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DISPOSAL OF MATERIALS ON PUBLIC LANDS

HEARING BEFORE THE SUBCOMMITTEE ON PUBLIC LANDS OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS UNITED STATES SENATE

NINETIETH CONGRESS

SECOND SESSION

ON

S. 1385

A BILL TO AMEND SECTION 3 OF THE ACT ENTITLED "AN ACT TO PROVIDE FOR THE DISPOSAL OF MATERIALS ON THE PUBLIC LANDS OF THE UNITED STATES" APPROVED JULY 31, 1947, RELATING TO THE DISPOSITION BY THE SECRETARY OF THE INTERIOR OF MONEYS OBTAINED FROM THE SALE OF MATERIALS FROM PUBLIC LANDS

JUNE 18, 1968



Printed for the use of the
Committee on Interior and Insular Affairs

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DISPOSAL OF MATERIALS ON PUBLIC LANDS

TUESDAY, JUNE 18, 1968

U.S. SENATE
SUBCOMMITTEE ON PUBLIC LANDS OF THE
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 3110, New Senate Office Building, Senator Frank Church, presiding.

Present: Senators Church, Jordan, and Fannin.

Also present: Jerry T. Verkler, staff director; and Porter Ward, professional staff member.

Senator CHURCH. The committee will come to order.

This is the time duly noted and set for a public hearing on S. 1385, the bill to amend section 3 of the act entitled "An act to provide for the disposal of materials on the public lands of the United States" approved July 31, 1947, relating to the disposition by the Secretary of the Interior of moneys obtained from the sale of materials from public lands.

First of all, I want to direct that the text of S. 1385, plus the departmental reports on the bill, appear immediately following this statement.

Senator Jordan and I are the cosponsors of this proposed legislation. Like other of our colleagues from public land States, we are only too painfully aware of the impact on local governmental responsibilities, such as the maintenance of schools and roads, of Federal ownership of large areas of the lands within a county. In our own State of Idaho, for example, some 64 percent of the area of the entire State is in Federal ownership. In some counties, the proportion of Federal ownership is even higher than for the State as a whole. Certain of the public laws do provide for payment to the counties of a share of the revenues from Federal lands within the county.

However, in the case of forest lands, the law has been interpreted and administered to bring about the result that the percentage has been computed on the basis of the net, rather than the gross, revenues. There is an inevitable tendency for Federal administrative costs to rise and with every increase in the amount disbursed by the Federal Government from the forest revenues, the amounts received by the counties decline. In many instances, while gross revenues have been rising, the counties' share of them has steadily fallen.

Our bill is designed to clarify existing law and to bring relief to the hard-pressed counties of Idaho and other Western States in the fulfillment of their responsibilities for public education and local roads.

The first section of the bill would amend section 3 of the act of July 31, 1947, to provide for the payment to any State 25 percent of all moneys received in any fiscal year from the sale of timber from public

lands situated in that State. It is the same type of provision now applicable to national forests. The amendment would apply only to public lands under the jurisdiction of the Secretary of the Interior.

Section 2 of the bill would amend the act of March 1, 1911, which relates to the payment of moneys for timber sold from national forests. The amendment would merely add the words "the gross amount" in front of "of all moneys" to make it clear that the amount to be paid to the States is to be computed on the basis of gross receipts and not net receipts.

(The bill and reports follow:)

[S. 1385, 90th Cong., first sess.]

A BILL To amend section 3 of the Act entitled "An Act to provide for the disposal of materials on the public lands of the United States" approved July 31, 1947, relating to the disposition by the Secretary of the Interior of moneys obtained from the sale of materials from public lands

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3 of the Act entitled "An Act to provide for the disposal of materials on the public lands of the United States" approved July 31, 1947 (61 Stat. 681; 30 U.S.C. 603), is amended by adding at the end thereof the following: "Notwithstanding any other provision of law, 25 per centum of the total amount paid or deposited by purchasers during any fiscal year from the disposition of timber from unreserved public domain lands under the jurisdiction of the Secretary of the Interior shall be disbursed, at the end of such year, by the Secretary of the Treasury to the State in which such public lands are situated, to be expended as the State legislature may prescribe for the benefit of the public schools and public roads of the county or counties in which such public lands are situated. Whenever any such public lands are in more than one State or county the distributive share to each from the total amounts paid by purchasers from the disposition of timber from such public lands shall be proportional to the area of public lands therein. In sales of logs, ties, poles, posts, cordwood, pulpwood, and other forest products, the amounts made available for schools and roads by this section shall be 25 per centum of the total amount paid by the purchaser. Such total amount shall include, but shall not be limited to, stumpage payments, slash and brush disposal deposits, sale area betterment deposits, erosion control deposits, and other collections.

Sec. 2. Section 13 of the Act of March 1, 1911, as amended (36 Stat. 961, 963; 16 U.S.C. 500), is further amended to read as follows:

"Twenty-five per centum of the total amount of all moneys paid or deposited by purchasers during any fiscal year for all resources of each national forest shall be disbursed, at the end of such year, by the Secretary of the Treasury to the State in which such national forest is situated, to be expended as the State legislature may prescribe for the benefit of the public schools and public roads of the county or counties in which such national forest is situated: *Provided*, That when any national forest is in more than one State or county the distributive share to each from the proceeds of such forest shall be proportional to its area therein. In sales of logs, ties, poles, posts, cordwood, pulpwood, and other forest products the amounts made available for schools and roads by this section shall be 25 per centum of the total amount paid or deposited by purchasers, and shall include but not be limited to, stumpage payments, slash and brush disposal deposits, sale area betterment deposits, erosion control deposits, and collections under the Act of June 9, 1930 (46 Stat. 527; 16 U.S.C. 576)."

Sec. 3. The amendments made by the first two sections of this Act shall become effective with the fiscal year beginning July 1, 1968.

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., May 6, 1968.

HON. HENRY M. JACKSON,
Chairman, Committee on Interior and Insular Affairs,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This responds to your request for our views on S. 1385, a bill to amend section 3 of the Act entitled "An Act to provide for the disposal

of materials on the public lands of the United States" approved July 31, 1947, relating to the disposition by the Secretary of the Interior of moneys obtained from the sale of materials from public lands.

We recommend that the bill not be enacted.

Section 3 of the Materials Act of 1947, as amended (30 U.S.C. 603), provides that moneys received from the disposal of materials under the Act shall be disposed of in the same manner as moneys received from the sale of public lands. S. 1385 would amend section 3 to provide that 25 percent of the total amount paid or deposited by purchasers during any fiscal year from the disposition of timber from unreserved public domain lands under the jurisdiction of the Secretary of the Interior will be disbursed at the end of such year by the Secretary of the Treasury to the State in which such public lands are situated, to be expended as the State legislature may prescribe for the benefit of the public schools and public roads of the county or counties in which such public lands are situated. Provision is made for those public lands which are in more than one State or county. A similar 25 percent of the total amount paid by the purchaser in sales of logs, ties, poles, posts, cordwood, pulpwood, and other forest products, is made available for schools and roads. Such total amount includes but is not limited to stumpage payments, slash and brush deposits, sale area betterment deposits, erosion deposits, and other collections.

Section 2 of the bill amends the Act of March 1, 1911, as amended (36 Stat. 961, 963; 16 U.S.C. 500), by extending the provisions of section 1 of the bill to sales of resources of each national forest.

Section 3 of the bill provides that the provisions of the first two sections shall become effective with the fiscal year beginning July 1, 1968.

Our recommendation relates only to the amendment of the Materials Act. We defer to the views of the Secretary of Agriculture on that portion of the bill relating to the national forests.

Section 1 of S. 1385 uses the term "unreserved public domain lands." We construe the term to mean lands not specifically withdrawn, and as including lands only withdrawn by general orders of withdrawal, E.O. 6910 on November 26, 1934, as amended, E.O. 6964 of February 5, 1935, or withdrawn for a grazing district. In a technical sense, only lands in Alaska are unreserved. However, the term "unreserved" is often used in the context in which it appears in S. 1385.

Existing law provides that 5 percent of the net proceeds from timber sales on the unreserved public domain lands shall be distributed to the State where such lands are situated and set aside for education and other purposes. The remainder of the proceeds from these sales is distributed to the Reclamation Fund under the Act of June 17, 1902 (32 Stat. 388), as amended (48 U.S.C. 391), or, if said State is not one of those included in the 1902 Act, the remainder of the proceeds is covered into the Treasury of the United States. S. 1385 changes the distribution of those proceeds by conveying to the States 25 percent of the gross amount received.

Some of the net revenues from timber sales, as we have said, are now distributed to the public domain States for educational and other purposes. Before any such change in the present distribution system of revenues from these federally owned lands were made, we believe that a thorough analysis of the proposal would have to be undertaken to determine if a change were needed and what direction it might best take. Also, evaluations would have to be made of the method of distribution and the objectives to be attained. Such evaluations would also take into account the economic and social benefits gained by the beneficiary States and counties from the specific Federal lands and the activities thereon. Upon completion of such analysis, the executive branch would want an opportunity to obtain and review the comments of the many interested parties and agencies.

It should also be noted that S. 1385 would preclude counties in which timber sales were not held from participating in the distribution of these moneys. Allocations would be made without regard to the needs of the individual counties. A similar approach was followed by the Congress in connection with the legislation authorizing the sharing of revenues with counties derived from acquired and reserved public lands within the National Wildlife Refuge System.

The following compilation for the year 1967 shows a breakdown of counties in which timber sales were held:

1967

State	Number of counties involved	Number of counties in State
Alaska.....		
Arizona.....	2	14
California.....	13	58
Colorado.....	23	63
Idaho.....	18	44
Montana.....	10	56
Nevada.....	13	17
New Mexico.....	5	32
Oregon.....	(1)	(1)
South Dakota.....	2	67
Utah.....	19	29
Washington.....	4	39
Wyoming.....	13	23
Totals.....	122	442

¹ Not available.

The Bureau of the Budget has advised that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely yours,

HARRY R. ANDERSON,
Assistant Secretary of the Interior.

DEPARTMENT OF AGRICULTURE,
Washington, D.C., May 6, 1968.

HON. HENRY M. JACKSON,
Chairman, Committee on Interior and Insular Affairs,
U.S. Senate.

DEAR MR. CHAIRMAN: In response to your request of May 9, 1967, here is our report on S. 1385, "To amend section 3 of the Act entitled 'An Act to provide for the disposal of materials on the public lands of the United States' approved July 31, 1947, relating to the disposition by the Secretary of the Interior of moneys obtained from the sale of materials from public lands."

We recommend that S. 1385 not be enacted.

Section 1 would amend section 3 of the Act of July 31, 1947 (61 Stat. 681; 30 U.S.C. 603). It would add a provision for paying to the States in which public domain lands are situated 25 per cent of the receipts from the disposition of timber from the unreserved public domain lands under the jurisdiction of the Secretary of the Interior. The payments to the States would be distributed to the counties in which such lands are situated proportionally to the area of such lands in the counties. In sales of logs, ties, poles, posts, cordwood, pulpwood, and other forest products, the amount paid to the States would be 25 per cent of the total amount paid by the purchaser including, but not limited to, stumpage payments, slash and brush disposal deposits, sale area betterment deposits, erosion control deposits, and other collections. This Section would not directly affect the activities of this Department.

Section 2 would amend section 13 of the Weeks Law, the Act of March 1, 1911, as amended (36 Stat. 961, 963; 16 U.S.C. 500). It would provide that the amounts paid to the States from National Forest receipts would be 25 per cent of the total amount of all moneys paid or deposited during any fiscal year by purchasers of National Forest resources. In the sale of logs, ties, poles, posts, cordwood, pulpwood, and other forest products, the total moneys paid or deposited by the purchaser would include, but not be limited to, stumpage payments, slash and brush disposal deposits, sale area betterment deposits, erosion control deposits, and collections under the Knutson-Vandenberg Act of June 9, 1930 (46 Stat. 527; 16 U.S.C. 576).

Apparently, the purpose of S. 1385 is to improve the financial condition of the county governments in those counties where certain public lands are situated. It would apply to revenues from only two kinds of public land, unreserved public domain and acquired National Forest lands.

In the case of the receipts from National Forest lands, it would include in the total receipts certain trust fund deposits which the Secretary is authorized to require from a timber purchaser to finance forestry work essential to maintaining future receipts from sustained yields of forest products.

Fluctuations in timber demand and prices generally affect the 25 percent returns to the counties from National Forest receipts more than the K-V or other required deposits. The condition of the timber stands plays a major role. National Forests, as in the West, with large volumes of old-growth, high quality timber currently produce a much larger cut per acre, resulting in larger total receipts than the second growth stands on many of the National Forests, such as those in the East and South. Much of the timber resource on the latter National Forests was drastically depleted before the land was acquired by the Government. Lowest returns are usually in such areas. With the means provided by sale-area betterment and other required deposits, great progress has been made in returning many depleted lands to full and sustained productivity. The deposits required for slash disposal and other purposes are essential to maintaining forest productivity subsequent to logging.

S. 1385 would modify one element of the revenue-distribution arrangements that apply to receipts from unreserved public domain and National Forest lands. We question the desirability of this approach to the revenue problem of the counties. We believe that the benefits and consequences resulting from the existing revenue-distribution arrangements and other relevant features need to be explored fully before any decision is made for changes. In addition, any recommendation for legislation to change the current arrangements concerning revenues from certain public lands needs to be examined from the standpoint of its relationship to the lands and programs of other agencies of the Federal Government.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely yours,

ORVILLE L. FREEMAN, *Secretary.*

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., May 8, 1968.

Hon. HENRY M. JACKSON,
*Chairman, Committee on Interior and Insular Affairs,
U.S. Senate, New Senate Office Building,
Washington, D.C.*

DEAR MR. CHAIRMAN: This is in response to your request for the views of the Bureau of the Budget on S. 1385, a bill "To amend section 3 of the Act entitled 'An Act to provide for the disposal of materials on the public lands of the United States' approved July 31, 1947, relating to the disposition by the Secretary of the Interior of moneys obtained from the sale of materials from public lands."

Both the Department of Agriculture and the Department of the Interior in reports they are submitting, recommend that the bill not be enacted. The Bureau of the Budget concurs with these Departments in opposing enactment for the reasons stated in their reports.

Sincerely yours,

WILFRED H. ROMMEL,
Assistant Director for Legislative Reference.

Senator CHURCH. Before calling on our first witness, I would like to call on my distinguished colleague, Senator Jordan, for such comments he would care to make.

STATEMENT OF HON. LEN B. JORDAN, A U.S. SENATOR FROM THE STATE OF IDAHO

Senator JORDAN. Thank you, Mr. Chairman.

The proper sharing of revenues which are received from the lease or sale of resources from Federal public lands with the States or counties

in which such lands are located is of great interest to the people of Idaho and other western public land States.

Of the 52,933,000 acres within Idaho's borders, the Federal Government owns 34,053,000 acres or 64.3 percent of our entire State. The State of Alaska has more than 98 percent in Federal ownership; Nevada, 87 percent; Utah, 67 percent; Oregon, 52 percent; and Wyoming, 48 percent. California and Oregon each have more than 44 percent. The percentage of Federal landownership in the 50 States and the District of Columbia is 33.7 percent of our total land acreage. We have some 2,275 million acres of land in total and the Federal Government has been acquiring recently through purchase and condemnation about $1\frac{1}{4}$ million acres each year.

Each agency of the Federal Government pays a percentage of revenues from Federal lands to the States and counties under various laws. There has been little consistency in designating such revenues. Under the Bureau of Land Management in the Department of the Interior, it varies from 5 percent from the sale of public lands, including mining patents, to 37.5 percent of the rents, royalties, and bonuses on mineral leases on public lands. In fact, in one area of Oregon the return to the counties is 75 percent.

On lands managed by the National Forest Service in the Department of Agriculture, the acts of May 23, 1908, and March 1, 1911, as amended, require a payment amounting to 25 percent of gross receipts from each national forest. This is to be made at the end of the fiscal year to the State in which the forest is located, then allotted as the legislature directs for the benefit of the public schools and the public roads of the county or counties in which the national forest is situated. Idaho has passed laws which distribute a fair share of these moneys to these schools and roads.

Some complications have arisen in determining the full 25 percent under the acts mentioned since the Knutson-Vandenberg Act has been implemented. This has caused some of us to question if we are now getting 25 percent of the gross receipts rather than a percentage of net receipts. As most forest service receipts come from the sale of national forest timber, it may be well to discuss it briefly here. Sales are usually made of national forest timber on the stump to private timber sale operators and usually by competitive bidding under a timber sale contract. The Forest Service determines what timber is to be sold, appraises it to determine the minimum price that will be accepted, determines the contract conditions under which it shall be removed, and supervises the sale for compliance with the contract. Thus the cost allowed in the appraisal affects the payment to the Government and later the payment to the State for use by the counties. Of course, such costs must include items such as cutting the trees, hauling the logs, constructing and maintaining skid trails and roads, protection of the area from fire while in operation—all of these are part of the contractor's operation. Under the Knutson-Vandenberg Act the removal of slash and debris, repair of disturbed areas to prevent erosion, and sale-area betterment are those items which are considered as deposits.

Studies have been made at various times, the latest one made in 1962 by the Forest Service and the National Association of County Officials. In this study a sort of new concept was added called, "Contributions in Kind." These are costs which would have to be incurred

by the State or local government if there were no national forest system. These consist mostly of fire and insect control expenditures, forest highway expenses, and the construction and maintenance costs for forest roads and trails and for other structures. I do not mean to infer that these are not necessary expenses but they should not be borne entirely by the local counties and States.

As an example, this study indicates that on some 7 million acres of national forest land located in region 1 in north Idaho the taxes per acre, if the lands were in private ownership, would be 46.6 cents per year. A 25-percent payment in this particular year amounted to 9.1 cents per acre and the "contributions in kind" were 12.1 cents per acre. So we received a total of 21.2 cents per acre rather than 46.6 cents or a loss of 25.4 cents per acre—about \$1,750,000 a year. In region 4, on 13½ million acres in southern Idaho within national forests, we received 3.3 cents an acre from the 25-percent fund, 7.6 cents from the "contributions in kind." Since comparable land would bring 15.8 cents an acre a year in taxes, we lost 4.9 cents an acre—another loss of \$670,000. When we compare this with figures from another Western State where taxes would be \$1.13 an acre with only 3.3 cents per acre from the 25-percent fund but \$3.19 an acre from "contributions in kind," we can see the inequities. This particular region received some \$2.03 more per acre each year than would come in from taxes on private lands.

Under the Idaho law which apportions this 25-percent fund for schools and roads to our counties and districts, many of our small school districts have 75 percent or more of their total lands in Federal ownership so have a very active and real interest in the 25-percent payments from timber and other resources.

I want to emphasize that we only wish to have an equitable and reasonable share of the monetary returns from these Federal lands and resource sales. I do not like the term, "Federal payments in lieu of taxes." First, it is too costly, unwieldy, and difficult to make assessments of these millions of acres of Federal lands. Second, there would also be a tendency to have landowners who may be having difficulty in paying property taxes during depression periods to transfer their title to the county and the county on to the Federal Government so that taxes would be paid by the Federal Government. This process could further deplete our tax base.

The Public Land Law Review Commission is having a study made on this subject and I am hopeful that it will be able to develop information that will be helpful to us in considering this whole, complex question. I also hope the information discussed at this hearing will be helpful in arriving at some more satisfactory method of making a fair share of public land earnings available to our hard-pressed school districts, counties, and States.

I want to reiterate my support for the position you have taken, Mr. Chairman, in this respect: The implementation of the statutes that we now have on the books works a distinct hardship on the States having large public landholdings and especially the State of Idaho which, as you have mentioned, has nearly two-thirds of our area in Federal ownership.

Moreover, there is a great difference in the way the various States come out under the implementation of the act.

I notice in a study made in 1962, a joint study made by the National Forest Service of the U.S. Department of Agriculture and others, that the return on Idaho lands is very much less under public ownership than it is under private ownership, and in California the reverse is true. The return under Federal ownership is much higher than under private ownership so there is a gross inconsistency in the application of the law, and all we seek to do is establish equity here and see if we can't get a valid 25 percent of the gross receipts of these revenues applied for State and local use.

I ask unanimous consent, Mr. Chairman, that I may insert in the record a statement by Congressman James McClure of the First District in support of the legislation; also a statement from Governor Samuelson of the State of Idaho; statements from R. Rhule Leonardson, clerk of Clark County, Idaho; from W. H. Trail, clerk of the district court, auditor in the court of Elmore County; from Ben E. Johnson, county commissioner of Shoshone County, Idaho, all in support of this legislation.

Senator CHURCH. Without objection, those statements will be included in the record at this point. I should like also to include statements in support of the bill that have been received by the committee from Theodore Hoff, Jr., the president of the Southern Idaho Forestry Association; by Rulon Ellis, the superintendent of schools, Bannock County, Idaho, F. Engelking, the State Superintendent of Public Instruction of the State of Idaho, and Harold Farley, Assistant State Superintendent, Department of Education.

(The statements referred to follow:)

STATEMENT OF HON. JAMES A. McCLURE, A U.S. REPRESENTATIVE IN CONGRESS
FROM THE STATE OF IDAHO

I am grateful for the opportunity to submit this statement to the subcommittee and to express my wholehearted support for S. 1385.

Mr. Chairman, as you know, the burden that Federal landholdings has imposed on many sections of Idaho has been recognized by Congress for more than half a century. The loss in tax revenue to these localities was one of the major considerations when the Forest Service was set up and an "in-lieu-of-taxes" system was devised by which 25% of the gross receipts from timber sales on Federal lands reverted to the counties affected. There is no question that Congress was taking cognizance of the impact of Federal lands on the revenue-gathering capacity of each area.

Since then, the Federal Government has failed to live up to its responsibility in properly funding the management and utilization of national forests, with the result that the Forest Service now returns 25% of the *net* receipts rather than 25% of the *gross* receipts as originally intended. Actually, the Forest Service is not to blame. It has merely adjusted to a bad situation. Rather, it's Congress who has reneged on its commitment by not giving the Forest Service sufficient funds with which to operate.

But regardless of fault, federally-owned lands are no longer returning a fair share of the cost of local government and county schools, and a disproportionate tax burden has shifted to the private landowner.

The Federal Government is by far the largest landholder in Idaho. In some counties the figure runs as high as 90 percent. Idaho County is roughly the size of Massachusetts, but the vast majority of it—4½ million acres—lies within national forest boundaries.

While the Federal Government owns 64.3 percent of Idaho, the State owns an additional 6.3 percent, counties 1.4 percent, and municipal government 3/10 of one percent. That leaves only 27.7 percent for a tax base, and part of it (church property, for example) is tax exempt.

Under the present arrangement, the Federal payment in some northern counties hasn't amounted to more than 3 percent of the total cost of local county government and schools. Since local governments are financed primarily by the property tax, it is easy to see the importance of such things as payments in lieu of taxes to the people of Idaho.

Bonner County in my district is a vivid example of the law of diminishing returns. The erosion of the 25 percent return has been facilitated by the Forest Service's using timber sale funds for a variety of activities, from tree planting to rodent control. From 1952 through 1966, timber harvest in region 1 rose from 442 to 1,580 million board feet. That was an increase of 306 percent. At the same time, the increase in the Federal return went up only 102 percent. The disproportionate tax burden is further illustrated by noting that 2/5 of Bonner County shoulders only 3 percent of the local taxload.

Let me illustrate another of the problems facing counties in this regard. It comes through the forced construction of roads by timber purchasers. For example, let us say that there is a half million dollars worth of timber located in a roadless area of forest. The Forest Service wants a road built into that area, so it opens up the timber there for sale with the proviso that the purchaser must build the road. Let us then assume that construction of the road costs the purchaser \$400,000. The bid for the timber would then be \$100,000. The county then gets 25% of the \$100,000 (\$25,000) rather than 25% of the actual value of the timber (\$125,000), and local governments lose \$100,000.

The Federal Government, because of its large landholdings has an obligation, as a property owner, to participate with other property owners in the financing of local government and to make this participation as stable as possible in order that these units of government can properly plan ahead.

Mr. Chairman, the bill that you and Senator Jordan have introduced recognizes this responsibility, and it has my complete support.

Again, I thank you for the opportunity to present this statement.

STATE OF IDAHO,
OFFICE OF THE GOVERNOR,
Boise, June 3, 1968.

HON. LEN B. JORDAN,
New Senate Office Building,
Washington, D.C.

DEAR LEN: I appreciate your submitting to me a copy of S. 1385 and inviting my comment on this proposed bill. Of course this bill has my wholehearted support. The matter it deals with, concerning the public lands payments to counties of a share of the revenues from federal lands within the county has been under discussion and hearing for years in this state. As you are aware, we feel the present interpretation of the law governing these payments has been in error due to computation of the payment on a basis of net rather than gross revenues. I certainly appreciate your efforts to clarify this matter through legislation.

You have no doubt amassed a great deal of data on this subject from the State of Idaho, however, I have taken the liberty of enclosing some statistics developed by the State Department of Education regarding apportionments of revenues from federal lands to the various counties of Idaho. I think our case and the justification for S. 1385 is clearly presented in this material.

If I can be of any assistance toward furthering S. 1385, please let me know and I do appreciate your efforts on this matter.

Sincerely,

DON SAMUELSON, Governor.

FEDERALLY OWNED LAND BY AGENCY IN IDAHO, AS OF JUNE 30, 1962

Agency	Acres		
	Domain	Acquired ¹	Total
Department of the Interior:			
Bureau of Land Management	11,993,628.9	73,337.6	12,066,966.5
National Park Service	78,378.7	1,113.2	79,491.9
Bureau of Reclamation	473,197.8	118,834.9	592,032.7
Fish and Wildlife Service	6,650.7	11,085.9	17,736.6
Bureau of Indian Affairs	330.0	41,529.4	41,859.4
Other		67.2	67.2
Total	12,552,186.1	245,968.2	12,798,154.3
Department of Agriculture:			
Forest Service	19,929,035.0	417,221.0	20,346,256.0
Other	28,615.3	4,091.4	32,706.7
Total	19,957,640.3	421,312.4	20,378,962.7
Department of Defense:			
Department of Air Force	423,849.0	2,526.0	426,375.0
Department of the Army:			
Army	3,166.0	15.0	3,181.0
Corps of Civil Engineers	7,792.8	8,101.8	15,894.6
Department of the Navy:			
		22.0	22.0
Total	434,807.8	10,664.8	445,450.6
Atomic Energy Commission	513,238.8	59,023.3	572,267.1
Other Civil Agencies	372.5	39.2	411.7
Total	33,458,255.5	737,012.9	34,195,268.4

¹ Land in Federal ownership which are not public lands. Acquired lands were obtained by the Government through purchase, condemnation, or gift, or by exchange for purchased, condemned, or donated lands, or for timber on such lands.

Note: Definition taken from p. 1 of the source above.

Source: Public land statistics, U.S. Department of the Interior, 1963, pp. 30-37; and, Idaho statistical abstracts.

Funds received from forest cutting in Idaho in fiscal years

Distribution:

1966	\$1,234,311.05
1965	1,054,579.26
1964	1,134,781.74
1963	1,125,144.49
1962	1,063,434.85
1961	1,121,453.13
1960	1,907,148.16
1959	1,281,277.04
1958	1,019,806.32
1957	1,608,843.28
1956	1,636,032.00
1955	1,062,204.77
1954	974,433.39
1953	939,036.57
1952	886,798.43
1951	821,165.30
1950	495,281.34

Income from Federal forest cuttings in Idaho, 1966

FOREST REGION I (NORTH IDAHO) (CLOSE ESTIMATES)	
Net receipts.....	\$3, 505, 700
KV expenditures.....	900, 000
Erosion expenditures.....	150, 000
Slash expenditures.....	1, 030, 000
Total region I.....	5, 585, 700
FOREST REGION IV (SOUTH IDAHO) (NEAREST DOLLAR)	
Net receipts.....	1, 431, 567
KV expenditures.....	682, 413
Erosion expenditures.....	138, 855
Slash expenditures.....	547, 581
Total, region IV.....	2, 800, 416
Total, State (gross).....	8, 386, 116
Total reported net.....	4, 937, 267
Difference.....	3, 448, 849
Percent difference is of net (percent).....	69

PROCEEDS FROM PUBLIC DOMAIN FOR THE FISCAL YEAR ENDED JUNE 30, 1966

District and county	Acres	Percent	County's portion
Number 1:			
Ada.....	204, 332	3. 85	\$562. 24
Adams.....	54, 339	1. 02	148. 96
Boise.....	30, 944	. 58	84. 70
Canyon.....	4, 330	. 08	11. 68
Elmore 1.....	491, 934	9. 28	1, 355. 22
Gem.....	71, 999	1. 36	198. 61
Idaho.....	34, 362	. 65	94. 92
Owyhee.....	3, 794, 845	71. 55	10, 448. 89
Payette.....	66, 959	1. 26	184. 01
Twin Falls 1.....	327, 067	6. 17	901. 04
Valley.....	5, 668	. 11	16. 06
Washington.....	216, 710	4. 09	597. 29
Total.....	5, 303, 489	100. 00	14, 603. 62
Number 2:			
Bannock.....	61, 210	5. 07	325. 74
Caribou.....	11, 994	. 99	63. 61
Cassia.....	525, 591	43. 52	2, 796. 15
Oneida.....	263, 925	21. 85	1, 403. 86
Power 1.....	87, 776	7. 24	467. 09
Twin Falls 1.....	257, 169	21. 30	1, 368. 52
Total.....	1, 207, 665	100. 00	6, 424. 97
Number 3:			
Bingham.....	337, 534	14. 80	739. 53
Blaine 1.....	229, 853	10. 08	503. 68
Bonneville.....	75, 314	3. 30	164. 90
Butte.....	690, 641	30. 28	1, 513. 05
Clark.....	354, 167	15. 53	776. 01
Custer 1.....	87, 610	3. 84	191. 88
Fremont.....	133, 246	5. 84	291. 82
Jefferson.....	25, 779	11. 04	551. 65
Lemhi 1.....	4, 287	. 19	9. 49
Madison.....	14, 099	. 62	30. 98
Power 1.....	102, 122	4. 48	223. 86
Total.....	2, 280, 652	100. 00	4, 996. 85

See footnotes at end of table, p. 12.

PROCEEDS FROM PUBLIC DOMAIN FOR THE FISCAL YEAR ENDED JUNE 30, 1966—Continued

District and county	Acres	Percent	County's portion
Number 4:			
Custer 1	\$717,071	\$54.78	\$1,845.32
Lemhi 1	580,282	44.33	1,493.31
Bear Lake Idaho 2	11,583	.89	29.98
Total	1,308,936	100.00	3,368.61
Number 5:			
Blaine 1	560,809	29.92	1,705.66
Camas	118,992	6.35	362.00
Elmore 1	54,001	2.88	164.18
Gooding	262,115	13.99	797.53
Jerone	90,073	4.81	274.21
Lincoln	578,439	30.86	1,759.25
Minidoka	170,922	9.12	519.90
Power 1	38,751	2.07	118.00
Total	1,874,102	100.00	5,700.73
Grand total	11,974,844		35,094.78

1 Denotes counties participating in more than 1 district.

2 Wyoming.

Apportionment to various counties of the receipts derived under Section 15 of the Taylor Grazing Act, Section 10, of 6-28-34 (49 Stat. 1976) for the fiscal year ended June 30, 1966, same having been certified for payment to the various counties of the State of Idaho by the U.S. Department of Interior, Bureau of Land Management.

County:	(50% Amount)
Bannock	\$345.09
Bear Lake	872.91
Bingham	1,075.32
Boise	48.70
Bonner	40.00
Bonneville	980.34
Caribou	1,585.49
Clark	142.22
Clearwater	102.74
Custer	17.22
Elmore	194.25
Franklin	356.67
Fremont	424.32
Idaho	1,448.24
Jefferson	155.35
Kootenai	26.09
Latah	15.00
Lewis	132.56
Nez Perce	140.75
Shoshone	250.72
Teton	331.91
Total	8,685.89

Federal forest fund apportionments to school districts, 1966-67

Ada County:	
Boise, Ind., No. 1	\$80.71
Meridian, Jt., No. 2	12.02
Kuna, Jt., No. 3	2.40
Melba, Jt., No. 136	.18
Total	95.31

Federal forest fund apportionments to school districts, 1966-67—Continued

Adams County:	
Meadows Valley, No. 11.....	\$1,454.67
Bear, Elementary, No. 12.....	415.15
Council, No. 13.....	2,965.56
Grangeville, Jt., No. 241.....	124.33
Cambridge, Jt., No. 432.....	445.97
Total.....	<u>5,405.68</u>
Bannock County:	
Marsh Valley, Jt., No. 21.....	72.39
Pocatello, No. 25.....	675.40
Grace, Jt., No. 148.....	0
Eastside, Jt., No. 201.....	0
Westside, Jt., No. 202.....	0
Total.....	<u>747.79</u>
Bear Lake County: Bear Lake County Schools.....	<u>1,584.98</u>
Benewah County:	
St. Maries, Jt., No. 41.....	2,128.68
Western Benewah No. 42.....	631.18
Total.....	<u>2,759.86</u>
Blaine County: Blaine County Schools, No. 61.....	<u>2,620.34</u>
Boise County:	
Garden Valley, No. 71.....	6,288.49
Basin, Elementary, No. 72.....	3,411.38
Horseshoe Bend, Elem., No. 73.....	6,248.61
Boise, Ind., No. 1.....	0
Emmettville, Jt., No. 221.....	0
Total.....	<u>15,948.48</u>
Bonner County: Bonner County Schools, No. 82.....	<u>26,382.42</u>
Bonneville County:	
Idaho Falls, No. 91.....	1,947.80
Swan Valley, Elem., No. 92.....	26.79
East Bonneville, No. 93.....	718.86
Shelley, Jt., No. 60.....	33.97
Soda Springs, Jt., No. 150.....	3.59
Ririe, Jt., No. 252.....	30.65
Total.....	<u>2,761.66</u>
Boundary County: Boundary County Schools, No. 101.....	<u>25,704.14</u>
Butte County:	
Arco, Jt., No. 111.....	560.45
Grouse, Elem., Jt., No. 112.....	3.56
Mackay, Jt., No. 182.....	10.40
Total.....	<u>574.41</u>
Camas County: Camas County Schools, No. 121.....	<u>1,679.75</u>
Caribou County:	
Grace, Jt., No. 148.....	665.22
North Gem, No. 149.....	279.27
Soda Springs, Jt., No. 150.....	1,410.27
Marsh Valley, Jt., No. 21.....	0
Total.....	<u>2,354.76</u>

Federal forest fund apportionments to school districts, 1966-67—Continued

Cassia County:	
Cassia County Schools, Jt., No. 151.....	\$2, 025.10
Minidoka County Schools, Jt., No. 331.....	42.79
American Falls, Jt., No. 381.....	0
Murtaugh, Jt., No. 418.....	9.56
Total.....	<u>2, 077.45</u>
Clark County: Clark County Schools, No. 161.....	<u>1, 768.08</u>
Clearwater County:	
Orofino, Jt., No. 171.....	35, 017.52
Elk River, No. 172.....	1, 621.46
Kendrick, Jt., No. 283.....	18.38
Nezperce, Jt., No. 301.....	110.30
Total.....	<u>36, 767.66</u>
Custer County:	
Challis, Jt., No. 181.....	2, 373.02
Mackay, Jt., No. 182.....	1, 856.11
Arco, Jt., No. 111.....	86.51
Grouse, Elem. Jt., No. 112.....	9.95
Total.....	<u>4, 325.59</u>
Elmore County:	
Prairie, Elem., No. 191.....	30.60
Glenns Ferry, Jt., No. 192.....	1, 987.82
Mountain Home, No. 193.....	10, 060.29
Bliss, Jt., No. 234.....	11.02
Bruneau-Grandview, Jt., No. 365.....	150.56
Total.....	<u>12, 240.29</u>
Franklin County:	
Eastside, Jt., No. 201.....	640.11
Westside, Jt., No. 202.....	161.90
Grace, Jt., No. 148.....	28.23
Total.....	<u>830.24</u>
Fremont County:	
Fremont County Schools, Jt., No. 215.....	2, 421.01
Sugar-Salem, Jt., No. 322.....	192.06
Total.....	<u>2, 613.07</u>
Gem County: Emmettsville Jt., No. 221.....	<u>1, 110.06</u>
Idaho County:	
Grangeville, Jt., No. 241.....	75, 578.09
Cottonwood, Jt., No. 242.....	9, 730.63
Nezperce, Jt., No. 302.....	413.05
Kamiah, Jt., No. 304.....	10, 268.55
Craigmont, Jt., No. 305.....	67.24
Total.....	<u>96, 057.56</u>

Federal forest fund apportionments to school districts, 1966-67—Continued

Kootenai County:	
Coeur d'Alene No. 271.....	\$9, 155. 39
Lakeland, No. 272.....	1, 747. 83
Post Falls, No. 273.....	2, 152. 62
Kootenai, No. 274.....	675. 10
Worley, No. 275.....	234. 57
St. Maries, Jt., No. 41.....	0
Kellogg, Jt., No. 391.....	337. 55
Total.....	<u>14, 303. 06</u>
Latah County:	
Moscow, No. 281.....	3, 135. 81
Genesee, Jt., No. 282.....	316. 20
Kendrick, Jt., No. 283.....	383. 00
Whitepine, No. 284.....	728. 15
Potlatch, No. 285.....	1, 003. 70
Total.....	<u>5, 566. 86</u>
Lemhi County:	
Salmon, No. 291.....	5, 797. 24
South Lemhi, No. 292.....	882. 00
Challis, Jt., No. 181.....	157. 94
Total.....	<u>6, 837. 18</u>
Madison County:	
Rexburg, No. 321.....	163. 52
Sugar-Salem, Jt., No. 322.....	39. 08
Fremont County Schools, Jt., No. 215.....	1. 76
Rigby, Jt., No. 251.....	. 70
Total.....	<u>205. 06</u>
Oneida County: Oneida County Schools, No. 351.....	<u>555. 77</u>
Power County:	
American Falls, Jt., No. 381.....	172. 75
Rockland, No. 382.....	24. 42
Arbon, Elem., No. 383.....	2. 03
Total.....	<u>199. 20</u>
Shoshone County:	
Kellogg, Jt., No. 391.....	36, 791. 32
Mullan, No. 392.....	5, 244. 87
Wallace, No. 393.....	21, 249. 77
Avery, No. 394.....	1, 068. 28
Total.....	<u>64, 354. 24</u>
Teton County: Teton County Schools, No. 401.....	<u>448. 31</u>
Twin Falls County:	
Twin Falls, No. 411.....	290. 27
Buhl, Jt., No. 412.....	68. 18
Filer, No. 413.....	47. 77
Kimberly, No. 414.....	35. 07
Hansen, No. 415.....	14. 96
Three Creek, Elem. Jt., No. 416.....	. 15
Castleford, No. 417.....	18. 24
Murtaugh, Jt., No. 418.....	14. 91
Cassia County Schools, Jt., No. 115.....	. 44
Hagerman, Jt., No. 233.....	. 49
Total.....	<u>490. 48</u>

Federal forest fund apportionments to school districts, 1966-67—Continued

Valley County:	
McCall, No. 421	\$20, 729. 18
Cascade, No. 422	8, 799. 56
Total	29, 528. 74
Washington County:	
Weiser, No. 431	1, 042. 37
Cambridge, Jt., No. 432	192. 91
Midvale, No. 433	151. 90
Payette, Jt., No. 371	7. 67
Total	1, 394. 85
Grand total	370, 293. 33

CLARK COUNTY, IDAHO,
Dubois, Idaho, May 27, 1968.

Hon. FRANK CHURCH,
Hon. LEN B. JORDAN,
U.S. Senate, Washington, D.C.

DEAR SENATOR CHURCH AND SENATOR JORDAN: Thank you for your letter of May 21st in explanation of S. 1385, and for calling our attention to this very important bill.

As budget officer of our county organization I can well appreciate the importance of the distribution of National Forest land revenue on the basis of per centum of gross receipts rather than the per centum of net profits.

About 74% of the area of our county is Federal and State owned, leaving 26% of the area subject to real estate taxes. Provisions of this bill would greatly help us in meeting steadily increased costs in local road construction and maintenance, as well as assisting in the ever increasing public education costs.

It seems to me that it is far more equitable to place the disposition of moneys from sale of materials from public lands on the basis of per-centum-of-gross-receipts rather than basis of per-centum-of-net-receipts, as net revenues from Forest lands have steadily declined in relation to sales, resulting in less revenue to counties, while county and school costs have constantly and rapidly increased.

I again thank you for thinking of us & placing before your Subcommittee Senate Bill 1385.

Sincerely yours,

R. RHULE LEONARDSON, *Clark County Clerk.*

STATE OF IDAHO,
Mountain Home, May 29, 1968.

Hon. LEN. B. JORDAN,
U.S. Senate,
Senate Office Building,
Washington, D.C.

DEAR SENATOR JORDAN: In answer to your letter of May 21, 1968, We, the Board of County Commissioners of Elmore County would like to go on record in support of the Proposed Bill No. S. 1385 and will help in any way we can to advance your efforts.

Sincerely Yours,

W. H. TRAIL, *Clerk of the Board.*

COUNTY OF SHOSHONE,
Wallace, Idaho, May 24, 1968.

Re Bill S. 1385.

Hon. LEN B. JORDAN,
U.S. Senate,
Committee on Interior and Insular Affairs,
Washington, D.C.

DEAR SENATOR JORDAN: Your concern for the problems that exist in each County, is immensely appreciated.

I would like to commend you personally for the tremendous amount of work you have done on this Bill S. 1385 and I realize the huge benefit this County shall receive if this Bill is passed.

I am anxious to hear the result of the June 18 Hearing and as a new County Commissioner, am looking forward to meeting you personally.

Sincerely yours,

SHOSHONE COUNTY COMMISSIONERS,
By BEN E. JOHNSTON,
County Commissioner.

SOUTHERN IDAHO FORESTRY ASSOCIATION,
Boise, Idaho, May 24, 1968.

HON. FRANK CHURCH,
*U.S. Senate,
Senate Office Building
Washington, D.C.*

DEAR FRANK: Thank you for your May 15, 1968 letter in which you discuss the 25% receipt monies provided to counties for roads and schools from the sale of materials and public lands.

This topic has been discussed and endorsed by the Idaho Natural Resource Development Council and has been endorsed by the Southern Idaho Forestry Association.

Some statistics on Boise County, State of Idaho, would indicate the importance of the 25% funds to be paid to the states on the basis of gross and not net receipts.

- a. Boise County is well over 80% federally owned.
- b. Boise County is one of the more sparsely populated counties in the state.
- c. Boise County has a mill levy that is as high as state law will permit.
- d. Boise County, per EDA criteria, is the fourteenth highest county in the United States.

Certainly Boise County school children should have an equal opportunity for education with other counties in the United States. Suppose all of the federally owned land was private and would be taxable—we could not get a 25% disposition of funds to supplement our school and road taxes.

I am very pleased to endorse SB 1385 on behalf of the Southern Idaho Forestry Association and wish to personally congratulate you on recognizing the problems created when political identities such as counties are so heavily owned by our government.

Very truly yours,

THEODORE HOFF, Jr., *President.*

SCHOOL DISTRICT No. 25,
Pocatello, Idaho, May 29, 1968.

Re S. 1385.

Senator LEN B. JORDAN,
*U.S. Senate,
Washington, D.C.*

DEAR SENATOR JORDAN: Your bill should provide much needed relief to counties in which vast amounts of land are in federal ownership.

Computation of percentages on gross revenues is a step in the right direction.

Your interest in the problems of Idaho education are appreciated.

Sincerely,

RULON M. ELLIS,
Superintendent of Schools.

STATE OF IDAHO,
DEPARTMENT OF EDUCATION,
Boise, Idaho, May 27, 1968.

HON. LEN B. JORDAN and FRANK CHURCH,
*U.S. Senate,
Washington, D.C.*

DEAR LEN AND FRANK: I appreciate getting your letter and a copy of S. 1385. Idaho can certainly use an equitable share of funds from the sale of materials of public lands.

At various times the State Department of Education has expressed its feelings and the feelings of the State of Idaho to you concerning this bill. As I see it, the bill is well drawn, and it is a step forward at this point and time.

As State Senators, I am pleased to report to you that from our standpoint, you are keeping Idaho's interests foremost in your actions. I commend you as Senators and offer the services of the State Department of Education should you need information or see fit to use us in the future.

Yours very truly,

D. F. ENGELKING,
State Superintendent of Public Instruction.

STATE OF IDAHO DEPARTMENT OF EDUCATION,
Boise, Idaho, May 24, 1968.

Hon. FRANK CHURCH,
Hon. LEN B. JORDAN,
U.S. Senate, Washington, D.C.

GENTLEMEN: I appreciated the copy of S. 1385 and your letter of communication. I have no comments to make about the bill which would be by way of suggestions or for testimony. My recommendations for Congressional action were included in a Congressional hearing held in Pocatello last year.

May I compliment both of you in the effort you are making to assist schools and public roads in the forested states? Correspondence on this type request for action by Congress goes back to the Honorable Henry Dworshak.

We hope you are successful and Congress sees the wisdom of this type interpretation of payments to states of a portion of the income from Federal lands.

Sincerely,

HAROLD FARLEY, *Assistant State Superintendent.*

Senator CHURCH. Our first witness this morning, representing the Forest Service, is the Deputy Chief, Mr. M. M. Nelson. Is there anyone you have with you, Mr. Nelson, you would like to come to the table when you testify?

Mr. NELSON. No, I don't believe so this morning.

Senator CHURCH. Very well, we are happy to welcome you, and why don't you just proceed with your testimony?

STATEMENT OF M. M. NELSON, DEPUTY CHIEF OF THE FOREST SERVICE, DEPARTMENT OF AGRICULTURE

Mr. NELSON. Thank you.

Mr. Chairman, and members of the subcommittee, I am here today to discuss the Department of Agriculture's views on S. 1385 as it concerns distribution of part of national forest receipts to the States and counties. Section 1 of S. 1385 applies to the unreserved public domain which is under the jurisdiction of the Department of the Interior. We have no specific comments on that section.

Section 2 of S. 1385 would further amend section 13 of the act of March 1, 1911, as amended. That act, known as the Weeks Act, applies to acquired national forest lands. These are mainly in the East. The section provides for paying the States in which such national forest lands are located 25 percent of the moneys received during any fiscal year from the respective national forests. The money received from the 25-percent payment is to be used for public schools and public roads in the counties in which the national forests are located.

We recognize and appreciate the financial problems that confront many of the county governments in which the national forest and other publiclands are located. These are problems, however, that plague other counties as well. Also, the degree of the problems and the most effective method of solving them are not the same for each

county or even most of them. Furthermore, the financial problems of the individual counties may or may not be closely associated with the area of national forest or other public lands in them and the revenue payments received from them.

I am sure this committee understands that there may or may not be certain county services that are related to the public lands within the county. We have, for example, vast areas in Alaska and Western States where no one lives, transportation routes are negligible, and use is very light. Such areas have very little relation to services provided by county government. On the other hand, there are other areas of national forest which are highly developed and highly used, where many of the services provided by county government are related to the forest lands. This is a complicated problem. Some local governments consider revenue distribution as a payment in lieu of taxes, we do not. But if it is so considered it seems logical that there should be some correlation between payments and services necessitated.

Over the years, dissatisfaction with arrangements for distributing revenues from the national forest lands has stemmed from a number of sources. These include restrictions on use of funds, the method of apportioning payments among the counties within which a given national forest is situated, fluctuation in the amount of normal payments, treatment of sale area betterment costs and certain timber purchaser deposits, and the general level of payments, particularly with respect to newly acquired lands.

This committee is aware of a number of proposals from various sources for meeting the objections to the present national forest revenue distribution arrangements. Most of these proposals fall into four categories:

1. Establishing a different formula than the prevailing one of 25 percent of receipts.
2. The use to which the counties may put the funds received.
3. Calculating the 25-percent payments against a different total base—S. 1385 is aimed at this.
4. Transition payments on newly acquired lands.

Many county governments and local school districts desire an increase in payments to them of national forest receipts over what they now receive under existing law. This committee is well aware of this from the many and varied bills that have been introduced in the Congress and from the reports of testimony at field hearings held by congressional committees in recent years.

Without a whole new approach to revenue sharing, the greatest opportunities to ease the problem are:

1. Increase the funds deposited in the forest reserve account, the fund which is shared with the counties.
2. Change the law so that some funds deposited in other accounts might also be shared with the counties. This is what section 2 of S. 1385 would do by providing that 25 percent of the total amount of all moneys paid or deposited by purchasers of national forest resources including but not limited to slash and brush disposal deposits, sale area betterment deposits, erosion control deposits, and collections under the Knutson-Vandenberg Act of June 9, 1930.

As to No. 1, increases in the forest reserve fund could be accomplished in several ways.

First, in the overall long run, the best solution is to manage our national forests so as to produce the maximum products and services they are capable of producing under scientific management consistent with regard for values not classed as commodity items. This, of course, requires that they be accessible by a fully developed transportation system. Full productivity is an objective we heartily endorse.

The second way is to secure full payment for these commodities or services which are sold. This we constantly endeavor to do. Our timber is sold by competitive bid. We are presently involved in comprehensive studies of grazing fees and special use fees. We have instituted use fees at recreation areas, and we have entered into share-cost agreements for roads.

Third, we could forgo certain work being performed on national forests, especially in connection with timber sales, which is either done by the timber operator or from funds deposited by him. This method of increasing the forest reserve fund is opposed by the Department and the Forest Service. It would be contrary to placing our forests under scientific management and keeping them fully productive. It would not be in the best longtime interests of the public.

Opportunity No. 2 would allow the work to go forward as it now is but would, by a change in the law, authorize the additional distribution to counties of 25 percent of the funds deposited in a larger account. This is what many people referred to in the field hearings conducted last year by one of the House committees as "25 percent of the gross receipts" rather than a percentage of "net receipts." The item referred to most in the field hearings was the amount authorized by the Knutson-Vandenberg Act.

Since more than 95 percent of all receipts credited to the forest reserve fund are derived from the sale of national forest timber, it is important to understand the major involvement of our timber sale business in order to understand its relationship to payments made to counties.

Sales are made of national forest timber, on the stump, to private timber sale operators, usually by a competitive bidding method. The timber operator cuts and removes the timber as a private business enterprise under a timber sale contract. The Forest Service determines what timber is to be sold, appraises it to determine the minimum price that will be accepted, determines the contract conditions under which it is to be removed, and supervises the sale for compliance with the contract. Very simply the appraisal determines the value the operator might be expected to receive from the timber he is authorized to remove and subtracts the cost of removing the timber under conditions imposed by the contract. The difference is what remains for profit and risk to the operator, and stumpage payment to the Government. Thus, the costs allowed in the appraisal directly affect the payment to the Government and later the payment to the State for use by counties. Costs include such items as cutting the trees, hauling the logs, constructing and maintaining skid trails and roads, protection of the area from fire while in operation, removing the hazard of slash and debris caused by the operation, repair of disturbed areas to prevent erosion, and sale area betterment or the costs of making sure the productive capacity of the area is improved and kept at a high level. The costs are those which the timber sale purchaser must pay. They might be divided into two classes: (a) Those that are necessary for removal of the timber

including handling of disturbance to the forest caused by the logging, and (b) those that are for betterment of the future forest on the sale area.

Costs of logging are paid by the purchaser by direct expenditure; by required deposits into a special fund with the Forest Service for it to do the necessary work; or by an optional deposit in a special fund used by the Forest Service to perform work which the purchaser is required to do. Brush disposal is a common required deposit. Often the operator does a certain part of this while the deposit will be used to actually burn the slash, frequently after the sale is complete and the operator has moved, or to give the area added protection in lieu of actual disposal. Examples of optional deposits are those for road maintenance or treatment of areas to prevent soil erosion. Road maintenance deposits are most often used in situations where several use the same road, and the deposits are made as the operators share of the total maintenance job. Work for soil erosion prevention is a specialized type of work often not related to the logging business and which may be done after the normal logging is finished. Operators often elect to "contract" this work to the Forest Service.

All of these costs to the sale purchase are necessary for proper management of the public land. We could not allow sales in most areas without requirements to properly repair changes in the forest land resulting from logging. The alternative would have to be—don't make the sale.

One of the biggest logging costs in many sales is the cost of constructing roads. Such roads can be placed into two groups. First are the roads on the sale area which are strictly for the removal of timber on the particular sale. This will always be a logging cost to the purchaser. Second are the roads going to the sale, or within the sale area, that are needed for use in future sales, or other management and use of the national forest. They become a part of the national forest road system. They could be built with appropriated funds—and many of them are. Even though the Congress has given us increased authority to proceed faster with construction of the full system of national forest roads, the funds presently available do not allow us to build all roads as fast as they are needed to service sales which need to be made. An alternative would be to stop making sales until appropriated funds are available to construct needed system roads. This would greatly reduce receipts and very seriously reduce payments to counties. We see only one answer and that is to try to build as many roads from appropriated funds as possible but continue to have sale purchasers build those system roads which cannot be timely built with appropriated funds. Fortunately most sale operator roadbuilding is done in areas where timber values are great and the counties are relatively better off.

The cost to the sale operator for sale area betterment is authorized by the Knutson-Vandenberg Act of June 9, 1930. This is in a different category from the cost of logging. Where this work is needed to insure fully productive land on a scientific forestry basis the Forest Service determines how much will be required to do the work and requires the operator to make deposits into the K-V fund. The work is of a forestry nature usually performed after the sale is completed. It is usually planting trees, seeding, thinning or other care of remaining stands, or similar improvement work. It is very necessary in assuring a proper future forest stand.

The Department and the Forest Service are greatly concerned about any proposal that would eliminate any of the work performed by deposits to particular funds, even though it is recognized that to do so would increase funds available to the counties.

These deposits should not be considered as payments for timber. Instead they are more in the nature of business expense associated with harvesting national forest stumpage. Under the law the 25-percent fund must be calculated only against the price for timber, not against the payment for timber plus associated deposits for work made necessary by the timber harvesting operation. S. 1385, of course, would change this with reference to the Weeks law land.

The Forest Service view generally is that the present system is proper and equitable. Counties, in effect, are sharing in and benefiting from the investments in the land necessary to assure continuous and future timber crops. This means employment, payrolls, and future income when the next crop is harvested. It would seem equitable that the counties participate in this investment.

Another factor requiring careful study in proposals such as this is the probable effect on the returns to the counties. Again the benefits of S. 1385 or of other proposals would not accrue equally to all counties. In 1964, we made an analysis of the relation of K-V collections to county receipts from the 25-percent fund. This analysis showed that if, during the 10-year period 1954-63, K-V had been included in national forest receipts increases in 25-percent returns to the counties would have ranged, on a national basis, from 0.8 cent to 2.6 cents per acre. Between Forest Service regions the revenues would have varied from 0.02 cent to 9.3 cents per acre. Timber sale volumes, lumber prices, sale area betterment needs, and location and terrain are all determining factors in the amounts received from the sale of national forest timber. These factors vary considerably from area to area. While the inclusion of K-V and the other special deposits in the total national forest receipts may increase the total receipts, it could not assure significant increase in payments to the counties or prevent fluctuations from year to year in the amounts of payments.

Direct payments in lieu of taxes on national forest and other public lands are another approach which has been proposed. Proponents of this approach usually argue that were the lands in private ownership, taxes thereon would produce revenues in excess of those received in 25-percent fund payments. In some cases, this may be true, in others, 25-percent fund payments exceed property taxes on comparable private lands. However, in making such comparisons other financial benefits to State and local governments must be considered.

The Forest Service made an analysis of the revenue distribution payments in 1962 from national forest lands in relation to the estimated amounts that would be received by State and local governments from such lands if payments were equivalent to taxes levied on similar property in private ownership. That study included estimates of the extent to which expenditures now incurred by the Federal Government would have to be incurred by State and local governments in the absence of the national forest system. These contributions in kind are of three main types: Fire control expenditures, forest highway expenditures, and construction and maintenance costs for roads, trails, and structures.

For all regions, in 1962, the sums of 25-percent fund payments and contributions in kind exceeded estimated taxes. However, it should be kept in mind that national or regional averages may mask substantial variations among individual counties.

Where most acquisitions are involved, particularly those of sizable acreages, proposals have been made in several instances for some form of transition payment. The purpose of such payments would be to soften or eliminate the impact the removal of such lands from the tax base may have on the financial condition of the county and local governments. These payments, as proposed, would be made for the period from date of acquisition until the economic benefits and a resultant increase in revenue sources derived from development and use of the lands for public purposes offset or surpass the initial tax losses. In general, the administration has opposed such proposals.

The President's Commission on Intergovernmental Relations—the so-called Kestnbaum Commission—in 1955 made a comprehensive study of the question of Federal revenue-distribution arrangements with States and counties. The Commission concluded:

By and large, the present revenue-sharing arrangements on national forests are operating to general satisfaction. Neither practical nor theoretical considerations require replacement of this revenue-sharing arrangement with some other Federal payment procedure. The 25-percent share of receipts payable by the Federal Government appears generally fair and reasonable and should not be disturbed.

The Department of Agriculture has consistently agreed with this position.

We do not purport to say that there is no need to review revenue-distribution arrangements in the light of current conditions. Neither do we maintain that no changes are needed to improve existing arrangement. We do believe that, before any changes are made which would treat only certain features, a comprehensive study should be made of the whole subject of revenue-distribution and payments in lieu of taxes on Federal lands. I might point out that this is one of the main studies being undertaken by the Public Land Law Review Commission. A contractor is presently making such a study.

Mr. Chairman, that concludes my statement.

Senator CHURCH. Thank you very much, Mr. Nelson.

At the beginning of your statement you raised some questions concerning the equities involved in making a 25-percent disbursement to the counties, and at the conclusion of your statement you indicated that the Department of Agriculture approves this method of revenue sharing. Isn't there some inconsistency in the first part of your statement as contrasted to the last part?

Mr. NELSON. Mr. Chairman, I think what we were trying to put over is that this is a complicated situation. It certainly isn't an easy overall problem. What seems fair in one part of the country or some counties is inequitable in others. Our position is that before action is taken on any one part of the overall problem the whole problem should be studied, and we feel that that is what the Land Law Review Commission is endeavoring to do with the contract that has been let and is underway.

We don't purport to say there isn't some improvement that could be made. We don't know whether this improvement proposed by this bill is the best that could be made or whether there are other types of

improvements. For example, one of the things that disturbs counties and school boards is the up and down, from year to year, variations in the payment made to the counties. It hurts their budgeting. Now, some of that might be helped by a change in the law that would make the distribution based on a rolling average for 3 or 5 years, so that they wouldn't be hit one year with a tremendous decrease and an increase the next year. The variations are often related to the price of timber and the price of lumber on the markets.

Senator CHURCH. I think we would recognize on this committee that there are other ways that are not reached by the present bill under consideration that might be worth serious study. I don't think that this bill is a panacea or a cure-all for the problems that face the counties. But with due respect to your position, it seems to me that the 25-percent formula for revenue sharing has long been a part of the policy of the Government. It was enacted into law by Congress in 1911 with respect to the national forests, and it has been studied, as you yourself have pointed out in your statement, rather extensively over the years. It was again studied in 1955 by the Kestnbaum Commission which, as you point out in your testimony, made a comprehensive study of the question of Federal revenue distribution arrangements with States and counties, and the Commission concluded that this general policy of cost sharing was a sound one. So it seems to me that this matter has been studied extensively through the years and now your only suggestion to the committee is that it be studied some more.

Mr. NELSON. I believe that I would not put it quite that way. My only suggestion is that we wait a short time for the study that is underway. If my information is correct, such a study was one of the first that was contracted by the Public Land Law Review Commission, and I believe that the E.B.S. Management Consultants, Inc., who have the contract for that study have practically completed it. It will be one of the first that will be completed and turned over to the Land Law Review Commission. Our position is that it won't be very long until this study will be complete and the committee will have the benefit of that completed study, as will the rest of us if we are to make recommendations on it.

Senator CHURCH. Well, this bill operates from the premise that the policy of revenue sharing, based on the 25-percent formula, has been long accepted and rather than set that policy aside we have addressed ourselves to modifying its application in such a way as to make it work more satisfactorily for the counties concerned. Many of the small counties in my State have been faced with a decline in revenue from the sale of timber because these various administrative costs to the Government have kept going up, and they have been in a very serious squeeze as a result. Such a review as I have been able to make of the original congressional enactment strongly suggests to me that it was the intent of Congress when this law was originally passed that the counties should have 25 percent of the revenue from the sale of timber. Afterward, by a series of administrative decisions, the administrative costs have been deducted so that, in the end, the law has been administered to give the counties only 25 percent of the net.

Mr. NELSON. Yes.

Senator CHURCH. I know that the real intent of the law and whether or not the administrative application of the law in fact conforms to

the congressional intent is a subject that could be debated at great length. But it seemed to us who sponsored this bill that the intent was that the counties should have 25 percent of the gross and that it ought now to be clarified by the enactment of this statute.

There are some counties in my State that have more than 90 percent of the land area federally owned. These are severely limited in their capacity to raise adequate revenues to sustain the functions of local government and, when these revenues are continuously cut down by the growth in administrative costs, the Federal Government has placed these counties in a death grip and it is just slowly squeezing the life out of them. It is a question of how long we can wait for more comprehensive reviews and further studies before doing anything at all. It is for that reason I find it difficult to accept the position which the Department has taken.

Senator JORDAN, do you have any questions?

Senator JORDAN. I have several questions, Mr. Chairman.

First of all, I want a little clarification on one statement you have in your testimony where you say "we have instituted use fees at recreation areas." You are not implying that these use fees go into the 25-percent-fund costs are you?

Mr. NELSON. The funds from the Golden Eagle Passport do not go into the 25-percent fund. Use fees paid directly for the use of a particular area do go into the overall revenue that we receive from which the counties get 25 percent. So there are two categories there. It is impossible for us to credit the payments for the Golden Eagle Passport to any particular forest because it is usable for any national park or national forest in the United States. But any collections that are made for the specific use in a specific national forest do go into an account which is shared with the counties.

Senator JORDAN. You make mention of the studies that have been made and you speak particularly of the Kestnbaum report made in 1955. You take some comfort in the fact that that report suggested that the 25-percent share of receipts payable by the Federal Government appears generally fair and reasonable and should not be disturbed.

Now, isn't it true that since 1955 there has been a marked increase in emphasis on the K-V Act?

Mr. NELSON. That is correct.

Senator JORDAN. And on contributions in kind?

Mr. NELSON. That is correct, and in my next paragraph, of course, I say we do not purport to say that it does not need review at this time or that changes might be necessary or desirable in light of current conditions.

Senator JORDAN. That is what we are proposing in this bill. We are suggesting here that we do give it that review.

Then you suggest, too, the study that I mentioned in my opening remarks, made in 1962, which was much more recent than the Kestnbaum report, by the Forest Service and the National Association of County Officials, who had great concern over this even then, and in this study a new concept was added called contributions in kind. These are costs that would have to be incurred by the State or local government if there were no national forest system. These, as you mentioned, consist mostly of the costs of firefighting, highway expendi-

ture, construction, and maintenance of forest trails and roads, and other structures. I don't mean to imply these are not necessary and good expenditures to conserve the resource, but I don't believe the costs should be borne entirely by the local counties and the States.

Let me quote as an example from this 1962 report: In this study it indicates that on some 7 million acres of national forest lands located in region I in north Idaho the taxes per acre, if the land were in private ownership, would be 46.6 cents per acre per year. A 25-percent payment in this particular year amounted to 9.1 cents per acre and the contributions in kind amounted to 12.1 cents, so you add the two together to get 21.2 cents rather than the 46.6 cents which was what the same equivalent acres would yield in taxes under private ownership. So we suffered a loss in region I of 25.4 per acre, which amounts to about \$1,750,000 a year. These are your figures from your last comprehensive study of this matter.

Then in region IV on 13.5 million acres in southern Idaho within national forests we received 3.3 cents an acre from the 25-percent fund, 7.6 cents per acre from contributions in kind. Add the two together and we get 10.9 cents per acre, but the land would bring 15.8 cents per acre revenue to the county if it were on the tax rolls, so again we take a loss of 4.9 cents per acre, or a loss of \$661,000 for that region.

Then we look at another State—and I am looking now at California—the California situation, where taxes would be \$1.13 an acre if it were under private ownership, with only 2.4 cents per acre from the 25-percent fund, but with \$3.19 an acre from contributions in kind. So this particular region in California received \$2 more per forest acre per year than if it were in private ownership. So there are great inequities in the present system that you are using. Now, it may be that my State and perhaps some other States are not getting a fair break on the contributions in kind. But your own figures obviously refute the testimony you have given that there is equity in the system you have used. How would you answer that?

Mr. NELSON. Senator Jordan, one of the contributions in kind, of course, is the costs of fire protection. California has had a very serious fire problem for many years and the costs of taking care of that have been great.

The contributions in kind to north Idaho last year were some \$3 per acre because of the bad fire situation. We do stand ready to spend the funds necessary for such things as firefighting, as we did this past year in the critical situation they had in north Idaho. That is one of the reasons why these figures appear to show a discrepancy.

The forest highway funds are distributed in accordance with the provisions of the Federal Highway Act, and I think that is distributed between the States on an equitable basis. It may not seem so by a particular county because the forest highway funds are used on certain projects in each State each year. The States have the major determination where they will be spent.

So, in all probability, there will always appear to be inequities in the distribution of contributions in kind.

Of course, the comparison has to be made on what would be collected from taxes and the type of land which has a great bearing on what would be collected in taxes. If we have a brush-covered watershed as in southern California, for example, it is not very desirable for private

people to own that type of land and pay taxes on it where main value is watershed protection. On the other hand, in a county like the part of northern Idaho, where the land contains good timber, a private owner would be able to pay a substantial amount of taxes.

Senator JORDAN. Well now, the road construction, one item you mentioned as part of the contributions in kind, does this include the roads that are built primarily for recreation uses?

Mr. NELSON. It includes all of the roads.

Senator JORDAN. All of the roads?

Mr. NELSON. Yes, all of the roads. If the national forest were not there, and recreation potential were to be used, some agency would have to build the roads, probably the county or the State. There are many roads built by the Forest Services, not only forest highways, but roads in the forest development road system that serve the overall recreation public, and probably would be built by the county or State if there were no national forests.

My adviser here, Mr. Ellis Williams, who worked on this report, tells me that we only included as contributions in kind those roads that we felt sure would be built by the State or county if there were no national forests to build them. We didn't just assume that States or counties would build all the roads we would build in developing the national forests.

Senator JORDAN. Well, the members of this committee, I am sure, are not critical of the forest road program or of the improvements you make for conservation and for recreation. All we want to do is to establish some criteria by which the counties can reasonably know what they are going to get so they can count on it from year to year as they set up their budget, and the story we get from our people out in Idaho is that they cannot count on it. It fluctuates from year to year. Some of the counties which the chairman said contained more than 90-percent federally owned land have a very difficult time in budgeting the amount they are going to get from receipts from the forest.

Mr. NELSON. That is correct. It is a tremendous problem in some of those counties and I was out there with the House Interior Committee when they held hearings in Idaho.

Senator JORDAN. Yes.

Mr. NELSON. I heard a great deal of the testimony. It is a problem.

As I pointed out, the road situation is one that we feel could really contribute to solving this problem if we could build the necessary roads. I know, Senator Jordan, you feel that way, too, because you have testified before the Public Works Committee on the needs for extending the forest roads system.

If we don't have appropriated funds to build the proper system, we have the two choices, as I mentioned in my testimony. One is to not make the sale or (2) we would have to have the road built by the operator.

Senator JORDAN. Yes.

Mr. NELSON. Roads are one of the big costs and have a big effect on the total amount that we will receive for the timber, and consequently the amount that the counties will get when the revenue is distributed. I think that probably has a much greater effect than the slash disposal deposits and certainly much greater than the deposits for erosion control or even the sale area betterment deposits.

Senator JORDAN. We need more and better forest access roads because if we are going to do a good job of husbanding the resource we have to be able to get to it to remove the blowdowns and the bug-infested timber and the overripe trees; we have to be able to do a better job of forestry management.

Mr. NELSON. We certainly agree on that, and we just completed a study of the desirability of advanced roading, or what advantages would accrue by building the roads several years prior to the time we would get to it under the normal program. That study indicates that it would be an average of 8 percent per annum on the Government funds that would be spent, and it could go up in some areas studied to as high as 40 percent per annum in advantage to the Government. There are many areas that show advanced roading to be an excellent investment of capital funds.

So we have studies and backup material that certainly point out the desirability of moving ahead faster with our forest development road system if and when the financial situation is such that we can make such investments.

Senator JORDAN. One of the main quarrels I have with the Forest Service, and I never want to let an occasion go by when I am talking with the Forest Service people that I don't mention it, is the total inadequacy of your appropriations for weed control. Forest lands constitute one of the greatest resources of the Nation and you spend a pittance on weed control. Where does that money come from?

Mr. NELSON. The money we use for weed control is handled as a range management line item in our budget. However, I should point out, Senator, that in relation to roads, one of our objectives is to seed the area made raw by the construction work on roads. Of course, one of the best ways of controlling noxious weeds is to have a good stand of grass rather than leaving a raw area, which helps weeds get started.

We realize, Senator, that there is need for more funds to be spent for the control of noxious weeds. We haven't been able to see our way clear, or at least the Congress hasn't, to increase our range management money for this item as is indicated in order to move ahead with better weed control problems.

Senator JORDAN. Why do you call it a range management expense? Shouldn't this come from the general fund? Why don't you go before the Budget Bureau and put in a reasonable request?

Mr. NELSON. Senator, the way our budget is set up we have no general fund. Our budget is indicated as a number of line items, perhaps 12 or 14 for the national forests, such as timber sales, sales area betterment, range work, recreation work, watershed management, minerals, and other items such as those.

That is the way the Budget Bureau and the committees have asked us to submit our budget. The weed control work falls within the line item that we have for range management. It is for the management of the land, and most noxious weeds, of course, would be on the open land rather than on the dense forest land, so the problem is mostly on land that is managed primarily for range.

Senator JORDAN. Is the reseeding cost, after logging, a part of the deductions from the 25-percent gross?

Mr. NELSON. Are you referring to reseeding with trees?

Senator JORDAN. No; reseeding with grass. You said it is one of the best ways to stop erosion.

Mr. NELSON. Yes; on the roads it would be in connection with the cost of building the road. Also on timber sales we have an item that we call erosion control, and that is one of the items I previously referred to, that the operator is required to do. He can request that we do it, and he pays for it by making a deposit. That would be one of the deposits referred to in your bill of which 25 percent would go to the counties.

Senator JORDAN. Is it a mandatory program? Do you reseed every logging road after timber has been removed in the interest of erosion control?

Mr. NELSON. No; but it is required where it is needed from an erosion control standpoint. I don't want to say it is required for every timber sale road because in some areas it would not be needed. It depends entirely on what type of soils are there, the erodibility of the soils, and so forth. But where it is needed we do require it.

Senator JORDAN. Understand I am not critical of the things you are doing properly. I am critical that you are not doing enough of them and if it calls for extra appropriations we have to get them some place. We can't shortchange the counties to accomplish the purpose.

Mr. NELSON. I understand.

Senator CHURCH. I think Senator Jordan put his finger on the point of the bill which addresses itself to the squeeze which these counties are faced with, as the administrative costs go up and their revenues fall away. That problem could be at least ameliorated considerably by the passage of this bill while studies continue as to some more satisfactory method for dealing with the overall question of distributing revenues.

Mr. NELSON. Senator, by administrative costs, I am sure you are referring to those items that we now consider as necessary for management of the land and not the increased costs of our people making the sales or administering the sales. These types of administrative costs do not affect payments to the counties.

Senator CHURCH. No, I am talking about the costs you have outlined in your statement.

Mr. NELSON. Yes.

Senator CHURCH. But these costs have gone up, and I am not arguing that they shouldn't have gone up. What I am arguing is that we ought not to take it out of the county share because of the serious fiscal problems that confront some of these counties. I think the Federal Government has not taken these into proper account.

Senator FANNIN?

Senator FANNIN. Thank you, Mr. Chairman.

Mr. Nelson, in your statement in the last paragraph you acknowledge that probably a review is needed in light of current conditions. You say that perhaps there could be improvements. Then you refer to the main studies being undertaken by the Public Land Law Review Commission. Do you know when this study is scheduled to be finished?

Mr. NELSON. Senator, that study was one of the first, if not the first, study that was put out to contract by the Public Land Law Review Commission and I understand it is one of the first that will be completed by a contractor.

We work with the Public Land Law Review Commission. We have worked rather extensively furnishing information to the company making this study, and I understand that they have already com-

pleted their first draft. I am told they expect to have it completed and in the hands of the Commission rather soon.

Senator FANNIN. Would it be 6 months, a year?

Mr. NELSON. I would think surely within 6 months, probably much sooner.

Senator FANNIN. I think you understand my reason for asking that question, considering the drastic situation some of the counties find themselves in, so far as revenue is concerned. I think you probably are familiar with some of the counties in Arizona where they have the unique problem of a large part of the land being owned by the Indian people of our Nation and, in other areas where services are needed and furnished by the county, they also have very little revenue. I am just wondering what could be done to hurry these studies along so that a determination could be made within a reasonable time.

Mr. NELSON. Of course, I am not representing the Commission. I really shouldn't say how long it is going to be, but my understanding is that it certainly will be less than 6 months before that study will be complete and in the hands of the Public Land Law Review Commission.

I don't know what schedule the Public Land Law Review Commission may have for making the study available or acting upon the recommendations that might be in that particular study. I am sure that the Public Land Law Review Commission has considered this problem one of the prime areas needing study and needing attention. I attended the Public Land Law Review Commission hearings in Idaho, Wyoming, and in the State of Washington, where this subject came up consistently. So I am sure that the Commission is well acquainted with the need for moving ahead on this problem.

Senator FANNIN. Mr. Nelson, you refer to the President's Commission on Intergovernmental Relations, the so-called Kestnbaum Commission in 1955. There have been vast changes in the requirements of funds for the operation of our county governments since that time. In fact governmental activities have increased tremendously, as you know.

Mr. NELSON. Yes.

Senator FANNIN. Don't you think this would be rather outdated?

Mr. NELSON. Well, of course, it is some 13 years since that study was made. The next paragraph in my statement indicates that we do not purport to say that there shouldn't be additional study or that there might not be changes needed in the light of current conditions.

Senator FANNIN. Have you ever considered any formula by which you could reduce the variation from year to year as far as the payments to the counties are concerned? I realize that you can't always know what money is going to be forthcoming, but is there any basis upon which that could be handled that would alleviate this problem?

Mr. NELSON. One way to help the problem, which has been proposed from time to time, is that instead of basing the payment to the county on the receipts from the particular year, that it be based upon a rolling average of 3 or 5 years. In that way there wouldn't be the great fluctuations that are present now, especially in areas where most of the revenue comes from timber. If payments were made on a basis of averaging receipts we would be able to predict much more accurately the receipts that the county would receive in any 1 year. As you know, our receipts from range fees, especially uses, et cetera,

are relatively stable from year to year but receipts from timber vary widely with changing market conditions.

Senator FANNIN. Thank you.

Mr. NELSON. Incidentally, Senator, the Kestnbaum Commission did make that suggestion for a change in the law in 1955, but it has never been acted upon.

Senator FANNIN. Thank you.

Senator CHURCH. Thank you very much, Mr. Nelson. We appreciate your testimony.

Mr. NELSON. Thank you.

Senator CHURCH. Our next witness is Mr. Boyd L. Rasmussen, Director of the Bureau of Land Management in the Department of the Interior.

**STATEMENT OF HARRY R. ANDERSON, ASSISTANT SECRETARY FOR
PUBLIC LAND MANAGEMENT, DEPARTMENT OF THE INTERIOR;
PRESENTED BY BOYD L. RASMUSSEN, DIRECTOR, BUREAU OF
LAND MANAGEMENT, DEPARTMENT OF THE INTERIOR**

Mr. RASMUSSEN. Mr. Chairman, and members of the committee, late yesterday we learned that Secretary Anderson would be unable to be present today, and I will present his statement to you.

Section 3 of the Materials Act of 1947, as amended, provides that moneys received by this Department from the disposal of materials under the act shall be disposed of in the same manner as moneys received from the sale of public lands. Ninety-five percent of the money from public land sales goes to the reclamation fund. Five percent goes to the State for education and other purposes as provided in the various statehood acts.

S. 1385 would amend the Materials Act to provide that 25 percent of the total amount paid or deposited by purchasers from the disposition of timber from unreserved public domain lands under Interior's jurisdiction will be disbursed by the Treasury to the State in which such public lands are situated. These funds would be expended as the State legislature may prescribe for the benefit of the public schools and public roads of the county or counties in which such public lands are situated. S. 1385 also provides for a division between the States where the public lands involved are located in more than one State. Also under S. 1385, 25 percent of the total amount paid by the purchaser in sales of logs, ties, poles, posts, cordwood, pulpwood, and other forest products, is to be similarly distributed. Such total amount includes but is not limited to stumpage payments, slash and brush deposits, sale area betterment deposits, erosion deposits, and other collections.

Section 2 of the bill relates to the national forests.

Our comments relate only to the amendment of the Materials Act, that is, section 1 of S. 1385.

Existing law provides the same distribution of timber sale receipts as provided in the sale of public lands; that is, 5 percent of the net proceeds from timber sales on the public lands are distributed to the State where such lands are situated to be used for education and other purposes. The remainder of the proceeds from these timber sales is distributed to the reclamation fund under the act of June 17, 1902, as amended, or, if said State is not one of those included in the 1902

act, the remainder of the proceeds is credited to the general fund of the United States. S. 1385 changes the distribution by conveying to the States 25 percent of the gross amount received.

As we have indicated in our report there are 422 counties. In 12 Western States timber sales from public lands were held in 122 of them during fiscal year 1967.

Five percent of the net revenues from timber sales are distributed to the public domain States for educational and other purposes. Before any change in the present distribution system of revenues from these federally owned lands is made, we believe that thorough studies of the situation should be undertaken. An evaluation should be made of the various methods of distribution and objectives to be attained. Such a study should also take into account the economic and social benefits gained by the beneficiary States and counties from the Federal lands and the activities thereon. Upon completion of such a study, the executive branch would want an opportunity to obtain and review the comments of the many interested parties and agencies. For this reason, we recommend that the bill not be enacted.

That concludes the statement.

Senator CHURCH. Your position, or the position of the Department, Mr. Rasmussen, is that distributing the revenues from the sales on the public lands 5 percent to the States for educational and other purposes and 95 percent to the reclamation fund represents a better allocation of these revenues than the one proposed in the bill? Why do you feel that way?

Mr. RASMUSSEN. I believe there are about 50 different laws on the revenue sharing, and this is just one portion of many laws on this subject. We think that the study being prepared for the Public Land Law Review Commission may offer some answers which should be studied very carefully.

Senator CHURCH. Well, I think that the Public Land Law Review Commission may come up with some fine recommendations regarding this whole complex subject and certainly we all hope that it will. But it does seem to me that the departmental position represents more of what I would call bureaucratic inertia than anything else. If I were an attorney engaged to defend the present distribution, I would be hard put to make a very strong case for distributing the revenues as they are now distributed, as against the distribution proposed in this bill. I should think that would be the question on which the Department would pass judgment, rather than to take the easy position that all of this is very complex and rather than recommend anything to just wait until the Public Land Law Review Commission comes up with recommendations and then look at those recommendations.

Often this is the kind of position that departments take, and I think it is the easy way to avoid decisionmaking, because the proposed distribution that would be affected under this bill seems to me to be more sensible than the present distribution under the existing law. That is the only comment I have to make on the Department's position.

Senator Jordan?

Senator JORDAN. Yes.

Mr. Rasmussen, I find it hard to agree that two formulas should be in existence for the distribution of fees back to the counties and the States. I know you are governed by the statute, but I can't understand, for the life of me, why the Department wouldn't think this

should not be a uniform policy as between lands under management of the Bureau of Land Management and land under the Department of Agriculture and the national forests.

Do you see any reason why a tree that happened to be on BLM land should only return 5 percent to the counties and one that grows across the fence or across the boundary may be on the national forests and return 25?

Mr. RASMUSSEN. Well, obviously, there is a considerable difference, but under the existing law this is the case. For some time we have called attention to the fact that there should be a look at the public land laws, and I am sure that this is one of the reasons that the Land Law Review Commission was established.

Senator JORDAN. We are hopeful that our hearings here today will have some bearing on the situation, of course I am a member of the Public Land Law Review Commission and I do know we are getting into this area, but I don't think that the wheels of government, the wheels of everything, have to stand still waiting for a decision of the Public Land Law Review Commission.

In our State we have nearly 12 million acres in the several counties from which we receive returns under the BLM sharing program, but we receive \$35,094.78 under the 5-percent formula. That is about 0.3 of a cent an acre. I will grant you that the remainder of your collections go into the reclamation fund, but it seems to me that we need a uniform policy here with respect to the timber sales and the distribution of the collections from those sales that would be uniform on all Federal lands. But you defend the present formula in the Bureau of Land Management simply because it is the statute. Is that your position or do you agree we should have a uniform policy?

Mr. RASMUSSEN. We have a great number of formulas for the distribution of money, and this is only one of them. We do not believe that one should be handled alone.

Senator JORDAN. Well, here is where we get to the impasse and we think our bill would give us a little better uniformity, a little better equity. So if we can't agree with the administration we will have to say what we can do without their help.

Thank you.

Senator CHURCH. Thank you, Mr. Rasmussen.

Our next witness is Judge Ellis White, National Association of Counties, of the State of Oregon. We are very pleased to have you here, Judge White.

Judge WHITE. Thank you.

Senator CHURCH. We would be happy to receive your testimony at this time.

STATEMENT OF ELLIS A. WHITE, COUNTY JUDGE AND CHAIRMAN OF THE BOARD OF COMMISSIONERS, MALHEUR COUNTY, OREG.

Judge WHITE. Mr. Chairman and members of the subcommittee, my name is Ellis White, judge of Malheur County, Oreg., and vice chairman of Public Lands of the Natural Resources Committee of the National Association of Counties.

This statement is being submitted on behalf of the Oregon Association of Counties and the National Association of Counties, which is a

nonprofit organization representing the more than 3,000 county governments in the United States.

The concept of revenue sharing and the specific formula proposed by S. 1385 has been a major area of concern to county government. Our primary interest in federally owned lands is that they be effectively managed to insure their maximum productivity, and we believe this can only be achieved through a realistic and viable partnership-cooperation approach.

S. 1385 moves toward that realistic approach by making funds available to counties with unreserved public lands and national forests for the maintenance of schools and roads.

The Federal Government's ownership of vast and varied holdings of property covering one-fourth of the country has created grave problems to local governments. In most counties there has been a progressive increase in local government costs related to forest and public lands despite the continued increase in timber harvest programs. In addition to providing for the maintenance of schools and roads in areas of large Federal ownership, county governments have had to increase sheriff services, debris disposal, and other maintenance and protection services to meet the demands of the extra influx of non-resident loggers and recreationists. The development and usage of these public lands has grown to proportions that would indicate the need for national responsibility in assisting local governments to meet these demands placed upon them.

All unreserved public lands and national forests that produce marketable timber and forest products should share 25 percent of the gross revenue receipts with the counties in which these lands are situated. May I emphasize the point that distribution of these receipts should be based on gross income. This is important because the present system of revenue sharing with the national Forest Service is proving quite inequitable. In many instances, gross revenues have been continuously rising and yet because of the tendency for Federal administrative costs to rise, the counties' share has steadily declined. May I point out to you, gentlemen, that county administrative costs have continued to rise also. Counties must receive an equitable share of these revenues if they are to continue to meet the growing burden of responsibilities associated with public lands within their geographical jurisdictions.

We are pleased to see that S. 1385 considers all timber producing public lands, whether maintained by the Department of the Interior or the national Forest Service. It is important to establish now some uniform and equitable system of revenue sharing that takes into consideration a variety of local situations.

This legislation is important also because it will renew some of the original thoughts of the Congress when in 1906 they passed legislation which provided that 10 percent of the receipts from sale of forest resources was to be paid to the States in which the national forest was located. These payments were to be redistributed to the counties and used for schools and roads.

This 10-percent formula was soon found to be inadequate. So the law was changed in 1908 to provide for counties to receive 25 percent of the total revenue.

Another change occurred in 1930, however, which set the stage for our present dilemma. In that year, the Congress passed the Knutson-

Vandenberg Act which provided that the national Forest Service could take from timber sales receipts funds sufficient to replant and reseed the acreage which had been harvested. Although the intent of the 1908 law was to provide 25 percent of the gross receipts on the sale of federally owned timber for roads and school purposes, the manner in which the K-V Act has been implemented has administratively changed this formula to a net figure. In other words, the national Forest Service first withdraws from sale receipts the money to be used for K-V activities. The counties then receive 25 percent of the remaining funds, or 25 percent of net rather than gross receipts from timber sales. Feelings of the counties is that although the reforestation program provided by the K-V Act is essential, the counties are required to pay 25 percent of what is in essence a national program.

Part of the problem is expressed by figures compiled by the national Forest Service for the decade 1954-63. These show that the national Forest Service paid \$260.3 million during the period to the States in revenue sharing. For the same period, K-V collections amounted to \$109.6 million. If the K-V funds had not been applied to the gross receipts, the counties would have received an additional \$27.4 million, or 25 percent of the K-V funds withheld.

During the 1954-63 decade, revenue-sharing payments doubled but the amount of K-V collections tripled. The average revenue sharing payments per acre rose from 9.1 cents to 16.5 cents, but K-V collections, which insured 3.2 cents per acre in 1954, had jumped to 10.4 cents per acre in 1963. This trend is continuing. Even in some of the large harvest programs which have developed over the past 68 years relative to government owned forests, local government is increasingly faced with a low return from the public lands. As a result, local property taxes have increased to the point of drawing strong reaction from local taxpayers, especially in areas where the Federal Government is the major landowner.

Let me cite examples of revenue inequities to counties having substantial areas of national forest or public land. A study of the school board at Libby, Mont., showed that forest revenue is only about 14 cents per acre yearly, whereas tax returns from comparable private lands average about 32 cents per acre.

A study by Senator Jordan of Idaho, concerned with 7 million acres of forest land, north of the Salmon River in Idaho, show an average revenue return to counties of 21.2 cents. Comparable privately owned lands produce 46.6 cents per acre in taxes.

As indicated by Mr. Joseph Murray, representing the Bonner County, Idaho, school district, the 35 percent of his county in private ownership must bear an increasing share of the tax burden by reason that the districts share of forest revenue in 1966 in the amount of \$26,382 was only 1.24 percent of the cost of operating and maintaining the county's educational system.

Ted Leach of Orafino, Idaho, speaking for the Clearwater County school district reports that the \$31,000 received from forest revenue in 1966 would have amounted to \$57,000 had the returns been based on 25 percent of gross rather than 25 percent of net income.

In my county of Malheur, Oreg., revenue for support of local county government from 4,610,119 acres of public land which make up 74 percent of county total, is equal to about 1 percent of the county

general budget, whereas the less than 25 percent of privately owned area pays, in ad valorem taxes, about 71 percent of the same county general budget.

Also, gentlemen, let us not forget the added burden for counties with public lands and national forests that have a rather low timber yield. For these counties, the problem is even more drastic. Here, counties are faced with the same demands to provide services and yet, because of depletion of ineffective reforestation, the counties find themselves in an even more hazardous financial situation because of the reduction in resource revenue sales. We feel that some minimum floor of revenue sharing should be established. This has been considered by the House Forest Subcommittee and we would like to cite a resolution which was unanimously adopted by the Association of Oregon Counties at its annual convention last November. The resolution called for a public lands revenue-sharing formula of 25 percent of gross receipts, with a provision for a minimum base of 10 cents per acre. It is also worth noting that this resolution was coincidental to and consistent with the position taken by the National Association of Counties in the American county platform.

For all counties, the present situation of uncertainty and fluctuations in revenues adds to the counties dilemma in planning and budgeting.

In closing, let me stress that county government needs the assistance that the funding suggested in S. 1385 would provide. It appears to be the only way, at this time, that local governments will be able to bear the burdens of responsibility it is faced with.

I appreciate this opportunity of presenting our views to you, and I thank you.

Senator CHURCH. Thank you very much, Judge White.

In your testimony you make the statement that—

although the intent of 1908 law was to provide 25 percent of the gross receipts on the sale of federally owned timber for roads and school purposes, the manner in which the K-V Act has been implemented has administratively changed this figure to a net figure.

I said earlier in this hearing that my studies of this matter had led me to the conclusion that Congress had originally intended that the counties should receive 25 percent of the gross, but that this had been administratively changed with the result that the amount of revenue distributed to the counties has been going down as these administrative costs, K-V costs, and so on have gone up. You are in full concurrence with that view?

Judge WHITE. I am in full concurrence, and I believe that our national association is likewise in full concurrence, representing over 3,000 of these counties.

Senator CHURCH. And I was struck, too, by the last part of your testimony in which you say:

In closing, let me stress that the county government needs the assistance that the funding suggested in S. 1385 would provide. It appears to be the only way at this time that local governments will be able to bear the burden of responsibility it is faced with.

I take it from that statement that you do not concur or approve of the position taken by the two departments today, which is: "let's wait for further studies of this whole complicated matter before we decide to take any action at all."

Judge WHITE. Senator Church, from my limited study, that has taken a great deal of time, it appears to me we have been studying these matters for decades with very little results.

Now, we certainly agree there was need for this Public Land Law Review Commission study. But we feel that we have waited too long now and the need is desperate. Our taxpayers are having great difficulty in the counties having substantial areas of public land and the need is now. We do not know when the report will be made available. We understand the studies of in lieu taxes have been completed but when they will be made available, we do not know. It appears it could be several years and this could string out more years than the several years.

Senator CHURCH. Yes. Particularly then when one considers that the Public Land Law Review Commission, of course, is empowered only to make recommendations.

Judge WHITE. Right.

Senator CHURCH. Then, of course, the whole legislative process has to be applied and one doesn't know how long that will take or what the position of the executive departments themselves will be on recommendations of the Commission or what the position of some later President will be with respect to any congressional enactments. So all of this is highly problematical while, in the meantime, the purpose of this bill is merely to reinstate a policy that Congress intended when it originally passed these laws and which has been eroded away by administrative action.

Judge WHITE. We would like to see the law passed and put into effect. Later, perhaps, if there is further consideration it may be changed but now we need what the law purports to do, in my opinion.

Senator CHURCH. I think your position is the sound one from my own viewpoint, Judge White. I want to thank you for your testimony this morning.

Senator JORDAN?

Senator JORDAN. Yes; I want to thank him, too. I recall he was one of the finest witnesses we had before on the Public Land Law Review Commission on this same subject.

Judge WHITE. Thank you.

Senator JORDAN. It is good to have you back again. Your testimony is helpful not only because you are county judge of Malheur County, Oreg., but you are now speaking for the counties of the State of Oregon and moreover you are speaking for the 3,000 counties of the United States in your capacity as chairman, so it is especially strong testimony, I think, and bears out the position that the chairman and I have espoused back through the years and we are trying to bring to fruition by this bill.

Your own Malheur County, Oreg., I think, should be held out as an example. You have used some counties in our State here, but we don't have to just confine this to our own State because the application of this is universal throughout the Nation. But let me again emphasize for the record, I am going to read a paragraph from your statement. You say:

In my county of Malheur, Oreg., revenue for support of local government from 4,610,219 acres of public lands which makes up 74 percent of the county total, is equal to about 1 percent of a total county budget.

In other words, 74 percent of the area of the county in Federal ownership contributes only 1 percent to your county budget; is this correct?

Judge WHITE. Senator, this is right.

Senator JORDAN. You state further:

Whereas the less than 25 percent of privately owned area pays an ad valorem tax of about 71 percent of the same county general budget.

Well, this points up the very situation we are trying to correct. Not that sharing on a 25-percent gross basis would be the answer to our problems but it would establish equity, it would establish the equity that was intended by the Congress in the original act and which has not been changed by the Congress. Thank you.

Judge WHITE. This is why we are supporting this bill.

Senator CHURCH. Thank you so much, Judge, for your excellent testimony.

Is there anything else that anybody would like to add?

Is there any further testimony from anyone in the room? If not the hearings will be adjourned at this time. I want to thank the witnesses for coming and testifying this morning.

(Whereupon at 11:40 a.m., the hearing was adjourned.)





