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The Secure Rural Schools and Community Self-Determination Act: Background and Issues

Katie Hoover
Specialist in Natural Resources Policy

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SUMMARY

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The Secure Rural Schools and Community Self-Determination Act: Background and Issues

Under federal law, state and local governments receive payments through various programs due to the presence of federally owned land within their jurisdictions. Some of these payment programs are based on the revenue generated from specific land uses and activities. For example, Congress has authorized payments to the counties containing national forests—managed by the Forest Service—based on the revenue generated from those lands. In addition, Congress has authorized the 18 counties in western Oregon containing the Oregon and California (O&C) lands and Coos Bay Wagon Road (CBWR) lands—managed by the Bureau of Land Management (BLM)—to also receive a payment based on the revenue generated from those lands.

Revenue-generating activities include timber sales, recreation, grazing permits, and land use rentals, among other activities; timber sales have been the largest historical source of revenue. Starting in the 1990s, however, federal timber sales began to decline substantially, which led to substantially reduced payments to the counties. In response, Congress enacted the Secure Rural Schools and Community Self-Determination Act of 2000 (SRS; P.L. 106-393) as a temporary, optional program of payments, starting in FY2001. Congress has since extended the payments for every year except FY2016. Counties with eligible lands (national forests, O&C, and CBWR lands) can opt to receive either an SRS payment or a revenue-sharing payment, although most counties have elected to receive the SRS payment. Because a larger subset of counties are eligible, the bulk of the SRS payment goes to the lands managed by the Forest Service.

Each county's SRS payment is determined by a formula based on historic revenues, area of eligible federal lands, and county incomes. Because they are based on historic, rather than current, revenue, the SRS payments are not affected by any annual fluctuations in the revenue streams from the specified lands. The total SRS payment, however, declines by 5% annually. The program is funded through mandatory spending, with funds coming first from agency receipts and then from the Treasury. SRS payments are disbursed after the fiscal year ends, so the FY2020 SRS payment—the last authorized payment—are to be made in FY2021.

The SRS payment is divided into three parts, each named after its respective title in the authorizing law and each with different requirements for how the funds may be used. Title I payments are to be used in the same manner as the revenue-sharing payment (restricted to roads and schools purposes for the Forest Service payment but available for a broader range of governmental purposes for the BLM payment). Title II payments are retained by the agency to be used for projects on or to benefit the federal lands within the county. Title III payments are to be used for specified county purposes. There are different requirements for how a county may allocate its payment among the three titles, and those requirements vary depending on the total payment amount the county is set to receive. The bulk of the payment, however, is allocated to the Title I payment (around 80%-85% of the payment for most counties). Congress has continued the allocations of the total payment among titles set by each county in FY2013.

When SRS payments temporarily expired for FY2016, county payments returned to the revenue-based system and were significantly lower than the payments received under SRS. With the pending expiration of SRS after the FY2020 payment, county payments are set to return to the revenue-based system. Congress may consider several options to address county payments, including reauthorizing SRS (with or without modifications), implementing other legislative proposals to address the county payments, and taking no action, among others. Congressional debates over reauthorization have considered the basis, level, and distribution of payments and interaction with other compensation programs (e.g., the Payments in Lieu of Taxes program); the authorized and required uses of the payments; the duration of any changes (temporary or permanent); and the source of funds (receipts, the Treasury, or other revenue source). In addition, legislation with mandatory spending—such as SRS—raises policy questions about congressional control of appropriations. Current budget rules to restrain deficit spending typically impose a procedural barrier to such legislation, generally requiring offsets by additional receipts or reductions in other spending.

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Under federal law, local governments are compensated through various programs due to the presence of federal lands within their borders. Federally-owned lands cannot be taxed, but may create demand for services from state or local entities, such as fire protection, police cooperation, or longer roads to skirt the property. Many of the compensation programs are based on revenue generated from specific land uses and activities (referred to as *revenue-sharing programs* throughout this report).

Counties containing national forests managed by the Forest Service (FS) have historically received a percentage of agency revenues. Similarly, counties containing the Oregon and California (O&C) and Coos Bay Wagon Road (CBWR) lands, managed by the Bureau of Land Management (BLM), also have received a payment based on agency revenues. For many decades, the primary source of revenue from those lands was the sale of timber.[1] In the 1990s, timber sales declined substantially from the historic levels in the 1980s—by more than 90% in some areas—which led to substantially reduced payments to the counties. In response, Congress enacted the Secure Rural Schools and Community Self-Determination Act of 2000 (SRS) to provide a temporary, optional system to supplant the FS and BLM revenue-sharing programs.[2] The authorization for the SRS payments originally expired at the end of FY2006, but Congress extended the payments an additional 13 years—through FY2020, with a one-year lapse in the authorization for FY2016—through several reauthorizations. SRS is set to expire after the FY2020 payments are made, after which county payments are to return to a revenue-based system.

This report provides background information on FS and BLM revenue-sharing payments and a brief overview of a related payment program—the Payments in Lieu of Taxes (PILT) program.[3] Because the revenue-sharing, SRS, and PILT payments interact with each other in varying ways, proposals to amend the revenue-sharing programs or SRS have often included modifications to the PILT program as well. This report then provides on overview of the SRS payments and a discussion of some of the legislative issues facing Congress when considering these payment programs.

Background

Forest Service 25 Percent Payments

Congress has authorized several different revenue-sharing payments for the counties containing lands managed by the FS.[4] SRS affects one of those payments—the payments authorized under the Act of May 23, 1908, referred to as the "25 Percent Payments" in this report. The other payments (e.g., *Payments to Counties* for the national grasslands and *Special Act Payments*) are much narrower in scope and application and, consequently, much smaller.[5] These payments are

[1] For more information on federal timber sales, see CRS Report R45688, *Timber Harvesting on Federal Lands*, by Anne A. Riddle.

[2] The Secure Rural Schools and Community Self-Determination Act of 2000 (SRS; P.L. 106-393), 16 U.S.C. §§7101-7153.

[3] Payments in Lieu of Taxes Act of 1976 (P.L. 94-565 as amended, 31 U.S.C. §§6901-6907). For more information, see CRS Report R46260, *The Payments in Lieu of Taxes (PILT) Program: An Overview*, by R. Eliot Crafton.

[4] Compensation programs related to energy and mineral development on national forest system lands are administered by the Department of the Interior (DOI) and are not addressed in this report.

[5] The *Payments to Counties* program requires payments of 25% of net receipts generated on the national grasslands to be paid directly to the counties ($35.1 million for FY2018). S*pecial Act Payments* include various other revenue-

sometimes included in FS revenue-sharing payment totals, but they are not affected by the SRS payments.

Congress first directed the FS to begin revenue-sharing in appropriations laws for 1906 and 1907. For those years, the requirement was for the FS to pay 10% of its gross receipts per year to states for use on roads and schools in the counties in which the national forests are located. In 1908, Congress raised the payment to 25% of gross receipts and permanently authorized the 25 Percent Payments as mandatory spending.[6] The compensation rate remained at 25% of gross receipts annually for the next 100 years, until it was changed in 2008 to 25% of average gross receipts over the previous 7 years—essentially a 7-year rolling average of receipts.[7] Receipts come from eligible sales, leases, rentals, or other fees for using national forest lands or resources (e.g., timber sales, recreation fees, and communication site leases), although Congress has designated some activities exempt from the revenue-sharing requirement.[8] Because the payments are based on the average annual revenue generated during a seven-year period, the payment amounts cannot be calculated—and thus payments cannot be made—until after the most recent fiscal year in each period is completed (for example, payments reflecting the annual average for FY2014-FY2020 are to be made in FY2021).

The 25 Percent Payments are sometimes referred to as the Payments to States program because the FS first sends the payment to the states.[9] The states have no discretion in assigning the funds to the appropriate county, however. FS determines the amount of the total state payment to be allocated to each county based on each county's national forest acreage and provides that amount to the state. The states cannot retain any of the funds; the funds must be passed through to local governmental entities for use at the county level (but not necessarily to county governments themselves).[10] Each state must spend the funds on road and school programs, and state law sets forth how the payments are to be allocated between road and school projects. The state laws differ widely, generally ranging from 30% to 100% for school programs, with a few states providing substantial local discretion on the split.

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sharing payments authorized for specific purposes or limited to specific places, such as the *Payments to Minnesota Counties* program, which provides payments to three counties in northern Minnesota based on the appraised value of certain lands within the Superior National Forest ($5.7 million for FY2018). Special act payments also include payments for quartz mined from the Ouachita National Forest in Arkansas and for revenue generated on the Quinault Special Management Area in the Olympic National Forest in Washington (~$51,000 in FY2018 for both). Data from the Forest Service (FS), *FY2021 Budget Justification*, p. 115. For more information on these programs and FS's mandatory appropriations generally, see CRS Report R45994, *Federal Land Management Agencies' Mandatory Appropriations Accounts*, coordinated by Carol Hardy Vincent.

[6] Act of May 23, 1908, 16 U.S.C. §500.

[7] P.L. 110-343 §601.

[8] For example, revenue generated through stewardship contracts is not counted toward the revenue-sharing requirement (16 U.S.C. §6591c(e)(3)(A)). For more information on the authorized uses and revenue-generating activities on the national forests, see CRS Report R43872, *National Forest System Management: Overview, Appropriations, and Issues for Congress*, by Katie Hoover and Anne A. Riddle.

[9] FS sometimes includes other payment programs within the Payments to States program, which is also the name of the Treasury account from which the payments are made. This includes the Payments to Counties and Payments to Minnesota Counties. SRS is included when authorized.

[10] For example, funds may be allocated directly to a school district.

Bureau of Land Management O&C and CBWR Revenue-Sharing Payments

Congress has also enacted revenue-sharing programs for BLM lands for various types of resource use, including the Oregon and California (O&C) payments and Coos Bay Wagon Road (CBWR) payments.[11] The O&C payments are made to the 18 counties in western Oregon containing the revested Oregon and California grant lands, which are lands that were returned to federal ownership for failure of the state to fulfill the terms of the grant. The O&C counties receive 50% of the receipts from these lands, and the funds may be used for any local governmental purposes.[12] The CBWR lands are located in two of the same counties in western Oregon that also contain O&C lands. A portion of the revenue generated from the CBWR lands also must be paid to the two counties, and those funds may be used for schools, roads, bridges, and highways.[13]

The O&C and CBWR payments are mandatory payments that are paid directly to the counties. The CBWR and O&C lands and payments are often grouped together, and in this report "O&C" refers to both, unless otherwise specified.

Payments in Lieu of Taxes (PILT) Program

In addition to the FS and BLM revenue-sharing programs, Congress has enacted other programs to compensate for the presence of federal land. The most widely applicable program, administered by the Department of the Interior, is the Payments in Lieu of Taxes (PILT) Program.[14] PILT payments to counties are calculated in dollars per acre of federal land and are based on eligible federal lands, as specified in statute (the total payment amounts are restricted in counties with very low populations). The eligible lands include national forests and O&C lands, among others, in each county.

PILT payments are reduced (to a minimum payment per acre) by other payment programs as specified in statute.[15] The PILT payments are reduced by the FS payments but not by the O&C payments. This means that the PILT payment for counties containing national forests is affected by the FS payment (either revenue-sharing or SRS), but the PILT payment for counties containing O&C lands is not similarly affected. This also means that decreases in FS payments may increase a county's payments under PILT in the following year (and vice versa), although the difference is rarely proportionate. Proposals to amend the revenue-sharing programs or SRS have often included modifications to the PILT program.

[11] For more information, see CRS Report R42951, *The Oregon and California Railroad Lands (O&C Lands): Issues for Congress*, by Katie Hoover. Compensation programs related to grazing, land sales, and energy and mineral development are not addressed in this report.

[12] 43 U.S.C. §§2601 et seq.

[13] Per statute (43 U.S.C. §§2621 et seq.), 75% of the gross receipts from Coos Bay Wagon Road (CBWR) lands are deposited to a special fund and used to make tax-equivalency payments; any portion remaining in the fund after a 10-year period is transferred to the General Fund of the Treasury.

[14] Payments in Lieu of Taxes Act of 1976 (P.L. 94-565 as amended, 31 U.S.C. §§6901-6907). For more information, see CRS Report R46260, *The Payments in Lieu of Taxes (PILT) Program: An Overview*, by R. Eliot Crafton.

[15] 31 U.S.C. §6903(a)(1).

Revenue-Sharing Program Concerns and Issues

Prior to the enactment of SRS, Congress, counties containing FS and O&C lands, and other observers raised three principal concerns about FS and O&C revenue-sharing programs,[16] which were payment stability and the annual uncertainty about payment amounts; the linkage between timber revenue and county payments; and the decline in FS and O&C receipts due to the decline in timber sales. SRS addresses some of these concerns, but they may again be at issue when SRS expires.

Payment Stability

One concern about the FS and O&C revenue-sharing payments was that payments would fluctuate annually based on the revenue received in the previous year. Even in areas with modest declines or increases in revenue, payments have varied widely from year to year. For example, from FY1985 to FY2000, the payments from each national forest fluctuated an average of nearly 30% annually—that is, on average, a county's payment in any year was likely to be nearly 30% higher or lower than its payment the preceding year. Such wide annual fluctuations imposed serious budgeting uncertainties on the counties.

The concern over annual fluctuations led to Congress changing the compensation rate to a rolling seven-year average of receipts in 2008.[17] Thus, payments increase more slowly than in the past when and where national forest receipts are rising but decline more slowly when and where receipts are falling. The extent to which this provides more stability for the counties is not clear. Since this change has been enacted, most counties have opted to receive an SRS payment instead of the revenue-sharing payment, except for the one year when the SRS payments were not authorized. Relatedly, however, the expiration and reauthorization of the SRS payments over the past few years has introduced a different kind of budgeting uncertainty for the counties, discussed further in the "Reauthorization and Duration of the Programs" section of this report.

Linkage

A longer-term concern is referred to as linkage. Some observers noted that because the counties received a portion of receipts, they were financially rewarded for advocating receipt-generating activities (principally timber sales) and for opposing management decisions that might reduce or constrain such activities, thus reducing the direct financial benefits from receipts (e.g., designating wilderness areas or protecting commercial, tribal, or sport fish harvests). Some interests support retaining the linkage between county compensation and agency receipts because such activities usually also provide local employment and income, especially in rural areas where unemployment is often high. Others assert that ending the linkage is important so that the direct financial incentive for maximizing receipts would be removed as one of the factors for local government officials to consider in their decisionmaking regarding use of the lands for activities other than timber sales.[18]

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[16] Forest Counties Payments Committee, *Recommendations for Making Payments to States and Counties: Report to Congress* (Washington: GPO, 2003). Hereinafter referred to as Forest Counties Payments Committee Report, 2003. The committee was established in Section 320 of the FY2001 Interior and Related Agencies Appropriations Act, P.L. 106-291.

[17] P.L. 110-343 §601.

[18] Forest Counties Payments Committee Report, 2003, p. 24.

Declining Timber Receipts

A primary concern about the FS 25 Percent Payments and O&C payments was the effect of declining timber sale revenue on counties. National forest receipts (subject to the 25% sharing) declined from their peak of $3.0 billion in FY1989 to $664.3 million in FY1999, in inflation-adjusted FY2019 dollars.[19] The decline was primarily due to declining receipts from decreasing timber production. For example, FS harvested 12.0 billion board feet of timber in FY1989 (at a value of $2.72 billion in FY2019 dollars); in FY1999, FS harvested 2.9 billion board feet (at a value of $525.8 million in FY2019 dollars).[20] The decline in timber sales began in the Pacific Northwest but eventually was experienced nationwide, owing to a combination of changing forest management policies and practices, increased planning and procedural requirements, changing public preferences, economic and industry factors, and other developments. BLM experienced a similar trend in receipts over the same time period.

Consequently, the revenue-sharing payments to counties also declined. For example, the FY1989 FS 25 Percent Payments totaled $751.4 million (FY2019 dollars).[21] By FY1993, the payment was $540.6 million (FY2019 dollars).[22] Similar to the decline in timber receipts, the decline in the revenue-sharing payments also began in the Pacific Northwest. For example, payments to the counties in Oregon containing national forests decreased by 20% from FY1989 to FY1993, and payments to the counties containing the O&C lands decreased by 28%.[23] In California, FS payments to counties decreased by 30% over that same time frame, and in Washington, FS payments decreased by 35%. The extent of declining revenues in individual counties within those states varied, ranging from minimal to substantial (and often was a function of the amount of applicable federal land located within the county).

In 1993, Congress authorized FS and BLM to make "safety-net payments" to several counties in the Pacific Northwest, including in Oregon, California, and Washington.[24] These payments were set at a declining percentage of the average revenue-sharing payments made to those counties between FY1986 and FY1990.[25] As federal timber sales—and revenue-sharing payments—began to decline nationwide, however, Congress replaced the regional safety-net payments with the nationwide SRS program starting in FY2001.

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[19] FS revenue data compiled from annual budget documents. Figures adjusted to FY2019 dollars using the annual consumer price index for all urban consumers reported by the U.S. Department of Labor, Bureau of Labor Statistics, available from https://www.bls.gov/data/. In nominal dollars, the receipts in FY1989 were $1.44 billion and the receipts in FY1999 were $432.5 million.

[20] In nominal dollars, the value of the FY1989 timber sales was $1.31 billion, and the value of the FY1999 timber sales was $342.3 million. For more information on federal timber sales, see CRS Report R45688, *Timber Harvesting on Federal Lands*, by Anne A. Riddle.

[21] In nominal dollars, the FY1989 25 Percent Payment was $362.2 million. Data provided by FS Legislative Affairs office, 2005.

[22] In nominal dollars, the FY1993 25 Percent Payment was $304.7 million. Data provided by FS Legislative Affairs office, 2005.

[23] Historical data on O&C receipts and payments from BLM Legislative Affairs office, 2011.

[24] Omnibus Budget Reconciliation Act of 1993, P.L. 103-66 §13982-3. These payments are also sometimes referred to as the "owl payments." The payments were originally authorized through FY2003 but were replaced by the SRS payments starting in FY2001.

[25] The payment amount began at 85% of the average FY1986-FY1990 payment, and declined by 3 percentage points annually.

Secure Rural Schools and Community Self-Determination Act of 2000

In 2000, Congress enacted the Secure Rural Schools and Community Self-Determination Act (SRS) after extensive debates and several different bill versions.[26] The act established an optional alternative to the revenue-sharing payments for FS and O&C lands, starting with the FY2001 payment. Each county with FS or O&C land could choose to receive either the regular revenue-sharing payments or the SRS payment.

SRS was originally enacted as a temporary program, expiring after payments were made for FY2006. However, SRS was reauthorized and modified several times, and payments were authorized annually through the FY2015 payment (see **Table 1** and **Appendix B**). The authorization lapsed for the FY2016 payment, but payments were reauthorized starting in FY2017 and are set to expire at the end of FY2020. The longest reauthorization was for four years; otherwise, the reauthorizations have extended the payments for one or two years each. SRS payments—like the revenue-sharing payments—are disbursed after the end of the fiscal year, so the FY2019 and FY2020 payments are to be made in FY2020 and FY2021, respectively.

Table 1. Secure Rural Schools (SRS) Legislative History

Statute (Date Enacted)	Duration	Authorized Payment Level	Major Changes
P.L. 106-393 (10/30/00)	FY2001-FY2006	Determined by formula; average annual payment was around $500 million total	Established program
P.L. 110-28 §5401 (05/25/07)	FY2007	$525 million	$425 million was paid from discretionary appropriations
P.L. 110-343 §601 (10/03/08)	FY2008-FY2011	$500 million FY2008; FY2009-FY2011, 90% of previous year funding[a]	Established an annual declining full funding amount (-10%); modified payment calculation formula; phased out transition payments; modified payment title allocations; 25% payment based on rolling seven-year average
P.L. 112-141 §100101 (07/06/12)	FY2012	95% of FY2011 level ($344 million)	Modified the declining full funding amount to -5% annually
P.L. 113-40 §10 (10/02/13)	FY2013	95% of FY2012 level ($329 million)	None
P.L. 114-10 §524 (04/16/15)	FY2014-FY2015	95% of previous year funding ($312 million for FY2014, $297 million for FY2015)	None
P.L. 115-141 Division O, §401 (03/23/18)	FY2017-FY2018	95% of FY2015 level ($281 million for FY2017, $268 million for FY2018)	Modified payment allocations

[26] P.L. 106-393, 16 U.S.C. §§7101-7153. For an overview of historic proposals to change the revenue-sharing system prior to the enactment of SRS, see **Appendix A**.

Statute (Date Enacted)	Duration	Authorized Payment Level	Major Changes
P.L. 116-94 Division H, Title III (12/20/19)	FY2019-FY2020	95% of the previous year funding (~$254 million estimated for FY2019, ~$241 million estimated for FY2020)	None

Source: Congressional Research Service (CRS).

Notes: Except for the FY2007 payment, Congress authorized the payments as mandatory spending, with a portion of the payment derived from agency revenue and the balance from the General Fund of the Treasury. Duration reflects the fiscal years in which authorized payments were based, not the year the payments were made. The payments were made in the following fiscal year (e.g., the payment authorized for FY2018 was disbursed in FY2019). For more information on the reauthorizations through FY2015, see **Appendix B**.

a. The transition payments for specific states authorized in P.L. 110-343 for FY2008-FY2010 resulted in the total payment amount exceeding the "full funding" amount defined in the act.

The SRS payments are determined by a formula based on historic revenue generated on the applicable federal lands. Originally, each county's SRS payment was calculated as the average of the three highest payments received by the county between FY1986 and FY1999. The formula was later amended to include other factors and to decline annually, as discussed in the "SRS Payment Formula" section. Funds needed to achieve the full payment are mandatory spending and come first from agency receipts (excluding deposits to special accounts and trust funds) and then from "any amounts in the Treasury not otherwise appropriated."[27] The program is also authorized to receive discretionary funding, although this has happened only one time (FY2007, see **Appendix B** for more information).

The SRS payment is divided into three parts, based on three of the titles in the authorizing law. Each county can allocate the payment among the three titles, with different requirements depending on the amount a county was set to receive.

- Title I payments are to be used in the same manner as the revenue-sharing payment (for roads and schools purposes for the FS payment, or, for the BLM payment, for any governmental purpose).[28]
- Title II payments are not made to the county but are retained by FS or BLM to be used for projects on the relevant federal lands within the county.[29]
- Title III payments are made to the county, and the funds are to be used for specified county projects.[30]

The bulk of the SRS payment (83% on average) is for counties containing the national forests (see **Table 2** and **Figure 1**). This is because the FS payment is more broadly applicable, whereas the BLM payment is applicable only for the 18 counties in one state—Oregon—containing the O&C lands. Because a portion of the SRS payment is retained by the agency, it is common to see only the portion of the payment that was made to the county—the Title I and Title III payments—provided in various reports.

[27] 16 U.S.C. §7112(b)(3).

[28] P.L. 106-393 Title I, Secure Payments for States and Counties Containing Federal Land (16 U.S.C. §§7111-7113).

[29] P.L. 106-393 Title II, Special Projects on Federal Land (16 U.S.C. §§7121-7128).

[30] P.L. 106-393 Title III, County Funds (16 U.S.C. §§7141-7144).

Table 2. FS and BLM Total Secure Rural Schools (SRS) Payments, FY2001-FY2019

(nominal dollars in millions)

Receipt Year[a]	FS	BLM	TOTAL SRS	Receipt Year[a]	FS	BLM	TOTAL SRS
FY2001	$371.1	$109.7	$480.8	FY2011	$321.9	$40.0	$361.9
FY2002	373.9	110.6	484.5	FY2012	305.9	38.0	343.9
FY2003	388.8	111.9	500.7	FY2013	289.0	39.6	328.6
FY2004	393.9	113.3	507.2	FY2014	273.9	38.3	312.2
FY2005	404.9	115.9	520.9	FY2015	261.0	35.6	296.6
FY2006	409.0	117.1	526.1	FY2016[b]	—	—	—
FY2007	408.1	116.9	525.0	FY2017	249.3	32.2[c]	281.5
FY2008	517.9	105.4	623.3	FY2018	237.5	30.1	267.6
FY2009	467.6	94.9	562.4	FY2019	225.8	—[d]	—[d]
FY2010	415.8	85.5	501.3	—	—	—	—

Sources: FS FY2001-FY2005, FY2007 data from FS legislative affairs office; and FS FY2006, FY2008-FY2018 data from annual FS report, *All Service Receipts: Title I, II, and III Region Summary (ASR-18-3),* available at http://www.fs.usda.gov/main/pts/home. BLM data from annual *Official Payments Made to Counties reports*, available at https://www.blm.gov/programs/natural-resources/forests-and-woodlands/oc-lands.

Notes: FS = Forest Service; BLM = Bureau of Land Management. Totals may not add due to rounding.

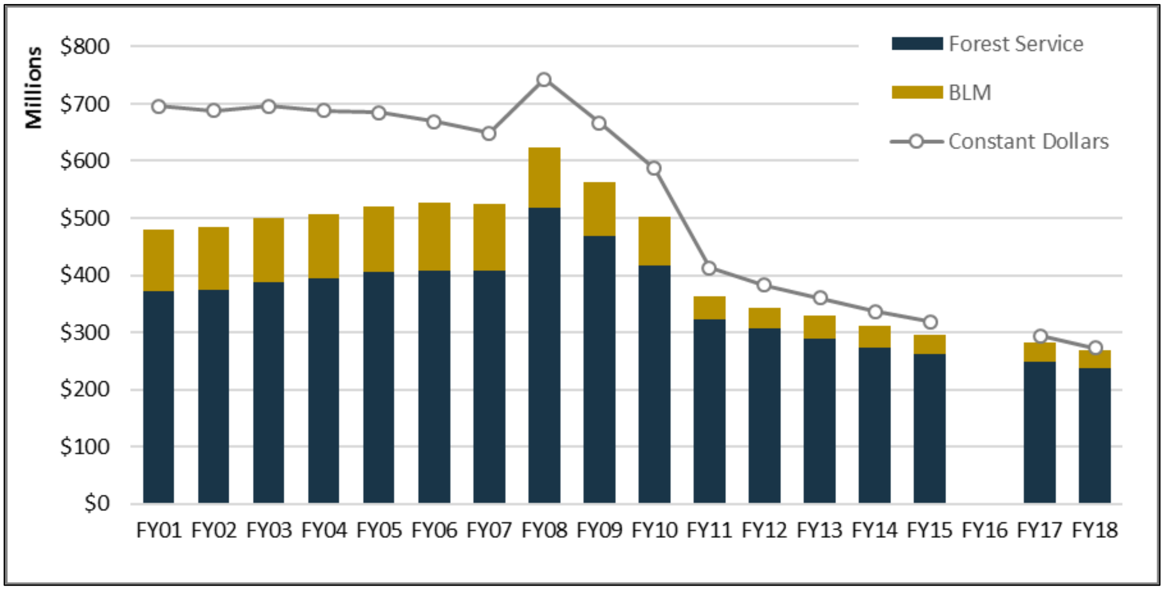
a. Receipt Year reflects the fiscal year in which the payment is based, not the year the payments are made. The payments are made in the following fiscal year (e.g., the FY2018 payment was disbursed in FY2019).

b. SRS payments were not authorized for the FY2016 receipt year.

c. BLM does not include the $18.5 million revenue-sharing payment made prior to the reauthorization of the SRS payment for FY2017 as part of the total SRS payment for that year. Instead, BLM reports the FY2017 SRS payment to be $14.0 million. This is a departure from how the FY2014 SRS payment was reported, which was also reauthorized after the revenue-sharing payment had been disbursed. For this report, however, the revenue-sharing payment is included in the Title I payment for consistency purposes.

d. As of the date of publication of this report, BLM has not released its FY2019 SRS payments.

Figure 1. FS and BLM Total Secure Rural Schools (SRS) Payments
(FY2001-FY2018)



Sources: FS FY2001-FY2005, FY2007 data from FS legislative affairs office; and FS FY2006, FY2008-FY2018 data from annual FS report, *All Service Receipts: Title I, II, and III Region Summary (ASR-18-3)*, available at http://www.fs.usda.gov/main/pts/home. BLM payment data are from the SRS Official Payment reports, available at https://www.blm.gov/programs/natural-resources/forests-and-woodlands/oc-lands.

Notes: FS = Forest Service; BLM = Bureau of Land Management.

The bars reflect nominal dollars. The gray line reflects total SRS payments adjusted to constant (FY2019) dollars using the annual consumer price index for all urban consumers reported by the U.S. Department of Labor, Bureau of Labor Statistics, available at https://www.bls.gov/data/. No SRS payment was authorized for FY2016. For FY2017, BLM's revenue-sharing payment is reflected in the SRS payment for consistency purposes. The x-axis is the Receipt Year, which reflects the fiscal year in which the payment was based, not the year the payments were made. The payments were made in the following fiscal year (e.g., the FY2018 payment was disbursed in FY2019). SRS payments were not authorized for the FY2016 receipt year.

The following sections discuss the payment formula, payment allocations, and use of the funds in more depth and provide payment data and analysis. Information on the two most recent reauthorizations (authorizing payments for FY2017 through FY2020) is included in the payment data section. Information on the prior reauthorizations is available in **Appendix B**.

SRS Payment Formula

When SRS was first enacted, each county's payment was calculated as the average of the three highest revenue-sharing payments received by the county between FY1986 and FY1999. The total authorized payment for FY2001-FY2006 was the sum of the payments calculated for each participating county for each year. When the program was reauthorized in FY2008, however, Congress modified the program in several ways, including by establishing a new payment formula and specifying the total authorized payment level. The payment formula is still based on historic revenue-sharing payments, but it also takes into account each county's share of federal land and relative income level.

Under the modified formula, the total SRS payment level—defined as *full funding*—is set at $500 million for FY2008, and this full funding amount declines annually (originally by 10%, later changed to 5%).[31] The full funding amount is allocated among all counties that elect to receive an SRS payment in lieu of the revenue-sharing payment (*eligible counties*). Thus, the fewer counties that participate (i.e., the more that opt for the revenue-sharing payment programs rather than SRS), the more each eligible county receives. Each eligible county's payment is calculated using multiple steps:

- **Step 1.** Determine the three highest revenue-sharing payments (*high-three*) between FY1986 and FY1999 for each eligible county, and calculate the average of the three.[32]
- **Step 2.** Calculate the proportion of these payments in each eligible county: divide each county's high-three average [from **Step 1**] by the total of the high-three averages in all eligible counties, with separate calculations for FS lands and O&C lands.
- **Step 3.** Calculate the proportion of FS and O&C lands in each eligible county: divide each eligible county's FS and O&C acreage by the total FS and O&C acreage in all eligible counties, with separate calculations for FS lands and O&C lands.
- **Step 4.** Determine the *base share* for counties with FS lands and the *50% base share* for counties with O&C lands: add the payment proportion [from **Step 2**] and the acreage proportion [from **Step 3**] and divide by 2, with separate calculations for FS lands and O&C lands.
- **Step 5.** Calculate each county's *income adjustment*: divide the per capita personal income in each county by the median per capita personal income in all eligible counties, and then square the result.[33]
- **Step 6.** Divide each county's base share or 50% base share [from **Step 4**] by its income adjustment [from **Step 5**].
- **Step 7.** Calculate each county's *adjusted share* or *50% adjusted share*: divide each county's result from **Step 6** by the total for all eligible counties (FS and O&C combined).
- **Step 8.** Calculate each county's payment: multiply each county's adjusted share or 50% adjusted share by the full funding amount.

In essence, the new formula differed from the original SRS formula by basing half the payment on relative historic revenue and half on relative proportion of FS and O&C land, with an adjustment based on relative county income. This was done because the majority of payments under the original SRS went to Oregon, Washington, and California (more than 65% of payments in FY2006). Because of the altered allocation, several counties opted out of the amended SRS system, and others opted in.

[31] 16 U.S.C. §7102(11).

[32] Eligible counties are those that choose to receive payments under this program; counties that choose to continue to receive payments under the original revenue-sharing programs are excluded from these calculations.

[33] The income adjustment is calculated using the most recent data available from the Department of Commerce Bureau of Economic Analysis.

FY2008-FY2010 Transition Payments

In lieu of the payments calculated using the formula described above, counties in eight states—California, Louisiana, Oregon, Pennsylvania, South Carolina, South Dakota, Texas, and Washington—received *transition payments* for three fiscal years, FY2008 through FY2010 (16 U.S.C. §7113). These counties were included in the calculations, but received payments of a fixed percentage of the FY2006 payments they received under the Secure Rural Schools and Community Self-Determination Act (SRS), instead of their calculated payments. The schedule in the act specified FY2008 payments equaling 90% of FY2006 payments, FY2009 payments at 81% of FY2006 payments, and FY2010 payments at 73% of FY2006 payments. Because the transition payments were higher than the calculated payments (using the multistep formula, above), total payments exceeded the full funding amount in those years. In FY2008, the actual SRS total payment was $623.3 million (full funding was $500.0 million); in FY2009, the actual payment was $562.4 million (full funding was $450.0 million); and in FY2010, the actual payment was $501.3 million (full funding was $405.0 million).

Payment Election

Initially, each county could elect to receive the revenue-sharing payment or the SRS payment and could transmit that election to the respective Governor, who transmitted the elections to the appropriate Secretary (for FS, the Secretary of Agriculture; for BLM, the Secretary of the Interior).[34] Although the election was good for two years, a county could opt to receive an SRS payment one year and the revenue-sharing payment the following year.[35] However, the authority to make such an election expired at the end of FY2013, and an extension has not been included in the three reauthorizations that since have been enacted. Those counties that opted to receive an SRS payment in FY2013 have continued to receive an SRS payment (for those years that payments are authorized). Counties that opted to receive a revenue-sharing payment in FY2013 continue to receive the revenue-sharing payment and have not had the opportunity to opt in to SRS. Most (90%) counties have elected to receive the SRS payment.

Payment Allocations: Title I, Title II, and Title III

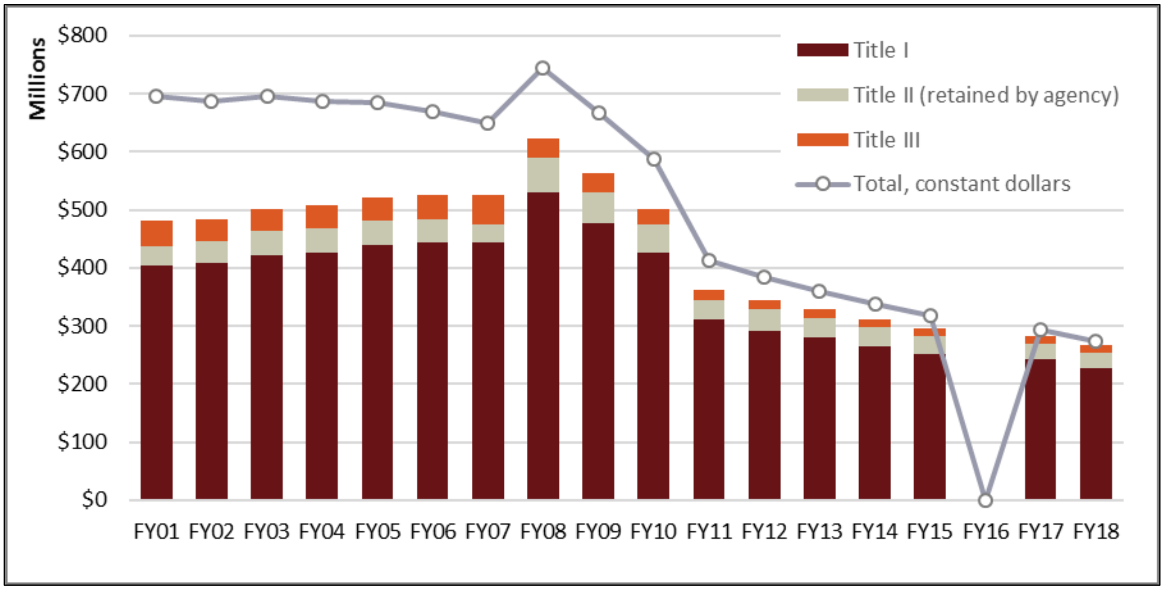
The SRS payment is divided into three parts, based on three of the titles in the SRS statute (see **Figure 2** and **Table 3**). There are different requirements for how the payment is allocated among the three titles, depending on the payment amount a county is set to receive (see **Table 3** for descriptions). Since the original authorization, Congress has modified the required allocations as well as the authorized uses of Title II and Title III funds.

[34] 16 U.S.C. §§7112(b)(1)-(2).

[35] Elections were required every two years, and counties received an SRS payment if no election was made.

Figure 2. FS and BLM Total Secure Rural Schools (SRS) Payments by Title

(FY2001-FY2018)



Sources: FS payment data are from the annual FS report, *All Service Receipts: Final Payment Summary Report PNF (ASR-10-01),* available at http://www.fs.usda.gov/main/pts/securepayments/projectedpayments. BLM payment data are from the SRS Official Payment reports, available at https://www.blm.gov/programs/natural-resources/forests-and-woodlands/oc-lands.https://www.blm.gov/programs/natural-resources/forests-and-woodlands/oc-lands.

Notes: FS = Forest Service; BLM = Bureau of Land Management.

The bars reflect nominal dollars. The gray line reflects total SRS payments adjusted to constant (FY2019) dollars using the annual consumer price index for all urban consumers reported by the U.S. Department of Labor, Bureau of Labor Statistics, available at https://www.bls.gov/data/. No SRS payment was authorized for FY2016. For FY2017, BLM's revenue-sharing payment is reflected in the Title I payment for consistency purposes. The x-axis is the Receipt Year, which reflects the fiscal year in which the payment was based, not the year the payments were made. The payments were made in the following fiscal year (e.g., the FY2018 payment was disbursed in FY2019).

Regardless of the allocation, however, the bulk of each county's payment is allocated to Title I payments, and those funds are to be used in the same manner as the revenue-sharing payment (for roads and schools purposes for the FS payment; schools, roads, bridges, and highways for the CBWR lands; or any governmental purpose for the O&C lands). The Title II payment is not made to the county, but is retained by the agency to be used for projects on the federal lands within the county and supported by local Resource Advisory Committees (RACs; see "Resource Advisory Committees (RACs)" for further information). The Title III payment is made to the county, and the funds are to be used for specified county projects, such as community wildfire preparedness planning and to reimburse county expenditures for emergency services related to the federal lands.[36]

The authority to initiate projects under Title II or Title III expires on September 30, 2022; project funds not obligated by September 30, 2023, are to be returned to the Treasury.[37] The authority for

[36] A 2012 U.S. Government Accountability Office (GAO) report found inconsistencies among agency (FS and BLM) oversight and county use of SRS Title III funds. For more information, see GAO, *Payments to Counties: More Clarity Could Help Ensure County Expenditures Are Consistent with Key Parts of the Secure Rural Schools Act*, GAO-12-755, July 16, 2012, at http://www.gao.gov/products/GAO-12-775. For more information, see the "Authorized and Required Uses of the Payments" section.

[37] 16 U.S.C. §7128, §7144.

RACs to initiate projects and to obligate Title II funds had expired at the end of FY2013 and FY2014, respectively, but has been reauthorized and extended in each of the three previous SRS reauthorizations.

Table 3. Secure Rural Schools (SRS) Title Allocations

SRS Payment	Use of Funds	Allocation Requirements
Title I *Secure Payments*	Same as specified in the revenue-sharing laws; for roads and school purposes for counties containing national forests, or for any governmental purpose for O&C lands. (16 U.S.C. §7112d(1)(A))	80%-85%, except counties with minor distributions (less than $100,000) may allocate up to 100%
Title II *Special Projects on Federal Lands*	Funds may be used on projects on or to benefit the federal land within the county as suggested or approved by Resource Advisory Committees (RACs). At least 50% of the funds should be for projects primarily dedicated to road maintenance or decommissioning or stream and watershed restoration. Up to 10% of the funds may be used to cover administrative expenses for RAC operations.[a] The authority to initiate projects expires at the end of FY2022; the authority to obligate funds expires at the end of FY2023. (16 U.S.C. §§7121-7128)	0%-20%
Title III *County Funds*	Funds may be used for community wildfire preparedness planning and related activities; to reimburse county expenditures for emergency services, such as firefighting, law enforcement, and search and rescue on federal lands; and for related training and equipment costs for those emergency services.[b] The authority to initiate projects expires at the end of FY2022; the authority to obligate funds expires at the end of FY2023. (16 U.S.C. §§7141-7144)	0%-7% for counties with major distributions (more than $350,000)[c] 0%-20% for all other counties

Source: CRS, compiled from 16 U.S.C. §§7101-7153.

Notes: The authorized uses and allocation requirements are as of the FY2019 reauthorization (P.L. 116-94, Division H, Title III). The allocation requirements are codified at 16 U.S.C. §7112d(1). Counties may also allocate up to 20% of the payment to be returned to the Treasury (16 U.S.C. §§7112(d)(1)(B)(iii), 7112(d)(1)C(iii)).

a. Prior to FY2017, a portion of the Title II funds was also to be used for a program piloting the use of separate contracts for the harvesting and sale of merchantable material. This requirement was removed in the FY2017 reauthorization (P.L. 115-141, Division O, §401(b)(1)).

b. Prior to FY2008, Title III funds were not available for training and equipment costs or law enforcement patrols but could have been used for other activities, such as for reimbursing costs associated with community service work centers, acquiring conservation or access easements, or conducting forestry education programs. The authorized uses were subsequently amended in several of the reauthorizations, starting in FY2008 (P.L. 110-343, §601) and most recently in the FY2017 reauthorization (P.L. 115-141, Division O, §402).

c. Prior to FY2008, all counties had the option to allocate up to 20% of their payment to Title III. This requirement was added in the FY2008 reauthorization (P.L. 110-343, §601).

In the original SRS authorization, counties with *minor distributions* (less than $100,000 in annual payments) could allocate 100% of the payment to Title I purposes. Counties receiving more than $100,000 in annual payments, however, could allocate only 80%-85% of their payment to Title I. The remaining 15%-20% of the payment could be allocated to Title II or Title III purposes, or the funds could be returned to the Treasury.

The allocation requirements were changed, however, in the FY2008 reauthorization.[38] Starting in FY2008, counties with *modest distributions* (annual payments between $100,000 and $350,000) could continue to allocate any portion of the remaining 15%-20% to Title II or Title III, as previously authorized. Counties with distributions above $350,000 were limited to allocating up to 7% of the payment to Title III. (Counties with minor distributions could continue to allocate 100% of the payment to Title I.)

The legislative text was changed in the FY2017 reauthorization by defining counties with *major distributions* (payments more than $350,000 annually), but this did not result in any substantive changes to the allocation system.[39] In the previous three reauthorizations, however, Congress has continued the payment allocations the counties made for the FY2013 payment. This means that counties have had the same payment allocations since that time and have not had the option to make any changes.

Resource Advisory Committees (RACs)

SRS authorized both FS and BLM to establish RACs to improve collaborative relationships and to provide recommendations for Title II projects.[40] Both agencies had established advisory committees for various purposes prior to the enactment of SRS. For instance, BLM's preexisting advisory councils in Oregon are charged with administering the duties of the RACs as established by SRS.[41] RACs also must operate in accordance with the provisions of the Federal Advisory Committee Act.[42] Pursuant to SRS, each unit of eligible federal land has access to a RAC, although the Secretary concerned may combine RACs as needed. For example, a single RAC may cover multiple national forests, or a single RAC may cover part of a national forest while other RACs cover the rest.[43]

RACs generally must consist of 15 members appointed by the respective Secretary and representing a broad and balanced range of specified community interests (i.e., 5 members each from user interests, environmental interests, and the general public). A majority of the members must be present for a meeting to achieve a quorum, and a majority of the members representing each community interest must agree for a project to be approved and for project funds to be obligated.

Because many of the RACs have been unable to meet the membership or project agreement requirements, they have been unable to approve projects. In some cases, the funds were returned to the Treasury because they were not obligated before the authority to obligate funds expired or was reauthorized. For example, over $9 million of Title II funds were returned to the Treasury at the end of FY2014.[44] However, the Agriculture Improvement Act of 2018 (the 2018 farm bill) authorized the Secretary concerned to reduce the membership requirement to nine members if

[38] P.L. 110-343 §601.

[39] P.L. 115-161 Division O, §401(a)(3)(C).

[40] 16 U.S.C. §7125(a)(2).

[41] 43 U.S.C. §1739. For more information on BLM's Resource Advisory Councils (RACs), see https://www.blm.gov/get-involved/resource-advisory-council.

[42] 5 U.S.C., App. 2. For more information, see CRS Report R44253, *Federal Advisory Committees: An Introduction and Overview*, by Meghan M. Stuessy.

[43] For more information on FS RACs, see https://www.fs.usda.gov/main/pts/specialprojects/racs.

[44] U.S. Department of Agriculture Office of Inspector General, *Forest Service Secure Rural Schools Program*, Audit Report 08601-006-41, August 2017, https://www.usda.gov/oig/webdocs/08601-0006-41.pdf. Hereinafter referred to as "USDA OIG 2017."

there are not enough qualified candidates.[45] In addition, the 2018 farm bill established a pilot program in Montana and Arizona to allow the Secretary concerned to name a designee to appoint RAC members through FY2023 (rather than requiring the Secretary to make the appointment).[46]

Payment Data and Analysis[47]

In any given year, a combination of different FS and BLM payments may be authorized and made. Some of these payments are made entirely to counties (e.g., the FS 25 Percent Payments), whereas the agencies retain a portion of the SRS payment. Because the agency, type of payment, and payment recipient vary by year, it may sometimes be unclear which data are being reported. This is particularly an issue for the FS payment because even when SRS payments are authorized, some counties may still receive a 25 Percent Payment. This is less of an issue for the BLM payment, however, because all 18 eligible counties have elected to receive the SRS payment.

Payment Terminology

The following definitions reflect how the different payments are defined and referred to in this report (note that other sources may use different terms or report the data differently). For the payments in which both Forest Service (FS) and Bureau of Land Management (BLM) lands are applicable, the appropriate agency will be specified in the text.

BLM payment reflects the payments made to the counties containing the Oregon and California (O&C) and Coos Bay Wagon Road (CBWR) lands as authorized for that year. For years prior to FY1993, this was the respective revenue-sharing payment; starting in FY1993, this was the BLM safety-net payment. For years starting in FY2001, however, this generally refers to the BLM Secure Rural Schools and Community Self-Determination Act (SRS) Title I and Title II payments.

BLM total payment includes the BLM payment plus the SRS Title II payment retained by the agency.

FS 25 Percent Payments are the revenue-sharing payments authorized through the Act of May 23, 1908. Data for the 25 Percent Payments may also include the Special Act Payments as specified, such as the Payments to Minnesota Counties. For the years FY1993 through FY2000, the data for the 25 Percent Payments also includes the FS safety-net payments.

FS payment reflects the payments authorized to be made to eligible counties for that year. Prior to FY2001, this includes the FS 25 Percent Payment and the FS safety-net payment. Starting in FY2001, this includes the FS revenue-sharing payment plus the SRS Title I and Title II payments, except in FY2016, when SRS payments were not authorized.

FS total payment includes the FS county payment plus the SRS Title II payment retained by the agency.

Revenue-sharing payment for the FS includes the 25 Percent Payments. For the BLM, this includes the O&C and CBWR payments.

Safety-net payment includes payments made from FY1993 to FY2000 to certain counties in Washington, Oregon, and California for both FS and BLM (for Oregon, only BLM).

SRS Title I, II, or III payment reflects the payment made pursuant to one or more of the SRS titles, as specified in the text.

SRS total payment includes the sum of the Title I, Title II, and Title III payments.

Table 4 and **Table 5** provide data on FS and BLM payments, respectively, since the first SRS payments were made in FY2001. Payments made to counties under SRS are substantial and

[45] P.L. 115-334 Title VIII, §8702.

[46] P.L. 115-334 Title VIII, §8702.

[47] Where figures are provided in this section for only Title I and Title III of the SRS payment, the SRS total payment will be provided in a footnote. Unless otherwise specified, FS data is from various reports available from https://www.fs.usda.gov/main/pts/securepayments/projectedpayments and BLM data from annual *Official Payments Made to Counties* reports, available from http://www.blm.gov/or/rac/ctypaypayments.php.

significantly greater than the revenue-sharing payments. For example, in FY2000, counties received an FS payment of $193.4 million (all figures in the text are in nominal dollars unless otherwise specified).[48] In FY2001, the first year SRS payments were made, counties received an FS payment of $361.8 million.[49] For the initial six years SRS was authorized, the counties received $359.1 million annually on average for FS SRS Title I and III payments. That was more than 55% above what the counties received annually on average for the six years prior to the enactment of SRS ($231.4 million).[50] Over the life of the program, the FS SRS Title I and III payments have averaged $325.9 million annually, and the BLM SRS Title I and III payments have averaged $72.7 million per year ($398.5 million combined, FS and BLM).[51]

Table 4. Forest Service (FS) Payments

(nominal dollars in millions)

Receipt Year[a]	Secure Rural Schools (SRS)						Total FS Payment (to Counties)[d]
	25% Payments[b]	Title I	Title II	Title III	Total	FS Total Payment[c]	
FY2001	$15.6	$311.7	$24.9	$34.5	$371.1	$386.7	$361.8
FY2002	17.7	313.7	30.4	29.8	373.9	391.6	361.2
FY2003	11.2	326.6	32.6	29.5	388.8	400.0	367.3
FY2004	11.0	330.4	33.0	30.4	393.9	404.8	371.8
FY2005	8.8	340.0	33.6	31.3	404.9	413.7	380.0
FY2006	8.6	343.2	32.3	33.5	409.0	417.6	385.3
FY2007	8.1	345.0	26.5	36.6	408.1	416.2	389.7
FY2008	11.8	439.8	51.8	26.3	517.9	529.7	477.9
FY2009	15.9	397.5	45.1	25.0	467.6	483.5	438.4
FY2010	15.9	353.4	42.0	20.4	415.8	431.7	389.7
FY2011	16.4	276.3	30.7	15.0	321.9	338.3	307.7
FY2012	17.4	259.9	31.9	14.1	305.9	323.3	291.4
FY2013	17.2	245.8	29.9	13.2	289.0	306.2	276.3
FY2014	17.2	233.0	28.3	12.6	273.9	291.0	262.7
FY2015	17.4	222.1	26.8	12.1	261.0	278.4	251.6
FY2016	64.4	0.0	0.0	0.0	0.0	64.4	64.4
FY2017	18.4	212.2	25.5	11.5	249.3	267.7	242.1

[48] This figure includes the FS revenue-sharing payments as well as the safety-net payments, which were made only to certain counties in California, Oregon, and Washington.

[49] This figure reflects an FS SRS Title I and III payment of $346.2 million plus $15.6 million FS revenue-sharing payment. Including the SRS Title II payment ($24.9 million, retained by the agency), the FS SRS total payment in FY2001 was $371.1 million and the FS total payment was $386.7 million. Revenue-sharing data provided by FS Legislative Affairs office, 2005. FS SRS data from annual Forest Service report, *All Service Receipts: Title I, II, and III Region Summary (ASR-18-3),* available from http://www.fs.usda.gov/main/pts/home.

[50] Including SRS Title II, the average SRS total payment for FS over the first six years the program was authorized (FY2001 through FY2007) was $392.8 million annually. The FS payments for the six years prior to the authorization of SRS (FY1995-FY2000) include the revenue-sharing payments plus the safety-net payments.

[51] Over the life of the program (FY2001-FY2015, FY2017-FY2018), the average SRS total payment for FS was $358.2 million annually and for BLM was $78.5 million annually ($436.7 million combined).

Receipt Year[a]	25% Payments[b]	Secure Rural Schools (SRS) Title I	Title II	Title III	Total	FS Total Payment[c]	Total FS Payment (to Counties)[d]
FY2018	18.3	202.2	24.4	11.0	237.5	255.8	231.5
FY2019	18.8	192.3	23.2	10.4	225.8	244.6	221.4

Sources: FS FY2001-FY2005, FY2007 data from FS legislative affairs office; and FS FY2006, FY2008-FY2019 data from annual FS reports, *All Service Receipts: Final Payment Summary Report (ASR-1-0-01)* and *All Service Receipts: Title I, II, and III Region Summary (ASR-18-3),* available at http://www.fs.usda.gov/main/pts/home.

Notes: Totals may not add due to rounding.

a. Receipt Year reflects the fiscal year in which the payment is based, not the year the payments are made. The payments are made in the following fiscal year (e.g., the FY2019 payment was disbursed in FY2020).

b. The 25% Payments column also includes revenue-sharing payments made under various special acts, such as the Payments to Minnesota Counties. These payments ranged from around $2 million annually in the early FY2000s to around $6 million starting in FY2010.

c. The FS Total Payment column reflects the total of the 25% payments and the SRS total payments.

d. The Total FS Payment (to Counties) column reflects the total payment received by the states (and then passed to the counties) for the year, which is the combined total of the 25% payments, SRS Title I, and SRS Title III. (SRS Title II funds are retained by the agency.)

Table 5. Bureau of Land Management (BLM) Payments

(nominal dollars in millions)

Receipt Year[a]	O&C and CBWR Payments[b]	Secure Rural Schools (SRS) Title I	Title II	Title III	SRS Total	Total BLM Payment (to Counties)[c]
FY2001	$—	$93.2	$7.7	$8.8	$109.7	$102.0
FY2002	—	94.0	8.3	8.3	110.6	102.3
FY2003	—	95.1	8.6	8.2	111.9	103.3
FY2004	—	96.3	8.8	8.2	113.3	104.5
FY2005	—	98.6	8.9	8.5	115.9	107.1
FY2006	—	99.5	8.3	9.3	117.1	108.9
FY2007	—	99.3	5.0	12.5	116.9	111.9
FY2008	—	89.6	8.7	7.1	105.4	96.7
FY2009	—	80.6	7.7	6.5	94.9	87.2
FY2010	—	72.7	7.5	5.4	85.5	78.0
FY2011	—	34.0	3.7	2.3	40.0	36.3
FY2012	—	32.3	3.7	2.0	38.0	34.3
FY2013	—	33.7	3.3	2.6	39.6	36.3
FY2014	—	32.5	3.2	2.5	38.3	35.1
FY2015	—	30.2	3.0	2.3	35.6	32.6
FY2016	20.5[d]	0.0	0.0	0.0	0.0	20.5
FY2017	18.5[e]	11.9[e]	1.2	0.9	14.0[e]	31.3
FY2018	—	25.6	2.5	2.0	30.1	27.6

Sources: CRS, compiled from the BLM SRS Official Payment reports and the Timber Receipt payment reports available at https://www.blm.gov/programs/natural-resources/forests-and-woodlands/oc-lands.

Notes: Totals may not add due to independent rounding. As of the date of publication of this report, BLM has not released data on its FY2019 payments.

O&C = Oregon and California; CBWR = Coos Bay Wagon Road.

a. Receipt Year reflects the fiscal year in which the payment is based, not the year the payments are made. The payments are made in the following fiscal year (e.g., the FY2018 payment was disbursed in FY2019).

b. The O&C Payments are made to 18 counties in Oregon containing the Oregon and California Railroad Grant lands, and the CBWR Payments are made to 2 of those same counties, which contain the Coos Bay Wagon Road lands. These payments are not made in the years for which SRS is authorized because all of the eligible counties have opted to receive the SRS payments.

c. The Total BLM Payment (to Counties) column reflects the total payment received by the counties for the year, which is the combined total of the O&C and CBWR payments, and SRS Title I and SRS Title III. (SRS Title II funds are retained by the agency.)

d. This figure reflects $1.4 million paid in FY2018 as a "pop-up" payment repaying funds that were initially withheld due to sequestration.

e. The O&C and CBWR payments were made prior to the reauthorization of the SRS payment for FY2017. The SRS reauthorization specified that the FY2017 SRS payment was to be offset by the already distributed payments. BLM reports the FY2017 SRS payment to be $14.0 million, which is the total payment after accounting for the $18.5 million O&C and CBWR payment. This is a departure from how BLM reported the FY2014 SRS payment, which was also reauthorized after the revenue-sharing payment had been disbursed. For that year, BLM included the O&C and CBWR payment as part of the SRS Title I payment. Throughout most of this report, the O&C and CBWR payment is included in the SRS Title I payment for consistency purposes, bringing the Title I total to $30.4 million and the SRS total to $32.5 million.

Figure 3 shows FS payments compared to estimates of what the payments would have been had SRS not been enacted. To illustrate, FS receipts (for revenue-sharing purposes) in FY2001 totaled $271.3 million.[52] Without SRS or the safety-net payments, the FS 25 Percent payment would have been around $67.8 million for that year. With SRS, the FS payment in FY2001 totaled $361.8 million.[53] Similarly, BLM receipts from the O&C lands totaled approximately $16.4 million in FY2001.[54] Without SRS or the safety-net payments, the 50% revenue-sharing payment would have been approximately $8.2 million in FY2001, compared to the $102.0 million payment under SRS (Title I and Title III).[55]

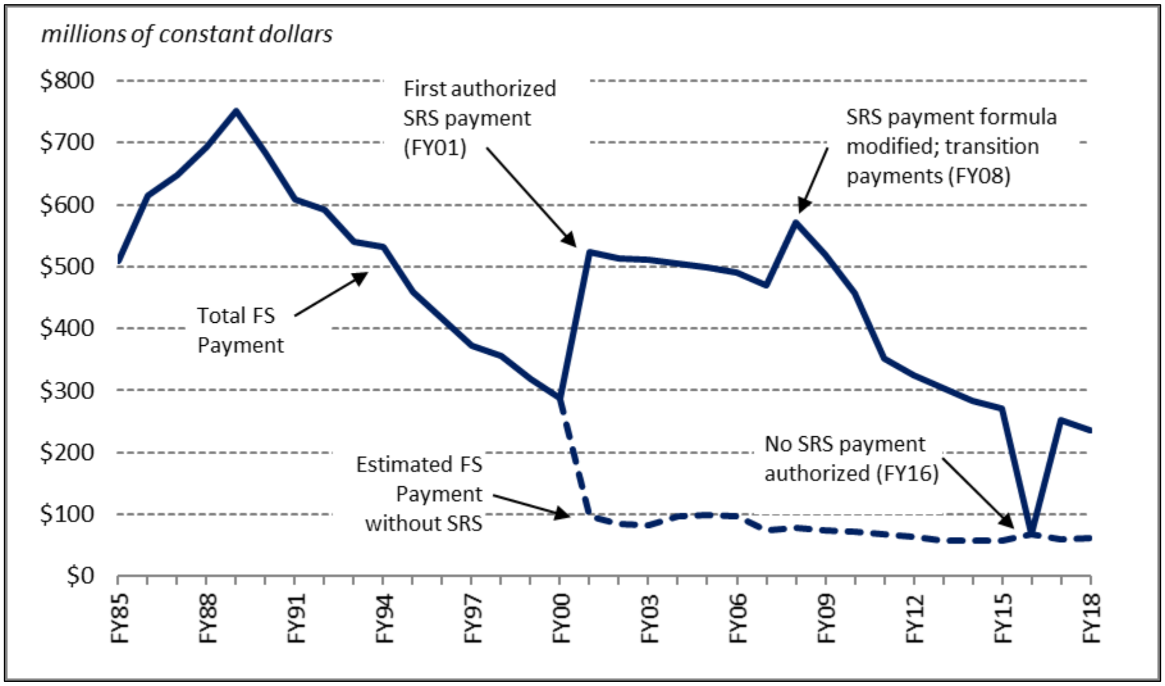
[52] Data provided by the Forest Service Legislative Affairs Office, February 21, 2013.

[53] This figure reflects an SRS Title I and III payment of $346.2 million plus $15.6 million revenue-sharing payment. Including the SRS Title II payment ($24.9 million, retained by the agency), the FS SRS total payment in FY2001 was $371.1 million and the FS total payment was $386.7 million.

[54] Historical data on O&C receipts and payments from BLM Legislative Affairs office, 2011.

[55] The SRS total payment for BLM in FY2001 was $109.7 million, which included $7.7 million in Title II funds that were retained by the agency.

Figure 3. Forest Service (FS) Payments and Estimated Payments



Sources: CRS. FS total payments are from the annual FS report, *All Service Receipts: Final Payment Summary Report PNF (ASR-10-01),* available at http://www.fs.usda.gov/main/pts/securepayments/projectedpayments. The estimated FS payments if Secure Rural Schools (SRS) had not been enacted for FY2008 through FY2018 are from FS spreadsheets available at the same webpage. The estimated FS payments for years FY2001-FY2007 are from an unpublished spreadsheet received from FS on November 30, 2011.

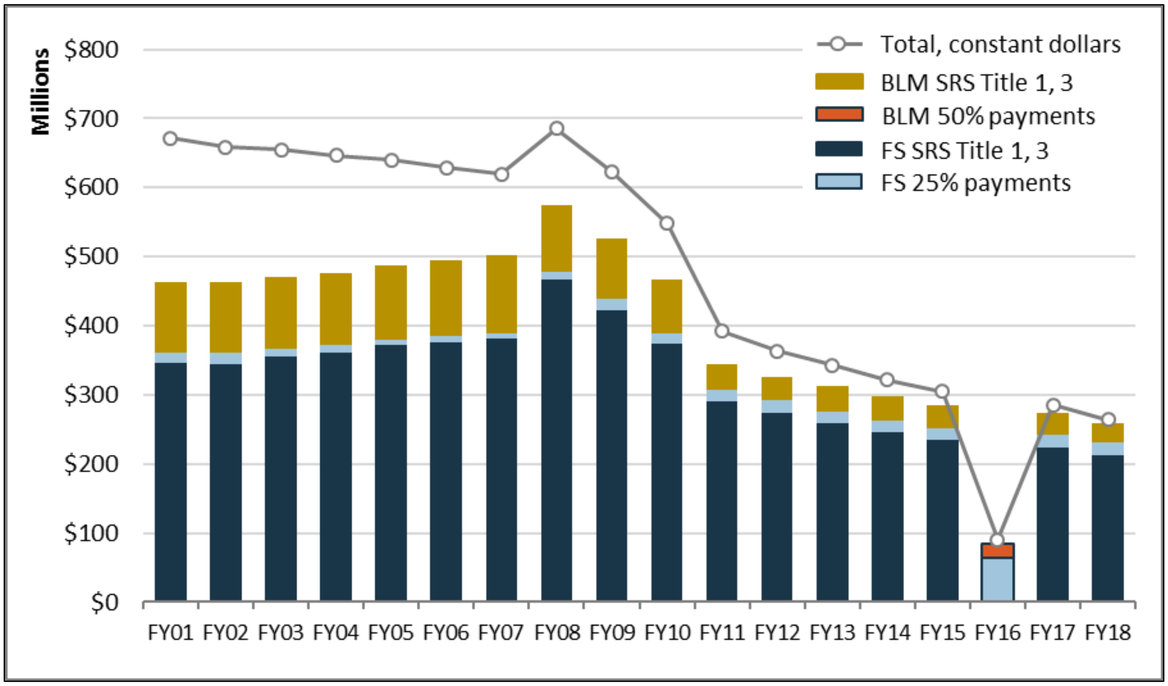
Notes: Total FS Payment reflects the payments authorized to be made to eligible counties for that year. Prior to FY1993, this includes the FS revenue-sharing payments. From FY1993 through FY2000, this also includes the FS safety-net payments made to certain counties in California, Oregon, and Washington. Starting in FY2001, this includes the FS revenue-sharing payment plus the SRS Title I and Title III payments, except in FY2016, when SRS payments were not authorized. Data adjusted to constant (FY2019) dollars using the annual consumer price index for all urban consumers reported by the U.S. Department of Labor, Bureau of Labor Statistics, available at https://www.bls.gov/data/. The x-axis is the Receipt Year, which reflects the fiscal year in which the payment was based, not the year the payments were made. The payments were made in the following fiscal year (e.g., the FY2018 payment was disbursed in FY2019).

Under the original payment formula, the first SRS Title I and III payments were $448.2 million (FS and BLM combined) for FY2001 and increased to $493.5 million for FY2007 (see **Figure 4**).[56] The SRS Title I and III payments increased and peaked for FY2008 ($562.8 million) when the payment formula was modified.[57] The SRS payments declined steeply over the next few years in part based on the annual 10% decline in the full funding level, but also because certain states were no longer receiving the higher transition payments. The annual decline was changed to 5% starting in FY2012. With the exception of FY2016, when SRS payments were not authorized, the payments have continued to decline by 5% annually.

[56] The FS and BLM SRS total payment was $480.8 million combined for FY2001, and was $525.0 million for FY2007.

[57] The FS and BLM total SRS payment was $623.3 million combined for FY2008.

Figure 4. FS and BLM Payments, FY2001-FY2018



Source: Forest Service (FS) payment data are from the annual FS report, *All Service Receipts: Final Payment Summary Report PNF (ASR-10-01)*, available at http://www.fs.usda.gov/main/pts/securepayments/projectedpayments. Bureau of Land Management (BLM) payment data are from the Secure Rural Schools (SRS) Official Payment reports and the Timber Receipt payment reports, available at https://www.blm.gov/programs/natural-resources/forests-and-woodlands/oc-lands.

Notes: SRS payments were not authorized for FY2016, so the payments made that year were the revenue-sharing payments. That is the only year reflected on this graph in which the BLM payment was based on revenue-sharing payments. The bars reflect nominal data. The gray line reflects total FS and BLM payments adjusted to constant (FY2019) dollars using the annual consumer price index for all urban consumers reported by the U.S. Department of Labor, Bureau of Labor Statistics, available at https://www.bls.gov/data/. FY2016 was the only year that BLM issued revenue-sharing payments. The x-axis is the Receipt Year, which reflects the fiscal year in which the payment was based, although payments were made in the following fiscal year (e.g., the FY2018 payment was disbursed in FY2019).

Because SRS payments were not authorized for FY2016, the counties received a revenue-sharing payment of $84.9 million ($64.4 million for FS; $20.5 million for BLM).[58] Had SRS been authorized, the SRS payment would have been $254.7 million (95% of the FY2015 payment). When SRS payments were reauthorized for FY2017, the full funding amount was set at 95% of the FY2015 payment amount.

FY2017 and FY2018 Payments[59]

SRS payments were reauthorized for FY2017 and FY2018 in the Stephen Sepp Wildfire Suppression Funding and Forest Management Activities Act, enacted as Division O of the

[58] The revenue-sharing payment initially disbursed by BLM was $19.1 million, because BLM withheld 6.9% of the payment pursuant the sequestration order for FY2016 nonexempt, nondefense mandatory spending. BLM later reversed this decision, and issued a payment of $1.4 million in FY2018 to account for the difference. Although the payment was not made until FY2018, the $1.4 million is included in the FY2016 payment for consistency purposes in this report.

[59] For information on payments from earlier authorizations, see **Appendix B**.

Consolidated Appropriations Act, 2018 (P.L. 115-141, commonly referred to as the FY2018 omnibus).[60] The reauthorization was signed into law on March 23, 2018, after the FS and BLM had distributed the FY2017 revenue-sharing payments to the states and counties.

Because the revenue-sharing payment had already been distributed for the year, the reauthorization included provisions for a "make-up" FY2017 SRS payment.[61] This make-up payment was set at 95% of the FY2015 SRS payment level, since there had been no payment for FY2016 on which to base or calculate the annual decline. The counties received a payment that was the difference between the revenue-sharing payment they already received and their authorized SRS payment. In effect, the counties received their FY2017 SRS payment in two installments.

The FS SRS payment (Title I and III) was $223.7 million for FY2017, and the payment was $213.2 million for FY2018.[62] BLM does not officially include the $18.5 million revenue-sharing payment made prior to the reauthorization of the SRS payment for FY2017 as part of the total SRS payment for that year. Instead, BLM reports the FY2017 SRS total payment to be $14.0 million.[63] This is a departure from how the FY2014 SRS payment was reported, which was also reauthorized after the revenue-sharing payment had been disbursed. For consistency purposes in this report, the revenue-sharing payment will be included in the Title I payment. Thus, the BLM SRS payment was $31.3 million for FY2017 and was $27.6 million for FY2018.[64] Combined, the FS and BLM SRS payment was $255.0 million in FY2017 and $240.8 million in FY2018.[65]

FY2019 and FY2020 Payments

SRS payments were reauthorized for FY2019 and FY2020 in the Further Consolidated Appropriations Act, FY2020 (P.L. 116-94, Division H, Title III). The reauthorization also extended the deadlines for the authority to initiate projects under Title II or Title III but did not include any other changes to the program or the payments.[66] Those counties that opted to receive an SRS payment for FY2013 are to automatically receive the FY2019 payment, and the payment is to be allocated among the titles based on the allocations made by the county in FY2013.

Unlike the previous two reauthorizations, this reauthorization was enacted before the revenue-sharing payments had been disbursed. Full funding for the FY2019 total payment amount is to be 95% of the FY2018 payment, estimated to be approximately $254 million. The FS SRS total payment was $225.8 million for FY2019.[67] Full funding for the FY2020 total payment is estimated to be approximately $241 million (95% of the FY2019 payment).

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[60] The Consolidated Appropriations Act, 2019 (P.L. 116-6) amended the FY2018 omnibus and renamed the title of Division O.

[61] Similarly, SRS payments were reauthorized for FY2014 after the revenue-sharing payment had been distributed, and the reauthorization specified that the SRS payment would be offset by the amounts already received by the counties pursuant to the revenue-sharing payment. For more information, see **Appendix B**.

[62] The FS SRS total payment was $249.3 million for FY2017 and was $237.5 million for FY2018, which reflect Title II payments of $25.5 million and $24.4 million, respectively.

[63] $11.9 million Title I, $1.2 million Title II, $0.92 million Title III.

[64] The BLM SRS total payment was $32.5 million for FY2017 and was $30.1 million for FY2018, which reflect Title II payments of $1.2 million and $2.5 million, respectively.

[65] The SRS total payment was $281.7 million for FY2017 and was $267.6 million for FY2018, which reflect Title II payments of $26.7 million and $26.9 million, respectively.

[66] 16 U.S.C. §7128, §7144.

[67] BLM has not released data on its FY2019 SRS payments as of the date of this report.

Sequestration

As nonexempt, nondefense mandatory spending, the revenue-sharing payments and the SRS payments may be subject to an annual sequestration of budgetary authority through FY2029 pursuant to the Budget Control Act of 2011.[68] The extent that the payments are subject to sequestration has been controversial, starting with the sequestration order issued for FY2013.[69]

Generally, whether the revenue-sharing payments and the SRS payments were subject to annual sequestration depended on the timing of the enactment of the SRS reauthorization in relation to the calculation and publication of the sequestration order for the applicable year.[70] Because the FY2014-FY2015 and FY2017-FY2018 reauthorizations were enacted after the sequestration orders were issued for those years, both FS and BLM—eventually—interpreted that the payments were not subject to sequestration for those fiscal years. At different times, however, both FS and BLM have withheld funds for sequestration during those years and have later reversed their decisions and remitted the funds. For example, FS initially withheld 6.2% of the FY2018 SRS payment for sequestration and then reversed the decision and issued those funds later in the year. Similarly, BLM initially interpreted the revenue-sharing payment for FY2016 as being subject to sequestration but later reversed the decision and issued a "pop-up" payment to cover the difference a couple of years later. It is unclear how sequestration will be treated for the FY2019 and FY2020 payments.

Legislative Issues

Congress may consider several options to address the expiration of the SRS payments at the end of FY2020. These include reauthorizing SRS, with or without modifications, implementing other legislative proposals to address FS or BLM payments, or taking no action (thus continuing the revenue-based system that took effect upon the program's expiration). Several issues have been raised about payment programs generally and SRS specifically, including the

- payment formula,
- lands covered,
- geographic distribution of the payments,
- source of funds,
- authorized and required uses of the payments,
- lack of implementing regulations, and
- duration of the payments.

Each of these issues are discussed in the following sections.

If Congress were to reauthorize SRS, modify it, or both (or the FS and BLM payment programs generally), there would be a range of potential fiscal impacts. If the legislative option were to include any new mandatory spending, then it could be subject to congressional pay-as-you-go

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68 P.L. 112-25. For more information, see CRS Report R42972, *Sequestration as a Budget Enforcement Process: Frequently Asked Questions*, by Megan S. Lynch or CRS Report R45941, *The Annual Sequester of Mandatory Spending through FY2029*, by Charles S. Konigsberg.

69 For more information on the FY2013 sequestration issues, see **Appendix C**.

70 The sequestration reports are available from https://www.whitehouse.gov/omb/legislative/sequestration-reports-orders/.

(PAYGO) or other budgetary rules. If the new mandatory spending were to result in an increase in the deficit (in excess of the baseline), these rules would require budgetary offsets through increasing revenue or decreasing other spending.[71] Alternatively, Congress may choose to waive or set aside these rules. Congress has at times provided such a waiver by including a specific type of provision, called a reserve fund, for SRS in the annual budget resolution. Several SRS reauthorizations, however, have been included in large legislative packages and as such have been offset by unrelated programs. Further, Congress might consider funding the program through the regular annual discretionary appropriations process (the program was funded through discretionary appropriations once, for FY2007). This would provide less certainty of funding from year to year, as funding for the program would compete with other congressional priorities within overall budget constraints.

In general, any legislative option that results in a higher authorized payment (whether through SRS or another payment program) would either require a larger offset or would increase the federal deficit. Depending on the specific changes, however, many or most of the counties would receive higher payments. Modifications that result in a lower authorized payment would have the opposite potential fiscal impact to the Treasury but would also likely result in lower payments to the counties.

Payment Formula

The original SRS formula was based entirely on the revenue generated historically by the eligible lands. The total authorized payment was the sum of the payments calculated for each participating county and fluctuated annually based on participation. Congress amended the formula to also take into account each county's share of federal land and relative income level and established an annually declining payment level. Though the payment level declines by 5% annually, the formula does not include any adjustment for inflation.

Congress may consider modifying the SRS payment formula in a variety of ways. These include relatively minor changes, such as by adjusting the annual decline so that the payments continue to decrease annually but at a different rate, or so that payments increase annually, or so that payments are set at a constant rate. Another modification could be adding an inflation adjustment to the formula. Alternatively, Congress may consider more comprehensive modifications, such as using a different historical revenue range, or adjusting the formula by other factors (e.g., population). In addition, some have proposed combining SRS, PILT, and other revenue-sharing payment programs.[72]

Lands Covered

SRS provides payments to the counties containing national forests (managed by the FS) and the O&C lands (managed by BLM). Federal lands managed by other agencies, as well as other lands managed by FS or BLM, were not included in SRS. For example, national forests and national grasslands are both part of the National Forest System managed by the FS, although the laws authorizing their establishment differ. Both are subject to a revenue-sharing requirement with the counties containing those lands—although the counties containing national grasslands receive 25% of *net* receipts—and were excluded from SRS. The counties containing national forests

[71] For an overview of federal budget procedures, see CRS Report 98-721, *Introduction to the Federal Budget Process*, coordinated by James V. Saturno, or CRS Report R45789, *Long-Term Budgeting within the Congressional Budget Process: In Brief*, by Megan S. Lynch.

[72] Mark Haggerty, "Rethinking the Fiscal Relationship Between Public Lands and Public Land Counties: County Payments 4.0," *Humboldt Journal of Social Relations*, vol. 1, no. 40 (2018), pp. 116-136.

receive 25% of *gross* receipts averaged over the previous seven years and were included in SRS. It is unclear why the national grassland payments were not included in SRS; it is also unclear why the national grasslands payments are based on net receipts, and the national forests payments are based on gross receipts.

Counties containing other types of federal lands may receive little or no compensation. PILT provides compensation to counties containing a broad array of federal lands, but many lands—inactive military bases, Indian trust lands, and certain wildlife refuge lands, for example—are excluded from PILT. The counties containing the national forests and O&C lands, however, get PILT payments in addition to the SRS or revenue-sharing payments. Congress could consider several options related to extending a compensation program to all tax-exempt federal lands and trust lands, although determining the basis of compensation likely would generate significant debate.[73]

Geographic Distribution of SRS and PILT Payments

Another issue for Congress is the geographic allocation of the SRS and PILT payments (see **Figure 5**). **Table 6** shows the payments that each state received in FY2019.[74] The BLM SRS payment is made to one state—Oregon—for the O&C lands, and Oregon received the largest FS SRS payment. In total, Oregon received one-fifth of the total SRS payments made in FY2019. The next-largest SRS payments were in California and Idaho, which both received 12% and 10% of the SRS payment that year, respectively. PILT payments are more evenly distributed, with no state receiving more than 10% of the total payments.

The preponderance of payments going to western states is in large part reflective of the large percentage of federal lands located within those states.[75]

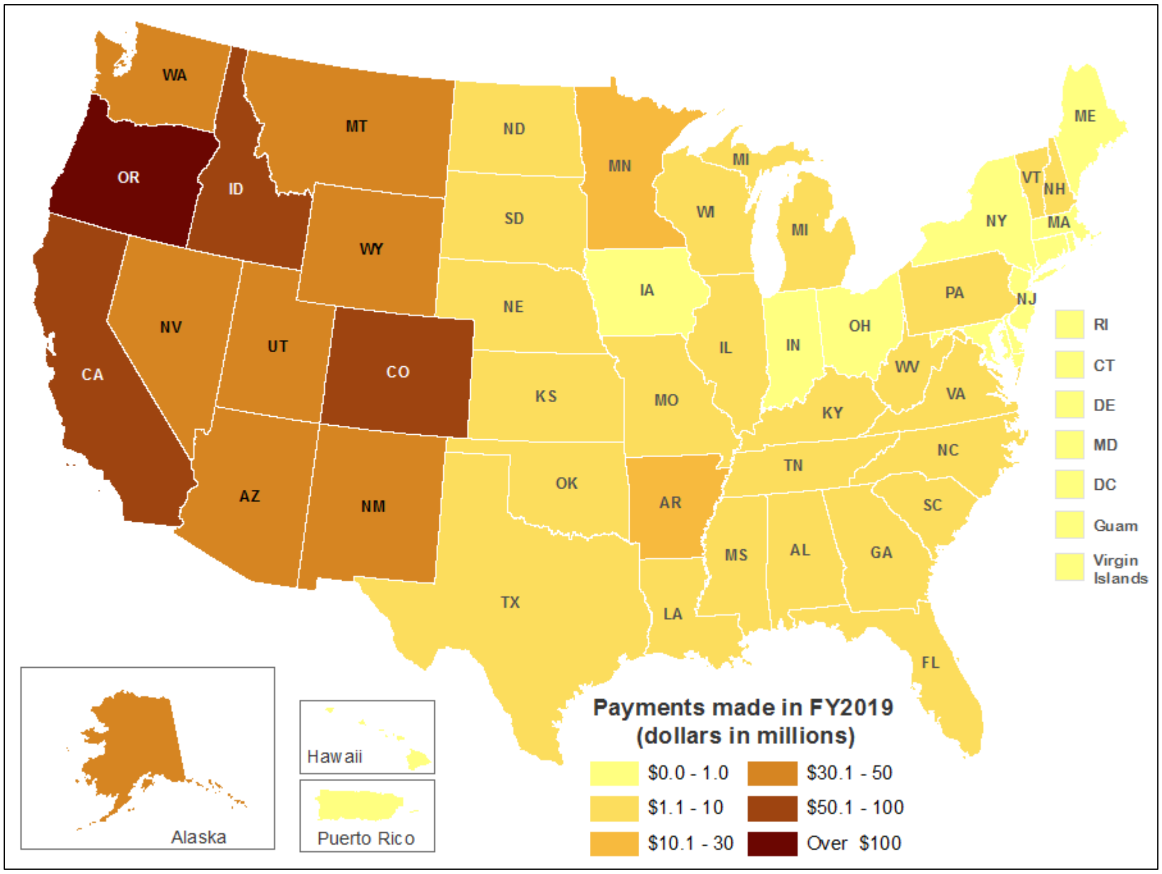
[73] For more discussion, see CRS Report R42439, *Compensating State and Local Governments for the Tax-Exempt Status of Federal Lands: What Is Fair and Consistent?*, by Katie Hoover.

[74] This includes the FY2018 SRS payment and the FY2019 PILT payment.

[75] For more information on the federal estate, see CRS Report R42346, *Federal Land Ownership: Overview and Data*, by Carol Hardy Vincent, Lucas F. Bermejo, and Laura A. Hanson.

Figure 5. PILT, BLM, and FS Payments Made in FY2019

(sum total of all payments shown on the map)



Source: Prepared by CRS from data reported in **Table 6**.

Notes: The data reflects payments made in FY2019. This includes the FY2019 Payments in Lieu of Taxes (PILT) payment, and the FY2018 Bureau of Land Management (BLM) and Forest Service (FS) payments made in FY2019. The FS payments include the revenue-sharing payment and FS SRS Title I and Title III payments. The BLM payment consists of the SRS Title I and Title III payments ($32.6 million), which were paid to the Oregon and California (O&C) counties in Oregon only.

Table 6. FS, BLM, and PILT Payments Made in FY2019, by State

(in thousands of nominal dollars)

	FS and BLM Payments	PILT		FS and BLM Payments	PILT
Alabama	$1,485.0	$1,375.4	Nebraska	$139.2	$1,202.9
Alaska	9,396.3	30,941.0	Nevada	3,331.5	27,250.0
Arizona	9,805.5	38,718.1	New Hampshire	439.8	2,049.4
Arkansas	5,450.0	7,418.6	New Jersey	0.0	120.1
California	26,751.5	51,729.7	New Mexico	9,601.4	40,268.2
Colorado	11,801.5	40.94	New York	17.7	168.9
Connecticut	0.0	33.1	North Carolina	1,494.6	4,749.0
Delaware	0.0	23.7	North Dakota	0.5	1,849.6
Florida	2,371.0	5,936.1	Ohio	220.8	437.1
Georgia	1,239.8	2,818.4	Oklahoma	795.5	3,411.8
Hawaii	0.0	402.3	Oregon	46,651.4	37,168.8
Idaho	22,499.5	32,271.8	Pennsylvania	2,934.1	1,217.3
Illinois	261.9	1,269.4	Rhode Island	0.0	0.0
Indiana	221.6	650.6	South Carolina	1,474.0	844.9
Iowa	0.0	529.2	South Dakota	1,301.0	7,121.6
Kansas	0.0	1,272.4	Tennessee	932.3	2,547.9
Kentucky	1,376.0	2,640.0	Texas	2,021.9	5,648.1
Louisiana	1,534.8	1,119.4	Utah	8,558.9	40,938.3
Maine	62.4	718.4	Vermont	259.9	1,137.0
Maryland	0.0	126.5	Virginia	1,341.7	5,765.3
Massachusetts	0.0	115.9	Washington	14,929.9	23,059.2
Michigan	3,203.7	5,146.2	West Virginia	1,582.4	3,358.4
Minnesota	8,156.8	5,234.6	Wisconsin	1,381.1	3,424.1
Mississippi	4,504.5	2,163.0	Wyoming	4,615.4	30,210.2
Missouri	3,008.1	4,118.0	Other[a]	133.0	75.2
Montana	14,176.9	33,990.2	**Total**	**231,464.8**	**515,729.5**

Sources: Forest Service (FS) data from FS, "All Service Receipts (ASR), Final Payment Summary Report PNF (ASR-10-01)," at https://www.fs.usda.gov/Internet/FSE_DOCUMENTS/fseprd622581.pdf. Bureau of Land Management (BLM) data from U.S. Dept. of the Interior (DOI), BLM, *FY2018 Secure Rural Schools Act Payments*, at https://www.blm.gov/sites/blm.gov/files/orwa-srs-2018-payments.pdf. Payments in Lieu of Taxes (PILT) data from DOI, *Payments in Lieu of Taxes (PILT) Payments by State*, at https://www.nbc.gov/pilt/states-payments.cfm.

Notes: The data reflect payments made in FY2019. This includes the FY2019 PILT payment and the FY2018 BLM and FS payments made in FY2019. The FS payments include the revenue-sharing payment and FS SRS Title I and Title III payments. The BLM payment consists of the SRS Title I and Title III payments ($32.6 million), which were paid to the Oregon and California (O&C) counties in Oregon only.

a. "Other" includes the District of Columbia, Guam, Puerto Rico, and the Virgin Islands.

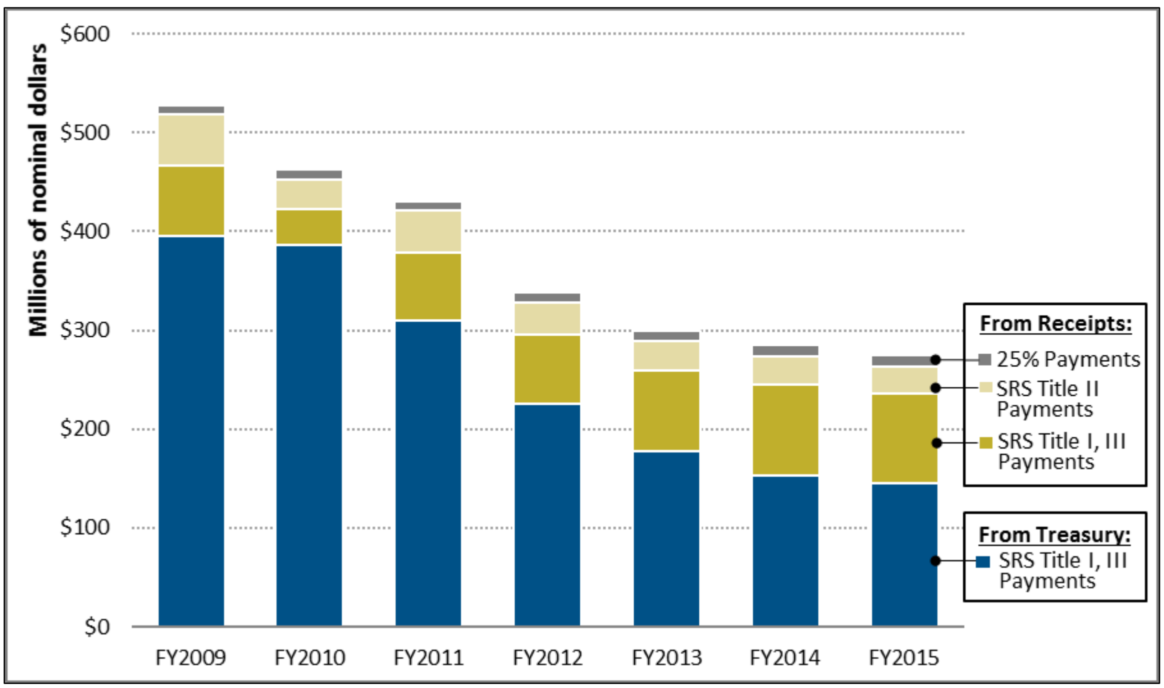
Source of Funds

As noted above, the FS 25 Percent Payments and BLM's O&C payments are permanently appropriated mandatory spending, with the funds coming from eligible agency receipts. Congress specified that the SRS payments are to first come from discretionary appropriations, then agency receipts, and if agency receipts are not sufficient to cover the entire payment, the remainder of the payment comes from the General Fund of the Treasury.[76] Congress has funded SRS through discretionary appropriations only one time (FY2007).[77] Agency receipts have never been sufficient to cover the entire SRS payment, so a portion has been derived from the Treasury every year SRS payments have been authorized (see **Figure 6**). The amount of funding that comes from the Treasury has declined, however, in part due to the declining full funding level but also due to fluctuations in the level offset by receipts.

Critics of SRS are concerned about the continued availability of Treasury funds, given the desire of some Members to reduce government spending or spend money on other priorities. On the other hand, proponents of SRS argue that continuing Treasury funding is fair compensation for the presence of the national forests or O&C lands in their jurisdictions.

Figure 6. Source and Distribution of Forest Service (FS) Payments

(FY2009-FY2015)



Sources: CRS. Compiled from data provided to CRS by FS and from FS, *FY2010-FY2016 Budget Justifications*, available at http://www.fs.fed.us/aboutus/budget/.

Notes: Due to reporting changes, more recent data are not available. Figures reflect the proportion of the payment that is derived from either receipts or the Treasury. The x-axis is the Payment Year, which reflects fiscal year in which the payment was made, although the payment is based on and named for the previous year (e.g., the FY2009 data reflect the FY2008 payment that was made in FY2009). The figures do not directly correspond to other FS reports on their payments, and CRS was unable to reconcile the differences. For

[76] 16 U.S.C. §7112(b)(3).

[77] P.L. 110-28 §5401.

example, the FS budget justification reported that the FS total payment made in FY2009 is $527.6 million (reflected above), $2.1 million less than the $529.7 million total payment reported in FS reports on Secure Rural School (SRS) payments (e.g., the *All Service Receipts* reports (ASR-10-01, ASR-18-03), which are the source for the SRS data throughout this report). The discrepancies range from less than $1 million to up to $20 million. Thus, precise figures are not provided, and the bars should be considered an illustrative, but not definitive, breakdown of payment sources.

Authorized and Required Uses of the Payments

Under the revenue-sharing programs, the O&C payments are available for any local governmental purpose; the CBWR payments are available for schools, roads, highways, and bridges; and the FS payments are to be used for the benefit of roads and schools. Compared to the revenue-sharing programs, SRS modified how the counties could use the payments by requiring (for counties with at least $100,000 in annual payments) that 15%-20% of the payments be used for other specified purposes: certain local governmental costs (Title III) or federal land projects (Title II). Although Congress has enacted modifications to the required allocations, counties have not had the opportunity to change their SRS payment allocations since FY2013.

Some have supported the use of the Title II funds as "reinvesting" agency receipts in federal land management, but opponents argue that this reduces funding for local schools and roads or other governmental purposes. Further, some of those funds have been forfeited back to the Treasury due to issues with the RAC membership requirements. These Title II projects were also intended to provide local employment opportunities, and it's not clear if that objective has been evaluated.[78]

The authorized uses for Title III funds have changed several times since SRS was first authorized, potentially causing confusion on what is an appropriate use for those funds. Counties are supposed to certify their Title III expenditures annually, and the agencies are supposed to review the certifications for compliance. A 2012 report from the Government Accountability Office (GAO), however, found inconsistent compliance with those requirements, resulting in issues with agency oversight and county use of SRS Title III funds.[79]

The U.S. Department of Agriculture Office of Inspector General (OIG) also examined and reported issues with the distribution and use of Title II and Title III funds.[80] To address these issues, both GAO and OIG have recommended FS and BLM issue regulations implementing the program, as directed by the original authorization enacted in 2000.[81] Neither FS nor BLM have done so, with FS citing the sporadic nature of the program and subsequent reauthorizations as prohibiting its commitment of resources.[82]

Reauthorization and Duration of the Programs

Other policy questions that arise from the SRS payments are related to the reauthorization and duration of the program. SRS was originally enacted as a six-year program that expired on September 30, 2006, but was extended an additional 13 years through seven separate

78 Forest Counties Payments Committee Report, 2003.

79 GAO, *Payments to Counties: More Clarity Could Help Ensure County Expenditures are Consistent*, GAO-12-775, July 2012, at https://www.gao.gov/products/GAO-12-775.

80 U.S. Department of Agriculture (USDA) Office of Inspector General (OIG), *Forest Service Secure Rural Schools Program*, Audit Report 08601-006-41, August 2017, at https://www.usda.gov/oig/webdocs/08601-0006-41.pdf. Hereinafter referred to as "USDA OIG 2017."

81 16 U.S.C. §7151.

82 USDA OIG 2017, pp. 4-7.

reauthorizations. As noted earlier, SRS payments are set to expire on September 30, 2020, with the final payment made in FY2021. The last four reauthorizations have been for one or two years, and counties have not had the opportunity to elect between the SRS or the revenue-sharing payments since FY2013. In contrast, the 25 Percent, O&C, and CBWR payment programs are permanently authorized.

The uncertainty about the continuation of the SRS program, and the annual changes in the authorized funding level, may concern those interested in providing a consistent and predictable payment for local governments. On the other hand, the opportunity to revisit the SRS reauthorization at more frequent intervals may be of interest to those wanting to review federal spending more broadly, among other potential reasons.

Appendix A. Historical Proposals to Change the Revenue-Sharing System

Concerns that many raised about the FS and BLM programs have led to various proposals over the years to alter the compensation system. Most have focused on some form of *tax equivalency*, compensating the states and counties at roughly the same level the tax revenue collected as if the lands were privately owned and managed. Many consider this to be a fair and consistent approach for compensating state and county governments. However, most also note the difficulty in developing a tax equivalency compensation system, because counties and states use a wide variety of mechanisms to tax individuals and corporations—property taxes, sales taxes, income taxes, excise taxes, severance taxes, and more. Thus, developing a single federal compensation system for the tax-exempt status of federal lands may be very difficult if not impossible.

In his 1984 budget request, President Reagan proposed replacing the receipt-sharing programs with a tax equivalency system that would have included a guaranteed minimum payment. The counties argued that the proposal was intended to reduce payments, noting that the budget request projected savings of $40.5 million (12%) under the proposal. The change was not enacted. The FY1986 FS budget request included a proposal to change the payments to 25% of *net* receipts (after deducting administrative costs). Legislation to effect this change was not offered.

In 1993, President Clinton proposed a 10-year payment program to offset the decline in FS and O&C timber sales, and thus payments, resulting from efforts to protect various resources and values including northern spotted owls in the Pacific Northwest. Congress enacted this program in Section 13982 of the 1993 Omnibus Budget Reconciliation Act (P.L. 103-66). These "owl" payments began in 1994 at 85% of the FY1986-FY1990 average payments, declining by 3 percentage points annually, to 58% in 2003, but with payments after FY1999 at the higher of either this formula or the standard payment.

In his FY1999 budget request, President Clinton announced that he would propose legislation "to stabilize the payments" by extending the owl payments formula to all national forests. The proposal would have directed annual payments from "any funds in the Treasury not otherwise appropriated," at the higher of (1) the FY1997 payment, or (2) 76% of the FY1986-FY1990 average payment. This approach would have increased payments in areas with large payment declines while decreasing payments in other areas, as well as eliminating annual fluctuations in payments and de-linking the payments from receipts. The Administration's proposed legislation was not introduced in Congress. The FY2000 and FY2001 FS budget requests contained similar programs, but no legislative proposals were offered.

The National Association of Counties (NACo) proposed an alternative in 1999.[83] The NACo proposal would have provided the counties with the higher of (1) the standard payment, or (2) a replacement payment determined by the three highest consecutive annual payments for each county between FY1986 and FY1995, indexed for inflation. NACo also proposed "a long-term solution ... to allow for the appropriate, sustainable, and environmentally sensitive removal of timber from the National Forests" by establishing local advisory councils. The NACo approach would have maintained or increased the payments and might have reduced the annual fluctuations, and would likely have retained the linkage between receipts and payments in at least some areas.

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[83] National Association of Counties, *NACo Resolution in Support of a Forest Counties "Safety Net,"* Washington, DC, April 21, 1999.

Appendix B. SRS Reauthorizations through FY2015

The following sections briefly describe each SRS reauthorization through FY2015. SRS payments were not authorized for FY2016, though payments were reauthorized in FY2017 (see "FY2017 and FY2018 Payments" section).

FY2007 Reauthorization

SRS expired at the end of FY2006, with final payments made in FY2007. Legislation to extend the program was considered in the 110th Congress; various bills would have extended the program for one or seven years. An initial version of an emergency supplemental appropriations bill for FY2007 would have extended SRS for one year, but the bill was vetoed by President George W. Bush.[84] However, Congress passed and the President signed a new version of the emergency supplemental appropriations act for FY2007, which included a one-year extension of SRS payments.[85] The extension authorized payments of $100 million from receipts and $425 million from discretionary appropriations to "be made, to the maximum extent practicable, in the same amounts, for the same purposes, and in the same manner as were made to States and counties in 2006 under that Act."[86] Thus, preliminary FY2007 payments were made at the end of September 2007, with final payments made at the end of December 2007. This is the only time SRS payments have been made using discretionary appropriations.

Four-Year Extension Through FY2011

In October 2008, Congress passed the Emergency Economic Stabilization Act (P.L. 110-343), which extended SRS payments for four years (through FY2011) and made several changes to the program.[87] Changes included providing *full funding* that declined over four years; altering the basis for calculating payments; providing transition payments for certain states; and modifying the use of SRS funds for Title II and Title III activities.[88] In addition, Section 601(b) modified the original FS 25 Percent Payment program by basing the payment on the average revenue generated over the preceding seven years.

One-Year Extension Through FY2012

SRS was set to expire at the end of FY2011, with final payments made at the end of December 2012 (FY2012). Legislation to extend the program for five years was considered in the 112th Congress but not enacted.[89] However, the Moving Ahead for Progress in the 21st Century Act

[84] 110th Congress, H.R. 1591, the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007.

[85] P.L. 110-28, H.R. 2206, the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007.

[86] P.L. 110-28 Title V, Chapter 4, Section 5401.

[87] P.L. 110-343, Section 601(a).

[88] The authorized uses for Title III funds include reimbursing the participating county for search, rescue, and emergency services performed on federal land and fire prevention and county planning activities, such as developing community wildfire protection plans or activities under the Firewise Communities program (16 U.S.C. §7142(a)).

[89] The County Payments Reauthorization Act of 2011 (S. 1692 and H.R. 3599) would have extended SRS through FY2016 and included provisions to slow the decline of the full funding levels to 95% of the preceding fiscal year. Neither the Senate nor the House version was reported out of committee.

(MAP-21) contained a one-year extension for SRS.[90] MAP-21 authorized an FY2012 SRS payment set at 95% of the FY2011 level ($344 million) and included requirements for the counties to select their payment option in a timely manner.

One-Year Extension Through FY2013

SRS was again set to expire at the end of FY2012, with final payments made in February 2013 (FY2013). In the first session of the 113th Congress, Congress enacted the Helium Stewardship Act of 2013, which included a one-year extension of SRS through FY2013 at 95% of the FY2012 SRS payment ($329 million).[91] The payments were disbursed in early 2014.

The 113th Congress also conducted oversight on the SRS program, particularly regarding the sequestration of the FY2012 SRS payment (see **Appendix C**).[92]

Two-Year Extension Through FY2015

SRS expired after the FY2013 payments were made in early 2014. Although the 113th Congress considered options for reauthorizing or modifying SRS for FY2014,[93] the program was not reauthorized prior to adjournment.

In April 2015, Congress passed and the President signed into law the Medicare Access and CHIP Reauthorization Act of 2015 (P.L. 114-10), which included a two-year reauthorization of mandatory spending for SRS payments in Section 524. Payment amounts were to continue at 95% of the funding level for the preceding fiscal year. P.L. 114-10 provided that counties that elected to receive an SRS payment for FY2013 would automatically receive SRS payments for FY2014 and FY2015. The FY2014 payment was to be made within 45 days of enactment and take into account the revenue-sharing payment already disbursed to the counties.

After the FY2015 payments were made, the 114th Congress considered, but did not enact, several additional options to extend or modify the expired SRS program, so no payments were made for FY2016.

[90] P.L. 112-141, §100101.

[91] P.L. 113-40.

[92] House Natural Resources Committee, press release, November 5, 2013, at http://naturalresources.house.gov/news/documentsingle.aspx?DocumentID=360388http://naturalresources.house.gov/news/documentsingle.aspx?DocumentID=360388.

[93] The House passed the Restoring Healthy Forests for Healthy Communities Act (113th Congress, H.R. 1526), which would have directed FS and BLM to distribute a payment to eligible counties in February 2015, essentially an FY2014 SRS payment. The payment amount would have been equal to the FY2010 payment for the counties receiving FS payments. For the O&C counties, the payment amount would have been $27 million less than the FY2010 payment. After that payment had been made, county payments would have returned to a revenue-sharing system. The bill would have established Forest Resource Revenue Areas within at least half of the National Forest System and created a fiduciary responsibility to generate revenue by removing forest products for the beneficiary counties. The bill also would have changed the calculation for the FS revenue-sharing payment. It would have changed the payment from 25% of average gross receipts over the past seven years back to the original calculation of 25% of current-year gross receipts. The Senate did not take up the measure.

Appendix C. FY2013 Sequestration Issues

Section 302 of the Budget Control Act (BCA)[94] required the President to sequester, or cancel, budgetary resources for FY2013, in the event that Congress did not enact a specified deficit reduction by January 15, 2012.[95] Congress did not enact such deficit reduction by that date, and on March 1, 2013, the Office of Management and Budget (OMB) determined the amount of the total sequestration for FY2013 to be approximately $85 billion.[96]

Under the BCA, half of the total reduction for FY2013 was allocated to defense spending, and the other half to non-defense spending.[97] Within each half, the reductions were further allocated between discretionary appropriations and direct spending.[98] Discretionary appropriations are defined in the BCA as budgetary resources provided in annual appropriations acts.[99] In contrast, direct spending was defined to include budget authority provided by laws other than appropriations acts.[100] The BCA further required OMB to calculate a uniform percentage reduction to be applied to each program, project, or activity within the direct spending category.[101] For the direct spending category, OMB determined this percentage to be 5.1% for FY2013.

Section 102(d)(3)(e) of SRS directed that payments for a fiscal year were to be made to the state as soon as practicable after the end of that fiscal year, meaning that the FY2012 payment was made in FY2013.[102] Because the authority to make these payments is not provided in an annual appropriations act, such payments are not discretionary spending for purposes of the BCA. These payments were classified as non-defense, *direct* spending for purposes of sequestration.[103] The BCA exempts a number of programs from sequestration; however, the payments under SRS were not identified in the legislation as exempt.[104] Consequently, these payments were subject to sequestration as non-defense, direct spending. However, BLM and FS managed the sequestration of the FY2013 payments in different ways.

BLM Sequestration of SRS Funds

BLM issues SRS payments only for the O&C lands in Oregon. In February 2013, BLM distributed $36 million to the 18 O&C counties in Oregon for FY2012 SRS payments. However, the Department of the Interior (DOI) had held back 10% of the scheduled payments across all

94 P.L. 112-25, as amended by P.L. 112-240.

95 2 U.S.C. §901A. The sequester was originally supposed to be ordered on January 2, 2013, but was delayed by the American Taxpayer Relief Act of 2012, P.L. 112-240, until March 1, 2013. For more information on sequestration issues, see CRS Report R42972, *Sequestration as a Budget Enforcement Process: Frequently Asked Questions*, by Megan S. Lynch.

96 This amount was identified based on a formula set forth in Section 302 of the BCA.

97 2 U.S.C. §901A(4).

98 2 U.S.C. §901A(6).

99 2 U.S.C. §900(7).

100 2 U.S.C. §900(8). Budget authority is further defined as "the authority provided by Federal law to incur financial obligations." 2 U.S.C. §622.

101 Although not relevant here, additional restrictions are placed on the degree by which Medicare payments in the direct spending category may be reduced. 2 U.S.C. §901a(8).

102 16 U.S.C. §7112(e).

103 2 U.S.C. §900(8).

104 2 U.S.C. §905.

three titles in anticipation of the possibility of sequestration. The reduction to DOI's SRS program required by sequestration was 5.1% of the total payment, or $2.0 million.[105] Since the sequestered amount was less than the amount withheld, DOI-BLM owed an additional SRS payment for the difference. In May 2013, BLM distributed the remaining 4.9% of the payment, resulting in a total of $38 million for the SRS payment to the O&C counties for FY2012.[106]

Forest Service Sequestration of SRS Funds

The Forest Service distributed the full FY2012 SRS payments in January and February 2013, without withholding any amount in preparation for the potential sequester order. On March 19, 2013, the Forest Service announced it would seek to recover from the states the 5.1% of the payments that were subject to sequestration.[107] In letters sent to each affected governor, the Forest Service outlined two repayment options and asked for the states to respond by April 19, 2013, with how they planned to repay. Invoices for repayment were not included. In addition to repaying the 5.1%, the FS offered the states the option of having the full sequestered amount taken out of Title II funds (for those states with enough Title II money). Three states—Alaska, Washington, and Wyoming—publicly indicated their intention not to repay the SRS funds.[108] In an April 16, 2013, hearing before the Senate Committee on Energy and Natural Resources, the FS indicated that invoices for the repayment would be sent in late April 2013.

On August 5, 2013, the Forest Service sent additional letters which included invoices for the repayment to the governors of the 18 states with insufficient Title II money to cover the sequestered amount.[109] The invoices outlined three options for the affected states to take within 30 days: pay the debt in full; agree to a payment plan; or petition for administrative review of the debt. The invoices also included a Notice of Indebtedness to the U.S. Forest Service and Intent to Collect by Administrative Offset, which describes the basis of the indebtedness and the Forest Service's intent to offset future payments—without assessing penalties—from future Forest Service and Department of Agriculture state payments. As of May 21, 2014, two states had remitted an SRS sequester-related payment—New Hampshire paid $27,884.17 and Maine paid $3,648—and no collection efforts have been initiated by the Forest Service or Treasury Department in the remaining 16 states.[110] On August 20, 2013, the Forest Service sent additional letters to the governors of the 22 states that had sufficient Title II money to cover the sequestered amount.[111] The letters informed the governors that the Title II allocations were reduced by the sequestered amount.

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[105] Testimony of DOI Deputy Assistant Secretary Pamela K. Haze, in U.S. Congress, Senate Committee on Energy and Natural Resources, *Keeping the Commitment to Rural Communities*, hearing, 113th Cong., 1st sess., March 19, 2013.

[106] Personal communication with BLM Legislative Affairs office, June 19, 2013.

[107] Testimony of Forest Service Chief Thomas Tidwell, in U.S. Congress, Senate Committee on Energy and Natural Resources, *Keeping the Commitment to Rural Communities*, hearing, 113th Cong., 1st sess., March 19, 2013. SRS payments are made from the Forest Service to the states, which then distribute the payment to the eligible counties.

[108] Phil Taylor, "Hastings probes Forest Service's withholding of timber payments," *E&E News*, May 21, 2013.

[109] The following states did not have sufficient Title II funds to cover the sequester and received invoices: AL, AR, GA, IL, IN, ME, MN, MO, NC, ND, NE, NH, NY, OH, PA, PR, TN, VT, and VA. WA received a letter and invoice to collect money from a special act payment, but the letter also indicated the total SRS Title II reduction.

[110] WA paid $317.15 to reimburse for the sequester-related overpayment of a special act payment. Personal communication with Katherine Armstrong, Legislative Affairs Specialist, Forest Service, November 13, 2013.

[111] The following states had the sequester withheld entirely from their Title II funds: AK, AZ, CA, CO, FL, ID, KY, LA, MI, MS, MT, NM, NV, OK, OR, SC, SD, TX, UT, WI, WV, and WY.

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