BUREAU OF LAND MANAGEMENT
POLICY FOR MINERAL MATERIALS APPRAISALS

This document sets forth the Bureau of Land Management (BLM) policy for appraisals for the Mineral Materials Program. This policy provides standards to ensure nationwide consistency in the management and implementation of the appraisal 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.

Section 2 of the Materials Act of July 31, 1947 (61 Stat. 681) and the implementing regulations under 43 CFR 3602.13(a) require that mineral materials must not be sold at less than fair market value as determined by appraisal.

New Disposals. The BLM Manual Section 3630 requires that appraisals over 2 years old are not to be used to determine fair market value for disposals.

Existing Disposals. Under 43 CFR 3602.13(b), the BLM may periodically reappraise the value of mineral materials not yet removed under existing contracts. However, 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. Reappraisals and price adjustments for materials under sales contracts will be conducted at intervals of 2 years and at contract renewals. The mineral materials appraiser should use methods for conducting appraisals that are recognized in the Mineral Materials Appraisal Manual 3630 and H-3630-1 Handbook.

In many situations, the useful life of an existing appraisal 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 from an existing appraisal.

The following options are acceptable modifications to the appraisal functions and are designed to simplify the process and prioritize funding for appraisals.

1. State offices must develop an annual ranking of mineral material sites that need to be appraised or reappraised based on the estimated value of mineral materials that will be removed and the overall benefits and risks to the Government. Priority for funding will focus on those sites for which appraisals or reappraisals would be most beneficial for the Government.

2. States that have large mineral material programs or are finding cost inefficiencies in conducting site-specific appraisals for smaller sales should consider using market area appraisals. The market area appraisals should establish zones within the state to consider the local market conditions.

3. Appraisals shall be completed promptly and should be site-specific or focus on specific market areas. To reduce the complexity, cost, and preparation time, appraisals 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).

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

5. The effective life of mineral materials appraisals may be extended to greater than 2 years by applying appropriate price indices. Instead of conducting a new appraisal every 2 years, an appropriate Producer Price Index (PPI) published by the U.S. Bureau of Labor Statistics can be used to adjust the estimate of the fair market value. PPI adjustments to sales prices are not recommended for more than 6 years from the date of the original appraisal. After 6 years, a new appraisal must be performed for sales. However, for free use permits, price indexing may be used on appraisals that are more than 6 years old.

The PPI should not be used if actual market data indicates that the local prices 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, a new appraisal must be prepared.

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