

# CAPITOL RESEARCH

## ● ● ● ENVIRONMENT

### Sequestration Impact on Timber and Public Land Issues in States

Although the amounts may seem small compared to the overall size of state budgets, letters sent by U.S. Forest Service Chief Thomas Tidwell demanding states return \$17.9 million in funds generated from timber harvesting on federal lands due to spending cuts imposed by the sequester have generated significant bipartisan concern in Congress and states.<sup>1</sup> “This (the agency’s decision) is slap-your-forehead-in-disbelief kind of stuff,” said Sen. Ron Wyden, chair of the Senate Energy and Natural Resources Committee.

The Forest Service is demanding return of money generated from 2012 timber sales to meet its obligations under the federal sequester law, which requires a 5 percent cut in its 2013 budget. States received the funds in January 2013 without any notice that they could be impacted by the highly publicized sequester, which took effect in early March. Bipartisan opposition from Congressional members of the House Natural Resources Committee noted in a letter to the Department of Agriculture and Office of Management and Budget that all federal agencies have been aware of the sequester’s effective date of March 1, but states were given no notice and did not receive letters seeking repayment until 19 days later.<sup>2</sup>

#### Public Lands and the States

- The federal government owns roughly 28 percent—or approximately 640 million acres—of land in the U.S., according to information provided by the General Services Administration. The U.S. Forest Service within the Department of Agriculture and the Department of Interior primarily manage this land.<sup>3</sup>
- This figure, however, does not include the roughly 19 million acres managed by the Department of Defense or the 125 million acres of marine refuges, monuments and land managed by the Department of Energy or Bureau of Reclamation.<sup>4</sup>
- On a proportional basis, the federal government owns significantly more land in Western states than in states east of the Mississippi River. For example, the federal government owns 0.3 percent of land in Connecticut compared to 81 percent of land in Nevada.



- Many counties and localities surrounded by or containing significant public land holdings can experience an acute impact on economic development because of their limited property tax base for school funding, road construction and other needed projects and programs.
- To address some of these hardships, the federal government administers and manages programs like Payment In Lieu of Taxes, which collect funds generated from oil and gas leasing, grazing or other economic activities on public land that is given back to rural states and communities to pay for infrastructure, schools and public safety needs. In 2012, the Department of Interior announced a record \$393 million in Payment In Lieu of Taxes funding.<sup>5</sup>

#### States and Secure Rural Schools

For more than a century, the federal government has returned a portion – roughly 25 percent of the revenue generated from timber sales and management activities on public land back to states for rural counties.



- The modern iteration of that long-standing policy is the Secure Schools and Community Self Determination Act, which was first passed in 2000. In January 2013, Agriculture Secretary Tom Vilsack announced \$323 million in funding for 41 states to support local schools and road construction as a part of the one-year authorization Congress passed in 2012.<sup>6</sup>
- Communities in the Pacific Northwest and West have heavily relied on this funding due to a loss in income because of a decline in timber sales related to logging prohibitions and protection of endangered species like the spotted owl.

## Funding Dispute

- The U.S. Forest Service has directed 41 states to return a portion of the funds that were dispersed under the Secure Rural Schools formula just two months prior.
- The governors of Alabama, Alaska and Wyoming have publicly refused the agency's request to return the funding, which would have meant a loss of almost \$1 million for schools and localities. The governors noted that the Forest Service sent the funds to the state in January 2013, two months before the automatic spending cuts required by the sequester took effect, and they believe there is no legal justification to return money their states are legally entitled to under federal law.<sup>7</sup>
- In an April 2013 Forest Service budget hearing before the Senate Energy and Natural Resources Committee, Tidwell responded during questioning that states would face interest, penalties

and administrative costs for failure to comply with the sequester repayment demand. Wyden, the committee chair, and ranking member Lisa Murkowski criticized the decision and challenged the legal requirement of imposing fines or penalties in the Budget Control Act, which authorized the sequester.<sup>8</sup>

- In addition, critics of the Forest Service's decision suggested its sequester interpretation is largely subjective. Other branches of the federal government, like the Bureau of Land Management, have not taken the same posture with the county payment programs they administers for rural states.

### RESOURCES

<sup>1</sup>"Forest Service to States: Give Subsidies Back." Ryan Lardner. *Associated Press*. May 3, 2013. <http://news.yahoo.com/forest-states-subsidies-back-073739062.html>

<sup>2</sup>Letter to Secretary Tom Vilsack and Acting OMB Director Jeffrey Zients. March 28, 2013. [https://www.rccrnet.org/rccr/assets/File/Barbed\\_Wire\\_March\\_28\\_2013/Ltr\\_re\\_Sequestration\\_SRS\\_Cuts.pdf](https://www.rccrnet.org/rccr/assets/File/Barbed_Wire_March_28_2013/Ltr_re_Sequestration_SRS_Cuts.pdf)

<sup>3</sup>"Federal Land Ownership: Overview and Data." Congressional Research Service. February 8, 2012, p. 1 <http://www.fas.org/sgp/crs/misc/R42346.pdf>

<sup>4</sup>Ibid. P. 5

<sup>5</sup>"Secretary Salazar Announces Record \$393 Million in 'PILT' for Police, Fire, and Schools in Rural Communities." Department of Interior Press Release. June 14, 2012. <http://www.doi.gov/news/pressreleases/Secretary-Salazar-Announces-Record-393-Million-Dollars-in-PILT-for-Police-Fire-and-Schools-in-Rural-Communities.cfm>

<sup>6</sup>Department of Agriculture Press Release. June 15, 2013. <http://www.usda.gov/wps/portal/usda/usdamediafb?contentid=2013/01/0011.xml&printable=true&contentidonly=true>

<sup>7</sup>"Wyoming Governor Mead Refuses to Return Money to U.S. Forest Service." Joan Barron. *Casper Star-Tribune*. May 2, 2013. [http://trib.com/news/updates/wyoming-gov-mead-refuses-to-return-money-to-u-s/article\\_75fc359d-fe40-545b-b2a9-1622c12f250e.html](http://trib.com/news/updates/wyoming-gov-mead-refuses-to-return-money-to-u-s/article_75fc359d-fe40-545b-b2a9-1622c12f250e.html)

<sup>8</sup>Letter to Chief Tidwell, U.S. Forest Service. April 24, 2013. [http://www.energy.senate.gov/public/index.cfm/files/serve?file\\_id=280d5c3e-ddcc-4271-a584-fb94f68879fd](http://www.energy.senate.gov/public/index.cfm/files/serve?file_id=280d5c3e-ddcc-4271-a584-fb94f68879fd)



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