BUREAU OF LAND MANAGEMENT POLICY FOR MINERAL MATERIALS VALUATION REPORTS

This document sets forth the Bureau of Land Management (BLM) policy for valuation reports for the Mineral Materials Program. This policy provides standards to ensure nationwide consistency in the management and implementation of the valuation program and to ensure the recognition and receipt of fair market value for the disposal of mineral materials, while still allowing a certain degree of flexibility to accommodate local conditions. Preparing new valuations and updating existing valuations ensures that all disposals are being made at current fair market value.

Section 1 of the Materials Act of July 31, 1947 (30 USC 601) requires that mineral materials may be disposed of only upon payment of adequate compensation, as determined by the Secretary. The BLM's current implementing regulations under 43 CFR 3602.13(a) state that the BLM will not sell mineral materials at less than fair market value, which the BLM determines by appraisal. The BLM is preparing to update those regulations to allow for the use of other valuation methods.

New Disposals. The BLM Manual Section 3630 requires that valuation reports over 2 years old are not to be used to determine fair market value for disposals. After 2 years, valuation reports must be adjusted with an appropriate price index or replaced with a new report.

Existing Disposals. Under 43 CFR 3602.13(b), the BLM may periodically re-determine the value of mineral materials not yet removed under existing contracts. However, to provide pricing stability, the BLM will not adjust contract prices during the first 2 years of the contract, nor will it adjust the contract price during the 2-year period following any adjustment. Re-valuations and price adjustments for materials under sales contracts will be conducted at 2-year intervals and at contract renewals. If materials under an existing contract have not yet been removed, and the value of the materials under that contract was based on an existing **market area** valuation report, the adjusted contract price will use the market valuation price in effect at the time of the contract price adjustment. If materials under an existing contract have not yet been removed, and the value of the materials under that contract was based on an **individual** valuation report, the adjusted contract price must use an updated valuation price or prepare a new valuation report for the contract price adjustment.

The mineral materials specialist should use methods for preparing valuation reports that are recognized in the Mineral Materials Manual 3630 and H-3630-1 Handbook. In many situations, the useful life of an existing valuation report can be extended by using the appropriate Producer Price Index (PPI), published by the U.S. Bureau of Labor Statistics, to adjust the estimate of the fair market value where those adjustments are applicable to the local market.

The following options are acceptable modifications to the valuation procedures and are designed to simplify the valuation process and prioritize funding for valuations.

1. State offices must develop an annual ranking of individual and market area valuation reports that need to be valued or re-valued according to the required adjustment interval. Where funding is insufficient to timely update all reports, rank the priority of the reports that need to be updated based on the estimated value of mineral materials that will be removed from areas covered by those reports and the overall benefits and risks to the Government. Prioritizing the use of federally-appropriated funds to update reports should focus on those sites for which valuations or re-valuations would be most beneficial to the Government, primarily for all community pit and common use area disposals and all free use permits. Establishing the priorities for updating valuation reports for exclusive sales from public lands located outside of community pits and common use areas must be based on funding from cost recovery fees. Where a market area report will be used for all of these locations, the report can be funded by Federal funds and cost recovery fees in proportion to the projected amount of disposals for each area.

2. States that have large mineral material programs or are finding cost inefficiencies in preparing site-specific valuation reports for smaller sales should consider using market area valuation reports. The market area valuation reports should delineate zones within the state where the local market conditions will be evaluated and prepare separate valuation reports for specific commodities from those market areas. Valuation reports should determine the specific prices for all existing BLM disposal sites in those areas.

3. Valuation reports must be completed promptly and should be prepared for individual sites or focus on specific market areas. To reduce the complexity, cost, and preparation time, market area valuation reports should focus on similar commodities. Priority should be given to commodities that comprise the majority of materials being sold by volume and value (e.g., sand and gravel/fill, or crushed stone) in an area. All valuation reports must be prepared or adjusted in a timely manner to meet the required 2-year adjustments.

4. Separate market-area valuation reports should be used to determine values when sales involve dissimilar commodities (e.g., decorative stone, boulders, clay), pricing, and markets. Multiple smaller valuation reports on specific commodities are preferred over large valuation reports that involve many commodities and span multiple market areas. Site-specific valuations funded through cost recovery procedures are preferred for special commodities and large sales (e.g., competitive sales of 500,000 cubic yards or more).

5. The effective life of mineral materials valuation reports may be extended to greater than 2 years by applying appropriate price indices. Instead of preparing a new valuation report every 2 years, a valuation report could include reference to making later adjustments (i.e., at the 4-year and 6-year anniversaries of the valuation report) based on an appropriate PPI published by the U.S. Bureau of Labor Statistics. PPI adjustments to sales prices should not be used for more than 6 years from the date of the original valuation report. After 6 years, a new valuation report must be prepared for sales. For free use permits, price indexing on valuation reports may be used for longer than 6 years. If a PPI update is provided for in any valuation report, the report must document the method(s) used and the reason why the PPI was determined to be applicable to the subject disposal area.

6. Depending on the commodity, when using a PPI, use a regional or national index. The PPI should not be used if actual market data indicates that the local prices have not changed or differ substantially from the adjusted values calculated by using the PPI, or if an applicable index is not available for a commodity. In those instances, the reason for not using the PPI must be documented and a new valuation report must be prepared.

7. For all existing valuation reports, checks should be conducted periodically within the valuation area to ensure that the values are still consistent with prevailing prices. If there are substantive differences indicating that a re-valuation is needed, prices can be temporarily adjusted using the PPI pending completion of a valuation report. PPI-adjusted prices must also be monitored periodically to verify that they are consistent with market prices.

8. For valuation reports that will be prepared under contract, offices must use standardized statements of work to improve the clarity and consistency of report requirements between states.

9. In evaluating whether non-BLM sales are comparable to BLM disposals, evaluations must consider the degree to which those sites involve similar or dissimilar materials, locations, access, haul distance, site conditions, operating regulations, contract or permit requirements, costs, disposal sizes, and other factors. Appropriate adjustments must be made to non-BLM sale prices applied to BLM sites, depending on the extent to which the non-BLM site is or is not comparable.