

# DIGEST OF A PERFORMANCE AUDIT OF THE DIVISION OF STATE LANDS AND FORESTRY

Land management in the Division of State Lands and Forestry has improved significantly since our 1977 audit, where we found the division fraught with program management problems. These problems have been reasonably well resolved, but the division now needs to refine its people management by measuring, evaluating, and directing staff efforts more toward activities that produce revenue. Also, the Legislature and board should rescind their authorization for non-competitive land sales, which have cost the trust well over a million dollars. Finally, the board should change its policy to allow advertising and acceptance of bids from all grazers for the trust's better blocked-up lands, which could increase trust revenues by as much as \$100,000 each year.

The division has made significant improvements during the past fifteen years. With the exception of non-competitive sales to political subdivisions and state agencies, the division has strengthened its land sales program to the point that it is receiving, on average, 145 percent more than appraised value on its land sales. Whereas our earlier audit found Utah's coal rental rate was the lowest among comparable jurisdictions and that coal and metal-iferous leases could be extended indefinitely without going into production, these problems have been corrected. Utah's mineral rent and royalty rates now are generally comparable with those in other states. In contrast with earlier conditions, the division's revenue accounting unit has developed a detailed accounting system, correlated with the Division of Finance's FIRMS accounting system, which allocates each of the numerous beneficiaries' funds to their individual accounts on a daily basis. Finally, a computer-generated reminder system helps to assure that each special use lease is reviewed in a timely manner, typically at three to five year intervals, to incorporate current market rates, and an effective royalty auditing unit has been established.

This is the second of two reports responding to the Legislature's Public School Trust Lands Task Force's request for an audit of the Division of State Lands and Forestry. The first report, **A Review of Costs and Revenues of the Division of State Lands and Forestry** (Report No. 92-04), was released July 14, 1992. Whereas the cost report determined that trust funds are not subsidizing General Fund activities, this final report addresses the issues of staff efficiency and maximization of trust income. The following briefly describes the findings of our audit.

**Non-Competitive Sales Should Be Discontinued.** Legislative and board actions authorizing non-competitive (determinable fee) sales to three political subdivisions have cost the trust well over a million dollars and have created legal complications regarding land ownership. Most western states do not make non-competitive trust land sales to cities, counties, and state agencies because such sales do not assure that market value is

received. Further, the determinable fee provision in **Utah Code** 65A-7-4 and board rules have cast a cloud over the legal ownership of certain trust lands sold to political subdivisions and subsequently sold or leased to private parties.

Determinable fee trust land sales had their origin in an act passed by the Legislature in 1959. Determinable fee refers to the limited title, it being determined by a limited use, for example, a public use. In allowing such sales at less than fair market value and without public auction the act stipulates that the land automatically reverts to state ownership if it is ever used for non-public purposes. Since certain local units of government have sold or leased all or part of their acquired land to private parties, the local units of government, the private parties, and the division are now faced with difficult legal problems. The Attorney General's office, the division and the local units of government are currently trying to deal with these legal problems. The dilemma they face is how to resolve these violations without resorting to eviction or other remedies which may not be equitable.

**Surface Management and Special-Use Leasing Need Better Controls.** The division staff who are responsible for leasing surface lands should be more closely monitored to assure their efforts are efficiently applied to maximizing trust revenue, and the elapsed time required to approve a special-use lease should be shortened to reduce the loss of revenue. Surface staff are those concerned with non-mineral activities, such as grazing, easements, and special-use leases. Although the staff's efficiency presently cannot be evaluated due to inadequate time-sheet categories, we used our own measurements. Considered together, these measurements indicate that the administration of surface activities in some areas of the state is inefficient. Also, the elapsed time required to approve a special-use lease should be shortened to reduce the loss of revenue. The time required to process a special-use lease has greatly increased in recent years, being much greater than in other states, which likely has had an adverse effect on trust revenues.

**Lease Procedures Improved, But Grazing Fee Still Low.** Although the division is consistently monitoring and auditing its leases to assure full payment of rents and royalties and Utah's rent and royalty rates are otherwise generally in line with those in other states, its grazing fee is second lowest among western states. While we could not determine if Utah's grazing fee is appropriate, we believe that advertising and competitively bidding the grazing permits on blocked-up land could increase trust revenues by as much as \$100,000 per year.