



United States Department of the Interior



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IN REPLY REFER TO:
2812 (OR936.1) P

EMS TRANSMISSION 08/10/2015
Instruction Memorandum No. OR-2015-031
Expires: 09/30/2018

To: All Western Oregon District Managers and Lakeview District Manager
From: State Director, Oregon/Washington
Subject: Options for Streamlining Road Amortization Supplements (Road Use Fee Calculations)

Program Area: O&C Reciprocal Rights-of-Way (RROW) and Engineering.

Purpose: To provide streamlined options for O&C RROW Road Amortization Supplements. The options provided in this instruction memorandum (IM) will save significant time and labor costs incurred by both the Bureau of Land Management (BLM) and permittees.

The streamlined options will be added to the O&C Logging Road Right-of-Way Handbook by the RROW Program Lead and will be available for use when this IM is issued.

Policy/Action: To include streamlining options in the O&C Logging Road Right-of-Way Handbook, H-2812-1, Rel. 2-165.

Streamlining Road Amortization Supplements (Road Use Fee Calculations): Options to streamline the fee calculation process are addressed in Attachment 1. The Road Use Fee Streamline Method Calculation Sheet can be found at <http://teamspace/or/sites/records/Attachments/IM-OR-2015-031att2.xlsx>

When a streamlining option is agreed upon and used for fee calculations by the permittee and the BLM, the following bullet statements will be used as guidelines for implementation. (The established standard use fee, volume tables, and road replacement cost can be used in any option and/or re-negotiated at a different rate as long as both parties agree to it and both use it.)

- Any modification can be made. For example: If both parties agree that the replacement value for a half bench road is low, a different price can be negotiated.

- Both parties shall agree to use the same option and cannot pick and choose when to use options based on how it benefits them.
- Both parties shall identify, in writing, any modifications to the process and the option they agree to use, sign the document, and place it in the official RROW file. A trial period is recommended to determine if the option is meeting the needs of each party. A three-year trial period is recommended.
- Amendments to the agreement/permit are NOT necessary to complete in order to use a streamlining option.

Timeframe: This policy is effective immediately. This policy change will not be retroactive to any previous fee calculation work performed or to fees previously established.

Budget Impact: Implementation of this policy will significantly reduce administrative expenses (labor) incurred by both permittees and the BLM.

Background: The BLM manages approximately 14,300 miles of road within the boundaries of its western Oregon districts. Nearly 75 percent of the BLM lands in western Oregon are part of BLM-administered RROW agreements. As the timber market in western Oregon remains unstable, the buying, selling, and restructuring of commercial timber lands within the industry continues. These actions trigger complicated RROW actions which the BLM and its permittees are responsible for processing without cost recovery rates.

Funding for RROW administration has decreased due to a decline in BLM harvest rates. A decrease in funding coupled with an increase in the RROW workload is causing a backlog of BLM RROW actions to accumulate to unmanageable levels that are affecting the BLM and the permittees. The RROW program needs to find ways to streamline work processes to improve efficiency.

The objective of Road Use Fee Calculations (RUFC) is to determine the using party's proportional share of the road costs or capital expenditures. Currently, RUFCs are complicated, cumbersome, and require significant negotiations between the BLM and the permittee. Streamlining the RUFC process is an opportunity for the BLM to make the RROW program easier to maintain and more efficient as a whole, while still achieving the RUFC objective in accordance with 43 Code of Federal Regulations Subpart 2812 [WD1].

Manual/Handbook Sections Affected: O&C Logging Road Right-of-Way Handbook, H-2812-1, Rel. 2-165, Chapter IX – Supplements, Section C, page 39.

Coordination: This policy has been coordinated with Dustin Wharton, RROW Program Lead (OR936); District RROW Program Leads; Brian Thauland, Transportation Program Support (OR959); the Industry/BLM RROW Subcommittee; Western Oregon Transportation Team; Western Oregon Forestry Leads; and the Westside Steering Committee.

Contact: Dustin Wharton, RROW Program Lead, Branch of Land, Mineral, and Energy Resources (OR936) at (541) 471-6659.

Districts with Unions are reminded to notify their unions of this instruction memorandum and satisfy any bargaining obligations before implementation. Your servicing Human Resources Office or Labor Relations Specialist can provide you with assistance in this matter.

Signed by
Jerome E. Perez
State Director

Authenticated by
Rhondalyn J. Darnell
Records Section

Attachment

1 - Options for Streamlining Road Amortization Supplements, 6 pp

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OPTIONS FOR STREAMLINING ROAD AMORTIZATION SUPPLEMENTS

BACKGROUND

In the fall of 2012, the State Director and Associate State Director instructed Mike Haske (Deputy State Director, Resources Planning, Use, and Protection), Linda Bair (Oregon State Office Budget), and Dayne Barron (Medford District Manager) to review the 2812 O&C Reciprocal Right-of-Way (RROW) Program (2812 program), primarily focusing on the program requests for additional resources and the ongoing backlog of work. The group's task was to determine if the State Program Leads (Sarah Bickford and Dustin Wharton) identified any processes within the 2812 program for potential streamlining and, if so, which processes might be eligible.

The State Program Leads briefed Mike, Linda, and Dayne on steps to "streamline" the 2812 program including the Westside Access Rights Project (WARP) and the Encumbered Lands Policy. Also presented were the current proposals to streamline Road Use Fee Calculations (RUFC) and the Deferred Maintenance Capital Expenditure (DMCE) proposal. The review team embraced both projects.

The next step resulted in the presentation of the two proposals, RUFC and DMCE, to west-side district personnel comprised of local engineers, realty specialists, and managers. This took place over the course of two meetings and west-side district personnel embraced both proposals conceptually.

In November 2012, the Bureau of Land Management (BLM) presented both proposals to the BLM/Industry Subcommittee. As a result, both parties agreed to form a small working committee further exploring options to streamline fee calculations and the concept of DMCE. The small working committee consists of three BLM representatives and three industry representatives:

Brian Thauland (BLM)	Ken Hoffine (Lone Rock)
Dustin Wharton (BLM)	Dan Nicol (Giustina)
Sarah Bickford (BLM)	Monica Jelden (Seneca)

INTRODUCTION

Beginning in December 2012 and over the course of five meetings, the attached information was compiled and is a cooperative effort by industry and the BLM to provide options (tools) for both parties to employ in streamlining the RUFC process.

OPTION 1 – Minor modifications to current practice (H-2812-1 Chapter IX.C.8)

- (1) **Establish local volume tables for each Permittee and BLM District, volume per acre (VPA) (Chapter IX.C.8.c.2), by letter of agreement.**

Example (based on Weyerhaeuser/BLM-Eugene agreement)

AGE CLASS	VPA (No short log vs. long log)
<i>30-40 years old</i>	<i>15 MBF/acre</i>
<i>41-60 years old</i>	<i>25 MBF/acre</i>
<i>61-90 years old</i>	<i>55 MBF/acre</i>
<i>90+ years</i>	<i>60 MBF/acre</i>

Pros – Saves Time and Labor Costs	CONS
Eliminates VPA negotiations	N/A
Reduces paperwork	
Quicker turnaround	

(2) **Establish a Standard Road Replacement Cost (SRRC) guideline (Chapter IX.C.8.g.2).**

Below is a suggested Standard Road Replacement Cost (SRRC) table developed for western Oregon logging roads. These values correlate to the BLM’s “Road Cost Guide” and the Industry/BLM Road Maintenance Fee (RMF) model (updated on a 3-year cycle). The cost calculations use reasonable construction standard assumptions, e.g., grubbing width, subgrade width, cut slope ratio, number of culverts/mile, etc. Major bridges and culverts are excluded. Implement this table “as is” or use as a starting point for negotiations.

Example (Current Replacement Value (CRV))

<i>Surface Type</i>	<i>Half Bench</i>	<i>Full Bench</i>
<i>Natural</i>	<i>\$515/station</i>	<i>\$2,520/station</i>
<i>4” Aggregate</i>	<i>\$1,420/station</i>	<i>\$3,425/station</i>
<i>8” Aggregate</i>	<i>\$2,070/station</i>	<i>\$4,075/station</i>
<i>12” Aggregate</i>	<i>\$2,805/station</i>	<i>\$4,810/station</i>
<i>Bituminous Surface Treatment (BST)</i>	<i>\$3,255/station</i>	<i>\$5,260/station</i>

Pros – Saves Time and Labor Costs	CONS
Eliminates appraisals and reduces CRV negotiations	Changes methodology to a “macro” approach rather than “micro”
Averages road cost: Correlates with RMF model & BLM construction appraisal program	
Establishes starting point for negotiation	Each road is unique and may not accurately reflect every segment
Reduces paperwork	
Streamlines CRV values allowing quick turnaround	

(3) **Develop a Standard Use Fee (SUF)**

Below is a SUF for Western Oregon. Values were calculated using both the standard road replacement guidelines in Point (2) above, combined with average haul volume on western Oregon roads (using haul volumes from 2005-12 in the Industry/BLM RMF); and also based on a reasonable deficit share payback period, assumed to be equal to a 50/60 year rotation length. The SUF can be used in lieu of computing a segment-by-segment use fee, however, is not intended to modify existing system fee agreements or schedules.

The rates below will be used for O&C Logging Road Unilateral hauling Permits. These rates supersede Instruction Memorandum OR-93-142.

Example (Standard Use Fee Table)

<i>Surface Type</i>	<i>Use Fee</i>
<i>Natural</i>	<i>\$0.60/MBF/mile</i>
<i>Aggregate</i>	<i>\$2.00/MBF/mile</i>
<i>BST</i>	<i>\$1.50/MBF/mile</i>

(4) **Use “Fixed” Rates for Allocated Road Percentages**

When determining allocation of cost calculations for allocated roads, use 6 percent for single-lane roads and 11 percent¹ for double-lane roads. Form OR 2812-14 “Road Use Evaluation and Allocation of Costs Worksheet” can be “streamlined” and its use avoided by using these agreed upon, fixed percentage rates and avoiding the arbitrary point value determination.

Pros – Saves Time and Labor Costs	Cons
Establishes known SUF for future road use and timber sale appraisals, benefitting budget allocations	N/A
Includes road allocation, easement reimbursement cost, bridges, and major culverts	

OPTION 2 – Calculate road use fees and deficit shares using a standard use fee (Chapter IX.C.8.k)

(1) **Develop a Standard Use Fee (SUF) for Western Oregon**

Example illustrated below, based on both the standard road replacement guidelines (Option 1-Point (2) above) and average haul volume on western Oregon roads (haul volumes based on Calendar Year 2005-12 data developed for the Industry/BLM RMF model and also based on a reasonable deficit share payback period, assumed to be equal to a rotation length (50/60 years)).

Example (Standard Use Fee Table)

<i>Surface Type</i>	<i>Use Fee</i>
<i>Natural</i>	<i>\$0.60/MBF/mile</i>
<i>Aggregate</i>	<i>\$2.00/MBF/mile</i>
<i>BST</i>	<i>\$1.50/MBF/mile</i>

1.62 miles aggregate road (no easements, non-allocated) with 2001 MBF of tributary volume:

$$\$2.00/\text{MBF}/\text{mile (SUF)} \times 1.62 \text{ miles} \times 2001 \text{ MBF (LL)} \times 1.03 = \$6,677.73 \text{ (deficit share)}$$

Deficit share to be paid off at \$2.00/MBF/mile until balance is zero or swapped out.

(2) **Use “Fixed” Rates for Allocated Road Percentages**

When determining allocation of cost calculations for allocated roads, use 6 percent for single-lane roads and 11 percent for double-lane roads. Form OR 2812-14 “Road Use Evaluation and

¹ Using 6 percent and 11 percent as fixed rates is based on historic averages and was agreed upon by the BLM/ Industry Subcommittee.

Allocation of Costs Worksheet” can be “streamlined” and its use avoided by using these agreed upon fixed percentage rates and avoiding the arbitrary point value determination.

Pros – Saves Time and Labor Costs	Cons
Eliminates road appraisal preparation	Option 2 computes deficit shares inconsistent with Option 1 (sometimes computes high and sometimes low, depending on tributary volume). Large tributary area deficit shares compute low. Small tributary area deficit shares compute high.
Minimizes mutual party discussion over numbers	
Provides known use fees for both parties	Each party still needs to negotiate tributary area/volume (Long Log vs. Short Log) for deficit party.
Reduces paperwork	
Improves turnaround times	Does NOT include allocation.
Useful for large backlogs of RUF, assignments or switching from Segment-by-Segment Agreement to a System Fee Agreement	Can only be used on roads with NO public access “non-allocated” (43 CFR 2812.5-2(b)).
Quick and easy	Does NOT include easement cost reimbursement.
	Does NOT include bridges or major structure costs (based on the Road Replacement Cost Guidelines 2013, includes minor culverts only).

OPTION 3 – Historic Percent Buy-In (Meriwether/BLM Medford Approach)

- (1) **Establish an Average Road Cost** (see Option 1 – Point 2 above)
- (2) **Determine an Average Percent Buy-in for Both Parties**
 - Average percent buy-in is based on historical data. Compile desired components of previously approved fee calculation data by zone into a spreadsheet for analysis.
 - Analyze Historical Data
 - Range – Negotiate the date range of historical data and components to analyze.
 - Number of calculations – Negotiate the number of calculations to analyze. Take into consideration the number of fee calculations in the file.

Example: If there are only 70 calculations you may use all 70; if there are 200 fee calculations use 50 percent.

- Zones –Separate data by zone for analysis.

Example: If a district has four resource areas and two of the resource areas are in dry flat terrain and the other two are in wetter and steeper terrain, four resource areas would be lumped into two zones as long as the zones were comparable.

- Components – Determine what data from previous RUF calculations you want to compare for analysis. Evaluate the data and determine what components make sense to include. Will it be resource areas or other ownership discrepancies?
 - Potential Spreadsheet Components:
 - Is it a BLM or permittee road?
 - What type of road is it? Rocked, natural surface, or asphalt?
 - What is the percent buy-in for each road segment for the BLM and permittee?
 - Resource Area/zone?
 - Percent buy-ins from previous calculations may be the most accurate comparison.
 - It is not recommended to use the tributary volume for the BLM and permittee as a component because a few roads can skew the data one direction or the other.
- Analysis
 - Run an average/median of all BLM/permittee road buy-ins to establish a baseline.
 - Run an average/median of BLM/permittee buy-in split between BLM/permittee roads.
 - Calculate an average/median for each surface type (paved, rock, natural surface) for BLM/permittee roads separately (6 averages).
 - Based on data, decide where to split. Medford split between the BLM and permittee and surface type for each zone.

Example:

Zone	Surface Type	Meriwether Roads		BLM Roads	
		BLM %	Meriwether %	BLM %	Meriwether %
A	Rocked	86%	14%	75%	14%
A	Natural	62%	35%	60%	28%
B	Rocked	41%	49%	80%	15%
B	Natural	50%	42%	51%	41%

(3) **Determine a Standard Fee/MBF for Pay-off**

- Use historical avg. from prior fee calculations as a baseline to negotiate fee/mbf.
- Negotiate standard fee/mbf with permittee.
- Final Calculation recap:
 - Work with management and engineers for acceptance of final cost/station.
 - Negotiate percent buy-in with the permittee agreeable to both parties.
 - Negotiate standard fee/mbf with the permittee agreeable to both parties.
- With the cost/station, percent buy-in, and fee/mbf, perform calculations and verify according to standard procedure. Enter established variables into RUF form.

Pros	Cons
Once process is established, significant time savings	Set up time with each permittee can be lengthy
	Without history process (2) will not work

CONCLUSION

These options are available for use singularly or in combination, provided both parties agree to the selected process and RUF apply to both parties in the same manner.

Example: combining Option 2 with Option 1, Point 1

Streamline methodology options selected by the parties shall be placed in writing and signed by both parties as part of the RROW file. Modifications to the selected options must be agreed to in writing by both parties. Any modification can be made provided the modification applies to both parties and both parties agree. The recommended time period is three years at a minimum and will be established between individual BLM Districts and the Permittee.

Example: If both parties feel the replacement value for a half bench road is low, different price agreements can be negotiated.