

# Fiscal Impact of Transferring Federal Lands to Arizona



The Nature Conservancy 

Policy Report prepared by

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# Summary of Findings

Proposals for state governments to take over management of federal lands have frequently been put forward by lawmakers. This analysis looks at the fiscal impact to the State of Arizona if the state were to take over the management of land managed by the Bureau of Land Management (BLM) and the Forest Service (FS).

The BLM manages 12.1 million acres in Arizona, while the FS oversees 11.25 million acres. Arizona has roughly 73 million acres in total land area, so federal lands managed by BLM and FS constitute 32% of the land mass of the state. Presently, these lands are managed by the federal government by the Department of the Interior (BLM) and the Department of Agriculture (FS), respectively. Approximately \$800 million dollars are currently infused into Arizona’s economy from federal sources.

However, if the state has to pay for what the federal government is currently providing, then the state government would have to find a way to incur the expenses of land management through either increased taxes and/or lower expenditures. Thus, rather than an infusion of federal funds, the state would require redistribution of economic activity. Consequently, taking over federal lands will be more costly to the state’s General Fund, and would also reduce overall economic activity from its current baseline.

**The results are summarized in the table below, which shows that Arizona would incur new annual expenses of about \$800 million and the State’s GDP would decline by \$1 billion.**

Economic activity from visitor recreational

spending is the primary driver of overall economic benefits from BLM and FS land. **Collectively, activities on BLM and FS lands are estimated to add more than \$5 billion to the State’s economy. Opportunities to improve on that are quite limited.**

Area	Added State Expenditure To Replace Federal Government	Loss To State GDP Even With That Expenditure
Wildland Fires	\$175 million	\$238 million
Forest Management and Fire Mitigation	\$470 million	\$560 million
BLM direct investment	\$106 million	\$122 million
Deferred Maintenance Removal	\$23 million	No impact
Payments in Lieu of Taxes	\$48 million	\$55 million
Added Revenues	(\$25 million)	
<b>Total Impact</b>	<b>\$797 million</b>	<b>\$975 million</b>
<b>Economic Contributions</b>		
BLM & Forest Service Lands	\$5.2 billion	

## Wildland Fires

**Increase cost from \$15 million to \$190 million.**

**Decrease in State GDP by \$238 million.**

If Arizona were to take over the management of BLM and FS properties, the state would be taking on an annual expense of about \$176 million<sup>1</sup> for wildfire suppression, roughly 12 times what the State currently spends for wildfire suppression (\$15 million).<sup>2</sup>

The state replacing federal monies redistributes the use of dollars within the state as opposed to new dollars coming in from the federal government. The Grand Canyon Institute's (GCI) estimate using the Bureau of Economic Analysis' Regional Input-Output Modeling (RIMS II) finds that a loss of \$175 million in

federal funds leads to a loss of \$238 million in value-added, the basis by which state GDP is measured.<sup>3</sup>

This figure is projected to gradually increase due to the continuation of drought. The U.S. drought monitor notes that in the last quarter-century, three-quarters of the State has been in drought and 90% of the state has experienced abnormally dry conditions or worse.<sup>4</sup> Only 10% of the state has had normal precipitation.

## Forest Management and Fire Mitigation (Forest Service)

**Increase State Expenditures by \$470 million**

**Reduce State GDP by \$560 million.**

Overall, for fire mitigation, the FS currently spends about \$170 million; \$15 million is spent on staff and about \$155 million is contracted out for forest management (e.g. thinning forests).<sup>5</sup>

In addition to the above costs, the FS maintains hundreds of recreational sites and thousands of miles of roads with accompanying infrastructure. The total FS budget to cover these aspects is about \$6 billion nationally. Arizona represents just over 5% of the total acres overseen by the FS, thus GCI estimates that \$300 million is allocated to Arizona for maintenance costs.<sup>6</sup>

Consequently, taking over the management of FS lands would require an appropriation of \$470 million.

Not falling short on mitigation efforts is critical, as wildfires have long-term impacts that hurt local economies far after the wildfire. Reduction of property values and loss of recreational activity further impacts regions with costs that far exceed the cost of fighting the wildfire.<sup>7</sup>

GCI estimates based on RIMS II value-added multipliers that state funding to replace federal funding would diminish the state's GDP by \$560 million.

# Bureau of Land Management Direct Expenditures

**Increase State Expenditures by \$106 million.**

**Reduce State GDP by \$122 million.**

The BLM spends approximately \$106 million annually for staff, support, operations and maintenance within Arizona.<sup>8</sup> This leads to a value-added growth in the state GDP of about \$122 million, which would be lost if the state were to incur these expenses.

# Deferred Maintenance Expenses on BLM and Forest Service Land

**Increase State Expenses by up to \$23 million.**

**No impact on State GDP.**

Based on a January 2024 Government Accountability Office report on deferred maintenance, if the State of Arizona were to assume responsibility for the BLM and FS land the cost would be \$227 million in deferred maintenance.<sup>9</sup> Maintenance figures are included in operations, however those maintenance amounts tend to be insufficient, which is what has led to the backlog. If the State of Arizona wished to reduce this backlog, it would need to invest an additional \$23 million annually, for approximately 10 years.<sup>10</sup>

Millions of dollars in Deferred Maintenance (2022)			
	BLM	FS	Total
Arizona	\$128	\$99	\$227



# Payments in Lieu of Taxes

**Added cost to State \$48 million.**

**Loss to State GDP \$55 million.**

Payments in Lieu of Taxes help compensate counties for property tax revenue lost due to the presence of federal lands. In FY2025 they totaled \$48.3 million.<sup>11</sup> For rural counties these can be significant revenue contributors. In Graham County, for instance, they represent 15% of county general revenues and are on par with a half-cent county sales tax. In order to remain revenue neutral, Graham County would need to raise its local sales tax by another half-cent if the state were to take over the federal lands. In Mojave County, PILT represents 6% of the General Fund revenues. In Gila County, PILT equals half of their Arizona shared revenue and represents 18% of their General Fund revenue.<sup>12</sup>

Regardless of whether the state backfilled these funds, the loss of these federal payments reduces state GDP by an estimated \$55 million.

Caution is advised regarding assumptions that the state could sell these lands and gain higher property tax revenue. For example, in Graham County about one-third of its acreage is federal land. The PILT generates one-third of the county's property tax if you include the PILT with the total property tax generated. Thus, the property tax revenue is roughly proportional to the portion of federal land.

# Collections from BLM and FS

**\$25 million**

Both BLM and FS receive revenues by allowing use of the land for both economic and recreational reasons. If the State of Arizona were to take over these lands, it could pass legislation that mirrors current federal payment rates in which case this would be added revenue to the state.

**BLM:** Activities on BLM land brought in about \$17 million in federal FY2024. This included \$8 million for right of ways, which includes some solar facilities on BLM property and \$5.2 million from the sale of land and materials (like gravel). Recreational fees totaled \$2.2 million. Grazing provided about \$650,000 in collections.<sup>13</sup>

**FS:** Across the state's six national forests, collections totaled just over \$8 million. Timber sales were \$76,000. It should be noted this is due to a focus on sustainable forest practices that mitigate the danger of forest fires. These practices require preserving older trees and removing many of the small trees in the undergrowth which have limited economic value. Recreational fees brought in \$3.2 million. Land Use fees added \$2.2 million, and grazing garnered just under \$900,000.<sup>14</sup>

While the state brought in approximately \$3 million in grazing fees across 8 million acres of state lands, the federal government took in only \$1.5 million for grazing in FS and BLM land. While the state and federal government configure their grazing rates differently, GCI estimates that applying the state rate to federal lands would increase revenue from \$1.5 million to no more than \$10 million.<sup>15</sup> So the ability of the state to improve on these collection levels is likely limited

# Economic Contributions from Federal Lands

**\$5 billion**

Another rationale for the State of Arizona to take over federal land is that the state could increase the economic return on that land. However, generally that supposition is not well grounded. There's already a significant impact from federal land use on state GDP.

The table below summarizes the direct expenditures for various uses of the land. For recreation it includes spending in local communities by visitors to BLM and FS sites. For the other activities it represents the final output value. The total value added (GDP) includes multiplier effects throughout Arizona and includes only the value added from businesses and workers in the state. Recreation is the clear leader here generating \$4.7 billion of the \$5.2 billion annually impact.<sup>16</sup>

	Direct Expenditures (millions of dollars)			
	BLM	FS	Total Direct Expenditures	Total Value Added (GDP)
Recreation	\$195	\$3,840	\$4,036	\$4,700
Grazing	\$22	\$30	\$52	\$52
Renewable Energy	\$117	\$0	\$117	\$128
Nonenergy Minerals	\$43	\$25	\$68	\$67



## Conclusion

**The State of Arizona taking over BLM and FS property would be an expensive proposition with no true benefit.** The state would need to find approximately \$800 million in new revenue and/or cut existing spending to replace current inflows of federal funds. Given the challenges the state already faces in meeting its current obligations, this would create significant pressure to find ways to raise taxes to cover a significant portion of these costs. Yet, having invested \$800 million, the state would actually have less GDP than if it allowed the current federal ownership to continue. **State GDP is estimated to decline by \$1 billion and opportunities to improve on the economic benefits currently reaped from federal stewardship is quite limited.**

# References

1. \$176 million was derived from estimating the growth trend in acreage covered by wildfires on federal land times an estimated \$471 in cost per acre. The \$471 was estimated based on historical data from fire incident reports archived at the Fire and Aviation Management (FAM) Application and Information Website. Estimated Costs were taken from 2017 to 2021 (latest year available) and the cost per acre measures of acres burned in Arizona from the National Interagency Coordinating Center's Wildland fire Summary and Statistics Annual Reports. Figures were converted to 2025 dollars using the GDP price deflator.
2. Arizona Department of Forestry and Fire Management, "[2024 Annual Report](#)," p. 4.
3. Some economic analyses use total output measures, which many assume is equivalent to GDP. However, output measures the total cost, not the portion of the total cost that was attributable to work done in Arizona only. The numbers also include value-added multipliers when say a fire fighter goes to a local diner to buy a meal. However, only the value-added beyond the cost of goods sold would be included with the value-added multiplier.
4. Go to [Arizona | Drought.gov](#).
5. Outside firms and FS staff assisting with thinning and fire mitigation costs estimated from [Regional Economic Contributions of the Four Forests Restoration Initiative \(4FRI\) in Northern Arizona 2023](#) and extrapolated to include the Prescott National Forest which was omitted. There is an insignificant amount of Ponderosa forest in the Coronado NF.
6. See Table FS-% Available Funds and FTEs in 2025, USDA Forest Service [Fiscal Year 2025 Budget Justification](#), March 2024.
7. Thomas, Douglas, David Butry, Stanley Gilbert, David Webb, and Juan Fung (2015), "[The Costs and Losses of Wildfires: A Literature Review](#)," U.S. Dept. of Commerce, National Institute of Standards and Technology.
8. Figure from the FY2023 data (2024 brochure) for Arizona from the BLM's [Annual Economic Impact page](#). This page was recently updated to FY2024 data. To be conservative GCI has used FY2023 data because the recreational component more than doubled with no clear explanation.
9. See Appendix II: Reported Deferred Maintenance, by Agency and State in [GAO Deferred Maintenance report](#) from January 2024.
10. Since the Federal government falls short here , no federal dollars are replaced so no impact on state GDP, though technically different kinds of spending have different levels of value-added, so it might modestly change state GDP.
11. See Dept. of the Interior, [Fiscal Year 2025: Payments in Lieu of Taxes](#).
12. See Graham County [Final Budget FY2025-2026](#), See Gila County [FY2026 Budget](#). See Mohave County [FY2026 Budget](#). State Shared Revenue is a portion of the state 5% sales tax and state individual and corporate income taxes that are distributed to counties and incorporated cities and towns. For more details see this Arizona State Senate Issue Brief on [State Shared Revenues](#) from 2022.
13. See Dept. of the Interior, Bureau of Land Management, [Public Land Statistics 2024](#).
14. See [Final National Forest Statement of Receipts \(ASR-13-2\), Fiscal Year 2024](#)
15. On BLM property across the entire United States, BLM only earns \$13 million annually. See Bureau of Land Management, Budget Justification and Performance Information Fiscal Year 2025, U.S. Dept of the Interior, Collections Section, [Budget Justifications and Performance Information FY 2025: Bureau of Land Management](#)
16. BLM provides [direct economic expenditures](#) by category. FY2023 shown. [Forest Service visitor surveys](#) were compiled to gain the estimate for recreation. The ratio of comparative fee collections were used to estimate total direct expenditures. For timber the [Regional Economic Contributions of the Four Forest Restorative Initiative](#) (4FRI) in Northern Arizona in 2023 was used and adjusted to include Prescott National Forest.

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# About

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