

**STATEMENT OF
JOEL HOLTROP, DEPUTY CHIEF, NATIONAL FOREST SYSTEM
U.S. FOREST SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE
BEFORE THE
SUBCOMMITTEE ON
NATIONAL PARKS, FORESTS, AND PUBLIC LANDS
COMMITTEE ON NATURAL RESOURCES
UNITED STATES HOUSE OF REPRESENTATIVES
JULY 29, 2010

CONCERNING**

Building Success: Implementation of the Secure Rural Schools Program

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to present the views of the U.S. Department of Agriculture regarding the implementation of the Secure Rural Schools and Community Self-Determination Act of 2000, as amended and reauthorized in 2008 (P.L. 110-343).

Overview

Since 1908, when Congress enacted what is commonly known as the Twenty Five Percent Fund Act (16 USC 500) to compensate local governments for the tax-exempt status of the national forests, the Forest Service has shared 25 percent of gross receipts from national forests with states to help fund public schools and roads. The so-called “25 percent payments” were made to the states for the benefit of public schools and public roads in the counties in which national forests are located. The allocation of the funds between schools and roads varies according to state laws. The receipts, on which the 25 percent payments are based, are derived from timber sales, grazing, minerals, recreation and other land use fees, deposits and credits.

In the late 1980s, 25 percent payments began to decline significantly and fluctuate widely. This was largely due, especially in western states, to a significant decline in timber sales. The declines and fluctuations created hardships for local officials charged with providing services to communities in and near the national forests.

The decline in timber sales, and corresponding reduction in the 25 percent payments, was particularly acute in northern California, Oregon, and Washington. To address this concern, Congress provided “safety net payments” to counties in California, Oregon, and Washington for fiscal years 1994 to 2003. The safety net payments were enhanced payments structured to decline annually and was intended to help the counties transition to the reduced amount of the 25 percent payments.

Before the safety net payments expired, Congress enacted the Secure Rural Schools and Community Self-Determination Act of 2000 (the Secure Rural Schools Act), which provided the option of decoupling the payments from receipts, by authorizing enhanced, stabilized payments to states for fiscal years 2000 through 2006. The Secure Rural Schools Act provided eligible counties with two options. A county could elect to continue to receive its share of the State’s 25 percent payment, which fluctuated based on

receipts, or the county could elect to receive a share of the State's "full payment amount", which was a stabilized amount. A county that elected to receive a share of the State's full payment amount was required to allocate 15 to 20 percent of the payments to title II (special projects on federal lands) or to title III (county projects). Title II funds could only be spent on projects that were recommended by resource advisory committees (RACs). As part of the initial implementation of the Act, the Forest Service established 55 RACs.

Congress appropriated payments to states for fiscal year 2007, and in October 2008, amended and reauthorized for the Secure Rural Schools Act for fiscal years 2008 through 2011. With a few notable exceptions, the Secure Rural Schools Act as reauthorized in 2008 mirrors the 2000 Act. The primary change was a new formula for the stabilized State payment, which includes a ramp down of funding each year. In addition, the 2008 reauthorization amended the Twenty-Five Percent Fund Act to reduce the fluctuations in the 25 percent payments. The 25 percent payments are now calculated as the rolling average of the most recent seven fiscal years' 25 percent payments.

In 2008, approximately 70 counties elected to receive a share of the State's 25 percent payment (based on receipts), and approximately 650 counties opted to receive a share of the State Payment (enhanced, stabilized). All together, the Forest Service makes payments to 41 states and Puerto Rico to benefit more than 720 counties, boroughs, townships and municipalities.

The last payment under the Secure Rural Schools Act will be for fiscal year 2011. Under current law, in fiscal year 2012, all eligible states will receive the 25 percent payment to states calculated using the new formula based on a seven-year rolling average of 25 percent payments. The total of 25 percent payments for all states is projected to be approximately \$64 million for fiscal year 2012.

The Secure Rural Schools Act has three principal titles. The U.S. Forest Service defers to the Department of the Interior for Secure Rural Schools' activities undertaken by that agency.

Title I—Secure Payments for States and Counties Containing Federal Land

Title I of the Secure Rural Schools Act, as reauthorized, provides the new formula for the State Payment for fiscal years 2008 through 2011. An eligible county's adjusted share of the State Payment is determined by a complex calculation involving multiple factors including acres of national forest, the average of three highest 25 percent payments from 1986 through 1999, and the county's annual per capita personal income. The formula reduces the total payments to all states by approximately 10 percent of the preceding year for each of the four years, 2008 through 2011.

Eight states (California, Louisiana, Oregon, Pennsylvania, South Carolina, South Dakota, Texas, and Washington) receive a transition payment in lieu of the State Payment for fiscal years 2008 through 2010. The transition payment is based on the fiscal year 2006 payment and declines by about 10 percent per year. The fiscal year 2011 payment to these states will be calculated using the same formula used for the other states and will be significantly less than the final transition payments in fiscal year 2010.

The Act directs that the majority of the State Payment be used to help fund county schools and roads. This portion of the payment is commonly referred to as the title I payment and has averaged about 85 percent of the total State Payments to date. For fiscal years 2008 through 2011, title I funds are projected to total nearly \$1.5 billion.

Title II—Special Projects on Federal Land

An eligible county has the option to allocate part of its share of the State Payment to title II for projects that maintain existing infrastructure or enhance the health of ecosystems on national forests. Title II provides for the establishment of resource advisory committees to review and recommend projects. The Secure Rural Schools Act as reauthorized added to the duties of the committees and expanded the interests represented by members.

Title II projects enhance forest ecosystems, restore and improve the health of the land and water quality; and, protect, restore and enhance fish and wildlife habitat. Examples are maintenance or obliteration of roads, trails, and infrastructure; improvement of soil productivity; stream and watershed restoration; control of noxious and exotic weeds; and, re-establishment of native species. These projects provide employment in rural communities and an opportunity for local citizens to advise the Forest Service on projects of mutual interest that benefit the environment and the economy. For fiscal years 2008 through 2011, title II funds are projected to total \$172 million for projects recommended in more than 300 counties.

Title III—County Funds

Funds allocated by a county under title III may be used on county projects. Title III initially had six authorized uses: search and rescue, community service work camps, easement purchases, forest related educational opportunities, fire prevention and county planning, and community forestry. When the Secure Rural Schools Act was reauthorized, Congress limited the use of title III funds to three authorized uses: activities under the Firewise Communities program, reimbursement for emergency services on national forests, and preparation of a community wildfire protection plan. As reauthorized, title III now directs each participating county to certify annually that title III funds were used for authorized purposes. For fiscal years 2008 through 2011, title III funds are projected to total \$87 million.

Additional revenue sharing and payment programs

Along with the payments to states under the Secure Rural Schools Act, the Forest Service shares 25 percent of net revenues from minerals receipts, grazing, and other uses of the national grasslands in the payments to counties program under the Bankhead Jones Farm Tenant Act, (7 U.S.C. 1010-1012). Payments to counties go to approximately 70 counties in 17 states, and total about \$15 million annually. There are also payments made under special acts including those in Arkansas for Smoky Quartz (Public Law 100-446), in Minnesota related to the Boundary Waters Canoe Area (16 U.S.C. 577) and in Washington for the Quinault Special Management Area (Public Law 100-638.)

The Forest Service coordinates with the Bureau of Land Management which administers additional payments to certain counties in western Oregon under the Secure Rural Schools Act. In addition, national forests are included in the eligible federal lands for which the Department of the Interior administers the Payments in Lieu of Taxes (PILT) program.

Secure Rural Schools Act successes

For fiscal years 2008 through 2011, the Secure Rural Schools Act will provide nearly \$1.5 billion for public schools and roads. The Forest Service values the relationships fostered with tribal and county officials and other stakeholders under title II. The Forest Service expects to have 118 resource advisory

committees fully functional by the end of the year in 33 states. Although the chartering and nomination process took longer than anticipated due to the large volume of returning and new RACs (118 total), the Forest Service and Department have continued to improve and streamline the process.

Each of the 15-member committees represents diverse interests such as environmental and conservation groups, watershed associations, forest and mineral development, hikers, campers, off-highway vehicle users, hunting and fishing enthusiasts, tribal, state and local government officials and teachers and officials from local schools. These groups learn about the richness of natural resources on the national forests, and share their knowledge of the natural and social environment. Members hear one another's views, interests and desires for national forest management and come to agreement on projects that will benefit the national forests and nearby communities.

Here are a few examples that illustrate successful projects undertaken with title II funding since 2001. In southwest Washington, a four-county partnership with the Forest Service increased the efficiency and effectiveness of what were previously poorly-coordinated, separate, under-funded programs to reduce noxious weeds, one of several authorized uses of title II funds. Prior to the title II funding, each county had limited means to fund this important work to protect habitats and forest health. Through the Secure Rural Schools Act, projects recommended by the RAC have supported a comprehensive weed control program on national forest and county lands and has enabled each county to leverage additional program funds through several other partnerships. Youth conservation crews and private contractors were used to accomplish the work.

In fire-prone northern California, title II funding has supported numerous projects to improve forest health including fuel-breaks to reduce the severe effects of catastrophic wildfire on watersheds and communities and to protect important fish and wildlife habitat. In Lassen County alone, partnerships have provided more than \$5 million in additional resources and support. The additional benefit of these projects is to help provide employment in hard-hit rural communities.

Title II projects have enjoyed broad-based support, and none have been appealed. In total, projects valued at \$172 million in more than 300 counties have been funded under Title II to maintain and improve the environment and provide local employment.

Conclusion

The Secure Rural Schools Act has provided more than a decade of transitioning payments to eligible states and counties to help fund public schools and roads and provided predictably declining payments to states to transition to the 25 percent payment. In addition, it has also created a forum for community interests to collaboratively participate in the selection of natural resource projects on the National Forests, and assisted in community wildfire protection planning.

Thank you for the opportunity to discuss this program with the Subcommittee. We would be happy to answer any questions you may have.