

**STATEMENT OF OLIVIA BARTON FERRITER
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DEPARTMENT OF THE INTERIOR
BEFORE THE
SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES,**

**ON THE
PAYMENTS IN LIEU OF TAXES (PILT) PROGRAM
AND THE
SECURE RURAL SCHOOLS AND COMMUNITY SELF-DETERMINATION ACT
(SRS) PROGRAM**

MAY 2, 2017

Chairman Murkowski, Ranking Member Cantwell, 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.

Payments In Lieu of Taxes (PILT)

The Payment In Lieu of Taxes (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 \$7.5 billion dollars in PILT payments since these payments began in 1977.

We know counties and other local jurisdictions rely on PILT payments to support critically important services and programs. Counties have the flexibility to use PILT payments for any governmental purpose, depending on laws of individual States. Funds are often used to pay for essential services such as firefighting and police protection, construction of public schools and roads, and search-and-rescue operations.

The annual PILT payments to local governments are computed based on the formula 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. PILT payments are in addition to other Federal revenues (such as oil and gas leasing, livestock grazing, and timber harvesting) the Federal Government transfers to the states.

Federal entitlement lands include lands within the National Forest and National Park systems, those managed by the Bureau of Land Management, those affected by U.S. Army 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) the Federal Government transfers to the counties using formulas in laws such as the Mineral Leasing Act.

From FY 2008 – FY 2012, full funding for the PILT program was provided under a mandatory authorization. Full funding was provided through one-year extensions in FY 2013 and FY 2014. In FY 2015, the program received a combination of mandatory and discretionary appropriations and in FY 2016, discretionary funding was appropriated for the program. The FY 2016 payments totaled \$451.6 million and were distributed in June 2016, to more than 1,900 local government units (mostly counties) in 49 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. The Department currently is preparing the necessary calculations to issue payments for the FY 2017 PILT program.

Secure Rural Schools

The Bureau of Land Management (BLM) manages the Secure Rural Schools (SRS) program in concert with the U.S. Forest Service. The BLM administers the SRS 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 counties.” The Department of the Interior defers to the U.S. Forest Service to discuss matters regarding activities on their lands.

O&C County Payments

The Secure Rural Schools Act built upon the foundation laid in 1937 with the Revested Oregon and California Railroad Act (O&C Act) and in 1939 with the Reconveyed Coos Bay Wagon Road Grant Lands Act (CBWR Act). Under the O&C Act, the 18 O&C counties receive yearly payments equal to 50-75 percent of receipts from timber harvested on public lands in these counties.

Starting in 1991, payments to O&C counties from timber harvest dropped significantly. Congress enacted “safety net payments” to stabilize income flow to timber-dependent counties in 1994 (P.L. 103-66). Subsequently, in 2000, Congress originally enacted the Secure Rural Schools and Community Self-Determination Act (SRS) that allowed O&C counties to elect to receive a payment equal to the average of the payments they received under the O&C and CBWR Acts in the three years of highest payments between 1986 and 1999 in lieu of their payments under the O&C and CBWR Acts. Over time, the formula for calculating SRS payments has changed several times. Under SRS, the states received funds to be distributed directly to the counties (Title I), and elected how to allocate the remaining funds between Title II projects (administered by the BLM), Title III projects (administered by the counties), or returned to the Treasury.

Most recently, in April 2015, SRS was reauthorized as a part of the Medicare Access and CHIP Reauthorization Act of 2015 (Public Law 114-10) but the SRS payments have ended. The new language in the reauthorization of the SRS extension locked in the allocation elections made by counties for Fiscal Year 2013 for two fiscal years. The deadline to initiate a Title II or Title III

project was extended to September 30, 2017, and the deadline to obligate Title II or Title III funds was extended to September 30, 2018.

We understand the importance of the SRS funds to western Oregon counties in support of county projects and local schools. For FY 2015, BLM provided approximately \$35.6 million in SRS funds to O&C counties. Of this amount, nearly \$3 million was available under SRS Title II. These funds are used to implement special restoration projects on Federal lands approved by resource advisory committees.

Over the years, SRS projects have provided trail maintenance, culvert replacement or removal, soil improvement, vegetation/density management, wildfire hazard reduction, stream channel enhancement, control of noxious and exotic weeds, and opportunities for youth training and employment.

In January 2017, BLM distributed over \$19 million in timber harvest receipt payments under the O&C and CBWR Acts to 18 counties in western Oregon. These payments follow a formula established in the O&C Act and the CBWR Act, both of which authorize timber receipt-based payments to western Oregon counties, and both of which remain in effect and have been reinstated following the expiration of the Secure Rural Schools and Community Self-Determination Act.

Payments required by the O&C Act and CBWR Acts are essential to O&C counties and help offset county timber and tax revenue not generated by federally- managed forests. The counties use these funds for county services such as law enforcement, road maintenance, health services, schools, libraries, and other county services.

Conclusion

The Administration is interested in ensuring that the Federal government can fulfill its role of being a good neighbor to local communities. The Administration recognizes these payments are important to local governments, sometimes comprising a significant portion of their operating budgets. Local governments use these funds 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 tourists and other visitors who recreate on Federal lands. The Department will work to continue to ensure efficient and effective management of these programs.

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