

**STATEMENT OF CHRIS KEARNEY
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DEPARTMENT OF THE INTERIOR
BEFORE THE
HOUSE RESOURCES COMMITTEE,
SUBCOMMITTEE ON FORESTS AND FOREST HEALTH
ON H.R. 1005, THE PILT AND REFUGE REVENUE SHARING PERMANENT FUNDING ACT
JULY 24, 2003**

Mr. Chairman and members of the Committee, I am pleased to have the opportunity to testify today on H.R. 1005, a bill that would 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. A hearing on PILT took place almost a year ago today on July 25, 2002, before this Subcommittee. Our position on this bill remains unchanged. The Administration strongly supports the PILT and RRS programs and views them as high priorities, but the Administration is strongly opposed to H.R. 1005 because it would force the Federal Government to either raise taxes or cut into other programs that are integral to the President's budget and important for the American people.

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 losses in tax revenues. 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. In the past, the BLM has allocated payments according to the formula in the PILT Act. In recognition of fact that this program is multi-bureau in nature, beginning in FY 2004, funding and management of PILT will be administered at the Departmental level. 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 2004 budget request demonstrates our commitment to PILT. The Administration requested \$165 million in FY 2003 for PILT, and \$200 million in FY 2004, an increase of \$35 million. Furthermore, while the total amount requested for all programs by the Department for FY 2004 represents a 3.3% increase from the prior year, the request for PILT is more than 21% over last year's request for this important program, reflecting our continued commitment and obligation to the PILT program even in the context of other significant budget priorities. While we recognize the importance of the PILT program, it should not be viewed in isolation from other departmental and federal programs that bring or will bring benefits to counties in the future. Examples include funding provided for rural fire assistance and our efforts to work with Gateway Communities to increase tourism opportunities.

This year, some counties received slightly reduced PILT payments to adjust for increased revenue received during the previous fiscal year under the Secure Rural Schools and Community Self-Determination Act. This Act provides payments to compensate certain counties for declining timber receipts. The combination of PILT payments and payments under the Secure Rural Schools Act, however, will result in higher overall payments to affected counties.

The Refuge Revenue Sharing Act (RRS) (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 payments that better reflected market land values 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 that 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 funds for any government purpose, and 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 previously expressed regarding PILT funding hold true for RRS funding as well. We continue to engage in discussions with the National Association of Counties concerning issues associated with the allocation formula and we believe those issues should be addressed before considering such a significant action as converting these payments to permanent mandatory payments.

Although the Administration supports the purpose of H.R. 1005, we must oppose it for the same reasons that we opposed an identical bill last year in the 107th Congress. We support protections for local governments against the loss of property tax revenue when private lands are acquired by a federal agency. However, the Administration is opposed to creating a new mandatory spending category to fund these programs because it would force the Federal government either to raise taxes or cut into other programs that are integral to the President's budget and important to the American public.

Conclusion

The Administration recognizes that these payments are important to local governments, sometimes 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 expenditures often support the activities of people from around the country who visit or recreate on Federal lands. The Department looks 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.