



U.S. House Timber Legislation Will Lower County Payments *Payments Would Drop from Current SRS Levels, Especially for Rural Counties*

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Summary Findings

The U.S. House of Representatives earlier this month passed H.R. 1526, a measure that among its provisions would seek to increase timber harvests on Forest Service lands. The increased commercial receipts from higher cut levels are intended to replace the expired Secure Rural Schools and Community Self-Determination Act (SRS) payments to local governments.

This brief utilizes the Congressional Budget Office [analysis](#) of H.R. 1526 to estimate how 25% Fund payments in 2023 compare on a county-by-county basis to the most recent (2012) SRS payments. We assume that a projected doubling of commercial harvests will occur proportionately across the country based on where harvests have occurred over the last 12 years, from 2001 to 2012. We also model how Payments in Lieu of Taxes (PILT) will increase to offset lower prior-year payments from the Forest Service, assuming PILT is fully funded and the current formula remains the same.

Findings in Brief:

- In 2016, Forest Service payments will drop by \$199 million nationally, a decline of 31 percent. PILT will not rise to make up for falling Forest Service payments until the following year, then rising by \$31 million to partially offset losses.
- By 2023, Forest Service and PILT payments together will be 25 percent lower than current (2012) SRS and PILT payments, a decline of \$165 million. The 25% Fund will be roughly \$192 million less than SRS payments, while PILT payments will increase by about \$27 million to partially offset losses.
- By 2023, payments for county governments will decline by about \$69 million; school districts will see a decline of roughly \$35 million directly; state school equalization funds will lose an additional \$28 million (some states including Oregon and Washington do not deliver payments to local school districts, but allocate them statewide based on an equalization formula unrelated to public lands); and SRS Title II projects of about \$32 million will be cut.
- Rural counties will experience 55 percent of the total decline in funding while Metro counties will experience only 18 percent of the total decline in funding. Micropolitan counties (population between 10,000 and 50,000 thousand) will experience the rest of the declines, (27 percent of losses).
- Among the largest losses are rural counties that benefited under the SRS formula but also are limited by the PILT population threshold. Unorganized regions in Alaska; Lane, Klamath, and Douglas, Oregon; Idaho, Idaho; Skamania, Washington; Siskiyou, California; Catron, New Mexico; and Lincoln, Montana are among counties that will lose the largest amounts.
- Some counties will see gains. Warren, McKean, Elk, and Forest, Pennsylvania; Pennington, South Dakota; Forest, Wisconsin; Vernon, Louisiana; and Garland, Arkansas are among counties that will gain the most.

Discussion

With the expiration of SRS funding, and uncertainty for PILT, the U.S. House and Senate are looking for long-term solutions for county payments. H.R. 1526 represents a long-term solution that does not rely on future appropriations to fund Forest Service payments. Instead, the proposal favors returning to receipt-based payments. The analysis here takes projections of future receipts prepared by the Congressional Budget Office (CBO) and estimates future payments on a county-by-county basis. Several assumptions are made in this analysis that warrant further discussion.

Volatility: The CBO assumes no volatility in future prices or harvest levels. There is no guarantee that forcing the Forest Service to sell a pre-determined amount of timber on an annual basis will be purchased every year at constant prices. Recent recessions and price swings suggest that volatility will be an important factor in determining future receipts, but we have no way of projecting with accuracy what future sale levels or sale prices will be. However, returning to the 25% Fund re-exposes county budgets to the volatility inherent to timber markets, for better or for worse.

Shift to Urban Counties: Payments will be lower nationally, and the distribution of payments shifts as well. SRS included formula components that distributed payments based on three factors: historic timber payments, acres of federal land, and per capita personal income. Returning to the 25% Fund removes these elements of the county payment program. The result is that rural and impoverished counties that had received higher payments will see larger than average losses. The population threshold in the PILT formula does not allow this safety net program to respond to declining payments in rural counties. PILT will make up a larger share of declines in Forest Service payments in Metropolitan counties.

Proportionality: We assume that receipts will increase proportionately across the country from the average level of receipts generated from timber on each forest between 2001 and 2012. We use Forest Service gross receipts data to isolate receipts from timber for these years. We assume no change in receipts from recreation, land use, grazing, or other uses of federal public land as these commercial activities are not addressed specifically in the legislation. It is possible that a return to timber as the primary use of public lands could interact with other forms of commercial activities and change them in various ways.

Alternatives: Other long-term solutions are available to Congress and the Administration to achieve important policy goals, including supporting rural counties with significant federal land ownership. For example, Congress could choose to re-invest in current SRS appropriations and boost existing and proven stewardship and restoration funding and authorities. Alternatively, Congress could do away with the Forest Service payment program altogether in favor of a simple tax equivalency payment divorced from broader policy agendas.

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About Headwaters Economics

Headwaters Economics is an independent, nonprofit research group that assists the public and elected officials in making informed choices about land management and community development decisions in the West, <http://headwaterseconomics.org/>.

Appendix

The following pages have Methods, State Level Map, County Level Map, State Table, and County Tables (top twenty winners and losers). Specific counties or details are available upon request.

Methods

We use the Congressional Budget Office's projections of Changes in Direct Spending, Additional Timber Receipts (pg. 2) to estimate additional future timber revenue at the national level.¹

We assume that current 25% Fund payments will continue, and that the bill will increase the timber component of these receipts. Total county payments will also change as the PILT formula takes into account higher or lower prior year payments for each county. The formula is:

$$\text{Estimated 2023 Payment} = \text{Current 25\% Fund} + \text{Increased Timber Receipts} + \text{PILT}$$

Current estimates of the 25% Fund are provided by the Forest Service for FY 2008 to FY 2012.² Estimates are based on a seven-year rolling average of gross receipts from FY 2002 to FY 2012.

We use three scenarios to allocate additional revenue to counties:

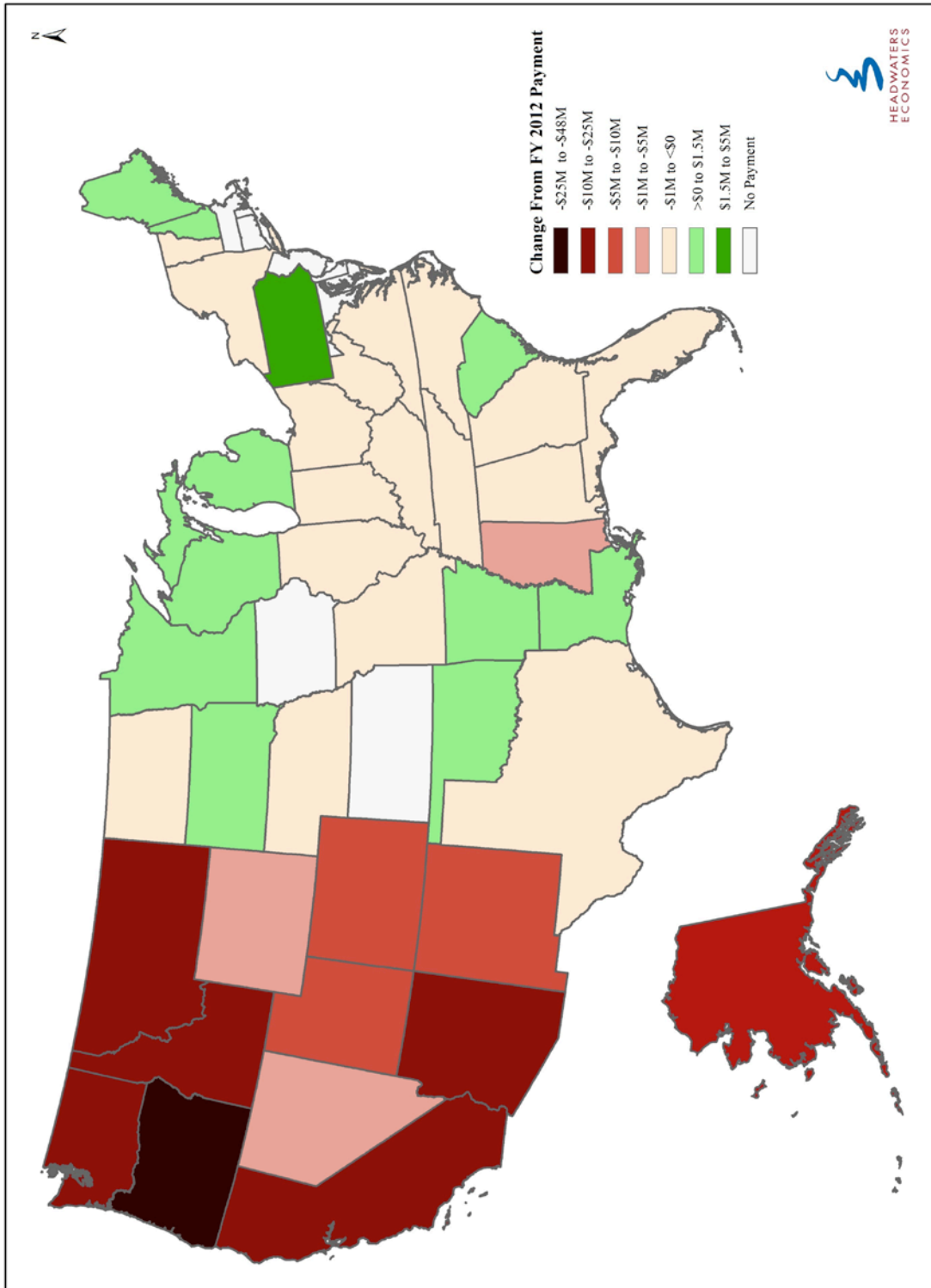
Scenario 1: Proportional increase based on recent timber harvests. Scenario 1 assumes that future timber harvests will increase proportionally across the U.S. based on recent federal timber harvests and values. We use National Forest gross receipts data to allocate the value of timber harvests averaged over the period FY 2001 to FY 2012 to each county with Forest Service lands.³ These projected increase in harvests mandated by H.R. 1526 are distributed among counties using these data. In short, Scenario 1 assumes that harvest will increase in the same locations they have occurred over the last 12 years. (See Headwaters Economics interactive map of commercial activities on public lands: <http://headwaterseconomics.org/interactive/national-forests-gross-receipts>.)

Scenario 2: Proportional increase based on historic timber harvests. Scenario 2 assumes that future timber harvests will occur in areas that have historically high timber harvests, measured by the value of 25% Fund payments over the period 1986 to 1992. In short, Scenario 2 assumes that harvests will increase in the locations that had historically high timber harvest and timber values.

For each scenario, we estimate future PILT payments by running the current PILT formula (FY 2012)⁴ with new estimated prior-year payments. The tables and maps presented here illustrate how payments are expected to change between 2012 and 2023 based on Scenario 1. The outcomes for counties under Scenario 2 are only marginally different. The only change is that counties in the Pacific Northwest, particularly Oregon, will see lower declines if future harvests occur in regions with historically high value timber harvests compared to areas that have relatively higher timber harvest values more recently. For example, under Scenario 1, Lane, Klamath, and Douglas counties, Oregon collectively receive payments about \$23 million lower in 2023 compared to 2012. Under Scenario 2, these three counties will collectively receive payments about 14.5 million lower in 2023 compared to 2012, a 37 percent smaller decline compared to Scenario 1.

Scenario 3: Updated Analysis of H.R. 1526. This [linked spreadsheet](#) (and on our web page) details state and county payments based on Forest Service estimates of how timber harvests will change on a National Forest by National Forest basis if H.R. 1526 is adopted in its current form. The analysis uses FY 2012 timber prices, includes non-timber commercial activities on National Forests, and estimates PILT assuming that program is fully funded in the future.

Change in Forest Service and PILT Payments From 2012 to 2023 if House Bill 1526 is Adopted



Change in Forest Service and PILT Payments From 2012 to 2023 if House Bill 1526 is Adopted

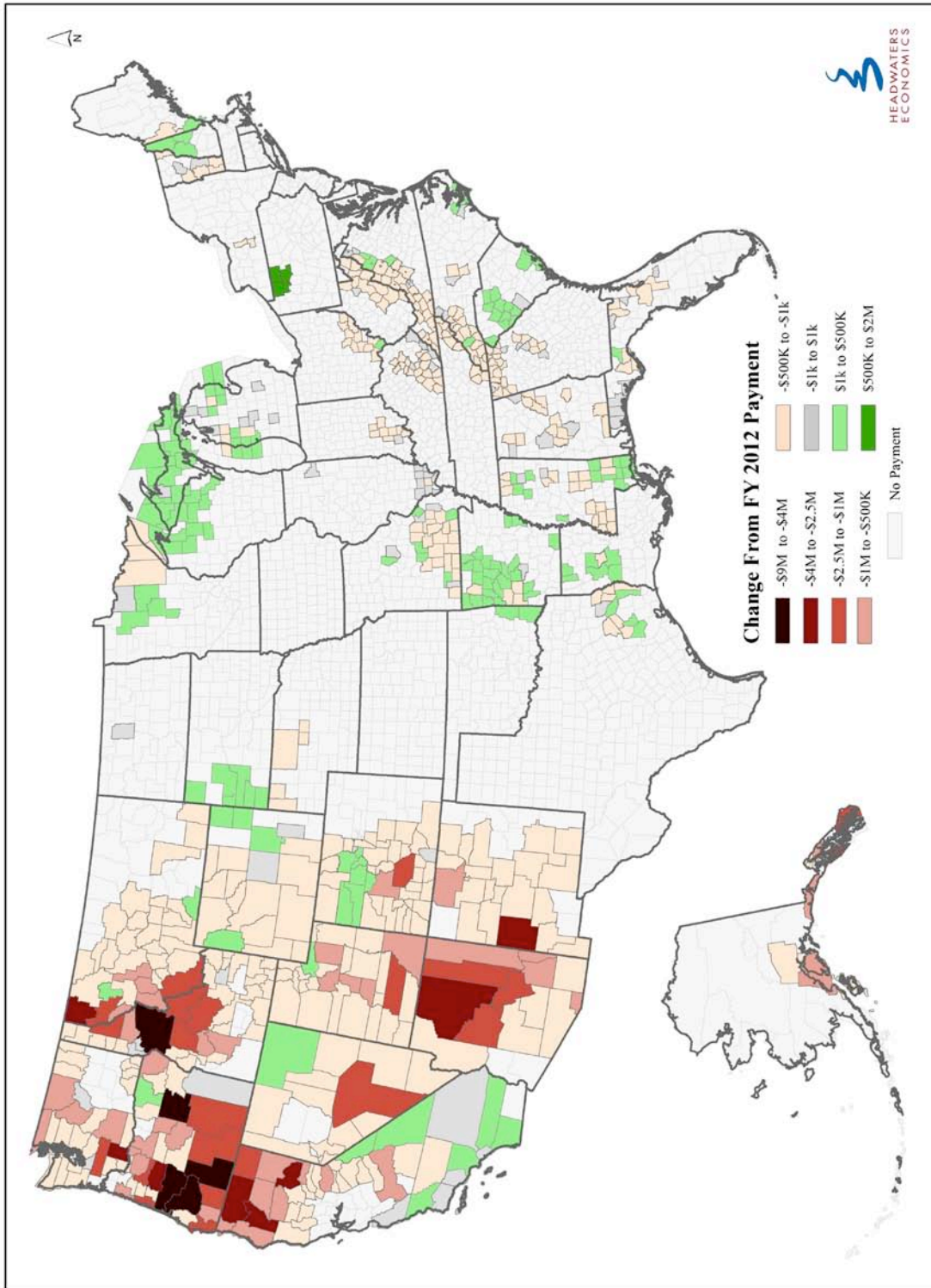


Table 1: Change in State Payments FY 2012 to FY 2023 (Total Change Reflects Change in FS and PILT Payments)

State	2012 Payment (SRS plus PILT)	2023 Est. Payment (25% Fund plus PILT)	Total Change	Percent Total Change	Components: Change in FS Payment	Components: Change in PILT Payment
Oregon	84,060,597	33,877,456	-50,183,141	-60%	-54,524,814	4,341,674
Idaho	52,537,466	32,515,071	-20,022,395	-38%	-23,797,131	3,774,736
California	75,114,239	56,640,702	-18,473,537	-25%	-23,740,557	5,267,020
Alaska	28,731,951	14,140,786	-14,591,165	-51%	-14,940,572	349,407
Washington	36,760,006	24,390,314	-12,369,692	-34%	-16,420,807	4,051,115
Montana	44,208,557	32,938,236	-11,270,321	-25%	-15,454,277	4,183,956
Arizona	42,790,884	31,862,020	-10,928,864	-26%	-13,246,818	2,317,953
Utah	47,549,190	38,515,614	-9,033,576	-19%	-9,668,326	634,750
New Mexico	37,606,602	30,656,291	-6,950,311	-18%	-10,288,190	3,337,879
Colorado	40,807,190	34,107,621	-6,699,568	-16%	-7,970,044	1,270,476
Nevada	24,811,962	21,692,399	-3,119,563	-13%	-3,616,568	497,005
Wyoming	28,955,043	27,491,660	-1,463,383	-5%	-2,569,735	1,106,351
Mississippi	6,873,853	5,694,385	-1,179,468	-17%	-1,066,362	-113,105
West Virginia	4,521,910	3,590,790	-931,120	-21%	-955,103	23,983
Kentucky	2,478,020	1,689,576	-788,444	-32%	-1,446,331	657,887
North Carolina	5,535,632	4,889,453	-646,180	-12%	-835,921	189,741
Missouri	5,245,308	4,600,984	-644,324	-12%	-827,516	183,192
Georgia	2,823,417	2,197,453	-625,964	-22%	-1,250,662	624,698
Florida	3,973,041	3,448,497	-524,544	-13%	-869,310	344,766
Tennessee	1,588,786	1,088,407	-500,379	-31%	-831,112	330,734
Virginia	4,158,505	3,698,900	-459,604	-11%	-831,080	371,476
Texas	2,986,135	2,559,419	-426,716	-14%	-409,430	-17,286
Alabama	2,359,306	2,025,236	-334,070	-14%	-606,645	272,575
Ohio	489,880	372,212	-117,668	-24%	-175,601	57,933
Nebraska	991,866	878,802	-113,064	-11%	-171,550	58,487
Indiana	537,728	431,924	-105,805	-20%	-211,400	105,595
Vermont	390,582	334,742	-55,840	-14%	-55,840	0
Illinois	920,648	903,649	-16,998	-2%	-33,960	16,961
New York	33,890	27,718	-6,172	-18%	-12,334	6,161
North Dakota	5,599	5,342	-257	-5%	-513	256
Maine	123,590	125,465	1,874	2%	836	1,038
Minnesota	4,421,183	4,430,672	9,489	0%	316,928	-307,439
Oklahoma	1,289,326	1,570,262	280,937	22%	341,740	-60,803
New Hampshire	1,003,812	1,300,441	296,629	30%	436,324	-139,695
Louisiana	2,294,535	2,973,982	679,447	30%	729,174	-49,727
South Carolina	2,163,789	2,881,753	717,964	33%	717,962	0
South Dakota	4,858,676	5,731,235	872,559	18%	1,909,814	-1,037,255
Arkansas	12,784,134	13,747,141	963,008	8%	1,679,808	-716,800
Wisconsin	2,959,417	4,159,296	1,199,878	41%	1,567,746	-367,867
Michigan	7,807,948	9,208,464	1,400,516	18%	1,947,027	-546,511
Pennsylvania	3,641,878	8,753,383	5,111,505	140%	5,156,633	-45,129
U.S.	633,196,081	472,147,752	-161,048,329	-25%	-192,024,519	30,976,191

Table 2. Twenty Counties with Greatest Declines, FY 2012 to FY 2023 (Total Change Reflects Change in FS and PILT Payments)

State	County	2012 Payment (SRS plus PILT)	2023 Est. Payment (25% Fund plus PILT)	Total Change	Percent Total Change	Components: Change in FS Payment	Components: Change in PILT Payment
Alaska	Unorganized	9,354,429	491,773	-8,862,656	-95%	-8,862,656	0
Oregon	Lane	12,016,498	3,944,903	-8,071,595	-67%	-8,071,595	0
Oregon	Klamath	9,585,996	2,064,142	-7,521,854	-78%	-7,521,854	0
Oregon	Douglas	9,913,715	2,402,469	-7,511,246	-76%	-7,511,245	0
Idaho	Idaho	9,894,964	2,568,467	-7,326,497	-74%	-7,361,269	34,772
Oregon	Grant	6,314,825	1,339,427	-4,975,398	-79%	-4,975,398	0
Oregon	Linn	5,206,221	1,419,292	-3,786,929	-73%	-3,786,930	0
Washington	Skamania	4,586,837	901,199	-3,685,638	-80%	-3,685,638	0
California	Siskiyou	5,840,117	2,729,964	-3,110,153	-53%	-3,506,284	396,130
California	Trinity	4,669,412	1,705,219	-2,964,193	-63%	-2,964,194	0
California	Plumas	4,290,965	1,409,638	-2,881,327	-67%	-2,921,700	40,373
New Mexico	Catron	3,640,690	759,569	-2,881,121	-79%	-2,881,121	0
Montana	Lincoln	5,659,239	2,821,042	-2,838,197	-50%	-2,838,197	0
Arizona	Coconino	5,713,632	3,072,094	-2,641,538	-46%	-3,503,828	862,289
Idaho	Lemhi	3,404,230	972,458	-2,431,772	-71%	-2,431,772	0
Oregon	Lake	4,068,675	1,672,291	-2,396,384	-59%	-2,396,384	0
Oregon	Harney	3,485,127	1,225,316	-2,259,812	-65%	-2,259,812	0
Washington	Lewis	2,650,294	547,328	-2,102,966	-79%	-2,168,139	65,174
Arizona	Yavapi	5,704,505	3,718,580	-1,985,925	-35%	-2,321,247	335,322
Oregon	Curry	2,798,799	820,453	-1,978,346	-71%	-1,978,346	0

Table 3. Twenty Counties with Greatest Gains, FY 2012 to FY 2023 (Total Change Reflects Change in FS and PILT Payments)

State	County	2012 Payment (SRS plus PILT)	2023 Est. Payment (25% Fund plus PILT)	Total Change	Percent Total Change	Components: Change in FS Payment	Components: Change in PILT Payment
Pennsylvania	Warren	898,910	2,506,118	1,607,208	179%	1,607,208	0
Pennsylvania	McKean	852,886	2,307,920	1,455,034	171%	1,479,609	-24,575
Pennsylvania	Elk	705,067	1,907,110	1,202,043	170%	1,222,597	-20,554
Pennsylvania	Forest	1,185,015	2,032,235	847,220	71%	847,220	0
South Dakota	Pennington	1,710,815	2,097,151	386,336	23%	814,368	-428,032
Wisconsin	Forest	674,371	1,017,234	342,863	51%	342,863	0
Louisiana	Vernon	180,077	419,986	239,909	133%	247,510	-7,601
Louisiana	Rapides	264,943	501,172	236,229	89%	245,297	-9,067
South Dakota	Custer	1,123,375	1,353,656	230,281	20%	505,217	-274,936
Arkansas	Garland	527,272	727,402	200,130	38%	266,753	-66,623
Wyoming	Crook	739,141	932,787	193,646	26%	386,907	-193,261
Michigan	Delta	634,999	825,929	190,930	30%	254,491	-63,560
Michigan	Iron	472,531	655,813	183,282	39%	244,296	-61,014
Wisconsin	Oconto	238,997	410,828	171,832	72%	201,602	-29,770
South Dakota	Lawrence	906,912	1,071,763	164,851	18%	408,226	-243,375
Wisconsin	Bayfield	522,379	685,183	162,804	31%	256,670	-93,866
South Carolina	Oconee	301,998	464,196	162,198	54%	162,198	0
Michigan	Houghton	406,221	567,534	161,313	40%	215,012	-53,699
South Carolina	Berkeley	479,880	632,864	152,984	32%	152,983	0
New Hampshire	Grafton	335,962	484,339	148,377	44%	238,508	-90,131

End Notes

¹ Congressional Budget Office Cost Estimate. September 17, 2013. H.R. 1526. Restoring Healthy Forests for Healthy Communities Act. As ordered reported by the House Committee on Natural Resources on July 31, 2013. <http://www.cbo.gov/sites/default/files/cbofiles/attachments/hr1526.pdf>.

² USDA Forest Service Secure Rural Schools Payments and Receipts, Receipts Reports. Estimated 25% Payments, FY 2002 to FY 2012.

³ USDA Forest Service Secure Rural Schools Payments and Receipts, Receipts Reports. ASR 13-2, National Forest Statement of Receipts by State. FY 2001 to FY 2012.

⁴ 31 U.S. Code. Title 31—Money and Finance. Subtitle V—General Assistance Administration. Chapter 69—Payment for Entitlement Land (also known as P.L. 97-258, as amended). <http://www.doi.gov/pilt/chapter-69.cfm>.