Realizing the Potential of PILT:
How Combining SRS & PILT Can Benefit Counties, Target Economic Assistance, and Save Federal Dollars

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Summary

If the expired Secure Rural Schools and Community Self-Determination Act (SRS) is not reauthorized, many counties, especially rural ones, will face significant revenue shortfalls, harming local school, road, and county budgets, and limiting options for economic development.

We propose a single payment that combines SRS, revenue sharing, and Payments in Lieu of Taxes (PILT). This single payment approach has three goals: providing fair and predictable payments to counties, targeting payments to where they have the most economic benefit, and reducing the need for federal appropriations over time.

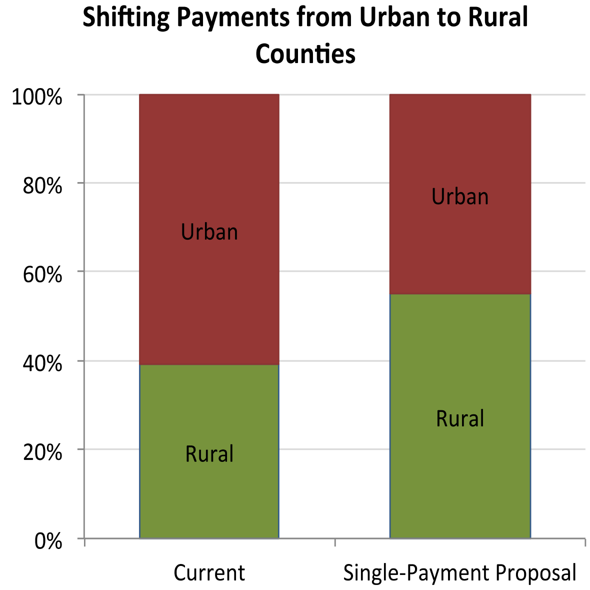
To achieve these goals, the proposal maintains the decoupling between county payments and volatile commodity receipts by extending federal appropriations, adjusting for economic performance and opportunity, and raising the population limit in PILT based on the presence of protected public lands. Taken together, these reforms help ensure that rural counties maintain sustainable payment levels, even if future appropriations decline.

Three Reform Principles:

- Provide fair and stable compensation by maintaining the decoupling between payments and commodity receipts.
- Target payments to where they have more economic benefit.
- Reduce the cost to federal taxpayers.

How a Single Payment Might Work:

- Eliminate agency-based payments in favor of a single payment program.
- Adjust the PILT formula based on historic payments and economic needs, and raises the population limit based on acres of protected public lands.



Outcomes:

A single payment plan avoids lower and more uncertain payments that will occur if federal appropriations are not extended. It also targets payments using criteria and incentives that reflect the changing economic importance of public lands. In doing so, it provides room to increase public land revenue and lower appropriations while supporting collaborative efforts aimed at balancing timber supply with recreation, restoration, and conservation goals on public lands.

A National View—Shifting Payments to Rural Counties

With SRS expired and the current PILT formula in effect, the balance of payments will shift from rural counties to urban counties as total appropriations and payment levels decline. This is because SRS, particularly reforms in 2008, attempted to address economic needs and changing economic opportunities by directing higher payments to largely rural counties with relatively poor economic performance. By comparison, the PILT formula preferences counties with larger populations, which also tend to have higher levels of income and larger, more diverse economies.

This situation can be avoided by combining the reforms in the SRS formula with a single PILT payment. The single PILT payment would:

1. Combine SRS and revenue sharing payments into a new PILT formula.
2. Provide stable and predictable payments by maintaining the decoupling between county distributions and the funding source.
3. Benefit rural counties by raising the population cap based on acres of protected public lands.
4. Target payments to counties that have the greatest economic needs.

These reforms direct payments to rural counties where payments play the largest role in supporting rural economic opportunity. Table 1 compares the single payment proposal with current and estimated payments. The single payment proposal reflects the new PILT formula and a reduction of about $45 million from FY 2011 payment amounts.

Table 1: National comparison of current SRS and PILT, estimated revenue sharing payments, and a Single Payment proposal.

	Metropolitan Share	Micropolitan Share	Rural Share	Total
Current (SRS and PILT FY 2011)	$214.9	$238.7	$317.4	$771.0
	28%	31%	41%	
SRS Expires (Estimated Revenue Sharing and PILT FY 2011)	$158.0	$162.6	$202.2	$522.8
	30%	31%	39%	
Single Payment	$137.0	$213.7	$372.3	$726.0
	19%	30%	51%	

The map that follows shows how county-by-county distributions of a single payment change from FY 2011 payment distributions. For example, payments are shifted away from metropolitan areas, including the Puget Sound metropolitan region in Washington, the Wasatch Front in Utah, and Phoenix and Tucson in Arizona to rural areas in central Idaho, southern Utah, and coastal Oregon, among others.

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Change in County Payments with Single Payment Reforms