United States General Accounting Office

GAO

Report to Congressional Requesters

July 1994

# FEDERAL LANDS

# Fees for Communications Sites Are Below Fair Market Value

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

Resources, Community, and
Economic Development Division

B-257564

July 12, 1994

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

The Honorable Bruce F. Vento
Chairman, Subcommittee on National Parks,
Forests, and Public Lands
Committee on Natural Resources
House of Representatives

The U.S. Department of Agriculture's Forest Service and the Department of the Interior's Bureau of Land Management (BLM) are the two major federal land management agencies whose lands are used as communications sites for broadcasting and transmitting television, radio, and other electronic signals. For the most part, these sites are leased to private entities that construct and operate communications facilities. The vast majority of these sites serve communities in the western United States.

Concerned about whether the federal government is receiving fair market value[1] for the lands leased for communications sites as required by the Federal Land Policy and Management Act of 1976 (FLPMA), you asked us to review several issues regarding how the Forest Service and BLM are administering these lands. Specifically, you asked (1) whether the fees currently charged for using the communications sites reflect fair market value, (2) how the fees charged for using federal lands compare with the fees charged by nonfederal landowners, and (3) to what extent the government's ability to obtain fair market value has been affected by limits on fee increases contained in appropriations legislation. In addition, as agreed with your offices, this report provides information on problems related to managing the communications sites that came to our attention during our review. As also agreed, we focused our review on three commercial users of these sites: television broadcasters, FM radio broadcasters, and commercial mobile radio transmitters. The Forest Service administers most of the communications sites and has taken the

[1]Fair market value refers to the price at which a willing seller would choose to sell and a willing buyer would choose to buy in a competitive marketplace.

lead in addressing the issue of what fees should be charged for leasing communications sites on federal lands.

This report is one of several products we have issued in the past few years addressing whether the federal government is receiving fair market value for the sale or use of the nation's natural resources. A list of related GAO products is included at the end of this report.

## Results in Brief

The annual fees currently charged for using communications sites on lands administered by the Forest Service and BLM generally do not reflect fair market value. In many cases, the fees charged are significantly below fair market value. For example, the annual fees paid by television broadcasters at a large Forest Service communications site near Los Angeles, California, are only about 2 to 15 percent of fees based on the sites' appraised fair market value. The Forest Service's fees are based on an outdated formula that was established over 40 years ago, and BLM's fees are based on out-of-date appraisals. Forest Service and BLM officials estimate that charging fees based on fair market value would increase total federal revenues by over 500 percent—from about $4 million annually to about $23 million annually.

State and private landowners generally base their fees for communications sites on the fair market value of the sites, and their fees are generally higher than those charged by the federal government. In addition, officials in some western states we contacted told us that the low federal fees depress the fair market value of the state-owned sites. Consequently, the current federal fees may limit state revenues as well as federal revenues.

For several years, the Forest Service and BLM have been trying to establish fees that reflect fair market value. Although the Forest Service, BLM, and the communications industry agree that the fees currently charged for using the federal sites are too low, they disagree with the fee increases that have been proposed. Consequently, the conference report for fiscal year 1992 appropriations directed the Forest Service and BLM to establish an advisory committee to study the fees charged for using the communications sites. However, for the past 5 years, annual appropriations-related legislation has limited the amount by which the Forest Service and BLM can increase these fees. As long as these limits are in effect, the fees charged will not reflect the communications sites' fair market value.

The Forest Service lacks the reliable and complete programwide information needed to effectively manage its communications sites. Specifically, data on the amount of fees users pay and on the number and types of communications sites located on Forest Service lands are unreliable or incomplete. In addition, numerous unauthorized communications users are operating on Forest Service lands, and annual inspections to ensure that the sites are properly maintained are rarely performed. BLM also lacks reliable data on the number and types of users of its sites and the fees collected. Forest Service and BLM officials acknowledged these problems and said that they occur because the program has a low priority within their agencies.

## Background

The Forest Service and BLM are the two major federal land management agencies whose lands are used as communications sites. The Forest Service issues permits and BLM uses rights-of-way leases to grant authority for such use. Forest Service officials estimate that the agency has issued about 6,300 communications permits, which generate an estimated $1.9 million in annual fees. BLM officials estimate that the agency has about 3,200 leases and collects about $1.5 million to $2.0 million in annual fees.

Lands on mountain peaks or otherwise at high elevations near population centers are the most desirable places to locate communications sites. The federal government owns a significant portion of the lands in the western United States, and many of the best communications sites in the West are on Forest Service lands. When these sites are located near population centers, the demand for their use for communications purposes is greater, thereby increasing their value. BLM lands are generally not located at high elevations near population centers; thus, the BLM sites are not as valuable as many Forest Service sites.

There are four major categories of communications users that pay for the use of federal lands: commercial, industrial, and personal users and organizations that perform natural resources and environmental monitoring.

A communications facility generally consists of a tower and a building. Antennas are located on the tower, and supporting electronic equipment is housed in the building. In many cases, the facility's owner rents space at the facility to other communications users, or subtenants. Large towers may have 20-30 subtenants transmitting and/or receiving signals. Many facility owners are also in the communications business. However, others are not and operate their facilities to generate rental income. At Forest Service sites, both types of facility owners are currently required to pay the Forest Service 5 percent of the rent they receive from subtenants. Generally, BLM does not require facility owners to pay the agency for subtenants.

## Current Fees for Communications Sites Do Not Reflect Fair Market Value

Both the Forest Service and BLM are required to obtain fair market value for the use of their lands. But in most cases, the fees that the Forest Service and BLM collect for their communications sites are significantly below the fair market value.

### Federal Agencies Are Required to Receive Fair Market Value

Title V of the Independent Offices Appropriations Act of 1952, as amended in 1982 (31 U.S.C. 9701) requires the federal government to levy fair fees for the use of its services or things of value. Under the Office of Management and Budget's Circular A-25, which implements the act, agencies normally are to establish user fees on the basis of market prices. In addition, the Federal Land Policy and Management Act of 1976 (FLPMA) requires federal agencies to obtain fair market value for the use of federal lands. FLPMA allows the agencies to discount or waive fees if the user of the land is another government agency or a nonprofit association or is providing a valuable benefit to the public at no charge or at a reduced charge. Forest Service and BLM officials indicated that they frequently grant fee waivers or discounts to these types of organizations.

### Federal Fees Are Significantly Lower Than Fair Market Value

In general, the fees for the communications sites administered by both the Forest Service and BLM are significantly lower than the fair market value. Forest Service officials estimate that, nationwide, the agency is collecting fees worth about 10 percent of the fair market value of its sites. BLM officials estimate that the agency's fees represent about 50 to 65 percent of the fair market value of its sites.

The Forest Service has based its fees for communications sites on charging 0.2 percent of the permittee's investment in facilities and equipment. This formula, developed over 40 years ago, does not take into account the different types of uses or the size of the market near the site and is not adjusted for inflation. Since this approach has no relationship to fair market value, it has resulted in fees that are significantly below this value.

Forest Service and BLM officials advised us that there are significant differences between the fees they currently charge for communications sites and what the fees would be if they were based on fair market value. For example, an independent appraiser hired by the Forest Service appraised the market value of the use of the site for television broadcasters at Mt. Wilson, which is near Los Angeles, California, at $75,000 annually, but the fees now being paid range from $1,294 to $9,600 annually—or from about 2 percent to about 15 percent of the fee based on the appraised value of the site. Forest Service officials estimate that on a national basis, if the agency's fees for communications sites reflected fair market value, revenues would increase by over 10-fold—from about $1.9 million a year to about $20 million a year.

The policy at BLM is to base the fees for its communications sites on site appraisals and to reappraise each site every 5 years to adjust these fees. BLM officials told us that because the program has a low priority, many of the appraisals the agency uses are out of date and no longer reflect fair market value. In addition, according to BLM officials, reappraisals have been infrequent. BLM officials estimate that if the agency charged fees that reflected fair market value, revenues would increase from about $1.5-$2.0 million a year to about $3.0 million a year.

## Federal Fees Are Less Than Those Charged by Nonfederal Landowners

States and private landowners also lease lands for communications sites. We found that unlike the federal government, these landowners routinely charge fees based on the fair market value of the lands. As a result, their fees are generally higher than those charged by the federal government.

To compare the states' and the federal government's processes for setting fees for communications sites, we reviewed the approach taken by seven western states—Arizona, California, Colorado, Idaho, New Mexico, Oregon, and Washington. Over two-thirds of all Forest Service permits for communications sites were issued to users in these states. Six of the seven states we reviewed based their fees on the fair market value of the sites. The one state that did not—Oregon—had a policy that limits the fee collected to the amount needed to recover administrative costs. The six states that charge market-based fees for their sites base their determination of fair market value on commonly accepted techniques: appraisals and market surveys of comparable private leases, or negotiations with prospective renters.

To illustrate how the state fees compare with the federal fees, we tried to identify a location where a state-owned site and a comparable federally owned site served the same area. We could not identify such a location. Consequently, we compared the fees charged at a state-owned location in the Tri-Cities area of Richland-Pasco-Kennewick (with a population of about 120,000) in eastern Washington with federally owned locations serving Boise, Idaho, (with a population of about 240,000) and Los Angeles, California (with a population of over 9 million). Under a recent lease for the state-owned site in the Tri-Cities area, an owner of an FM radio tower agreed to pay the state $6,227 per year. In contrast, owners of FM radio towers on Forest Service land at Deer Point, Idaho, serving the Boise area, and on Mt. Wilson, serving the Los Angeles metropolitan area, paid lower fees. The owner of an FM radio tower at Deer Point paid $4,513 per year. At Mt. Wilson, FM radio tower owners paid annual fees ranging from $431 to $679.

The current federal fees not only result in forgone revenues to the Treasury but may also result in forgone revenues to states and counties. Of the six states that base their fees on fair market value, officials in three states told us that the low fees charged by the Forest Service and BLM depress the market value of the state-owned communications sites. In addition, since 25 percent of the revenue received from national forests is returned to the states and counties where the national forests are located to benefit public schools and roads in the area, the lower federal fees deprive these states of additional revenues.

Like the states, four commercial private landowners in the West that we contacted indicated that they use the commonly accepted tools of appraisals, market surveys, or negotiations with prospective renters to set the fees for their sites. In general, the fees charged by these private landowners are significantly higher than those charged on federal lands. For example, a private landowner charges an FM radio station $27,000 per year to broadcast from a site that serves the Seattle, Washington, metropolitan area. While there are no comparable federal sites serving this city, federal sites serving larger cities charge significantly less. For example, as mentioned previously, FM radio tower owners at Mt. Wilson in the Los Angeles area paid the Forest Service annual fees ranging from $431 to $679 a year.

## Efforts to Obtain Fair Market Value Have Been Impeded

For several years, the Forest Service has attempted to increase the fees it charges for its communications sites to reflect fair market value. However, while industry representatives agree that the current fees are too low, they believe the fee increases proposed by the Forest Service are too high. In addition, for the past 5 years, appropriations-related legislation has limited the amount by which the Forest Service and BLM can increase the fees.

### Federal Efforts to Obtain Fair Market Value

In the late 1980s, the Forest Service began efforts to revise its fee system to reflect fair market value, and these efforts continue today. The Forest Service and BLM have been working together to develop a fee system that can be used by both agencies. However, federal efforts to revise the fees have met with considerable opposition.

In an effort to determine what the fees should be, the Conference Committee Report on Interior and Related Agencies Appropriations for fiscal year 1992[2] directed the Forest Service and BLM to create an advisory committee to report on appropriate methods for establishing site fees that reflected the fair market value of two communications uses—television and FM radio. This committee, called the Radio and Television Broadcast Use Fee Advisory Committee (Advisory Committee), was made up of 11 voting members, including 6 representatives of the communications industry, 1 representative from the Forest Service, 1 from BLM, a private appraiser, a state land manager, and a representative of a commercial landowner who rents lands for communications sites. In December 1992, the Advisory Committee issued its report.[3] The report estimated market-value fees for communications sites and proposed fees that were 30 percent less than these fees. The Advisory Committee believed the 30-percent reduction in fees was warranted to account for, among other things, the public service provided by the industry to the communities it serves. The Advisory Committee's proposed fees for television and FM radio have been supported by industry representatives. The fees recommended by the Advisory Committee are generally substantially higher than those currently charged by the Forest Service and BLM but are lower than the market-value fees identified by the Forest Service's appraiser. (App. I contains the fee schedules recommended by the Advisory Committee.)

While the Forest Service and BLM agreed with some of the findings in the Advisory Committee's report, the agencies disagreed with both the

[2]House Report 102-256 on H.R. 2686, enacted as P.L. 102-154.

[3]Report of the Radio and Television Broadcast Use Fee Advisory Committee, Dec. 1992.

Advisory Committee's methodology and the proposed fees because, in their opinion, the fees did not reflect fair market value. Consequently, the Forest Service began developing its own fee proposal, which it published in the Federal Register for public comment in July 1993. BLM did not participate in this effort, but BLM officials indicated that they generally supported the Forest Service's approach. The proposal recommends fees for four types of communications uses: television, FM radio, commercial mobile radio, and cellular telephone. (App. II contains details of the fee schedules proposed by the Forest Service.) The Forest Service has analyzed public comments on its fee proposal and has begun working with BLM to develop a fee system to be implemented by both agencies. BLM plans to publish this fee system in the Federal Register for public comment during the summer of 1994. After receiving and analyzing the public comments, both agencies plan to implement this fee system.

Table 1 illustrates the differences between the annual fees the Forest Service currently charges for its communications sites, its appraised market-value fees and proposed annual fees, and the Advisory Committee's estimated market-value fees and proposed annual fees. The table compares the fees for three Forest Service sites. These sites—Mt. Wilson, Sandia Crest, and Deer Point—were chosen to represent sites located near a large metropolitan area, a medium-sized city, and a relatively small city, respectively. They include markets of different sizes with multiple types of commercial users. These 3 sites are among the 12 sites that were appraised for the Forest Service by an independent appraiser in 1992. Mt. Wilson is the predominant communications site in the Los Angeles, California, area—the second largest broadcast market in the country. Seven television stations and 12 FM radio stations broadcast from this site. The site also serves numerous commercial mobile radio operators. Sandia Crest is the predominant communications site for the Albuquerque, New Mexico, area. Nine television stations, 12 FM radio stations, and 27 commercial mobile radio operators transmit from this site. Deer Point serves the area around Boise, Idaho. It is the predominant site for broadcasting in this area. Three television stations, six FM radio stations, and one commercial mobile radio operator transmit from this site.

**Table 1: Comparison of Forest Service's and Advisory Committee's Annual Fees**

| Site and use | Forest Service's current range of fees | Forest Service's appraised market-value fees | Advisory Committee's estimated market-value fees | Forest Service's proposed fees | Advisory Committee's proposed fees |
|---|---|---|---|---|---|
| Mt. Wilson | | | | | |
| Television | $1,294 - 9,600 | $75,000 | $60,000 | $45,000 | $42,000 |
| FM radio | $431 - 679 | $70,000 | $42,000 | $34,000 | $29,400 |
| Commercial mobile radio | $431 - 1,114 | $60,000 | [a] | $12,000[b] | $12,000[c] |
| Sandia Crest | | | | | |
| Television | $115 - 2,353 | $21,000 | $15,000 | $19,000 | $10,500 |
| FM radio | $148 - 6,929 | $19,500 | $10,500 | $14,000 | $7,350 |
| Commercial mobile radio | $119 - 1,411 | $16,000 | [a] | $7,500 | $3,500[c] |
| Deer Point | | | | | |
| Television | $671 - 712 | $13,000 | $3,250 | $6,000 | $2,625 |
| FM radio | $4,513 | $12,500 | $2,625 | $5,500 | $1,838 |
| Commercial mobile radio | [d] | $10,000 | [a] | $5,000 | $2,000[c] |

Note: The fees in this table apply only to facility owners.

[a]Commercial mobile radio was not addressed by the Advisory Committee.

[b]This fee is the higher of $12,000 or 25 percent of the revenues generated by the permittee.

[c]These fees are taken from a fee system developed by the commercial mobile radio industry.

[d]The one commercial mobile radio operator at Deer Point is a subtenant.

As table 1 shows, there are significant differences between the Forest Service's current range of fees and the fees based on appraised market value. Table 1 also shows that the market-value fees estimated by the Advisory Committee are generally lower than the Forest Service's appraised market-value fees. Appraisals and market surveys are two commonly accepted techniques for determining fair market value. The Forest Service used these techniques to develop its proposed fees.

The Forest Service's appraised market-value fees were based on formal appraisals done by an independent appraiser at 12 Forest Service sites in 1992. In contrast, the Advisory Committee's estimated market-value fees were based not on formal appraisals but, rather, on informal information provided by industry groups and appraisers and on the collective judgment of the Advisory Committee's members.

The Forest Service's proposed fees are consistently lower than its appraised market-value fees because of the approach the agency followed in developing its fee system. The Forest Service grouped the fees it developed into several broad categories of communities on the basis of population. The proposed fee assigned to each category in this fee schedule was based on what the Forest Service believed was the fair market value of the sites in the smallest community in each category. For example, under the Forest Service proposal, Los Angeles is in a fee category with other cities like San Diego. However, the proposed fee for this category is based on the fair market value of the sites in the smaller city—not Los Angeles.

Forest Service officials told us they took this approach because it is more practical and less costly to administer than determining the fair market value of each site. The Advisory Committee's report also supported the use of a fee schedule because, among other things, it was cost-efficient and predictable and could be consistently applied across the agency.

The Forest Service used a systematic process involving the commonly accepted techniques of appraisals and market surveys to develop its proposed fees. As previously discussed, the Advisory Committee did not employ these techniques. While the Forest Service's market survey data were provided to the Advisory Committee, the committee's report acknowledges that the data were not used because they would have resulted in fees that the Advisory Committee believed were too high. The Advisory Committee's report also acknowledges that the committee's proposed fees do not represent fair market value. In addition, representatives of the commercial mobile radio industry told us that the Forest Service's proposed fees for commercial mobile radio were too high.

It should be noted that while there are significant differences between fees proposed by the Forest Service and the Advisory Committee, there are several areas of common agreement. For example, both proposed systems provide for a phase-in of the new fees if the increase in fees to a user is $1,000 or more.

## Congressional Action Affecting Efforts to Obtain Fair Market Value

Because of concerns raised by users of federal communications sites, in each of the past 5 years, language has been inserted into appropriations-related legislation limiting the annual fee increases for Forest Service and BLM communications sites. In appropriations legislation for fiscal years 1990 and 1991, fee increases were prohibited. The conference report for fiscal year 1992 appropriations directed the Forest Service and BLM to create an advisory committee to study the site fees for television and FM radio. Appropriations legislation for fiscal years 1992 and 1993 allowed the agencies to increase the fees by up to 15 percent above the fees in effect in 1989. For fiscal year 1994, the Omnibus Budget Reconciliation Act directed the agencies to increase the fees by 10 percent above the fees in effect for fiscal year 1993. Unless additional legislation is enacted, the current limits on fee increases will expire at the end of fiscal year 1994.

Because of the significant disparity between the current fees and fees that reflect fair market value, fee limitations like those imposed over the last 5 years will not allow the agencies to obtain fair market value for many years, if ever. For example, the highest current fee for television broadcast at Mt. Wilson is $9,600 per year. According to the Forest Service, the fee based on the current appraised market value of this site would be $75,000 per year. At an increase of 10 percent a year—the rate allowed in fiscal year 1994—it would take more than 20 years for the fee to reach $75,000. If inflation or other factors cause the fair market value of this site to increase above $75,000 per year, it will take even longer for the fee to reflect fair market value.

## Industry's Concerns About Proposed Fee Increases

The communications industry acknowledges that federal fees charged television, FM radio, and commercial mobile radio users are too low and should be based on fair market value. Industry representatives agree that generally accepted valuation techniques like appraisals, market surveys, and negotiations are appropriate ways to determine the fair market value of the communications sites. However, there is disagreement between industry and the federal agencies on the fees that represent fair market value.

To obtain more details on the views of the industry, we contacted representatives of several industry groups, including the National Association of Broadcasters, the National Association of Business and Educational Radio, and several state broadcasting associations. They raised several concerns in support of their position that the fees proposed by the Forest Service are too high. We reviewed the basis for each of these concerns.

Industry representatives expressed concern over the impact the proposed fees might have on small broadcasters serving rural areas throughout the western United States. Specifically, they stated that the higher rates may drive small broadcasters in rural areas out of business. They said that, as a result, service to rural areas would be reduced as broadcasters cease operations.

We asked industry representatives to provide us with the names of some rural broadcasters that may be harmed by the proposed fees. We were referred to state broadcasting associations in Idaho and Arizona, which identified 11 small broadcasters they thought would be good examples of ones potentially affected by the Forest Service's proposed fees. We contacted 8 of the 11 broadcasters; because of time constraints, we were unable to contact the other 3. None of the broadcasters we contacted said they would cease operations as a result of having their fees increased to the level recommended in the Forest Service's 1993 fee proposal. Furthermore, while none of the broadcasters we contacted were enthusiastic about the proposed fee increases, 5 of the 8 acknowledged that their fees were probably too low and that they could tolerate some increase in their fees. While this limited number of broadcasters may not represent all small broadcasters, their views do provide some indication of how such broadcasters would be affected by changes in the current fees.

The second concern raised by industry representatives was about the data used by the Forest Service to develop its proposed fee system. They said the agency's analysis was not based on sites comparable to those on Forest Service lands. Furthermore, they indicated that the appraisal and market data used by the Forest Service included sites that provided more amenities, such as better access to the sites and better site maintenance, than those provided by the Forest Service. According to the industry representatives, using such data resulted in fees that exceeded fair market value.

In discussing this point with the industry representatives, we asked for specific examples supporting their position. They did not provide us with any examples. In addition, Forest Service officials told us that in performing their analysis, they excluded sites with greater amenities than those available on federal lands. Furthermore, state and private landowners told us that, in most instances, their lands were leased with no amenities.

The third concern of industry representatives relates to the Forest Service's concept of fair market value. Industry representatives told us that since the Forest Service based its analysis on the "highest and best use" of the lands, the agency was being too narrow in its view of fair market value. They said that the Forest Service should also consider the value of the "next best use" of the lands—such as grazing livestock or operating ski areas—and charge fees based on those activities. The representatives said that by considering the value of uses other than communications, the Forest Service would have a "broader" view of the fair market value of the use of the lands.

In its December 1992 report, the Advisory Committee concluded that basing fees on the "next best use" of a site would not be consistent with the requirements of FLPMA since by definition such fees would not be based on the fair market value of the use of the lands. The report also noted that setting fees based on an alternative use that is unrelated to the likely use would not result in a fee based on fair market value. Forest Service officials also believe this approach would not be appropriate. We agree.

The fourth concern expressed by representatives of the television and FM radio industry involves discounts they believe the broadcasters should receive for the public service they provide. Specifically, the representatives believe that since the broadcasting service is provided without direct cost to the public, the industry should receive a 30-percent discount on its site fees. The 30-percent figure was developed by the Advisory Committee and reflected the collective judgment of the committee's members. (In table 1, the 30-percent discount is the difference between the Advisory Committee's estimated market-value and proposed fees.)

FLPMA allows the Secretaries of Agriculture and the Interior to discount or waive fees if the user is another government agency or a nonprofit association or is providing a valuable benefit without charge or at a reduced charge. The Department of Agriculture's General Counsel has taken the position that reducing fees for broadcasters is not appropriate unless there is some direct and tangible benefit to the public lands. Similarly, BLM's Chief Appraiser told us that a public-service discount would be appropriate if the user was providing a tangible benefit that could be quantified in terms of savings or reduced cost to the government (e.g., operating and maintaining a road to a communications facility that also serves public recreation areas). However, the BLM official believes that providing public-service discounts to all broadcasters simply because they do not directly charge the public is not appropriate. We agree with these positions. Furthermore, Forest Service officials told us that while they frequently grant fee waivers or discounts, these have only been authorized for state, local, or other federal entities and for nonprofit associations such as universities and religious organizations.

## Forest Service and BLM Lack Data Needed to Properly Manage Communications Sites

Forest Service and BLM officials told us that neither agency has the reliable or complete programwide information needed to manage its communications site programs. In addition, the Forest Service officials told us that (1) large numbers of unauthorized users are operating from the agency's communications sites and (2) the agency does not routinely inspect its sites to determine whether permittees are complying with the terms of their permit agreements.

In performing our review, we asked officials at Forest Service headquarters to provide us with information on the scope of its communications site program. Specifically, we asked them for programwide information on the total number and types of users and the total amount of fees generated from the agency's communications sites. However, these officials could not provide us with reliable or complete information on any of these items. The best information they could provide was based on estimates. Forest Service officials acknowledged that they needed these data to better monitor the operation of the program and to stay aware of trends or problems that might arise. However, they indicated that they did not have the resources available to address the inadequacies in the data because the program has a low priority within the agency.

Similarly, BLM officials told us that they do not have complete and reliable data on the total number and types of users at the agency's communications sites, or the total amount of fees generated. As a result, they could only provide us with estimates of the fees they were receiving from the sites, how much they should be receiving, and whether the bases for the fees they charged were up to date. However, on this latter point, agency officials told us that they knew many of the fees they were charging were based on out-of-date appraisals and did not reflect the fair market value of the sites. BLM officials told us that they are aware of the inadequacies in the data and the difficulties this problem presents for overseeing the program. Nonetheless, they said the program has a low priority within the agency, and they have no plans to address the inadequacies at this time.

In addition to the agency's problems with data, Forest Service officials acknowledged that there are large numbers of unauthorized users operating on Forest Service lands. This was evident in each of our visits to five national forests. During these visits, local Forest Service officials identified numerous users with no permits. For example, at Sierra Peak, in the Cleveland National Forest in California, local Forest Service officials told us that 20 subtenants on this site did not have permits. Forest Service officials told us that while they were aware of this problem, they have yet to address it because, in their opinion, it would frequently cost more to assign a permit than the permit would generate in fees at the current levels.

The Forest Service requires annual inspections of its communications sites to ensure that the sites are properly maintained by the users. However, during our visits to several forests, we were told by local forest managers that annual inspections are rarely performed. For example, during our visit to the San Bernardino National Forest in California, we found several sites that had not been inspected for about 7 years. Forest Service officials in the headquarters and field offices acknowledged that site inspections were infrequent and attributed this to the low priority accorded to the program.

## Conclusions

The current annual fees for using the communications sites on Forest Service and BLM lands generally do not reflect fair market value. In many cases, the fees charged are significantly below fair market value. These low fees result in forgone federal revenues and could have the unintended consequence of resulting in forgone state and county revenues. While the Forest Service, BLM, and industry representatives agree that the current federal fees for communications sites are too low, they disagree on how much the fees should be raised.

An impediment to achieving fees that reflect fair market value is the legislative limits that have been placed on fee increases. If these limits continue, the federal government will not obtain fair market value for its communications sites for many years, if ever. The Forest Service and BLM do not have the basic information needed to effectively oversee their communications sites and to ensure that the agencies are collecting all of the revenues owed to the government. If this program is to be properly managed, these agencies need to develop and maintain complete and reliable programwide data on the number, types, and amount of fees that the sites generate. Furthermore, the Forest Service needs to ensure that all users of its communications sites are authorized and that site inspections are regularly performed.

## Matter for Congressional Consideration

If fair market value is to be obtained for the use of the communications sites on federal lands, the Congress should consider not renewing the current limits on fee increases. To minimize any impact that large increases in fees could have on the industry, the Congress may wish to consider directing the agencies to develop a phased-in approach to moving to fees that reflect fair market value.

## Recommendations to the Secretaries of Agriculture and the Interior

We recommend that the Secretaries of Agriculture and the Interior continue to develop a fee system that ensures that fair market value is obtained for the use of their communications sites. The system should be implemented unless legislatively prohibited.

We also recommend that both Secretaries improve management oversight of activities at the communications sites by developing information systems that, at a minimum, provide them with accurate and timely programwide information on the number and types of users and the total amount of fees generated from users at the sites.

## Recommendation to the Secretary of Agriculture

We recommend that the Secretary of Agriculture direct the Chief of the Forest Service to develop a strategy to ensure that unauthorized users are not operating on the agency's sites and that the sites are properly maintained.

## Agency Comments

As requested, we did not obtain written comments on this report from the Forest Service or BLM. However, we discussed the report's content in conferences attended by responsible officials from both agencies, including the Acting Associate Deputy Chief of the Forest Service and the Chief Appraiser of BLM. Officials from both agencies generally agreed with the factual information in the report and suggested clarifications, which we incorporated where appropriate. We also discussed the contents of the report at a conference with officials of the National Association of Business and Educational Radio, which represents the commercial mobile radio industry. They generally agreed with the factual information in the report and also suggested clarifications, which we incorporated where appropriate. Officials of the National Association of Broadcasters declined to comment on the contents of the report, choosing instead to provide written comments on our final report when it becomes available.

We conducted our review from May 1993 to June 1994 in accordance with generally accepted government auditing standards. We performed our work at Forest Service and BLM headquarters and field offices. We also contacted representatives of the television, FM radio, and commercial mobile radio industries, as well as individual users who operate communications sites on federal lands. Appendix III contains further details on our objectives, scope, and methodology.

As arranged with your offices, 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, the Secretary of the Interior, and the Director of the Office of Management and Budget. We will also 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 questions. Major contributors to this report are listed in appendix IV.

Keith O. Fultz

Keith O. Fultz
Assistant Comptroller General

# Contents

## Abbreviations

| | |
|---|---|
| ADI | area of dominant influence |
| BLM | Bureau of Land Management |
| CPI-U | consumer price index-urban consumer |
| FLPMA | Federal Land Policy and Management Act of 1976 |
| GAO | General Accounting Office |
| MSA | metro survey area |
| NAB | National Association of Broadcasters |
| SMSA | standard metropolitan statistical area |

# Fee Schedules Proposed by the Radio and Television Broadcast Use Fee Advisory Committee

In December 1992, the Radio and Television Broadcast Use Fee Advisory Committee (Advisory Committee) developed proposed fee schedules for the use of federal lands for television and FM radio broadcasting. The Advisory Committee was made up of 11 voting members, including 6 representatives of the communications industry, an appraiser, a state land manager, a private landowner, 1 representative from the Forest Service, and 1 from the Bureau of Land Management (BLM). The committee recommended using fee schedules instead of individual site appraisals because schedules are more cost efficient and easier to administer. The Advisory Committee considered market survey data prepared by the Forest Service, which had been developed from information on comparable private lease transactions. However, the committee was concerned that these schedules would impose too high a fee on broadcasters.

Before arriving at proposed fees for television broadcast uses, the Advisory Committee first developed estimated rental values using information obtained from several sources, including appraisers, industry groups, and informal surveys conducted independently by its members. The estimated rental values were ranked into population categories using the broadcast industry's "area of dominant influence" (ADI)[1] rankings of markets.

Estimated rental values for radio broadcast uses were derived by reducing the estimated rental values for television by 30 percent to show the difference between the relative values of radio and television stations. The radio use fee schedule, similar to the television use fee schedule, is stratified into population categories. Stratification of the radio markets is done by using the "metro survey area" (MSA)[2] ranking of markets based on population.

The Advisory Committee reduced the estimated rental values for both television and radio uses by 30 percent as an adjustment to account for such factors as the public service provided by the broadcasters. The committee recognized that the resulting recommended rental fees for television and radio broadcast uses did not represent fair market value. Tables I.1 and I.2 show the estimated rental value and rental fees for television and radio developed by the Advisory Committee.

[1]ADI is a ranking of television markets based on the number of households with televisions (known as "television households") in a given geographical area.

[2]MSA measures the population served in a given metropolitan area.

**Table I.1: Television Rental Fee Schedule**

| ADI ranking of market | Estimated rental value | Rental fee[a] | Markets[b] |
|---|---|---|---|
| 1-10 | $60,000 | $42,000 | Los Angeles, CA (2) |
| 11-30 | $30,000 | $21,000 | San Diego, CA (25)<br>Phoenix, AZ (20) |
| 31-70 | $15,000 | $10,500 | Salt Lake, UT (42)<br>Albuquerque, NM (52) |
| 71-120 | $ 7,500 | $ 5,250 | Tucson, AZ (78)<br>Las Vegas, NV (79)<br>Spokane, WA (80)<br>Reno, NV (116) |
| 121-210 | $ 3,250 | $ 2,625 | Chico-Redding, CA (130)<br>Boise, ID (142)<br>Idaho Falls-Pocatello, ID (160)<br>Yuma, AZ (180)<br>Palm Springs, CA (170) |
| Non-ADI[c] | [d] | $ 2,500 | [e] |

[a]Represents 70 percent of the estimated value.

[b]Numbers in parentheses represent Arbitron's 1992 ADI market rankings.

[c]Includes stations in home counties for non-ADI markets.

[d]The Advisory Committee did not provide an estimated rental value.

[e]The Advisory Committee did not provide specific examples of the affected markets.

**Table I.2: Radio Rental Fee Schedule**

| MSA ranking of market | Estimated rental value | Radio rental fee | Markets[a] |
|---|---|---|---|
| 1-10 | $42,000 | $29,400 | Los Angeles, CA (2) |
| 11-30 | $21,000 | $14,700 | Seattle-Tacoma, WA (13) |
| 31-90 | $10,500 | $ 7,350 | Salt Lake City, UT (36)<br>Albuquerque, NM (79) |
| 91-160 | $ 5,250 | $ 3,675 | Spokane, WA (102)<br>Reno, NV (136) |
| 161-261 | $ 2,625 | $ 1,838 | Chico, CA (183)<br>Redding, CA (206)<br>Tri-Cities, WA (215)<br>Santa Fe, NM (230)<br>Grand Junction, CO (249)<br>Cheyenne, WY (258) |
| Not ranked[b] | [c] | $ 1,500 | Pocatello, ID<br>Idaho Falls, ID<br>Missoula, MT<br>Helena, MT<br>Bend, OR |

Note: Radio rental fees reflect a 30-percent reduction from television rental fees. According to the Advisory Committee, this reduction reflects the differences in the relative values of radio and television stations.

[a]Based on a January 1992 MSA population. Numbers in parentheses represent Arbitron's 1992 MSA market rankings.

[b]Markets not included in the MSA ranking.

[c]The Advisory Committee did not provide an estimated rental value.

Additional recommendations made by the Advisory Committee included (1) requiring permittees who sublease space at the sites to other communications users to pay the government 25 percent of the gross rental receipts in addition to the permittee's annual fee; (2) having the agencies adopt a "footprint" lease, in which only the owners of the building, not the subtenants, would have to obtain a permit; (3) indexing the base rental fee to the consumer price index-urban consumer (CPI-U) with annual indexed fee increases of at least 3 percent but no more than 5 percent; (4) phasing in over a 2-year period those fees that represent an increase to an individual permittee of more than $1,000; and (5) reevaluating the entire fee schedule after a period of no more than 10 years.

# Fee Schedules Proposed by the Forest Service

In July 1993, the Forest Service published in the Federal Register a proposed schedule of fees for annual rental charges for four different communications users—television and FM radio broadcasters, and commercial mobile radio and cellular telephone transmitters—on lands in the National Forest System. The Forest Service's proposal is intended to establish fees that reflect fair market value, as required by law.

To develop these fees, the Forest Service completed surveys of lease transactions in the private market and carried out two separate appraisal efforts. Forest Service and BLM appraisers conducted 12 appraisals in 1990, and in 1992, a private independent appraiser hired by the Forest Service completed appraisals of 12 Forest Service communications sites located in the western states. The Forest Service decided to develop fee schedules instead of using on-site appraisals because fee schedules would be easier and less costly to administer and more consistent and predictable.

These schedules were based on (1) market data from over 1,500 private lease transactions; (2) current lease information from the cellular telephone and commercial mobile radio industries; (3) information from the Radio and Television Broadcast Use Fee Advisory Committee; and (4) discussions with industry representatives, private lessors, managers of commercial communications sites, state and local government representatives, and appraisers.

The Forest Service used a format for its television and radio broadcast schedules similar to the one used by the Advisory Committee. For example, the Forest Service used the ADI and MSA ranking systems,[1] respectively, to define the size of those markets. For commercial mobile radio, the Forest Service used population, based on U.S. Census reports, to define the size of the area served by each facility. Cellular telephone use was based on whether the facility was located within or outside a standard metropolitan statistical area (SMSA). Fees for each stratum were established on the basis of the lower range of values found in each stratum. Tables II.1 through II.4 present the Forest Service's fee proposal for communications uses of lands in the National Forest System.

[1]The ADI system is a ranking of television markets on the basis of the number of television households in a given geographical area. The MSA system measures the population served in a given metropolitan area.

**Table II.1: Proposed Fee Schedule for Television Broadcast Use of Communications Sites**

| Number of households served, ranked by the ADI system | Proposed annual fee[a] | Examples of markets in each stratum |
|---|---|---|
| 750,000 households and more | $45,000 | Los Angeles, CA; San Diego, CA |
| 200,000-749,999 | $19,000 | Albuquerque, NM; Las Vegas, NV; Fresno, CA; Tucson, AZ |
| 120,000-199,999 | $6,000 | Reno, NV; Eugene, OR; Boise, ID; Bakersfield, CA |
| 50,000-119,999 | $4,500 | Idaho Falls-Pocatello, ID; Missoula, MT |
| 49,999 and fewer and non-ADI areas | $3,000 | Twin Falls, ID; Flagstaff, AZ |

[a]Plus 25 percent of income from space rental.

**Table II.2: Proposed Fee Schedule for Fm Radio Broadcast Use of Communications Sites**

| Number of persons aged 12 or older in radio markets, ranked by the MSA system | Proposed annual fee[a] | Examples of markets in each stratum |
|---|---|---|
| 1,000,000 persons and more | $34,000 | Los Angeles, CA; San Diego, CA |
| 400,000-999,999 | $14,000 | Las Vegas, NV; Tucson, AZ; Albuquerque, NM; |
| 200,000-399,999 | $5,500 | Reno, NV; Boise, ID |
| 75,000-199,999 | $4,000 | Santa Fe, NM; Medford-Ashland, OR |
| 74,999 and fewer and non-MSA areas | $2,100 | Montrose, CO |

[a]Plus 25 percent of income from space rental.

**Table II.3: Proposed Fee Schedule for Commercial Mobile Radio Use of Communications Sites**

| Number of persons within area served[a] | Proposed annual fee | Examples of markets in each stratum |
|---|---|---|
| 500,000 persons and more | $12,000[b] | Los Angeles, CA; Oxnard-Ventura, CA; San Diego, CA; Phoenix, AZ; Las Vegas, NV; Bakersfield, CA |
| 250,000-499,999 | $7,500 | Albuquerque, NM; Salem, OR; Reno, NV |
| 150,000-249,999 | $5,000 | Boise, ID |
| 60,000-l49,999 | $2,500 | Medford, OR; Santa Fe, NM |
| 59,999 and fewer | $1,200 | Pocatello, ID; Idaho Falls, ID |

[a]Based on U.S. Census Bureau's estimates of population for the areas served by the facility.

[b]$12,000 or 25 percent of income from space rental, whichever is greater.

**Table II.4: Proposed Fee Schedule for Cellular Telephone Use of Communications Sites**

| Population served | Proposed annual fee | Examples of markets in each stratum |
|---|---|---|
| Within an SMSA | $7,500 | Los Angeles, CA |
| Outside an SMSA | | |
| Urban or developed area | $5,000 | Kalispell, MT; Glenwood Springs, CO |
| Rural or undeveloped area | $2,500 | Transportation corridors |

In addition to its proposed fee schedules, the Forest Service proposed charging television and FM radio permittees who leased site facilities to subtenants 25 percent of the subtenants' rents, similar to the Advisory Committee's proposal for television and radio broadcasters. Furthermore, for commercial mobile radio operators in the largest markets (500,000 and more), the Forest Service proposed charging $12,000 or 25 percent of the income from space rental, whichever is greater. The agency believes that this approach more closely mirrors the current private market practice of charging a flat fee and a percentage of gross revenue. Other considerations in the fee schedules include an annual indexing of fees to keep revenue current with fair market value. The Forest Service also proposes to use the CPI-U to update the fee schedules. Additionally, the government would (1) adopt a "footprint" lease, in which only the facility manager has a permit, and (2) phase in fees if the fee increase is $1,000 or more—with the full fee being reached by at least the 5th year. The agency also proposed that the fee schedules be reevaluated in 10 years or less.

The Forest Service's fee proposal is similar in a number of respects to the Advisory Committee's proposal. Both (1) use ADI and MSA data to define their market sizes, (2) propose a 25-percent charge for rents paid to facility managers by subtenants, (3) propose a footprint lease arrangement, (4) propose a phase-in of fees if the increase to the user under the new proposal is $1,000 or more, and (5) propose a total reevaluation of the fee schedule in 10 years or less.

# Objectives, Scope, and Methodology

We were asked by the Chairman, Environment, Energy, and Natural Resources Subcommittee, House Committee on Government Operations, and the Chairman, Subcommittee on National Parks, Forests, and Public Lands, House Committee on Natural Resources, to determine (1) whether the fees currently charged for using communications sites on federal lands reflect fair market value, (2) how the fees charged for using federal lands compare with the fees charged by nonfederal landowners, and (3) to what extent the government's ability to obtain fair market value has been affected by limits on fee increases contained in appropriations-related legislation. Furthermore, we were asked to identify any management problems that came to our attention during our review. Our review included communications sites managed by the U.S. Department of Agriculture's Forest Service and the Department of the Interior's Bureau of Land Management (BLM). However, because the Forest Service administers most of the communications sites and has taken the lead in addressing the issue of what fees should be charged for leasing communications sites, our review focused on the Forest Service.

Our work addressed the major commercial users of federal communications sites: television and FM radio broadcasters and commercial mobile radio transmitters. We did not include the cellular telephone industry—the other major commercial user—because it agreed to the Forest Service's proposed fees.

To determine whether the federal fees currently charged reflected fair market value, we reviewed federal laws relating to Agriculture's and Interior's requirements for obtaining fair market value on lands they administer, along with implementing regulations. We also met with officials at Forest Service and BLM headquarters and field locations. We visited communications sites in five national forests, including the Angeles National Forest, San Bernardino National Forest, and Cleveland National Forest in California; the Cibola National Forest in New Mexico; and the Mt. Baker-Snoqualmie National Forest in Washington. The sites we visited were selected to provide examples of sites that are used for different communications purposes and sites that serve large, medium, and small markets.

We reviewed the methods used by the Forest Service and the Radio and Television Broadcast Use Fee Advisory Committee to develop their proposed fees to determine if these methods were consistent with commonly accepted techniques for determining fair market value. However, we did not verify the accuracy of the data or the computations used by the Forest Service or the advisory committee in developing their respective fee proposals.

To obtain the views of the broadcast radio and television portion of the industry, we met with officials of the National Association of Broadcasters (NAB) in Washington, D.C. To obtain the views of the commercial mobile radio portion of the industry, we met with officials of the National Association of Business and Educational Radio in Alexandria, Virginia. We also spoke with several members of the advisory committee to get a better understanding of the proceedings of that group. The officials from NAB recommended that we also speak with broadcasters in small television and radio markets in Arizona and Idaho to obtain their opinions on the proposed fee increases. Subsequently, executive directors for Arizona and Idaho state broadcasting associations provided names and telephone numbers for broadcasters in their respective areas.

To determine how the federal fees compared with the fees charged on nonfederal land, we compared the methods used by the Forest Service and BLM in developing their site fees to the methods used to calculate fees for the same activity on state and privately owned lands. We spoke with state officials responsible for communications site leases in Arizona, California, Colorado, Idaho, New Mexico, Oregon, and Washington. These states were selected because most of the Forest Service's communications permitees in the West are located there. We also spoke with four commercial land managers who manage private lands in California, Oregon, and Washington. We selected these landowners because a number of privately owned communications sites are located on lands they manage. State and private land managers told us what they charged lessees for various types of communications uses. We compared these fees with the fees currently charged by the federal government.

To determine the effect that limits on fee increases contained in appropriations-related legislation have on the government's ability to obtain fair market value, we reviewed the legislative history and interviewed Forest Service and BLM officials in Washington, D.C.

# Major Contributors to This Report

| | |
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