A Catalog of Possible Alternatives to or Modifications of Existing Federal Programs for Revenue Sharing and Payments in Lieu of Taxes on the Public Land

Prepared for

Public Land Law Review Commission

July, 1968

EBS Management Consultants, Inc.

Washington, D. C.

A Catalog of Possible Alternatives to or Modifications of Existing Federal Programs for Revenue Sharing and Payments in Lieu of Taxes on the Public Land

Introduction

This catalog contains summary analyses of various possible alternatives to or modifications of the existing Federal system providing for revenue sharing or payments in lieu of taxes with respect to Federal lands. The proposals have been developed from assorted sources, primarily bills introduced in Congress from 1950-1967, resolutions of various industry, governmental, and professional organizations, the relevant literature in this field, and suggestions from the Commission's Advisory Council and the Governors' Representatives. A voluminous grouping of legislative proposals relating to in lieu taxes programs applicable to Federally acquired housing and manufacturing plant facilities were reviewed but are not treated herein because those programs are generally not adaptable to the public lands with respect to which the Commission is to submit its recommendations.

The order in which the summaries are presented herein is of no intended significance, though proposals dealing with similar lands or concepts were generally grouped. Thus, the variations to an alternative typically relate to the same lands or programs to which the basic alternative pertains. Where several proposals are similar in nature or contain but minor variations, they have been analyzed as a single proposal. Basic alternatives and their variations were sequentially numbered to facilitate their identification in the table of contents and a source-author listing.

Nine of the alternative proposals contained in this Compendium are analyzed in greater detail and are contained in a report entitled Revenue Sharing and Payments in Lieu of Taxes on the Public Land, Volume 1, pp. 149-198, also prepared by EBS Management Consultants.

Table of Contents

			Page No.
Introduction			i
Table of Contents			ii - iv
Alternative No.	Title	Variation No.	
1	Payment of Taxes on Federal Property		1 - 2
		1-A	- 2
		1-B	2 - 3
		1-C	- 3
		1-D	- 3
		1-E	- 4
		1-F	- 4
2	Federal Government Should Make Payments in Lieu of Taxes on Its Real Property as if the Property Were Privately Owned		5 - 6
		2-A	- 6
		2-B	6 - 7
		2-C	- 7
		2-D	7 - 8
		2-E	- 8
		2-F	- 8
		2-G	- 9
		2-H	- 9
3	Payments in Lieu of Taxes at a Flat Rate Per Acre		10 - 11
		3-A	- 11
		3-B	- 11
		3-C	- 12
		3-D	12 - 13
		3-E	- 13
		3-F	13 - 14
4	Payments of Taxes or In Lieu Taxes on Federal Lands Exceeding a Specified Share of All Real Property in Any Community		15 - 16
		4-A	- 16
5	Increase States' Share of Revenues under Mineral Leasing Act (41 Stat. 437, 30 U.S.C. § 191) from 37.5 Percent to 60 Percent		17 - 18
		5-A	18 - 19
		5-B	- 19
		5-C	- 19
		5-D	- 20
		5-E	- 20

Table of Contents
(Continued)

Alternative No.	Title	Variation No.	Page No.
6	Distribution of Revenues from Outer Continental Shelf Mineral Receipts		21 - 22
7	Revenue Sharing Payments from Nominal Receipts Derived from Wildlife Refuges to Be Increased to 75 Percent		- 23
		7-A	- 24
		7-B	- 24
		7-C	- 25
8	Per Capita Payments or Payments of Fixed Sum for Each Person Living or Working on Federal Property		- 26
		8-A	- 27
		8-B	- 27
		8-C	27 - 28
		8-D	- 28
9	Restrictions on Use of Shared Revenues Should Be Abolished		- 29
10	Federal Government Should Make Annual Payments Based on the Value of National Forest Lands		30 - 31
		10-A	- 31
		10-B	- 32
		10-C	- 32
		10-D	32 - 33
		10-E	- 33
		10-F	33 - 34
		10-G	- 34
		10-H	34 - 35
		10-I	- 35
		10-J	35 - 36
11	All Revenues Accruing from Economic Activities on Public Lands to be Placed in a Central Fund and Distributed to States or Counties after Deduction of Federal Program Costs		37 - 38
		11-A	38 - 39
		11-B	- 39
		11-C	- 39
12	State and Local Taxation Should Be Permitted on Properties Acquired by Federal Government Since January 1939 for National Parks and Monuments		40 - 41
		12-A	- 41
		12-B	- 41
		12-C	- 42

Table of Contents
(Continued)

Alternative No.	Title	Variation No.	Page No.
12 - Continued		12-D	- 42
		12-E	42 - 43
13	Revenue Sharing Related to Proceeds from Lands Acquired for Flood Control Purposes to Be Limited to 25 Percent of Gross Receipts		- 44
14	Annual Payments to Local Governments Equal to the Annual Average Taxes Paid over a Specified Period of Years Prior to Acquisition of Lands by Federal Government		- 45
		14-A	- 46
		14-B	- 46
		14-C	46 - 47
		14-D	- 47
		14-E	47 - 48
		14-F	- 48
		14-G	48 - 49
		14-H	- 49
		14-I	- 49
15	Annual Revenue Sharing Payments Should Be Based upon a Centered Moving 5-Year Average		- 50
16	Distribution of Direct and Indirect Revenues to the Reclamation Fund to All States on the Basis of Federal Land Acreage		- 51
17	Discrepancies in the Revenue Sharing Formulas among Various Types of Lands for Like Uses Should Be Eliminated		- 52
18	Revenue Sharing Payments Should Be Made to All States on a Formula Based on (a) by Population, (b) 50 Even Shares		53 - 54
19	Apply Uniform Percentage to All Revenue Sharing Plans Irrespective of Type of Land, or a Uniform Per Acre Payment on All Federal Lands		55 - 56
20	Land Use Fees to Be Reduced When Local Governments Tax Leasehold Interests on Federal Land		- 57
21	Interrelating Revenue Sharing and Other Federal Grants		- 58
22	Increased Sharing of Federal Non-Public Land Related Revenues		- 58

ALTERNATIVE NO. 1

Federal Government Should Pay Taxes on Its Real Property As if the Property Were Privately Owned

A. Summary

The premise of this alternative is that the Federal Government would contribute to the support of local government by making actual tax payments on Federal property as determined by local tax officials according to local tax laws.

B. Purpose

The purpose of this alternative is to alleviate the financial burdens on local government which are caused in part by the presence of nontaxable Federal lands. Authorizing the taxing of such lands establishes an equality between Federal and other land owners in that each contributes its proportionate share to the costs of local governmental services.

C. Key Feature

Federally owned properties which would be subject to payment of state-local taxes will have to be assessed by state-local tax assessors. Federal land management agency representatives would have to be accorded the same right of appeal and adjudication as any other land owner.

D. Probable Advantage

Assessment procedures already established by local government relieve the Federal Government of establishing a national administrative system, including the training and recruitment of professional personnel who are in short supply; also, the establishment of complicated formulas for determining the value of public land on a uniform basis equitable to all local government would be avoided. Local governments will be able to predetermine the amount of revenue available from property taxation, Federally owned and private, so as to properly plan their budgets.

E. Probable Disadvantage

The cost impact to the Federal Government as compared with current RS and PILT is not known though it is likely to be greater; some of the incremental costs would be offset by reductions in the Federal administrative costs. Total annual tax payments by Federal Government will fluctuate with changes in land values and quantities. Local government assessment procedures vary from community to community with the shares of public service costs paid for from property taxes varying by themselves. Hence the payment

of property taxes by the Federal Government would require not only administrative checks to protect the Federal interest, but also will not necessarily result in a nationally uniform system.

Acceptance of this proposal would, of course, terminate the Federal tax immunity, a privilege which many scholars interpret as a constitutional right. Hence, a lengthy legal battle could ensue.

VARIATION(S) TO ALTERNATIVE NO. 1

VARIATION NO. 1-A

A. Summary

Federal Government to pay property taxes on all its property except courthouses, hospitals, post offices, mints, jails, penitentiaries, cemeteries, office buildings, custom houses, narcotic farms and immigration stations.

B. Distinctive Characteristic or Effect

Federal properties specifically exempted, due to their use or the type of facility, would be excluded from the state and local taxes to which all other Federal properties would be subjected.

While removing tax immunity from Federal properties in general, this variation continues the tax immunity of Federal facilities serving broader national or regional purposes (as compared with a national forest from which local industry obtains timber supplies).

The exclusion of certain properties would result in a reduction in the Federal total payment as compared with those necessitated in the basic alternative.

VARIATION NO. 1-B

A. Summary

Federal Government to make payments of some determined percentage of the prior annual average tax rates taking into account reduction, if any, in local governmental service received for Federal properties.

B. Distinctive Characteristic or Effect

While removing the Federal tax immunity, it suggests an unspecified lesser tax rate than paid by private owners. The rationale for the lower tax rate on Federal properties is the reduction, if any, in public services provided

VARIATION NO. 1-B (cont'd)

to Federal properties as compared with privately owned realty. This presumption is not necessarily true; in fact, there exist cases evidencing the opposite. Hence, the probable effect is the creation of new and more inequities.

VARIATION NO. 1-C

A. Summary

Public domain lands and Federal property within the jurisdiction of municipalities should be subject to the payment of taxes at levels similar to like lands in private ownership in their vicinity.

B. Distinctive Characteristic or Effect

It appears the sponsors are desirous of avoiding the cumbersome process of assessment by suggesting the comparison with like private lands. The assessment process is, in many respects, a comparative analysis. This variation also assumes the existence of like private properties, currently on the tax rolls of the appropriate local jurisdiction. This is rarely the case so that the ordinary assessment procedure would not be avoidable.

VARIATION NO. 1-D

A. Summary

Federal lands which are leased to private persons should be subject to local government taxation.

B. Distinctive Characteristic or Effect

The rationale underlying this proposal is to equalize the status of economic activities in the private sector, disregarding legalistic differences between fee simple ownership and use rights conferred upon the user of property by virtue of a lease. Upon whom the tax liability would rest, the Federal owner or the private user, is not specified. If it is assumed to be the former, this proposal has similar effects as the basic proposal for the payment of taxes by the Federal Government except that it is limited in scope. Were it the latter, the private user will be in a position similar to that of land users who have concluded so-called "net leases", i.e. leases providing for the lessee to pay all and any charges assessed against the land. In this case, the economic implications, particularly for marginal land uses such as some livestock grazing, could be sufficiently severe to cause the abandonment of the current land use.

CONTINUATION OF VARIATION(S) TO ALTERNATIVE NO. 1

VARIATION NO. 1-E

A. Summary

Taxation of all Federal lands except those which would be tax exempt if privately owned, or on which RS payments equal the tax or for which state-local government has elected to receive a PILT payment.

B. Distinctive Characteristic or Effect

This proposal gives state-local authorities the best of "two worlds". At minimum, they would realize the same taxes as if the properties were in private ownership. However, the option to select present PILT or RS inevitably implies that state-local governments could choose the method resulting in the greatest payment while the Federal Government would be obliged to increase its commitments to the extent represented by the aggregate of the highest payments under each of the three methods.

VARIATION NO. 1-F

A. Summary

Real property acquired in various states for general military purposes after December 7, 1941 shall remain subject to taxation by states and local political subdivisions unless this power is waived.

B. Distinctive Characteristic or Effect

The intent to prevent the erosion of a local tax base because of land acquisitions by the Department of Defense is of obvious merit. However, where the military land use is of a higher or lower economic value than the preceding private use, a change in assessed value would be indicated. Proposal is unclear whether such would be permitted or whether pre-acquisition tax value and/or rates are to be maintained indefinitely. In view of other Federal assistance programs which became available due to the transfer in land ownership, i.e. P.L. 815 and 874, the net effect could be greater total state-local revenues from Federal sources than would be obtained if the lands were in private ownership.

ALTERNATIVE NO. 2

Federal Government Should Make Payments in Lieu of Taxes on Its Real Property as if the Property Were Privately Owned

A. Summary

This proposal provides for payments in lieu of taxes by the Federal Government to state and local governments for all Federal lands within their geographic jurisdiction.

B. Purpose

The objective is to provide in lieu tax revenues for state and local governments at levels similar to those which would obtain if the lands were privately owned. Thus, the immunity of Federal land to state and local taxation would be maintained yet the lost tax revenues provided.

C. Key Feature

Since most Federally owned property has not been assessed by local or state governments or even by Federal land management agencies themselves, guidelines for assessment procedures must be established and a national assessment system must be evolved. Assessment boards comprising state, local and Federal Government representatives and impartial members of the public would be established to assure fairness and objectivity in Federal land assessment. To assure uniformity of payments, assessed values would be on an equalized basis, presumably full market value. Payments would be made to states for distribution in accordance with the state and local law or their fiscal policy. Administration of the system might be assigned to a single Federal agency. An appropriate administrative machinery would have to be developed as such does not presently exist. Though not a mandatory element of this proposal, the in-lieu tax payment might replace not only existing PILT and RS programs, but also other Federal land-related assistance programs such as the Sliding Scale Highway grants.

D. Probable Advantage

Major indicated advantages include: (1) It is amenable to central management and disbursing operation. (2) The annual level of payment would be predetermined, known to the recipient and thereby be useful in the development of state and local budgets. (3) The system is independent of intensity in economic land use, except as this influences land values. It would, therefore, neutralize pressure for economic development while being protected from fluctuations in demand for goods and services from the public lands. As such, it is "recession proof" thereby providing revenues

in times when need is greatest. (4) It provides revenue equality among states with much or little or no Federal land as all would be compensated for their present tax losses. (5) It provides for a uniform national treatment as compared with the present inequality for the various existing programs.

An estimate of the aggregate Federal payment required to implement this proposal compared with all PILT, RS and land-related benefit programs on Section 10 lands[1] for fiscal 1966 shows the PILT system to require approximately the same amount as was expended for all the programs which would then be superseded.

E. Probable Disadvantage

Major indicated disadvantages include: (1) Total cost to the Federal Government is likely to exceed cost of current programs under various revenue sharing and payments in lieu of taxes programs. (2) Requirements for administrative machinery for implementation are extensive and complex, requiring large-scale efforts by professional personnel who are in short supply. (3) States and local governments currently receiving PILT or RS payments in excess of tax equivalent will obtain reduced revenues. (4) Implementation will require a multi-year effort.

VARIATION(S) TO ALTERNATIVE NO. 2

VARIATION NO. 2-A

A. Summary

Current payments in lieu of taxes should be increased by: (1) Increasing the valuation of Federal property to correspond to private land. (2) Adjusting land values on the basis of land use.

B. Distinctive Characteristic or Effect

This variation applies only to those Federal lands for which there are currently PILT provisions. Its author has not shown that valuation of such lands on either basis proposed would indeed raise their value. Case studies have shown that current PILT payments are equal to or in excess of the taxes which would be due from private owners.

VARIATION NO. 2-B

A. Summary

Establishment of a "fair" PILT system through the establishment of a Federal Commission. Commission to have jurisdiction over all Federal property except office buildings, courthouses, customs houses, post offices, mints and research laboratories.

1/ Section 10, Public Law 88-606.

VARIATION NO. 2-B (cont'd)

B. Distinctive Characteristic or Effect

The use of a Commission, in establishing standards of uniformity and regularity in payments, as opposed to a straight legislative or administrative approach is recommended. The legislation proposed establishes guidelines for the Commission's action. These include: a) PILT on public domain lands shall be at full tax equivalency, b) PILT on acquired lands based upon the lands' assessment at time of acquisition (by the Federal Government), c) where local jurisdictions use a system other than land value for the levy of taxes, the Commission is to follow, to the extent possible, the local jurisdiction tax determining method(s), d) all benefits accruing to state-local governments from the presence of land are to be subtracted from the PILT, e) all claims for PILT are to be prepared and submitted by state governments in their behalf and in behalf of their local units.

VARIATION NO. 2-C

A. Summary

Reimbursement to the State of South Dakota for tax revenues lost from the Federal Missouri River Basin Project.

B. Distinctive Characteristic or Effect

This proposal relates to a specific flood control type project. (It is included in this compilation to demonstrate that proposals dealing with one specific project have been made in the past though such project is in no material aspect different from other projects and/or the situation prevailing for other lands.)

VARIATION NO. 2-D

A. Summary

The level of PILT should be comparable to the average levy of taxes in the county in which the Federal lands are located and to which payment should be made.

B. Distinctive Characteristic or Effect

The average levy of taxes could be interpreted to mean "average per acre of land", "average per dollar of assessed value", etc., irrespective of the type, value and location of the land. Hence, Federal lands which are

VARIATION NO. 2-D (cont'd)

for the most part in rural areas could become liable for the average municipal levy for the county of location. The effect could be that Federal properties would be subject to a relatively higher PILT rate than the full tax on similar private lands.

VARIATION NO. 2-E

A. Summary

Determine the tax loss to each and all states and distribute to each state its proprotionate share of the total tax loss in the same proportion that the total tax loss bears to 50 percent of the gross revenues generated from all Federal lands.

B. Distinctive Characteristic or Effect

This proposal combines payments to states and economic efficiency of the lands and their management into an integrated system. The revenues available for distribution are in large measure a function of the land use policy. Consequently, the recipient states and local governments become an involuntary partner in the effects of Federal land management policies, though, these are "for the good of all the nation".

The establishment of the property tax loss by each and all states which would be accomplished in a manner employing a uniform valuation and assessment method is a major administrative operation as so much of the Federal realty was never assessed and its "would be" tax burden ascertained.

VARIATION NO. 2-F

A. Summary

Payments in lieu of taxes should reflect not only the value of the land itself but also any improvements thereon.

B. Distinctive Characteristic or Effect

In the case of rural lands, generally those within the scope of Section 10, the provision to include improvements in the assessment of value will have little or no impact. However, in the case of certain other properties, not specifically excluded in this proposal, such as post office buildings, hospitals, military installations, etc., the effect could be very significant in that the Federal in-lieu tax burden might then be double or even more than it would be for the surface values exclusively.

CONTINUATION OF VARIATION(S) TO ALTERNATIVE NO. 2

VARIATION NO. 2-G

A. Summary

Same as Variation No. 1-F, except that the in-lieu tax approach rather than the "pay tax" approach is offered. It would also apply to Federal housing projects, national parks and monuments (H.R. 2065) as well as lands acquired or used for recreational purposes of the armed services (H.R. 5026 et al).

B. Distinctive Characteristic or Effect

None other than in 1-F.

VARIATION NO. 2-H

A. Summary

For properties acquired since December 7, 1941 for military purposes the Federal Government is to make PILT to cover an 11-year period. Such payments to be on a declining scale, as follows:

a. for one year a 100 percent tax equivalency payment,
b. for the next 5 years a 50 percent tax equivalency payment,
c. for the next 5 years a 25 percent tax equivalency payment.

B. Distinctive Characteristic or Effect

The proposal contains no description on who was to administer the payments, the rationale for the phase out nor whether over the 11-year period the payment is subject to adjustments to reflect any variation in state-local tax rates, assessment policies or land value. Though providing state-local governments with a gradual phase out as opposed to the sheer removal of taxable property, this proposal leaves an eventual revenue void. For some counties this is of major proportions. Other military land use related benefit programs generally do not attempt to compensate for the tax loss caused by the lands' tax immunity except in a partial and indirect manner such as the aid to education or incremental highway construction grants.

ALTERNATIVE NO. 3

Payments in Lieu of Taxes at a Flat Rate Per Acre

A. Summary

This proposal lacks detail as to application and methods; however, its intent is to provide for an equitable annual payment to state and/or local governments for each acre of Federally owned land within their jurisdictions.

B. Purpose

To provide for a uniform system of payments in lieu of taxes or revenue sharing on all Federally owned lands at a flat annual rate irrespective of the relative economic value and productivity of the lands and the specific burden which these impose upon state and/or local government finance.

C. Key Feature

The basic premise is that the annual payment for each parcel of Federally owned land would be an equitable compensation for lost taxes as viewed by state and local governments. To accomplish such an objective a procedure which establishes the "equitable" amount per acre is needed. The determination of "equitable" sums for each Federal land holding in each state-local jurisdiction would entail an elaborate administrative mechanism.

D. Probable Advantage

Assuming that equity could be properly defined to the satisfaction of the Federal, state and local governments, the financial burdens imposed upon state and local finance by the presence of Federal lands would be alleviated. Inequities resulting from payments under the present system which are either more or less than the taxes which would accrue if the lands were in private ownership would also be eliminated.

Administration of payments as proposed herein is probably the simplest of all the systems considered, though at the outset it will require the preparation of a Federal land inventory by state and local governmental units.

E. Probable Disadvantage

The determination of "equity" is extremely difficult due to the great variation in applicable factors in every situation. No matter how elaborate and sophisticated the conceptual approach may be, it could not be expected to resolve the inevitable disputes between Federal and recipient governments as to "equity". Additionally, substantial variations in the acreage payment would be indicated over time, as state and local conditions change, thereby requiring almost constant recalculation of the amounts due.

The procedures indicated could be expected to result in substantial management costs, though the actual disbursement procedure for a flat rate per acre system would be simple and relatively inexpensive.

Note: This proposal was tested, as to its effect upon states, by applying a 10 cents/acre and a 25 cents/acre annual payment to all Section 10 lands. No attempt was made to relate these payment levels to what might be an equitable annual payment. Compared with accrued RS and PILT for fiscal year 1966, the 10 cents/acre level showed an aggregate loss to the states of $19.4 million while at the 25 cents/acre level an increase of $90.6 million would have resulted. For a more detailed discussion see pp. 175-179, Revenue Sharing and Payments in Lieu of Taxes, Volume No. 1, July, 1968, PLLRC.

VARIATION(S) TO ALTERNATIVE NO. 3

VARIATION NO. 3-A

A. Summary

Payment of 10 cents/acre per year on all national forest lands.

B. Distinctive Characteristic or Effect

Because RS payments on national forest lands have typically exceeded 10 cents/acre, the effect of this proposal would be to substantially reduce the current payments to local governments. For fiscal year 1966 RS payments on about 181 million acres (Section 10 lands) averaged 23 cents/acre or a total of $41.9 million.

VARIATION NO. 3-B

A. Summary

Annual payment of 10 cents/acre on all national forest lands, in addition to current RS program payments.

B. Distinctive Characteristic or Effect

Proponents of this variation have suggested that the additional payment of 10 cents/acre might compensate local governments for the loss in shared revenues due to non-market-type-goods uses of national forests, i.e. the uses for recreational purposes, etc. Similar reasoning could be applied to Federal lands managed by other agencies such as the Bureau of Land Management and the Corps of Engineers.

CONTINUATION OF VARIATION(S) TO ALTERNATIVE NO. 3

VARIATION NO. 3-C

A. Summary

Counties in which Bureau of Land Management lands are located to have the option of receiving RS or PILT at the rate of 10 cents/acre and payments to be earmarked 50 percent for roads located on public lands, 25 percent each for schools and general public services.

B. Distinctive Characteristic or Effect

There are at least two distinguishing features in this proposal. It attempts to specify a fixed in-lieu payment on BLM administered lands and provides for an earmarking scheme considerably different than present practices.

Section 10 BLM administered lands on which PILT or RS were paid for 1966 totaled some 236.6 million acres on which $48.5 million or an average of 20.6 cents/acre in RS were accrued for fiscal year 1966. The RS payments from BLM sales of lands and materials and on grazing lands under Sections 3 and 15 of the Taylor Grazing Act yielded less than the herein proposed 10 cents/acre. Figures for these three programs amounted to 7 cents, 0.2 cents and 2 cents per acre respectively. Hence, the adoption of this proposal would greatly increase payments under these programs, involving an estimated additional outlay of $16.2 million on the 168.6 million acres of grazing lands.

Earmarking, as proposed, is a significant departure from current practices. Whereas about one-half of all currently earmarked funds are designated for education, this proposal shifts the emphasis on road construction on public lands. Contrarily, one-quarter of the Federal payments would be "freed" for general public services while none of the earmarked payments may currently be so used.

VARIATION NO. 3-D

A. Summary

If shared revenues on any Federal lands do not amount to 25 cents/acre per year, in-lieu tax payments should make up the difference.

B. Distinctive Characteristic or Effect

This proposal's peculiar difference is that it attempts to establish a "floor" under Federal payments while preserving all those PILT and RS programs which result in higher payments to state-local governments. As such it is one which would give state-local governments the best of two worlds.

VARIATION NO. 3-D (cont'd)

The effect on Section 10 lands would be substantial increases in the Federal payments on account of the programs mentioned in the preceding variation and those of the Migratory Bird Act (1966 accruals were 20 cents/acre) and the National Grasslands under the Bureau of Sport Fisheries and Wildlife (1966 accruals were 5 cents/acre).

National forest RS payments have typically averaged from 14 cents/acre to 23 cents/acre during the period 1960-1966. It is noteworthy that for fiscal year 1966 the per acre payments on Section 10 lands have ranged from a low of 1 cent/acre in Alaska to a high of $1.32/acre in Oregon. Hence, if a minimum payment of 25 cents/acre were to be observed, this would result in considerable incremental revenues for a substantial portion of the total acreage. Contrarily, those counties with payments exceeding the minimum would continue to enjoy what amounts to some of the highest per acre benefits available from any current program (only mineral leasing RS payments are of similar magnitude and, in some cases, result in larger per acre payments).

VARIATION NO. 3-E

A. Summary

Counties to have option of receiving a) 25 percent of gross receipts, b) payments in lieu of taxes (assumed to mean at the same level as if lands were in private ownership), c) a flat amount of not less than 10 cents/acre per year on all public domain lands.

B. Distinctive Characteristic or Effect

Similar to the two preceding variations, in that it gives the local government a choice which would result in greater payments, for the most part, than under the present system.

A program which entails three or even more options for the same land would incur considerable administrative difficulties for the land management agencies unless the counties would be required to express their choice upon enactment and changes would not be permitted except at predetermined multi-year intervals.

VARIATION NO. 3-F

A. Summary

Federal Government to pay 25 percent of the stumpage value harvested on national forests or 15 cents/acre for that acreage on which stumpage value was computed.

VARIATION NO 3-F (cont'd)

B. Distinctive Characteristic or Effect

Another variation of the proposal in 3-D except that it is less demanding upon the Federal Government in that the minimum payment per acre is 40 percent less (15 cents versus 25 cents) and that it would apply only to that acreage on which timber is being harvested. Otherwise the effects would be the same and the previously made comments apply. It might be noted that neither of these two proposals, as so many others, reflect state-local government needs, taxes lost or the economic efficiency of the land management programs.

ALTERNATIVE NO. 4

Payments of Taxes or In Lieu Taxes on Federal Lands Exceeding a Specified Share of All Real Property in Any Community

A. Summary

This proposal recognizes the concept of a threshold of uniform size for all communities, i.e. towns, counties, states or some other definable political jurisdiction. It suggests that whenever the quantity of Federal land within a state or county exceeds a certain minimum or is more than a certain percentage of all the land in that jurisdiction, the Federal Government should pay taxes or in lieu of taxes on that portion of its lands which exceed the minima, i.e. those in excess of the threshold.

B. Purpose

The central idea is that a system of Federal payments should be coupled with recognition that every local community should bear, without claims on other communities (via a Federal payment), up to the average burden placed on all communities by the presence of tax exempt Federal lands. Thereby, all or part of the financial burdens upon communities with more than an "average" tax loss would be compensated for by Federal payments.

C. Key Feature

The sponsor suggests the use of a system similar to that employed by Canada which prescribes a threshold equal to four (4) percent of the total property value in any community, i.e. property values exceeding four (4) percent in any community are subject to PILT at the discretion of the Federal Government, but not exceeding about three-fourths (3/4) of what the local tax on the property would be. Similar threshold provisions have been adopted by several states in regard to state owned lands.

D. Probable Advantage

All jurisdictions having Federal lands equal to or more than the threshold value would bear equally the loss of property taxes. The method for compensating for the loss of state-local property taxes for that portion of the Federal properties exceeding the threshold would be uniform for all jurisdictions and prevent the inequalities inherent in the different levels of PILT and RS applicable to the existing system.

E. Probable Disadvantage

Implementation requires the complete and uniformly approached assessment of Federal property values for each jurisdiction which presently or prospectively maintains property tax rolls and levies property taxes.

Communities containing highly productive Federal lands on which revenues are presently shared would obtain greatly reduced Federal payments. Determination of the PILT exempt portion of the Federal land value and the level of PILT, as a percentage of what the taxes would be, is likely to involve a great deal of work by Federal and state-local officials. For this and possibly also other reasons it would be quite difficult to implement this proposal and may take a considerable period of time.

Unless the threshold provisions were to be reasonably large, about five (5) percent or more, the cost to the Federal Government may be higher than current combined PILT and RS payments. Seventy-five percent of full property taxes on all Section 10 lands were estimated to exceed fiscal year 1966 PILT and RS by $96.6 million (see Table ALT-1f, following page 156, ibid).

VARIATION(S) TO ALTERNATIVE NO. 4

VARIATION NO. 4-A

A. Summary

Provides for a threshold of 5 percent of total land area and limits in lieu tax payments to 10 percent of the appraised value of the Federal real property.

B. Distinctive Characteristic or Effect

The establishment of eligibility for PILT when the Federal property is equal to or exceeds 5 percent of the land area is admittedly arbitrary. Moreover, it is in direct conflict with the concept of appraised value which will typically be much higher for improvements, which were to be included under this proposal, than for the land itself. Such threshold provisions are not uncommon though and are in effect in several states.

PILT equal to 10 percent of appraised value could be far in excess of the effective tax rate applicable to private property. This will, of course, depend upon the ratio of appraised value to real or market value. The effective average tax rate on privately owned property, excluding public utility property and motor vehicles, was estimated to be 1.46 percent in 1966 with a high of 2.31 percent and a low of 0.56 percent (see Table ALT-1d, following page 156, ibid).

ALTERNATIVE NO. 5

Increase the States' Share of Revenues under the Mineral Leasing Act (41 Stat. 437, 30 U.S.C. § 191) from 37.5 Percent to 60 Percent

A. Summary

This proposal seeks to change the present distribution formula by paying the states 60 percent of Mineral Leasing Act revenues as compared with the present 37.5 percent, by reducing the portion payable to the Reclamation Fund from 52.5 percent to 30 percent of available revenues. As in the past, 90 percent of total revenues would be distributed while 10 percent continue to be available for the General Fund of the Treasury.1/ Current requirements that the funds be expended solely for schools and roads would be eliminated.

B. Purpose

The objective is to provide the various states with a larger share of the revenues over which they would have sole discretion, as compared with the present system under which the larger share paid into the Reclamation Fund is not necessarily expended in the states in which the revenues were generated. Current "earmarking" would also be removed, allowing the state legislatures to prescribe the application of the shared revenues.

C. Key Feature

Distribution of shared revenues upon a changed percentage basis creates no administrative problems. It is the type of change most readily implemented. Removal of the education earmarking provision by substitution of the discretion of state legislatures also poses no new problems of any significance to the Federal agencies. As state legislatures decide upon their "earmarking", the Federal land management agencies may wish to be apprised of these state laws and become aware of them. Such would then enable Federal agencies to ascertain the priorities set by state governments and relate these to other public land associated assistance programs. (Typically, as was found in a recent research project, Federal land management agencies do not verify whether in fact earmarked PILT or RS funds are being expended for the designated putposes.)

D. Probable Advantage

Payments to the states in which the revenues were generated would rise substantially; the change in the formula represents a 60 percent increase in the states' share. For 1966 this change would have increased the payments

1/ In the case of Alaska, 90 percent of total revenue is shared with the state, only 37.5 percent though is "earmarked" for educational purposes.

to the states by about $28.5 million to a total of about $76 million. On a per acre basis, this would amount to almost $1.25 or about five times the average PILT and RS payment accrued for fiscal year 1966 including those on account of mineral leasing.

This proposal is likely to resolve the dispute with those states in which the bulk of the mineral leasing revenues originate and which feel that too small a share is presently returned to them.

E. Probable Disadvantage

The reduction in revenues paid over to the Reclamation Fund would either reduce the scope of activities funded from this source or, alternatively, increase the costs to the taxpayer. The current 52.5 percent of mineral leasing revenues which are deposited in the Reclamation Fund represent the largest, in fact, almost the entire indirect revenue source (revenues which do not originate from activities of the Bureau of Reclamation). A reduction in the revenues so deposited for fiscal year 1966, as proposed, of $28.5 million would be equal to a reduction of almost 20 percent in the Fund's total receipts from "direct" and "indirect" sources. Recognizing that expenditures for that year exceeded these revenues by over $17 million, the proposed change in formula, had it been applied to the 1966 figures, would have resulted in a deficit of over $45 million (see Volume 2, Appendix 2, ibid).

States which presently participate in shared revenues from mineral leasing derive substantially larger shared revenues than the states without mineral resources on public lands. This proposal would tend to further increase the inequities among state-local governments in terms of the costs of providing public services for or in relation to public lands and the "compensation" such governments receive on account of the tax immunity of the Federal realty.

VARIATION(S) TO ALTERNATIVE NO. 5

VARIATION NO. 5-A

A. Summary

Proceeds from mineral leases on unsurveyed public lands shall be paid to the states wherein the lands are located, based on a formula in which the total payment to a state is the sum of the number of sections per township granted to each state as school lands divided by thirty-six. Expressed differently, the share of the payment to a state would be the amount which bears the same ratio to the total amount available for distribution as the number of sections per township granted to such state as school lands bears to thirty-six.

VARIATION NO. 5-A (cont'd)

B. Distinctive Characteristic or Effect

This proposal relates the "typical" number of land sections granted to states to the payments the state receives by excluding from calculation a threshold which is equal that "typical" number of land sections granted as school lands. The effect of this formula is to prefer those states and townships to which a larger than the "typical" number of land sections have been granted by excluding those with thirty-six sections or less.

VARIATION NO. 5-B

A. Summary

The current payment of 52.5 percent to the Reclamation Fund from the Mineral Leasing Program shall be paid to the state in which the lands are located from which the revenues originated and such monies to be used at the discretion of the state legislators.

B. Distinctive Characteristic or Effect

This proposal, if enacted, would deprive the Reclamation Fund from its largest source of indirect payments and thereby would either put in jeopardy the activities funded by the Reclamation Fund or increase its reliance upon payments from the General Fund of the Treasury.

VARIATION NO. 5-C

A. Summary

All monies received under provisions of the Mineral Leasing Act shall be paid into the Treasury and 90 percent of these monies shall be paid to the states, within whose boundaries the leased lands or deposits are or were located, for the construction and maintenance of public roads or for the support of public educational institutions.

B. Distinctive Characteristic or Effect

While in substance this variation is similar to the preceding variation, it proposes to earmark the funds to be paid to the states differently than at present. The difference is in adding the construction and maintenance of public roads to the permitted uses of the funds.

CONTINUATION OF VARIATION(S) TO ALTERNATIVE NO. 5

VARIATION NO. 5-D

A. Summary

Reallocate all or part of Mineral Leasing Act receipts to (1) the states in which the lands are located, (2) all the states, (3) the Land and Water Conservation Fund, or (4) other purposes.

B. Distinctive Characteristic or Effect

While this variation embodies four distinct variations which can be adopted either singularly or in combination with two or more of them, it is intended to portray that Federal land acquisition, conservation and development is a rival claimant with the states and local governments for the allocation of all or part of the receipts from this public land source. The potential effect of each of these variations is dealt with in other alternatives and variations.

VARIATION NO. 5-E

A. Summary

Increase from 37.5 percent to 40 percent the share of the state from Mineral Leasing Programs and decrease from 52.5 percent to 50 percent payments to the Reclamation Fund.

B. Distinctive Characteristic or Effect

The effects would be similar to those identified in the basic alternative except that the shift of funds would be only 20 percent of the magnitude proposed in the basic alternative.

ALTERNATIVE NO. 6

Distribution of Revenue from Outer Continental Shelf Mineral Receipts

A. Summary

This alternative is conceived of as a method for sharing of the revenues presently accruing to the Treasury from leases and royalties on Outer Continental Shelf lands. It proposes a distribution which would benefit (a) the states designated as OCS states and (b) all the states. While the former would share 37-1/2 percent of the revenues collected from OCS areas "facing" these states, the latter would share the remaining 62-1/2 percent in proportion to the population in each state, including the OCS states, to the total U.S. population.

B. Purpose

The intention is (a) to compensate the OCS states for the burdens, if any, borne by them and their local governments because of the offshore prospecting and pumping activities, i.e. the use of public facilities such as roads, bridges, etc. by persons engaged in offshore mineral extraction and (b) to provide all the states with additional revenues to which they are entitled by virtue of the national heritage.

C. Key Feature

All revenues accruing from OCS activities would be placed in a central fund with one Federal agency designated as the distributing authority. First, all OCS states -- California, Florida[1/], Louisiana, Oregon, Texas, Washington -- would receive 37-1/2 percent of revenues collected from the lands "facing" their states. The balance would be apportioned among all the states based on each state's population as a percentage of total U.S. population.

D. Probable Advantage

This proposal is not a substitute for any existing PILT or RS program. Hence, its adoption would amount to a net increase in state governmental revenues. In 1966 the proposed distribution of OCS revenues would have amounted to a total of $248 million. The share of the OCS states would have amounted to over $128 million or more than half of the total 1966 Federal receipts from OCS royalties and bonuses. The payments to the OCS states could be expected to provide incentives for these states to facilitate access to the OCS lands "facing" their states and generally to utilize some of their resources for any improvements in or relating to the extraction of minerals from the OCS because any increase in economic activities on the OCS lands would directly benefit them.

1/ No revenues have been obtained from the OCS "facing" Florida through 1966.

E. Probable Disadvantage

The distribution of funds which presently accrue to the Treasury would result in a net reduction in General Fund receipts. The proposed formula is arbitrary. In the absence of documented determinations of specific financial burdens incurred by the OCS states as a result of the activities on OCS lands "facing" them, there is no apparent justification for the distribution of a larger share of the revenues to these states as compared with all other states.

ALTERNATIVE NO. 7

Revenue Sharing Payments from Nominal Receipts Derived from Wildlife Refuges to Be Increased to 75 Percent

A. Summary

This proposal provides for an increase in RS derived from wildlife refuges to 75 percent of gross receipts as opposed to the current 25 percent of net receipts.

B. Purpose

The objective is to increase payments to local governments for earmarked purposes to a level compatible with the payments authorized on flood control project lands as administered by the Corps of Engineers.

C. Key Feature

This proposal embodies two basic changes in the present system. It changes the percentage of shared revenues by increasing them threefold and secondly it removes the currently authorized deduction from the receipts of any necessary expenses incurred in connection with the sale or disposition of refuge products or granting of privileges, i.e. it proposes to share with recipient counties 75 percent of gross receipts.

D. Probable Advantage

Implementation of this proposal would result in payments to recipient counties at slightly over three times the rate of present receipts for revenue sharing while it would remove current PILT on acquired refuge lands. For fiscal year 1966 this would have increased local government receipts, in the counties in which the applicable lands are located, by approximately $3,000,000, resulting in an average per acre payment of about 60 cents.

Administration of the system proposed is feasible within the existing framework. No new administrative machinery is necessary as the changes can be accommodated by a simple directive to the Bureau of Sport Fisheries and Wildlife, the Federal land administering agency.

E. Probable Disadvantage

The major indicated disadvantages include: 1) cost to the Federal government will be increased in direct proportion to the increase of payments to local governments, 2) the cost of administering sales of products and granting of privileges on refuge lands would have to be borne in their entirety by the Federal Government, and 3) the proposal fails to remove earmarking provisions which, in the view of most county government officials, are considered to be undesirable.

VARIATION(S) TO ALTERNATIVE NO. 7

VARIATION NO. 7-A

A. Summary

This proposal intends to supersede Section 401 of 16 USC § 715, the Migratory Bird Conservation Act of 1964, by providing annual in-lieu-tax payments equal to one percent of the adjusted true value, as determined by the Secretary of the Interior, of the lands comprising any wildlife refuge. Such payments would be made to the counties in which the lands are located and would be earmarked for schools and roads. The meaning of adjusted true value is not defined; however, it might be interpreted as implying that the lands be reassessed periodically, generally in line with the practices in each of the affected counties.

B. Distinctive Characteristic or Effect

This changes the current system of RS and PILT, the latter on acquired lands only, to a uniform rate of PILT which is based on an adjusted value for the lands. Because the adjusted value is likely to be higher than current land values, and the rate is one-third higher than the present PILT, this proposal could be expected to result in larger payments to the various counties. It would also entail a more expansive administrative machinery than the present system requires. Finally, it would produce greater uniformity in the treatment of counties containing refuges.

VARIATION NO. 7-B

A. Summary

When removals of property from the tax rolls for refuges result in serious local revenue losses, a 10-year declining transition payment should be made, reaching a 50 percent tax equivalency payment in the tenth year and keeping it constant thereafter.

B. Distinctive Characteristic or Effect

The term "serious" revenue loss is not defined in the proposal and leaves the determination of where payments should be made in an ambiguous manner. Further, there is no rationale offered why a declining scale of payments rather than full compensation for tax revenue lost is proposed. The direct effect upon state-local revenues would be an increasing loss, while payments under the current combined PILT and RS programs have increased from about 10 cents per acre in fiscal year 1965 to 20 cents per acre in fiscal year 1966.

CONTINUATION OF VARIATION(S) TO ALTERNATIVE NO. 7

VARIATION NO. 7-C

A. Summary

Payments to counties to be equal to one percent of the cost of the refuge lands, excluding improvements and as adjusted by the Secretary of the Interior, at the election of counties. Also for refuges located in more than one county, payments to be divided among all the counties in which a refuge is located in proportion to the acreage in each.

B. Distinctive Characteristic or Effect

The first part of this proposal is similar to a preceding one, except that it gives counties the option of accepting the one percent of land cost or the current RS payments. Cost of land obviously can only be applied to acquired lands. The second part of this proposal deals with an allocation method which is generally followed currently by most land administering Federal agencies.

ALTERNATIVE NO. 8

Per Capita Payments or Payments of a Fixed Sum for Each Person Living or Working on Federal Property

A. Summary

This approach provides for a PILT payment of a fixed amount for each person living or working on Federal lands. Various methods for calculating the amounts to be distributed to state-local governments in compensation of lost property taxes are offered.

B. Purpose

To provide a proportionate share of that cost of state-local governmental services which is typically defrayed from the levy of property taxes. Federal payments under this proposal might be related to the costs of providing specific public services, which are typically met from property tax revenues and which merit Federal support and encouragement.

C. Key Feature

Assuming that there exists a direct relationship between the cost of public services and the number of people obtaining such services, this proposal attempts to interrelate the Federal payment, property taxes or in-lieu thereof, to this phenomenon. Hence, the methods for implementation would require the establishment of a) formulas for calculating the per unit payment and b) the units, i.e. applicable population to which the formulas must be applied.

D. Probable Advantage

The Federal contribution to the cost of providing state-local public services would not be dependent upon the quantity of land and in view of the low density population on and around most Federal acreages the aggregate payments might be reduced from current levels. Administration might be relatively simple because population and/or employment figures are available from other sources. The land management agencies would not necessarily be involved in administering the program.

E. Probable Disadvantage

It is questionable whether any uniform population to cost of services ratio can be developed. Unless such were the case, the Federal contribution would fall short of the intent. Areas with large Federal holdings typically incur inordinately high costs for a variety of public services including maintenance of highways, law enforcement and education. This proposal provides neither insight nor insurance that the fixed sum would at least be commensurate with the revenue which would accrue from private land ownership. (The sponsor who has provided some articulation of other alternatives advanced by him has not detailed this proposal beyond the basic concept.)

VARIATION(S) TO ALTERNATIVE NO. 8

VARIATION NO. 8-A

A. Summary

When Federally owned lands are sold ten (10) percent of the proceeds should be paid to the educational agencies in the jurisdiction in which the lands are sold.

B. Distinctive Characteristic or Effect

Educational agencies rely in large measure upon property taxes for their revenues. When the Federal Government sells any of its land holdings, it is likely that such lands will then become part of the property tax base; hence there is a potential advantage to the local agencies resulting from the sale. Yet, the sponsor of this variation proposes that despite the predictable beneficial effect of the sale, ten percent, rather than the current five percent, of the proceeds be shared with the "earmarked" recipient.

VARIATION NO. 8-B

A. Summary

Repeal the provision of PL 89-750 requiring that monies received by school districts from national forests be deducted from otherwise eligible grants under the School Impact Program, PL 81-874.

B. Distinctive Characteristic or Effect

It is asserted that school impact funds are meant to be a net addition to school districts' revenues and therefore such should not be diminished by earmarked revenue sharing payments. Since RS payments are calculated on the basis of Federal acreage while the complex formulas for impact funds are mostly based on the presence of employment, general and school population, it is evident that the two programs are not necessarily providing benefits for the same local disability, though, at least in part, they appear to be directed at the same revenue deficiency.

VARIATION NO. 8-C

A. Summary

Federal Government should make payments in lieu of school taxes to local school authorities in all situations in which Federal employees reside on tax exempt Federal office buildings, courthouses, custom houses, laboratory testing stations, mints and prisons. The level of payment to be equal to a fair tuition charge for each pupil residing on these Federal properties and attending public schools maintained by local taxing authorities.

VARIATION NO. 8-C (cont'd)

B. Distinctive Characteristic or Effect

This proposal subjects those tax immune properties to a PILT payment which in other proposals were specifically exempted because of their broad service functions. Also it suggests that the level of PILT not be related to foregone taxes but rather to the cost for providing a specific public service -- education -- to Federally connected pupils.

VARIATION NO. 8-D

A. Summary

Reimburse local school authorities for such portion of their tax revenues as is lost due to the Federal acquisition of property and which revenue was earmarked for the (partial) retirement of the authorities' indebtedness on educational plant.

B. Distinctive Characteristic or Effect

The Federal payment proposed is contingent upon two factors: 1) it applies only to lands acquired and removed from the tax rolls; and 2) is due only if the lost taxes were meant to discharge then existing debt obligations. Hence, the proposal gives no recognition to or attempts to accommodate in any way a school board's revenue deficiencies for ongoing costs of education. In the positive sense, this proposal recognizes the potential consequences resulting from the removal of budgeted revenues for debt service and would require the Federal Government to carry its proportionate share so as not to impair the credit of the school board(s) from which the revenues were removed.

ALTERNATIVE NO. 9

Restrictions on the Use of Shared Revenues Should Be Abolished

A. Summary

This proposal provides for the removal of all current provisions which earmark revenue sharing payments from any such program for the exclusive use for schools and roads.

B. Purpose

This proposal suggests that the current earmarking provisions are more of a restriction than a benefit and therefore they should be abolished, thereby allowing local government officials to apply the funds obtained from the various RS programs to their greatest needs.

C. Key Feature

Of the nine active RS programs for which payments on Section 10 lands were made for fiscal year 1966, about 98.5 percent of these payments were restricted to use for schools, roads and other improvements; over $91 million of the total $92 million accrued during fiscal year 1966 were so restricted. However, these restricted funds represented only 0.2 percent of state and local government expenditures of almost $46 billion for highways and education. Hence the abolishment of earmarking provisions is of relatively insignificant consequence from local governments' points of view, yet for selected local governments for which earmarked funds represent a substantially larger share of their total expenditures, such abolishment would facilitate their provision of a more balanced package of public services. Implementation poses no peculiar requirements and can take effect immediately upon authorization.

D. Probable Advantage

The major advantage of this proposal is to allow those local governments for which earmarked funds represent a substantial share of total local government revenues to apply them to those uses representing the greatest needs. Additionally, those local governments which are entitled to other Federal grants towards the cost of providing public services would not continue to lose that share of such other grants which is currently deducted by virtue of earmarked RS payments. Overall, the removal of earmarking provisions would accord to RS payments the same flexibility for local governmental use as such governments presently enjoy for the use of property taxes. Additionally, this proposal removes the responsibility of audit from the Federal land management agencies as to the application of earmarked funds, an obligation which, as study in some 50 counties has shown, is not carried out.

E. Probable Disadvantage

None.

ALTERNATIVE NO. 10

Federal Government Should Make Annual Payments Based on the Value of National Forest Lands

A. Summary

This proposal suggests that either in addition to or as a replacement of the current revenue sharing provisions applicable to national forests, the Federal Government should make annual payments which are equal to 1 percent, 2 percent or 3 percent respectively of the fair value of national forest lands and such payments to be made for the benefit of the counties in which such lands are located.

B. Purpose

The objective of this alternative (three separate legislative proposals all introduced in the 81st Congress are discussed herein as one proposal) is to provide additional revenues to compensate local and state governments for the loss in tax revenues caused by the immunity to taxation of national forest lands.

C. Key Feature

All national forest lands would be valued by the Secretary of Agriculture and varying percentages of the then established value paid to the local governments. While each of the specific legislative proposals identify one uniform percentage, the proposals mention 1 percent of fair value, 2 percent and 3 percent respectively. The proposal recommending the 2 percent payment level also provides that in addition to the in lieu tax payment, gross revenues received under any permit, lease, license or other agreement for the use of or removal of gas, coal, oil and other minerals from national forest lands not subject to the provisions of the Mineral Leasing Act of 1920 be shared with state-local governments in that 37-1/2 percent of such gross receipts be paid over to them without restriction on the use of such monies.

D. Probable Advantage

Any variation of this alternative which provides for the continuation of RS payments and the additional PILT would increase state-local governmental revenues and thereby ease their revenue deficiencies. Though assessment of forest land values, including the timber stands, is a complex matter and requires periodic revision, vesting the authority for such valuation in the Secretary of Agriculture rather than valuation committees comprised of representatives of the Federal, state and local governments might facilitate the administration of this proposal.

ALTERNATIVE NO. 9

Restrictions on the Use of Shared Revenues Should Be Abolished

A. Summary

This proposal provides for the removal of all current provisions which earmark revenue sharing payments from any such program for the exclusive use for schools and roads.

B. Purpose

This proposal suggests that the current earmarking provisions are more of a restriction than a benefit and therefore they should be abolished, thereby allowing local government officials to apply the funds obtained from the various RS programs to their greatest needs.

C. Key Feature

Of the nine active RS programs for which payments on Section 10 lands were made for fiscal year 1966, about 98.5 percent of these payments were restricted to use for schools, roads and other improvements; over $91 million of the total $92 million accrued during fiscal year 1966 were so restricted. However, these restricted funds represented only 0.2 percent of state and local government expenditures of almost $46 billion for highways and education. Hence the abolishment of earmarking provisions is of relatively insignificant consequence from local governments' points of view, yet for selected local governments for which earmarked funds represent a substantially larger share of their total expenditures, such abolishment would facilitate their provision of a more balanced package of public services. Implementation poses no peculiar requirements and can take effect immediately upon authorization.

D. Probable Advantage

The major advantage of this proposal is to allow those local governments for which earmarked funds represent a substantial share of total local government revenues to apply them to those uses representing the greatest needs. Additionally, those local governments which are entitled to other Federal grants towards the cost of providing public services would not continue to lose that share of such other grants which is currently deducted by virtue of earmarked RS payments. Overall, the removal of earmarking provisions would accord to RS payments the same flexibility for local governmental use as such governments presently enjoy for the use of property taxes. Additionally, this proposal removes the responsibility of audit from the Federal land management agencies as to the application of earmarked funds, an obligation which, as study in some 50 counties has shown, is not carried out.

E. Probable Disadvantage

None.

ALTERNATIVE NO. 10

Federal Government Should Make Annual Payments Based on the Value of National Forest Lands

A. Summary

This proposal suggests that either in addition to or as a replacement of the current revenue sharing provisions applicable to national forests, the Federal Government should make annual payments which are equal to 1 percent, 2 percent or 3 percent respectively of the fair value of national forest lands and such payments to be made for the benefit of the counties in which such lands are located.

B. Purpose

The objective of this alternative (three separate legislative proposals all introduced in the 81st Congress are discussed herein as one proposal) is to provide additional revenues to compensate local and state governments for the loss in tax revenues caused by the immunity to taxation of national forest lands.

C. Key Feature

All national forest lands would be valued by the Secretary of Agriculture and varying percentages of the then established value paid to the local governments. While each of the specific legislative proposals identify one uniform percentage, the proposals mention 1 percent of fair value, 2 percent and 3 percent respectively. The proposal recommending the 2 percent payment level also provides that in addition to the in lieu tax payment, gross revenues received under any permit, lease, license or other agreement for the use of or removal of gas, coal, oil and other minerals from national forest lands not subject to the provisions of the Mineral Leasing Act of 1920 be shared with state-local governments in that 37-1/2 percent of such gross receipts be paid over to them without restriction on the use of such monies.

D. Probable Advantage

Any variation of this alternative which provides for the continuation of RS payments and the additional PILT would increase state-local governmental revenues and thereby ease their revenue deficiencies. Though assessment of forest land values, including the timber stands, is a complex matter and requires periodic revision, vesting the authority for such valuation in the Secretary of Agriculture rather than valuation committees comprised of representatives of the Federal, state and local governments might facilitate the administration of this proposal.

E. Probable Disadvantage

Provided current RS payments would continue, the additional PILT would require considerable additional Federal expenditures, especially in counties comprising the more productive national forests. Federal payments, including those available under other Federal land-related assistance programs, are likely to exceed the revenues which these governments would obtain if the lands were in private ownership. Comparing the percentage of revenue shared plus the PILT on national forest lands, as proposed herein, with that accorded other Federal lands from which revenues are shared or on account of which in lieu tax payments are made, it appears that this proposal would result in a more favorable treatment than is presently accorded such other lands although the sharing formula for mineral leasing revenues, as proposed herein, would only equalize mineral leasing payments from forest lands with those made under the Act of 1920.

VARIATION(S) TO ALTERNATIVE NO. 10

VARIATION NO. 10-A

A. Summary

Distribution of 25 percent of gross revenues from national forests to all counties containing national forest acreage in the same proportion the total available funds bear to the ad valorem value of all applicable Federal lands.

B. Distinctive Characteristic or Effect

This proposal embodies two distinctive features, (a) it refers to gross revenues, and (b) the distribution is not on a straight acreage basis but on a land value basis. The difference between gross and net revenue, while not defined in this proposal, is commonly interpreted to mean those funds which are set aside under the K-V Act and those expended for timber harvest road construction and maintenance (see pp, 187, ibid).

Distribution of shared revenues on a land value basis necessitates, in the first place, that the land values would have been established, which is currently not the case for a large part of the national forest lands. Moreover, application of this concept could be expected to result in substantial shifts of RS payments among the counties as the value of the land is unrelated to where the timber harvest takes place. Over the long run, it is reasonable to expect that the more valuable lands, in terms of timber resources, would also be those on which the bulk of the revenues will originate. Conversely, it is not inconceivable that some of these valuable lands will be conserved for other than timber harvest purposes. In such cases, relatively large amounts would have to be paid to counties in which no revenues originated.

CONTINUATION OF VARIATION(S) TO ALTERNATIVE NO. 10

VARIATION NO. 10-B

A. Summary

Receipts from timber sales on national forests to be pooled and distributed among counties in proportion to the value of national forests standing timber in each. Such payments to be restricted to one-half of one percent of the timber value plus nontimber receipts from national forests to be returned in full to the county of origin.

B. Distinctive Characteristic or Effect

Pooling of all timber receipts and their redistribution on a formula basis would tend to stabilize annual payments. The limit proposed may result in higher or lower payments than under the present RS program. Until the value of timber stands is assessed it is infeasible to determine the effect upon each county and in the aggregate. Nontimber revenues on national forests are generally of small magnitude. However, there are exceptions, especially where mineral leases have been granted and in these cases the effect could be substantial incremental Federal expenditures to the affected counties.

VARIATION NO. 10-C

A. Summary

Revenues from national forests should be distributed to local governments based on gross rather than net revenues.

B. Distinctive Characteristic or Effect

The effect of this proposal would be to reduce the amounts available for timber harvest road construction and possibly the amounts for reforestation, as counties would share the amounts either deducted or separately deposited by timber purchases for these purposes; the latter is the current procedure under the K-V Act. In fiscal year 1966, 25 percent of the amounts so separately deposited and deducted from the timber price and by which revenue sharing payments would have been increased were estimated to be $19.6 million or 46.5 percent of the accrued payments to all states.

VARIATION NO. 10-D

A. Summary

Counties in which national forests are located should have the option of sharing 25 percent of gross receipts (equal to the preceding variation) or 25 percent of net revenues plus 10 cents per acre of forest lands located in each county, whichever is greater.

VARIATION NO. 10-D (cont'd)

B. Distinctive Characteristic or Effect

The option proposed herein would have the effect of increasing the payments to counties either on the basis as set forth in the preceding variation or by flat payment per acre. For fiscal year 1966 the effect of the latter would have been increased payments of $18.2 million, a somewhat lesser amount than if payments were shared on the basis of gross receipts. If counties elected to receive the larger of the amounts available under each option, the aggregate increase would have exceeded that which would apply to each option separately.

VARIATION NO. 10-E

A. Summary

For new acquisitions of lands for national forests, Federal Government should continue to pay the amount of taxes which were obtained by local governments prior to Federal land acquisition. Such tax equivalency payments to continue for ten years and thereafter 25 percent of gross revenues to be shared or 35 cents per acre, whichever the greater. Such payments to be made to the counties in which the lands are located for the free use of county governments.

B. Distinctive Characteristic or Effect

The first part of this variation represents a transition period payment needed to prevent local tax revenue deficiencies which can arise when young or relatively unproductive forests are removed from the tax rolls. The second part, providing for an option to receive RS payments or 35 cents per acre is similar in concept to the two preceding variations. In fiscal year 1966 the average payment per acre, if gross revenues had been shared, would have amounted to 34 cents per acre, i.e. an amount very close to that proposed as the minimum herein.

VARIATION NO. 10-F

A. Summary

Twenty-five percent of all monies deposited by purchasers of resources from national forests to be disbursed to states.

VARIATION NO. 10-F (cont'd)

B. Distinct Characteristic or Effect

The intention of this proposal is to share with the states all monies deposited in the year in which such deposits were made although some share of such deposit may be applicable to the payment of timber to be harvested in a future year. Over time the implementation of this concept would tend to become immaterial as the revenues available for sharing in later years would be reduced by the initial deposits which were previously shared.

Another type of deposit to which this variation might be applied is the deposit to the Knutson-Vandenberg Fund typically required of timber purchasers. If these were the case, the effect would be similar, in part, to that in variation No. 10-A, i.e. sharing of gross versus net revenues.

VARIATION NO. 10-G

A. Summary

All receipts from Federal timber sales and special uses of land should be deposited in the Federal Treasury and appropriations made by Congress for all purposes for which state-local property taxes are typically used.

B. Distinctive Characteristic or Effect

The intention might be to provide state-local governments with full tax equivalency and recognizing that the revenues obtained from timber sales and special uses might not suffice to fund full tax equivalency, this proposal provides for Congress to appropriate the required amounts. The effects of this proposal, if interpreted to mean that Congress would appropriate funds equal to full tax equivalency,would be similar to those dealing specifically with that concept, except that this proposal is limited to national forest lands.

VARIATION NO. 10-H

A. Summary

Gross receipts from national forests to be separated by (1) forest receipts, and (2) others, such as grazing and special use fees; payments to states to be 25 percent of the 5-year average receipts in both classes. However, the receipts from forest products to be limited to 1/2 percent of the

VARIATION NO. 10-H (cont'd)

timber value of national forests in the state. Additionally, transitional payments to be made on newly acquired lands for national forests at the effective property tax rate at time of acquisition with an annual reduction in the cost base by 1/10 each year so that transitional payments cease after 10 years.

B. Distinctive Characteristic or Effect

The limitation in the distribution of receipts from forest products has the effect of reducing payments in counties with large-scale timber harvests. Segregation of nontimber receipts, while they are shared by the same percentage as timber receipts, does not appear to accomplish any notable purpose. The transitional payments are intended to reduce tax revenue deficiencies, especially where young and/or unproductive forest lands are acquired by the Federal Government.

VARIATION NO. 10-I

A. Summary

The value of national forest timber exchanged for private or state owned land should be shared with states and counties.

B. Distinctive Characteristic or Effect

The intention is to increase the revenues available for sharing by the value of "paper transactions" as a result of which exchanges of valuable properties have taken place but no payments have been made, and therefore such values are currently excluded from the amounts available for sharing. If this proposal were implemented, it would result in additional Federal expenditures as RS payments would be made for which no cash receipts have been obtained.

VARIATION NO. 10-J

A. Summary

Make a minimum acreage payment on national forest lands based on a graduated scale ranging from 1 cent to 5 cents per acre and based on some logical classification of the lands involved. Continue to make current RS payments and where such exceed the minimum fixed payment reduce them by the latter so that no county would receive more than the amount available under the RS payments formula

VARIATION NO. 10-J (cont'd)

B. Distinctive Characteristic or Effect

Similar to other proposals, the effect of this variation is to assure that all counties in which national forest lands are located would receive an annual minimum payment even when the economic activities upon such lands, i.e. timber harvests, grazing, etc., are of such low volume that no payment at all or a lesser payment than the minimum suggested would otherwise result. This concept is particularly applicable to young forests and reforested lands and it would overcome, at least in part, the tax revenue difficiency which is experienced under the present system for such lands.

ALTERNATIVE NO. 11

All Revenues Accruing from the Economic Activities upon Public Lands to be Placed in a Central Fund and Distributed to States or Counties after Deduction of Federal Program Costs

A. Summary

This proposal envisages that the gross revenues accruing from the various economic activities upon public lands, e.g. grazing, mineral leasing, timber harvest, etc., would be placed in a central fund created especially for that purpose. Out of this fund the expenditures of the Federal land management agencies which are applicable to the management of revenue producing activities would be paid. Such deductions from the fund would include amortization of capital expenditures (as opposed to operating expenditures). The balance in the fund would be distributed each year to the states upon a valuation reflecting the relative Federal land values present in each state in proportion to the total value of all the Federal lands in all the states.

B. Purpose

The primary objective is to make payments to the states to compensate them for the lost tax revenues on a basis which reflects the ability of the Federal lands to produce income and which is also the basis for establishing the value of such lands.

C. Key Feature

This concept would also provide an incentive to both Federal and state-local governments to maximize the economic efficiency of land management practices, and the facilitation of maximizing economic activities upon the Federal lands. Implementation of the proposal requires the establishment of a new central administrative machinery with the primary responsibility of establishing the land values in each state and the collection and distribution of the central fund revenues.

D. Probable Advantage

Payments would bear a consistent relationship to total acreage of public land in each state and its average economic value. To the extent that revenues tend to increase, payments to the states would increase over time consistent with the increased values of the total public land resources. Redistribution of net revenues on an average-productivity value basis would tend to spread the benefits of a chance geographic location of natural resources on the public lands among other states. Restricting program costs to charges which are germane to the production of "market goods" will relieve the taxpayer from financing such programs independently of revenue produced by them.

E. Probable Disadvantage

Payments to states will not necessarily equal or approximate tax revenues if the lands were privately owned. Payments would also tend to fluctuate with the variation in the prices for public land resources and the quantities sold in any year. The current absence of adequate cost accounting records would require an interim estimate of cost-revenue relationships. Also the disaggregation of joint cost items, e.g. such as those made for multi-purposes and including non-"market" goods land uses. It is unclear how the limitation of revenues for land management might affect the Federal agencies' long-term programs.

Note: The potential effects of this alternative were applied to the fiscal year 1966 revenues and compared with accrued PILT and RS payments to states. Based on gross receipts of $374 million under the then existing PILT and RS programs, about $93 million were accrued for payments to states while under the central fund proposal about $247 million might have been accrued for payments to the states.

VARIATIONS TO ALTERNATIVE NO. 11

VARIATION NO. 11-A

A. Summary

All revenue sharing receipts should be deposited in the "Land and Water Conservation Fund" and redistributed to the states according to the formula applicable to that Fund.

B. Distinct Characteristic or Effect

The formula applicable to the Land and Water Conservation Fund (16 U.S.C. § 460L, 5-8, 78 Stat. 897) provides for participation in the distribution of revenue by all states. Besides providing each state in the Union an equal share, the formula also recognizes the variance in state populations, special state needs and expenditures in the accommodation of out-of-state visitors. Application of the formula is relatively simple and would create no new administrative burdens upon states and Federal land management agencies. The rationale for this proposal, however, is totally unresponsive to states' and local governments' financial needs arising from the presence of Federally owned lands in their jurisdictions. The formula also gives no recognition of or advantage to a state with much Federal land as opposed to one with little or no Federal tax immune land. In short, it is unrelated to the tax immunity of public lands.

VARIATION NO. 11-A (cont'd)

Note: The effect of this proposal was tested by applying 50 percent of the gross revenues obtained from Section 10 lands in 1966 to the distribution formula. While in the aggregate, about $94.7 million more would have been distributed to all the states, eight states would have received $52.3 million less than was accrued for them, while the remaining 42 states would have shared an aggregate increase of about $147 million.

VARIATION NO. 11-B

A. Summary

Pool current receipts accruing from public lands and distribute the current shares of such revenues to public land states based on the percentage of public lands located in the various states.

B. Distinctive Characteristic or Effect

The distribution of shared revenues on the basis of the percentage of public land in each state as opposed to the relative value of the public land in each state fails to reflect the concept inherent in the assessment of ad valorem taxes. Yet, this proposal intends to compensate the states for the loss of property taxes which would be obtained if the lands were in private ownership.

VARIATION NO. 11-C

A. Summary

Revenues from the use or sale of public lands should be placed in the Land and Water Conservation Fund and distributed to states by the formula applying to this Fund.

B. Distinctive Characteristic or Effect

The emphasis in this variation is on the private use and sale of Federal lands as opposed to the purchase by private parties of market value goods obtained from Federal lands. If this proposal were implemented, the distribution of revenues would no longer be related to the states and counties in which such revenues originated. Consequently, it would reduce the current level of revenue sharing payments in the counties from which such revenues obtain. It is also unrelated to the tax revenue lost by state-local governments due to the immunity of the Federal lands.

ALTERNATIVE NO. 12

State and Local Taxation Should Be Permitted on Properties Acquired by Federal Government Since January 1939 for National Parks and Monuments

A. Summary

This proposal provides for the continuation of taxation by state and local governments on properties which since 1939 were acquired by the Federal Government for dedication as national parks and monuments.

B. Purpose

The intention of this proposal is to maintain the tax base of states and counties at their pre 1939 levels to the extent that such were and will be affected by the purchase of lands for dedication as national parks and monuments or the expansion of such existing Federal facilities. At present such acquired lands are not subject to PILT or RS payments and a net loss in state-local tax revenues is incurred wherever such land purchases have taken place.

C. Key Feature

The acquired properties would be valued, for tax purposes, at their purchase prices. To these the standard assessment and tax rate formula would be applied. To the extent that assessment and tax rate formula for any state and county in which such lands are located change from time to time, the tax due from the Federal Government would likewise change. The administrative machinery needed for the implementation of this proposal is readily available. However, it would be necessary to establish procedures to verify the correctness of tax bills prepared by the taxing jurisdictions and submitted to the Federal land management agency, i.e. a normal audit procedure.

D. Probable Advantage

This proposal would remove an inequity which is experienced by state-local governments in each Federal land acquisition for national parks and monuments. Because the proposal is intended to provide state-local governments with the same tax revenues which were and would be obtained if the lands remained in private ownership, it is likely to remove state-local objections to such land purchases.

E. Probable Disadvantage

The payment of taxes by the Federal Government would incur additional Federal expenditures. National parks and monuments through the expenditures made by visitors to these facilities typically provide economic benefits to the communities surrounding these facilities just as they also

cause additional burdens for the provision of increased local public services. This proposal does not attempt to establish whether a net benefit or net disbenefit results for state-local governments, beyond the direct tax revenue loss, and therefore does not necessarily provide for an equitable treatment of state-local government finances. Such consideration, of course, is also not reflected in other PILT proposals. It is mentioned here because the contention has been advanced that the indirect economic benefits realized by communities having national parks and monuments offset, at least in part, the loss of property taxes to them.

VARIATION(S) TO ALTERNATIVE NO. 12

VARIATION NO. 12-A

A. Summary

On public lands dedicated to national park or national monument purposes since 1939 which at the time of such dedication were subject to revenue sharing payments, such payments reflecting the average annual shared revenue should be continued.

B. Distinctive Characteristic or Effect

This proposal would maintain an average payment, as obtained during the years immediately preceding the dedication of hitherto revenue sharing lands, to national parks or monuments although the revenues may no longer be obtainable; consequently, new Federal expenditures might be entailed. Maintaining the level of payments at the "average" is not necessarily equitable because experience has shown that RS payments tend to vary substantially and have shown large increases for the types of lands which are typically dedicated to national parks.

VARIATION NO. 12-B

A. Summary

On lands dedicated to national parks and monuments since 1939, which were subject to local taxation at the time of acquisition, payments in lieu of taxes to be made for the benefit of local taxing districts.

B. Distinctive Characteristic or Effect

This proposal is similar to the basic alternative. However, it does not remove the tax exempt status of Federal properties and provides for PILT rather than outright tax payments.

CONTINUATION OF VARIATION(S) TO ALTERNATIVE NO. 12

VARIATION NO. 12-C

A. Summary

Counties to be paid three-fourths of one percent of the market value of lands acquired for national parks and monuments. Fair market value is defined as the acquisition costs to the Federal Government.

B. Distinctive Characteristic or Effect

This proposal is similar to the existing PILT program applicable to acquired lands for wildlife refuges. An annual payment equal to three-fourths of one percent of the value of acquired lands is on average one-half the property tax which would be due from Section 10 lands if they were in private ownership (see Table ALT-1d, following page 156, Ibid). Hence, state-local governments would only be partially reimbursed for the tax revenue loss resulting from the Federal land acquisition.

VARIATION NO. 12-D

A. Summary

Five annual payments each representing three-fifths of one percent of the value of land acquired for the creation of Redwood National Park to be made to Del Norte County, California.

B. Distinctive Characteristic or Effect

This proposal seeks to provide partial reimbursement for the tax loss which would result from the removal of privately owned lands from county tax rolls by the creation of Redwood National Park. The limitation of the payment period to five years anticipates that thereafter visitors' expenditures would compensate for the loss of tax revenues.

VARIATION NO. 12-E

A. Summary

On lands acquired for the establishment of the Oregon Dunes National Seashore in lieu tax payments should be made to counties and other taxing jurisdictions whithin whose boundaries the acquired lands are located. Such payments to be made annually as follows: a) for the calendar year of acquisition a prorated full tax equivalency, b) for the two full years thereafter also full tax equivalency as established prior to acquisition, c) thereafter full tax equivalency reduced by 10 percent each year. No payments are

to be made on account of any lands for which the Federal Government does not hold full title. Any national forest lands transferred to the National Seashore should continue to be treated as heretofore in calculating the distribution of RS payments among the counties. All provisions of the proposal are to cease 25 years after enactment.

B. Distinctive Characteristic or Effect

This proposal attempts to prevent the occurrence of local tax revenue deficiencies in the year of land acquisition by the Federal Government and the two years following. On the assumption that thereafter economic benefits will accrue to the local taxing jurisdictions from visitors to the National Seashore, the level of PILT is proposed to decline each year. There is, of course, no assurance that no revenue deficiencies would result nor is there any provision to accommodate any increase in tax rates which might be enacted by the local government during the 12-year period.

Continuing the calculation of national forest RS payments in a manner as if the national forest lands transferred to the recreational use were not so transferred is a provision applied similarly in the creation of the Olympia National Park. It may result in a reduction of shared revenues to all participating counties, because of the reduction in commercial forest acreage. Thereby all the counties located within the same national forest are compelled to share proportionately the reduction in shared revenues and not only the counties within whose boundaries the lands were transferred.

ALTERNATIVE NO. 13

Revenue Sharing Related to Proceeds from Lands Acquired for Flood Control Purposes to Be Limited to 25 Percent of Gross Receipts

A. Summary

This proposal suggests the amendment of the Act of August 18, 1941, "Acquisition of Lands by the Army Corps of Engineers for Flood Control". Shared revenues would be reduced from 75 percent to 25 percent.

B. Purpose

The intention of this proposal is to reduce the revenue sharing rate which was objected to at the time of the original enactment of the current legislation. The Secretary of the Interior then stated that the 75 percent level was not in line with recommendations of the Federal Real Estate Board which had found the 25 percent rate generally satisfactory for flood control lands.

C. Key Feature

The reduction in the revenue shared as proposed herein, for Section 10 and nonsection 10 lands (the available figures are not separable) would result in local governments obtaining only one-third of the current payments. For fiscal year 1966 the revenues accrued would have been reduced by about $1.6 million.

D. Probable Advantage

The reduction of the revenue sharing percentage would result in equalizing the payments made to states for the benefit of the counties with those made under the revenue sharing provisions for national forests. As much of the revenues on flood control lands result from the sale of timber, this proposal equalizes the percentiles for the same products though from different lands. Overall, sharing of revenues from flood control lands are of relatively small magnitude and the proposed reduction is not likely to seriously affect the revenue needs of recipient governments. Inevitable there may be exceptions in the case of counties where flood control lands RS payments were of substantial magnitude.

E. Probable Disadvantage

To the extent that flood control lands also contain mineral deposits on which leases have been granted, the reduction of the RS from mineral exploitation to the 25 percent level puts it in an equitable position vis-a-vis the Mineral Leasing Act administered by the Bureau of Land Management.

Selected counties might be adversely affected by the reduction in revenues for which the proposal does not provide an interim or "phase out" solution.

ALTERNATIVE NO. 14

Annual Payments to Local Governments Equal to the Annual Average Taxes Paid over a Specified Period of Years Prior to Acquisition of Lands by Federal Government

A. Summary

The distinction of this proposal from others providing for tax or in lieu of tax payments is that the level of payments proposed would equal an average for a specified period of years prior to the acquisition of lands by the Federal Government. It would apply to all acquired lands.

B. Purpose

While the objective is similar to other proposals for tax or in lieu of tax payments, the designation of the pay level at a rate which reflects the average tax revenues over a period of time prior to acquisition would generally have the tendency of reducing the annual Federal payment.

C. Key Feature

To implement this proposal it would be necessary to establish records reflecting the tax payments made over a period of years and prior to removal of the affected lands from local tax rolls. Because the proposal sponsor has not defined the period on which the average is to be computed, such period would have to be determined and the records to be established would have to cover such period. Unless a period of more than three to five years were to be accounted for and the acquisition of the lands has occurred more than two to three years ago, experience has shown that property tax documents needed for the establishment of the appropriate documentation may no longer be available or at least extremely difficult to locate.

D. Probable Advantage

Because local property taxes were mostly increased during the current decade, Federal payments which would be required under this proposal are likely to be smaller than if the taxes "lost" at the level just prior to acquisition were to be paid.

E. Probable Disadvantage

A payment system based on average taxes of past years is not likely to be responsive to state-local revenue needs. A rationale for this concept, i.e. payments to be based on an historic average, was not advanced by the sponsor and none appears to be readily justifiable.

VARIATION(S) TO ALTERNATIVE NO. 14

VARIATION NO. 14-A

A. Summary

On lands acquired for military reservations, national parks and national monuments, national forests, grazing lands and wildlife refuges payments should be made to counties equaling 2 percent of the purchase price or appraised valuation at time of land acquisition.

B. Distinctive Characteristic or Effect

The payments proposed would be in lieu of tax payments at a level somewhat in excess of the average tax equivalency for Section 10 lands. The proposal would maintain a constant annual payment, it being based upon the purchase price or valuation at time of purchase and therefore would not reflect any changes in property value and/or local property tax policies as may be necessitated over time.

VARIATION NO. 14-B

A. Summary

On lands acquired by the Federal Government, annual payments of flat percentage of acquisition cost or appraised value of land at time of acquisition to be made until gross receipts subject to RS are considered to be adequate.

B. Distinctive Characteristic or Effect

The proposal does not specify the level of the PILT payment nor what might be considered "adequate" RS payments. Assuming, however, that the level of the PILT payments would be within the range of 0.75 percent to 2 percent, it would be similar to other proposals in that the adequacy of RS payments would be those which approximate the PILT, this proposal, in summary then, would have a similar effect to proposals discussed elsewhere.

VARIATION NO. 14-C

A. Summary

On lands acquired for national forests for 10 years succeeding the acquisition, payments should be made equal to the amount of real property taxes paid on the property the year prior to acquisition.

B. Distinctive Characteristic or Effect

The feature providing for a 10-year period of tax equivalency payments might be to the disbenefit of the recipient governments. For the more productive forest lands, current RS payments exceed the amounts of

VARIATION NO. 14-C (cont'd)

tax revenues which would be due from the same lands if they were privately owned. Also, as property taxes increase over the years the "constant" embodied in this proposal could work a hardship on the local government.

VARIATION NO. 14-D

A. Summary

When the removal of lands from local tax rolls by acquisition for national forests results in a serious local revenue loss, a ten-year declining transition payment should be made with permanent PILT at a level of 50 percent to be made thereafter.

B. Distinctive Characteristic or Effect

"Serious revenue loss" is not defined but might be assumed to mean any amount equal to 1 percent or more of total tax revenue. The declining scale of payments would be justifiable if in addition thereto local governments would also obtain indirect benefits or become eligible to other Federal grants, which are based upon the presence of public land. Similarly, the annual payment of 50 percent tax equivalency could otherwise not be justified as an equitable payment.

VARIATION NO. 14-E

A. Summary

Transition payments should be made for a period of ten years following Federal acquisition of property. Such payments to be full tax equivalent for first two years, then 80 percent thereof for the next two years; sixty percent for next two years, 40 percent for the next two years and 20 percent for the ninth and tenth years. Such payments should be reduced by any RS payments received by the local governments from same properties during a preceding year.

B. Distinctive Characteristic or Effect

The concept herein assumes that within two years of the Federal acquisition RS payments would equal 20 percent or more of the tax loss and thereafter RS payments would increase at a rate which after ten years would be equal to or exceed the local tax loss. In view of multiple use land management, such an assumption might be erroneous. Additionally, the

VARIATION NO. 14-E (cont'd)

Land involved might be of a type which has low economic productivity though it contributed notably to local taxes. Hence, irrespective of multiple use management, such land might not produce revenues which result in RS payments equal to or in excess of the lost taxes.

VARIATION NO. 14-F

A. Summary

In lieu tax payments should be made to the "state tax communities" of property acquired by the Federal Government and which at the time of acquisition produced property taxes which were committed to the discharge of bonded indebtedness for any public improvement.

B. Distinctive Characteristic or Effect

In this proposal the payment in lieu of taxes is limited to those lost tax revenues which were committed to the discharge of an indebtedness which was existing at the time the property was acquired. Hence, the proposal does not attempt to deal with those situations in which debt is incurred subsequent to a land acquisition although the loss of property taxes on account of the Federal tax immunity may place increased burdens upon the privately held properties in the tax jurisdiction. The effect of this proposal is to greatly limit Federal costs.

Specifically, the PILT to be made under this proposal is to be equal to that portion of the indebtedness or the amortization of the indebtedness which is attributable to the Federally acquired land or the taxes lost therefrom. The monies paid are to be held in trust solely to secure any payments on the indebtedness.

VARIATION NO. 14-G

A. Summary

Make annual in lieu tax payments on land acquired for national forests at a rate varying from one-half percent to 1 percent of the fair value of such lands at time of acquisition and continue such payments until the RS payments from the same lands exceed the PILT.

B. Distinctive Characteristic or Effect

This proposal is similar in nature to another suggested transitional payment. However, the wording of this proposal could be interpreted to mean that PILT would continue until such time as revenue sharing actually exceed

VARIATION NO. 14-G (cont'd)

the PILT, meaning that until such excess results, up to twice the amount of PILT could be obtained. It is doubtful that such was the intent of the proponent. The PILT percentage suggested, even at the full 1 percent rate, is likely to be less than the tax revenues prior to the acquisition by the Federal Government.

VARIATION NO. 14-H

A. Summary

On lands acquired for national forest purposes in Gogebic County, Michigan in lieu tax payments should be made for a 20-year period. For the first 10 years such payments to be equal to the property taxes obtained from such lands immediately prior to acquisition. For the second 10 years, the annual payment should be reduced by 10 percent each year.

B. Distinctive Characteristic or Effect

It is significant that this proposal covers a 20-year period, whereas most proposals for transitional and/or declining payments are for 10 years or less. The proposal does not make mention of RS payments during the 20-year period, and it must be assumed that such would also be payable, though perhaps only to the extent that the level of PILT does not fully compensate for tax revenues lost.

VARIATION NO. 14-I

A. Summary

On lands acquired for national forest purposes in Gogebic County, Michigan in lieu tax payments equal to three-fourths of 1 percent of the purchase price to be made annually for five years. For a second five-year period annual payments are to be adjusted to reflect the then current market value of the acquired lands. After the tenth year the matter is to be returned to Congress.

B. Distinctive Characteristic or Effect

The first two parts of this proposal are similar to the provisions attending to the Boundary Water Canoe Area in the Superior National Forest. The last part of the proposal is intended to provide for a scheduled review at which time the adequacy of the PILT in relation to the burdens created by the presence of the national forest within the county could be ascertained.

ALTERNATIVE NO. 15

Annual Revenue Sharing Payments Should Be Based upon a Centered Moving 5-Year Average

A. Summary

This proposal is conceived of as a modification to and affecting of all existing revenue sharing programs. It is intended to diminish the fluctuations in the annual amounts paid to state-local governments by applying the mathematical concept of a 5-year moving average.

B. Purpose

As stated, the objective is to stabilize the level of annual payments which have fluctuated widely due to variations in market value-type demand and production on the Federal lands. Because such fluctuations in annual payments may adversely influence the budgetary and fiscal process of state-local governments, the 5-year moving average concept would reduce such adverse influences while not increasing total expenditures of the Federal Government.

C. Key Feature

To implement this concept all Federal agencies charged with the administration of revenue sharing programs would be instructed to calculate annually a centered 5-year moving average for the revenue sharing payments due each governmental jurisdiction.

D. Probable Advantage

This concept will reduce the fluctuation in revenue sharing payments from year to year. When receipts in a given year were less than in the previous year, the reduction to state-local governments would not be as severe as under the present "straight" payment procedure.

E. Probable Disadvantage

State-local governments may receive smaller payments in any year than they would receive under the present systems. The calculation of the 5-year moving average will impose some additional burden upon the Federal revenue sharing program agencies and result in some additional administrative costs.

Note: This alternative was tested using actual 1957-1966 revenues. The test was applied to four different series of data. The results are contained in pp. 195-198, ibid.

ALTERNATIVE NO. 16

Distribution of Direct and Indirect Revenues to the Reclamation Fund to All States on the Basis of Federal Land Acreage

A. Summary

The premise of this alternative is that direct and indirect revenues to the Reclamation Fund be distributed to the states based on each state's proportionate share of the total Federal land holdings rather than by Congressional appropriation.

B. Purpose

The objective of this alternative is to give each state with Federal land holdings its proportionate share of the revenues available to the Reclamation Fund and irrespective of the reclamation process authorized for each state. The sponsor of this proposal appeared to suggest that such a distribution concept would provide for more equitable sharing of available revenues among the states.

C. Key Feature of

To implement this proposal it is required to set up a Federal land holdings inventory reflecting the acreage in each state and then calculating the percentage of total Federal acreage present in each state. As land acquisitions and sales take place such inventory and the resulting calculations would have to be updated and adjusted annually.

D. Probable Advantage

The distribution method proposed herein is likely to be advantageous to states with large Federal land holdings in which no large reclamation projects are planned for. Generally, because there is some relationship between the magnitude of land holdings and the indirect collections to the Reclamation Fund, this proposal may also provide a closer relationship between collections to the Fund and the distribution of revenues by state.

E. Probable Disadvantage

This proposal fails to consider the fact that a large share of Reclamation Fund revenues emanate from the General Fund of the Treasury. These are specifically appropriated for authorized reclamation projects. The distribution of the Fund to states, as proposed herein, if inclusive of General Fund revenues would result in the participating states obtaining general tax revenues on account of the presence of Federal lands, irrespective of the construction of a Reclamation project which would typically be to the benefit of all states or at least several states.

ALTERNATIVE NO. 17

Discrepancies in the Revenue Sharing Formulas among Various Types of Lands for Like Uses Should Be Eliminated

A. Summary

This proposal suggests that the current revenue sharing system be revised so that the revenue sharing formulas applicable to mineral leasing for example, would be the same irrespective of the type of land or the Federal land management agencies under whose jurisdiction the leasing permit was granted.

B. Purpose

The objective of this proposal is to eliminate the inequities of the current revenue sharing provisions under which a county, in which mineral leasing or timber harvest occur on lands managed by the Bureau of Land Management, obtains a larger percentage of the revenues than counties in which similar activities occur but on acquired lands which are part of the national forest system.

C. Key Feature

To implement this proposal virtually all revenue sharing provisions would have to be revised and uniform distribution formulas by type of private land use developed. At present, sharing forumlas range from 5 percent to 90 percent of gross or net revenues and are typically dependent upon the type of land, i.e. flood control project lands, national forests, outside grazing districts, etc., rather than the activity from which the revenues are obtained, i.e. mineral leasing, grazing, timber harvest, etc.

D. Probable Advantage

The primary advantage which would result from the implementation of this proposal is that all state-local governments would be treated uniformly in respect of the private uses taking place upon Federal lands within their jurisdictions. The financial effects would greatly vary as, for example, if mineral leasing revenues were to be shared at the level currently applicable to Bureau of Land Management properties, counties with mineral leasing activities upon forest lands would obtain larger revenues while counties with similar activities upon flood control land would obtain less.

E. Probable Disadvantage

None indicated.

ALTERNATIVE NO. 18

Revenue Sharing Payments Should Be Made to All States on a Formula Based on (a) by Population, (b) 50 Even Shares

A. Summary

This proposal relies on the rationale that all the citizens of the United States are entitled to participate in the benefits derived from the varying uses of Federal lands. It also suggests that the diverse characteristics and contrasting uses of the Federal properties preclude a single uniform rule for determining the extent to which Federal properties should contribute to the support of local governments and therefore, a uniform distribution based either on population or on an equal share to each state are the only proper methods of distribution.

B. Purpose

The intention of this proposal is to enable the participation of all "citizens" in the revenues derived from the activities upon Federal lands rather than according this privilege only to the citizens in those states in which this national heritage, i.e. Federal lands, are located.

C. Key Feature

Similar to the Central Fund proposal, all revenues derived from the economic activities upon Federal lands would be placed in a central fund and redistributed to the states either on the basis of their populations as a percentage of total United States population or by allocating to each an equal share. The administrative mechanism required for the implementation of this proposal is simple.

D. Probable Advantage

This concept would permit the participation of all states in the sharing of available revenues. It would particularly favor, if distribution is made on the population basis, those states with large populations which, with the exception of California, are states with little or no Federal land. If an even share were to be distributed to each state this proposal would favor all of the states with small land areas which have either little or no Federal land.

E. Probable Disadvantage

Either method of distribution, as proposed herein, is completely unresponsive to compensating state-local governments for lost tax revenues due to the immunity of Federal lands to state-local taxation, i.e. it bears no relationship to the burdens imposed upon state-local governments due to

the presence of Federal lands within their jurisdictions. In fact, these distribution formulas are unrelated to the presence of public land within any jurisdiction though they distribute revenues which emanate exclusively from public lands.

Note: The effects of revenue distribution on population basis at a level of 50 percent of gross revenues as obtained from Section 10 lands in fiscal year 1966 have been tested. The results are contained in Table ALT-8 following p. 193, ibid.

ALTERNATIVE NO. 19

Apply a Uniform Percentage to All Revenue Sharing Plans Irrespective of Type of Land, or a Uniform Per Acre Payment on All Federal Lands

A. Summary

This proposal suggests that all revenue sharing programs should be on a uniform sharing rate or alternatively that a uniform per acre payment should apply to all Federal lands.

B. Purpose

The objective is to eliminate any advantage or disadvantage to states and counties which result from the different treatment accorded revenues derived from different economic activities upon the Federal lands and which, essentially, reflect the difference in the lands' geographical location or geographical properties. The author of this concept suggests that the revenues shared from mineral leasing and grazing of cattle, for example, should be the same percentage or alternatively that for both types of land the same annual payment per acre be made.

C. Key Feature

Implementation of either of the methods proposed herein would require a change in all current revenue sharing provisions by assigning a uniform percentage to all revenues available for sharing or alternatively a uniform per acre payment for all Federal lands. In the case of the latter, the Federal land inventory by state and local governmental jurisdiction would have to be centralized in the hands of one agency and updated as changes in Federal land holdings occur. For the former, a central fund type of administrative machinery might be desirable.

D. Probable Advantage

The uniform treatment proposed herein would result in the states and counties which have lands of lesser quality obtaining the same relative revenues as those which through coincidental events contain lands of superior quality. Put differently, this proposal would result in a uniform participation in the benefits from the national heritage.

E. Probable Disadvantage

This proposal fails to cure existing inequities and is likely to create new ones because the different types of lands and economic activities upon them cause different levels of burdens upon state-local governments. For example, timber harvesting typically causes large burdens upon

local governments for road maintenance while grazing activities do not. Also, neither method reflects in any way the tax revenue deficiency caused by the tax immune status.

Note: The effects of applying a uniform per acre payment of 10 cents and 25 cents, both arbitrary choices, were applied to Section 10 lands for fiscal year 1966. The result of this test is shown in Table ALT-4 following p. 177, ibid.

ALTERNATIVE NO. 20

Land Use Fees to Be Reduced When Local Governments Tax Leasehold Interests on Federal Land

A. Summary

This proposal suggests that where such is not already the case Federal, state and local laws should permit the taxation of possessory interests at the rate of locally applicable taxes. In all cases where state-local governments assess and collect personal property taxes on possessory interests, the Federal Government should eliminate part of the user fee which is now levied and shared with states and counties.

B. Purpose

The objective is to assure the existence of legislation so that private users of Federal lands can be treated tax-wise similarly to private users of private lands. Except for the recommended reduction in user fees paid to the Federal Government no Federal legal action is indicated.

C. Key Feature

The primary requirement for an across-the-board implementation of this proposal is the furnishing of appropriate information by Federal land management agencies to local governmental assessment offices. Research has shown that numerous land leases and use permits currently in existence are unbeknown to local assessment officers and resultingly, though taxation of possessory interests is permitted, the assessment and collection of taxes from such interests are not carried out.

D. Probable Advantage

Furnishing local governments the needed information could result in additional tax revenues for such governments.

E. Probable Disadvantage

The reduction or elimination of user fees on account of the property tax collection by state-local governments would reduce Federal revenues without any apparent justification. Private land users are also subject to property taxation while in addition either the cost of the land or the land use must also be paid for. Thus, trading off local property taxes for land user fees could result in an inequity between users of private land and users of Federal lands.

ALTERNATIVE NO. 21

Interrelating Revenue Sharing and Other Federal Grants

Summary

Increased separation between the Federal revenue sources, on the one hand, and the state and local sources on the other, coupled, perhaps with increased Federal grants-in-aid or block grants where needed and justified. This approach would bring into question the existing or proposed revenue sharing or in-lieu-of-tax arrangements, especially where the substantive purposes (schools, roads, etc.) have been or could be more efficiently incorporated into direct grants.

ALTERNATIVE NO. 22

Increased Sharing of Federal Non-Public Land Related Revenues

Summary

Increased sharing of Federal revenues with the states and local governments with or without conformity to Federal standards. This approach would bring into question the existing or proposed grant-in-aid or block grant arrangements as applied to the geographic areas in question, especially where the substantive purposes have been or would be adequately provided for, relative to non-public-land areas, from the revenue sharing or in-lieu-of-tax sources.

For alternatives Nos. 21 and 22 it was found to be impractical to identify the specific purposes they would intend to serve, their key features, probable advantages and disadvantages. Their author suggested that these would be "broad alternatives, incorporating a sweeping approach, which offer advantages and disadvantages from different perspectives".