



Written statement of

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On behalf of the National Association of Counties

Full Committee Hearing on SRS and PILT, and to Receive Testimony on Pending Legislation

Before the
U.S. Senate Committee on Energy and Natural Resources

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Chairman Murkowski, Ranking Member Manchin and distinguished members of the Committee, thank you for holding today's hearing to examine federal payments to local governments provided through the Payments in Lieu of Taxes program and the Secure Rural Schools and Self Determination Act, as well as for inviting me to testify today on behalf of the National Association of Counties (NACo) and the nation's 3,069 counties.

My name is Stephen Prysunka and I am the Mayor of the City and Borough of Wrangell, Alaska. Wrangell is located in Southeast Alaska between Ketchikan and Juneau. If you have ever taken a cruise to Alaska you likely steamed right on by our island community. Although I represent our municipal government I also bring a warm greeting from the Wrangell Cooperative Association. Shtax'heen Kwaan tribal government represents 740 native residents. We work closely with the tribal government to collaborate for the benefit of all community members.

Our borough has a population of roughly 2,500 residents. We are actually the third largest city by area in the entire nation. Our borough is 3,477 square miles—or about 1.63 million acres. To put this into perspective, Washington, D.C. would fit 50 times over into our borough. More than 97 percent of our borough's land mass is owned by the federal government.

Congress plays a key role in guiding the management of our nation's 640 million acres of federal public lands. Approximately sixty-one percent of counties nationwide have federal land within our boundaries, and federal policies pertaining to these lands have a direct impact on the quality of life and economic wellbeing of our local communities.

I know very well the challenges public lands and national forest counties face as we seek to provide our residents and visitors with essential services in the face of strict revenue and budgetary constraints. My testimony today offers the local perspective on PILT, SRS and specific legislation that would improve these programs that matter so greatly to public lands counties.

The Payments in Lieu of Taxes (PILT) Program

PILT is an important pillar of federal support for county governments and our efforts to provide needed services to local communities, and we strongly urge Congress to provide full mandatory funding for the program.

For more than 40 years, PILT 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 our jurisdictions. Since local governments are unable to tax the property values or products derived from federal lands, these payments are critical to support essential government services (mandated by law), such as first responders and emergency services, transportation infrastructure, law enforcement, education and

healthcare in nearly 2,000 counties in 49 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.

The vast swaths of untaxable federal land in many of these counties leave a sizable portion of our revenues subject to appropriations from Congress. On top of this limited tax base, counties face additional limitations on our ability to raise revenue, including state restrictions on our ability to levy or raise taxes. In fact, 45 states limit counties' ability to raise revenue.

Despite these limitations, counties are still required by law to provide services to both our residents and to the millions of Americans who visit our public lands every year. While tourism and recreation can be beneficial to local economies, counties must deal with the costs for the extra law enforcement, infrastructure, search and rescue, and road maintenance requirements that come with it.

PILT Funding Remains Uncertain

After PILT's creation, annual program funding levels remained static for many years. For nearly two decades, counties watched the value of their PILT receipts drop due to inflation. In 1995, an amendment to the PILT formula adjusted annual authorization levels for inflation, helping to stabilize the value and impact of the program. However, PILT remains a discretionary program that is subject to the annual appropriations process, creating a great deal of uncertainty for counties as we work to develop and implement our budgets every year.

In FY 2018 and 2019, PILT was extended with full, mandatory funding under the annual omnibus appropriations bills. Counties appreciate the efforts of the Committee leaders and membership to secure these much needed funds to help meet our governing missions. Similar funding language has been included in FY 2020 Interior Appropriations bills in both chambers of Congress. However, Congress could easily change this full funding trend at any time, and leave public lands counties with large budgetary deficits to make up overnight.

PILT matters to the City and Borough of Wrangell, Alaska

Over 97 percent of Wrangell City and Borough is federally owned. Last year, for the nearly 1.6 million acres of PILT entitlement land within our county's borders, the U.S. Department of the Interior paid Wrangell approximately \$470,000, or about twenty-nine cents per acre. These PILT dollars are used for everything from road maintenance to fire protection and other emergency services. It is vital that our county receives this money to provide county services to residents. Additionally, Wrangell Borough relies on these funds to maintain and improve the critical infrastructure that any community needs to attract businesses and grow its economy in the long-term.

Should Congress reduce Wrangell Borough's PILT payment, emergency services will likely be the first to suffer. In a large, rural county, our first responders often travel great distances to assist residents and

visitors. If we were forced to reduce police, fire, or EMS personnel or cut back on equipment purchases, there could be life and death consequences for Wrangell Borough residents.

By fully funding the PILT program, Congress can reaffirm its longstanding commitment to public lands counties and provide them with the stability they need as they seek to implement their own balanced budgets while continuing to provide essential public services. We need a strong and reliable federal partner to provide budgetary certainty and stability for the nation's counties.

That is why counties support two key pieces of legislation to provide this long-term certainty to counties: H.R. 3043, the Permanently Authorizing PILT Act, which would make PILT a fully funded, mandatory program moving forward. We thank Congresswoman Ann Kirkpatrick of Arizona sponsoring this bipartisan legislation. Counties also strongly support Senator Ron Wyden's S. 2480, the PILT Reauthorization Act of 2019, which would make PILT a fully funded, mandatory program for the next ten years. We ask Congress to move these key bills as soon as possible.

While the U.S Senate and the U.S. House of Representatives may approach legislative solutions for funding the PILT program differently, NACo will continue to urge leadership on both sides of the aisle to act in a spirit of bipartisan and bicameral cooperation to develop a fiscally responsible, long-term and sustainable legislative solution to fully fund PILT in FY 2020 and beyond to eliminate the ongoing funding uncertainty currently facing public lands counties.

Small County PILT Parity Act

Rural public lands counties face the combined fiscal pressures of smaller tax bases caused by large tracts of untaxable federal lands within their jurisdiction and the limitations of fewer residents and businesses producing tax revenue. Under the current PILT formula, monetary multiplier limitations increase as population decreases but the increase in the multiplier cuts off at 5,000 people. This leaves counties with fewer than 5,000 residents at a disadvantage, as their per-person monetary multiplier limitation is stuck at the same level as a county of 5,000.

Counties support legislation sponsored by Sen. Steve Daines, S. 2108, the Small County PILT Parity Act, which will create new, larger monetary multiplier limitations for counties with populations between 1,000 and 4,000 so that these smaller counties receive additional resources. It will put rural communities in a better place, without affecting the PILT payments to any county with a population of 5,000 or higher. This is a significant positive step for ensuring equitable payments to public lands counties. Counties ask that Congress act on this legislation as swiftly as possible to put rural communities on a more level playing field.

Counties above 5,000 in population generally have a greater ability to cope with funding limitations, restrictions on property tax increases imposed by the vast majority of state governments and

fluctuations in natural resources market values and the revenues shared from their development on federal lands. However, in most instances, smaller counties have aging populations, lower average household incomes, higher percentages of federal land within their jurisdiction and are more subject to the economic impacts of the resource development economy. The Small County PILT Parity Act gives more assurance of consistent non-tax revenue to these local governments.

Should S. 2108, be enacted, an analysis by Headwaters Economics showed it would only increase the cost of PILT nationwide by around 1 percent, while increasing PILT payments to 55 counties in 14 states. Wrangell City and Borough would see an increase of \$167,000 in our PILT payment based on FY 2018 data. In a small community of only 2,500 people, this is a significant increase for our borough government to provide services to our residents.¹

The Secure Rural Schools (SRS) Program

The Secure Rural Schools (SRS) program, administered by the U.S. Forest Service and Bureau of Land Management, aids rural counties and school districts affected by the decline in revenue from timber harvests on federal lands. Historically, rural communities and schools have relied on a share of receipts from timber harvests to supplement local funding for education services and roads. Counties urge Congress to renew its long-standing commitment to forest counties by extending SRS and increasing revenue sharing through active forest management.

To compensate for lost revenue from federal forest ownership, in 1908, Congress and the president enacted legislation requiring the U.S. Forest Service to share 25 percent of timber revenues from federal forests with the counties in which those forests lie. Historically, forest communities and schools, particularly in rural areas, have relied on this share of receipts from timber harvests to supplement local funding for education services and roads.

However, in recent decades, national policies substantially diminished the revenue-generating activity permitted in our nation's forests. The result was a steep decline in timber sales, which in turn decreased the revenues that rural counties and school districts received from forest management activities. The "25 percent payments" to counties by the U.S. Forest Service were rendered insufficient to cover the costs of providing services to residents and public lands visitors. Communities like mine saw their timber industries decimated, which not only reduced the revenues we received from production on our national forests, but also reduced economic growth and tax revenue.

In response to this revenue decline, the Secure Rural Schools and Community Self-Determination Act was enacted in 2000 (P.L. 106-393) to stabilize payments to counties and to compensate for lost revenues, and has been reauthorized on several occasions, most recently for FY 2017 and 2018. In FY

¹ <https://headwaterseconomics.org/public-lands/county-payments/pilt-proposal/>

2018 alone, SRS provided \$257 million to over 700 rural counties, parishes and boroughs across the nation, as well as 4,000 school districts. These payments helped ensure that students received crucial education services, and supported county road maintenance, conservation projects, search and rescue missions and fire prevention programs, among other essential services. Unfortunately, Congress has yet to reauthorize SRS since the final payments were sent to county governments in the spring of this year. Senator Mike Crapo has introduced legislation, S. 430, to reauthorize SRS for an additional two years. Counties ask Congress to include this reauthorization bill in a final, end of year spending package.

The expiration of SRS will create dramatic budgetary shortfalls for counties if Congress fails to renew this long-standing federal obligation to county governments. Enactment of a sustainable long-term program to share revenues generated from the management of federal lands with forest counties and schools will ensure that students receive essential education services and rural communities have critical funding for roads, conservation projects, search and rescue missions and fire prevention programs.

The Forest Service is expected to distribute historic “25 percent payments” for this year, but these payments have been on average, over 80 percent lower than full payments under the SRS program and are not nearly enough to cover the services we provide. If SRS is not quickly reauthorized, to balance our budgets local governments will again be forced to make sweeping cuts to the services on which our residents and visitors rely.

Impact of SRS lapse on the City and Borough of Wrangell and Alaska

In FY 2018, Wrangell Borough received \$1,160,682 in SRS payments. If the program is not reauthorized, from timber harvest receipt sharing we would receive some \$45,152—a 96.2 percent decrease.² Statewide, Alaska would face a 95 percent cut.

But that is only part of the story, because PILT and SRS are intertwined under the PILT funding formula. This formula includes in its calculation a reduction for other prior year federal land payments, including SRS. Therefore, counties that receive SRS funds get a lower PILT payment than they would otherwise be entitled to.

If Congress does not reauthorize SRS, many rural counties receiving PILT payments could face reduced payments because the previous year’s SRS payments would no longer be deducted under the PILT formula. This would completely change the PILT funding calculation from the U.S. Department of the Interior, potentially leaving the same amount of PILT funds to effectively cover both programs. Counties would be fighting for slices of a smaller pie. Congress has avoided this pitfall by making PILT funding mandatory over each of the past two fiscal years and reauthorizing SRS but if Congress did not ensure both programs are protected, public lands counties would face major reductions in their PILT payments.

² Based on FY 2017 1908 Act payment figures—the most recent data available

Should Congress fail to reauthorize SRS and fully fund PILT, the City and Borough of Wrangell would face a \$1.1 million loss in combined SRS and PILT funding. \$79,000 of that would be deducted from our PILT payment. Alaska would see a statewide reduction in PILT of \$3.4 million, based on FY 16 data.

Meanwhile, Oregon, the state consistently receiving the lion's share of SRS payments, would have a sudden increase in PILT eligible acreage. While the federal government would increase its share of PILT payments by \$15.4 million, Oregon would still face a drastic \$87.2 million cut in SRS funds. This comparatively small increase in PILT payments would come directly from states like Alaska, but would not come close to meeting either state's needs.

This scenario is unsustainable, and will lead to severe reductions in all levels of public services. County governments and residents will bear the brunt of inaction in Washington, and we will pay for it in lost services and laid-off personnel.

S. 1643, the Forest Management for Rural Stability Act

The lapse in SRS funding leaves local governments and schools vulnerable, forcing schools to reduce activities and the number of teachers inside classrooms, while county governments must forego repairing or paving roads or decrease the number of law enforcement personnel. These necessary decisions negatively impact educational and economic opportunities in rural communities.

Counties are pleased that Sen. Ron Wyden has introduced the Forest Management for Rural Stability Act (S. 1643). This bipartisan legislation would create an endowment fund to make permanent, mandatory SRS payments and eliminate their annual five percent reduction. The bill would also create flexibility for counties in the use of SRS funds to achieve mutual forest health and landscape conservation goals shared by federal agencies and local communities. S. 1643 would also ensure that Refuge Revenue Sharing payments would not be subject to the annual appropriations cycle, providing even more stable payments to county governments nationwide.

Counties hope to see Congress take up S. 1643 soon to ensure long-term, sustainable funding to national forest counties and schools.

Conclusion

Chairman Murkowski, Ranking Member Manchin and members of the Committee, thank you for the opportunity to share Wrangell Borough's perspective on behalf of our nation's counties. We commit to continue working with you to develop and pass legislation to ensure the full funding of the Payments in Lieu of Taxes program and reauthorization of the Secure Rural Schools program until a permanent solution is agreed upon. County residents are depending on Congress to act to ensure that vital funding is in place for emergency personnel, infrastructure maintenance, schoolteachers, and other public services. We ask you to act to protect both of these vital programs in a final FY 2020 appropriations package and in the long-term.