



Written statement of

The Honorable Mark Whitney
Commissioner, Beaver County, Utah

On behalf of the National Association of Counties

“Hearing to Examine Federal Payments to Local Governments Provided
Through the Secure Rural Schools and Community Self Determination Act
and the Payment in Lieu of Taxes Program”

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

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Chairman Murkowski, Ranking Member Cantwell and distinguished members of the Committee, thank you for holding today's hearing examining federal payments to local governments provided through the Secure Rural Schools and Self Determination Act and the Payments in Lieu of Taxes program, and 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 Mark Whitney and I have served on the Beaver County, Utah Board of Commissioners for twelve years. Prior to my service as a county commissioner, I served on the Milford, Utah City Council and the Milford Planning and Zoning Board. Through my years of experience in local government and as President of the Utah Association of Counties, and through my involvement with the National Association of Counties, I know very well the challenges public lands and federal forest counties face as we seek to provide our residents with essential services in the face of strict revenue and budgetary constraints.

I am proud to represent Beaver County which is located in southeastern Utah, stretching from the Nevada border in the West into Fishlake National Forest in the East. The county seat is in the city of Beaver, which is located roughly 200 miles south of Salt Lake City. Our county has a population of roughly 6,354 residents and spans an area of over 1.6 million acres, of which nearly 1.3 million acres—more than 77 percent of our county's land mass—is owned by the federal government.

Congress plays a key role in guiding the management of the 640 million acres of federal public lands. Sixty two percent of counties nationwide have federal land within our boundaries, and federal lands policies have a direct impact on the quality of life and economic wellbeing of our local communities and the people we serve.

This testimony will discuss why both the PILT and SRS programs are so important to counties with federal land in their jurisdictions and address the current funding situation and requirements for future payments.

The Payments in Lieu of Taxes (PILT) Program

The PILT program is essential for county governments to provide critical services and we urge Congress to provide full mandatory funding.

For more than 30 years, the PILT program 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 are left to shoulder the costs for the extra law enforcement, infrastructure, search and rescue, and road maintenance requirements that come with it.**

PILT Funding Remains Uncertain

After the creation of the Payments in Lieu of Taxes program, annual PILT 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 of these county payments.

However, today 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 2015, PILT was extended with \$70 million in appropriations provided by the FY 2015 National Defense Authorization Act and \$372 million in appropriations provided by the FY 2015 Consolidated and Further Continuing Appropriations Act. Together, the two bills provided full discretionary funding of \$442 million for PILT in FY 2015.

Although full funding was provided in FY 2015, for which we and other public lands counties are grateful, this piecemeal approach subjected a portion of PILT funds to sequestration, and required NACo to advocate for a "technical fix" to ensure the distribution of nearly 10 percent of the total FY 2015 PILT payments were not delayed into 2016.

For FY 2016, Congress fully funded PILT at \$452 million. When the Continuing Resolution was passed in December of 2016, funding for the program was extended at that FY 2016 level. However, the U.S. Department of the Interior has estimated that \$480 million will be necessary to fully fund PILT in FY 2017. That is \$28 million below what the U.S. Department of the Interior has estimated to be necessary

for this fiscal year, and this decrease in county revenue stands to have a major impact on local community services, particularly for those counties in the West and in rural areas.

PILT matters to Beaver County, Utah

Nearly 78 percent of Beaver County is PILT eligible land. Last year, for the nearly 1.3 million acres of PILT entitlement land within our county's borders, the U.S. Department of the Interior paid Beaver County \$969,723, or about seventy-five cents per acre. PILT funding accounts for approximately 10 percent of our county's annual budget. These PILT dollars are used for everything from bridge and road maintenance to fire protection and other emergency services. It is vital that our county receives this money to provide county services to residents.

Should Congress reduce Beaver County's PILT payment, emergency services will be the first to suffer. In a large, rural county, our first responders often travel great distances to assist residents. If we were forced to reduce police, fire, or EMS personnel or cut back on equipment purchases, it will have life and death consequences for Beaver County residents.

Counties need a strong and reliable federal partner to provide budgetary certainty and stability for the nation's counties.

PILT is not only an important element to county funding. The fact that it is indexed to inflation and is paid to counties for general purposes is critically important, and assures it retains its character as a property tax payment to be utilized for any general fund purpose.

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.

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 2017 and beyond and eliminate the ongoing funding uncertainty currently facing public lands counties.

The Secure Rural Schools (SRS) Program

Counties also urge Congress to enact a long-term legislative solution for continued revenue sharing payments to forest counties through the Secure Rural Schools (SRS) program.

Without SRS, forest counties nationwide face dramatic budgetary shortfalls. Counties urge Congress to renew its long-standing commitment to forest counties through extending SRS as critical transitional funding and increasing revenue sharing through active forest management.

The SRS program, administered by the U.S. Forest Service, 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.

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, during the 1980s, 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.

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 FY2015. In FY 2015 alone, SRS provided \$278 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 went to county governments in 2016.

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 designated 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 distributing historic "25 percent payments" for this year, but these payments are, 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 we will again be forced to make drastic cuts to the services on which our people rely.

Impact of SRS lapse on Beaver County and Utah

In Beaver County specifically, we received \$113,814 from the U.S. Forest Service in FY 2015 for SRS. If SRS is not reauthorized, we will see a mere \$19,026 in 1908 Act payments this year—an 84.4 percent decrease. Statewide, Utah will receive almost an 88 percent cut.

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

However, 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, leaving the same amount of PILT funds to effectively cover both programs. Counties would be fighting for slices of a smaller pie.

NACo has a mapping tool on the County Explorer section of its website that highlights the negative impact of an SRS lapse on PILT payments. Per the NACo County Explorer, based on FY 2014 SRS and FY2015 PILT data, had Congress not reauthorized SRS, PILT funds to Beaver County would have plummeted by almost \$289,000—more than 30 percent of our county's FY 2015 PILT funding. This 30 percent PILT cut would have coincided with the 84 percent reduction in U.S. Forest Service payments, leaving our rural county with a nearly \$400,000 hole to fill. Should Congress not reauthorize SRS, emergency services and road maintenance are the first items on the chopping block for Beaver County.

Garfield County, Beaver County's neighbor to the southeast, would face an even more dire situation. Since 1996, Garfield County saw its timber and other resource-based productivity plummet. If SRS is not reauthorized, Garfield County will see a \$1.3 million cut in SRS and PILT payments, leaving their county with 16 days worth of funds in its general revenue account.

To compare statewide numbers, Utah would see a statewide reduction in PILT payments of \$6.7 million if SRS lapses. 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 Utah, but would not come close to meeting either state's needs.

This scenario is unsustainable, and will lead to drastic 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.

The Importance of Forest Management

Through my years as a resident and commissioner of a federal forest county, I have developed a deep appreciation for forest lands and want to see them maintained in a manner that will keep them healthy and productive for generations to come. When the National Forests were created over 100 years ago, the Federal Government sold the idea of public ownership of forest lands by promising a steady supply of natural resources produced from the forests, especially timber. However, our nation's current federal forest management practices are not fulfilling the promises made over a century ago, and in fact are endangering the many invaluable resources that our national forests provide.

The health of our forests continues to decline, fire risk is increasing at an alarming rate and, without treatment and active management, usable timber quality is quickly declining to a non-merchantable state. In addition, fewer people recreate on public lands that have lost their green beauty, and our communities' economic viability is suffering as a direct result.

This state of affairs is nothing new. The story is the same in many regions across the country, including ours in Beaver County.

Until 1994, western states (Arizona, California, Colorado, Idaho, Montana, New Mexico, Nevada, Oregon, Utah, Washington, and Wyoming) experienced wildfires that burned 3 million acres or more only once in 1919, and then once again in the 1980s. Since then, these same western states have suffered over 5 million acres burned in 2000, over 4 million in 2002, over 6 million in both 2005 and 2006, over 4 million in 2011, and then over 7 million in 2012.

To elaborate further, the Waldo Canyon Fire of 2012 in El Paso County, Colorado killed two people, burned more than eighteen thousand acres and destroyed 346 homes. On top of this, flooding and mudslides soon after ripped through communities in the fire area, claiming additional lives and causing significant property damage. During 2015, counties in central Washington lost multiple homes and businesses due to wildfire.

The causes of catastrophic wildfire are multifaceted, including past management practices, population growth in the wildland urban interface and record drought. However, one thing is clear: the current conditions of our public lands and forests contribute to catastrophic wildfires and are a direct result of land mismanagement by the federal government. The status quo of inaction in forest management has only exacerbated present forest conditions.

Is “catastrophic” the new normal for wildfires? My constituents and I refuse to accept that multiple homes should be lost each year due to catastrophic wildfires caused by poor land management practices.

It is imperative that counties are given the tools and the flexibility to make informed land management decisions at the local level, in full collaboration with our federal partners, to improve the health of our federal forests, increase the economic well-being of our communities and mitigate the risk of forest fires. Forest management plans—not to mention other land management plans—should provide for economic and social sustainability, emphasize multiple use management and commodity production and require that federal decisions be made at the most local level of the federal agency. Without active management of our forests, forest communities continue to be placed in harm’s way through increased wildfire risk and decreased economic stability.

The Issue of Fire Borrowing

In recent years, wild fires have been on the minds of Americans more than ever. According to the U.S. Forest Service (USFS), 58 million acres of National Forest lands are at a high risk for catastrophic wildfire—that is more than thirty percent of the 193 million acres in our National Forest System.

The significant human and economic costs of wildfires cannot be overstated. In 2014, wildfires claimed the lives of 10 firefighters and many civilians. As another example, in August 2013, the Rim Fire ignited in the Stanislaus National Forest in California. The wildfire burned for more than a year before it was declared extinguished in November of 2014. Eleven residences, three commercial buildings, and 98 outbuildings were destroyed by the fire.

Tuolumne County, California, where this fire began, initially spent more than \$1.4 million in county taxpayer dollars to support evacuation efforts, clear roadways and perform hazardous tree removal.

Every fire occurs within a county, borough or parish and citizens turn to local governments for guidance on preparation, response and recovery from these and other disasters. When catastrophes occur, county first responders and road crews are tasked with responding to ensure public safety, as well as cleaning up and rebuilding after. In performance of these duties, local taxpayers in fire impacted communities will ultimately shoulder the burden to the tune of millions of dollars.

As the risk and occurrence of major fires has increased in our federal forests over the years, the U.S. Forest Service and U.S. Department of Interior have often been forced to resort to “fire-borrowing,” a budgetary practice that occurs when federal agencies divert funds from forest health and fire prevention programs to fight wildfires. Historically, the need for transfers of funding from non-fire programs to support wildfire suppression efforts has limited the ability of the Department of the Interior

and U.S. Forest Service to fight wildfires without impacting the budgets of other fire prevention and management programs.

Of equal concern is how the increasing ten-year average for wildfire suppression has augmented this funding problem. Longer fire seasons, increasing development in the wildland-urban interface, and increased fuel loads all contribute to higher wildfire suppression costs.

Fire borrowing is not a sustainable solution to addressing our nation's wildfire threats, as the practice diverts funds from the very accounts that would prevent such catastrophic fires in the first place.

The National Association of Counties (NACo) urges Congress to change the method of funding wildfire suppression on National Forests and Grasslands by providing access to funding outside of the statutory discretionary limits for emergency purposes. NACo further proposes that the Forest Service be able to access a discretionary disaster cap adjustment after the amount spent on fire suppression exceeds 70 percent of the 10-year average. This approach allows the agency to invest additional resources in forest and rangeland restoration and management, and will drastically reduce the need to resort to fire-borrowing during and after catastrophic wildfires.

As mentioned earlier, the health and condition of our forests nationally is at a critical state, and counties like mine across the country are working every day to both protect our natural resources and protect their citizens' health, safety and well-being. We hope the Senate can utilize today's hearing to develop comprehensive forestry legislation that addresses both the long-term health of our federal forests and provides adequate funding for wildfire suppression. It is important we find constructive ways to work together to ensure that our forests are healthy and productive and that our local economies can continue to thrive.

Conclusion

Chairman Murkowski, Ranking Member Cantwell, thank you for the opportunity to share Beaver County's story with the Committee. We look forward to working with you to develop and pass legislation that will continue the historic partnership between the federal government and counties through the full funding of the Payments in Lieu of Taxes program and reauthorizing the Secure Rural Schools program as a funding bridge to a revenue producing national forest system.

County residents are depending on you to act to ensure that vital funding is in place for emergency personnel, road maintenance, schoolteachers, and other public services.