

**Statement of Denise Flanagan
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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 Program**

November 21, 2019

Chairman Murkowski, Ranking Member Manchin, 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, on the Secure Rural Schools (SRS) program, and on S. 2108, the Small County PILT Parity Act. The Department defers to the U.S. Forest Service for testimony about S. 430, a bill to extend the Secure Rural Schools and Community Self-Determination Act of 2000, and S. 1643, the Forest Management for Rural Stability Act of 2019.

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 supplement other Federal land receipts shared with local governments. The Department has distributed approximately \$9.2 billion dollars in PILT payments to 49 States (all but Rhode Island), the District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands 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 the 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 is based on population, certain revenue-sharing payments, and the number of acres of Federal entitlement land within each county or jurisdiction. PILT payments are made in addition to other Federal payments to States, such as energy royalties and timber receipts.

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 lands payments received by the county or local jurisdiction in the preceding year. These

payments result from Federal revenue generating programs (such as receipts from livestock grazing, timber harvesting and certain mineral leasing activities), which the Federal Government makes to the counties using formulas in authorizing laws such as the Mineral Leasing Act.

Prior to FY 2008, PILT was funded through discretionary appropriations, at a fraction of the full authorized payment levels under the PILT formula. 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 and FY 2017, discretionary funding was appropriated for the program.

In FY 2018 and FY 2019, the program was fully funded through a provision in the Interior Appropriations bill, extending authorization of the underlying law. The FY 2019 payments totaled \$515.7 million and were made to more than 1,900 local units of government (mostly counties) in 49 States, the District of Columbia, Puerto Rico, Guam and the U.S. Virgin Islands. The President’s Budget for FY 2020 includes \$465.0 million to continue to support PILT payments to local governments. Pending the timing of Congressional action, the Department will work to make FY 2020 payments by June 30th, consistent with previous years.

S. 2108, the “Small County PILT Parity Act”

S. 2108 would amend the PILT Act to increase the maximum allowable payment for local governments with low population. The legislation would replace the existing population dollar value table and provide specific dollar multipliers for population caps under 5,000. It also directs the calculation for counties with populations of 999 and under to use the highest population dollar value in the table (i.e. \$254.40 instead of \$186.56 at 2019 inflation levels). Based on the FY 2019 payment information, the Department estimates S. 2108 would impact approximately 300 counties and increase the total PILT statutory calculation by approximately \$2 million. Should Congress choose to adopt the population dollar value table contained in S.2108, the Department will manage the PILT program in accordance with the law.

Secure Rural Schools

The Bureau of Land Management (BLM) manages its portion of the Secure Rural Schools (SRS) program in concert with the U.S. Forest Service, pursuant to P.L. 106-393, as amended. The BLM administers the SRS payments for nearly 2.4 million acres of BLM-managed public lands located in 18 western Oregon counties, known as the “O&C counties,” and the U.S. Forest Service makes payments to counties in 41 states. 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 and CBWR Act, the 18 O&C counties receive yearly payments equal to 50-75 percent of receipts from timber harvested on public lands in specific counties.

Starting in 1991, payments to O&C counties from timber harvests dropped significantly from the historic highs experienced in the late 1980s due to litigation on threatened and endangered species. Congress enacted “safety net payments” to stabilize income flow to timber-dependent counties in 1994 (P.L. 103-66). Subsequently, in 2000, Congress enacted the Secure Rural Schools and Community Self-Determination Act (SRS). The SRS allowed O&C counties to elect to receive a payment equal to the average of the payments 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. The formula for calculating SRS payments has changed several times since the initial law was enacted. Under SRS, the States receive funds to be distributed directly to the counties (Title I), and elect 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 March 2018, SRS was reauthorized as a part of the Consolidated Appropriations Act of 2018 (Public Law 115-141) to issue payments for 2017 and 2018. This reauthorization also extended the date by which Title II and Title III projects must be initiated to September 30, 2020, and the date by which Title II and Title III funds must be obligated to September 30, 2021. These deadlines apply to all unobligated funds under the current reauthorization as well as the previous authorization.

We understand the importance of the SRS funds to western Oregon counties to support county projects and local schools. For FY 2018 payments issued in FY 2019, BLM provided approximately \$30.1 million in SRS funds to O&C counties. Of this amount, \$2.5 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 invasive weeds, and opportunities for youth training and employment.

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 the Federal government can fulfill its role of being a good neighbor to local communities. The Administration recognizes the impact of PILT and SRS payments on local governments, which use these funds for critical functions such as local search and rescue operations, road maintenance, law enforcement, schools, and emergency services. These expenditures often also support local services needed by tourists and other visitors who recreate on Federal lands. The Department will work to continue to ensure efficient and effective management of these programs.

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