

# **Title I- Secure Payments for States and Counties Containing Federal Land**

## **Calculating Payments**

### **State Payment Formula—Section 101(a)**

Title I of the Secure Rural Schools Act provides a new formula for payments to eligible States and BLM eligible counties (BLM counties) for FY 2008 through 2011. This is a significant change from P.L. 106-393. As amended, section 101(a) requires calculation of “State payments.” (In contrast, the term “full payment amount” was used in P.L. 106-393 to describe the stabilized payment.)

Section 101(a)(1) of the SRS Act contains the formulas for calculating a State payment. The specific elements of the formula are further defined in section 3.

To calculate a State payment, the “adjusted share” for each eligible county within the State is multiplied by the “full funding amount” for the fiscal year (FY) for which the payment is made. The State payment is the sum of these amounts. Similarly, section 101(b) of the SRS Act requires calculation of county payments for each BLM eligible county. To calculate a county payment, the “50-percent adjusted share” for each BLM county is multiplied by the “full funding amount” for the fiscal year for which the payment is made.

To determine an eligible county’s adjusted share, the new payment formula uses multiple factors, including acres of Federal land within an eligible county, the average 3 highest 25-percent and safety net payments made to each eligible State for each eligible county for the eligibility period, and an income adjustment based on the per capita personal income for each county. A similar formula is used to determine a BLM eligible county’s 50-percent adjusted share.

Section 3(11) defines the term “full funding amount.” The full funding amount for each of the fiscal year payments is \$500 million for FY 2008 and then 90% of the preceding year’s full funding amount for FY 2009 through FY 2011. These amounts are used to calculate the State payments and the BLM county payments.

Section 3 revises the term “eligible county” to mean a county that elects to receive a share of the State payment or county payment. The term does not cover a county that elects to receive a share of the State’s 25-percent payment or a 50-percent payment.

### **Statutory provisions for the State payment formula and mathematical equations**

#### **State Payment—Section 101(a)**

“It’s the Law” - How does the Act Define the Term?

Section 101(a) requires the calculation of the State payment as follows:

(a) STATE PAYMENT.—For each of fiscal years 2008 through 2011, the Secretary of Agriculture shall calculate for each eligible State an amount equal to the sum of the products obtained by multiplying—

- (1) the adjusted share for each eligible county within the eligible State; by
- (2) the full funding amount for the fiscal year.

### “Do the Math” - Mathematical Equation

The mathematical equation for the State payment calculation in section 101(a) is:

$$\text{State Payment} = \sum(\text{Full Funding Amount} \times \text{Adjusted Share for each eligible county})$$

### **Adjusted Share—Section 3(1)**

### “It’s the Law” - How does the SRS Act Define the Term?

Section 3(1) defines “adjusted share” to mean:

(1) ADJUSTED SHARE.—The term “adjusted share” means the number equal to the quotient obtained by dividing—

(A) the number equal to the quotient obtained by dividing—

- (i) the base share for the eligible county; by
- (ii) the income adjustment for the eligible county; by

(B) the number equal to the sum of the quotients obtained under subparagraph (A) and paragraph (8)(A) for all eligible counties.

### “Do the Math” - Mathematical Equation

The mathematical equation for each eligible county’s adjusted share in section 3(1) is:

$$\frac{\frac{\text{Base Share}}{\text{Income Adjustment}}}{\left( \sum \frac{\text{Base Share}}{\text{Income Adjustment}} + \sum \frac{50\% \text{ Base Share}}{\text{Income Adjustment}} \right)}$$

Additional explanation of the components of the equation:

The numerator  $\frac{\text{Base Share}}{\text{Income Adjustment}}$  is calculated for each eligible county.

The denominator  $\left( \sum \frac{\text{Base Share}}{\text{Income Adjustment}} + \sum \frac{50\% \text{ Base Share}}{\text{Income Adjustment}} \right)$  is the sum ( $\Sigma$ ) of adjusted shares for all eligible counties.

## Base Share—Section 3(2)

### “It’s the Law” - How does the SRS Act Define the Term?

Section 3(2) defines “base share” to mean:

- (2) BASE SHARE.—The term “base share” means the number equal to the average of—
- (A) the quotient obtained by dividing—
    - (i) the number of acres of Federal land described in paragraph (7)(A) in each eligible county; by
    - (ii) the total number acres of Federal land in all eligible counties in all eligible States; and
  - (B) the quotient obtained by dividing—
    - (i) the amount equal to the average of the 3 highest 25-percent payments and safety net payments made to each eligible State for each eligible county during the eligibility period; by
    - (ii) the amount equal to the sum of the amounts calculated under clause (i) and paragraph (9)(B)(i) for all eligible counties in all eligible States during the eligibility period.

Section 3(7) defines “Federal land” to mean:

- (7) FEDERAL LAND.—The term ‘Federal land’ means—
- (A) land within the National Forest System, as defined in section 11(a) of the Forest and Rangeland Renewable Resources Planning Act of 1974 (16 U.S.C. 1609(a)) exclusive of the National Grasslands and land utilization projects designated as National Grasslands administered pursuant to the Act of July 22, 1937 (7 U.S.C. 1010–1012); and (B) such portions of the revested Oregon and California Railroad and reconveyed Coos Bay Wagon Road grant land as are or may hereafter come under the jurisdiction of the Department of the Interior, which have heretofore or may hereafter be classified as timberlands, and power-site land valuable for timber, that shall be managed, except as provided in the former section 3 of the Act of August 28, 1937 (50 Stat. 875; 43 U.S.C. 1181c), for permanent forest production.

### “Do the Math” - Mathematical Equation

The mathematical equation for each eligible county’s base share in section 3(2) is:

$$\left( \frac{\sum \frac{NF_{acres}}{F_{acres} + \sum L_{Macres}} + \frac{\text{Average}^{\text{high3}'} 25\% \text{ payments}}{\sum \text{Average}^{\text{high3}'} 25\% \text{ payments} + \sum \text{Average}^{\text{high3}'} 50\% \text{ payments}}}{2} \right)$$

Additional explanation of the components of the equation:

NF acres = acres of NF land within an eligible county.

$\sum (NF_{acres}) + \sum (BLM_{acres})$  = sum ( $\Sigma$ ) of acres of NF and BLM land for all eligible counties.

Average “high 3” 25% payments = each eligible county’s potential share of the State’s full payment amount under section 101(a)(1) of P.L. 106-393, based on its historical percentage share of the State’s 25-percent payments and safety net payments during the eligibility period (i.e. for one or more fiscal years from 1986 to 1999). These

amounts are shown in the far right column of the table titled “Determination of States’ Full Payment Amount, P.L. 106-393, Secure Rural Schools and Community Self-Determination Act” revised March 26, 2007.

Average “high 3” 50% payments = each BLM county full payment amount under section 101(a)(2) of P.L. 106-393. This amount is calculated only for eligible O&C and Coos Bay Wagon Road counties, which are located only in Oregon.

The denominator  $\sum (\text{Average high 3 } 25\% \text{ payments}) + \sum (\text{Average high 3 } 50\% \text{ payments})$  is the sum ( $\Sigma$ ) of the potential shares of the State’s full payment amount and BLM county full payment amounts for all eligible counties.

### **Income Adjustment—Section 3(12)**

#### “It’s the Law” - How does the SRS Act Define the Term?

Section 3(12) defines “income adjustment” to mean:

(12) INCOME ADJUSTMENT.—The term “income adjustment” means the square of the quotient obtained by dividing—

- (A) the per capita personal income for each eligible county; by
- (B) the median per capita personal income of all eligible counties.

#### “Do the Math” - Mathematical Equation

The mathematical equation for each eligible income adjustment in section 3(12) is:

$$\left( \frac{\text{County PCPI}}{\text{Median PCPI of all eligible counties}} \right)^2$$

Additional explanation of the components of the equation:

PCPI = per capita personal income as reported by the Bureau of Economic Analysis (BEA.) PCPI is reported in BEA Table CA1-3 which is updated annually in May. The data is usually 2 years older than the year for which the calculation is made. For example, in calculating the fiscal year 2008 payment, the most recent available PCPI data was for 2006. BEA website: <http://www.bea.gov/regional/reis>

### **Statutory provisions for the county payment formula and mathematical equations**

#### **50-Percent Adjusted Share—Section 3(8)**

#### “It’s the Law” - How does the SRS Act Define the Term?

Section 3(8) defines “50-percent adjusted share” to mean:

(8) 50-PERCENT ADJUSTED SHARE.—The term “50-percent adjusted share” means the number equal to the quotient obtained by dividing—

- (A) the number equal to the quotient obtained by dividing—
  - (i) the 50-percent base share for the eligible county; by

- (ii) the income adjustment for the eligible county; by
- (B) the number equal to the sum of the quotients obtained under subparagraph (A) and paragraph (1)(A) for all eligible counties.

“Do the Math” - Mathematical Equation

The mathematical equation for each BLM eligible county’s 50-percent adjusted share in section 3(8) is:

$$\frac{\frac{50\% \text{ Base Share}}{\text{Income Adjustment}}}{\sum \frac{\text{Base Share}}{\text{Income Adjustment}} + \sum \frac{50\% \text{ Base Share}}{\text{Income Adjustment}}}$$

Additional explanation of the components of the equation:

The numerator  $\frac{50\% \text{ Base Share}}{\text{Income Adjustment}}$  is calculated for each eligible county.

The denominator  $\sum \frac{\text{Base Share}}{\text{Income Adjustment}} + \sum \frac{50\% \text{ Base Share}}{\text{Income Adjustment}}$  is the sum ( $\Sigma$ ) of adjusted shares for all eligible counties.

**50-Percent Base Share—Section 3(9)**

“It’s the Law” - How does the SRS Act Define the Term?

Section 3(9) defines “50-percent base share” to mean:

- (9) 50-PERCENT BASE SHARE.—The term “50-percent base share” means the number equal to the average of—
- (A) the quotient obtained by dividing—
    - (i) the number of acres of Federal land described in paragraph (7)(B) in each eligible county; by
    - (ii) the total number acres of Federal land in all eligible counties in all eligible States; and
  - (B) the quotient obtained by dividing—
    - (i) the amount equal to the average of the 3 highest 50-percent payments made to each eligible county during the eligibility period; by
    - (ii) the amount equal to the sum of the amounts calculated under clause (i) and paragraph (2)(B)(i) for all eligible counties in all eligible States during the eligibility period.

Section 3(7) defines “Federal land” to mean:

- (7) FEDERAL LAND.—The term ‘Federal land’ means— (A) land within the National Forest System, as defined in section 11(a) of the Forest and Rangeland Renewable Resources Planning Act of 1974 (16 U.S.C. 1609(a)) exclusive of the National Grasslands and land utilization projects designated as National Grasslands administered pursuant to the Act of July 22, 1937 (7 U.S.C. 1010–1012); and

(B) such portions of the revested Oregon and California Railroad and reconveyed Coos Bay Wagon Road grant land as are or may hereafter come under the jurisdiction of the Department of the Interior, which have heretofore or may hereafter be classified as timberlands, and power-site land valuable for timber, that shall be managed, except as provided in the former section 3 of the Act of August 28, 1937 (50 Stat. 875; 43 U.S.C. 1181c), for permanent forest production.

### “Do the Math” - Mathematical Equation

The mathematical equation for each BLM eligible county’s 50-percent base share in section 3(9) is:

$$\left( \frac{\sum \text{BLM acres} + \sum \text{Average high 3 50\% payments}}{\sum \text{NF acres} + \sum \text{BLM acres} + \sum \text{Average high 3 25\% payments} + \sum \text{Average high 3 50\% payments}} \right) \div 2$$

Additional explanation of the components of the equation:

BLM acres = acres of BLM land within an eligible county.

$\sum \text{(NF acres)} + \sum \text{(BLM acres)}$  = sum ( $\Sigma$ ) of acres of NF and BLM land for all eligible counties.

Average “high 3” 25% payments = each eligible county’s potential share of the State’s full payment amount under section 101(a)(1) of P.L. 106-393, based on its historical percentage share of the State’s highest three 25-percent payments and safety net payments during the eligibility period (i.e. for one or more fiscal years from 1986 to 1999). These amounts are shown in the last column of the table titled “Determination of States’ Full Payment Amount, P.L. 106-393, Secure Rural Schools and Community Self-Determination Act” revised as of March 27, 2007. [INSERT LINK TO THIS CHART?](#)

Average “high 3” 50% payments = each BLM county full payment amount under section 101(a)(2) of P.L. 106-393. This amount is calculated only for eligible counties are the O& C counties, which are located only in Oregon.

The denominator  $\sum \text{(Average high 3 25\% payments)} + \sum \text{(Average high 3 50\% payments)}$  is the sum ( $\Sigma$ ) of the potential shares of the State’s full payment amount and BLM county full payment amounts for all eligible counties.

## **Transition Payments for Certain States**

Section 103 of the SRS Act provides for transition payments for FY 2008, 2009, and 2010 to the “covered States” specified in section 103(a)(2). These states are California, Oregon, Washington, Louisiana, Pennsylvania, South Dakota, South Carolina, and Texas. P.L. 106-393 did not contain a similar provision for transition payments.

The transition payments paid under section 103 are in lieu of State payments for covered States. A county in a covered State may elect to receive either: (1) a share of the State’s 25-percent payment, or (2) a share of the State payment (formula payment). However, under section 103(b), the Secretary of Treasury is required to pay a covered State a transition payment “in lieu of the payment amounts that otherwise would have been made” under section 102(a)(1)(B) for a share of the State payment. In effect, in a covered State, a county’s election to receive a share of the State payment is an election to receive a share of the covered State’s transition payment.

Because the SRS Act substitutes the transition payment for the State payment in covered States, the county may not elect to receive a share of the State payment.

Under section 103(b), the amount of the transition payment is the “adjusted amount.” The “adjusted amount” for a covered State for FY 2008 is 90-percent of the sum of two amounts paid for FY2006—(i) the sum of the amounts paid for the full payment amount under P.L. 106-393 for fiscal year 2006 for the eligible counties in the covered State that have elected to receive a share of the State payment for fiscal year 2008, and (ii) for Oregon, the sum of amounts paid to BLM counties under section 103(a)(2) of P.L. 106-393.

The “adjusted amounts” are reduced for FY 2009 and 2010 in sections 103(a)(1)(B), and 103(a)(1)(C), respectively (i.e. for FY2009 81% of the FY2006 sum; for FY2010 73% of the FY2006 sum).

Counties in covered states that choose the transition payment will receive a share of the “State payment” in 2011.

## **25% Fund 7-year Rolling Average**

The statutory authority under which 25-percent payments are made to States (16 U.S.C. 500) was amended by P.L. 110-343 to change the way in which the 25-percent payments are calculated. The statute now provides for a 7-year rolling average payment. For a county that elects to receive a share of the State’s 25-percent payment under section 102(b)(1)(A), the 25-percent payment will be calculated using the new formula. Beginning in FY 2012, payments to all States will be made using the 7-year rolling average payment.

As amended, 16 U.S.C. 500 reads in relevant part:

*On and after May 23, 1908, an amount equal to the annual average of 25 percent of all amounts received for the applicable fiscal year and each of the preceding 6 fiscal years from each national forest shall be paid, at the end of such year, by the Secretary of the Treasury to the State or Territory in which such national forest is situated, to be expended as the State or Territorial legislature may prescribe for the benefit of the public schools and public roads of the county or counties in which such national forest is situated: Provided, That when any national forest is in more than one State or Territory or county the distributive share to each from the proceeds of such forest shall be proportional to its area therein. (Emphasis added.)*

The amount paid to a State under 16 U.S.C. 500, as amended, is determined by averaging annual amounts over a 7-year period. Each annual amount is equal to 25-percent of the receipts from each of the national forests in the State for the given fiscal year. Stated differently, the payment amount is the average of the 25-percent payments to the State under 16 U.S.C. 500, as originally enacted, for each of the 7 years.

For the purposes of calculating the 25-percent payments to States, receipts are collected, verified, and certified at the proclaimed unit (national forest) level. Historically, when the Forest Service distributed the 25-percent payments to States, the agency provided the States with its calculations of each county's share of a State's 25-percent payment based on the percentage of the county acreage in each proclaimed unit. This percentage was applied against the total receipts for the proclaimed unit, resulting in the county's share of receipts from the proclaimed unit. For a county located in more than one proclaimed unit, the county's share of receipts for each proclaimed unit was summed. If a State used this calculation to distribute its 25-percent payment to counties, the distributive share to a county was 25-percent of the county's share of the receipts from the national forest(s) in which the county was located.

To take into account the changes to 16 U.S.C. 500 in calculating a county's potential distributive share of the 7-year rolling average payment to the State, the Forest Service has calculated the average of the county's share of receipts from the proclaimed units in which the county is located over the 7-year period. Each county's potential distributive share of the 25-percent rolling average payment to the State is 25-percent of the county's 7-year average. The sum of all of the counties' distributive shares equals the State payment under 16 U.S.C. 500.