

A Research Paper by



County Governments Can Benefit from Reforms to Wildlife Refuge Payments



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ABOUT HEADWATERS ECONOMICS

Headwaters Economics is an independent, nonprofit research group whose mission is to improve community development and land management decisions in the West.

CONTACT INFORMATION

Mark Haggerty | mark@headwaterseconomics.org | 406-570-5626



P.O. Box 7059
Bozeman, MT 59771
<http://headwaterseconomics.org>

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I. Introduction

The federal government uses various payments mechanisms, known broadly as “county payments,” to compensate local governments for the tax-exempt status of federal lands within their boundaries. Among federal lands that are tax-exempt and for which county payment mechanisms exist are the national wildlife refuges managed by the U.S. Fish and Wildlife Service (USFWS).¹

This paper describes ways in which the federal government compensates local governments for wildlife refuge lands. We critique a proposal by the USFWS and the Administration to eliminate Refuge Revenue Sharing (RRS) payments to counties. We propose instead a reform option that would yield fair and predictable compensation to county governments without increasing costs and while creating a strong incentive for conservation of fish and wildlife habitat. We use two example wildlife refuges to illustrate the impact of eliminating appropriations funding RRS payments and how an alternative reform idea would benefit local governments.

II. County Refuge Payments Are Important to Community Well-Being

Property taxes are important to county governments to pay for schools, roads, and other essential services. Two programs—Refuge Revenue Sharing (RRS) and Payments in Lieu of Taxes (PILT)—exist to compensate counties for federal wildlife refuge lands that are exempt from property taxes.

County payments also are important for counties because they create a strong link between economic development, local government fiscal health, and conservation. This is particularly the case for rural, isolated counties. In those places struggling economically, without ready access to metropolitan areas via air or road travel, the RRS and PILT payments associated with refuge lands can be critically important.

Currently RRS payments are based on a complex formula that includes a combination of appropriations from Congress plus commercial receipts generated by activities on refuge lands. The USFWS’s proposal to end RRS appropriations is based on a function of the current payment formula that has increased the authorized payment significantly due to rising real estate values in cities and resort communities where some refuges are located. Ending appropriations outright to avoid rising costs, however, would result in lower overall payments to all county governments, including rural and relatively poor counties. Doing so could breed resentment about the presence or expansion of federal wildlife refuges. In addition, without appropriations, compensation to local governments would be based only on commercial receipts, which could increase pressure to accelerate these activities on refuges (including, for example, energy development), which could run directly in opposition to the wildlife conservation mission of the National Wildlife Refuge System.

III. How County Refuge Payments Work

Two types of federal payments are made to local governments that have a wildlife refuge within their jurisdictions: Refuge Revenue Sharing (RRS) payments and Payments in Lieu of Taxes (PILT).

Refuge Revenue Sharing (RRS) Payments

RRS payments to local governments are calculated using criteria such as the value of receipts generated by commercial activities on refuges, the taxable value of refuge lands, and a per-acre value.² Commercial activities can include grazing, timber, oil and gas leasing, and recreation fees. The formula used to calculate the authorized payment is explained, in a simplified way, below and in Figure 1.

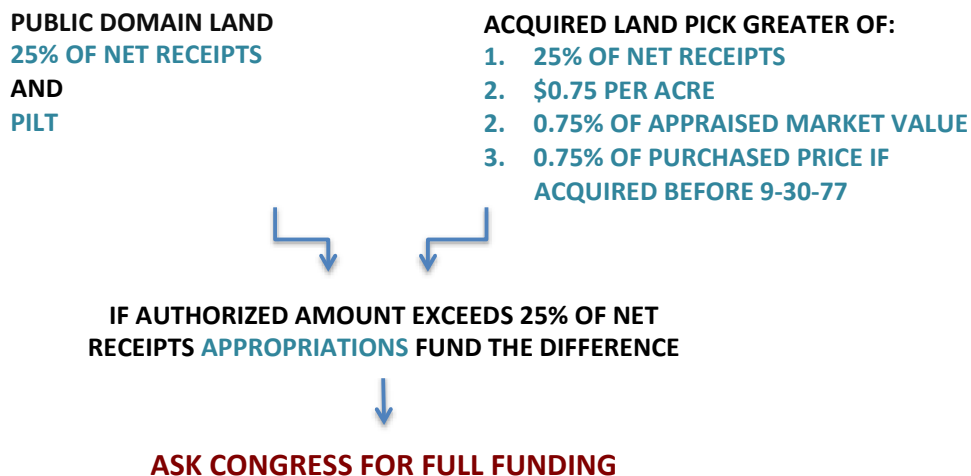
An important distinction on how annual RRS payments are calculated is how land was originally added to a refuge. There are two categories:

1. **Public Domain Lands (also called Reserve Acres):** These lands were designated as a wildlife refuge from existing public lands (land that was already in public ownership). RRS payments for Public Domain Lands are equal to 25 percent of net receipts generated from commercial activities that occur on refuge lands. Public domain lands are also eligible to receive PILT payments for local governments, as explained in Figure 2.
2. **Acquired Lands:** These lands were purchased or donated from private owners. RRS payments for these lands are calculated as the highest of several options: 25 percent of net receipts from commercial activities; a minimum payment of \$0.75 per acre; or 0.75 percent of the appraised market value of the land. If the land was purchased before September 30, 1977, the payment may not be less than 0.75 percent of the original purchase price. Acquired lands are *not* eligible for PILT payments.

If the appraised market value payment for acquired lands exceeds the value of commercial receipts, the difference between market value payment for acquired lands and commercial receipts is funded by appropriations from Congress. Because commercial receipts are relatively small, RRS payments for acquired lands almost always are based on the greater fair market value of the land. In FY 2015, net commercial receipts used to make RRS payments totaled \$1.3 million, or about seven percent of the \$18.3 million payment made to local governments that year.

Figure 1 illustrates the formula for calculating RRS payments for public domain and acquired lands. RRS payments to local governments from wildlife refuge lands depend heavily on appropriations from Congress. The USFWS and the Administration are currently proposing to end appropriations for RRS payments.

Figure 1: Calculation of Refuge Revenue Sharing (RRS) Payment



Payments made in FY 2015 (the latest data available) serve as an example to illustrate the impact of eliminating appropriations that fund RRS payments for acquired lands. If Congress had chosen not to fund authorized RRS payments in FY 2015, the total payment to local governments with wildlife refuges

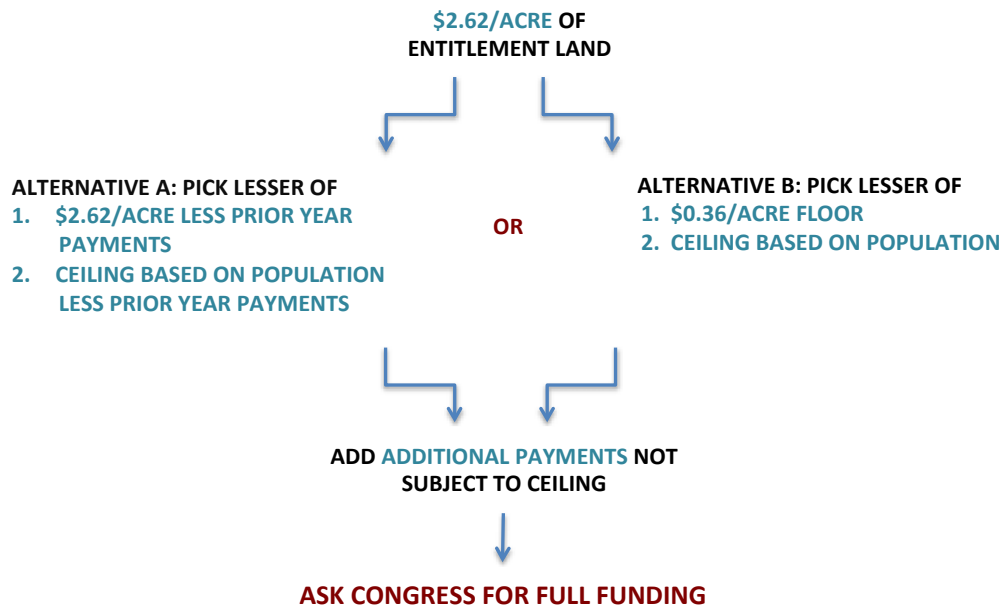
within their borders would have been \$1.3 million instead of the actual payment they received of \$18.3 million.

Payments in Lieu of Taxes (PILT)

Public domain refuge lands also are eligible to receive payments from the Payments in Lieu of Taxes program. PILT payments are made to local governments for all eligible federal lands, including public domain wildlife refuge lands, as well as lands managed by the U.S. Forest Service and Bureau of Land Management. PILT payments are based on a per-acre “entitlement” amount (\$2.62 per acre in FY 2015, see Figure 2) that is adjusted annually for inflation. The entitlement amount is reduced by subtracting payments received in the prior-year from other federal land compensation programs (including RRS payments from public domain lands) and is subject to a cap based on the county’s population. (see Appendix A for a more detailed explanation of the PILT formula). Counties are guaranteed a minimum (floor) payment from PILT.ⁱ

The PILT formula is illustrated in Figure 2. PILT payments are funded entirely by appropriations from Congress. The PILT law is permanently authorized, but discretionary appropriations are required to fund the payments on an annual basis.

Figure 2: Calculation of Payments in Lieu of Taxes (PILT) for Public Domain Lands



An important shortcoming of PILT payments is that they only apply to public domain lands and they do not include new lands acquired for the refuge system. This policy can have the effect of creating local government opposition to refuge expansions.³

ⁱ After the PILT entitlement amount is calculated, the formula adds “additional payments” for several special types of land. These additional payments are not subject to prior-year payment reductions or the population floor and ceiling amounts.

IV. Funding Status of PILT and RRS Payments

Congress appropriates funds to pay for PILT and RRS on an annual basis. PILT has received full funding since FY 2008 and payments have equaled the amount authorized by the PILT formula. However, PILT payments can be subject to sequestration and annual appropriations from Congress and remain a source of uncertainty and anxiety for counties seeking greater predictability and fairness in compensation for non-taxable federal lands.⁴ Funding for the current FY 2016 payment are appropriated,⁵ but payments for the next year, FY 2017, are not appropriated as of March 2016.

Authorized RRS payments for acquired lands also require appropriations from Congress. Congress has appropriated less than the authorized amount every year since 1980. Appropriated payments as a share of the total authorized payment have declined from more than 90 percent in FY 1991 to 24 percent in FY 2015. The appropriated payment has declined over the same period, from \$27.5 million in FY 1991 to \$18.3 million in FY 2015 (in inflation-adjusted dollars). However, the decline in funding appropriated by Congress only accounts for a portion of the widening gap between the actual payments made and the total authorized payment amount. As funding has declined, the authorized payment amount has risen due to increasing assessed value of acquired refuge lands.⁶

The increasing assessed value of acquired refuge lands means that paying the total authorized amount could result in significantly higher payments in future years. However, Congress appropriating only a share of the total authorized amount has resulted in payments shifting away from rural counties, where land values are relatively stable, to metropolitan counties where land values have increased more rapidly and become a larger share of the total authorized payment amount. For example, the RRS payment for rural Lake County, Oregon has declined by more than half since FY 2006 while total payments nationally have fallen by less than a third over the same period.

For FY 2015 and again in FY 2016, USFWS proposed to eliminate the entire appropriated portion of the RRS program.⁷ In FY 2015 the total authorized RRS payment was \$76 million. In the same year, Congress appropriated an actual total payment of \$18.3 million (about 25% of the total authorized amount). Commercial receipts alone would have paid only \$1.3 million, or about two percent of the total authorized amount and seven percent of the appropriated payment made.⁸

V. The Impact of Eliminating RRS Payments

In FY 2016 the USFWS proposed eliminating RRS payments using the logic that visitors to wildlife refuges provide a number of benefits, including “tax revenues for local communities far in excess of that which was lost with Federal acquisition of the land.” The logic is that expenditures by visitors in stores, gas stations, hotels, and other places generate enough in tax revenues that RRS payments are no longer needed. The agency’s justification was based largely on an economic model estimating that 47 million visitors to refuges generated \$2.6 billion in sales, supported 35,400 jobs, and generated \$370.5 million in local, state, and federal tax revenues.⁹

Another component of USFWS’s logic to eliminate RRS payments is that in some areas, especially in urban and other places with high land values, the appraised value of the land is so high that the cost of RRS payments is prohibitive. This may be the case for refuges next to the densely populated urban cities of the East Coast or next to resort communities like Jackson, Wyoming (Teton County). It is not the case for rural isolated communities where there is little economic growth and land values have not risen. The challenge, therefore, is to create a county payment system that does not overcompensate relatively wealthy urban and resort areas, and recognizes the lack of economic growth in rural communities where

the compensation from wildlife refuges can be a significant contributor to local governments and services they provide, such as schools and roads.

This report to critique doesn't dispute the methods or findings of the study on which USFWS bases its justification. There are significant benefits that stem from expenditures of visitors to national wildlife refuges. What we illustrate is that the benefits of refuges is uneven and elimination of RRS payments will be difficult for local governments, particularly in rural areas.

We offer two examples of the impact of eliminating RRS payments in rural counties: one in Montana and another in Oregon. The following section shows how a reform to the federal county payment system could benefit local communities without increasing costs beyond current appropriations.

Case Study 1: Beaverhead County, Montana and Red Rock Lakes National Wildlife Refuge

The Red Rock Lakes National Wildlife Refuge in southwest Montana was designated in 1935 to save trumpeter swans threatened with extinction. The majority of the Refuge acres were donated to or purchased by the federal government. While it is true, as USFWS asserts, that visitors to wildlife refuges generate benefits in some communities, the remote location of the Red Rock Lakes Refuge in southeast Beaverhead County means these benefits generally accrue outside Beaverhead County. Benefits resulting from visitors' expenditures are likely to be felt in communities such as West Yellowstone in Gallatin County, Montana, or Idaho Falls in Bonneville County, Idaho. As a result, Beaverhead County would see significant declines in government revenues without RRS payments. For example, the Lima School District in Beaverhead County receives little, if any, direct revenue related to refuge visitors.

In FY 2015, RRS payments to Beaverhead County were \$49,144, of which \$22,115 or 45 percent, went to the Lima School District. Eliminating appropriations to fund RRS payments would decrease payments to the county to \$5,795 (an 88% decline from the FY 2015 appropriated payment, and 97% lower than the total authorized payment of \$194,331 for FY 2015). The Lima School District's payments would drop to about \$2,600 without RRS appropriations. Ending appropriations, therefore, would have a significant impact on the Lima schools. (The fully authorized payment would equal about 10 percent of the district's annual operating budget).

Local political support for wildfire refuges is much more likely if there are local fiscal (county payment) benefits. This is also true for refuge expansions. Yet, for Beaverhead County, new acres added to the Red Rock Lakes Refuge are not included in current PILT calculations. This means that if RRS appropriations are eliminated, there is little incentive for local elected officials to support an expansion of the Refuge.

Case Study 2: Lake County, Oregon and Hart Mountain National Antelope Refuge

The Hart Mountain National Antelope Refuge in Oregon was designated in 1936 to save its namesake pronghorn antelope. About a third of the refuge acres are acquired lands. The refuge lies in the remote, rural southeast corner of Lake County. In calculations of the economic benefits of this refuge—which USFWS uses as part of its justification for eliminating RRS payments—USFWS included in their regional economic impact model Deschutes County. Deschutes County is three hours away and includes the City of Bend. While it can be argued that expenditures by visitors to the larger central Oregon region generate jobs and tax revenues, the reality is that Lake County, and the refuge in particular, is far removed from the vibrant economic activity that characterizes Deschutes County.

This is another example where the county payments from the refuge—the tax benefits—are important for local government. In 2015, RRS payments to Lake County were \$18,224, of which \$4,428 was shared

with local school districts and \$1,099 was shared with the Education Service District. In total, about 30 percent of funding is allocated to local schools.¹⁰ In Lake County, the entire RRS payment for acquired refuge lands is made up of appropriated funds (there are no commercial receipts). As a result, eliminating appropriations would reduce the RRS payment to Lake County for 86,067 acres of acquired lands to zero.

VI. A Single PILT Payment Reform Option

This section discusses our proposed county payment reform option. The reform is intended to allocate payments to relatively isolated and poor counties that would have difficulty replacing RRS payments without raising the appropriated cost of compensating counties for refuge lands. The following section explains how the payment formula works.

The Result of Using a Single PILT Payment Reform Option

Our reform option is summarized in Table 1, which compares it to the authorized versus appropriated RRS payments paid in FY 2016 and the impact of RRS payment elimination on FY 2016 payments.¹¹ Table 1 shows national results, plus the two case studies discussed above for Beaverhead County, Montana, and Lake County, Oregon. Declines in county payments resulting from RRS elimination are shown in red.

Table 1: Current and Proposed Payments to Counties from Wildlife Refuge Lands, FY 2015 Versus FY 2016 Proposedⁱⁱ

| Location | Reserve (Public Domain) Acres | Acquired Acres | 2015 Total Authorized RRS & PILT Payment | 2015 Appropriated RRS & PILT Payment | 2016 USFWS Proposed RRS & PILT Payment (Difference from 2015) | 2016 Single PILT Payment Reform Option (Difference from 2015) |
|----------------------------|-------------------------------|----------------|--|--------------------------------------|---|---|
| Beaverhead County, Montana | 9,218 | 41,049 | \$196,883 | \$49,476 | \$12,930 -\$36,546 | \$110,720 \$61,244 |
| Lake County, Oregon | 183,856 | 86,067 | \$132,538 | \$74,223 | \$55,999 -\$18,224 | \$345,480 \$271,257 |
| National Total | 80,921,951 | 7,515,127 | \$83,883,316 | \$26,498,965 | \$9,560,860 -\$16,938,105 | \$26,498,965 \$0 |

Table 1 illustrates how the county payments were distributed in FY 2015 (the latest year available) and how they would have been distributed in FY 2016. The columns are described as:

1. **2015 Total Authorized Payment:** the total authorized RRS payment and PILT paid in FY 2015.
2. **2015 Appropriated Payment:** the actual RRS and PILT payments paid in FY 2015 (what Congress appropriated and was paid to county governments).ⁱⁱⁱ
3. **2016 USFWS Proposed Payment:** the RRS payment amount that would be paid in FY 2016 if the Administration's budget proposal to eliminate appropriations and make payments only using the value of commercial receipts is adopted, plus the estimated PILT payment.

ⁱⁱ The 2016 single PILT payment reform option is compared to the 2015 appropriated RRS and PILT payment using the same appropriated payment amount in order to illustrate how the formula works to reallocate payments between counties without changing the cost of the program.

ⁱⁱⁱ The PILT payment is the authorized amount for public domain refuge lands only. Beaverhead and Lake counties also receive PILT for U.S. Forest Service and BLM lands. PILT payments for these other federal lands are not included in Table 1.

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4. **2016 Single PILT Payment Reform Option:** the payment that would be made if RRS payments are eliminated entirely and PILT is reformed in several ways to be the single basis for compensation for non-taxable refuge lands.

As can be seen in Table 1, the lowest payments would occur if appropriations for RRS payments were to be eliminated. The USFWS's proposal to eliminate RRS payments would result in a nationwide decline of almost \$17 million in payments to counties (indicated in red). Under our single PILT payment reform idea, payments to counties nationally would remain at FY 2015 levels. The Single PILT payment reform option adjusts the pro-rata share that would be received by each county of the amount appropriated.

The most important benefit of our single payment reform option (the right-most column in Table 1) can be seen in how it proportionately benefits rural counties. Table 1 shows how this reform idea would benefit Beaverhead County, Montana (Red Rock Lakes National Wildlife Refuge) and Lake County, Oregon (Hart Mountain National Antelope Refuge). The formula reverses a trend of declining payments to local governments in rural areas, resulting in higher payments to these counties.

Table 2 in Appendix B shows the top 20 counties in the country with wildlife refuges that would benefit from our single PILT payment reform.

The single PILT reform idea also is designed to give proportionately less to counties that are prospering economically. Table 3 in Appendix B shows the 20 counties most negatively impacted by the proposed reforms. Local governments in these counties would receive lower payments under this option. For example, Teton County, Wyoming (with the National Elk Refuge and a relatively vibrant and growing economy) would receive \$324,273 less in FY 2016 under our single PILT payment reform idea (compared to the appropriated payment in FY 2015).¹²

How the Single PILT Payment Reform Option Works

The single PILT payment reform idea is based on several concepts working in unison: RRS payments are eliminated entirely (both appropriations and the revenue sharing portion of RRS payments) and the PILT law is reformed in several important ways:

1. Acquired lands are added to PILT as eligible acres (all refuge lands are treated equally).
2. PILT's population cap is increased using the number of refuge acres in each county.¹³
3. PILT payments for refuge lands are adjusted so that they are distributed proportionately according to an index measure of economic performance and potential.¹⁴

The proposed reforms to the PILT formula for USFWS refuge lands are illustrated in Figure 3 (green text corresponds to the three reforms to the PILT formula). A more detailed explanation of the reform idea is provided in Appendix A.

The revised PILT formula first adds acquired lands to the "entitlement" acres. Nationally, 607 million acres of federal land are currently eligible for PILT. Adding acquired lands increases this total by 7.5 million acres, or about 1.2 percent. In the current PILT formula the authorized payment is limited by a cap based on the county's population. For many small counties with refuge lands that are already limited by PILT, adding acquired lands to the entitlement amount would not result in a higher PILT payment.

The second proposed reform allows these counties to receive compensation for acquired refuge lands by allowing the population cap to increase based on the number of refuge acres in the county. The population cap is raised by the PILT entitlement amount (\$2.62 in FY 2015) for every acre of refuge lands in the county. For example, the population cap payment amount for a county with a population of

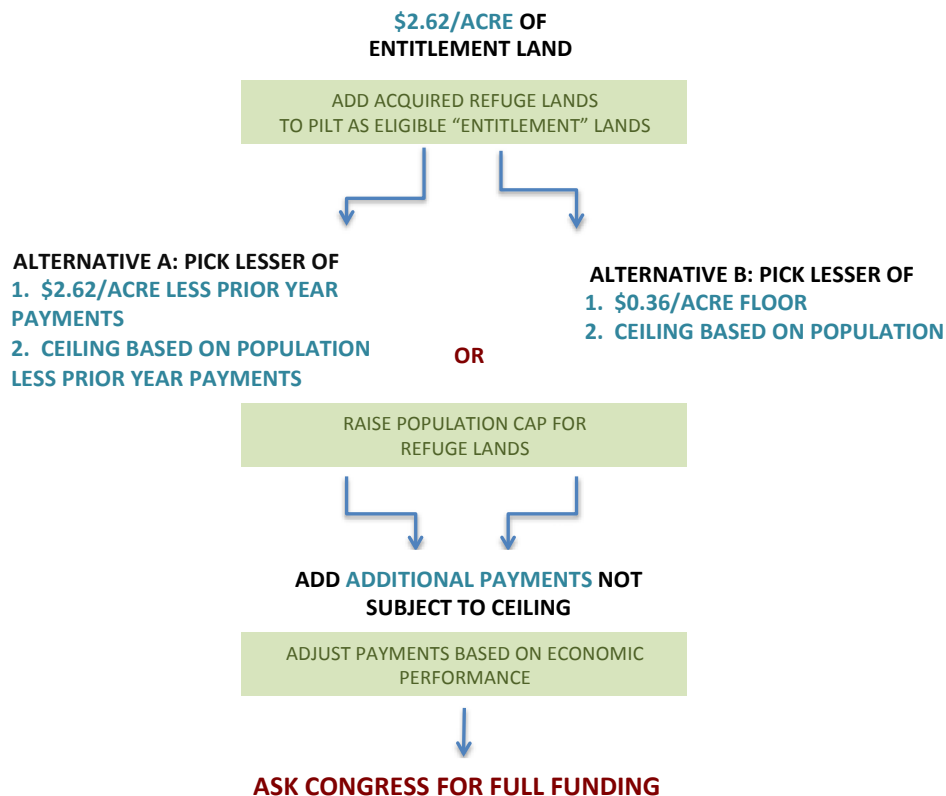
10,000 with 1,000 acres of refuge lands could rise by \$2,620. The population cap cannot increase beyond the maximum allowed by the PILT law for counties with populations greater than 50,000. This reform effectively allows PILT to compensate small population counties if the RRS program is eliminated.

Finally, payments are apportioned to counties based on the economic performance index rank of each county, with low-performing counties receiving proportionately higher levels of payments. The economic adjustment is applied only to PILT payments authorized for refuge lands (it does not affect a county’s PILT entitlement for U.S. Forest Service, Bureau of Land Management, or other federal lands).

If Congress chooses to apply this single PILT payment reform option, funding will still require annual appropriations from Congress to fund the PILT program.

This proposed single PILT payment reform option would result in an overall cost to the federal government of approximately \$31 million at the full funding amount, significantly lower than the fully authorized RRS and PILT amount in FY 2015 of \$75.9 million. For purposes of comparison, in this paper, we show how the PILT reform option works by holding the payment amount constant at the FY 2015 funding level of \$26.8 million, which is 85 percent of the full funding amount under the PILT reform option.

Figure 3: Calculation of Single PILT Payment Reform Option.



VII. Conclusion

Payments made to compensate local governments for the non-taxable status of federal lands, including National Wildlife Refuge Revenue Sharing payments (RRS), are important to the fiscal health of county governments. This is especially true in rural counties.

The current Administration has proposed eliminating appropriations needed to pay the majority of authorized RRS payments. The Administration argues that economic benefits from visitors to national wildlife refuges, and the resulting tax revenue and economic activity, provide sufficient compensation to communities. The Administration is also concerned that the rising cost of RRS payments—based largely on the appraised value of refuge lands which has risen sharply in the last decade—are prohibitive. These arguments may hold true for fast-growing urban areas, but they are not valid for rural, isolated counties with little or no economic growth.

The elimination of RRS payments in rural counties could lead to economic hardship, resentment against the presence of federal lands, and opposition to the conservation mission of the wildlife refuge system, including opposition to refuge expansion plans.

This paper offers a way to reform county payments based on changes to the PILT formula. The Single PILT Payment reform option would:

- Eliminate RRS payments in their entirety and make several reforms to the PILT formula. The reformed PILT formula would be the single basis for compensation for national wildlife refuge lands.
- The Single PILT Payment would change the PILT formula in ways that proportionately benefit rural counties more than urban ones, reversing recent trends in compensation as RRS appropriations have fallen.
- The Single PILT Payment reforms would increase payments to rural and relatively poor counties and reduce payments to relatively wealthy counties without raising the overall cost of compensation.
- The proposed reforms will increase political support for wildlife refuge expansions and land management activities that support the conservation mission of the refuge system.

Appendix A: Single PILT Payment Reform Details

The single PILT payment reform option proposed in this paper has several parts that are explained below. First, the existing PILT law is described in greater detail to provide context. Then three changes to the PILT law are described: adding acquired wildlife refuge acres to the definition of PILT entitlement lands; increasing PILT's population cap for refuge acres; and adjusting PILT payments according to an index of economic performance and potential.

The PILT Formula

The federal government began compensating counties for the non-taxable status of federal lands in 1908. The original payments for U.S. Forest Service lands were based on the commercial value of timber and other products produced on federal lands.¹⁵ Later, similar "revenue sharing" compensation programs were added for certain Bureau of Land Management lands,¹⁶ U.S. Fish and Wildlife Service lands, and others. The PILT law was passed by Congress in 1976 to correct shortcomings of the revenue-sharing model, including inequity of compensation between counties where public lands produced different values of commercial products; the inherent volatility of commodity markets from year to year; and to ameliorate incentives associated with payments based on particular uses of federal public lands.¹⁷

These concerns are reflected in the PILT formula.¹⁸ The PILT authorization is based on the number of eligible federal acres in each county (called "entitlement acres"). The entitlement amount is based on a per-acre value that is adjusted annually for inflation.

The PILT authorization is reduced by the value of revenue-sharing payments received in the prior year. The prior-year payment reduction means that PILT is paid to counties that do not already receive large revenue-sharing payments resulting from commercial activities on federal lands. This creates greater equity in compensation without overpaying counties with high-value commodity production on federal lands (primarily timber counties in the Pacific Northwest). The prior-year payment reduction also moderates some of the volatility in commodity payments; e.g., in years following low timber harvest values or volumes, counties are eligible to receive more from PILT.

PILT is subject to a total payment cap based on the population of each receiving county. The cap is necessary to avoid overpaying small population counties that have substantial federal holdings (without the cap in place, total PILT authorization would be \$1.4 billion in FY 2015, compared to the actual payment of \$438 million). Finally, PILT guarantees each county a minimum ("floor") payment.

When PILT was first adopted, the program paid counties about \$200 million (in inflation adjusted dollars). In that year, PILT made up only 17 percent of total compensation to county governments. The remainder came from revenue-sharing programs, primarily the Forest Service and Bureau of Land Management O&C payments. Today, PILT comprises more than half of the total federal compensation to counties (57%). If the Secure Rural Schools and Community Self-Determination Act (SRS) expires, PILT will be 87 percent of total compensation.

The shift in funding from revenue sharing and appropriations from land management agencies (including the Forest Service, BLM, and USFWS) is accompanied by a large shift in the share of payments going from rural counties to metropolitan counties, and the direct loss of funding for local governments that are not eligible for PILT or are already limited by PILT's population cap. For example, Forest Service payments must be shared with local school districts. School districts are not eligible for PILT, so any loss in Forest Service funding to schools is not compensated by higher PILT payments.

For these reasons, declining payments from land management agencies, including USFWS, underscores the importance of reforming PILT to mitigate these issues. To be fiscally responsible, counties need predictable and stable funding from their federal partners. Congress also needs to re-design the county payments without unnecessarily increasing the cost to the federal government.

Components of the Single PILT Reform Option

The single PILT reform option would eliminate RRS payments in their entirety (both the appropriated portion and the revenue sharing payment for public domain and acquired lands) and reform PILT in several ways to compensate local governments.

Three reforms to the PILT formula are suggested:

1. Acquired lands are added to PILT as eligible acres.

National Wildlife Refuge lands that were purchased or donated by private individuals for designation as a refuge (acquired lands) are not eligible to receive PILT payments for counties. The RRS formula included a payment based on the appraised value of the lands, which effectively replaced lost property tax revenue. If Congress agrees with the USFWS and Administration's proposal to end appropriations for these payments, local governments will receive little if any compensation for these non-taxable federal lands.

The proposed single PILT payment reform option would add acquired lands to the PILT entitlement acreage. Adding acquired lands to PILT-eligible lands ensures rural counties receive compensation for non-taxable acquired federal lands without raising the overall cost to the federal government of RRS payments due to the rising value of federal lands in metropolitan areas.

2. PILT's population cap is increased.

PILT's population cap restricts many rural counties with small populations from receiving a higher PILT payment, even if acquired acres are added as eligible entitlement lands. The single PILT payment reform option would allow the population cap to increase to the cap established for counties with populations of 50,000 or greater, the highest population threshold in the PILT law. The increase in the population cap is not an actual payment. The increase only benefits counties already limited in how much PILT they can receive by the population cap, which tend to be small-population rural counties. Each refuge acre can increase the population cap by an amount equal to the authorized PILT entitlement amount (the PILT entitlement amount for FY 2015 is \$2.62, making the population cap adjustment worth \$2.62 for each designated refuge acre).

3. PILT payments for refuge lands are adjusted so that they are distributed proportionately according to an index measure of economic performance and potential.

The total PILT authorization for USFWS refuge lands is adjusted using an index of relative economic performance for all counties with refuges within their borders. The concept for this reform idea is based on the economic performance adjustment currently utilized by the Secure Rural Schools and Community Self-Determination Act (SRS) that compensates relatively poor counties for non-taxable Forest Service lands. The SRS economic adjustment uses a single metric of economic performance—per-capita personal income.

The single PILT payment reform option makes a final adjustment to the PILT payment based on an index of five measures of economic performance and opportunity. Measures in the index consist of the percent

of families in poverty, median household income, average earnings per job, the percent of adults with a college degree, and the population of the county.¹⁹ The result of this reform is that small-population (by definition, rural) counties with poor economic performance for whom county payments are very important receive a proportionately larger share of the total PILT authorization for refuge lands than counties that are doing relatively well economically. The proposed economic adjustment would only apply to the portion of PILT payments authorized for national wildlife refuge lands. PILT payments authorized for other federal lands (for example U.S. Forest Service or Bureau of Land Management lands) would not be subject to the economic performance adjustment).

Appendix B: Single PILT Reform Option Payments

Table 2 illustrates the outcome of applying the single PILT reform option. The counties shown are for the most part rural, isolated, and with small populations, and where refuges are largely designated from acquired lands. They are examples of counties that would be negatively impacted by the USFWS and Administration's proposal to eliminate RRS payments (with the impact shown in red) and would benefit positively from a single PILT payment reform option (right-most column).

Table 2: Current and Proposed Payments to Counties from Wildlife Refuge Lands, Sorted by Top 20 Counties Benefiting from the Proposed Single PILT Reform Option

| State | County | Reserve (Pubic Domain) Acres | Acquired Acres | 2015 Total Authorized RRS & PILT Payment | 2015 Actual RRS & PILT Payment | 2016 USFWS Proposed RRS & PILT Payment (Difference from 2015) | 2016 Single PILT Payment Reform Idea (Difference from 2015) |
|-------|--------------|------------------------------|----------------|--|--------------------------------|---|---|
| NM | SOCORRO | 140 | 286,461 | \$296,916 | \$70,376 | \$127 | \$954,285 |
| | | | | | | -\$70,249 | \$883,909 |
| GA | CHARLTON | - | 186,765 | \$980,518 | \$232,084 | \$0 | \$658,424 |
| | | | | | | -\$232,084 | \$426,340 |
| OR | HARNEY | 57,898 | 129,198 | \$256,403 | \$89,709 | \$15,250 | \$509,397 |
| | | | | | | -\$74,459 | \$419,688 |
| NC | HYDE | - | 118,107 | \$443,330 | \$104,934 | \$0 | \$428,563 |
| | | | | | | -\$104,934 | \$323,629 |
| AK | ALEUTIANS E | 3,535,481 | 114,390 | \$793,496 | \$726,109 | \$705,452 | \$1,028,770 |
| | | | | | | -\$20,657 | \$302,661 |
| GA | WARE | - | 183,811 | \$965,008 | \$228,413 | \$0 | \$519,886 |
| | | | | | | -\$228,413 | \$291,473 |
| OR | LAKE | 183,856 | 86,067 | \$132,538 | \$74,223 | \$55,999 | \$345,480 |
| | | | | | | -\$18,224 | \$271,257 |
| AK | UNORGANIZED | 49,443,015 | 55,781 | \$91,443 | \$21,644 | \$238 | \$248,960 |
| | | | | | | -\$21,406 | \$227,316 |
| LA | CAMERON | - | 182,765 | \$364,816 | \$86,350 | \$63 | \$308,514 |
| | | | | | | -\$86,287 | \$222,164 |
| AR | MONROE | 6 | 77,870 | \$605,124 | \$143,242 | \$32,863 | \$321,827 |
| | | | | | | -\$110,379 | \$178,585 |
| CO | SAGUACHE | 23,866 | 57,543 | \$144,510 | \$43,605 | \$12,315 | \$215,018 |
| | | | | | | -\$31,290 | \$171,413 |
| NC | TYRRELL | - | 57,747 | \$190,775 | \$45,156 | \$0 | \$209,200 |
| | | | | | | -\$45,156 | \$164,044 |
| AK | LAKE & PENIN | 3,067,145 | 52,497 | \$142,517 | \$111,390 | \$101,738 | \$254,123 |
| | | | | | | -\$9,652 | \$142,734 |
| MI | SCHOOLCRAFT | 1,880 | 41,337 | \$43,403 | \$10,273 | \$0 | \$141,267 |
| | | | | | | -\$10,273 | \$130,994 |
| MN | MARSHALL | 6 | 61,046 | \$133,920 | \$31,698 | \$0 | \$160,082 |
| | | | | | | -\$31,698 | \$128,384 |
| NE | CHERRY | 14,778 | 76,128 | \$198,648 | \$72,934 | \$41,040 | \$191,830 |
| | | | | | | -\$31,894 | \$118,896 |
| LA | MADISON | - | 58,565 | \$642,976 | \$152,189 | \$53,352 | \$256,764 |
| | | | | | | -\$98,837 | \$104,575 |
| TX | CAMERON | - | 102,498 | \$627,689 | \$148,571 | \$0 | \$249,436 |
| | | | | | | -\$148,571 | \$100,865 |
| NE | GARDEN | 266 | 45,698 | \$67,542 | \$16,504 | \$5,893 | \$116,542 |
| | | | | | | -\$10,611 | \$100,038 |
| MI | SCHOOLCRAFT | 291 | 30,255 | \$32,903 | \$7,788 | \$0 | \$103,395 |
| | | | | | | -\$7,788 | \$95,607 |

Table 3 shows the outcome of applying the single PILT reform option for counties that have a relatively high economic performance index score and where high assessed land values have inflated authorized RRS payments in recent years. They are examples of counties that would be negatively impacted by the proposal to eliminate RRS payments (with the impact shown in red) and would also receive proportionately lower payments under the single PILT payment reform option (in red, right-most column).

Table 3: Current and Proposed Payments to Counties from Wildlife Refuge Lands, Sorted by Bottom 20 Counties Negatively Impacted from the Proposed Single PILT Reform Option

| State | County | Reserve (Pubic Domain) Acres | Acquired Acres | 2015 Total Authorized RRS & PILT Payment | 2015 Actual RRS & PILT Payment | 2016 USFWS Proposed RRS & PILT Payment (Difference from 2015) | 2016 Single PILT Payment Reform Idea (Difference from 2015) |
|-------|----------------|------------------------------|----------------|--|--------------------------------|---|---|
| CO | ADAMS | - | 14,802 | \$1,651,440 | \$390,889 | \$1,028 -\$389,861 | \$25,606 -\$365,283 |
| WY | TETON | 4,677 | 20,101 | \$1,503,245 | \$358,286 | \$3,259 -\$355,027 | \$34,013 -\$324,273 |
| FL | MONROE | 2,842 | 22,362 | \$1,480,857 | \$356,039 | \$7,241 -\$348,798 | \$49,012 -\$307,026 |
| HI | HONOLULU | 254,418 | 5,621 | \$847,743 | \$695,458 | \$660,115 -\$35,343 | \$393,505 -\$301,953 |
| AL | BALDWIN | - | 5,732 | \$1,210,652 | \$286,556 | \$0 -\$286,556 | \$10,291 -\$276,265 |
| AZ | YUMA | 528,440 | 121 | \$1,166,649 | \$1,166,532 | \$1,166,491 -\$41 | \$894,532 -\$272,000 |
| FL | WAKULLA | 93 | 62,213 | \$1,650,098 | \$390,683 | \$147 -\$390,536 | \$134,131 -\$256,553 |
| FL | MARTIN | - | 1,027 | \$983,378 | \$232,761 | \$0 -\$232,761 | \$1,759 -\$231,002 |
| FL | BREVARD | - | 6,416 | \$873,953 | \$206,861 | \$0 -\$206,861 | \$11,186 -\$195,675 |
| NV | CLARK | 851,717 | 876 | \$605,249 | \$588,961 | \$584,002 -\$4,959 | \$393,759 -\$195,202 |
| AZ | PIMA | 416,210 | 116,888 | \$1,256,917 | \$965,802 | \$875,622 -\$90,180 | \$788,854 -\$176,948 |
| SC | CHARLESTON | - | 42,376 | \$948,222 | \$224,440 | \$3,023 -\$221,417 | \$67,886 -\$156,554 |
| NY | SUFFOLK | - | 2,648 | \$645,663 | \$152,826 | \$0 -\$152,826 | \$4,028 -\$148,798 |
| MD | PRINCE GEORGES | - | 4,284 | \$639,261 | \$151,310 | \$0 -\$151,310 | \$6,723 -\$144,587 |
| AK | KENAI PENIN | 1,951,192 | 10,314 | \$925,752 | \$858,563 | \$837,735 -\$20,828 | \$717,188 -\$141,375 |
| GA | MCINTOSH | - | 13,496 | \$701,486 | \$166,038 | \$0 -\$166,038 | \$32,211 -\$133,827 |
| NJ | MORRIS | - | 2,547 | \$552,977 | \$130,887 | \$0 -\$130,887 | \$3,802 -\$127,085 |
| AK | NORTH SLOPE | 14,019,910 | 23,432 | \$439,716 | \$424,538 | \$420,050 -\$4,488 | \$297,879 -\$126,659 |
| GA | JONES | - | 28,550 | \$749,430 | \$177,387 | \$13,100 -\$164,287 | \$60,333 -\$117,054 |
| CA | ALAMEDA | - | 13,201 | \$575,820 | \$136,294 | \$0 -\$136,294 | \$20,013 -\$116,281 |

Resources

The Economic Profile System (EPS)

EPS is free and easy to use. Quickly create and download reports of current and historical socioeconomic data in convenient formats. The “Federal Land Payments” report shows payments made to state and local governments from programs such as Payment in Lieu of Taxes (PILT), the USFWS Refuge Revenue Sharing fund, Forest Service and BLM revenue sharing payments, and federal mineral leasing distributions to states. <http://headwaterseconomics.org/tools/economic-profile-system/about>.

Spreadsheet with Payment, Economic, and Reform Data

We compiled an Excel spreadsheet with RRS and PILT payments for all local governments for the most recent year. The spreadsheet includes tabs that describe the economic performance index used to calculate payments under the reform options. http://headwaterseconomics.org/wphw/wp-content/uploads/refuge_payments_reform_spreadsheet.xlsx

VIII. Endnotes

¹ John B. Loomis. *Integrated Public Lands Management: Principles and Applications to National Forests, National Parks, Wildlife Refuges, and BLM Lands*. (New York: Columbia University Press, 2013).

² For a brief history and purpose of RRS (and PILT) see: Statement of Chris Kearney, Department of the Interior, before the House Resources Committee, Subcommittee on Forests and Forest Health, July 24, 2003.

http://www.blm.gov/pgdata/etc/medialib/blm/wo/Communications_Directorate/2003_congressional.Par.5.0228.File.dat/072403%20hr1005,%20Pilt%20&%20Refuge%20Revenue%20Sharing%20Permanent%20Funding.pdf.

³ M. Lynne Corn. *Fish and Wildlife Service: Compensation to Local Governments*, May 21, 2014 (Washington, D.C.: Congressional Research Service Report R42404).

⁴ Brian Namey. “Press Release: Counties sound alarm on Payments In Lieu of Taxes program, Sept. 10, 2015,” National Association of Counties. <http://www.naco.org/resources/counties-sound-alarm-payments-lieu-taxes-program>.

⁵ U.S. Department of the Interior. “Payments in Lieu of Taxes, Important News.” Accessed March 29, 2016. <https://www.doi.gov/pilt>.

⁶ M. Lynne Corn. *Fish and Wildlife Service: Compensation to Local Governments*, May 21, 2014 (Washington, D.C.: Congressional Research Service Pub. R42404).

⁷ U.S. Fish and Wildlife Service. “Fiscal Year 2016 Budget Justification and Performance Information,” p. 377. http://www.fws.gov/budget/2015/FY2016_FWS_Greenbook.pdf; and U.S. Fish, and Wildlife Service. “Fiscal Year 2017 Budget Justification and Performance Information,” p. 344. https://www.doi.gov/sites/doi.gov/files/uploads/FY2017_FWS_Budget%20Justification.pdf.

⁸ U.S. Fish and Wildlife Service. “Realty: Refuge Revenue Sharing,” October 15, 2015. <http://www.fws.gov/refuges/realty/rrs.html>.

⁹ U.S. Fish and Wildlife Service. “Fiscal Year 2016 Budget Justification,” page 378. See also C. Carver and J. Caudill. *Banking on Nature: The Economic Benefits to Local Communities of National Wildlife Refuge Visitation*. (Washington, D.C.: U.S. Fish and Wildlife Service Division of Economics, 2013). https://issuu.com/nationalwildliferefugesystem/docs/banking_on_nature_2013_10-31-13.

¹⁰ Ann Crumrine, Lake County, Ore., Treasurer, personal communication, March 3, 2016.

¹¹ The 2016 single PILT payment reform option is compared to the appropriated FY 2015 RRS and PILT payments on a constant basis (the total payment amount is held constant) to demonstrate how the formula would reallocate payments without changing the cost of the program. The fully authorized amount of the single PILT payment reform option would be \$31 million or about 15 percent higher than the value shown in the table for comparison purposes. For example, at full funding, the single PILT payment to Beaverhead County, Montana, would be \$129,991. Congress may also choose to restore funding for USFWS lands at or closer to the fully authorized amount under the current RRS payment formula, but allocate these funds using the single PILT reform option formula. This would increase each county’s payment based on each county’s pro rata share of the authorized single PILT reform formula (in the same way that each county’s PILT payment is decreased on a pro rata basis if Congress appropriates less than the amount required to pay the fully authorized PILT payment).

¹² Although Teton County, Wyoming, and most of the other negatively impacted counties would receive more under the PILT reform option than they otherwise would if appropriations were eliminated entirely.

¹³ This method for reforming PILT and Secure Rural School payments was originally presented in 2013 in testimony to the Senate Energy and Natural Resources Committee (see

http://headwaterseconomics.org/wphw/wp-content/uploads/Testimony_of_MarkHaggerty_CountyPayments.pdf) and was later incorporated into draft legislation by Montana’s former Senator Walsh (S. 2626: Fair Share Act of 2014).

¹⁴ The index of economic performance is based on the following county-level metrics: poverty, household income, average earnings per job, education, and distance from markets. A description of how the PILT formula could be changed to account for economic performance can be seen here:

http://headwaterseconomics.org/wphw/wp-content/uploads/PILT_Econ_Index_Memo.pdf. A map of the U.S. showing the relative performance of counties can be seen here:

http://headwaterseconomics.org/wphw/wp-content/uploads/PILT_Econ_Index_Map.pdf.

¹⁵ Act of May 23, 1908, Pub. L. No. 60-136 (Twenty-Five Percent Fund Act of 1908).

¹⁶ The Bureau of Land Management 50% revenue sharing on revested and reconveyed grant lands (lands returned to federal ownership). Pub. L. No. 106-393, §§ 102(b)(3), 103(b)(2).

¹⁷ Public Land Law Review Commission. *One Third of the Nation's Land: A Report to the President and to the Congress*. (Washington, D.C.: U.S. Government Printing Office, 1970). p. 273.

¹⁸ Ervin G. Schuster. "PILT--Its Purpose and Performance." *Journal of Forestry* 93 (1995): 31-35; and M. Lynne Corn. *PILT (Payments in Lieu of Taxes): Somewhat Simplified*, December 3, 2015 (Washington, D.C.: Congressional Research Service Report RL-31392).

¹⁹ Headwaters Economics. "Using an Economic Performance Index to Reform Payments in Lieu of Taxes (PILT)," July 2014. http://headwaterseconomics.org/wphw/wp-content/uploads/PILT_Econ_Index_Memo.pdf.

