

SECURE RURAL SCHOOLS AND COMMUNITY SELF- DETERMINATION REAUTHORIZATION ACT OF 2007

HEARING BEFORE THE SUBCOMMITTEE ON PUBLIC LANDS AND FORESTS OF THE COMMITTEE ON ENERGY AND NATURAL RESOURCES UNITED STATES SENATE ONE HUNDRED TENTH CONGRESS

FIRST SESSION

ON

S. 380

TO REAUTHORIZE THE SECURE RURAL SCHOOLS AND COMMUNITY
SELF-DETERMINATION ACT OF 2000, AND FOR OTHER PURPOSES

MARCH 1, 2007



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**SECURE RURAL SCHOOLS AND COMMUNITY
SELF-DETERMINATION REAUTHORIZATION
ACT OF 2007**

THURSDAY, MARCH, 1, 2007

U.S. SENATE,
SUBCOMMITTEE ON PUBLIC LANDS AND FORESTS,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC.

The subcommittee met, pursuant to notice, at 2 p.m., in room SD-366, Dirksen Senate Office Building, Hon. Ron Wyden, presiding.

**OPENING STATEMENT OF HON. RON WYDEN, U.S. SENATOR
FROM OREGON**

Senator WYDEN. The subcommittee will come to order. This is the first hearing of the subcommittee and I'll have an opening statement and then I think since Senator Burr is not here, our ranking minority member. Senator Craig, why don't you make the opening statement, if it is all right with you? Let's both allow Senator Bingaman to proceed. I know he's on a very tight schedule.

**STATEMENT OF HON. JEFF BINGAMAN, U.S. SENATOR FROM
NEW MEXICO**

The CHAIRMAN. Thank you very much, Mr. Chairman. Thanks to you and Senator Craig both for your leadership on this important issue. I know that this County Payments program was created by you—and Senator Craig with his help—and I know it's been a great benefit for your States and other States as well. I commend you for that.

I think the issue of course that we're dealing with now, and it's one we talked to Secretary Rey about at the hearing—was it yesterday? Time flies around here; I don't know, it seems like yesterday.

At any rate we talked about where we go from here. My own sense, and I've expressed these views before, is that it is very difficult to get the support to proceed with the program as it's currently structured. I favor trying to do a multi-year reauthorization, but I think to do so, we need to look at some restructuring of the program, and clearly the cost of the program is a substantial factor as well.

I'm informed that we're talking about \$3 to \$4 billion in order to get this reauthorized for the next several years in any form, so changing the formula so that other States realize a more substan-

tial benefit from it, I think is essential. I think at the same time it can be a substantial benefit to the States that are currently benefiting and I hope we can find a way to move ahead and do that.

As I say you deserve tremendous credit for getting us to this point, and I know that you and Senator Craig have worked hard over the last couple of years to try to get this program reauthorized and moving forward. We're closer to agreement on this than we've been in a long time so I appreciate that very much.

Senator WYDEN. Thank you, Mr. Chairman and we look forward very much to working with you on it. As Chairman Bingaman noted, the purpose of today's hearing is to receive testimony on S. 380, the Secure Rural Schools and Community Self-Determination Reauthorization Act of 2007—a bill that I introduced and is also co-sponsored by 11 other Senators, including a member of this subcommittee, my colleague and friend, Senator Smith.

Before I turn to the legislation, this is our first hearing of the subcommittee and I want to note that for almost a decade Senator Craig and I have worked together on this. I am looking forward to continuing that particular tradition.

I also want to welcome an old friend. Senator Burr is the new ranking minority member of the subcommittee regardless of whether an issue involves Federal land in the eastern or western part of the State. If the bill is going to be approved by the Senate, final passage almost always requires very strong bipartisan support.

I'm been very proud in this subcommittee of being influential on both of the major forestry bills that have passed the U.S. Senate and been signed into law in the last 20 years—the County Payments Legislation and the Forest Health Legislation—and we want to continue that strong bipartisan tradition.

For 6 years, the legislation we consider today has been nothing less than a lifeline for forest-dependent communities in more than 40 States and in more than 700 counties nationwide. I'm honored by the distinguished representatives from the administration, Sierra Institute, Wilderness Society in the State of Oregon whose participation here today underscores the importance of the County Payments Program.

It is essential to recognize that as this hearing is held the future of rural communities literally hangs in the balance. Sheriffs, cops on the beat, those who are running search-and-rescue missions, teachers, students, parents, they're all watching—probably a lot of them live on streaming video—in order to find out whether their small rural community is going to survive or whether the Federal Government is going to dishonor an almost 100 year obligation to rural communities.

As today's witnesses will attest, there is both a moral and historic imperative to continue the critical safety net program. In 1908 in consideration for consenting to the creation of a National Forest System, forested counties in Oregon received revenue directly from Federal timber harvests. The Congress did this because it understood that in protecting the country's forests, counties would be saddled with land that could neither be developed nor taxed. Those fees paid for schools and essential county services.

Neither the counties nor the Federal Government could have envisioned 100 years ago that environmental laws enacted by future

Congresses would impinge on this funding obligation to rural communities, but a future Congress had to address that very scenario last decade when timber harvest precipitously dropped in counties who were not only hit by the loss of timber harvesting jobs, they lost the Federal payments that were essential for services in their communities.

It was in this crisis in 1999 that Senator Craig and I authored the Secure Rural Schools and Community Self-Determination Act, which despite partisan legislation, brought concrete relief to suffering rural communities. For 6 years it has meant essential funding for those law enforcement programs, for schools, for roads programs and critical services.

In addition, the County Payments Law is widely recognized as an extremely successful statute fostering all-too-rare cooperation between counties, timber interests and environmentalists. There are folks, who before this law, could rarely be seen speaking to each other about natural resources, let alone coming together to work together at the same table.

For 2 years now, I and others have been trying to sound the alarm bell about the urgency of reauthorizing County Payments and attempting to move forward with a long-term reauthorization of the Secure Rural Schools Law. Yet neither the administration nor this body was willing to move forward on legislation. As chair of this subcommittee, with the help and the commitment of the chairman of the full committee, Senator Bingaman, the passage of the Secure Rural Schools Statute is my top priority.

I cannot predict or promise an outcome, but I can promise my State that this Senate is going to vote on whether or not it will honor its obligation to forested rural communities. If we do not choose to honor our obligation those critical programs could all unravel scores of small communities in rural counties.

Just last week the sheriff in Grants Pass, Oregon told me that his police force is being stretched so thin that he is looking at the prospect of calling out the National Guard in order to protect the lives of citizens in his community. My State is not alone in this fate. The law supports rural communities across the country, and that is why there are sponsors of the reauthorization from around the country.

The National Education Association has found 18,379 schools and 557,000 teachers will be affected by not reauthorizing the County Payments Program. Schools are expected to be closed, teachers laid off, school weeks shortened and numerous programs canceled. Some counties have suggested that they will have to release prisoners from their law enforcement programs and eliminate other vital services.

With all due respect to a committee alumnus, Secretary Rey, the Bush Administration has consistently refused to make the Secure Rural Schools Act a funding priority. I will note briefly that the administration again proposes to sell off almost 275,000 acres of public land as a way to fund the program. A proposal distinguished primarily because it has brought a tidal wave of bipartisan opposition in both the House and the Senate. I hope that we're not going to waste time discussing an idea that cannot pick up even one Republican United States Senator as a supporter.

Today we're going to hear more about the urgent need for the program. It is my hope that we can focus the committee and the Senate on the need to finally work together and reauthorize this program so as to prevent needless suffering.

We've got a superb group of witnesses, people with strong views who are extremely knowledgeable. I'm especially pleased that Doug Robertson of Douglas County in my home State will be here. He's joined by a number of county officials from around the State. I want to recognize the ranking minority member at this time to just take care of a few administrative matters.

We're asking all of our witnesses to summarize the key points of their testimony to limit their remarks to no more than 5 minutes. We can have, I think, several rounds for the Senators. All of the witnesses' written statements will be made a part of the record. We're also expecting to get a letter of support for the legislation from Governor Kulongoski of Oregon.

Senator Burr.

[The prepared statements of Senators Salazar and Tester follow:]

PREPARED STATEMENT OF HON. KEN SALAZAR, U.S. SENATOR FROM COLORADO

Thank you Chairman Wyden, Senator Burr.

During the 109th Congress I came to just about every hearing of the Public Lands and Forests Subcommittee, even though I was not a member, because the hearings almost always focused on issues important to my State of Colorado with approximately 35% of our land under the control of the Forest Service, BLM, Park Service, and Fish and Wildlife Service.

This Congress, I am an official member of this subcommittee and I am excited to join Chairman Wyden at the first hearing of the year.

I'd like to say thank you to our witnesses for coming today. I look forward to hearing your testimonies and hearing your views on reauthorizing the county payments legislation.

PREPARED STATEMENT OF HON. JON TESTER, U.S. SENATOR FROM MONTANA

Mr. Chairman, thank you for holding this important hearing today.

While the west as a whole has experienced rapidly changing demographics over the last two decades, the economies of many of our rural communities have not. The Secure Rural Schools program is vitally important to communities in Montana that are most in need of funding for schools and county services because of the safety net that it provides. I intend to work with my colleagues in the Senate to find a workable solution to extend this program and maintain this necessary safety net for rural communities.

In regard to the President's proposal to phase out the Secure Rural Schools program, I am particularly troubled by the proposal to sell off hundreds of thousands of acres of land including 11,159 acres in Montana, and use a portion of revenues for a few remaining years of the program. Montanans demand more access to public lands, not less, and more recreation opportunities, not fewer. The Administration's assertion that these lands are isolated and difficult to maintain is false in too many instances to warrant serious discussion of the proposal's few merits. I will fight the sale of our public lands under this proposal, because I do not believe it is in the best interests of our nation as a whole, or for Montana's rural communities that use these lands for hunting, fishing and access to other recreation sites.

**STATEMENT OF HON. RICHARD BURR, U.S. SENATOR FROM
NORTH CAROLINA**

Senator BURR. Mr. Chairman, thank you and it's certainly a pleasure to work once again with my good friend, Senator Ron Wyden, and more importantly for scheduling this hearing.

I understand the issue is very important to your State. I know that you and Senator Craig have been leaders on this issue. I want

to tell you that I'm pleased to be your ranking member. I think this subcommittee has important work to do and this is a start of that important work today. Some might think, "What's the interest in North Carolina?" North Carolina has a proud history of public land management, and it's home to Nantahala, Pisgah and Croatan and Uwharrie National Forests, with approximately 1.2 million acres of National Forest in North Carolina, covering approximately 25 percent of our entire State.

Mr. Chairman, Asheville, North Carolina is known as the cradle of American forestry. I know that's hard for you to believe, but the first college of forestry in our country was located in the Biltmore estates outside the city of Asheville. It was established by Clifford Pinchot, the first chief of the United States Forest Service and run by Dr. Carl Schenck, who took over as the chief forester for George Vanderbilt's Biltmore estate.

While we don't have the wildfires that many of the western national forests do, we do experience two fire seasons per year and in times have suffered tremendous damage to our forest and the forest infrastructure from hurricanes, ice storms, and wind storms. Like your forest, insects play havoc on some species of trees in our forest. Like your forest, recreation is crucial resource that the people of North Carolina depend upon, and like your forest, timber harvesting has and continues to play an important role in the economy of many towns in western North Carolina.

Reauthorization of the Secure Rural Schools and Community Self-Determination Act may not have the scope of importance it does to Oregon, but there are 25 counties in my State that receive a little over a million dollars a year in county school payments. In fact counties in North Carolina first began receiving forest service 25 percent payments in 1916 and have received payments every year since. You may be interested in knowing that the counties in my State put 100 percent of these funds toward paying for school operations. In 2005, they received approximately \$5 per impacted student. Believe me, Mr. Chairman, I'm envious of the \$433 per student that Oregon counties received on average each year, and can understand why some Senators complain about how these funds are distributed.

I want to conclude by telling you how happy I am to be serving on the committee, how much I look forward to the issues that are in front of the committee and I want to apologize to the chair that I've had an intelligence meeting call for 2 o'clock and I'm going to have to cut out, but I feel like I leave both sides in good hands.

[The prepared statement of Senator Burr follows:]

PREPARED STATEMENT OF HON. RICHARD BURR, U.S. SENATOR FROM
NORTH CAROLINA

I want to start by thanking you, Senator Wyden, for scheduling this hearing. I understand that this issue is very important to your State and I know you and Senator Craig have been leaders on this issue.

I also have to tell you how happy I am to be serving as Ranking Member on this important Subcommittee and to be working with you on all of the important natural resource issues this committee deals with.

North Carolina has a proud history of public land management and is home to the Nantahala, Pisgah, Croatan and Uwharrie National Forests. We have approximately 1.2 million acres of National Forests in North Carolina which is approximately 25% of our State.

Mr. Chairman, Asheville, North Carolina is known as the "Cradle of American Forestry" because the first college of forestry in our Country was located at the Biltmore Estate outside the City of Asheville. It was established by Gifford Pinchot, the first Chief of the United States Forest Service, and run by Dr. Carl Schenck, who took over as the chief forester for George Vanderbilt's Biltmore Estate.

While we don't have the wildfires that many western National Forests have, we experience two fire seasons per year and at times have suffered tremendous damage to our forests and the forest infrastructure from hurricanes, ice and wind storms. Like your forests, insects play havoc on some species of trees in our forests. Like your forests, recreation is a critical resource that the people of North Carolina depend upon and, like your forests timber harvesting has and continues to play an important role in the economy of many towns in Western North Carolina.

Re-authorization of the Secure Rural Schools and Community Self-Determination Act may not have the scope of importance it does to Oregon, but there are 25 counties in my state that receive a total of a little over a million dollars per year in County School payments. In fact, counties in North Carolina first began receiving Forest Service 25% Payments in 1916 and have received payments every year since.

You may be interested in knowing that the counties in my state put 100% of these funds towards paying for school operations. In 2005 they received approximately \$5 per impacted student. Believe me Chairman Wyden, I am envious of the \$433 per student that Oregon counties received in 2005 and can understand why some Senators complain about how these funds are distributed.

I want to conclude by telling you again how happy I am to be serving with you on this Committee and that I am committed to working with you and other Senators to ensure this important program is re-authorized in a manner that is equitable to all involved.

Finally, I look forward to helping focus some of this Subcommittee's attention on issues that we face in our Eastern National Forests.

Senator WYDEN. We're glad to have you here. Secretary Rey.

STATEMENT OF MARK REY, UNDER SECRETARY, NATURAL RESOURCES AND THE ENVIRONMENT, DEPARTMENT OF AGRICULTURE

Mr. REY. Thank you, Mr. Chairman and members of the subcommittee, and thank you for the opportunity to provide the Department's views on S. 380, as well as the efforts to reauthorize the Secure Rural Schools legislation.

The administration continues to support the reauthorization of the 2000 Secure Rural Schools legislation. The administration also continues to support a 1-year extension of the Act for fiscal year 2007 as an interim step so long as there are agreed-upon offsets. The administration would support S. 380 with agreed-upon offsets for the payments authorized by the bill, and an eventual phaseout of payments as the bill is amended, to incorporate a number of technical changes as specified in our statement for the record, which I will simply summarize.

To assist in offsetting the cost of reauthorizing the legislation, the administration is proposing the National Forest Lands for Rural Communities Act. This proposal supports the President's fiscal year 2008 budget by authorizing the Secretary to sell certain identified National Forest Systems lands in an amount not to exceed \$800 million.

Under the proposal, half of the land sales would be available to make payments under the reauthorized School Act for fiscal years 2008 through 2011, and half will be available in the States in which they were collected for the acquisition of land and other conservation purposes. States would benefit from 4 additional years of payments, 2008 through 2011, and would also benefit from ecologically important land to the National Forest System.

Our proposal provides for up to \$400 million a year over a 4-year period to be made available for acquiring lands and interest in lands for national forest purposes from receipts obtained from selling National Forest System lands that are identified for conveyance.

Implementing our proposal will result in acquiring lands that are better-suited for National Forest System purposes, and additionally could result in a net increase in lands acquired verses those conveyed, because under our existing land exchange program, for the past 10 years, there's been a 2½-to-1 ratio in lands acquired versus lands conveyed. Over the past 5 years, as property values have risen, for un-developable tracts that ratio has expanded to 3 to 1. The net increase is because the lands conveyed are more economically valuable and less environmentally desirable than the lands which are acquired, which are less economically valuable and more ecologically desirable.

Additionally, purchase and sale of tracts is an inherently more efficient means of adjusting ownership in exchange, because it does not require a 1-to-1 correlation in Federal Government and private landowner objectives over two specific tracts. I proposed legislation and submitted it to Congress formally today, and I will provide a copy for the committee's record.

The 2000 legislation provided for the establishment of resource advisory committees. Those committees would increase the level of interaction between the forest service, local governments and citizens, resulting in greater support and understanding of the agency's mission, as well as oversight and supervision of a number of important projects on the ground. The authority under the 2000 legislation for these advisory committees to meet, has expired effective as of September 30, 2006.

I'm pleased to also announce today that we will be extending the role of these committees for an additional year by amending their existing charters, to allow them to be authorized as discretionary committees under the Federal Advisory Committee Act. That will allow the resource advisory committees to continue to oversee the expenses associated with the 2000 legislation while we and the Congress work to reauthorize that legislation. So there will be no interruption in the meeting of these advisory committees.

Now I have been haunted by your comments about the controversy associated with the proposal that we've put forward and the contrast to the bipartisan nature with which the 2000 legislation was enacted, but let me relive a bit of our common history together. When the 2000 legislation was first introduced by you and Senator Craig in 1999, it was extraordinarily controversial. You'll have a witness on the next panel who called that bill "Clear Cuts for Kids". It was first enacted by the House of Representatives, not the Senate, in the fall of 1999. After an extended negotiation and even after that negotiation, about 150 House members still voted against it, including six members who are now in the U.S. Senate and the present speaker of the House of Representatives.

The bill became a bipartisan touchstone over time, not initially, as a result of a good faith effort on the part of the then-Clinton administration and the majority and minority Members of Congress to work together. Now we've been doing that, we've met with your

staff repeatedly last fall to look at alternative offsets in the course of those discussions; as many as ten different offsets were discussed. None of them were uncontroversial and the administration only had problems with one of the ten.

So our proposal, we've never said is the only proposal that we could accept. It is presently the only offset available but there are other options, but those options are going to be hard-won if they're going to succeed, and they're not going to be adopted without controversy. We're not going to see enactment or reauthorization of this legislation without at least as much effort as went into authorizing it in the first place.

In the spring of 2000, I can recall coming to your office and deciding to divert because in your anteroom a group of environmental evangelists were praying over one of your staff members to try to convince that person not to proceed with the Craig-Wyden legislation. I diverted because I didn't want to see what would happen if holy water was, if by accident, was splashed on me. That's an indication that this bipartisan solution, as worthy as it is, wasn't a bipartisan solution as an initial matter. I think that's what we're going to have to hear today and this year to see this bill reauthorized.

The administration remains committed to working with you to that end and to see if we can find a solution that meets, if not everyone's needs, at least silences everyone's objections.

[The prepared statement of Mr. Rey follows:]

PREPARED STATEMENT OF MARK REY, UNDER SECRETARY, NATURAL RESOURCES AND THE ENVIRONMENT, DEPARTMENT OF AGRICULTURE

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to provide the Department's views on S. 380, a bill to Reauthorize the Secure Rural Schools and Community Self-Determination Act (SRS Act).

S. 380 would reauthorize payments under the SRS Act (P.L. 106-393) for an additional seven years, beginning with the payment for fiscal year 2007, and would amend other provisions of the Act. The bill would provide a one-time opportunity for a county to resume receiving the 25 percent payment or 50 percent payment if they wish to do so. The bill would clarify that States must notify the Secretary of Treasury of a county's election.

Additionally, S. 380 would add a provision regarding the source of funding for payments and require that certain funds be reserved to make payments to the states. The bill would provide for reappointments of Resource Advisory Committee (RACs) members for more than one term to provide greater flexibility in staffing committees. S. 380 also would revise the merchantable material pilot program to authorize projects under this program if they are recommended by a RAC. Finally the bill would add notification and reporting requirements for the Secretary regarding county projects under Title III.

The Administration continues to support a one-year extension of the SRS Act for FY 2007 as an interim step, so long as there are agreed-upon full offsets. The Administration could support S. 380 with agreed upon offsets for the payments authorized by the bill, an eventual phase out of payments and if the bill is amended to incorporate other changes.

To assist in offsetting the cost of reauthorizing the SRS, the Administration is proposing the National Forest Land Conveyance for Rural Communities Act. This proposal supports the President's FY 2008 Budget by authorizing the Secretary to sell certain identified National Forest System lands in an amount not to exceed \$800 million. Under the proposal, half of the land sales proceeds will be available to make payments under a reauthorized SRS Act for FY 2008-2011, and half will be available in the States in which they were collected for the acquisition of lands or interests in land for National Forest purposes, improvement of fish and wildlife habitat, restoration of National Forest System land, and conservation education. States would benefit from four additional years of payments (FY's 2008-2011), and

would also benefit from the addition of more ecologically important land to the National Forest System.

Our proposal provides up to \$400 million over a four year period to be made available for acquiring lands and interests in land for National Forest purposes from receipts obtained from selling National Forest System lands that are identified for conveyance. Implementing our proposal will result in acquiring lands that are better suited for National Forest purposes and additionally, could result in a net increase in acres of land under federal ownership. For instance, the ratio of lands acquired versus conveyed under our ongoing land exchange program for the past ten years has been a two and a half to one ratio. The net increase is because the lands conveyed are more economically valuable than the lands acquired which are more ecologically valuable. Additionally purchase and sale of tracts is an inherently more efficient means of adjusting ownership than exchange, because it does not require a one-to-one correlation in federal government and private landowner objectives over two specific tracts. Our proposed legislation will be transmitted to Congress in the very near future for your consideration.

The Administration would like to work with the subcommittee on additional amendments to S. 380 that will improve the legislation. For example, we recommend that sections 2(c)(1)(C) and 2(c)(2)(C) of the bill be deleted as the Department believes these sections are not needed. We are also concerned about the inclusion of the notification and reporting requirements regarding county projects under Title III in section 2(f) of the bill. This provision requires the Secretary to monitor and report on the use of these funds by local units of government which would require detailed reporting that many local governments might find onerous. We would like to work with the committee on alternative methods for insuring accountability for Title III funds. For example, it may be appropriate to require RAC review and approval of expenditures of any funds under Title III. The Department of the Treasury advises that the bill would improperly assign certain duties to the Secretary of the Treasury that would be more properly assigned to the Departments of Agriculture and the Interior. We would like to work with the Committee on these and other technical and substantive amendments.

The SRS Act provided transitional assistance to rural counties affected by the decline in revenue from timber harvests on federal lands. Traditionally, these counties relied on a share of receipts from National Forest System lands to supplement local funding for schools and roads. Payments made under the SRS Act have been used to support more than 4,400 rural schools and to help maintain county road systems.

In addition, the SRS Act provided for the establishment of RACs. RACs have increased the level of interaction between the Forest Service, local governments, and citizens, resulting in greater support and understanding of the agency's mission. A total of 55 RACs in 13 States have proposed more than 4,500 resource projects on National Forests and adjacent non-federal lands under Title II. Funds allocated under the SRS Act for Title II projects (\$185 million) have been leveraged by more than \$192 million in funds from other non-federal sources.

The last payment authorized by the SRS Act was for fiscal year 2006 and was made in December of 2006. Additionally, the authority for RACs to meet and propose projects expired on September 30, 2006. These committees have improved relationships by: broadening their connections, increasing access to resources and information, building trust, and providing active discourse on public policy issues. We need the support and assistance of these RACs in completing Title II projects that are in progress.

I am pleased to announce today that we will be extending the role of these committees for an additional year by amending the existing charters to allow them to be authorized as discretionary committees under the Federal Advisory Committee Act. This will enable them to continue to meet in order to monitor and track the implementation of approved projects as well as to make recommendations regarding changes or adjustments that may be necessary to the projects they are monitoring.

This concludes my statement, I would be happy to answer any questions that you may have.

Senator WYDEN. Ms. Jacobson.

STATEMENT OF JULIE JACOBSON, DEPUTY ASSISTANT SECRETARY FOR LAND AND MINERALS MANAGEMENT, DEPARTMENT OF THE INTERIOR

Ms. JACOBSON. Thank you for the opportunity to testify on S. 380. The underlying act, the Secure Rural Schools and Community Self-Determination Act, expired on September 30, 2006.

The Department recognizes the impact the expiration of the Act is having on counties that rely on the payments to fund important local programs, and the administration continues to support a 1-year extension of the Act as an interim step, so long as there are agreed-upon offsets.

S. 380 extends the reauthorization of the Secure Rural Schools Act from 2006 to 2013. The Department of the Interior could support S. 380 if amended with agreed-upon offsets and eventual phaseout of payments, and if the bill is amended to incorporate other changes. The administration would be pleased to work with the subcommittee and the appropriations committees to address these and other amendments.

The BLM manages 69 million acres of forest and woodlands, of which 2.5 million are located in western Oregon counties and are covered by the O&C Act. Of the public lands managed by the BLM, the Secure Rural Schools Act applies exclusively to those 18 O&C counties in western Oregon.

Congress set a stage for the long and close association between the BLM in these counties when, in the O&C Act of 1937, it directed these lands to be managed for the purposes of providing a permanent source of timber supply, protecting watersheds, regulating stream flow and contributing to the economic stability of local communities and industries and providing recreational facilities.

In addition the O&C counties receive approximately 50 percent of their receipts from timber harvested from public lands in these counties. By the late 1980's and early 1990's, litigation regarding the northern spotted owl resulted in steep reductions in timber harvest and therefore steep reductions in income to these counties. In response to this, Congress enacted safety net payments to stabilize income flow to timber-dependent communities. In 2000, Congress repealed the safety net payments and enacted the Secure Rural Schools Act to set a stable level of payments to counties.

Also title II of the Act has brought about \$50 million for cooperative projects to restore the health of public and private lands under the guidance of the resource advisory committees. These projects have included wildlife hazard reduction, stream and watershed restoration, control of noxious waste, and improvement of fish and wildlife habitat.

The RACs authorized by this Act have brought together diverse groups and individuals with the shared goal of improving the conditions of our public lands. Reauthorization of the act under S. 380 will strengthen these efforts.

Under title III of the Act, counties may use the funds for such purposes as emergency services, community service work camps and the purchase of conservation easements.

In closing, the BLM has a long history with the O&C counties and we look forward to continuing this relationship. In fact the

BLM is currently working on revisions to the western Oregon resource management plans, 17 of the 18 O&C counties, as well as the State of Oregon and cooperating agencies in this important effort which will include much public input. This effort will serve as the basis for land management decisions and will be critical to the counties and communities.

[The prepared statement of Ms. Jacobson follows:]

PREPARED STATEMENT OF JULIE JACOBSON, DEPUTY ASSISTANT SECRETARY FOR
LAND AND MINERALS MANAGEMENT, DEPARTMENT OF THE INTERIOR

Thank you for the opportunity to testify at today's hearing on S. 380, the "Secure Rural Schools and Community Self-Determination Reauthorization Act of 2007." The underlying Act, the Secure Rural Schools and Community Self-Determination Act of 2000 (P.L. 106-393) (the Act) expired on September 30, 2006. The Department recognizes the impact the expiration of the Act is having on the counties that rely on payments to fund important local programs, and the Administration continues to support a one-year extension of the SRS Act as an interim step, so long as there are agreed-upon full offsets. S. 380 extends the authorization of P.L. 106-393 from 2006 until 2013. The Department could support S. 380 if amended with agreed-upon full offsets, an eventual phase out of payments, and if the bill is amended to incorporate other changes. The Administration would be pleased to work with the Subcommittee and the appropriations committees to address this and other amendments to improve the bill.

BACKGROUND

In addition to the rangeland managed by the Bureau of Land Management (BLM) manages 69 million acres of forests and woodlands on the public lands, some 2.5 million of which are located in the 18 western Oregon counties covered by the "O&C Act" (Revested Oregon and California Railroad and Reconveyed Coos Bay Wagon Road Grant Lands Act of 1937.). Of the public lands managed by the BLM, the Secure Rural Schools Act applies exclusively to the 18 O&C counties in western Oregon.

Congress set the stage for the long and close association between the BLM and the O&C counties when, in the O&C Act, it directed the Department of the Interior to manage the O&C lands for "the purpose of providing a permanent source of timber supply, protecting watersheds, regulating stream flow, and contributing to the economic stability of local communities and industries, and providing recreational facilities." The O&C counties receive approximately 50 percent of the receipts from timber harvested from public lands in the counties.

By the late 1980s and early 1990s, litigation regarding the northern spotted owl resulted in steep reductions in timber harvests in the Pacific Northwest, and correspondingly steep reductions in income to counties that depended on revenues from timber harvests on public lands to fund essential local government services. In the years between 1989 and 1993, income to O&C counties from timber harvests dropped by nearly 30 percent, to approximately \$79 million. In response to this, Congress enacted "safety net payments" to stabilize income flow to timber-dependent counties during this tumultuous period, through the Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66).

In 2000, Congress repealed the "safety net payments" and enacted the Secure Rural Schools Act to set a stable level of payments to counties. The Act provided the O&C counties with the option of receiving a full payment amount equal to the average of their three highest timber receipt years from 1986 through 1999. In addition, under the Act the counties elect the percentage of the payment (80-85 percent) to be distributed directly to the counties (Title I), and the remaining percentage (15-20 percent) to be allocated between Title II projects (administered by the BLM), Title III projects (administered by the counties), or returned to the Treasury.

Under Title II, funds are used to support cooperative projects, under the guidance of Resource Advisory Committees (Committees), to restore healthy conditions on public lands or on private lands for the benefit of public land resources. Such projects include wildfire hazard reduction, stream and watershed restoration, forest road maintenance, and road decommissioning or obliteration, control of noxious weeds, and improvement of fish and wildlife habitat. Under Title III of the Act, counties may use funds for emergency services, community service work camps, purchase of easements for recreation or conservation, forest related after-school programs, and fire prevention activities.

The Resource Advisory Committee process authorized by the Act has served as a catalyst to bring together diverse groups and individuals with the shared goal of improving the condition of our public lands. In projects selected through collaborative decision-making, the BLM has worked in partnership with state and local governments and stakeholders to improve the condition of the O&C lands and support the development of community-based strategies to protect these communities from catastrophic wildfire.

To date, the BLM's five Resource Advisory Committees have recommended for approval over \$50 million in Title II restoration projects on public lands or for projects on private lands that enhance public lands. The Act has allowed the BLM to undertake a greater amount of on-the-ground restoration activities than would otherwise have been possible. Reauthorization of the Act, under S. 380, will strengthen these efforts.

S. 380

Section 2(a) of the bill extends the payments authorized under all three titles of the Act from 2006 to 2013. As amended, the payment authorities would sunset on September 30, 2013, and any funds not obligated by September 30, 2014, would be returned to the Treasury.

Section 2(b) of the bill amends, among other things, Section 103(b)(1) of the Act to extend the counties' election to receive 50 percent payments through fiscal year 2013, and adds language to that Act that authorizes the Secretary of the Treasury to give counties the opportunity to elect in writing during the last quarter of fiscal year 2006 to begin receiving the 50 percent payment effective with the payment for fiscal year 2007.

Sections 2(c)(1)(C) and 2(c)(2)(C) of the bill amend the Act to state that if the Secretary of the Treasury determines that a shortfall in revenues is likely, all revenues, fee, penalties and miscellaneous receipts, subject to certain limited exceptions, shall be reserved to make payments to the counties for that fiscal year. We believe these sections are unnecessary and recommend that they be removed from the bill. Also, the Department of the Treasury advises that the bill would improperly assign certain duties to the Secretary of the Treasury that would be more properly assigned to the Departments of Agriculture and the Interior.

Section 2(e) of S. 380 amends the "Merchantable Material Contracting Pilot Program" authorized by Section 204(e)(3) of the Act to authorize the Secretary to establish a pilot program at the request of a Resource Advisory Committee to implement one or more the projects recommended by the Resource Advisory Committees. While we have no objection to the amendment, we urge the Subcommittee to consider whether the goals of the Pilot Program can be more effectively reached using Stewardship Contracting authority to implement Title II projects with merchantable materials.

Section 2(f) of the bill amends the Act to add notification requirements by counties receiving funds under the Act. Specifically, it requires participating counties to submit to the Secretary written notification specifying each project for which the county obligated funds during the fiscal year. The Secretary is then required to review the notifications to assess the success of participating counties in achieving the purposes of the bill. Additionally, Section 2(f) amends the Act to require the Secretary to prepare an annual report containing the results of the most recent reviews conducted by the Secretary. We have concerns about this provision as it requires the Secretary to monitor and report on the use of these funds.

To address these and other concerns, the Administration would like to work with the Committee on other technical and substantive amendments. As stated earlier, the Department could support S. 380, if amended with agreed-upon full offsets, an eventual phase out of payments, and if the bill is amended to incorporate other changes.

In closing, the BLM has a long history with the O&C counties, and we look forward to continuing this relationship. In fact, the BLM is currently working on revisions to the Western Oregon Resource Management Plans. Seventeen out of 18 O&C counties, as well as the State of Oregon, are cooperating agencies in this important effort which will include public input. This document will serve as the basis for land management in these areas and will be critical to the counties and communities.

I would be happy to answer any questions.

Senator WYDEN. A land-speed record for finishing testimony. We thank you. Senator Smith, I know, has a tight timeline. If all of us take 5 minutes, I think we'll be in good shape for you, Senator Smith.

Mr. Rey, Doug Robertson is going to testify in a few minutes. He's the commissioner of Douglas County and he is going to say that a catastrophe is about to befall rural America. That there're going to be thousands of termination notices going out, counties prepared to declare bankruptcy, and I'd like to know whether, in your judgment, Doug Robertson is wrong with respect to that assessment.

Mr. REY. No, I don't think so. I think we've acknowledged that there are a number of counties who are still in need of this assistance. Not all the counties who were in need of it in 2000, but certainly a large number, and I think his county is among those.

Senator WYDEN. Now, with respect to the funding issue, as I have looked at the budget, it does seem that the administration can find money for its priorities, the values that it's most concerned about. For example, the budget includes proposals to raise money by improving tax compliance that are similar to what Senator Baucus and I have proposed to pay for County Payments last year. So they said we'll take this money that Senator Baucus and I talked about for County Payments. We'll use it for something else.

Don't you think that if this were a priority for the administration, this method of financing the program, it would be possible to find somebody in the Senate to be willing to sell off our national treasures? I mean in the last Congress the administration offered a proposal that nobody would support. This is our second hearing now, and I don't exactly see my colleagues on the other side of the aisle tripping over themselves to support land sales again. How can it be this is the only thing the administration offers up?

Mr. REY. Well, the proposal this year is not the proposal we offered last year. We listened intently to those comments that were substantive—as opposed to those ad hominem in nature—to see what the nature of those objections were, and responded to them accordingly.

The primary nature of those objections were No. 1, that people were uneasy about the idea of losing part of the Federal estate; and No. 2, that there was an inequity associated with the States that were going to be donors and the States that were going to be recipients. In other words, there was an unhappiness with the idea that we were going to sell national forest lands in Missouri to fund Oregon's schools. The proposal this year responds fairly to both of those concerns. We're going to use half of the money raised to acquire new land. By the time we're done we'll end up with more land acquired than we sold and that land is going to be acquired proportionately to the States that were donor States because they had developable tracts. So if we sell 2 million acres of national forest land in Missouri, a million acres will go into schools and a million acres will go back to Missouri to buy national forest lands that are more ecologically valuable in that State.

But more broadly, I think a more accurate description of your assessment is both the Congress and the administration have a number of funding priorities.

Senator WYDEN. Not me, I have one, getting this program, and that's why I offered an alternative.

Mr. REY. The chronology of last year's debate is that the House budget resolution already used the alternative that you and Sen-

ator Baucus subsequently offered for a different purpose. So at the time that it was offered it was already in conflict with the House budget resolution.

The administration didn't oppose your proposal, so presumably if the Congress had passed the budget resolution there would have been an opportunity to sort out how that funding should be used. But the fact that the Congress didn't pass a budget resolution isn't a reflection of a lack of commitment on the part of the administration.

Senator WYDEN. All I can tell you is, there was another tax legislation from the administration. That seemed to go forward, but there's no money for County Payments.

Ms. Jacobson, nothing in the original legislation says the program was intended to be temporary. Can you explain why the administration supports terminating now a program that's been considered one of the most successful forestry laws in the last 30 years?

Ms. JACOBSON. It is a 6-year authorization.

Senator WYDEN. But you all want to terminate it. You want to close a program described as one of the most successful in decades, at a time when clearly it's not going to be possible to make up the revenue in these rural communities that say they're going to die. Why is that a priority for you?

Ms. JACOBSON. What the administration has said is that we support your bill as long as there are mutually agreed-upon offsets and that there is an eventual reduction in payments, but we support the reauthorization for 6 years.

Senator WYDEN. You also didn't propose a funding mechanism. Again, you've got vast amounts of BLM timber lands and you didn't propose a funding mechanism. It's very hard to take these statements with a straight face. I mean no funding, no comment with respect to what's going to happen to these communities, and yet somehow administration priorities like tax cuts can get funded.

Ms. JACOBSON. Mr. Chairman, the administration did fully fund the Secure Rural Schools Act within the President's budget.

Senator WYDEN. By selling off something a republican Senator would go along with. That's the position of the administration.

Mr. REY. We're putting a lot of them as leaning against.

Senator WYDEN. That's what happened; I wanted to pass it the last Congress. No republican Senator would support your funding proposal. Senator Craig.

Senator CRAIG. Mr. Chairman, because I want to make a statement, why don't I turn to my colleague from Oregon? You mentioned a time crunch he's under, to proceed, and then I'll come back, and that could well include our colleague from Alaska. Then I'll come back and make a brief statement and offer some questions.

Senator WYDEN. Senator Smith.

Senator SMITH. Thank you very much, Senator Craig and thank you, Mr. Chairman, we're proud of you for holding the gavel in this committee, and doubly proud that we share as our No. 1 priority in this session of Congress, the extension of the Secure Rural Schools Act.

I've spent a lot of hours in hearings on this issue, a lot of hours speaking about this issue on the Senate floor. I don't think I need to redo that filibuster here, but what I do want to say is there's an enormous community of interest here—in fact there are communities in 39 States that need help. My State of Oregon just simply leads the list because it has the most Federal land.

It's an amazing thing though, when the Federal Government owns over half of your State and under our Constitution, local communities have no ability to develop or tax that land. So we have with the Federal Government built up a great region of the country, and specifically the State of Oregon, that was built by timber. The environmental ethic of this country has changed, shifted, as it relates to the management of public lands. That leaves stranded some communities that I care deeply about.

This fight cannot evolve into a dispute between States, between Republicans and Democrats or between branches of government. We owe the American people, and the people we represent deserve something better than that, so we've got to get together at the highest levels. Because the dollars are running out and so is the time available to structure a new agreement.

I listened with interest to the chairman of the committee, Senator Bingaman, and I truly do understand why other States don't like the formula, when you look at over half of the money going to Oregon.

Senator Wyden and I could have settled this issue a long time ago if we were willing to walk away from a formula that was based on history. A formula based on historic timber harvest, because that is the economic realities that underpin this discussion of a formula. But we haven't been able to walk away from that. I understand, however, that other States would like more of this money, to have a larger share, and Oregon take a lesser share.

I actually don't oppose them getting more money. What I've opposed is our taking less. I'm wondering what the rationale of the formula would be. It would help Oregon if they got more money, but Senator Wyden and I can't go home and say why we got less. I don't understand how we would explain that other than that this just didn't work out and that somehow we're revising history.

I guess Mark, my question to you is really based on, not any disgruntlement with the effort I know that you have made to increase timber harvest. I know President Bush has taken a lot of arrows in his back to defend the timber industry, seeing it as valuable to Oregon's history and to its continued vitality. But the facts are, that we're producing less timber now than we were under President Clinton, and I can't explain that at home.

I know it's not entirely your fault because I think the Federal courts have something to do with that. But what I'm saying in summation is, Mark, if we're going to ramp down the dollars, can you ramp up the timber harvest? Because these folks have no choice.

Mr. REY. That's part in parcel of what we're proposing this year. We're proposing to increase funding for the northwest forest plan, which will go predominately to Oregon. We will do that in fiscal year 2007 and we're proposing to do it again in 2008, but it's depending on which years you use as a basis for comparison.

It's not accurate to say that there's less timber being harvested, less timber being sold now than there was during the Clinton administration, when in the first couple of years of the operation of the northwest forest plan the commitments that were made to the timber-dependent communities in Oregon, Washington and northern California were, to a considerable extent, met. But by the time that plan had been in operation for 5 years, the sales levels were down to zero, which is where they were in 2001 when we walked in the door.

So what we've had some success in doing is bringing that back up again. Now if you want to average the 8 years of the Clinton administration against the 8 years after we're done, of how it ends up, you'll have a better gauge of who sold more timber. If indeed the Clinton administration sold more timber, well then I hope the National Wildlife Federation will make me conservationist of the year, but that may not be the outcome.

Senator WYDEN. The time of the gentleman has expired; the Senator from Alaska.

Senator MURKOWSKI. Thank you, Mr. Chairman and Secretary Rey; it's nice to have you here. Thank you for your focus on Alaska.

I understand you're going up soon to meet with many in our timber community and I'm curious to hear your response to Senator Smith's question: if you can't ramp up the funding, can we somehow ramp up more in timber receipts? As you know, we're getting nothing out of the Chugach National Forest, and the Tongass is a mess of litigation and snarls and politics and great, great frustration, as well you know. I'm not convinced that we see any level of optimism there to make a difference to our communities that were once so dependent on the industry, and now so dependent on these receipts from the Secure Rural Schools.

In the Chatham school district in Angoon, they're on Admiralty Island. They received \$310,000, which might not seem like a boatload of money to us here, but \$310,000 is 10 percent of their annual budget. I don't care whether you're a school, or what business you're in, if 10 percent of your annual budget is taken away, how do you move forward with dealing with the next year?

I have folks that are here today that have come to hear this testimony, have come to hear what the proposals and the solutions are, because they are so desperate, truly so panicked about the future, whether it's in Angoon or whether it's Wrangell, Yakatak—you know the communities.

One of the problems, of course, that we're facing is we have a difficult and a very challenging time in recruiting educators to the State in the first place. If they are getting, not necessarily the pink slip now, but hearing the word on the street that we don't know whether we're going to have this in our budget next year, these people leave. They not only leave the community of Wrangell, but they leave the State. They can't get in a car and drive back up, so we are extraordinarily concerned about how we make it through.

I'm trying to understand what it means to the State of Alaska if we go to that 25 percent funding level. Can you tell me what that number would be in terms of receipts to the State of Alaska, does anyone have that? I've been trying to track that down.

Mr. REY. I think it would drop from about \$9 million in annual payments to somewhat under \$1 million in annual payments, so it would be pretty precipitous, if you were back at this moment in history to the 25 percent formula exclusively. But to your immediate question, the pendency of the crisis is one of the reasons that we support a 1-year extension with mutually agreed-upon offsets on whatever near-term mechanism is available to do that.

The broader question is: "What do we do after this reauthorization?" It's answered in three parts. No. 1, there are some areas where timber harvest levels are increased and where we will get back to a stable timber sale program that will provide enough revenues, with enough agreement among the local people, to continue to make these guaranteed payments unnecessary. I'm somewhat optimistic that this Tongass Plan will hopefully get us there.

No. 2, there are other areas where the economies of the counties either have already, or will, diversify, such that the historic dependence on timber sale receipts is an artifact of the past. Sure, it's nice for them to have the money, but do they need it? No. Could they raise it on their own tax base? Yes. I'm not going to single out any individual counties but I am going to say that I know of a lot of them, in a lot of States, that are getting a lot of guaranteed money under this legislation.

The third way we're going to resolve it is to look and see, 5 years from now, where we're at and if we still have counties that haven't been able to make a transition, or we still have areas where the timber sale program is in great dispute and hasn't regenerated to an agreed-upon sustainable level. Then, as we are discussing now, we will look to an extension for maybe a limited number of counties to get our way through this transition. Those are the three ways I see forward from here.

Senator MURKOWSKI. Well, of course we just hope that in that ensuing 5 years, you're going to have your communities still alive, still around. Of course when you're dealing with some of the land ownership issues that we have in our western States—when you're an island that is surrounded by national forest, and your ability to diversify is just a nice term but not something that has practical applications in your community, you know the challenges.

Mr. REY. I wouldn't have said there were any counties in Alaska per se that have hit that diversification plateau yet, but there are a number of counties in other States that have.

Senator WYDEN. The time of the gentle lady has expired; the Senator from Idaho.

Senator CRAIG. Thank you very much, Mr. Chairman. I missed the opportunity to sit in that ranking seat and be your partner on these issues before this subcommittee. The rules of the Senate are strange. As a result of that uniqueness, I had to put on another hat in another committee, which I think in the end is going to be very valuable for everyone sitting in this room: as the ranking member on the appropriating committee of the Interior Committee from which, certainly, this wealth might spring.

Now having said that, Mr. Chairman, I want to thank you for your effort, and the effort of your partner in Oregon for the reintroduction of the bill itself. I have been silent too long and in that silence I have received a level of criticism that because of the silence

might be justifiable. But there was a reason, Mr. Chairman, why I did not co-sponsor Craig-Wyden. There was a tendency to want to do that for a namesake purpose, if for no other reason, but I think you heard it a few moments ago when you heard the Chairman of this committee restate something that he said a year ago. That was that a second look is needed at the formula because of the disparity that some States feel they are receiving versus that which we are receiving and that for a reauthorization to occur—and a multiple-year scenario—it would certainly require a different view.

Having said that, it's been difficult for me to be silent for a lot of reasons. One of the reasons is because of the value of the resource advisory committees, when Mark Rey, as you mentioned as an alum of this committee, staffed and helped us write this bill, this law.

One of the things we were in search of was a bridge, to bring parties together and stakeholders together for the purpose of unity, not the kind of divisive character that frankly brought us to the disparity we exist in today. While none of us likes to remember the past, I think it was important for the Secretary to recognize those who were our critics at that time. I didn't take it on the chin too much, but Ron Wyden did. There's no question about it, and he was a brave soul during that time, and I think Mark raised a demonstration of a fact at hand or a scene revisited in his mind in the Wyden office, so it was one not untypical of that day. That was then; this is now.

What was also then that is not now, was the time of surplus in our country, budgetarily. While Mark Rey and I and Ron were struggling to get this legislation together, I made a little trip over to a guy by the name of Pete Domenici's office and I said, Senator Domenici, chairing the subcommittee of authorization or funding, here's what we have got to do and he said, "Oh, okay, here's \$500 million a year, how's that?" and it was almost just that simple. That was then; this is now.

Why are we struggling to find a responsible longer-term funding mechanism? Because of where we are today, and I don't care who decides priorities. In this instance we have a problem, and that safety net that you, Mr. Chairman, have spoken so eloquently to, has been phenomenally valuable in my State and will raise havoc upon some of my school districts. It is something that I'm going to make every effort to resolve, along with you.

In the end it will be bipartisan. I am confident that we can create another safety net that will take us into the out-years and then maybe allow us to, as the Secretary has just mentioned, examine ourselves on a county-by-county basis. To see those who have not been able to diversify versus those who have. Some of my counties have been reasonably successful in changing their economic base, some have not, and as a result of that it becomes increasingly important that we evaluate this.

I have always said this was a transitional tool. I did not see it as an "in perpetuity" entitlement. I recognize history and it is wonderful history to talk about the 25 percent fund and 1908, and that was then. But that is not now, and as a result I think we have to be reflective upon that.

It is not to suggest, Mr. Chairman, that in the O&C lands or in other areas where we have communities that are so totally locked within the public domain that to diversify is a near impossibility, that we would not want to look at and reflect upon a new formula to fund and assist them. I said some years ago that with the demise of the timber side of the Forest Services responsibility, I grew fearful of a day when those who were the advocates of that demise would disappear from the scene and leave the responsibility of the funding mechanisms or the funding downstream that that timber program offered, in the lurch. Sure enough they not only have left the scene, they have become our critics at a time when we are trying to save the scene that many of those would choose to live in.

So, it is with frustration that I attend this hearing today. I wish it were easy to just simply wave a magic wand, find well over \$400 million annualized and move on down the road. It would be so easy to do that because if I were to miss the havoc raised in the communities of interest, in the counties and with the schools, I would be blind. And that Mr. Chairman, I am not. But my silence has been only auditory. I and my staff have worked for the last 6 months to try to bring together in a bipartisan way a group of Senators to create the 60 votes necessary, by looking at different formulas that we could come together on.

We are near. I think the chairman of the full authorizing committee reflected that, but we are not there. I would also suggest that I would not expect this chairman and Senator Smith to, in any short term, want to—or find it necessary to—take anything less than that which they received a year ago at this same time.

In working through this process, let me only conclude that that was then and this is now, and we're dealing with a different world in a different environment trying to find our way through it. I think we will, because I concur with you, Mr. Chairman, we have to. Having said that, you've been patient with your time. Our colleague from Washington is here. Let her make her comments.

I would come back with only one question of Mr. Rey at the time. Julie, thank you also for being here. Clearly the role that your agency plays in southwestern Oregon is a major one and it should not be unrecognized. Thank you.

Senator WYDEN. I just want to say to my friend, I'm interested in working with you as well, and I know that Senator Smith is, and we're going to prosecute this bipartisan effort very aggressively and I thank you. We'll have some additional questions in a moment.

Senator Cantwell.

STATEMENT OF HON. MARIA CANTWELL, U.S. SENATOR FROM WASHINGTON

Senator CANTWELL. Thank you, Mr. Chairman. I, too, want to work with you and Senator Craig on this important reauthorization. We all know in the Northwest how vital this program is and it's nearly 100-year-old policy is more comprehensive than maybe people here in Washington understand. But I know we have various county commissioners from some of our rural counties in the audience today who are also going to try to add to the perspective.

Simply put, without the support provided by laws like the Secure Rural Schools and Self-Determination Act, many communities in

Washington State struggle to meet their basic needs, such as good roads and good schools. It's imperative to forest-dependent communities in over 40 States that more than 700 counties, nationwide, have this program fully funded, so I applaud you, Mr. Chairman for your hard work and your effort. I'd obviously like to thank the Senator from Idaho for his leadership in co-sponsorship.

However, I fear that much of this progress is being put at risk by the administration's latest misguided proposal where they are outlining their fiscal 2008 year by budget selling off 270,000 acres of public land, but only partially funding the County Payments program and \$800 million. This funding level only provides half of the necessary funding for this program and provides for funding for the next 4 years. In short, this proposal is underfunded, short-sighted and, I believe, a non-starter. I think my colleagues will agree with us.

So I am very concerned about the precedent of selling off public lands in order to cover short-term budget deficits. The Federal forest land represents an irreplaceable public treasure cherished by lots of hunters, fishermen, and recreational users, and it is also used for education and a variety of things essential to habitat for the future. So I hope that as we work through this proposal, that we will be sure that the County Payments program is sufficiently funded and is the safety net. Otherwise without the safety net, Washington State stands to lose \$47 million in irreplaceable funding for critical programs.

Skamania County in southwest Washington is a good example. Almost 80 percent of Skamania is in the Gifford Pinchot National Forest, making it non-taxable by the county. Other large portions of land are owned by State or timber companies, leaving only 2 percent of the county eligible to be taxed at full valuation. However by leveraging funds from the County Payments program, places like Skamania County are able to provide critical public services like education, emergency response and road maintenance. It can be a wonderful place to live and provide services, but they have to have the resources.

So, I know, Mr. Chairman we are going to get to questions, but ultimately I think this is about examining the priorities. It's about an initiative that has succeeded for years in supporting our communities and the co-existence with Federal lands. So are we going to continue that process or will Congress follow the administration's flawed proposal by placing a price tag on our precious public lands? I look forward to asking Mr. Rey some questions, but I'll yield back to my colleague, either the Chairman or my colleague from Idaho who wanted to ask questions. But I thank the chairman for allowing me to have this statement and a longer statement inserted in the record.

[The prepared statement of Senator Cantwell follows:]

PREPARED STATEMENT OF HON. MARIA CANTWELL, U.S. SENATOR FROM WASHINGTON

INTRODUCTION

Thank you, Chairman Wyden.

Thank you for holding this hearing, and thank you for continuing to support and champion the Secure Rural Schools and Self-Determination Act.

I appreciate you holding this hearing and look forward to working with Senator Wyden and Senator Craig and to reauthorize this law.

As you know, this vital program continues a nearly one hundred year old policy of providing fair and equitable compensation to the citizens of forest counties for their coexistence with federal lands. Simply put, without the support provided by laws like the Secure Rural Schools and Self-Determination Act, many rural communities in Washington would struggle to meet their basic needs such as adequate roads and good schools. It is imperative to forest-dependent rural communities in over 40 states and more than 700 counties nationwide that this law continues to be fully funded.

As you know, reauthorizing this program has strong bipartisan support on this Committee. I'd like to publicly thank Senators Wyden and Craig for their leadership and am proud to be a cosponsor of this legislation. However, I fear that so much of this progress and essential support will be put at risk as a consequence of the Bush Administration's latest misguided proposal. The administration's plan outlined in the fiscal year 2008 budget proposal would sell off around 270,000 acres of public land, but would only partially fund the County Payments program at \$800 million. This funding level only provides half of the necessary funding for the program and only provides funding for the next 4 years. In short, this proposal is underfunded, shortsighted, and is a non-starter for this Senator.

I am very concerned about the precedent of selling off public lands in order to cover short-term budget deficits. Federal forest lands represent an irreplaceable public treasure: cherished by hunters and fishermen, used for recreation, study, and education. In addition to these multiple purposes, these forest lands provide essential habitat for fish and wildlife.

Since the Administration's proposal was developed in D.C. with little or no input from the Forest Service's Pacific Northwest field office, we are anxious to see maps of exactly what lands are on the chopping block in Washington State.

These lands represent an important legacy, which we have chosen as a nation to protect for future generations. The proposal in this budget seems to undervalue this legacy by proposing to sell off our children's inheritance to pay down the debt. Such fiscal slight-of-hand won't fool anyone.

To be sure, the County Payments program has proven effective, responsive, and essential to so many counties across the nation. We must support and sustain it with real funding in an adequate, responsible manner. Without this vital safety net, rural counties in Washington State will lose more than \$47 million dollars in irreplaceable funding for a variety of critical programs.

Skamania County in Southwest Washington is a good example. Almost 80 percent of Skamania is in the Gifford Pinchot National Forest, making it non-taxable by the county. Other large portions of land are owned by the state or timber companies, leaving only two percent of the county eligible to be taxed at full valuation. However, by leveraging funds from the County Payments program, places like Skamania County are able to still provide critical public services like education, emergency response, and road maintenance.

In addition, title two of this law has increased local community involvement and empowered local citizens through Resource Advisory Committees. These committees have helped cultivate a sense of ownership, promoting involvement in important projects such as improving wildlife habitat and water quality while reducing the threat of forest fires through fuels reduction efforts.

Ultimately, I believe this is a time to examine our priorities. Do we want to sustain a proven and balanced initiative that has succeeded for years in serving, supporting, and valuing the citizens of forest counties in their coexistence with federal lands? Or will Congress follow the Administration's flawed proposal by placing a price tag on our precious public lands?

I believe the answer is clear and I look forward to working with my Committee colleagues on this issue.

Senator WYDEN. I'm going to indulge both my colleagues. Would you like to ask a question or two now? Then Senator Craig. I had one as well. Go ahead.

Senator CANTWELL. Thank you. Mr. Rey, have you looked at how this partial funding and termination of the program will impact Washington State?

Mr. REY. Yes. What we would do would be to fully fund the program in '07 and start to phase down the program in '08 through '11 and then at the end of '11, or not '11, at the end of fiscal year 2011, we'd have the opportunity to look at what the situation in individual counties is, to assess which of them are still in need of

support and which are not. There are some who are presently not in need of support.

Senator CANTWELL. Where do you think some of the poorest counties in the State of Washington with 80 percent of their land in Federal timber holdings could come up with \$47 million even if you gave them 3 or 4 years to come up with it?

Mr. REY. Well, if we decide to look at the revenue distribution formula as some members have suggested today, we might consider taking the money that King County is getting from the 2000 legislation and reallocating that to a county that's in greater need.

Many now largely urban or suburban counties in the west are getting a substantial amount of money in 2000 legislation's formula because the formula was a reflection of the historical timber receipts that those counties enjoyed in 1908 or at an earlier time. Many of those counties, including the one I just mentioned, are pretty vibrant right now. The fact that they're getting several hundred thousand dollars or a million dollars is a relatively small part of their budget. It's a big part of the budget for some of the counties like Skamania County, but that's not how the formula as it exists today distributes the support. So that would be one option available to us, either in the reauthorization of the bill now or as we look at the situation.

Senator CANTWELL. Do you think that's a revenue stream not being used or not being planned on?

Mr. REY. No, it's certainly being used and it's certainly enjoyed but it's a different case for Skamania County then it is for King County. You can make a very persuasive case that Skamania County, given its situation today, is not demonstratively better off than it was in 1999 and it ought to benefit from an extension of this legislation. It's harder to make that case today for King County, and there are other comparable comparisons in other States throughout the west. So that's one of the adjustments that seems to me that we might make as we go forward.

Senator CANTWELL. Did I understand from a previous question before I got here by Senator Wyden that the administration does support this program?

Mr. REY. Yes. We support a 5-year reauthorization of the 2000.

Senator CANTWELL. But a trailing off in several years and looking for revenue from sources that are already dedicated to other things. Is that right?

Mr. REY. Not necessarily looking for other revenues, but yes, trailing off on the premise that either one of two occurrences taking place.

No. 1 would be that the timber sale revenues are back up, so the need for a guaranteed payment is diminished. No. 2 would be that the county has diversified its economy to the point that it's no longer as dependent on historic levels of timber receipts as it once was.

Senator CANTWELL. Well, Mr. Chairman, I know my time is expired but I'm all for creativity. I am not for curtailing a program or shifting a focus to other revenue streams and not looking at the larger policy, perhaps, Mr. Rey.

Mr. REY. We'd be happy to talk to you about that.

Senator CANTWELL. I share my colleagues' concerns and frustrations over where this has been, and now is not the time to hide the focus under some other hat, in a hat trick. This is about finding the revenue and resources within the budget, and so I thank the chairman.

Senator WYDEN. I thank my colleague and for your co-sponsorship of the legislation, all your advocacy and I appreciate your involvement. Senator Craig.

Senator CRAIG. Let me just pick up where the Senator from Washington and the Under Secretary were dialoguing, because I find it fascinating.

If timber receipts were to pick back up and we were to find less of a need to fund the given program, it is interesting that probably Douglas county's receipts would not pick back up because of its urbanization, but Skamania because of its rural forest base would. The formula would be working not unlike how I think we've got to show some objectivity in looking at it in the future years. I have similar counties. Some have been reasonably successful in economic growth and development and given another few years, my guess is, they will look at timber as a part of their historic past, not as a future revenue base simply because of the land base itself.

While I know it's hard to give up revenue flows, if we continue to tie this program to the resource and to a formula that is tied to the activity of the resource itself, which I have always believed we should, as a fair measurement of how we got to where we were, then I think that kind of funding would probably take care of itself. By its character it would pick its winners and its losers and you and I would not necessarily be caught in the political vise that we find ourselves in today. I think that's a reasonably fair statement.

Senator CANTWELL. If I could, in discussion with my colleague, I think the issue is—and I think we're very proud of—the economic development that's happened in our State. You know the fact that Google has moved into The Gorge, or the area is promoting an economic strategy of wind and wine.

We're, I think, on the cutting edge of a lot of new developments and technology and job growth but, you can't have these counties for the next 5 not have the revenue. When you're 80 percent timber-dependent or 80 percent of your land holdings are in timber, there isn't a whole lot that you can do.

I think Skamania County has done well. They have some innovative technology companies even within there, but there're going to start basically at the same time they're trying to promote in their business park, economic expansion to companies. I can't keep the school open, I can't keep the hospital open, I can't get the roads paved, we can't get the infrastructure to the business park—then they're not going to have that vision of economic development that I think you suggest and I'd love to work.

Senator CRAIG. You and I have no disagreement with that at all. I think that's a valid observation. The infrastructure that Craig-Wyden has assisted in sustaining is critical in any economic growth or economic development scenario.

My question, Mr. Chairman, is for Mark, or Under Secretary Rey. Mike Francis of the Wilderness Society will be expressing some concern about the modification that is made in S. 380 in the

use of pilot sort yard provisions. Is there anything wrong with further empowering the RACs to make the decision of when and where to use the sort yard pilot authority?

Mr. REY. The administration doesn't object to that provision in S. 380. I don't see any problems with that proposal.

Senator CRAIG. Julie, a bit of an extension of that question. You suggested that the goals of the pilot program embodied in your testimony be met through Stewardship contracting.

Could you discuss very briefly that issue a little more and explain how this can be done, or might be done?

Ms. JACOBSON. Senator, it was a suggestion that the committee look at the language that we use under the Stewardship contract upon whether it was an equal or better tool, but we have used the provision in the Secure Rural Schools Act.

Senator CRAIG. Fine, thank you. Mr. Chairman, thank you.

Senator WYDEN. I thank you; Senator Craig and Senator Cantwell and I think that these comments, as we go to our next panel, were very telling.

I just had a big round of town meetings when I was home and I'm sure, like you, people say, "Why does Oregon get this money? Why doesn't anybody else get this money?" Well, the reason that Oregon gets this money and everybody else's is about history, and essentially this is a 100-year-old formula that is based on harvest and volume. Oregon gets this money because this is where God decided to put the trees, beautiful, wonderful trees, and we're thrilled.

There are more than 3 million Oregonians. This is what God decreed and I appreciate the exchange between my friend from Idaho and Washington. I happen to agree with both of you with respect to the future of the rural communities. Once we get the County Payments law passed and we ensure the survival of these rural communities, I can ensure for example that Curry County, beautiful spot on the Oregon coast, doesn't disappear, and Grant's Pass doesn't have to call out the National Guard.

Once the rural communities survive, it is my intent, as my friend from Idaho and I have done for a full decade now—it seems incredible that it's gone by so fast—we're going to work on biomass, which I know you're very interested in. We're going to work on thinning issues. We have two major forestry bills that the two of us were so heavily involved in, actually got enacted into law; I think both of us said the only forestry bills that got enacted in the last 20 years. Once we ensure the survival of these rural communities, we're going to go on to those other areas that I know that you're interested in, Senator Cantwell is interested in, that we will have bipartisan support for.

I'm not going to belabor the land sales issue any further.

Mr. REY. We'll put you down as leaning against.

Senator WYDEN. Pardon me?

Mr. REY. We'll put you down as leaning against.

[Laughter.]

Senator WYDEN. Put me down as especially curious to see if one Republican Senator will announce their support for the proposal as opposed to last time when there were no Republican Senators.

Senator Craig pointed out he didn't want to be dragged into that one. The point is we intend to work closely with you. We're going to have to move on at this point. Let us call our next panel. We'll excuse you both. I look forward to working with you Secretary Rey, Ms. Jacobson.

Let's call our next panel if we could. The Honorable Doug Robertson, chairman of the Board of Commissioners of Douglas County, Mike Francis of the Wilderness Society, the National Forests Program and Mr. Jonathan Kusel, Sierra Institute for Community and Environment in Taylorsville, California.

Senator CRAIG. Mr. Chairman, while our panel is coming up, let me make a suggestion to you. I've been out in Idaho holding town meetings. I've chosen not to hold town meetings in the timber communities. I might suggest that of you. I'm going to go back there.

Senator WYDEN. That's because you're so popular.

Senator CRAIG. No, no, no, I'm going to go back there after we fund Craig-Wyden, not before we fund it. I think it would be safer to do that.

Senator WYDEN. Very good. Let us go to our next panel. We can begin with you Mr. Kusel and then we'll go to you, Mr. Robertson and Mr. Francis.

Welcome to all of you and thank you for your patience and involvement in this.

Mr. Kusel.

STATEMENT OF JONATHAN KUSEL, DIRECTOR, SIERRA INSTITUTE FOR COMMUNITY AND ENVIRONMENT

Mr. KUSEL. Senator Wyden, thank you very much for the opportunity to testify to the subcommittee on S. 380.

It was 10½ years ago that I addressed the full Senate Energy and Natural Resources Committee about community involvement and natural resource management and the need for collaboration. Senator Craig, you were a leader in that effort and I appreciate it. It's a pleasure to come back now and talk about collaboration and how it's played out over the last 10½ years. I don't know if you remember the time that we all got down on the floor here and off the dais and had a conversation among a variety of interest groups. Again thank you for that.

I direct the Sierra Institute for Community and Environment, a non-profit research and education organization. The Departments of Interior and Agriculture contracted the Sierra Institute to examine titles II and III of the 2000 Secure Rural Schools and Community Self-Determination Act. In my testimony I want to share a bit of what we learned in our 18-month study, and then offer a few recommendations based on these findings, and conclude with just a brief view of the future of the legislation. I refer you to my written testimony in our reports for more specific findings and recommendations.

I think most of you know—and it's already been mentioned—the stunning success of Pub. L. 106-393; the RACs were really quite phenomenal in what they accomplished and this is true across the country. We visited nine States in our study.

A key ingredient in the success of the RAC is that they have money for projects and on-the-ground work, not just talking about

policy, but really doing things. In fact many people mentioned that they knew if they couldn't come to agreement, things weren't going to happen on the ground. RACs recommended a wide variety of projects that improve watersheds, habitats, and roads, and completed important forest management, fuels, and thinning projects. There are hundreds of examples of RAC funds being used to complete projects that the agencies needed to do and that the public wanted.

Terribly important: the RAC-funded projects have leveraged millions of additional dollars, many partnerships in the thousands of volunteer hours, and in some projects actually doubled the title II contribution. Interestingly and equally impressive collaborations have taken place between RAC interest group members and the Federal agencies. The RAC process helped break through a grid lock that was decades thick and people talked about truly improving the relationship with the Federal agencies. Interesting also is that the Federal agencies talked about doing business differently as a result of their exposure to the various interest groups on the RAC.

RAC members not only just got along, but the interest groups and the agencies turned the RACs into what I've talked about as "learning laboratories," and quite powerful learning laboratories. One of the truest markers of the RACs' success, and I know you've heard this before, is that at least at the end of our study, no RAC project had been appealed or challenged. There's been a couple since.

Title III dollars have accomplished a lot of good work, but there were two primary problems with title III. Approximately half the funds were allocated through administrative processes and there was little to no oversight. In a few cases some of the funds of title III were used inappropriately. I say a few, not extensive. More open, competitive and transparent processes for project solicitation review and approval are needed, making clear, as S. 380 begins to do, what a project is, will help address this.

I want to just conclude by saying with title III, there were problems, but these really are quite fixable. Should the program be continued based on our work? The answer is a resounding yes.

I want to respond to a couple of issues. What's the formula? Behind this question is another question about what the Federal obligation is. Mr. Chairman, you mentioned a number of times about a Federal obligation. I'm a firm believer that a Federal obligation to rural communities and people exist. At the same time I don't believe counties should expect funding from the Federal Government based on a high 3-year harvest average to continue in perpetuity.

So how do we fund it? This is obviously a huge challenge and I know better at this point than to go there right now, but let me point out that what people have argued—that collaboration is time-consuming and expensive. I offer that this legislation is a great example of where we've actually saved money through collaboration. Six years of Secure Rural Schools legislation has saved an enormous amount of money in litigation that hasn't taken place, projects that have not been tied up in courts and then, of course the leverage in Federal dollars. Just as importantly, as already

mentioned, this legislation has significantly reduced gridlock that has characterized resource management over the last two decades.

One last comment if I may, and that is where it might go. I suggest if we talked about looking to the future, reauthorization should be viewed as a bridge to the future and a program that combines deriving revenue from resource production a la timber products and forest products with equal system services. We're increasingly talking and hearing about ecosystem service work, and I think revenue from both ecosystem products and services can and should be part of this bridge which leads to a more sustainable future funding of this legislation.

An ecosystem products and services approach can be watched by identifying ways to secure resources, support management that contributes to improvements in water quality and quantity, as well as generating wood products.

Two very quick examples in the Sierra Nevada ecosystem project, of which I was one of the scientists: we identified \$2 billion worth of water value coming off of the forest. One doesn't have to take in much of that to contribute tremendously to that system. On a small scale OHV permits their collecting money at the State level, returning it to the forest to improve OHV trails.

Finally by adopting a broader approach that is ecosystem products and services, I think there's an opportunity to extend the range of this program which has been hugely successful. Extend the range in terms of the geographic range, bring in the south more, bring in the east, bring even in the Midwest as well and offer an opportunity for them to share in what I think is a tremendously successful program and—it has already been mentioned, and Chairman you've said it—one of the most successful pieces of legislation in quite a number of years. Thank you very much.

[The prepared statement of Mr. Kusel follows:]

PREPARED STATEMENT OF JONATHAN KUSEL, DIRECTOR, SIERRA INSTITUTE FOR
COMMUNITY AND ENVIRONMENT

Thank you for this opportunity to provide testimony to the Subcommittee on Public Lands and Forests regarding Senate Bill 380 to reauthorize the Secure Rural Schools and Community Self-Determination Act of 2000.

I direct the Sierra Institute for Community and Environment. The Sierra Institute is a non-profit research and education organization that works locally, regionally, and nationally. The Departments of Interior and Agriculture contracted the Sierra Institute to examine Title II and Title III of the 2000 Secure Rural Schools and Community Self-Determination Act (P.L. 106-393). My testimony will focus on key findings from our 18 month study, offer some recommendations based on these findings, and conclude with a view of the future for this legislation.

THE STUDY

Methods and County Participation

To give you a sense of the breadth and depth of our study, we conducted 16 case studies in nine states. A case study includes an analysis of the Resource Advisory Committee (RAC) and the projects they approved and that were funded, as well as Title III projects in the associated county areas. The 16 case studies themselves include over a third of all Title II and a fifth of all Title III allocations for the first four years of the program.

To improve our understanding of Title III, as part of the Mississippi case study we reviewed the Title III expenditures for the entire state. We also examined Title III expenditures for all of California for the first three years to track patterns across 32 counties.

Nationwide, a total of 85% of all counties eligible to opt into the secure payment program have done so. The high proportion of counties that opted into the program

is an indication of the difficulties counties and forest-dependent communities have faced in providing road and school services based on a tax base that is constrained sometimes by poverty, always by the tax-exempt status of the public lands within their boundaries, and by declining revenues due to reduced timber harvests. Difficulties counties face in serving their own citizens are compounded by increased settlement adjacent to wildlands and by their obligation to provide further services such as search and rescue and to assist with fire prevention on public lands within the county boundaries. Secure payments under P.L. 106-393 have been an essential source of revenue allowing counties to meet these obligations.

Title II and Resource Advisory Committees

One of the most important findings from our study is RAC success. There are few pieces of legislation that exceed the expectations of even the most optimistic supporters, but the collaborative relationships established and learning among RAC members, and between RACs and the counties and the federal agencies has, in general, been exceptional. As the first legislation to require multi-stakeholder collaboration to advance resource management projects, few would have predicted the breadth and depth of success it achieved.

The initial trepidation and skepticism among environmentalists, timber industry, and other interest group representatives over simply sitting in the same room together after years of conflict gave way to joint work and learning. RACs have supported a plethora of projects that are now improving forest and watershed health on federal lands and enriching education and services associated with the counties' natural resource endowments.

A key ingredient of success is that RACs have money for projects and on-the-ground work.

RAC members know that unless they can come to an agreement, no projects will be funded. This proved to be a powerful motivator to work together and is different from coming together to talk policy. While the money was critical, members of many RACs reported an increasing openness among representatives from the different interest groups to consider projects that would previously have been anathema to them. One environmentalist said that had someone in the past suggested she would support the old growth thinning project she did as a RAC member, she would have dismissed that individual as "crazy."

RAC-funded projects have leveraged millions of additional dollars, many partnerships, and thousands of volunteer hours.

Many projects have been implemented that demonstrate the power of multi-jurisdictional and public-private partnerships. All of the RACs funded some projects that leveraged additional resources, partnerships, and volunteer work. Some of the largest projects were the most leveraged, including funds from other federal programs. Project record keeping was insufficient to determine the precise number of dollars and volunteer hours, but by all reports it was impressive.

Similar to interest group collaboration, an equally impressive collaboration has taken place between RAC interest groups and the federal agencies.

The RAC process has led to a new and qualitatively different kind of interaction between the RAC interest groups and the agencies. As a result of their participation, many RAC members have a greater appreciation for agency constraints, processes, and requirements for engagement with the public. In a similar vein, agency representatives spoke of their enhanced and more nuanced understanding of interest group perspectives. In many cases Forest Service and Bureau of Land Management personnel have become more responsive to public concerns as a result of interactions with the RAC. Agency representatives acknowledged that work with the RAC has helped them learn new ways of doing business.

By the close of our study, no RAC project had been appealed or challenged, confirming the success of Title II. Two other indicators of the success of RACs came from members reporting that they are learning from each other and collectively generating new ideas. This was not just "happy talk." These same members often expressed surprise at how well things were working. Many RAC members reported that relationships are being carried into other collaborative endeavors.

Additional evidence of RAC success is the shift in funding: as counties grew more comfortable with RACs and their accomplishments, we saw a significant increase in the amount of funding allocated to Title II from early to later years, a pattern slightly more pronounced with Forest Service RACs.

Collaboration is fertile ground for more collaboration.

Previous experience with collaborative approaches in local government and with natural resource management has helped RACs to become operational sooner. In the West, the history of community involvement with the federal agencies has speeded RAC development. For example, in the Northern Panhandle of Idaho, years of work-

ing together as a five-county region not only helped the RAC get started, but also helped its members avoid the temptation to negotiate to receive project support equivalent to their Title II allocations—as many RACs did—and to focus more on the quality of and regional need for individual projects. The Southwest Mississippi RAC, whose members lacked a history of resource-based collaboration, is proving more successful in those counties that have had successes in overcoming a historic legacy of racial conflict. These RAC members are still learning about how best to use RAC funds, but they already view their work as positive and offering unique future possibilities.

Despite RAC successes, the general public is still in the dark about RACs and RAC work.

In most of the RAC areas, there remained a disappointing lack of knowledge among the general public about the RAC. The wider population simply knows little about RAC work. Project and collaborative learning was primarily confined to members of the RAC, with one key effect being a reduced number of non-agency and non-county applications for RAC funding.

RAC Membership and “Replacement” Members

For the most part, interest group representation on RACs is sound, although some interest categories are filled with inappropriate representatives.

Some interest group designations like “wild horse and burro” do not fit the diversity of environments, regional economies, or sociodemographic conditions found in all regions of the country. Other categories like “organized labor” have proven difficult to fill.

The wild horse and burro position reflects an idealized west and is relevant only in certain regions; it was the most difficult category to fill in the RACs we examined in our study. The labor category has also proven difficult to fill in part because of the general decline in organized labor and in part because of the decline in the number of timber industry jobs, a sector that at one time historically constituted the highest number of unionized workers in forest dependent rural areas. Where other labor organizations exist they should be considered appropriate surrogates when traditional organized labor representatives are unavailable.

Despite their historic and continuing relationship to natural resources, including those on federal land, Native American groups are under-represented or not represented on some RACs and do not receive project support to the degree that might be expected.

Filling the Native American position on RACs proved difficult for a number of RACs. Reasons varied. In some cases tribes had little experience with collaborative groups, and, federally recognized tribes may view collaboration with a RAC as inappropriate given their unique relationship to the U.S. government. In areas with multiple tribes, obtaining representation is further challenged by the fact that a tribal member may not speak for more than one tribe. One solution to this is to recognize that participation by tribal members should not be limited to one reserved position on the RAC. Tribal members are often well qualified to serve in other positions such as an environmental or industry group representative or as a public official, and should be invited to do so. Tribes have participated effectively on some RACs, but more consistent attention by the agencies and by RAC members alike are needed to engage more tribal members.

Some RAC members and agency officials misunderstand the role of “replacements.”

Many RAC members and officials spoke of replacement and alternate members interchangeably. They felt a “replacement” could step in as an alternate at meetings, filling in for an absent member. Replacement members are appointed to move into an interest group position within their subgroup when one of five positions is vacated. While perhaps assuring continuity in RAC functioning, this process can lead to inappropriate filling of interest positions since there is no way to ensure that the replacement fits the vacated interest position.

RAC Projects

The largest category of spending for the 15 case study RACs we examined is roads, representing 26% of total RAC expenditures (see the attached Figure 1). This category also includes culvert replacements. The second largest category of RAC expenditures is for projects that restore, maintain, or improve wildlife and fish habitat totaling nearly 17% of all RAC expenditures. A total of 9% was allocated for watershed restoration and maintenance-related projects such as upslope stabilization efforts, downslope sediment reduction projects, and estuary-related projects, such as fish-friendly tidegates. Given that most habitat projects involved watershed improvement, project work in these three categories met the legal requirement that

50% of all Title II projects be used to fund road maintenance/obliteration or watershed improvement/restoration.

Forest health-related projects constitute the third largest RAC categorical expenditure, with 95% of these expenditures concentrated in three Oregon RACs. A total of 13% of total Title II expenditures for the 15 case study RACs was allocated in this project category. Most forest health projects involve pre-commercial thinning. Few RACs have supported forest health projects that involve extraction of merchantable timber. At 9% of total expenditures, fuels reduction projects represent the fourth highest categorical expenditure. Noxious weeds were the fifth highest, receiving just under 8% of the funds.

Given the budget shortfalls the agencies are experiencing, RAC dollars have enabled the Forest Service and the Bureau of Land Management to implement projects that would otherwise not be done. There are hundreds of examples of RAC funds being used to complete projects that the agencies need to do and that the public wants. RAC money represents a new source of funds for the agencies to do needed work, and to do so through partnership with a RAC.

RAC Administrative Fees: The Cost of Collaboration

Agency administrative fee charges for RAC support and project administration have been confusing, shifting, and inconsistent. First, it is important to recognize that good RAC support and coordination is no accident: it consumes considerable agency personnel time and dollars. Second, agencies need to establish clear and simple guidelines for charging and ensuring that administrative expenses are covered.

Funding the RACs

A common challenge of multi-county RACs is the demand by some county officials that each county should receive project dollars commensurate with their RAC contribution. This has sometimes led to project approval processes that respond primarily to county priorities, with a few county officials threatening to reduce or terminate Title II allocations when they are dissatisfied with the distribution of project dollars between counties. This form of control over RAC decisions is relatively uncommon, but where it occurs it can be destabilizing.

There has been concern about Title III, and this is discussed below, but it is important to note that there is an important relationship established between county commissioners or supervisors and the RAC and federal agency as a result of local officials having the choice to allocate dollars to Title II. This provides additional pressure on the RAC and the federal agencies to support and implement good projects and equitably distribute Title II dollars.

Title III

Title III funds have proved to be most valuable to counties in covering services they are expected to provide to their citizens and the general public: search and rescue on public lands, fire prevention, and county planning.

The highest funded category of Title III expenditures in the case studies is "search and rescue and emergency services," totaling 34%. "Fire prevention and county planning" at 24% and "forest-related education" at 22% were the next highest funded categories.

Title III funds have been used successfully to develop community wildfire protection plans and other capacity building work that has led to effective leveraging of Title II and National Fire Plan dollars, and other resources.

Considerable sums of Title III funds have been used for planning and for building the capacity of communities to engage in fuels reduction and forest thinning, qualifying them for National Fire Plan funds as well as other funding. This kind of leveraging has been an extremely effective tool for developing fire plans in the wildland-urban interface and in completing fuels thinning projects. Title III projects that build local capacity and leverage funds are even more important in light of declining National Fire Plan funding, the loss of Economic Action Programs of the Forest Service, and other funding shortfalls. Title III funds have also been used productively to implement a multitude of educational projects. County support for these programs has allowed local people and others to learn about forest communities, and the role and importance of stewardship of a working landscape.

Up to half the study counties did not disburse funds through open and competitive processes of project solicitation and approval. Roughly half of all Title III funds were allocated through administrative allocations. This had the effect of restricting the diversity of groups and projects receiving Title III project support.

On the whole, the majority of Title III funds appear to have been used for authorized purposes, but some clearly did not meet the spirit and intent of the act. Unacceptable allocations included payment for county officials' salaries and for reimbursement of PILT funds lost as a result of Title III payments. Administrative allo-

cations and lack of oversight contributed to funds being allocated in ways that did not fit approved categories. Senate Bill 380 begins to get at this issue with the call for Secretary review of Title III projects, but more is needed.

In addition to Secretary review, the study team learned that many counties sorely needed an authoritative source for information about Title III. There was no agency or entity designated to provide Title III oversight or offer Title III consultation. As a result, county officials had no one to call if they had questions or needed an interpretation about a project's fit with the legislation. Bureau of Land Management and the Forest Service officials informally provided information, but this exceeded their responsibilities and many officials were clearly uncomfortable in this role. Some state-level associations of counties provided information, but it was not always consistent from one state to another and sometimes questionable with respect to how well recommendations fit with the spirit and intent of the law. This was complicated by the fact that Title III was not as clearly written as Title II.

Employment

Across almost all of the cases, RACs and Title III projects have supported youth employment projects.

Millions of dollars have been invested in Youth Conservation Corps (YCC) or similar employment programs, as well as programs for at-risk youth. Almost all RACs examined supported one or more youth employment projects. RACs in general are quite pleased with experiences projects have offered youth, the benefits youth have gained from working on the land, as well as the landscape improvements. These programs have improved trails, reduced fire risks, and removed noxious weeds, among their many accomplishments. They are also developing the human capital needed for continued management of forests and watersheds as participants move into resource-related jobs or educational programs.

Job creation, beyond youth employment, has been indirect and piecemeal, despite this being a goal of P.L. 106-393. Most projects offer only part-time or short-term work.

In a few cases the RACs or the agencies have attempted to provide projects that bridge seasons and slow-work periods in order to offer year-round work. While a number of RAC members expressed interest in generating employment, they quickly learned how difficult this is and how limited a project-by-project approach to this issue is. Some RACs, like the Siskiyou County RAC in California, have actively discussed funding large projects. They recognize, however, that tradeoffs involve reduced funding for other worthwhile and needed smaller projects, and are accompanied by the risk that large projects provide no guarantee of providing long-term, family wage employment. Lack of good monitoring and review prevents RACs and others from building a knowledge base of successful approaches to employment generation.

Monitoring

Monitoring of both Title II and Title III has been inadequate and needs to be improved.

A few RACs and counties took it upon themselves to monitor funded projects, but even the best of them focused primarily on general project reporting and implementation monitoring, not on outcome-based or project effectiveness monitoring. To be fair, given the relatively short duration of the legislation, effectiveness monitoring is difficult if not impossible with many projects. P.L. 106-393 also did not specify an entity responsible for monitoring. The Forest Counties Payments Committee in its 2003 report identified this issue. Good monitoring builds accountability, contributes to program learning and project development, and ultimately improves resource management.

Title III lacks a coherent system of project recording and monitoring. It proved difficult for the study team to locate reliable data on how Title III money was spent, what projects were funded, and on project success. Like Title II, there was no effectiveness monitoring, and in a few cases there were only informal records of Title III use. Requiring a review by the Secretary as SB 380 does places federal officials in an awkward position of reviewing county expenditures.

CONCLUSIONS AND SOME RECOMMENDATIONS

Given the successful collaboration, learning, and on-the-ground project accomplishments, P.L. 106-393 has exceeded expectations and accomplished more than most thought possible. The work that counties and RACs have accomplished during the first five years of the legislation has laid the groundwork for continued and improved future collaboration and learning. This work has accomplished valuable projects that are restoring health to working, forested landscapes, as well as a vari-

ety of other important work. This legislation has also significantly reduced gridlock that has characterized resource management over the last two decades. Below are some recommendations from our study about how to improve Secure Rural School and Community Self-Determination Act legislation.

1. RACs, the agencies, and possibly third parties need to do more outreach and education to inform others about the work and lessons of RACs and to encourage more project applications from non-agency groups.

2. RAC interest categories should be changed to reflect changing demographics and to enable them to respond more effectively to issues facing forest communities across the country (bolded words are our recommended changes to P.L. 1-06-393 RAC interest categories):

- A. (i) represent organized labor, another labor organization, or non-timber forest product harvester groups,

- (iii) represent energy and mineral development, or commercial and recreational fishing, interests

- (v) hold federal grazing permits, or other land use permits within the area for which the committee is organized, or represent non-industrial private forest land owners.

- B. (v) nationally or regionally recognized wild horse and burro interest groups, wildlife organizations, or watershed associations.

3. Eliminate use of replacement members associated with the RAC subgroups since there is no way to assure that one individual can “fit” in all five vacated interest group positions. If they’re retained, replacements should not replace a RAC member unless the individual can appropriately represent an interest group and receive Secretary approval.

4. The meaning of “project” in title III needs to be made consistent with title II. More open, competitive, and transparent processes for project solicitation, review, and approval by the counties are needed.

5. A single organization or entity should have responsibility for ensuring accurate and timely recording and possibly monitoring of title III projects. This entity could also provide training for counties to improve project development, selection, and implementation.

LOOKING TO THE FUTURE

Findings from the Sierra Institute study strongly support continuing P.L. 106-393, and Senate Bill 380 is a step in the right direction.

While it is widely recognized that fuels and forest management must continue and even be expanded, and products can be produced that will provide revenue, counties should not expect harvest totals and timber revenues to return to levels of the 1980s. Similarly, counties should not expect funding from the federal government based on the high three-year harvest average to continue in perpetuity. This is brought home by the current federal budget limitations and the challenges in finding funding for re-authorization. Other revenue streams need to be developed to support forest and watershed management and respond to the federal commitment to rural communities and landscapes.

Re-authorization should be viewed as a “bridge” to a program that combines deriving revenue from resource production with ecosystem services. Revenue from both ecosystem products and services can and should be part of sustainable funding of the legislation.

An ecosystems products and services approach can be launched by identifying ways to secure resources to support management that contributes to improvements in water quality and quantity as well as generating wood products. Services can be expanded to carbon credits and payment for habitat, as these are quantified and equitable mechanisms are developed to collect revenue. An ecosystem products and services approach will result in the inclusion of other areas with national forests, like the Northeast, the South, and the Midwest, that have not participated because they lacked sufficient historic timber revenue.

We recommend building on RAC collaboration to develop this new “ecosystem products and services” approach.

This leads to one final recommendation: should the legislation be extended by five to seven years—and my study team believes it should—where the combined total of Title II and Title III funding exceeds \$200,000 yearly in a RAC area, there should be a requirement that 3-5% of these funds be dedicated to projects examining how forest products and ecosystem services can provide a future stream of revenues to replace the current P.L. 106-393 funding mechanism.

Any period of re-authorization of the Secure Rural School and Community Self-Determination Act should be used as a time to not only focus on the work at hand, but to identify ways ecosystem products and services or some other funding can be tapped to ensure program sustainability, and expansion of the program into new geographic areas to expand a powerfully successful program across the country.*

Senator WYDEN. Thank you very much. Mr. Robertson, welcome. I was in your beautiful county just last week and we're glad you're here.

**STATEMENT OF JOHN DOUGLAS ROBERTSON, CHAIRMAN,
BOARD OF COMMISSIONERS, DOUGLAS COUNTY, OR**

Mr. ROBERTSON. Mr. Wyden, thank you very much. I want to begin by thanking you Senator Wyden and you Senator Craig, for your effort. I can't tell you how encouraged all of us are to hear you make the public commitment to come together once again and bring this reauthorization to fruition.

Mr. Chairman and members of the committee, I come before you today in an effort to provide information and answer questions that will hopefully be of assistance as you consider the reauthorization of Rural Schools and Communities Self-Determination Act of 2000.

On September 30, 2006, the act expired, leaving over 700 counties and 4,400 school districts in 39 States in financial limbo as they approached the end of their fiscal year. It was hoped when the original safety net was passed in 1993 and then updated in 2000, that the forest service, the BLM and various stakeholders involved in Federal forest management issues would be able to move forward with new plans and solutions. It was the intent of Congress that these updated plans and solutions would provide stability for rural communities, counties and schools while improving forest health and strengthening environmental values we all support.

While some progress has been made, the communities of rural America continue to struggle as a result of the precipitous decline in forest management jobs and revenue combined with the grim prospect of the future in which there are no safety net dollars to fill the gap.

What are some of the factors that have contributed to the current conditions faced by our rural counties? Consider the significant increase over the last decade in visitor days to our national parks and Federal forests. This increase alone has put an enormous strain on local governments in the form of search-and-rescue responsibilities, on public works departments that are responsible for road and bridge maintenance, and on local law enforcement. Recent multimillion dollar search-and-rescue efforts on Forest Service land performed by local counties in Oregon have been well-covered in the national press. Adding to the burden of rural counties and communities has been a significant increase in the size, number, and intensity of forest fires. If that weren't enough, a recent audit by the USDA Office of Inspector General suggests that the Federal Government will expect even more from rural communities and counties in the form of resources and assets to fight these fires.

While rural counties and communities continue their struggle to meet these challenges, there are few components of rural America more impacted by the loss of safety net dollars than rural edu-

* Figure 1 graphic has been retained in committee files.

cation. I think most people can agree with the concept of “no child left behind”. Consider this: over 8 million youngsters in rural schools throughout our country will potentially be hurt by the loss of Pub. L. 106–393. That’s a lot of youngsters to leave behind. Those kids attend 18,000 schools in 4,400 school districts, and are taught by thousands of teachers in rural communities.

If there is not significant progress made toward reauthorization by March 14 of this year, 7,000 of those rural educators will receive layoff notices. Add to that the thousands of termination notices being prepared by rural counties and the loss of critical public services supported by those county employees, and you begin to get a sense of the breadth and depth of the catastrophe about to befall rural America.

One of the greatest setbacks, as already been noted, if reauthorization does not occur, will be the loss of the Resource Advisory Committees. Over the last 6 years we have seen communication and cooperation among stakeholders who, prior to Pub. L. 106–393, had never been in the same room together and had little interest in even speaking to each other. Because of opportunities to make meaningful contributions to land management by serving on RACs, interest groups which formerly shunned one another are now collaborating and starting to find common ground. In addition to these developing relationships, we have also witnessed thousands of projects nationwide that have greatly improved forest health and made meaningful contribution to local economies.

Many of our States have been blessed with natural resources in the form of rich deposits of oil, gas, coal and other minerals. Other States like California, Oregon, Washington and Idaho have been similarly blessed with high-value timber lands. These natural resources, to a large extent, were the driving force for the development of the west. The social, physical, and cultural infrastructures that were developed around these federally controlled assets are now at risk.

What does “at risk” really mean? Well again, consider Curry County in southern Oregon that has approached the Attorney General seeking advice on how a public entity files for bankruptcy. Without reauthorization, they will become insolvent.

Consider the situation in Greenlee County, Arizona where the school that accommodates the special needs of severely physically and mentally challenged children will be closed. Add to that the dozens of counties and school districts in Mississippi, where they are already struggling to recover from Hurricane Katrina, who will lose an additional \$8,457,000. As you can imagine, the list of what “at risk” means could go on all day. Suffice it to say, the loss of the resources provided to rural counties and schools would be devastating.

In closing, let me ask, on behalf of thousands and thousands of counties, communities, and schools in rural America, that you reauthorize this legislation and that you do so quickly. We, who inhabit the more remote areas of this country, don’t want a handout or welfare. We want the opportunity to solve the issue of Federal payments to rural counties and schools. While progress has been made, 6 years was simply not enough time. By working with us as full participating partners, we can improve forest health, stabilize rural

economies, strengthen our system of rural education, and save the Federal Government money. Thank you.

[The prepared statement of Mr. Robertson follows:]

PREPARED STATEMENT OF JOHN DOUGLAS ROBERTSON, CHAIRMAN, BOARD OF
COMMISSIONERS, DOUGLAS COUNTY, OR

Mr. Chairman and members of the committee, I come before you today in an effort to provide information and answer questions that will hopefully be of assistance as you consider the reauthorization of the Secure Rural Schools and Community Self-Determination Act of 2000.

On September 30, 2006 that Act expired, leaving over 700 counties and 4,400 school districts in 39 states in financial limbo as they approach the end of their fiscal year. It was hoped when the original safety net was passed in 1993 and then updated in 2000, that the Forest Service, the BLM and various stakeholders involved in the federal forest management issues would be able to move forward with plans and solutions. It was the intent of Congress that these updated plans and solutions would provide stability for rural communities, counties and schools while improving forest health and strengthening the environmental values we all support. While some progress has been made, the communities of rural America continue to struggle as a result of the precipitous decline in forest management jobs and revenue, combined with the grim prospect of a future in which there are no safety net dollars to fill the gap.

What are some of the factors that have contributed to the current conditions faced by our rural counties and schools? Consider the significant increase over the last decade in visitor days to our national parks and federal forests. This increase alone has put an enormous strain on local governments in the form of search and rescue responsibilities, on public works departments that are responsible for road and bridge maintenance, and on local law enforcement. Recent multimillion dollar search and rescue efforts on Forest Service land performed by local counties in Oregon have been well covered in the national press. Adding to the burden of rural counties and communities has been a significant increase in the size, number and intensity of forest fires. If that wasn't enough, a recent audit by the USDA OIG suggests that the federal government will expect even more from rural communities and counties in the form of resources and assets to fight these fires.

While rural counties and communities continue their struggle to meet these challenges, there are few components of rural America more impacted by the loss of the safety net than rural education. I think most people can agree with the concept of "no child left behind". Consider this: Over 8 million kids in rural schools throughout our country will potentially be hurt by the loss of P.L. 106-393. That is a lot of kids to leave behind. Those kids attend 18,000 schools in 4,400 school districts, and are taught by thousands of teachers in rural communities. If there is not significant progress made towards reauthorization by March 14th of this year, 7,000 of those rural educators will receive layoff notices. Add to that the thousands of termination notices being prepared by rural counties and the loss of critical public services supported by those county employees, and you begin to get a sense of the breadth and depth of the catastrophe about to befall rural America.

One of the greatest setbacks, if reauthorization does not occur, will be the loss of the Resource Advisory Committees. Over the last 6 years we have seen communication and cooperation among stakeholders who, prior to P.L. 106-393, had never been in the same room together and had little interest in even speaking to each other. Because of opportunities to make meaningful contributions to land management by serving on RACs, interest groups which formerly shunned one another are now collaborating and starting to find common ground. In addition to these developing relationships, we have also witnessed thousands of projects nationwide that have greatly improved forest health and made meaningful contributions to local economies.

Many of our states have been blessed with natural resources in the form of rich deposits of oil, gas, coal and other minerals. Other states like California, Oregon, Washington, and Idaho have been similarly blessed with high value timber lands. These natural resources, to a large extent, were the driving force for development of the west. The social, physical, and cultural infrastructures that were developed around these federally controlled assets are now at risk.

What does "at risk" mean? Consider Curry County in southern Oregon that has approached the Attorney General seeking advice on how a public entity files for bankruptcy. Without reauthorization, they will be insolvent.

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In closing, let me ask, on behalf of thousands and thousands of counties, communities, and schools in rural America that you reauthorize this legislation and that you do so quickly. We, who inhabit the more remote areas of this country, don't want a handout or welfare. We want the opportunity to solve the issue of federal payments to rural counties and schools. While great progress has been made, six years was simply not enough time. By working with us as full participating partners, we can improve forest health, stabilize rural economies, strengthen our system of rural education, and save the federal government money.

Senator WYDEN. Thank you very much and we'll have some questions in just a moment.

Mr. Francis.

STATEMENT OF MICHAEL A. FRANCIS, DIRECTOR, NATIONAL FORESTS PROGRAM, THE WILDERNESS SOCIETY

Mr. FRANCIS. Thank you, Mr. Chairman for this opportunity to testify on S. 380. The Wilderness Society supports permanent reauthorization to the County Payments law provided it is a clean bill with no changes except for housekeeping measures.

The Wilderness Society has one major concern with S. 380, as introduced, which is the elimination of the merchantable materials contracting pilot program of title II. It is premature in our opinion to eliminate the pilot program. The program has not yet had a chance to have results, enough results, to make an informed judgment about the usefulness of the separate contract procedure.

Giving RACs an added responsibility of requesting a pilot program without, would inject new and needless controversy into the title II processes. As everyone on this committee is aware, the Wilderness Society was originally skeptical of title II when it was being written, believing it could promote unsustainable development of national forest; however, based on our research, done before the night before the 2005 testimony, title II projects have been successful so far in achieving resource stewardship objectives established under the law. We believe the success of these title II projects, along with a lack of controversy about them, is due in part to the pilot program, which would create incentives for the RACs to recommend projects with goals of conservation and restoration.

By all accounts the Resource Advisory Committee process has been very successful in bringing together community members with diversity and strongly-held views, helping them interact with, understand, and accommodate each other's needs and approaches, and helping them work together to achieve an agreement on project proposals that benefit the community as a whole. This is a very considerable achievement that should not be lost.

Removing the break of separate contracting is likely to be perceived by some in the community as a signal from Congress that it finds the stewardship and restoration components of title II to be less than compelling.

Mr. Chairman, for the second consecutive year, the President's forest service budget includes a proposal to sell off up to \$800 million of national forest land. A similar proposal announced last year

met with strong widespread opposition from hunters, anglers, locally elected officials, businesses, Governors, and both Democrat and Republican Members of Congress. The proposal to sell public lands to fund other government programs sets a dangerous and an irresponsible precedent, especially in times of budget pressures and deficits.

This proposal marks a significant change in forest service policy. Never in the history of the agency has land been auctioned off to raise revenues for other government programs. The administration's claim that many of these lands are isolated, difficult to manage or simply not important, is misleading. In many ways the lands proposed for sale are some of the most critical places to protect either because they provide hunters and anglers access to larger tracts of public land, for their proximity to watersheds or other private developments.

In closing, Mr. Chairman, members of the subcommittee, the Wilderness Society strongly supports permanent reauthorization of the Secure Rural Schools and Community Self-Determination Act and we are equally opposed to the sale of national forest lands. We stand ready, as we stated in 2005, to work with the committee about our concerns about the merchantable contract provisions.

[The prepared statement of Mr. Francis follows:]

PREPARED STATEMENT OF MICHAEL A. FRANCIS, DIRECTOR, NATIONAL FORESTS
PROGRAM, THE WILDERNESS SOCIETY

Mr. Chairman and members of the Subcommittee, I want to thank you for this opportunity to testify on S. 380—the Secure Rural Schools and Community Self-Determination Reauthorization Act of 2007. PL 106-393 has proven to be successful in stabilizing payments to rural school systems and county governments and funding many environmentally beneficial projects on national forests. We commend the members of this Committee who helped to craft this law.

The Wilderness Society concurs with the conclusion of a study of PL 106-393 conducted by Boise State University that the legislation is effectively meeting its stated purposes. Payments have been stabilized, investments in Federal lands have increased, and cooperative relationships have improved since passage of the Act. More than 85% of the eligible counties have opted to participate in the guaranteed payments program established under Title I. Title II of the legislation has funded hundreds of environmentally beneficial and non-controversial resource projects on the National Forests. Funding through Title III has allowed many counties to begin developing community fire protection plans as well as perform other important government services. The Boise State study found overwhelming support for renewal of the legislation among Resource Advisory Committee members and county officials that oversee use of the Title II and III funds.

The Wilderness Society supports reauthorization of the county payments law, provided that it is a clean bill, with no changes except for housekeeping provisions that are clearly necessary to ensure the continued success of the program. Section 2(d) of the bill apparently removes the Secretary's current explicit role in reappointing members of a Resource Advisory Committee (RAC) and removes the prohibition on non-Agriculture Department employees serving more than six consecutive years on an advisory committee. These proposed changes address a need identified by conservationists and other members of the RACs to enable them to continue their work.

The Wilderness Society's one major concern with S. 380, as introduced, is the elimination of the merchantable materials contracting pilot program in Title II. Under Section 204(e)(3) of PL 106-393 the Secretary "shall" establish a pilot program for implementing Title II projects involving the "sale" of merchantable trees. The pilot program required that increasing proportions—up to 50% by 2006—of such projects, on a national basis, be implemented using separate contracts for (a) the harvesting, and (b) the sale, of such material, commonly known as "separating the log from the logger."

Under the proposed language in section 2(e) of S. 380, the Secretary "may" establish a pilot program in response to a request from a RAC to establish such a program for the purpose of implementing a project proposed by that RAC.

This change is problematic for three main reasons.

First, it is premature to eliminate the pilot program: the program has not had a chance to yield enough results to make an informed judgment about the usefulness of separate contracts. In a written response to Senator Bingaman's question in the February 8th, 2005 Subcommittee hearing, the Forest Service responded that the less than seven percent of the 1300 projects under Title II had any merchantable materials associated with them may indicate that the pilot program is helping to deter federal land managers from using Title II funds to conduct potentially controversial and inappropriate logging projects. If so, this is a very salutary effect.

Second, the new language eliminates the current requirement in Sec. 204(e)(3)(B) that a certain percentage of merchantable tree projects be conducted with separate contracts for logging and selling the wood. The federal land management agency would have full discretion to deny any request from a RAC.

Third, giving RACs the added responsibility of requesting a pilot program would inject new and needless controversy into the Title II process. The current RAC decision-making process requires all three subcommittees—industry, environmental, and government—to approve any projects. Under the proposed change, a request by the environmental subcommittee members for use of separate contracts on a particular project could be vetoed by either the industry or government subcommittees. That, in turn, could compel the environmental members to veto a project that they otherwise might have approved under the current law.

TITLE II

The Wilderness Society was originally skeptical of Title II when PL 106-393 was being written, believing it could promote unsustainable development of national forests; however, based on our research, Title II projects have been successful so far in achieving the resource stewardship objectives established under the law.

We believe that the success of these Title II projects, along with the lack of controversy about them, is due in part to the pilot program, which creates incentives for the RACs to recommend projects with the goals of conservation and restoration. Title II projects that The Wilderness Society has reviewed implement stewardship-type practices which benefit forests, as well as improve the overall health of the land. For some examples of ecologically beneficial Title II projects, please refer to our March 8, 2005 testimony before this Subcommittee.

MERCHANTABLE MATERIALS PILOT PROGRAM

There does not seem to be a clear and compelling rationale for changing the pilot program, especially when considering The Wilderness Society's findings, and a preliminary status report from the Government Accountability Office (GAO).

The Wilderness Society's review of Title II projects and pilot program projects in 2005 revealed significant support from the conservation community where the pilot program projects we reviewed are located (all of them in Oregon and California). It is crucial to recognize and value the opinions of people involved in project implementation. RAC members representing local, regional, or national environmental groups are in strong support of keeping the pilot program as a requirement in the new law. They believe that the program facilitates decision making between the timber industry and environmentalists, especially on projects that would have originally been difficult to approve (i.e. fuels reductions). In addition, they feel that without the program there would be greater emphasis on commercial values instead of conservation, making it more complicated to achieve any outcomes authorized by Title II. For example, the RACs may be presented with projects that would thin large natural stands that are economically more attractive than the plantations of smaller trees now being thinned. Conservationists strongly believe that the current merchantable materials pilot program will be essential to the continued success of Title II.

An interim status report from the GAO in 2003 on the merchantable materials pilot program stated that out of the approximately 1,300 forest-related projects at the time, 13 were expected to generate merchantable material, and six of those were to be conducted within the pilot program. The report stated that none of those six projects had been implemented at that time. However, our research in 2005 found that one project had successfully been completed, and others were to be completed by the end of the year. Please refer to our March 8, 2005 testimony before this Subcommittee for details about these projects.

Mr. Chairman, as a matter of principle The Wilderness Society is concerned that the Forest Service has largely ignored the congressional directive to establish and monitor a pilot program. Section 204(e)(3) directs the Forest Service to establish a pilot program for the purpose of assuring that, for Title II projects generating mer-

chantable material, a graduated percentage of such projects would be implemented using separate contracts for (a) the harvesting, and (b) the selling, of the material. The intent of the sponsors was to establish an important safeguard insulating Title II ecological restoration projects from economic incentives that could cause them to become ecologically damaging. Using separate contracts removes the profit motive from the design and placement of the project and helps retain the proper focus on restoration.

The national office of the Forest Service simply never set up such a pilot program, and has failed to assure compliance with the law's separate contracting requirements. The agency's written response to Senator Bingaman's query shows that of 88 Title II projects generating "merchantable materials," only six were implemented using separate contracting. Further, the Forest Service seems not to have institutionalized consistent criteria for the term "merchantable," thus making it difficult to evaluate on a region-wide basis which projects have generated only incidental "merchantable" materials, and which generated saw-timber or other non-incidental materials, or in what amounts. But even allowing for projects generating only incidental materials, the agency seems to have fallen far short of implementing the law.

THE ROLE OF SEPARATE CONTRACTS

When a project is implemented utilizing a single contractor for removal and sale of merchantable trees, the economics of the project are tied to the value of the trees on the stump. This situation—present in the normal timber sale—inevitably militates towards pushing the project into areas of higher commercial value and into potential conflict with ecological values.

But with separate contracts, the harvester has no incentive to remove materials of higher commercial value, since he will not be realizing any of that value, and the project can thus focus on its proper restoration mission. The existing law's percentage requirement is a brake, allowing half of all such projects to be implemented with a single contract, but preventing the program from lurching onto a largely commercial course.

THE ACHIEVEMENT OF THE RACS SHOULD NOT BE LOST

By all accounts, the Resource Advisory Committee process has been very successful in bringing together community members with divergent, strongly held views; helping them interact with, understand and accommodate each other's needs and approaches; and helping them work together to achieve agreement on project proposals that benefit the community as a whole. This is a very considerable achievement, and should not be lost.

However, the proposed changes in the law removing the pilot program and separate contracting percentage requirements threaten to sow dissension in the RACs. Removing the brake of separate contracting is likely to be perceived by some as a signal from Congress that it finds the stewardship and restoration component of Title II to be less than compelling. It is likely to increase proposals for projects generating merchantable materials—that is, for projects whose community benefit is more closely tied to cutting and selling saw-timber. And because of their perceived economic benefits, such proposals will be strongly supported by some RAC members and by some in local communities.

On the other hand, such project proposals are likely to be even more strongly opposed by RAC members for whom conservation is a more important goal. As we discussed above, given the voting structure of the RACs, wherein a majority of the members of each of the three recognized categories of community interest is required for project approval, the proposed change in the law could polarize RAC members, undermine the law's most impressive accomplishment, and significantly hinder the program from going forward.

The Wilderness Society recommends that S. 380 be amended to strike Section 2(e) and replace it with the language of Section 204(e)(3) of PL 106-393. The goal of this amendment is to restart the Merchantable Materials Pilot Program in Fiscal Year 2007 for the authorization period covered by the bill in the same manner as contained in Public Law 106-393.

LAND SALES PROPOSAL

For the second consecutive year, the President's Forest Service budget includes a proposal to sell off up to \$800 million of National Forest lands. A similar proposal announced last year met with strong and widespread opposition from hunters, anglers, locally-elected officials, businesses, governors, and both Democratic and Republican Members of Congress.

The Administration has failed to listen to the American people and their overwhelming opposition to selling off National Forest lands. It's a sad commentary that the Administration would completely ignore the vehement opposition that this misguided plan created last year, by releasing a nearly identical proposal to sell the country's public lands to help remedy their poor fiscal decisions.

The Administration's claim that many of these lands are isolated, difficult to manage, or simply not important is misleading. In many ways the lands proposed for sale are some of the most critical places to protect, either because they provide hunters and anglers access to larger pieces of land or for their proximity to watersheds and other private development.

The Administration's FY 2008 budget has set its sights on selling over 270,000 acres of Forest Service land in 35 states and possibly as many as 500,000 acres of Bureau of Land Management lands in the West. The state hit hardest by the Administration's Forest Service proposal is California, where they are targeting over 65,000 acres for possible sale. National Forests in the Southeast (Forest Service Region 8), where private forests are rapidly being lost to development, account for over 50,000 acres of the land sales.

The following information comes from media coverage from last year's proposed land sales in some of the states that are represented on this Subcommittee:

- *North Carolina—5,685 acres.*—Sixth graders at a middle school that backs into the Croatan National Forest in North Carolina wrote letters to Mark Rey in opposition to last year's land sale proposal. In reaction to the proposed sale of 900 acres in the middle school's own backyard, sixth grader Stephanie Rose asked Mark Rey, "Wouldn't you rather be known for helping save our national natural beauty, instead of helping to destroy it?" Another sixth grader, Jamie Lewis, told Rey, "I don't think that we should put it up for sale because not only are we losing beautiful land that is great for outdoor activities, but we are also losing part of North Carolina." Another sixth grader, Will Holloway, said, "The government has been saving this forest and if we sell it there is no way to get it back." North Carolina's Governor, Mike Easley, issued a formal protest against the Bush administration's plan to sell nearly 10,000 acres of national forest land in North Carolina last year, saying "selling our valuable natural land is not the answer" to the long-term challenge of financing rural schools. He also wrote to Mark Rey, "[w]ith all due respect, this proposal violates all the tenets of good public policy . . . You are proposing to sell 9,828 acres in North Carolina, or nearly 9 percent of our total National Forest acreage. This proposal comes at the very time when North Carolina is in the midst of a decade-long effort to conserve land and add to our system of public parks and forests."
- *Oregon—7,591 acres.*—Kevin Gorman, a resident of Oregon, found fault with last year's proposed land sale. "The Forest Service's rationale for the sell-off is that these lands are 'disposable' because they are isolated, inefficient and often right next to urban areas. As my family and I walked through the Balfour Klickitat area to the eagle-viewing site, it occurred to me that this particular Forest Service property also is isolated, certainly inefficient and adjacent to the town of Lyle. Under slightly different circumstances, it, too, could have been put on the list to sell. What are they thinking?"
- *Idaho—26,021 acres.*—Republican and Democratic leaders in the Idaho Senate joined to introduce a resolution opposing any sell-off of Idaho's federal lands, as proposed by the Bush administration in 2006. The Idaho legislature is considered the most Republican in the nation, yet it was critical of the White House on the issue of land sales. "There's not that much daylight between the Republicans and the Democrats on this issue," said Senate Majority Caucus Chairman Brad Little, R-Emmett. "The Democrats obviously want to stir the pot a little bit, but there's pretty good agreement on both sides." Senate Minority Leader Clint Stennett, D-Ketchum, added, "This is of grave concern to a large number of people." Larry Craig was quoted as saying "Heck No" to the proposal.
- *Colorado—21,699 acres.*—The Colorado House stood in opposition to the ill-considered federal plan to sell off chunks of national forests and other public lands in response to last year's land sale proposal. Fully two-thirds of the state's representatives signed on as co-sponsors to a resolution opposing the land sale plan, and it passed without dissent. Sen. Ken Salazar has said that selling land as a one-time budget fix is short-sighted and not in the best public interest.
- *Kentucky—3,843 acres.*—In an op-ed, U.S. Representative Ben Chandler found that Kentucky schools would lose a net total of \$257.9 million in federal education dollars for K-12 and vocational education programs over the next five years under the Bush budget. However, the President's proposal would set a

dreadful precedent of trying to fund education by selling federal land instead of practicing fiscal responsibility. Fiscal responsibility and being good stewards of our land are two of the most important lessons we can pass on to future generations. This proposal stomps on both principles and begs the question—how is auctioning off our children’s land investing in their future?

- *Washington—5,549 acres.*—Sen. Maria Cantwell, D-Wash., said in response to last year’s proposal, “Our state’s forests are an important legacy. We shouldn’t throw them away to make up for this administration’s mixed-up priorities.”
- *South Carolina—4,656 acres.*—In South Carolina, the Charleston County Council adopted a resolution urging Bush and Congress not to sell off any parts of the National Forest. The resolution was added to ones from Berkeley County and others who oppose plans to sell off some of the 250,000-acre forest that covers the northeastern parts of Charleston and Berkeley counties.
- *South Dakota—13,310 acres.*—“Funding our rural schools is very important, but it would be inappropriate to do so by selling parts of the Black Hills,” said Sen. John Thune, R-S.D. “The Senate is already working on an alternative proposal that would reauthorize the Secure Rural Schools law, and I will work to pass this viable option that does not include selling off our nation’s public lands.”
- *Wyoming—15,498 acres.*—In response to last year’s proposal, Sen. Michael Enzi, R-WY., called the land sales proposal a “ridiculous idea.” He added, “There are towns that are hurting, there are ways we ought to take care of them, but selling off the public lands isn’t one of them.” Rep. Barbara Cubin, R-WY., said in a statement that she’s “not convinced” federal land sales are the best way to fund the rural schools act and will watch the process. Sen. Craig Thomas, R-WY., questioned Rey at the hearing about the need for land sales. After the hearing, Thomas said he remains concerned that people have enough time to examine the proposal and added that while some lands need to be sold, others shouldn’t. “About all they did (at the hearing) was say that they’re going to have lots of opportunity for people to see what lands they’re talking about, have some local input, so I really think they do understand that it’s going to be very important to do that,” Thomas said.

Mr. Chairman, millions of Americans who rely on their National Forests and other public lands and for clean water, recreation, and hunting and fishing opportunities will not tolerate the selling of these lands. Instead of such an unpopular proposal, we should be looking to assist rural schools and counties through alternative funding sources that do not include selling off America’s natural heritage.

CONCLUSION

The Wilderness Society strongly supports reauthorization of Public Law 106-393, including the current merchantable materials pilot program. Congress should expeditiously debate and pass a solution that supports rural schools and communities while protecting our public lands for their enjoyment and use by all Americans.

In closing, Mr. Chairman and members of the Subcommittee, The Wilderness Society stands ready to work with the Subcommittee on our strong concerns about certain provisions of S. 380 in order to reauthorize the Secure Rural Schools and Community Self Determination Act (PL 106-393) this year.

Senator WYDEN. Thank you very much to all three of you. As usually is the case when it comes down to County Payments, my friend Senator Craig and I remain trying to figure out how to forge the coalition, and that’s really what I wanted to start with you, Mr. Robertson, about. I felt when I had the honor of being chosen Oregon’s first new United States Senator in 30 years that what I wanted to do, as much as anything else, was to try to bring people together in the natural resources area.

What we have seen again and again is this polarizing battle that basically means we don’t get much of anything that Oregonians want. Almost everybody I meet in Oregon says, “Protect our treasures, but also make sure that rural communities can prosper economically.” That’s what they want, and unless you find a way to bring people together, instead of that win/win, what you get is inevitably a lose/lose. You don’t protect your treasures, nor do you address economic needs. My sense is there is no other Federal pro-

gram that relates to natural resources that has done as much to bring people together as the County Payments legislation.

I know in Lane County one of the former commissioners who was quite close to the forest products industry said, "I couldn't even imagine sitting there, as I did, with environmental people." Is that true, is this program really making a difference in terms of bringing people together and helping us build that kind of western coalition that finds common ground, the ways communities want so much?

Mr. ROBERTSON. There's no question, Senator Wyden that the title II aspect of the Public Law 106-393 has been a success beyond anybody's expectations. It was an experiment, as you so aptly coined the phrase, when this bill was first passed, in hopes that it would do exactly what it's done, by putting money on the table and allowing the different stakeholders to discuss openly what ultimately resulted in forest health. We've seen achievements that just simply would not have been so otherwise and had not been so up to that point. It has brought communities of interest together. It has brought stakeholders together like nothing else that has occurred up to this point. There's no question about it.

Senator WYDEN. The reason why I ask is because we are going to go on to these other areas that Senator Cantwell and Senator Craig talked about, in fact we touched upon them in Douglas County. I mean we have hundreds of thousands of acres that need to be thinned, over-stocked stands. That's something that environmental folks and people in the timber industry and communities can come together on. What we're going to have to do is keep this coalition of people together who want to find common ground.

I think my friend from Idaho and I can even remember how we came up with the resource advisory committees. We were in that period right after we had had the debate about sufficiency language and locking people out of the courthouse and the like, and we were looking for something else that might bring people together. Somehow that managed to do it and I'm just not going to let it go by the boards.

I thank you for all of your work. Rural communities could have chosen a lot of people to come today and represent them, but they really chose the very best. We're really proud that you came, and it's a long trek, and we thank you for it.

Mr. Francis, your views with respect to what this has done to bring people together: I know you have a debate about one provision or another, but I would like your views with respect to what this has done to get beyond this sort of litigation derby that we had so often in the past.

Mr. FRANCIS. It's phenomenal, in a sense, from where I sat back in 2000. Mr. Rey did accurately quote me at one point, although I don't remember that one, but I remember a lot of other times.

Mr. REY. That was a pretty good one though, Mike.

[Laughter.]

Mr. FRANCIS. It got quoted, was the point. The issue here is what has happened. It seems that based on the research—when we came to look at the 2005, when the bill was introduced—so we actually put some staff on it. We researched the projects and at the start of that research I was kind of saying, "Okay, what's happened, I

haven't had a chance to pay attention to it," and I was stunned by the results that came in on the projects and everything that was going on.

I went out and talked to a lot of my colleagues who participate on the RACs and a lot of my colleagues who are in the communities not on the RACs, and hardly anybody came back to me and said, "Oh, this has been a bad idea." They all said it's been a lot of work. It has been important to our development in the community. It's been important here. They all felt that it was the part of the law—next to making sure that school children in rural communities had money so they could go to school—that was the most significant thing that happened. So from our point of view, this is a success, and we would hope to be able to see this thing continue.

Senator WYDEN. My 5 minutes is up. I'm going to recognize Senator Craig, and then I'll come back with another question or two for you, Mr. Kusel.

Senator Craig.

Senator CRAIG. Thank you very much, Mr. Chairman. Michael, let me stay with you for a moment. The last time in discussing the success of the RACs, we also discussed the pros and cons of the pilot program. This time, I would like to ask you just one question. Is there something fundamentally wrong with putting the decision on sorting yards in the hands of RACs that you yourself have testified are working so very well?

Mr. FRANCIS. It is our feeling that these decisions in the RAC could cause a new level of controversy injected into the RACs, which are working so well right now. But the actual pilot projects that we wanted to see happen during the first part of the enactment of the 2000 law have never taken place. The administration just pretty much ignored them and didn't provide any real definition to the RACs. How do you define what is merchantable material, and what are you looking at in a project that would fit this kind of demonstration project?

So, I don't think there's enough evidence out there to say whether that type of decision could be moved down to a lower level and not cause some controversy and contention inside, which I think is a very delicately-balanced process that's now happening in the RACs. That has developed over the last several years.

As you and I discussed the last time, we would support the idea of restarting the projects, with a few projects, and building back up to get some kind of track record to see how the decision process is made, how it is impacted. Then we would have a better idea for the future about whether a decision can and should be moved to a different level.

Senator CRAIG. Okay, thank you for that. Dr. Kusel, first and foremost, I appreciate the work you have put into this issue. Your report highlighted many important aspects of the Act that are working and are proof of the clear need for the Act to be reauthorized. In short, I think you've confirmed what we all know is true, and the studies show that.

In your testimony, you state reauthorization should be viewed as a bridge to a program that combines driving revenue from resource production with ecosystem services. I wrote that down with a mark to ask you about it. Could you please further elaborate on this

point before the committee? What do you mean in the context of how you understand it?

Mr. KUSEL. Senator Craig, in our work on this it became clear that there still was quite a bit of contention on how to fund this. We also identified that in this interim period, there is an opportunity to begin to examine the ecosystem services. By that I mean, things other than standard timber products. It's not doing it to the exclusion of those, it is in fact looking at products, timber—forest products including timber—but in addition to that looking at the full array of values the forests offer. So again by ecosystem services, we are talking about the water that's produced, talking about recreation opportunities, talking about carbon sequestration, and habitat. The challenge of course, is identifying: first, how we value those; and second, how we establish mechanisms that will actually generate dollars that can be returned to the forest for continued improvement in the forests.

So by ecosystem services, what we're saying within this bridge to the future is to begin to look at ways to derive additional funding that goes back to the forest and continues to support resource management, as well as the sorts of things that secure rural schools supports.

Senator CRAIG. Thank you. My last question, Mr. Chairman, of course is of Doug. We've always had a great working relationship, this subcommittee, with you and all who you represent, as we've struggled through these issues over the last several years. You've obviously traveled a long way to this hearing as many do, out of the most rural parts of our States, and thank you for that kind of dedicated work.

What, if anything, has Douglas County and other counties in Oregon and elsewhere for that matter, done to promote active forest management and to generate receipts to support community services and infrastructures?

Mr. ROBERTSON. Well, several things, Senator Craig, as has been mentioned before and elaborated by Julie Jacobson. There's an effort going on, on the O&C lands, with the resource management planning process. Our county, along with the Association of O&C counties—of which I am the President—is a cooperator in that process. We're moving along with the U.S. Fish and Wildlife Service, or the Department of Fish and Wildlife in the State of Oregon, to update those plans and take into consideration the protection of the listed and threatened species.

The progress that has been made up to this point has been very positive in terms of a larger output of timber on those lands while at the same time, being able to hold the environmental indicators for threatened or endangered species either neutral or actually improve them. We have modeled that at Oregon State University and it's a type of new forestry that is emerging that is very interesting. That's one thing we've been involved in.

As you know, we were deeply involved in the Federal legislation on the House side. Recovering areas that have been the subject of catastrophic events—whether it's wind, whether it's fire, whether it's insect infestation—is something that we have worked very hard on. Walking away from those areas of devastation, allowing that material to become the next source of the next fire, we find is not

acceptable and it's not acceptable to the public. So we work very hard with Congressman Walden and others to provide information that helped in that. That bill has come to you for consideration as you know, and we continue to work in other areas.

We are particularly proud of the fact that we were able to identify title III and title II dollars to come together to help implement the community wildfire protection plans that were part of the Healthy Forest Restoration Act that you passed with great success. There was a requirement, as you know, for rural communities to identify community wildfire protection plans, but no resources to do it. We have found a way through combining title II and title III dollars to help communities with that, with some success.

Senator CRAIG. How many of these projects that you talked about were in part, an activity of the RAC?

Mr. ROBERTSON. Many of them, many of them. The RAC, the title II dollars helped to a large degree with the implementation of many of the community wildfire protection plans.

The combination of some title III dollars and title II dollars and the RACs working together in that regard, as other have pointed out, has been an enormous step forward. That, as I mentioned in my testimony, would be one of the most noticeable casualties in the loss of this legislation, because there's nowhere else to go.

What made it work to a large extent, as I mentioned before, was the fact that there were resources to work with. It enabled the agencies to come forward with projects resulting in forest health and a variety of other things that they otherwise would not be able to do and would not have gotten done.

Senator CRAIG. Thank you all very much for being with us this afternoon. Mr. Chairman, thank you for scheduling and holding this hearing. I think it's been very valuable.

Senator WYDEN. I just want to tell my friend, I'm going to ask another question or two. I'll also check if you want to say anything else.

Mr. Kusel, you did a number of case studies of forests in Oregon. Were there some that you thought would be particularly helpful? I know you talked to the staff; you mentioned a couple that you thought really were illustrative of the potential of the law. Were there a couple you wanted to give us a brief explanation about?

Mr. KUSEL. Would you like me to restrict those to the Oregon examples?

Senator WYDEN. Yes.

Senator CRAIG. Unless there's a good Idaho example.

[Laughter.]

Mr. KUSEL. There are some wonderful Idaho examples. The Fremont-Winema has done some wonderful work. Actually I'm reluctant to talk to about a single RAC simply because there was exceptional work done by so many, and I feel that by talking about one, I slight them. But let me add that the Fremont-Winema did some exceptional projects and I love telling the story of one of the projects that involved students coming back, monitoring a watershed, doing extensive work that was really quite helpful in understanding the dynamics. The RAC contributed a fair bit of money to that project.

I can say that the Fremont-Winema, the Medford RACs were really quite successful in how they operated and how they worked with one another. The way the people spoke about the projects that they had accomplished was really quite exceptional. Again, it's hard with the vast numbers of projects that were accomplished by the RACs in Oregon, but I pick this one project just because it involved kids and they did exceptional work. The RAC was thrilled with what they were doing.

I feel compelled also to add an Idaho example here; in that there were a couple that we looked at in Idaho and the Panhandle RAC in the southwest Idaho RAC. The Panhandle exhibited a wonderful example of counties coming together and really working toward, or really working for, the entire area, as opposed to dividing dollars and thinking about, "What do I get for my particular county?" It's, "What can we do for this particular area, for the whole area?" and we were quite impressed with that particular perspective with the Panhandle RAC.

Senator WYDEN. You all have been very patient and it's been an excellent panel. I think you have given us a sense of what can be done if we can come together once more, and I'm committed to that. I can tell from Senator Craig's comments that he's committed to doing that. What is always so striking to me as I move around my State and get out to the rural communities and have these town halls, is how so much of this is interrelated.

For example in Douglas County, Mr. Robertson, I went and met with students who have a terrific program, an anti-methamphetamine program, doing a terrific job, really model programs. I could see in Douglas County how committed they were to stepping up the fight against meth and then I went off and met with the sheriff who was talking about how he was concerned about whether or not he'd be able to have a plain vanilla law enforcement program, be able to keep prisoners there.

That sheriff and all the other sheriffs throughout rural Oregon, throughout the rural west, want to do more to win this fight against meth. They want to step up the offensive against meth and they're going to be in a situation where they're going to have difficulty funding the essential services they have today. I see that in the school districts as well, with school districts telling me they're going to be at school 3 days a week.

So I want it understood that this is my top priority as it relates to this session of Congress, and we are going to get this law reauthorized and insure that our rural communities can survive.

When we do that we're going to go on to touch on many of the issues that you all have been talking about, starting with the chance to increase a clean energy source through biomass. We'll also touch on rural communities, bringing people together around a thinning program, overstock stance, something people talked about in Douglas County, and we'll look at a variety of other areas where there can be bipartisan cooperation.

So, Senator Craig and I helped to bring about two major initiatives in forestry, and hopefully we're going to be able to bring about several more. It will be easier with the excellent cooperation you all have shown today.

I want to give Senator Craig the opportunity for the last word, if he'd like it, then we'll wrap up.

Senator CRAIG. Thank you.

Senator WYDEN. The subcommittee is adjourned.

[Whereupon, at 3:45 p.m., the hearing was adjourned.]

APPENDIXES

APPENDIX I

Responses to Additional Questions

RESPONSES OF THE SIERRA INSTITUTE FOR COMMUNITY AND ENVIRONMENT TO QUESTIONS FROM SENATOR DOMENICI

Question 1. Mr. Kusel, understanding your support for the re-authorization of this law, how should a Senator from New Mexico feel when he sees the counties in Oregon, Washington and California get so much more funding per student or per mile of road, when our State gets so little?

Answer. You are correct in your understanding that I support re-authorization of P.L. 106-393; however, as stated in my written testimony I am not in support of a simple re-authorization. There are a number of important modifications that ought to be made to improve Title II and Title III. I will not recite specific changes here because they can be accessed in my written testimony and in our research report to the Departments of Agriculture and Interior for the study they funded (Assessment of the Secure Rural Schools and Community Self-Determination Act, Sierra Institute for Community and Environment, 2006).

I believe two key issues lie at the heart of this question: federal obligation to rural counties and the funding mechanism of P.L. 106-393. I also believe that the funding mechanism for P.L. 106-393, while initially reasonable, needs to be changed.

Federal land in rural counties creates a unique federal obligation. These lands cannot be taxed and often generate a variety of uses that, in turn, generate costs for a county. The 1908 legislation (16 USC 500) affecting national forest land and the 1937 Oregon and California Act for Bureau of Land Management land area affirmed this commitment through the sharing of revenue with counties.

Asking if it's fair that students in three states receive more than those in New Mexico is, of course, on its face, reasonable, but at its core questions whether the principles underlying P.L. 106-393 should be modified. That is, should the basic relationship between the federal government and rural counties (and communities) and a long-established revenue sharing formula be changed from one based strictly on natural resource product receipts to one in which distribution among counties is linked to social criteria? I do not believe that shifting receipt payments based on natural resource product revenue to a distribution scheme based on a per student or per mile of road is consistent with the basic principles that informed the drafters of the 1908 or 1937 legislation.

I am not in any way suggesting that students from New Mexico should not receive needed funding. But I do not believe it sound to change long-established relationships between natural resource production and revenue sharing on O&C and national forest lands to a socially-based program, which would be the result if funding is based on per student or per mile of road.

That said, I believe that the high three-year average (1986-1999) as a basis for revenue sharing with national forest and O&C counties in perpetuity needs to be changed. It was justifiable to launch a program using this formula given the hardships rural timber-dependent communities were facing. And rather than simply stopping the program in 2006, it makes eminent good sense to slowly ramp down the program. Some have suggested that six years is plenty long for economic re-adjustment. We learned from our assessment of the \$1.2 billion Northwest Economic Adjustment Initiative that communities take far longer to develop a new economic base as they transition from longstanding timber-based economies (see our report, Assessment of the Northwest Economic Adjustment Initiative, December 2002: <http://www.sierrainstitute.usineai/NEAIindex.html>).

I believe there is a better solution for all, one that preserves the long-established principle of revenue tied to resource management, and offers opportunity for New Mexico and its students, as well as numerous counties and states across the country to derive more benefit from federal land and participate in other benefits, like Resource Advisory Committees (RACs), of P.L. 106-393.

As I suggested in my testimony, re-authorization should be viewed as a “bridge” to the future and to a program that combines deriving revenue from resource production and ecosystem services. Revenue from not just products but from both ecosystem products and services can and should be part of this bridge to a program that generates more revenue and leads to more sustainable future funding of the powerfully successful P.L. 106-393 legislation.

An ecosystem products and services approach would increase the revenue forest counties in New Mexico receive as a result of revenue generated from water flowing off national forests in New Mexico, along with revenue from wood products. Ecosystem services could eventually be expanded to include carbon credits and payment for habitat, among other “services,” as these are quantified and equitable mechanisms developed to collect revenue.

I don’t believe that funding school children in New Mexico needs to be seen as a zero-sum game. The Secure Rural School and Community Self-Determination Act legislation has proven to be so successful that it should be continued and expanded. The challenge, of course, lies in securing the funds needed for a five to seven year re-authorization that will support the program where it has existed, as well as launch the building of a program that has both the incentives and a mechanism (as I described in my written testimony) that advances an ecosystem services approach.

The bridge to the future that I am advocating ramps down the required dedicated federal funding and ramps up funding from products and services to support projects like the many outstanding projects already developed through the legislation. It will also expand the reach of the legislation by providing funding or increased funding where the legislation has had little impact because the three-year average timber harvest was low. Funding from ecosystem services would be provided by beneficiaries of those services, such as downstream municipalities using water flowing off national forest lands. In addition to preserving the original intent of national forest and O&C receipt sharing, it will also lead to long-term stable funding to more rural areas, not less, thereby benefiting far more people. Hence, in addition to including rural communities in the East, the South, and elsewhere, this approach will result in more benefits being secured for and going to the students of New Mexico.

Question 2. I am told that your report documented a fair amount of spending of Title III funding for projects that didn’t conform to the six areas for which those funds could be spent for.

What would you recommend we do about this problem?

Question 4. What would you recommend to avoid the misappropriations of those Title III funds in the future?

Answer to Questions 2 and 4. It is important to first note that in our study we were not asked to nor did we make a determination about strict conformance of Title III projects with the law. We did, however, in our research report point out instances in which Title III expenditures were questionable with respect to conformance with the six approved areas. I would not characterize the total number or amount of questionable expenditures that we found constituting a “fair amount” of all Title III spending. Labeling this total a “fair amount” suggests a level of misuse beyond what we did in fact find. I believe the nonconformances that could be identified as clear violations represent perhaps roughly five percent of the total expenditures we evaluated.

I believe the “fix” to the problem is relatively straightforward. I offer the following seven suggestions to this end.

- A) Make the meaning of “project” in Title III the same as it is in Title II.
- B) Require all counties to disburse Title III funds through open and competitive processes involving project solicitation and approval.
- C) Prohibit administrative allocations (half of all Title III funds were distributed this way, contributing to, if not actual noncompliance, the appearance of noncompliance).
- D) Provide an authoritative source of information for Title III. Too often agency personnel were asked to provide information, which was inappropriate. (Throughout the research project the Sierra Institute for Community and Environment was regularly asked by counties about what was appropriate for Title III expenditures.)

E) Require at minimum yearly reporting of project expenditures, the Title III category(ies) under which the expenditures are made, and project accomplishments. (The Sierra Institute found that our collection of data compelled internal review on the part of a number of counties and, in a few cases, modification of spending.) SB 380 begins to address this issue by calling for Secretary review.

F) Spot monitor projects through project visits and through phone interviews with project leaders and/or funding recipients. More monitoring might be conducted in counties where there have been previous questions or perceived problems.

G) Consider using a third-party organization (like the Sierra Institute) to assist with management of D, E, and F. This will help avoid conflict of interest issues associated with agency monitoring of county projects. This, in turn, will help avoid retribution by counties affecting Title II allocations. As P.L. 106-393 is currently written, counties allocate Title II funds; if they are displeased with agency action regarding Title III they may restrict Title II allocations.

Question 3. Since the old formula is based on the sale of timber, something that no longer has the political and social support that it once had on the West Coast, why should Congress continue to base the formula on that old paradigm? And why on the highest three years of receipts the high-end states received?

Answer. As I stated in my answer to question number one, I do not believe it makes sense to base funding of the legislation on an inflation adjusted high three-year timber harvest average in perpetuity. However, I do believe that the historic relationship established between the federal government and rural communities in the 1908 and 1937 receipt sharing formulas should be maintained. Adding an ecosystem services component to the legislation offers the opportunity to replace the old paradigm and the opportunity to place the legislation on more secure financial footing, as funding is obtained from a more complete array of benefits (or services) that forests provide. Because of its focus on timber receipts, the 1937 O&C legislation will require expansion to bring it in line with the more expansive national forest legislation. (The seeds of this expansion, however, already exist in the 1937 O&C Act language that states the lands “ . . . shall be managed . . . for the purpose of providing a permanent source of timber supply, protecting watersheds, regulating stream flow, and contributing to the economic stability of local communities and industries, and providing recreational facilities.”)

The short-term challenge lies in building the bridge to the future, both funding the legislation in the short-term and developing the financial and institutional mechanisms that will supplement forest product receipt payments. I support P.L. 106-393 re-authorization for five to seven years to allow for the development of mechanisms that will augment payments for forest products and support P.L. 106-393 legislation in the future. I also support some decline in payments to make clear that this legislation will sunset in its current form, as well as to provide incentives to both identify and implement appropriate ecosystem service funding mechanisms. As I suggested in my written testimony, RACs receiving \$200,000 or more should be required to dedicate three to five percent of their total funding to projects evaluating ecosystem services.¹ Using the RAC as learning laboratories will help generate ideas about how to implement an ecosystem products and services approach and will help build a constituency to advance what truly is a paradigm for the future.

The federal budget constraints make clear that other revenue sources need to be developed to support forest and watershed management and respond to the federal commitment to rural communities and landscapes. While my suggestion does not identify a source of funding for the needed near-term re-authorization, it does construct a bridge to the future that extricates the federal government from funding this program in perpetuity, while preserving the historic relationship between the federal government and rural communities, and truly developing a new paradigm for the future.

RESPONSES OF THE WILDERNESS SOCIETY TO QUESTIONS FROM
SENATOR DOMENICI

Question 1. I note that S. 380 includes a provision to allow the Resource Advisory Committees to decide whether or not to require that a certain percentage of projects

¹ Rather than focus only on RACs, this could be applied to counties that are part of a RAC collectively receiving \$250,000 or more in order to prevent them from limiting their RAC contribution to less than \$200,000.

involving the sale of merchantable material will utilize separate contracts for (1) the harvesting or collection of the material and (2) for the sale of such material.

Mr. Francis, if the section on sort yards that is currently in S. 380 is maintained, does your organization support or oppose the overall bill?

Answer. Since The Wilderness Society believes that the Merchantable Materials Contracting Pilot Program is helping to deter federal land managers from using Title II funds to conduct potentially controversial and inappropriate logging projects and giving Resource Advisory Committees the added responsibility of requesting a pilot program would inject new and needless controversy into the Title II projects, we would have to reevaluate our support for S. 380. It would be very difficult for The Society to support S. 380 without the Merchantable Materials Contracting Pilot Program.

Question 2a. Mr. Francis, recently American Lands, the Cascadia Wildlands Project and several other groups released a proposal that asks Congress to establish, initially endow, and periodically fund an "Western Oregon Old-Growth Protection and Rural Investment Fund" to permanently end the linkage between the management of BLM federal public forests in Western Oregon and the provision of essential local government services.

Are you aware of this proposal and what does the Wilderness Society think about the proposal?

Answer. The Wilderness Society has concerns about the proposal. While we do support the transfer of the O&C Lands from the Bureau of Land Management to the U.S. Forest Service, we are opposed to the proposal on two other issues. (1) The Society supports a permanent authorization for the Secure Rural Schools and Community Self Determination Act and the proposal would phase out funding for rural schools over the several year life of the trust fund. (2) The Wilderness Society opposes the use of very limited Land and Water Conservation Fund dollars to support this proposal.

Question 2b. Do you read this proposal to mean that only the counties in Western Oregon would be benefited by this proposal?

Answer. Based on my limited knowledge of the proposal only the Western Oregon counties would benefit.

RESPONSES OF THE DEPARTMENT OF THE INTERIOR TO QUESTIONS FROM
SENATOR DOMENICI

Question 1. I note that the Bureau of Land Management's budget does not include a proposal to sell BLM lands to help pay for the cost of the Secure Rural Schools and Community Self-Determination Act.

The BLM hasn't included a request similar to the Forest Service's request to sell lands to pay for these payments in either of its last two budgets. Why is that?

Answer. During the formation of the FY 2008 Budget, the Administration looked for a mandatory offset for the Secure Rural Schools and Community Self-Determination Act. The Administration determined that the land sale proposal referenced in the U.S. Forest Service Budget to be most appropriate.

Question 2. Do you think it fair for the Forest Service to shoulder the entire burden of generating the funds to make these payments?

Answer. During the formation of FY 2008 Budget, the Administration looked for a mandatory offset for the Secure Rural Schools and Community Self-Determination Act. The Administration determined that the land sale proposal referenced in the U.S. Forest Service Budget to be most appropriate.

Question 3. Ms. Jacobson, recently American Lands, the Cascadia Wildlands Project, and several other groups released a proposal that asks Congress to establish, initially endow, and periodically fund a "Western Oregon Old-Growth Protection and Rural Investment Fund" to permanently end the linkage between the management of BLM federal public forests in Western Oregon and the provision of essential local government services.

Are you aware of this proposal and what does the Bureau of Land Management think about the proposal?

Answer. As stated in the Budget, the Administration could support an extension of SRS provided that it is fully offset, targeted to the most affected areas, capped, adjusted downward each year and eventually phased out.

We recently became aware of the "Western Oregon Old-Growth Protection and Rural Investment Fund" proposal, but have not fully analyzed it. Our preliminary understanding is that the proposal would:

- establish an endowment that would at least partially provide funds to the 18 O&C Land Grant Counties;

- transfer the O&C and Coos Bay Wagon Road lands from the BLM to the Forest Service; and
- sever the link between sustainable management of the O&C forest lands and county services.

We also understand that these checkerboard lands would be managed as an old growth preserve.

Transferring the lands to the Forest Service would not eliminate the need to fund the management of the lands, Congress and the Administration would need to find the funds to establish the endowment.

Question 4. Is it something that you think Congress should spend time on?

Answer. It is up to the Congress to set its priorities and schedules.

Question 5. Do you read this proposal to mean that only the counties in Western Oregon would be benefited by this proposal?

Answer. As we understand the proposal from an initial reading, it would apply only to the 18 western Oregon Counties included in the original O&C Land Grant.

RESPONSE OF MARK REY TO QUESTION FROM SENATOR MARIA CANTWELL

Question. Mr. Rey, in your remarks you suggested that we reevaluate the revenue distribution formula from timber proceeds as set in the Secure Rural Schools Act of 2000. You stated that the formula for payments to counties, including to large economically vibrant counties like King County in my state, as set in the 2000 legislation was a reflection of historical timber receipts they received in 1908 or in an earlier time. Yet, the formula—as set in the 2000 legislation for payments to counties like King—is actually based on the average of the highest three-years of timber receipts from 1985-1999. Even so, you suggested that we take money from those counties that are more economically vibrant and reallocate to counties that are in greater need. How would you propose evaluating the relative need of particular counties that are eligible to receive payments under this program? How much economic development is enough to disqualify counties that are currently eligible to receive payments under the 2000 legislation?

Answer. The Secure Rural Schools and Community Self-Determination Act of 2000 (SRS Act) legislation was intended to be a transitional solution to allow states and counties to readjust their priorities and programs so that they are less dependent on timber receipts. Some counties and States in the intervening years have accomplished this and others have not. The Administration's FY 2008 Budget supports the President's continuing commitment to States and counties impacted by the ongoing loss of receipts associated with lower timber harvests on Federal lands. In its budget and in congressional communications, the Administration has indicated it could support an extension of the SRS Act provided it is fully offset, targeted to the most affected areas, capped, adjusted downward each year, and eventually phased out. The Administration has not adopted a position on SRS payments based on a county's total of acreages or income. However, these types of payments would represent a shift in the program's purpose away from receipts transition and towards an entitlement funding approach. We have not advocated "disqualifying" counties that have received payments in the past.

RESPONSES OF MARK REY TO QUESTIONS FROM SENATOR DOMENICI

Question 1. You want to sell almost 7,373 acres of National Forest lands in New Mexico. Under the distribution formula in P.L. 106-393, the counties in New Mexico received about \$9 per impacted student and the students in Oregon received more than \$430 per impacted student. Can you assure me that none of the funds generated from the sale of lands in New Mexico will be used to pay for county payments in counties outside New Mexico?

Answer. Our proposal does not address how payments would be distributed to States and counties. The fifty-percent portion of National Forest System land sale receipts available for funding payments to States and counties will be available for whatever funding distribution is authorized in subsequent legislation.

Our legislative proposal provides that half the receipts from the sale of National Forest System lands will be used to make payments to States and counties. The other half would remain within the State from which the land sale receipts were derived for National Forest purposes, including the acquisition of land, conservation education, improved access to public lands, wildlife and fish habitat improvement, and restoration.

Question 2. The data shows that over the last four years, the gross receipts on the National Forests in New Mexico have been slowly decreasing. I also see from

the 1996 Timber Sale Information Program Reporting System (TSPIRS) that the Forest Service timber sale program in New Mexico generated over \$9.6 million of direct and indirect employment income and nearly a \$650,000 in 25% Payments to the counties in my state and over \$1.5 million in federal income tax revenues.

Looking at the difference between the \$2 million federal payment made to New Mexico counties under P.L. 106-393 and the \$9.6 million in employment income, plus nearly a million dollars of 25% payments made to the State as recently as 1999, can you help me understand why we aren't focused on getting the revenues back up to levels in the 1990's in my State along with the economic activity it generated?

Answer. The national trend for all national forest timber sale receipts has been on the increase since 2002. We expect the upward trend in receipts to continue as we implement additional thinning projects to improve the health of forested stands, increase the amount of hazardous fuel treatments, and improve our efficiency in conducting vegetative treatments across the country. We do not expect a return to the level of timber harvesting and associated receipts that were prevalent during the decades of the 80's and 90's.

The national forest timber sale program in New Mexico changed emphasis in the 1990's from harvesting mostly mature, over-story trees, to one of thinning from below to reduce wildland fire risk and restore fire-adapted ecosystem function.

Currently, National Forests in New Mexico are implementing the National Fire Plan, and are utilizing the Healthy Forests Restoration Act, and stewardship contracting to restore fire dependent ecosystems. However, there is little industry left to pay for the forest products that are available and often appropriated funds must be used to treat and remove small diameter logs. The Southwest Region of the Forest Service is encouraging new and appropriately scaled industry that could utilize and pay for the many small and some larger trees that will become available through restoration efforts.

APPENDIX II

Additional Material Submitted for the Record

STATEMENT OF THE AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES

This statement is submitted on behalf of the American Federation of State, County and Municipal Employees (AFSCME). The Union strongly supports S. 380 which would reauthorize the Secure Rural Schools and Community Self-Determination Act of 2000 (P.L. 106-393). P.L. 106-393 expired last year, and the law's expiration has already had adverse consequences for rural and forest communities all across the nation. Over 775 counties in 42 states will be impacted if this law is not renewed. AFSCME represents public employees in many of these states whose livelihood is being jeopardized as a result of Congress' inability to reauthorize and fund P.L. 106-393.

More than half of the land in the State of Oregon is owned by the federal government making it exempt from property taxation. The loss of revenue resulting from the inability to impose taxes or to develop the land led to the Congress enacting P.L. 106-393 in 2000. The expiration of this statute will have a devastating effect on Oregon because funding for essential government services will be drastically reduced. Some counties in the State will lose more than half of their discretionary general operating and road funds. Important government services, including health care, law enforcement, disaster relief, homeland security and tax collection, are threatened.

AFSCME members in Oregon are already facing tremendous hardship. Local government employees have already been given lay-off notices because the various counties who depend on this funding can no longer afford to pay their salaries.

Important public services in other states are also being threatened. In some forest communities across the country, schools are scheduled to close and young students may be forced to take school buses as far as 90 miles each way. Communities are also reporting that they will be forced to eliminate teaching and administrative jobs in the schools and that they will be unable to purchase classroom supplies including computers. Other communities are concerned about road safety because they will be forced to reduce their road maintenance personnel resulting in service cutbacks threatening snow and vegetation removal, ditch cleaning and repair and other road safety functions.

The federal government must continue to compensate forest and rural communities for the revenues local governments lose as a result of the federal government's control of these lands. P.L. 106-393 appropriately provides payments to forest and rural counties in order to achieve this goal. The federal government should not abandon rural America by failing to renew this important law.

STATE OF OREGON
Salem, OR, March 6, 2007.

Hon. RON WYDEN,
Chairman, Subcommittee on Public Lands and Forests, Energy and Natural Resources Committee, Dirksen 364, Washington, DC.

Hon. RICHARD BURR,
Ranking Member, Subcommittee on Public Lands and Forests, Energy and Natural Resources Committee, Dirksen 364, Washington, DC.

DEAR CHAIRMAN WYDEN AND SENATOR BURR: As you know, Congressional failure to reauthorize the Secure Rural Schools and Community Self-Determination Act (PL 106-393, county payments) is threatening 33 of Oregon's 36 counties with devastating budget choices right now. I am writing today to support the passage of S. 380, a bill to reauthorize this Act.

In the past two years, I and my fellow governors have passed resolutions supporting reauthorization for the Western Governor's Association and National Governor's Associations. In addition, given the importance of this issue to my state, I have had many conversations with our congressional delegation and have written letters urging reauthorization to congressional leadership. In addition, I have called other congressional leaders, including the Chairman of this Committee, informing them of the dire consequences for Oregon if they fail to reauthorize the Act.

Mr. Chairman, I am willing to work for reauthorization of this law, at any time and any place, with anyone willing to work with me, Oregon, our counties and our delegation.

If this law is not reauthorized, and quickly, no state in the Union will suffer the impacts of the magnitude and severity that affect the State of Oregon—because no state has a greater a share of its local resources committed to federal forest lands. The current funding formula that provides the much needed funding to Oregon is based on the historic value and volume of timber that Oregon produced for the nation. Quite simply, no other state has been blessed with the volume or value of timber of Oregon. On the flip side, no other state has had to suffer as much as Oregon with the environmental necessity and societal acceptance of less timber management.

In addition to transportation and school funding that all the states covered by this law, get from the Forest Service forest lands, some Oregon counties, historically known as Oregon and California Lands Counties (O&C Counties), get general funding from the only timber lands owned by the Bureau of Land Management, Department of the Interior (BLM). Out of the BLM funds those counties pay for public safety, health and community services, as well as assessment and taxation and other public functions.

A good example is Lane County, an O&C county and one of Oregon's major recipients of county payments funding, which is the size of Connecticut. Connecticut has 1,199 state troopers supported by a state budget that is, in turn, supported, in large part, by property taxes. Lane County, on the other hand, has 16 county police that are supported largely, from BLM county payments. It has to be because over 55 percent of the county is owned by the federal government and therefore not taxable.

With limited places to turn for revenue, Lane County does the best it can with what it has, but the result of having 16 police for an area the size of Connecticut is that they often ignore property crimes as they respond to more serious events. Recently, though, and this is not the sort of advertisement a governor likes to make about his state, an individual stole 28 cars from Cottage Grove, a community just south of Eugene (home to the University of Oregon). This individual was eventually apprehended—but, imagine what a person like this will be able to get away with in Lane County if the county payments money disappears or is decreased significantly and the 16 county police drops to one or two?

I relate this story because it is important for the Committee and for Congress to understand that Oregonians are not eating off of gold plates because of county payments. In fact, some Oregonians won't eat at all without county payments: Lane County will have to stop supplementing Women Infant and Children (WIC) funds and the 8,000 people that were assisted last year will drop to 4,000 next year.

Mr. Chairman, we are barely hanging on now—please don't push us off the economic cliff.

I stand ready to assist in reauthorization in any way I can.

Sincerely,

THEODORE R. KULOGOSKI,
Governor.

FOREST COUNTIES PAYMENTS COMMITTEE,
Washington, DC, February 23, 2007.

Hon. JEFF BINGAMAN,
Chairman, Senate Committee on Energy and Natural Resources, 304 Dirksen Senate Building, Washington, DC.

DEAR SENATOR BINGAMAN: The Forest Counties Payments Committee (FCPC) has provided Congress with information related to implementation of the Secure Rural Schools and Community Self-determination Act (P.L. 106-393), and recommendations for making long-term payments to states and counties. The Committee is also aware there are efforts by others to identify payment alternatives. The Payments Committee was recently requested to consider alternatives to existing formulas for making payments to states. Therefore, the members of the Forest Counties Payments Committee believe it is important to provide some context to these efforts.

Members of the Payments Committee understand there is a strong desire by some to re-distribute the payments so some states and counties will see an increase in their annual payments. This will require that some States experience a reduction in annual payments. The five States receiving the largest payments in order are:

1. Oregon
2. California
3. Washington
4. Idaho
5. Montana

States in the Pacific Northwest, and especially Oregon, receive the largest payments for one primary reason. The method of making payments to states and counties has historically been based on land productivity and managed under a utilitarian concept. Because states in the Pacific Northwest have some of the most productive forested lands, and public ownership of those lands is so extensive, payments have historically favored those states. This model holds true in the East as well. The State of Pennsylvania has highly productive forests and valuable tree species. As a result, it receives the highest payments per acre of national forests of any state. However, because federal land ownership in Pennsylvania is much less than in Western states, total payments are less.

Purpose for 2008 25% Payments Act

Congress created the 1908 25% Payments Act to accomplish one primary purpose—to compensate counties for the impacts created by setting aside public lands. They were not considered payments in lieu of taxes. If they had been, there would be justification for increasing the current level of payments to counties based on a recent tax value study conducted by the Payments Committee (2003 Report to Congress). The purpose for creation of the 25% Payments Act can be found in congressional records and opinions rendered through judicial review.

1937 O&C Act

The O&C Grant Lands are managed by the Bureau of Land Management in Western Oregon, and receive payments from the sale of timber. However, the O&C lands were once private lands that reverted into Government ownership. The 18 counties within the original O&C Land Grant, managed under the Act of August 28, 1937 (O&C Act), were to receive 75% of the receipts from the sale of timber. However, the counties never received more than 50% for various reasons including the counties “investing” 25% of the receipts in the future productivity of the land. Unlike receipts from Forest Service sales, O&C receipts serve a different purpose and are deposited to the counties for use in their general fund. Therefore, any formula change may want to consider the different effect it may have on these counties.

Guidelines for Establishing a New Payment Formula

The Forest Counties Payments Committee recommends the following guidelines for developing a new formula that would change current payment amounts to states and counties. These guidelines are based on the belief that the original purpose of the Payments Act should not be changed, that the federal government has a long-term commitment to public lands counties, and that education programs remain the highest and best use of these funds.

- Payment Amounts should be based on certain needs related to impacts created from the presence of federal lands, not socio-economic indicators.

There are at least 10 categories of fiscal impacts counties experience from the presence of federal lands (FCPC 2003 Report to Congress). At least five of these categories create significant fiscal impacts to a large number of counties. They are listed below.

1. Search and Rescue
2. Law Enforcement
3. Road Maintenance
4. Fire Protection/Control
5. Road Construction

It is reasonable to assume counties that have more acres of public land within their boundary experience greater impacts from the activities listed above. Therefore, acres of public land in a county provide a legitimate indicator of fiscal need. Two of the top five impact categories are related to roads. Miles of road would seem like a good indicator of need, but there are many variables that can influence this. A number of states do not have county roads. In those cases all roads are managed by the State Highway Department. Also, payments

based on road miles could create an incentive to add more roads to the system in order to receive additional funds.

A payment formula based on needs defined by any number of social indicators such as per-capita income, Free and Reduced Lunch Program participants, or amounts of certain government transfer payments can be misleading, and manipulated. These social indicators may have no relationship to the purposes for which the Payments Act was created, and a payment program based on these criteria would appear more like some block grant programs. Also, there are approximately 20 federal revenue sharing programs that benefit some states more than others. Any “needs test,” or new formula, should include total payments made to a state from all revenue sharing programs related to natural resources, i.e. oil & gas, coal, etc..

- A new payment formula could utilize an equalization approach commonly used within the education system to provide a minimum amount to each state, while reducing the larger funded states by no more than a certain amount agreed to by policy makers.

This type of funding adjustment is common among some states where smaller school districts are provided adequate financial resource to operate their education programs when they don’t quite fit into a standard allocation formula. The Payments Committee determined that at least 8 states who receive payments from the Secure Rural Schools Program allocate those funds under an equalization formula.

- Total Payment Amounts could be reduced over time.

The Payments Committee believes there is sufficient justification for maintaining current payment amounts (FCPC 2006 Report to Congress). However, if policy makers desire to reduce the total amount paid to states and counties they could adopt an approach recommended by the Payments Committee in its 2006 Report. In brief, total payments are reduced by 3% per year for 10 years, after which a new base is established. This strategy assumes a 3% increase in receipts and charging fair market value for commercial uses of federal lands. Also, if it is the intention of Congress to return to receipts only payments, then recent decisions to exempt some programs from making receipt contributions should be revisited.

As pointed out in past reports, changes to certain Bureau of Land Management and Forest Service Programs have allowed receipts to be retained instead of being deposited in accounts used to make payments to states and counties. These decisions should be revisited if it is the intent of Congress to eventually phase out any guaranteed payment program.

- Consider environmental services, or environmental contributions to society from lands removed from timber production.

While difficult to identify a specific monetary value, policy makers need to recognize the benefits to society from the reallocation of lands historically used for timber production to other purposes, primarily protection of habitat for certain federally listed wildlife and fish species. The original purpose of the 1908 Payments Act was to compensate counties for impacts created by the presence of public lands, and to do this through revenue sharing. Congress did not foresee a time when society would place a higher value on natural resources that do not have an easily identifiable market value. Nonetheless, the federal government should make every effort to identify what these values are and compensate public lands counties accordingly.

- States that receive a significant increase in funds as a result of a change in the payment formula should be required to establish resource advisory committees as described under Title II of the Secure Rural Schools and Community Self-determination Act of 2000.

Many counties took the initiative to establish resource advisory committees. This was influenced to a great degree by the amount of funding they received. However, this was not true in all cases. Results have been highly successful and documented by several studies. The Forest Counties Payments Committee previously recommended the creation of financial incentives to increase the number of resource advisory committees. Counties that benefit from an increase in payments as a result of a change in the current payment formula should be willing to maintain the natural resource focus of the Secure Rural Schools Act by establishing resource advisory committees.

The Forest Counties Payments Committee is available to discuss these recommendations, and provide additional analysis as determined by your Committee. Please do not hesitate to contact the Committee's Executive Director, should you need further assistance on these matters.

Sincerely,

MARK EVANS
Chair.

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