Committee Reports

104th Congress; 1st Session

Senate Rpt. 104-183

104 S. Rpt. 183

SKI AREA PERMITS ON NATIONAL FOREST SYSTEM LANDS

**DATE:** December 8, 1995. Ordered to be printed

**SPONSOR:** Mr. Murkowski submitted the following Report

**COMMITTEE:** from the Committee on Energy and Natural Resources

(To accompany S. 907)

**TEXT:**

The Committee on Energy and Natural Resources, to which was referred the bill (S. 907) to amend the National Forest Ski Area Permit Act of 1986 to clarify the authorities and duties of the Secretary of Agriculture in issuing ski area permits on National Forest System lands and to withdraw lands within ski area permit boundaries from the operation of the mining and mineral leasing laws, having considered the same, reports favorably thereon with an amendment and an amendment to the title and recommends that the bill, as amended, do pass.

The amendments are as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SKI AREA PERMIT RENTAL CHARGE.

(a) The Secretary of Agriculture shall charge a rental charge for all ski area permits issued pursuant to section 3 of the National Forest Ski Area Permit Act of 1986 (16 U.S.C. 497b), the Act of March 4, 1915 (38 Stat. 1101, chapter 144; 16 U.S.C. 497), or the 9th through 20th paragraphs under the heading "SURVEYING THE PUBLIC LANDS" under the heading "UNDER THE DEPARTMENT OF THE INTERIOR" in the Act of June 4, 1897 (30 Stat. 34, chapter 2), on National Forest System lands. Permit rental charges for permits issued pursuant to the National Forest Ski Area Permit Act of 1986 shall be calculated as set forth in subsection (b). Permit rental charges for existing ski area permits issued pursuant to the Act of March 4, 1915, and the Act of June 4, 1897, shall be calculated in accordance with those existing permits: Provided, That a permittee may, at the permittees option, use the calculation method set forth in subsection (b).

(b)(1) The ski area permit rental charge (SAPRC) shall be calculated by adding the permittees gross revenues from lift ticket/year-round ski area use pass plus revenue from ski school operations (LT+SS) and multiplying such total by the slope feet percentage (STFP) on National Forest System land. That amount shall be increased by the gross year-round revenue from ancillary facilities (GRAF) physically located on national forest land, including all permittee or subpermittee lodging, food service, rental shops, parking and other ancillary operations, to determine the adjusted gross revenue (AGR) subject to the permit rental charge. The final rental charge shall be calculated by multiplying the AGR by the following percentages for each revenue bracket and adding the total for each revenue bracket:

(A) 1.5 percent of all adjusted gross revenue below $3,000,000;

(B) 2.5 percent for adjusted gross revenue between $3,000,000 and $15,000,000;

(C) 2.75 percent for adjusted gross revenue between $15,000,000 and $50,000,000; and

(D) 4.0 percent for the amount of adjusted gross revenue that exceeds $50,000,000.

Utilizing the abbreviations indicated in this subsection the ski area permit fee (SAPF) formula can be simply illustrated as:

SAPF=((LT+SS)xSTFP)+GRAF=AGR; AGRx% BRACKETS

(2) In cases where ski areas are only partially located on national forest lands, the slope transport feet percentage on national forest land referred to in subsection (b) shall be calculated as generally described in the Forest Service Manual in effect as of January 1, 1992. Revenues from Nordic ski operations shall be included or excluded from the rental charge calculation according to the percentage of trails physically located on national forest land.

(3) In order to ensure that the rental charge remains fair and equitable to both the United States and ski area permittees, the adjusted gross revenue figures for each revenue bracket in paragraph (1) shall be adjusted annually by the percent increase or decrease in the national Consumer Price Index for the preceding calendar year. No later than 5 years after the date of enactment of this Act and every 10 years thereafter the Secretary shall submit to the Committee on Energy and Natural Resources of the United States Senate and the Committee on Resources of the United States House of Representatives a report analyzing whether the ski area permit rental charge legislated by this Act is returning a fair market value rental to the United States together with any recommendations the Secretary may have for modifications of the system.

(c) The rental charge set forth in subsection (b) shall be due on June 1 of each year and shall be paid or pre-paid by the permittee on a monthly, quarterly, annual or other schedule as determined appropriate by the Secretary in consultation with the permittee. Unless mutually agreed otherwise by the Secretary and the permittee, the payment or prepayment schedule shall conform to the permittees schedule in effect prior to enactment of this Act. To reduce costs to the permittee and the Forest Service, the Secretary shall each year provide the permittee with a standardized form and worksheets (including annual rental charge calculation brackets and rates) to be used for rental charge calculation and submitted with the rental charge payment. Information provided on such forms shall be compiled by the Secretary annually and kept in the Office of the Chief, U.S. Forest Service.

(d) The ski area permit rental charge set forth in this section shall become effective on June 1, 1996 and cover receipts retroactive to June 1, 1995: Provided, however, That if a permittee has paid rental charges for the period June 1, 1995, to June 1, 1996, under the graduated rate rental charge system formula in effect prior to the date of enactment of this Act, such rental charges shall be credited toward the new rental charge due on June 1, 1996. In order to ensure increasing rental charge receipt levels to the United States during transition from the graduated rate rental charge system formula to the formula of this Act, the rental charge paid by any individual permittee shall be

(1) for the 1995-1996 permit year, either the rental charge paid for the preceding 1994-1995 base year or the rental charge calculated pursuant to this Act, whichever is higher;

(2) for the 1996-1997 permit year, either the rental charge paid for the 1994-1995 base year or the rental charge calculated pursuant to this Act, whichever is higher;

(3) for the 1997-1998 permit year, either the rental charge for the 1994-1995 base year or the rental charge calculated pursuant to this Act, whichever is higher.

If an individual permittees adjusted gross revenue for the 1995-1996, 1996-1997, or 1997-1998 permit years falls more than 10 percent below the 1994-1995 base year, the rental charge paid shall be the rental charge calculated pursuant to this Act.

(e) Under no circumstances shall revenue, or subpermittee revenue (other than lift ticket, area use pass, or ski school sales) obtained from operations physically located on non-national forest land be included in the ski area permit rental charge calculation.

(f) To reduce administrative costs of ski permittees and the Forest Service the terms "revenue" and "sales", as used in this section, shall mean actual income from sales and shall not include sales of operating equipment, refunds, rent paid to the permittee by sublessees, sponsor contributions to special events or any amounts attributable to employee gratuities or employee lift tickets, discounts, or other goods or services (except for bartered goods and complimentary lift tickets) for which the permittee does not receive money.

(g) In cases where an area of national forest land is under a ski area permit but the permittee does not have revenue or sales qualifying for rental charge payment pursuant to subsection (a), the permittee shall pay an annual minimum rental charge of $2 for each national forest acre under permit or a percentage of appraised land value, as determined appropriate by the Secretary.

(h) Where the new rental charge provided for in subsection (b)(1) results in an increase in permit rental charge greater than one half of one percent of the permittees adjusted gross revenue as determined under subsection (b)(1), the new rental charge shall be phased in over a five year period in a manner providing for increases of approximately equal increments.

(i) To reduce federal costs in administering the provisions of this Act, the reissuance of a ski area permit to provide activities similar in nature and amount to the activities provided under the previous permit shall not constitute a major Federal action for the purposes of the National Environmental Policy Act of 1969 (42 U.S.C. 4331 et seq.).

SEC. 2. WITHDRAWALS.

Subject to valid existing rights, all lands located within the boundaries of ski area permits issued prior to, on or after the date of enactment of this Act pursuant to authority of the Act of March 4, 1915 (38 Stat. 1101, chapter 144; 16 U.S.C. 497), and the Act of June 4, 1897, or the National Forest Ski Area Permit Act of 1986 (16 U.S.C. 497b) are hereby and henceforth automatically withdrawn from all forms of appropriation under the mining laws and from disposition under all laws pertaining to mineral and geothermal leasing and all amendments thereto. Such withdrawal shall continue for the full term of the permit and any modification, reissuance, or renewal thereof. Unless the Secretary requests otherwise of the Secretary of the Interior, such withdrawal shall be canceled automatically upon expiration or other termination of the permit and the land automatically restored to all appropriation not otherwise restricted under the public land laws.

Amend the title so as to read:

A bill to further clarify the authorities and duties of the Secretary of Agriculture in issuing ski area permits on National Forest System lands and to withdraw lands within ski areas permit boundaries from the operation of the mining and mineral leasing laws.

purpose of the measure

The purposes of S. 907 are to establish a Forest Service ski area permit rental charge that returns fair value to the United States; to provide ski area permittees and the Forest Service with a simplified, consistent, and equitable rental charge formula; and to withdraw lands within ski area permit boundaries from the operation of mining and mineral leasing laws.

background and need

Several laws, including the National Forest Ski Area Permit Act of 1986, require the Secretary of Agriculture to charge a fair market value rental charge for ski area use of National Forest lands. Nationwide there are 143 ski areas on or partially on National Forest land. In 1995, these areas occupy approximately 183,000 acres of National Forest land, for which the operators paid approximately $18.7 million on approximately 2 percent of gross revenues (which were $943 million) in rental charges using the Graduated Rate Fee System discussed below.

The current formula used to determine ski area rental charges is contained in the Forest Service Manual and Forest Service Handbook as supplemented by interim directives. Its Graduated Rate Fee System (GRFS) is encompassed in 40 pages and contains hundreds of definitions, rulings, and policies. Under GRFS, each ski area: (1) works with the Forest Service to define a "development area boundary" (a process that has become increasingly contentious); (2) calculates actual revenues or imputed revenues (gratuities, discounts, complimentary tickets, etc.) from revenue sources within that boundary; (3) ascertains "break even categories" for a variety of revenue components; (4) determines gross fixed assets for deduction purposes; (5) applies Slope Transport Feet Percentage (STFP) deductions (the percentage of an areas uphill lift capacity which is located on or off the forest) to various revenue components; and then calculates the final rental charge.

Over the 20 years since GRFS initial application to ski areas, both the GRFS system itself and the nature of ski area operations have become more complex. In particular, many of the larger ski areas have evolved into multi-season resorts, with income and activities divided among Forest Service and private lands. As a consequence, certain components of the GRFS, which originally involved relatively simple accounting of activities on National Forest lands, have become burdensome to both ski area operators and the Forest Service, Increasingly, auditing of the rental charge paid by ski area operators under GRFS has become expensive and time-consuming. Furthermore, there is considerable regional variation in implementation of rental charge policies.

In recent years, the Forest Service had justified assessing rental charges against businesses on private lands on the theory that the related businesses would not exist if it were not for the ski area permits on the National Forest. The Forest Service has also proposed rental charges on "integrated business units" under a "principle of contribution." Under that theory, ski areas would pay rental charges on activities on private lands to the extent that the Forest Service ski permit contributes to the private land revenue.

legislative history

S. 907 was introduced by Senator Murkowski on June 9, 1995. Cosponsors include Senators Leahy, Campbell, Kyl, Brown, Gregg, Craig, Domenici, Burns, Jeffords, Thomas, Baucus, Pressler, Simpson, Murray, Kempthorne, and Bennett. A hearing was held by the Committee on September 15, 1995.

At the business meeting on November 30, the Committee on Energy and Natural Resources ordered S. 907, as amended, favorably reported.

Similar rental charge system legislation was ordered reported by the Committee on Energy and Natural Resources, and passed the Senate late in the 102nd Congress but did not receive consideration in the House.

committee recommendations and tabulation of votes

The Committee on Energy and Natural Resources, in open business session on November 30, 1995, by a unanimous voice vote of a quorum present, recommends that the Senate pass S. 907, if amended as described herein.

committee amendments

During the consideration of S. 907, the Committee adopted an amendment in the nature of a substitute to conform the bill language more closely to that as reported by the Committee during the consideration of S. 2606 in the 102nd Congress with several additional provisions.

As amended, S. 907 simplifies the rental charge formula by bashing it on gross revenue from activities conducted on National Forest lands and multiplying the revenue by certain percentage brackets. The bill defines and limits gross revenue to (1) year-round sales of lift tickets or use passes; (2) revenues from ski school operations; and (3) revenue from ancillary facilities physically located on National Forest lands. (Examples of ancillary facilities are restaurants, sundry shops, rental shops, and parking lots. Where such activities are sub-leased, the gross revenue of the sublessee will be included in the ski area permittees revenue.) It is estimated that these three categories of revenue comprise approximately 95% of revenues which are assessed under the current GRFS system. The remaining 5% of "revenues" included under GRFS is deleted from the definition under the new formula, but its loss is mitigated by the elimination of credits for new investment, administrative cost savings, and other provisions.

As many ski areas are located partially on National Forest land and partially on private land, both GRFS and the proposed new formula adjust gross revenues by the Slope Transport Feet Percentage. Using STFP provides an equitable method to exclude private land to determine adjusted gross revenue for applying the final rental charge percentage brackets.

Upon determination of an areas adjusted gross revenue, the bill identifies four brackets of revenue and multiples those brackets by percentages for each bracket to determine the final rental charge. Adjusted gross income below $3 million is assessed at 1.5 percent; between $3 million and $15 million at 2.5 percent; between $15 million and $50 million at 2.75 percent; and above $50 million at 4 percent. These brackets give the new formula its "progressive" or "graduated" nature, under which small areas will, after the system is fully implemented, pay relatively less than larger areas.

To ensure that the government receives higher rental payments during the transition from the current fee system, the bill includes a payment "floor" in the formula. Under the floor approach, the rental charge for each individual ski area for the first 3 years of the transition will be their the rental charge under the new formula, or the actual rental charge paid by the area for the year prior to the new formulas implementation, whichever amount is higher.

In reviewing the likely financial impact on individual ski areas of converting from GRFS to the new rental charge system, it became apparent that approximately 10 permittees would experience sharp rental charge increases. To mitigate these increases, the amendment adopted by the Committee provides for a five-year transition into the new rental charge system for those area which would experience an increase greater than one half of one percent of their adjusted gross revenue. These areas would be able to phase in the new rental charge.

The bills formula attempts to ensure that rental charges to the United States will increase as gross revenues of ski areas increase but that rental charges will not be assessed for other revenue-producing activities associated with the ski area. Other advantages include: (1) reducing the administrative burden for both landlord and permittee; (2) wide use by other Federal and State agencies and some commercial landlords; and (3) a progressive rental change schedule.

In addition to the rental charge system provisions, the bill includes a provision for withdrawal of lands within boundaries of ski area permits from all forms of appropriation under mining laws and from disposition under all laws pertaining to mineral and geothermal leasing for as long as the permit is valid. The bill also allows the Forest Service to reissue ski area permits to provide activities similar in nature and amount to those activities actually provided on the ground under the previous permit under a categorical exclusion as provided for under the National Environmental Policy Act of 1969.

section-by-section analysis

Subsection (1)(a) provides that the Secretary of Agriculture shall charge ski area permittees for rental of Forest Service lands under permit. Permittees with permits issued pursuant to the 1986 permit act shall be required to pay a rental charge calculated according to the method outlined in subsection (b). Permittees with permits issued pursuant to the 1897 and 1915 Acts are given the option to use the new calculation system but otherwise may continue to calculate their rental charges in accordance with their existing permits.

Subsection (b) sets forth the formula under which the ski area permit rental charge (SAPRC) for ski areas on or partially on National Forests, including Nordic ski areas, shall be calculated. It directs annual adjustment of each revenue brackets adjusted gross revenue figures by the percent increase or decrease in the Consumer Price Index.

Subsection (c) provides that the scheduling of rental charge payments be on an annual basis, with monthly, quarterly or other payments or prepayments to be determined by the Forest Service and individual ski areas.

Subsection (d) provides that the new legislated rental charge shall become effective on June 1, 1996 and cover receipts retroactive to June 1, 1995. However, if a permittee has paid rental charges for the period June 1, 1995, to June 1, 1996, under the existing graduated rate fee system formula, such payments constitutes a credit toward the new rental charge. In order to ensure that the United States will receive increased rental charge receipts during a 3-year transition from the existing graduated rate fee system to the new system, the subsection places a floor on each individual ski areas payment under which every area will pay either the 1994-1995 rental charge or the rental charge calculated in accordance with subsection (b), whichever is higher.

Subsection (e) prohibits revenue or subpermittee revenue (other than lift ticket, areas use pass, or ski school sales) obtained from operations located on non-National Forest land from being included in the SAPRC calculation.

Subsection (f) defines "revenue" and "sales."

Subsection (g) provides for, in cases where an area of National Forest land is under a ski area permit but the permittee does not have revenue or sales qualifying for rental charge payment under subsection (a), payment of an annual minimum rental fee of $2 per National Forest acre under permit or a percentage of appraised land value, as determined by the Secretary.

Subsection (h) directs that new rental charges be phased in over a five year period for areas where the new rental charge results in an increase greater than one-half of 1 percent of the permittees adjusted gross revenue.

Subsection (i) states that the reissuance of a ski area permit to provide activities similar in nature and amount to those activities currently being provided at the ski area does not constitute a major Federal action under NEPA.

Section 2 withdraws lands under a ski area permit from appropriation under mining, mineral leasing, and geothermal leasing laws for the full term of the permit and its modification, reissuance, or renewal. It further provides that, unless requested by the Secretary, the withdrawal shall terminate automatically upon expiration or termination of the permit and the land be available for all uses not otherwise restricted under the public land laws.

cost and budgetary considerations

The following estimate of the cost of this measure has been provided by the Congressional Budget Office:

U.S. Congress,

Congressional Budget Office,

Washington, DC, December 6, 1995.

Hon. Frank H. Murkowski,

Chairman, Committee on Energy and Natural Resources, U.S. Senate, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has prepared the enclosed cost estimate for S. 907, a bill to amend the National Forest Ski Permit Act of 1986 to clarify the authorities and duties of the Secretary of Agriculture in issuing ski area permits on National Forest System lands and to withdraw lands within ski area permit boundaries from the operation of the mining and mineral leasing laws.

Enacting S. 907 would affect direct spending; therefore, pay-as-you-go procedures would apply to the bill.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

James L. Blum

(For June E. ONeill, Director).

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: S. 907.

2. Bill title: A bill to amend the National Forest Ski Permit Act of 1986 to clarify the authorities and duties of the Secretary of Agriculture in issuing ski area permits on National Forest System lands and to withdraw lands within ski area permit boundaries from the operation of the mining and mineral leasing laws.

3. Bill status: As ordered reported by the Senate Committee on Energy and National Resources on November 30, 1995.

4. Bill purpose: S. 907 would revise the method of assessing rental charges for permits issued to ski areas for use of National Forest System lands. The bill also would remove all lands located within the boundaries of ski area permits from all forms of mining use during the full term of the permits.

5. Estimated cost to the Federal Government: CBO estimates that enacting S. 907 would affect direct spending by raising additional offsetting receipts from rental charges in fiscal years 1996, 1997, and 1998, and by lowering offsetting receipts in fiscal year 1999 and thereafter, as shown in the following table.

-- (PLEASE REFER TO ORIGINAL SOURCE FOR TABLE) --

In addition, the bill would have a small impact on discretionary spending for administering ski permits, but we estimate that such change would be less than $500,000 a year.

The budgetary impact of this bill false within budget function 300.

6. Basis of Estimate: Direct Spending. Enacting S. 907 would revise the method of assessing rental charges for permits issued to ski areas for use of National Forest System lands. Rental charges under the proposed system would be assessed using a system of four revenue brackets, whereby ski areas with large revenues would pay a higher percentage of their revenues in rental charges than areas with smaller revenues. The bill would establish assessment rates rising from 1.5 percent for the first $3 million of an areas revenues to 4 percent for any revenues above $50 million. The bills revenue brackets would be adjusted annually for inflation.

Under current law, permits fees for ski areas on Forest Service lands are calculated under the Graduated Rate Fee System (GRFS). GRFS calculates fees based on each areas revenues and the value of its fixed assets. The proposed rental charge system would be based on gross revenues without any deductions for asset value, and would apply to all ski areas with permits issued pursuant to the National Forest Ski Permit Act of 1986. Ski areas with pre-1986 permits could choose whether to have their fee calculated using the proposed new method or to remain under the current system.

Depending on their revenues, some ski areas would pay less under the proposed new method of calculating rental charges then they pay now under GRFS, and some would pay more. To ensure that the government receives higher rental payments during the transition from the current fee system, the bill provides that the rental charge paid by any individual permittee for the current and next two permit years shall be either the amount charged last year or the rental charge calculated under the new fee system, whichever is higher. If a permittees gross revenues fall by more than 10 percent during the three transition years, then the rental charge would be calculated based on the new calculation method. If the new method of calculation would result in a fee increasing by more than 0.5 percent of the permittees adjusted gross revenue, then the rental charge increase would be phased in over five years.

CBO assumes that all ski areas with per-1986 permits would select the new method of calculating rental charges if their rental charge would be lower than under the current system once the transition period ends. We also assume that many ski areas would choose the new system even if the new charges were slightly higher than under the current system because such increases would be offset by reduced administrative costs for the areas.

Based on information from the Forest Service and the General Accounting Office, we estimate that enacting S. 907 would result in higher offsetting receipts from rental charges during the three-year transition period since the bill establishes a floor below which rental charges could not fall. Because offsetting receipts appear in the budget as negative outlays, the bill would have the effect of decreasing outlays in the first three years. Net of the required payments to states, we estimate that federal outlays would decrease by less than $500,000 in fiscal year 1996 and by about $1 million in each of fiscal years 1997 and 1998. Beginning in fiscal year 1999, the floor for receipt levels would be removed. We estimate that receipts from rental charges would decrease relating to current law from that point forward, but that the resulting increase in outlays would be less than $500,000 per year.

Discretionary Spending. The new system of rental charges would be easier for the Forest Service to administer than the current GRFS. Hence, it would eventually reduce the need for appropriations to the Forest Service for the cost of audits, accounting, and fee assessment appeals by ski areas. Based on information from the Forest Service, CBO estimates that enacting S. 907 would increase administrative costs during the first two years during the transition to the new system but would reduce administrative costs thereafter. CBO estimates that any change in administrative costs would be less than $500,000 per year.

The bills provision for withdrawing ski permit lands from mining use would not have any significant effect on federal expenditures or receipts.

7. Pay-as-you-go considerations: Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1998. CBO estimates that enacting S. 907 would affect direct spending over the 1996-1998 period by increasing offsetting receipts from ski permit fees. Therefore, pay-a-you-go procedures would apply to the bill.

-- (PLEASE REFER TO ORIGINAL SOURCE FOR TABLE) --

8. Estimated cost to State and local governments: Changes made by S. 907 would affect payments to states with Forest Service ski areas within their borders because states receive 25 percent of receipts from ski permit fees. CBO estimates that, in total, states would receive from $100,000 less in each fiscal year after 1998. This change would affect 15 states, mostly in the West.

9. Estimate comparison: None.

10. Previous CBO estimate: None.

11. Estimate prepared by: Federal Cost Estimate: Victoria V. Heid State and Local Government Cost Estimate: Majorie Miller.

12. Estimate approved by: Robert A. Sunshine for Paul N. Van de Water, Assistant Director for Budget Analysis.

regulatory inpact evaluation

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact which would be incurred in carrying out S. 907. The bill is not a regulatory measure in the sense of imposing Government-established standards or significant economic responsibilities on private individuals and businesses.

No personal information would be collected in administering the program. Therefore, there would be no impact on personal privacy.

Little, if any, additional paperwork would result from the enactment of S. 907, as ordered reported.

executive communications

The Committee on Energy and Natural Resources has requested legislative reports from the Department of Agriculture and the Office of Management and Budget setting forth Executive agency recommendations on S. 907. These reports had not been received at the time the report on S. 907 was filed. When these reports become available, the Chairman will request that they be printed in the Congressional Record for the advice of the Senate.

changes in existing law

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, the Committee notes that no changes in existing law are made by the Act S. 907, as ordered reported.