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March 30, 1976

MEETING TO DISCUSS GRAZING FEES

Wednesday, March 31, 1976

2:30 p.m. (45 minutes)

The Cabinet Room

From: James M. Cannon

I. PURPOSE

Senators and Representatives from the Western States want to discuss with you the increase in grazing fees on public lands.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background

In January, the Secretaries of Agriculture and Interior announced the grazing fees to be charged on Federal lands for the 1976 grazing season. The fees were increased about 50 percent (TAB A). This was in accord with your budget decision and consistent with the recommendation of the House Interior Appropriations Subcommittee.

The setting of fees always has been very controversial. The ranchers and their representatives say the fee is too high (Congressman Santini's letter, TAB B). Others say it is too low compared to rates charged for private lands.

The present system for determining grazing fees on national forests (Agriculture) and public domain rangelands (Interior) was implemented in 1969 after a long study and battle with grazing interests. The fees are based on fair market value (FMV), calculated annually using private



lease rates as a reference point and an agreed upon formula. Instead of immediately going to FMV, however, the difference between the lower fees prevailing before 1969 and the FMV was to be closed in ten annual increments. FMV would be reached by 1980. The 1980 fee would still be less than private lease rates, recognizing that the permit holder is responsible for fence maintenance, etc., and assuming poorer forage on public lands.

The annual increase was foregone in 1970 and the increase was limited to 3 percent in 1972. You decided to forego the 1975 increase because of the then economic condition of ranchers.

Congress has already addressed this issue. An amendment to the BLM Organic Act sponsored by Senator Hansen to establish a new formula for setting the grazing fee was defeated in floor action. However, a subcommittee of Senate Interior Committee has scheduled hearings on April 30 to discuss S. 3071, a bill containing the Hansen formula. OMB believes that the proposed formula bears no relationship to fair market value and therefore is conceptionally wrong. An Administration position has not been finalized on S. 3071. In the House, a subcommittee is considering whether to include a grazing formula prior to clearing its version of the BLM Organic Act.

The Congressmen have already taken their arguments to the Departments and have been told that any reversal of the current decision must come from you.

Attached at TAB C are tables comparing grazing fees with private lease rates. TAB D provides trends of beef and calf prices and farm costs.

- B. Participants: See list attached at TAB E.
- C. Press Plan: To be announced.



III. TALKING POINTS

1. I understand that the increase in grazing fees may be compounding the problems of some of the stock operators.
2. I recognize that production costs are going up while the cattle prices are going down.
3. As you know, I decided last year to forego the increment for a year, and this year's rate is not as high as the original formula called for.

GWH/pt 3-30-76
cc:WH files



<u>Fiscal Year</u>	<u>Fee per Animal Unit Month*(AUM)</u>		<u>(\$ millions) Total Receipts</u>
	<u>Forest Service</u>	<u>Bureau of Land Management</u>	
1969	\$.60	\$.44	9
1974	\$1.11	\$1.00	18
1975 Formula	\$1.60	\$1.51	27
1975 Actual	\$1.11	\$1.00	18
1976 Fair Market Value	\$1.94	\$1.94	35
1976 Announced Rate	\$1.60	\$1.51	27

*Animal unit month - a grazing unit comprised of one cow and its calf or the equivalent (5 sheep, etc.) foraging for one month



for A

WASHINGTON OFFICE
1503 LONGWORTH HOUSE OFFICE BUILDING
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TELEPHONE: (202) 223-5943

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SUITE 2-520 FEDERAL BUILDING
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LAS VEGAS, NEVADA 89101
TELEPHONE: (702) 323-6573
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RENO, NEVADA 89502
TELEPHONE: (702) 734-5637

Congress of the United States

House of Representatives

Washington, D.C. 20515

February 19, 1976

2-2
WATER AND POWER RESOURCES
PUBLIC LANDS
MINES AND MINING

INTERSTATE AND
FOREIGN COMMERCE

SUBCOMMITTEES:
TRANSPORTATION AND COMMERCE
OVERSIGHT AND INVESTIGATIONS

SELECT COMMITTEE ON AGING

TAB B

FE
The Honorable Gerald R. Ford
President of the United States
The White House
Washington, D. C. 20500

Dear Mr. President:

We are writing to request a meeting with you on a matter of the greatest concern to ourselves and our States.

Recently, the Department of Interior compounded the already serious economic problems of America's stock operators by announcing a 51% increase in the fee charged for stock grazing on the public lands. If fully implemented, this new policy will cost Western cattlemen and wool growers more than Five Million additional dollars in 1976. Given current economic conditions — cost of agriculture production up 25% since 1973, selling price of Western cattle down nearly 20% since 1973 — this proposed increase in grazing fees will be a fatal blow to many Western stock operators.

America's consumers will also suffer as a direct consequence of this grazing fee increase. Consumers will eventually absorb the increased grazing cost and may additionally be confronted with a dwindling supply of meat. Therefore, from both consumer's and producer's perspectives, the increased grazing fee is untimely, ill-advised, and will impair your Administration's success in controlling inflation.

Furthermore, because recent court decisions raise the imminent possibility of reductions in grazing allotments and because the West is in the grip of a severe drought, the proposed 51% grazing fee increase is especially burdensome this year. A partial rollback of this fee increase would, under these circumstances, be particularly welcome and appropriate.

As representatives of Western states, we have sought support within the Department of Interior for a partial rollback of this fee increase. In meeting with Secretary Kleppe and with the Bureau of Land Management Director, Curt Burklund, we were advised that you alone could reverse or revise the 1976 fee schedule. We, therefore, request the opportunity to discuss with you the 1976 fee, as well as proposals for a revised fee formula.



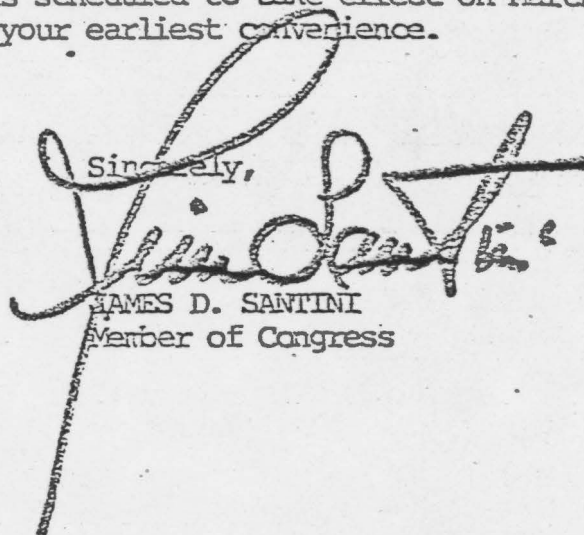
The Honorable Gerald R. Ford
February 19, 1976
Page Two

It is our hope that a formula can be agreed upon by the Administration, the Congress and the livestock industry that will assure a future grazing fee that is related to costs of production. The basic concept was agreed to in 1974 by both the Departments of Interior and Agriculture. Only through such a formula can we provide the opportunity for our vital family ranches to survive.

As the grazing fee increase is scheduled to take effect on March 1, 1976, we would hope to meet with you at your earliest convenience. //

With best regards, I am,

Sincerely,

A large, stylized handwritten signature in dark ink, appearing to read "Jim Santini". The signature is written over the word "Sincerely," and extends downwards across the printed name.

JAMES D. SANTINI
Member of Congress

JDS:sq



February 19, 1976

Page Three

Allen T. Howe

Harold R. ...

~~Harold R. ...~~

Paul Symms

Max Baucus

Chas. Hansen

Ed. ...

Thom McKay

Ken ...

Wm. ...

Sam Geiger

John B. ...

Howard ...

Rene ...

John ...

Danny ...



February 19, 1976

Page Four

Joseph M. Montoya

Cassius P. ...

John ...

James R. ...



Private Lease Rates, Fair Market Value,
Scheduled Fees, and Actual Fees
(Dollars per AUM)

<u>Year</u>	<u>Private Lease Rate</u>	<u>Fair Market Value</u>	<u>Forest Service</u>		<u>Bureau of Land Management</u>	
			<u>Original Schedule</u>	<u>Actual</u>	<u>Original Schedule</u>	<u>Actual</u>
1968	3.74	-	-	-	-	.33
1969	3.82	1.25	.60	.60	.44	.44
1970	4.05	1.29	.71	.60	.57	.44
1971	4.06	1.36	.86	.78	.73	.64
1972	4.17	1.37	.94	.80	.83	.66
1973	4.57	1.41	1.05	.91	.96	.78
1974	5.82	1.54	1.25	1.11	1.18	1.00
1975	5.75	1.96	1.74	1.11	1.69	1.00
1976	NA	1.94	1.80 <u>1/</u>	1.60	1.76 <u>1/</u>	1.51

1/ Because of slippage in the schedule this is now calculated to be \$1.65 for Forest Service and \$1.58 for Bureau of Land Management.



Western Beef and Calf Prices
and Farm and Ranch Costs

	<u>Western Beef Prices</u> <u>\$ per 100 wt.</u>	<u>Western Calf Prices</u> <u>\$ per 100 wt.</u>	<u>Farm and Ranch Costs</u> <u>of Production Index</u>
1968	\$24.50	\$28.12	104
1969	27.40	31.60	109
1970	27.90	34.34	114
1971	30.30	36.33	120
1972	34.40	44.49	127
1973	44.13	55.36	145
1974	37.90	34.66	168
1975	36.80	28.56	185



Participants

The President
Secretary Kleppe
Secretary Butz
Jack Marsh
Dick Cheney
Max Friedersdorf
Jim Cannon
Bill Kendall
Jim Cavanaugh
Charles Leppert
Royston Hughes
George Humphreys

House

Max Baucus
John Conlan
Thomas Foley
George Hansen
Allan Howe
Manuel Lujan
Gunn McKay
Teno Roncalio
Harold Runnels
Jim Santini
Joe Skubitz
Sam Steiger
Steven Symms

Senate

Howard Cannon
Pete Domenici
Jake Garn
Clifford Hansen
Paul Laxalt
James McClure
Gale McGee
Mike Mansfield
Joseph Montoya
Frank Moss

Curt Berklund, Director, Bureau of Land Management
Jack Horton, Assistant Secretary for Land & Water Resources

Regrets

Congressman James Haley
Congressman Theodore Risenhoover
Congressman Al Ullman
Congressman William Wampler
Senator Dewey Bartlett
Senator Henry Bellmon
Senator Frank Church
Senator Robert Dole
Senator Paul Fannin
Senator Barry Goldwater
Senator Lee Metcalf
Senator Herman Talmadge



THE WHITE HOUSE

WASHINGTON

REQUEST

March 31, 1976

MEMORANDUM FOR:

JIM CANNON

FROM:

STEVE McCONAHEY

SUBJECT:

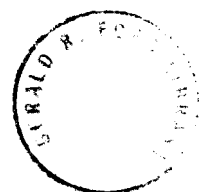
Grazing Fees

*Kathy Conahan
for:*

Attached is a copy of my recent letter to Governor O'Callaghan discussing the Administration's position on grazing fees. This memorandum was reviewed by OMB and seen by George Humphreys. If you would like to discuss this issue before the 2:30 meeting, I will be available.

Attachment

Nanda



March 25, 1976

Dear Governor O'Callaghan:

This is in response to our earlier communications on the recent increase in grazing fees on Federal lands.

The President fully appreciated your position on this matter as indicated last year when he declared a one year moratorium on any fee increase. However, the Administration continues to believe that grazing fees on Federal lands should be based on the fair-market value and that the present formula for determining the value is logical and equitable.

As you know, the fee setting system established in 1969 is in fact an incremental process to reach fair-market value by 1980. This gives ranchers advance knowledge of the approximate fee for adjustment purposes. Because of previous fee moratoriums, we are lagging behind the original schedule even with the recent increase. This year's increase is the increase scheduled for last year. After considerable review, we feel that the proposed increase should be retained.

In response to your suggestion of phasing the increase, we believe such action would complicate further the system of grazing fees on Federal land. Since most billings are sent out before use begins, we estimate that 40% of the fees will already be paid by April 1.

We do realize that the increase will affect the economic status of some ranchers. However, there are Federal assistance programs aimed at minimizing this impact. The Emergency Livestock Credit Act provides for guaranteed loans to ranchers who otherwise could not qualify for a loan. In addition, a second Farmers Home Administration program provides similar assistance to smaller operations. I hope that these programs are brought to the attention of the impacted ranchers.



Finally, the Administration believes that the additional range improvement funds raised through equitable grazing fees will increase the benefits of Federal land not only for increased grazing capacity but also in erosion control and wildlife habitat.

I hope this letter clarifies our position in grazing fees. If you have any additional questions, please call.

Sincerely,

Stephen G. McConahey
Special Assistant to the President
for Intergovernmental Affairs

The Honorable Mike O'Callaghan
Governor of Nevada
Executive Chambers
Carson City, Nevada 89701

SGMcC:MMB:jz





THE STATE OF NEVADA

EXECUTIVE CHAMBER

CARSON CITY, NEVADA

MIKE O'CALLAGHAN
GOVERNOR

February 10, 1976

The President
The White House
Washington, D.C.

Dear Mr. President:

I had looked forward to accepting the invitation extended by you and Mrs. Ford to the governors of the states and territories to join you at dinner on February 23. However, I now find that pressing obligations here in Nevada will prevent me from attending the annual Mid-Winter meeting of the National Governors' Conference in Washington. Thus, I must regretfully decline.

On another matter, I would like to call to your attention a matter of serious concern to the livestock industry of Nevada. The subject is the grazing fee levied on ranchers who use the public land under the provisions of the Taylor Grazing Act.

On December 31, the Bureau of Land Management, Department of Interior, announced it will increase grazing fees fifty-one percent as of March 1, 1976. At that time, BLM spokesman said you had not allowed the Bureau to increase grazing fees in 1975 "because of difficult economic factors facing the western livestock industry". I do not believe the economic factors cited have changed to the extent that a fifty-one percent increase is now justified.



The President
2-10-76 - page 2.

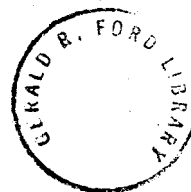
I know you are aware that few businesses in our economic spectrum are capable of absorbing such a burden as part of overhead operating expenses during a single year. We can anticipate many ranchers will sell off large portions of their herds in order to survive this sudden and drastic economic blow. The ultimate result, for some at least, may be bankruptcy and, in any event, it may be many years before the American livestock industry recovers from such a blow.

I am not suggesting that an increase in grazing fees is unwarranted. Rather, it is my conviction that this kind of arbitrary adjustment will work extreme hardship on a great many western livestock producers. Accordingly, I respectfully urge you to take executive action to reduce the percentage of increase to be imposed this year and thereby assure the continued economic stability of one of America's most essential industries.

Again, please accept my warm appreciation for your invitation. You have my warm good wishes.

Sincerely,


Mike O'Callaghan
Governor of Nevada



THE WHITE HOUSE
WASHINGTON

File
/
made

February 24, 1976

MEMORANDUM FOR:

PAUL O'NEILL

FROM:

STEVE MCCONAHEY

SM

SUBJECT:

Increase on Grazing
Fees on Federal Lands

Attached is a memorandum to Jim Cannon regarding grazing fees. I would appreciate receiving from you your reaction.

Attachment



<u>Fiscal Year</u>	<u>Fee per Animal Unit Month (AUM)</u>		<u>(\$ millions) Total Receipts</u>
	<u>Forest Service</u>	<u>Bureau of Land Management</u>	
1969	\$.60	\$.44	9
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1975 Actual	\$1.11	\$1.00	18
1976 Fair Market Value	\$1.94	\$1.94	35
1976 Announced Rate	\$1.60	\$1.51	27



2-12-76

Feb. 12, 1976

Grazing Fees on Federal Lands
Background Paper

In January, the Secretaries of Agriculture and Interior announced the grazing fees to be charged on Federal lands for the 1976 grazing season. The fees were increased about 50% (see attached table).

The setting of fees always has been very controversial. Some say the fee is too high, and others say it is too low compared to rates charged for private lands.

The present system for determining grazing fees on national forests (Agriculture) and public domain rangelands (Interior) was implemented in 1969 after a long study and battle with grazing interests. The fees are based on fair-market value (FMV), calculated annually using private lease rates as a reference point and an agreed upon formula. Instead of immediately going to FMV, however, the difference between the lower fees prevailing before 1969 and the FMV was to be closed in ten annual increments. FMV would be reached by 1980. The annual increase was foregone in 1970 and the increase was limited to 3 percent in 1972. President Ford decided to forego the 1975 increase because of the then economic condition of ranchers.

The Congress is also interested in this issue. The Report by the House Interior Appropriations Subcommittee on the 1976 appropriations bill recommended the 1976 grazing fees be \$1.60 per animal unit month (AUM)¹ for the Forest Service and \$1.51 per AUM for the Bureau of Land Management (BLM). This is the fee level recommended by the Departments of Agriculture and the Interior and approved by the President. It was announced on January 2, 1976, and is effective for the grazing year beginning March 1. The Committee report reaffirmed the Federal intention to achieve FMV by 1980.

¹/Animal unit month - a grazing unit comprised of one cow and its calf or the equivalent (5 sheep, etc.) foraging for one month.

January 29, 1976

Dear Mr. Attorney General:

The President has asked me to thank you for your telegram of January 23, 1976, requesting a moratorium on raising the 1976 grazing fee to \$1.51 per animal unit month. As you know, the Secretaries of the Interior and Agriculture have announced the increases that you anticipated.

While the increase may appear large in percentage terms, we do not believe it is unreasonable in view of several factors. First, the reason the increase appears large this year is that the President agreed to forego an increase last year. Second, the fee is still at least \$.50 below the fair market value for Federal lands, which is significantly below the rate on private lands. Any rate below the fair market value discriminates in favor of those livestock operations which have Federal permits. Third, approximately half of the BLM increase will be available for making range improvement investments which in the long run should help the permittees. Fourth, the Emergency Livestock Credit Act makes available \$1.1 billion in the FY 1976-1977 period for ranchers who need financial assistance, which is more equitable than providing subsidies to all ranchers through lower grazing fees.

We appreciate receiving your views on this subject.

Sincerely,

George W. Humphreys

George W. Humphreys
Associate Director
Domestic Council

The Honorable Robert List
Attorney General
State of Nevada
Carson City, Nevada

GWB/pt 1/28/76
Cc:WH files
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The White House
Washington

WHD029 730P EST JAN 23 76

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7028321890 TDBN CARSON CITY NV 256 01-23 0315P PST

PMS HONORABLE GERALD R FORD, PRESIDENT OF US

WHITE HOUSE OFFICE 1600 PENNSYLVANIA AVE

WASHINGTON DC 20500

DEAR MR PRESIDENT

ON JAN 21, 1976 THE NEVADA BUREAU OF LAND MANAGEMENT OFFICIALS WITH
THE APPROVAL OF THEIR WASHINGTON SUPERIORS ANNOUNCED THE ADOPTION OF
A NEW INTENSIVE RANGE MANAGEMENT PROGRAM FOR THE STATE OF NEVADA IT
CALLS FOR A CLOSING OF 90 PERCENT OF ALL PUBLIC OWNED RANGELAND IN
THE STATE OF NEVADA FOR A CRITICAL 2 AND 1/2 MONTH PERIOD
ON A REVIEW OF THE SITUATION IT IS MY FIRM BELIEF THAT THE
ANNOUNCEMENT OF THIS PROGRAM HAS BEEN MADE PREMATURELY WITHOUT
ADEQUATE STUDY BEING DONE INTO THE SEVERE ECONOMIC IMPACT THIS
PROGRAM WILL HAVE ON THE CITIZENS IN THE STATE OF NEVADA AND THE

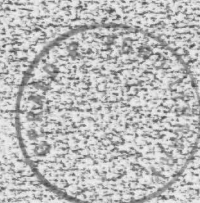
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WHITE HOUSE
MAIL ROOM



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LIVESTOCK INDUSTRY WITHIN THE STATE AND NATIONWIDE IN AN EVER
INCREASING INFLATIONARY ECONOMY THE GOVERNMENT SHOULD SEEK TO AID
IT'S CITIZENS RATHER TO INCREASE THE OVERALL BURDEN ON THEM THIS
ANNOUNCED PROGRAM HAS BEEN MADE WITHOUT A THOROUGH AND EXTENSIVE
STUDY INTO THE NEEDS FOR IT'S ADOPTION IN ALL PARTS OF THE STATE OF
NEVADA

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FURTHER IF THERE HAS BEEN DAMAGE TO PORTIONS OF THE PUBLIC RANGE IN
THE STATE OF NEAVDA I SUBMIT THAT IT IS PARTLY BECAUSE OF THE ACTS
OF THE FEDERAL GOVERNMENT IN ITS MANAGEMENT OF THESE LANDS
THEREFORE I URGE THAT PRIOR TO IMPLEMENTATION OF THIS PROPOSED
PROGRAM A MORE COMPLETE STUDY TO BE DONE AS TO THE ECONOMIC IMPACT
IT WILL HAVE THE NEED FOR SUCH AN EXTENSIVE PROGRAM AND THE
DEVELOPMENT OF REASONABLE ALTERNATIVES WHICH THE LIVESTOCK INDUSTRY
CAN LIVE WITH I INVITE YOUR ATTENTION AND YOUR INTERVENTION IN THIS



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IMPORTANT MATTER

BEST REGARDS

ROBERT LIST ATTORNEY GENERA OF NEVADA

NNNN

D. A. FORD

THE WHITE HOUSE

WASHINGTON

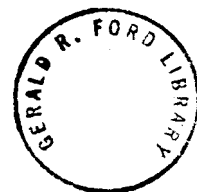
Indy
INFORMATION

March 31, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON *Jai*
SUBJECT: Mineral Leasing Receipts

Dick Cheney thinks that the subject of State's share in mineral leasing receipts may come up in your meeting today with the Western Congressmen. The attached background paper may be useful to you in case the subject does arise.



SHARING FEDERAL
MINERAL LEASE RECEIPTS WITH STATES

The Mineral Leasing Act of 1920, as amended, provides that States receive 37-1/2 percent of Federal mineral leasing receipts except for Alaska which receives 90 percent. Fifty-two and one-half percent is designated for the Reclamation Fund for use in the construction of irrigation and other water projects by the Department of the Interior except in Alaska where the Reclamation program does not operate. Ten percent of the receipts are deposited as miscellaneous receipts of the Treasury.

Since the cost of the Reclamation program exceeds these monies, it is necessary to use appropriations from the General Fund for the Reclamation program.

In addition to the Mineral Leasing Act, there are a variety of other acts that provide for the sharing of Federal grazing, timber and geothermal receipts with States and in some cases with counties.

Several bills have been introduced in Congress that would raise the State share (summary of bills - TAB A). The Administration has opposed any alteration of the formula on the grounds that all the proposals are arbitrary and bear no relationship in amount or timing to problems of social and economic impacts generated by mineral development on Federal lands.

To meet the problem, the Administration proposed legislation--H.R.11792 and S.3007--on February 4, 1976. To date, there have been no hearings scheduled.

The proposed legislation was designed to implement the following principles:

- . Assistance should be available only where impacts actually occur.
- . Assistance should be available at the time of need, which is primarily at the front end, and it should end after it is no longer needed.
- . Assistance should be tied to all Federal energy resources and it should be available to all jurisdictions in need regardless of geographic location.



SUMMARY OF BILLS

The following bills would alter the existing State share of mineral leasing receipts:

1. H.R. 6721 (Mink) Coal leasing -- passed House -- would increase State share to 50 percent. Administration has supported coal leasing bill but without changing payments to States.
2. S.391 (Metcalf) Coal leasing and surface mining -- passed Senate -- would increase State share to 60 percent.
3. S.507 (Haskell) Bureau of Land Management Organic Act -- passed Senate -- would increase State's share of receipts to 60 percent and would provide 3 percent loans for impact aid. Administration proposed similar BLM Organic Act but without these provisions.
4. H.R. 9717 (Evans) Payments to States based on acreage of Federal lands -- may be reported shortly. Would permit State and county to elect to receive either \$.75 per acre or their current share of Federal receipts under several existing laws including mineral leasing.
5. S.521 (Jackson) amends OCS Act -- passed Senate. Would increase payment to States under Mineral Leasing Act to 60 percent and provide impact aid program.
6. S.586 (Hollings) Amends the Coastal Zone Management Act -- passed Senate. Would increase payments to States under the Mineral Leasing Act to 60 percent. Companion bill, H.R. 3981, which has passed House, does not amend Mineral Leasing Act.

While no conference action has been scheduled for either the coal leasing (H.R. 6721 and S. 391) or the Coastal Zone Management legislation (S. 586 and H.R. 3981), such action is very likely this spring.



- . Assistance should not stimulate over building and should not replace State and local tax effort.
- . The program should be administratively simple and provide maximum discretion to the States in determining the types and location of public facilities.
- . The end users of energy and the population which benefit from the economic development should bear the financial responsibility of providing public facilities except in cases where the energy activity does not materialize as projected due to circumstances beyond the control of the States and localities.

It provides for a \$1 billion revolving fund for loans, loan guarantees, and planning grants. Assistance would be available according to a formula based upon population increases resulting or expected from Federal energy resource development. The governors of affected States would have broad discretion to determine the form and distribution of assistance within their States. Loans would be forgiven under certain circumstances when the Federal energy development and related activities failed to occur as expected and therefore would not support repayment.

