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Study: Utah State Land Grab Viability Based on Risky Assumptions

Today, Utah businesses spoke out against a highly speculative proposal to transfer federal lands to the state of Utah. A group of economists from state universities are presenting an economic study to the Utah Legislature regarding the state's plan to takeover federal public lands. To determine the economic implications and whether the state could afford to make this change in land ownership, the study's authors fully acknowledge that they based their conclusions on a series of risky assumptions.

Risky Assumption Number 1: Oil and gas prices will remain stable and high.

The land transfer study concludes that the costs of managing the land would likely run around $280 million annually and, under the most optimistic assumption, that the revenues could exceed $320 million, thereby netting the state a $50 million profit. The bulk of these projected revenues come from oil and gas leasing. These calculations assume high and "stable" prices for oil and gas, accompanied by aggressive development with increases in drilling of at least 15%. Not only are oil prices anything but stable, oil has plummeted 40% since June, but the cost of extraction and the quantity available remain uncertain. So if either the revenues go down or the costs go up, the state will be left paying the difference.

These risks are not lost on Utah businesses. "We recently made a significant investment in building our new headquarters here in Utah. We chose Utah because the state is financially sound. The idea that we would risk our state budget on fluctuating oil and gas prices is of grave concern," said Nazz Kurth of Petzl America. "And the idea of betting our future on oil shale is even more disturbing." The studies author's agree. "… oil shale has yet to prove itself as an economically viable resource given current technologies, and progress towards economic viability remains unclear."

Risky Assumption Number 2: Utah gets 100% of the royalties.

All Americans own federal land, and today we split oil and gas royalties 50/50 between the state government and the federal government. But under the new state-management scenario the study assumes that 100% of these revenues will go to Utah leaving federal taxpayers with nothing. Are the rest of Americans going to stand by passively and let Utah take this money? While the study speculates that: “the land transfer could be profitable for the state if oil and gas prices remain stable and high,” such financial viability also depends on the state convincing the federal government to forfeit its entire 50% royalty share, a very unlikely prospect.

Utah businesses are leery of these high-risk speculations that could have long-lasting and damaging economic effects. “Our entire system depends on sharing the federal lands with all Americans. We share both the wonder and splendor of the Slickrock Trail and the Wasatch Mountains along with the bounty of our mineral resources. It is hard to imagine how we would negotiate a special deal where Utah simply stops sharing without causing a domino effect throughout the system that would ultimately cost the state other federal funds or services,” says Peter Metcalf, CEO of Black Diamond Equipment, Co.

Risky Assumptions 3 and 4: We can control fire fighting costs by harvesting more timber.

Fire fighting services are currently provided by the federal government and vary wildly from year to year and state to state. The study relies on average spending over a ten-year period in Utah. Federal fire spending is akin to catastrophic health insurance. Removing ourselves from federal fire spending could result in an unpredictable liability for the state year after year.

The study also further assumes a “resurrection” of the timber industry that will both net more revenue and reduce fire risks. Yet demand for timber aligns with home construction, placing the state’s finances at the mercy of yet another volatile market. The combined risk of timber demand and catastrophic wildfires adds up to yet another questionable assumption.

As for Utah’s recreation economy valued by the authors at $16.9 billion, they rightfully point out that access to public lands is the key to the recreation economy and suggests that “access to roads and trails would increase following land transfer . . . the state would likely be more permissive than federal land managers in this regard.”

Ashley Korenblat, former President of the International Mountain Bicycling Association and CEO of Western Spirit Cycling says, "More access is great, but access to what? Lands that have been aggressively managed for oil and gas? Lands where the 38% of the trees have been removed as the study recommends? The outdoor economy depends on land in its natural state. If suddenly the state has to pay for wildfires, renegotiate its oil and gas revenues, while simultaneously ramping up both leasing and timber harvests, I just don't think the mountain bike trails will be worth riding for visitors or locals." The authors recognize that, "If recreational resources were degraded, impaired or polluted, the demand for travel to recreational destinations would fall, and so would the benefits to society."

While the authors express the need for balance, the study is almost entirely focused on how to squeeze more money out of the land to achieve the dream of an independent Utah at the expense of all Americans including those who live in Utah. Utah businesses see through this rhetoric to the numbers. This scheme will cost the state millions year after year, unless oil prices stay both high and stable and oil royalties are magically renegotiated with no net loss to the state. This is in addition to the inevitable damage to the state's world-class outdoor economy.