S. HRG. 113–65

SECURE RURAL SCHOOLS AND PAYMENT IN LIEU OF TAXES

HEARING

BEFORE THE

COMMITTEE ON ENERGY AND NATURAL RESOURCES UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

TO

EXAMINE THE OPTIONS AND CHALLENGES RELATED TO POSSIBLE REAUTHORIZATION AND REFORM OF TWO PAYMENT PROGRAMS FOR LOCAL GOVERNMENTS-THE RECENTLY EXPIRED SECURE RURAL SCHOOLS AND COMMUNITY SELF-DETERMINATION ACT AND THE PAYMENT IN LIEU OF TAXES

MARCH 19, 2013

Printed for the use of the
Committee on Energy and Natural Resources

U.S. GOVERNMENT PRINTING OFFICE

82–563 PDF WASHINGTON : 2013

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON ENERGY AND NATURAL RESOURCES

RON WYDEN, Oregon, *Chairman*

TIM JOHNSON, South Dakota
MARY L. LANDRIEU, Louisiana
MARIA CANTWELL, Washington
BERNARD SANDERS, Vermont
DEBBIE STABENOW, Michigan
MARK UDALL, Colorado
AL FRANKEN, Minnesota
JOE MANCHIN, III, West Virginia
CHRISTOPHER A. COONS, Delaware
BRIAN SCHATZ, Hawaii
MARTIN HEINRICH, New Mexico

LISA MURKOWSKI, Alaska
JOHN BARRASSO, Wyoming
JAMES E. RISCH, Idaho
MIKE LEE, Utah
DEAN HELLER, Nevada
JEFF FLAKE, Arizona
TIM SCOTT, South Carolina
LAMAR ALEXANDER, Tennessee
ROB PORTMAN, Ohio
JOHN HOEVEN, North Dakota

JOSHUA SHEINKMAN, *Staff Director*
SAM E. FOWLER, *Chief Counsel*
KAREN K. BILLUPS, *Republican Staff Director*
PATRICK J. MCCORMICK III, *Republican Chief Counsel*

CONTENTS

STATEMENTS

APPENDIX

SECURE RURAL SCHOOLS AND PAYMENT IN LIEU OF TAXES

TUESDAY, MARCH 19, 2013,

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC.

The committee met, pursuant to notice, at 10:02 a.m. in room SD–366, Dirksen Senate Office Building, Hon. Ron Wyden, chairman, presiding.

OPENING STATEMENT OF HON. RON WYDEN, U.S. SENATOR FROM OREGON

The CHAIRMAN. Committee will come to order. Senator Murkowski is on her way. We have gotten permission to begin.

I'm very pleased that the distinguished Chairman of the Finance Committee, Senator Baucus, is here.

Let me just make a brief opening statement.

Today the committee is going to look at options for reauthorizing and reforming the Secure Rural Schools and Community Self-Determination Act and the Payment in Lieu of Taxes program. Both of these programs are absolutely critical to rural America. Today we will have a number of knowledgeable witnesses who will talk about the funding for these programs as well as possible reforms that could be considered in extending and updating them.

In the 1980s years of unsustainable timber harvests collided with renewed public concern over clean air and water and endangered species. This collision left our country with a broken forestry system and produced the worst of 2 worlds, an inadequate timber harvest and inadequate protection for our public lands. Our timber communities lost jobs while conservation was more often handled by lawyers and judges rather than foresters and biologists.

That's why in 2000 along with our former colleague, Larry Craig, I authored the Secure Rural Schools and Community Self-Determination Act to provide a lifeline for timber dependent communities across the Nation.

PILT, Payment in Lieu of Taxes, has also existed to help provide more stable funding to counties containing Federal land, but it has suffered a number of funding shortages over the years.

Now the funding for Secure Rural Schools expired last year and full funding for the PILT program ends this year. So we now have across the country cash-strapped, rural communities facing deadlines this spring to decide about retaining teachers, whether or not to close schools, what to do about law enforcement and roads and other basic services. So it is especially important that Congress act quickly.

I'm especially pleased that our colleague, Chairman Max Baucus, who chairs the Finance Committee, on which I'm honored to serve, is here this morning. Chairman Baucu, colleagues, has been there again and again and again for the Secure Rural Schools program. I just want people to know as we begin this debate that looking back on the odyssey of the Secure Rural Schools program, it would have been hard to keep this program afloat without the good work Chairman Baucus has been doing.

So Chairman Baucus, thank you very much for all the past help and the assistance that you have pledged going forward.

I also want to make clear at this time that a short term extension of the Secure Rural Schools program is not a long-term solution for our hard-hit, resource-dependent communities. So our job now is to look for a long-term solution as well. That means focusing in 2 areas.

First, it's way past time to get our people back to work in the woods and increase the timber harvest off Federal lands. More good-paying, private sector jobs are needed in resource-dependent communities with Federal land and Federal waters. This is something I believe can be done consistent with our environmental laws.

That's why I'm working with Senator Murkowski, Senator Landrieu, and others on a more comprehensive approach to share revenue from Federal land and waters with resource dependent communities. In effect what we are talking about is pursuing this on a dual track. Boosting timber cuts and providing a safety net that provides for schools, roads, and police in resource-dependent communities and then our bipartisan coalition will also support reauthorizing the Secure Rural Schools payment program while looking for a long-term solution that understands that we have to increase our timber harvests, look to jobs in communities that abut Federal land and Federal water and protect our environmental heritage. With respect to Federal Forests, that means in some areas we would increase the harvest and in some areas we would conserve our special treasures.

The members of this committee have, over the last 15 years, made it a priority to build bipartisan coalitions to break the bureaucratic log jams on public lands management.

That's what happened with Secure Rural Schools.

That's what happened with the Healthy Forest Restoration Act.

That's what we've seen in Eastern Oregon where the environmentalists and timber industry came together.

I do want to state that while we are going to look at further hearings to focus on forest management, we understand that experts are telling us that it is not possible to cut enough trees to produce historic levels of funding in rural communities and comply with the multiple uses of our Federal Forests that our communities want and meet our bedrock environmental laws. So the challenge is to find a way to pursue on this dual track a short-term and a long-term solution while looking at some fresh approaches and rejecting those approaches that have not worked in the past.

Short cuts like selling off Federal lands or ignoring environmental laws cannot be expected to pass the Senate or be signed by the President. These ideas have failed for more than 20 years. To create a realistic solution for increased forest management, any solution is going to require a broad coalition with buy-in from all sides that has been shown to work in the past.

I believe that as we look to cut more timber on Federal forest lands, we can do it in a way that creates jobs, saves mills, and makes our forests healthier and more resistant to wildfire, insects, and disease. The committee is going to work in a bipartisan way to achieve this goal of upping the timber harvest while protecting old growth stands, clean water, and essential habitats. We believe we can do it in a bipartisan way by streamlining the bureaucracy around forest management, promoting tourism and recreation, and increasing biomass energy development.

Rural counties with Federal lands and waters deserve to be able to staff their schools, fund law enforcement, and maintain the roads required by the use or preservation of these lands. My policy to end the perpetual roller coaster from revenue sharing includes new initiatives to create private sector jobs, protect the environment and most of all, make sure that rural America does not become a ghost town. It's time for a broader revenue sharing effort that can provide affected States and communities with a share of the money generated from resource extraction from nearby Federal lands and Federal waters.

Senator Murkowski, our ranking member, has a great interest in this issue as does Senator Landrieu. Let me recognize you now for your opening statement, Senator Murkowski.

[The prepared statements of Senator Heller and Senator Bennet follows:]

Prepared Statement of Hon. Dean Heller, U.S. Senator From Nevada

Over 90 percent of all federally-owned land is located in western states. For westerners, the federal government's ownership of vast quantities of land not only limits the self-determination and economic development, it also robs local communities of property tax revenues and the taxes associated with private business development. As a result, federal land ownership forces westerners to pay higher property taxes to pay for essential services such as law enforcement, health care, and education.

Nowhere is this more on display than in Nevada, where 87 percent of our land is controlled by the federal government. In Nye County, only 250,000 acres of the 11,640,196 acres are private lands. In Lincoln County, only 142,952 of 6,804,733 acres are private lands. And the list goes on.

The PILT program is necessary to help maintain and improve the health and vitality of our public lands communities, as well as to help local communities to meet obligations and expectations of visitors to federal lands.

While I am deeply aware of the limitations presented by our current fiscal situation, I remain firm in my belief that the federal government has a responsibility to fulfill its obligations to the counties which it denies a local tax base.

Prepared Statement of Hon. Michael F. Bennet, U.S. Senator From Colorado

I write to applaud the Senate Energy and Natural Resources Committee for scheduling tomorrow's hearing entitled, "Keeping the Commitment to Rural Communities." As you know, the Secure Rural Schools (SRS) and Payments in Lieu of Taxes (PILT) programs are lifelines for rural counties across the West.

PILT, in particular, is vitally important to my home state of Colorado. Dozens of Colorado counties contain high percentages of federal public land—land on which they are unable to collect property tax revenue. PILT serves to compensate partially for this foregone revenue, and the program's resources are employed to provide essential community services like road maintenance and emergency responders.

Failure to renew PILT will lead to job losses in Colorado and even potential insolvency for some of our communities. I appreciate the Committee's attention to this important matter and stand ready to help as you seek a long-term solution to this persistent problem.

STATEMENT OF HON. LISA MURKOWSKI, U.S. SENATOR FROM ALASKA

Senator MURKOWSKI. Thank you, Mr. Chairman. I appreciate that you have scheduled this hearing as early into this particular Congress as you have. As you know it's an exceptionally important issue for many of our States and truly a priority here.

The Federal compensation programs that we're talking about today, whether Secure Rural Schools or Payment in Lieu of Taxes, have been extraordinarily valuable in our rural communities, certainly in my State of Alaska. I know that these programs are important to you, certainly to you, Senator Baucus, and I also appreciate your leadership and your efforts as we have tried to find the dollars necessary to continue the very important funding. We're going to have to count on you once again to help us out with that.

But we recognize the challenges. I would certainly concur with the chairman here, that we need to find longer term solutions so that we don't go from year to year. The anxiety, the stress, that I hear from my communities.

The community of Wrangell, where I went to elementary school, is a community where 64 percent of their budget for the school comes from Secure Rural Schools funding. When they don't know where 64 percent of their budget is going to be coming from on a year to year basis, it causes a great deal of stress.

I want to mention first Payment in Lieu of Taxes program. The PILT program, of course, is permanent. So we're not concerned about the program expiring. But what we are concerned about is the level at which the program is funded.

Over the last several years when we reauthorized and extended Secure Rural Schools we also turned PILT into a mandatory funded program. I think this was primarily done to build the political support to reauthorize and extend Secure Rural Schools. PILT was created in 1976 by Congress because we changed our Federal land policy from one that was focused on disposal to one that was focused on retention. These payments are literally payments in lieu of taxes to compensate our local governments for the loss in tax revenue caused by this change in policy and how PILT is funded in the future whether programmatic changes are needed and its relationship to Secure Rural Schools are certainly something that we need to explore.

Secure Rural Schools, unlike PILT, was largely a replacement program for the receipt sharing programs whether it's the Forest Service payments to States and the Bureau of Management that Oregon and California have for their payments. These payments made under these programs were historically from receipts generated by timber sales for roads and school purposes. But I think we recognize that they were never intended to be a permanent entitlement program, but more specifically a temporary, short term bridge to allow the communities to transition to the new economic reality that was forced upon them by environmental policies that were designed to halt timber harvesting.

But if you are a community, like Ketchikan, where I was born down in Southeast Alaska, Ketchikan, their private taxable lands within the Ketchikan gateway borough are 0.3 percent, 0.3 percent. So if you have no other place to go.

If 96.5 of the percent of the land in your borough is held by the Federal Government.

The State has 1.3 percent.

The local government has 0.3 percent.

There is 0.3 percent that is taxable land. So when you say you've got this Federal policy that says you can't harvest within the Tongass because we're just saying you can't harvest in the Tongass. You have no place to go for your tax base. We say, well this is just going to be a temporary program for you until you can transition.

The question is what do you transition to?

Where do you go?

Of course, Chief Tidwell and I have had many, many conversations about where we go from there.

But our counties, our boroughs, our other communities, have received payments for more than a decade now. For some of your counties in Oregon and Washington, Northwest California, who receive the Spotted Owl payments, they've been seeing these Secure Rural Schools payments for more than 2 decades. Now again, we're talking about the need for another short term extension, but I think we all know, I mean we're having budget conversations this week. It's on everybody's mind.

The Federal Government, the Federal Government is broke here. We can't continue to pay counties to not utilize the lands within their boundaries. Mr. Chairman, you have appropriately suggested where we need to go with this.

You need to be able to access the resources that are on your lands. We either need to utilize our Federal lands to generate the revenue and the jobs for our rural communities or we should divest the Federal Government of those lands and let the States or the counties, the boroughs, manage them.

Mr. Chairman, you've suggested that that probably isn't going to enjoy support within the Congress. Maybe that's true. But boy, oh boy, we've got to have something here. You've got to have some way for these communities to survive otherwise, I think, they do go the way that you have suggested that they might, which is to turn into ghost towns. That's not a solution that I think is one that we would support.

We do need to address, head on, the fact that federally owned land has a profound impact on the fiscal and economic base of a community as well as the social fabric. So we've got a good panel here this morning. I appreciate that we're led off by Senator Baucus on this issue.

But Mr. Chairman, I look forward to working with you, with Senator Landrieu and so many others as we try to find a longer term solution for these communities in these rural areas that are impacted so profoundly.

Thank you, Mr. Chairman.

Senator LANDRIEU. Can I just——

The CHAIRMAN. Yes, of course, Senator. If—I know Chairman Baucus has his hearing. I know Senator Landrieu would like to make a comment or 2.

STATEMENT OF HON. MARY LANDRIEU, U.S. SENATOR FROM LOUISIANA

Senator LANDRIEU. I'd just like to make 30 seconds while Senator Baucus is here. Then I'll submit the rest of my statement for the record.

But I want to thank you, Mr. Chairman and the ranking member for hosting a series of hearings that might find a really, a long term solution for the problems that both interior States, western States and coastal States are experiencing which is the very disjointed and hard to understand sharing or not sharing of these revenues with the communities that actually are hosting and needing the support from the production of these revenues.

So I'll look forward to working with Senator Baucus and both of you on finding a way forward. Because I think both of you expressed the real need of communities where Federal policies have severely impacted their abilities to produce their own revenues and the need for some sort of partnership and sharing to produce the natural resources in a wise way, respecting the environment, but also respecting the needs of Americans to work and to remain competitive in this world. I think we can find the way forward.

So thank you very much.

The CHAIRMAN. Thank you, Senator Landrieu.

I think the point of finding the way forward, having been to both of your communities in the last few months, I'm just struck at how there's this common thread wherever there's Federal land and Federal water. People are looking to find ways to create private sector jobs, protect their treasures, and come together. At one point I was struck in your State, Senator Landrieu, listening to people around the table the main difference between the folks around the table in Louisiana and the folks sitting around the table in Southern Oregon is your constituents had different accents than mine. But other than that they were looking for the same kind of hope, jobs, environment and coming together.

With that, Chairman Baucus, I know you've got a hearing. We are so appreciative of the fact that you have been so committed to our rural communities. We would not have made it through those—that odyssey of authorizations over the years without your being in our corner.

So please proceed. Thank you again for your help.

STATEMENT OF HON. MAX BAUCUS, U.S. SENATOR FROM MONTANA

Senator BAUCUS. Thank you very much, Mr. Chairman. I appreciate that.

Senator Murkowski, Senator Landrieu, thank you all 3 and all the other members of the committee.

I'd also like to welcome Thomas Tidwell. I'm very happy he'll be testifying later this morning.

Even more importantly we have a fellow Montanan here, Mark Haggerty. He is an expert on policies affecting public land use. He's sitting just a couple rows behind me. You'll hear from him a little bit later. Mark is from Bozeman, Montana, one of the most beautiful spots, I think, in the whole world.

We're here today to discuss 2 programs that support jobs, Montana jobs and other jobs in counties where there's a lot of Federal land, Secure Rural Schools and Payment in Lieu of Taxes. These obviously are counties that contain a lot of Federal land. With a lot of Federal land they face a much lower tax base and also less natural resource revenue.

I remind everyone that this is America's lands. All Americans own Federal land. Americans use National Forest System land, BLM land, other Federal land. Not only the people in the communities use those lands but other Americans all across the country, especially when they're taking their family on vacation, use not only those lands, but adjacent areas, the roads in those counties that the county commissioners are trying desperately to finance.

If they don't have the tax base, it's pretty hard for them to finance those roads and other amenities that the local folks use, but also people from around the country use. That's all the more reason why this is really—there's a need for a Federal solution to this. We all know what it's been.

Last year Congress overwhelmingly passed both Payment in Lieu of Taxes as well as Secure Rural Schools because it is needed nationwide. More needed probably in those counties that have a lot of Federal land included in the tax base. But it's also needed nationwide because this is a really, in a real sense of the term, America's program.

When I talk to county commissioners, you know, they all want to do the right thing. They run for office just like we. In many respects they've got a tougher job than we. They're so close to the people.

They talk to me. Max, we just need a bill to get some revenue. So we can maintain roads, etcetera.

In one county, for example, a bit of it is—74 percent Federal. Just imagine you've got—when 74 percent of your county at one, is pretty populous, a county that has a lot of people in it. Seventy-four percent of your county is Federal land. It's hard to raise the property tax rate revenue to support the services there.

People like Todd Devlin. Todd Devlin is a county commissioner from Prairie County. Todd makes the same point to me. I note these points are points that you've all heard when you talk to your people in your home States as well.

Senator Murkowski, up clear in Alaska, I can't think of a State that's got more Federal land than yours. So, obviously it's—what's something you hear about constantly.

The question is how do we pay for this?

Last year we were able to cobble together a few provisions to help pay for it. It was about $676 million price tag, Secure Rural Schools plus PILT. We're up to the challenge. We'll find other ways to make sure we can finance it another way.

Why is that important?

Because this stuff is at neutral. That means there's not one thin dime owed to the Federal taxpayers by providing for Secure Rural Schools and PILT payments.

I might remind all of our—everybody listening too that this is non-partisan. While we have fiscal deadlocks around here, we stand to get a bit partisan. This is not one of those.

This is one where Members of Congress, both sides of the aisle, work together. It's not a partisan issue whatsoever. I think that's the reason last year it got a strong vote. This year I know it will also get another strong vote.

Clearly we have to find the revenue. We'll work hard to try to find a revenue in the least oppressive way. I'm not sure what that is, but the tax code is pretty big with lots of different futures to it. In fact it's so big that lots of folks want to, so called, broad the base and get rid of some of those tax expenditures.

Be that as it may, I pledge that I'll work very closely with you. This is so important to my State. It's so important, I know, to your States and many other States. Working together, it's all teamwork. We'll find a way to finance this so we can get it done.

You made a very good point, Mr. Chairman, about a longer term solution. There are way too many short term solutions here in the Congress. It's just—the years that I've been here it's just programs that get compressed and compressed and compressed in shorter periods of time.

There were over 120, about 100 provisions in the code, tax code, we call extenders. They last about a year, 18 months. It just turned out that way.

On a highway bill authorization is just, as well know, are very short term now. They used to be 5, 6 years. The farm bill used to be 5 years. It's now, you know, about a year. We've got extensions. Everything is extended.

I did not come here to be an extender Senator. I'm sure you did not come here to be extender Senators. I didn't come here to be a maintenance Senator, neither did you, I'm sure. You came here to do stuff. Not be just spend all our time waiting behind the wheel, you know, wrapped around the axle as we try to just extend things.

It takes a lot of time, a lot of time, simply, to extend something for a year, a lot of time. The reason it takes so much time is because usually it requires revenue. You've got to find revenue someplace to pay for an extender, to pay for something, to pay for SRS, to pay for PILT. It's not easy to find new revenue to do this.

I have some ideas how to make this longer term. I urge that we work together to try to compare notes to try to find ways to accomplish that objective. But I strongly, strongly urge you as you work into reauthorize these 2 programs to also pay ordinate attention and just thinking out of the box, creatively, figure out a way to make this dog gone thing longer term so there's more certainty predictability for county commissioners, for folks at home, for the Forest Service, other Federal agencies, so they don't have to keep going back every year, every year voting it out, voting it out.

Also it means we can devote a lot of our time doing some other things, knowing that we've taken care of SRS, taken care of PILT for a while, not permanently, clearly, but at least indefinitely so we can, again, move onto something that's else in addition to making sure our people are taken care of with these 2 programs.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Chairman, thank you very much. I'm struck with your point about the teamwork issue. Of course everybody came in to work today. They filled out their brackets for March Madness. Of course they had the Oregon Ducks in the Final 4.

[Laughter.]

The CHAIRMAN. We were happy about that.

Your point about teamwork is absolutely right. But if you talk about teamwork over these last 14 years, there's somebody we had to give the ball to when the game was on the line. That was you. I mean, you stepped up for this program again and again and again. You gave a lot of hope to rural communities a few weeks ago when you announced that you'd help us get that short-term program.

So teamwork, as you said, is what it's about. But we're very glad that you've been willing to take the ball when——

Senator BAUCUS. Thank you, Chairman. I neglected to give you sufficient praise. You are working very, very hard on this.

Whenever I think of Secure Rural Schools and PILT, I also think of you.

The CHAIRMAN. We're going to stay on in your point about trying some fresh approaches. That's what my colleagues have been doing.

I know Chairman Baucus? time is tight. Do either of you have anything you'd like to ask?

Senator MURKOWSKI. Just thank you.

Senator BAUCUS. Thanks for all you're doing. Appreciate it.

The CHAIRMAN. Chairman, thank you.

Alright our next panel will be the Honorable Thomas Tidwell, Chief of the Forest Service.

Pamela K. Haze of the Department of Interior, Deputy Assistant Secretary for the Budget.

Anne-Marie Fennell, with the Government Accountability Office.

We thank all of you. Chief, let me have you begin to be followed by Ms. Haze and Ms. Fennell.

Chief, I just want to say as we start your presentation how much we've appreciated your professionalism and assistance for this committee. Again and again, you've helped us try to come up with creative approaches. As you know, these issues are not for the fainthearted.

I mean in rural communities, particularly when I think about places in Coos County and rural Lane County, you know, all over are Curry County, Josephine County, all over our State. You just walk an economic tightrope trying to survive. So these are not abstract issues.

You've helped us come up with approaches to, at least, give us an opportunity to get both the short and long-term solutions. So we welcome your presentation. We'll make your prepared remarks a part of the hearing record in their entirety.

Why don't you start, Chief. We'll just proceed with our witnesses.

STATEMENT OF THOMAS TIDWELL, CHIEF, FOREST SERVICE, DEPARTMENT OF AGRICULTURE

Mr. TIDWELL. Mr. Chairman, thank you.

Ranking Member Murkowski, it's great to see you again.

Members of the committee, thank you for the opportunity to be here to present the views of the U.S. Department of Agriculture on Secure Rural Schools and the Community Self-Determination Act.

The Administration strongly supports ways that the Federal Government can support economic activity in rural America and fulfill its obligation to share receipts from these public lands whether it's from the PILT payments, sharing with States the mineral revenues from public lands, to the land use fees, the timber receipts, the grazing receipts that contribute to Secure Rural School payments.

Secure Rural Schools has been a key program for 729 countries, boroughs and townships. Mr. Chairman and members of the committee, I just want to personally thank you for your leadership around this issue for the last few years. It has made a significant difference in these local economies.

The Administration supports reauthorization of Secure Rural Schools with mandatory funding. Secure Rural Schools fulfills the Federal Government's obligation to compensate local governments for the tax exempt status of national forests to help fund public schools and county roads through stable, dependable payments that the counties and boroughs can rely on. Also this has really helped to sustain and diversify local economies.

But it's much more than that. Title II and Title III allow counties to dedicate up to 15 to 20 percent of their payments for a variety of projects.

Title II provides funding for projects like thinning on national forests to reduce the threat of wildfire to things like integrated weed control that benefits all lands.

Title III helps counties fund search and rescue and provides funding for county planning to reduce wildfire threat to communities.

Although recreation is now the largest economic activity on the national forests and it contributes over 200,000 jobs and $13.5 billion to the GDP. The number of visitors that recreate on the national forests definitely increases the county's cost for search and rescue programs. With the record fire seasons, that I believe will continue, county investments into community wildfire protection plans to reduce the threat of wildfire, it's essential.

So all of the Secure Rural School programs from the payments for roads and schools to the projects on the national forest to the assistance provided to counties for wildfire protection, all of these programs have been invaluable to the economic sustainability of our rural communities. But an additional benefit has come from the Resource Advisory Committees, the RACs, that are required by Secure Rural Schools. These are the RACs that make recommendations for the projects on national forest lands. Because of the requirement that these RACs have a diverse representation, their project recommendations have been implemented with very few appeals over the last 12 years.

I'm not sure you realize what you started with Secure Rural Schools. But in my view it was the start of the collaborative processes that we benefit from today all across the country where diverse interests are working together to support active management of our national forests. It is through these collaborative processes that we are able to continue to accelerate the restoration on our national forests to improve the fisheries, maintain trails, reduce soil erosion, improve wildlife habitat and increase the biomass, the saw timber harvested from the national forests.

With 65 to 83 million acres of our national forests that are in need of some form of restoration, we recognize the need to increase the pace of restoration to ensure that our forests are more resilient to disturbance events like floods, wind storms, drought, insect and disease outbreaks and wildfire. Stable, guaranteed payments that counties can depend on, it's essential. But I can tell you in the long run these RACs have provided a key benefit and are why today we are able to accelerate the restoration on our national forests. To restore these watersheds that continue to provide clean water for 20 percent of this Nation, to maintain the recreational settings that all support the economic activity and increase jobs in rural America.

We want to work with the committee to reauthorize the Secure Rural Schools program, a program that has successfully strengthened our rural economics, and developed important collaborative working relationships with diverse interests that care about how their forests are managed.

I want to thank you again for the opportunity to discuss the Secure Rural Schools program. I look forward to your questions.

[The prepared statement of Mr. Tidwell follows:]

PREPARED STATEMENT OF THOMAS TIDWELL, CHIEF, FOREST SERVICE, DEPARTMENT OF AGRICULTURE

CONCERNING

Mr. Chairman and Members of the Committee, thank you for the opportunity to present the views of the U.S. Department of Agriculture regarding the Secure Rural Schools and Community Self-Determination Act of 2000 (the "Secure Rural Schools Act"), as amended and reauthorized in 2008 (P.L. 110-343) and again for fiscal year 2012 (P.L. 112-141). The administration supports reauthorization of the Secure Rural Schools Act with mandatory funding. Although some receipts for Payment In Lieu of Taxes (PILT) payments are generated on National Forest System (NFS) lands, management of the program is the responsibility of the Department of the Interior (DOI). We defer testimony on this program to DOI.

Overview

Since 1908, when Congress enacted what is commonly known as the Twenty Five Percent Fund Act (16 U.S.C. 500) to compensate local governments for the tax-exempt status of the national forests, the Forest Service has shared 25 percent of gross receipts from national forests with states. The so-called "25 percent payments" were made to the states for the benefit of public schools and public roads in the counties in which national forests are located. The allocation of the funds between schools and roads varies according to state laws. The receipts, on which the 25 percent payments are based, are derived from timber sales, grazing, minerals, recreation and other land use fees.

In the late 1980s, 25 percent payments began to decline significantly and fluctuate widely. This was largely due, especially in western states, to a significant decline in timber sales. The declines and fluctuations created hardships for local officials charged with providing services to communities in and near the national forests.

The decline in timber sales, and corresponding reduction in the 25 percent payments, was particularly acute in northern California, Oregon, and Washington. To address this concern, Congress provided "safety net payments" to counties in California, Oregon, and Washington for fiscal years 1994 to 2003. The safety net payments were enhanced payments structured to decline annually and intended to help the counties transition to the reduced amount of the 25 percent payments.

Before the safety net payments expired, Congress enacted the Secure Rural Schools Act (P.L. 106-393), which provided the option of decoupling the payments from receipts, by authorizing enhanced, stabilized payments to states for fiscal years 2000 through 2006. The Secure Rural Schools Act provided eligible counties with two options. A county could elect to continue to receive its share of the State's 25 percent payment, which fluctuated based on receipts, or the county could elect to receive a share of the State's "full payment amount", which was a stabilized amount. A county that elected to receive a share of the State's full payment amount was required to allocate 15 to 20 percent of its share of the payment to Title II (special projects on federal lands) or to Title III (county projects), or to return that amount to the Treasury. Title II funds could only be spent on projects benefitting the national forests that were recommended by resource advisory committees (RACs). As part of the initial implementation of the Act, the Forest Service established 55 RACs; by 2012 there were 118 RACs across the country. The remainder of the county's share of the payment (80 to 85 percent) was required to be spent for Title I purposes (for public schools and roads.)

Congress appropriated funds for payments to states for fiscal year 2007, and in October 2008, amended and reauthorized the Secure Rural Schools Act for fiscal years 2008 through 2011 and again in 2012. With a few notable exceptions, the Secure Rural Schools Act reauthorizations mirrored the 2000 Act. The primary change in 2008 was a new formula for the stabilized State payment, which includes a ramp-down of funding each year. In addition, the 2008 reauthorization amended the Twenty-Five Percent Fund Act to reduce the fluctuations in the 25 percent payments. The 25 percent payments are now calculated as the rolling average of the most recent seven fiscal years' 25 percent payments.

The last Title I and Title III payments under the Secure Rural Schools Act for fiscal year 2012 have been made. In 2012, approximately 74 counties elected to receive a share of the State's 25 percent payment (based on receipts), and approximately 655 counties opted to receive a share of the State Payment (enhanced, stabilized). Payments to States for the Forest Service under the Secure Rural Schools Act for fiscal year 2012 total $305,939,381.

All together, the Forest Service has made payments to 41 States and Puerto Rico to benefit more than 729 counties, boroughs, townships and municipalities. Unless the Secure Rural Schools Act is reauthorized, beginning with the payment for fiscal year 2013, States will receive the 25 percent payment calculated using the new formula based on a seven-year rolling average of 25 percent payments. The total of 25 percent payments for allStates is projected to be approximately $58 million for fiscal year 2013.

The Secure Rural Schools Act has 3 principal titles. The U.S. Forest Service defers to the Department of the Interior for Secure Rural Schools' activities undertaken by that agency on the Oregon and California Railroad Grant Lands (O&C Lands).

Title I-Secure Payments for States and Counties Containing Federal Land

Title I of the Secure Rural Schools Act, as reauthorized, provided the formula for the State Payment for fiscal years 2008 through 2011 with a one year reauthorization for fiscal year 2012. An eligible county's adjusted share of the State Payment was determined by a complex calculation involving multiple factors including acres of national forest, the average of three highest 25 percent payments from 1986 through 1999, and the county's annual per capita personal income. The formula reduces the total payments to all States by approximately 10 percent of the preceding year for 2008 to 2011 and by 5 percent of the preceding year for 2012. Eight States (California, Louisiana, Oregon, Pennsylvania, South Carolina, South Dakota, Texas, and Washington) received a transition payment in lieu of the State Payment for fiscal years 2008 through 2010. The transition payment was based on the fiscal year 2006 payment and declined by about 10 percent per year.

The Secure Rural Schools Act directs that the majority of the State Payment be used to help fund county schools and roads. This portion of the payment is commonly referred to as the Title I payment and has averaged about 85 percent of the total State Payments to date. For fiscal years 2008 through 2012, Title I funds provided to States totaled nearly $1.7 billion.

Title II-Special Projects on Federal Land

An eligible county has the option to allocate part of its share of the State Payment under Title II for projects that maintain existing infrastructure or enhance the health of ecosystems on national forests and support local economies. Title II provides for the establishment of RACs to review and recommend projects. The Secure

Rural Schools Act as reauthorized added to the duties of the committees and expanded the interests represented by members.

Title II projects enhance forest ecosystems; restore and improve the health of the land and water quality; and protect, restore and enhance fish and wildlife habitat. Examples are maintenance or obliteration of roads, trails, and infrastructure; improvement of soil productivity; stream and watershed restoration; control of noxious and exotic weeds; and re-establishment of native species. These projects provide employment in rural communities and an opportunity for local citizens to advise the Forest Service on projects of mutual interest that benefit the environment and the economy. For fiscal years 2008 through 2012, Title II funds totaled $204 million for projects recommended in more than 300 counties.

Title III-County Funds

Funds allocated by a county under Title III may be used on county projects. Title III initially had six authorized uses: search and rescue, community service work camps, easement purchases, forest related educational opportunities, fire prevention and county planning, and community forestry. When the Secure Rural Schools Act was reauthorized in 2008, Congress limited the use of Title III funds to three authorized uses: activities under the Firewise Communities program, reimbursement for emergency services on national forests, and preparation of a community wildfire protection plan. As reauthorized, Title III now directs each participating county to certify annually that Title III funds were used for authorized purposes. For fiscal years 2008 through 2012, Title III funds totaled $101 million.

Additional Revenue Sharing and Payment Programs

Along with the payments to States under the Secure Rural Schools Act, the Forest Service shares 25 percent of net revenues from minerals receipts, grazing, and other uses of the national grasslands in the payments to counties program under the Bankhead Jones Farm Tenant Act, (7 U.S.C. 1010-1012). Payments to counties go to approximately 70 counties in 17 States, and totaled about $15 million in 2011. There are also payments made under special acts including those in Arkansas for Smoky Quartz (Public Law 100-446), in Minnesota related to the Boundary Waters Canoe Area (16 U.S.C. 577) and in Washington for the Quinault Special Management Area (Public Law 100-638.)

The Forest Service coordinates with the Bureau of Land Management which administers additional payments to certain counties in western Oregon under the Secure Rural Schools Act. In addition, national forests are included in the eligible federal lands for which the Department of the Interior administers the Payments in Lieu of Taxes (PILT) program.

Secure Rural Schools Act Successes

For fiscal years 2008 through 2012, the Secure Rural Schools Act through Titles I, II, and III programs provided nearly $2 billion in economic support to rural communities. The Forest Service values relationships fostered with tribal, county officials and other stakeholders under Title II. By 2012, 118 RACs were established across the country. By actively engaging community members in recommending projects, the Forest Service has seen a significant decrease in appeals and a dramatic increase in successful long-term collaborations.

Each of the 15-member committees represent diverse interests such as environmental and conservation groups; watershed associations; forest and mineral development; hikers; campers; off-highway vehicle users; hunting and fishing enthusiasts; tribal, State and local government officials and teachers; and officials from local schools. Following the reauthorization for FY 2012, USDA encouraged all RACs to recruit new culturally diverse members for the committees. RAC members learn about the richness of natural resources on the national forests, and share their knowledge of the natural and social environment. Members hear one another's views, interests and desires for national forest management and come to agreement on projects that will benefit the national forests and nearby communities. Here are a few examples that illustrate successful projects undertaken with Secure Rural Schools funding from 2008 to 2012.

In Sierra County, California, a partnership with the Sierra County Fire Safe & Watershed Council supported by Title II funding has resulted in a number of high priority projects to reduce hazardous fuels within and adjacent to the communities within Sierra County and the National Forest. The fuels reduction projects activities are resulting in higher level of effective fuels reduction treatments within the Wildland Urban Interface (WUI). In rural Sierra County, the partnerships and Title II funds have provided more than $200,000 and the financial mechanism for success. An additional benefit of these projects has been an increased level of opportunity for local employment within the County.

Since 2008, Apache County, Arizona in partnership with the White Mountain Apache Tribe upgraded a main access road to national forest lands using Secure Rural School Act funds. These road improvements have been critical to the treatment of areas within the Tribal Forest Protection Act (TFPA)—Los Burros project and the removal of materials under the White Mountain Stewardship Contract. To date, three quarters of the treatments are completed. This amounts to 12,000 acres of stewardship treatments of which 3,700 are within the TFPA project. The public is greatly benefiting from road improvements with safer and more comfortable access to quality recreation areas. This project has also improved relations with the White Mountain Apache Tribe.

In northern Utah, the Uinta-Wasatch-Cache National Forest has worked cooperatively with local counties to implement an aggressive "War on Weeds" program with Title II funding. These projects are vital to successfully treating invasive weed species threatening critical sage-grouse habitat, watersheds, and high-value recreation areas. Work is being accomplished through Forest Service and county crews. Fourteen local youth were hired through the Youth Conservation Corps (YCC) program to assist in the implementation of this program.

Sequestration

Pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011 and the American Taxpayer Relief Act of 2012, the Secure Rural Schools account is subject to sequestration. When payments were made to counties, the Forest Service opted to make full payment. The reduction to Forest Service's Secure Rural Schools program, Special Authorities, and the 25 percent fund required by sequestration is $16.7 million or 5.1 percent of the amount subject to sequestration. The Forest Service will very soon notify States of the impacts. Communities will be informed of potential options including repayment or other reductions.

Conclusion

The Secure Rural Schools Act has provided more than a decade of transitioning payments to eligible States and counties to help fund public schools and roads and provided predictably declining payments to States to transition to the 25 percent payment. In addition, it has also created a forum for community interests to participate collaboratively in the selection of natural resource projects on the national forests, and assisted in community wildfire protection planning.

Thank you for the opportunity to discuss this program with the Committee. The Secure Rural Schools Program has successfully strengthened rural economies and developed important collaborative working relationships between the Forest Service and partners. The Administration supports reauthorization with mandatory funding and included a proposal in the FY2013 Budget. The original intent of the Secure Rural Schools program was to provide temporary assistance to communities as they transition away from timber dependent industries. The 2013 Budget provides long-term economic development opportunities by doubling funding for economic development and forest restoration projects, while ramping down payments to communities over the five year authorization period.

We would be happy to answer any questions you may have.

The CHAIRMAN. Thank you very much, Chief. We'll have some questions in a moment.

Ms. Haze.

STATEMENT OF PAMELA K. HAZE, DEPUTY ASSISTANT SECRETARY FOR BUDGET, FINANCE, PERFORMANCE AND ACQUISITION, DEPARTMENT OF THE INTERIOR

Ms. HAZE. Good morning.

The CHAIRMAN. There you are.

Ms. HAZE. Good morning, Chairman Wyden, Senator Murkowski and committee members. Thank you for allowing me to be here to testify on behalf of the Department of the Interior and to talk about Secure Rural Schools and the Payment in Lieu of Taxes program.

These 2 programs are good examples of the way in which the Federal Government can be a good neighbor to local communities.

These 2 programs provide funds to counties that help them to pay for ongoing community services. In the case of Secure Rural Schools, promote enhancement of forest ecosystems and forest health, just as Chief Tidwell was explaining.

The Department of the Interior's lands and programs benefit from this relationship because the emergency response, transportation and other services provided by counties and other jurisdictions help to provide access for people and services that are needed to operate and maintain parks, forests, refuges and other public lands. We work closely in partnership with the Forest Service to administer the Secure Rural Schools program.

In the Department of the Interior Secure Rural School payments are made by the Bureau of Land Management. BLM makes payments annually to 18 counties in Western Oregon that include revested Oregon and California grant lands. Beginning in 1994 and including the most recent payments, BLM has allocated 1.6 billion in Secure Rural Schools funding. Most recently payments were made to those counties by BLM in February including revenues, fees and receipts collected in 2012, a total of 36 million was distributed to those 18 counties. We expect to allocate an additional 2 million later this week or the beginning of next week.

We support reauthorization. If the Secure Rural Schools program is not reauthorized payments would return to the historical revenue sharing formula and O and C counties would receive 50 percent of receipts collected on O and C lands. With estimated receipts of 15 to 20 million the payments to the counties would be within the range of 7 and a half to $10 million.

BLM has made improvements in its administration of the Secure Rural Schools program based on the recommendations made by GAO. BLM has strengthened its oversight, revamped its Secure Schools Act website, hosted frequently asked questions, changed its certification form and conducted outreach to the counties.

The relationship we have with counties throughout the Nation is important. We value that relationship including our ability to make Payments in Lieu of Taxes. Local jurisdictions cannot tax Federal lands. The PILT program issues payments to counties to make up for the lost tax revenue. PILT funds supplemental and other payments shared with States and counties that are generated on Federal lands.

For example, mineral leasing payments to States are expected to be over $2 billion this year. Geothermal revenue payments to counties are expected to be $4 million this year. Since the PILT program began in 1977, a total of $5.9 billion in PILT payments has been allocated to counties.

In 2012 we made payments to more than 1,900 counties. Last June a total of $393 million was distributed to counties throughout the Nation. We use a formula that is dictated by the law based on acreage, population and considering prior year revenue payments. The acreage amounts and population rates are adjusted each year for inflation.

Each year in formulating the payment we work closely with Interior Bureaus, the Forest Service and other Federal agencies to ensure that we have accurate acreage data on which to base the payment. We seek input from States on the amounts of prior year revenue payments that are retained by counties. Our data is audited annually. We regularly meet with counties to keep them informed of changes and provide training as requested. We issue and post information about the payments publicly to ensure transparency.

Since the program was authorized in 2008 and funded through mandatory appropriations, we have been able to provide the full level of entitlement to counties. Prior to 2008 PILT was funded through annual appropriations. During the years 1995 through 2007 when it was funded from appropriations, payment amounts ranged from 41 to 77 percent of the entitlement level.

We make our next payment this coming June. It is subject to sequester of 5.1 percent.

We support reauthorization of this program.

This concludes my statement. Thank you. I'm here to answer questions.

[The prepared statement of Ms. Haze follows:]

PREPARED STATEMENT OF PAMELA K. HAZE, DEPUTY ASSISTANT SECRETARY FOR BUDGET, FINANCE, PERFORMANCE AND ACQUISITION, DEPARTMENT OF THE INTERIOR

Mr. Chairman, Ranking Member Murkowski, and members of the Committee, I am pleased to have the opportunity to testify today on the Department of the Interior's Payments in Lieu of Taxes (PILT) Program and the Secure Rural Schools (SRS) Program. The Administration supports ways that the Federal government can fulfill its role of being a good neighbor to local communities, such as through PILT and SRS.

Secure Rural Schools Act

The Bureau of Land Management (BLM) manages the Secure Rural Schools program in concert with the U.S. Forest Service. BLM administers the Community Self-Determination Act payments as amended (P.L. 106-393) for nearly 2.4 million acres of BLM-managed public lands located in 18 western Oregon counties, known as the "O&C". The Department of the Interior defers to the U.S. Forest Service in matters regarding activities on their lands.

O&C County Payments

The Secure Rural Schools Act builds upon the foundation laid in 1937 with the Revested Oregon and California Railroad and Reconveyed Coos Bay Wagon Road Grant Lands Act (the O&C Lands Act). Under the O&C Lands Act, the 18 O&C counties receive yearly payments equal to 50 percent of receipts from timber harvests on public lands in these counties.

Between 1989 and 1993, income to O&C counties from timber harvests dropped significantly. Congress enacted "safety net payments" to stabilize income flow to timber-dependent counties in 1994 (P.L. 103-66). In 2000, Congress enacted the Secure Rural Schools Act, which allowed O&C counties to receive a payment equal to the average of their three highest timber receipt years from 1986 through 1999. Under the Act, the counties also elect the percentage of the payment to be distributed directly to the counties (Title I), and the remaining percentage to be allocated between Title II projects (administered by the BLM), Title III projects (administered by the counties), or returned to the Treasury.

The payments have been reauthorized three times, most recently through 2012 as part of the Moving Ahead for Progress in the 21st Century Act (P.L. 112-141). Since the law has now expired, absent reauthorization, payments to the 18 counties in western Oregon will revert to levels under the O&C Lands Act. The President's 2013 Budget proposed to reauthorize the program for five years beginning in 2012 and continuing through 2016 and modify it over the long term.

We understand the importance of these funds to the viability of western Oregon counties in support of county projects and local schools. On February 5, 2013, BLM distributed the majority of the Secure Rural Schools payments for 2012, totaling approximately $36 million. Pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011 and the American Taxpayer Relief Act of 2012, the Secure Rural Schools account is subject to sequestration. When payments were made to counties, Interior held back 10 percent of the scheduled payments in preparation for the possibility of sequestration. The reduction to Interior's Secure Rural Schools program required by sequestration is $2.0 million or 5.1 percent of the amount subject to sequestration. We are working to meet the necessary funds control requirements as quickly as possible to allow BLM to issue the balance of payments to the counties as soon as we can.

Payments In Lieu of Taxes (PILT)

The PILT Act (P.L. 94-565) was passed by Congress in 1976 to provide payments to local governments in counties where certain Federal lands are located within their boundaries. PILT is based on the concept that these local governments incur costs associated with maintaining infrastructure on Federal lands within their boundaries but are unable to collect taxes on these lands; thus, they need to be compensated for these losses in tax revenues. The payments are made to local governments in lieu of tax revenues and to supplement other Federal land receipts shared with local governments. The Department has distributed more than $5.9 billion in PILT payments since these payments began in 1977.

While PILT payments are provided without conditions on their use, we know that many counties and other local jurisdictions rely on PILT payments for support of critically important services and programs, including emergency services such as fire and rescue, housing social services, and transportation.

The annual PILT payments to local governments are computed based on the formula that is contained in the law, which considers the number of acres of Federal entitlement land within each county or jurisdiction, the population, and prior year revenue payments made to the jurisdiction.

Federal entitlement lands include lands within the National Forest and National Park Systems, those managed by the Bureau of Land Management (BLM), those affected by Corps of Engineers and Bureau of Reclamation water resources development projects, and certain other Federal lands. The formula for calculating PILT payments considers the amount of certain Federal land payments received by the county or local jurisdiction in the preceding year. These payments are made from Federal revenue generating programs (such as receipts from mineral leasing, livestock grazing, and timber harvesting) that the Federal Government transfers to the counties using formulas in laws such as the Mineral Leasing Act.

Prior to 2008, the amounts available for PILT payments to local governments required an annual appropriation by Congress. In 2007, the last year that PILT funding was subject to appropriation, PILT payments were $232.1 million, comparable to 64.7 percent of the full authorized level for counties.

The Emergency Economic Stabilization Act of 2008 (Public Law 110-343) authorized PILT for five years as a mandatory program, under which counties have received the full PILT entitlement level, including inflationary increases. The most recent payment made to counties in June 2012, totaled $393.4 million and was distributed to over 1,900 local government units (mostly counties) in 49 States, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.

The FY 2013 Budget proposed a one-year extension of PILT payments for 2013. The program was extended for 2013, as proposed by the Administration, in MAP-21, the Transportation Reauthorization Act. As stated in the Budget, the Administration looks forward to working with Congress to develop a longer-term strategy for providing sustainable levels of funding for PILT payments, in light of overall constrained budgets and the need for appropriate offsets for new mandatory spending. In the meantime, we plan to make the payments for FY 2013 in June of this year, consistent with the payment schedule in previous years.

Unless Congress takes action to undo sequestration and restore funding before the June payments are made, they will be subject to reduction. We are still calculating the full entitlement amounts due to counties for this fiscal year; however, based on the Office of Management and Budget's Sequestration Report we will reduce the overall allocation by $20.3 million.

Conclusion

The Administration recognizes that PILT and SRS are important to local governments, sometimes comprising a significant portion of their operating budgets. The PILT and SRS monies have been used for critical functions such as local search and rescue operations, road maintenance, law enforcement, schools, and emergency services. These expenditures often support the activities of people from around the country who visit or recreate on Federal lands.

As we look forward to reauthorization of the programs, the Department will work to continue to ensure efficient and effective management of these programs.

Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions that you or the other Members may have.

The CHAIRMAN. Thank you very much.

Ms. Fennell, welcome.

STATEMENT OF ANNE-MARIE FENNELL, DIRECTOR, NATURAL RESOURCES AND ENVIRONMENT, GOVERNMENT ACCOUNTABILITY OFFICE

Ms. FENNELL. Good morning.

Chairman Wyden, Ranking Member Murkowski and members of the committee, I appreciate the invitation to discuss our work on Title III of the Secure Rural School Act. As you know the Act was in response to the steep decline in Federal timber sales which decreased revenues from the national forest managed by the Forest Service and by some lands managed by the Bureau of Land Management. Within the Act, Title III authorizes counties to use payments for certain purposes related to wild land fire and emergency services on Federal land.

At the request of this Committee we undertook a review of the oversight and implementation of the 2008 reauthorization of Title III and reported our findings last July.

My testimony today will describe (1), key findings of our 2012 report and (2), actions the agencies have taken since our report was issued.

First, in terms of our report:

Overall, we found shortcomings in the areas of oversight, expenditures and administrative requirements. Now to briefly address each of these areas.

In terms of oversight, at the time of our report the Forest Service and BLM had not issued regulations under the Act and guidance was limited and sometimes unclear. This was concerning because the Act does not define key terms. For example, the Act authorizes counties to use Title III funds for emergency services, but does not specify the types of activities covered by this term. Agency guidance at the time did little to clarify this language.

Also agencies had no assurance that they had an accurate accounting of the amounts of Title III funding spent and unspent by the counties which is important because the Act requires that unobligated funds be returned to the U.S. Treasury.

In terms of expenditures, counties we reviewed reported using Title III funds in ways that were generally aligned with the 3 broad purposes specified in Title III. That is wild land fire preparedness, emergency services on Federal lands and wild fire protection planning. However, we identified expenditures by some counties that may not be consistent with specific requirements of the Act. These include funding for activities such as clearing vegetation along evacuation routes, updating 911 systems and buying capital equipment. Some counties we reviewed for example, reported using the funds for purchasing radios, snowmobiles and trucks for patrols.

In terms of administrative requirements, counties did not consistently follow Title III requirements which include annual certification of expenditures and 45 day public notification periods. We found that some counties closely followed these requirements while others did not. For example, some counties did not submit certifications when they spent funds or were late in doing so.

Second, regarding more recent agency actions:

The Forest Service and BLM issued additional guidance since our report that clarified the types of allowable uses of Title III funds complete with explicit examples. We believe this additional guidance addresses our recommendation.

Also agencies said that they plan to obtain additional information on the extent to which counties have obligated their Title III funds.

We also suggested that if Congress chooses to extend Title III it consider clarifying the Act to make explicit which types of expenditures are and are not allowable. Given recent agency guidance there may be less need for changes to the language of the Act itself. Still it will be important to monitor county's Title III expenditures in the wake of the additional guidance.

In conclusion, lack of clarity in what are allowable uses of Title III funds left counties, who were already fiscally constrained, to make their own interpretations of what is allowable and what is not. The new guidance should help alleviate shortcomings we found, but it will also be important to observe how the guidance gets implemented and what, if any, adjustments may be needed going forward.

Chairman Wyden, Ranking Member Murkowski and members of the committee, this completes my prepared statement. I'm happy to respond to any questions you may have.

[The prepared statement of Ms. Fennell follows:]

PREPARED STATEMENT OF ANNE-MARIE FENNELL, DIRECTOR NATURAL RESOURCES AND ENVIRONMENT, GOVERNMENT ACCOUNTABILITY OFFICE

PAYMENTS TO COUNTIES.—SHORTCOMINGS IN OVERSIGHT AND IMPLEMENTATION OF KEY PARTS OF THE SECURE RURAL SCHOOLS ACT MAY BE ADDRESSED BY RECENT AGENCY GUIDANCE

Why GAO Did This Study

Under the Secure Rural Schools Act, counties with federal lands may elect to receive payments to help stabilize revenues lost because of declining federal timber sales. Under Title III of the act, counties are authorized to use these funds for certain projects related to wildland fire and emergency services on federal lands. The act provides oversight roles for the Forest Service and BLM, requiring them to review counties' certification of their Title III expenditures as the agencies determine to be appropriate and to issue regulations to carry out the act's purposes. GAO reported to this committee in July 2012 that the agencies had provided limited oversight of county spending under Title III and that, although the projects for which counties reported using Title III funds were generally aligned with the broad purposes of Title III, county spending did not in all cases appear consistent with specific provisions of the act.

This testimony describes (1) key findings of GAO's July 2012 report on oversight and implementation of the act (GAO-12-775) and (2) actions the agencies have taken to strengthen oversight of county spending since the July 2012 report was issued. The testimony is based primarily on GAO's 2012 report and includes selected updates conducted in March 2013 on actions the agency has taken in response to that report.

GAO is making no recommendations in this testimony. In July 2012 GAO recommended that the agencies strengthen their oversight by issuing regulations or clear guidance. The agencies concurred, and took action to implement this recommendation.

What GAO Found

In July 2012 GAO reported that the Forest Service and Bureau of Land Management (BLM) had taken few actions to oversee county spending under Title III of the Secure Rural Schools and Community Self-Determination Act, and that the guidance they provided was limited and in some cases did not appear consistent with the act. GAO also reported that some expenditures by selected counties may have been inconsistent with the act-which may have resulted in part from the limited guidance available from the agencies-and that reviewed counties did not consistently follow Title III's administrative requirements. Specifically, GAO found the following:

- Neither the Forest Service nor BLM had issued regulations under the act, and the guidance the agencies had issued was limited and sometimes unclear. Forest Service guidance, for example, did little to clarify language in the act, neither defining terms from the act nor specifying which types of expenditures were allowed under the act and which were not. The absence of clear guidance or regulations was of particular concern to GAO because the act itself does not define key terms. For example, the act authorizes counties to use Title III funds for "emergency services" but does not specify the types of activities covered by this term. Moreover, the agencies did not have assurance that they had an accurate accounting of the amounts of Title III funding spent and unspent by the counties, which is important because the act requires unobligated funds to be returned to the U.S. Treasury upon the act's expiration.
- The counties GAO reviewed reported using Title III funds for projects that were generally aligned with the three broad purposes of Title III-wildland fire preparedness, emergency services on federal land, and community wildfire protection planning-but GAO identified certain expenditures by some counties that may not be consistent with specific requirements of the act. Such expenditures included funding for activities such as clearing vegetation along evacuation routes, updating 9-1-1 systems, and conducting routine law enforcement patrols on federal land. Some counties GAO reviewed reported using funds to purchase equipment, such as radios and GPS equipment, sonar equipment, watercraft, all-terrain vehicles, snowmobiles, and trucks for patrols.
- Counties also did not consistently follow Title III's administrative requirements, which include annual certification of expenditures, 45-day notification periods to the public and others before spending funds, and deadlines for project initiation. For example, some counties did not submit a certification for certain years when they spent funds, some counties submitted their certifications late, and some counties did not consistently follow notification and project initiation requirements.

Since GAO's report was issued, the Forest Service and BLM have provided additional guidance to counties, which clarifies allowable uses of Title III funds. In addition, the agencies reported that they plan to change their requirements for annual reporting of expenditures to obtain additional information regarding the extent to which counties have obligated their Title III funds. The additional guidance addresses the recommendation in GAO's July 2012 report.

Chairman Wyden, Ranking Member Murkowski, and Members of the Committee

I am pleased to be here today to discuss our work on the Secure Rural Schools and Community Self-Determination Act.[1] As you know, the act was a response to the steep decline in federal timber sales during the 1990s, which significantly decreased revenues from national forests managed by the Department of Agriculture's Forest Service and from some public lands managed by the Department of the Interior's Bureau of Land Management (BLM). Counties containing federal lands have historically received a percentage of the revenues generated by the sale or use of natural resources on these lands, and the act was enacted in part to stabilize payments to counties dependent on revenues from federal timber sales. The act, which covers all National Forest lands and certain BLM lands in western Oregon, was initially enacted in 2000 and has been reauthorized several times, most recently for a 1-year extension in 2012.[2] Under the act, each county may continue to receive a portion of the revenues generated from the sale or use of resources from federal lands or can choose instead to receive annual payments based in part on historical revenue payments to the county. Title III of the act authorizes counties to use a portion of the payments for certain purposes related to wildland fire and emergency services on federal lands.

In 2011, at the request of this committee, we undertook a review of the oversight and implementation of the 2008 reauthorization of Title III. We examined the actions the Forest Service and BLM had taken to oversee county spending under Title

[1] Pub. L. No. 106-393 (2000), as amended.

[2] Pub. L. No. 106-393 (2000) covered the period from fiscal year 2001 through fiscal year 2006. Pub. L. No. 110-28, Title V, § 5401 (c) (2007), reauthorized the act for fiscal year 2007. Pub. L. No. 110-343, Div. C, Title VI, § 601 (2008), reauthorized the act from fiscal year 2008 though fiscal year 2011. Pub. L. No. 112-141, Div. F, Title I, § 100101 (2012), reauthorized the act through fiscal year 2012. In this testimony, we refer to the Secure Rural Schools and Community Self-Determination Act of 2000 as the Secure Rural Schools Act.

III and the extent to which county expenditures were consistent with the provisions of the act. In July 2012 we reported that the agencies had provided limited oversight of county spending under Title III and that, although the projects for which counties reported using Title III funds were generally aligned with the purposes of Title III, county spending did not in all cases appear consistent with the act.[3] We recommended that the Forest Service and BLM strengthen their oversight by issuing regulations or clear guidance specifying the types of allowable county uses of Title III funds. The agencies concurred with this recommendation and have taken action to do so. We also suggested that Congress, if it chooses to extend Title III beyond the 1-year reauthorization enacted in 2012, consider revising and clarifying the language of Title III to make explicit which types of expenditures are and are not allowable under the act.

My testimony today will describe (1) key findings of our 2012 report related to oversight and implementation of the act and (2) actions the agencies have taken to strengthen oversight of county spending since our report was issued. This statement is based on our July 2012 report, and includes selected updates conducted in March 2013 on actions the agencies have taken in response to our report's recommendation. To conduct the updates, we reviewed additional guidance issued by the agencies and interviewed agency officials. Detailed information about scope and methodology can be found in our July 2012 report. We conducted the performance audit work that supports this testimony in accordance with generally accepted government auditing standards. Those standards require that we plan and perform audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The Secure Rural Schools Act was enacted to help address fiscal difficulties confronting rural counties having substantial federal lands and a history of federal timber harvesting. The act, as reauthorized, comprises three principal titles. Under Title I, counties are to use the majority of payments they receive for the same purposes for which they used federal receipts, in most cases for the benefit of roads and schools. Under Title II, counties may reserve a portion of the payments to fund certain land management projects that benefit federal lands. Title III authorizes the use of a portion of the payments for certain purposes related to wildland fire and emergency services on federal lands.[4] These authorized uses include carrying out certain activities to increase the protection of people and property from wildland fires under the Firewise Communities program,[5] reimbursing the county for search and rescue and other emergency services performed on federal land, and developing community wildfire protection plans to help protect homes and neighborhoods. Title III requires counties to follow certain administrative requirements, including publishing public notices of proposed uses for the payments and submitting annual certifications of Title III expenditures to either the Forest Service or BLM, as appropriate, stating that any Title III funds spent in the previous year went toward authorized uses. For fiscal years 2008 through 2011, 358 counties received a total of $108 million for Title III projects, and individual counties received from about $3,600 to over $2 million in a single fiscal year for such projects.[6]

The Forest Service and BLM are responsible for carrying out certain parts of the Secure Rural Schools Act. Both agencies calculate the amounts that counties are to receive each year, and both agencies are required by the act to review the counties' certification of Title III expenditures as the agencies determine to be appropriate. The act also requires the agencies to issue regulations to implement the act, al-

[3] GAO, Payments to Counties: More Clarity Could Help Ensure County Expenditures Are Consistent with Key Parts of the Secure Rural Schools Act, GAO 12 775 (Washington, D.C.: July 16, 2012).

[4] Counties receiving $100,000 or less in payments may allocate all of their payments to uses authorized under Title I. Counties receiving more than $100,000 must allocate from 15 to 20 percent of their payments to Title II and Title III projects or give the funds back to the federal government. Counties choose how to divide this percentage among Title II and Title III, although counties receiving $350,000 or more in payments may allocate no more than 7 percent of the payments to Title III projects.

[5] The Firewise Communities program is a nonregulatory program administered by the National Fire Protection Association and sponsored by the Forest Service, Interior, and state forestry organizations. It is designed to involve homeowners, community leaders, planners, developers, and others in efforts to protect people, property, and natural resources from the risk of wildland fire.

[6] Payments under all three titles of the act totaled over $2 billion for fiscal years 2008 through 2011

though it does not describe what the regulations are to address or establish a deadline for issuing them.

Federal Agencies Had Provided Limited Oversight of County Spending at the Time of Our Report, and Some County Expenditures May Have Been Inconsistent with the Provisions of the Act

In our July 2012 report, we found that the Forest Service and BLM had taken few actions to oversee county spending under Title III of the Secure Rural Schools Act and that the guidance they provided was limited and, in some cases, did not appear consistent with the act.[7] We also found that some expenditures by selected counties we contacted may have been inconsistent with the act-which may have resulted in part from the limited guidance available from the agencies-and that counties we reviewed did not consistently follow Title III's administrative requirements.

Oversight by Federal Agencies

In July 2012, we reported that neither the Forest Service nor BLM had issued regulations under the act and that the guidance the agencies had issued was limited and sometimes unclear. We expressed particular concern that the agencies had not developed regulations or clear guidance because the act itself does not define key terms. For example, the act authorizes counties to use Title III funds for "search and rescue and other emergency services, including firefighting, that are performed on federal land" but does not specify the types of activities covered by this phrase.[8] We concluded that because the language of the law leaves certain provisions open to varying interpretations, and available guidance from the agencies had done little to clarify this language, counties had generally been left to make their own interpretations about which types of expenditures are allowable under Title III and which are not.

To provide guidance, the Forest Service had developed a brief overview of Title III, which generally echoed wording in the act, and a "frequently asked questions" document responding to questions on authorized uses of Title III funds. At the time of our report, agency officials told us they believed the frequently asked questions document provided sufficient clarity for counties to use when considering how to spend Title III funds.

Officials from several counties we contacted, however, told us they found these documents to be of little help, and our review of these documents found that they did not clearly define terms from the act or specify which types of expenditures were allowed under the act and which were not. For example, the act authorizes counties to use Title III funds for "search and rescue and other emergency services, including firefighting, that are performed on federal land" but does not define the types of activities covered by this phrase. Neither of the Forest Service documents defined such activities. In addition, in the frequently asked questions document, the Forest Service listed eight specific uses of Title III funds-including purchase of capital equipment, capital improvements, purchase of land, and training for emergency response-and asked, "Are Title III funds authorized for the following uses?" Instead of answering the question directly, the documents stated that for certain uses-such as construction of facilities, purchase of real property, and purchase of vehicles and other capital equipment-the act does not explicitly authorize these uses. It then further stated that reimbursement for certain uses-such as the purchase of replacement equipment damaged or destroyed during an emergency response or maintenance of vehicles and equipment in proportion to their actual use for emergency services performed on federal land-may be allowable. We concluded that such statements were confusing and unclear.

Further, our review showed that, in addition to being unclear, the Forest Service's frequently asked questions document appeared to be inconsistent with certain provisions of the act. For example, the act authorizes counties to use Title III funds to carry out activities under the Firewise Communities program to educate homeowners about, and assist them with, techniques in home siting, construction, and landscaping. Forest Service guidance documents, however, defined Firewise Communities as an approach that, among other things, "emphasizes community responsibility for planning in the design of a safe community as well as effective emergency response." The documents did not emphasize the act's requirement that counties' Firewise activities with Title III funds must be limited to providing fire-related education or assistance to homeowners. Moreover, the frequently asked questions document stated that developing emergency 9-1-1 systems under Firewise-which is not

[7] GAO-12-775.

[8] The legislative history of Title III contains almost no information that clarifies the phrase "emergency services."

an activity clearly authorized under the act-may also be an authorized use of Title III funds. We raised concerns that including emergency response in a definition of Firewise and suggesting that developing 9-1-1 systems may be an authorized activity under the act could lead some counties to interpret the act as allowing expenditures that improve the county's emergency response-a use not clearly authorized under the act.

Our report also raised issues related to counties' certification that any Title III funds spent in the previous year went toward uses authorized under the act. For example, we found that the Forest Service and BLM had jointly developed a process to assist counties in certifying their Title III expenditures but that the information the agencies directed the counties to submit-typically the amount spent in each of the three allowable Title III spending categories but without further details regarding actual activities-did not allow either agency to determine whether counties spent their Title III funds appropriately. In addition, the act requires counties to submit certifications only for the years they have spent funds, and we found that neither the Forest Service nor BLM had a process to contact counties that did not submit a certification to determine if these counties spent no Title III funds that year or had simply not submitted the required certification. Some county officials we interviewed said they had not submitted certifications even when their counties had Title III expenditures the previous year. Overall, we found that of the $108 million in Title III payments provided to 358 counties for fiscal years 2008 through 2011, the counties had certified having spent about $46 million-or less than half the total amount-by the end of calendar year 2011. However, because the agencies did not have a process to ensure an accurate accounting of the amounts of Title III funds spent and unspent, we concluded that it was unclear whether the amounts were accurate and that it would be difficult to ensure that counties return to the U.S. Treasury any funds that remain unobligated upon the act's expiration, as the act requires.

Consistency of County Expenditures

We also found that expenditures by counties we contacted for our 2012 report did not in all cases appear consistent with the act.[9] These counties reported using Title III funds for projects that were generally aligned with the three broad purposes of Title III-wildland fire preparedness, emergency services on federal land, and community wildfire protection planning- and some counties reported expenditures that were clearly authorized by the act. Nevertheless, we identified various expenditures by some counties that may not have been consistent with specific requirements of the act, such as the following examples:

- Wildland fire preparedness.—Title III authorizes counties to spend funds for activities carried out under the Firewise Communities program but specifies that these activities are to involve educating or assisting homeowners with home siting, home construction, or home landscaping to help protect people and property from wildfires. Some counties we reviewed used Title III funds on broad emergency preparedness activities that may not be consistent with the 2008 act. For example, two counties we reviewed told us they spent part of their Title III funds to clear vegetation along roads, some of which are potential emergency evacuation routes, and others said they removed vegetation from county lands, parks, schools, or cemeteries or from larger swaths of land to create fuel breaks-locations not directly associated with home siting, home construction, or home landscaping. In addition, four counties used Title III funds to update their 9-1-1 telephone systems, according to county officials-an activity not clearly authorized by Title III (although, as noted, agency guidance stated that such an activity may be allowable).
- Emergency services on federal land.—Title III authorizes counties to use funds as reimbursement for search and rescue and other emergency services, including firefighting, that they perform on federal lands. Some counties we reviewed spent Title III funds on activities that may not have been consistent with this requirement. For example, instead of reimbursements for specific incidents, a

[9] For our 2012 review, to obtain information about the projects and activities on which counties spent Title III funds, and their administrative practices related to Title III, we interviewed, in person or by telephone, officials from 42 selected counties of the 358 counties receiving Title III funds since the act was reauthorized in 2008. These 42 counties make up a nonprobability sample of counties selected for variation in both the amounts of Title III funds received and in geographic location. Because the 42 counties we selected are a nonprobability sample, the information we obtained from these counties cannot be generalized beyond these counties; the information did, however, provide us with an understanding of how the selected counties spent Title III funds and the actions taken to follow Title III's administrative requirements.

number of counties used Title III funds to pay a portion of their fire or emergency services departments' salary and administrative costs, including office supplies, utility costs, or insurance. As justification for this approach, these counties cited the high percentage of federal land in their counties or the difficulty in breaking out the costs of emergency services on federal versus nonfederal land. Some counties we reviewed also used the funds to carry out routine law enforcement patrols on federal land; officials from one of these counties told us that these patrols help reduce and deter criminal activity and enhance visitor safety on federal lands. In addition, some counties reported that, to maintain access to federal lands, they used Title III funds to help rebuild flood-damaged roads, and some reported using funds to purchase equipment, such as radios and GPS equipment, sonar equipment, watercraft, all-terrain vehicles, snowmobiles, and trucks for patrols.

- Community wildfire protection planning.—The act authorizes counties to use Title III funds "to develop community wildfire protection plans in coordination with the appropriate Secretary concerned." Some counties we reviewed reported Title III expenditures for wildfire protection planning activities that may not be consistent with this provision. For example, one county used Title III funds to purchase vehicles having firefighting capabilities, as well as other equipment associated with emergency response. Another county used Title III funds to contract for firefighter dispatch and suppression services. Officials from this county explained that county emergency service units cannot reach certain remote areas quickly, so they contract with a state agency to provide dispatch and suppression services during the heavy wildland fire season, and because the area served is largely federal land, the county pays for a portion of the contract costs with Title III funds.

Administrative Requirements

We also found that counties we reviewed did not consistently follow Title III's administrative requirements. Title III requires counties to certify expenditures to the Forest Service or BLM annually and provide 45-day notification to the public and any applicable resource advisory committee before spending funds.[10] The 2008 act also required projects to be initiated by September 30, 2011. Our review identified instances where counties did not follow the requirements, including:

- Certification.—Some counties did not submit certifications at all or submitted their certifications late, some certified expenditures for multiple years simultaneously, and some acknowledged putting incorrect information on the certification form. We found various reasons for counties' not complying with the certification requirements in the act. Three counties, according to county officials we interviewed, did not submit their certifications to the Forest Service for the years they spent funds because they were unaware of the requirement to do so. Two other counties submitted certification forms for some but not all years in which they spent funds, and many counties submitted their certification forms after the deadline specified in the act, in some cases because they were initially unaware of or overlooked the requirement to do so.
- Public notification.—The act directs each county, before moving forward with Title III projects, to publish a proposal describing its planned use of Title III funds in local newspapers or other publications, after which the county must allow a 45-day comment period before using the funds. Some counties in our review followed only part of the public notification requirement. For example, some counties published notices in their local newspapers but did not allow for a 45-day comment period before moving ahead with projects or activities, according to county officials and documents, while other counties issued public notices in some years but not in others. We also found four counties that did not issue any public notices on their Title III project proposals; officials from these counties told us that they were unaware of the requirement to do so.
- Notice to resource advisory committees.—Some counties in our review did not notify the relevant resource advisory committees of their Title III projects, as required under the act. County officials cited a number of reasons for the lack of notification, including (1) they were unaware of the requirement to do so; (2) the committee meets only once a year in the summer, which does not coincide with the county's timeline for the Title III budgeting process; and (3) the county planned to notify the resource advisory committee but did not because a local

[10] Resource advisory committees are established primarily under Title II of the act and are to contain 15 members representing diverse local interests. For more information on these committees and Title II in general, see GAO, Update on the Status of the Merchantable Timber Contracting Pilot Program, GAO 10 379R (Washington, D.C.: Mar. 4, 2010).

Forest Service official stated that resource advisory committees were involved only in Title II, not Title III projects-even with a specific reference to such committees in Title III of the act.

- Project initiation.—Some counties did not initiate projects by September 30, 2011, as required by the 2008 act.[11] County officials we interviewed provided a number of reasons why they missed this deadline. For example, counties did not receive their Title III funds for fiscal year 2011 until 2012, and officials in one county told us that their county's guidelines prohibit starting projects before funding is actually received. Another county had not initiated all of its Title III projects because some of its previous projects had cost less than estimated, unexpectedly leaving the county more Title III funds to spend; county officials told us that they were selecting additional Title III projects on which to use the extra funding.

The 2008 act also required Title III funds to be obligated by September 30, 2012, and officials from nearly all counties in our review that had spent funds told us they anticipated doing so.[12] However, as noted, the agencies did not have a process to ensure an accurate accounting of the amount of Title III funds spent and unspent, making it difficult to ensure that unobligated funds are returned to the U.S. Treasury when the act expires.

The Forest Service and BLM Have Taken Action to Strengthen Oversight

In response to our recommendation that the agencies strengthen their oversight by issuing regulations or clear guidance specifying the types of allowable county uses of Title III funds, the Forest Service and BLM provided additional guidance to counties, which clarifies the types of allowable uses of county funds. In addition, the agencies reported that they plan to update their expenditure reporting requirements for Title III funds, so that counties report not only funds expended the previous year but also amounts remaining unobligated.

Regarding guidance, soon after our report was issued in July 2012[13], the agencies updated their websites to provide substantial additional information on allowable expenditures under the act. Given that this information includes specific discussion about, and numerous examples of, expenditures that are and are not authorized by the act, we believe that this additional guidance addresses our recommendation. The guidance addressed each of the three main areas of allowable spending under Title III, as follows:

- Wildland fire preparedness.—As we noted, several counties reported expending funds for broad emergency preparedness activities under the Firewise Communities program that did not appear consistent with the act because they did not involve providing fire-related education or assistance to homeowners. This issue is specifically addressed in the guidance, which now states that Title III authorizes funds to be "spent on Firewise Communities program activities that (1) educate homeowners in fire-sensitive ecosystems about techniques in siting (positioning or locating) a home, constructing a home, landscaping and maintenance around a home . . . .or (2) assist homeowners in implementing these techniques" (emphasis in original). The guidance goes on to list examples of activities that are authorized-such as disseminating Firewise information or assisting with "clean-up days"-and those that are not-such as updating 9-1-1 systems or clearing vegetation along emergency evacuation routes or from county lands, parks, schools, cemeteries, or other larger swaths of land not directly associated with home siting.
- Emergency services on federal land.—Likewise, the guidance addresses concerns we raised about whether certain projects related to emergency services on federal land were clearly consistent with the act. The guidance, among other things, clarifies the definition of emergency services and provides lists of expenses that are authorized (e.g., salary or wages of emergency response personnel deployed during an emergency response) and those that are not (e.g., routine sheriff's patrols of national forest roads and campgrounds, cleanup after a flood event, and purchase of capital equipment or real property).
- Community wildfire protection planning.—The guidance also addresses concerns we raised about development of community wildfire protection plans by clari-

[11] The 2012 reauthorization of the act extended the deadline for initiating such projects to September 30, 2012.
[12] The 2012 reauthorization of the act extended the deadline for funds to be obligated to September 30, 2013.
[13] GAO-12-775.

fying authorized uses and illustrating those that are not authorized, including the implementation of activities described in such plans.

Regarding annual reporting requirements on the part of counties, both agencies updated the certification form for counties to use in certifying Title III expenditures, so that counties must report not only on the funds expended the previous year but also on the amount of their Title III funds that remain unobligated. Such an update is consistent with guidance provided by Agriculture's Office of General Counsel in response to a Forest Service request for legal advice on its role in counties' return of unobligated Title III funds. The update is likely to allow the agencies a more accurate accounting of the overall amounts of Title III funds spent and unspent-a need we noted in our report.

In our July 2012 report, we also suggested that if Congress chooses to extend Title III beyond the 1-year reauthorization enacted in 2012, it should consider revising and clarifying the language of Title III to make explicit which types of expenditures are and are not allowable under the act. Given that the agencies have issued guidance that we believe clarifies the allowable uses of Title III funds, there may be less need for changes to the language of the act itself. Nevertheless, it will be important to monitor counties' Title III expenditures to observe whether the incidence of expenditures that appear inconsistent with the act diminishes in the wake of the additional guidance the agencies have issued.

Chairman Wyden, Ranking Member Murkowski, and Members of the Committee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

The CHAIRMAN. Ms. Fennell, thank you.

Before we go to questions, colleagues, we've received a letter from Senator Michael Bennet of Colorado commending the committee for holding today's hearings on Secure Rural Schools and PILT. Without objection, we will make Senator Bennet's letter a part of the record.

The CHAIRMAN. Let me begin, if I might, with a question or 2 for you, Chief Tidwell, and you, Ms. Haze.

Our rural communities are really hurting. You know, they are watching all the bickering going on in Washington, DC. What I find when I have town hall meetings around our State in every county, every year, people just say, who is going to do something back in DC to change things and put in place some policies so that the rural economy can get going again?

That's what this is all about in just, kind of, breaking it down in sort of simple, understandable English. So what the committee has essentially been looking at is this idea of a dual track kind of strategy.

On one hand, both short-term and long-term we would be trying to get the timber harvest up. We think we can do that, particularly Chief, with collaborative approaches like you have stressed today. Do it consistent with our environmental laws.

Then we've also said we're going to have to try some fresh approaches which is what we're trying to look at with revenue sharing, bringing together communities where there's Federal land and Federal water. It's why we're saying we've got to have Secure Rural Schools for essentially some period of time in order to start looking at these broader approaches.

So my question to you, Chief, and Ms. Haze, first of all is what can be done now, this point, this year, quickly to take steps to boost the timber harvest and do it in line with environmental laws? Chief, I think you've given us some ideas with your approach for collaborative kinds of efforts because clearly a healthy forest will help equal a healthy economy.

But what can be done short term so these communities can get moving again and see some real progress?

Mr. TIDWELL. Mr. Chairman, you know, last year we came out with our accelerated restoration strategy that identified the 65 to 83 million acres that we need to do restoration on. Along with that we made the commitment to increase the amount of acres that we treated along with the outputs. The key output, of course, is saw timber, to increase that 20 percent over the next couple years.

We made our target this last year. We are focused to do everything we can to be able to stay on that because we recognize the need of restoring these lands. Out of the 65 to 83 million acres there's over 12 million acres that we have no choice but to use some form of timber harvest to be able to restore those lands. That's what we want to continue to focus on, to be able to make sure we can sustain the infrastructure, but at the same time to be able to get more of this work done.

So we are continuing to stay focused on that. Your support for these collaborative efforts, and I can use your State as a perfect example, of where people are coming together today and finding ways to be able to reach agreement and move forward. There's a greater understanding about the need to restore these lands before we lose forest to whether it's fire, insect and disease or ongoing drought, wind storms, whatever. Those are the things that are really resonating with rural economies, rural America today.

The CHAIRMAN. Chief, when you say restoration work particularly in these areas susceptible to insects and disease, what you just said in response to my first question is that it really means, in many respects, increasing the timber harvest. Is that correct?

Mr. TIDWELL. It is. Especially on that 12 and a half million acres that we believe we don't have any other tool that we can use.

The CHAIRMAN. Good.

Chief, I want to let my colleagues ask some questions so I'll get into more on a second round. But I just want to again appreciate your leadership, particularly on the East side of Oregon even before our bill has been enacted. We're seeing progress in terms of litigation going down and the cut going up. So I thank you for it.

I do want to ask you, Ms. Haze, the same question because, as you know, the Chief with the Forest Service is talking about the East side where we've made some progress. But on the West side, the Bureau of Land Management manages the O and C lands. These communities also feel like they've just been flattened. So we've got to get the cut up. We've got to get the harvest up both short term and long term.

What steps can you take, starting now, to do that?

Ms. HAZE. So Secretary Salazar has talked about a commitment to restore healthy habitat and provide sustainable timber harvest.

BLM initiated their 3 collaborative pilot projects in Roseburg, Medford and Coos Bay. Those are underway and working with and with the input of Drs. Norm Johnson and Jerry Franklin to look at sustainable, collaborative projects. BLM is in the process of implementing 7 more.

So I think that in combination with the reauthorization of Secure Rural Schools are the short term needs.

The CHAIRMAN. So what can be done now to increase the harvest? I understand the plans that have been laid out in the past. I think you know from my conversations with the agency, so many of these communities say that the agency isn't hitting the targets.

So what can be done to increase the harvest now?

Ms. HAZE. So my understanding is that BLM is planning to work toward their target this year. I think we have some evaluating to do based on the sequester that is impacting all of our programs. I don't think we have a final answer for the impacts of that yet.

The CHAIRMAN. Can you get me an answer to that question?

Ms. HAZE. Yes.

The CHAIRMAN. Because in those hard-hit communities, in Josephine County, in Coos, and places like Cottage Grove, you know, rural counties. if they hear the words that you talked about, planning to hit the target, evaluating the effort-these communities that have been hit so hard, that's not going to address their concerns. They want to hear specifics.

Can you get me an answer, say within the next 10 days, specifically on what will be done on this point to increase the harvest?

Ms. HAZE. Yes, Chairman.

The CHAIRMAN. OK. Thank you.

The CHAIRMAN. Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman.

I'll continue on what we're going to do to increase the harvest. You know, even in the areas where we have agreed as to what the plan may be, we're not seeing that, we're not seeing the production there. In the Tongass the current land management plan calls for cutting of 267 million board feet a year yet we're barely getting 15, 1, 5, million board feet per year.

So, you know, the frustration, of course, is huge. We have had many opportunities to discuss just this about well, OK, we've agreed that this is where we should be with the harvest. We're not even—it's not only we're not in the ball park. We're not even in the same town here when we're talking about what we're putting up for sale or what our goal is and what we are achieving.

Now Ms. Haze, you indicate that because of sequester we're going to be seeing even less. As a member of the Appropriations Committee we got a letter from the Department of Ag saying that due to sequestration the amount of Forest Service timber volume offered would be and this is offered nationwide, would be reduced by approximately 15 percent. The sequester is 5 percent. Not quite sure why we're seeing a reduction in the board feet of 15 percent.

Again, when you're a community that is looking for an answer here even before sequester we weren't even close to getting where we needed to be in terms of the timber harvest. Now it would appear that we've got, I don't know, an excuse to do even less. What's our problem here? Why can't we even begin to start achieving what we have agreed to in places like the Tongass?

I recognize we're talking a lot about restoration here which is important. But we have to recognize that in the Tongass it's not an issue of thinning because we have disease. We need to be working on our timber sales.

I'm going to give you a chance to answer that Chief Tidwell. But I want you to also respond in context with the Governor of Alaska's recent move toward increased timber production within the State. He's appointed a State Timber Task Force to come up with some ideas.

One of the recommendations is to create a 2 million acre State forest out of our national forest system lands. Would something like this help us, a smaller pilot project to test the effectiveness of State timber management? We're just not seeing it at the Federal level. We've got to do something.

So can you speak to not only the idea of the State's proposal, but how we can do better to keep the agreements that have already been made?

Mr. TIDWELL. Senator, I know that we need to deliver because we've talked about the opportunity to transition to second growth harvest there in Southeast Alaska. A key part of that is for us to be able to deliver each year on our targets to be able to provide that bridge of material from the old growth harvest until we can move to the second growth.

Last year when I was at a hearing with you I told you we were going to sell 80 million board feet from the Tongass. We didn't make that target. We sold about 53, 54 million this year.

This coming year the forest is telling me that they are on target to sell 100 million. They've got to get a difficult decision out. But that's the focus that we're on to be able to demonstrate that we can deliver on our part to be able to move forward with this transition strategy.

Senator MURKOWSKI. Even though the Tongass management plan calls for 267 million board feet. So what we're saying is, is that we're delivering a little bit more, but we're not even half way to what the Tongass management plan calls for.

Mr. TIDWELL. The Tongass forest plan, that's an allowable harvest level. It's not a target. That term that we used in the planning it's, I think, in times has been misleading. But all that does is it indicates what is allowable, what's the capability within our suitable timber lands to be able to produce at a sustainable basis.

Our targets are driven by really what our budgets are and what we feel we can get accomplished every year. So when I talk about the 80 million last year, the 100 million this year, it's based on what we feel we can actually get prepared. Actually it will also sell.

In the past we used to just—we put up a lot of sales. We'd offer a lot of sales. Our target used to be based on what we'd offer. But we changed that a few years because we wanted to get the work done. So our target now is just for what we actually sell, not just what we offer.

Senator MURKOWSKI. So, Chief, given the budget constraints that we are dealing with, what do you think of the State's proposal to allow for State management of State forest?

Mr. TIDWELL. You know, this issue has come up in the past. I think it's—we have different mandates. We have different laws that represent what the public wants from their national forests. That's what governs the management of our national forests. It's based on the public involvement in our planning process.

Senator MURKOWSKI. But the public also needs some jobs or they can't live there.

Mr. TIDWELL. They do need the jobs. That's why we're focused on moving forward with our transition plan to be able to move to second growth that I believe will be able to produce more jobs than what we have in the past.

Senator MURKOWSKI. Chief, you and I have both acknowledged that in order to get to that second growth we can't just snap our fingers. We can't make those trees grow any faster. In the meantime you've got an industry that is dying out. The trees might be able to transition but the people, the families, the economic opportunities that were there, won't be able to hold on.

So I think we recognize that things don't measure up as neatly in real life as they might on paper. So we've got a lot more work to be doing together.

My time has expired. But we'll continue this questioning. Thank you.

The CHAIRMAN. Thank you, Senator Murkowski.

Senator Landrieu.

Senator LANDRIEU. Thank you.

Mr. Chairman, I am so looking forward to helping us figure this out because I think if we can it will be a tremendous help to our entire country and to the people that live in the communities that Senator Murkowski and Senator Wyden were just referring to and a real benefit to our environment as well.

Let me ask this question to Chief Tidwell and Ms. Haze. Do you all have a total amount of money that comes into the Federal Government from all of these sources that we've talked about, harvesting, grazing, geothermal, etcetera, etcetera, etcetera, from Agriculture and Interior? Can you give me a rough estimate of what that dollar amount is every year?

If you can't I really do need somebody to submit that to the committee by close of business today because you should have it.

How do——

Ms. HAZE. Senator Landrieu, for the Department of the Interior I can tell you we collect approximately $13 billion a year in revenues, fees, receipts.

Senator LANDRIEU. From onshore and offshore?

Ms. HAZE. Onshore, offshore, grazing, aeration.

Senator LANDRIEU. Offshore, everything.

How about Agriculture?

Ms. HAZE. Agriculture is in there.

Senator LANDRIEU. So it's about $13 billion.

Ms. HAZE. Thirteen billion.

Senator LANDRIEU. So this issue really is about looking at that 13 billion and figuring out a way to better allocate it for the communities that actually produce it, that produce that, to share, in a way, that helps them to achieve some of the objectives that the chairman and the ranking member and some of us have in mind. So, we're working off of a $13 billion income? Is that it?

Ms. HAZE. That's right.

Senator LANDRIEU. OK.

Let me ask how much of that money comes from onshore and how much does come from offshore?

Ms. HAZE. That's a good question. I should know that.

Senator LANDRIEU. I think it's—what is it? It's 6.3 from offshore and so it's about equal. It's a little bit more from onshore. 6.3 from offshore.

Those offshore revenues come from what States, off the coast of what States?

Ms. HAZE. Louisiana.

Senator LANDRIEU. That's good. What else?

[Laughter.]

Senator LANDRIEU. What other States?

Ms. HAZE. Mississippi? Florida?

Senator LANDRIEU. Nope, not Florida, Alabama.

Ms. HAZE. Alabama. You know better than I do.

Senator LANDRIEU. Mississippi, Louisiana, Alabama, a little bit of California and Texas, slightly a little bit in California.

So 4 States are producing 6.3 billion and then all the rest of the States, including a little bit from Louisiana, I think, although we only have 2.5 percent of our land is Federal, completely different than the West which I understand their dilemmas. But the rest of that comes from, you know, onshore production.

Now, Mr. Tidwell, let me ask you this. I was very encouraged that you said that the Administration is interested in a revenue sharing program for interior States to help them. But I didn't hear you mention anything about coastal States. Do you want to elaborate?

Mr. TIDWELL. My remarks were about all the States where we have national forest system lands. So it's 41 States across the country. So and it's a Secure Rural School. It's 729 counties that we share that.

Senator LANDRIEU. Yes, but what about the coastal States that are producing the 6.3 billion that comes into the Federal Treasury. I think we've been doing that since when? 1923?

Mr. TIDWELL. That is shared. That's through the Department of Interior's programs that they administer is where that sharing occurs.

Senator LANDRIEU. OK. Ms. Haze, let's talk to you about that? Since 1923 we've produced, you know, literally billions and billions and billions of dollars. Are you aware of what's happening along the Gulf Coast with the erosion that is going on that's the greatest erosion on the North American continent? Are you at all aware?

I know that you focus on the interior of the country, but the exterior is in really, tremendous, stress and strain whether it's Louisiana or Massachusetts or New Jersey?

Ms. HAZE. So, it's fair to say I focus on the financial aspects of the Department. I did actually once visit the wetlands land down in Lafayette, Louisiana and learned a great deal about the erosion along the coast there.

Senator LANDRIEU. It's pretty bleak. I mean, we're losing a football field every 30 minutes. It's the largest erosion underway on the whole continent including, you know, Mexico, Canada and the United States. We're having a little difficultly with the Administration, kind of, even recognizing that it's happening.

So you might want to take this message back and let them know that I'm looking forward to working to find a way forward for PILT and for Rural Schools and fire. But you know, we also have some coastal issues that need to be dealt with as well with the resources that we help to provide for the country.

Thank you.

The CHAIRMAN. Thank you, Senator Landrieu.

Just before we go to our next Senator, Senator Risch, on the point that you're making and I think it's a very good one about finding, you know, common cause. I did have a chance to talk to Secretary Vilsack recently. Of course, the Department of Ag is your Agriculture and the Forest Service intertwined. He is very interested in exploring with us this whole revenue sharing concept and trying to find common cause between the communities where there's Federal land and Federal water. So I think we've got some good conversations just beginning.

Alright, let's see. Senator Risch has departed.

Senator Barrasso.

Senator BARRASSO. Thank you very much, Mr. Chairman.

The Secure Rural Schools and Payment in Lieu of Taxes or PILT programs are distinctly different programs. They are separate topics but they have equally divergent histories and stated purposes. I support the PILT program.

The PILT program provides Federal money to county and local governments to make up for or in lieu of property taxes that can't be levied on Federal property. PILT payments are simply the U.S. Government acting as a responsible land owner to help support essential local government services such as schools and roads. As in the case with all land owners if the existing owner is unwilling or can't pay the property taxes then new owners are needed.

The purpose of the Secure Rural Schools program is different. That was best summarized, I believe, on the Senate Floor last year by Senator Merkley when he said, "It is a commitment our Federal Government made to rural forest counties when it determined," that's the Federal Government, when the government, "determined that it would put environmental overlays over large blocks of forest land that were dedicated to timber production with revenue then shared with local counties." I agree with Senator Merkley.

I agree with him that the purpose of the program is to assist communities impacted by the overlay of Federal environmental policies. These policies have destroyed rural communities all across the West. They have forever altered the life of small towns and counties, especially and to me, has been not for the better.

They have taken away the economic ability of communities to survive and to thrive on their own which would be without Federal Government assistance. As the environmental overlays were put into place, jobs that supported families and communities for generations have been lost. The listing of the northern spotted owl, President Clinton's road less rule and a whole host of Federal regulations and actions set in motion the decline and elimination of thriving communities all across the West.

In 1991, 38 Oregon and Washington counties began receiving owl guarantee payments as a temporary safety net to soften the blow to their timber based economy. Prior to the need for owl payments counties were funded by receiving 25 percent of the Forest Service's timber sale receipts. They were compensated and rightfully so to help provide services to the tens of thousands of people and their families who relied on timbering for their jobs.

These were thriving communities with an economic base that created a strong middle class. In the year 2000 when the Secure Rural Schools act became a law owl guarantee payments were extended to 721 counties nationwide. The program was only supposed to be temporary to expire in the year 2006.

However, the environmental overlay of regulations and other policies of the Federal Government didn't go away. Communities continued to struggle to survive against the economic barriers created by Federal policies. Extension and reauthorizations have occurred in 2007, 2008 and 2012.

Now, I understand why Senator Wyden and others have worked so hard to continue funding the program. The Federal Government essentially took away the livelihoods and funding for families in counties by blanketing the region with environmental overlays. Regrettably, the same government that imposed the overlays is now$16 trillion in debt and funding existing programs often comes at the expense of others.

I have a poster behind me. This poster shows that last year's transportation bill included 1 year extension of PILT and SRS. The 1-year extension was paid for through tax provisions and by using 10 years of funding from the abandoned mine land program that was designated for the State of Wyoming. It is the classic robbing Peter to pay Paul scenario.

It's not sustainable. It did not solve the problem.

The solution is not to make communities dependent on Federal payments which is the path we're currently on. Rather the solution is to remove the environmental overlays that Senator Merkley referenced in his floor speech. I believe this can be done in a way that provides both economic growth and environmental stewardship.

Rural counties are clamoring for a hand up, not a hand out. We need more active management to foster healthy, vibrant forests. The Vancouver Sun reported March 1st, "There's no way North American's stud lumber sawmills will be able to keep up with the recovering U.S. housing market." European sawmills will likely make inroads into North America.

Rural counties that were once robust can become so again. So I'm encouraged by statements I'm hearing and comments made over the last few months by Members of Congress and Governors from both parties. The future of counties should not be dependent on the uncertainty of the Federal Government budget.

It's time to empower rural communities to create their own financial stability. With national deficits soaring, bark beetle infestation and excessive fuel loads feeding catastrophic fires, we can no longer afford environmentally or economically to passively manage our forests and for rural counties to depend on the Federal dollar.

So my question, Mr. Chairman, as my time is expired, is are there specific actions that the Forest Service and BLM are going to take to limit the impact of environmental overlays and go ahead and actually increase timber production and revenue for the counties involved?

You can answer.

The CHAIRMAN. I think you ought to be in a position to respond to the Senator's question. So, go ahead, Chief.

Mr. TIDWELL. Senator, in my earlier remarks I talked about the effort we have to increase the amount of tree limits occurring which is resolving an increase in harvest.

You know, I've spent a majority of my career dealing with the conflict and the controversy around public land management, 35, now 36 years in the Forest Service. What I'm seeing today is how groups are coming together. Diverse interests are coming together and agreeing about the type of work that needs to happen on the landscape.

We are seeing a significant change in the amount of work that we're getting done. I think the more that we can embrace these collaborative efforts, to support those efforts or bring people together because there's more and more of a recognition of the things that you've pointed out of the need for us to do more treatment, to do more timber harvest to reduce the fuels, to reduce the insect and disease outbreaks. Because of that, that's why we were able to, I felt confident, that I could put the Agency's reputation out there to say that we would be increasing harvest over the next few years and with a flat budget with no expectation that we'd see an increase.

But because—but the reason for that is because it is collaborative efforts. The other thing is that we've recognized that we need to do analysis for much larger areas. We used to spend a lot of time doing projects for 500 acres, maybe 1,000 acres.

Today we recognize we need to be doing analysis on tens of thousands of acres at one time. This has been a reach for us. But I'll tell you we've have success. Up in South Dakota last year they did one EIS for 248,000 acres that they'll be able to get in there for the 7 years and do whatever treatment they need to on that land.

That along with as we move to more and more long term contracts so that our mill owners and our loggers know that they have something that provides some certainty so that they can invest in new equipment, make the investment to hire people, make the investment in their mills. These are things that are starting to change the dynamics that we've been dealing with for the last few decades. Those are the things that we're really focused on to be able to increase the restoration work, increase the amount of harvest that's coming off of the national forests.

Senator BARRASSO. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the Senator.

Senator from New Mexico.

Senator HEINRICH. Thank you, Chairman.

I want to thank both you and the Ranking Member for having this hearing. This is an issue where there's actually quite a lot of agreement. I think concern on both sides of the aisle, something that touches communities throughout the Intermountain West.

Chief Tidwell, good to see you again. I wanted to point out and I appreciate your comments in your earlier testimony because you touched on some of the things that I hear consistently back home. In New Mexico many counties use their SRS funds to carry outward for stewardship projects. They reduce the risk of catastrophic wildfire to communities.

New Mexico counties also support local fire fighting and emergency response units that are viable when fire strike close to homes and businesses as well as search and rescue efforts. I know that the Forest Service works closely with forest communities to prepare for wildfire and to respond to catastrophic wildfires.

What role do SRS funds play in making that collaboration possible for those communities?

Mr. TIDWELL. There's a couple ways. The first thing with Secure Rural School payments it provides that certainty to the county so they know what they can plan on for the funding they'll have for their roads and schools program.

But the second part is the Title II and Title III funds that the counties can choose to basically share some of the payments to do work on the national forest or to be able to do the wildfire community protection planning or also deal with emergency services.

The other key part of this is also the Resource Advisory Committees. Because of the requirement when Secure Rural Schools was first authorized it required this diverse set of interests to come together and often in places for the first time. It was a requirement. It provided the catalyst, the incentive of these diverse interests to come together and to be able to find ways to agree on what type of work should go forward.

Because of that, I really believe that Secure Rural Schools should get a lot of credit for helping us to really kick start the collaborative processes that we see across the country. So it's been an additional benefit that I don't even think the Chairman, when he worked so hard on this initially, that he recognized really that this additional benefit was going to come out of this act. So I just want to make—I want to stress that because it goes way beyond the payments.

Because of these efforts, these diverse interests that have come together, we've seen some diversification of economies in these communities. It's really helped to provide sustainable economies in these countries. Of course, by working together to deal with the wildfire threat that you, especially in your State, have had to deal with the last 2 years.

Senator HEINRICH. If that funding stream were not available to these counties how would it also change how the responsibilities that the Forest Service has and what you would have to do differently in order to fill that void in terms of additional stewardship projects, additional fire management and interface issues? How would it change things if this funding stream weren't there for the counties to be a good local partner?

Mr. TIDWELL. It would stress our use of our appropriated funds. It would, I think, really limit what the counties can do to be a partner. The counties want to be a partner in this work.

That's the other benefit that comes from Secure Rural Schools. It allows them to make the decision to dedicate some of their funding toward this work. So it lets them be at the table. Helps them to be able to be a better partner as we work together.

Without these funds it will be difficult, especially in today's budget climates, for us to be able to find the additional appropriations to make up for the loss of this, the work that gets done with these funds.

Senator HEINRICH. There's been some discussion in Congress about returning to the model where county payments are dependent on revenues generated by our national forests. I'll be the first to admit that New Mexico forests are a little different than Oregon and Washington and Alaska in that we have very arid forests where oftentimes sometimes it takes 200, 300 years to grow a mature Ponderosa Pine. So sometimes we need to pull biomass off the forest. But we're not producing sawmill timber as a result.

So I'm curious what you think that—what would that, you know, that linkage of revenues to county payments mean for forest management, particularly in Southwestern arid States?

Mr. TIDWELL. Senator, I don't anticipate any change in what we're doing. The work that's being done on the national forests is driven by what the public wants and what the land needs. So the amount of harvest, whether through timber sales or stewardship contracting, I don't think that's going to change.

What will change is the need to get more of this work done. We're going to continue to do that, with or without. But I wouldn't expect to see any change in the management.

Senator HEINRICH. OK. Thank you very much, Chief.

The CHAIRMAN. Thank you, Senator Heinrich. We're very fortunate to have an actual forester as a member of this committee.

Senator Risch, welcome.

Senator RISCH. Thank you very much, Mr. Chairman.

I—this is an issue that obviously in a lot of our States is critically important. I was interested in the GAO report. I hadn't read it until we—I got ready for this hearing.

This is no reflection on you, Ms. Fennell, but let me tell you something. I have real confidence in the county's being able to spend this money. Indeed I have more confidence in the county's being able to spend this money than I do the Federal Government.

I have no doubt they'll make some mistakes. But I can guarantee you they won't be nearly as big a mistake as the Federal Government would make if they were spending the money. So appreciate what you're doing, but they're probably going to do alright out there.

In this town it's kind of hard to explain this to people, but Senator Wyden knows this and Senator Murkowski knows this. When you go out into the—well and Senator Heinrich knows this too. When you go out into the hinter lands you'll find counties that are managed pretty well by people who are well educated and well schooled in what they're doing. Then you'll find other counties that are run by the people.

So as a result of that it's less formal than what we're used to. So you're going to find those kinds of things when you go out there. But in any event, keep up the good work. But I have real confidence in the county's being able to make this work if we get them the money.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank my colleague.

Let's go to a few additional questions. I want to stay with you, Chief and you, Ms. Haze, to go into some of what's being debated with respect to our approaches for the future.

I've tried to describe our approach both short term and long term as a dual track. So we get the cut up and particularly, Chief, you've mentioned doing that through the collaborative approach which I think makes a lot of sense. We recognized that Secure Rural Schools is certainly going to be needed in the short term. There are some approaches for the future, long term, that involve revenue sharing.

So I call that the dual track. Get the cut up and also ensure that we have Secure Rural Schools as a kind of bridge. There are some who are advocating what I call a one track strategy where they're saying we don't need Secure Rural Schools. We can just get there by getting the cut up. We get the volume up that will take care of it.

Now I've already made it clear again and again, probably more times than colleagues want to hear. I'm for getting the cut up. But I'm trying to get my arms around the idea of what level of timber harvest would be needed in the short term to keep these communities afloat in terms of law enforcement and schools and essentials and how that would be achievable.

Can you give us some sense of that, Chief, if you just said we're going to drop Secure Rural Schools and we'll just do it by getting the cut up? What would that require say, in the next couple of years?

Mr. TIDWELL. Mr. Chairman, to provide the same level of funding that the counties have received under Secure Rural Schools on the national forests we'd have to increase our harvest to 16.8 billion board feet. That's based on today's prices.

That's the other thing I wanted to stress is that, the saw timber prices have been going up for the last year which is very helpful. But before that we were at some of the lowest prices that I've seen throughout my career. The stumpage value of the timber coming off the national forests has been at the lowest point in my entire career. So that too has had a significant reduction in our revenues.

Hopefully, as the housing market improves and we continue to expand markets over the biomass, the wood off the national forests, that we'll see a continued improvement in the markets. But at today's market it would take 16.8 billion board feet off just the national forests to provide the same level of revenues that we provided through Secure Rural Schools last year.

The CHAIRMAN. Ms. Haze.

Ms. HAZE. So just looking at the numbers. If our payments to the counties this year was 38 million. If there is no Secure Rural Schools maximum revenue sharing would be $10 million. So a 4-fold increase——

The CHAIRMAN. In the cut.

Ms. HAZE. In the revenues generated. I can't personally tell you what that means in the cut.

The CHAIRMAN. OK.

Just 2 other points to move along quickly as I see Senator Lee is here and we want to give him another opportunity to ask questions.

Chief, I especially note your point about the Resource Advisory Committees. Senator Craig and I, when we talked about them, we thought they were going to work well because the idea was they would get people talking who had never talked, you know, before. But based on what I hear in rural communities, this is not something that we dreamed up in Washington, DC.

In the smallest nooks and crannies of our State, where the Federal Government owns land, people say that these Resource Advisory Committees are working beyond anything they imagined. That you've got people in the timber industry and environmental folks, who practically were screaming at each other before, looking for common ground. It's because a project can't go forward under a RAC unless you do reach common ground.

So I appreciate what you've had to say. I want you to know, since we've had some conversations, that as we look to the future in terms of some of these revenue sharing ideas. We are going to build on your collaborative thinking and these Resource Advisory Committee because that has been a part of Secure Rural Schools.

It probably didn't get a lot of attention because people want to talk obviously about the finances. But it is making a difference. It's making a difference in terms of bringing communities together so we can have jobs and protect our treasures.

One last question for you, if I might, Chief. As you know the communities are very concerned about the impact with respect to the sequester and these payments that have already gone out to the counties. What can be done to make sure that these communities are in a position to get funding, even if we have to get the sequester part resolved? I saw some comments indicating that it would be taken from the RACs which concerned me simply because you made the case that the RACs are working so well.

So what can we tell these rural communities that have just gotten pounded recently about the prospects of your working with them so we can make them whole on this situation with the budget?

Mr. TIDWELL. Senator, we're in the process of informing the States and the counties that the Secure Rural School payments are subject to sequester. Where we went out ahead and sent out the title, the Title I and the Title III payments back in December. We're—for the States that receive Title II we're going to provide them the option that if they want to just take the full sequestered amount out of the Title II payment which will reduce the amount of work that can be done, we'll give them the option.

I just regret that we're in a position to have to inform the States that we're going to have to, reduce the Title II. For the States that do not receive Title II funds we will have to work with them to get—to recover 5 percent of their payments.

The CHAIRMAN. Chief, I know you didn't dream up the sequester. I understand that. You're playing a tough hand.

If you'll keep working with me and the committee, there's just enormous concern in these rural areas that even that amount which in a lot of programs doesn't sound like, you know, much. These are communities that are hurting so badly it really means a lot. I need to keep working with you on it.

Let's, at this point, if Senator Murkowski is acceptable we'll go to Senator Lee and then we'll go to Senator Murkowski. We'll start—we've already started the second round.

Senator Lee, welcome and appreciate all your interest on this.

Senator LEE. Thank you very much. Thanks to you and Senator Murkowski for accommodating me in this.

Ms. Haze, I've got some questions regarding PILT. PILT is an important program for my State considering that the Federal Government owns about two-thirds of the land in Utah. As a result of that, States like mine depend pretty heavily on PILT payments. But it's important for us to keep in mind a few factors including the fact that the cost of having a lot of Federal land in a particular county goes, I think, potentially far beyond the lost property tax revenue.

It also, properly understood, has to include all the lost revenue that would come from economic development that might otherwise occur on that land. Whether that occurs in the form of traditional energy development or renewable energy development, certain kinds of recreational activities that may or may not occur on the land as a result of its Federal ownership or any other kind of economic activity.

Now I understand that PILT was not intended to offset the lost revenue that might come from these lost economic development opportunities. I get that. But this context makes it important for us to consider those revenues when considering what PILT was designed to do.

Now at the time PILT was enacted, at the time the program was created by Congress it was understood that the total funds received by most local governments under Federal lands to revenue and fee sharing statutes in existence at that time seldom approached the level of revenues that would be collected by ad valorem taxes, you know, the property taxes were these lands in private ownership. So judging from that language, from that legislative history from the understanding that was in place at the time PILT was created, the PILT program was, I believe, intended to make up that difference. With the goal being to make up for the lost revenues due to the presence of Federal land and not simply the compensation—not simply to provide compensation to counties for their out of pocket expenditures in terms of their maintenance of infrastructure, roads and other infrastructure on Federal land.

So if that's the case then shouldn't payments under the PILT program be made at least to be roughly equivalent to what those counties might be receiving in ad valorem property taxes?

Ms. HAZE. So I appreciate your question.

I can only answer that the PILT act, the way that it's constructed now, specifically defines per acre values and a sliding population scale to be used for the payments. When Congress enacted it in 1976 I've gone back and read some of the history around the long debates over it. I mean there were a lot of debates about the equivalency to local taxes and to the tax base. It's not perfect by any stretch, but there was a lot of angst and agonizing about how to establish rates for the act.

Senator LEE. You can certainly sympathize with those taxing jurisdictions and the plight that they incur because you concede, I assume, that in most, nearly all instances, the amount that they receive under PILT is a very small, small fraction of what they might otherwise receive if they were able to tax those lands, even if it was at the lowest rate, say the green belt rate.

Ms. HAZE. So I'll say I think the next panel has a couple people who will be able to speak very clearly to the lack of equity across and how the payments impact individual counties. It varies because of the population factors. It varies because of the acreage, clearly. Then one of the very big variables is that the payments factor in a deduction for prior year revenue payments.

So if there are large revenue payments then the PILT payment goes down.

Senator LEE. Right.

Now the Federal Government is, by far, the largest land owner in the United States. No one else comes close or even comes close to coming close. The Federal Government owns about 30 percent of the land mass in the United States.

Most of that land is concentrated in the Western United States. Most of that is concentrated in just a small handful of States where the Federal Government owns a majority or in the case of my State, a very substantial majority of the land. Given the fact that most of that land is concentrated in just a few Western States, when we're told over and over and over again as Westerners that hey, everyone benefits from Federal land ownership, don't you think there ought to be some offset?

If everyone in the United States benefits from Federal land ownership than shouldn't those—isn't it a little bit unfair to make those who reside in those few States pay for what everyone else benefits from?

Ms. HAZE. I think I'm not the expert to comment on the fairness of it. Like I said, it's not perfect. It is the way Congress constructed it.

I think those are the—those are clearly the debates you'll be having in reauthorization.

Senator LEE. I understand Congress created it. I see my time is expired. I'll just leave you with a parting thought.

Keep in mind as the Federal land manager of the largest swath of Federal land in our country, as you manage that we're already suffering because of the relative dearth of income that we have as a result of that Federal land ownership. There are things you can do to offset in some ways that absence of revenue in the way you manage it and what you permit and what you don't permit.

Thank you very much.

Thank you, Chairman.

The CHAIRMAN. Thank my colleague.

Let me tell the witnesses what's going to happen now. In addition to forestry being so important to the Oregon economy, international trade is as well, a real economic engine for our State.

So Senator Cantwell is going to Chair the hearing for a bit so I can go down and make the case for expanding the opportunity to create more good paying jobs in trade. Then we'll come back to forestry.

So, Senator Cantwell, you have not even had your first round. If Senator Murkowski is agreeable you would now Chair and ask any questions you may have. Then Senator Murkowski and Senator Risch have not had a second round.

I appreciate the patience of both our colleagues and our witnesses. We are lucky to have Senator Cantwell step in now. I will return very shortly.

Senator Cantwell, thank you.

Senator CANTWELL. [presiding] Thank you, Mr. Chairman.

Chairman, I was actually going to go to the next panel. So I don't know if anybody has more questions for this panel.

So, yes, Senator Murkowski.

Senator MURKOWSKI. Thank you.

I guess to the entire panel here. You've heard the frustration clearly here. You all each have said that there is support for reauthorization of Secure Rural Schools, support for PILT and appreciation as to why the need, why the necessity.

I guess the question for you is we've been talking about some of the proposals that we have. I have suggested that if you've got a Federal Government that's $16 and a half trillion in debt and we need other ways to find this reliable, steady funding stream that you've talked about, Chief. Let's look to some.

The State of Alaska has come up with what I think is a reasonable proposal in terms of State management. Others have, I think Senator Barrasso was very clear in saying assign this, turn the Federal lands over to the counties, to the States. Look for other operations.

You've suggested that what we need to do is we need to harvest more, but 16.8 billion board feet is what it would take this year to match what is going out in Secure Rural Schools funding. Probably not going to get there from here today.

So I guess the question to you is surely if you support these programs you've noodled over what some of the options might be and how we pay for it. How—what the Administration's proposal is to pay for it? I guess an additional question would be are we going to see a legislative proposal contained within the budget when that comes out in the next month, I guess, or so?

Can you tell me where your thought process is on what you might do to better provide for Secure Rural Schools and PILT?

This is to you, Chief, Ms. Haze, Ms. Fennell? Go ahead.

Mr. TIDWELL. Senator I understand the difficulty of finding the finances. Senator Baucus, expressed that in his remarks earlier. There are a lot of different ideas out there that you've presented.

Senator Wyden has presented others. Mr. Barrasso. So there's a lot of different ideas out there.

So we are committed to work with the committee to be able to find ways to maybe move forward with some different ideas.

Senator MURKOWSKI. Do any of those ideas rise to the top of the stack? Are there any that you look at and say, that's a non starter?

That would help us as a committee because we are looking for that longer term solution. Again, I think Senator Baucus doesn't want to be in the position of year after year trying to figure out how we piece this together. How we rob Peter to pay Paul, to use Senator Barrasso's expression here.

Surely there must be something that you think is better than others?

Mr. TIDWELL. You know I'd like to just get back to you on that. I think we can probably identify some things from the Administration's view that are probably non starters so as not to spend time on some things like that. But I would like to just take the opportunity to be able to get back with the committee on some different ideas.

Senator MURKOWSKI. Ms. Haze.

Ms. HAZE. So I would—we're not at liberty to talk about the 2014 budget. But we can talk about the 2013 budget which included proposals to reauthorize both of these programs. Within the budget there were a number of offsetting ideas, revenue collecting ideas, some more challenging than others.

So we could offer to go back and look at some of those and as the Chief suggested come back and have some more conversations.

Senator MURKOWSKI. Ms. Fennell, you want to jump in?

Ms. FENNELL. Thank you, Senator.

We have not looked at the various options that are being proposed. Our work has principally looked most recently at the implementation and oversight of Title III of the Secure Rural School Act. So my comments are more specifically aligned with that.

One lesson that I would take away from the work that we did is the importance of clarifying authorized uses for various funds, to limit confusion that exists amongst counties given how the counties are very tightly constrained with their current budgets. I would suggest that in terms of any changes to the law itself it would be important to consider clarity of terms to ensure that the authorized uses are clear to the counties that need to implement it.

Senator MURKOWSKI. I think where we will probably go from here, what I certainly will suggest to the Chairman is that we do have a sit down with you, Chief, with folks over Department of Interior. I think there is a real effort to try to figure out a longer term solution and how we might construct that is going to require an effort that is collaborative. In order for us to make this work it's going to have to work from, not only a bipartisan basis, but we've got to get folks on the West or on the East to understand why we have to do this in the West. I think the Administration needs to be part of these discussions as well.

But I, for one, am weary, just weary of having to go back to constituents at home again who are looking at their communities and recognizing that from year to year they don't really know what's going to happen to them. Then you throw in just the calamity of sequester and declining budgets and then a lack of any clear, identifiable path on this. It's not right. It's not fair.

So we've got a lot more work to do. Maybe when we're sitting together quietly we can come up with some good ideas. So thank you for being here today.

Thank you, Madame Chair.

Senator CANTWELL. Thank you.

Senator Risch.

Senator RISCH. Madame Chairman, thank you. It's twenty to noon and we got another panel to hear. So I'm going to yield my time back.

Senator CANTWELL. Thank you, Senator Risch.

Let's call up—thank you all for being here to testify. I'm sure we'll have some follow up questions for you.

Senator CANTWELL. But let's move to the second panel that we have.

I'd like to welcome them to the table.

Paul Pearce, who is the President of the National Forest Counties and Schools Coalition.

Mr. Ryan Yates, the National Association of Counties.

Mr. Mark Haggerty, Headwaters Economics.

Professor Jay O'Laughlin from the University of Idaho College of Natural Resources.

I thank you all for coming today. I wanted to particularly thank you for your continued leadership on the County Payments program that includes the Secure Rural Schools and Payment in Lieu of Taxes. As you know these programs are critically important to the Pacific Northwest and across our country.

I want to thank Paul Pearce for traveling across the country to testify today. He's been a long time partner on the County Payments program. I certainly have called on him many times.

His home of Skamania County in Southwest Washington exemplifies the needs for these payments. Almost 80 percent of Skamania County is in the Gifford Pinchot National Forest making it non-taxable by the county. Other large portions of land are also owned by State and timber companies. In total about 2 percent of the county remains eligible to be taxed a full value.

Now someone might say why do you, you know, why do you care if so much is already in timber land? Skamania County is also a gateway across our State in the Columbia Gorge. It's a source of major technology companies that are locating there as well as a huge tourism attraction. So Skamania County does need to operate. It does need revenue to operate.

So the National Forests are key features across our State. Within 5 national forests and the Mount St. Helens volcanic monument, the Forest Service manages nearly 9.3 million acres or 21.7 percent of our entire State. Because over a fifth of the State is excluded from the tax base as a Forest Service land, it becomes clear that the county payments are not only essential to counties, but also an obligation of the Federal Government.

The Federal Government's obligation extends beyond just the loss of tax base due to non-taxable Federal lands. These lands are also impose real cost on the counties. They include maintenance of roads, providing access, planning and managing forest fires and providing emergency services such as search and rescue operations. The Federal Government is obligation to compensate all these costs that many of our rural communities could not otherwise afford. The Federal Government also has the obligation to provide transitional assistance to these counties.

So when abrupt changes to these programs have occurred I think our committee has worked in the past to extent and reform the county payments. I hope that we will make more direct connections between the obligations that the Federal Government has. How these payments are calculated and distributed.

I believe that the formula must be simpler and more transparent. That it also should link directly to the all Federal Government obligations. That means that each and every variable in the formula needs to have a direct link. These payments are too important to put to jeopardy or gainsmanship here in the Federal arena.

The County Payment program has proven effective and responsive and it is essential to our nation. Without this vital revenue counties in Washington State would lose more than $35 million in irreplaceable funds that are so critical for these programs that I just mentioned.

So I look forward to having all of you have your testimony in the record. I hope that we'll give all our colleagues in Congress a clear understanding of these issues.

Senator Murkowski, I didn't know if you wanted to make any further statements before this panel?

If not, let's just go to the panel. We'll start with you, Mr. Pearce and we'll go right down the line.

STATEMENT OF PAUL J. PEARCE, PRESIDENT, NATIONAL FOREST COUNTIES AND SCHOOLS COALITION, STEVENSON, WA

Mr. PEARCE. Thank you very much, Senator Cantwell. It's very nice to see you again, especially in my new role.

Obviously Senator Murkowski and members of the committee, thank you very much for this opportunity to testify.

Counties and schools in 41 States and Puerto Rico wish to thank you for your leadership. We also want to thank Senator Wyden specifically for his co-sponsorship of SRS, wherein he recognized the damage being done to forest dependent communities and has worked tirelessly on their behalf.

I thank Senator Cantwell for her hard work on this. I remember several floor speeches that—where I sat and listened to someone really fight hard for counties. Thank you very much for that.

Senator Murkowski for your work on forest health, second to none.

We want to thank Senator Murray for her unending support of counties and schools including the Chairman's mark this last week in the Senate budget for SRS and PILT.

Congress passed the 1908 act, the 25 percent act which created a contract with the counties for revenue sharing. It was the first in the Nation.

The Weeks Act of 1911 became the legislation for creating Eastern and Southern national forests including them in this same contract. The contract worked well into the late 18—or 1980s when court decisions endangered species listings and agency priorities and a general change in the priorities of the Nation dramatically reduced extraction activities on public lands including timber.

In 1992 Congress created owl guarantee moneys for those communities hardest hit by the spotted owl listing.

In 2000 Congress passed the Secure Rural Schools Act which authorized payments through 2006.

In 2007 it's been reauthorized 3 times up to this last year, 2012. We thank you very much for that.

SRS Title I payments are direct payments to counties and schools. A handful of counties they're used for county roads and schools. A handful of counties can use these funds to support libraries, public health, law enforcement and other services besides roads.

Dr. Eyler's report which is attached, shows that a loss of SRS payments will result in a loss of $1.3 billion in sales, $178 million in realized tax revenue at the local, State and Federal level, over 10,000 jobs, these would include 3,000 education jobs and 1,400 jobs in counties and county road departments.

My own county, Skamania County, is a county of 11,500 people. I was a commissioner there until this last—until just the beginning of this year. The last 2 years of actual 25 percent payments we made over $7 million per year. SRS in 2006 was approximately $6 million. This past year our, the payment to the county, was $1.8 million. If we were to lose this funding 2 of the 4 school districts in the county will in fact close.

SRS Title II are moneys used for forest projects utilizing the Resource Advisory Committees, or the RACs. The amount of these funds are determined by county commissioners in each forest county between 8 and 20 percent of their counties share the State's payments. This has been a highly successful program.

We've heard earlier talk about the collaboration. These collaboratives actually work. In Sitka, Alaska RAC funds the science mentor program partnering high school students with Forest Service Fish and Game and the University of Alaska to collect and analyze data on the Tongass National Forest.

In Louisiana on the Kisatchie National Forest RAC funds have been used to leverage other funds securing completion of road repair, environmental mitigation, safety challenges.

In Oregon the Medford RAC restored a 3 mile section of Spencer Creek near Keno in order to revive the creek's natural habitat and increase the population of native species.

So this is actual work being done on the forest using these funds and the RACs.

Title III funds are reimbursement for emergency services, community wildfire planning and fire wise implementation.

Examples of 2 searches this last year include a hiker, who fell into the Mount St. Helens crater, eventually costing local, State and Federal agencies over $150,000.

The second involved a 2-week search for a young woman lost in the Columbia River gorge costing local, State and Federal agencies $550,000.

These are 2 examples in one forested area. Without Title III the counties could not absorb these costs.

In closing, reference to SRS reauthorizing we would respectfully request that new language state, "All counties opting to receive a portion of the State payment will receive an amount equal to their Fiscal Year 2010 payment which was received in January 2011." Further, we agree with the Chairman, who said recently, a short term extension of SRS is not a long term solution for these communities. We in fact pledge to work to enact legislation that provides bridge funding to forested counties and school districts and believe that long term economic vitality must include active, sustainable forest management to achieve resilient forest lands.

Thank you very much for your time. I'll answer whatever questions you might have.

[The prepared statement of Mr. Pearce follows:]

PREPARED STATEMENT OF PAUL J. PEARCE, PRESIDENT NATIONAL FOREST COUNTIES AND SCHOOLS COALITION, STEVENSON, WA

Chairman Wyden, Ranking Member Murkowski, members of the committee and guests. Thank you for the opportunity to appear before you today on this topic of intense interest and concern to the National Forest Counties and Schools.

Before I begin and on behalf of Counties and Schools, from Alaska to Texas . . . Washington to Florida . . . in 41 states and Puerto Rico, I wish to thank Senator Wyden for his continued leadership. As the original co-sponsor of the Secure Rural Schools legislation he recognized the damage being done to these forest dependent communities and has tirelessly continued these efforts through a multitude of reauthorization successes.

I additionally wish to thank Senator Murkowski for her hard work over the years on SRS and forest health issues.

And we wish to thank Senator Murray, Budget Committee Chair, who has always supported Counties and Schools, including as a Chairman's mark both SRS and PILT as deficit neutral programs in the current Senate budget.

Seven hundred twenty nine (729) or 24 percent, of the nation's three thousand sixty nine (3069) counties contain national forests, some equaling up to 90 percent of their land mass. The 154 National Forests cover an area of 193 million acres across this country. These counties are responsible for the infrastructure including roads, schools, and emergency services that allow those forests to be used, and gateway communities to survive. Thereby fulfilling the promise of Gifford Pinchot; "that no community would suffer for housing National Forests"'.

In 1891 the Congress created Forest Reserve authority through the General Revision Act. By 1905 those reserves had grown to more than 80 million acres. President Roosevelt remade the U.S. Bureau of Forestry into the USDA Forest Service with Gifford Pinchot as the first chief forester. That began a three year process which resulted in Congress transferring all forest reserves to the new Forest Service.

The 1908 Act also concluded the conversation between the Counties containing these forests, Congress and the Administration. The contract was for revenue sharing, the first in the nation, of a share of all revenues generated on these lands. This clearly made sense at the time as the growing nation extracted renewable resources for the good of all.

The Weeks act was signed into law on March 1st, 1911 becoming the mechanism for the creation of our Eastern and Southern National forests, including them in the contract for revenue sharing. The contract worked well for nearly a century, into the late 1980's, when court decisions, endangered species listings, such as the spotted owl, agency priorities and a general change in the priorities of the nation dramatically reduced extraction activities on public lands including timber.

In 1992 Congress created Owl Guarantee monies for those counties hardest hit by the northern spotted owl endangered species listing.

In 2000 Congress passed the Secure Rural School and Communities Self Determination Act which authorized payments through 2006. These payments were a life saver for our forest counties. In 2007 Congress reauthorized the act for one year and then in 2008 reauthorized it for an additional four years through 2011. This reauthorization could not have come at a more appropriate time and clearly recognized the ongoing contract between these forest Counties and the Federal government—and what a tremendous success it has been.

And as you all aware Congress reauthorized the program for an additional year in 2012.

The Act has three Titles, each of which carries clearly defined responsibilities.

TITLE I

These are direct payments for county roads and schools. In a handful of counties these funds are available as general fund dollars supporting among other services libraries, public health and law enforcement. Each state determines the division of these funds between Counties and Schools based on the original 1908 revenue sharing law. This money equates almost exclusively in these communities to jobs; county road department and school employees. Without this symbiotic relationship our children would not be able to get to school, often over large distances, nor in many cases would they necessarily have schools to attend or teachers to instruct them within their own communities.

These gateway communities to our national forests would simply not exist without this infrastructure. These County roads are how the vast population that recreates on these millions of acres travel to and from them. In fact, many roads inside the National Forests are owned or maintained by Counties.

Also, we need to explore the impact SRS has on rural road maintenance and the far-reaching impacts to health and safety issues. According to the Fatality Analysis Reporting System (FARS), every year nearly 25,000 people die in rural road crashes (accounting for 58 percent of total road fatalities) across this nation. Traffic crashes are assessed to be the one of the nation's most costly health problems.

The fatalities and injuries associated with rural auto accidents come as no surprise to those of us who represent rural communities. The Department of Transportation documents, "8.4 million lane-miles of roads in the United States, with over 6 million of these rural." Rural areas face numerous unique highway safety challenges. Crashes usually occur at higher speeds than accidents in urban areas, and due to remote locations, it often takes longer for emergency assistance to arrive at the scene.

Any abandonment of maintenance of rural roads will compound existing infrastructure problems and greatly contribute to future economic, health and social problems including an increased level in rural road fatalities.

According to Dr. Eyler, Economic Forensics and Analytics, (report attached) the loss of Secure Rural Schools and Community Self-Determination Act payments, averaged over the FY 2008 to FY 2021 period, $1.296 billion in sales revenues, government at all levels losing over $178 million in tax receipts, and over 10,400 people losing their job. These job losses include over 3000 jobs in education and over 1400 in County Roads.

Loss of one family wage job in these rural communities often results in the entire family having to leave the community to find work. This results in the spouse quitting their job, children being withdrawn from school, lowering enrollment causing even greater economic hardship and job loss.

According to the Sierra Institute report (attached) on the 20 year cumulative impacts to the Counties of Washington, Oregon and California impacted by Northern spotted Owl critical habitat there are far reaching impacts to these communities;

Case studies, two in California and three each in Oregon and Washington were conducted to better understand socioeconomic changes and current socioeconomic conditions "on the ground." Some key findings from these cases include in California:

- Siskiyou County lost all its saw mills, has seen its population age, and has lost eight schools, challenging the county to provide for the remaining students and reverse the loss of young families.
- In Humboldt County there are powerfully suggestive relationships between mill closures and student impoverishment as reflected in Free and Reduced Price Meal (FRPM) enrollment rates. This county has suffered dramatic declines in its goods- producing sector, with the manufacturing subsector losing 65 percent of its 1990 jobs by 2011.

In Oregon

- Tillamook County has 24 percent of its children living in poverty, and 39 percent living in single- parent households, almost double the national average.
- Douglas County has 31 percent of its children living in poverty—twice the national average and 34 percent in single-parent households.
- In both of these counties, but especially in Douglas County, there are significant declines in manufacturing jobs, particularly since 2008. Free and Reduced Priced Meals participation rates increased over the last four years as well, some schools by almost 20 percent.
- Josephine County, over the last several decades saw forestry and logging jobs decline by 80 percent. Wages have stagnated and are two-thirds of the Oregon average. The county now ranks near the bottom of Oregon counties in health indicators and FRPM participation rate for the county is 70 percent.

In Washington

- Grays Harbor County Natural Resources and Mining jobs declined by over 50 percent and Forestry and logging jobs by just under 70 percent from 1990 to 2010. The county is near the bottom of the health rankings for counties in the state. FRPM participation rates for the county exceed 60 percent, with one school district at 92 percent in 2011 and another at 88 percent; the lowest rate is 41 percent, reflecting the considerable differences across the county.
- Skamania County has 90 percent of its land in federal ownership, and 59 percent of the land in the county is designated as critical habitat area. Natural resource and manufacturing jobs have declined by over 50 percent over the last 20 years.

Secure Rural School and Community Self- Determination Act (SRS) payments to replace lost timber receipts to counties and schools have been historically important. In California, on average, Humboldt County Schools received just under 5 percent of their funding through SRS; Siskiyou received on average just under 7 percent; and Trinity County received 15 percent. In Oregon, U.S. Forest Service SRS funding has provided on average 23 percent of county road budgets, with six counties receiving over 40 percentof their total road budget. Though dramatically lower in 2011, SRS payments comprised 40 percent or more of Skamania County general fund throughout the 2000s. In Oregon ., the Bureau of Land Management contribution to county budgets has been significant. In Douglas County in 2009 it comprised 17 percent of total county revenues and in Jackson County; it makes up 7 percent of total county revenues.

We wish to thank Congress for having continued these payments in lieu of revenue sharing which have resulted in ositive economic benefit to our communities and schools. Without them the economic damage would clearly be significantly worse.

TITLE II

These are monies specifically to be used for projects on or of benefit to the forest itself utilizing one of the greatest successes of this entire act, the Resource Advisory Committees, or as they are known RAC's.

Membership on the 15-member RAC is balanced to reflect the array of interests and users of Public Lands:

- Five members represent commodity interests such as grazing permittees, commercial timber, energy and mining, developed recreation and/or off-highway vehicle groups, and transportation & rights-of-way.
- Five members represent conservation interests such as environmental organizations, historic & cultural interests, conservation, and dispersed recreation.
- Five members represent community interests such as elected officials, Indian Tribes, State resource agencies, academicians involved in natural sciences, and the public-at-large.

For a project to be approved it must have a majority of votes from each of the five member groups. RAC's are the most successful nationwide collaborative effort today within the forest system. Well over 6000 projects have been implemented on the forests without a single appeal. These projects occur in the Southern, Lake, Intermountain West, and Western states. Many of the RAC's actually meet to collaborate successfully on projects outside of the use of Title II monies.

In Alaska, Sitka is a small rural community that is completely surrounded by the Tongass National Forest. One of the RAC projects is the Science Mentor Program. This program partners high school students with land and resource managers from the US Forest Service, State of Alaska Department of Fish and Game, and University of Alaska Researchers, to help collect and analyze important research and monitoring data on natural resources in the lands and waters of the Tongass National Forest. Outputs of this project produce publishable scientific research materials that also serve to help guide management activities. Additionally, the project gives students scientific research experience and prepares them for University pursuits and future careers as land managers and scientists. The project has already inspired several young women to pursue science careers. In addition to the benefits to future leaders, the projects gives resource managers an opportunity to engage the larger public on the research and management topics that they are working on and educate the larger public on public lands and natural resource management issues.

In SW Idaho a project the RAC funding assisted with concerned access to private property and public land which required fording a sensitive stream where endangered Salmon spawned. This project was too costly for individual agencies to fund. Using the RAC process and Title II funding the project brought together the County, Forest Service, the Nez Perce Tribe and local landowners to pool all their resources to build a bridge to eliminate the impacts to the Salmon habitat and provided the needed access to the private property and the public lands beyond.

In Socorro County, New Mexico they were able to improve drainage and chip seal Hop Canyon Road in the Magdalena area (all the way to the Fire Station). They used the $226K in Title II funds for materials and provided all equipment and labor through the County so they could complete more of the road. Without these improvements, the road would have continued to wash out (they have a FEMA disaster claim on this road due to flooding), essentially cutting off residents. For the next project, they will use the $51K in available Title II money to repair and reseal Water Canyon Road. This is so important; they even negotiated an MOU with New

Mexico Tech to pay for some of the materials as the road leads to the MRO observatory and is a high-use campground

In Washington on the Gifford Pinchot there is the Forest Youth Success program which was funded from Title III under the 2000 Act and is now funded through Title II. As collaboration between the County, Schools and Forest Service this program puts up to 40 high school age kids to work on crews in the forest on restoration projects throughout the summer. Recently Washington State University conducted a survey of the past participants of the program and found some very interesting initial data. Some of the reported outcomes:

- 100 percent said FYS increased their life skills such as team work and leadership.
- 97 percent said they learned important workplace skills such as punctuality and responsibility.
- 92 percent said they increased their use of financial resources.
- 69 percent said FYS influenced the shaping of their career choices.
- 47 percent said FYS shaped their college degree goals.

In Louisiana, on the Kisatchie National Forest, RAC monies have been used to leverage local funds and secure completion of road repair, environmental issues, and safety challenges. Monies have been used to protect endangered species, protect water quality, hard surface roads, and provide safe access to public recreational areas. Support from the public and private sectors have contributed greatly to the efficient and judicious use of federal monies.

In Oregon the Medford RAC approved funding that restored a three-mile section of Spencer Creek near Keno, Oregon. Over 50 log structures, created from 220 cull logs salvaged from local timber sales, were placed in the creek to reestablish its original character. Additionally, the project plans to restore the creek's natural habitat and increase the population and distribution of native fish and amphibians, including the Klamath River redband trout, Klamath small-scale sucker, lamprey, and Pacific giant salamander.

TITLE III

Referred to as County Funds, in the original act the purpose of these funds included emergency services on the forest, fire planning, community service work camps, easement purchases, forest related after school programs and planning efforts to reduce or mitigate the impact of development on adjacent Federal lands.

The 2008 reauthorization removed all categories except emergency services and community wildfire planning and implementation.

In terms of search and rescue I will cover just two examples. On the 1.2 million acre Gifford Pinchot National Forest which includes the Mt St Helens National Monument and the 80,000 acres of the Columbia Gorge Scenic Area. In this area, close to the Portland metropolitan area, search and rescue events are frequent. The volunteer searchers are not reimbursed except for their mileage. Yet the average search costs are in the several thousand dollar range for those searches lasting just a few days and not requiring aircraft. That being said, in 2011 alone the following searches resulted in the hundreds of thousands of dollars.

The first was a hiker who fell into the Mount St Helens crater. The total local, state and federal cost reached over $150,000.

The second involved a two week search for a young woman who was lost in the Columbia River Gorge. This incident eventually cost local, state and federal taxpayers $550,000.

Sadly, both cases ended up being recoveries rather than rescues. Without Title III and assistance from both state and federal resources our counties could not afford these costs. Multiply these examples across the US Forest Service system and you begin to understand the immensity of cost associated with these activities which fall to the Counties to manage.

CLOSING RECOMMENDATIONS

On reauthorization of the act we respectfully suggest that new language simply state; All counties opting to receive a portion of the state payment will receive an amount equal to their Fiscal Year 2010 payment, which was received in January 2011. This would return the program to a more equitable basis for all Counties and Schools, with a minimal additional cost and would replace the current formula which is cumbersome and impossible for a lay person to interpret.

As an example Skamania County, my home, in Washington received our last 25 percent payment in 1992 of $7 million dollars each to the County and the Schools. Our SRS payment in 2006 was a little less than $6 million each. Our 2012 payment just received was $1.8 million each. The 2010 SRS payment was $3.8 million, a substantial reduction in its own right.

Further, we agree with the Chairman who said in a recent article "A short-term extension [of SRS] is not a long-term solution for these communities. We've got to get our people back to work in the woods, for example. We have got to increase the number of jobs in resource-dependent communities where there's federal lands and federal water. We believe that can be done consistent with protecting our environmental values."

Our mission statement* and Principles for Legislation (attached) echoes that sentiment; Long term economic vitality must include legislation requiring active sustainable forest management to achieve resilient forest lands managed by the US Forest Service and . the Bureau of Land Management.

Additionally, on the issue of reauthorization of Stewardship Contracting we feel it is extremely important that a conversation occur between Congress and the Counties as to its impact on the revenue sharing contract between us before it is permanently reauthorized.

Thank you once again for the opportunity to speak about the success of the Secure Rural Schools and Community Self-Determination Act.

Senator CANTWELL. Thank you, Mr. Pearce.

Mr. Yates, thank you for being here.

STATEMENT OF RYAN R. YATES, ASSOCIATE LEGISLATIVE DIRECTOR, LEGISLATIVE AFFAIRS DEPARTMENT, NATIONAL ASSOCIATION OF COUNTIES

Mr. YATES. Thank you, Senator Cantwell, Ranking Member Murkowski and members of the committee.

Thank you for the opportunity to testify on behalf of the Nation's 3,069 counties, parishes, boroughs to provide insight on the Payment in Lieu of Taxes program. For more than 30 years the PILT program has provided payments to counties and other local governments to offset losses in tax revenues due the presence of substantial acreage of Federal land within their jurisdictions. Since local governments are unable to tax the property values or products derived from Federal lands these payments are essential to support local government services.

Congress passed the Payment in Lieu of Taxes act in 1976. The impetus for its passage was the passage of FLPMA which specifically established the disposal of public lands would largely cease. In lieu of a future in which lands could continue to pass from Federal ownership to private ownership, Congress opted to reimburse local governments for land that would remain in Federal Government in lieu of paying direct property taxes.

Historically payments were limited to an amount appropriated by Congress. Initially authorized at $100 million, that amount was appropriated annually during the first decade of the act. Following strong pressure from NACO and counties the act was amended in 1994 to provide for a more equitable authorization level in light of the disparities that existed between property values and current PILT payments. The law, as amended, using the Consumer Price Index to adjust the population limitation and the per dollar acre amounts used to calculate payments.

From 1994 to 2007 the authorized level and the appropriated level began to diverge. Since the authorization crept up that amount equal to the CPI each year while the appropriations stayed roughly constant.

---

*The mission statement and Principles for Legislation has been retained in committee file.

In 2008 Congress enacted the Emergency Economic Stabilization Act of 2008 which authorized counties to receive their full PILT entitlement for Fiscal Years 2008 through Fiscal Year 2012. All mandatory funding minus a 5.1 percent sequestration cut will be available for counties through the enactment of MAP21 last year which provided 1 year of an additional mandatory funding for Fiscal Year 2013.

Last week Senate Budget Committee Chairwoman Patty Murray made continued funding of the PILT program and the reauthorization of SRS a priority in a proposed Committee Budget for Fiscal Year 2014. The proposed budget resolution included a deficit neutral reserve fund for rural counties and schools to provide for the reauthorization of SRS and/or changes to PILT. They could believe several policy modifications could be explored by Congress to identify ways to make payments to counties more equitable, a range of possible alternatives could be considered to more evenly distribute PILT funds to counties to provide greater budget certainty.

Over time some programmatic anomalies have become evident. Among these are the non inclusion of Federal acquisitions, substantially reduced payments to jurisdictions with large Federal estates and the inability of current formulas to account for externally induced costs resulting from Federal land use by persons originating from outside of the county.

First, the use of population caps may not be the most appropriate method for providing fair allocation. Depending on the current county population the PILT payments are capped at predetermined levels. The use of population caps fails to accurately demonstrate the actual population of people being serviced by the county.

For example, counties with large acreages of Federal land and small populations are often gateway communities to recreation areas in the national forest and national park system. County governments are required by law to provide services to people regardless of their place of residence.

An additional formula inequity has occurred due to the formulas used in prior year payments. Revenue sharing payments identified as prior year payments provide funding to county governments such as the Mineral Leasing act and Secure Rural Schools payments. However payments from these programs reduce the amount of PILT funding to many resource dependent counties. The Federal Government should not reduce its tax obligation to local governments solely because other land management revenue agreements between—because of land management revenue agreements between governments.

PILT is not only an important element to county funding, the fact that it is indexed to inflation and is paid to counties for general purposes is critically important to retaining its character as a property tax payment. NACO believes this formula should retain its basic character.

Some have suggested the consolidation of PILT with revenue sharing programs such as SRS. Comparing SRS and PILT is like comparing apples and oranges.

The first being a revenue sharing program based on resource extraction, the latter being based on Federal land ownership and loss of property taxes to local governments. Any consolidation of these

2 or other would be disastrous to Federal land counties and ultimately politicize and otherwise apolitical and straight forward Federal program. While Congress make seek to fund both SRS and PILT on the same legislative vehicle, we would oppose any effort to consolidate PILT with natural resource based revenue sharing programs.

NACO appreciates the opportunity to provide testimony before the committee. I look forward to working with members of the committee and staff to develop and pass legislation that will continue the historic partnership between Federal and county governments by extending continued mandatory funding for the Payment in Lieu of Taxes for Fiscal Year 2014 and beyond.

This concludes my testimony. Be happy to answer any questions. Thank you.

[The prepared statement of Mr. Yates follows:]

PREPARED STATEMENT OF RYAN R. YATES, ASSOCIATE LEGISLATIVE DIRECTOR, LEGISLATIVE AFFAIRS DEPARTMENT NATIONAL ASSOCIATION OF COUNTIES

Chairman Wyden, Ranking Member Murkowski, and members of the committee. Thank you for the opportunity to testify on behalf of the Nation's 3,069 counties, to provide insight on the Payment in Lieu of Taxes (PILT) program.

For more than 30 years, the PILT program has provided payments to counties and other local governments to offset losses in tax revenues due to the presence of substantial acreage of federal land in their jurisdictions. Since local governments are unable to tax the property values or products derived from federal lands, these payments are essential to support essential government services (mandated by law) such as education, first responders, transportation infrastructure, law enforcement and healthcare in nearly 2,000 counties in 49 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.

This testimony will provide a historical overview of the PILT program, provide context to programmatic changes that (if enacted by Congress) could lead to a more equitable distribution of PILT funds, and lastly address the current funding situation and requirements for future payments.

HISTORY

In 1954, elected county officials from several western states joined together to develop a regional coalition of counties called the Interstate Association of Public Land Counties-an organization that would ultimately evolve into the Western Interstate Region of the National Association of Counties. The primary purpose of the organization was to educate policy makers in Washington, DC and advocate for Federal payments to counties in lieu of lost property tax revenue due to the presence of the vast Federal estate.

The organization grew and incorporated membership from counties in the fifteen western states and enlisted support from other public land counties in other regions of the United States through what was then the National Association of County Officials. After several years of growing pressure from county officials nationwide, the 94th Congress passed the Payment in Lieu of Taxes Act (PL 94-565). The PILT Act was codified in Chapter 69 of Title 31 of the United State Code. Applicable regulations are in Subpart 1881, Title 43 of the Code of Federal Regulations.

The impetus for its passage in 1976 was the passage of the Federal Land Policy and Management Act (FLPMA), which specifically established that disposal of public lands would largely cease. In lieu of a future in which lands could continue to pass from Federal ownership to private ownership (as provided through the Homestead Act), Congress opted to reimburse local governments for land that would remain in Federal ownership "in lieu" of paying direct property taxes.

Congress established national formulas which took into account population, existing revenue-sharing payments for resources harvested or extracted from public lands, and base acreage of the Federal estate within the jurisdiction. With a few exceptions in New England and Wisconsin, states determined that counties were the jurisdictions that would receive payments.

Local governments (usually counties) which provide services such as public safety, infrastructure, housing, social services and transportation and have non taxed federal land within their jurisdiction, are eligible for annual payments.

Payments are made directly to the counties unless the state government concerned chooses to receive the payments and, in turn, pass the money on to other smaller governmental units such as a township or city. (Wisconsin is the only state currently employing this option)

Historically, payments were limited to an amount appropriated by Congress. Initially authorized at $100,000,000, that amount was appropriated annually during the first decade of the Act. During the 1980s there were attempts to zero out the amount in budgets, but Congress consistently restored the funds to the authorized level, such that the minimum amount was available each year.

Following strong pressure from NACo and public lands counties nationwide, the Act was amended in 1994 to provide for a more equitable authorization level in light of disparities that existed between property values and current PILT payments. The law as amended, uses the consumer price index (CPI) to adjust the population limitation and the per acre dollar amounts used to calculate alternative "A" and "B" under Section 6902. However, an individual county's payment from one year to the next may not necessarily increase since the total amount of money available under the PILT program is set by Congress each year in the Department of the Interior and Related Agencies Appropriations Bill. Payments also vary with changes in "prior year" payments.

From 1994 on, the authorized level and the appropriated level began to diverge, since the authorization crept up by an amount equal to the CPI each year, while appropriations stayed almost constant. Initial payments were set at $0.75/acre (Alternative A) and $0.10/acre (Alternative B).

While most enabling acts set an authorized funding level, PILT is one of the few Federal programs which have no defined expiration and a "floating" authorization-in which the authorized level flows directly from a summation of each county's indexed maximum payment level. Since the 1994 Act indexed individual payments, authorization levels have grown annually from roughly $100 million to over $393 million (FY2012).

The table below shows the national levels of authorization and appropriation since 1981. There was a large increase in FY 2001, and steady increases until FY 2006. In FY 2008, the U.S. Department of the Interior (DOI) submitted two payments-the first payment in June was fixed at the FY 2007 level by Continuing Resolution (P.L. 110-5), less a 1.6 percent rescission. The second payment was paid following the signing of P.L. 110-343-which modified the PILT program from a discretionary program (subject to annual appropriations) to a fully funded mandatory entitlement program. PILT was fully funded from FY 2008 to FY 2012.

Fiscal Year	Alt A payment per acre	Alt B payment per acre	Authorization level (full funding)	Appropriation level	Appropriations adjustment
FY 1981	$0.75	$0.10	N/A	$103,978,313	N/A
FY 1982	$0.75	$0.10	N/A	$95,482,034	N/A
FY 1983	$0.75	$0.10	N/A	$95,986,754	N/A
FY 1984	$0.75	$0.10	N/A	$104,636,368	N/A
FY 1985	$0.75	$0.10	N/A	$102,781,455	N/A
FY 1986	$0.75	$0.10	N/A	$99,827,971	N/A
FY 1987	$0.75	$0.10	N/A	MISSING DATA	N/A
FY 1988	$0.75	$0.10	N/A	$104,073,629	N/A
FY 1989	$0.75	$0.10	N/A	$103,854,065	N/A
FY 1990	$0.75	$0.10	N/A	$102,761,372	N/A
FY 1991	$0.75	$0.10	N/A	$100,092,381	N/A
FY 1992	$0.75	$0.10	N/A	$99,398,485	N/A
FY 1993	$0.75	$0.10	N/A	$103,205,555	N/A
FY 1994	$0.75	$0.10	N/A	$99,333,194	N/A
FY 1995	$0.93	$0.12	$127,960,355.00	$100,333,915	0.78
FY 1996	$1.16	$0.16	$162,518,887.00	$113,099,999	0.70
FY 1997	$1.36	$0.18	$212,021,988.00	$113,072,000	0.53
FY 1998	$1.59	$0.22	$257,943,500.00	$118,824,327	0.46
FY 1999	$1.82	$0.24	$301,182,357.00	$124,580,977	0.41
FY 2000	$1.87	$0.25	$314,912,098	$133,986,821	0.42
FY 2001	$1.92	$0.26	$336,040,296	$199,160,880	0.59
FY 2002	$1.99	$0.27	$350,851,795	$209,364,595	0.60
FY 2003	$2.02	$0.27	$324,197,726	$218,172,589	0.67
FY 2004	$2.06	$0.28	$331,303,522	$224,301,697	0.68
FY 2005	$2.09	$0.29	$331,971,069	$226,804,730	0.68
FY 2006	$2.15	$0.30	$344,356,399	$232,527,874	0.67
FY 2008	$2.29	$0.32	$367,226,525	N/A	N/A
FY 2009	$2.37	$0.33	$382,047,942	N/A	N/A
FY 2010	$2.40	$0.33	$358,078,641	N/A	N/A
FY 2011	$2.42	$0.33	$375,158,254	N/A	N/A
FY 2012	$2.47	$0.34	$393,044,454	N/A	N/A

HOW ARE PAYMENTS CALCULATED

Payments under each section of the Act are calculated as follows:

Section 6902 payments

Alternative A

$2.47 (in fiscal year 2012) times the number of acres of qualified federal land in the county, reduced by the amount of funds received by the county in the prior fiscal year under certain other federal programs.

($2.47 X [number of acres of qualified federal land])-[prior year funds received]

OR

Alternative B

Thirty four cents (in fiscal year 2012) times the number of acres of qualified federal land in the county, with no deduction for prior year payments.

$0.34 X [NUMBER OF QUALIFIED ACRES]

Payments under either alternative are subject to population payment limitations.

Section 6904 and 6905 payments—

Payments on Federal lands acquired after December 30, 1970 as additions to lands in the National Park System or National Forest Wilderness Areas (Section 6904) and payments on Federal lands in the Redwood National Park or lands acquired in the Lake Tahoe Basin near Lake Tahoe under the Act of December 23, 1980 (Section 6905) are computed by taking one percent of the fair market value of the purchased land and comparing the results to the amount of property taxes paid on the land in the year prior to federal acquisition. The payment to the county is the lesser of the two.

Section 6904 Payments are made for a period of five years following each acquisition.

Section 6905 Payments are made each year from the date the land was purchased by the federal government until an amount equal to 5 percent of the fair market value at the time of acquisition is fully paid. However, the yearly payment may not exceed the lesser of one percent of the fair market value or the property taxes assessed prior to federal acquisition.

DEFINITIONS

Federal entitlement acreage

All Federally held lands in all States, Commonwealths and Territories are counted with the exception of those lands that are part of Department of Defense installations and withdrawals. Nationally the following lands are counted:

a. All land administered by the United States Forest Service
b. All land administered by the National Park Service
c. All land administered by the Bureau of Land Management
d. All land withdrawn from public lands administered as part of the National Wildlife Refuge System (acquired land is not included)
e. All dredge and flood control land administered by the Corps of Engineers
f. Project lands withdrawn and administered by the Bureau of Reclamation
g. Lands in Colorado acquired after Dec. 31, 1981 to expand Ft. Carson
h. Land on which are located semi-active or inactive Army installations for "use for mobilization and for reserve component training"
i. Land in Utah acquired for the inter-basin water transfer (URC land) project

Prior Year Payments

Prior year payments are payments to local governments under programs other than PILT during the previous fiscal year. These payments include those made under:

a. the Refuge Revenue Sharing Fund,
b. the National Forest Fund ("25% Fund")
c. the Taylor Grazing Act,
d. the Mineral Leasing Act for acquired lands,
e. the Federal Power Act,
f. Titles I and III of the Secure Rural Schools and Community Self-Determination Act.

The PILT Act requires each state to report these payments to the U.S. Department of the Interior each year.

DISBURSEMENTS

In 2010, DOI announced a decision to delay the annual PILT payments. This decision caused widespread panic and confusion for counties nationwide as local governments have historically received annual PILT payments in June of each year and plan their budgets accordingly. The DOI last minute decision to delay payments without providing any notice was problematic, and placed countless public lands counties in difficult financial hardship.

Many counties begin their fiscal year July 1 and rely on the June PILT payment to be available as net working capital available to the county general fund. For example, in the state of Oregon, property taxes are primarily received in November. The PILT payment being received in June allows for adequate operating funds to provide services to the community until the tax revenue flows again. In counties that are heavily encumbered by Federal lands, the PILT payment represents a sizeable percentage of the counties' beginning cash balance.

Another problem created by the DOI decision to delay payments has to do with violating individual state budget laws. In a number of states, counties operate on a cash basis, which requires posting of revenue once it is received. In counties whose fiscal year ends June 30, without the PILT payment, those counties could be in violation of state budget law.

NACo and a bipartisan list of United States Senators and members of the House of Representatives requested that Interior Secretary Salazar take every effort to disburse payments to counties prior to June 30, 2010 in order to avert substantial financial distress in public lands counties across the nation.

Ultimately, the DOI resolved the problem in time and released the payments in late June, 2010. In light of the payment disbursement conflict, Senators John Ensign (R-NV), Tom Udall (D-NM), and Mark Begich (D-AK) introduced Payment in Lieu of Taxes Amendments Act of 2010 (S. 3730). The legislation would require DOI to issue payments to counties not later than May 1 of each fiscal year. While the legislation was not enacted, the DOI received a very strong message from Congress and NACo that payments need to be made in a timely fashion.

STATUS QUO

On October 3, 2008, Congress enacted the Emergency Economic Stabilization Act of 2008 (PL 110-343) which authorized counties to receive their full PILT entitlement from FY 2008 through FY 2012. Until the passage of the EESA, appropriation levels had never reached authorized levels. Counties received payments totaling $393.4 million in FY 2012. Full mandatory funding for FY 2013 (minus a 5.1 percent sequestration cut) will be available for counties through the enactment of the Moving Ahead for Progress in the 21st Century Act (P.L. 112-141) last year.

Currently, the Department of the Interior has one remaining payment that will be disbursed in June 2013. Congress will be required to act in order to maintain mandatory funding for fiscal years FY 2014 and beyond. Currently, no legislation has been introduced in the 113th Congress to provide continued funding for the PILT program. In the 112th Congress, many members of the Senate Energy and Natural Resources Committee including Chairman Ron Wyden (D-OR) and Ranking Member Lisa Murkowski (R-AK) sponsored the County Payments Reauthorization Act of 2011 (S. 1692) which would have provided secure mandatory funding for PILT through FY 2017. NACo appreciates the longstanding commitment from this Committee to the PILT program and commits to working with the Congress to achieve a multiyear commitment to full mandatory funding for PILT.

Last week Senate Budget Committee Chairwoman Patty Murray (D-WA) made continued funding of the Payment in Lieu of Taxes (PILT) program and the reauthorization of the Secure Rural Schools and Community Self-Determination Act a priority in the proposed committee budget for fiscal year 2014. The proposed budget resolution included a deficit neutral reserve fund for rural counties and schools to provide for the reauthorization of the Secure Rural Schools program and/or changes to the PILT program. The deficit neutral reserve fund language sets the stage for a much needed legislative solution to continue forest payments to counties and continued mandatory funding for PILT. Similar language had been included in House Budget Chairman Paul Ryan's (R-WI) budget proposal for FY 2012 and FY 2013, but was removed in the FY 2014 request. The President has not yet released a budget proposal to Congress for FY 2014. The commitment from the Senate Budget Committee provides a great step forward toward securing the government's financial commitment to rural, public land counties.

POTENTIAL MODIFICATIONS TO PILT

NACo believes several policy modifications should be explored by Congress to identify ways to make payments to counties more equitable. A range of possible alternatives should be considered to more evenly distribute PILT funds to counties to provide greater budget certainty.

Over time, some programmatic anomalies have become evident. Among these are the non-inclusion of Federal acquisitions, substantially reduced payments to jurisdictions with large Federal estates, and the inability of current formulas to account for externally induced costs resulting from Federal land use by persons originating from outside the jurisdiction.

Counties have suggested the use of population caps (up to 50,000 persons) may not be the most appropriate method for providing fair allocation. Depending on the current population of the county, the PILT payments are capped at pre-determined levels. The use of population caps fails to accurately demonstrate the actual population of people being serviced by the county any given day. For example, many counties with large acreages of federal land and small populations are gateway communities to recreation or heritage areas, national parks, and scenic areas. While increases in tourism and recreation can be beneficial to local economies—counties are burdened with the extra expense to law enforcement, infrastructure, search/rescue, and road maintenance budgets as visitor populations are not taken into consideration by the current PILT formulas. County governments are required by law to provide services to people—regardless of their place of residence.

The 1994 Act primarily changed the method of establishing the annual authorization level, but left the basic distribution formulas intact. Revenue sharing programs identified as prior year payments do provide additional funding via revenue sharing to county governments, such as the Mineral Leasing Act and the Secure Rural Schools program. However, increases in these other payment programs have reduced the amount of PILT funding annually in many resource dependant counties. The federal government should not reduce its tax obligation to local governments, solely because of other land management revenue agreements between governments.

An example of potential PILT formula inequities effects current legislation before this committee. Specifically, several Senate Energy and Natural Resources Committee members have cosponsored the Public Land Renewable Energy Development Act (S. 279). This legislation would establish a leasing and royalty system for renewable energy development on federal lands. Additionally, the legislation would share 25 percent of revenues with counties with developments in their jurisdictions. Under the current PILT formula, any new county revenues from alternative energy development on public lands would be deducted from the counties annual PILT payment—resulting in no net gain to the county.

While some revenue sharing payments have diminished as Federal land use has shifted from revenue-producing use to public outdoor recreation use, such shifts have not only reduced or altered the inflow of revenue sharing; they have also created cost impacts to jurisdictions to provide services such as emergency search and rescue, law enforcement and increased road maintenance, among other impacts.

PILT is not only an important element to county funding, the fact that it is indexed to inflation and is paid to counties for general purposes is critically important so as to assure it retains its character as a property tax payment and can be utilized for any general fund purpose. NACo believes the formula should retain this basic character. Counties with extensive Federal estates, however, receive lower PILT payments which neither reflect the local government costs resulting from that estate, or the payment is not fully reflective of the vastness of such estate within the jurisdiction.

National formulas inadequately account for all the factors present. NACo has reviewed a number of possible formula changes, but as with any formula change—there can be "winners and losers." We agree that PILT should count acres first and consider local population last, if at all. Equitable distributions can result through modifications to the current formula to reflect not only acreage and current revenue payments, but also other factors such as external use pressures that may be present within some of the jurisdictions.

CONCLUSION

While the United States Senate and the House of Representatives may approach legislative solutions for funding the PILT program differently, NACo will continue to urge leadership on both sides of the isle to act in a spirit of bipartisan and bicameral cooperation and work together to move a final legislative solution to the President's desk.

NACo appreciates the opportunity to provide testimony before the Senate Energy & Natural Resources Committee. I look forward to working with members of the Committee to develop and pass legislation that will continue the historic partnership between Federal and county governments by extending continued mandatory funding for the Payment in Lieu of Taxes program for fiscal years 2014 and beyond.

Senator CANTWELL. Thank you, Mr. Yates.

Mr. Haggerty, thank you very much for being here.Statement of Mark Haggerty, Policy Analyst at Headwaters Economics, Bozeman, MT

STATEMENT OF MARK HAGGERTY, POLICY ANALYST, HEADWATERS ECONOMICS, BOZEMAN, MT

Mr. HAGGERTY. Thank you, Chair Cantwell and Ranking Member Murkowski and members of the committee. I'm pleased to join you today to discuss Secure Rural Schools and PILT.

I'm a policy analyst at Headwaters Economics, an independent research group based in Montana. We work with local, State and Federal Government to improve economic and community development decisions in the West. For a number of years my research has focused on the role of Federal county payments and rural economic development. I work closely with counties in collaborative groups across the West. I appreciate the important role that county payments play in supporting local government services in rural economies.

With SRS already expired and funding for PILT in question there's a risk for counties in returning to a revenue sharing model with known problems. A revenue sharing approach would reduce payments overall and expose funding for basic government services to the tremendous volatility that has characterized timber markets since the late 1960s. Indeed as figure 1 in my written testimony shows, Congress has acted repeatedly to address the volatility and inequitable compensation inherent to revenue sharing programs.

Today, Congress has an opportunity to extend funding with minor reforms and build toward a county payment program that provides stable and predictable payments, directs payments where they can have the most economic benefit and begins to lower the cost of the Federal taxpayer over time.

One way these goals can be achieved is by combining SRS and revenue sharing payments with PILT into a single payment program. Such a program would maintain continuity with historic payments, retain the economic needs of adjustment in a SRS and direct a larger share of funding to rural communities.

Let me briefly review the history that leads us to this point.

Initially revenue sharing payments were quite small, but grew dramatically during the post World War II economic and housing boom. As Federal payments increased volatility became an important concern. Booms and busts in local and regional timber markets created uncertainty and generated pressure to maximize commercial returns.

PILT, instituted in 1976 attempted to address volatility by using appropriations to shore up payments during times of commodity price contraction. Yet even with PILT in place total payments declined by 62 percent during the recession of the early 1980s.

In 2000 SRS furthered a couple payments from commodity receipts to help stabilize payment levels. SRS also added an economics need component to the distribution formula in 2008 addressing concerns about payment equity.

If SRS is not reauthorized the decline in total funding will be felt most acutely in rural communities. Consider Dawson County, where I'm from, and I thank Senator Baucus in his introduction from recognizing Bozeman which is a small, prosperous, diverse city anchored by a thriving—by our public lands.

If SRS goes away a $271,000 increase in PILT payments to Gallatin County will offset most of this loss. In contrast, Beaverhead County, Montana is a nearby ranching, timber and tourism dependent county with a small population and a budget more dependent on county payments. Beaverhead County will not be able to recoup $1.2 million in annual losses because of the population limit in the PILT formula. Without SRS rural counties across the U.S. stand to lose twice as much as metropolitan counties and will receive only about one-third of total payments.

Continuing appropriations and single payment reforms can resolve these long standing challenges associated with volatility and reverse what may become an increasingly metropolitan program.

This program would combine SRS and revenue sharing payments with PILT.

It would provide stable and predictable payments by maintaining the decoupling between county distributions and the funding source.

It would benefit rural communities by raising the population ceiling payment based on the acres of protected public lands and direct payments to counties that have the greatest economic needs.

Map one in my written testimony shows how the single payment program would change the distribution payments for every county in the country if total funding for SRS and PILT together declined by 44 million from 2011 funding levels.

I want to draw your attention to Central Idaho to show how the single payment approach could work.

The Clearwater Basin Collaborative is a partnership with 21 tribal, Federal, State, local, industry and conservation associations united by a shared vision, to enhance and protect the ecological and the economic health of the Clearwater Basin. A single PILT payment moves the goals of the collaborative forward in ways that the status quo cannot. Predictable and stable payments will support a consensus approach and allow greater flexibility in achieving multiple goals including greater predictability for timber, recreation, forest and watershed restoration and conservation.

For the counties, knowing that they can support their rural schools and maintain roads is fundamental to retaining families and existing businesses and to start creating new jobs. In contrast returning to a revenue sharing model threatens to re-entrench the battle lines over Federal management and re-expose counties to payment uncertainty.

Thank you for your attention to this critical issue. I look forward to answering any questions you may have.

[The prepared statement of Mr. Haggerty follows:]

PREPARED STATEMENT OF MARK HAGGERTY, POLICY ANALYST, HEADWATERS ECONOMICS, BOZEMAN, MT

Thank you Chairman Wyden, Ranking Member Murkowski, and members of the Committee. I am pleased to join you today to discuss the Secure Rural Schools (SRS) and Payments in Lieu of Taxes (PILT) county payments programs. As a policy analyst at Headwaters Economics, I work closely with counties and collaborative groups across the West. I appreciate the important role county payments play in supporting local government services and rural economies.

Headwaters Economics is an independent research group based in Montana that works with local, county, and state governments to improve economic and community development decisions in the West.

For a number of years my research has focused on the role of federal county payments in rural economic development. We have developed white papers analyzing outcomes of different county payment scenarios based on current law and proposed policy options on a county-by-county basis. Headwaters Economics also worked as a contractor to the the Forest Service and BLM to develop a free software tool (the Economic Profile System-Human Dimensions Toolkit) that generates county level reports on all federal land payment programs, including SRS and PILT. Please refer to the appendix for a summary of this work.

The Opportunity to Reform County Payments

With SRS already expired and funding for PILT in question, there is a risk for counties of returning to a revenue sharing model that has known problems. A revenue sharing approach would reduce overall payments to counties and also would expose funding for basic government services to the tremendous volatility that has characterized timber markets since the late 1960s. Indeed, the current PILT and SRS programs were developed to address the challenges inherent to a revenue sharing approach.

Faced with the challenges, Congress has an opportunity today to implement minor reforms to create a county payment program that advances rural economic development, forest restoration, and conservation goals while avoiding the volatility risks associated with direct revenue sharing payments.

Figure 1*. Key Developments in the History of County Payments

Combining SRS and revenue sharing with PILT, and making small changes to the PILT formula, can achieve three critical goals:

1. Provide fair, stable, and predictable payments to counties.
2. Target payments where they can have the most economic benefit.
3. Reduce costs to federal taxpayers.

Let me first briefly review the history of county payments, summarized in Figure 1, which shows the fluctuating value of federal reimbursements to counties along with the dates of landmark reforms.

Congress Has Repeatedly Reformed County Payments to Respond to Changing Needs

These reforms, made by Congress to respond to changing economic and political conditions, demonstrate the long-term flexibility of the program. Today, with the SRS program expired and the need to re-appropriate PILT after 2013, Congress again is poised to consider reforms to county payments that reflect changing budget realities and the fiscal and economic need of local governments with significant acres of public lands.

Payments Originally Linked to Commodity Receipts

The policy origin of Forest Service payments to counties in 1908 is clear: as compensation for public ownership of the Forest Reserves, the federal government initiated payments to counties in lieu of paying property taxes.[1] These payments were funded from commercial receipts generated on public lands, and counties could use the payments to fund roads and schools.[2]

* All figures and maps have been retained in committee files.

[1] Act of May 23, 1908, Pub. L. No. 60-136 (the Twenty-Five Percent Payment).

[2] Federal legislation mandated payments fund county roads and schools, but left to states how to allocate these funds between these two services. See Congressional Research Service Memorandum, Forest Service Revenue-Sharing Payments: Distribution System. November 19, 1999. Ross Gorte.

In 1937, the Bureau of Land Management (BLM) began sharing commercial receipts generated on the Oregon and California Railroad Grant Lands (O&C) with counties and schools along the same model as the Forest Service.[3]

The value of initial Forest Service and BLM O&C revenue sharing payments was insignificant to most counties for the first 30 years.[4] From 1908 to 1942, payments averaged less than $10 million nation-wide in real terms. After World War II, when commodities from the National Forests and BLM O&C lands helped to fuel the nation's housing boom, revenue sharing payments provided significant funding to counties. From 1945 to 1980, payments averaged $391 million, reaching a high of $1.2 billion in 1977.

Reforms Made to Address Volatility and Incentives Inherent to Commodity Payments

After WWII, many counties, particularly in the Pacific Northwest, grew to depend on timber for jobs and income, and payments to counties supported significant portions of local school and county budgets. As payments became more important, the use of commodity receipts as a funding source started to show several weaknesses.

Volatility in commodity extraction in the 1960s and 1970s made it difficult for local government to plan for and provide quality public services consistently on an annual basis. In 1970, the U.S. Public Lands Law Review Commission wrote: "Although they were originally designed to offset the tax immunity of Federal Lands, the existing revenue-sharing programs do not meet a standard of equity and fair treatment either to state and local governments or to the Federal taxpayers."[5]

The report added that payments based on commercial activities created perverse incentives for counties such that "pressures can be generated to institute programs that will produce revenue, though such programs might be in conflict with good conservation practices."[6] By conservation practices the authors meant the sustainable use of public land resources for commercial activities and environmental conservation including new national parks or other land designations that potentially limit revenue sharing payments.

Concerns about stability and predictability eventually led Congress, in 1976, to pass Payments in Lieu of Taxes (PILT) in addition to the existing revenue sharing payments.

PILT interacts with Forest Service revenue sharing payments as a shock absorber. When revenue sharing payments decline, counties are eligible for larger PILT payments. When revenue sharing payments rise during boom years, the PILT formula responds with lower appropriations.[7]

Yet even with PILT in place, total payments declined by 62 percent during the recession of the early 1980s.

Payments Have Been Decoupled from Commodity Receipts

More recently, changing economic conditions along with new goals for public land management slowed the pace of logging on federal land, lowering revenue sharing payments to counties by more than 90 percent in some areas.[8] The Northwest Forest Plan that set new management goals for forests in the Pacific Northwest included the first "transition payments" to counties-a recognition that changing management goals that reduce resource extraction also reduce local government payments. The so-called "spotted owl" payments decoupled the link between extraction and county compensation by guaranteeing a stable, albeit declining, annual payment funded by federal appropriations.

The decline in timber receipts felt most acutely in the Pacific Northwest was also occurring across the rest of the National Forests. In 2000, Congress passed the Secure Rural Schools and Community Self-Determination Act (SRS) that effectively ex-

---

[3] The main difference is that the county government share of payments is not restricted to roads but can be used for any governmental purpose. See: O&C Lands Act, Pub. L. No. 74-405, tit. II(a) (1937).

[4] Revenue sharing payments are estimated from historic timber cut and sold reports from the Forest Service at the national level. Source: USDA Forest Service. All values in this paragraph are offered in real dollars.

[5] United States Public Land Law Review Commission. 1970. "One third of the Nation's land: a report to the President and to the Congress." Washington, D.C.:273

[6] Ibid.

[7] Schuster, Ervin G. 1995. "PILT—its purpose and performance." Journal of Forestry. 93(8):31-35 and Corn, M. Lynne. 2008. PILT (Payments in Lieu of Taxes): Somewhat Simplified. Congressional Research Service (CRS) Report RL-31392.

[8] Gorte, Ross W. Reauthorizing the Secure Rural Schools and Community Self-Determination Act of 2000.Congressional Research Service (CRS-R41303). June 2010. Washington, D.C.

tended transition payments to the rest of the country.[9] Initially authorized for six years, SRS provided optional payments equal to 85 percent of the highest three years of revenue sharing payments between 1986 and 1999.[10]

In SRS, Congress ended the reliance of most counties on commodity receipt-based payments that were unlikely to return to historic highs. Decoupling payments from commodity receipts reduced the importance of producing commodities in order to generate revenue for county payments. It also opened the possibility for new collaborative efforts to address restoration, stewardship, and conservation goals on public lands.

SRS Promoted Economic Diversification and Reflected Costs Associated with Public Lands

In Title II and Title III of SRS, Congress introduced new purposes to the county payments program. Title II provided public land managers and communities with limited but important resources for collaboration and on-the-ground work such as stewardship and restoration projects that create jobs and improve forest health (counties that receive more than $100,000 from SRS must allocate 15-to-20 percent between Title II and Title III).

Title II dollars are retained by the federal government and spent on public lands activities following the recommendations of Resource Advisory Committees (RACs). Title II could fund infrastructure, restoration, stewardship, and other projects on public lands. Title II was the first time the county payments program set aside funding for the direct purpose of creating economic opportunities in counties that have public lands. The funds were also used to improve forest health, aiding in transitioning counties away from dependence on commodities by creating new jobs in restoration and forest stewardship.

Title III of SRS represented another important reform: it made explicit for the first time the links between federal lands and the direct demands those lands create for county emergency services and wildland fire safety. Title III funds could be used on special county projects including reimbursement for emergency services provided on federal lands and funding for community fire plans and fire-wise activities.

The abnormally harsh fire season in 2000, described at the time as the worst fire season in the United States since 1910, likely influenced Congress to include funding for wildfire preparedness in Title III.[11] Whereas the 2000 legislation provided funding for projects in six broad areas, subsequent reauthorizations limited funding to projects in three specific areas, two concerned with wildfire preparedness and the third funding emergency services and search and rescue activities on public lands.

SRS Reforms in 2008 Adjusted Payments Based on Economic Need

Congress made other important reforms in 2008 to adjust the SRS distribution formula based on the per-capita personal income in each eligible county. The goal was to direct relatively higher payments to counties with low per-capita personal income. Reforming the distribution formula based on economic need reflected a desire to make payments to counties that need them most.

Two other mechanisms were incorporated into the 2008 reauthorization to achieve a more equitable distribution of payments nation-wide, based on more general concerns about the distribution of payments. The SRS "base share" formula was reformed to include the total acres of federal lands along with historic revenue sharing payments, and certain "covered states" (California, Louisiana, Oregon, Pennsylvania, South Carolina, South Dakota, Texas and Washington) were given "transition

[9] Secure Rural Schools and Community Self-Determination Act of 2000, Pub. L. No. 106-393. Payment information is available from the Forest Service website at http://www.fs.fed.us/srs/ (last accessed 11/22/10).

[10] Under Section 102(a) and 103(a), states eligible to receive Forest Service and/or BLM revenue sharing payments can elect to receive either (1) the Twenty-Five Percent (Forest Service) or Fifty Percent (BLM) Payment or (2) the "full payment amount," calculated as the average of the three highest yearly revenue sharing payments from FY 1986 to FY 1999. The SRS payment was tied to the average of the three highest historical payments to each state as a means of further reducing the volatility of timber receipts at the county level. Under the 2000 version of the SRS Act, funding for payments to states and counties is derived from revenues, fees, penalties, or miscellaneous receipts received by the federal government from activities of the Forest Service on National Forest land, and the Bureau of Land Management on revested and reconveyed grant lands (lands returned to federal ownership). Pub. L. No. 106-393, §§ 102(b)(3), 103(b)(2). To the extent of any shortfall, payments are derived from Treasury funds not otherwise appropriated.

[11] U.S. Fire Administration, 2000 Wildland Fire Season, http://www.usfa.dhs.gov/downloads/pdf/tfrs/v1i2-508.pdf (last accessed 3/16/2010).

payments" pegged to the sums paid to states and counties in 2006 under the SRS Act as then implemented.[12]

The 2008 reauthorization of SRS provided a significant temporary increase in transition funding, making payments close to historic highs (on a national level, only payments in the years 1977 to 1980 exceeded the FY 2008 payment levels in real terms). In essence, the two latter reforms (not based on economic need) had the effect of distributing the increased appropriation more broadly to all states eligible to receive payments.[13]

SRS accomplished more equitable distribution through adjustments to the formula.[14] SRS payments were based on three factors: a base payment considering 1) historic timber receipts and 2) acres of Forest Service and BLM land which is 3) adjusted by per capita personal income.

COUNTY PAYMENT = BASE PAYMENT / PER CAPITA INCOME ADJUSTMENT.

The pressing issues associated with SRS's expiration are continued volatility, decreased total revenue, and a return to an inefficient, inequitable distribution of payments.

Continued Volatility

The recent national recession made it clear that the boom and bust nature of commodity markets persists and can be especially damaging in resource-dependent counties in the West. Headwaters Economics recently analyzed all 413 counties of the 11 contiguous western states in the context of the recent recession, and looked at how this economic downturn varied from earlier business cycles.[15]

Four critical findings from this analysis about economic performance during the recession are:

1. The faster a county's population grew from 2000 to 2007, on average, the faster the area tended to lose jobs during the recession.
2. Counties that were more timber-dependent tended to lose jobs at a faster rate during the recession.
3. On average, counties with higher education rates (based on the percent of adults with a college degree) experienced lower rates of job loss.
4. Higher government employment was also associated with lower rates of job loss.

The study results underscore important tenets of economic development in a modern economy such as the importance of education in the emerging global economy and the stabilizing effect of government employment during economic contraction. Of particular relevance to the topic of county payments from federal lands is the danger of over-reliance on single sectors, in particular those that fluctuate with commodity markets, such as the timber industry.

Timber-dependent counties received SRS and PILT payments during the recession which helped stabilize county finances. These already vulnerable county economies could have faced even greater challenges if their payments were dependent on low commodity prices, as would be the case in the absence of some form of SRS reauthorization.

Exposure to boom-bust commodity cycles is a constant hazard for remote rural counties in the West. By reforming county payment programs to focus on the long-

[12] U.S. Forest Service, Title I-Secure Payments for State and Counties Containing Federal Land. Pub. L. No. 110-343, tit.VI, § 103. http://www.fs.fed.us/srs/Title-I.shtml (last accessed 11/22/10).

[13] It is unclear from the legislative history why certain states were selected to be "covered states," but concerns over equitable distribution of payments likely played a role in California, Oregon, and Washington being included. A political motivation also lay behind expanding the number of states receiving higher SRS payments as it may increase the likelihood of future authorizations.

[14] The existing SRS formula is described in an eight-page technical document, "Calculating Payments," available on the Secure Rural Schools website: http://www.fs.fed.us/srs/docs/calculations.pdf (last accessed 11/22/10). Each county's payment was based partially on historic timber receipts and partially on the number of acres of federal land within the county's boundaries. A county's payment was also dependent on how many of their peers opted into the SRS payment formula. The fewer counties that elected to receive SRS payments (opting to receive their revenue sharing payment instead), the higher the SRS payment to each county was, and vice-versa.

[15] Patricia H. Gude, Ray Rasker, Kingsford L. Jones, Julia H. Haggerty, Mark C. Greenwood. 2012. The Recession and the New Economy of the West: The Familiar Boom and Bust Cycle? In press in the Journal of Growth and Change. http://headwaterseconomics.org/wphw/wp-content/uploads/Western__Counties__Recession__Paper.pdf.

term security of funding for basic government services, Congress can help create a buffer against this hazard.

Inequitable Distribution For Rural Counties

If SRS is not reauthorized, the decline in total funding will be felt most acutely in rural communities. Consider Gallatin County, Montana, where I live, which has a prosperous diverse economy anchored by the thriving city of Bozeman. If SRS goes away, a $271,000 increase in PILT payments will offset most of this loss. In contrast, Beaverhead County, Montana, is a nearby ranching, timber, and tourism-dependent county with a small population and a budget more dependent on county payments. Beaverhead County will not be able to recoup $1.2 million losses because of the population limit in the PILT formula.

The PILT formula places an upper limit on the total payment each county can receive based on the county's population. The population limit effectively limits the amount any one county can receive, and lowers the potential cost to the federal treasury if revenue sharing payments decline precipitously.

If SRS is not reauthorized, two things will occur. The reforms in SRS that provided for a more equitable distribution of payments based on per capita personal income will be lost. Moreover, utilizing PILT only will mean that rural places will experience a disproportionate share of payment losses. Across the U.S., rural counties stand to lose twice as much as metropolitan counties and will receive only about one-third of payments if SRS is not reauthorized.

Single Payment Model Creates Security, Equity, and Efficiency

Here is how a single payment idea could help resolve long-standing challenges:

1. Combine SRS and revenue sharing payments into a new PILT formula.
2. Provide stable and predictable payments by maintaining the decoupling between county distributions and the funding source.
3. Benefit rural counties by raising the population cap based on acres of protected public lands.
4. Target payments to counties that have the greatest economic needs.

Table 1 compares the single payment proposal with current and estimated payments. The single payment proposal reflects the new PILT formula and a reduction of about $45 million from FY 2011 payment amounts.

Table 1: National comparison of current SRS and PILT, estimated revenue sharing payments, and a Single Payment proposal.

	Metropolitan Share	Micropolitan Share	Rural Share	Total
Current (SRS and PILT FY 2011)	$214.9	$238.7	$317.4	$771.0
	28%	31%	41%	
SRS Expires (Estimated Revenue Sharing and PILT FY 2011)	$158.0	$162.6	$202.2	$522.8
	30%	31%	39%	
Single Payment	$137.0	$213.7	$372.3	$726.0
	19%	30%	51%	

Map 1* in the appendix shows how county-by-county distributions of a single payment change from FY 2011 payment distributions. For example, payments are shifted away from metropolitan areas, including the Puget Sound metropolitan region in Washington, the Wasatch Front in Utah, and Phoenix and Tucson in Arizona to rural areas in central Idaho, southern Utah, and coastal Oregon, among others.

Increasing the Population Limit

Increasing the population limit for rural counties offers a mechanism for reversing the shift of payments from rural to urban counties as total payments decline. Raising the population limit allows rural counties to receive a larger share of appropriated dollars at any given funding level.

Under the current PILT formula, each county's PILT payment is equal to the number of eligible acres in each county times an entitlement amount of $2.47 in FY 2012. This combined value is then compared to the population ceiling limitation amount, and the final PILT payment is the lesser of the two.

The single payment proposal raises the population ceiling limitation, but not the entitlement amount, for each county. The ceiling is raised by an amount equal to the number of acres of protected public lands in each county times the entitlement amount of $2.47 in FY 2012.[16]

Raising the population ceiling limit increases payments only for counties where such limits currently apply. As a result, a larger share of payments will go to rural counties that have protected public lands.[17]

Economic Performance Adjustment

The SRS formula contained an "income adjustment" based on per capita personal income. Counties with relatively lower levels of income received a larger share of the total appropriated amount. By comparison, counties with relatively higher levels of income would receive lower payments.

The single payment idea retains the adjustment to ensure equity of payments and to lower total appropriations by directing payments to those counties that need them most.

While the past SRS formula used just one measure of economic performance, we recommend using a set of five variables: percentage of households below poverty,[18] median household income,[19] average earnings per job,[20] percentage of the workforce

---

* The map has been retained in committee file.

[16] We utilized a list of protected lands as defined in the EPS-HDT software as "Type A" lands. These include: National Parks and Preserves (NPS), Wilderness (NPS, FWS, FS, BLM), National Conservation Areas (BLM), National Monuments (NPS, FS, BLM), National Recreation Areas (NPS, FS, BLM), National Wild and Scenic Rivers (NPS, FS, BLM), Waterfowl Production Areas (FWS), Wildlife Management Areas (FWS), Research Natural Areas (FS, BLM), Areas of Critical Environmental Concern (BLM), and National Wildlife Refuges (FWS). See http://headwaterseconomics.org/tools/eps-hdt.

[17] PILT currently authorizes higher payments for newly acquired Wilderness and National Park acres for a period of five years. The additional payment covers lands acquired by the federal government to be included in the National Park system or as national forest Wilderness. The law states that "The Interior Secretary shall make payments only for the five fiscal years after the fiscal year in which the interest in land is acquired. Under guidelines the Secretary prescribes, the unit of general local government receiving the payment from the Secretary shall distribute payments proportionally to units and school districts that lost real property taxes because of the acquisition of the interest. A unit receiving a distribution may use a payment for any governmental purpose." P.L. 97-258, as amended Section 6904. Additional Payments.

[18] The term poverty, as used by the U.S. Census Bureau, is defined at: http://factfinder.census.gov/servlet/ MetadataBrowserServlet? type=subject&id= POVERTYSF3&dsspName=DEC__2000__SF3&back= update&__lang=en (last accessed 9/9/10).

[19] For the full definition of Median Household Income, see the U.S. Bureau of the Census: http://factfinder.census.gov/home/en/epss/glossary__i.html#income (last accessed 9/9/10).

[20] For the full definition of Average Earnings per Job, see the Bureau of Economic Analysis, U.S. Department of Commerce: http://www.bea.gov/regional/definitions/ (last accessed 9/9/10).

with a bachelor's degree or higher[21] and county typology (on a continuum: metro, metro outlying, micro, micro outlying, and rural).[22]

These metrics used to assess economic need are widely utilized and well understood. Map 2 in the appendix shows the relative economic performance of counties using these measures from best (light blue) to worst (dark blue).

During the last 30 years many rural counties have experienced a dramatic shift in their economies. Counties have diversified into more service-related occupations while commodity-related sectors have contributed less than three percent of total new jobs from 1990 to 2008.[23]

Not all public lands counties, however, have been able to create a diverse, robust, and resilient economy with a healthy tax base. Poverty, low-paying jobs, lack of education, isolation from markets, and difficulties competing in expanding service industries are persistent challenges for some counties.

Favoring the neediest counties for relatively higher county payments is consistent with the original goal of SRS to help counties diversify economically and to provide equity in payments to counties and for federal taxpayers.[24]

By adjusting the single payment formula to give preferential treatment to the neediest counties, the federal payments will serve an important goal of economic development, job creation, and poverty alleviation. In addition, using a broader and improved set of criteria to link payments to economic performance and opportunity has the advantage of more efficiently targeting payments to those counties that need payments the most.

Benefits for Counties and Rural Economies

I want to draw your attention to Idaho to show how a single payment model could support ongoing collaborative resource management and economic development efforts.

Founded in 2008, the Clearwater Basin Collaborative (CBC) is an innovative partnership of twenty-one tribal, federal, state, local, industry, and conservation associations in central Idaho united by a shared vision: "to enhance and protect the ecological and economic health of the forests, rivers, and communities within the Clearwater Basin." The CBC seeks to develop resource management priorities collaboratively among historically often conflicted parties, finding solutions that take all stakeholders' interests into account.

---

[21] Education is one of the most important indicators of the potential for economic success, and lack of education is closely linked to poverty. Studies show that areas whose workforce has a higher-than-average education level grow faster, have higher incomes, and suffer less during economic downturns than other regions. Education rates make a difference in earnings and unemployment rates. In 2009, the average weekly earnings for someone with a bachelor's degree was $1,025, compared to $626 per week for someone with a high school diploma. While in 2009 the unemployment rate among college graduates was 5.2 percent, for high school graduates it was 9.7 percent. For information on the relationship between level of education, earnings, year-round employment, and unemployment rates, see: U.S. Census Bureau's 2002 publication "The Big Payoff: Educational Attainment and Synthetic Estimates of Work-Life Earnings." http://www.census.gov/prod/2002pubs/p23-210.pdf (last accessed 9/9/10). The wage and unemployment effects of education are available from the Bureau of Labor Statistics: http://www.bls.gov/emp/ep—chart—001.htm (last accessed 10/23/10).

[22] Definitions of county typologies can be found at the U.S. Census Bureau.http://www.census.gov/population/www/metroareas/metroarea.html (last accessed 9/9/10).

[23] U.S. Department of Commerce. 2010. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C.

[24] The States of Oregon, Washington, and California received the lion's share of the approximately $2.7 billion of funding distributed under Titles I, II and III of the SRS Act between 2000 and 2007. Oregon received by far the largest share, with $1.2 billion, while California and Washington received $473 million and $322 million respectively. From one perspective, this result was exactly as it should have been. SRS was initially passed to make up for lost timber receipts, and so it was only appropriate that the Pacific Northwest, historically a great timber producing region, benefitted disproportionately. States that did not have historically high timber harvesting levels were understandably less enthusiastic. The Bush Administration favored revising the funding formula to take stock of current economic conditions. Mark Rey, Under Secretary of Natural Resources for the Department of Agriculture, testified "Many now largely urban or suburban counties in the west are getting a substantial amount of money . . . because the formula was a reflection of the historical timber receipts that those counties enjoyed . . . at an earlier time. Many of those counties . . . are pretty vibrant right now." The Administration felt that urbanized areas that could generate funds from traditional municipal revenue sources ought to do so, rather than rely on federal handouts. As a result, the distribution formula was changed in 2008 so that other states realize a more substantial benefit from it. Secure Rural Schools and Community Self-Determination Reauthorization Act of 2007: Hearing on S. 380 Before the Subcommittee on Public Lands and Forests, Committee on Energy and Natural Resources, 110th Cong. 1 (2007).

Diverse stakeholder interests include creating predictability for commercial timber supply, improving recreation access, and accomplishing forest restoration and conservation goals, all across a large landscape. The CBC is a progressive approach to creating solutions to conflicts. This is the kind of approach that could be thwarted in the absence of effective reforms to the county payments programs.

The (CBC) has considered alternatives to SRS. Analysis of proposals that rely on commodity extraction as the main source of revenue-and as the main purpose of public lands management-suggest this approach will not provide predictable or sufficient payments to area counties and schools. Current proposals to return to a revenue sharing model and transfer federal public land management to the states clearly threaten to alienate some CBC stakeholders.

If SRS is not reauthorized, Idaho and Clearwater counties will receive $6 million less annually than they did in FY 2011. In contract, the single payment proposal would allow the two counties to retain similar or higher payments compared to 2011 levels, even with lower appropriations.

Equally important, a single PILT payment moves the goals of the CBC forward in ways that the status quo cannot. The new single payment formula supports a consensus approach to solving shared goals with stronger outcomes for local economies and forest health. In contrast, returning to a revenue sharing model would reentrench the battle lines over federal management and re-expose counties to payment uncertainty.

Conclusion

For these reasons, we see a critical role for continued appropriations as part of future federal payments to counties. The uncertainty and decreased funding levels that accompany a return to revenue sharing are not desirable. The history of the program shows that revenue sharing will work only for a handful of counties nationally, and even then will fail to provide certainty year over year.

By comparison, receipts will rise and economic development opportunities will be greatest where payment certainty is provided. Local and regional efforts to create jobs and improve forest health will succeed if all sides have greater certainty: certainty and fairness for counties; certainty for industry of increased supply; and certainty for conservation interests for continued restoration and protections, among others.

Maintaining decoupling between the size and relative distribution of payments and the source of revenue creates a framework that can accommodate new dedicated funding streams from public lands. This basic arrangement provides a path to reducing the need for federal appropriations over rising payments over time, buffered from the booms and busts in commodity markets. It also allows new revenue to come from anywhere, and ideas range from higher oil and gas royalties, to new leasing fees, to a carbon tax.

Thank you for your attention to this issue.

Senator CANTWELL. Thank you, Mr. Haggerty. Yes, we will have questions. But let's hear from Dr. O'Laughlin, our last witness, and then we'll go to questions.

Thank you.

STATEMENT OF JAY O'LAUGHLIN, PROFESSOR OF FORESTRY & POLICY SCIENCES, AND DIRECTOR, POLICY ANALYSIS GROUP, COLLEGE OF NATURAL RESOURCES, UNIVERSITY OF IDAHO, MOSCOW, ID

Mr. O'LAUGHLIN. Thank you, Chair Cantwell, Ranking Member Murkowski and members of the committee.

My name is Jay O'Laughlin. I'm a Professor of Forestry and Policy Sciences at the University of Idaho. For 23 years, full time Director of a Policy Analysis Research Unit created by the Idaho legislature.

Senator Risch, thank you for your leadership back then.

For 80 years counties received 25 percent of revenues from Federal lands primarily timber sales. But since 1990 timber sales have declined substantially by more than 90 percent in some areas.

There are good reasons to rejuvenate a Federal timber sale program. Revenue sharing with counties is just one of them.

My main point here is the triple win from forest management.

First, improve forest conditions, especially sorely needed wildfire resiliency.

Second, consumer products made from wood and its byproducts including renewable energy feed stocks for the full range of applications. Biomass thermal, we heat our campus with sawmill residues. Biopower and biofuels, wood products and energy byproducts help make our nation more self-reliant.

Third, jobs in rural communities.

Some Westerners are so dissatisfied with the current situation that they're calling for changing ownership of some Federal lands. But I want to talk about changing the rules, not changing ownership.

Three ideas for generating more revenue than the current system does are No. 1, rejuvenating the Federal timber sale program.

No. 2, creating a property tax equivalency system.

No. 3, testing the trust land management model with pilot projects.

No. 1, the timber sale program. The Forest Service believes that at least 65 million acres of its lands could be improved with restoration treatments including 12 million acres that need to be thinned with logging equipment before fire can be safely restored. The Forest Service is mechanically treating about 200,000 acres per year and from that providing about 2.5 billion board feet per year.

Rejuvenating the Federal timber sale program is the path to the triple win. Some analysts believe that the 1980s level of 12 billion board feet per year is sustainable. Instead, I suggest harvesting half of that which is the current allowable sale quantity total of 6 billion board feet per year.

But price is as important as quantity. Lots of administrative rules affect markets and prices. If sold at prices the States of Washington and Idaho get for their trust land timber sales the 25 percent share for counties would match Secure Rural Schools act payments.

No. 2, property tax equivalency system. This would make Federal payments to counties equivalent to property taxes as if the land were privately owned. This approach may be difficult to design and implement, but each of the States has been doing this for a long time and fairness issues can be worked out.

Third, trust land management. School trust lands were granted from the public domain at statehood. That's part of a bargain that the States would not tax the Federal lands within their boundaries. States were to generate revenues to support public schools either by selling the lands or retaining ownership and selling commodities from the land, like timber, forage and minerals.

Trusts work. In the contiguous 48 States, 45 million acres of land grants are managed as trusts. They provide billions of dollars for education and other public purposes. The trust land management model is flexible. It could be adapted to limit land sales and adapted to include our RAC like local advisory committee to work with the trust land managers and to make biological diversity one of the trust missions. It could be organized to provide moneys for that purpose.

In conclusion trust land management is our oldest and most durable resource management model. It is worth testing in several different national forests in order to properly gauge the magnitude of the triple win from actively managing public forests under a different organizational structure.

Thank you for this opportunity. I look forward to questions.

[The prepared statement of Mr. O'Laughlin follows:]

PREPARED STATEMENT OF JAY O'LAUGHLIN, PROFESSOR OF FORESTRY & POLICY SCIENCES, AND DIRECTOR, POLICY ANALYSIS GROUP, COLLEGE OF NATURAL RESOURCES, UNIVERSITY OF IDAHO, MOSCOW, ID

INTRODUCTION

Chairman Wyden, Ranking Member Murkowski, members of the committee and staff, it is a great honor to be here today. My name is Jay O'Laughlin. I live in Moscow, Idaho, where I am professor of forestry & policy sciences at the University of Idaho and for 23 years, full-time director of a policy analysis research unit created by the Idaho Legislature in 1989 and continuously funded since then. Our mandate is to provide objective analysis of resource and land-use issues Idahoans care about. We care about the federal lands that make up almost 64 percent of the state's land base, a percentage exceeded only by Nevada and Utah. Almost 39 percent of Idaho is in the National Forest System; Oregon at 25 percent ranks a distant second.

Congress enacted the Secure Rural Schools and Community Self-Determination Act of 2000 (SRS) as a temporary, optional program of payments based on historic revenues.[1] These payments compensate counties for the tax-exempt status of federal lands, following a policy dating to 1906 that counties receive a percentage of agency revenues, primarily from timber sales. Since 1989, however, timber sales have declined substantially, by more than 90 percent in some areas.[2] On an annual payment basis, Oregon benefits the most from SRS, followed by California, then Washington and Idaho, with Montana not far behind.[3] Based on the percent of the county revenue for schools and roads that comes from federal payments, many counties in Idaho, Montana, New Mexico, and Oregon depend heavily on these payments.[4]

According to the U.S. Forest Service, the condition of at least 65 million acres of National Forest System lands could be improved with restoration treatments.[5] The removed woody biomass can be manufactured into useful consumer products and the residuals used to produce energy. It takes people to do this work so in turn forest restoration helps revitalize our rural communities.

My main point is that active forest restoration results in a triple-win: first, improved conditions, including wildfire resiliency; second, consumer products and energy feedstocks, both helping make our nation more self-reliant; and third, jobs in rural communities. The triple win is related to the county payments programs because a meaningful federal timber sale program with a continued revenue-sharing policy would greatly reduce the need for federal land payments.

In 2011, I was asked by the University's Research Office to respond to a query from one of our two members of the U.S. House of Representatives (Raλl Labrador) for information about the Secure Rural Schools Act and the trust land management model used to manage school trust lands granted to Idaho, and many other states,

---

[1] P.L. 106-393, 114 Stat. 1607 (October 30, 2000). http://www.fs.usda.gov/Internet/FSE—DOCUMENTS/stelprdb5260244.pdf

[2] Gorte, R.W. (2010). Reauthorizing the Secure Rural Schools and Community Self-Determination Act of 2000. Congressional Research Service Report CR41303, Washington, D.C. 14 pp

[3] Id

[4] Headwaters Economics (2010). County Payments, Jobs, and Forest Health: Ideas for Reforming the Secure Rural Schools and Community Self-Determination Act (SRS) and Payments in Lieu of Taxes (PILT). Headwaters Economics, Bozeman, MT. 96 pp. http://headwaterseconomics.org/wphw/wp-content/uploads/Reform__County__Payments__WhitePaper__LowRes.pdf

[5] U.S. Forest Service (2012). Increasing the Pace of Restoration and Job Creation on Our National Forests. Unnumbered publication, Washington, DC. 8 pp. http://www.fs.fed.us/publications/restoration/restoration.pdf

to support public education. These were not new issues for me,[6] so I assembled an Issue Brief report for the congressman's staff and walked them through it.[7] Updated and more detailed portions of it follow.

I begin with a Problem Statement, then identify and describe Three Options for providing funds to counties: 1) rejuvenate the program for federal Timber Sales and Revenue-Sharing, 2) create a Property Tax Equivalency system for federal lands, and 3) test the Trust Land Management model with pilot projects in some selected areas. My Conclusion is that some kind of action, including temporary extension of SRS until something else is developed, is better than no action.

PROBLEM STATEMENT

Unless reauthorized by Congress, payments to the counties under the SRS and Payments in Lieu of Taxes (PILT) programs are history and would have consequences. Some counties will be hard pressed to maintain local roads and schools without some form of payment to compensate for tax-exempt federal lands.

The economic impact of losing the SRS county payments program was presented in a 2010 consultant's report prepared for the Partnership for Rural America:

> The loss of [SRS] money has annual losses for the counties and schools currently funded. The losses are not simply to local construction, education and conservation services and their allied industries. The industries affected by these changes are far and wide based on how construction workers, educators and conservation services employees spend their money and how these rural economies work. The reduction of [SRS] funding not only reduces jobs in these directly-affected industries, but also affects industries such as medical and dental offices, banking, auto repair, grocery and other retail stores, restaurants and bars, and many others. The loss of $467 million of this funding leads to various businesses throughout the United States losing almost $1.459 billion in revenues, government at all levels losing over $225 million in tax receipts, and over 11,460 people losing their job.[8]

Also facing its demise is the SRS feature embodied in the collaborative efforts of Resource Advisory Committee (RACs) to use SRS Title II funding for a wide variety of projects that might not otherwise be funded. Although timber projects can be approved under Title II, very few have been.[9] Social scientists who have studied RACs in northern California report that most of the Title II funds were used to improve roads, wildlife habitat, and reduce invasive weeds.[10]

The RACs do good work in Idaho, and could do much more. The collaboration between seemingly disparate interests working towards a common interest has proven to be a valuable model that could lead to more good things. We wanted to use the RAC concept on a larger scale in Idaho and in 2004 a subcommittee of this committee held a hearing on our proposal.[11] It developed from a state task force charged by the legislature to develop cooperative arrangements with federal managers. After considerable time and effort, bills were introduced in the U.S. House and Senate. Had the Clearwater Basin Project Act passed, 2.7 million acres of National Forest System lands in north central Idaho now would be a pilot project in which a com-

[6] O'Laughlin, J., W.R. Hundrup & P.S. Cook. (1998). History and Analysis of Federally Administered Lands in Idaho. PAG Report 16, University of Idaho, Moscow, 125 pp. http://www.uidaho.edu//media/Files/orgs/CNR/PAG/Reports/PAGReport16

[7] O'Laughlin, J. (2011). Secure Rural Schools Program Reauthorization, U.S. Forest Service Timber Sale Program, and Trust Land Management. Issue Brief No. 14, Policy Analysis Group, College of Natural Resources, University of Idaho. 16 pp. http://www.uidaho.edu//media/Files/orgs/CNR/PAG/Reports/PAG—IB-14—8-14-11

[8] Eyler, R. (2010). Rural Policy: Secure Rural Schools Act Economic Impact Analysis. Economic Forensics and Analytics, Petaluma, CA. 6 pp. (Dr. Eyler is Chair, Economics Dept., Sonoma State University, CA.) http://www.partnershipforruralamerica.org/pdf/Economic__Impact__Analysis.pdf

[9] GAO (2010). Update on the status of the merchantable timber contracting pilot program [under SRS Title II]. Letter of Anu K. Mittal to congressional committees, Government Accountability Office, Washington, DC. March 4, 10 pp. http://www.gao.gov/new.items/d10379r.pdf

[10] Kusel, J., et al. (2006). Assessment of the Secure Rural Schools and Community Self-Determination Act. Sierra Institute for Community and Environment, Taylorsville, California. 235 pp. http://www.sierrainstitute.us/archives/COMPLETE__REPORT.pdf

[11] Hearing before the Subcommittee on Public Lands and Forests, Committee on Energy and Natural Resources, U.S. Senate, on S. 433, "A Bill to provide for Enhanced Collaborative Forest Stewardship Management of the Clearwater and Nez Perce National Forests in Idaho," Washington, D.C. (March 24, 2004). http://www.gpo.gov/fdsys/pkg/CHRG-108shrg94830/pdf/CHRG-108shrg94830.pdf

mittee patterned after the RACs would work with federal managers on all forest activities, not just special projects under SRS Title II.[12]

THREE OPTIONS

If there is no congressional action this year, some counties have warned that they will face whatever one might call the local government equivalent of bankruptcy. The 25 percent revenue-sharing provisions in law since 1908 would remain in place, however.

Some western state politicians are calling for changing ownership of portions of federal land holdings. In 2012 several states took action. Utah passed a law promising that if the federal government does not "extinguish title" to a large portion of the federal lands and give them to the state, the matter will be pursued via litigation. Similar legislation in Arizona was vetoed by the governor. The Wyoming legislature debated the issues and created a study commission; at this writing Idaho is poised to do the same.

I want to talk about changing the rules, not changing ownership. Unless the rules are changed, ownership change would not make much difference. Federal managers must follow many rules, and some could be improved, especially the National Environmental Policy Act and National Forest Management Act.[13]

I address three ideas for generating more revenue that the current system does: 1) rejuvenating the federal timber sale program; 2) replacing SRS and PILT with a property tax equivalency payment system; and 3) testing the trust land management model with pilot projects.

1. TIMBER SALES AND REVENUE-SHARING

After World War II, returning veterans wanted and deserved the American dream-a home of their own. National Forest System lands provided a substantial portion of the timber necessary to do that. Building roads and mills to access and process timber strengthened rural communities. After Congress passed laws in the 1970s requiring Forest Service managers to involve the public and analyze environmental impacts, the decision process was opened to judicial scrutiny. In response to advocacy demands and court decisions, in 1990 the federal timber sale program was ratcheted down (Figure 1*). In the 40 years prior to that, between 1950 and 1989, an average of 9.5 billion board feet (BBF) per year were harvested from national forests. Between 1990 and 2012, the average dropped by almost two-thirds, to 3.5 BBF per year. The current administration wants to increase from the current level of 2.5 BBF to 3 BBF per year.[14]

Figure 1. National forest timber sold and harvested, 1905-2012 (sold data not available before 1940).[15]

Coincidentally, after 1990 the number of acres burned by wildfires in the western states increased (Figure 2*). In the 40 years between 1950 and 1989, an average of 800,000 acres per year burned. Between 1990 and 2012, the average increased by a factor of 3.7 to 3 million acres burned per year. This includes a modern record of 7.4 million acres burned in 2012. The increase results from the combined effects of accumulated fuels and longer, dryer fire seasons.

Figure 2. Acres burned by wildfires in 11 western States, 1916-2012.[16]

We cannot do much about the weather, but we can reduce fuels in areas that pose high risks to the things people value. Western national forests have an over-accumulation of vegetation that fuels destructive wildfires[17]. As Forest Service Chief Emeritus Dale Bosworth put it, "We have some 73 million acres of national forest

[12] Idaho State Board of Land Commissioners (2013). "About the Federal Lands Task Force" webpage. Idaho Department of Lands, Boise, ID. http://www.idl.idaho.gov/LandBoard/fltf.htm

[13] According to one estimate, "it is taking about 70% of the Forest Service's land management budget to comply with planning and environmental review for projects, leaving only 30% for implementation and work on the ground." Partin, Tom, "Subcommittee to review NEPA cost." American Forest Resource Council newsletter, Portland, Oregon, January 23, 2013. http://www.amforest.org/newsletters/browse/afrc__news__-__january__23

[14] U.S. Forest Service, Increasing the Pace of Restoration and Job Creation (2012, supra note 5).

* All figures have been retained in committee file.

[15] Source: U.S. Forest Service (note: timber sold data before 1940 are not available). http://www.fs.fed.us/forestmanagement/documents/sold-harvest/documents/1905-2012__Natl__Summary__Graph.pdf

[16] Source data from National Interagency Fire Center, Boise, Idaho.

[17] GAO (1999). Western National Forests: A Cohesive Strategy is Needed to Address Catastrophic Wildfire Threats. Report no. GAO-RCED-99-65. Washington, DC: U.S. Government Accountability Office, Washington, D.C. 60 pp. www.gao.gov/archive/1999/rc99065.pdf

land at risk from wildland fires that could compromise human safety and ecosystem integrity. . . . The situation is simply not sustainable-not socially, not economically, not ecologically."[18]

Restoration treatments that improve forest conditions by reducing wildfire hazards provide a triple win. As U.S. Forest Service scientists put it, "Implementation of any significant fuel reduction effort will generate large volumes of biomass and require the development of additional workforce and operations capacity in western forests."[19]

As noted before, there are at least 65 million acres of National Forests System lands that could be improved by restoration treatments. The Forest Service relies primarily on fire as its tool, treating 3.5 to 4 million acres per year. However, 12.5 million acres need to be thinned with logging equipment before fire can be safely restored. In 2011, approximately 200,000 acres were mechanically treated; timber removals amounted to 2.4 BBF of timber. In 2012 that increased to 2.5 BBF, and the agency wants to increase the pace of restoration removals to 3 BBF feet per year.[20]

At the current harvest level, the Forest Service is removing about 6 percent of the annual growth. Mortality takes 6 times that, or 36 percent of annual growth.[21] So each year a large amount of additional wood fiber, some green, and a lot of it dead, is added to the forest fire fuel complex. Compare this to the late 1980s, when national forest timber harvests peaked at 12 BBF per year. Those harvests were equivalent to half of the annual growth, and mortality was one-fourth. The forest accumulated a substantial amount of additional timber volume, but not as much in more recent years because of reduced harvests.

How much timber harvest would be needed to provide revenues equivalent to SRS payments?[22] The reply depends mostly on timber prices, and the answer is, not too surprisingly, about 12 BBF. In the late 1980s, national forest timber in the west sold for an average of $107 per thousand board feet (or MBF). Adjusted for inflation, that is about $206 per MBF in today's dollars. The most recent price data for national forest timber sales in the west averages about $50 per MBF. By comparison, in 2012 the average stumpage price for sawlogs from Idaho state lands was $196 per MBF, an indicator that perhaps the Forest Service could attain revenues capable of providing SRS payments with 12 BBF per year by rejuvenating a timber sale program.

Many interest groups support federal timber sales, including the Society of American Foresters.[23] This is the path to the triple win. Some analysts believe that 12 BBF per year from the national forests is sustainable.[24] The growth to removals ratio of 2:1 in the late 1980s was consistent with sustainability standards. There is more annual growth today, which can be an asset or liability, depending on how forests are managed. Although a revamped timber sale program at 12 BBF per year could eliminate the need for SRS payments, other issues remain. The social acceptability aspects of sustainable forest management are perhaps a more difficult barrier to overcome than physical sustained yield and economic viability.

Because of record-setting wildfires in many parts of the West during the past decade, some groups are advocating forest restoration via large-scale vegetation treatments, including the Western Governors' Association.[25] Professional foresters in Idaho, Nevada, Utah, eastern Washington, and western Wyoming support this ap-

[18] Bosworth, D. (2003). "Fires and forest health: our future is at stake." Fire Management Today 63(2): 4-11. http://www.fs.fed.us/ fire/fmt/fmt_pdfs/ fmt63-2.pdf#firesand foresthealthourfutureisatstake

[19] U.S. Forest Service (2005). A Strategic Assessment of Forest Biomass and Fuel Reduction Treatments in Western States. General Technical Report RMRS-GTR-149, U.S. Department of Agriculture, Forest Service, Rocky Mountain Research Station, Fort Collins, CO. 17 pp. http://www.fs.fed.us/rm/pubs/rmrs_gtr149.pdf

[20] U.S. Forest Service, Increasing the Pace of Restoration and Job Creation (2012, supra note 5).

[21]

[22] See O'Laughlin, J. (2007). "Q4. What quantity of timber harvest would match the Craig-Wyden payments?" Pp. 3-4, in, Timber Harvests and Receipts from National Forest System Lands in Idaho. PAG Issue Brief No. 10, Univ. of Idaho, Moscow. 13 pp. http://www.uidaho.edu//media/Files/orgs/CNR/PAG/Issue%20Briefs/PAG_IB10_natl-forest-timber-sales.ashx

[23] SAF (2012). Timber Harvesting on Federal, State, and Other Public Lands. Position Statement, Society of American Foresters, Bethesda, Maryland. 4 pp. http://www.eforester.org/fp/documents/timber_harvesting.pdf

[24] E.g., Fedkiw, J. (1998). Managing Multiple Uses on National Forests, 1905-1995: A 90-year learning experience and it isn't finished yet. U.S. Dept. of Agriculture, Forest Service, Washington, DC. 284 pp.

[25] WGA (2011). Large Scale Forest Restoration. Policy Resolution 11-01, Western Governors' Association, Denver, CO. 4 pp. http://www.westgov.org/policies/doc_download/1390-11-0

proach.[26] As noted earlier, fuel treatments on the scale necessary to reduce hazardous fuels will generate large volumes of woody biomass and substantial additions to the workforce.[27] This is the path towards the triple win.

2. PROPERTY TAX EQUIVALENCY

The idea of replacing SRS and PILT payments with a tax equivalency system would make federal payments to counties equivalent to what they would be paid in property taxes if the land were privately owned. This is not a novel idea. According to a Congressional Research Service analyst, this approach "may be very difficult if not impossible."[28]

Consider, however, that the states tax timberlands and it is not particularly difficult. In Idaho, there are 3.1 million acres of private timberlands, taxed somewhere between two dollars and seven dollars per acre, averaging out at five dollars per acre.[29] At that rate, the twelve million acres of National Forest timberlands in Idaho, minus about 6 million acres of roadless area timberlands that will never be harvested, would provide roughly $35 million to the counties, and BLM's half-million acres of timberlands another $2.5 million. Idaho receives $27.4 million under SRS. Spread across 20.4 million acres of NFS lands, this is $1.34 per acre, but spread across the productive 6 million acres of timberlands, it is about $4.50 per acre.

Idaho ranks fourth in revenue-sharing payments, behind Oregon, California, and Washington. In 1989, the 25 percent revenue-sharing payments for the entire National Forest System peaked at $361 million, and about $339 million of that came from timber production activities. Spread across the 98 million acres of National Forest System timberlands, minus 50 million acres of roadless areas for a net 48 million acres of operable timberlands, that is a payment averaging about $7 per acre. But of course, roadless areas, rangelands, and other areas not producing timber would need to pay their way at some rate under this system.

The states have competent property tax assessors and administrators. If they were not taxing forest properties fairly, political outcry and subsequent adjustment would surely follow. Given the task, these professionals could devise a fair and workable system for the federal lands. Some differences between states would need to be ironed out by an oversight commission.

3. TRUST LAND MANAGEMENT

School trust lands came as grants from the public domain at statehood; part of a bargain that states would not tax federal lands within their boundaries. States were to generate revenues for supporting public schools, either by selling the lands, or retaining ownership and selling commodities from the land, such as timber, forage, and minerals.

Trusts work, and "Trust land management is our nation's most ancient and durable resource policy."[30] In the contiguous 48 states, 45 million acres of land grants to the states are managed under this model. These lands provide billions of dollars for education and other public purposes.[31] Several solid principles serve as general guides for managing land under the trust concept: clarity, accountability, enforceability, perpetuity, and prudence.[32] Two leading examples of states that retained and now manage timberlands for revenue production are in the State of Washington

[26] Society of American Foresters (2011). Restoring and Maintaining Resilient Landscapes via Active Vegetation Management at Large Scales Helps Create Fire-Adapted Communities and Improve Responses to Wildfires. Inland Empire SAF and Intermountain SAF Joint Position Statement, commenting on the Western Region component of the National Cohesive Wildland Fire Management Strategy being prepared in response to a requirement of the FLAME Act of 2009. 9 pp. http://www.usu.edu/saf/position-11-0803.pdf

[27] U.S. Forest Service, Biomass from Fuel Treatments in Western States (2005, supra note 19).

[28] Gorte, Reauthorizing SRS (2010, supra note 2, p. 4).

[29] Cook, P.S. & J. O'Laughlin. 2001. Taxing Forest Property: Analysis of Alternative Methods and Impacts in Idaho. PAG Report No. 20, University of Idaho, Moscow, 35 pp. http://www.uidaho.edu//media/Files/orgs/CNR/PAG/Reports/PAGReport20

[30] Souder, J.A. & S.K. Fairfax (1996). State Trust Lands: History, Management and Sustainable Use. University of Kansas Press, Lawrence, KS. 360 pp.

[31] To be exact, $4.5 billion annually in the early 1990s, according to Souder & Fairfax, State Trust Lands (1996, supra note 30).

[32] Fairfax, S.K. (1999). Lessons for the Forest Service from State Trust Land Management Experience. Discussion Paper 99-16, Resources for the Future, Washington, D.C.; see also Souder & Fairfax, State Trust Lands (1996, supra note 30).

and also Idaho.[33] Recently some interest has been expressed in applying the trust land management model to selected federal lands. I support that.

The trust land management model is flexible and could be adapted to promote biological diversity as a trust mission.[34] It is not difficult, as portions of revenue from commodity sales could be directed into special funds. Ten years ago I was asked by the Society of American Foresters to testify before Congress about the Idaho Federal Lands Task Force, and specifically about adapting the trust land management model for National Forest System lands.[35] Information from these earlier writings is as relevant today as a decade ago.

Dr. Marion Clawson is an inspiration to forest policy specialists. He had a long and distinguished career before his passing in 1998. In the 1950s he was BLM director. He was a prolific and insightful scholar in residence at Resources for the Future, a pre-eminent think tank in the nation's capital, and he served as RFF's president. He wrote Forests for Whom and for What?-still my favorite.[36] During the Sagebrush Rebellion era of the mid-1980s, Clawson wrote,

> I reject any idea that we today are less imaginative and resourceful than men and women who pressed for the establishment of the national forests, national parks, and grazing districts. We too can innovate; let us try.[37]

What should we try? Trusts work. More than a decade ago two parcels of federal land were set up as trusts-Valles Caldera Trust on National Forest System lands in New Mexico and Presidio Trust in California. Please let us put more trusts to work for our rural communities and schools.

CONCLUSION

As our task force learned and documented in Idaho 15 years ago, the federal land management system is broken and needs to be fixed.[38] Extension of SRS and PILT is appropriate for fulfilling past promises until a more permanent system can be developed, tested and implemented. Rejuvenating a timber sale program provides many societal benefits. Given appropriate policy direction, our resource managers can and will work with their fellow citizens to figure out what sustainable forest management looks like on the land, a better place to do that than in court. For lands that do not produce timber, some form of payment from a property tax equivalency system seems a reasonable approach to help alleviate some current fairness problems. Last, but not least, trust land management is our oldest and most durable model, and worth testing in several places.

Senator CANTWELL. Thank you, Dr. O'Laughlin. Thank you so much for your testimony. I'm sure that Senator Risch appreciates you being here today, as I do.

We're going to have a round of questions. I think I want to start with you, Mr. Haggerty.

You propose something different but I'm a little concerned that, you know, part of our challenge is getting this legislation through the Congress. But not all our colleagues understand rural communities or the significant dedication that it takes, you know, from transportation, emergency management, fire suppression, roads,

[33] O'Laughlin, J., S.F. Hamilton & P.S. Cook (2011). Idaho's Endowment Lands: A Matter of Sacred Trust, second edition. PAG Report No. 1, 2d ed., University of Idaho, Moscow, 35 pp. http://www.uidaho.edu//media/Files/orgs/CNR/PAG/Reports/Endowment%20Lands%20Report%208-7-11

[34] O'Laughlin, J. (2000). Trust Concepts Applied to the Federal Public Lands: A New Approach for Sustaining Human Communities and Biological Diversity. Paper presented to the Idaho State Board of Land Commissioners' Federal Lands Task Force Working Group, Boise, Idaho. 11 pp. http://www.uidaho.edu//media/Files/orgs/CNR/PAG/other%20pubs/New/2000__trust-land-mgmt-concepts

[35] Clawson, M. (1984). "Major Alternatives for the Future Management of Federal Lands." Pp. 195-234, in, Rethinking the Public Lands, S. Brubaker, ed. Resources for the Future, Washington, D.C. (Emphasis added.]

[36] Clawson. M. (1975). Forests for Whom and for What? Resources for the Future, Washington, D.C.175 pp.

[37] Clawson, M. (1984). "Major Alternatives for the Future Management of Federal Lands." Pp. 195-234, in, Rethinking the Public Lands, S. Brubaker, ed. Resources for the Future, Washington, D.C. (Emphasis added.]

[38] Idaho State Board of Land Commissioners, "About the Federal Lands Task Force" (supra note 20).

schools, all of those things. They don't understand the interrelatedness of having Federal forest lands and those infrastructure needs that are necessary to keep them maintained.

So I wanted—how do you think your proposal would be scrutinized in terms of payments being shifted around as opposed to being directly linked as a Federal obligation and then Mr. Pearce or Yates, or anybody else who wants to comment on that.

Mr. HAGGERTY. Senator Cantwell, thanks for the question. I think one of the things that we are trying to accomplish with some alternative proposals is to make it clear that, you know, the communities have to be first in this. Rural communities are struggling across the country. We recognize their plight.

It's also true that we need some real solutions for our forests. We've heard a lot today about the need for restoration from the Chief. We certainly have fire issues in the forests.

But what we're trying to do is find a way to separate out the revenue requirement in paying counties as compensation for non taxable Federal lands and the work that we need to do in supporting rural communities with jobs and treating our forest's health issues. The reason that we're concerned about returning to a revenue sharing program is that a revenue sharing program is volatile. It's always been volatile in the past. We expect that it will be volatile in the future.

Counties need money every year. They need to have some certainty that they can take care of services, fund good schools and maintain roads.

So the other part of right now is we need a way to fund the current programs. The current programs have existing problems. The biggest problem that we've identified is that most of the Secure Rural Schools and PILT funding, as appropriations decline, are starting to be directed more to urban counties than to rural counties.

It's a problem. This is a rural program. Rural counties need these payments the most.

So what we're trying to do is not necessarily make a statement about any one way forward. But we want to offer a proposal to the table that tries to meet some goals.

One, provide predictability and fairness to counties.

Two, we want to direct payments to the rural communities where they can do the most good.

Third, we want to make sure that we can reduce spending in the Federal treasury over time.

So that's the nature or that's the, kind of, goals behind our proposal. The specific components within it I think can be discussed. So.

Senator CANTWELL. Thank you.

Mr. Pearce or Dr. O'Laughlin or Mr. Yates, any comment from that?

Mr. PEARCE. The conversation with the other parts of the country about rural communities, if I heard the question right.

Senator CANTWELL. About whether——

Mr. PEARCE. Yes.

Senator CANTWELL. Mr. Haggerty's proposal is somewhat not having it.

Mr. PEARCE. Right.

Senator CANTWELL. He's saying have it generally related as opposed to a specific formula. Obviously our challenge is a lot of our colleagues don't understand this to begin with. They think that we're talking about something here that's some give away to rural communities when, in fact, it is part of what is required for management of our national forests.

If you're going to have that much land tied up you have to access it.

Mr. PEARCE. Yes.

Senator CANTWELL. How are you going to access it if you don't have roads? How are you going to have communities that are going to be the support system for those national forests if they don't—if they can't have emergency services or schools or what have you? So the notion that you're going to lock up all these acres and somehow draw a line around it. Say oh, you're only going to go in every so often.

I think the first panel did a really good job. My 2 colleagues here from the Chairman, Ranking Member of talking about what happens to the forest if they don't have access. So all of this is about—this is the support system that goes with our national forest.

Mr. PEARCE. Absolutely.

To comment on that. I spoke earlier about just 2 searches, just 2, that were nearly $750,000 when you combined them. We, within my county, my home county, we have to run an ambulance service in the middle of the forest because of the amount of traffic that travels through that portion of the forest. It's a separate ambulance service and they cost $90 to $100,000 per year to manage that ambulance service.

So you're absolutely right. One of the issues for us is that PILT for better or worse as a payment for in lieu of taxes is a great plan if you have a lot of acreage. But as you know on the west side of the mountains you have big forests that grow very fast that aren't necessarily large acreages.

For instance in my county, if I were to trade SRS for PILT, I would get less than a million dollars in PILT funding compared to an SRS payment even at this last year of over $4 million when you bring the schools and so on into it. So we do perform services that are much bigger than an "11,000 person county" would normally perform.

Senator CANTWELL. Thank you for that. I'm going to turn it back to the Chairman.

But I'll just point out I meet so many people who will say, oh yes I went—they don't always know the exact name, but they went to the Skamania Lodge which is a national conference area. I meet so many people here from DC and they say oh, I went to your State. We went to this lodge. I'm not sure the Skamania Lodge would be there if you didn't—it has to have support. It has to have access to roads. It has to have a community and all those things are part of this resource.

So, anyway I'll turn it back over to the Chairman and welcome back.

The CHAIRMAN [presiding]. Thank you, Senator Cantwell.

Where are we in terms of colleagues?

Very good, well let's let Senator Murkowski and Senator Risch ask any questions. I apologize to the panel as well because even by Senate standards this is a hectic morning. I thank Senator Cantwell.

Senator Risch.

Senator RISCH. Mr. Chairman, thank you.

Thank you, Senator Murkowski for yielding to me. I do have another meeting I've got to go to. But I did want to comment briefly on this.

Starting with you, Dr. O'Laughlin, you know, I've been to the new building where they house the natural resources and forestry school. When I went there we actually did walk uphill in deep snow to Morrill Hall, which I know you've been on. It's the highest building on campus. It wasn't nearly as warm and cozy as the new school is.

Thank you for your testimony. I really appreciate that you're bringing a, more of a, standing back and looking at this globally as far as the problem is concerned. Because I think most people, as has been pointed out, don't understand the problems we have out West, you know.

They really don't comprehend that the Constitution said every State was supposed to be admitted on equal footing. Turns out some States were more equal than others. We wind up with such a great swath of our State owned by the Federal Government.

So as a result of that the government really, the Federal Government, has not been paying its fair share of what it gets out of the services from the local communities. They are very substantial, as has been pointed out here.

But I like the idea of rethinking this, of stepping back and having another look at this. When I was Governor we wrote a road less plan for Idaho, as you're probably familiar with. That was the result of doing just what you did here. That is stepping back and doing it differently than the way they've been trying to do it for 40 years.

The result was the collaborative method that came up with rule. We have the only rule in the United States today in Idaho. It was written by Idahoans and is now administered by Idahoans. We have the—Tom, in the Forest Service to thank for that and the Administration for joining us on that.

You came to the right place because I have found that both Senator Wyden and Senator Murkowski are very good about being open minded and re-looking at things from a global standpoint. Although Senator Wyden wasn't here when you testified, I suspect he's going to be very interested in your testimony as to the 3 new ideas you've had. I'm sure there's no pride in authorship. I'm sure there's probably some other ideas that we may have a look at.

But this need for a stable stream of income for the counties, school districts, road districts is so important. You know, it doesn't matter here to the Federal Government. They just borrow money. They don't have it, not a problem. They just go out and borrow it.

But the cities and counties and the local districts do not have that luxury, most are required to balance their budget. So we really appreciate that. I think by—if we did step back and have a look at some different ways in which we should do this.

One of the things I found on the road less issue that took me was one of the keys was what had been done for 40 years is everybody that wrote a rule for road less tried to write a rule that one size fits all. To me it was so obvious when I started to look at that that this was not going to work. As a result of that, we did it differently, as you know, in Idaho.

I think maybe that may be, as we sit here and talk about this today, maybe one of the keys that we get the local States, the local units of government involved in this to craft something that works there that may not work in another area. Obviously the Forest Service is going to have to be in the—it's going to have to be open to this. BLM is going to have to be open to this.

But if we work together maybe there's a way to do this to where we can get the local involvement instead of a one size fits all since that doesn't seem to work.

So thank you for your testimony here today. Thank all of you for coming today. I think probably, as far as I'm concerned this is been eye opening, that maybe we ought to step back.

You've certainly been a pioneer on this, Senator Wyden. We all thank you for that.

Obviously we've learned lessons through it. Maybe what we ought to do is take those lessons and take a step back and re-look at how we're going to do this from a global standpoint.

The CHAIRMAN. Senator Risch, thank you very much for those kind words. I think your point about stepping back and looking at areas where we could come up with some fresh approaches. One of the things that's striking about this debate is there may be some new ways to build on some of the approaches that have actually worked like these Resource Advisory Committee. I mean these Resource Advisory Committee, we hear. I see Mr. O'Laughlin, I believe is your constituent, you're from Idaho aren't you, sir?

Mr. O'LAUGHLIN. The great State of Idaho.

The CHAIRMAN. The great State of Idaho.

Senator RISCH. The great State of Idaho, Senator Wyden.

The CHAIRMAN. OK. I looked at your testimony. We'll have some things we want to ask. I mean this is something that I think we've had now for a few years. Industry folks say they like it. Environmental folks say they like it.

I remember, like it was yesterday, Senator Craig and I having conversations about how we would come up with some resolution with respect to Secure Rural Schools. Of course any time back then people talked about it they talked about sufficiency language. I said, bad history on that because we remember all of the litigation, the fighting and, you know, the protests. Let's try to find something as an alternative.

I remember when we hit on that I said this really looks, just as you said, like something that would have a chance to bring people together. I think we ought to be trying to do that, you know, again.

Senator RISCH. You know, you're right on that, Senator Wyden. When we did the road less rule in Idaho we provided in the rule for a RAC type committee. It was modeled after this committee. They are the ones in Idaho that are actually meeting regularly to administer the road less lands and whatever happens in those road less lands.

It is made up of the same type of collaborative group that we had that wrote the rule. It really is working. As you say, people who are not customarily talking with each other, it has worked very well.

So, thank you, thank you for providing that model to start with, but——

The CHAIRMAN. We're going to be working closely with you, Senator Risch.

Let's—Senator Murkowski I know has a question or 2 and then I'm going to touch on something and we'll wrap up. You all have been very patient. Thank you.

Senator MURKOWSKI. Thank you, Mr. Chairman.

I do want to acknowledge the work of my colleague on what he did in Idaho with the road less rule. We wish that we had been able to accomplish the same. Maybe we need to look to collaborate a little bit more because we're so snarled up on road less right now in Alaska.

But that's a subject for another hearing.

I want to thank those of you who have participated here today. I think that this panel was very helpful just in offering up some suggestions out there, helping us think a little bit outside the box. I think this is the difference between being within the Administration and saying we can't say anything about proposals. We'll talk to you later.

You folks that are—that have put some study into it, some thoughts, maybe a little bit of controversy here. Mr. Yates and Mr. Haggerty are clearly on opposite sides when you talk about the consolidation, if you will, between PILT and Secure Rural Schools. But that's good for us to hear. It's good for us to look at what the options might be.

Dr. O'Laughlin, I appreciate what you have done in just your assessment, your review of alternate governance arrangements for our national forest systems. I think this is critically important for us to look at. I would hope or maybe I could just ask you to look at what Alaska is proposing and give me your comments on that whether you think that that might be something that is workable.

We think it's an alternative. The Governor certainly does. His task force has put that out. But I'd be curious to know your comments if you would be willing to provide them.

I wanted to ask you a question, Mr. Pearce. It's my understanding that it's your position and that of the Partnership for Rural America that you would—you'd say OK, well give up Secure Rural School dollars to get forest production. Then it's not just about restoration. It's about restoring timber production. Is that a fair assessment of your views?

Mr. PEARCE. Not to be contrary, but I would disagree that that's where we're at.

Senator MURKOWSKI. OK. Alright.

Mr. PEARCE. Senator, if I could speak to it for just a moment.

We are pursuing a collaborative conversation with folks across the country from all sides taking the RAC model as a model, as a matter of fact, to try to bring organizations together to have the same kinds of conversations that RACs are having at the local level. Then our principles for pursuing forest health legislation, we do in fact feel very strongly there has to be bridge funding. The short term bridge funding for counties is absolutely necessary.

There's just no question about it. We have counties that——

Senator MURKOWSKI. But we also recognize that we've been doing short term—

Mr. PEARCE. Absolutely. Thank——

Senator MURKOWSKI. Bridge funding for a long time. That bridge is getting real long.

Mr. PEARCE. We agree with you. Absolutely. As a commissioner who spent the last 8 years literally half of my time here because of that funding. I can tell you that.

But I think what I would like to say is our mission is long term economic vitality for rural communities. It must include legislation that requires active, sustainable forest management to achieve resilient forest lands managed by both the U.S. Forest Service and Oregon and California forests. We want to see landscape restoration because we know that landscape restoration means timber.

We know that these monocultural forests that were planted by man that are not natural. In order to bring them to a natural State will require a very long time to do that. It will require timber production. It will require jobs in our small communities and companies to come into our small communities.

I would argue that we are really looking at legislation for forest management on the broadest possible plane you can find.

Senator MURKOWSKI. That would certainly include active——

Mr. PEARCE. Active.

Senator MURKOWSKI. Forest management reforms.

Mr. PEARCE. Absolutely. Yes, ma'am.

Senator MURKOWSKI. Yes. Yes. Good.

Gentlemen, thank you all for not only your testimony here this morning, but for your efforts as we work to find a more long term, sustainable solution.

I'll just conclude with a note to Mr. Haggerty. You mentioned that if we go to a revenue sharing type of concept that injects volatility. I would suggest that our Federal Government and what we do with our budget deliberations on an annual basis is equally volatile. We would like to figure out a better path. I think you would all agree with us on that.

So we look forward to working with all of you.

Mr. Chairman, I suggested when—before the prior panel was dismissed I had asked specific questions of the Chief and of Ms. Haze as to what they might provide to the Committee in terms of recommendations. They were politically vague which is not surprising. But I did suggest that perhaps we all would have an opportunity to sit down with them and pick their brains and that of these individuals again that are focused on some pretty important stuff.

So, look forward to doing that with you.

The CHAIRMAN. Let's do it.

Thank you, Senator Murkowski.

I apologize again to all of you for having to be out. I did read your testimony last night. I think all of you while having obviously differing views were trying to be sensitive to the fact that there is a challenge to try to deal with the short term and the long term.

I think rather than keeping you any longer I just want to say we're going to be reaching out to you more in the days ahead. What's going to be different about this—and essentially we've had what amounts to 4 reauthorizations, if you kind of look back through the history, we are going to make sure that no one tries to put the short term and the long term out there as if they were mutually exclusive. They are not.

We need to find a way that intertwines. Whether you call it a bridge or what have you, something that ensures that these rural communities that have taken such punishing hits in the last few years, can keep their doors open while in effect the Congress goes through what very often seems like a slow burn when it comes to legislation. I think you heard from Senators today a real desire to look at some fresh ideas with respect to the long term.

That's why I hit for example on the common bonds between all the communities where there is Federal land and Federal water. Literally when I went to Senator Landrieu's State and Senator Murkowski's State, I was struck by how the conversations were so similar to the ones we have in rural Oregon where you have folks from the timber industry who would like to get the cut up, as I would, working with folks who are in the environmental community trying to protect some old growth as I would also like to do.

So I think there is a lot to work with here. As you could see it's not going to be partisan. Having talked to Administration officials such as Secretary Vilsack here recently, I think we're going to see the Administration very interested in these conversations.

So my apologies for having missed a decent chunk of your comments. I want you to know I did read your remarks last night. Clearly you all have subscribed to the idea that it's time for some new thinking. That's certainly all we can ask for.

With that the Energy and Natural Resources Committee is adjourned.

[Whereupon, at 12:27 p.m., the hearing was adjourned.]

[The following statement was received for the record.]

STATEMENT OF ATHAN MANUEL, DIRECTOR, LANDS PROTECTION PROGRAM, SIERRA CLUB

On behalf of the Sierra Club's 2.1 million members and activists, I am writing to support the Committee's examination of both short and long-term solutions to the challenges posed by the much needed payments to local governments, via Secure Rural Schools (SRS) and Payment in Lieu of Taxes (PILT).

As you know, the Secure Rural Schools and Community Self Determination Act program is expiring, leaving rural communities across the country in financial risk. This program provides important funding for schools, community services, and roads in more than 1,900 counties in 49 States, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. SRS has received broad bipartisan support since its original passage in 2000 because it helps the economic stability and sustainability of rural communities. As noted in previous communications with Committee members and staff, the Sierra Club encourages a short-term reauthorization of SRS. As the nation struggles to support public sector jobs and services during a time when the economies of many rural areas continue to struggle, a short-term extension of this program provides an opportunity to maintain support for rural areas as we identify a more sustainable long-term solution.

For more than 100 years, hundreds of counties across the United States have received payments from the federal government as part of a compensation process for non-taxable Forest Service and Bureau of Land Management (BLM) lands. By decoupling payments from commodity receipts and introducing new funding for projects on public lands, SRS has helped counties with the transition away from unsustainable dependence on logging to a more diverse economic base in the face of declining timber production on public lands and changing economic opportunities related to restoration and conservation.

As SRS represents only a temporary solution, the Sierra Club is committed to supporting the Senate's efforts to create a long-term solution that identifies alternate funding sources that also protect our nation's wild places, clean air and water, and wildlife. We look forward to discussing ideas and opportunities with staff, and continuing to consider how we might best address the needs of rural communities while maintaining a healthy environment for all to enjoy in future generations.

As the Committee reviews various proposals, the Sierra Club would like voice our concern regarding any effort that would essentially industrialize or privatize our public lands. Such efforts will damage watersheds and pollute drinking water and put our western water supply at risk. Our public lands are also our economic engines. The most recent 2012 report from the Outdoor Industry Association confirms that the outdoor recreation industry directly supports 6.1 million jobs and contributes over $646 billion annually to the U.S. economy. Similarly, the U.S. Forest Service's most recent annual visitor survey showed that Forest Service lands attracted 166 million visitors in 2011, and that visitor spending in nearby communities sustained more than 200,000 full- and part-time jobs. At the local level, according to the Bureau of Land Management, in 2010 there were a total of 6,811 jobs on Oregon BLM lands associated with recreation, accounting for a total of $662,400,000 in output. Also, the most recent data from 2011 shows about 5.5 million visits were recorded on Western Oregon BLM associated with recreation. Finally, National Parks continued to be important economic engines for local communities in 2011, with visitors generating $30.1 billion in economic activity and supporting 252,000 jobs nationwide.

The Sierra Club supports a dual track approach that both secures the needs of rural communities in the short-term, while we examine options for a long-term solution that maintains a commitment to the protection of our nation's natural heritage.

We thank the committee for their commitment to this issue and look forward to future hearings and discussion on these matters.

APPENDIX

Responses to Additional Questions

Responses of Mark Haggerty to Questions From Senator Murkowski

Question 1. In your testimony you conclude that continued decoupling of payments can lead to new dedicated funding streams from public lands, and you go on to cite oil and gas, and leasing fees. I find this confusing in that your testimony focuses a great deal on volatility and the boom and bust cycles of commodity-extraction, yet why do these extractive uses escape scrutiny? Why does timber get singled out?

Answer. In our testimony, we reviewed the history of the Forest Service and Bureau of Land Management (BLM) O&C revenue sharing programs to highlight the challenges associated with volatility and to help provide context and information that could be useful in crafting a long-term solution.

The boom and bust cycles inherent to commodity markets suggests several things: returning to revenue sharing as the basis for providing compensation for non-taxable federal lands will result in lower payments for most communities relative to Secure Rural Schools (SRS), that compensation to individual counties will vary dramatically in amount (meaning payments are inequitable for the purpose of tax compensation), and that payments will be highly uncertain from year to year.

Revenue sharing from oil and natural gas bonus payments, rents, and royalties will face similar challenges associated with timber revenue sharing payments. The testimony does not exclude these revenue sources from scrutiny, or single out timber.

If decoupling is important to providing stable, predictable payments for communities dependent on timber, the same will be true for compensation made to counties more reliant on oil and natural gas to fund local services and infrastructure.

In other words, compensation made to counties for non-taxable federal land will best serve the needs of counties if these payments are decoupled from annual commodity receipts regardless of the source of those receipts, be it timber, oil and gas, renewable energy, or other similar tax, fee, or royalty payment.

As Senator Murkowski noted during the hearing, continued appropriations are no more certain for counties than are payments made from commodity receipts. That is why the testimony offered recommendations for reform that will more efficiently and equitably distribute payments that could also allow Congress to lower the overall cost of the program. The testimony also offered the observation that decoupling allows communities, agencies, and Congress to work together to find ways to identify dedicated sources of funding to reduce or eliminate the need for appropriations over time. It is up to Congress to decide how to fund payments in the future, and our brief reference to ongoing discussions about potential new revenue sources should not be interpreted as funding recommendations.

Question 2. One of the key purposes of the Secure Rural Schools is funding for rural schools. What impact does the expiration of the SRS program have specifically on schools? Does that impact on the schools vary by state? Please explain. In your explanation please include a breakdown by state and county of the amounts and percentage of funds allocated to schools.

Answer. Payments from the Forest Service through the 25 Percent Fund and the expired SRS program are restricted to fund roads and schools. Congress left to the states to determine how to allocate Forest Service payments, and each state allocates a different share of payments to schools.[1] Vermont allocates 100 percent of

---

[1] Federal legislation mandated that payments fund county roads and schools, but left to states how to allocate the funds between these two services. See Congressional Research Service Memorandum, Forest Service Revenue-Sharing Payments: Distribution System. November 19, 1999. Ross Gorte. (attached to this document as Appendix A.*

*Appendix A has been retained in committee files.

Forest Service payments to school districts. Most other states allocate between a quarter and three quarters of payments to schools.

States also differ on how the payments allocated to schools are distributed. A majority of states pass the funds directly back to local school districts based on National Forest acreage in each district, meaning Forest Service payments to schools represent additional revenue to those districts that have public lands. Some states retain the Forest Service payments and add them to state school equalization funds meaning Forest Service payments are distributed to schools across the state with no basis in National Forest acreage. States that do not distribute payments directly to local schools include: Arizona, Arkansas, Colorado, Louisiana, Missouri, Nebraska, New Mexico, Oregon, Pennsylvania, Tennessee, Vermont, Washington, and Wyoming.[2]

For example, Oregon retains SRS payments in the state equalization fund and shares SRS funds with all schools in the state. To put the case of funding for Oregon schools in perspective, it is useful to know that SRS payments make up a small portion of the Oregon school budget and that SRS payments are currently paid on a declining annual basis. In FY 2009, SRS payments to schools in Oregon amounted to $25 million, which was about one percent of the three billion dollar State School Fund budget for 2009-2010. If SRS is not renewed and federal land payments revert to revenue sharing based on commodity production, we estimate Oregon's schools would receive between four and five million dollars-or about 0.13 percent of the current State School Fund.[3]

The two important points are that schools with federal lands in others states that add payments to equalization formula do not benefit from SRS or the 25% Fund, and because they do not benefit, they will not be harmed if Forest Service payments decline (if SRS is not reauthorized). In contrast, in states that do return Forest Service payments directly to local districts, schools will be exposed to significant funding declines if SRS is not reauthorized.

It is also important to understand that PILT is designed as a safety net that provides certain funding to counties if revenue sharing payments falter. Only county governments are eligible to receive PILT, and school districts have no similar safety net for declining federal compensation for non-taxable lands. For example, school districts in Idaho and Montana are highly exposed to changes in Forest Service payments because schools will not be compensated by PILT, while schools in Oregon and Washington will not see significant revenue declines because they are not direct beneficiaries of Forest Service payments.

The attached map* shows how payments change to both county governments and school districts only for the county and local share (25% fund, Title I and Title III) if SRS goes away and PILT is fully funded. Notice that almost all counties in Washington State will see no change, other than the four counties subject to the population ceiling payment amount in PILT. In Montana and Idaho, by contrast, every county that received an SRS payment will see declines, and these declines include the impact to school districts.

RESPONSES OF MARK HAGGERTY TO QUESTIONS FROM SENATOR BARRASSO

Question 1. In your testimony, you make the case county payments should be decoupled from the source of revenue, as this allows new revenue to come from anywhere including higher oil and gas royalties, new leasing fees, and a carbon tax. Are you proposing to redirect onshore oil and gas revenues that would otherwise go to producing states such as Wyoming, Colorado, New Mexico, Utah, and Montana to non-producing states such as Oregon and Washington?

Answer. Under the recently expired SRS program, payments to each county were determined based on a formula that included historic revenue sharing payments, the number of acres of federal land in each county, and an adjustment for per-capita personal income. SRS payments were funded at a certain level each year that was determined by Congress. The full SRS authorization was funded first from receipts generated on public lands and then from the federal Treasury.

If SRS is reauthorized with or without reforms, we do not recommend that the basic structure of a formula-driven, predictable payment to counties funded by a combination of receipts from public lands and the federal Treasury change.

---

[2] An Inquiry into Selected Aspects of Revenue Sharing on Federal Lands. 2002. A report to the Forest County Payments Committee, Washington, D.C. Research Unit 4802-Economic Aspects of Forest Management on Public Lands, Rocky Mountain Research Station, USDA Forest Service, Missoula, MT.

[3] Oregon Department of Education, Oregon State School Fund (SSF). http://www.ode.state.or.us/search/results/?id=168 (last accessed 11/22/10).

* The map had been retained in committee file.

We recommend that Congress maintain decoupling between payments made to compensate counties for the presence of federal public lands and annual receipts but do not make any recommendations to the source of funding. That is for Congress to determine.

Question 2. In general, do you believe higher taxes and additional fees are good for economic growth and consumers?

Answer. The purpose of the hearing was to examine the options and challenges related to possible reauthorization and reform of two federal payment programs for local governments-the recently expired Secure Rural Schools and Community Self-Determination Act and the Payment in Lieu of Taxes.

In our testimony, we review the history of revenue sharing payments to highlight the challenges inherent to funding basic local services from a volatile federal payment program. Based on this history, we recommend that a long-term solution to compensation for non-taxable federal lands maintain the current decoupling between payments to local governments and annual receipts.

We do not make any recommendations to how the programs should be funded. We only suggest that if federal land payments to counties are reauthorized in a way that they are stable, predictable, and equitable, the source of funding is no longer important to the performance of the compensation programs and funding could come from a wide variety of options.

Question 3. In your testimony you state County payments should not be tied to the boom and bust cycle of commodities such as timber. Would not payments stemming from oil and gas royalties and fees also be subject to the ups and downs of markets?

Answer. Yes. In my testimony, I reviewed the history of the Forest Service and BLM O&C revenue sharing programs to highlight the challenges associated with volatility and to help provide information that could be useful in crafting a long-term solution.

The boom and bust cycles inherent to commodity markets suggests several things: returning to revenue sharing as the basis for providing compensation for non-taxable federal lands will result in lower payments for most communities relative to SRS, that compensation to individual counties will vary dramatically in amount (meaning payments are inequitable for the purpose of tax compensation), and that payments will be highly uncertain from year to year.

Revenue sharing from oil and natural gas bonus payments, rents, and royalties will face similar challenges associated with timber revenue sharing payments. The testimony does not exclude these revenue sources from scrutiny, or single out timber.

Question 4. How do higher taxes and fees on natural resources such as oil and gas bring jobs back to counties rich with timber resources?

Answer. We recommend that the best way federal land compensation programs can aid economic development in rural communities is to provide stable, predictable payments as compensation for non-taxable federal lands.

We do not make any recommendations to how the programs should be funded. That is for Congress to determine.

Question 5. What would be the economic impact of higher taxes, fees, and royalties for county governments where oil and gas is produced?

Answer. The purpose of the hearing was to examine the options and challenges related to possible reauthorization and reform of two payment programs for local governments-the recently expired Secure Rural Schools and Community Self-Determination Act and the Payment in Lieu of Taxes.

We do not make any recommendations to how the programs should be funded, that is for Congress to determine.

Responses of Jay O'Laughlin to Questions From Senator Murkowski

Question 1. Some have suggested that the expiration of the Secure Rural Schools program is actually an opportunity to experiment with alternative governance arrangements for national forest system lands. I understand that you have studied the state trust land model and believe it can be adapted successfully for national forest system lands.

Can you elaborate on how the state trust land model can be adapted for national forest system lands?

Answer. It is my privilege to do so. Our nation's oldest, most durable resource management model is the trust concept applied to managing lands granted at statehood to support public schools and other public institutions. The trust model is used by 22 states to manage 135 million acres of land and creates cash flows of billions of dollars for trust beneficiaries, primarily public schools. The trust model is based on principles of clarity, accountability, enforceability, perpetuity, and prudence. Thus trust land management is capable of attaining sustainable resource management on public lands, and likely more capable than the hodgepodge of overlapping statutory mandates, administrative regulations, and case law precedents that characterize the current situation.

Of the five trust principles, only enforceability is evident on National Forest System (NFS) timberlands. As a result of extensive litigation, mostly regarding procedural failure rather than substantive environmental quality issues, federal courts have become de facto land and resource managers. As contrasted with the trust principles, NFS objectives are unclear, managers are generally unaccountable for their actions, at least 65 million acres of NFS timberlands are in a condition that cannot be perpetuated (i.e., an unsustainable condition due to excessive fuel loads), and the decision process is imprudent because the National Forest Management Act (NFMA) relieves the U.S. Forest Service (USFS) from having to employ efficiency guidelines that ordinary businesses follow.

Trust settlor and trust components.—The creator of a trust is called the settlor. For a land management trust on NFS timberlands Congress would be the settlor. Trust components are briefly described as follows. The trust corpus is a body of assets placed under trust management, in this case, timberlands. The settlor creates a mission statement defining land and resource management objectives, identifies the trust beneficiaries, and appoints a board of trustees to set policies and oversee trust land managers, who presumably would be federal agency personnel. In essence, the lands in the trust are managed for the beneficiaries rather than "the public" and the trustees have a fiduciary obligation to act with undivided loyalty to the beneficiaries.

Funding the trust.—To make the trust work, funding mechanisms are needed that promote prudent businesslike management of the trust's revenue-producing assets. Eventually a timberland management trust could become self-sustaining if it had a sufficient amount of timberlands. Given the current county payment situation, some bridge funding would be needed until revenues begin to flow into the trust fund accounts. To be sustainable the trust must be economically viable and able to provide outputs of goods and services consistent with the trust mission as well as perpetuate and sustain the trust assets.

Biodiversity considerations.—Several provisions of federal laws that do not apply to state trust lands must be addressed to adapt the trust model to NFS lands. Foremost among them is the NFMA mandate to provide a diversity of plant and animal species. As USFS Chief Emeritus Jack Ward Thomas once pointed out in the context of northern spotted owl conservation, the NFMA diversity mandate is more difficult for the USFS than meeting the requirements of individual species protected by the Endangered Species Act. The trust model can be adapted to include species diversity as a trust mission, and assets and cash flows from them can be dedicated for that purpose in a biodiversity trust fund account.

Valles Caldera Trust.—Application of the trust model to NFS lands is not novel. Some NFS lands in New Mexico that have been managed since 2000 as the Valles Caldera Trust, a national preserve. Its mission, however, is as vague as that of the NFS: protect and preserve the scientific, scenic, geologic, watershed, fish, wildlife, historic, cultural, and recreational values of the lands and to provide for multiple use and the sustained yield of renewable resources. Although it was designed as a revenue-producing trust with a self-sufficiency goal, it is proving impossible to meet because the resource base is not substantial enough.

Mission statement.—State trust lands have more precisely defined missions than the Valles Caldera Trust. For example, as per the Idaho Constitution, the lands granted from the public domain at statehood must provide "maximum long-term financial return" for trust beneficiaries, mostly the public schools. However, eight other public institution beneficiaries also receive monies placed into their trust fund accounts, including the University of Idaho. The trust settlor (i.e., Congress) could dedicate some of the public lands trust assets to generate monies for a biodiversity trust fund, and wildlife advocates could be represented on the board of trustees to ensure that the trust assets are used prudently and the revenue-generating capacity is perpetuated. Other social concerns such as recreation opportunities could be similarly included in the trust's organizational structure with its own trust fund account. So, too, could local government officials who have come to rely on federal payments as compensation for not taxing federal lands.

Collaborative decision-making.—The current NFS governance system works best when citizen interest groups collaborate among themselves and recommend actions to the land managers. In theory this reduces litigation over project proposals, but it is slow and not without its critics. The current model stops short of power-sharing between interest groups and managers, which I view as a flaw that probably cannot be remedied under current laws and regulations. Under the trust model, a local collaborative management group could be created to not only work with and advise the trust land manager, but given power to make decisions with the manager or otherwise hold managers accountable for not implementing the group's recommendations. What about national interests? It is debatable whether there is such a thing as a national interest that is not present in an inclusive group of local interests. But if there is, then the national interest could be represented on the board of trustees, rather than the local collaborative group.

Question 2. You stated in your testimony that in your view we could sustainably harvest enough timber from national forest lands to provide revenues equivalent to SRS payments. This conflicts with the testimony of Chief Tidwell of the Forest Service, who stated that the Forest Service would need to cut 16.2 billion board feet to meet the SRS payments and that this would be virtually impossible to accomplish.

Do you agree with the Forest Service that they would need to cut 16.2 billion board feet provide to revenues equivalent to SRS payments?

Answer. No, I do not agree with that statement. Revenues are a function of price as well as quantity. Timber price is determined by many things, including market demand, timber quality, and contract stipulations timber purchasers must follow that add costs to their operations and reduce the price they are willing to pay for timber. Market demand is beyond the control of the USFS, but the agency can change the quality of timber sale offerings and the administrative rules for timber sales.

How much timber is needed, and at what price, to provide revenues equivalent to SRS payments? In 2009, SRS payments peaked at $438 million. With the 25% revenue- sharing policy that has been in place since 1908, revenues of more than $1.7 billion would be needed to generate SRS payments. If it would take 16.2 billion board feet (BBF) to generate $1.75 billion in gross revenues, then the average timber price is calculated as $108 per thousand board feet (MBF). The question now can be reframed: Is $108/MBF an accurate reflection of the value of national forest timber? Not necessarily. It could be higher, or it could be lower. In 2011 and 2012 the average price for NFS timber harvested was $53/MBF and $55/MBF, respectively. By comparison, the price for timber sold from Idaho's state trust lands averaged $200/MBF in 2012; in Washington state, $330/MBF in 2011, and an average of $300/MBF over a ten-year period from 2001-2011.

Question 2a. Please describe what a sustainable timber program on national forest system lands would look like that would provide revenues equivalent to SRS payments. What quantity of timber does this represent?

Answer. During several years in the late 1980s, national forest timber sales were as high as 12 billion board feet (BBF). Some analysts would argue that 12 BBF/year is sustainable; if sold at an average of $142/MBF then the 25% revenue-sharing policy would provide monies equivalent to SRS payments at their peak level. Now consider that if the Forest Service would harvest its self-determined Allowable Sale Quantity (ASQ) of approximately 6 BBF/year at an average price of $292/MBF, that would provide for peak SRS payments.

Is 6 BBF/year sustainable? By definition, the ASQ can be considered sustainable, at least in the biophysical sense. When the USFS was harvesting 12 BBF/year in the late 1980s, that was equivalent to only about half of the annual growth increment. If the entire annual growth increment were harvested during a year, the volume of timber in the forest would be the same at the end of the year as it was at the beginning. So even at 12 BBF/year, the timber harvest level was biophysically sustainable, and forest growing stock was increased by a large increment each year. With timber sales currently at 2.5 BBF/year, a very large increment is added each year. As a result forests are overstocked and trees struggle to compete for the limiting factor on each forest site-usually water in the Interior West and nutrients or sunlight elsewhere-and annual tree mortality has been increasing in every inventory period since the timber sale program began to wind down rapidly starting in 1990.

Sustainable forest management must be economically viable and socially acceptable as well as biophysically feasible. According to deceased Congressional Research Service analyst and forester Robert Wolf, in the late 1980s the USFS timber sale program had not paid its own way in any single year since the agency was created, despite USFS claims that the program was profitable. Wolf fixed the blame on a USFS failure to fully account for program costs.[1] Since then timber sale volumes have declined, while procedural requirements have not, so costs are likely even higher per unit of timber sold. However, the main reason the federal timber sale

[1] Wolf, R.E. 1989. National Forest timber sales and the legacy of Gifford Pinchot: Managing a forest and making it pay. University of Colorado Law Review 60: 1037–1078.

program now struggles to produce 2.5 BBF/year instead of 12 BBF/year is social acceptability. Segments of society have made it clear that they wanted timber sales reduced, if not eliminated, and when they go to court to enjoin a proposed USFS timber sale project, they often are successful.

RESPONSES OF JAY O'LAUGHLIN TO QUESTIONS FROM SENATOR BARRASSO

Question 1. Dr. O'Laughlin, the U.S. Forest Service believes that increasing timber production from our forests to provide revenues equivalent to SRS payments is basically impossible. Do you agree with the Forest Service that this is next to impossible?

Answer. I would stop short of agreeing that it is impossible and say instead it is highly unlikely, mainly because of the current set of rules the agency must follow. These complicated rules test managers' patience as well as their ability to make scarce budget resources do everything that laws and regulations require. The USFS spends half or more of its land management budget on planning and environmental analysis documents that are often successfully litigated for procedural failing. It may be time to change the rules, as several western states, specifically Utah and Idaho, are formally calling for a change of ownership. While those calls are being tested in legal venues, some rule changes could be tested on the land. The state trust land management model can be implemented on lands that remain in federal ownership. This is not a novel idea, as some NFS lands in New Mexico have been managed as the Valles Caldera Trust since 2000.

If the ASQ were harvested, what would the price need to be? Putting aside planning, analysis, and administrative costs for the moment, let us assume that the agency has sufficient resources to cut as much timber as it wanted to. The Allowable Sale Quantity (ASQ) concept sets a ceiling on what managers feel is a sustainable level of timber harvest.[2] The current ASQ across all NFS lands is about 6 BBF/year. If that quantity of timber was sold at an average price of $292/MBF, then the USFS would have gross revenues equivalent to SRS payments at their highest level. The current price is an average of $54/MBF. Perhaps Congress should consider what additional resources the agency needs to harvest the ASQ, which is about 2.4 times its current harvest level of 2.5 BBF/year, and require adjustments in agency practices so that higher quality timber could be sold under less onerous rules that would attract higher prices for sales. Some administrative rules would likely have to be changed to do that, but I do not understand procedural and contractual details well enough to make a recommendation. However, I do believe that Congress could improve the current situation and make land and resource management plans more meaningful by setting the ASQ as a target, not a ceiling, and specifying how the ASQ should be determined so that it is sustainable. If a land and resource management plan fails to do that, it is in my opinion not a very useful plan.

Question 2. Would linking timber management to revenue generation lead to unsustainable logging?

Answer. No. The trust model used by the states to manage lands granted at statehood for supporting public education generally has a revenue- generating mission objective. If the mission is for long-term revenue generation, as in Idaho, then the trust land manager must protect and perpetuate the sustained-yield capacity of the land or be in violation of the long-term revenue-production mandate. My observations are that state trust lands in Idaho, Montana, and Washington are managed sustainably under a revenue-production mission objective. I suggest some pilot projects on federal lands to test this question as a working hypothesis. Then arguments could be based on evidence rather than speculation.

What is meant by sustainable logging? Logging is a forest management tool, and sustainable forest management must be biophysically feasible, economically viable, and socially acceptable. There are some who will argue that state trust land timber harvests are not sustainable, and that the current harvest of 2.5 BBF/year on national forests is unsustainable. Others can be expected to argue that state trust lands are managed sustainably. And some might even argue that the 12 BBF/year harvests of the late 1980s on national forests were sustainable. The NFMA does not require the USFS to practice sustainable forest management, but perhaps it should. A starting point would be revisiting the conditions under which timber harvest is permissible, and the NFMA partially addresses that question by restricting harvests to "mature trees" as defined by the non-economic criterion of culmination of mean annual increment, which falls at a much older age than the cutting age of forests managed for revenue production. Third-party certification of sustainable forest man-

[2] Brown, G., J. O'Laughlin, and C.C. Harris. 1993. Allowable sale quantity (ASQ) of timber as a focal point in national forest management. Natural Resources Journal 33(3): 569-594.

agement has been tested on NFS lands. Whether certification should be a requirement under the current system has been debated and the answer was no. Although certification is costly, it has public relations value and could be a useful approach to test as a feature of trust land management pilot projects.

Biophysical feasibility—The annual forest growth on all NFS timberlands is about 6.5 billion cubic feet, or roughly 32 BBF, with annual mortality representing about 11 BBF. That means if the centuries-old sustained-yield rule of thumb - don't cut more in a year than the forest grows-were the guideline, then the national forests could provide a sustainable timber harvest of 32 BBF based on gross growth or 22 BBF/year based on net growth. That means if 22 BBF were harvested in a year, there would be the same amount of live green forest growing stock at the end of the year as at the beginning. A legitimate set of questions that I do not believe have ever been asked would be, what is the appropriate growing stock volume for NFS timberlands, and what should the annual net growth increment be? (After gross growth has been reduced to account for mortality and removals by timber harvest or other forest restoration activities.) Determining a sustainable ASQ implicitly relies on replies to these questions.

Economic viability—Given the high administrative planning and environmental analysis costs incurred by the USFS to comply with NFMA and the National Environmental Policy Act (NEPA)-some analysts estimate it to be more than half the agency's land management budget-then the timber sale program probably is not economically viable. As noted in the reply to an earlier question, the USFS has never been able to demonstrate that the timber sale program was profitable.

Social acceptability—Although society has not deliberated the question of what a sustainable NFS timber harvest level would be, segments of society have used planning and environmental laws to sue the Forest Service seeking to stop timber sales. Courts have often interpreted the laws in the plaintiff's favor.

Question 3. In your testimony you talked about changing the rules as a way to increase timber production while also addressing our wildfire/forest health problem. Will you further explain what rules and how they must be changed?

Answer. Yes, gladly. The question addresses two parts of what I described as the triple-win from active forest management: improved conditions and useful products. The third part is creation of family-wage employment. Before responding directly to the question of rule changes that could advance the triple-win concept, a brief digression provides a description of and a prescription for the wildfire/ forest health problem that may provide useful context.

Wildfire/forest health problem. Western forests evolved in the presence of fire, thus are what ecologists call fire-adapted. By excluding fire from forests for a century through very effective fire suppression activities, the fuel complex has been altered. Fuel loads are at unprecedented high levels and wildfires have become larger and less controllable than at any time in a century. Ways to improve the situation are well known: Either return fire to the landscape at something approximating the historic fire regime, or where that is too dangerous or not socially acceptable, use a fire surrogate to reduce hazardous levels of fuel-i.e., remove woody vegetation using logging equipment. Even if it is desirable to restore fire everywhere, the USFS points out that at least 12 million acres need mechanical treatments, i.e., logging, to remove vegetation before restoring fire would be considered reasonably safe. The agency is doing about 250,000 acres of mechanical treatments per year and producing 2.5 BBF/year. At that rate it will take 48 years to do the mechanical treatment part of restoration, and because vegetation grows back the mechanical treatments will need to be repeated to keep fuel loads below hazardous levels if fire does not return as expected soon after fuel treatments. If the ASQ of 6 BBF/year were harvested only from these 12 million acres of lands needing mechanical treatment, then the program of restoration work would take 20 years instead of 48.

The trust model—It seems foolish to wait any longer to begin a program of accelerated restoration; however, the federal budget situation is tricky, to put it mildly, and sustainable forest management must be economically viable. The idea that revenues from timber sales should be dedicated to fund forest restoration work may be a heretical non-starter for some people, but those with open minds should consider that the principles underpinning the trust land management model do not necessarily mean that linking timber revenues to specific programs, whether it be county payments or forest restoration work, creates an unsustainable situation. Based on her important and insightful book on State Trust Lands, Sally Fairfax, professor emeritus of the University of California-Berkeley, concluded that the trust land management model was more likely to attain sustainability than the current system.

Rule changes—If trust land managers had to deal with all the same rules that NFS managers must comply with today, society should not expect outcomes that are much different than what the NFS lands are currently providing for society. I would describe that as overstocked forests waiting to burn in unprecedented large and uncontrollable wildfires, like those in 2000, 2006, 2007, and 2012, each successive year topping the previous record of acreage burned in the west while the average number of wildfires per year has remained relatively constant for the past three decades. Tens of millions of timberlands are in an unsustainable condition and managed passively rather than actively.

Redo the NFMA statute. The USFS has tinkered with NFMA regulations numerous times and still failed to provide a sustained yield of multiple goods and services while forest conditions have worsened. The NFMA diverts scarce resources to creating planning documents that are chiefly useful for the maps that designate dominant-use areas where timber can be harvested and motorized recreational vehicles can go. Pay careful attention to the NFMA diversity mandate. Redefining the ASQ mandate and a new set of criteria describing where and when timber can be harvested would help.

Put land managers in charge of land management, not courts. These changes would help: Reduce the need for land managers to shuffle papers in the office and get them out on the land where they can improve landscape resiliency by removing hazardous fuels. Healthy Forest Restoration Act mechanisms should be used more widely.

NEPA requirements are burdensome and expensive. Administrative approaches to NEPA reform have not made much difference. Some instructions from Congress could help. Create categorical exclusions for fuel treatment projects designed to improve wildfire resiliency across large landscapes. If there are to be such things as NFMA land and resource management plans, exempt them from NEPA analysis. These planning documents describe dominant use areas as guides to actions across multi-million acre planning units, not decision documents for taking action. Such actions are proposed in smaller-scale projects, but wisdom currently emerging on NFS lands in South Dakota and Arizona is that NEPA analysis needs to be done at the scale of hundreds of thousands of acres, which is at least an order of magnitude greater than more customary project size of several thousand acres. The wildfire/forest health problems are large-scale and so must be the creative approaches to improve problem situations.

Conclusion—I appreciate the senators' questions and the opportunity to respond to them thoughtfully. I hope some of these ideas will improve the way NFS lands are managed. That is a common interest shared by citizens across the U.S., but especially in the western states where the NFS dominates the landscape, and in no other state as much as Idaho. Trust land management works, and today's managers are just as innovative as those who initiated the federal land management systems. If managers were freed from expensive administrative burden they would be able to demonstrate the good things they are capable of doing. Try some pilot projects with the trust model, and do it at a large scale. A ranger district here and there will not be enough, as the Valles Caldera Trust demonstrates. A four million acre area, such as the Clearwater-Nez Perce NF planning unit in north-central Idaho, or the Boise-Payette-Sawtooth NF unit in southern Idaho, is the right scale. So are the Fremont-Winema, Okanogan-Wenatchee, Tongass, Medicine Bow-Routt, and Uinta-Wasatch-Cache. And there are many others.

RESPONSES OF PAUL PEARCE TO QUESTIONS FROM SENATOR MURKOWSKI

Question 1. Do you agree with the assertion that Secure Rural Schools payments have promoted economic diversification? Has recreation or other public land uses been able to replace the loss of the timber economy in your experience?

Answer. We do not believe that SRS payments have promoted economic diversification in most of the counties receiving it. Economic diversity requires long range planning and land base available for infrastructure. Many of these counties are just holding on and look to the forests to be the economic engines they were intended to be and once were. Sustainable forest management is the only way they will achieve economic diversification

We do think that projects under Title ll have contributed to the economy of local communities. However they do not even scratch the surface that is required to have healthy and resilient forests.

Recreation on the forest and tourism in general cannot replace the economy that existed prior to the agencies decisions to stop managing these lands. We say in Skamania County that when the Skamania Lodge was built (private-county-federal partnership) that they eliminated family wage jobs in the forest and created service wage jobs at the lodge. Clearly this was backwards.

Question 2. You testified that although you and your organization want to see more active management of the forests on federal lands you also want to see secure rural schools payments continue as a bridge.

What kind of forest management reforms does your organization support and want to see implemented in forests on federal lands? What is your organization's definition of "bridge" funding? How many years of secure rural schools payments are an adequate "bridge", when some counties have received payments for more than two decades?

Answer. The counties did not make the decision to stop managing our public lands. My organization has proposed, since its inception in the late 90's, that we must restore the economic engine that these forests represent. Our principals on what we need in forest management legislation are attached to my written testimony and I repeat them here;

- Improving the efficiency for planning and implementation will reduce total management costs and leverage funds to accomplish more forest restoration.
- An investment in forest health restoration, which is an investment in rural economies, can save millions of dollars in state and federal funds by creating jobs and avoiding costs associated with wildfire suppression, social service programs and unemployment benefits.
- Efforts to accelerate the pace of forest health projects must include watershed scale projects that provide for less expensive and faster planning.
- Partners in planning a forest health project should be able to assume certain technical assistance roles in project planning. State and tribal forestry departments can play a role in project delivery. This could include parts or all of restoration, forest health, silviculture and harvesting; (application of Good Neighbor Authority).
- Stewardship contracting should be extended and include the requirement that Counties and Schools receive shared revenues on the gross project value as is required on any other receipts.
- There should be the necessary authority to pursue markets and investments to utilize forest restoration byproducts as part of watershed level and larger forest health projects.
- Allow third parties to pool funding and prepare the NEPA review for watershed level and larger projects.
- Increase involvement among environmentalists, forest products industry, counties and the federal land managers to create the agreement for NEPA to be protected against appeals and litigation.
- The Healthy Forests Restoration Act, which passed Congress overwhelmingly in 2002, should be applied more broadly.

Bridge funding should be continued until the Agencies meet their obligations to these communities. As you're questioning of the Chief proved, even with a specific forest plan, requiring specific deliverable's, the Forest Service somehow falls short. Imagine that same conversation over the nearly 20 years since the NW Forest Plans' adoption, the deliverables of which have never been met on any forest with the plans scope. We are absolutely prepared to work with congress to end the senseless gridlock that has the land locked up. As Gifford Pinchot promised "with shared revenues no community will suffer for hosting these lands" which of course is no longer the case.

RESPONSES OF PAUL PEARCE TO QUESTIONS FROM SENATOR BARRASSO

Question 1. Do you see NEPA and other environmental laws as impediments to active forest management in terms of forest restoration and commercial timber production?

Answer. We believe that the use of Environmental Assessments' and Categorical Excemptions's, as well as expanding the use of the Healthy Forest Restoration Act are available now but are not used by the Agencies even as they were envisioned in legislation.

Question 2. Do you and the Partnership for Rural America support reform of NEPA and other environmental laws as part of an SRS reauthorization?

Answer. We would be willing to engage with the committee in a review of what is working and what is not, and we think we could be very constructive in finding greater efficiencies while delivering equal or better environmental analysis.

Under the ESA we would argue that US Fish & Wildlife should have to do an all species evaluation when listing a species as threatened or endangered. The current "one species at a time" approach is clearly not good science.

We would also note that the USFW now has a new rule, which they pushed through, which allows that on critical habitat designation they never again have to do a full Environmental Impact Statement but instead will only have to do an Environmental Assessment. If that authority exists in rule making we would argue that the same could be done for Forest restoration projects include commercial harvest.

Question 3. In your testimony, you highlighted the issue of reauthorization of stewardship contracting authority and that it was important to have a conversation about impact on revenue sharing before it is reauthorized. Are you concerned that receipts from stewardship contracting are not currently subject to be shared with counties?

Answer. My members are very concerned about stewardship contracting with no receipts. The reason has a great deal to do with Congress questioning the need for bridge funding or SRS and that Counties should return to 25% receipt driven revenue sharing.

To have Congress say we should return to revenue sharing through receipts while at the same time authorizing Stewardship Contracting which allows the local District Ranger or Forest Supervisor to keep all proceeds from the contract for "projects" on the forest is at best a mixed message to these communities.

Question 4. Would your organization support a reauthorization of stewardship contracting authority without addressing revenue sharing with respect to stewardship contracts?

Answer. We are not in support at this time. My members are concerned about actual costs and revenue sharing potential. This would be facilitated by greater transparency—through the use of reporting by the Forest Service of the monies or goods received for the contract and the "project" costs associated with it. Currently in an actual timber sale the Forest Service reports the "profit" from the sale after reporting "costs" associated with it. This includes a line item for infrastructure. Using the same reporting process might solve the issue in that my members would then have the ability to assess the real impacts of these contracts. There is a second concern that the Forest Service will eventually be doing nothing but Stewardship Contracting timber sales.

RESPONSES OF RYAN R. YATES TO QUESTIONS FROM SENATOR MURKOWSKI

Question 1. If mandatory spending for PILT ends and is not continued and you once again become dependent on annual appropriations; which program is more important to your organization and the counties: PILT or Secure Rural School payments?

Answer. Funding for both the Payment in Lieu of Taxes program and the Secure Rural Schools and Community Self-Determination Act reflect a longstanding federal obligation to counties encumbered by the presence of federal land within their jurisdictional boundaries. As both programs are critically important to local governments-and fundamentally different (in intent, application and regional impact)-NACo is not in a position to pick and choose which Federal commitments the government should honor.

NACo supports the full funding of the PILT program at its yearly authorized level and supports legislative and/or administrative efforts to modify the program to make payments to counties on a basis equitable to both the federal and local taxpayer that are non-discriminatory in nature.

Counties must share in the benefits of economic activity on public lands through statutory formulas, which guarantee a percentage of all gross receipts to be returned to the counties where the activity occurs. NACo opposes any attempts to lessen the revenue sharing receipts.

Question 2. Headquarters Economics proposed combining secure rural schools and other revenue sharing with PILT as part of a single payment that would be paid to counties. At the hearing you indicated that the National Association of Counties does not support combining PILT with SRS. Please explain why the National Association is opposed to combining PILT and SRS into a single payment program. Does that opposition extend to combining PILT with other revenue sharing programs/activities (e.g. oil and gas production), why or why not?

Answer. As PILT is not a revenue sharing program, NACo opposes the combination or consolidation of PILT with other federal resource based revenue sharing programs. The basis for annual PILT payments is federal ownership of lands that are not subject to local taxation. Additionally, unlike most revenue sharing programs, PILT funds are used by local governments as general fund dollars to be used for any governmental purpose. Typically, revenue sharing program funds are earmarked for a specific use tied to a resource activity (i.e. SRS Title I funds can only be used for county road projects).

One of the primary reasons for the creation of the PILT program was the passage of the Federal Land Policy and Management Act-which specifically established that disposal of public lands would largely cease. Annual PILT payments reflect the United States governments' commitment to local governments to make payments in lieu of local property taxes. If annual PILT payments are unable to be funded by Congress, other options for the U.S government to consider could include: 1) direct invoices from local governments based on actual property tax rates, and 2) the disposal of federally owned property to private ownership (which is subject to local property taxes)

The consolidation of PILT and other federal revenue sharing programs would also politicize an otherwise apolitical and straightforward program by tying resource extraction activities - which have become politically contentious in recent years-to a tax equivalency program.

RESPONSE OF RYAN R. YATES TO QUESTION FROM SENATOR MANCHIN

Question 1. Like many of my colleagues, I understand the importance of PILT and SRS to local and county governments in West Virginia and across the United States.

Today the Committee has heard a number of proposals to reform both programs.

I want to know what you, as a representative from the National Association of Counties, think is the single most important reform measure we can make in Congress to these programs.

Answer. In terms of the SRS program, the most important reform would be to couple future forest payments to counties and active natural resource management to provide for the stability and well-being of forest counties and communities. NACo urges a new direction in the management of our federal forests, for the very health of the forests themselves, and for job opportunities and social and economic sustainability in rural America.

While some form of "bridge funding" to maintain solvency in our counties will be required, particularly given the dominance of federal forest presence in many counties, it is essential that Congress mandate active sustainable forest management to achieve necessary revenues (for counties and the taxpayer) and resilient forest lands managed by the United States government.

For the PILT program, NACo supports the elimination of population caps from the formula. The use of population caps discriminates against rural counties with small population and fails to accurately demonstrate the actual population of people being served by the county government.

Additionally, Congress should eliminate the use of "prior-year payment" reductions from the formula. The government should not reduce its tax obligation to county governments, solely because of other land management revenue agreements between governments.

RESPONSES OF RYAN R. YATES TO QUESTIONS FROM SENATOR BARRASSO

Question 1. The National Association of Counties has stated in the past that the federal government has failed to effectively manage our federal lands. Does the National Association of Counties still believe this is the case? If so, in what ways has the federal government failed to effectively manage our federal lands?

Answer. Management activities on the USDA Forest Service 193 million acre estate have steadily declined over the past two decades. Forest Service revenues from management activities (including grazing, timber, minerals, recreation, power, and special-use permits) have declined from total revenues of $1.385 billion in FY1990 to $186.4 million in FY2010.

Due to the agency's loss of productivity, Congress has had to make mandatory payments to counties (via the Secure Rural Schools program) in lieu of sharing revenue at a cost of roughly $350-500 million / year. Additionally, local forest communities have suffered from steep economic declines from the loss of resource-based employment which has led to increases in unemployment rates, declines in state gross domestic product, and in many cases-population reductions in rural communities.

Additionally, NACo is concerned that while Congress has struggled to manage the federal estate while meeting longstanding financial obligations to states and counties, the government continues to seek to enlarge the federal estate and limit public access and use through special use designations.

NACo opposes federal land management agency actions that limit access and multiple use of lands that otherwise would be available to the public (i.e. defacto wilderness). NACo opposes Executive Branch efforts to designate de facto wilderness, or federal restrictions not explicitly enacted on use of public or private lands in proximity to a designated wilderness or a Wilderness Study Area without congressional approval. NACo supports amending the Antiquities Act to provide transparency and accountability in the designation of national monuments. Federal consultation with state, county, and tribal governments should be required prior to the development and designation of any national monument.

Question 2. Does NACo believe that the relationship between forest management and revenue for counties creates a perverse incentive to advocate for unsustainable logging on our public lands?

Answer. No. NACo maintains that Federal forest payments to counties should be coupled with active natural resource management. NACo supports the relationship between sustainable natural resource management and the stability and well-being of forest counties and communities.

Question 3. Does NACo support re-linking receipts and forest management?

Answer. While counties are deeply grateful for the financial lifeline of the Secure Rural Schools & Community Self-Determination Act (SRS), NACo urges a new direction in management of our federal forests, for the very health of the forests themselves, and for job opportunities and social and economic sustainability. While some form of "bridge funding" to maintain solvency in our counties will be required, particularly given the dominance of federal forest presence in many counties, it is essential that there be a new direction in federal forest management.

Legislation that provides bridge funding to forested counties and school districts while economic vitality is restored in these communities is vitally important and essential. Also, for there to be economic vitality, Congress must mandate active sustainable forest management to achieve resilient forest lands managed by the United States government.

RESPONSE OF RYAN R. YATES TO QUESTION FROM SENATOR HELLER

Question 1. In your oral testimony, you indicated that the National Association of Counties would oppose the combining of the PILT and Secure Rural Schools programs. Could you please elaborate on the rationale behind NACo's position?

Answer. As PILT is not a revenue sharing program, NACo opposes the combination or consolidation of PILT with other federal resource based revenue sharing programs. The basis for annual PILT payments is federal ownership of lands that are not subject to local taxation. Additionally, unlike most revenue sharing programs, PILT funds are used by local governments as general fund dollars to be used for any governmental purpose. Typically, revenue sharing program funds are earmarked for a specific use tied to a resource activity (i.e. SRS Title I funds can only be used for county road projects).

One of the primary reasons for the creation of the PILT program was the passage of the Federal Land Policy and Management Act-which specifically established that disposal of public lands would largely cease. Annual PILT payments reflect the United States governments' commitment to local governments to make payments in lieu of local property taxes. If annual PILT payments are unable to be funded by congress, other options for the U.S government to consider could include: 1) direct invoices from local governments based on actual property tax rates, and 2) the disposal of federally owned property to private ownership (which is subject to local property taxes)

The consolidation of PILT and other federal revenue sharing programs would also politicize and otherwise apolitical and straightforward program by tying resource extraction activities—which have become politically contentious in recent years—to a tax equivalency program.

RESPONSES OF THOMAS TIDWELL TO QUESTIONS FROM SENATOR WYDEN

Question 1. Thank you for showing your support at the hearing for both Secure Rural Schools and for getting the timber cut up. I understand your point that the Forest Service could not sell enough timber today to replace County payments, and that is why I am advocating for a two-pronged approach: a short-term extension of County payments while we rejuvenate the Agencies' timber programs. In your testimony, you pointed out that 16.8 billion board feet is the amount of timber that would need to be sold today to fund County payments in FY 2014. In the entire history of your Agency, has the Forest Service ever sold in a single year that much timber? What is the most amount oftimber the Forest Service has ever sold in a year? During the period when the Agency was conducting its highest years of timber harvesting, what was the average annual volume of timber offered for sale?

Answer. The agency sold 19.5 BBF (billion board feet) in 1969. 8 BBF ofthis amount was in one long term contract offering in Alaska. Between 1970 and 1988 the average volume of timber offered for sale was 12.6 BBF and the average sold volume was 11.0 BBF.

Question 2. Chief Tidwell, I appreciate your sharing my commitment to get the timber cut up. I know there are a number of ideas circulating about ways to accomplish that, but one idea that seems like a no brainer to me involves the Forest Service's appeals and objection process. Over a year ago, you started to update the Agency's regulations concerning the use of its pre- decisional objection process. When will you finalize these regulations, enabling restoration projects to be expedited and the role of public involvement to be firmed up?

Answer. The final rule was published in the Federal Register on March 27, 2013 at https://www.federalregister.gov./articles/2013/03/27/2013-06857/project-level-predecisional-administrative-review-process.

Question 3. Dr. Jay 0'Laughlin, a witness from the second panel, testified that placing National Forests lands into trusts could be an effective way to achieve more harvests and revenues, citing the Valles Caldera as an example. I understand the trust was created from a private ranch and was created to protect the ranch and be self-sustaining. Is the Valles Caldera the only example of the Forest Service operating its lands through a trust? For what purposes was the trust created and how does it differ from the purposes of state trust lands and other Forest Service lands?

Answer. The Valles Caldera Preservation Act provided for the acquisition of the 88,900 acre Baca Ranch in the Jemez Mountains ofNew Mexico into the National Forest System. The purpose of the Valles Caldera National Preserve (VCNP) is to protect and preserve the scientific, scenic, geologic, and other resource values of the Preserve, and to provide for multiple use and sustained yield of renewable resources and. to be a working ranch. It was established as a demonstration area for an experimental management regime, which incorporates both public and private administration elements. The Act also established the Valles Caldera Trust (VCT) to provide administrative and management services, establish and implement policies, to receive and collect funds from private and public sources, and to cooperate with other Federal, State, Tribal, and local governmental units. The VCT provides administrative and management services for the VCNP. The VCT is managed by a Board of Trustees that consists of the Forest Supervisor of the Santa Fe NF, the Superintendent of Bandelier National Monument, and seven presidential appointees. This is the only such trust within the National Forest System.

VCNP differs from the purposes of other National Forest System lands in that it is managed by the Valles Caldera Trust and overseen by a Board of Trustees. In addition, the Valles Caldera Preservation Act has some specific provisions for the VCNP to continue as a working ranch and preserve the unique values of the area. Most significantly, the Act requires that the VCT work toward the goal of financial self-sustainability within 15 years after the date of acquisition (e.g. sufficiency by 2015) or become part of the National Forest System.

In general, state trust lands are required in state constitutions to be managed for the sole purpose of generating revenue for public schools and other public institutions in western states. These state trust lands have a very different mandate than National Forest System lands, which are managed for multiple uses and sustained natural resource benefits such as water quality, forest health, and wildlife habitat.

Question 4. Has the Valles Caldera National Preserve been successful at producing enough revenues to offset its need for appropriation-as was originally intended?

Answer. No-while revenues have increased since creation of the Preserve, they do not complet ly offset the need for appropriations. The table below summarizes total appropriations and revenues generated for Fiscal Years 2001-2012

Year	Appropriations from Congress	Total Revenues Generated
2001	$990,000	$0
2002	$2,800,000	$365,463
2003	$3,131'100	$535,175
2004	$3,111,186	$466,571
2005	$3,599,292	$520,951
2006	$5,074,231	$548,027
2007	$3,500,000	$566,899
2008	$3,691,500	$693,453
2009	$4,000,000	$578,563
2010	$3, 500,000	$693,788
2011	$3,500,000	$777,848
2012	$3,426,509	$922,755

In addition, the Santa Fe National Forest provides additional financial support and donates work to Valles Caldera for a variety of activities and services, outside of the direct appropriation from Congress. Some of these activities include fire prevention, suppression, post fire rehabilitation, one half of all law enforcement costs, budget and finance related services, payments, accounting adjustments, travel, internal audits, acquisition, and grants and agreements.

The VCT is making measured progress toward the attainment of the goals put forward in the Valles Caldera Preservation Act of2000. They have either met, exceeded, or are making strides toward all the goals articulated in the enabling legislation-including the financial self-sufficiency. To date the VCT is recovering 30 percent of its total operating costs through fees and donations. In addition, 50 percent of the ecological restoration costs are recovered through the Collaborative Forest Landscape Restoration program which is funded by Congressional appropriations specifically for restoring forest ecosystems on National Forest System lands nationwide. Much of the remaining costs for restorations have been recovered through grants secured through partnerships and a host of other universities, agencies, and organizations. The recreation programs are either profitable, breaking even or are closing the gap.

Question 5. What are the total collections ofthe Forest Service for each of the last 5 fiscal years? For each fiscal year, please by type of receipt (timber, recreation, etc.) and state.

Answer. As was agreed to by the Committee staff, since the amount of data requested here is very large, it is most efficient to use the website at www.fs.usda.gov/pts. Once at the Secure Rural Schools website, go to the “related links” on the right side, and choose “annual payment information.” This will take you to a listing of the many reports available; scroll down until you find the ASR 13-2 Report for each year that you are interested in the receipts.

RESPONSES OF THOMAS TIDWELL TO QUESTIONS FROM SENATOR MURKOWSKI

Question 1. I have heard from counties and other stakeholders all over the country that we need to more actively manage our forests both for forest health and for commercial timber production. Yet even where there is stakeholder agreement on what needs to be done, the Forest Service is not getting the job done. Can you explain why the Forest Service is having such a difficult time increasing the work being done on our national forests both in terms of forest restoration and commercial timber production? What role does litigation and environmental compliance requirements play?

Answer. We agree that more restoration work needs to be done on the national forests. Over the last few years the Forest Service has increased timber volume sold, achieving the target of 2.64 billion board feet in 2012. The FS exceeded a number of restoration targets in 2012, such as moving 9 watersheds to an improved condition class (target was 5 watersheds); decommissioning 2,103 miles of road (target was 2,028 miles); and restoring/enhancing 3,704 miles of stream habitat (target was 2,670 miles).

The FS continues to explore new and existing tools to become more efficient; collaboration is helping. Across the country a multitude of collaborative efforts are reducing polarization and leading to increased outputs. The Forest Service continues to reach out to groups that find themselves hesitant to collaborate in an effort to reach common goals.

Litigation and environmental compliance requirements affect the quality and quantity of our work. Meeting environmental compliance requirements adds value to our decision making and public involvement, but it also adds time. We are working to make these processes more efficient and effective.

Litigation affects the work in two ways-projects are put on hold either under court order or under the threat of potential litigation. Approximately two percent of the decisions made each year are brought to litigation. While this is a small percentage, the threat of potential litigation often adds to the workload by increasing the data collected and analyzed in order to lessen legal vulnerability.

Other factors are involved in the amount of restoration work that can be done. Staffing within the agency has shifted to reflect an increased focus on fire. Since 1998 fire staffing within the Forest Service has increased 110 percent. Over the same time period, National Forest System staffing has decreased by 35 percent and Forest Management staffing has decreased by 49 percent.

Fire transfers occur when the agency has exhausted all available funding from the Suppression and FLAME accounts. Six times from FY 2002 to FY 2012, the Forest Service has made fire transfers from discretionary, mandatory, and permanent accounts to pay for fire suppression costs in amounts ranging from $100,000,000 in

FY 2007 to $999,000,000 in FY 2002, and totaling approximately 2.7 billion. Of that total, $2.3 billion was eventually repaid but the transfers still led to disruptions within affected Forest Service programs. In FY 2012, the Forest Service transferred $440 million to the fire suppression account for emergency fire suppression due to severe burning conditions and increasing fire suppression costs. Projects at all levels of the organization were deferred or cancelled as a result of the transfers.

Each time the agency transfers money out of accounts to pay for fire suppression there are significant and lasting impacts across the entire Forest Service. Not only do these impacts affect the ability of the Forest Service to conduct stewardship work on national forests, they also affect our partners, including local governments and tribes.

Question 2. You testified at the hearing that the Forest Service would need to cut 16.2 billion board feet a year to provide the revenues needed to meet the current Secure Rural Schools payment levels. It is my understanding that to reach that number the Forest Service included prices for personal use firewood, sale of decked logs from road construction, and other nonconvertible products like Christmas trees, floral greens, and other things not really considered timber. What sale level would be required if your volume accomplishment reporting only counted commercially valuable sawtimber, pulpwood and biomass where markets exist?

Answer. The calculation of 16.2 billion board feet did not include the value of non-convertible products, such as Christmas trees, floral greens, and other things not really considered timber. It did include the value of firewood, posts, poles, non-sawtimber, and ties in the current program. If only the value of sawtimber, pulpwood and biomass were used in the calculation for the additional volume needed to cover the payment, then an additional 11.3 billion board feet would need to be added to the current program for a total of 13.9 billion board feet.

Question 3. I am told that the Forest Service spends $100 or more per million board feet (mbf) to prepare and implement a timber sale while a state sale on average costs only $25 per mbf. Why do federal timber sales cost so much more?

Answer. Currently, the Forest Service national average for preparing and implementing (administering) timber sales is about $90 per MBF. This varies considerably by region from a low of $55 per MBF to just under $180 per MBF. These costs include all timber sale related costs at the regional, forest and district offices. It also includes the cost of surveys, inventories, environmental analysis and disclosure (NEPA), sale layout, volume and value determination, contract preparation and award, and sale administration. In addition, costs associated with appeals and litigation, rework of timber sales, and administration of personal use for firewood and special forest products are included.

The statutes and regulations that govern state timber sales are different than those for federal timber sales. Most states are mandated to generate revenue for schools from their state trust lands. This usually results in states selecting the larger and more valuable trees to harvest resulting in higher volumes per acre and lower unit costs. Federal timber sales are integrated with other resource objectives under their multiple use mandates.

The agency has been implementing measures to reduce the cost of preparing and implementing timber sales. The unit costs per MBF have decreased by approximately 23 percent since 1998 when adjusted for inflation.

Response of Thomas Tidwell to Question From Senator Manchin

My state of West Virginia is home to about 1 million acres of SRS eligible land and 1.2 million acres of PILT eligible land.

In 2012 alone, West Virginia received nearly $3 million in PILT payments and more than $1.7 million in SRS payments.

West Virginia is also a largely rural state and the expiration of the SRS program will have a greater impact on us than it will more populated states.

Question 1. In the second panel today, we will hear from Mark Haggerty with Headwaters Economics. Are you familiar with his proposals for a single payment model and his proposal to increase the population limit for rural counties? If so, what is your opinion on these proposals?

Answer. The United States Forest Service has not analyzed the Headwaters proposal and does not have an opinion at this time.

Responses of Thomas Tidwell to Questions From Senator Barrasso

Question 1. The Forest Service has stated that IRR reduces unit costs. What evidence can you provide the Committee to verify the statement particularity as it relates to timber production?

Answer. The Forest Service is evaluating the operational efficiencies of IRR in several ways: Regional Annual Reports which include case studies from each region documenting accomplishments, successes and challenges; reviewing performance measures to identify or develop those that help measure restoration outcomes; and contracting a third party evaluation of IRR. The Agency has initiated a third-party monitoring of IRR with Colorado State University and the University of Oregon; it will begin June 2013 and be completed by March 2015.

IRR is a budget consolidation tool designed to help promote restoration activities on NFS lands. IRR aligns funding with program and policy direction from the Secretary of Agriculture reinforcing the agency's commitment to accomplish work more efficiently through collaboration and an "All Lands" restoration approach. IRR facilitates and supports an integrated approach to land management that maintains, enhances, or restores watersheds at the landscape level to improve their resilience. Through this alignment of funding, the Forest Service expects to gain administrative efficiencies which will increase our ability to accomplish more on-the-ground work, enhance outcomes, and contribute, enhance, and maintain restoration related jobs with IRR.

IRR is only a part of our effort to gain efficiencies. We are pursuing other avenues as well, such as by gaining efficiencies through our NEPA and timber sale preparation program. When adjusted to inflation, funding has been reduced by 185 million dollars since 1998 and staffhas been reduced by 49 percent. But during the same time we've had to reduce our unit costs for a thousand board feet by 23 percent. We want to be able to continue to do that work and IRR could help the Forest Service to gain more efficiencies.

Question 2a. Region 1 has seen a higher amount of collaboration efforts that you spoke about at the hearing. The region also enjoys Stewardship Contracting, and is an IRR pilot region with several CFLRA pilot projects. Can you explain to me why nearly half the timber volume they offered for sale was enjoined in 2012?

Answer. There are a handful of environmental groups that constitute almost all of the recent litigation in Region 1. These groups do not appear to have an interest in collaborating. The current and past Regional Forester and other Forest Service personnel have reached out to several of these groups. The response is that they do not support commercial timber harvest on National Forest lands, and suggest that commercial harvest activities should be separated from the activities they support, e.g., road decommissioning, fish passage work- even in a stewardship contract where the sale of timber would likely increase those restoration activities with goods for services, and/or through the use of retained receipts.

Question 2b. With Stewardship Contracting, collaboration efforts, and an IRR pilot, why does Region 1 have the lowest attainment of timber output in the lower 48 among Forest Service regions?

Answer. The region has prepared sufficient volume for offer, but litigation is currently affecting the Region's ability to meet timber volume sold targets. Seven projects have been the subject of litigation and the Region is in the process of working with the respective Forests, OGC, DOJ and the Washington Office to move forward with advertising, bid opening and award.

Question 2c. Why do they have the highest unit cost per unit of wood produced?

Answer. If the Region had achieved its target, unit costs would be comparable to neighboring regions; however, it was unable to sell everything it had prepared due to litigation. The overall expenditure for planning/NEPA is estimated at approximately 60-70 percent of the funds allocated for the program. Because of the litigious environment a large amount oftime is spent in analysis and documentation in order to prevail in legal challenges, even prevailing on 11 out of 12 issues can still result in injunctive relief or further delays, as evidenced in a recent decision (Colt Summit). The remaining 30 percent of funds covers sale preparation, sale administration, etc.

The region has gained efficiencies through the use of the timber sale strike teams for which unit costs are nationally competitive. In addition, in order to increase success in litigation, the region has implemented a host ofNEPA efficiency initiatives.

Question 3. With more of the timber sale program being sold through Stewardship contracts there is less revenue being returned to the counties where it was generated. Understanding from the hearing that every little bit of funding helps counties, and with an eye towards renewing stewardship contracting, how do you see the relationship between Federal lands and their neighboring units oflocal government evolving under Stewardship contracting?

Answer. Stewardship contracting allows the receipts from the timber to pay for restoration activities in the sale area, generating more work on the ground and providing more local jobs. The Forest Service is committed to increasing the pace of restoration and job creation, with available resources. The Collaborative Forest Landscape Restoration Program, which relies heavily on stewardship contracting, created and maintained an estimated 3,375 part- and full-time jobs during 2011 and 4,574 part- and full-ime jobs during 2012. The FY 2014 budget proposes to achieve an output of2.38 billion board feet of timber volume sold, 2,000 miles of road decommissioned, and 3,100 miles of stream restored predominantly in timber dependent counties. The Forest Service is also creating jobs by expanding markets for forest products. The FY 2014 President's Budget also proposes to allocate $10.5 million to Wood to Energy Initiatives which support wood energy project design, pre-construction activities and construction.

RESPONSE OF PAMELA K. HAZE TO QUESTION FROM SENATOR WYDEN

Question 1. What are the total collections (royalties, rentals, bonus bids, fees, and other payments) made by the Department of the Interior for each of the last 5 fiscal years? Please provide a chart displaying the amount and type of each the collection. With respect to payments relating to minerals, please specify the collection by type (e.g., OCS oil and gas bonus bids; Federal onshore oil and gas royalties, etc.).

Answer. A historical table showing Department of the Interior receipt collections for 1982-2013 est. is provided which displays the source of the receipt by type.

Question 2. What payments are made by the Department to the states? To counties? Please specify the source of the payment (e.g. State share of Federal coal receipts; PILT payment; County share of Federal geothermal receipts). Please specify total payment by state and where relevant, by county. Please provide this information for each of the last five fiscal years.

Answer. State and county receipt information for mineral, grazing and timber revenue payments is provided in the table State and County Disbursements 1999-2012. More detailed information regarding State by State disbursements from Federal on and offshore oil and gas production are provided in the tables on Federal Onshore and Offshore Oil and Gas.

State information on PILT payments, which are derived from the General Treasury rather than receipts, is provided on the PILT State Reports 1978-2012. County specific information for BLM Secure Rural School payments in years 2000-2011 are available on-line at http://www.blm.gov/or/rac/ctypaypayments.php.

RESPONSES OF PAMELA K. HAZE TO QUESTIONS FROM SENATOR MURKOWSKI

Question 1. Alaska is the largest state in the United States. It has approximately 229 million acres of land in federal ownership, more than any other state in the country. As a result, PILT payments make up the largest percent of federal land payments in Alaska. Yet Alaska has the lowest average per acre payment in the country. What changes would have to be made to the PILT formula to correct this inequity and ensure that Alaska counties get compensated fairly for the impacts federal lands have on the tax base and their local economies?

Answer. The Department of the Interior computes Payments in Lieu of Taxes payment amounts using the formula that is dictated by statute. Section 6902 of the Payments in Lieu of Taxes Act (P.L. 97-258) directs the use of the greater of two alternatives that consider the number of acres of qualified Federal land in the county (or local jurisdiction) and considering a population ceiling limitation and prior year revenue payments retained by the county. The population ceiling factor provides a higher allowance for more highly populated counties. Alaska's payments reflect this effect, whereby less populated counties receive a lower allowance.

Modification of the formula would be necessary to change the allocation to less populated jurisdictions. Congress would need to enact legislation in order to modify the formula.

More information on the PILT program can be found at http://www.doi.gov/pilt/faqs.cfm

Question 2. In your testimony you describe the calculation for PILT payments and that certain federal land payments received by a county or local jurisdiction in the preceding year are counted against future PILT payments, thereby reducing the PILT payment. What federal land payments count against future PILT payments and is this uniform for all counties receiving PILT payments nationwide?

Answer. Certain Federal payments are considered in the calculation of PILT entitlement amounts. The prior year payment amount made under the authority of these programs is deducted in the derivation of the PILT entitlement for the current year. Not all Federal payments are considered, only those that are specifically named in the PILT Act, including the Refuge Revenue Sharing Fund, the National Forest Fund, the Taylor Grazing Act, the Mineral Leasing Act for acquired lands, the Federal Power Act, and the Secure Rural Schools and Community Self-Determination Act of 2000. All counties are treated equitably in the application of this reduction. The PILT Act requires the governor of each state to report the payments retained by counties or other local jurisdictions in the state to DOI each year.

RESPONSES OF PAMELA K. HAZE TO QUESTIONS FROM SENATOR MANCHIN

Question 1. My state of West Virginia is home to about 1 million acres of SRS eligible land and 1.2 million acres of PILT eligible land.

In 2012 alone, West Virginia received nearly $3 million in PILT payments and more than $1.7 million in SRS payments.

West Virginia is also a largely rural state and the expiration of the SRS program will have a greater impact on us than it will more populated states.

In the second panel today, we will hear from Mark Haggerty with Headwaters Economics. Are you familiar with his proposals for a single payment model and his proposal to increase the population limit for rural counties? If so, what is your opinion on these proposals?

Answer. The Department and the Administration support reauthorization of the Secure Rural Schools and the Payments in Lieu of Taxes programs. Changes to the population ceiling used in the PILT Act would modify the allocation of PILT funds, benefitting some jurisdictions and disadvantaging others. As part of the reauthorization process, the Department would be available to evaluate the impacts and outcomes of specific legislative proposals. Speculation about the impacts, the pros and cons, and the benefits of one proposal is premature without a full understanding of the exact changes proposed and how they would be implemented and funded.

RESPONSES OF PAMELA K. HAZE TO QUESTIONS FROM SENATOR LANDRIEU

Question 1. Can you provide a breakdown, program by program, of all money collected by the Department of the Interior over the course of FY2012?

Answer. A breakout of the Department's FY 2012 receipts is provided in the accompanying historical table of Department of the Interior receipt collections.

Question 2. Can you provide a state-by-state breakdown of these funds, i.e. Texas contributed X in onshore oil and gas revenues- again, for every program from which the Department of the Interior collected revenues, including offshore oil and gas development?

Answer. The information for FY 2012 is included on the following historical tables provided: State and County Disbursements 1999-2012; Federal Onshore Revenues by State 1999-2012; and Federal Offshore Revenues by State 1982-2012. The Federal Onshore and Offshore tables provide greater detail of the payments in the State and County Disbursements table.

Question 3. Can you provide historic data, for each individual program, beginning with the enactment date for each respective program, of all funds collected by the Department of the Interior? i.e. - from 19XX, when revenue collection for onshore oil development began, the Department of the Interior has collected the following amounts: $XXXX in 1920, $YYYYY in 1921, etc.

Answer. Provided is a table showing the historical data for the Department's receipts collections dating back to 1982. Data prior to that point is not readily available.

Question 4. Can you provide this historic data on a state by state basis?

Answer. The historical data on a state by state and county basis for mineral, grazing and timber revenue payments is provided in the table State and County Disbursements 1982-2012. More detailed information regarding State by State disbursements from Federal on and offshore oil and gas production are provided in the tables on Federal Onshore and Offshore Oil and Gas.

Question 5. Can you provide a list of the legislation that created or defined each revenue generating program?

Answer. A full list of the statutory authorities for the Department's mineral revenue and disbursement accounts is provided.

With regard to BLM payments to Oregon and California grant lands counties, under the Oregon and California Act of 1937, BLM paid 50 percent of receipts from Federal activities on O&C lands (mainly from timber sales) to 18 counties in western Oregon. Over time, these revenues decreased since due to changes in Federal timber policies.

The Secure Rural Schools and Community Self-Determination Act of 2000 (P.L. 106-393) was enacted on October 30, 2000, to provide a predictable payment to States and counties, in lieu of funds derived from federal timber harvests. Payments were based on historical payments, adjusted for inflation. The Department of the Interior administers payments for the O&C grant lands only and the majority of the program is administered by the U.S. Forest Service.

Under P.L. 106-393, payments for a fiscal year were made in the following fiscal year through 2007. The payments have been extended three times. P.L. 110-28 extended payments for 2008. Section 601 of Public Law 110-343, provided an extension of payments to the O&C Grant Lands and the Coos Bay Wagon Road counties through fiscal year 2011 (with final payment to be made in 2012). Congress enacted Public Law 112-141, providing an extension of payments to the O&C Grant Lands and the Coos Bay Wagon Road counties through fiscal year 2012 (with the final payment to be made in 2013),

Question 6. Can you provide, for each of the following years, a heatmap (assigning a color for each county on the basis of revenues collected- i.e. white = $0, while purple= $maximum) of all revenues collected by the Department of the Interior on per-county basis (including OCS revenues, attributed to the respective coastal zone)- 2012, 2002, 1992?

Answer. Provided are heatmaps showing State revenue disbursements for 2012 and 2002.

Question 7. Can you provide a breakdown, program by program, of all payments from Department of the Interior to states, and an explanation of what each program pays for?

Answer. Detailed information regarding the programs making payments to states from Interior's revenue activities is provided. Historical data on a state by state and county basis for mineral, grazing and timber revenue payments is provided in the table State and County Disbursements 1982-2013. More detailed information regarding State by State disbursements from Federal on and offshore oil and gas production are provided in the tables on Federal Onshore and Offshore Oil and Gas.

Question 8. Can you provide a breakdown, state by state, of all payments from Department of the Interior to states? i.e.- Texas received X amount under PILT, Y amount for onshore oil development revenue sharing, etc.

Answer. The historical data on a state by state and county basis for mineral, grazing and timber revenue payments is provided in the table State and County Disbursements 1982-2013. More detailed information regarding State by State disbursements from Federal on and offshore oil and gas production are provided in the tables on Federal Onshore and Offshore Oil and Gas.

PILT payments by State, which are derived from the General Treasury rather than receipts, are provided on the PILT State Reports 1978-2012. County specific information for BLM Secure Rural School payments in years 2000-2011 are available on-line at http://www.blm.gov/or/rac/ctypaypayments.php.

Question 9. Can you provide historic data of all payments to states from the Department of the Interior, beginning with the date of enactment for each respective payment program?

Answer. A breakout of the Department's receipts is provided in the historical table of Department of the Interior receipt collections for years 1982-2013.

Question 10. Can you provide a state by state breakdown of this historic data?

Answer. The historical data on a state by state and county basis for mineral, grazing and timber revenue payments is provided in the table State and County Disbursements 1982-2012. More detailed information regarding State by State disbursements from Federal on and offshore oil and gas production are provided in the tables on Federal Onshore and Offshore Oil and Gas.

Question 11. Can you provide a list of the legislation that created or defined each revenue generating program?

Answer. A full list of the statutory authorities for the Department's mineral revenue and disbursement accounts is provided.

Question 12. Can you provide, for each of the following years, a heatmap of all payments made by the Department of the Interior on per-county basis (including OCS revenues, attributed to the respective coastal zone)- 2012, 2002, 1992?

Answer. Provided are heatmaps showing State revenue disbursements for 2012 and 2002.

○