

## Statement

By Mike Manus, County Commissioner

Pend Oreille County, Washington

Before the Senate Energy and Natural Resources Committee

Tuesday, May 2, 2017

Good Morning, Chair Murkowski, Ranking member Cantwell, and members of the committee.

My name is Mike Manus. I am a County Commissioner from Pend Oreille County, Washington, home to 530,394 Acres of the Colville National Forest and Panhandle National Forest. Pend Oreille County is 58% owned by the federal government. As a small rural county of 13,150 people we have survived on our ability to use our natural resources as a form of employment, recreation and tourism due to the sheer beauty they provide. Now, those same beautiful forests are a detriment attributed to the fact they are not managed and we face severe fire risk each year.

As a Board Member for the Washington State Association of Counties (WSAC), I am grateful to the Committee for this opportunity to share my views on behalf of the Evergreen Forest County Group in Washington state and National Forest Counties and Schools Coalition.

Before making specific comments and recommendations to the Committee, I want to share what is actually happening in my county and surrounding timber counties because of Congress's failure to reliably fund SRS payments.

For the 2016 Secure Rural Schools distribution, our county had budgeted \$375,879 to be received in early 2017. Since Congress did not reauthorize the SRS Act, the Forest Service reverted to the 1908 Act (referred to as the 25% payments) which allocated \$75,221.39, to the Pend Oreille County Road Department. This \$300,000 plus short-fall was allocated in our 2017 budget to act as match for one State grant worth \$2,087,000 (\$208,700 match) & one

Federal grant of \$650,000 (\$108,000 match); both grants were obtained to provide infrastructure improvements to our County Road system. Without the match, any funds that we have already received from those grants must be repaid, as the grants must be declined and turned back to the granting agency.

This is a travesty to our county, as we have worked for years to establish a method to fund these two projects; now we are required to refuse the funding and pay back the monies already spent on design.

In 2015, Pend Oreille County had several large wildfires burning within our borders, all starting from natural causes on USFS Land. The County Road Department, Emergency Management, Sheriff's Department and GIS Department spent many hours and weeks providing assistance by closing roads, providing signage, maintaining roads and staging areas, attending meetings and working with incident command to provide maps and information about the area. Conservative costs to our Public Works Department alone were \$56,932. We worked with FEMA to obtain reimbursement of those costs; the County received \$27,816 to cover roughly half the expenses to road damage. There was no compensation to cover lost revenues attributed to business and tourism interruption. Our community members suffered personal losses because of inability to work due to mill and business closures caused by the fires. Tourism came to a halt due to heavy smoke and my constituents became ill with respiratory problems. I specifically want to call attention to Senator Cantwell's unwavering efforts to help Pend Oreille County recover from this tragedy and for her work to reform fire borrowing. Thank you Senator!

The Northwest has experienced heavy winter snowfall and record amount of moisture this spring. Our County Engineer said the burn scar from the 2015 Tower fire, part of the Kaniksu Complex Fire, undoubtedly played a major part in the near failure of one of our main arterial bridges. When all the rain and heavy run off we have received, met the burn scar/erosion from the burn, we suffered the near failure of a bridge on our main north-south corridor, Leclerc Road. The Mill Creek Bridge experienced such heavy drainage that the water was unable to pass under the bridge and while looking for a new way through,

the water formed a new channel and undermined the road approach to the bridge. Emergency measures saved the bridge, at that time, but major repairs and future replacement will be necessary. Costs are estimated to be \$750,000 to \$1.2 million depending on the level of repair and size of the replacement necessary. This road is a major route to the National Forest.

A few more impacts worthy of mention because of lost SRS funding:

- Elimination of preservation on local access roads to USFS lands
- Reduction of calcium chloride program (base stabilization & dust control)
- Not replacing lost, stolen, damaged road signs, barricades, cones, etc. Stock is below prudent levels
- We will be stretching the service life of major vehicles
- We will not be replacing staff as they leave and no seasonal employees will be hired. We will likely have a layoff of employees in the coming year.

Pend Oreille County has a 2017 Budget for the General Fund of only \$10,820,571 of which we received total tax revenues in 2016 of \$5,832,408. This compares to total tax revenues for 2012 of \$5,715,011 or a 2% increase in 5 years. Our expenses, in the same period, have increased 30%. It doesn't take a rocket scientist to figure this one out. Our population growth is stagnant and our economy is flat. We have one of the highest unemployment rates in Washington State at 8.9%. Our poverty continues to climb and is currently at 21.5% of our residents live below the poverty line and 33.1% of our youth live in poverty. We constantly struggle to bring new jobs to our community with minimal success.

These are just a few of the problems we face in our county attributed to the loss of the SRS funding. Our neighboring counties all face similar problems and I'm sure some are even more severe than what we face in Pend Oreille County. Our neighbors to the east, in Idaho, and to the west, in other Washington Counties, have had even more severe fire damage than we

experienced. The reduction in SRS funding to these communities potentially provides a much larger impact than the one felt in our own county.

Specifically, I want to address three key points:

***1) Secure Rural Schools (SRS) funding; 2) Active National Forest management and fire borrowing; & perhaps most significantly, 3) Payment in Lieu of Taxes (PILT) including the significant relationship between SRS payments and the PILT formula.***

1) **SRS** came about in the year 2000 after Congress decided that the drop in National Forest timber production from 12 billion board feet in 1990 to 2 billion board feet in the year 2000 had wreaked enough havoc on rural economies as 25,000 timber workers nationwide were thrown out of work and there had to be a stabilizing force introduced to stop the bleeding.

Schools and counties are constantly reminded that SRS was meant to be temporary as each local economy diversified itself into mini silicon valleys, divorced of the historic reality of timber-based economies. After 6 years came and went, not only had rural economies not diversified away from dependence on National Forests but the forests themselves were starting to deteriorate as management ceased. After 10 more years of SRS payments through 2015, it has become clear that Congress has failed to grasp just how bad the impacts from non-management has become. Between 2010 and 2016 unmanaged National Forests across the country exploded into catastrophic wildfires and the Forest Service's operating budget jumped to a point where 70 percent of the funds Congress appropriated to the Forest Service were redirected simply to fight fires, not to manage.

**2) Active Management & Fire Borrowing Reforms.** In the Congress today, there has developed among some, a twisted logic that if counties are deprived of SRS payments, somehow that will motivate the Congress (through pressure from home) to enact a new active management and fire borrowing reform bill and thus all will be well. In fact, Senators, it is the school children and rural counties who suffer from such thinking.

National Forest County School and County officials do want a long-term active Forest management/fire borrowing reform bill passed soon and we strongly support your efforts to reform the Forest Service, but please do not hold schools and counties hostage in the meantime.

By way of background, the State of Washington, following Wisconsin's amazing success, has just signed an agreement with the Forest Service to implement Good Neighbor Authority in Washington State. I want to share with the Committee the successful track record of accomplishment achieved by the State of Washington's Department of Natural Resources (DNR) over the past several years and contrast it with the record of the Forest Service.

DNR has administrative responsibility over 2.1 million acres of land trusts and provides for a fiscally responsible continued yield program of sustainable tree harvests.

In 2011, state trust lands yielded a harvest of 560 million board feet (MMBF) of timber, which generated \$220 million in revenue. By contrast, National Forest lands in Washington state yielded 129 million board feet (MMBF) generating revenue of only \$638 thousand on 9.3 million Acres or one fifth of what the state produced on a quarter of the land base.

Incredibly, the state produces 500% more actual timber revenue on less than one quarter of the land base of that held by the U.S. Forest Service.

This comparison is even more striking when you look at the relative dollars generated per board foot; that is \$308 per MBF on state land vs. \$5.00 per MBF on Forest Service Land.

Most telling of all: The entire U.S. National Forest system consists of 193,000,000 acres and in 2011 produced a paltry \$180,000,000 of revenue for taxpayers. This is less than \$1 per acre of revenue to the Federal Treasury—when potentially these forests across America could produce thousands of dollars per acre for taxpayers.

So, on behalf of the school districts and counties across the country, I want to again declare it is the school children and county services that suffer because

of Congress's failure to pass active National Forest management and fire borrowing reform legislation and SRS funding! Until Congress acts to put in place those legislative solutions, counties must have SRS payments continue for at least five to 10 more years just to see if the reforms, once passed, actually work and stabilize National Forest dependent local economies. We must first see if the private sector, because of the reforms, will invest in new saw mills and other infrastructure and only then should SRS payments be phased out. Congress should create a sliding scale...as revenues from timber harvests increase back toward historical levels, then and only then should SRS be reduced and ultimately ended. Congress caused this problem. Congress can solve this problem. Schools and counties should no longer be used as pawns in a House-Senate Chess game that leaves us guessing about whether SRS funding from one year to the next will be available.

**3) PILT.** The PILT formula is written so that prior year payments from timber, mining, grazing and a dozen other sources are deducted so that PILT payments can be calculated. During the entire 41-year history of the PILT program, forest receipts, first from the 25% fund and then after the year 2000, from a combination of 25% fund forest receipts and SRS payments have always been deducted from National Forest Counties' PILT payments. Since most of those counties are located in the Pacific Northwest, those counties have always received lower PILT payments because of the prior year payment deduction. The beneficiaries of those PILT funds not paid to large timber producing National Forest counties have been the desert and prairie counties, primarily in the Intermountain west. States like Idaho, Wyoming, Colorado, Arizona, Nevada, New Mexico, Utah and my home state of Washington.

Some of us have been shouting this fact from the rooftops for the past 15 years because as long as PILT funds are appropriated there is a fixed amount of money available for counties. If SRS goes away and is no longer a prior year payment deduction, the Congressional Research Service has told us that Pacific Northwest counties will, for the first time be entitled to receive their full PILT payment. That increase will not come close to offsetting the loss of

SRS payments but it will be taken from those very desert and prairie counties in the Intermountain west. CRS says that reduction of PILT in desert and prairie counties will likely exceed 20% of current PILT payments. So, there will, Madam Chair, be a seismic shift in the way PILT payments are made if Congress fails to extend SRS payments. It will be a lose-lose proposition as new PILT funds in the Pacific Northwest timber counties fail to remotely come close to existing SRS payments and as desert and Prairie lose 20% or more of existing PILT payments. CRS says that Alaska's Burroughs will get hit as well. No one will escape the carnage if SRS dies prematurely.

One last point involves changes to the way SRS is administered. **SRS Title II and Title III funds as currently administered need significant improvement..** It has taken Commissioner Kiss, Pend Oreille County, four years to be appointed to the Resource Advisory Committee (RAC) during which time there was not a quorum to even hold meetings. RAC money should be controlled locally for local projects on the National Forest. I have no problem with an advisory committee and feel it is the right way to have the RAC funds administered, however a member from two counties away from ours has no idea what the most important needs of our funds are. Local control for good decisions with an advisory board of varied political and environmental interests can be accomplished best at home.

Here are specific recommendations that nearly all counties with whom I have spoken agree with:

**Subject: Secure Rural Schools and Community Self Determination (SRS) Act**  
**Key Issue: Recommendations for improvements to provisions of the SRS Act**

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**Background on current status of the SRS Act:**

- Without Congressional reauthorization of the SRS Act, the Forest Service has had to revert to making payments to States under the 1908 Act (16 U.S.C. 500), commonly called the 25% payments, for fiscal year 2016 (2017 payment year).

- Nationally these payments are 80% less than last year's payments under the SRS Act.
- Many rural counties depended heavily on SRS payments for schools, roads, and other activities. Without these payments, local counties would be forced to reduce teacher and road personnel, or find alternative sources of funding. In addition, SRS provided critical funding for emergency services, the Firewise program, and community driven restoration projects that enhanced resources on national forests.

**General SRS Act provisions that could be improved if the SRS Act is reauthorized:**

- A long-term reauthorization without annual reductions in funding would provide financial stability to communities that rely on the SRS Act funds, as opposed to recent one or two-year reauthorizations that included annual reductions in funding.
- Remove the economically unviable merchantable timber contracting pilot provision.
- Traditional Timber Sales, Good Neighbor Authority Sales and Stewardship Sales should all have the 25% payment to counties to expedite the time in which counties no longer need SRS funds.

**Provisions related to County Funds (SRS Act title III) that could be improved:**

- Clarify that title III funds (County funds) should remain available for obligation by counties until expended, and not be subject to later collection by the Federal Government.
- Re-open elections for counties that choose to change elections between titles II and III.
- Clarify that title III funds can be used to fund emergency response vehicles or aircraft but only in the amount attributable to the use of such vehicles for other allowable title III uses.

**Provisions related to Resource Advisory Committees (SRS Act title II) that could be improved:**

- The Federal Advisory Committee Act (5 U.S.C. App) should not apply to RACs. Eliminate the six-year service limitation for RAC members. Most RACs in Rural areas need these people to serve longer terms. If FACA cannot be amended directly, simply allow longer service as necessary.

**Title 2/3 election (split)**

- The original and every succeeding re-authorization and extension (except the last one) allows the county to determine the split of title 2/3 funding (within sideboards of designated categories of projects and the maximum of 7% (of total payment) in Title 3). This split often varied depending on quality of projects presented and program needs. The last extension locked in the existing split. The language might be better if it didn't say re-



open, but something like maintain the local flexibility to determine the election as the original act or something similar. This is important because the last year split (2013) that the 2014 and 2015 were locked into was an abnormal year. The locked in split is specifically impacting the ability to fund search and rescue and fire prevention planning.

- The Chief of the Forest Service or, as designated by the Chief, a Regional Forester should be allowed to appoint members of SRS Act Resource Advisory Committees (RACs).
- Clarify that title II funds (RAC funds) should remain available for obligation until expended.
- RACs should be comprised of at least 9 but not more than 15 members.
- RAC community of interests represented should include at least 3 but not more than 5 persons.
- Members of a RAC should reside within the State or in a county outside of the State adjacent to the area in which the committee has jurisdiction.

Chair Murkowski, Ranking Member Cantwell and the Senate Committee, thank you for the opportunity to share Pend Oreille County's story. I look forward to working with you to pass legislation that will enhance our National Forests and secure permanent PILT funding, better management of our forests to prevent catastrophic wild fires and a program for SRS to bridge the gap in the interim. All my county residents need your support to protect their environment, enhance the economy, educate our youth, build our roads and assist our emergency responders.

## Secure Rural Schools and Communities Act—Remembering the History

The President of the United States was given the authority to create Forest Reserves in 1891. In the next six years over 40 million acres of forest land was placed in Forest Reserves. Across the west, rural county commissioners and school leaders expressed grave concerns over the

withdrawal of large blocks of land from settlement, economic development, and taxation within their counties. Many communities were also highly dependent on these lands for grazing, timber, and water. Rural public concern was growing about:

- a) the purpose of these lands and how they would be managed; and
- b) the economic impacts of locking up these lands – especially the impacts on roads and schools.

In 1897, Congress finally specified that the Forest Reserves would be used for three purposes:

1. Improve and protect the forests in the Reserve.
2. Secure favorable conditions of water flows.
3. Furnish a continual supply of timber for the use and necessities of citizens of the United States.

In 1905, the Forest Reserves were renamed the U.S. National Forests and the U.S. Forest Service was founded to manage the lands. Presidents continued to set aside more lands by proclamation and the concerns and oppositions of rural county commissioners and school superintendents continued to grow. By the mid 1900's over 153 million acres had been set aside as National Forests.

President Theodore Roosevelt and Gifford Pinchot, Chief of the Forest Service were so concerned that rural county opposition would politically compromise the future of the U.S. National Forests, that they proposed a new concept – revenue sharing. In 1908 Congress approved a bill that specified that 25% of all revenues raised on National Forests would be sent to counties which contained these forests to be used for county roads and public schools. For over 100 years, this 1908 revenue sharing act has provided critical revenues for rural counties and schools.

#### ***“The Compact”***

*It is important to remember that these funds are to mitigate for the removal of these lands from economic development and settlement – in order to form our National Forest system. This was a compact with the rural citizens of America to make possible the establishment of our National Forests.*

From 1908 until the late 1980's this “Revenue Sharing” system worked well for forest counties and schools by providing a steady and significant income stream. By the late 1980's national environmental laws and aggressive environmental organizations caused most national forests to discontinue or drastically cut grazing, timber management, and mining. As a result, U.S. Forest Service revenues declined very rapidly as did the 25% Forest Revenue receipts to counties and schools. By 1998 these revenues had declined by over 70%.

## **The Secure Rural Schools and Communities Act (SRS)**

In December 2000 the Secure Rural Schools and Communities Act was signed into law. This bill provided Title I payments to counties (for roads) and to public schools, it also provided payments to counties to invest in Title II Forest Improvement Projects on National Forests and Title III for specific projects and programs in counties. The Act also authorized the counties to create, in cooperation with the USFS, collaborative Resource Advisory Committees. This Act was enormously successful in that it restored county and school revenues to their 1980's and early 90's levels, resulting in restoration of public services and school programs. The 62 Resource Advisory Committees completed over 4000 projects on National Forest lands without a single lawsuit or appeal. The original SRS authorization expired in September 2006.

2007 – A one year extension of SRS was approved

2008 – A four-year extension was approved with a new funding formula and a 10 percent reduction each year.

Texas was included in a small group of “transition states” which were allowed to use the old formula through 2010 and begin using the new formula with FY 2011.

2012 – A one year extension was approved with a 5 percent reduction in funding from 2011.

2013 – Another one year extension was approved with an additional 5 percent reduction in funding.

2015 – A two year extension was approved for FY 2014-2015 with additional 5 percent reduction each year.

2016 – The authorization has expired and Congressional action is needed to extend it.

2017 – The authorization has still expired and Congressional action is needed to extend it.

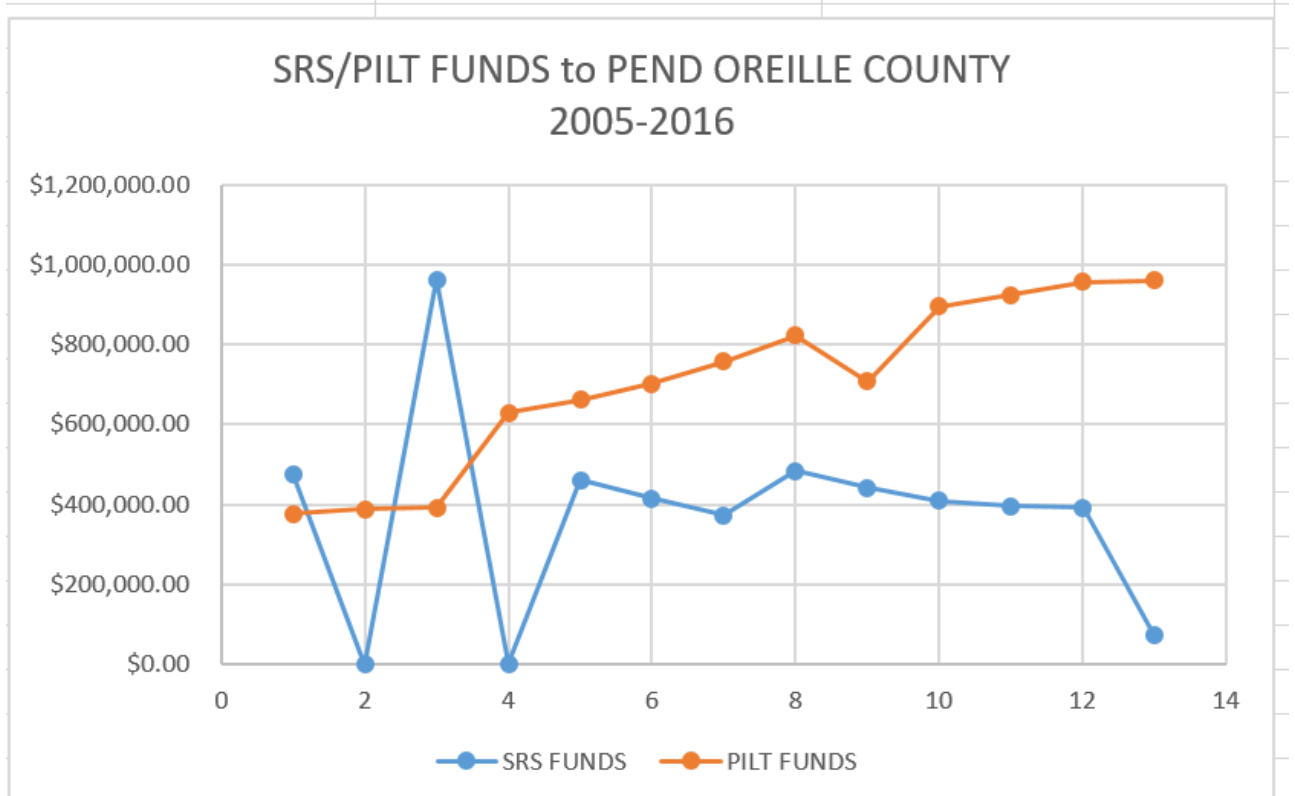
## PEND OREILLE COUNTY

YEAR	SRS FUNDS	PILT FUNDS
2005	\$476,695.00	\$377,690.00
2006	\$309.00	\$388,972.00
2007*	\$962,624.00	\$391,261.00
2008*	\$2,279.00	\$629,051.00
2009	\$461,027.00	\$661,560.00
2010	\$414,829.00	\$702,381.00
2011	\$373,371.00	\$757,981.00
2012	\$484,545.00	\$823,086.00
2013	\$442,160.00	\$707,860.00
2014	\$408,480.00	\$894,908.00
2015	\$395,663.00	\$923,944.00
2016	\$391,460.00	\$956,633.00
2017*	\$75,221.00	\$960,000.00

\* Pend Oreille County received 2006 and 2007 SRS funds in 2007

\* Beginning in 2008 SRS funds were received in following year (ie: 2008 received in 2009)

\* 2017 PILT funds are estimated -not received until June



## PEND OREILLE COUNTY - VOLUME OF HARVESTED TREES 2005-2015

Thousand Board Feet - DNR data

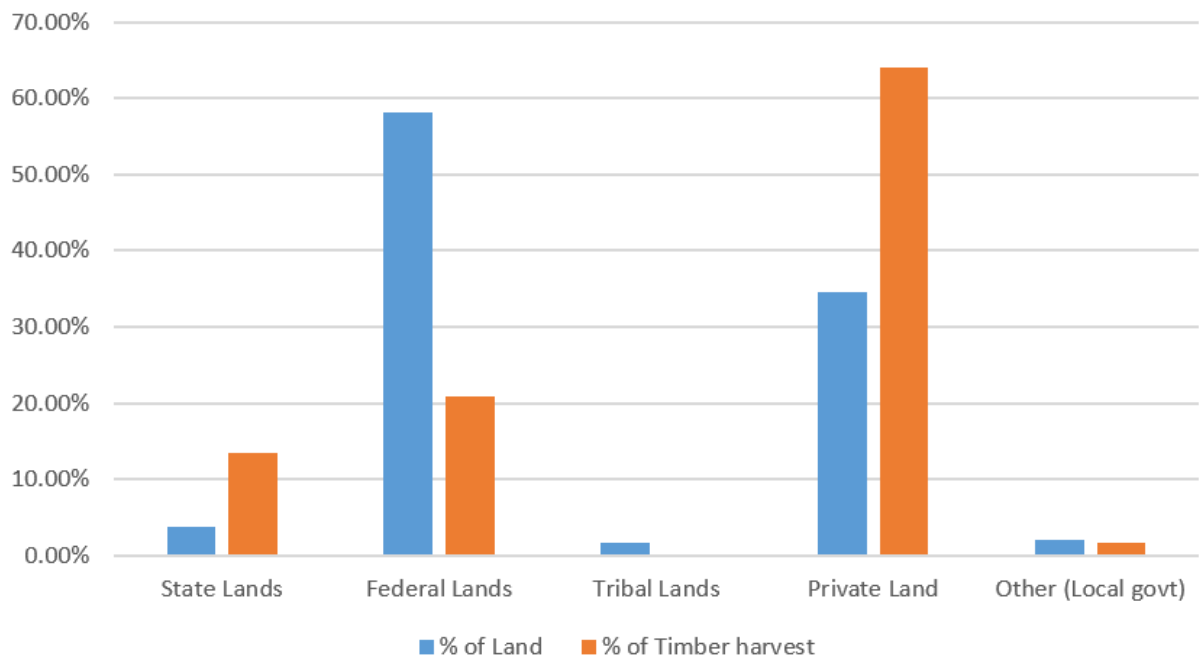
YEAR	Private Lands	State Lands	Federal Lands	Other Public	TOTAL
2005	68,923	11,371	11,251	1,321	92,866
2006	52,629	4,619	5,522	1,294	64,064
2007	55,268	13,340	10,989	1,554	81,151
2008	39,968	3,479	11,225	325	54,997
2009	26,171	5,540	18,364	22	50,097
2010	21,379	11,006	15,051	1,889	49,325
2011	32,925	5,387	20,618	1,612	60,542
2012	30,720	5,530	11,313	1,857	49,420
2013	38,209	22,833	6,488	566	68,096
2014	43,013	6,501	19,858	1,560	70,932
2015	26,567	2,171	11,226	37	40,001
<b>TOTAL YRS</b>	<b>435,772</b>	<b>91,777</b>	<b>141,905</b>	<b>12,037</b>	<b>681,491</b>

### COMPARISON of Land Percentage to Timber Harvest Percentage

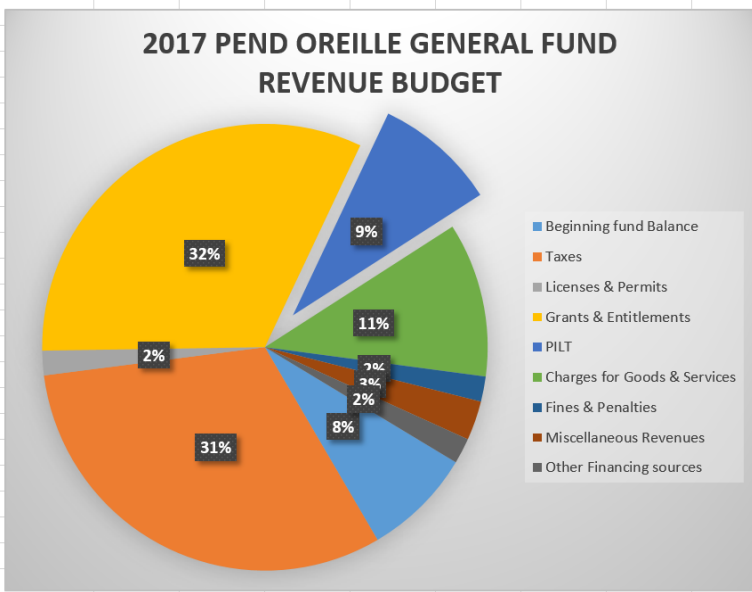
Over 10 year Period - 2005-2015

	% of Land	% of Timber harvest
State Lands	3.70%	13.47%
Federal Lands	58.10%	20.82%
Tribal Lands	1.60%	-
Private Land	34.50%	63.94%
Other (Local govt)	2.10%	1.77%

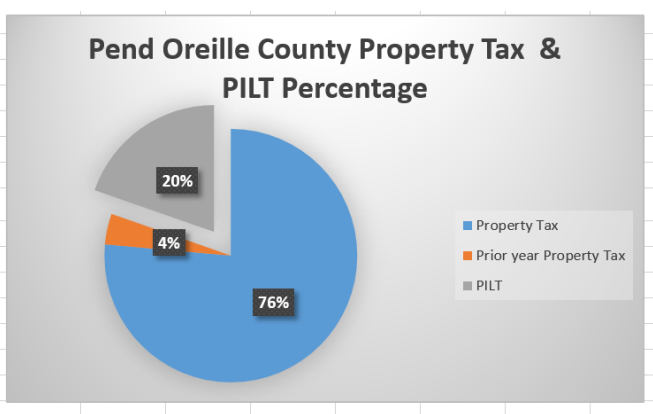
Comparison of Land % to Timber Harvest %



2017 PEND OREILLE GENERAL FUND REVENUE BUDGET	
Beginning fund Balance	\$860,000
Taxes	\$3,400,288
Licenses & Permits	\$191,700
Grants & Entitlements	\$3,493,937
PILT	\$960,839
Charges for Goods & Services	\$1,208,947
Fines & Penalties	\$197,220
Miscellaneous Revenues	\$307,640
Other Financing sources	\$200,000
<b>TOTAL 2017 REVENUE BUDGET</b>	<b>\$10,820,571</b>



Pend Oreille County General Fund 2016 Property Tax & PILT		
Percent of PILT to Property Taxes		
	2016	Percentage
Property Tax	\$3,719,008	76.42%
Prior year Property Tax	\$191,028	3.93%
PILT	\$956,633	19.66%
<b>TOTAL</b>	<b>\$4,866,669</b>	



# PEND OREILLE COUNTY

APPROXIMATE ACRES of FEDERAL LAND

530,394.48



2017 AVERAGE FOREST LAND VALUE PER ACRE

\$51.00



TOTAL TAXABLE VALUE

\$27,050,118.48

