

GAO

Report to the Chairman, Environment,
Energy, and Natural Resources
Subcommittee, Committee on
Government Operations, House of
Representatives

April 1993

FOREST SERVICE

Little Assurance That Fair Market Value Fees Are Collected From Ski Areas



**RESTRICTED--Not to be released outside the
General Accounting Office unless specifically
approved by the Office of Congressional
Relations.**

556919

RELEASED

**Resources, Community, and
Economic Development Division**

B-251988

April 16, 1993

**The Honorable Mike Synar
Chairman, Environment, Energy, and
Natural Resources Subcommittee
Committee on Government Operations
House of Representatives**

Dear Mr. Chairman:

The Department of Agriculture's Forest Service, as required by law, is to receive fees that are based on fair market value from permittees operating ski areas on its land. In 1991, privately owned ski areas operating on Forest Service land generated \$737 million in gross sales. After adjustments reflecting the revenues generated from federal land were made, these areas paid about \$13.5 million in fees, or about 2.2 percent of the total revenues generated, to the government. Concerned about the amount of fees paid, you asked us (1) whether fees generated by the Forest Service's graduated rate fee system (GRFS) represent fair market value for the use of the land, (2) whether a fee system developed by the ski industry would collect fair market value, and (3) how the ski industry's system compares with GRFS.

This report is part of our continuing review of concession issues. In 1991, we reported that there were over 9,000 concessioners operating on federal recreation land.¹ These concessioners paid the government about \$35 million in fees—about 2 percent of the over \$1.4 billion in revenues they generated. Among the subjects of our previous reports were the policies and practices of managing concessioners; the concessioners' compliance with federal, state, and local health and safety standards; and the fees paid by the concessioners for the use of federally owned facilities. (See Related GAO Products at the end of this report for a list of previous reports.)

Results in Brief

The current ski fee system does not ensure that the Forest Service receives fair market value for the use of Forest Service land. Previous studies of GRFS conducted by the Forest Service and others concluded that the permit fees for ski areas were lower than fair market value. When GRFS was put into place over 20 years ago, it was intended that the rates would be adjusted periodically to reflect changes in economic conditions.

¹Federal Lands: Improvements Needed in Managing Concessioners (GAO/RCED-91-163, June 11, 1991).

However, the rates by which fees are calculated have not been updated for over 20 years.

The fee system developed by the ski industry also does not ensure that fees collected from ski areas reflect fair market value. Industry officials told us that in developing their system, they did not attempt to assess what constitutes fair market value. The officials said that they believe GRFS reflects fair market value; consequently, they designed their system to generate total fees comparable to those generated by GRFS.

Calculating fees under the industry's system would be simpler than under GRFS. Fees under GRFS are based on the ski area's level of investment in gross fixed assets (facilities and equipment) and on sales generated in nine business categories.² In contrast, the industry's system is simply a progressive rate structure under which fees would be based on the ski area's overall gross sales. Because the industry's system is so much simpler than GRFS, it received widespread support from most of the ski area permittees we interviewed and from the Forest Service. Under the industry's system, most of the ski areas would pay significantly different fees. For example, under the industry's system, fees for 60 of the 112 ski areas would either increase or decrease by at least \$50,000 or 25 percent of the current fee. However, even the ski areas whose fees would increase the most would pay less than 3 percent of their gross revenues.

Background

The Forest Service currently calculates fees for ski areas under GRFS, which was developed by the Forest Service in 1965. Fees are calculated by applying a selected rate to gross sales in nine business categories. The rate applied to each business category is determined by the proportional relationship of sales to gross fixed assets. As sales increase, a higher rate is applied to the higher increment of sales and, as a result, the total fee increases. Conversely, if sales decrease, lower rates apply and the total fee decreases.

GRFS fees are based not only on sales from ski area operations on Forest Service land but also on sales from other businesses on private land within the ski development area. According to the Forest Service, the ski development area is an area of a mixed ownership operation where the land, the improvements, and the facilities together constitute an integrated business operation. For ski areas that are not entirely located on federal

²For ski areas, GRFS provides a schedule of rates for each of nine business categories: grocery; merchandise; food service; liquor service; car service; lodging; rentals and services; outfitting/guiding; and lifts, tows, and ski school.

land, GRFS fees are prorated to account for revenues generated from federal land. Appendix I contains a detailed description of GRFS.

In 1991, 143 permittees operated ski areas either entirely or partly on Forest Service land. Of these 143 permittees, 112 calculated their annual fees under GRFS. The gross sales for these 112 permittees amounted to about \$737 million; after adjustments reflecting the revenues generated from federal land were made, the permittees paid \$13.5 million in fees to the government. Of the remaining 31 permittees, 20 paid a flat fee;³ 9 were closed or nonoperational; and 2 were in bankruptcy. In this report, references to ski area permittees refer only to the 112 that calculated their annual fees under GRFS.

In April 1992, the fee system developed by the ski industry was proposed through legislation introduced in the Congress. Although the legislation did not pass, the Forest Service and the ski industry continue to pursue modifications to the fee system.

The industry's system is a progressive fee system based on gross sales from all ski lifts and ski school operations. These sales are subject to proration in accordance with the amount of revenue generated from nonfederal land, if any, within the ski development area. The industry's system also includes sales from other businesses (e.g., restaurants) located entirely on federal land.

According to ski industry officials, their system was designed to be simpler than GRFS and to generate total fees comparable to the fees generated under GRFS. Corollary objectives of the industry's system were to increase the fee burden on large ski areas and decrease the burden on small ones, while still avoiding large changes in any one ski area's fees.

The Existing System Does Not Ensure a Fair Market Value Return to the Government

Under the Independent Offices Appropriations Act of 1952, and the Office of Management and Budget Circular A-25, which implements the act, a fair return should be obtained when federally owned property is leased. In addition, the National Forest Ski Area Permit Act of 1986 states that fees collected by the Forest Service shall be based on fair market value. However, GRFS does not ensure that the Forest Service receives fees that are based on fair market value for the use of Forest Service land. The Forest Service has been inconsistent in its view of whether GRFS captures

³When graduated fees are expected to amount to less than \$3,500 per year, Forest Service guidelines allow payment of a flat fee.

fair market value. Over the past 20 years, the Forest Service has both claimed that GRFS collects fees that are based on fair market value and reported that GRFS collects fees that are less than fair market value.

Many prior studies—including studies by the Forest Service, the Department of Agriculture's Office of the Inspector General, and GAO—have criticized GRFS for obtaining fees that are lower than fair market value. For example, three Forest Service studies said that the average permit fee paid under GRFS was lower than fair market value. In 1971 and in 1979, the Forest Service attempted to modify the system's rate structure. On both occasions, however, the ski industry opposed the changes to the rate structure and the Service decided not to implement the new rates.

In 1988, we reported that GRFS does not ensure that the government receives fees based on fair market value for the use of its land.⁴ It was originally intended that the rates under GRFS, which was put into place over 20 years ago, would be adjusted periodically to reflect changes in economic conditions. However, the rates by which fees are calculated have not been updated for over 20 years. Thus, it is unlikely that the fees generated by GRFS approximate fair market value.

We also reported in 1988 that calculating fees using a formula such as GRFS requires a determination of the fair market value of the ski area's permit, which varies from ski area to ski area. However, the fees generated by GRFS are not based on such a determination.⁵

Our 1988 report recommended, among other things, that the Forest Service either create a new fee system that would more closely approximate fair market value or revise GRFS to achieve the same results. Forest Service officials did not implement this recommendation. In response to our 1988 report, Forest Service officials claimed that GRFS does provide for the collection of fees based on fair market value. However, the officials were unable to demonstrate how GRFS does this, and they remain unable to demonstrate this today. Thus, we believe the concerns expressed in our 1988 report are still valid.

⁴Parks and Recreation: Problems With Fee System for Resorts Operating on Forest Service Lands (GAO/RCED-88-94, May 16, 1988).

⁵In practice, only a few methods can be used to establish the fair market value of an asset. Two commonly used methods involved (1) the actual sale of an asset and (2) the sales of comparable assets. See our 1988 report for further information.

During the course of this review, Forest Service officials acknowledged that, given the changes in economic conditions over the past 20 years, a review of whether the fees currently collected from ski areas represent fair market value would be timely. Consequently, in May 1992, the Forest Service awarded a contract to a land appraisal expert to analyze 11 transactions between 1984 and 1991 in which ski areas were sold from one party to another. All of these transactions involved ski areas that had at least part of their operations on Forest Service land. The objective of the analysis, currently under way, is to identify the percentage of the ski areas' gross income attributable to the land. Forest Service officials said that they plan on using the results of the analysis to develop a fee structure that more closely reflects fair market value. The analysis is scheduled to be completed in the spring of 1993.

The Industry's System Does Not Ensure a Fair Market Value Return

The fee system developed by the ski industry also does not ensure that fees collected from ski areas reflect fair market value. Industry officials told us that in developing their system, they did not attempt to assess what constitutes fair market value. They also stated that they believe GRFS reflects fair market value. Consequently, they designed their system to generate total fees comparable to the fees collected under GRFS. See appendix II for a detailed description of the industry's system.

In attempting to determine if the industry's system is comparable to GRFS, the Forest Service developed two long-term projections. One projection indicated that the industry's system would collect more in fees than GRFS; the other projection indicated that it would collect significantly less than GRFS.⁶ Even if the industry's system would collect comparable fees, as the ski industry contends, it would not ensure a fair market value return to the government.

The Industry's System Would Be Simpler, but Individual Fees Would Vary Significantly

While fees under the industry's system would be simpler to calculate, most of the ski areas' fees would vary significantly from the fees paid under the existing system. Forest Service officials, ski industry officials, and most of the ski area permittees we interviewed agreed that the industry's fee system would be much simpler than GRFS. Even most of the permittees

⁶According to the Forest Service, one projection indicated that the industry's system would collect about \$15 million more in fees over a 30-year period than GRFS would collect. The other projection indicated that the industry's system would collect about \$59 million less in fees over the same 30-year period. However, in our opinion, the reliability of both of these projections is questionable. Our primary concern with the projections is that they are based on 3 years of historical data, which we believe is not sufficient to ensure the accuracy of long-term projections.

who would pay higher fees under the industry's system were in favor of it because of its simplicity. However, although one of the goals of the industry's system was to avoid large changes in any one ski area's fees, we found that most of the fees would vary significantly from those now paid under GRFS.

GRFS is a complex system with fees based on (1) the level of investment in gross fixed assets and (2) the sales in nine business categories, with each business category having up to three fee rates. GRFS also collects a prorated fee from business operations located on private land within the ski development area. In contrast, the industry's system is simply a progressive rate structure based on gross sales. Under that system, fees are based on sales in two business categories and on sales in other business operations located entirely on federal land. Furthermore, fees under the industry's system are not affected by the level of investment in gross fixed assets.

Twelve of the thirteen ski area permittees we spoke with were in favor of the industry's system. In fact, of the seven permittees whose fees would have increased, six claimed that having a simpler system would be worth paying higher fees. The permittees we spoke with said that the industry's system would reduce their paperwork and enable them to more effectively plan their budgets. The increases in fees among these six permittees ranged from about \$7,000 to about \$306,000.

Forest Service officials stated that the industry's system would have been much simpler to administer than GRFS. This simplicity would have resulted in reduced work loads in auditing, in accounting, and in handling fee assessment appeals. The Congressional Budget Office estimated that the industry's system would have cost about \$200,000 less a year to administer.

Ski industry officials stated that one of the goals of their fee system was to avoid large changes in the fees of individual ski areas. However, under the industry's system, the fees paid by most of the ski areas would change significantly. Under the industry's system, fees paid by 60 of the 112 ski areas would increase or decrease by at least \$50,000 or 25 percent. The level of change would depend on the source of the gross receipts of the ski areas or the extent of their investment in gross fixed assets. If, for example, a ski area had significant food sales receipts from a restaurant located on private land within the ski development area, then it would pay less under the industry's system than it would under GRFS because those

receipts would no longer be included in its fee calculation. On the other hand, if a ski area had a substantial investment in gross fixed assets, then it would pay more under the industry's system because its fee would no longer be adjusted downward to reflect that investment, as is done under GRFS. While most ski areas' fees would change significantly, even the ski areas whose fees would increase the most would pay less than 3 percent of their gross revenues.

For both small and large ski areas, some areas would have paid lower fees in 1991 under the industry's system, while others would have paid higher fees. According to Forest Service data, 24 of the 55 small ski areas (those with less than \$3 million in annual gross sales) would have paid lower fees under the industry's system than they paid under GRFS, with decreases ranging from \$182 to \$26,804. However, 30 of the 55 small ski areas would have paid higher fees, with increases ranging from \$2 to \$14,643. One small ski area would have paid the same fee under both systems.

Similarly, some large ski areas would have paid less in fees, and others would have paid more. Five of the 13 large ski areas (those with more than \$15 million in annual gross sales) would have paid lower fees under the industry's system than they paid under GRFS, with decreases ranging from \$16,641 to \$208,417. However, fees would increase for 8 of the 13 large ski areas, with increases ranging from \$5,465 to \$306,295.

Appendix III compares, for each of the 112 ski areas under GRFS, the fees that were paid under GRFS in 1991 to the fees that would have been paid under the industry's system in that year. Appendix IV shows, for each of the 112 ski areas, what the dollar change in 1991 fees would have been under the industry's system as compared with GRFS.

Conclusions

The law requires the Forest Service's ski fee system to collect fees that are based on fair market value for the use of federal land. However, neither the existing ski fee system nor the one developed by the ski industry ensures the collection of fair market value.

We agree with the Forest Service and the ski industry that a simplified system is desirable. However, the goal of developing a simpler system must be secondary to ensuring that fees are based on fair market value.

Recommendation to the Secretary of Agriculture

We recommend that the Secretary of Agriculture direct the Chief, Forest Service, to take advantage of the current interest in developing a simplified ski fee system by developing a system that not only is simpler but also will ensure that the government receives fees based on fair market value.

Recommendation to the Congress

In the event that the Congress passes legislation revising the Forest Service's ski fee system, we recommend that it ensure that the ski fees established are based on fair market value. Furthermore, legislation should provide for periodic updates of the fees to reflect any changes in economic conditions.

Agency Comments

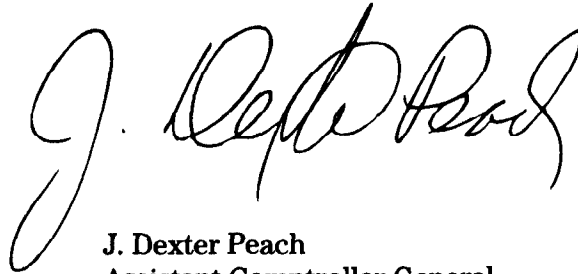
As requested, we did not obtain written comments from the Forest Service on this report. However, we discussed the report's contents with Forest Service officials, including the Director of Fiscal and Accounting Services and an Assistant Director for Recreation Management. The Forest Service officials agreed with the factual information regarding the current fee system as well as with the effect of the industry's fee system. These officials further stated that it may be timely to review ski area fees and try to determine what is fair market value. We also discussed the contents of the report with an official from the American Ski Federation, who indicated we should more clearly state (1) that revenues from businesses other than those of the ski area permittee may be included in GRFS fee calculations and (2) the nature of the Forest Service's projections concerning the industry's fee system. These comments have been incorporated into the report.

We performed our work at Forest Service headquarters in Washington, D.C., and at the three regional offices that collectively administer more than half of the ski area permits. At these sites, we interviewed Forest Service officials responsible for administering ski fee permits, and we reviewed Forest Service regulations and documents pertaining to the industry's fee system and the existing one. We also contacted and obtained information from 13 ski area permittees and from ski industry officials. We conducted our review from May 1992 through February 1993 in accordance with generally accepted government auditing standards. Appendix V contains details of the scope and methodology of our review.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after the date of this letter. At that time, we will send copies to the Secretary of Agriculture and to the Director, Office of Management and Budget. We will make copies available to others on request.

This report was prepared under the direction of James Duffus III, Director, Natural Resources Management Issues, who may be reached at (202) 512-7756 if you or your staff have any questions. Other major contributors are listed in appendix VI.

Sincerely yours,

A handwritten signature in black ink, appearing to read "J. Dexter Peach". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

J. Dexter Peach
Assistant Comptroller General

Contents

Letter	1
Appendix I Description of the Graduated Rate Fee System	12
Appendix II Description of the Industry's Fee System	16
Appendix III Comparison of Fees Paid Under the Existing and Industry Systems	17
Appendix IV Change in Ski Area Fees Under the Industry's System	21
Appendix V Objectives, Scope, and Methodology	25
Appendix VI Major Contributors to This Report	27
Related GAO Products	28

Tables

Table I.1: GRFS Break-Even Points and Fee Rates, by Business Category	12
Table I.2: Calculation of Slope-Transport-Fee Percentage	15
Table II.1: Industry System's Fee Rates and Sales Brackets	16
Table III.1: Comparison of Ski Areas' Fees under GRFS and the Industry's System	17
Table IV.1: Change in Ski Areas' Fees Under the Industry's System	21

Figure

Figure I.1: Mixed Land Ownership Within a Ski Development Area	14
---	-----------

Abbreviations

GAO	General Accounting Office
GRFS	Graduated Rate Fee System

Description of the Graduated Rate Fee System

The graduated rate fee system (GRFS) is a complex system that involves numerous calculations based on sales, the source of sales, and the level of the ski area's investment in gross fixed assets (facilities and equipment). GRFS computes permit fees by using different "break-even points" for each of nine different business categories such as food service, lodging, outfitting/guiding, etc. These break-even points, which are expressed as a ratio of gross sales to gross fixed assets, are the point at which the business begins to show a return on its investment.

Each category has two rates for determining fees: a base rate and a balance-of-sales rate. The base rate is the percentage of sales that a permittee of average operating efficiency can pay as a fee when sales are equal to twice the break-even point and still realize a reasonable return on investment. The balance-of-sales rate is a means of adjusting the fee in accordance with increasing profits that normally result from increased sales volume, and it is applied to all sales greater than twice the break-even point. Table I.1 shows the break-even points, base rates, and balance-of-sales rates for each of the nine business categories.

Table I.1: GRFS Break-Even Points and Fee Rates, by Business Category

Business category	Break-even point Percent of gross fixed assets	Fee rate	
		Base rate	Balance-of-sales rate
		Percent of	gross sales
Grocery	70	.75	1.13
Food service	70	1.25	1.88
Car service	70	1.30	1.95
Merchandise	70	1.50	2.25
Liquor service	60	1.80	2.70
Outfitting/guiding	50	2.00	3.00
Lodging	40	4.00	6.00
Rental and services	30	4.50	6.75
Lifts, tows, and ski school	20	2.00	5.00

To recognize varying levels of productivity, GRFS calculates permit fees by a three-step method. First, to ensure that less profitable concerns do not experience rate increases until costs have been recouped, GRFS applies a fee—50 percent of the base rate—to sales up to the break-even point. Second, GRFS applies another fee—150 percent of the base rate—to sales that fall between the break-even point and twice the break-even point. Finally, GRFS applies a third fee—the balance-of-sales rate—to all sales

Appendix I
Description of the Graduated Rate Fee
System

greater than twice the break-even point. Thus, as sales increase in proportion to the investment, so does the fee.

For example, assume that a ski area's sole income is generated by sales in the business category "lift, tows, and ski school." The ski area has invested \$10 million in gross fixed assets. The break-even point is 20 percent of the investment amount, or \$2 million. As such, the ski area should start making a profit when lift ticket and ski school sales reach \$2 million. Until that point, the fee would be 1 percent of sales (i.e., 50 percent of the category's 2-percent base rate). For sales between \$2 million and \$4 million (twice the break-even point), the fee would be 3 percent (i.e., 150 percent of the base rate). For sales in excess of \$4 million, the fee would be 5 percent, the category's balance-of-sales rate.

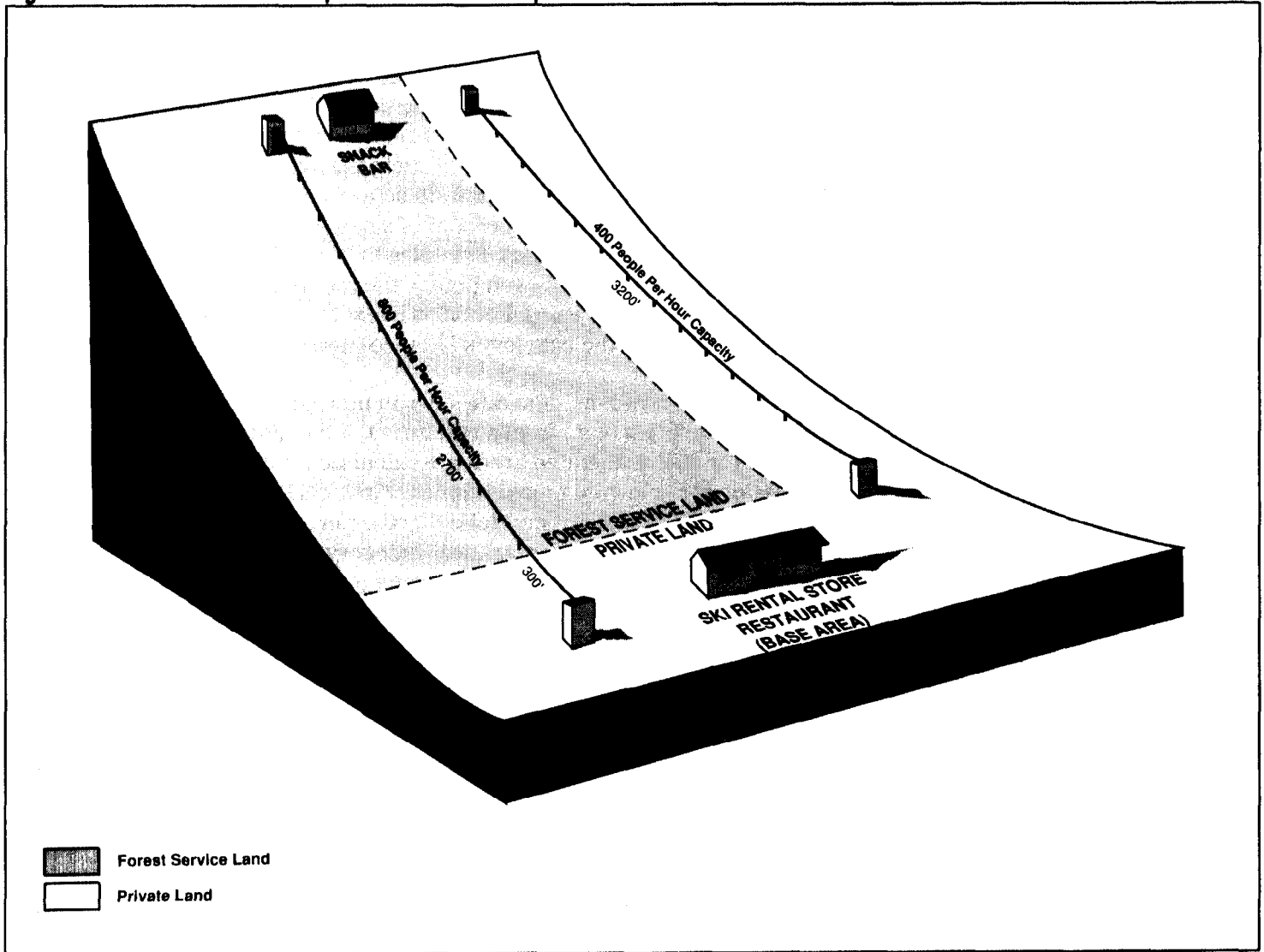
Most ski areas, however, generate sales in more than one of the nine business categories (e.g., from a restaurant, a bar, and ski lifts and tows). The fees for such integrated areas are calculated differently, and the calculation is somewhat more complex. First, each category's break-even point and its base rate are multiplied by the percentage of the area's total sales that resulted from that business category. Second, the results from all the individual applicable business categories are totaled to arrive at a composite average break-even point and a weighted average base rate. These averages are then applied to the gross sales to calculate the fee.

Further, under GRFS, fees are based on all sales that occur within the ski development area, which may encompass both privately owned and publicly owned land. In cases of such mixed ownership, the calculated fee is adjusted by applying a "slope-transport-feet percentage," which represents the portion of land use attributed to Forest Service land. The slope-transport-feet percentage is determined by multiplying the capacity of each ski lift by the slope distance traversed by the lift over each ownership.

Assume, for example, that a ski development area encompasses both Forest Service land and private land, as illustrated in figure I.1. There are two ski lifts. One lift, located entirely on private land, is 3,200 feet long and has a 400-skiers-per-hour capacity. The length of the second lift is 3,000 feet, of which 2,700 feet are on Forest Service land, with the remaining 300 feet on private land. This lift has an 800-skiers-per-hour capacity. A snack bar at the top of the mountain is on Forest Service land. The base area, all of which is on private land, includes a restaurant and a ski rental shop.

Appendix I
Description of the Graduated Rate Fee
System

Figure I.1: Mixed Land Ownership Within a Ski Development Area



For the hypothetical ski area just described, the GRFS slope-transport-feet percentage would be calculated as shown in table I.2.

**Appendix I
Description of the Graduated Rate Fee
System**

Table I.2: Calculation of Slope-Transport-Fee Percentage

Lift	Capacity per hour	Slope distance (in feet)			Slope transport feet (slope distance times capacity)		
		Forest Service land	Private land	Total	Forest Service land	Private land	Total
A	800	2,700	300	3,000	2,160,000	240,000	2,400,000
B	400	0	3,200	3,200	0	1,280,000	1,280,000
Total	1,200	2,700	3,500	6,200	2,160,000	1,520,000	3,680,000
Slope-transport-feet percentage			59	41		100	

In this example, 59 percent of the business is attributed to Forest Service land. Thus, 59 percent of all sales, as well as 59 percent of all the ski area's gross fixed assets, are subject to the GRFS fee calculation.

Description of the Industry's Fee System

Fees under the industry's system would be calculated using a progressive rate structure, in which the ski area fees would increase as sales increase. Table II.1 shows the four fee rates and the corresponding sales brackets under the industry's system.

Table II.1: Industry System's Fee Rates and Sales Brackets

Fee rate (percent of sales)	Sales brackets
1.50	Less than \$3 million
2.50	Between \$3 million and \$15 million
2.75	Between \$15 million and \$50 million
4.00	Over \$50 million

Sales subject to fee calculation under the industry's system fall into two categories. The first includes all lift ticket and ski area use pass sales, as well as all sales from ski school operations. In the event of mixed land ownership, all these sales are adjusted by the slope-transport-feet percentage.¹ The second category includes all sales from business activities and ancillary operations physically located on Forest Service land (e.g., restaurant, ski rental shops, overnight lodging). In case of mixed ownership, these sales would not be adjusted by the slope-transport-feet percentage, as they are under GRFS. Also, unlike GRFS, sales from business activities located entirely on nonfederal land would not be subject to fee calculation.²

In the hypothetical ski area illustrated in appendix I (figure I.1), 59 percent of lift ticket sales and sales from ski school operations would be subject to fee assessment under the industry's system because sales from these activities would be subject to the slope-transport-feet percentage. In addition, 100 percent of the snack bar sales would be included in the fee calculation because this business activity is physically located on Forest Service land. However, ski rental and restaurant sales at the base area would be excluded from the fee calculation because these business activities are located on private land.

¹See appendix I for a description of how the slope-transport-feet percentage is calculated.

²To a large extent, the economic returns from private land within a ski development area may depend on their proximity to federal land. Thus, the exclusion of activities on private land from the base on which the fee is calculated may understate the economic significance of the federal land in the ski development area as a whole. Under the industry's system, there may be an incentive, over time, for ski areas to reduce their fees by moving businesses currently operating on federal land off of federal land.

Comparison of Fees Paid Under the Existing and Industry Systems

Table III.1 compares the two systems' fees for each of the 112 ski areas in 1991. Sales subject to fee calculation under GRFS include permittee sales from ski area operations and sales from other businesses located within the ski development area.

Table III.1: Comparison of Ski Areas' Fees Under GRFS and the Industry's System

Ski area	State	Fiscal year 1991		
		Sales subject to GRFS fee calculation	Fee paid under GRFS	Fee under Industry's system
Vail	Colorado	\$69,571,829	\$2,000,069	\$1,855,687
Steamboat	Colorado	37,256,631	618,594	632,322
Keystone	Colorado	31,849,566	638,805	803,244
Breckenridge	Colorado	29,764,059	699,879	656,864
Snowmass	Colorado	29,598,838	721,932	550,823
Winter Park/ Mary Jane	Colorado	28,876,407	531,479	536,944
Heavenly Valley	California	27,516,911	389,487	485,532
Copper Mountain	Colorado	26,919,722	513,544	632,310
Mammoth/Ski June Mountain	California	22,704,358	250,575	556,870
Beaver Creek	Colorado	20,105,828	247,044	362,744
Snow Summit	California	19,720,971	611,654	403,237
Mt. Bachelor	Oregon	18,017,582	301,529	427,984
Mt. Snow	Vermont	16,721,088	166,337	149,696
Aspen Mountain	Colorado	14,870,998	72,734	61,635
Alpine Meadows	California	13,893,355	216,227	238,788
Bear Mountain	California	13,804,959	197,642	165,057
Snowbird	Utah	12,223,566	212,533	214,396
Alta	Utah	12,153,237	325,260	273,831
Jackson Hole	Wyoming	11,915,935	379,898	241,118
Loon Mountain	New Hampshire	10,469,664	151,846	134,471
Snowqualmie Summit/ Alpentel/Ski Acres	Washington	10,443,347	165,123	130,905
Crested Butte	Colorado	9,913,435	175,293	173,545
Crystal Mountain	Washington	9,852,038	174,964	216,301
Taos Ski Valley	New Mexico	9,525,226	250,962	208,131
Purgatory	Colorado	9,349,482	165,096	135,955
Sugarbush	Vermont	9,021,330	41,390	43,323
Waterville Company	New Hampshire	8,977,551	168,442	136,420
Mountain High/ Holiday Hill	California	8,837,795	138,414	190,945
Mt. Hood Meadows	Oregon	7,926,874	131,216	168,172
Stevens Pass	Washington	7,326,808	135,678	153,170

(continued)

**Appendix III
Comparison of Fees Paid Under the Existing
and Industry Systems**

Ski area	State	Fiscal year 1991		
		Sales subject to GRFS fee calculation	Fee paid under GRFS	Fee under industry's system
Big Mountain	Montana	\$7,263,549	\$143,971	\$103,657
Telluride	Colorado	6,934,379	61,522	44,243
Buttermilk	Colorado	6,864,877	133,900	80,847
Sun Valley	Idaho	6,827,540	97,815	146,455
Kirkwood	California	6,551,702	96,025	103,183
Alyeska	Alaska	6,271,137	43,765	37,982
Santa Fe	New Mexico	6,001,140	156,214	120,029
Ski Apache	New Mexico	5,827,544	129,332	115,689
Solitude	Utah	5,615,156	28,699	32,383
Grand Targhee	Wyoming	5,594,891	127,918	109,624
Loveland	Colorado	5,373,018	90,376	104,325
Arapahoe Basin	Colorado	4,921,389	103,246	91,913
Brian Head	Utah	4,858,016	35,226	20,699
Attitash	New Hampshire	4,830,302	24,046	16,403
Sierra Ski Ranch	California	4,777,107	51,115	89,428
Bromley	Vermont	4,174,798	16,395	6,477
Sandia Peak	New Mexico	4,030,939	83,153	70,773
Fairfield Snowbowl	Arizona	3,977,479	89,658	73,799
Aspen Highlands	Colorado	3,938,610	76,458	41,571
Monarch	Colorado	3,746,074	95,104	63,652
Sierra Summit	California	3,681,462	41,232	59,822
Snow Valley	California	3,609,085	38,978	60,227
Dodge Ridge	California	3,426,768	65,330	55,669
Wolf Creek	Colorado	3,270,046	66,428	51,703
Red River	New Mexico	3,204,385	88,588	50,110
Mt. Baker	Washington	3,153,761	51,561	48,844
Brighton	Utah	3,092,414	82,527	43,781
Mt. Reba	California	2,898,985	29,860	43,485
Bogus Basin	Idaho	2,891,700	29,807	20,470
Wildcat Mountain	New Hampshire	2,871,153	28,424	43,067
Bridger Bowl	Montana	2,230,740	26,303	22,929
Red Lodge Grizzly Peak	Montana	2,201,981	30,206	27,137
Multitorpor/Ski Bowl	Oregon	2,159,797	59,201	32,397
Terry Peak	South Dakota	1,909,169	3,993	10,076
Snowbasin	Utah	1,793,033	13,305	21,453
Eldora	Colorado	1,514,456	7,503	4,024
Powderhorn	Colorado	1,498,902	15,037	15,676

(continued)

**Appendix III
Comparison of Fees Paid Under the Existing
and Industry Systems**

Ski area	State	Fiscal year 1991		
		Sales subject to GRFS fee calculation	Fee paid under GRFS	Fee under industry's system
White Pass Village	Washington	\$1,490,894	\$19,085	\$22,363
Ski Sunlight	Colorado	1,445,346	13,954	7,847
Lee Canyon	Nevada	1,412,121	29,418	20,688
Brundage Mountain	Idaho	1,395,273	24,470	20,929
Willamette Pass	Oregon	1,363,817	14,593	20,457
Ski Cooper	Colorado	1,281,020	24,219	19,215
Mission Ridge	Washington	1,102,761	14,779	16,541
Showdown	Montana	1,047,289	17,850	15,709
Mt. Baldy	California	984,758	9,848	14,771
Ski Ashland	Oregon	961,028	14,005	14,415
Beaver Mountain	Utah	954,308	20,320	13,691
Ski Bluewood	Oregon	767,895	8,140	11,518
Mt. Lemmon (Walter Dawgie)	Arizona	718,613	11,998	10,779
Discovery Basin	Montana	675,763	9,485	10,136
Snow King	Wyoming	652,945	8,304	3,513
Iron Mountain	California	645,190	7,095	4,504
Snowy Range	Wyoming	642,822	10,205	9,642
Pomerelle	Idaho	627,917	9,671	9,419
Montana Snowbowl	Montana	627,909	9,421	6,566
Hoodoo Ski Bowl	Oregon	623,481	8,744	9,352
49 Degrees North	Washington	528,133	5,598	7,922
Kelly Canyon Ski Hill	Idaho	502,948	11,493	4,579
Anthony Lakes	Oregon	496,837	16,973	7,453
Lost Trail	Montana	440,756	5,572	6,611
Pebble Creek	Idaho	439,862	4,443	6,598
Slide Mountain	Nevada	414,013	5,004	5,363
Spout Springs	Oregon	304,186	9,891	4,563
Mt. Waterman	California	263,754	4,315	3,956
Marshall Mountain	Montana	235,859	1,065	1,355
Lookout Pass	Idaho	231,504	1,815	3,473
Antelope Butte	Wyoming	215,647	2,657	3,235
Ski Sunrise	California	208,854	2,151	3,133
Rocky Mountain High	Montana	156,120	4,349	2,342
Kratka Ridge	California	112,693	1,633	1,690
Summit	Oregon	88,455	1,221	877
Magic Mountain	Idaho	80,164	1,055	1,180
Shirley Meadow	California	70,603	847	1,059

(continued)

**Appendix III
Comparison of Fees Paid Under the Existing
and Industry Systems**

Ski area	State	Fiscal year 1991		
		Sales subject to GRFS fee calculation	Fee paid under GRFS	Fee under Industry's system
Soldier Mountain	Idaho	\$65,415	\$667	\$981
Maverick Mountain	Montana	55,600	567	834
Payette Lakes	Idaho	49,467	742	742
High Park	Wyoming	43,736	490	656
Loup Loup Ski Bowl	Washington	34,395	413	516
Cooper Spur	Oregon	19,797	479	297
Ski Green Valley	California	7,992	70	120
Warner Canyon	Oregon	336	3	5
Total for 112 ski areas		\$737,405,150	\$13,524,984	\$13,356,017

Source: Forest Service.

Change in Ski Area Fees Under the Industry's System

Table IV.1 shows the dollar difference between fees under GRFS and fees that would have been collected under the industry's system for each ski area (in descending order of fee change).

Table IV.1: Change in Ski Areas' Fees Under the Industry's System

Ski area	State	Dollar change from 1991 GRFS fee
Mammoth/Ski June Mountain	California	\$306,295
Keystone	Colorado	164,439
Mt. Bachelor	Oregon	126,455
Copper Mountain	Colorado	118,766
Beaver Creek	Colorado	115,700
Heavenly Valley	California	96,045
Mountain High/Holiday Hill	California	52,531
Sun Valley	Idaho	48,640
Crystal Mountain	Washington	41,337
Sierra Ski Ranch	California	38,313
Mt. Hood Meadows	Oregon	36,956
Alpine Meadows	California	22,561
Snow Valley	California	21,249
Sierra Summit	California	18,590
Stevens Pass	Washington	17,492
Wildcat Mountain	New Hampshire	14,643
Loveland	Colorado	13,949
Steamboat	Colorado	13,728
Mt. Reba	California	13,625
Snowbasin	Utah	8,148
Kirkwood	California	7,158
Terry Peak	South Dakota	6,083
Willamette Pass	Oregon	5,864
Winter Park/Mary Jane	Colorado	5,465
Mt. Baldy	California	4,923
Solitude	Utah	3,684
Ski Bluewood	Oregon	3,378
White Pass Village	Washington	3,278
49 Degrees North	Washington	2,324
Pebble Creek	Idaho	2,155
Sugarbush	Vermont	1,933
Snowbird	Utah	1,863
Mission Ridge	Washington	1,762

(continued)

**Appendix IV
Change in Ski Area Fees Under the
Industry's System**

Ski area	State	Dollar change from 1991 GRFS fee
Lookout Pass	Idaho	\$1,658
Lost Trail	Montana	1,039
Ski Sunrise	California	982
Discovery Basin	Montana	651
Powderhorn (Mesa Ski Corporation)	Colorado	639
Hoodoo Ski Bowl	Oregon	608
Antelope Butte	Wyoming	578
Ski Ashland	Oregon	410
Slide Mountain	Nevada	359
Soldier Mountain	Idaho	314
Marshall Mountain	Montana	290
Maverick Mountain	Montana	267
Shirley Meadow	California	212
High Park	Wyoming	166
Magic Mountain	Idaho	125
Loup Loup Ski Bowl	Washington	103
Kratka Ridge	California	57
Ski Green Valley	California	50
Warner Canyon	Oregon	2
Payette Lakes	Idaho	0
Cooper Spur	Oregon	(182)
Pomerelle	Idaho	(252)
Summit	Oregon	(344)
Mt. Waterman	California	(359)
Snowy Range	Wyoming	(563)
Mt. Lemmon (Walter Dawgie)	Arizona	(1,219)
Crested Butte	Colorado	(1,748)
Rocky Mountain High	Montana	(2,007)
Showdown	Montana	(2,141)
Iron Mountain	California	(2,591)
Mt. Baker	Washington	(2,717)
Montana Snowbowl	Montana	(2,855)
Red Lodge Grizzly Peak	Montana	(3,069)
Bridger Bowl	Montana	(3,374)
Eldora	Colorado	(3,479)
Brundage Mountain	Idaho	(3,541)
Snow King	Wyoming	(4,791)
Ski Cooper	Colorado	(5,004)

(continued)

**Appendix IV
Change in Ski Area Fees Under the
Industry's System**

Ski area	State	Dollar change from 1991 GRFS fee
Spout Springs	Oregon	\$(5,328)
Alyeska	Alaska	(5,783)
Ski Sunlight	Colorado	(6,107)
Beaver Mountain	Utah	(6,629)
Kelly Canyon Ski Hill	Idaho	(6,914)
Attitash	New Hampshire	(7,643)
Lee Canyon	Nevada	(8,730)
Bogus Basin	Idaho	(9,337)
Anthony Lakes	Oregon	(9,520)
Dodge Ridge	California	(9,661)
Bromley	Vermont	(9,918)
Aspen Mountain	Colorado	(11,099)
Arapahoe Basin	Colorado	(11,333)
Sandia Peak	New Mexico	(12,380)
Ski Apache	New Mexico	(13,643)
Brian Head	Utah	(14,527)
Wolf Creek	Colorado	(14,725)
Fairfield Snowbowl	Arizona	(15,859)
Mt. Snow	Vermont	(16,641)
Telluride	Colorado	(17,279)
Loon Mountain	New Hampshire	(17,375)
Grand Targhee	Wyoming	(18,294)
Multorpor/Ski Bowl	Oregon	(26,804)
Purgatory	Colorado	(29,141)
Monarch	Colorado	(31,452)
Waterville Company	New Hampshire	(32,022)
Bear Mountain	California	(32,585)
Snoqualamie Summit/Alpental/ Ski Acres	Washington	(34,218)
Aspen Highlands	Colorado	(34,887)
Santa Fe	New Mexico	(36,185)
Red River	New Mexico	(38,478)
Brighton	Utah	(38,746)
Big Mountain	Montana	(40,314)
Taos Ski Valley	New Mexico	(42,831)
Breckenridge	Colorado	(43,015)
Alta	Utah	(51,429)
Buttermilk	Colorado	(53,053)
Jackson Hole	Wyoming	(138,780)

(continued)

**Appendix IV
Change in Ski Area Fees Under the
Industry's System**

Ski area	State	Dollar change from 1991 GRFS fee
Vail	Colorado	\$(144,382)
Snowmass	Colorado	(171,109)
Snow Summit	California	(208,417)
Total for 112 ski areas		\$(168,967)

Source: Forest Service.

Objectives, Scope, and Methodology

The Chairman, Environment, Energy, and Natural Resources Subcommittee, House Committee on Government Operations, requested that we review the Forest Service's graduated rate fee system (GRFS) for ski areas. The Chairman was concerned about whether the fees constitute fair market value for the use of Forest Service land. Accordingly, we agreed to

- evaluate whether fees generated by the existing fee system represented fair market value for the use of the land,
- determine whether a fee system developed by the ski industry would collect fair market value, and
- determine how the ski industry's system compared with GRFS.

We conducted our work primarily at Forest Service headquarters in Washington, D.C., and at three of the Service's nine regional offices: the Rocky Mountain, Pacific Northwest, and Pacific Southwest Regional Offices. We selected these offices because they administer about 58 percent of the ski area permits.

We reviewed and discussed with Forest Service officials the applicable laws and Forest Service regulations; information on the development of the existing and ski industry fee systems; the Service's analysis of the industry's fee system; and the fiscal year 1991 sales and fee data for the 143 ski area permittees. However, we did not independently verify the accuracy and completeness of the sales and fee data.

We also interviewed and obtained information from 13 ski area permittees. We judgmentally selected these permittees from among those that would experience, under the industry's system, a change in fees that we considered significant—either an increase or decrease of 25 percent or \$50,000. Following is a list of the permittees interviewed.

Permittees Interviewed, by State

California:

Heavenly Valley Ski Area
Kirkwood Ski Area
Mammoth/Ski June Mountain Ski Area
Sierra Ski Ranch Ski Area

Colorado:

Aspen Mountain Ski Area
Breckenridge Ski Area

Buttermilk Ski Area
Copper Mountain Ski Area
Keystone Ski Area
Snowmass Ski Area

Montana:

Big Mountain Ski Area

Oregon:

Mt. Bachelor Ski Area
Multnomah/Ski Bowl Ski Area

Furthermore, we interviewed and obtained information on the industry's fee system from officials of the American Ski Federation and the United Ski Industries Association. We also obtained and reviewed the Congressional Budget Office's analysis of the industry's ski fee system.

We conducted our review between May 1992 and February 1993 in accordance with generally accepted government auditing standards.

Major Contributors to This Report

Resources,
Community, and
Economic
Development
Division, Washington,
D.C.

James R. Hunt, Assistant Director
John Kalmar Jr., Assignment Manager
Ned H. Woodward, Staff Evaluator

Denver Regional
Office

William J. Temmler, Evaluator-in-Charge
Diane S. Lund, Staff Evaluator
Pamela K. Tumler, Reports Analyst

Related GAO Products

Federal Lands: Oversight of Long-Term Concessioners (GAO/RCED-92-128BR, Mar. 20, 1992).

Federal Lands: Improvements Needed in Managing Concessioners (GAO/RCED-91-163, June 11, 1991).

Recreation Concessioners Operating on Federal Lands (GAO/RCED-91-16, Mar. 21, 1991).

Parks and Recreation: Problems with Fee System for Resorts Operating on Forest Service Lands (GAO/RCED-88-94, May 16, 1988).

Parks and Recreation: Recreational Fee Authorizations, Prohibitions, and Limitations (GAO/RCED-86-149, May 8, 1986).

National Parks' Health and Safety Problems Given Priority: Cost Estimates and Safety Management Could Be Improved (RCED-83-59, Apr. 25, 1983).

Increasing Entrance Fees—National Park Service (RCED-82-84, Aug. 4, 1982).

Facilities in Many National Parks and Forests Do Not Meet Health and Safety Standards (CED-80-115, July 31, 1980).

Better Management of National Park Concessions Can Improve Services Provided to the Public (CED-80-102, July 31, 1980).

Concession Operations in the National Parks—Improvements Needed in Administration (RED-76-1, July 21, 1975).

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

**U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015**

or visit:

**Room 1000
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC**

**Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066.**

**United States
General Accounting Office
Washington, D.C. 20548**

**Official Business
Penalty for Private Use \$300**

**First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100**
