



Policy Resolution 2026-03

Tax-Exempt Federal Lands and Secure Rural Schools

A. BACKGROUND

Federally owned lands are exempt from property taxes. Recognizing the costs that counties and states nonetheless incur from the presence of these lands, Congress has legislated programs that provide funding to counties to compensate for the tax-exempt status of these lands.

Congress created the Payments in Lieu of Taxes (PILT) program in 1976 to offset the loss of tax revenue to states and counties by providing an annual, formula-based payment to counties containing certain federal lands. PILT funds can be used for any governmental purpose, providing flexible funds that counties can invest in essential services. Initially funded through discretionary appropriations, PILT has primarily received mandatory funding since 2008. Legislation in 2008 provided mandatory funding through 2012; Congress has extended the authority through the annual appropriations process in most years since.

The U.S. Forest Service (USFS) has shared timber revenues with local governments since enactment of the Twenty-Five Percent Fund Act of 1908. In 2000, declining timber sales prompted Congress to enact the Secure Rural Schools and Community Self-Determination Act (SRS) to provide higher levels of funding for schools, roads, and other municipal services than counties would otherwise receive through revenue-based payments under the 1908 Act. The SRS program contains funding through three titles: 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. These payments are vital to providing state and county public goods and services, such as roads, wildfire emergency response, and wildlife and natural resources protection in communities adjacent to federal lands.

Both PILT and SRS support essential services in rural counties, such as schools, roads, emergency response, and land management. Sustained and predictable payments under PILT and SRS allow rural communities to support the presence and management of federal lands across the West.

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. Western Governors support legislative and executive branch efforts to improve the adequacy, predictability, equity, and reliability of PILT payments, on either a long-term or permanent basis.
3. Congress should consider compensating states for tax-exempt lands held in trust by the Department of the Interior (DOI) for the benefit of a tribe or individual tribal members.

4. Western Governors believe it is incumbent upon the federal government to ensure counties and states receive continued, predictable and full payments under each of the three titles of the SRS program. Western Governors support legislative and executive branch 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 2028. 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.