

**STATEMENT OF PAMELA K. HAZE
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DEPARTMENT OF THE INTERIOR
BEFORE THE
SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES,**

**ON THE
PAYMENTS IN LIEU OF TAXES (PILT) PROGRAM
AND THE
SECURE RURAL SCHOOLS AND COMMUNITY SELF-DETERMINATION ACT
(SRS) PROGRAM**

MARCH 19, 2013

Mr. Chairman, Ranking Member Murkowski, and members of the Committee, I am pleased to have the opportunity to testify today on the Department of the Interior's Payments in Lieu of Taxes (PILT) Program and the Secure Rural Schools (SRS) Program. The Administration supports ways that the Federal government can fulfill its role of being a good neighbor to local communities, such as through PILT and SRS.

Secure Rural Schools Act

The Bureau of Land Management (BLM) manages the Secure Rural Schools program in concert with the U.S. Forest Service. BLM administers the Community Self-Determination Act payments as amended (P.L. 106-393) for nearly 2.4 million acres of BLM-managed public lands located in 18 western Oregon counties, known as the "O&C". The Department of the Interior defers to the U.S. Forest Service in matters regarding activities on their lands.

O&C County Payments

The Secure Rural Schools Act builds upon the foundation laid in 1937 with the Revested Oregon and California Railroad and Reconveyed Coos Bay Wagon Road Grant Lands Act (the O&C Lands Act). Under the O&C Lands Act, the 18 O&C counties receive yearly payments equal to 50 percent of receipts from timber harvests on public lands in these counties.

Between 1989 and 1993, income to O&C counties from timber harvests dropped significantly. Congress enacted "safety net payments" to stabilize income flow to timber-dependent counties in 1994 (P.L. 103-66). In 2000, Congress enacted the Secure Rural Schools Act, which allowed O&C counties to receive a payment equal to the average of their three highest timber receipt years from 1986 through 1999. Under the Act, the counties also elect the percentage of the payment to be distributed directly to the counties (Title I), and the remaining percentage to be allocated between Title II projects (administered by the BLM), Title III projects (administered by the counties), or returned to the Treasury.

The payments have been reauthorized three times, most recently through 2012 as part of the Moving Ahead for Progress in the 21st Century Act (P.L. 112-141). Since the law has now expired, absent reauthorization, payments to the 18 counties in western Oregon will revert to levels under the O&C Lands Act. The President's 2013 Budget proposed to reauthorize the program for five years beginning in 2012 and continuing through 2016 and modify it over the long term.

We understand the importance of these funds to the viability of western Oregon counties in support of county projects and local schools. On February 5, 2013, BLM distributed the majority of the Secure Rural Schools payments for 2012, totaling approximately \$36 million. 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, Interior held back 10 percent of the scheduled payments in preparation for the possibility of sequestration. The reduction to Interior's Secure Rural Schools program required by sequestration is \$2.0 million or 5.1 percent of the amount subject to sequestration. We are working to meet the necessary funds control requirements as quickly as possible to allow BLM to issue the balance of payments to the counties as soon as we can.

Payments In Lieu of Taxes (PILT)

The PILT Act (P.L. 94-565) was passed by Congress in 1976 to provide payments to local governments in counties where certain Federal lands are located within their boundaries. PILT is based on the concept that these local governments incur costs associated with maintaining infrastructure on Federal lands within their boundaries but are unable to collect taxes on these lands; thus, they need to be compensated for these losses in tax revenues. The payments are made to local governments in lieu of tax revenues and to supplement other Federal land receipts shared with local governments. The Department has distributed more than \$5.9 billion dollars in PILT payments since these payments began in 1977.

While PILT payments are provided without conditions on their use, we know that many counties and other local jurisdictions rely on PILT payments for support of critically important services and programs, including emergency services such as fire and rescue, housing social services, and transportation.

The annual PILT payments to local governments are computed based on the formula that is contained in the law, which considers the number of acres of Federal entitlement land within each county or jurisdiction, the population, and prior year revenue payments made to the jurisdiction.

Federal entitlement lands include lands within the National Forest and National Park Systems, those managed by the Bureau of Land Management (BLM), those affected by Corps of Engineers and Bureau of Reclamation water resources development projects, and certain other

Federal lands. The formula for calculating PILT payments considers the amount of certain Federal land payments received by the county or local jurisdiction in the preceding year. These payments are made from Federal revenue generating programs (such as receipts from mineral leasing, livestock grazing, and timber harvesting) that the Federal Government transfers to the counties using formulas in laws such as the Mineral Leasing Act.

Prior to 2008, the amounts available for PILT payments to local governments required an annual appropriation by Congress. In 2007, the last year that PILT funding was subject to appropriation, PILT payments were \$232.1 million, comparable to 64.7 percent of the full authorized level for counties.

The Emergency Economic Stabilization Act of 2008 (Public Law 110-343) authorized PILT for five years as a mandatory program, under which counties have received the full PILT entitlement level, including inflationary increases. The most recent payment made to counties in June 2012, totaled \$393.4 million and was distributed to over 1,900 local government units (mostly counties) in 49 States, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.

The FY 2013 Budget proposed a one-year extension of PILT payments for 2013. The program was extended for 2013, as proposed by the Administration, in MAP-21, the Transportation Reauthorization Act. As stated in the Budget, the Administration looks forward to working with Congress to develop a longer-term strategy for providing sustainable levels of funding for PILT payments, in light of overall constrained budgets and the need for appropriate offsets for new mandatory spending. In the meantime, we plan to make the payments for FY 2013 in June of this year, consistent with the payment schedule in previous years.

Unless Congress takes action to undo sequestration and restore funding before the June payments are made, they will be subject to reduction. We are still calculating the full entitlement amounts due to counties for this fiscal year; however, based on the Office of Management and Budget's Sequestration Report we will reduce the overall allocation by \$20.3 million.

Conclusion

The Administration recognizes that PILT and SRS are important to local governments, sometimes comprising a significant portion of their operating budgets. The PILT and SRS monies have been used for critical functions such as local search and rescue operations, road maintenance, law enforcement, schools, and emergency services. These expenditures often support the activities of people from around the country who visit or recreate on Federal lands.

As we look forward to reauthorization of the programs, the Department will work to continue to ensure efficient and effective management of these programs.

Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions that you or the other Members may have.