

**TESTIMONY OF GLENN CASAMASSA
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UNITED STATES DEPARTMENT OF AGRICULTURE
FOREST SERVICE
BEFORE THE COMMITTEE ON ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE**

MAY 2, 2017

CONCERNING

“Federal payments to local governments provided through the Secure Rural Schools and Community Self Determination Act (SRS) and the Payment in Lieu of Taxes (PILT) program and the need to provide greater fiscal certainty for resource-dependent communities with tax-exempt federal lands.”

Madam Chairman and Members of the Committee, thank you for the opportunity to present the views of the U.S. Department of Agriculture (USDA) regarding the Secure Rural Schools and Community Self-Determination Act of 2000 (the “Secure Rural Schools Act”), as amended and reauthorized most recently in 2015 by P.L. 114-10. Although some receipts for Payment In Lieu of Taxes (PILT) payments are generated on National Forest System (NFS) lands, management of the PILT program is the responsibility of the Department of the Interior (DOI), and we defer to their testimony for discussion of matters regarding PILT payments.

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 “25 percent payments” were distributed 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, recreation special use fees, grazing fees, other land use fees, and mineral extraction.

In the late 1980s, the 25 percent payments began to decline significantly and fluctuate widely. This was largely the result of a significant decline in timber sales, particularly in western states. 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. This decline resulted from several factors, including habitat conservation work for the Northern Spotted Owl’s habitat,

changing public perceptions about clearcutting and timber sales on public lands, along with timber market changes that produced steep declines in the value of cut timber from U.S. forests. 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 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). It 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. As a second option, 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 benefiting national forests. Resource Advisory Committees (RACs), comprised of broad citizen representation, would recommend eligible projects for this funding. As part of the initial implementation of the Act, the Forest Service established 55 RACs; by 2016 there were 115 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 payments to states for fiscal year 2007. In October 2008, Congress amended and reauthorized payments under the Secure Rural Schools Act for fiscal years 2008 through 2011. Congress also reauthorized payments for fiscal years 2012, 2013, and 2014 through 2015. With a few notable exceptions, the Secure Rural Schools Act reauthorizations mirror the statute enacted in 2000. The primary change made in 2008, however, resulted in a new formula for the stabilized state payment, which included a ramp-down of funding each year. In addition, the 2008 reauthorization amended the Twenty-Five Percent Fund Act to reduce fluctuations in 25 percent payments. Payments under this authority are now calculated by taking 25 percent of the rolling average of the seven most recent fiscal year’s gross receipts.

In 2013, approximately 73 counties elected to receive a share of the state’s 25 percent payment (based on receipts), and roughly 674 counties opted to receive a share of the state payment under the Secure Rural Schools Act. Altogether, the Forest Service made payments to 41 states and Puerto Rico to benefit more than 747 counties, boroughs, townships, and municipalities.

We appreciate the essential role Congress played in reauthorizing the Secure Rural Schools Act for 15 years. The Act was last reauthorized for two years by section 524 of P.L. 114-10, and signed into law on April 16, 2015. In 2016, approximately \$272 million in funding was distributed, benefiting 41 states and the Commonwealth of Puerto Rico in support of local schools and roads and for other purposes (total 2015 funding was approximately \$285 million). Due to the fact that the Secure Rural Schools Act was not reauthorized after September 30, 2016, the Twenty Five Percent Fund Act formula was used to calculate payments for the 2016 receipts

year, resulting in \$54 million in payments distributed in March 2017, which is 80 percent less than the 2015 SRS payments distributed last year.

Components of the Secure Rural School Act

The Secure Rural Schools Act includes three principal titles. The U.S. Forest Service defers to the Department of the Interior for Secure Rural Schools' activities undertaken by that Agency.

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

Title I of the Secure Rural Schools Act, as reauthorized in 2008, provided the new formula for the state payment for fiscal years 2008 through 2015. The 2015 reauthorization under P.L. 114-10 lasted for two fiscal years, providing SRS payments in fiscal years 2015 and 2016. The Secure Rural Schools Act directed that the majority of the state payment be used to help fund county schools and roads. This portion of the payment was commonly referred to as the Title I payment and averaged about 85 percent of the total state payments to date. For fiscal years 2005 through 2016, Title I funds totaled approximately \$3.78 billion.

An eligible county's adjusted share of the state payment was determined by a calculation involving multiple factors including acres of national forest in a county, the county's annual per capita personal income, and the average of the three highest 25 percent payments made during fiscal years 1986 through 1999. The formula reduced the total payments to all states by 5 percent of the preceding year beginning with the payment for fiscal year 2012.

Title II—Special Projects on Federal Land

Prior to the reauthorization in 2015, eligible counties had the option to allocate part of their share of the state payment to Title II for projects that maintain existing infrastructure or enhance the health of ecosystems on national forests, while supporting local economies. Pursuant to the reauthorization in P.L. 114-10, prior elections carried forward for the two-year reauthorization. Title II provided for the establishment of RACs to review and recommend projects to forest supervisors. The Secure Rural Schools Act as reauthorized added to the duties of the committees and expanded the interests represented by members.

Title II projects provided 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 local economy. These projects enhanced forest ecosystems; restored and improved the health of the land and water quality; and protected, restored and enhanced fish and wildlife habitat. Examples of Title II projects included maintenance or decommissioning 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. For fiscal years 2005 through 2016, Title II funds totaled approximately \$412 million for projects recommended in more than 300 counties.

Title III—County Funds

Funds allocated by a county under Title III may be used by counties 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, as well as 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 community wildfire protection plans. As it was reauthorized, Title III directed each participating county to certify annually that Title III funds were used for authorized purposes. For fiscal years 2005 through 2016, Title III funds totaled over \$270 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 \$13.6 million in 2017. 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).

Under the Secure Rural Schools Act, the Forest Service coordinated with the Bureau of Land Management (BLM) which administered additional payments to certain counties in western Oregon under the Secure Rural Schools Act. National forests are also included in the eligible federal lands for which DOI administers the PILT program.

2017 Payments to States under the Twenty Five Percent Fund Act

As previously mentioned, without Congressional reauthorization of the Secure Rural Schools Act, the Forest Service reverted to making payments to states under the Twenty Five Percent Fund Act for the 2017 payment year. The Forest Service processed a payment to each state on or about March 7, 2017. As noted, these payments, totaling approximately \$54 million, were 80 percent less than the prior year's payments under the Secure Rural Schools program.

Conclusion

The Secure Rural Schools Act provided more than fifteen years of payments to eligible states and counties to help fund public schools and public roads. In addition, the Secure Rural Schools Act, particularly the Title II projects, provided employment in rural communities, 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.

If and when the Secure Rural Schools Act is reauthorized, we look forward to exploring potential changes to the administrative provisions implementing the Act, including the lengthy RAC member nomination process, in order to enhance community involvement and program delivery under Title II. 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.

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