

**STATEMENT OF
THOMAS TIDWELL, CHIEF
U.S. FOREST SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE
BEFORE THE
COMMITTEE ON ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE
MARCH 19, 2013**

CONCERNING

“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 (SRS) and the Payment in Lieu of Taxes.”

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 all states is projected to be approximately \$58 million for fiscal year 2013.

The Secure Rural Schools Act has three 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.