A White Paper: Summary

County Payments, Jobs, and Forest Health

Ideas for Reforming the Secure Rural Schools and Community Self-Determination Act (SRS) and Payments in Lieu of Taxes (PILT)

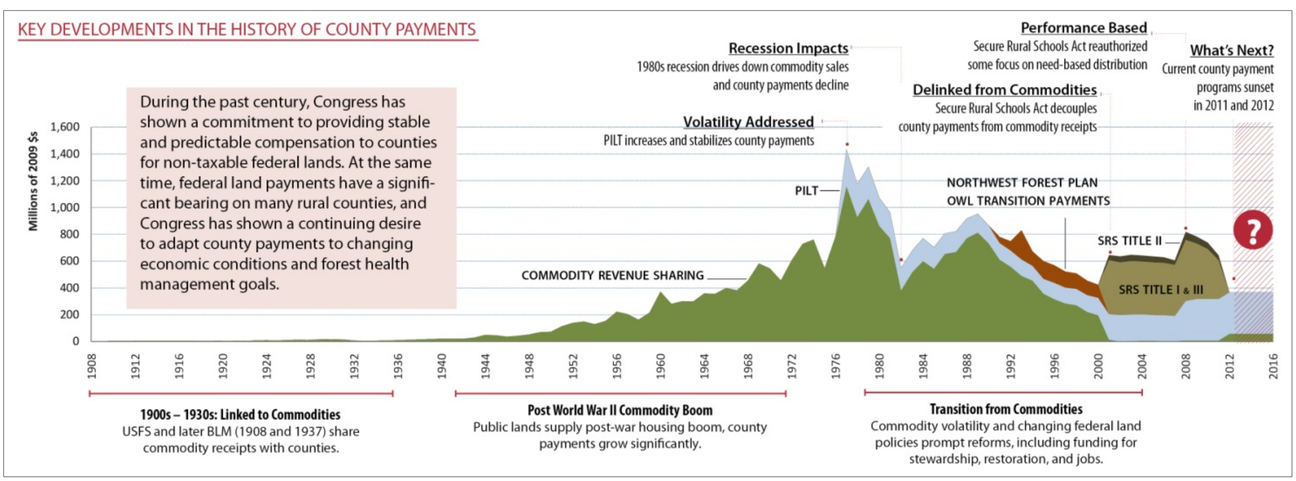
County governments are compensated for the tax-exempt status of federal public lands within their boundaries. The two biggest programs, the Secure Rural Schools and Community Self-Determination Act (SRS) and Payments in Lieu of Taxes (PILT) will provide nearly $800 million annually to counties on average between FY 2008-2011. These payments are important, at times constituting a significant portion of county and school budgets, particularly in rural counties with extensive public land ownership.

The way payments are funded and distributed also affect how public lands are managed, in turn influencing the kind of economic opportunities available to counties.

SRS and the appropriation for the PILT program are about to expire and growing federal deficit concerns make continued SRS and PILT funding uncertain. Congress is looking for alternative ideas and this paper offers eight options.

Over the past 100 years, Congress has reformed and expanded federal land payments to counties, with each change reflecting new economic conditions and changing values of public lands – and a renewed commitment to counties. How this commitment is continued today may be the most important policy decision affecting county budgets, economic opportunity, and forest health in public land counties across the country.

Payment programs have been flexible, adapting to changing economic conditions and public values:



Reform Ideas:

This paper considers eight ideas for the reform of county payments, explores the pros and cons of each, and evaluates whether each idea will provide stable and predictable compensation to counties, create job opportunities in line with today's economy, and improve forest health:

1. Let SRS expire and return to commodity revenue sharing, where county payments are tied to timber harvest levels and other resource extraction on public lands.

2. Reauthorize SRS with no substantive changes.

3. Let SRS expire and return to a revenue sharing system based on an expanded definition of "gross receipts" that counts the value of increases in forest health, such as watershed restoration and wildlife habitat improvements.

4. Retain SRS payments and change the distribution formula to give proportionately higher payments to counties based on:
   a. Economic need and development potential.
   b. Control of wildfire costs by curtaining home-building on fire-prone lands.
   c. Increases in the value of forest health by public lands.
   d. The proportion of federal lands in protected status.

5. Replace SRS, commodity revenue sharing, and PILT with a tax equivalency program, paying counties the equivalent of what they would be paid in taxes if the land were privately owned.

Headwaters Economics presents the policy options for consideration and discussion in the spirit of determining how to best provide counties with stable and predictable compensation while reinforcing today's economic and land-health goals. We do not advocate for one idea over another and it is possible that several ideas could be implemented concurrently.

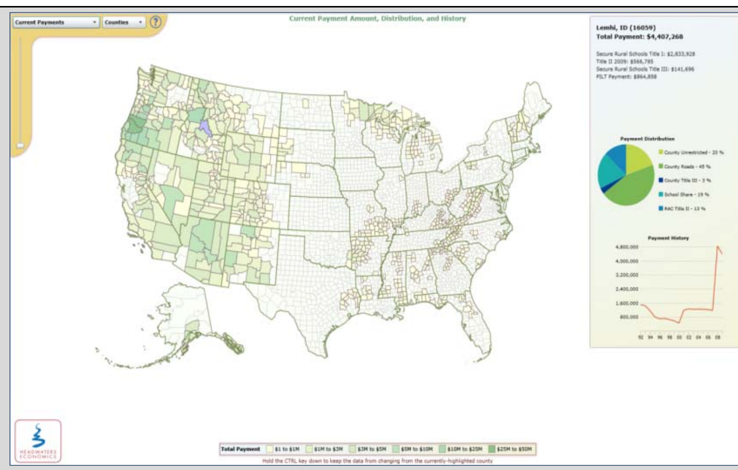
Interactive Mapping Tool

Headwaters Economics has created an interactive mapping tool that displays key concepts and maps that detail how counties, states, and congressional districts will be affected by the ideas considered in this paper.

Mouse over your county to see the impact of each proposed idea.

www.headwaterseconomics.org/countypayments

Example:



HEADWATERS ECONOMICS: An independent, nonprofit research group whose mission is to improve community development and land management decisions in the West.

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