<u>Why Has My Linear Rent Changed?</u>

LINEAR RIGHT-OF-WAY RENT SCHEDULE
SUMMARY OF CHANGES

- Most of the Bureau of Land Management's (BLM) linear rights-of-way (ROW) such as roads, powerlines, and pipelines are authorized by two different Federal laws; the Federal Land Policy and Management Act (FLPMA) of 1976 or the Mineral Leasing Act (MLA) of 1920.
- FLPMA and MLA require the holder of a ROW grant to pay annually, in advance, the fair market value of the ROW to occupy, use or traverse public lands.
- In 1987, the BLM published regulations establishing a rent schedule used to determine fair market value for linear ROWs. This schedule has not been updated since 1987, although land values have increased significantly in most areas.
- <u>**In 2005, Section 367 of the Energy Policy Act directed the Secretary of the Interior and Secretary of Agriculture to, "revise the per acre rental fee zone value schedule by State, county, and type of linear right-of-way use to reflect current values of land in each zone." This meant the rent schedule first published in 1987 had to be updated**</u>.
- BLM published an advance notice of proposed rulemaking to update the linear rent schedule, in the *Federal Register* on April 27, 2006, and a proposed rule on December 11, 2007. Public comments received on both were used extensively in development of a final rule. <u>**The final rule establishing a new rent schedule became effective December 1, 2008. All ROW grant holders were sent a letter in July/August 2009 explaining the changes in rent rules.**</u>
- BLM calculates linear ROW rent by multiplying the per acre rent for the appropriate county zone from the current linear rent schedule by the number of acres (as rounded up to the nearest tenth of an acre) in the ROW area that fall in each zone and multiplying the result by the number of years in the rental payment period. <u>**A one-time 25 percent across the board discount was built into the 2009 rental rates for all holders to phase in the new rates.**</u>
- The annual per acre rent for linear ROWs is the product of the following four factors:

Per Acre Zone Value
multiplied by
Encumbrance Factor
multiplied by
Rate of Return
multiplied by
Annual Adjustment Factor

Per Acre Zone Value: <u>**Each county (or other geographical area), is assigned to a County Zone Number and Per Acre Zone value based on 80 percent of their average per acre land and building value as published in the Census of Agriculture by the National Agricultural Statistics Service (NASS Census).**</u> The average per acre land and building value of each county was reduced by 20 percent to delete any value associated with "irrigated acres" or land containing buildings.

Encumbrance Factor: The encumbrance factor is a measure of the degree that a particular type of facility encumbers the ROW area or excludes other types of land uses and is set at 50 percent for all linear ROWs.

Rate of Return: The rate of return represents the return the Government could reasonably expect for the use of public assets, and is set at the average of the 30-year Treasury bond taken over the previous 10 year period from 1998 to 2008 or 5.27 percent.

Annual Adjustment Factor: Each calendar year the BLM adjusts the per acre rent values in each zone based on a the average annual change in the Implicit Price Deflator-Gross Domestic Product or (IPD-GDP) for the 10 year period immediately preceding the year the NASS Census is published.

The NASS Census is completed every 5 years. Rent for the period 2006 through 2010 was based on data in the 2002 NASS Census. Rent for the period 2011 through 2015 is based on the 2007 NASS Census, and so forth. Subsequent re-assignment of counties will occur every 5 years following publication of the latest NASS Census. BLM will revise the schedule at the end of each 20 year period.

- For more detailed information about linear ROW rent schedule changes see Update of Linear ROW Schedule: Final Rule, *Federal Register* (10/31/2008).