No Easy End to County Payments

Economic and Environmental Reforms Could Improve the President's Proposal

Headwaters Economics

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Counties have received federal payments as compensation for non-taxable Forest Service and BLM lands for more than 100 years. The latest version of payments, the Secure Rural Schools and Community Self-Determination Act (SRS) was created in 2001 and is set to expire next year. Budget concerns (SRS is paid out of the general treasury) make reauthorization uncertain. The President Obama's budget proposes to phase out SRS over two to five years.

But SRS will not go gracefully, largely because the former system—revenue sharing payments funded by commodity receipts—was failing due to falling timber harvests and changing attitudes about public land management. The following maps show how the President's proposal to phase out SRS works, and how reforms could address economic and environmental concerns over returning to revenue sharing payments.

What Does the President's Proposal Mean for Counties?

The President's proposal phases out SRS over two to five years. Counties in five states (CA, OR, WA, ID, and MT) will receive payment for the full five years (purple counties in Map 1), while counties in all other states will receive payments for only two years (yellow counties in Map 1).

Map 1: The President's Proposal: SRS Ends in Two to Five Years for All Counties.

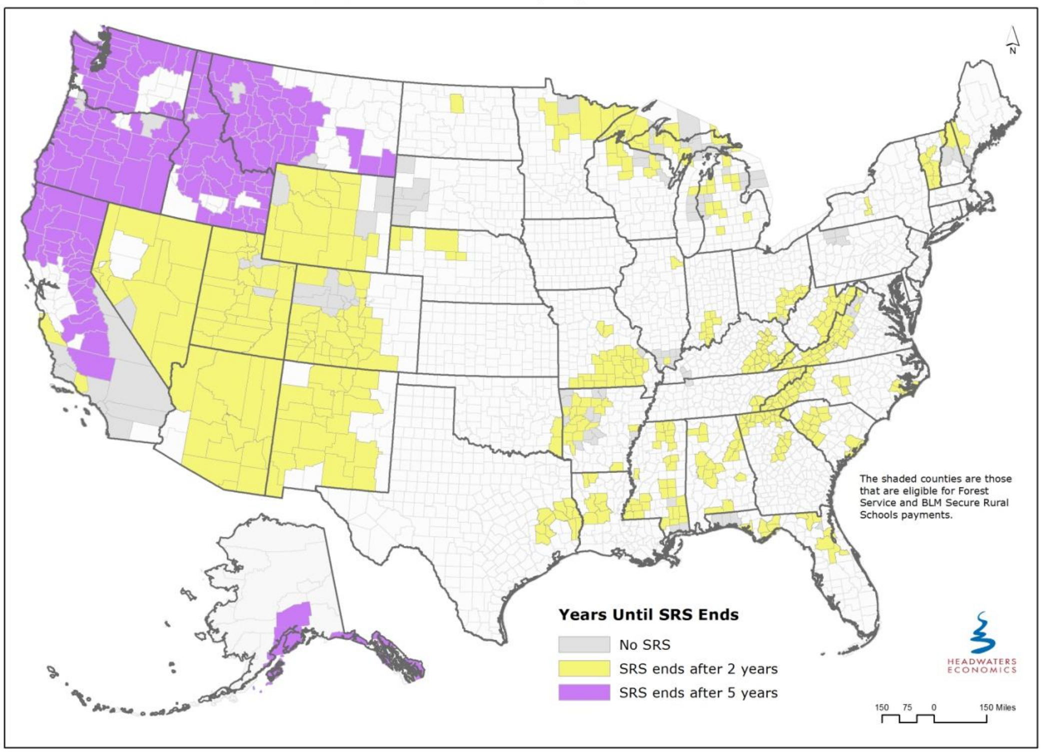
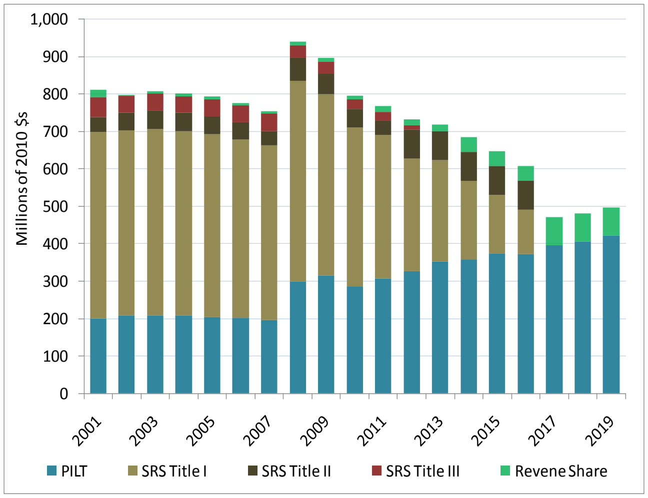
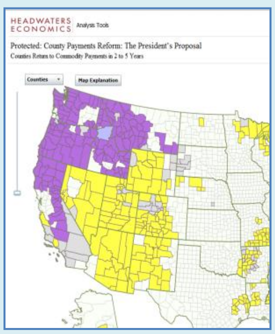


Chart 1: Total County Payments Nation-Wide, 2001–2019



Ending SRS would cut total compensation to counties by nearly half when compared to the average SRS payment from 2008 to 2011 (the term of the current authorization). Declining SRS payments will be compensated by higher Payments in Lieu of Taxes (PILT) for many counties, but PILT's future is also uncertain after FY 2012.

After SRS expires, counties will again receive a revenue-sharing payment based on the average value of commodities sold by the agencies during the previous seven years.



Interactive Maps   Headwaters Economics developed interactive maps that illustrate how each of the three reform ideas described here works and what they mean for individual counties, including detailed map explanation including background information, data sources, and methods.

Detailed County Profiles Download detailed county-by-county data on SRS, PILT, and other federal land payments, including payment history and their importance to county budgets by running an *EPS-HDT Federal Land Payments* report. www.headwaterseconomics.org/tools/eps-hdt.

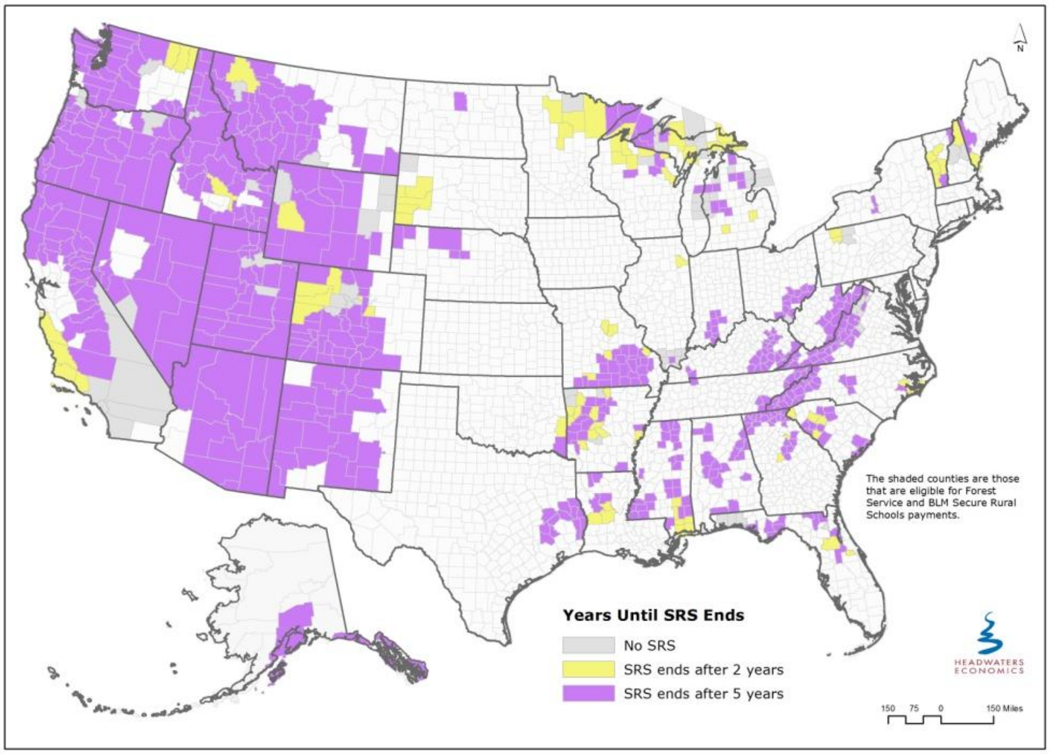
A More Graceful Transition: SRS Payments Based on Economic Need

The link between the economic uses of public lands and county compensation was established with the first revenue sharing payments in 1908. Today, public lands are still closely associated with economic well-being, but the values and opportunities vary. Many metropolitan counties, resort towns, and gateway communities have successfully diversified their economies based on the natural and recreational amenities public lands provide, while rural places have struggled to attract the same educated workforce and high-wage industries driving today's economic growth.

The current SRS formula does a poor job of matching county payments to the actual economic needs and opportunities facing different communities. Map 2 illustrates the results of changing the SRS formula based on five economic criteria that direct payments from larger, more diverse economies to counties that are relatively poor and isolated from markets.

Reforming the SRS formula extend payments across the country to counties such as Franklin, MS, Catron, NM, and Lake, OR, while counties around major metropolitan centers including Seattle, Salt Lake City, and Colorado's Front Range would see lower payments.

Map 2: Reforming the President's Proposal to Make SRS Payments Based on Economic Need



What Happens After SRS? Reforming Revenue Sharing Payments to Include the Economic Value of Forest and Watershed Restoration and Protected Lands

One of the rationales for replacing revenue sharing payments with SRS was that linking county payments to the value of commodities extracted from public lands created an incentive to maximize timber harvests, sometimes at the expense of other values. SRS's greatest success is arguably the environmental and restoration achievements across public lands leveraged by collaboration funding for Resource Advisory Councils (RACs) and reduced pressure produce revenue from commodities.[1]

Returning to revenue sharing payments based only on commodities will make it more difficult for the agencies and communities to work together on a wide-range of projects because of the demand to maximize receipts. Map 3 shows how counties could benefit from broadening "commodity-only" revenue sharing payments to include the economic value of restoration activities and protected lands – "commodity-plus" payments.

Because markets do not exist for the economic value of restoration, reforms would require continued appropriations. Restoration values are estimated based on the ecosystem services produced by the outcomes of stewardship contracts on public lands. Protected lands would receive a higher PILT payment by extending the current program that makes higher PILT payments for new Wilderness to all forms of specially designated land and eliminating the five year limit.

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[1] Rocky Barker, "Federal budget cuts could doom a program that spurred consensus among Idaho conservationists and loggers." June 12,2011. Idaho Statesman.

Map 3: Comparison of "Commodity-Only" Revenue Sharing Payments to "Commodity-Plus" Revenue Sharing Payments Including the Economic Value of Restoration and Conservation.

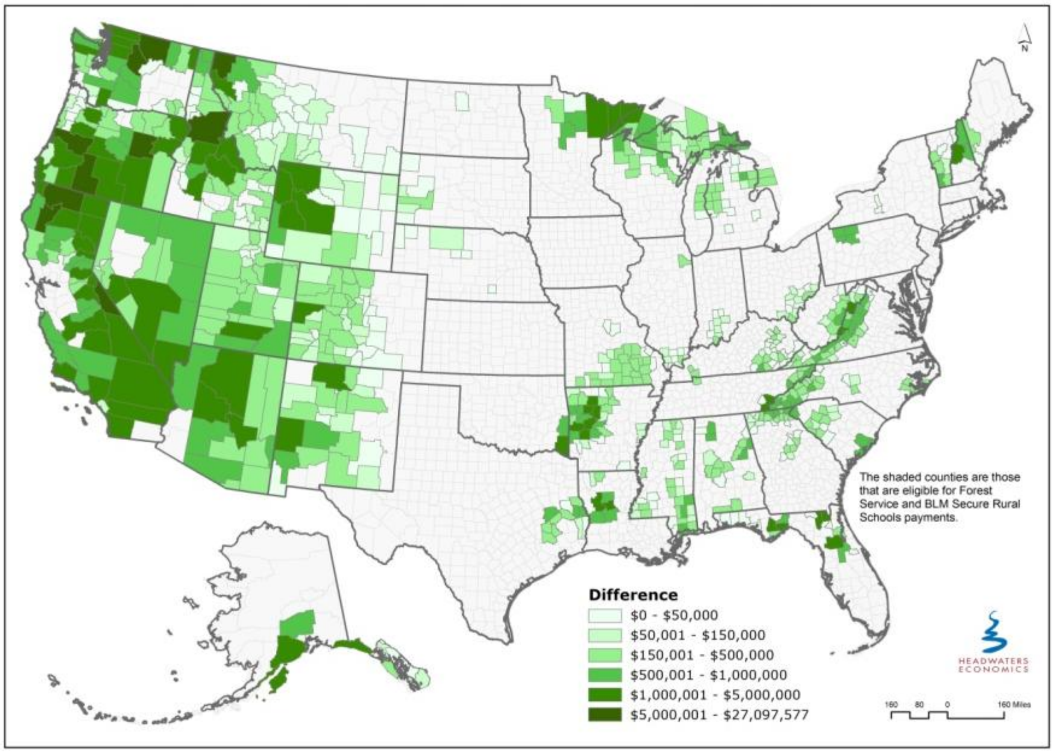
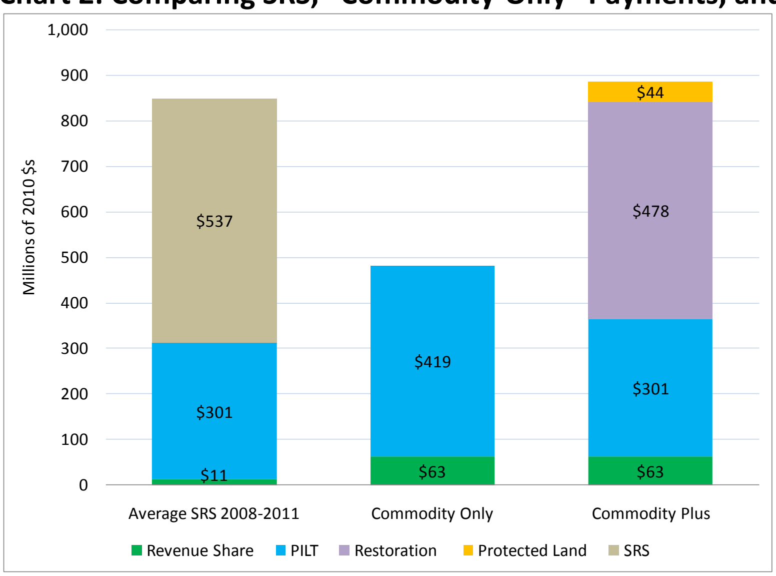


Chart 2: Comparing SRS, "Commodity-Only" Payments, and "Commodity-Plus" Payments



Counties that benefit the most include Idaho, ID, Grant, OR, and Marion, FL where an active RAC or collaborative effort working to resolve conflict, improve land management, and create jobs is resulting in more work.

Payments under a "commodity-plus" revenue sharing program (885 million total) would be roughly equivalent to the average SRS payment between 2008 and 2011 ($849 million).

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For Data Sources and Methods, view the [interactive maps]() or go to:
www.headwaterseconomics.org/tools/county-payments-presidents-budget/

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