



## Policy Resolution 2023-03 Tax-Exempt Federal Lands and Secure Rural Schools

### A. **BACKGROUND**

1. The land ownership pattern in the West is a patchwork of federal, state, tribal and privately owned and managed lands.
2. This ownership pattern results in part from the withdrawal of lands by the federal government for various federal purposes, including, but not limited to, national parks, national forests, lands administered by the Bureau of Land Management, national wildlife refuges, national monuments, and military bases.
3. Federally-owned lands are exempt from property taxes. Recognizing the costs to states and counties from the presence of tax-exempt federal lands within their borders, in 1976, Congress enacted Public Law 94-565 to create the Payments in Lieu of Taxes (PILT) program.
4. From the inception of the PILT program in 1977 through 2007, PILT funding was subject to annual appropriations. The Emergency Economic Stabilization Act of 2008 then provided a five-year (FYs 2008–2012) mandatory funding stream for the PILT program. The PILT program has since received a mix of mandatory and discretionary funding via various legislative and appropriations processes.
5. Congress also enacted the Twenty Five Percent Fund Act of 1908 to share receipts from timber sales on U.S. Forest Service (USFS) lands. Because of a dramatic decline in the amount of timber USFS offered for sale starting in the late 1980s, Congress enacted the Secure Rural Schools and Community Self-Determination Act (Public Law 106-393) as an alternative secure mechanism to compensate states and counties for timber sold on federal lands. Congress recognized that communities adjacent to federal lands still need to provide infrastructure and services (schools, roads, emergency response, etc.) for residents and visitors, including land managers, as well as to protect wildlife and natural resources despite the loss of shared timber sales receipts. Attempting to provide Secure Rural Schools (SRS) funding levels through the 1908 law alone would require a 400 percent increase in logging on federal lands using 2017 USFS receipts – an unachievable short-term outcome given current capacity planning and executing sales, appropriating sufficient funds, and local mill infrastructure.
6. In recent years, funding for both of these historic federal-state-county agreements and programs has been the target of budget cutbacks. Payments to counties have also been delayed due to federal appropriations processes. Delayed or lapsed payments to counties have significant effects on local government planning and budgeting efforts.
7. Sustained and predictable payments to local government under these programs is vital to ensure continued support for federal ownership and management of lands within western states.

## **B. GOVERNORS' POLICY STATEMENT**

1. Western Governors believe that the federal government must honor its historic PILT agreement with states and counties in the West to compensate them for tax-exempt federal lands within their borders.
2. Congress should consider compensating states for tax-exempt lands held in trust by the Department of the Interior for the benefit of a tribe or individual tribal members.
3. Western Governors believe it is incumbent upon the federal government to ensure counties and states receive predictable and full payments under the SRS program. These payments are vital to providing state and county public goods and services, such as roads, emergency response, and wildlife and natural resources protection in communities adjacent to federal lands.
4. Western Governors encourage continued funding for three important aspects of the SRS program: 1) county school and road improvements; 2) collaborative approaches to forest management and restoration involving local communities; and 3) community wildfire resilience planning and emergency response needs.
5. Section 8702 of the 2018 Farm Bill established a pilot program granting the USFS regional foresters in Montana and Arizona the authority to appoint members to local Resource Advisory Committees (RACs). Western Governors encourage Congress and the USFS to solicit feedback from states, Governors' offices, and RAC members when making future decisions to terminate, continue, modify, or expand the pilot program.
6. Western Governors encourage the executive branch to include full PILT and SRS payments in the President's annual budget request.
7. Western Governors support legislative efforts to improve the predictability, equity, and reliability of PILT payments, including measures that authorize the PILT program on either a long-term or permanent basis.
8. Western Governors support legislative efforts to ensure forest counties receive stable federal payments, including measures that create a permanent endowment fund to replace the current SRS payment system.

## **C. GOVERNORS' MANAGEMENT DIRECTIVE**

1. The Governors direct WGA staff to work with Congressional committees of jurisdiction, the Executive Branch, and other entities, where appropriate, to achieve the objectives of this resolution.
2. Furthermore, the Governors direct WGA staff to consult with the Staff Advisory Council regarding its efforts to realize the objectives of this resolution and to keep the Governors apprised of its progress in this regard.

*This resolution will expire in December 2025. Western Governors enact new policy resolutions and amend existing resolutions on a semiannual basis. Please consult <http://www.westgov.org/resolutions> for the most current copy of a resolution and a list of all current WGA policy resolutions.*