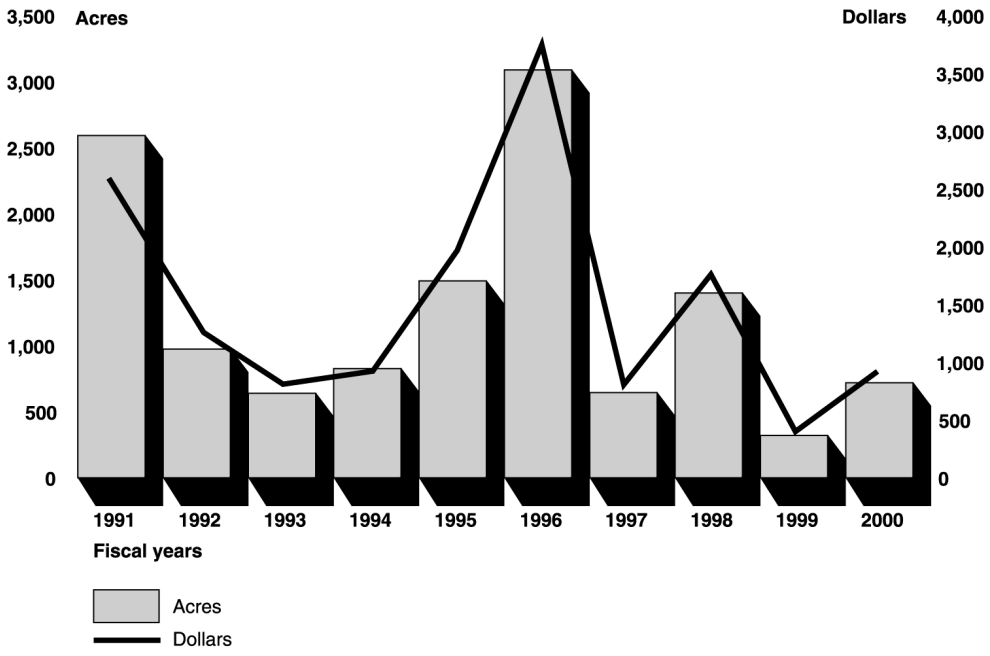
Enacted in 1877, the Desert Land Act authorizes BLM to transfer arid western land to applicants who have made efforts to reclaim, irrigate, and cultivate it, for $1.25 per acre.[3] Applicants must first identify such land—limited to 320 acres per application—as suitable for agriculture and incapable of producing crops without irrigation; in addition, the land generally cannot have minerals or timber. Among other requirements, applicants must hold a legal right to the water they plan to use for irrigation and prove that they have expended at least $3 per acre in reclamation, irrigation, and cultivation. According to BLM, identifying federal land that could be acquired under this statute is now difficult for several reasons, including the following: most of the arid western land that is suitable for agricultural development is now privately owned, the amount of water available for irrigation is now limited, and the costs of developing irrigation projects are now high—roughly $250,000 for a 320-acre parcel. In addition, the application process is time-consuming for applicants and agency officials, sometimes taking 10 or more years to complete.

Under the Desert Land Act, BLM transferred about 13,000 acres from fiscal year 1991 through fiscal year 2000 and received about $15,000. Figure 1

[3] 43 U.S.C. 321 et seq. This act applies to the 11 contiguous western states—Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming—plus North Dakota and South Dakota.

shows the acres transferred under the Desert Land Act, and the amount received, annually for this 10-year period.

Figure 1: Acreage Transferred and Amount Received Under the Desert Land Act, Fiscal Years 1991 Through 2000



The number of acres transferred annually ranged from about 300 acres in fiscal year 1999 to about 3,100 acres in fiscal year 1996.

Recreation and Public Purposes Act

R&PPA authorizes BLM to transfer land to state governments, local governments, and nonprofit organizations, if the land will be developed and used for recreational or public purposes, upon application from any of these entities.[4] Prices for this land are set in the act or by the agency at less than fair market value, depending on the type of entity applying and the purpose for which the land will be used, as shown in table 1.

[4]43 U.S.C. 869 et seq.

Table 1: Pricing Requirements for Land Transferred Under R&PPA

Price	Applicant	Purpose
No value	State or local government	Historic monuments or recreation
Greater of $10 per acre or $50 in total	State or local government	Other government-controlled uses that serve the general public (e.g., schools, firehouses, landfills)
50 percent of the appraised value	State or local government, or nonprofit organization	Public purposes that are open to the general public (e.g., cemeteries, fairgrounds)
90 percent of the appraised value	State or local government, or nonprofit organization	Other public purposes that are not open to the general public (e.g., "members only" shooting ranges)

Source: BLM's Manual, revised Oct. 1994.

Before BLM transfers land to an applicant under R&PPA, the agency is authorized and generally prefers to enter first into a multi-year lease with the applicant. Such leases help the agency to assure that applicants develop their proposed projects as planned and in a timely manner.

When BLM transfers land under R&PPA, the agency restricts the deed to require that the parcel continue to be used for the stated purpose and not be transferred to another owner without BLM's consent. If these deed restrictions are violated, BLM generally requires that the owner take corrective action—such as returning the parcel to its stated purpose—or transfer the parcel back to BLM.[5] In cases when the owner wants to continue to use the parcel in a way that violates the deed restrictions, BLM often agrees to take back the parcel and then sell it to the former owner for its current appraised value. To assure that the deed restrictions are met, BLM's policy is that field offices should visually inspect each transferred parcel at least once every 5 years. For example:

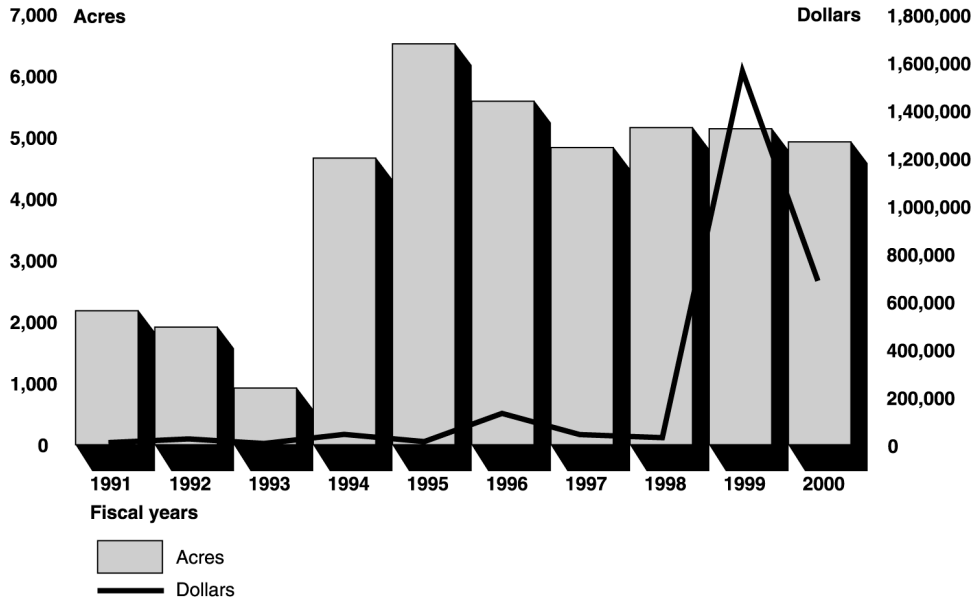
- BLM field office staff inspected a 160-acre parcel in Idaho that had been transferred to a nonprofit group to develop and use as a trap-shooting and rifle range. In their inspection, staff found an occupied trailer, an abandoned car, miscellaneous garbage, and weeds growing in the area that was to be cleared—all in violation of the deed restriction. BLM staff subsequently directed the group to take specific actions to correct the violations.

[5]BLM may decide not to similarly restrict the deed for land that is to be used for landfills or similar purposes, to avoid the possibility of a parcel returning to federal ownership after it has been contaminated and may pose environmental hazards.

Field office representatives told us that limited staff resources and higher work priorities preclude them from inspecting all transferred parcels every 5 years. BLM's automated public lands database shows that field office staff visited only about 40 percent of the 277 parcels with restricted deeds that were transferred in the period from fiscal years 1991 through 2000; monitoring visits were done (or scheduled) at intervals longer than 5 years for some parcels but were not done (or scheduled) at all for other parcels. To address this problem, BLM offices have adopted alternative approaches: for example, one field office hired a summer intern to inspect transferred parcels; another requested additional funds to hire contractors to do these inspections; yet another used a volunteer. However, BLM has not assessed the feasibility of other less costly approaches, such as requiring owners of transferred parcels to document their compliance with deed restrictions by submitting periodic reports and/or photographs of their land; field office staff could review these documents and inspect parcels as needed—for example, if the documents were not submitted on time or appeared to show noncompliance.

Under R&PPA, BLM transferred about 42,000 acres during fiscal years 1991 through 2000 and received a total of about $2.6 million: about 22,000 acres were transferred to state or local governments for historic monument or recreation purposes (at no cost); about 17,000 acres to state or local governments for other government-controlled purposes that serve the general public (for the greater of $10 per acre or $50 total); and the remaining approximate 3,000 acres to state or local governments or nonprofit organizations for other public purposes (for a percentage of the appraised value). Figure 2 shows the acres transferred under R&PPA, and the amount received, annually for fiscal years 1991 through 2000.

Figure 2: Acreage Transferred and Amount Received Under R&PPA, Fiscal Years 1991 Through 2000



The number of acres transferred under R&PPA ranged from about 900 in fiscal year 1993 to about 6,500 in fiscal year 1995. The amount received from R&PPA transfers ranged from about $9,000 in fiscal year 1993 to almost $1.6 million in fiscal year 1999. The significant increase in that year was due primarily to transfers of three parcels in Las Vegas, Nevada, to churches, at 50 percent of their appraised values—one parcel yielded over $250,000 and two parcels yielded more than $500,000 each.

Color-of-Title Acts

BLM is also authorized to transfer land under the Color-of-Title Act and several other laws that the agency collectively refers to as the Color-of-Title acts.[6] Most of the land is transferred under Class I claims made under

[6]The Color-of-Title Act addresses claims involving land acquired on January 1, 1901, or earlier (43 U.S.C. 1068(b)) and land acquired after this date (43 U.S.C. 1068(a)). The other acts involve land that is adjacent to Spanish or Mexican land grants (43 U.S.C. 178); land that was erroneously surveyed along shorelines of rivers or other bodies of water (referred to as "erroneously meandered lands") in Arkansas (43 U.S.C. 992), Louisiana (43 U.S.C. 993), and Wisconsin (43 U.S.C. 994 and Act of August 24, 1954, 68 Stat. 789); and land that was not previously surveyed (referred to as "omitted lands") in Idaho (76 Stat. 89) and generally (43 U.S.C. 1721).

the Color-of-Title Act.[7] Class I claims are those made by applicants who have valid reasons to believe that they already owned the land. Applicants must identify the land (limited to 160 acres per applicant), show that they (or their ancestors or the prior owners) held title to the land for more than 20 years without knowing it was in fact federally owned, and placed valuable improvements on the land or cultivated it. By law, the price of the land is based on the appraised value—net of the value of improvements or development—that is discounted to reflect an applicant's equities; if this calculation results in a price below $1.25 per acre, the minimum price is set at $1.25 per acre. The Color-of-Title Act does not define "equities." However, under BLM's policy, determining an applicant's equities may include considering factors such as the longevity of the applicant's claim, whether the applicant paid fair market value for the land, the origin of the errors that initiated the chain of title, and whether taxes on the land have been paid.

BLM has no guidance on how to quantify these factors or use them to set prices. In the absence of such guidance, field offices have developed inconsistent practices that, ironically, can lead to inequities in the prices paid by applicants. Such inconsistencies were noted by the Interior Board of Land Appeals in a 1984 decision that criticized the department for failing to provide or require a specific approach for estimating applicants' equities.[8] The Board found that a BLM field office had erroneously used the date of the application—rather than the earlier date that the applicant became aware the land was federally owned—to determine the longevity of the claim. The Board pointed out that using the later application date had the effect of increasing the equities for applicants who defer filing their claims, while punishing applicants who took immediate steps to resolve their claims. Despite this decision, the same field office made the same error when resolving a claim in 1999; field office representatives told us that they were unaware of the Board's decision on this issue.

BLM did not always use appraised value as a basis for determining the price of land to be transferred under the Color-of-Title authority, generally because field office representatives thought that the appraisals would have

[7]43 C.F.R. 2540.0-5.

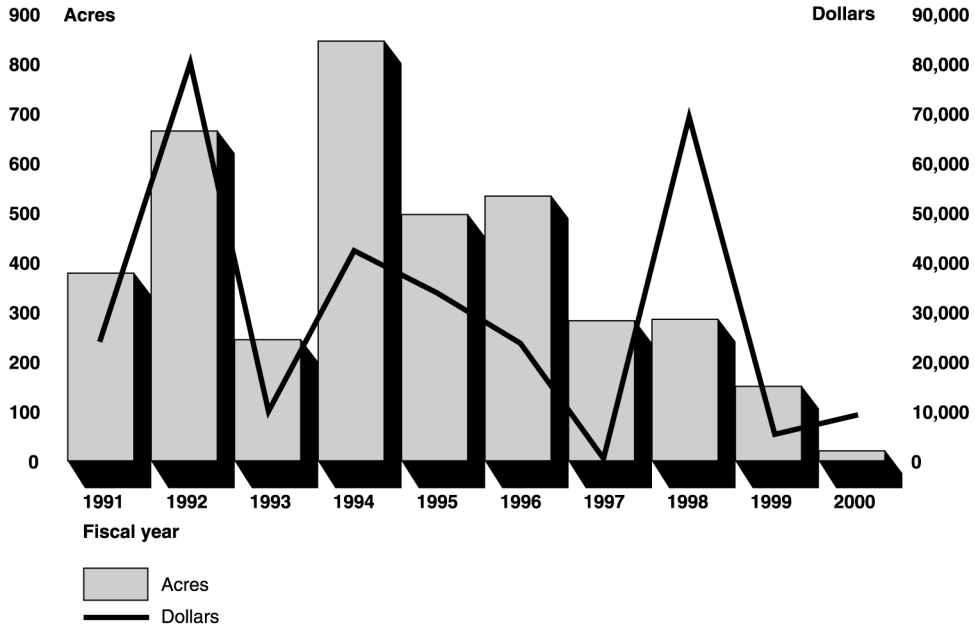
[8]IBLA 81-427 (1984). The Interior Board of Land Appeals (IBLA) is part of the Office of Hearings and Appeals, an independent and quasi-judicial office of the Secretary of the Interior that may review decisions of BLM and the other Interior program bureaus.

cost more than the land was worth. In addition, BLM did not consistently apply the Color-of-Title eligibility requirements. For example:

- BLM transferred 26 acres in Nebraska to a power company, using the parcel's value as assessed by the county for tax purposes, which was $164 per acre, rather than obtaining an appraisal. The field office representative who decided to use the assessed value told us that he did not know that the company had stated in its application that it had paid about $1,000 per acre for the land in 1977. After deducting the applicant's equities from the assessed value, BLM determined that the minimum price would apply.
- BLM transferred 2.2 acres that abutted the backsides of 15 residential and other lots near Ruby Ridge, Idaho, for the minimum price rather than obtaining an appraisal. BLM transferred 1.4 of the 2.2 acres to individuals who were ineligible: three landowners had recently bought second parcels and were aware of the unclear titles, and four individuals had stated in their applications that their parcels had no valuable improvements. BLM field office representatives saw this situation as an opportunity to work cooperatively with the community—the Color-of-Title issue had become locally well known and contentious—and to demonstrate that a federal agency could be a good neighbor.

Under the Color-of-Title acts, BLM transferred about 4,000 acres during fiscal years 1991 through 2000 and received a total of about $300,000. Figure 3 shows the acres transferred under these acts, and the amount received, annually for fiscal years 1991 through 2000.

Figure 3: Acreage Transferred and Amount Received Under Color-of-Title Acts, Fiscal Years 1991 Through 2000



Southern Nevada Public Land Management Act

Enacted in 1998, SNPLMA authorizes BLM to transfer specific parcels of federal land around the McCarran International Airport in Clark County, Nevada, to the county government at no cost.[9] The law also allows the county to sell or lease this land at fair market value. If the county does sell or lease this land, 85 percent of the gross proceeds are deposited into the Treasury for Interior to use for such purposes as acquiring environmentally sensitive land in Nevada; developing or improving parks, trails, and natural areas in the county; developing a multi-species habitat conservation plan in the county; and reimbursing BLM for any administrative costs incurred by its local offices related to sales under this act.[10] In addition, SNPLMA authorizes BLM to make other transfers, such

[9]P.L. 105-263, 112 Stat., 2343 (1998).

[10]The law earmarks 10 percent of any proceeds to the county to use for the airport's development and noise compatibility program and 5 percent to the state for general education.

as land to Clark County for a youth activities facility and land to the state or local governments for affordable housing.

Under SNPLMA, BLM transferred about 20,000 acres in fiscal years 1999 (the first fiscal year covered by the act) and 2000, receiving zero value. However, according to BLM officials, the agency has received about $18 million from Clark County for transferred land that the county subsequently sold or leased.

Education Land Grant Act

Enacted in December 2000, the Education Land Grant Act authorizes the Forest Service to transfer land upon application—up to 80 acres per application, but no more than reasonably necessary—to public school districts to use for educational purposes under certain circumstances.[11] The statute requires the land to be transferred at a nominal cost, and Forest Service representatives told us that they are still considering how they will determine the cost. In addition, the law requires that transferred land continue to be used for the stated purpose and remain in the applicant's ownership or else be transferred back to the Forest Service. The Forest Service did not transfer any land under this statute during our review period.

BLM and Forest Service Sold 58,000 Acres Under Five Key Statutes

Both BLM and the Forest Service are authorized to sell land. BLM sold about 56,000 acres in the period extending from fiscal year 1991 through fiscal year 2000, and received about $74 million, under three key statutes: about 55,000 acres under the Federal Land Policy and Management Act (FLPMA), about 600 acres under the Santini-Burton Act, and about 100 acres under SNPLMA. In July 2000, the Federal Land Transaction Facilitation Act was enacted, which authorizes BLM to use the proceeds when it sells land under FLPMA. The Forest Service, in contrast, sold about 2,000 acres during this same 10-year period, and received about $5 million, under two key statutes: about 800 acres under the Townsite Act and about 1,200 acres under the Small Tracts Act. In addition, the Congress recently authorized the Forest Service to competitively sell specific parcels in certain forests—and to use the proceeds for specific purposes—under several statewide forest improvement acts, but the agency did not sell land under these statutes during our review period.

[11]P.L. 106-577, 114 Stat. 3068 (2000).

Federal Land Policy and Management Act

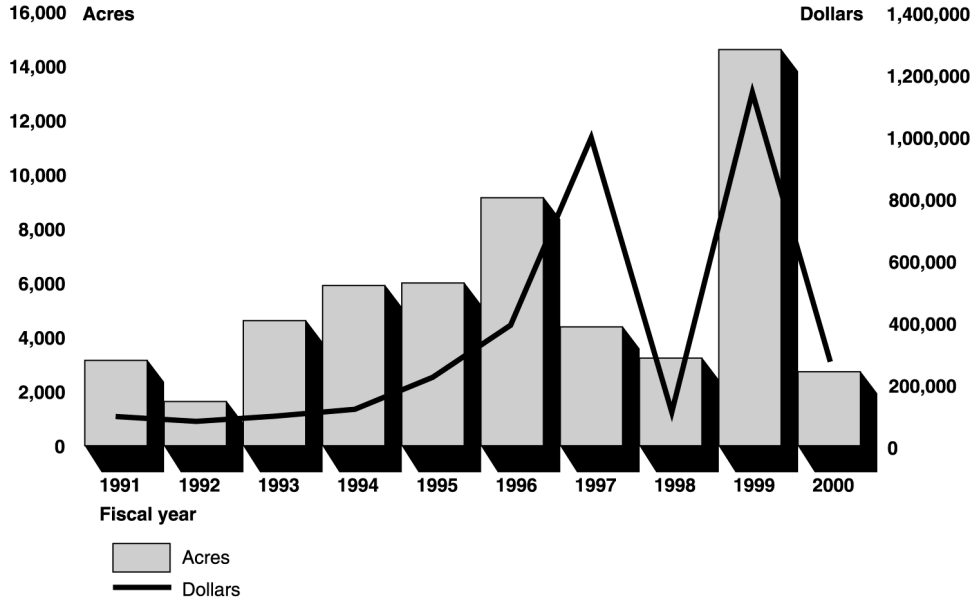
FLPMA authorizes BLM to sell land that the agency has determined through its land-use planning process to be (1) difficult and uneconomic to manage, (2) no longer required for any federal purpose, or (3) better serving public objectives if it were not federally owned; assuming other criteria are met as well.[12] Buyers must meet several requirements and BLM must receive at least fair market value of the land; under BLM's regulations, fair market value is estimated by appraisals that meet federal appraisal standards and are reviewed and approved by the agency. All sale proceeds are deposited into the Treasury.[13] Under this act, the agency must offer the land for sale under competitive bidding procedures—public auction—unless specific equity or public policy considerations support noncompetitive procedures. For example, BLM could decide to give preference to the state or local government in which the parcel is located, a parcel's current user, an adjoining landowner, or another person. Aside from public auctions, sales are generally requested by potential buyers who apply to buy specific parcels. The agency can respond to such applications by (1) using modified competitive bidding procedures—i.e., offering the parcel for sale under competitive bidding procedures and allowing the applicant to match the highest bid received—or (2) selling directly (noncompetitively) to the applicant.

Under FLPMA, BLM sold about 55,000 acres during fiscal years 1991 through 2000 and received about $38 million. Figure 4 shows the acres sold under FLPMA, and the amount received, annually for fiscal years 1991 through 2000.

[12]43 U.S.C. 1713.

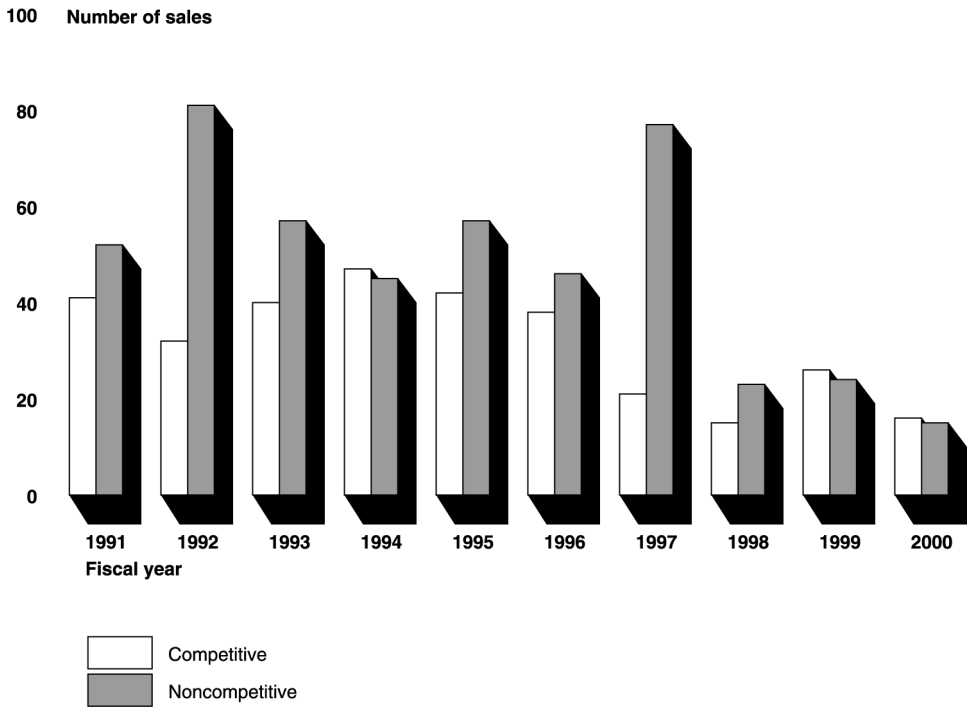
[13]By law, 95 percent of the proceeds from BLM land sales in the 11 contiguous western states—plus Kansas, Nebraska, North Dakota, Oklahoma, and South Dakota—is deposited into the federal reclamation fund and 5 percent is set aside for states' educational and other purposes.

Figure 4: Acreage Sold and Amount Received Under FLPMA, Fiscal Years 1991 Through 2000



Over this 10-year period, BLM sold about 24,000 acres (roughly 45 percent of the total) in 336 competitive sales. The remaining 31,000 acres (about 55 percent of the total) were sold in 495 noncompetitive sales. Figure 5 shows the number of competitive and noncompetitive sales BLM made under FLPMA annually during this same 10-year period.

Figure 5: Number of Competitive and Noncompetitive Sales Under FLPMA, Fiscal Years 1991 Through 2000



Santini-Burton Act

The Santini-Burton Act authorizes BLM to sell land—up to 700 acres per year—that is located within a defined area of Las Vegas, Nevada, to allow for more orderly community development.[14] When BLM sells this land, it must follow FLPMA requirements and receive at least fair market value.[15] The law reserves 85 percent of the sale proceeds, which are deposited into the Treasury, to be used to repay the Forest Service for acquiring environmentally sensitive land around Lake Tahoe.[16]

[14]P.L. 96-586, 94 Stat. 3381 (1980).

[15]The law provides an exception to the requirement to follow FLPMA, to the extent necessary to expeditiously carry out the purposes of the act.

[16]The law earmarks 10 percent of the proceeds to the county (or municipality if the land that is sold lies within its boundaries) to acquire and develop recreational land and facilities and 5 percent to the state for general education.

Under the Santini-Burton Act, BLM sold about 600 acres during fiscal years 1991 through 2000 and received about $27 million; of this acreage, all but 20 acres were sold competitively. About three-quarters of the land was sold in fiscal year 1991 for about $16 million, and there were no reported sales in fiscal years 1994, 1996, 1999, or 2000.

Southern Nevada Public Land Management Act

SNPLMA authorizes BLM to sell additional land—about 27,000 acres—within a defined area of Las Vegas, Nevada. When BLM sells this land, it must follow FLPMA requirements and receive at least fair market value. The law reserves 85 percent of the sale proceeds, which are deposited into the Treasury, for Interior to use for such purposes as acquiring environmentally sensitive land in Nevada; developing or improving parks, trails, and natural areas in the county; developing a multi-species habitat conservation plan in the county; and reimbursing BLM for any administrative costs incurred by its local offices related to sales under this act.[17]

Under SNPLMA, BLM sold about 100 acres in fiscal year 2000—all in competitive sales—and received about $10 million.

Federal Land Transaction Facilitation Act

The Federal Land Transaction Facilitation Act, enacted in July 2000, authorizes the secretaries of Agriculture and the Interior to use the proceeds from selling certain BLM land.[18] In selling this land—which must be located outside of the Las Vegas area of Clark County, Nevada—BLM must follow FLPMA requirements and receive at least fair market value. Sale proceeds are deposited into the Treasury and may be used to buy inholdings—nonfederal land or land interests that lie within the boundary of federally designated areas such as national parks or wildlife refuges—and other nonfederal land that is adjacent to such areas and has exceptional resources.[19] At least 80 percent of the proceeds must be used

[17]The law earmarks 10 percent of the proceeds for water treatment and transmission facility infrastructure in the county and 5 percent to the state for general education.

[18]P.L. 106-248, title II, 114 Stat. 613 (2000).

[19]Land to be acquired must be located in the 11 contiguous western states or Alaska.

to buy inholdings, and at least 80 percent of the proceeds generated by selling land in a state must be used within that state.[20]

Townsite Act

The Townsite Act authorizes the Forest Service to sell land in certain western states to local governments for community purposes, upon application.[21] The application must be for no more than 640 acres and the land must lie adjacent to the community that has applied to buy it. The Forest Service must determine that the sale will serve community objectives—such as expanding existing economic enterprises, public schools, public health facilities, and recreation areas for local citizens—and that these local objectives outweigh public objectives that may be served by retaining federal ownership. In addition, the agency must receive at least fair market value; under its regulations, this value is estimated through appraisals that meet federal appraisal standards.

Under the Townsite Act, the Forest Service sold about 800 acres—nine parcels—during fiscal years 1991 through 2000 and received about $3 million.

Small Tracts Act

The Small Tracts Act authorizes the Forest Service to sell certain small parcels—if their value does not exceed $150,000—to applicants, if the sale is not practicable under any other authority. The land must also be: (1) interspersed with or adjacent to land that was transferred out of federal ownership under the mining laws and is no larger than 40 acres (termed "mineral survey fractions"); (2) encroached upon by entities who believed in good faith that they owned the land and mistakenly improved it and is no larger than 10 acres (termed "encroachments"); or (3) a road right-of-way that is substantially surrounded by nonfederal land and not needed by the federal government.[22] When the Forest Service sells this land, by law the agency must receive at least equal value; by regulation, equal value is defined as the appraised value and appraisals must meet federal appraisal standards. The Forest Service's regulations allow the agency to competitively sell mineral survey fractions and road rights-of-

[20]The law allows up to 20 percent of the proceeds to be used for administrative and other expenses related to land sales.

[21]16 U.S.C. 478a. This act applies to the 11 contiguous western states.

[22]16 U.S.C. 521c-521i.

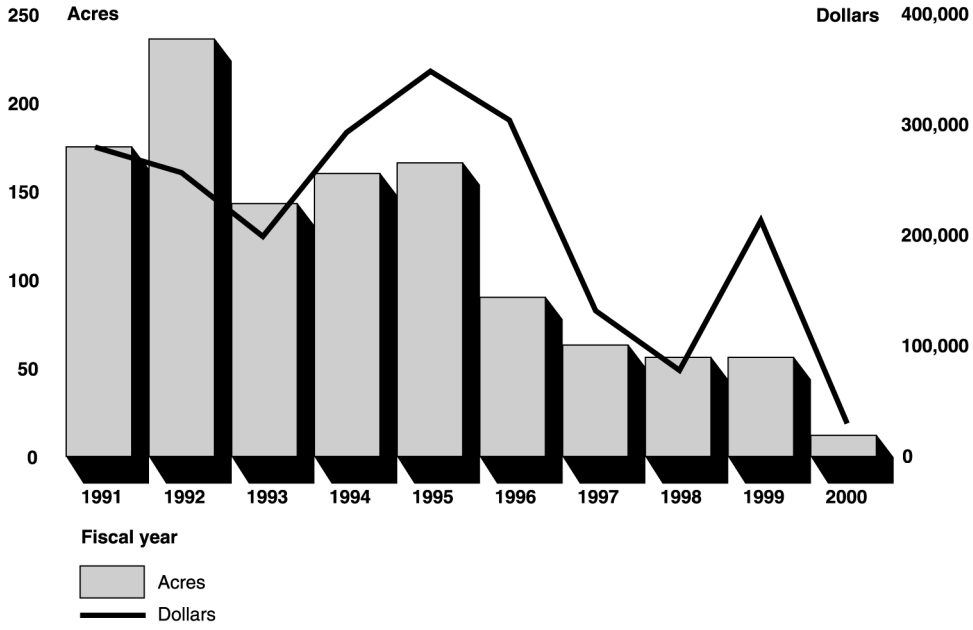
way, if an adjoining landowner has not applied to buy them. However, all completed sales under this authority in calendar year 1999 were direct sales to applicants.

The agency did not always follow the law's requirements. For example:

- An individual applied to the Forest Service to buy 0.4 acres in California, after a new land survey revealed that he had mistakenly built a trailer pad and shed on a national forest. The applicant then sold the land to another individual who continued the application process, and the Forest Service sold the land to the second individual. Furthermore, the Forest Service did not appraise the parcel; instead, a staffmember who was not an appraiser estimated its value at $275 on the basis of prices of recently sold properties.

Under the Small Tracts Act, the Forest Service sold about 1,200 acres during fiscal years 1991 through 2000 and received about $2 million. Figure 6 shows the acres sold under the Small Tracts Act, and the amount received, annually for fiscal years 1991 through 2000.

Figure 6: Acreage Sold and Amount Received Under the Small Tracts Act, Fiscal Years 1991 Through 2000



The acres sold under the Small Tracts Act has declined since fiscal year 1992. According to Forest Service officials, the agency prefers to exchange land under this act rather than sell it, resulting in more frequent exchanges in recent years.

Statewide Forest Improvement Acts

These laws authorize the Forest Service to competitively sell specifically identified properties.[23] The identified lands may have improvements (such as buildings) and are, according to Forest Service officials, typically properties that the agency no longer needs. These laws generally allow the Forest Service to accept cash, other land, existing improvements, or improvements constructed to Forest Service specifications as consideration. Cash proceeds are deposited into the Treasury and the Forest Service may use them for specific purposes, which are often identified in the authorizing act. For example, the Texas National Forest Improvement Act of 2000 authorizes the Forest Service to offer for competitive sale, nine specific parcels totaling about 38 acres, using the sale proceeds to acquire, construct, or improve administrative facilities for national forests in Texas or to acquire other land or land interests in Texas. Similarly, the Arizona National Forest Improvement Act of 2000 authorizes the Forest Service to competitively offer several parcels totaling more than 550 acres and to use the proceeds to acquire, construct, or improve administrative facilities in national forests in Arizona or to acquire other land or land interests in Arizona.

[23]These laws are: (1) the Bend Pine Nursery Land Conveyance Act, P.L. 106-526, 114 Stat. 2512 (2000); (2) the Arizona National Forest Improvement Act of 2000, P.L. 106-458, 114 Stat. 1983 (2000); (3) the Texas National Forest Improvement Act of 2000, P.L. 106-330, 114 Stat. 1299; (4) the Mississippi National Forest Improvement Act of 1999, P.L. 106-113, title IV, 113 Stat. 1501A-210; (5) an Act to authorize the Secretary of Agriculture to convey the administrative site for the Rouge River National Forest and for other purposes, P.L. 105-282, 112 Stat. 2698 (1998); and (6) an Act to authorize the Secretary of Agriculture to convey certain lands and improvements in the State of Virginia and for other purposes, P.L. 105-171, 112 Stat. 50 (1998).

BLM and Forest Service Generally Received at Least the Appraised Value When They Sold Land

When BLM offered land under competitive bidding procedures, the agency often received prices above the appraised values. The Forest Service did not offer land for sale under competitive bidding procedures. Moreover, some land that BLM sold directly to applicants may have been appropriate to sell competitively. When BLM and the Forest Service sold land noncompetitively, the agencies generally used appraised values as sale prices; however, the appraisals sometimes underestimated the parcel's fair market value because they did not reflect the buyer's current or planned use of the land. In a few direct sales, BLM accepted less than the appraised value, although it had no authority to accept less than fair market value.

BLM Usually Received Prices Higher Than Appraised Values in Competitive Sales

BLM offered land for sale competitively—either through public auctions or modified competitive sales—when agency personnel believed that there might be more than one potential buyer. In these competitive sales, the agency used the appraised value as the minimum acceptable bid. From fiscal years 1991 through 2000, BLM sold about 24,000 acres in competitive sales and received $6 million—or 18 percent—more than appraised values. Similarly, in calendar year 1999, BLM sold about 1,900 acres in 22 competitive sales under FLPMA and received about 20 percent more than appraised values. For example:

- BLM auctioned about 200 acres under SNPLMA in November 1999 and sold about 100 acres for a total of about $10 million—about 21 percent more than the total appraised value. The agency did not receive bids on the remaining acres and did not sell them at this auction.[24]
- In an effort to resolve a trespass situation in California, in which a desert mining camp established in the 1880s had evolved into a small town, BLM sold the residential lots to the current homeowners or mining claimants for their appraised value of about $500 per acre. BLM subsequently solicited competitive bids on 12 lots not previously sold to homeowners and sold 5: 2 for their appraised value, an 8-acre lot for $1,000 per acre, a 1.4-acre lot for $3,300 per acre, and a 0.5-acre lot for $4,000 per acre. BLM received about $9,400—or 60 percent—more than the total appraised value.
- A city in Nevada applied to buy 40 acres for a highway beautification project. BLM decided to offer the land for competitive sale and allow the

[24]BLM offered additional parcels for sale in subsequent public auctions—in June and November 2000—and received about 10 percent more than the total appraised value of the acres sold. These sales were completed after our review period.

city to match the highest bid; the agency received a high bid of $1.2 million—about 18 percent more than the appraised value—which the city then matched.

- An adjacent landowner applied to buy 80 acres in Oregon that he had been leasing to graze. BLM decided to offer the land for competitive sale and allow the landowner to match the highest bid; the agency received a high bid of $20,600—about 78 percent more than the appraised value—which the landowner then matched.

BLM and Forest Service Might Have Had Additional Opportunities for Competitive Sales

Of the 28 parcels that BLM sold noncompetitively under FLPMA in calendar year 1999, at least 11 parcels might have been more appropriately offered for sale competitively. These parcels (in whole or in part) had no continuing current authorized use or improvements, and other potential buyers—such as adjacent landowners—may have been interested in them. BLM could have used competitive bidding procedures and sold to the highest bidder or used modified competitive bidding procedures to allow the applicant to match the highest bid; if there were no other bidders, the applicant would have paid the appraised value. BLM did not offer these parcels for sale competitively, however, because agency representatives assumed there were no potential buyers other than the applicants. For example:

- A nonprofit organization applied to buy 40 vacant acres in Colorado to use as a church camp. The parcel did not have public access, because it was surrounded by land owned by the nonprofit organization. However, the appraisal reported that similarly inaccessible parcels had recently been sold and these new owners had subsequently acquired access rights. Furthermore, the parcel was located in a recreational area—near a ski resort, a national park, and other tourist attractions—where property values were rapidly rising. Although BLM sold the parcel noncompetitively for its appraised value of $126,000, the agency planned to offer it to the public had this sale not been completed—an indication that the parcel might have been more appropriately offered for competitive sale.
- BLM had allowed a 1¼-mile recreational railroad associated with a tourist attraction in Arizona to be partially built on public land; however, the field office later determined that it had improperly done so. To resolve the situation, BLM sold the developer 40 acres—land under the track plus land extending out to the adjacent landowners' surrounding properties and the highway. In appraising the 40-acre parcel at an average of $3,700 per acre, the appraiser determined the acres fronting the highway to be more valuable because they could be commercially developed. At a minimum,

these frontage acres might have been more appropriately offered for competitive sale.

Under the Small Tracts Act, the Forest Service's regulations allow mineral survey fractions and road rights-of-way to be sold competitively unless an adjacent landowner has applied to buy them. Of the 27 parcels that the Forest Service sold under the Small Tracts Act in calendar year 1999, 10 were mineral survey fractions or road rights-of-way; 7 of these parcels might have been more appropriately offered for sale competitively if not for the exception to competitive sales in this regulation. These parcels (in whole or in part) had no continuing current authorized use or improvements, and other potential buyers—such as other adjacent landowners—may have been interested in them. For example:

- A private landowner in Montana discovered that he had mistakenly built his residence—a house and garage—on the forest. Although this was an encroachment situation, the Forest Service treated it as a mineral survey fraction because the encroached area was a small part of an 8-acre mineral survey fraction. The landowner applied to buy all 8 acres or any reasonable portion of the parcel. Other private parties also owned land adjacent to the 8-acre parcel and might have been potential buyers for the unoccupied portion. Instead of selling the applicant only the encroached area, and selling the remaining land competitively, the Forest Service sold all 8 acres to the applicant for the appraised value of $8,600.

BLM and Forest Service Usually Received Prices Equal to Appraised Values in Direct Sales

When BLM and the Forest Service sold land directly (noncompetitively) to applicants—usually the current user of the land or the adjacent landowner who planned to use it for a specific purpose—the agencies generally used the appraised value as the sale price. In several of these sales, the appraisal underestimated the parcel's fair market value because it did not reflect the buyer's current or planned use of the land.

BLM sold several parcels directly to buyers for the development of various enterprises, including a landfill, a prison facility, and a sod and tree farm. The appraisals for some of these parcels did not consider the planned use in determining the parcel's highest and best use (defined as the use that is physically possible, legally permissible, financially feasible, and maximally profitable) but instead determined the highest and best use to be

something else.[25] When the planned use of a parcel is reasonably probable, it should be considered in determining the property's highest and best use, according to federal appraisal standards. In these appraisals, the buyer's current use of the parcel or adjacent land diminished the value of the parcel for other uses and reduced the appraised value. In effect, the parcel was appraised as though it could be bought by someone other than the applicant—although BLM had already determined that no other potential buyers existed—and would be used for a purpose other than the current or planned use. For example:

- BLM had for years leased to a city in Arizona the rights to mine sand and gravel on an 80-acre parcel, next to the city's landfill. After the city depleted the sand and gravel deposit—excavating about 70 acres to a depth of 35 to 45 feet—it applied to buy the parcel to expand its landfill. Despite this plan, the appraiser determined that the parcel's highest and best use was for recreation (e.g., a skateboard park) or light industrial purposes (e.g., a construction yard) on the unexcavated acres. The appraiser determined that the 70-acre pit contributed no value for these purposes and appraised the remaining land at $7,500 per acre; the 80-acre parcel sold for its appraised value of $75,000.
- A city in New Mexico applied to buy a 120-acre parcel to develop as a sod and tree farm, which the city planned to irrigate with reclaimed water from its adjacent sewage treatment plant. Despite this plan, the appraiser determined that the parcel's highest and best use was for cattle grazing, finding that a bad odor from the city's sewage treatment plant diminished its value for any other use. The review appraiser noted the absence of fencing and demand for such a small piece of grazing land and also noted that the city's planned use should have been addressed in the appraisal. The reviewer found that the appraisal was not entirely complete by federal appraisal standards and included additional data in his review; with the additional data, he determined that the appraisal could be followed to a reasonable conclusion of value, which was $50 per acre. The parcel sold for its appraised value of $6,000.

[25]In a November 2000 decision involving a BLM land exchange, the Ninth Circuit Court of Appeals found that the appraisal undervalued federal land, and that BLM's actions were arbitrary and capricious, because the appraisal failed to consider the acquiring entity's proposed use—a landfill—as a possible highest and best use. The Court noted that the proposed use of a parcel is certainly relevant to showing a market demand for that use, and that a private owner would certainly consider the value of the land to the proposed buyer in pricing the land. *Desert Citizens Against Pollution v. Bisson*, 231 F.3d 1172 (9th Cir. 2000).

Both BLM and the Forest Service sold several parcels directly to adjacent homeowners who had mistakenly built part of their residences on federal land. The appraisals for some of these parcels did not consider the actual size of the adjacent residential lot to which the parcel would be added but instead assumed a larger lot size. The Forest Service has a policy to make such an assumption in appraising land to be sold under the encroachment provision of the Small Tracts Act, assuming the average size of the parcels used as comparable sales. BLM has no such policy but sometimes made similar assumptions. This assumption tends to reduce the per-acre appraised value: if other factors are equal, larger parcels tend to have lower per-acre values than smaller parcels. For example:

- BLM sold 0.3 acres in Oregon to an adjacent homeowner who had mistakenly built a well and pumphouse on public land. In 1998, the appraiser assumed the parcel was part of the homeowner's 8-acre lot and valued the land at $12,000 per acre (or $4,000 for the parcel). After the homeowner told BLM that he could not afford to pay this price, in 1999 BLM again appraised the parcel. This time, the appraiser assumed the parcel was part of a larger (40-acre) parcel and told us he did so to establish a lower appraised value. The second appraisal valued the land at $3,000 per acre (or $1,000 for the parcel)—75 percent less than the 1998 appraised value.
- The Forest Service sold 0.4 acres in New Mexico to an adjacent homeowner who had mistakenly built part of her residence on the forest. The appraiser assumed the parcel was part of a 130-acre parcel rather than the homeowner's 66-acre lot. The per-acre sale prices of the comparable properties ranged from $3,100 per acre (for the smallest 20-acre parcel) to $1,050 per acre (for the largest 270-acre parcel). The appraiser valued the hypothetical 130-acre parcel within this range, at $2,000 per acre, and appraised the 0.4-acre parcel at $720.

BLM Sometimes Received Prices Lower Than Appraised Values in Direct Sales

In three direct sales that were completed in calendar year 1999 under FLPMA, BLM accepted prices that were below appraised values. Two of these sales were made to resolve trespasses that posed difficult management situations, such as when a trespasser's continued use of federal land was likely to become very costly for the agency to otherwise address. While these decisions may have been cost-effective in the long run, FLPMA and its implementing regulations direct BLM to receive at least fair market value—as estimated by appraised value—when it sells land. BLM representatives told us that the field offices probably "stretched" their authority in resolving these trespasses but needed some flexibility to address such situations. They further said that the agency

could receive authority to sell a parcel at less than fair market value by obtaining special legislation that applies only to the specific case. For example:

- Several years ago an individual occupied mining claims and a millsite on public land in the California desert and had also moved onto adjacent public land without authority. BLM disputed the legitimacy of his occupancy but was unsuccessful in ending the trespass. To resolve the situation, BLM sold him 40 acres—the acres he had occupied plus land that extended out to the adjacent landowners' surrounding properties—which had been appraised at $60,000. After he told BLM that he could only afford to pay $24,000—60 percent less than appraised value—BLM accepted his offer.
- Many years ago BLM transferred 35 acres to an Arizona county under R&PPA to use as a cemetery. BLM received complaints regarding the county's operation of the cemetery and found that bodies had been buried on 3 adjacent acres of public land without authority and that the county was unwilling to take corrective action. To resolve the situation, BLM agreed to take back the parcel and to sell the county 56 acres: the original 35 acres, the 3 trespassed acres, and another 18 adjacent acres for expansion. The appraiser determined that the 38 acres (with bodies) contributed no value and assessed the 18 acres to be worth $17,000. The county told BLM that it was unwilling to pay $17,000 and offered to take the 38 acres that had no value. In response, BLM noted that all land has some value and instead charged the county a "minimum transaction value" of $2,000 for the 38 acres.

Conclusions

When BLM and the Forest Service sell land, they generally seek fair market value, as estimated by an appraisal. When BLM sells land competitively, the agency has the opportunity to test the reliability of such estimates in the open market, capture additional buyers' motivations if present in that market, and enhance federal revenues by receiving higher prices. As a result, BLM has received about $6 million above the appraised values during the past decade. In contrast, when BLM or the Forest Service sells land directly (noncompetitively), they must rely on appraised values to set sale prices; the agencies have no process to test the reliability of appraised values or to seek higher prices if those values are understated. Of 38 direct sales we examined, about half might have been more appropriately offered for competitive sale because there might have been potential buyers other than the applicants, such as adjacent landowners. Furthermore, the appraised value of parcels that are sold directly may underestimate their fair market value—for example, the

land's current or planned use may have diminished its value to other entities while increasing its value to the applicant—and a higher price may be warranted if the agencies are to receive fair market value in noncompetitive sales. In our view, federal revenues could be enhanced if both agencies used competitive sales more frequently and sought higher prices in their direct sales.

BLM faces additional challenges in selling and transferring land. FLPMA requires that BLM receive at least fair market value when it sells land, but the agency has sold land for less than its appraised value—which estimates fair market value—in response to specific circumstances despite having no authority to do so. BLM transferred the most land under the authority of R&PPA—42,000 acres—but did not inspect most of these parcels to assure that deed restrictions were met, due to limited resources and higher priorities; the agency has not fully evaluated less costly means of inspecting these parcels. BLM transferred the least land under the Color-of-Title acts—4,000 acres—but did not consistently determine applicants' eligibility or use appraisals for these parcels and has no guidance on quantifying applicants' equities; as a result, these acts are inconsistently applied across the nation.

Recommendations for Executive Action

We recommend that the Chief of the Forest Service, to enhance federal revenues, take the following actions when the agency sells land:

- change regulations implementing the Small Tracts Act to allow competitive sales of mineral survey fractions and road rights-of-way—either through public auctions or modified competitive bidding procedures—even if an adjacent landowner has applied to buy the parcel;
- require that these parcels be sold competitively unless field offices specifically demonstrate why they should be sold noncompetitively; and
- when selling land directly to applicants, require that appraisals consider the parcel's current or planned use in determining its highest and best use, whether it is to be developed for an enterprise or added to an adjacent landowner's property.

Similarly, we recommend that the Director of BLM, to enhance federal revenues, take the following actions when the agency sells land:

- require competitive sales unless field offices specifically demonstrate why a parcel should be sold noncompetitively; and
- when selling land directly to applicants, require that appraisals consider the parcel's current or planned use in determining its highest and best use,

whether it is to be developed for an enterprise or added to an adjacent landowner's property.

Furthermore, we recommend the Director of BLM take the following additional actions:

- when the agency faces specific circumstances it believes warrant selling a parcel for less than its appraised value, obtain special legislation applying to the specific case that authorizes the agency to do so;
- assess the feasibility of less costly methods of monitoring parcels transferred under R&PPA, such as requiring entities that have acquired these parcels to periodically self-report on their compliance with deed restrictions; and
- develop policy and procedures for Color-of-Title applications, to provide consistency in proving applicants' eligibility, estimating applicants' equities, and using appraisals.

Agency Comments

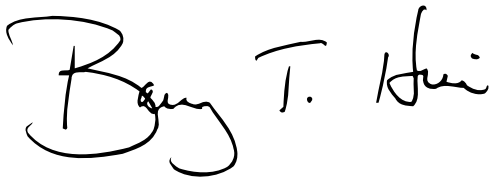
We provided copies of this report to the Departments of the Interior and Agriculture; however, neither department provided comments.

We conducted our review from September 2000 through August 2001 in accordance with generally accepted government auditing standards. Details of our scope and methodology are discussed in appendix I.

We are sending copies of this report to the Secretary of the Interior, the Director of the Bureau of Land Management, the Secretary of Agriculture, the Chief of the Forest Service, and interested congressional committees. We will also provide copies to others on request.

If you or your staff have any questions, please call me at (202) 512-3841. Key contributors to this report are listed in appendix II.

Sincerely yours,



Barry T. Hill
Director, Natural Resources
and Environment

Appendix I: Scope and Methodology

To determine the key statutes under which the BLM and the Forest Service transferred or sold federal land during fiscal years 1991 through 2000, we obtained data from BLM's automated public lands database of nationwide land statistics (referred to as LR2000), from BLM's annual Public Lands Statistics, and from the Forest Service's centralized database of nationwide land statistics. As agreed with the requester's office, we excluded transfers authorized to various states under the terms of their statehood, transfers and sales authorized to resolve Native and Indian land claims, and sales of mineral rights (if they were sold separately from land rights). Based on the preponderance of the remaining reported transfers and sales, we then identified the key statutes; we discussed our selection of these statutes with officials in the agencies' Washington Offices. To describe the transactions made under these key statutes, we obtained and analyzed data on the acres and dollar values of land transferred and sold annually during fiscal years 1991 through 2000.

To identify the requirements for transferring and selling land under these key statutes, we reviewed the laws and the associated regulations, policies, and procedures that were established by the agencies. To determine whether the agencies were meeting these requirements, we examined all 186 transactions—107 transfers and 79 sales—that the agencies reported completing in calendar year 1999 under these key statutes, as summarized in table 2.

Table 2: Transfers and Sales Completed in Calendar Year 1999 Under Key Statutes

	Transfers		Sales	
Key Statutes	**Number**	**Acres**	**Number**	**Acres**
BLM				
Recreation and Public Purposes Act	47	4,310		
Color-of-Title acts	27	152		
Southern Nevada Public Land Management Act	33	5,145		
Federal Land Policy and Management Act			50	14,616
Forest Service				
Townsite Act			2	358
Small Tracts Act			27	54
Total	**107**	**9,607**	**79**	**15,028**

For each of these transactions, we reviewed the complete case file or obtained key documents from the case file, and discussed the documents and our analyses with agency representatives in the cognizant field offices

in the following locations: BLM's Arizona State Office (Phoenix, Arizona), California State Office (Sacramento, California), Colorado State Office (Lakewood, Colorado), Eastern States Office (Springfield, Virginia), Idaho State Office (Boise, Idaho), Montana State Office (Billings, Montana), Nevada State Office (Reno, Nevada), New Mexico State Office (Santa Fe, New Mexico), Oregon State Office (Portland, Oregon), Utah State Office (Salt Lake city, Utah), Wyoming State Office (Cheyenne, Wyoming), and various field offices that are under the administrative jurisdiction of these state offices; and the Forest Service's Region 1 Office (Missoula, Montana), Region 2 Office (Lakewood, Colorado), Region 3 Office (Albuquerque, New Mexico), Region 5 Office (Vallejo, California), Region 6 Office (Portland, Oregon), Region 8 Office (Atlanta, Georgia), Region 9 Office (Milwaukee, Wisconsin), and various forest offices that are under the administrative jurisdiction of these regional offices. We also reviewed the extent to which BLM complied with its policy to inspect parcels that had been transferred under the Recreation and Public Purposes Act every 5 years. Using BLM's public lands database, we determined whether, as of January 2000, inspections for those parcels that had been transferred under this authority during fiscal years 1991 through 2000 had been (1) scheduled and completed as scheduled, (2) scheduled but not completed as scheduled, or (3) not scheduled.

To assess whether the agencies received the appraised value when they sold land, we reviewed federal appraisal standards and examined all 61 appraisals that were completed for parcels that were sold in calendar year 1999: 44 for land sold by BLM under FLPMA, and 17 for land sold by the Forest Service. To analyze the difference in prices between competitive and noncompetitive sales completed by BLM during fiscal years 1991 through 2000, we identified the parcels that were sold under each procedure, and identified the appraised value and the sale price, using available information from BLM's public lands database, the agency's website, and the Federal Register. We also contracted with Mr. Peter D. Bowes—an independent and certified appraiser in Denver, Colorado, who has over 40 years of experience in appraising properties and has worked with various government entities—to provide his professional advice on our analysis. He did not reappraise the properties discussed in this report nor review the appraisals.

We conducted our work from September 2000 through August 2001, in accordance with generally accepted government auditing standards.

Appendix II: GAO Contacts and Staff Acknowledgments

GAO Contacts

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Acknowledgments

In addition to those named above, Jay Cherlow, Christine Colburn, Jennifer Duncan, Cynthia Rasmussen, and Amy Webbink made key contributions to this report.

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