

**STATEMENT OF CHRIS KEARNEY
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DEPARTMENT OF THE INTERIOR
BEFORE THE
SENATE ENERGY AND NATURAL RESOURCES COMMITTEE,
SUBCOMMITTEE ON PUBLIC LANDS AND FORESTS
ON S. 454, THE PILT AND REFUGE REVENUE SHARING PERMANENT FUNDING ACT
MAY 9, 2002**

Mr. Chairman and members of the Committee, I am pleased to have the opportunity to testify today on S. 454, a bill to make the Bureau of Land Management's (BLM) Payments-in-Lieu of Taxes (PILT) Program and the Fish and Wildlife Service's Refuge Revenue Sharing (RRS) Program mandatory. The Administration strongly supports the PILT and RRS programs and views them as high priorities, but the Administration is strongly opposed to S. 454 because it would force the Federal Government to either raise taxes or cut into other programs that are integral to the President's budget.

Background

The PILT Act (P.L. 94-565) was passed by Congress in 1976 to provide payments to local governments in counties where certain Federal lands are located within their boundaries. PILT is based on the concept that these local governments incur costs associated with maintaining infrastructure on Federal lands within their boundaries but are unable to collect taxes on these lands; thus, they need to be compensated for these costs. The payments are made to local governments in lieu of tax revenues and to supplement other Federal land receipts shared with local governments. The amounts available for payments to local governments require annual appropriation by Congress. The BLM allocates payments according to the formula in the PILT Act. The formula takes into account the population within an affected unit of local government, the number of acres of eligible Federal land, and the amount of certain Federal land payments received by the county in the preceding year. These payments are other Federal revenues (such as receipts from mineral leasing, livestock grazing, and timber harvesting) that the Federal Government transfers to the counties.

The President's FY 2003 budget request demonstrates our commitment to PILT. The Administration requested \$150 million for FY 2002 for PILT, and this year the Administration is requesting \$165 million, an increase of \$15 million that is more in line with historical PILT funding levels. Although the FY 2003 budget request appears to indicate a downward trend, I would point out that most counties (and their respective states) also receive significant and growing benefits from Federal lands. Many of the counties that receive PILT funding receive other Federal payments that have recently or will soon increase substantially. For example, the Secure Rural Schools and Community Self-Determination Act passed in 2000 provides for permanent payment of an additional roughly \$110 million annually to western Oregon counties -- approximately the amount the counties received during the mid-1980s peak of timber production in the Northwest. I would also point out that the Federal government covers many of the costs that the counties would otherwise incur if the land were not in Federal ownership.

The Refuge Revenue Sharing Act (16 U.S.C. 715s), as amended, was enacted in 1935. It authorizes payments to be made to offset tax losses to counties in which U.S. Fish and Wildlife Service (FWS) fee and withdrawn public domain lands are located. The original Act provided for 25 percent of the net receipts from revenues from the sale or other disposition of products on refuge lands to be paid to counties. The Act was amended in 1964 to make it more like the payment-in-lieu of tax program. The new provisions distinguished between acquired lands that are purchased by the Service and lands that are withdrawn from the public domain for administration by the Service. For fee lands, the counties received 3/4 of 1 percent of the adjusted value of the land or 25 percent of the net receipts, whichever was greater, with the value of the land to be reappraised every 5 years. They continued to receive 25 percent of the net receipts collected on the withdrawn public domain lands in their county.

The Act was amended again in 1978 in order to provide more equitable payments to counties with lands administered by the Service within their boundaries. The method used to determine the adjusted cost of the land acquired during the depression years of the 1930's (using agricultural land indices) resulted in continuing low land values compared to the land prices that existed in 1978. Also, other lands that were purchased during periods of inflated land values were found to be overvalued. The Congress decided that the payments did not adequately reflect current tax values of the property. It also recognized that national wildlife refuges are established first and foremost for the protection and enhancement of wildlife and that many produce little or no income that could be shared with the local county.

In the 1978 amendments, Congress chose to distinguish between lands acquired in fee and lands withdrawn from the public domain, by recognizing that the financial impact on counties tends to be greater when lands are directly withdrawn from the tax rolls, rather than when the refuge unit is created out of the public domain and has never been subject to a property tax. The formula adopted then, and still in effect, allows the Service to pay counties containing lands acquired in fee the greater of: 75 cents per acre, 3/4 of 1 percent of the fair market value of the land, or 25 percent of the net receipts collected from the area. If receipts are insufficient to satisfy these payments, appropriations are authorized to make up the difference.

Counties can use the funds for any governmental purpose, and can pass through the funds to lesser units of local government within the county that experience a reduction of real property taxes as a result of the existence of Service fee lands within their boundaries. Counties with Service lands that are withdrawn from the public domain continue to receive 25 percent of the receipts collected from the area and are paid under the provisions of the PILT Act.

I would like to note that many of the same concerns we have expressed regarding PILT funding hold true for RRS funding as well. Moreover, we believe that it would be prudent to take another look at the PILT and RRS formulas, authorization levels and other issues including those raised in the Department's report to Congress dated January 11, 1999, before considering such a significant action as converting these payments to permanent mandatory payments.

Conclusion

The Administration recognizes that these payment are important to local governments, often comprising a significant portion of their operating budgets. The PILT and RRS monies have been used for critical functions such as local search and rescue operations, road maintenance, law enforcement, schools, and emergency services. These activities are often undertaken in support of people from around the country who visit or recreate on Federal lands. The BLM and the FWS look forward to continuing to work cooperatively with the communities on these important issues.

Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions that you or the other members may have.