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PAYMENTS IN LIEU OF TAXES

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON THE ENVIRONMENT

OF THE

COMMITTEE ON

INTERIOR AND INSULAR AFFAIRS

HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

SECOND SESSION

ON

H.R. 1678 and Related Bills

PROVIDING FOR PAYMENTS IN LIEU OF REAL PROPERTY TAXES WITH RESPECT TO CERTAIN REAL PROPERTY OWNED BY THE FEDERAL GOVERNMENT

HEARINGS HELD IN

- WASHINGTON, D.C., JULY 25, 1974
- SALT LAKE CITY, UTAH, SEPT. 13, 1974
- PROVO, UTAH, SEPT. 14, 1974
- CEDAR CITY, UTAH, SEPT. 14, 1974

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CONTENTS

	Page
Hearings held:	
Washington, D.C., July 25, 1974.....	1
Salt Lake City, Utah, September 13, 1974.....	63
Provo, Utah, September 14, 1974 (a.m.).....	123
Cedar City, Utah, September 14, 1974 (p.m.).....	151
Text of:	
H.R. 1678.....	1
H.R. 4505.....	2
H.R. 5165.....	3
H.R. 12225.....	5
H.R. 16491.....	6
Statements:	
Aspinall, Hon. Wayne N., for the Colorado Counties, Inc.....	80
Bingham, Jeff, administrative assistant to the mayor, on behalf of Hon. Jake Garn, mayor, Salt Lake City.....	95
Black, Hon. Calvin, Utah State representative.....	89
Exhibit A.—Transfer of Federal lands, 1974.....	90
Blatnik, Hon. John A., a Representative in Congress from the State of Minnesota (plus tables).....	31
Table 1.—Average payments per acre and per capita for fiscal year 1973 to counties by States from National Forest under 16 U.S.C. 500 (table).....	34
Payments per acre to counties—25 percent of National Forest receipts, fiscal year 1973 (table).....	35
Bowen, Hon. Robert, a State senator from Utah County.....	128
Brotzman, Hon. Donald G., a Representative in Congress from the State of Colorado.....	53
Bruhn, William B., executive director of community affairs.....	74
Bruzianis, George, chairman, Board of County Commissioners, Tooele County, Utah.....	96
Chiara, Hector, commissioner, Carbon County.....	145
Dean, Hon. Ernest, member, Utah State Senate.....	116
Dickinson, Hon. William L., a Representative in Congress from the State of Alabama.....	54
Evans, Hon. Frank E., a Representative in Congress from the State of Colorado.....	21
Gordon, Ms. Janet, ISSUE.....	164
Hall, James R., county attorney, Duchesne County.....	135
Hamilton, Hon. Lee H., a Representative in Congress from the State of Indiana.....	60
Harris, Fred, chairman, Beaver County Commission.....	165
Hayes, Lillian, citizen.....	141
Holman, Vernon L., chairman, Utah State Tax Commission.....	77
Ichord, Hon. Richard H., a Representative in Congress from the State of Missouri.....	43
Inouye, Yukus, commissioner, Utah County.....	133
Johnson, Hon. Harold T. (Bizz), a Representative in Congress from the State of California.....	49
Jones, Garth, Utah State representative, Iron and Kane Counties.....	157
Ketchum, Hon. William M., a Representative in Congress from the State of California.....	52
Leavitt, Dixie, senator, Iron, Beaver, Garfield, Kane, and Washington Counties.....	167
McKay, Hon. Gunn, a Representative in Congress from the State of Utah.....	123

Statements—Continued

	Page
Miller, Hon. Clarence E., a Representative in Congress from the State of Ohio.....	61
Mink, Hon. Patsy T., a Representative in Congress from the State of Hawaii.....	51
Mock, H. Byron, legal counsel, Interstate Association of Public Land Counties.....	100
Nelson, Kent, Six-County Economic Development District.....	137
Nesseth, Lloyd, administrator, Itasca County, Minn.....	105
Prothero, Walter, president, Utah Education Association.....	119
Rachiele, Guido, commissioner, Carbon County.....	144
Rampton, Hon. Calvin L., Governor, State of Utah.....	68
Shoup, Hon. Dick, a Representative in Congress from the State of Montana.....	59
Sisk, Hon. B. F., a Representative in Congress from the State of California.....	55
Snow, Gardnell, commissioner, Emery County, Utah.....	120
Spann, Lee, president, Colorado Cattlemen's Association.....	104
Steele, Hon. Robert H., a Representative in Congress from the State of Connecticut.....	55
Tanner, Dr. Vasco M., professor emeritus of zoology and entomology, Brigham Young University.....	142
Turner, Bonnie, Cedar City League of Women Voters.....	162
Wall, Russell, commissioner, Wasatch County.....	140
Yardley, James, chairman, Garfield County Commission.....	154
Letters:	
Dean, Ernest, State senator, to Wayne Owens, dated September 12, 1974.....	118
Matheson, Ivan M., commissioner, Board of Iron County Commissioners, Parowan, Utah, to Hon. Wayne Owens, dated September 11, 1974.....	157
Additional information:	
Colorado Counties, Inc., resolution, dated July 22, 1974.....	24
Economic Impact of a Military Base—a case study of Fort Devens, Mass., from the New England Business Review, October 1965.....	56
Figure I-1—Federal revenue sharing and payments in lieu of taxes statutes (table).....	8
Military payroll spending (table).....	58
Nesseth, Lloyd, information supplied for the record:	
Land ownership (table).....	107
Exhibit No. 2, payments to counties.....	108
Table.....	108
Federal forest proceeds for the last 14 years from the Chippewa National Forest for Itasca County.....	109
Miles of lakeshore per lake—Joyce estate (table).....	109
Itasca County, Minn., data compiled by J. G. O'Brien, Itasca County assessor and Lloyd Nesseth (table).....	110
Korda, Andrew, county auditor, and Willard C. Peterson, deputy, Duluth, Minn., to Floyd Anderson, commissioner, first district, Duluth, Minn., dated June 12, 1972 (letter).....	111
Table 1972 income, number of acres, income per acre.....	112
Excerpts from One-Third of the Nation's Land.....	112
Resolution 73-2, Arrowhead Regional Development Commission, dated February 15, 1973.....	115
Staff memorandum.....	17
Summary of Federal ownership—reappraised counties as of September 12, 1974 (table).....	78

**H.R. 1678, H.R. 4505, H.R. 12225, H.R. 5165, H.R. 16491,
AND RELATED BILLS PROVIDING FOR PAYMENTS IN
LIEU OF REAL PROPERTY TAXES WITH RESPECT TO
CERTAIN REAL PROPERTY OWNED BY THE FEDERAL
GOVERNMENT**

THURSDAY, JULY 25, 1974

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE ENVIRONMENT
OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:45 a.m. in room 1334, Longworth House Office Building, Hon. Morris K. Udall (chairman) presiding.

Present: Hon. Morris K. Udall, Hon. Sam Steiger, Hon. Philip E. Ruppe, and Hon. Paul W. Cronin.

Also present: Dale Pontius, staff assistant; and Pamela Warfield, clerk.

Mr. UDALL. The Subcommittee on Environment will be in session.

It is our business this morning to begin to take testimony on a very important subject, payments in lieu of taxes of real property, with respect to certain real property owned by the Federal Government.

The subcommittee has before it H.R. 1678, H.R. 4505, H.R. 12225, H.R. 5165, H.R. 16491, and other identical bills, all providing for different systems of Federal payments in lieu of taxes.

[The bills follow:]

[H.R. 1678, 93d Cong., 1st sess.]

A BILL To provide for payments to compensate county governments for the tax immunity of Federal lands within their boundaries

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Federal Lands Act of 1971".

SEC. 2. Notwithstanding any other provision of law, no payments in the nature of tax equivalencies or revenue sharing shall be made to any State, county, or local government for or on account of lands or resources of the Federal Government, except in accordance with the provisions of this Act.

SEC. 3. As used in this Act, the term—

(1) "public lands" means all lands or interests in lands owned by the Federal Government, except the term shall not apply to lands or interests therein held by the United States in trust for Indians, Aleuts, or Eskimos;

(2) "Administrator" means Administrator of General Services;

(3) "Board" means Board of Valuation Appeals composed of the Secretary of the Interior, the Secretary of Agriculture, the Secretary of the Treasury, and the Director of the Office of Management and Budget;

(4) "Regular taxpayers" means taxpayers who are subject to State and local taxes and do not enjoy the benefits of tax immunity.

SEC. 4. (a) The Administrator shall, after consultation with State and local governments, establish a valuation for tax purposes of all lands or interests in lands owned by the Federal Government, in accordance with regulations established by him. In making evaluations, these criteria shall be met:

(1) The valuation of public lands shall be consistent with the assessment of privately owned lands in the area.

(2) There shall be no discrimination against the Federal Government in relating payments to the tax rates applicable to similar private land.

(3) No value shall be included for improvements placed on the land by the Federal Government.

(4) Valuations shall be completely and thoroughly reviewed at least every ten years. In the intervening years, valuations shall be updated annually in accordance with procedures to be established by the Administrator.

(5) The Board shall reconcile any differences between Federal and local representatives relating to evaluations. The decision of the Board shall be final, and shall not be subject to judicial review.

(b) The Administrator shall determine, with respect to all public lands within a State for which payments are authorized under section 5, the public benefits accruing to the State and its political subdivisions from such public lands. Such determination shall be made in accordance with evaluation procedures established by the Administrator, taking into consideration all tangible and intangible, direct and indirect benefits, including but not limited to economic, recreational, and natural resource benefits. Based on such determination the Administration shall establish a percentage which shall be not less than 10 per centum or more than 40 per centum, and the total valuation of all public lands in such State shall be reduced by such percentage.

SEC. 5. (a) On and after the effective date of this Act, the Secretary of the Treasury shall pay annually to each State an amount equivalent to the State, county, and local real property taxes on Federal lands and interests therein, based on the tax rate applicable to similar private lands, reduced as provided in subsection (b) of section 4 of this Act.

(b) The payment made to a State shall be distributed by the State to those counties in which the Federal lands are located.

(c) The Administrator is authorized to treat separately, in accordance with regulations issued by him, any extraordinary benefits and burdens of Federal ownership identified by him which are above and beyond the burdens and benefits of regular taxpayers and the Secretary of the Treasury may make separate payments therefor in accordance with such findings.

(d) Notwithstanding other provisions of this section, the Administrator is authorized to discontinue revenue sharing under any other law on a gradually decreasing basis over a period of ten years, and to program implementation of this Act on a similar time basis, for any county where immediate implementation of this Act will result in hardships because of a substantial reduction in the amount of payments.

SEC. 6. Nothing in this Act shall interfere with the right of State or local governments to levy possessory interests taxes on private owners of improvements made by private users on Federal lands.

[H.R. 3307 is identical to H.R. 1678.]

[H.R. 4505, 93d Cong., 1st sess.]

A BILL To provide for payments in lieu of real property taxes, with respect to certain real property owned by the Federal Government

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

DECLARATION OF PURPOSE

SECTION 1. The Congress recognizes that, because of the location and character of much of the real property owned by the Federal Government, States and local governmental units are often deprived of substantial revenues which they would receive in real property taxes if such property were privately owned. The purpose of this Act is to correct this situation by providing for the making of fair and equitable payments by the Federal Government, in lieu of real property taxes, to such States and local governmental units.

DEFINITIONS

SEC. 2. For the purposes of this Act—

- (1) The term "Administrator" means the Administrator of General Services.
- (2) The term "Federal and property" means any real property the title to which is in the United States or any department, agency, or independent establishment thereof.
- (3) The term "local governmental unit" means (A) any county, municipality, or other political subdivision of any State, having authority under the laws of the State to levy and collect taxes upon real property, and (B) the District of Columbia.
- (4) The term "real property taxes" means all taxes, whether ad valorem or otherwise, applicable with respect to real property, including special assessments, assessments for benefit, or other charges of general application against land in favor of a State or local governmental unit.

PAYMENTS IN LIEU OF REAL PROPERTY TAXES

SEC. 3. (a) In the case of any local governmental unit in which 3 per centum or more of the land area is Federal real property, the Administrator shall pay to such local governmental unit and to the State, if any, of which it is a part, with respect to the Federal real property located in such local governmental unit, except real property specified in subsection (b), such amounts in lieu of taxes, for each tax year, as the Administrator determines to be fairly equivalent to the amounts, if any, which would be payable to such local governmental unit and to such State, respectively, if such real property were privately owned. The appraised value thereof for tax purposes shall be determined in accordance with such regulations as the Administrator shall prescribe.

(b) No payment shall be made under this Act with respect to any Federal property which, because of its location or character, would be of such low value, if privately owned, that it would yield, in real property taxes, only negligible amounts to the local governmental unit in which it is located.

(c) Payments under this Act shall be made with respect to all tax years beginning more than six months after the date of the enactment of this Act.

(d) There are authorized to be appropriated for each fiscal year such sums as may be necessary in order to enable the Administrator to make the payments provided for by this Act.

EFFECT ON OTHER LAWS

SEC. 4. In the case of Federal real property with respect to which payments in lieu of taxes, or contributions from revenues, are made to States or local governmental units pursuant to any other Federal law, the amount payable under this Act with respect to such property shall be reduced by the amount paid under such other law.

[H.R. 5391 and H.R. 9607 are identical to H.R. 4505.]

[H.R. 5165, 93d Cong., 1st sess.]

A BILL To reestablish and extend the program whereby payments in lieu of taxes may be made with respect to certain real property transferred by the Reconstruction Finance Corporation and its subsidiaries to other Government departments

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Congress recognizes the transfer of real property having a taxable status from the Reconstruction Finance Corporation or any of its subsidiaries to another Government department has often operated to remove such property from the tax rolls of States and local taxing authorities, thereby creating an undue and unexpected burden upon such States and local taxing authorities, and causing disruption of their operations. It is the purpose of this Act to furnish temporary measures of relief for such States and local taxing authorities by providing that payments in lieu of taxes shall be made with respect to real property so transferred on or after January 1, 1946.

SEC. 2. As used in this Act—

- (a) The term "State" means each of the several States of the United States.
- (b) The term "real property" means (1) any interest in land, and (2) any improvement made thereon prior to any transfer thereof occurring on or after January 1, 1946, from the Reconstruction Finance Corporation to any other Government department, if for the purpose of taxation such interest or improvement is characterized as real property under the applicable law of the State in which such land is located.
- (c) The term "local taxing authority" means any county or municipality, and any subdivision of any State, county, or municipality, which is authorized by law to levy and collect taxes upon real property.
- (d) The terms "real property tax" and "real property taxes" do not include any special assessment levied upon real property after the date of a transfer of such real property occurring on or after January 1, 1946, from the Reconstruction Finance Corporation to any other Government department.
- (e) The term "Government department" means any department, agency, or instrumentality of the United States, except the Reconstruction Finance Corporation.
- (f) The term "transfer" means—
- (1) a transfer of custody and control of, or accountability for the care and handling of, any real property, or
 - (2) a transfer of legal title to any real property.
- (g) The term "Reconstruction Finance Corporation" includes all subsidiaries of the Reconstruction Finance Corporation.

SEC. 3. Where real property has been transferred on or after January 1, 1946, from the Reconstruction Finance Corporation to any Government department, and the title to such real property has been held by the United States continuously since such transfer, then on each date occurring on or after January 1, 1971, and prior to January 1, 1975, on which real property taxes levied by any State or local taxing authority with respect to any period become due, the Government department which has custody and control of such real property shall pay to the appropriate State and local taxing authorities an amount equal to the amount of the real property tax which would be payable to each such State or local taxing authority on such date if legal title to such real property has been held by a private citizen on such date and during all periods to which such date relates.

SEC. 4. (a) The failure of any Government department to make, or to make timely payment of, any payment authorized by section 3 of this Act shall not subject—

- (1) any Government department, or any person who is a subsequent purchaser of any real property from any Government department, to the payment of any penalty or penalty interest, or to any payment in lieu of any penalty or penalty interest; or
 - (2) any real estate or other property or property right to any lien, attachment, foreclosure, garnishment, or other legal proceeding.
- (b) No payment shall be made under section 3 of this Act with respect to any real property of any of the following categories:
- (1) Real property taxable by any State or local taxing authority under any provision of law, or with respect to which any payment in lieu of taxes is payable under any other provision of law.
 - (2) Real property used or held primarily for any purpose for which real property owned by any private citizen would be exempt from real property tax under the constitution or laws of the State in which the property is situated.
 - (3) Real property used or held primarily for the rendition of service to or on behalf of the local public, including (but not limited to) the following categories of real property: courthouses; post offices and other property used for purposes incidental to postal operations; and federally owned airports maintained and operated by the Civil Aeronautics Administration.
 - (4) Office buildings and facilities which are an integral part of, or are used for purposes incidental to the use made of, any properties described in paragraph (1), (2), or (3) of this subsection.
- (c) Nothing contained in this Act shall establish any liability of any Government department for the payment of any payment in lieu of taxes with respect to any real property for any period before January 1, 1971, or after December 31, 1974.

SEC. 5. This Act shall take effect as of January 1, 1971.

[H.R. 5886, H.R. 6050, and H.R. 6273 are identical to H.R. 5165.]

A BILL To provide for payments to compensate county governments for the tax immunity of Federal lands within their boundaries

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Payments in Lieu of Taxes Act of 1974".

SEC. 2. As used in this Act—

(a) The term "public lands" means all lands, and natural resources thereon, or interests in lands, owned by the United States in trust for any group, band, or tribe of Indians, Aleuts, or Eskimos, lands used exclusively for national defense purposes, and the Outer Continental Shelf.

(b) The term "Administrator" means the Administrator of General Services Administration.

(c) The term "board" means a State board of appraisal appeals established under section 4.

(d) The term "regular taxpayers" means taxpayers subject to State and local real property taxes who do not enjoy the benefits of tax immunity.

(e) The term "county" includes a parish or borough.

SEC. 3. (a) Within two year after the date of enactment of this Act, each county shall elect whether it wishes to proceed under the terms of this Act to receive payments from the Federal Government equal to the real property taxes otherwise due from public land within such county, or continue to receive whatever payments such county is entitled to receive under any existing applicable Federal law providing for Federal payments for such county similar to those available under this Act or for payment to such county of part of the revenue derived from such public land.

(b) The Administrator and each county electing to proceed under this Act shall jointly arrange to have the public land in such county appraised and such appraisal shall be completed within two years after the date such county made such election. If the Administrator and the county agree that the appraisal may require longer than two years to complete they may either divide the area and complete a portion in two years or provide a period of not to exceed four years to complete such appraisal. However, before such appraisal is finally adopted by the county, the county, upon due notice and payment of actual costs for such appraisal to date, may elect to remain under such existing applicable Federal law.

(c) In making appraisals under this section the following criteria shall be met:

(1) The appraisal of public land shall be consistent with the appraisal for real property tax purposes of privately owned lands in the county.

(2) There shall be no discrimination against the Federal Government in relating payments to the real property tax rates applicable to similar private land.

(3) Appraisals shall be completely and thoroughly reviewed at least every ten years. In the intervening years, appraisals shall be updated annually in accordance with procedures to be established by the Administrator. However, upon the request of any county, at no less than five-year intervals, a reappraisal may be conducted in the same manner as the original appraisal.

(d) Appraisal shall, when made, conform to standards for the State and counties involved, and only their actual cost shall be deducted from payments to be made to a county under this Act.

SEC. 4. (a) When any county within a State has elected to proceed under the terms of this Act, there shall be established for that State a State board of appraisal appeal which shall consist of three members, one member to be appointed by the Administrator and two members to be appointed by the Governor of the State for which such board is established. Of the members appointed by the Governor, one shall be appointed from among persons who are citizens of the State and representative of the interests of the counties in the State in which are located public land. Members shall serve terms of five years and may be reappointed.

(b) Members of each board shall serve without compensation but while away from their homes or regular places of business in performance of services for the board, shall be allowed travel expenses, including per diem in lieu of subsistence, in the same manner as persons employed intermittently in the Government service are allowed expenses under section 5703(b) of title 5 of the United States Code.

(c) Two members of a board shall constitute a quorum.

(d) Each board shall select a chairman who shall call meetings of that board.

(e) Each board shall consider and decide any appeal from a county within the State relating to the appraisal of public land within such county either with regard to the cost or procedure of the appraisal or to the appraisal findings. Decisions of the board shall be final and shall not be subject to judicial review unless arbitrary or capricious.

SEC. 5. (a) Beginning in the first complete fiscal year after the acceptance of such appraisal by both the county involved and the Administrator, the Secretary of the Treasury is authorized to pay annually to the State in which such county is located an amount equivalent to the State, county, and local real property taxes (based on the tax rate applicable to similar private lands at the value arrived at under the appraisal conducted under this Act) on public lands within such county.

(b) The payment made to a State shall be distributed by the State to those counties electing to proceed under the terms of this Act in which the public lands are located to be used by such counties for any public purpose. Each such county shall receive an amount equal to the total amount of taxes due from the public lands located within such county.

(c) Notwithstanding any other provisions of this Act, or of any other law, the Administrator is authorized to discontinue payments to such county of part of the revenue derived from such public land on a gradually decreasing basis over a period of five years and to program implementation of this Act on a similar time basis, for any county where immediate implementation of this Act will result in hardships because of a substantial reduction in the amount of payments.

SEC. 6. Nothing in this Act shall interfere with the right of State or local governments to levy possessory interests taxes on private owners of improvements made by private users on public lands.

SEC. 7. There are hereby authorized to be appropriated such sums as may be necessary to administer this Act and to make the payments authorized by it.

[H.R. 12324, H.R. 12461, H.R. 12775, H.R. 12858, H.R. 12877, H.R. 13395, and H.R. 16171 are identical to H.R. 12225.]

[H.R. 16491, 93d Cong., 2d sess.]

A BILL To provide for payments in lieu of real property taxes, with respect to certain real property owned by the Federal Government

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

DECLARATION OF PURPOSE

SECTION 1. The Congress recognizes that, because of the location and character of much of the real property owned by the Federal Government, States, and local governmental units are often deprived of substantial revenues which they would receive in real property taxes if such property were privately owned. The purpose of this Act is to correct this situation by providing for the making of fair and equitable payments by the Federal Government, in lieu of real property taxes, to such States and local governmental units.

DEFINITIONS

SEC. 2. For the purposes of this Act—

(1) The term "Administrator" means the Administrator of General Services.

(2) The term "Federal real property" means any real property the title to which is in the United States or any department, agency, or independent establishment thereof.

(3) The term "local governmental unit" means (A) any county, municipality, or other political subdivision of any State, having authority under the laws of the State to levy and collect taxes upon real property, and (B) the District of Columbia.

(4) The term "real property taxes" means all taxes, whether ad valorem or otherwise, applicable with respect to real property, including special assessments, assessments for benefit, or other charges of general application against land in favor of a State or local governmental unit.

PAYMENTS IN LIEU OF REAL PROPERTY TAXES

SEC. 3. (a) In the case of any local governmental unit in which any of the land area is Federal real property, the Administrator shall pay to such local governmental unit and to the State, if any, of which it is a part, with respect to the Federal real property located in such local governmental unit, except real property specified in subsection (b), such amounts in lieu of taxes, for each tax year, which are equivalent to the amounts, if any, which would be payable to such local governmental unit and to such State, respectively, if such real property were privately owned. The appraised value thereof for tax purposes shall be determined by the local governmental unit and the State, if applicable, in which said Federal property is located.

(b) Payments under this Act shall be made with respect to all tax years beginning more than six months after the date of enactment of this Act.

(c) There are authorized to be appropriated for each fiscal year such sums as may be necessary in order to enable the Administrator to make the payments provided for by this Act.

EFFECT ON OTHER LAWS

SEC. 4. In the case of Federal real property with respect to which payments in lieu of taxes, or contributions from revenues, are made to States or local governmental units pursuant to any other Federal law, the amount payable under this Act with respect to such property shall be reduced by the amount paid under such other law.

Mr. UDALL. It is a great pleasure for me to begin hearings today on the subject of payments in lieu of taxes because this is a matter of great interest to the members of the subcommittee.

It is of some significance that 53 Members of the House have joined in sponsoring the 12 bills that have been referred to us. The issue is important and deserves a thorough hearing and careful consideration by the Congress.

In my own State of Arizona, 72 percent of the land is either owned by the Federal Government or is within Indian reservations, so I appreciate the problems that other States and counties similarly endowed with public lands are having in financing schools, roads, and other services.

Each year the financial burdens are greater as expenditures and costs increase. In most cases, the amount counties receive from revenue-sharing programs for public lands do not begin to make up the revenue lost because of the tax immunity of these lands.

In Pima County, Ariz., for example, my home county, the amount received in 1973 for receipts from the national forests averaged only 5 cents per acre.

I think it is time Congress reevaluated the hodge podge of revenue sharing and payments in lieu statutes which have been enacted in piecemeal fashion over the years and determine if a more equitable system can be developed.

I would like to extend in the record at this point a very interesting list of the Public Land Law Commission. It takes three pages to show the great variety of these ancient statutes, which have been passed by the Congress piecemeal over the years.

[List of statutes follows:]

FIGURE 1-1—FEDERAL REVENUE SHARING AND PAYMENTS IN LIEU OF TAXES STATUTES

Statute	Date enacted	Type and acreage of or program affected by statute ¹	Type of statute (RS or PL, I (percent))	Deductions made before computation of payments	Political subdivision receiving payments	Date of payments according to statute	Restrictions placed on the use of payments	Administering agency	Price value at which share is calculated	Method of assessment of land for PILT
Statutes providing for admission of new States into Union. (Digest LA).	1802-1958	Public domain land (241,773).	3 percent of net proceeds from sale of public lands shared with States in which land located.	20 percent of price received deducted for administrative costs.	States.	None given (end of fiscal year).	Generally for public schools and roads.	Dept. of the Interior (Bureau of Reclamation, BLM).	Fair market value.	Standard real estate appraisal methods.
35 Stat. 251; 16 U.S.C. § 500, National Forest Revenues Act (Digest LB).	1908	National Forest lands (both public domain and acquired) (151, 139, 900).	20-25 percent of all monies realized from National Forests.	None. ²	States for distribution to the counties.	End of fiscal year.	Benefit of schools and roads of county in which forest is located.	Dept. of Agriculture (Forest Service).	"Stumpage" value of timber market value of other products.	
36 Stat. 557; Arizona and New Mexico Enabling Act (Digest LC).	1910	Designated school section lands located in National Forests in Arizona and New Mexico.	3 percent—calculated percent of National Forest revenue is placed in school fund.	³	Arizona and New Mexico.	do.	Proceeds go into county school funds of Arizona and New Mexico.	Dept. of the Interior (BLM).	Stumpage value of timber.	
39 Stat. 219; 43 U.S.C. §§ 1181f-1181j Revested Oregon and California RR Grant Lands (Digest LD).	1916	Revested Oregon and California Railroad Grant Lands (2,363,700).	25-50 percent— Counties. 25 percent—access roads and improvements 25 percent—admission.	Cost of access roads up to the first 25 percent received by the county.	The 15 counties in which the OSC lands are located.	do.	25 percent is used for access roads and improvements; residue is returned to the counties.	do.	Gross proceeds from the sale of timber and other forest products.	
40 Stat. 1179; Reconverted Coos Bay Wagon Road Grant Lands (Digest LE).	1919	Reconverted Coos Bay Wagon Road Grant Lands (74,500).	FILL—Current taxes are paid 75 percent of receipts. ³	Cost of appraisal.	The 2 counties in which the Coos Bay lands are located.	do.	Must be used for schools, roads, highways, and bridges and port districts.	do.	Local tax rates applied to appraised value of lands. Lands appraised every 10 years.	Land is assessed by a committee of: 1. county rep. 2. Interior rep. 3. nonaligned 3d party.

61 Stat. 437, 30 U.S.C. § 191, Mineral Leasing Act (Digest 27).

1920 Public domain land including National Forests but excluding National Parks (62,184,000).

32½ percent Reclamation Fund; 37½ percent States; 10 percent U.S. Treasury; Alaska—70 percent to State 10 percent to Treasury for expenses of administration.

None States. Biannually after Dec. 31 and June 30.

Construction and maintenance of public schools. Support of schools as directed by legislature. These restrictions do not apply to Alaska's 90 percent.

Percent of value of products mined.

41 Stat. 1061, 16 U.S.C. § 810, Federal Power Act (Digest 16).

1920 Public lands used for power purposes (70,600).

25 37½ percent States; 50 percent Reclamation Fund; 12½ percent—U.S. PILT—Arizona and Nevada each receives \$300,000 annually.

Administrative costs, designated to individual lease. Any payments made for taxes on the project, the electrical energy, or the privilege of operating are deducted before PILT is paid.

Arizona and Nevada each receive \$300,000 annually.

Department of the Interior for (Reclamation Bureau).

Percent of power sales.

43 Stat. 1057, 40 U.S.C. § 517, Boulder Canyon Project (Digest 15).

1928 Boulder Canyon Project (811,500).

On or before July 31, 1974.

None. Federal Power Commission.

Department of the Interior for (Reclamation Bureau).

Project can generate enough revenue to make payments.

46 Stat. 56, § 6 U.S.C., § 631 Tennessee Valley Authority (Digest 17).

1933 Land acquired by TVA (727,100).

0 gross revenues not less than \$10,000 to each State, or the 2-year average of State and local taxes last assessed prior to TVA. Payments to States equal 2 percent of power assessed before acquisition by TVA and deducted before making payments to States.

States and counties.

Tennessee Valley Authority.

Percent of revenue from power sold by each State based ½ on percent power sales in site and ¼ on percent of book value of TVA property in the State.

Payments to counties are deducted before payments to States are made. Proceeds from sale of power to town or agency of U.S. not included in gross receipts.

FIGURE 1-1—FEDERAL REVENUE SHARING AND PAYMENTS IN LIEU OF TAXES STATUTES—Continued

Statute	Date enacted	Type and acreage of land or program affected by statute ¹	Type of statute (RS or PILT (percent))	Deductions made before computation of payments	Political subdivision receiving payments	Date of payments according to statute	Restrictions placed on the use of payments	Administering agency	Price value at which share is calculated	Method of assessment of land for PILT
49 Stat. 1269, 43 U.S.C. § 315 Taylor Grazing Act (Digest LL)	1936	Vacant unappropriated and unreserved lands of the public domain (except Alaska) excluding National Parks.	RS—Grazing districts—11½ percent replaced—30% Indian—33½ percent (ceded).	None	States for the benefit of the land is located.	End of fiscal year.	Money from the ceded Indian lands must be used for the schools and roads of the county. Others—None.	Dept. of the Interior (BLM).	Percent of grazing fee.	
57 Stat. 19, 14 U.S.C. § 835 §-1(s) Columbia River Basin Project (Digest LL)	1937	Land acquired for the Columbia Basin Project (58,900).	F113—to be negotiated by Secretary of the Interior.	do	State or political subdivision with which the Interior has negotiated agreements.	Annually, no specific date.	None	Dept. of the Interior (Reclamation Bureau).	Result of negotiation between Sec. and local officials.	
50 Stat. 522, 7 U.S.C. § 1012 Bankhead James Vess Truant Act (Digest LM)	1937	Submarginal land acquired under title 111 of the Act.	20-25 percent of set revenue.	Gross receipts less applicable adjustments.	Cities in which the land is located.	End of calendar year.	Shared revenue must be used for school and road purposes.	Dept. of Agriculture (Forest Service) and BLM.	Percent of net revenue.	
55 Stat. 650, 35 U.S.C. § 761 t-1 Tring Corps of Engineers (Digest LM)	1961	Land acquired for flood control purposes (6,734,800).	25-75 percent of gross revenues.	None	State (to be expanded for benefit of counties).	do	State must pay the money to the county having the land for its schools and roads.	Dept. of the Army (Corps of Engineers).	Percent of revenue derived from leasing acquired lands.	
50 Stat. 927, 11 designated Watersheds under the Dept. of Agriculture (Digest LM)	1954	Land acquired for runoff and waterflow reduction by the Dept. of Agriculture.	PILT—1 percent of purchase price or 1 percent of value when acquired.	No payments have ever been made under this legislation.	County	Annually	None	Dept. of Agriculture (Forest Service).	Percent of purchase price or 1 percent of value when acquired.	
60 Stat. 745, 42 U.S.C. § 2202 Atomic Energy Commission Act (Digest LP)	1946	Land acquired by the Atomic Energy Commission (18,500).	PILT	None	State and local governments.	Discretion of the Commission.	do	Atomic Energy Commission.	FILT is to be made at the discretion of the AEC.	Assessed value of land at time of acquisition.

61 Stat. 691, 30 U.S.C. § 601-03 sale of Materials from Federal lands (Digest LQ).	1947	All public lands under control of Department of Agriculture and Interior excluding National Parks and Monuments, and Indian lands.	RS—Interior—acres percent as sale of public lands. Agriculture—percent will depend on statutes under which land is administered. USC statutes apply to OMB lands. Cooks Bay statute applies to Coos Bay Lands.	Depends upon Acts admitting Union or particular statute under which other payments from the affected lands are made.	States or counties depending on the applicable law.	Restrictions vary depending upon applicable statutes.	Dept. of the Interior (BLM), Department of Agriculture.	Negotiated or bid sale price.
61 Stat. 913, 30 U.S.C. § 355 Mineral Leasing on Acquired Lands (Digest LX).	1947	All acquired land not covered by existing "mineral leasing" but excluding lands required for National Parks and Monuments (3,193,421).	RS—percent shared varies in the same manner as prescribed for other receipts from lands affected by the lease.	Varies depending on applicable statutes.	States or counties depending on applicable statutes.	Varies depending on applicable statutes.	Dept. of the Interior (BLM).	Percent of products mined.
62 Stat. 000, 14 U.S.C. § 577 & Superior National Forest ("DRA") (Digest LQ).	1948	The Foundry Waters Canoe Area of Superior National Forest (763,700).	PILT— $\frac{3}{4}$ of 1 percent of the appraised value.	None.	Minnesota for distribution to Cook, St. Louis and Lake Counties.	None.	Dept. of Agriculture (Forest service).	Land is re-appraised every ten years by the Forest Service.
63 Stat. 377, 40 U.S.C. § 490 General Services Administration (Digest LT).	1949	Land cleared surplus by Government Corporations under surplus Property Act, 1964.	PILT.	No payments ever made under this legislation.	Not specified in statute.	do.	General Services Administration.	Not given in statute.
64 Stat. 849, 16 U.S.C. § 406d-1 Grand Teton National Park (Digest LO).	1950	Land acquired for Grand Teton National Park in Teton County, Wyo. after declining 3 percent each year. May not exceed 23 percent of receipts of Park in any one year.	PILT—year of acquisition and next 7 years full taxes paid; next 20 years declining 3 percent each year. March 15, 1963 (37,000).	Any items paid on newly acquired land are deducted from the FILT before payment.	Wyoming for further distribution to Teton County.	do.	Dept. of the Interior (Park Service).	Amount of taxes last paid when privately owned is the base used.

FIGURE 1-1—FEDERAL REVENUE SHARING AND PAYMENTS IN LIEU OF TAXES STATUTES—Continued

Statute	Date enacted	Type and acreage of land or program affected by statute	Type of statute (RS or PILT (percent))	Deductions made before computation of payments	Political subdivision receiving payments	Date of payments according to statute	Restrictions placed on the use of payments	Administering agency	Price value at which share is calculated	Method of assessment of land for PILT
64 Stat. 1101 20 U.S.C. § 237 Educational Impact Grants (Public Law 374) (Digest LY).	1930	Property acquired after 1938.	PILT.....	Other financial compensation received.	School districts.	Annually	None.....	Office of Education.	Assessed value all property in school district (10% must be Federally owned). Based on local tax rates.	Local assessment.
69 Stat. 93, 33 U.S.C. § 983 St. Lawrence Seaway Act (Digest LY).	1934	Land acquired by the St. Lawrence Seaway Development Corporation (3,900).	PILT—in dis-creation of Corp.	None.....	St. Lawrence County, Mississippi—town—village & school district.	None (Local tax due dates).	.....do.....	Dept. of Transportation.	Do.	Do.
69 Stat. 719 Trinity River Basin Project (Digest LY).	1933	Lands acquired for construction of the Trinity River project (19,800).	PILT.....	.....do.....	Trinity County.	Annually (Local tax due dates).	.....do.....	Dept. of the Interior (Reclamation Bureau).	Payment must equal lost taxes.	Local assessment at time of taking is used to establish base figure locally.
69 Stat. 721, 40 U.S.C. §§ 321-24 Payments on RFC Property (Digest LY).	1933	Property formally held by RFC (800).	PILT.....	Any other FILT made with respect to the same lands.	State and local taxing units.	Date local taxes due.	.....do.....	GSA and other "holding" agencies.	Local tax rate.....	Local assessment at time of taking is used to establish base figure locally.
74 Stat. 1024, 63 U.S.C. § 833 Mineral leasing on State selected indemnity lands (Digest LAA).	1960	Mineral bearing lands selected by the States as indemnity for school section lands.	RS—19% of rents and royalties on the selected lands.	None.....	States.....	After Dec. 31 and June 30.	.....do.....	Dept. of the Interior (BLM).	Based on rents and royalties paid for mineral leases.	Local assessment at time of taking is used to establish base figure locally determined.

78 Stat. 701, 16 U.S.C. § 725a Migratory Bird Conservation Act (Digest LAB).	1964	Migratory Bird Sanctuaries on both public domain and acquired land (7,865,000).	U.S.-P.I.L.T. Public domain 25 percent of revenue. Acquired land 25 percent revenue or 3/4 of 1 percent of appraised value.	Necessary expenses are deducted by each sanctuary.	Counties	End of fiscal year.	Solely for the benefit of schools and roads of the county.	Dept. of the Interior (Bureau of Sport Fisheries and Wildlife).	Percent of revenue or percent of appraised value.	Every five years, using Agriculture Dept. tables of average farm values.
78 Stat. 983, 43 C.S.C. § 1471 Public Sale Act as applied to Alaska (Digest LA).	1964	Vacant, unreserved lands located in Alaska, required for orderly growth of the community.	SS—90 percent of proceeds from the sale of certain land in Alaska until 12/31/70.	Price paid to publish notice of sale paid by purchaser, and is not considered part of sale price.	Alaska	As soon as practicable after June 30.	None	Dept. of the Interior (BLM).	Selling price must at least equal the appraised market value.	Standard real estate appraisal methods.
Klamath Wildlife Refuge Act 70 Stat. 857, 16 U.S.C. § 6937 (Digest LAC).	1964	Lands in Lower Klamath National Wildlife Refuge and the Tule Lake National Wildlife Refuge (172,000).	18-25 percent of set revenues received from leasing of lands not to exceed 50 percent of taxes levied on similar private lands.	Cost of collection.	Three counties in which Refuges located.	Annually (after close of fiscal year).	Must be used for public schools and roads.	Dept. of the Interior (Bureau of Reclamation).	Leasing proceeds.	

¹ Acreage figures are those supplied by appropriate Federal agencies for 1966 and used in the source data bank of this study. Acreages are shown in parentheses. It should be remembered that with respect to revenue-sharing statutes, the number of acres subject to a particular statute is not determinative of the amount of revenue shared. Rather, it is the amount of revenue produced which determines the shared amounts. In the case of payment in lieu of tax statutes, the amount of the payment is more closely related to the amount of the acreage involved.

² K-V charges are a separate account and, as such, are not considered in the determination of gross revenues. 16 U.S.C. § 576(c) (1964).

³ Date of original enactment. Present provisions enacted in 1937. 50 Stat. 874.

⁴ Date of original enactment. Present provisions enacted in 1939. 93 Stat. 953.

⁵ 25 percent is used for administrative costs and any balance is paid into the General Fund of the U.S. Treasury.

⁶ Sold by CRA only.

⁷ 57 1/2 percent of remainder is to pay administration costs.

⁸ In 1948, agreements were concluded with four counties in Washington which provide for the small payments to each of the counties of the lesser of (1) the taxes which would have been levied on the land had it remained in private ownership, or (2) 50 percent of the revenues derived from the leasing of such lands.

⁹ The remaining 10 percent is retained by the Federal Government essentially to cover the costs of administering the outstanding leasehold interests in which the selected lands may be subject.

¹⁰ Date of amendment, original enactment 1935. 49 Stat. 383.

Mr. UDALL. This is a difficult task, but it must be done, and I think we should begin. It will take some time to sort out the issues and develop legislation that addresses the major policy questions that are raised and is fair, but I think it is important that we don't delay or ignore these problems any longer.

The first recommendation that the Public Land Law Review Commission made was that, generally, the public lands ought to be retained in Federal ownership and not disposed of.

Closely following this basis policy statement was a second recommendation to the effect that, if the public lands were to be retained, then the burdens imposed by reason of their tax immunity should be shared by all citizens rather than only those living within the boundaries of the areas in which the public lands lie.

These Commission recommendations were incorporated in legislation introduced in the last Congress by the Honorable Wayne Aspinall, the chairman of the full committee at that time.

A similar proposal is now again before us and is sponsored by the ranking minority member of this subcommittee, Mr. Ruppe. This proposal raises some important policy questions for us to ponder and I expect that in the hearings ahead witnesses will provide insights on these matters.

Should, for example, all public lands be included in a system of payments in lieu of taxes? National parks, national forests, military basis, a vast array of different kinds of land; should they all be included, or at least some? And if so, which ones?

Should some lands be exempted, or should payments be reduced in some cases because of benefits which accrue to local areas by virtue of the presence of these lands?

Should the Congress take into account how adequate the local property tax system is so that the Federal Government does not end up with a disproportionate burden?

These are just a few of the questions that we must explore as we go along.

A more recent proposal sponsored by Mr. Blatnik and 33 other Members and supported by the National Association of Counties would allow counties the option of continuing under the present revenue sharing programs or converting to a payments in lieu of taxes system in which counties would receive payments equivalent to appraised value for national resource lands, less the cost of the appraisals.

This approach is, of course, quite attractive to both States that are presently receiving substantial payments from mineral receipts and other sources and those States that are not, but would like to receive at least what they would if the property were taxable.

Yet another approach to the problem would include all Federal real property and allow for payments in lieu of taxes to counties with three or more percent of such property.

As I have said, I fully expect that we will have a good number of hearings on these bills. It is probably going to also be desirable to hold some field hearings to get a closer look at some of these problems on the local level.

I am hopeful that the subcommittee can hold some of these field hearings this fall. I have received several dozen requests from counties all over the country from Georgia to Alaska to hold such hearings,

and while I know we won't be able to honor all such requests, we will certainly do our best to visit those areas which are representative or which have particular problems.

This concludes my opening statement. Are there any comments or questions?

Mr. RUPPE. Mr. Chairman, thank you very much.

I have a statement which I will read if we don't have the witnesses ready to go.

Mr. UDALL. Go ahead. We are waiting for some of our colleagues to get here.

Mr. RUPPE. Mr. Chairman, I would like to take this opportunity to publicly thank you for scheduling these hearings.

The fact that there are areas with a high concentration of Federal lands, loss of a great deal of revenues due to Federal ownership has long troubled and bothered me and my constituents.

I think my district in Michigan is a case in point. Within its boundaries lie over 2.75 million acres of federally owned property, none of which is subject to taxation as a result of the landmark Supreme Court decision of *McCulloch v. Maryland*, which, in effect, held that taxation by the States, or a subdivision thereof, is an interference with the Federal sovereignty.

No being a Constitutional expert, I would not begin to quibble with that decision. More knowledgeable people than I have affirmed its correctness.

But what this has been done is to allow the Federal Government to escape its responsibilities, responsibilities held by every other landowner. And by this avoidance of taxation, it has, in effect, robbed areas with a great deal of Federal properties of needed revenues.

The burden of tax communities should be shared by all. There are thousands and millions of acres held by the Government through the National Park Service, the National Forest Service, the Bureau of Land Management, and, of course, the Armed Forces, which should rightly, for one reason or another, be retained by the Federal Government.

And I stress the word "Federal," because that word implies that all should play a part. The people in Maine and California have rights in Federal lands in Iowa and Florida.

Along with these rights goes the responsibilities of land ownership. And under our form of taxation, one of those responsibilities is the payment of property taxes.

Now, if Federal land was equally divided among the 50 States, we probably would have no problem here. Rather, each State would be paying its approximate share of the burden of Federal lands.

However, that is certainly not the case. Some States, or more specifically some areas within those States, often suffer because of a disproportionate amount of Federal ownership within their boundaries.

Approximately one third of the Nation is federally owned. Alaska, Hawaii, Nevada, Oregon, and Utah are all over 50 percent federally owned. This puts a terrible burden on them, really, because they are not able to receive revenues that otherwise would be collectable if the land was privately held.

On the other hand, there are States where less than one percent of the land is federally owned. I do not mean to say that those States receive adequate revenues from their lands. That is for their own determination.

But at least they are not shut out completely from taxing a large percentage of their lands; it is wrong that they should escape responsibilities of Federal ownership, that other States must bear.

As an aside, I would say at this point that my own State of Michigan includes almost 3,380,000 acres of federally owned property.

In the past, the Congress has established programs in order to compensate local governments somewhat for Federal impact, but, in general, the revenues that result do not amount to what would be received from property taxes.

The Weeks Act providing for a 25-percent return of all money received from each national forest to the States in which the forests are located, is an example.

I believe there are deficiencies inherent in this, and similar, programs which could be corrected by legislation, that we consider here today.

We are now going to have the opportunity to study the various proposals and to correct a situation which has all too long existed to the detriment of many areas of this country.

I look forward to the day when State, county, and local governments are rewarded, not punished economically, for the inclusion of Federal lands within their boundaries.

Mr. Chairman, I am certainly very pleased that you are holding these hearings, and that we will hold field hearings in various parts of the country to gather ideas about the legislation that I have introduced or similar legislation that Mr. Blatnik and others have introduced providing for an alternative approach to this problem. All this can be considered by this subcommittee.

Thank you very much.

Mr. UDALL. Thank you, Mr. Ruppe.

Mr. Steiger?

Mr. STEIGER. Yes, Mr. Chairman. I want to congratulate the staff on an excellent background job for us. With the disparity and variety of methods that are now being used, to bring some order and logic to this is to really serve a good purpose, other than to endear ourselves to our constituents.

There is no possibility of any kind of equity in the present taxing methods where we imburse the local political subdivisions.

I wonder, Mr. Chairman, if you would care to confide in us. Has there been much resistance from the various agencies to an approach of this kind?

Mr. UDALL. We had asked Interior to have a witness here and have a report on these various bills today. And they have the usual hangups with the OMB and can't get anything cleared with them. It now looks as though we will have a report from them before we go any further, perhaps in the next few days.

And then we will be able to assess that, but as of now I don't know what the administration's position is on this. Really, when the Public Land Law Review Commission was looking into this, we found somewhere in the staff report that has just been handed out that something like \$90 million was being paid out a year under this hodgepodge of different statutes.

If you took that same sum and maybe doubled it, you could do four or five times the good because it is utterly without sense.

The mineral receipts and the timber receipts, for example, go the counties in some States in some cases, and to the States in other cases. Suppose you have got a big timber operation which is in X county, but the people who work in that timber operation live 10 miles away in Y county. That is where the schools are; that is where the roads and sewage problems are, and yet the money the Federal Government is paying as a portion of those receipts is going into a county that doesn't bear the burden.

So this is an argument, I guess, for putting the receipts in the hands of the States, and let the States have a formula of allocation, and so on.

But OMB and Interior are wrestling with these policy questions, and I hope they will not turn this proposal down because for a very marginal amount of additional money I think we could do a very lot of good to alleviate the burdens.

Mr. STEIGER. I agree, Mr. Chairman. I also have no quarrel with Mr. Ruppe's logic that, if indeed, our lands are the property of all the country, all the people, then they are the responsibility of all the country.

And, actually, we are talking about a relatively modest gross amount of dollars, in comparison to the other values involved. I know that you recognize, and I'm sure that everybody else does, that indeed there are economic benefits that go way beyond any real taxes that might be paid because of the presence of many of the Federal properties and the Federal designations, but, by the same token, if we take our States of Nevada or Alaska, the free land is so much.

And I think I like the approach that you suggested where we have money accrued to the State on some basis so they can apportion the amounts to budget where they can best be used, because it is an unfair burden for the little subdivisions to have to maintain the facilities for the good of the whole country, with insufficient remuneration, so I expect that the biggest problem that we are going to have, not from the membership, Mr. Chairman, because again we are not asking for a new burden, but it is going to be from the agencies involved who are going to lose whatever prerogatives they are going to lose, I guess.

I don't know. Are most of the bills of a similar nature?

Mr. UDALL. No, there is a great variety. In fact, I am going to ask unanimous consent that we put the staff memorandum in the record. I think it is very good.

[Memorandum follows:]

STAFF MEMORANDUM

I. PUBLIC LAND LAW REVIEW COMMISSION RECOMMENDATIONS

The PLLRC recommended that the federal government establish a system to compensate states and counties for revenue lost due to the presence of non-taxable public lands within their jurisdictions. The Commission concluded that if the public lands are to remain for the most part under federal ownership, there is a federal responsibility to equalize the financial burden this places upon those jurisdictions where this land is located. The Commission concluded that the existing revenue sharing programs that have been enacted in piecemeal fashion over the years are inadequate in most instances and have not kept pace with increasing financial needs in these jurisdictions.

The Commission's recommendations are briefly as follows:

That if the public lands are to remain under federal ownership, the burden of that policy on the public land states should be spread among all the states by a system of payments in lieu of taxes to those states.

That there are some benefits, both tangible (economic) and intangible (recreational), which do accrue to those states and locales by virtue of these lands and that these should be recognized by a "public benefits" discount from what would otherwise be payment equal to the tax valuation of the land. The Commission recommended that this be from 10% to 40%.

That these payments should be made to the state governments (and not earmarked) but should be conditioned on distribution to those local units of government where the lands are located, subject to criteria and formulae established by the states.

That extraordinary benefits or burdens imposed as a result of federal ownership would be negotiated separately.

That a further reduction of payments should be made where state and local tax efforts fall below the national average so the federal government does not assume a disproportionate burden.

That these lands be valued periodically and that there be a transition period for states and counties to adjust to PILOT.

II. EXISTING REVENUE SHARING AND IN LIEU PAYMENTS

In 1802, the first revenue sharing statute was enacted by Congress, providing that the State of Ohio would receive a percentage of the sale of public lands within the state. Since that time, Congress has adopted over 40 statutes to deal with particular revenue sharing situations. All of these statutes reflect the same basic concern for local revenue needs, but there is clearly no unified or consistent policy.

The lands affected, percentages of revenue shared, restrictions on use of these payments and the timing of the payments all vary from statute to statute.

When it became evident that the public domain would for the most part remain under public ownership, Congress began recognizing the need to compensate states and counties beginning in 1908 (25%) and under the Mineral Leasing Act of 1920, the states began to receive 37½% of these receipts.

A number of other revenue sharing laws have been enacted, many dealing with specific problems and specific geographic areas. The O & C lands, the Boulder Canyon legislation, TVA, the St. Lawrence Seaway and the Migratory Bird Act are examples. (See attached chart). It is important to note that considerable amounts of federal land including the 23 million acres in the national park system are not included within existing revenue sharing programs.

Since most of these statutes were enacted there have been considerable changes, particularly in the public land states in the west. Government expenditure levels and revenue requirements in these areas have risen markedly while revenue payments under these programs has been relatively static. Also, population growth and mobility along the vastly increased recreational use of the public lands have placed additional burdens on these areas to provide services. Moreover, most of these revenue sharing statutes were devised before or without regard to local tax structures and are arbitrary in the sense that they do not consider actual revenue needs or tax losses.

As a result, there are unequal payments and unequal burdens in many cases. Some jurisdictions receive more in revenue sharing receipts than they would under a system that allowed for payments equivalent to assessed value. In many instances, however, the payments amount to only a few cents per acre.

The very existence of the multitude of statutes is evidence of the fact that Congress has recognized the need to compensate states and counties for the loss of tax revenue. Congress is now being asked to review the existing system and to replace or supplement it with one more equitable to the states and counties.

III. PENDING LEGISLATION

There are three different proposals before the Subcommittee at the present time. A brief summary of each proposal follows:

- (1) *The Federal Lands Act (H.R. 1678 and H.R. 3307) sponsored by Mr. Ruppe and Mr. Vander Jagt*

This proposal would do away with all revenue sharing programs and would include all federal lands (except Indian lands). It would replace them with annual payments in lieu of taxes.

In all states where there are public lands, the Administrator of General Services would, after consultation with the state and local governments, establish a valuation for tax purposes of these lands and interests in land owned by federal government. This valuation would be consistent with assessed values of private lands in the area, could not discriminate against the federal government, and would have the final word in reconciling differences between the Administrator. These valuations would be updated every 10 years.

The bill also establishes a Board of Valuation Appeals composed of the Secretaries of Interior, Treasury and Agriculture and the Director of OMB. The Board would have the final word in reconciling differences between the Administrator and local representatives.

The Administrator is also directed to determine all "tangible and intangible, direct and indirect benefits" accruing to the states and political subdivisions from these public lands and to reduce the valuations of these lands from 10% to 40% based on these determinations.

The annual payments to the states (to be distributed by the states to the counties in which the federal lands are located) are to be based, therefore, on the appraised tax value minus the benefits accruing to the local area from the presence of these lands.

In addition, there is a provision which allows the Administrator to treat separately any extraordinary benefits and/or burdens of federal ownership.

Finally, the bill allows current revenue sharing to be phased out over a 10 year period and PILT to be phased in during a comparable time period where this would cause hardship by an immediate drop in revenues from these other sources.

This proposal incorporates most of the recommendations of the PLLRC.

(2) *The Payments in Lieu of Taxes Act of 1974 (H.R. 12225 et al.) introduced by Mr. Blatnik, with 33 cosponsors*

This proposal is supported by the National Association of Counties. The basic provisions include:

(a) Establishment of a system for payments in lieu of taxes, but only for federal lands "administered for natural resources purposes." It would not apply to other federal property such as DOD installations or GSA property. It would also exclude the outer continental shelf and Indian trust lands.

(b) Allows counties to elect to receive payment in lieu of taxes or to continue receiving payments under existing revenue sharing programs. An appraisal would be conducted by the GSA and the participating counties within two years. Any county could later elect not to participate but would be required to pay the cost of the appraisal.

(c) The only deduction in payments from full appraised value would be for the cost of appraisal.

(d) Would create an appeals board to resolve disputes over appraisals, costs and procedures.

(e) Payments could be used by counties for any public purpose. The payments would be made on a fiscal year basis to the states but for distribution to the participating counties.

(f) Encourages states and local governments to continue to levy possessory interest taxes on private improvements and uses of public lands.

(3) *A third proposal has been introduced by Mr. Broyhill, Mr. Brotzman, Mr. Froehlich, and 10 other cosponsors*

This bill would establish a system of payments in lieu of taxes in those counties in which more than 3% of the land was federal real property. The bill would exempt payments for federal real property if the tax value of that property was negligible. The amount paid to the county would be reduced by the amount received under any other existing federal law. The bill would leave establishment of appraisal procedures to the Administrator of General Services.

IV. CONCLUSION

The cost of implementing a comprehensive system of payments in lieu of taxes has not been established. A study done for the PLLRC estimated that states lost approximately \$97 million in 1966 in tax revenues because of the tax immunity of federal lands. This is probably a conservative estimate since there is not a definitive estimate of the fair market value of the public lands. The same study estimated that the total cost in 1966 for payments in lieu of taxes would be \$190 million a year (in 1966, \$93 million was paid out in revenue

sharing programs.) Advocates of changing the system point out, however, that it is not a matter of cost but instead whether the existing system is equitable and whether all taxpayers should share the burden for retaining the public lands under federal ownership.

Mr. UDALL. Down on page 3, Pending Legislation, the group B proposal does away with all of these three pages of revenue sharing acts. They go out in a hodge-podge fashion to some of the States and some of the counties. It does away with them; and the bills give the counties a choice so that if under the present system you get more than under this system, you can keep that system.

Mr. RUPPE. I suppose the old system is favorable to Oregon and some of the Western States that do have a very heavy timber revenue.

Mr. UDALL. That is one of the initial policy questions. Do you do away with this hodge-podge of old statutes? If you do, you are going to run into some resistance.

Mr. STEIGER. The bulk of the timber revenues in the national forest States is earmarked for roads, permanently perpetuated whether there is a need for it or not, which, of course, is again the kind of arbitrary designation that doesn't make any sense.

Mr. UDALL. You may have a whole county paved over; so there are differences, and I had the staff summarize the differences between the Ruppe-Vander Jagt proposals and the Blatnik-National Association of Counties proposal, and the Broyhill, Froehlich, and other proposals.

And they all raise serious questions and we are going to have to make some policy decisions. I am going to suggest that when we have our hearings, that the staff prepare us—and maybe, Dale, if you and Charlie—maybe we need this ahead of time, a list of the six or eight policy questions that we are going to have to decide.

Shall we abolish these? Repeal all of these statutes, or should we keep some of them? Should the money be funneled through the States, or should it go through the county? This is like any of these revenue sharing proposals. You get into a vast array of problems, so if you could identify and isolate for us, in a sharp question and answer form, a proposal or an alternative proposal form, it would be very helpful as we go down the line.

Mr. STEIGER. I wonder, Mr. Chairman, what was the approach that was approved by the Land Law Review Commission, if this problem was addressed specifically?

Mr. UDALL. On the staff memorandum, the first page of it, you get some of the highlights.

(a) Keep the lands in Federal ownership, and stress burden.

(b) This whole question of benefit and burden. You know, if you are going to locate a new installation for NASA or the Defense Department in the counties, and the localities all come charging in and say we want that atomic energy accelerator or whatever; then when it gets there, they come and say, oh, this is terrible. You have got this Federal installation here that has taken all this land off the property tax rolls. Please pay us for having this great installation in our community.

So in that second recommendation, there are some benefits which accrue. In national parks, you get tourists and so on, so how do you balance off the benefits and the burden?

And the idea was that you would have an offset of between 10 and 40 percent. The administrator could hold a hearing and say in this case

it is all burden, and, therefore, we are not going to reduce you very much, or in this case there are considerable benefits and, therefore, we are going to reduce the payment.

Secondly, the Public Land Law Review Commission said: I am honored to see the chairman of that Commission, a distinguished former colleague, Wayne Aspinall is here. He is the man who, more than any other, took the leadership in all of this.

But that recommendation was that we go to the State governments, providing the State government has devised a formula which puts the money in the localities where the burdens from Federal ownership occur.

And the State planner would have to come in and say, what we are going to do in such and such a fashion, and it would be accrued.

Also, there are extraordinary benefits and burdens imposed as a result of Federal ownership and these would be negotiated separately. I have some misgivings there about the details. If you can negotiate these things, every county is going to come in and claim they have special problems. Please raise the percentage a little bit.

The tax effort problem: What do you do in the localities where we recommended that there be a reduction allowed where local tax efforts fall below the national average, and so on.

These are some of the major recommendations, and they are highlighted; they are in the staff memorandum, but you can see that each one of them is a question.

Mr. RUPPE. Do most of the bills before your subcommittee have the 10-40 percent public benefits discount?

Mr. UDALL. I do not recall. No, I do not think so. This was a concept that the Public Land Law Review Commission recommended, but I do not think it appears in any of the other bills that we are considering.

You do not want to tell your counties that you are going to give them a reduction formula. But I, personally, think we are going to have to take a hard look at it.

Mr. RUPPE. I personally think it might have been in the bill I introduced. I theorize it might be easier to pass the Congress in that form.

Mr. UDALL. Mr. Cronin.

Mr. CRONIN. I have no comments at this time, Mr. Chairman.

Our witness is ready.

Mr. UDALL. All right. At this time, we will hear from the distinguished gentleman from Colorado, Mr. Frank E. Evans. He is one of the sponsors of H.R. 12225.

**STATEMENT OF HON. FRANK E. EVANS, MEMBER OF CONGRESS
FROM THE STATE OF COLORADO**

Mr. EVANS. Thank you, Mr. Chairman and members of the subcommittee. I have a statement which I would like to present for the record and entered in the record.

Mr. UDALL. Without objection, the statement of the Honorable Mr. Evans will be entered into the record, and we will hear your summary of it.

[Statement follows:]

STATEMENT OF HON. FRANK E. EVANS, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF COLORADO

I am a cosponsor of and a strong supporter of this legislation which looks to reform the methods and means by which payments in lieu of taxes are made from federal natural resource lands—those administered by the Forest Service in the Department of Agriculture and the Bureau of Land Management and Fish and Wildlife Service in the Department of the Interior.

Colorado Counties, Inc., representing the 63 counties of Colorado, has passed a resolution supporting H.R. 12225. I would like to submit a copy of the resolution for the record. My district covers the entire southern half of Colorado—33 counties which cover 32,000,000 acres. It has 12,000,000 acres of federal lands administered by these three agencies—37 percent of the district. Except for the northeastern corner, every county in my district has a substantial area of federally owned land.

Most of this land, no matter which agency administers it, is original public domain land that has always been federally owned. It was designated under the laws creating National Forests, Fish and Wildlife Refuges, and Bureau of Land Management programs for retention and management for conservation purposes. Very little of it represents land that has ever been in private ownership and on the local tax rolls. Much of it is land where there are active natural resources programs, many of which are commercial in nature and result in the harvesting of timber, the grazing of livestock, or the extraction of minerals, both energy-producing and metallic. These lands contain a wide range of soil, watershed, and cover conditions. They run from grassy savannas to snow capped peaks rising above heavily timbered, water-producing forests.

My interest in all of these public lands and their resources is more intense as the Representative of the people of the Third District of Colorado because I am also a member of the Committee of Appropriations and specifically the subcommittee that considers appropriations for the management of these federal lands.

The need for reform of the system of payments in lieu of taxes is large and it is real. The systems of payments are covered with a variety of illogical restrictions:

(1) In some cases, the counties are restricted to the use of payments to specific purposes. On the surface, these have an appeal, but from the standpoint of effective county management, they should be changed.

(2) In some cases, the payments are made directly to the counties. In others they are made to the state, and federal law may or may not mandate that they be passed on to the counties.

(3) The way in which payments are derived varies widely, not only in Colorado but also across the land. I will not list all the different methods, but I will cite a few. The more prevalent one for the National Forests, National Grasslands (administered by both Agriculture and Interior), and public domain-based wildlife refuges is 25 percent of whatever revenue develops. However, for leased minerals it is 37½ percent of income, except on acquired lands where it is 25 percent or for 1872 Act minerals where it is nothing.

The Department of Interior payments go to the states in most cases, and it is difficult to determine what the counties may get. As is noted above, the minerals payments are administered by the Department of the Interior, even though the resource may originate on lands managed by another department. The Bureau of Land Management issues leases for minerals when the managing agency approves and then the Geological Survey administers the management of the lease and collection of revenue. The BLM reports on the revenue received and the payments made under the various Mineral Leasing Acts. The operation is handled so that it is difficult to deduce which federal lands produced what revenue. In any event, it is not easy to determine which federal lands should be credited with "earning" specific funds.

The BLM administered lands present even further complications because they have so many different payment systems. Take grazing—one clause in the Taylor Grazing Act covers lands outside Grazing Districts and results in a payment to the state of 50 percent of revenue, while another, which covers the lands inside Grazing Districts pays only 12½ percent of the revenue, and yet another, the Grasslands acquired under the Bankhead-Jones Act pay 25 percent. Timber cut from public lands or gravel and other materials sold make payments of only five percent of the revenue, and this goes to the state, in contrast to the 25 percent average for the National Forests. However, out in Oregon, there is a group of 18

counties that are favored by payments of 50 percent of the revenue from the Oregon and California Revested Railroad Lands. This sum would be 75 percent if our Committee on Appropriations did not have the Appropriation bill annual language that limited it to 50 percent. However, two of these counties have a smaller block of lands, similarly revested (the Coos Bay Wagon Road Revested Lands), where the payments are tax equivalence. In both cases, timber and grazing revenues are treated the same and at the higher level than applies to the so-called regular public lands which pay only 25 percent.

I cite these facts simply to indicate that I am cognizant, as I am sure you are, that the issue of payment in lieu of taxes is a complicated maze. And I have not endeavored to produce an exhaustive list of the payment schemes that are in law. If there ever was a situation where the fact that a law exists proves that the existence of a law does not automatically make sense, this topic is an apt candidate.

(4) I am indebted to the principal sponsor of H.R. 12225, Mr. Blatnik, for the general factual material that he has made available. For example, the National Forests in Colorado paid an average of six cents per acre to our counties. Some counties in my district received as little as one cent an acre in 1973, while others got 15 cents an acre. I could cite this gap of "15 times" as horrendous, except that I note that nationwide the National Forests paid 62 cents per acre, and in some cases the payments were as much as \$9.69 per acre. I do not object to whatever level of payments other counties may get, so long as they can be justified. The staff of the Committee on Appropriations informs me that the 18 Oregon counties I mentioned earlier got O and C payments in lieu of taxes from about 2.6 million acres that total almost \$58,000,000 this year and that over the past few years, these payments have leaped up in quantum jumps from about \$36,000,000. The entire state of Colorado, which has 13.7 million acres of National Forest, received only \$866,000 from them. In fact, Oregon ranks with Colorado as a major National Forest state with 14.9 million acres. Oregon's payments from the National Forest System were \$42,500,000 or about \$2.85 per acre, compared to our 6 cents and a level of over \$22.00 per acre from the O and C lands. It may be that a representative from such a well-endowed district can explain this situation in his district, but I doubt that he or she could come into my district and explain why we should be faring so poorly.

(5) The Blatnik bill has my support because it provides a sensible starting point for providing an equitable system of payments in lieu of taxes from these natural resource lands. The test of tax equivalency seems to me to be a sound one. If \$22.00 per acre per year, \$9.69 per acre per year or 6 cents per acre per year is truly tax equivalency, each county and each state has a way to ascertain that what it is getting is what it deserves. It may well be that the committee will have to consider whether it needs to put a tax equivalency ceiling and a phase-down period into the bill in order to take care of any situation where the present formula system endows a county with a far more generous payment level than similar private lands pay. At the same time, I do think that it makes sense to give the counties an option as to whether they want to stay with an existing formula rather than go on a strict tax equivalence basis. In some situations, the cost of the appraisal, which is to be borne by the counties, would not really change the level of payment. If the county also had to bear the burden of the appraisal and received no increase in payment level, then they would be saddled with a non-beneficial cost. One alternative, if a ceiling concept is to be applied, would be to have the federal government bear a substantial part of the cost if the resulting appraisal acted to reduce payments, or not to increase them, and let the counties bear the cost only where the resulting appraisal caused an increase on payments to them of a prescribed magnitude. Perhaps another way to meet this situation is to prevent payments from federal lands greater than similar private lands pay. If the private lands are undertaxed, the counties would correct this in order to secure proper federal payments.

(6) Despite my high regard for the former chairman of the PLLRC, Mr. Aspinall, and my high regard for the chairman of the subcommittee, I must respectfully disagree with the portion of the Public Land Law Review Commission recommendation that proposed a 10 percent to 40 percent reduction in a tax equivalency payment "in order to give recognition to the intangible benefits that some public lands provide. . . ." It can be argued that all lands, public and private, provide intangible benefits of both a local and national nature. There is as good a case for "tax relief" for private lands on the same grounds, as there is for

"tax forgiveness" for public lands, and the case in either situation would be equally weak. Tax equity is a hard thing to define and there are enough complexities in reforming the system of payment in lieu of taxes in several fundamental ways without embarking into a new jungle.

The simple fact is that there are many situations where the payment from the federal lands is so far below the payment made on similar private lands, that it would be specious to suggest that a full tax payment should not be made. However, I would suggest that consideration ought to be given to ways and means to assure that the relation between the "tax" on the private natural resource lands and the "payments in lieu of taxes" on the federal lands cannot be "over-taxed" by a runaway local jurisdiction that wants to gold-plate or silver-line its local services and facilities.

In the final analysis, the tax revenue that the local government secures is for the purpose of providing the services that the local government must perform. To the extent that the local government does not have taxable sources, it either turns to state and federal sources for assistance or it fails to provide the service. Since the federal natural resource lands exist in about 700 of the 3,000 counties of the United States, they would not be the universal vehicle for deciding whether the "tax service" relation between the various counties is similar. However, this should not be a bar to the committee's exploring a testing mechanism that could be tried out in these counties that embraced the concept of "maintenance of effort," "similarity of effort," and "reasonableness of effort." There should be both a state and a federal interest in assisting the local governments to do the best possible job in providing locally the services that have local benefits. Certainly, this is one way to assure that we have strong and effective local government. A financially anemic local government cannot produce a strong local body politic.

Mr. EVANS. Mr. Chairman, I have also received a communication from Colorado County, Inc., in support of this bill, and if it meets with the approval of the Chair and the members, I would also like to have a copy of this resolution shown in the record at this point.

Mr. UDALL. We would be pleased to have that.

[Resolution follows:]

COLORADO COUNTIES INC.,
Denver, Colo.

WHEREAS, there is pending in the House of Representatives of the federal Congress of the United States, a bill numbered H.R. 12225 and titled "A Bill to Provide for Payments to Compensate County Governments for the Tax Immunity of Federal Land Within Their Boundaries," and

WHEREAS, Colorado Counties, Incorporated, wish to state their position on such proposed legislation,

NOW, THEREFORE BE IT RESOLVED by Colorado Counties, Inc., that they go on record as favoring the general provision of H.R. 12225 and respectfully request its favorable consideration by the Subcommittee on Environment of the House Committee on Interior and Insular Affairs as well as by the House Committee on Interior and Insular Affairs when it is considered by such parent committee; and

BE IT FURTHER RESOLVED that, Colorado Counties, Inc., authorize and direct their representatives to work in furtherance of the favorable approval by the Congress of the United States in behalf of such legislation.

Dated this 22nd day of July, 1974.

CHARLES M. RULAND,
President,
Colorado Counties, Inc.

Attest:

JERRY GRANT, *Secretary.*

Mr. EVANS. To expedite your hearing, I would like to just touch on a few highlights of my testimony. I am a supporter of this bill, and I think its enactment is long overdue.

The highlights I would like to touch upon would be those that point out what the existing practices are under the law.

On page 2 of my statement, I talk about the need for a reform of the system of payments to the States and counties as being large and real. The present systems of payments are covered with a variety of illogical restrictions. I have listed several examples.

In some cases the counties are restricted to the use of payments for specific purposes. On the surface, these have an appeal, but from the standpoint of effective county management they should be changed.

In some cases the payments are made directly to the counties. In others they are made to the State, and the Federal law may or may not mandate that they be passed on to the counties.

The way in which payments are derived varies widely, not only in Colorado but also across the land. I will not list the different methods, but I will cite a few. The more prevalent ones, the National Forests, National Grasslands, administered by both Agriculture and Interior, and public domain based wildlife refuges is 25 percent of whatever revenue develops. However, for leased minerals, it is 37½ percent of income, except on acquired lands where it is 25 percent, or for 1872 act minerals, it is nothing.

The BLM-administered lands present even further complications because they have so many different payment systems.

One clause in the Taylor Grazing Act covers lands outside grazing districts and results in a payment to the State of 50 percent of revenue. Another, which covers the land inside grazing districts is only 12½ percent of the revenue. Yet another, the grasslands acquired under the Bankhead-Jones Act, pay 25 percent.

Timber cut from public lands or gravel and other materials sold make payments of only 5 percent of the revenue, and this goes to the State in contrast to the 25-percent average for the national forests.

However, out in Oregon, there is a group of 18 counties that are favored by payments of 50 percent of the revenues from the Oregon and California revested railroad lands. This would be 75 percent if our Committee on Appropriations did not have the appropriations bill annual language that limits it to 50 percent.

However, two of these counties have a smaller block of land, similarly revested, the Coos Bay Wagon Road revested lands, where the payments are tax equivalent. In both cases, timber and grazing revenues are treated the same at a higher level than applies to the so-called regular public lands, which pay only 25 percent.

Now, Mr. Chairman, these are just a few of the items which have been brought to my attention. My statement deals further with differences and illogical situations in the law and in the regulations, which I would commend to the committee for their study in terms of whether or not this bill is an appropriate solution.

I think the evidence they refer to is compelling evidence that the laws need to be changed. Not only in terms of the general philosophy of how you treat the Federal lands in the various States and revenues derived from them, but also taxes denied to local county and State taxing authorities because the property is federally owned.

I think there should be not only a law that brings into great conformity and logical relation the activity on these lands and the economic situation of the various States, but I think also there should be provided, and I commend this committee to look into it, a means by which the various States and localities could have an alternative system for a period of time. They could examine the possibility of taxes in lieu of payments so that they can see what might come to them if an alternative program were to be presented.

They wouldn't be suddenly cut off from what they have had. They could have the Federal lands appraised and see what the assessors'

would produce compared to what they have had in the past, what might be cranked into a new law, and in the process people would know where they are and where they would be moving.

I commend this legislation to the committee. It is difficult, it is complicated, it is hard to resolve, and yet I think it is long overdue. These differences and inequities should be reconciled in a sensible and understandable way so local communities have a better idea of what income they will receive and can make a choice of which routes they would want to follow with some confidence that the funds that come from these lands are on a more stabilized and logical basis.

I want to thank the chairman and the members of the committee for allowing me to appear before you to testify in favor of this bill.

Mr. UDALL. Thank you for your very helpful statement. Before you came in this morning, I had the staff reproduce this small 3-page summary of existing revenue-sharing proposals now on the books. It is the worst hodgepodge you have ever seen.

As you pointed out in your statement, the variance from 12 to 75 percent goes directly to the counties; some goes to the States; there are all kinds of distribution and setoff formulas, and one of the questions I was going to ask, and I will ask this of the other witnesses—I see we have two other distinguished Members here—would you favor repeal of these or, as you indicate, secondly, giving the counties and local governments a choice of whether they will keep the receipts under this or take them under the new system, or take the third alternative which would be to have that choice but phase it out over 10 or 15 years so that eventually you could get the uniform system and not do away with the option? Which of those choices seems best to you?

Mr. EVANS. My answer would have to be tempered by practicality, and the practicality we are faced with is that we have various laws providing for different methods of payment, and payment to different entities. That is a fact of life.

People are taking these funds and they count on these funds in making their decisions on local budgets. I think it is going to be difficult to suddenly take away something from them without assuring them that the replacement will give them at least what they had.

Now, my thought would be that as you refine the laws that exist, and try to come up with some uniform method of handling these funds and their payments to the States or local government, that you concurrently develop alongside of it some method, some theory of payment in lieu of taxes.

And I think the two are going to have to go along parallel so that as you refine and see what commonality you can arrive at in new legislation for payments of fees, that you examine what you might be able to do in terms of a different theory, such as a tax in lieu of payments.

Now, I don't have the wisdom that this committee is going to have to have to make the final decision of whether you proceed down two roads simultaneously or take one and go with it on an all-or-nothing approach, but I think as you arrive at that conclusion you are going to have to look at both the refinement of the law on a compatible and consistent basis and compare it to what kind of a tax in lieu of

payments could be developed, hopefully, with giving people a choice at the end.

Mr. UDALL. I just have two more quick questions. Let me say that Chairman Blatnik and Chairman Ichord are both waiting.

I understand Mr. Blatnik has a markup in progress, and he has been scheduled first, so I would say to my friend Dick Ichord that it will be about 20 minutes, I expect, before we get to you, if that is all right. I hope you will understand.

We will move along as rapidly as we can.

Frank, just two more questions. Before you came in we were discussing this problem, and I would like your offhand reaction to it, the proposal here.

You are going to have a new Federal atomic energy installation, or a new park, or a new something or other. The community clamors; they want the Federal facility for new jobs, and so forth and so on.

Once they get it, they tend to come and say, look at this terrible Federal installation. They are robbing us of taxes; please pay us some money.

One of the Public Land Law Review Commission recommendations was that when you make payments in lieu of taxes, you have a flexible mechanism so that evaluations could be made of benefits versus burdens, so that you could reduce up to 40 percent of the Commission recommendations, the taxes you would get based on undervaluation of Federal property if it were determined there were great benefits to the community in addition to burdens.

Mr. EVANS. I think it would be a very wise thing to look into for it makes a great deal of difference to have a building that may occupy a block or two blocks and employ hundreds of people, on the one hand, and that has a certain economic consequence; on the other hand, it provides an entirely different picture if the Federal Government holds hundreds or thousands of acres of land in an area where the revenue amounts to only a few thousand dollars a year.

I am delighted to see that former Congressman Wayne Aspinall is here, the former chairman of the Land Law Review Commission, for if anyone can give you wisdom on the subject, I know he can.

Mr. UDALL. I have asked him to testify and give us some advice on these policy questions.

The last one I wanted to ask about is this: We were discussing earlier that some of these old laws require payments to go to the counties in which the Federal lands are located; some require payments to go to the States; some require a division of the payments, some to the counties and some to the States.

Counties are really artificial in the kind of results that we have had. We can have a huge mining installation on Federal land or a timber operation on Federal land, and that land is in county X but the people who work there, who flood the schools and build the homes and cause great increases in garbage and sewage and this kind of thing, live in county Y, 10 miles away.

And yet, under a lot of these inflexible statutes, the payment goes to that county, arbitrarily all of it to that county where the Federal land is located. So the Commission recommended that the money go to the States if the States had a plan to distribute it and pass it through to the counties where the burdens occurred. Doesn't that make sense to you?

Mr. EVANS. It certainly does, and I think your statement almost perfectly describes what we anticipate happening in Colorado with the development of oil shale. The impact, the revenues generated, will be from a particular county, and the burden, a tremendous burden that will flow from the impact of new people, almost new cities, will be in a different county.

And yet, I think it would be very wise of this committee to do as you just mentioned, Mr. Chairman. And that is to make sure that if you give the payment to the State, it is on the condition that the State has a plan directed to use those funds in the areas impacted.

In the State of Colorado, to just hope that they do this, with all deference to my wonderful State, wouldn't give me the assurance I feel we have to have, for I am afraid it would be gobbled up in the metropolitan area of Denver and would never go to the outlying areas where the problem really was.

I think what you say and what the Land Law Review Commission suggests is most sensible, and I support it.

Mr. UDALL. Mr. Ruppe.

Mr. RUPPE. Thank you very much, Mr. Chairman. I want to congratulate you on one of the best statements I have seen before the subcommittee in a long time.

You point out, perhaps better than anyone, the tremendous diversity in the types of payments made, and the amounts of revenue received by the different counties and the different States. I think on the basis of your testimony alone this legislation is well worth pursuing by the subcommittee.

I do also agree with you that a formula basis for distribution of funds throughout the State would be important. If the State comes up with a formula that doesn't reimburse Denver for the lands in your district, we should have a formula, that would insure that funds really reach the areas and the affected people and those communities that are adjacent to and impacted by the Federal ownership.

Mr. EVANS. The gentleman from Michigan is most kind, and I deeply appreciate his comments.

Mr. UDALL. Mr. Steiger.

Mr. STEIGER. You can be sure this is an election year.

Frank, I do have one rather serious objection though I do share his enthusiasm for your statement.

But I hope on page 2 of your statement, the bottom of paragraph four, you cite as an example the discrepancy, the difference in revenue per acre on the forest. Now, that is OK to convince our friend from Massachusetts that we have a problem. We know we have a problem.

But this is kind of a comparison, because you and I both understand the disparities within the national forests as to their capacities to produce revenue.

I am excited about your calling to our attention the revenue from the O. & C. lands because I didn't realize they were that fantastic. It explains Oregon's dedication to maintaining the sanctity of O. & C. lands. All the time I thought their motivation was esthetic.

Mr. EVANS. I understand what the gentleman is saying, and your point is well taken.

Mr. STEIGER. I wish to stipulate at the outset that we have a mess, but we don't depend on that acreage difference because it makes a difference in the value.

Mr. EVANS. I think the gentleman's point is well taken.

Mr. STEIGER. All right. Thank you. And, as I say, I suspect that this is going to be an effort of the Congress versus the Executive bureaucracy to try to preserve whatever it is that they have, and I think we are going to need to have as many valid arguments as we can get.

Again, I think it is really a good statement.

Mr. EVANS. Thank you very much.

Mr. UDALL. Mr. Cronin.

Mr. CRONIN. I also concur that you have made an excellent statement, extremely well researched. The only question I would like to get your reaction to is getting a project benefit discount on taxes. Can you conceive a tax situation where an area could be taxed and a municipality receive tax income the same as any other property to be taxed? What do you think about a percentage discount for the benefit that accrues to the area as a result of that installation being there?

Mr. EVANS. First of all, I think developing such a formula is going to be most difficult, terribly difficult. How does one assess the benefits?

I suppose one could take numerous indicators such as how much retail sales in an area have increased. That occurs after the fact, of course, after you have new people in because of the Federal activity.

Mr. UDALL. You know a classic example is the Air Force Academy, a fantastic installation. Are the benefits of that really more than the burdens of having that in Colorado Springs?

Mr. CRONIN. I can think of several installations in my home district that are much the same way. We have the North East Internal Revenue Service Center in my hometown. It is a small suburban community and most of the approximately 4,000 people who work for IRS come in from surrounding areas, very few of them from the town itself. Yet the town has to cope with the traffic problems, fire problems, and all the other things that a municipality normally supplies a taxpayer.

But the question comes in, I guess; on the one hand, there are definite benefits to some of these things; on the other hand, if you just say that you are going to have an across-the-board percentage deduction of say 10 percent on all of these things, well, that is just going to be prefigured into the assessment before it is made, so there has to be some sort of an equitable formula that works.

Mr. EVANS. Can I answer the gentleman? I would be hesitant to have a fixed formula that says if this happens to you, then your income or your payment in lieu of taxes would be reduced by x percent.

I wonder if you couldn't have just simply, a simple procedure of putting together a payment in lieu of taxes, and straighten out this complicated payment problem we have facing us as well.

If you have a community that is going to come into existence in Colorado in conjunction with the development of oil shale, it is going to be brand new. I think they estimated 50 million barrels a year. They are going to have a brand new city somewhere in the neighborhood of 47,000 people.

Well, that means schools, roads, water, sewers; who is going to pay for that? How is it going to be paid for?

Part of it can be paid for, as the chairman suggested, by development of a State formula that will allow funds to be received by the State and then paid to the benefit of the area that receives the impact.

And yet I think it is also very possible that that payment could be inconsequential when compared to the impact on the community, itself.

It may well be that it would take a considerable period of time for that brand new community or a community that is small and then suddenly it finds itself to be very large to develop the financing to handle the roads, to handle the schools, to handle the sewers and the water systems, far beyond anything that this committee might recommend in terms of Federal legislation would amount in a payment to them, which makes me feel very reluctant to lend myself to some formula that would recognize benefit reduction from a payment that would come in under the legislation which we are discussing.

Mr. CRONIN. I will yield to the gentleman from Arizona.

Mr. STEIGER. Try this one. I happen to agree with you that if you try to apply arbitrary formulas for benefits received, it is going to get Mickey Mouse. What is wrong with the logic that says we are going to use some measure of tax equivalency, which if the local taxing entities is not doing the proper job, then you get less money?

If they are indeed receiving more benefits as a result of these installations, they will be able to bear their share of local responsibility vis-a-vis taxes. That is a valid supposition that may not be universal.

But because they are better off as a result of the Federal presence, it will be reflected in the taxing effort. Therefore, if we had a valid tax equivalency section, we should take care of the benefits, and just forget about it.

Because it will be reflected in the tax equivalency. I think if you approach the tax equivalency on that basis, you might find yourself completely out of this dilemma.

Mr. EVANS. Well, I would respond to the gentleman by saying that if you had a Federal installation go into Denver that takes off a block and adds 800 employees to the metropolitan area of Denver, the capacity to handle the consequences of that is going to be there.

And I think it would be most fair to say, pay or have a tax in lieu of payments representing the loss in real estate taxes.

But also take the area south of Colorado Springs where we have Fort Carson. Now, that is taking thousands of acres of land off the tax roles. We have school districts in counties—in the southwest portion of the county, to the south of Colorado Springs, that have developed new little satellite communities.

Now, these little independent communities are not in Colorado Springs; they are little communities within the county.

The people who live there are the privates, the sergeants, the corporals and their wives—the lower echelon of the military and the lower GS people who work for the Federal Government. These prop-

erties are very low income. These communities can't produce the revenues to take care of themselves, and so any time you talk about impacted aid, category A or B, or a section 815 having to do with the construction of schools, they are desperate.

They need these funds. Some of these school districts require 20 percent of their annual budget from impacted aid. So with an area like this, you might say choose some formula. All these people are going to bring in their payrolls. Isn't that going to be lovely?

And yet the payrolls and the property values that result from this impact are far from sufficient to take care of their ordinary school and municipal needs.

I would be very leery of a formula that would say you are going to measure your benefits in this fashion and subtract it from the payment.

Mr. CRONIN. I have no further questions.

Mr. UDALL. Thank you. I appreciate your appearance here.

Mr. EVANS. Thank you.

Mr. UDALL. Mr. Blatnik.

**STATEMENT OF HON. JOHN A. BLATNIK, MEMBER OF CONGRESS
FROM THE STATE OF MINNESOTA, ACCOMPANIED BY LLOYD
NESSETH**

Mr. UDALL. It is a great pleasure to have the distinguished chairman of the Committee on Public Works before us. I want to commend you on your leadership in working with the National Association of Counties on the proposal before us. We are getting many co-sponsors.

I recognize the immense interest you have in this subject. We are pleased to have you here this morning.

Mr. BLATNIK. Mr. Chairman and gentlemen. I am privileged to be here, and I apologize for interrupting—for injecting myself in advance of some of my colleagues.

Mr. Chairman, I have with me Lloyd Nesseth, for years the county commissioner from Itasca County, one-third of which is occupied by the famous Chippewa National Forest.

Now he is the administrator, are you not, of the county, and a dear friend of mine for years, and a very active worker with the National Association of Counties.

If I may read my statement, Mr. Chairman, I will proceed.

Mr. UDALL. You may.

Mr. BLATNIK. I appear, of course, in behalf of H.R. 12225, the Payment in Lieu of Taxes Act of 1974.

Through the foresight of many concerned Americans and, to a large extent, the fine work of this committee, the United States now has a unique system of natural resource lands which the Federal Government, in the interest of all the citizens, has chosen to preserve and protect.

The value of these lands and the benefits to our citizens cannot be overemphasized, but the presence of these tax exempt Federal lands and the antiquated system of payments in lieu of taxes for these lands has placed a heavy burden on many counties least able to bear this extra weight.

It is not necessary for me to review for the distinguished members of the subcommittee the economic problems that rural America faces. We deal every day with the conflicts caused by a declining rural economy and the consequent migration to the large cities of the rural population.

County governments, the mainstay of rural areas, are struggling valiantly to stimulate a resurgence of economic growth and to provide their people with needed human services.

But too many county governments must carry the extra burden imposed by an antiquated system of Federal payments in lieu of taxes which returns to the counties far less than the tax rate on equivalent private land.

I would like to have the rest of this statement inserted as read.

Mr. UDALL. Without objection, it is so ordered.

[The complete statement follows:]

STATEMENT OF HON. JOHN A. BLATNIK, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF MINNESOTA

Mr. Chairman, Members of the Subcommittee: I appear before you today on behalf of H.R. 12225, the Payment in Lieu of Taxes Act of 1974.

Through the foresight of many concerned Americans and, to a large extent, the fine work of this Committee, the United States now has a unique system of natural resource lands which the Federal Government, in the interest of all the citizens, has chosen to preserve and protect. The value of these lands and the benefits to our citizens cannot be overemphasized; but the presence of these tax exempt federal lands and the antiquated system of payments in lieu of taxes for these lands, has placed a heavy burden on many counties least able to bear this extra weight.

It is not necessary for me to review for the distinguished Members of the Subcommittee the economic problems that rural America faces. We deal every day with the conflicts caused by a declining rural economy and the consequent migration to the large cities of the rural population.

County governments, the mainstay of rural areas, are struggling valiantly to stimulate a resurgence of economic growth and to provide their people with needed human services. But too many county governments must carry the extra burden imposed by an antiquated system of federal payments in lieu of taxes which returns to the counties far less than the tax rate on equivalent private land.

After reviewing the hodgepodge of payment formulas for the different types of natural resource lands, the one fact that is abundantly clear is that under the present system, payments to the counties very seldom come close to approaching tax equivalency.

For example, in Itasca County, Minnesota, in my own congressional district, the federal payment on 300,000 acres of federal forest land in the Chippewa National Forest is about \$40,000 a year, or 13¢ an acre; while equivalent land in the country, which is on the private tax roll, has been assessed at \$2.35 an acre. If this same 300,000 acres—about a third of the county, were assessed at the private rate, Itasca County would receive about \$705,000.

Mr. Chairman, as you know, counties within Arizona receive an average of 17¢ an acre from the Federal Government for the national forest land in Arizona, but your state is doing much better than some of her western neighbors such as Colorado, Idaho, and Montana, who receive an average of a penny per acre.

Nationwide, there are approximately 685 counties with federal forest land on which they receive federal payments. In addition, other counties receive payments under differing formulas for fish and wildlife, grazing, and minerals on federal land. The forest payments range from as little as one cent per acre in some counties to as much as \$9.60 an acre in some Oregon counties. Of the counties receiving payments for federal forest lands, 435 average less than 45¢ an acre, and only six states, with 163 counties, averaged over \$1.00 per acre.

Finally, St. Louis County, Minnesota, also in my District, provides another interesting example of the diversity and complexity of the present payment system. This county has 795,000 acres of private forests taxed at 53 cents an acre; 573,000 acres of national forest land at 7 cents an acre; and 195,000 acres in the Boundary Water Canoe Area, assessed under still a different formula, yielding 32 cents an acre. I do not mean to suggest that the Federal forest lands under our bill would pay 53 cents an acre, but I just wish to point out that there is reason to believe that its true tax equivalency is much closer to 53 cents an acre than the present 7 cents. I might also suggest that the difference between the 7 cents and the 53 cents is some measure of the burden that the people of St. Louis County bear so that the citizens of the entire country can be assured that this valuable forest resource is preserved.

The overwhelming situation in county after county is that the Federal payment in lieu of taxes does not approach tax equivalency and that the federal government's financial contribution is not commensurate with its presence in the county's backyard.

These lands are a National resource and the individual counties in which these lands are located should not be required to carry the extra burden of an outdated, turn-of-the-century Federal payments system which seriously impairs their ability to provide needed human services within the county.

It is for this reason that I have introduced, together with 31 colleagues from all regions of the country, a bill to reform the system of payments in lieu of taxes.

Under the provisions of H.R. 12225, each county containing natural resource lands could choose to continue receiving payments under existing federal shared revenue programs related to public lands within its boundaries; or it could choose to accept a payment based on the assessed value of the federal lands. The counties would have two years to make this decision and an additional two years to have an assessment of the federal lands completed. The cost of the assessment would be borne by the county.

H.R. 12225 would allow counties to receive payments for natural resource land which equals the assessed tax value of the land and which will give hard-pressed rural counties the equitable treatment they deserve. By allowing the counties to choose whether to stay with current payment formulas, or participate in this new program, the legislation represents a reasonable approach to an old and complex problem.

A great deal of credit should go to the members of the Land Law Review Commission, including the distinguished Chairman of this Subcommittee; and our former colleague, The Honorable Wayne Aspinall, who chaired the Commission, for the important groundwork their efforts laid for this legislation. And I could not leave today without paying tribute to our late colleague, The Honorable John Saylor, who initiated similar legislation in 1971.

I would like to include in the record at this point statistics compiled by the Library of Congress on federal payments to states and to counties for federal forest lands.

Finally, I wish to congratulate this Subcommittee for beginning these hearings and urge that field hearings be held at an early date to get first-hand data on the effects of the present payment system.

TABLE 1.—AVERAGE PAYMENTS PER ACRE AND PER CAPITA FOR FISCAL YEAR 1973 TO COUNTIES BY STATES FROM NATIONAL FOREST UNDER 16 U.S.C. 500

[25 percent of revenue from national forests]

State	Population in national forest counties	Number of counties paid	National forest acreage	Payments 1973	Average payment per capita	Average payment per acre
Alabama	595,310	16	636,415	297,364	\$0.50	\$0.47
Alaska	300,380	9	20,717,236	973,915	3.24	.05
Arizona	1,710,080	13	11,383,613	1,970,705	1.52	.17
Arkansas	618,760	28	2,458,307	968,199	1.56	.39
California	13,770,060	40	20,050,109	27,520,688	2.00	1.37
Colorado	1,120,910	42	13,748,900	866,240	.77	.06
Connecticut						
Delaware						
District of Columbia						
Florida	328,920	9	1,081,605	725,161	2.20	.67
Georgia	436,910	25	843,582	355,627	.81	.42
Hawaii						
Idaho	531,120	34	20,300,909	6,413,165	11.57	.30
Illinois	196,660	10	250,794	43,443	.22	.17
Indiana	251,110	9	172,259	20,212	.08	.12
Iowa						
Kansas						
Kentucky	446,080	24	625,957	120,844	.27	.19
Louisiana	294,110	7	595,215	1,435,712	4.88	2.41
Maine	155,960	2	49,638	9,150	.06	.18
Maryland						
Massachusetts						
Michigan	1,231,040	34	2,698,068	308,971	.25	.11
Minnesota	333,820	7	2,048,038	108,598	.54	.09
Mississippi	821,000	3	1,136,694	1,662,454	2.02	1.46
Missouri	428,180	27	1,431,486	712,067	1.66	.50
Montana	478,240	3	16,706,338	4,561,074	\$9.54	.27
Nebraska	20,370	2	256,474	28,219	1.39	.11
Nevada	474,910	4	5,000,627	133,249	.28	.03
New Hampshire	107,750	2	3,254	136,092	1.25	.20
New Jersey						
New Mexico	751,890	21	9,642	903,135	1.20	.10
New York						
North Carolina	863,230	25	1,137,597	252,693	.29	.22
North Dakota	8,980	1	756	0	0	0
Ohio	347,630	11	159,617	19,854	.06	.12
Oklahoma	60,780	2	244,384	143,317	2.36	.57
Oregon	1,853,840	31	14,900,511	42,471,875	22.91	2.85
Pennsylvania	142,290	4	498,925	225,894	1.59	.45
Rhode Island						
South Carolina	611,620	13	598,466	792,611	1.30	1.32
South Dakota	107,480	6	1,122,403	82,628	.77	.07
Tennessee	414,120	10	617,652	82,786	.20	.13
Texas	266,130	12	661,780	702,754	2.64	1.06
Utah	1,056,580	29	7,995,365	284,243	.27	.04
Vermont	231,000	6	246,080	148,313	.64	.60
Virginia	731,980	30	1,586,723	101,835	.14	.06
Washington	2,775,000	27	10,625,411	17,395,765	6.27	1.64
West Virginia	178,290	12	954,308	151,902	.85	.16
Wisconsin	172,850	11	1,490,987	146,202	.85	.10
Wyoming	249,280	19	8,702,578	587,059	2.36	.07

Payments per acre to counties—25 percent of national forest receipts,
fiscal year 1973

State and county	Pay per acre	State and county	Pay per acre
Alabama :		California :	
Franklin	\$0.51	Los Angeles	.15
Lawrence	.51	San Bernard	.29
Winston	.51	Ventura	.02
Covington	.98	Orange	.10
Escambia	.98	Riverside	.24
Bibb	.32	San Diego	.10
Calhoun	.32	Alpine	.82
Chilton	.32	Amador	2.54
Clay	.32	El Dorado	2.54
Cleburne	.32	Placer	2.01
Dallas	.32	Fresno	.93
Hale	.32	Inyo	.12
Perry	.32	Madera	.87
Talladega	.32	Mono	.09
Tuscaloosa	.32	Tulare	.80
Macon	.36	Del Norte	2.51
Alaska : All	.05	Humboldt	2.49
Arizona :		Siskiyou	1.77
Apache	.30	Trinity	2.91
Greenlee	.27	Butte	3.38
Coconino	.28	Lassen	.80
Gila	.04	Plumas	3.03
Yavapai	.09	Shasta	2.45
Cochise	.05	Tehama	2.91
Graham	.05	Kern	.80
Pima	.05	Monterey	.02
Pinal	.04	San Luis Obisp.	.02
Santa Cruz	.05	Santa Barbara	.02
Mohave	.22	Colusa	1.21
Navajo	.52	Glenn	1.21
Maricopa	.05	Lake	1.21
Arkansas :		Mendocino	1.21
Garland	.58	Modoc	.81
Hot Springs	.58	Sierra	1.71
Howard	.58	Yuba	2.39
Logan	.54	Mariposa	1.26
Montgomery	.58	Calaveras	1.55
Perry	.58	Tuolumne	1.55
Pike	.58	Nevada	1.09
Polk	.58	Placer	3.03
Saline	.58	Colorado :	
Scott	.58	Clear Creek	.10
Sebastian	.58	Gilpin	.05
Yell	.54	Grand	.11
Baxter	.16	Jackson	.05
Benton	.16	Jefferson	.02
Conway	.16	Park	.01
Crawford	.16	Routt	.05
Franklin	.16	Summit	.11
Johnson	.16	Delta	.06
Madison	.16	Garfield	.06
Marion	.16	Mesa	.05
Newton	.16	Gunnison	.04
Pope	.16	Hinsdale	.07
Searcy	.16	Montrose	.02
Stone	.16	Saguache	.04
Van Buren	.16	Douglas	.01
Washington	.16	El Paso	.01
Lee	.54	Teller	.01
Phillips	.54	Alamosa	.04

Payments per acre to counties—25 percent of national forest receipts,
fiscal year 1973—Continued

Conejos -----	.04	Idaho :	Ada -----	.33
Mineral -----	.07		Boise -----	.33
Rio Grande -----	.04		Elmore -----	.27
San Juan -----	.14		Gem -----	.33
Boulder -----	.01		Valley -----	.29
Larimer -----	.01		Bannock -----	.04
Archuleta -----	.15		Bear Lake -----	.04
Moffat -----	.05		Bonneville -----	.06
Rio Blanco -----	.05		Caribou -----	.04
Chaffee -----	.01		Franklin -----	.04
Custer -----	.01		Oneida -----	.04
Fremont -----	.01		Power -----	.03
Huerfano -----	.01		Blaine -----	.03
Lake -----	.01		Butte -----	.03
Las Animas -----	.01		Clark -----	.10
Pueblo -----	.01		Custer -----	.01
Dolores -----	.15		Lemhi -----	.03
La Plata -----	.15		Clearwater -----	.55
San Juan -----	.14		Idaho -----	.34
San Miguel -----	.03		Shoshone -----	1.13
Pitkin -----	.06		Bonner -----	.74
Duray -----	.02		Kootenai -----	1.47
Eagle -----	.06		Boundary -----	.06
Florida :			Adams -----	.26
Franklin -----	.57		Washington -----	.26
Leon -----	.57		Benewah -----	.92
Liberty -----	.57		Latah -----	.92
Wakulla -----	.57		Camas -----	.03
Lake -----	.38		Cassia -----	.03
Marion -----	.38		Twin Falls -----	.03
Putman -----	.38		Fremont -----	.10
Baker -----	1.65		Jefferson -----	.10
Columbia -----	1.65		Madison -----	.10
Georgia :			Teton -----	.10
Banks -----	.27	Illinois :	Alexander -----	.17
Catoosa -----	.27		Gallatin -----	.17
Chattooga -----	.27		Hardin -----	.17
Dawson -----	.27		Jackson -----	.17
Fannin -----	.27		Johnson -----	.17
Floyd -----	.27		Massac -----	.17
Gilmer -----	.27		Pope -----	.17
Gordon -----	.27		Saline -----	.17
Habersham -----	.27		Union -----	.17
Lumpkin -----	.27		Williamson -----	.17
Murray -----	.27	Indiana :	Brown -----	.11
Rabun -----	.27		Crawford -----	.11
Stephens -----	.27		Dubois -----	.11
Towns -----	.27		Jackson -----	.11
Union -----	.27		Lawrence -----	.11
Walker -----	.27		Martin -----	.11
White -----	.27		Monroe -----	.11
Whitfield -----	.27		Orange -----	.11
Greene -----	1.42		Perry -----	.11
Jasper -----	1.42	Kentucky :	Bath -----	.19
Jones -----	1.42		Bell -----	.19
Morgan -----	1.42		Clay -----	.19
Oconee -----	1.42			
Oglethorpe -----	1.42			
Putman -----	1.42			

Payments per acre to counties—25 percent of national forest receipts,
fiscal year 1973—Continued

Estill .....	.19	Grand Traverse .....	.13
Harlan .....	.19	Lake .....	.13
Jackson .....	.19	Manistee .....	.13
Knox .....	.19	Mason .....	.13
Laurel .....	.19	Mecosta .....	.13
Lee .....	.19	Montcalm .....	.13
Leslie .....	.19	Muskegon .....	.13
McCreary .....	.19	Newaygo .....	.13
Menifee .....	.19	Oceana .....	.13
Morgan .....	.19	Otsego .....	.13
Owsley .....	.19	Wexford .....	.13
Perry .....	.19	Baraga .....	.13
Powell .....	.19	Gogebic .....	.13
Pulaski .....	.19	Houghton .....	.13
Rockcastle .....	.19	Iron .....	.13
Rowan .....	.19	Ontanagon .....	.12
Wayne .....	.19	Antrim	0
Whitley .....	.19	Kalkaska	0
Wolfe .....	.19	Minnesota :	
Letcher .....	.06	Beltrami .....	.13
Pike .....	.06	Cass .....	.13
Louisiana :		Itasca .....	.13
Claiborne	2.41	Cook .....	.06
Grant	2.41	Koochiching .....	.06
Natchitoches	2.41	Lake .....	.06
Rapides	2.41	St. Louis .....	.06
Vernon	2.41	Mississippi :	
Webster	2.41	Jasper .....	.58
Winn	2.41	Newton .....	.58
Maine :		Scott .....	.58
York	0	Smith .....	.58
Alfred	0	Forrest	1.60
Dayton	0	George	1.60
Hollis	0	Greene	1.60
Lyman	0	Harrison	1.60
Oxford .....	.19	Jackson	1.60
Albany .....	.19	Jones	1.60
Batchelders Gt. .....	.19	Pearl River	1.60
Gilead .....	.19	Perry	1.60
Lovell .....	.19	Stone	1.60
Mason .....	.19	Wayne	1.60
Stoneham .....	.19	Benton .....	.60
Stow .....	.19	Lafayette .....	.60
Bethel .....	.19	Marshall .....	.60
Michigan :		Tippah .....	.60
Alger .....	.10	Union .....	.60
Cheboygan .....	.10	Yalobusha .....	.60
Chippewa .....	.10	Adams	2.99
Delta .....	.10	Amite	2.99
Mackinac .....	.10	Copiah	2.99
Marquette .....	.11	Franklin	2.99
Schoolcraft .....	.10	Sharkey .....	.53
Alcona .....	.10	Jefferson	2.99
Crawford .....	.09	Lincoln	2.99
Iosco .....	.10	Wilkinson	2.99
Ogeman .....	.09	Chickasaw	1.01
Oscoda .....	.10	Choctaw	1.01
Roscommon .....	.07	Oktibbeha	1.01
Barry .....	.13	Pontotoc	1.01
Charlevoix .....	.13	Winston	1.01
Genesee .....	.13		

Payments per acre to counties—25 percent of national forest receipts,
fiscal year 1973—Continued

Missouri :		Nebraska :	
Bollinger -----	.86	Blaine -----	.11
Butler -----	.86	Dawes -----	.11
Carter -----	.86	Sioux -----	.11
Crawford -----	.86	Thomas -----	.11
Dent -----	.86	Cherry -----	.09
Iron -----	.86	Nevada :	
Laclede -----	.86	Douglas -----	.03
Madison -----	.86	Esmeralda -----	.12
Phelps -----	.86	Mineral -----	.03
Pulaski -----	.86	Clark -----	.02
Reynolds -----	.86	Eureka -----	.02
St. Francois -----	.86	Lander -----	.02
Ste. Genevieve -----	.86	Lyon -----	.02
Shannon -----	.86	Nye -----	.02
Texas -----	.86	Washoe -----	.02
Washington -----	.86	Carson City -----	.02
Wayne -----	.86	Elko -----	.02
Wright -----	.86	Humboldt -----	.02
Barry -----	.02	Lincoln -----	.02
Christian -----	.02	White Pine -----	.02
Douglas -----	.02	New Hampshire :	
Howell -----	.02	Carroll -----	.20
Oregon -----	.02	Coos -----	.20
Ozark -----	.02	Grafton -----	.20
Ripley -----	.02	New Mexico :	
Stone -----	.02	Catron -----	.10
Taney -----	.02	Hidalgo -----	.05
Montana :		Cofax -----	.22
Lincoln -----	.94	Mora -----	.14
Sanders -----	.61	Rio Arriba -----	.18
Beaverhead -----	.01	Taos -----	.22
Deer Lodge -----	.02	Bernalillo -----	.06
Gallatin -----	.02	Santa Fe -----	.12
Madison -----	.02	Lincoln -----	.06
Silver Bow -----	.03	McKinley -----	.06
Missoula -----	.49	Sandoval -----	.12
Ravalli -----	.19	Sierra -----	.03
Carbon -----	.03	Socorro -----	.06
Carter -----	.04	Torrance -----	.06
Park -----	.02	Valencia -----	.06
Powder River -----	.04	Grant -----	.03
Rosebud -----	.04	Chaves -----	.05
Stillwater -----	.04	Eddy -----	.05
Sweet Grass -----	.02	Otero -----	.05
Granite -----	.20	Los Alamos -----	.12
Jefferson -----	.04	San Miguel -----	.12
Powell -----	.30	North Carolina :	
Flathead -----	.42	Cherokee -----	.25
Lake -----	.40	Clay -----	.25
Lewis & Clark -----	.09	Graham -----	.25
Meagher -----	.02	Jackson -----	.25
Broadwater -----	.06	Macon -----	.25
Cascade -----	.01	Swain -----	.25
Chouteau -----	.01	Transylvania -----	.22
Fergus -----	.01	Avery -----	.21
Glacier -----	.01	Buncombe -----	.21
Golden Valley -----	.01	Burke -----	.21
Judith Basin -----	.01	Caldwell -----	.21
Pondera -----	.01	Haywood -----	.21
Teton -----	.01	Henderson -----	.21
Wheatland -----	.01	McDowell -----	.21
Mineral -----	.53	Madison -----	.21

Payments per acre to counties—25 percent of national forest receipts,
fiscal year 1973—Continued

Mitchell -----	.21	South Carolina :	
Watauga -----	.21	Berkeley -----	1.68
Yancey -----	.21	Charleston -----	1.68
Carterey -----	.16	Abbeville -----	1.07
Craven -----	.16	Chester -----	1.07
Jones -----	.16	Edgefield -----	1.07
Davidson -----	.27	Fairfield -----	1.07
Montgomery -----	.28	Greenwood -----	1.07
Randolph -----	.27	Laurens -----	1.07
Ashe -----	.13	McCormick -----	1.07
North Dakota : McHenry -----	0	Newberry -----	1.07
Ohio :		Oconee -----	1.07
Athens -----	.12	Saluda -----	1.07
Gallia -----	.12	Union -----	1.07
Hocking -----	.12	South Dakota :	
Jackson -----	.12	Harding -----	.04
Lawrence -----	.12	Custer -----	.08
Monroe -----	.12	Fall River -----	.08
Morgan -----	.12	Lawrence -----	.08
Perry -----	.12	Meade -----	.08
Scioto -----	.12	Pennington -----	.08
Vinton -----	.12	Tennessee :	
Washington -----	.12	Carter -----	.13
Oklahoma :		Cocke -----	.13
Le Flore -----	.59	Greene -----	.13
McCurtain -----	.59	Johnson -----	.13
Oregon :		McMinn -----	.13
Benton -----	9.69	Monroe -----	.13
Baker -----	.67	Polk -----	.13
Clackamas -----	4.64	Sullivan -----	.13
Coos -----	3.04	Unicoi -----	.13
Crook -----	1.74	Washington -----	.13
Curry -----	3.25	Texas :	
Deschutes -----	1.04	Angelina -----	.92
Douglas -----	5.56	Jasper -----	.92
Harney -----	1.40	Nocogdoches -----	.92
Foodriver -----	5.02	San Augustine -----	.94
Jackson -----	3.50	Houston -----	1.32
Jefferson -----	1.18	Trinity -----	1.32
Josephine -----	2.40	Newton -----	1.14
Klamath -----	1.52	Sabine -----	1.14
Lake -----	1.24	Shelby -----	1.14
Lane -----	6.89	Montgomery -----	.84
Linn -----	6.96	San Jacinto -----	.84
Lincoln -----	9.69	Walker -----	.84
Morrow -----	.82	Utah :	
Malheur -----	.72	Sox Elder -----	.04
Marion -----	6.31	Cache -----	.04
Multnomah -----	5.02	Daggett -----	.03
Polk -----	9.69	Duchesne -----	.04
Tillamook -----	9.69	Summit -----	.04
Umatilla -----	2.38	Uintah -----	.03
Union -----	.66	Utah -----	.04
Wallowa -----	.40	Wasatch -----	.04
Wasco -----	5.02	Morgan -----	.04
Wheeler -----	1.53	Rich -----	.04
Yamhill -----	9.69	Weber -----	.04
Grant -----	1.08	Garfield -----	.04
Pennsylvania :		Iron -----	.04
Elk -----	.45	Kane -----	.02
Forest -----	.45	Piute -----	.04
McKean -----	.45	Washington -----	.02
Warren -----	.45	Wayne -----	.04
		Beaver -----	.04

Payments per acre to counties—25 percent of national forest receipts,
fiscal year 1973—Continued

Juab .....	.04	Skamania	5.61
Millard .....	.04	Yakima	2.53
Sanpete .....	.04	Ferry .....	.52
Sevier .....	.04	Skagit	1.01
Carbon .....	.03	Snohomish	1.35
Emery .....	.03	Whatcom	1.01
Grand .....	.03	Clallam	1.80
San Juan .....	.03	Grays Harbor	1.80
Davis .....	.07	Jefferson	1.80
Salt Lake .....	.07	Mason	1.80
Toledo .....	.07	Thurston	2.27
Vermont :		King	2.28
Addison .....	.60	Kittitas .....	.87
Bennington .....	.60	Pierce	2.28
Rutland .....	.60	Chelan .....	.64
Washington .....	.06	Douglas .....	.64
Windham .....	.60	West Virginia :	
Windsor .....	.60	Hampshire .....	.06
Virginia :		Hardy .....	.06
Alleghany .....	.06	Monroe .....	.06
Amherst .....	.06	Pendleton .....	.13
Augusta .....	.06	Grant .....	.17
Bath .....	.06	Greenbrier .....	.17
Botetourt .....	.06	Nicholas .....	.17
Frederick .....	.06	Pocahontas .....	.17
Highland .....	.06	Preston .....	.17
Nelson .....	.06	Randolph .....	.17
Page .....	.06	Tucker .....	.17
Rockbridge .....	.07	Webster .....	.17
Rockingham .....	.06	Wisconsin :	
Shenandoah .....	.06	Ashland .....	.08
Warren .....	.06	Bayfield .....	.08
Bedford .....	.06	Price .....	.08
Bland .....	.06	Sawyer .....	.08
Carroll .....	.06	Taylor .....	.08
Craig .....	.06	Vilas .....	.08
Dickenson .....	.06	Florence .....	.12
Giles .....	.06	Forest .....	.12
Grayson .....	.06	Langlade .....	.12
Lee .....	.06	Oconto .....	.12
Montgomery .....	.06	Oneida .....	.12
Pulaski .....	.06	Wyoming :	
Roanoke .....	.06	Lincoln .....	.11
Scott .....	.06	Teton .....	.08
Smyth .....	.06	Crook .....	.08
Tazewell .....	.06	Weston .....	.08
Washington .....	.06	Sweetwater .....	.03
Wise .....	.06	Uinta .....	.08
Wythe .....	.06	Big Horn .....	.05
Washington :		Johnson .....	.05
Pend Oreille .....	.62	Sheridan .....	.05
Stevens .....	.54	Washakie .....	.05
Asotin .....	.82	Albany .....	.09
Columbia .....	.82	Carbon .....	.09
Garfield .....	.82	Converse .....	.09
Walla Walla .....	.82	Natrona .....	.09
Okanogan .....	.59	Platte .....	.09
Clark	5.61	Fremont .....	.03
Cowlitz	5.61	Hot Springs .....	.03
Klickitat	5.61	Park .....	.03
Lewis	5.07	Sublette .....	.11

Mr. BLATNIK. I would like to point out that in public works we are now underway with a review of the national population growth policy, not the growth policy in total population, but the distribution of the population.

We call it the maldistribution, the lopsided, concentration of too large a percentage of our total population growth each decade on about 3 percent of our total land area.

This very morning, I opened the hearings in the Public Works Committee on the mass transit bill, which in just 5 years would entail an expenditure of close to \$20 billion to take care of the movement of people and goods with convenience and safety in the ever-increasing and congested large metropolitan areas.

And our theory is that if we invested a much smaller percentage of that money into these areas, the rural areas, and encourage people to stay there, and enable the local governmental subdivisions to stay there and to give the services to the people and encourage private development we already have a quality of life there and it would greatly reduce the expenses that are required in these large metropolitan areas to keep up the so-called quality of life.

Disparity in our northeastern part of Minnesota, Itasca County, Commissioner Nesseth's county, the Federal payment on 300,000 acres of Federal forest land in the Chippewa National Forest is about \$40,000 a year, or 13 cents an acre, while equivalent land in this county, which is on the private tax roll, has been assessed at \$2.35 an acre.

Now, I don't say we should assess it that high, but certainly something more than 13 cents an acre would be equitable and necessary.

Itasca County is experiencing an increase in taconite production, iron ore plants, iron ore processing plants; more people are settling and there is a heavy demand for services that the county cannot just now meet.

The chairman, who has been up in our area, is familiar with the general problem that we have there. The statistics nationwide—I will not repeat them; you have them—there are approximately 685 counties with Federal forest land on which they receive Federal payments, et cetera.

The forest payments show great disparity, depending on the value of the product of the land. Forest payments range from as little as 1 cent per acre in some counties to as much as \$9.60 an acre in Oregon.

Of the counties receiving payments for Federal forest land, of which we are particularly affected with not only the Chippewa National Forest but also the Superior National Forest, of the counties receiving payments for these Federal forest lands, 435 average less than 45 cents an acre, and only six States, with 163 counties, averaged over \$1 an acre.

For instance, St. Louis County, the county in which I live, geographically I think about the third largest county in the United States—for a while it had one of the largest rural school districts in the United States spread over that geographic area.

In St. Louis County, you find this example of diversity and complexity of the payment system. This county has 795,000 acres of private lands taxed at 53 cents an acre; and 573,000 acres of national forest lands taxed at 7 cents an acre; and 195,000 acres in the Boundary Water Canoe area, still in the National Superior Forest, assessed under still a different formula which yields 32 cents an acre.

I don't mean to suggest that all land should pay 53 cents an acre, but I do point out that the tax equivalency of this land is much closer to the 53 cents than the 7 cents that is now paid.

I am not going to go any further. The problem is well known to the gentlemen of this committee. I appreciate this special effort in a very crowded schedule, which I know is yours especially, Mr. Chairman, to give us this opportunity to be heard. I would like to yield the rest of my time to the commissioner from Itasca County, Mr. Nesseth.

Mr. UDALL. Sir, do you have a prepared statement?

Mr. NESSETH. No, sir.

Mr. BLATNIK. He is prepared to answer any specific questions that the members of the subcommittee have.

Mr. UDALL. Well, you have given us an excellent statement here. As I said, your leadership in this area has been very crucial, and one of the reasons for undertaking these hearings at this time was because of the large number of co-sponsors.

I think you have covered it very well. We are going to begin to hold hearings around the country on this, and begin to wrestle with these various policy questions that we are discussing and that we discussed with Mr. Evans. Your statement is very good and helps us get these hearings underway.

Any questions?

Mr. RUPPE. I would just like to congratulate the witness and say that his comments concerning this county in northern Minnesota are almost parallel to the experience in my own county in northern Michigan where the in lieu of tax payments amount to at most 10 or 12 cents an acre, and are nowhere comparable to even what the State pays on its lands.

It is certainly far from what the private owners pay on their properties, either for private lands or for commercial forest lands.

Mr. BLATNIK. Yes.

Mr. RUPPE. If we had a comparable act, perhaps some of the pressures on the Federal Government in terms of extending the Great Lakes Regional Commission and other commissions would be alleviated.

We have had to reach other Federal sources because of the fact that the very base Federal properties in our States simply don't carry their share of the local burden.

Mr. UDALL. Mr. Steiger.

Mr. STEIGER. Thank you, Mr. Chairman.

I would like to ask—to get a reaction to one of our first dilemmas in this bill. And perhaps the chairman could respond.

Do you see a greater inequity from the national standpoint to simply an arbitrary, if you will, assessment based on either comparable assessments or for comparable private lands, or some sort of fixed assessment, not taking into account the benefits and not taking into account the taxing effort of the county; do you think that on balance that would still prove to be the most equitable solution?

Mr. NESSETH. Yes, sir. I feel that it would be the most equitable because the costs of service provided remains pretty constant when the income varies.

It would be almost impossible to have a fixed formula to say which

would be more fair, and I would like to think that if we could get the returns from Federal lands that we get from private and provide the same services, it would appear to be fair to us.

Mr. STEIGER. Mr. Chairman, that appears to be the one possible solution to that dilemma, that the returns, the obligations of the Federal Government are to be comparable to the obligations of comparable private lands in the area, with the one stipulation that the obligations of the private lands not be reduced as a result of this income from the Federal lands. If you follow that, sir.

In other words, that would avoid the challenge that the county abandons responsibility. Does that make any sense to you?

Mr. NESSETH. Yes, it sounds reasonable.

Mr. STEIGER. Mr. Chairman, I have no further questions.

I would like to thank Chairman Blatnik for his addressing the subject that is not particularly politically sexy, but one that is desperately needed, so I thank you for your statement and for your leadership in this, Mr. Chairman.

Mr. BLATNIK. Thank you very much, Congressman.

Mr. Chairman, thank you, and again, although I have it in my statement, I do want to say for the audience I want to congratulate you particularly, Mr. Chairman, and the subcommittee for all your work, and I have in my printed version that I am delighted to see the distinguished and able and respected former chairman of the full committee, Mr. Wayne Aspinall, who had done tremendous work on the monumental Land Law Review Commission that has made possible, I think, very authoritative and a sound basis for an equitable system of payments in lieu of taxes.

Mr. UDALL. I wholly concur with what you said about Chairman Aspinall. Thank you again.

Mr. BLATNIK. Thank you.

Mr. UDALL. Mr. Ichord.

Mr. ICHORD. Thank you, Mr. Chairman.

Mr. Ruppe, Mr. Steiger, I have prepared my statement in two parts, a short statement and a longer statement, but in the interests of time, I will even abbreviate my short statement.

Mr. UDALL. Well, we will put your long one in in full, and then you may give us the highlights.

[Statement follows:]

STATEMENT OF HON. RICHARD H. ICHORD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. Chairman and Members of the Subcommittee on Environment:

Thank you for the privilege of appearing before you today to testify in favor of the establishment of a reformed system of payments-in-lieu-of-taxes on federal lands. Fully appreciating the restraints on your time, I am submitting a prepared statement of my testimony in support of such a system.

Mr. Chairman, I would only take this opportunity to reinforce the fact that I strongly feel that a bill similar to H.R. 12775, also introduced in the Senate by Senator Humphrey as S. 2912, should be enacted at the earliest possible date. At present payments to states and local governments for federal lands are based on a percentage of the Federal revenues generated by these lands. These percentages were established decades ago and are no longer realistic given the escalating costs of state and local government.

Four years ago the Public Land Law Review Commission (established by Public Law 88-606) recommended that a federal payment system be established

that would not be tied to varying levels of revenues from federal lands. This Commission found in its studies that the present percentage system has led to serious inequities and often totally inadequate payments seldom coming even close to approaching the tax equivalency for these lands.

H.R. 12775 would give local governments the opportunity to have the federal lands within their boundaries appraised, placed on the tax rolls, and taxed according to the same millage rate applied to similar private lands, or, alternatively, to retain their present percentage payment based on the revenues received from the federal lands within their boundaries.

In the 8th District of Missouri where the counties with federal forest lands receive such disparate payments as 2¢ per acre up to 86¢ per acre, this bill would allow the counties to elect what they judge to be the most equitable system of payment for their county. Probably no other issue has been of such consistent concern in counties with large proportions of federal lands as the loss of revenue base. When costs of local government are escalating beyond all control, this would appear a propitious time to reform the entire payment system. For too long those counties with federal lands have been discriminated against merely on the basis of containing lands which are preserved for the benefit of the entire nation. It is high time that we correct this discrimination and provide a more equitable basis for compensating those counties that possess large amounts of federally-owned lands.

At this point, Mr. Chairman, I would like to submit my testimony and urgently request that this Subcommittee take expeditious and favorable action in reporting out H.R. 12775 or a similar bill which would provide long overdue relief to the over 700 counties in this nation suffering loss of tax revenue due to the presence of federal lands.

Mr. Chairman and Members of this Subcommittee, it has been over 4 years now since the Public Land Law Review Commission completed its work and offered as one of its principal recommendations that "the United States should make payments in lieu of taxes for the burdens imposed upon State and local governments by reason of federal ownership of public lands without regard to the revenues generated therefrom."

Until 1891 relatively little land was held in federal ownership, but the Creative Act of March 3, 1891, enacted by executive action, marked the beginning of the establishment and consolidation of a national forest system. Since that time, federal ownership of land has burgeoned to the point that today the federal government owns one-third of all the land in this country, or over 700 million acres of the 2.2 billion acres of land within the United States.

The loss of these lands to the tax base formed an early concern and in 1908 (amended March 1, 1911, 16 U.S.C. 500) Congress authorized that 25% of all monies collected by the Forest Service from receipts from grazing, recreation—including admission and user fees—power, minerals and timber sales during any fiscal year shall be paid to the states for transfer to the affected counties for the benefit of public schools and roads. The remaining monies were allocated 10% for use by the Forest Service for construction of roads and trails and 65%, with some exceptions, to be transferred into the General Fund of the U.S. Treasury.

Since the enactment of the payments system and June 30, 1973, payments of more than \$1 billion have been made to non-federal jurisdictions, with the Forest Service taking in an excess of \$4 billion in user receipts. In Missouri Forest Service payments to counties have increased from \$259 in 1939 to \$712,067 in fiscal year 1973.

While these figures appear adequate on the surface, they only represent a fraction of what these counties would have received had these lands remained on the private land tax rolls and been developed. Additionally, the figures do not take into account the dramatic increase in state and local government revenue needs over the past decades. According to Chapter 14 of the Public Land Law Review Commission's report (page 236): "In 1940, prior to World War II, the combined spending of state and local governments was approximately 9.3 billion. Ten years later, in 1950, it had risen to approximately \$22.8 billion. In 1969, the figure exceeded \$100 billion." Also the figures do not show the great expansion of federal ownership of land which has occurred concomitantly with the increased revenue needs of our nation's counties.

Given the growing financial burdens of these counties, it has come time for the federal government to reappraise its relationship to those jurisdictions within whose borders federally-owned lands are located.

The Public Land Law Review Commission made a most reasonable statement in this regard, and I would commend it to this Subcommittee: "If the national interest dictates that lands should be retained in Federal ownership, it is the obligation of the United States to make certain that the burden of that policy is spread among all the people of the United States and is not borne only by those states and governments in whose area the lands are located." (Recommendation 101)

Mr. Chairman, I am a strong supporter of our national forest system, our national parks, our wildlife refuge system, our BLM lands and other reasonable forms of federal conservation and protection of our nation's lands. But I support these programs only within certain bounds, not the least of which is that the federal government has the responsibility to adequately compensate state and local governments for the tax immunity of federal lands.

Missouri in fiscal year 1973 received \$712,067 in forest receipts for 1,431,486 acres of National Forest Service lands. For the 27 Missouri counties who received forest monies, this averages out as 50¢ per acre for the federal forest lands within their borders, far below the national average of 65¢ per acre paid to the 695 counties with federally owned forest lands. In the 8th Congressional District the Forest Service paid \$326,207.05 on 574,057 acres of Forest Service land. In actual payments to Missouri counties the rate ranged from 2¢ an acre for lands in the Mark Twain National Forest to 86¢ an acre for lands in the Clark National Forest. Thus while the revenue needs of the counties encompassing these two national forests are not that disparate, due to revenue-generating differences on these lands, 9 counties in Missouri are only receiving payments on 2¢ an acre for the forest service lands located within their boundaries. The inequities of the percentage of receipts system becomes even more obvious when one notes that 5 counties in Oregon are receiving \$9.69 per acre in payments. Given these disparities it is hardly surprising that 146 counties which are classified as distressed areas under Title I of the Public Works and Economic Development Act contain large amounts of federal forest land. For years attempts to reform the payments system have failed and the inequities of the present system have increased. It is time that we face our responsibilities in this area and enact legislation which will give our hard-pressed rural counties the equitable treatment that they deserve and so desperately need. Common sense and a sense of fair play can only lead to this conclusion.

I wish to thank the Subcommittee for providing this opportunity to testify in favor of reform of the present payment system on federal lands. I would sincerely hope that as a result of these hearings, legislation will be enacted which will correct the present inequities of counties containing federal lands. In this regard I would heartily recommend that the Subcommittee on the Environment favorably report on H.R. 12775 or legislation similar to it.

STATEMENT OF HON. RICHARD H. ICHORD, MEMBER OF CONGRESS FROM THE STATE OF MISSOURI

Mr. ICHORD. Very good, Mr. Chairman. I represent in Missouri a very diverse heterogeneous area that stretches all the way from metropolitan area of St. Louis to the Arkansas line, taking in the Capitol, University Center, and 19 counties, and in those 19 counties are a good part of the Ozark mountain area.

So I am very familiar with this problem because I have the southern half of the counties in Missouri and a good part of them are owned by the State of Missouri and the Federal Government.

A very unique situation exists in Missouri. Missouri, as you may know, produces about 80 percent of all the lead mined in the United States, and a good part of this lead comes from Forest Service land.

We have two national forests in Missouri, the Clark National Forest and the Mark Twain National Forest. The mines are located in the Clark National Forest, and the mining royalties are pretty large.

And so it is possible to have two counties side by side with the same

type of forest land, and one of them will receive 2 cents an acre for land owned by the Federal Government, and the other will receive as high as 86 cents per acre.

This problem that you are dealing with here, and I fully appreciate the complexities of the problem of achieving equity, set off something similar to a Shay's Rebellion of landowners in Missouri.

I don't think I am the Jim Curley type of politician but in this case I am their leader, and I am going to follow them because I think they are right.

This is something that needs to be corrected, and this is one of the reasons I have asked this committee to delete from the Eastern Wilderness bill an area of about 19,000 acres, called the Irish Wilderness Area, which would be set aside for the benefit of all the people in the United States. Even though I think it is desirable to preserve such areas.

But I think you have got to recognize the impact that this has on some of these small counties. And for that reason, I proudly join with the gentleman from Colorado and the gentleman from Minnesota, the Chairman of the Public Works Committee, in the introduction of this bill, Mr. Chairman.

I would be happy to answer any questions that you might have.

Mr. UDALL. Thank you very much for your statement, which I have glanced through and which is very good. We are going to be able to compile a pretty thorough hearing record on this. We will have a lot of recommendations, I am sure, before we are through.

One struck me here this morning already. It is the immense variety of problems. John Blatnik with a huge national forest tract; others with the kind of diverse district that has national forest lands, the heavy mining interests.

In Arizona, we may have counties that are half in a wilderness area, and so on.

Some counties are heavily populated, heavily impacted, while others are not impacted at all. We found the Public Land Law Review Commission listed an occasional county which had a ridiculous eight citizens, yet it was located strategically and one of these old statutes was pumping tens of thousands of dollars into that county that didn't need it.

And the adjacent county might have been a heavy impact area, and it wasn't getting any money at all. It is that diversity that we have to deal with, and try to find a solution.

Mr. ICHORD. That is a problem we have difficulty in solving. It is difficult to come up with an answer on the Washington level, because of the diversity and the pluralism, the heterogeneity of the United States of America.

Mr. UDALL. Let me ask you the same question which I asked Frank Evans and which relates to that.

Would you be in favor, generally, of a distribution that went through the State governments, providing those State governments had a passthrough formula that put the Federal payment in lieu of taxes where the actual impact was, or do you think we ought to take our chances, simply paying it directly to the counties where the land is located, the same way most of the States do now?

The tax collectors collect in that county on that land.

Mr. ICHORD. I don't know. I think you will encounter different methods of distribution in every State. At the present time, I believe the Missouri law as far as Forest Service land is concerned—and this is what I know about—distributes forest receipts to counties for public road purposes, public school purposes, and I think that is controlled by statute in Missouri.

Personally, I am willing to rely on the State government for the distribution.

Mr. UDALL. One of the other complications we get into that we haven't even discussed here this morning is one that arises from the vast array of different governmental arrangements that you have. In some States, the counties run the school systems. In other States, like mine, you can have separate school districts, so that an arbitrary formula which says that your share of forest receipts goes to the county may not help the schools at all.

And, as I pointed out earlier, these schoolchildren resulting from a large mining operation or timber operation may be across the county line, and in another school district from the place where the lands are.

Mr. ICHORD. In every local jurisdiction there are different ways of raising taxes for school purposes too, so you do have a very complex problem.

Mr. UDALL. That is why the Public Land Law Review Commission thought that we ought not to keep the present system because it sometimes places vast amounts of money where they are not needed. It would have no relationship to the Federal entity, but yet we were not wise enough in Washington to try to devise a formula that said to a related State, you look at your school system and your property tax system.

Here is your share, Missouri's share, from the forest and mineral revenues—you put it where the impact is.

Mr. ICHORD. It is a problem, Mr. Chairman, and it is going to have to be dealt with. For example, I spoke earlier of a Shay's Rebellion developing in regard to the scenic river proposals.

The landowners in my district have joined—this happens to be a Forest Service project—they have organized and unanimously voted to hold the feet to the fire of the Forest Service on every land purchase.

They have all agreed to force the Government to resort to condemnation on all land acquisition. And they have a point, a good point.

Mr. UDALL. That is what is called a stonerolling.

Mr. Ruppe.

Mr. RUPPE. Thank you very much.

Some of the bills have a public service discount. It allows the Federal Government to receive a discount for the value or the contribution to the local economy of their presence.

The public service discount could run from 10 to 40 percent. And, in fact, that 10 to 40 percent would be a reduction in what would be a normal Federal payment based on ad valorem tax payments. Do you think this would be a public service discount? Are you familiar?

Mr. ICHORD. I am not familiar with that concept.

Mr. RUPPE. It is a benefits discount. You receive discounts on the tax depending on the amount of public benefits. It is really a public service discount.

If it is valuable Federal property, they might get a discount of 40 percent on their taxes. If it was not so valuable property, one that didn't contribute to the local economy, they would get a 10-percent public benefits discount.

Mr. ICHORD. I think you are going to have considerable difficulty in arriving at what the value of that discount is. I know that there's a tendency in nearly all jurisdictions, particularly in these small rural counties, for the elected assessor to place a higher assessed valuation on the out-of-county resident.

I think this is natural and I think there would be a great tendency, even in the tax valuation, to place a greater value on Federal lands, so perhaps you should have something like 90 percent in there to take into consideration that tendency on the part of the locally elected tax assessors, and we do have a lot of them in Missouri.

Mr. RUPPE. If you have a problem with local assessments, there would be some tendency since the check came out of Washington to assess the Federal property, I suspect, sky high.

Would there not also be a possibility that in a county with high Federal ownership that there would be a tendency to have a rather high tax rate, to hit the Federal Government the harder?

It would make it a bit easier on the local citizens by having a high rate. And setting a low property value for the citizens in the county.

Mr. ICHORD. I think there would be that tendency all right.

Mr. UDALL. You warned us of that danger area, if I recall, in our committee's deliberations. Since this is really a grant from the Federal Government and not something the State or local governments have the right to give away, but the assessing was going to be done by the GSA, not by the local assessor.

And there would be some kind of appeal hearing procedure.

Mr. RUPPE. But we would assume in that case that the rate of tax on the accepted valuation would be the rate of tax of the local jurisdiction.

Mr. UDALL. Yes. GSA would say, all right, here is our assessment; here is our proposed assessment. The county commissioners could then come in and argue and have a hearing, and maybe some kind of appeal procedure, but that is not a policy decision to get into, if you go down this road.

Mr. RUPPE. Thank you very much.

Mr. UDALL. Mr. Steiger.

Mr. STEIGER. Thank you, Mr. Chairman.

I am convinced, Mr. Chairman, that you might want to use this and you are free to do so without giving me any credit for it, but property taxes assessed by an elected official have got to be the most inequitable tax of all.

But, because the value of the property does not necessarily generate income, and, therefore, there is a penalty in owning property if you don't have any other means of support.

But I think we could solve the problem we have been concerned with the last few minutes if we simply leave the GSA out of it. We will use the absolute mean of comparable taxes on comparable private land in the county.

In other words, the forest land that the county assessed from 10 to 20 cents an acre, the comparable Federal lands will be 15 cents an acre.

Now, that will have the effect of if the assessor lowers the property taxes for political reasons on private property, he has automatically lowered it on Federal property, and, therefore, will have to take that into consideration.

Obviously, this still permits some kind of chicanery, and there will be a mechanism—

Mr. ICHORD. Offhand, that strikes me as an excellent solution to the problem.

Mr. STEIGER. I just hate to burden the whole process with some kind of an involved procedure, but I think we can arrive at something like that which would, again, be a quantitative limitation without necessarily inflicting any pain.

Mr. UDALL. Here is a mechanism. The Administrator of the GSA makes an evaluation after consultation with State and local governments. He establishes it.

If you want to appeal, you appeal to the Board consisting of the Secretary of Interior, the Secretary of Agriculture, the Secretary of Treasury, and the Director of the Office of Management of the Budget. I assume they all appoint somebody to this Board.

So the Federals would finally arbitrate it, but you would have appeal if you didn't like what GSA did. Then, the evaluation of public lands would be consistent with the assessment of privately owned lands in the area, and there shall be no discrimination against the Federal Government in tax rates applicable to similar private land, and the values will be considered for improvements placed on the Federal land.

Mr. STEIGER. Well, I think this definitely is a solvable problem, Mr. Chairman. I would like to congratulate the gentleman from Missouri for his awareness of the problem.

Mr. ICHORD. Thank you, and thank you, Mr. Chairman, for your time.

Mr. UDALL. Very good. We have statements for the record from Members of Congress that will be placed in the record at this point. [The statements follow:]

STATEMENT OF HON. HAROLD T. (BIZZ) JOHNSON, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF CALIFORNIA

Mr. Chairman, it was with pleasure that I learned that this committee would be looking into the overall use of payments-in-lieu-of-taxes. Although this concept has been a part of our program of intergovernmental relations for some years, the uncoordinated approach currently used results in inequities and fails to sufficiently fulfill its purposes in many instances. This is a matter which well deserves the attention and review of Congress. I salute you on your efforts and wish you every success in devising an improved program in this field.

The rural areas of our country have been severely weakened by the loss of people to the urban and suburban areas and by a depletion of their natural resource base. For much of rural America, county government is the main governing body. County government, as many of you know, is facing an increasingly serious financial plight. The property tax has been the primary source of revenue for most county governments. While other means of collecting revenue are available—such as licenses, sales taxes, fines, and user fees—the property tax has remained the mainstay of the county tax program.

As with all levels of government, the citizen demand for goods and services has risen significantly. County governments are being asked to provide substantial leadership in the financing of transportation, health, education, law enforcement, welfare, and job training. Unfortunately the tax receipts have not kept pace with these demands. County governments are hard pressed to find new sources of revenues and have reached the upper limits of effective use of the property tax.

Compounding these problems in many counties, particularly in the states West of the Mississippi River, is the large acreage of land held by the Federal Government. As established by the Supreme Court in its earliest sessions, units of state and local government cannot tax Federal lands. This effectively removes a large tax base in many counties. Furthermore, the Federal Government has only a sporadic program of compensation.

In my Congressional District in California, the Federal Government owns more than 50 percent of the land in seven out of my fourteen counties. Furthermore, the Federal Government is the holder of 25 percent or more of the land in eleven out of fourteen of my counties. Mr. Chairman, I am speaking of over 8½ million acres in my Congressional District which are tax exempt. With this kind of depletion from the tax base, it is essential that the Federal Government devise a program of compensation so that the country and local governments serving the citizens of these areas can have the necessary funds to carry out the appropriate functions of that government.

The Federal Government has made an attempt to offset this loss of revenue. Through the determined efforts of members of the House and Senate, legislation has been enacted to provide local governments with a share of the revenues obtained by the Federal Government for timber cutting, grazing, and mineral extraction rights. This program is certainly better than none, and has provided local governments with funds above what they were capable of raising from their constituency. The program, however, has not been sufficient.

Let me take just a moment to explain the actualities of the timber cutting receipts program. As currently established by law, and the law was adopted in 1908 and last revised in 1910, 25 percent of the funds received from the granting of timber cutting rights within a county are returned to that county to offset the tax exempt status of the land. These funds are used by the counties for school and road budgets. The counties rely heavily on a steady flow of funds from this source to maintain adequate education and highway programs in the county.

In recent years, contracts for timber cutting rights have more and more often included a provision which allows the timber purchasing company to pay only a part of the cost in actual cash. The remaining payment is provided in the form of road improvements in the timber cutting area, roadside facilities, and similar forms of construction. When this occurs, the counties receive only 25 percent of the cash paid, not 25 percent of the total value of the timber cutting contract.

Let me illustrate this situation. ABC Lumber Co. proposes to purchase \$1 million worth of timber in County X. If ABC pays cash for the timber cutting rights, County X would get 25 percent of \$1 million, or \$250,000. If ABC pays only \$750,000 in cash and provides \$250,000 worth of improvements in roads and other facilities, County X will receive only 25 percent of \$750,000, or \$187,500. The latter example is becoming more and more commonplace and thus the counties, during this time of increased demands and inflation, are receiving less and less. Let me take this illustration one step further. ABC wished to purchase the same \$1 million worth of timber. In payment, ABC proposes to exchange land valued at \$1 million. In this case, County X would receive no funds because no cash was exchanged. Unfortunately, this almost happened this year in my Congressional District. Instead of \$1 million, the proposal was for \$10 million which means local governments in my Congressional District would have lost \$2.5 million in county operating funds.

This, Mr. Chairman, is the type of problem I hope that your Committee will have an opportunity to review. Our local governments need to have some type of program which will be stable and reliable. They also need one that will adequately compensate them for the lost property tax revenues which they, under normal circumstances, would have levied against the land within their boundaries.

It is no coincidence that 146 of the counties which are most economically depressed contain large portions of our National Forest system. In county after county, the Federal payment just does not measure up to tax equivalency. In plain language, it's just not worth it to have the Federal Government owning land in your area.

The laws currently on the books providing for various Federal payments for natural resources use of Federal lands were adopted during the depression years or before. Today's county governments are trying to provide services for the seventies on a budget from the thirties. Increased Federal payments will not only permit local government to provide the services so desperately needed in

many of our rural counties, but will also allow rural counties to develop the responsibility and decisionmaking capability so necessary in this day of modern government.

Again, I express my appreciation to the Committee for its interest in this problem. I wish you success as you seek to draft new solutions to an old and increasingly serious problem.

STATEMENT OF HON. PATSY T. MINK, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF HAWAII

Mr. Chairman, I appreciate this opportunity to submit testimony concerning H.R. 4505, legislation to provide for payments in lieu of real property taxes, with respect to certain real property owned by the Federal government.

The basic purpose of this bill is to recognize and accommodate the fact that immense Federal landholdings in many States deprive these State and local governments of considerable revenue that could be realized by real property taxes if such lands were in private hands.

This is a major factor in my State of Hawaii, where we have large Federal landholdings held by the military and other federal departments and agencies. Military bases on the most populous island, Oahu, range from the Pearl Harbor Naval Base, to the Army's Schofield Barracks, the Air Force's Hickam and Wheeler Air Force Base, the Marine Corp's Kaneohe base, Bellows Field and many others. While data on the overall extent of military landholdings in Hawaii may vary according to the source, probably the most recent in-depth study was Project FRESH, conducted by the Defense Department in 1973. It disclosed that in all the military has 110 installations in Hawaii, requiring the utilization of 284,965 acres of which 168,000 acres are owned in fee by the Federal government or are lands "ceded" to the Federal government by the State of Hawaii. On Oahu alone, the Department of Defense agencies own or hold as ceded land about 14 percent of the island's total land area.

This is a very significant amount of real estate on an island where land values have been rising rapidly in recent years because of the shortage of available land for development. Some of the land, notably around the Waikiki Beach area, is among the world's most expensive real estate. The Army's rest and recuperation center at Fort DeRussy occupies 72.6 acres of choice ocean front land adjoining Waikiki and if developed and taxed undoubtedly would produce hundreds of thousands of dollars in revenues each year.

It is difficult to predict the amount of tax revenues that might be raised if all military lands in Hawaii were taxed. Some \$96 million was raised in real property taxes on Oahu in Fiscal Year 1974; 14 percent of this would be \$13 million. Only 33 percent of the military's lands in Hawaii are on Oahu.

To some extent, Hawaii has been indirectly compensated for the real property tax "gap" by Federal aid such as educational aid to Federally impacted areas. This, however, has been a highly controversial program, and Presidents Johnson and Nixon both sought to cut it drastically. Deep cuts in the formula for impact aid authorizing legislation for FY 76 indicate that this method of compensation will continue to be unstable. Literally as a result of my floor effort each year, I have been able to rescue our funds. States like Hawaii with large Federal landholdings will be hit hard should this program be defunded. We receive an annual funding of from 11 to 12 million dollars under impact aid. This bill providing for in lieu funds for real property tax will fall far short of our needs and will not be even appropriate for Hawaii. Note that while only 33% of military lands are located on Oahu, nearly all of the children counted for impact aid are found on Oahu.

H.R. 4505 is a commendable effort to raise the need for regularizing Federal assistance to States and communities with revenue losses caused by Federal landholdings. It provides that where there is a local governmental unit in which 3 percent or more of the land area is Federal real property, the Administrator of General Services shall pay to such local government and to the States amounts in lieu of taxes each year a sum equivalent to what the Federal government would pay if its lands could be taxed at the locally appraised value.

But this bill does not fully take into account the governmental relationships and functions in the State of Hawaii. Hawaii is unique in its Statewide approach to educational finance. Hawaii has a single State school system, financed not by local property taxes as in other States, but by general State tax revenues.

The local governmental unit on Oahu is a combination city-county government and a county government exists on each of the other islands. These local units levy real property taxes whose revenues are used for such local purposes as road construction and maintenance, fire and police protection, water, sewers and parks. Property tax revenues in Hawaii are not used for educational purposes. Thus, any bill which provides payments in lieu of real property tax revenues would not provide needed funds for educational purposes if they were sent to the local units of government in Hawaii.

The State of Hawaii raised \$870.4 million in 1973 of which about 15 percent came from income taxes and 27% from sales taxes. Meanwhile, Hawaii spent 36 percent of its State budget for direct educational purposes. For any in lieu payments to meet our governmental structure, these funds will have to be paid to the State government. I would suggest in any event they be earmarked for operating expenses for education, rather than assigned to a particular level of government.

Because backers on H.R. 4505 say it is largely intended to replace the program of educational aid to Federally impacted areas, one obvious result of its adoption would be the ultimate termination of the impact aid program. Payments would be made instead, in lieu of real property taxes, to help meet the cost of education. To be assured of this use, these funds should be earmarked.

If impact aid is to be repealed by the enactment of this bill, attention would have to be paid to the need to provide in lieu payments for the zero State income tax payments of 100,000 persons in Hawaii who are Federally connected. This loss of taxes is enormous and a far greater loss than the real estate tax. Further, the presence of these Federally connected persons adds greatly to our costs of governments. Most of these persons do not even buy on the economy as they have PX-Commissary privileges, and so hardly pay sales taxes as well.

Finally, in any event there would be a disparity arising from H.R. 4505 in its present form in that current court decisions have been rejecting the use of property taxes to finance education as violative of the 14th Amendment. Because of variations in property values among different areas of a State, property taxes lead to unconstitutional inequities in the allocation of public school funds. Therefore, new legislation basing Federal educational assistance on property valuations would be questionable in light of these decisions.

I ask that H.R. 4505 be rigorously reviewed with these points in mind. Specifically, in States where the property tax does not finance education, payments provided in any in lieu statute should be adjusted upwards to reflect not just the property value of Federal lands but the tax revenue lost to the State due to the non-taxability of military residents' income.

Thank you for your consideration of my testimony.

STATEMENT OF HON. WILLIAM M. KETCHUM, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF CALIFORNIA

Mr. Chairman, I appreciate this opportunity to testify in support of H.R. 4505, which would provide payments in lieu of real property taxes on certain property owned by the Federal Government.

Certainly, our State and local governments deserve adequate, and accurate, compensation for the real property revenue they are losing on tax exempt Federal lands within their boundaries. As I understand it, the amount to be paid these governments will be determined by appraisal standards set by the Administrator of General Services, as if such property were privately owned. This would definitely constitute an improvement over present methods; without a universal guideline for accurate appraisal of Federal land values by local standards, the determination of property value by existing programs is, at best, haphazard.

In my opinion, the greatest asset of this legislation would be its negation of the need for present "in lieu of tax" programs, such as Impact Aid. The arguments as to whether Impact Aid is good, bad, or indifferent are endless. Since the basis for deciding amounts to be paid under Impact Aid is of questionable validity, the arguments are understandable.

In my own District, for example, the presence of Edwards Air Force Base, and the China Lake Naval Weapons Center, can always be counted on to generate controversy regarding Impact Aid to Public schools. Under H.R. 4505, each

school district would receive its fair share of compensatory monies without regard to the number of "A," "B," or "C" students. Based on actual assessment, this bill would do away with criticism of over- or under-compensation.

The tax-exempt status of a piece of property the size of China Lake Naval Weapons Center—which, at approximately 1,800 square miles is the largest such center the Navy has—means an incredible loss of real property revenue to local governments in that area, as well as to the State of California. H.R. 4505 has the ability to settle the dispute over the appropriate level of Federal compensation for this and all other affected areas across the nation. Furthermore, State and local governments would have a far more realistic budget within which to work, and the job of administering such budgets would be considerably simpler.

I strongly support this bill, and sincerely hope that the Committee will give it every consideration.

STATEMENT OF HON. DONALD G. BROTZMAN, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF COLORADO

Mr. Chairman and members of the committee, it is with great pleasure that I submit this testimony in favor of my legislation—H.R. 5391—which directs the federal government to make payments in lieu of local property taxes. I believe this legislation is an equitable and necessary method of replacing the payments which are supposed to be made under the Impact Aid program for local schools.

Since its inception in 1950, the Impact Aid program has been subjected to continuous, escalating attack from the executive branch of government. Unfortunately, Impact Aid has not been fully funded in recent years because other education programs are more attractive. The Department of Health, Education, and Welfare has verified that the 1975 fiscal year budget slashes impact aid from the previous year's level of \$593,416,000 to \$340,300,000. That is a loss of more than 250 million dollars.

The Impact Aid program—more properly known as School Assistance in Federally Affected Areas—provides for both the construction of new facilities (P.L. 81-815) and for operating costs (P.L. 81-874). Payments for operating costs are based upon the number of students with parents working or living on federal property times a rate of payment designed to reflect either the local educational costs per pupil of comparable districts within the same state or one-half of the national or state average per pupil costs—whichever is greater.

The payments for construction are made primarily for the construction of facilities to meet increases in the number of federally connected students.

The formula for Impact Aid payments has been largely responsible for the mistaken impression many have of the program. Critics charge that Impact Aid payments go into districts irrespective of the needs of the schools. The result, they say, is that wealthy school districts often receive more assistance than poor districts. This criticism overlooks the purpose of the Impact Aid program, and I believe a straight payment in lieu of property taxes would clarify the reasoning behind the assistance.

It is inappropriate to look upon Impact Aid as federal assistance in the same context as most federal grant-in-aid programs. Impact Aid is essentially a payment made in lieu of property taxes. Its purpose is not the advancement of a particular education program as is the case with most of the programs of the Office of Education. Instead, Impact Aid represents an effort to partially compensate school districts for the revenue they lose through the inability of local officials to impose ad valorem property taxes on federal installations. Because of this, I feel it would be much more equitable for the federal government to make a payment based on local property taxes rather than the formula now used in the Impact Aid program.

Let me give you a couple of examples in my Colorado district which illustrates how the problem of property tax levels becomes particularly acute because of extensive federal government ownership of land.

In Jefferson County, where the Denver Federal Center is located, 25 percent of the land is owned by the federal government. This land has an assessed valuation of 80.5 million dollars. The mill levy in Jefferson County averages between 75 and 100 mills, according to the county assessor. Based on 100 mills, this means Jefferson County is losing more than \$8,000,000 a year. This is more than six times what the county would receive even if the Impact Aid program were fully funded.

Because the bulk of the ad valorem property tax in Jefferson County—60 per cent, according to the county assessor—goes to schools, it is the educational process which suffers most as a result of extensive federal holdings.

Another example is Boulder County where we also have a number of federal facilities. The largest is the National Bureau of Standards with an assessed valuation of over \$40 million. According to these figures by the county assessor—based on the current mill levy of 92 mills—at the Bureau's main facility alone this represents a loss of nearly three million dollars. That loss is compounded when you take into account that the NOAA facility at the University of Colorado and the FAA installation push the total assessed valuation of federal properties in Boulder County to well over \$50 million.

At the same time, local governments are losing revenue, large federal installations are bringing families with children into both Jefferson and Boulder counties. These children attend the schools on an equal basis with the children of persons who work for employers who must pay property taxes. As a result of the federal exemption, property owners and businesses in these two counties—as elsewhere across the nation—must pay not only their own share of maintaining the public schools, but they must also subsidize the presence of the federal government. If the federal government would pay its share, local property owners would be accorded a measure of needed property tax relief.

While Colorado residents have had their mill levies reduced by the state's School Finance Act, the reduction is not enough to ease the monetary burden in an economy suffering from double-digit inflation.

My legislation recognizes the fact that a federal installation employing a substantial number of people has an adverse affect on a community because of the federal government's exemption from property taxes. The bill would direct the Administrator of General Services to pay to local governmental units in which three percent or more of the land area is federal property such amounts in lieu of taxes as he determines to be equivalent to the amount which would be owed if the land were in private hands. Undeveloped federal land would be exempt from the payments required in the bill. Also, to the extent the Impact Aid program is funded, such payments would be credited toward the in-lieu-of taxes payment provided by the bill.

Mr. Chairman, members of the committee—thank you for the opportunity to present this testimony in support of H.R. 5391.

STATEMENT OF HON. WILLIAM L. DICKINSON, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF ALABAMA

Mr. Chairman, it is a privilege to appear before the Environment Subcommittee in support of H.R. 4505 which would establish a system of payments-in-lieu-of-taxes for those counties which lose tax revenue on federally owned land.

I am pleased that the Subcommittee has seen fit to hold these hearings at a time when impact aid is not in imminent danger of being cut off and, therefore, averting the need for eleventh hour action to protect school districts in federally impacted areas as we have had to do time and again. For too long, recipients of impact aid have been treated as unwanted stepchildren, and those school districts have been left in the lurch year after year with no real knowledge of whether or not they can expect the payment due them and what amount they will get. By passing the legislation before your subcommittee, we can do away with this yearly pressure and allow school officials in these areas ample time to figure—with a certainty—these payments into their budgets.

Of course, there are other services which have to be provided by federally impacted counties which are just as important as education, such as roads, which would be assisted by the passage of this legislation. The Federal Government has an obligation to the areas where it owns land and does business to see that property taxes and sales taxes lost due to such federal ownership are made up, and this legislation will allow the Government to meet that obligation.

Gentlemen, I support this legislation and hope your subcommittee will report a bill in the near future.

STATEMENT OF HON. B. F. SISK, A REPRESENTATIVE IN CONGRESS FROM THE STATE
OF CALIFORNIA

Mr. Chairman, members of the subcommittee, I appreciate this opportunity to appear before you today both in support of a bill I am co-sponsoring H.R. 12775, as well as speaking out strongly in favor of the in-lieu program which has a substantial impact on counties and states with a great deal of Federal tax-exempt land. The basic formula for assisting these counties has been on the books for 66 years, and I salute this current effort of review.

I strongly support and congratulate you on your decision to take this issue into the field for additional hearings at the grass roots level where the problems can be brought out clearly and distinctively. I would hope that one of your field hearings will be in Central California, and specifically at the Old Mariposa County Court House in Mariposa. In this one county the federal government owns 479,547 acres of the 930,112 acres in the county. I offer this as an invitation and trust you will accept.

If I might be a little parochial, I would like to point out that in three of the five counties I represent, the federal government owns at least one-third of the land. Although a side issue from the one before you today, there are Congressionally mandated programs now underway which would further reduce the tax base of Mariposa County. The loss is expected to be in excess of \$1.4 million.

Again, Mr. Chairman, I salute you and members of your subcommittee for calling these hearings and for indicating a desire to call for additional field hearings. I trust that from these efforts some very meaningful legislation can be developed and that the issues which will emerge can be equitably resolved.

I have contacted county officials of my district and asked them to provide me with more specific information on how in lieu payments effect their counties and ask that I be allowed to submit their comments for the record as soon as I receive them. Thank you.

STATEMENT OF HON. ROBERT H. STEELE, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF CONNECTICUT

The State of Connecticut ranks 48th in the nation in land area, and 4th in population density. Connecticut is an urban state comprised of 169 separate cities and towns, each with a defined land area and no possibility of annexing new land. With the real property tax the major source of revenue for local government, the location of tax free facilities owned by the Federal Government can have a major impact upon the revenue production and therefore the service levels that ultimately affect the quality of life that a unit of local government can offer its citizens.

In my district, there are two examples of the impact of the Federal presence which cry out for equity and which I would like to share with the committee as they consider the payments in lieu of taxes bills before them.

The City of New London is a core city situated on 6.2 square miles of land and having a population of 32,500 people, which makes New London 5th in density in the State. The City of New London is a totally developed community with only 250 acres in scattered locations remaining vacant. Tax exempt property in New London encompasses 58% of the land area including more than one-half the City's water front. This tax exempt property represents 64% of the total value of all taxable property in the City. The net taxable Grand List of New London is \$141,563,718. The estimated value of Federal property in the City is \$90,546,000. Much of this tax exempt property enjoys the same services that the municipality provides to tax paying properties.

With respect to the bills before the Committee, I would note that Federal properties in the City consist of the United States Coast Guard Academy, the New London Laboratory of the Naval Underwater Systems Center, the United States Custom House, and Post Office, the Navy installation at the State Pier, and several properties owned by the Coast Guard for navigational aids and pier facilities. This property consumes in excess of 5% of the City's land area.

Each of these institutions plays an important and welcomed role in establishing the character of the City of New London, but they nevertheless do not

contribute to the support of the local government which services their needs. Police protection, fire protection, ambulance service, access and traffic control, and many more services offered by the local government work to the benefit to these federal installations. It is true that these institutions maintain very large payrolls which are certainly an important factor in the local economy. However, when a federal installation is compared to a major private enterprise which also maintains a large payroll, then the benefit of the federal installation to the local economy, and particularly to the revenue production capacity of the local municipality, falls far short of the contribution of private enterprise. To further document this fact, I call your attention to an article in the *New England Business Review* of October 1965, where the economic impact of a military base was explored in a graduate thesis with the aid of a research grant from the Federal Reserve Bank of Boston. This study documented the largely self-sufficient nature of military facilities, and their reduced level of economic benefit to a municipality when compared with private facilities. Equity demands that the Federal Government pay its fair share of the cost of local government where it occupies substantial areas of municipalities, thereby reducing the revenue potential of those municipalities.

New London's sister community of Groton contains a population of 38,500. It accommodates the United States Naval Submarine Base and the United States Coast Guard Research and Development Center at Avery Point. Its major employer, the Electric Boat Division of General Dynamics Corporation, has \$2,000,000 of its manufacturing equipment supplied by the United States Navy and, therefore, is in a tax exempt status. Groton has a net taxable Grand List of \$272,309,585. The estimated value of Federal property in the community is \$188,028,400.

Gentlemen, the time has come for the Federal Government to recognize its responsibilities and reimburse those municipalities which are impacted by Federal installations and land holdings. I urge your favorable consideration of H.R. 4505.

[From The New England Business Review, October 1965]

ECONOMIC IMPACT OF A MILITARY BASE—A CASE STUDY OF FORT DEVENS, MASS.

Increasing effort has recently been devoted to investigating the broad ties between the Nation's economy and its defense spending. Relatively little consideration, however, has been given to the impact of defense spending at the local level. Yet it is in the area immediately surrounding large defense installations, more than in the Nation or large region, where the economic consequences of many defense policies and actions are most dramatically felt.

The impact of a military facility on the local economy can be evaluated in much the same manner as the economic impact of any private establishment of similar size. Yet, important differences exist in the expenditure patterns of these two types of activities. In general, the expansion in local employment generated by a military facility is not as large as that resulting from a private facility of comparable size.

In 1961, the Federal Reserve Bank of Boston sponsored a study of the economic impact of the Pease Air Force Base in Portsmouth, N.H. More recently, the Bank supported a research study of Fort Devens and its influence on the economies of Ayer, Massachusetts, and other towns within a 15-mile radius. In many respects, the conclusions of the Fort Devens study parallel those of the earlier investigation and reveal a general pattern of the operating and payroll expenditures for military installations.

THE BACKGROUND

Fort Devens is the largest military installation in New England. It was established in 1917 and served as a center for induction, training, and separation for both World Wars. After each war, it was closed and reduced to caretaker status. In 1946, a portion of the Post was leased to the University of Massachusetts as the site of a temporary college campus to accommodate veterans attending college under the GI Bill. The Post was reopened for the Korean War and since that time has maintained a relatively stable garrison of almost 10,000 men. In addition, the Fort's community includes about 8,000 military dependents and 2,000 civilian employees and their families.

The Fort is located in Ayer, a small, semi-rural town in north-central Massachusetts. More than a fifth of the town's 8.8 square miles is occupied by the Fort. Only 20 percent of the remaining area is developed, mainly for housing. Commercial and industrial development encompasses less than 2 percent of the town area.

About 40 percent of Ayer's population of 4,900 is directly associated with the Fort. Military families comprise about one-fourth of the total and civilian employees and their families about 15 percent. In the past the town's economy was also heavily dependent on its large railroad classification yard and on a tannery, but neither of these is now in operation. After the destruction of the tannery by fire in 1961, the importance of manufacturing declined substantially. Of the six firms that remain in this sector, only one, a maker of industrial sewing machines, employs more than 50 workers. Nearly half of the people who work in Ayer are now engaged in wholesale and retail trade in which the pay tends to be relatively low. As a result average wage and income levels are considerably lower than in the state.

Because of the proximity of the Fort, per capita sales are more than double the state average and about three times that of similar-sized towns in Massachusetts. However, many of the needs of the soldiers stationed at the Post are met by base facilities, such as the Post Exchange and Commissary, which for military personnel generally offer lower prices than commercial establishments in Ayer. Thus, the leading retail products are those such as lumber, furniture, and automobiles, which are not sold on the Post. For example, the sales volume of automobiles in Ayer is four times the state average.

Although the presence of the Fort currently adds considerably to the town's economic activity, it has one unfortunate psychological impact. Because many of the town's businessmen recall the closing of the Fort after each of the World Wars, they feel uncertain about its future and hesitate to invest in the town's commercial facilities. Underinvestment leads to increasingly older, unattractive, and less efficient facilities which in turn lead to bypassed sales and even less investment.

Housing is another sector of Ayer's economy which is heavily influenced by the presence of the military. Due to the demand provided by civilian and military personnel attached to the Fort, Ayer landlords are able to receive high rents for their units, with the median rent of \$86 amounting to 15 percent more than the state average. This is true despite the age and poor condition of much of the town's housing. The 1960 Census of Housing revealed that over half the town's rental units were deteriorating or dilapidated in contrast to less than one-fifth for the state as a whole. Even the opening of several hundred new housing units on the Post did not reduce the demand for rental units in the town. The vacated units were rapidly re-rented as families living 10 or 15 miles away moved closer.

Another aspect of Ayer's economy where the military impact is important is municipal finance. Like many suburban communities, Ayer's tax rate has been climbing steadily. The rate nearly doubled between 1952 and 1963, rising from \$45 to \$80 per thousand dollars of assessed valuation. However, unlike most communities, the dominant reason for the rising tax rate has not been mounting school costs but a lack of significant growth in the town's tax base. Ayer's school costs, although rising, are heavily supported by Federal funds. Under Public Law 874, the large proportion of school children who are dependents of Post personnel qualifies Ayer's school system for large Federal grants. About 73 percent of the town's school children are qualified for these grants. As a result, over one-half of Ayer's school expenditures are paid by the Federal Government.

EXPENDITURES OF THE FORT

Annual operating expenditures of the Fort, excluding construction spending, total about \$70 million. Of this amount, approximately \$30 million is spent for procurement of supplies from commercial sources. The local impact of these procurement expenditures is modest, however, since less than 1 percent are made in Ayer with an additional 11 percent spent within a 15-mile radius of the Fort. On the other hand, about 62 percent of these procurement expenditures are made within New England, with Boston alone receiving 31 percent. Thus, the absolute effect of the Fort's procurement spending is felt more within certain of the region's wholesaling sectors though the total impact on the regional economy is relatively small.

MILITARY PAYROLL SPENDING

[Percent of income]

Location	Fort Devens			Pease Air Force Base		
	Average	Single	Married	Average	Single	Married
Post.....	41	40	41	38	37	38
Adjacent town.....	10	9	10	26	15	28
Within 15 mi but excluding adjacent town.....	20	8	24	18	11	20
Beyond 15 mi.....	29	43	25	18	37	14
Total.....	100	100	100	100	100	100

Source: Fort Devens survey questionnaire. Laben, Pease Air Force Base study.

On the other hand, the Fort's annual \$10 million civilians and \$30 million military payrolls do have a significant effect on both Ayer and the surrounding area. In an attempt to determine where the military payroll was spent and to estimate its total effects, questionnaires were distributed to 1,000 soldiers on the Post. About 400 usable replies were tabulated. The data reveal a general pattern of expenditures for military personnel, the important determinants of which are the marital status of the soldier and his place of residence.

As might be expected, food and housing account for nearly 60 percent of married budgets. Other necessities account for most of the remainder, with only 5-6 percent allotted to entertainment and recreation. On the other hand, bachelors spent about 55 percent of their income for non-necessities such as entertainment, recreation, and transportation. They also save about 15 percent of their incomes, almost twice the amount the married couples save.

Despite these significant differences in budget allocations, the survey reveals that both married and single soldiers spend about 40 percent of their income on the Post and about 10 percent in Ayer. However, bachelors spend about 43 percent of their income outside a 15-mile radius of the Post, compared to only 25 percent for married soldiers. This is, of course, due mainly to the greater mobility of bachelors. In addition, some married personnel live outside of Ayer but within 15 miles of the Fort and thus spend the rental portion of their budgets within the 15-mile ring.

The data reveal that where the soldier lives is the place in which he spends at least half of his income. The average soldier who lives on base, for example, spends only 10 percent of his funds in Ayer, but if he resides in Ayer, he spends more than half his income there. While housing automatically accounts for much of this "spend where you live" phenomenon, the geographic spending patterns for transportation, food, clothing, and savings also exhibit ties to one's place of residence.

THE GENERAL SPENDING PATTERN

As mentioned at the outset, the results of the Fort Devens study show a marked similarity to those of the earlier study of spending at Pease Air Force Base. As shown in the table on page 11, both studies reveal that typically 35 to 40 percent of the military payroll is spent on the base. As a result, the effect of military payrolls upon local trade and services is substantially less than that of civilian consumers with comparable incomes. By the same token, the pattern of military procurement spending is considerably different from that of some manufacturing firms which rely heavily on the nearest community for supplies and services. This is not the case in most military installations which mainly purchase in national market centers.

The accompanying table also discloses substantial differences in the amount of off-Post spending by military personnel which is "captured" by the nearest community. The data suggest that while the proportion of payroll expenditures made both on-Post and outside the 15-mile ring are relatively fixed for most military installations, the distribution of the remaining expenditures among communities within the 15-mile ring is flexible. Thus Portsmouth received a much greater proportion of the off-Post payroll expenditures from Pease Air Force Base than did Ayer from Fort Devens. This is due in part to Portsmouth's greater size and more isolated position.

THE MULTIPLIER AND SIZE OF THE ECONOMY

Ayer receives most of its "export" income from sales to military personnel stationed at Fort Devens and from the sale of a few industrial products. This is called export income since it is derived from the sale of services and goods to those who live outside Ayer or to military personnel stationed at the Fort. As export income increases, so does employment. More jobs lead to further demand for goods and services which in turn contribute to more workers being hired. This additional income is either spent in Ayer or used to purchase goods and services from other areas. This series of events is known as the multiplier effect. Analysis of employment data for 1954 through 1962 yielded an employment multiplier of 1.2. Thus, in Ayer every five workers engaged in producing services and goods for export out of the community generate one additional job in the local market. This low multiplier is typical of a town of Ayer's population.

THE RESULTS

Without Fort Devens, Ayer's economy would be considerably smaller than it is today. Altogether, 525 jobs (one-fourth of Ayer's labor force) are dependent on economic activity generated by Fort Devens. Of this total, 437 are directly dependent on income received from the Fort and its personnel. These jobs, in turn, generate the need for another 88 workers who provide goods and services for the augmented local population.

In the case of Fort Devens, however, the installation is far from closing. Recent construction and new training commitments suggest no downturn in economic activity in the foreseeable future.

Fort Devens' influence is felt in another way. Today Ayer is an area shopping center because it has specialized retail stores offering a variety of lumber, furniture, and automobile products. Also, the town offers specialized services in such fields as dentistry. If, for any reason, Fort Devens were to be completely closed down, many of these larger specialty stores would be out of business. Ayer would lose much of its appeal as a shopping center. Residents from surrounding communities would do most of their shopping elsewhere and many stores and service establishments in Ayer would lose a significant part of their business.

What would the total impact of a Fort Devens closing be on a community such as Ayer? Would 30 percent or more of the labor force be unemployed and move out of the community? The answer is quite clearly no. When Fort Devens closed down after World War II, the economy of Ayer did not collapse and its population did not decline significantly. A number of stores went out of business, but most of the unemployed found work in Fitchburg, Worcester, and nearby labor markets. Many of the replacement jobs were low paying or were otherwise unsatisfactory. Nevertheless, these new jobs brought income into the town of Ayer and kept the economy going.

If Fort Devens had been a large private manufacturing firm rather than a military installation, the economic history of Ayer would have been entirely different. First of all, Ayer would have had a much larger population than it had in 1946. Unlike a military base, private firms generally sublet much of their work to local businessmen. They do not operate commissaries, PX's, and movies. Only occasionally do they build homes for employees. The result is that a much larger part of a private firm's income and that of its employees is spent in the local area and helps to build the local economy.

When a civilian facility with, say, 12,500 employees closes down, however, the local impact is always serious and often disastrous. The complete loss of such a firm might well permanently cripple a town the size of Ayer. On the other hand, a military installation with the same number of employees procures most of its materials and equipment from national markets and provides a great variety of consumer goods and services to its personnel. In short, military facilities are largely self-sufficient and their closing down leaves a much smaller impact on the surrounding communities.

 STATEMENT OF HON. DICK SHOUP, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MONTANA

Mr. Chairman, thank you for the opportunity for allowing me to present my statement on behalf of the citizens of western Montana, my constituents. As you know, the West has huge blocks of federally owned lands which are non-taxable by the state and local governments. In my district there are 23 counties and the federal government owns 48 percent of the total land mass. When state

owned lands, also which are not taxable by county governments, are taken into consideration, 54 percent of the lands in my district come under the category of "Not Taxable."

The problem of generating revenues to operate county governments in my district becomes more acute when one delves into the ownership patterns of these 23 counties. For example, Mineral County is 82 percent publicly owned; Lincoln County is 73.5 percent owned by the U.S. Forest Service and 5.5 percent State of Montana ownership and Missoula County is 44 percent federally owned. These counties cannot depend on the taxes from these lands because of the provisions of our Constitution which prohibit one governmental unit from taxing another, yet at the same time, these local units must maintain networks of roads, schools and other governmental functions—and severely lacking the financial resources to work with.

School districts within these counties receive money for operations from HEW under Title I. This is aid to school districts in areas of federal government employment concentration. These counties also receive funds from timber sales under provisions of the timber receipts law. The counties are reimbursed via the states for timber cut from the federal lands. The Counties receive 25 percent of the NET receipts from each Forest Service sale within the county boundaries. The monies are earmarked for roads and schools.

Last year, in an attempt to further aid the counties, I introduced a bill to change the NET sale receipt returns to gross sales receipt return. The 25 percent gross return would have generated an additional \$18 million last year alone for counties in my district from timber sales. I still am strongly urging passage of this legislation.

Yet even if the timber receipts law were changed from NET to GROSS it would not properly compensate the county entities for the federal land base. In order to provide adequate compensation and some stability of payment to the counties from the Federal government, I have sponsored legislation to provide payment by the Federal government to the counties based on the assessment of the federal lands. Thus, the counties would have a choice between timber receipts payments or assessment based payments, both payments-in-lieu-of-taxes. I also strongly urge passage of this legislation.

The concept of these payments is fair and reasonable. It is the concept of returning government back to the people. Under broad federal guidelines, the county governments, composed of citizens from within each county, can provide the needs of the people within its boundaries best. Since, each local government has unique and varying problems and citizenships, it best can determine and meet the needs of the people. It is apparent to me, as I frequently visit my district, that the will of the people is for less federal intervention and red tape and more of the tax dollar returned to the local government for its needs.

I believe that payment through federal land assessment is one vital way of returning the government, through the tax dollar, back to the people where it belongs.

Thank you.

STATEMENT OF HON. LEE H. HAMILTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. Chairman, I support prompt enactment of H.R. 12324, a bill to provide for payments to compensate county governments for the tax immunity of Federal lands within their boundaries.

Under H.R. 12324, which I am co-sponsoring, a county with public natural resource land would have two options. First, the county could choose to retain the present federal payment system and receive 25% of the revenue derived from that land. Second, the county could opt to receive federal "in lieu" payments for public acreage at private property tax rates based on updated private land value appraisals. The county could use the payments received under the "in lieu" system for any public purpose, contrary to the restrictive requirements of current law.

The Federal Government owns nearly $\frac{1}{3}$ of the land in this country including 183 million acres of National Forest land located within some 695 counties. Three of these counties, Brown, Jackson, and Monroe, are located in my Congressional District, Indiana's Ninth, and contain more than 55,000 acres of Hoosier National Forest land.

Because of the sovereignty of the United States, federally owned lands cannot be taxed by state and local governments. This has resulted in a real financial hardship to local governments, most of which depend heavily on property

taxes for revenue. Congress attempted to lighten this burden in 1908, by authorizing the return to each county of 25% of the revenue derived from the federal land found within the county's boundaries, with use of the payments by the county restricted to schools and roads.

In fiscal 1973, this procedure brought in an average income to the 695 counties nationwide of about 62 cents per acre. Brown, Jackson and Monroe counties, however, fared much worse than that; they received only about 12 cents per acre for Hoosier National Forest land within their boundaries—less than one-fifth of the national average—for a total payment to all three counties of about \$6400.

Based on rough estimates of private land valuation from the Forest Service and local tax officials, however, these federal payments could be several times the current amount if counties choose the new payment procedure provided for in H.R. 12324 and opted for payments based on private land valuations within their jurisdictions.

The basic need for this bill is apparent. State and local revenue requirements have been growing rapidly within the past 30 years. In 1940, before World War II, the combined spending of state and local government was approximately \$9.3 billion. In 1950 the figure had risen to nearly \$22.8 billion, and by 1969 it exceeded \$100 billion. Counties with large areas of public lands are, of course, at a serious financial disadvantage in attempting to meet the rising costs of the services their residents need and want.

Most Americans agree that the establishment of national forests, national grasslands, and fish and wildlife refuges by the Federal government is a desirable national policy. Federal ownership of certain areas of land is clearly in the national interest. Because the entire nation benefits from this ownership, I believe the financial burden should be spread among all the people of the U.S. and should not be borne only by those state and local governments in whose area the lands are located.

H.R. 12324 would remedy the inequity in the present form of compensation and enable counties with public land to meet their financial responsibilities more easily. These counties may discover that large areas of natural resource land are a financial asset, rather than a liability, if this bill becomes law.

STATEMENT OF HON. CLARENCE E. MILLER, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF OHIO

Mr. Chairman, in these economically difficult times our county and local governments are constantly searching for new sources of revenue. Very often the source that they turn to is the property tax. This means of revenue-raising has become so popular that in recent years, the public has reached the practical limit of what they can and will accept.

While our constituents are having to shoulder this burden to provide for necessary services, many counties have special problems since they contain large areas of federal lands which are tax-exempt. In my own 10th District in Ohio, nine of the thirteen counties which I represent have this problem. Under present law, states and counties receive a share of timber, grazing and mineral receipts. However, this meager sum does not begin to make up for the payment that would be received if these lands were taxed as private property. For example, the average federal yield for the nine affected counties in the 10th District is only 12¢ per acre. This is only a small fraction of the approximate tax value should this land be assessed as private land.

It is time that the federal government paid its fair share of the local tax burden. The federal government owns approximately one-third of the land in this country. To allow this inequitable situation to exist when our local governments are so hard-pressed for revenue sources means that each citizen must pay an unfair share of the tax burden. It is time for the national government to become an equal partner and pay its fair share of local property taxes. I urge the Committee to act favorably on this legislation to remove the tax immunity of federal lands.

Mr. UDALL. Is there anything further to come before the subcommittee?

If not, we stand adjourned.

[Whereupon, at 11:20 a.m. the subcommittee adjourned subject to the call of the Chair.]

TO PROVIDE FOR PAYMENTS TO COMPENSATE COUNTY GOVERNMENTS FOR THE TAX IMMUNITY OF FEDERAL LANDS WITHIN THEIR BOUNDARIES

FRIDAY, SEPTEMBER 13, 1974

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE ENVIRONMENT
OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Salt Lake City, Utah.

The subcommittee met, pursuant to notice, at 2 p.m., the State Capitol Building, Salt Lake City, Utah, Hon. Morris K. Udall (chairman of the subcommittee) presiding.

Present: Representatives Udall and Owens.

Mr. UDALL. The subcommittee will be in session, the appointed hour having arrived, and our reputation for punctuality being at stake here, we will proceed right on time.

This is a meeting of the Subcommittee on the Environment of the House Interior and Insular Affairs Committee of the U.S. House of Representatives. This is the first of a series of field hearings which I hope, between now and the middle of next year, will take us into a dozen or more States to try to get the views of county and State and local officials on one of the most serious problems that affects county and local governments in the West.

I want to spend most of the time this afternoon on the witnesses, trying to learn, and exchanging ideas with them. I think it might be helpful for purposes of focus to take just a few minutes for some introductory remarks.

I will be joined in these hearings today by one other member of the subcommittee, Hon. Wayne Owens of the State of Utah, and I suspect, as we go into the other States in the West, we will have other members attending some of the hearings.

Of all the land area in the United States, one-third is owned by the Federal Government, the Bureau of Land Management, Forest Service, Defense Department, National Park Service, and a myriad of other Government agencies. This gives rise to a great number of benefits to the American people, but it also gives rise to a number of serious problems, particularly in States like this one and mine where the majority of the State land area is owned by the Federal Government.

About 10 years ago, the Congress, recognizing the range of problems posed by the Federal lands, appointed a historic group called the Public Land Law Review Commission. This Commission, over a 6-year period, spent several millions of dollars inventorying the public lands, trying to classify the problem, getting advice and input in studies from a whole range of universities and outside groups, and

back in 1970, I think it was, filed a historic report called One-Third of the Nation's Land. In this report, a number of recommendations were made. One of those recommendations relates to the subject that we are going to discuss here today. That subject is contained in a dozen bills that have been introduced by various Members of the House and that we have listed in the notice of hearings. All of these bills call for some kind of Federal payment in lieu of taxes.

There are a number of problems that are raised by these bills—real policy problems. I think we have the votes in the House, at least, to get a payment in lieu of taxes bill out in the next Congress, but the exact form of it is not yet known. Before I make any personal decision, I want the advice of county commissioners and State officials, those on the firing line, on some very broad policy questions.

For example, once you pass the threshold question of, should there be a payment in lieu of taxes because the Federal Government has asserted its sovereign immunity and taken great chunks of property off the tax rolls, you then have to ask yourself this question: Should we replace or supplement existing revenue-sharing programs? Right now there are on the books 25 or 30 programs. The receipts that the Federal Government gets from certain mining operations, certain timber operations, are collected and shared with the States and/or the counties under present laws, and it is a whole patchwork system. Some say we should keep that system in effect, however, and add a general payment on top of it.

The second question is, For what Federal lands should we allow payments in lieu of taxes: National parks, military reservations, Bureau of Land Management lands, Forest Service lands, or all of them?

Some suggest different approaches to this problem.

Should the payment in lieu of taxes be based on full tax value or something else? Should we simply assess the lands the way you would assess them if they were in private hands and then compute the tax the same way one would compute the tax under State law, or should we have some other kind of basis?

How should the payments be distributed? Some of the laws now on the books give the money directly to the county where the land is located. This gives rise to a lot of inequities. You may have a large timber operation in county A and the people who work there go to school and tax the sewage plant and the other public facilities in county B, which does not share the revenue.

Should payments go to the county where the impact is or the county where the land is located? Should it go to the State and let the State distribute it? There are a whole range of these kinds of questions.

Another question that is raised is whether you fix the level of the payment in light of the tax effort of the jurisdiction receiving payment in lieu of taxes so that this is supplementing and not replacing the regular kinds of local taxes.

Generally, these are the kinds of issues on which I would welcome help from county officials, State officials, and others who are going to testify here in Salt Lake today, Provo tomorrow morning, and Cedar City tomorrow afternoon.

We are privileged, I might say as an aside, to have here at this opening field hearing two of the men who were the key figures in the Public Land Law Review Commission. We are going to hear from them later.

One of them is Wayne Aspinall, who was chairman of the Interior Committee in the House for so many years and probably knows more on this subject than not only any man in the room but any man in America, and I am proud to have him here today in another capacity to testify.

Then, Byron Mock, a Salt Lake City lawyer who was vice chairman of that Commission, is also on the witness list. I will give them special recognition now and welcome them when we reach their names.

This is generally the opening comments that I wish to make before we begin.

I am pleased now to yield to my distinguished colleague from Utah, Congressman Owens.

Mr. OWENS. Thank you, Mr. Chairman.

I want first to express my appreciation to you for your willingness to come to Salt Lake City and tomorrow to Provo and Cedar City to take the advice and counsel of public officials at State, county, and city levels, and from groups who have a special interest in this legislation. I think it is essential that we solicit and receive and use that input, and I appreciate your efforts very much.

You stated that a third of the lands in this country are federally owned. I know you are aware that 67 percent of the land in Utah is owned by the Federal Government.

The problem of establishing a working relationship between the Federal Government and the different State and local government units in Utah has been a difficult one. How the public lands can best be used for the benefit of the people is a very complicated question. Some have advocated the return of most of the lands to the State so we can better chart our own destinies.

I think a hundred years ago this approach would have been feasible but it appears no longer to be a workable solution. Federal ownership of the land was once thought to be temporary. In fact, during much of the 1800's the basic policy of the Government was to dispose of Federal lands in order to encourage settlement in the west and to foster the development of the Nation.

As the 19th century drew to a close and the expansion westward was essentially completed, the policy of the Federal Government gradually evolved to one of retention of most of the public lands.

These lands are a valuable resource to the Nation as a whole and the executive branch as well as the Congress has, through word and deed, endorsed the concept of retention. No observer of the national scene believes that Congress or the administration could ever give any substantial amount of public lands back to the State, any State. In fact, Utah has been forced to sue the Federal Government because they refuse to turn over even the 157,000 acres of land to which we are legally entitled under our statehood contract. This is because of the great sensitivity in Congress and the administration in giving any land away.

Although those of us from public land States can make an argument for State ownership of BLM public lands, the public lands will clearly remain in Federal ownership at least for the foreseeable future. Therefore our efforts must be directed toward developing a workable system of management for the public lands which permits maximum local participation in decisionmaking and which requires an

equitable Federal payment to local government. This is why we are here today.

There are several positive actions which the Congress can take to insure that the existence of Federal lands is not a burden, financially or otherwise, to States and counties in which they are located.

The first of these efforts is to provide a greater role to State and local governments in determining how the Federal lands within these jurisdictions are used. One of the primary reasons I cosponsored the National Land Use Bill which bears the name of the chairman of this subcommittee is because of the added voice it would give to local and State government in determining how the Federal lands are utilized. This important aspect of the bill seems to have been lost in the flurry of misconceptions surrounding the measure. The Udall bill mandates Federal land managers to develop land use plans for public lands only after substantively involving local and State government. Federal agencies would have to synchronize the use of public lands with adjacent State and privately-owned land. If we must accept the inevitability of continued Federal ownership of the public lands in our State, then National Land Use legislation will go far to guarantee that we as citizens of Utah have a significant voice in how our lands are used.

The second thing that the Congress can do is to eliminate any financial burdens on States, counties, and municipalities resulting from Federal land ownership within their jurisdictions. Police protection and fire protection are among the services that local governments provide on Federal lands, ordinarily without reimbursement. Congress long ago recognized that since Federal lands are nontaxable, some mechanism was needed to compensate localities for property and other taxes foregone. Royalty payments are made to States and counties from receipts received by the Federal Government for such uses of the public lands as timber, grazing, and minerals, but in most cases these royalty payments are not equal to tax revenues. Last year, for example, payments by the Forest Service to the Utah counties averaged 4 cents per acre, a total of \$284,000 to our entire State for an entire year. Payments back, to the State of Utah for minerals extracted was only a little better. In the first 6 months of this year \$3,203,000 was paid to Utah for sharing among the 29 counties. A hodgepodge of laws regulate such payments to State and local governments. This has resulted in gross disparities in royalty payments to counties. These existing royalty payment programs were enacted in piecemeal fashion over the years dating back to 1802, and are inadequate in most cases to even start to meet the financial needs of these areas with very little tax base. Clearly the Federal Government must now do something.

It is not unusual for one county, for example, to get as little as a few cents per acre for timber from one Government agency, while a county in a neighboring State receives \$10 or \$20 per acre from another agency for essentially the same timber yield.

When there is no activity on the Federal lands, such as in wilderness areas, no payments to localities are possible at all under present law.

In 18 of 29 Utah counties, at least 50 percent of the land is federally owned. The payments by the Forest Service for timber activities, averaging 4 cents per acre in this State are among the very lowest

in the country. BLM manages over 65 percent of the some 35 million acres of federally-owned lands here in Utah. Royalty payments to the States of Utah and to the counties as a result of the multiple uses of BLM land constitute a very small fraction of what the counties could receive if the lands were in the private tax base.

It has been estimated that 30 counties nationwide receive more in royalties than they would have received in tax revenues had the Federal lands been on the tax rolls. Approximately 50 counties receive close to tax equivalency. But roughly 600 counties receive less than tax equivalency. Most counties in Utah, probably all of them, are in the last category. I believe the testimony from witnesses today will support this contention.

The particular legislation that I have cosponsored, H.R. 12324, would give the county the option of choosing whether to receive the Federal royalties or the payments it would have received if the Federal lands were in the tax base. Others have supported legislation which would eliminate all royalty schemes in favor of tax equivalency systems of payments.

These field hearings are being held in order to help us draft legislation which would permit the Federal Government to compensate States or counties for lost tax revenues. The exact form that this type of measure will take depends a great deal on what we hear today in Salt Lake City, and in Cedar City, and Provo tomorrow, as well as in other hearings around the country.

If the public lands are to remain for the most part under Federal control, there is indeed a Government obligation to alleviate the burden this sometimes places upon local jurisdictions. Congress is not in the mood to give the lands back to the States, but I believe it will be receptive to realistic alternative programs such as payments in lieu of taxes which will benefit States such as Utah.

Thank you, Mr. Chairman.

Mr. UDALL. Thank you, Congressman Owens.

I notice in the room our first witness, a local taxpayer by the name of Calvin L. Rampton, and if he will come forward and take this chair.

Governor, we are proud to have you kick off these hearings, and I think you know that you are one of my favorite Governors and now hold the position of the chairman of the Governors Conference, and I think you can give us some particular wisdom on the legislation that we are considering here today.

Governor RAMPTON. Congressman Udall and Congressman Owens, I am pleased to appear here today and pleased to have you as a visitor in our State, Congressman Udall, and I hope that both of you Congressmen will forgive me if I say that I am even more pleased to see here today the man who in my opinion is one of the finest Congressmen that the West has ever sent to Washington, Wayne Aspinall.

Mr. UDALL. He just stepped out and did not get to hear that. I certainly agree with you on that score.

As I said earlier, he is the real father of this whole effort.

Governor RAMPTON. Although his name does not appear on this bill, I think he probably has more to do with this bill than any man that is in the Congress now.

Mr. UDALL. No question about it.

STATEMENT OF HON. CALVIN L. RAMPTON, GOVERNOR OF THE
STATE OF UTAH

Governor RAMPTON. I am very much in support of the bill, H.R. 12324, and I am pleased that my Congressman, Wayne Owens, is one of the sponsors of the bill, and I listened with interest to his description of the bill and his stated support of the bill.

I have prepared a written statement which I would like to have entered into the record.

Mr. UDALL. Without objection, your statement will be entered into the record in full, and you may summarize it or read it as you see fit, Governor.

[The prepared statement of Governor Rampton follows:]

STATEMENT OF HON. CALVIN L. RAMPTON, GOVERNOR, STATE OF UTAH

I am pleased to be able to appear at this hearing this afternoon, as I have been spending a lot of time in Washington lately. It is nice to see you gentlemen.

After almost six years and the expenditure of over \$7 million, the Public Land Law Review Commission on June 23, 1970, submitted its report to the President and to Congress. It contains a long list of specific and supplemental recommendations, one of which is that the Federal Government establish a more equitable system to compensate States and counties for revenue lost due to the presence of nontaxable public lands within their jurisdictions.

I am pleased with what seems to be a favorable response to this recommendation, that being proposed legislation—H.R. 12324.

This bill, of which Congressman Owens is a cosponsor, would provide for payments to compensate county governments for the tax immunity of Federal lands within their boundaries.

I am particularly in favor of this legislation because it would give each county the option of choosing whether to receive payments from the Federal Government equal to the real property taxes that would be due if the public land were privately owned, or to continue to receive whatever payments it is currently entitled to under existing applicable Federal law.

I hasten to caution, however, that under the terms of this act, it seems that the State as a whole could, under certain circumstances, lose revenue, even though individual counties would seem to gain it. For instance, if a county opted for payment in lieu of taxes, would it not preclude the State from receiving revenues for that land from the Mineral Leasing Act of 1920, the Taylor Grazing Act, and other like statutes? Also, some counties may receive more in revenue sharing receipts than they would under this system that would allow for payments equivalent to assessed value.

Certainly, there would need to be proper provision, if not in this act, then between State and local government itself, for coordination between the State and its counties to ensure that a net loss to the State would not result by counties opting to go by this proposal. This would require time for study to determine the proper choices to be made. This proposed legislation would seem to provide, in allowing two years, ample time for such study, coordination, and decision making.

I agree with the basic concept for this proposal which is that if the public lands are to remain for the most part under Federal ownership, there is a Federal responsibility to equalize the financial burden that is placed upon jurisdictions where this land is located.

A number of revenue sharing laws have been enacted for the purpose of compensating state and local governments for the fact that certain types of lands would not be going into private ownership and, therefore, onto the tax rolls. However, the amount of the payments have relationship to the actual burdens imposed on state and local governments by the retention of public lands in Federal ownership.

Furthermore, most existing revenue sharing statutes were devised before, or without regard to, local tax structures and are arbitrary in that they do not consider actual revenue needs or tax losses. This has resulted in unequal payments and unequal burdens among counties.

There have been marked reclamation, population, and recreation changes since most existing revenue sharing statutes were enacted, particularly in western states like Utah with large proportions of their total area in Federal ownership.

Large population growth related to development of energy resources located on public lands, along with greatly increased recreational use of the public lands in this state, has created, and will continue to create overwhelming demands on a number of outlying areas to provide services. Since the county as a whole will benefit from the development of these resources, it seems only fair and logical that the Federal government share the burden of helping these communities cope with their growing problems.

I view the proposed legislation as a solution to the disparities that exist under the current revenue sharing statutes. It would provide a viable and much needed solution to the problem of insufficient compensation for the burdens imposed on communities by Federal ownership of nearby public lands.

Unfortunately, this act would not classify military or Indian reservation land as public land, and would therefore exempt it from the compensation provisions of the bill. As a representative of a state that has a good deal of this type of land within its borders, I would hope this part of the bill could be amended to correct this deficiency.

This legislation, if enacted, and if this state's counties then elected to proceed under its terms, could have a most significant effect on Utah, where 67 percent of the land is Federally owned. Utah contains a larger proportion of Federally owned land than any other state except Nevada and Alaska. Every county in Utah except one (Morgan, with 4 percent) has greater than 18 percent Federal ownership, and six counties have well over 80 percent of their area in Federal land. Only about one fourth of Utah's land is privately owned and presently taxed by state and local governments.

This bill would be very beneficial to the state of Utah, and I urge its adoption.

Governor RAMPTON. I will not read it, but I would like to supplement it in one field.

As you are aware, we have been seeking new sources of energy fuels in the United States to attempt to make this country self-sufficient in the field of energy.

The vast deposits, the most vast deposits of these energy fuels are found in the public land States and in many cases, on the public lands themselves, but as these energy sources are developed, particularly oil shale, tar sands, and to some extent the expansion of the development of coal, the counties who are concerned, the counties in which these lands are located are going to be faced with great problems.

Sometimes we tend to think that development and growth is just a blessing without any detriment, but we are finding often that that is not so, and the social and economic problems with the growth that is going to occur in these counties due to the development of these fuel resources is going to be tremendous. The requirements in terms of schools, sewer, water, roads, and many other things are going to be beyond the ability of these local governments to finance from their present tax resources.

In this State, as in many States, the principal source of revenue of local units of government, particularly counties, is the property tax, and when, as here, almost 70 percent of the lands are in Federal ownership and thus not subject to property tax, the ability of the county to render the general governmental functions is severely limited.

In regard to the front-end money for this development, the State feels that it is going to have to make some provision to help the counties out. In regard to the continued operation of these new areas of growth, they are going to have to become self-sustaining, and it is my belief that even with the royalties that will be paid from the development of these energy fuels, that these counties will not be able to sustain the extra costs that are placed upon them.

So I feel that this legislation is highly important, and I sincerely hope that it will move rapidly.

I would like to call your attention to one thing, however, or rather, two things that I feel might be amended in the bill or might be the subject of future legislation to further remove the inequities resulting from the public ownership of a large amount of land. In our State the schools are not operated by counties or other general units of government; they are operated entirely by school districts, and while that geographical area of the school districts is in most cases contiguous with the counties, they are different units of government, and unfortunately they also must rely almost entirely upon the property tax. It is the fact that most of us realize that the property tax levied on a home in and of itself will not supply the needed services for the people that live in that house. This is particularly true of education. There must be on the tax base to support the schools and other public services that are rendered by the county property where the bread-earner works, in other words, a factory, a farm, or something else other than the mere house in which he lives. And so I would like to see future expansion of this bill or a new bill to consider the matter of your special purpose districts that also rely fairly highly on the property tax.

We also have in this State substantial military installations. Up to now the Federal Government has recognized an obligation to help provide the education for the children of the people who work on these bases through the Impacted Area bill. I forget the number. It has slipped my mind. You are familiar with it as I am. At any rate, that has been good but it appears to be phasing out, particularly they are phasing out the payments to the class B students, that is, those whose parents work on the military reservation but live off the reservation. As I have pointed out a few minutes ago, even though the home is off the reservation, it itself does not generate enough taxes to support the necessary services.

The Government spent a great deal of money in preparation of the Public Land Law Review Report. It was prepared under the chairmanship of Congressman Aspinall. Each of the governors in the public land States had representatives on the Commission. These representatives attended the Commission meetings regularly. In addition to that, the Governors had observers there and were given a chance for extensive input. I have been disappointed with the fact that the Congress has not moved more rapidly than it has to implement the recommendations of that Commission, and I am pleased in this bill that we have at least a major step being made to put into effect the recommendations of that Commission.

Mr. UDALL. Thank you very much, Governor, for a very excellent add-on here, and we will take a look at your formal statement and profit from your recommendations.

I join you in feeling that the Congress has been derelict in the last 4 years in not really moving on this very important and very sound study, and I am prejudiced because I was a member of the Commission under Chairman Aspinall.

I was thinking as you talked of the old story back when somebody was chiding Charlie Halleck, Republican leader in the House one year because the Republicans had adopted a liberal platform in 1956, and

the House Members were not carrying it out. They said, what about the platform? They said, oh, I think we will take it out once in a while and look at it.

I think we ought to do more than just take out the Public Land Law Review Commission Report and look at it. I agree we should act on it. That is why I am here today, and I pledged earlier that in the next Congress, next year, I intend, if I am there, to have something to do with moving the bill along, based on what we learned in these hearings.

I do have just one major question I will direct to you because of your expertise in government, because of your position nationally as chairman of the Governors' Conference. That deals with this whole problem of assuming that we can get an adequate system of payment in lieu of taxes, and that we can solve the other problems of about how much.

How are we going to distribute it? We get into all these problems of pass-through. State versus counties. The counties do not trust the State government, the State legislature. We have the problem that you mentioned in a place like Kaiparowits where you may have a big powerplant. The powerplant is located there. The Federal land is located in county A. The people who work there may live in county B.

How should we? I have a list of the major statutes now on the books. In some of them, such as the Mineral Leasing Act, 37½ percent of the revenues go directly to the State. The State can do what it wishes to. In the Bankhead-Jones Act, 25 percent of the revenues go to the counties in which the land is located. In the Mineral Leasing Act, under acquired land, is a provision that says it goes to State or counties, depending upon applicable State statutes.

My question is, if we could agree on a formula, agree on the dollars that we are going to get, are we going to run into troubles trying to decide whether Uncle Sam pays the money to Carbon County direct, to Salt Lake County? Should we run it through the legislature? Should we run it through the Governor? How are we going to do this?

What are your thoughts on the subject?

Governor RAMPTON. This problem that you raise is going to exist whether this bill is passed or not. Let's take Kaiparowits that you mentioned. The principal development, the powerplant, if it is built it will be built in Kane County, and I think most of the coal deposits are in Kane County. Yet I would suspect that Garfield County which lies immediately to the north is going to take most of the economic and social impact. We are attempting to devise some method in this State to equalize that impact or equalize the ability to meet the impact from our existing tax structure. I would suggest that you let us work that out as a State, and whatever device that we arrive at on the matter of sharing revenues, that this money be distributed as other property tax money is distributed.

Mr. UDALL. Is there any kind of a war on now with regard to the Federal Revenue Sharing Act of 1972 with regard to the pass-through problems there? Is there agitation to change the way that operates?

Governor RAMPTON. No, I think there is general support of the act as it now operates. I am aware that Mr. Mills put in a bill the other day or said he was going to put in a bill that would continue general revenue sharing to cities and counties but would cut States out. Both the National Association of Counties and the National League of Cities and Towns oppose that and favor the retention of the States. I

think they are a little worried, if they are going to stand alone they will not have that much muscle and maybe Mr. Mills' approach is sort of a divide and conquer approach.

But I see in the audience here both the executive officer of our county association—I do not see Benny Smith here. I think he would say the same thing, that the cities and counties favor the present formula for revenue sharing.

Mr. UDALL. We have on the list both the Colorado Association of Counties, represented by Mr. Aspinall, and the Utah association you referred to. Maybe we will get some advice from them.

Would this not, if we continued to use the State, would this not help solve the problem that you mentioned of the special purpose districts if the State's share of payments in lieu of taxes go to the Governor, goes to the State legislature, could they not allocate where the need is?

Governor RAMPTON. They could, but the only problem with this bill as I read it, would apply solely to the county level, not to the school district level.

Mr. UDALL. The gentleman from Utah.

Mr. OWENS. Governor, thank you for your willingness to appear this afternoon. I know this is a subject that you are intensely interested in, based on discussions you and I have had in the past. I am anxious to read your prepared statement. I thought that the points that you made supplementing your prepared statement were very timely.

I wonder what your experience has been, and if you would like to address yourself to the question that the Revenue Sharing Act of 1972 relates the payment directly to the tax base, in part at least, to the taxing effort of the local jurisdiction. What has your experience been? Should that principle be applied to this type of Federal revenue payment.

Governor RAMPTON. I approve of that principle in the General Revenue Sharing Act, and I would here also because I think a local unit of government or State, before it looks to the Federal Government for aid, should be making a maximum effort on its own, and that the degree of effort should be a factor in the formula for distribution.

Mr. OWENS. Do you think there would be a problem in allowing the States to direct completely the assessment of the public lands for the purpose of the in-lieu payment? Would you suggest a joint venture in that sense with the Federal Government?

Governor RAMPTON. Your bill here, as I read it, provides for a three-man commission, one Federal man, one State man. In the State of Utah, as you are aware, the utilities and mines are assessed by the State, and other property by county assessors.

I would see no objection to making the public lands subject to the assessment by the State tax commission if the Department of the Interior or the Congress feels that there might be a problem with the county making its assessment.

I might say this: Even though the counties in this State have the primary responsibility for assessment of other than mines and utilities, the State tax commission has the power of review, and we do review them every 5 years to make sure that they are in balance.

You put in here a safeguard which is certainly proper, that in no way may we assess—may this public land be assessed in such a way as to impose on that a greater tax burden than on privately-owned property of equal value in the same jurisdiction. I think that is sound. I believe that the requirement of the three-man commission you have here, if you leave it in, should not be a requirement for primary assessment, but should merely be a review board to make sure that there is not an abuse being made of the provision.

Mr. OWENS. Thank you, Governor. I do appreciate your testimony.

Mr. UDALL. One more question to make a complete record.

I do not have the figure here, maybe staff can find it. I have a release of the Interior Department pointing out that last year all Interior Department administered revenue-sharing programs give Utah a total of \$3.2 million, and under the Forest Service payments was another \$280,000, which would be about \$3½ million or a little bit more, and there may be some other programs, but these are probably the main ones.

What is your budget this year? How does that \$3½ million compare to your whole total State budget?

Governor RAMPTON. It depends on what you are looking at as budgeted. If you are looking at total budget, including Federal grants, it is about \$650 million.

Mr. UDALL. We are talking about one-half of 1 percent of what you are getting now.

The point I want to make in these hearings, that probably does not come anywhere close to recompensing Utah for the impact of having this tremendous quantity of Federal lands.

Governor RAMPTON. However, in Utah we do not use the property tax at the present time on a State level. The total property tax for all units of government—I am talking off the top of my head, and Walt or Milt back there can supply us the figures—I would say would be slightly over \$200 million to all units of government.

Mr. UDALL. That makes my point, that there really is a need here, an inequity, and these present statutes, as good as they may be, this whole patchwork does not come even close to compensating State governments or the local government for the impact of the Federal lands.

Governor RAMPTON. Yes, sir.

Mr. UDALL. All right, sir.

As always you are a most effective witness. We will grant you a complete pardon for any offenses you may have committed.

Let me say before we go to the next witness, I have 12 witnesses. We have about 150 minutes here before we quit for the afternoon, which works out to 12 or 15 minutes per witness. I never restrict a Governor, and I do not want to restrict the other important people who have gone to the trouble and time to put together statements to come here and testify.

I would urge, wherever possible, when you are called you try to highlight or summarize the main points that you wish to make, that you avoid to the extent possible repeating other points that have been made by previous witnesses, and that generally you will help us and help yourselves the most if you will zero in on the problems

your county or your association has, and direct your points to the main questions I have outlined, or any others that you think that we ought to know about. And it is also helpful if you will leave us a little time to have an exchange. I think we profit and you profit as well by the questions and answers as well as the statements.

We have this procedure that I used with the Governor, whereby a witness need not read his whole statement. We have a court reporter here, and we will have a printed volume of these hearings and we can print your whole statement in that as though you had read it and save that time, and you can use the time to really communicate with us and highlight the points that you wish to make.

With those friendly words, we will call William G. Bruhn, executive director of community affairs.

Bill, thank you for coming out.

Mr. BRUHN. Thank you very much, Congressman.

Mr. UDALL. If you would proceed.

STATEMENT OF WILLIAM B. BRUHN, EXECUTIVE DIRECTOR OF COMMUNITY AFFAIRS

Mr. BRUHN. Now, I want to express appreciation to you, sir, for being here. These are extremely important hearings coming as Governor Rampton has indicated, at a time that is very, very important to the entire State of Utah, and I am happy to acknowledge my friend, Wayne Owens, with you. I think with his knowledge and your knowledge of the areas that I am about to describe, we will feel very comfortable in having this legislation examined.

I believe it would be advisable if we put together a little mosaic of what the entire picture looks like, in regard to energy requirements in Utah.

It is my contention that the day that the leaders of the Arab nations turned the oil spigot off on the rest of the world, that our lifestyle changed rather drastically, and our future is changed, particularly in the great State of Utah. And I would like to take you gentlemen on just a little word picture, if you would, for a few minutes to get a total grasp of what this State will be facing.

We were talking about the Kaiparowits project located in central Utah at the extreme south end of the State, and if we look just at that project alone, at the 3,000-megawatt anticipated plan to be built by Southern Cal Edison, that projects for those two counties, Kane and Garfield with a population now of approximately 6,000 people a new community in excess of 15,000 people, that is a major impact, together with the roads and supportive services. In utilizing that source of coal, it is anticipated that El Paso Gas will use the coal, and they will market the coal for gassification or some other methodology. Utah Power and Light has filings for a plant near Escante, Utah, at a time in the future using the same coal. It is anticipated that from the Alton beds in that same area a slurry line will be built to St. George, Utah, where another power production plant will be built to serve the needs of the Las Vegas area, and the slurry line extended on to Las Vegas.

If we, in our mental picture, if we move on up and into Emery County, the Inter Mountain Power Plant consortium now has under

examination feasibility studies for a similar plant to the Kaiparowits plant, again 3,000 megawatts, and again a requirement, if that is built, for another new town.

Travel from there to Emery County where already we have seen a 450-megawatt plant completed by Utah Power and Light, the first phase of two with another similar plant anticipated in Emery, the town of Emery in Emery County. We have been extremely excited about the developments in Carbon County where McCullough Oil Co. has bought out the entire community of Castle Gate and is in the process of moving those homes in order to provide a switchyard capability for shipping Utah coal to Tennessee to mix with Tennessee coal because of the lower sulfur content, and a massive use of energy from that resource.

We are a little overwhelmed when TVA tells us they are interested in developing uranium supplies in southwestern Utah, affecting San Juan and Grand Counties, and those studies are now beginning.

Add to that also the oil shale activities anticipated, and another new town in the basin. Governor Rampton was told recently that that has to be examined. Those communities have already experienced an influx nearly doubling their populations, and we certainly can find nothing that says that that will not happen again in the next 2 or 3 years. And share with us the exciting possibilities of the drilling that is going on in Box Elder County and the other portions of the State with geothermal steam, the great possibilities for developing an anulite deposit in Beaver and Iron Counties employing great numbers of people in that area of the State that has been previously unused for industrial purposes. The announcement of Anaconda Copper Co. last week of opening a new mine in Tooele County.

Gentlemen, I share that just as a mosaic of the kinds of things that are happening, and those are great opportunities.

Mr. UDALL. If you do quit, the State is going to blow a fuse.

Mr. BRUHN. That certainly is going to be a challenge. We may well blow a fuse. It is going to require the best that we have in planning, but I suspect that I ally myself with the local government officials who are suddenly confronted in existing communities with how do we provide for police protection, how do we provide for water and for sewer and for sanitation and hospital services, transportation facilities, and in anticipating those needs, I am happy that Governor Rampton talked about some of the complexities that we are facing in getting the revenues to the places where people are going to live, where they actually impact.

I know you gentlemen are going to be studying not only this legislation, which we think is commendable, but other sources, also, and I suspect that the greatest problem that we will have to look at in local government is how do we ameliorate and how can we get the revenues from the energy sources.

It would be my contention that they are joint responsibilities in a free enterprise economy. I have applauded the fact that the corporate responsibility seems to be great, and they are accepting that responsibility. They are saying yes, we have a responsibility in providing some of the social and physical services that will result, and I believe that is laudable because the energy should pay for those requirements, in my judgment.

As you examine what the Government should do, it seems to me that this is much larger than a Utah responsibility. The power will be sold to meet the needs of the Nation, and the Nation has the responsibility then back to meeting those needs. And in examining that, some of the proposals that I see up for now, for loans to communities, and to you Congressmen, I would say that loans are simply not an answer to communities without an economic base. You have to repay loans. There has to be some methodology whereby we can assist in meeting the Government's need and the State's need and the local government's need in impacting upon these very, very tremendous responsibilities that are jointly ours, and I think it is through a spirit and a sense of cooperation that we need address them.

Mr. UDALL. That was very helpful. Thank you very much.

Mr. OWENS.

Mr. OWENS. You see before you today on the subcommittee the man who got me started in this illustrious business some 20 years ago. You may feel you want to praise or condemn him.

Mr. UDALL. I would praise him.

Mr. OWENS. I would feel amiss if I did not note that, and the speaker who will follow shares somewhat of the awesome burden.

Mr. Bruhn, I appreciate your testimony. I agree with you. We do come from the same little town down there of 1,500 souls in Panguitch in Garfield County, which the Governor pointed out would be the most widely impacted by the establishment of the Kaiparowits plant, and so I share very much his concern that the counties and the cities with such severe impact have the facilities and the assistance from the places where it is due.

In planning intelligently and preparing intelligently, I share your belief that the Nation does have a responsibility to pay in part for the development of this energy because it shares it, and I thought that was an excellent statement.

Mr. UDALL. I will look forward to reading your prepared statement as well.

Mr. BRUHN. Let me piggy-back with one quick statement, too. You asked a question regarding the conflict between States and counties and cities, and I wanted to say to you, Mr. Congressman, through the efforts of leadership of local government and the Governor of the State, we do not find lots of conflict around those kinds of issues, and I have a strong contention that if you are going to wisely use resources, there is a place for objectively looking at how you use them and a focal point for bringing people around to decisions. In this State we have a Governor's Advisory Council for Community Affairs where the Governor and the mayors and the county commissioners throughout the length and the breadth of this State sit around this table once a month. It has been a great resource, and perhaps we find less friction because of the most cooperative attitude of locally elected officials.

Mr. UDALL. That is reassuring to me because I lean to the proposition as we begin that you have an intelligent legislature that will look after the interests of the people. You seem to elect Governors in this

State that are looking out for local government as well as their own level. And I hope—it seems to me that it is awfully hard in Washington for us to write a formula and say half of this goes to the counties and half to State government, and half to school districts. You have such a myriad of Government organizations. In some States the cities run the schools, or the State finances the schools. In your State and my own we have independent school districts.

It seems to me in the philosophy of States rights to give the State the revenue-sharing moneys, and then let it put the money where the need is, based on its own government structure, that this might be the best approach, but I will be looking forward to see what some of the county officials and municipal officials say on this also.

Thank you very much.

Mr. BRUHN. Thank you.

Mr. UDALL. Our next witness is Mr. Vernon L. Holman, chairman of the Utah State Tax Commission.

Mr. Holman, your statement will be made a part of the record and you may proceed.

[Mr. Holman's statement follows:]

STATEMENT OF VERNON L. HOLMAN, CHAIRMAN, UTAH STATE TAX COMMISSION

This testimony was given by Vernon L. Holman, Chairman of the Utah State Tax Committee, at public hearing before the House of Representatives Environment Subcommittee on September 13, 1974 at Salt Lake City, Utah.

My effort in support of H.R. 12324, "Payments in Lieu of Texas Act of 1974" is to select four Counties in Utah with which I am most familiar, each of which has been recently re-appraised by the State Tax Commission and to show, as best I can on short notice, the benefits these Counties now receive from Federal Revenue Sharing, and what they would receive if this proposed legislation is passed and the Counties involved exercised their option to receive payment in lieu of taxes on Federal lands.

When a County is re-appraised, every acre of land area within the boundaries of the County is accounted for regardless of ownership, but the actual appraisal is made only on the land that is privately owned and subject to taxation.

The four areas covered in this instance are: Emery, Garfield, Kane and Wayne Counties. All are rural Counties with limited population and because of economic conditions each of the four Counties have been consistently losing population over the past several decades. Some developments are taking place presently, or in the immediate future, that will reverse this situation—hopefully.

In 1973 Emery County received Revenue Sharing Funds in the amount of \$160,354. If the present legislation becomes available to them, they would receive In Lieu taxes on Federal land located in the County of approximately \$616,753. This would result in a 458% increase in the assessment of locally assessed real estate.

In 1973 Garfield County received \$78,932 from revenue sharing. Under this bill they would receive \$635,754 In Lieu Taxes on Federal land located in the County, which would result in a 640% increase in the assessment of locally assessed real estate.

In 1973 Kane County received \$67,811 in revenue sharing funds. Under this legislation they would be in line to receive \$562,081 In Lieu Taxes on Federal lands located within the County, which would result in a 375% increase in the assessment of locally assessed real estate.

In 1973 Wayne County received \$36,463 in Revenue Sharing Funds. If they were to receive In Lieu Taxes on all the Federal lands located within the County, they would receive \$288,735 which would result in a 720% increase in the assessment of locally assessed real estate.

SUMMARY OF FEDERAL OWNERSHIP—REAPPRAISED COUNTIES AS OF SEPT. 12, 1974¹

County	Total acreage in county	Federal ownership ²	Federal ownership as a percent of total	Estimated assessed valuation loss ³	Mill levy applicable ⁴	Estimated loss in revenue
Beaver.....	1,647,329	1,293,210	78.50	6,466,050	65.63	424,367
Box Elder.....	3,510,749	1,393,477	39.69	6,967,385	61.13	425,916
Daggett.....	464,439	357,619	77.00	1,788,095	50.71	90,674
Duchesne.....	2,086,003	827,323	39.66	4,136,615	52.275	216,242
Emery.....	2,840,455	2,345,204	82.56	11,726,020	52.597	616,753
Garfield.....	3,284,283	2,768,360	84.29	13,841,800	45.93	635,754
Grand.....	2,346,331	1,756,148	74.85	8,780,740	64.60	567,236
Kane.....	2,547,704	2,076,243	81.49	10,381,215	54.144	562,081
Millard.....	4,311,043	3,406,200	79.01	17,031,000	45.82	780,360
Morgan.....	438,419	16,247	3.71	81,235	62.95	5,114
Rich.....	680,035	205,106	30.16	1,025,530	50.339	51,624
San Juan.....	5,051,366	2,847,457	56.37	14,237,285	49.67	707,166
Tooele.....	4,413,324	3,688,720	83.58	18,443,600	57.60	1,062,351
Uintah.....	2,812,601	1,811,827	64.42	9,059,135	56.75	514,106
Washington.....	1,542,389	1,117,336	72.44	5,586,680	49.863	278,569
Wayne.....	1,552,254	1,207,842	77.81	6,039,210	47.81	288,735
Weber.....	340,410	66,842	19.64	334,210	72.10	24,097
Grand total.....	39,869,134	27,185,161	68.19	135,925,805		7,251,145

¹ With the exception of Summit and Wasatch Counties. These counties were reappraised prior to the establishment of the property inventory control system (PICS), the basis of all statistics contained in this report.

² Exclusive of national parks and Indian lands.

³ An average market value of \$25 per acre was used leading to an assessed value of \$5 per acre.

⁴ Mill levies used represent actual 1973 mill levies applied to county areas as per Utah Tax Payers Association publication

ACREAGE OF NATIONAL PARK LANDS IN FOLLOWING COUNTIES

County	Park	Acreage
Kane.....	Portion of Bryce Canyon; portion of Zion.....	9,392
Emery.....	None.....	None
Wayne.....	Capitol Reef; portion of canyonland.....	157,930
Garfield.....	Portion of Bryce Canyon; portion of canyonland.....	62,740

STATEMENT OF VERNON L. HOLMAN, CHAIRMAN, UTAH STATE TAX COMMISSION

MR. HOLMAN. What I have attempted to do is apply the effects of this bill in some of the counties that I am the most familiar with and that Congressman Owens is equally familiar with.

The State tax commission is presently engaged in a statewide reappraisal program. I have given this backup information on 17 of these counties that have been reappraised, but I have selected 4.

The four areas covered in this field are Emery, Kane, Garfield, and Wayne Counties. These are rural counties, limited because of economic conditions. Each of the four counties have consistently been losing population over the last several decades. Some developments are taking place of which we have talked about that might change and reverse this position, hopefully.

In 1973 Emery County received revenue-sharing funds in the amount of \$160,353. If the present legislation becomes available to them, they would receive in lieu of taxes on Federal lands located in the county of approximately \$616,753. This would result in a 458-percent increase in the assessment of locally assessed real estate.

What we have done to arrive at this is valued this Federal land at \$25 market value or \$5 assessed valuation and applied the local mill levy to that figure.

In Garfield County they received \$78,932 in revenue sharing in 1973.

Under this bill they would receive \$635,754 in lieu of taxes on Federal land, which would result in a 640-percent increase in the assessment of locally assessed real estate.

In Kane County they received \$67,811. They would receive \$562,081, and this would result in a 375-percent increase.

The last county, Wayne County, received \$36,463 in revenue-sharing funds. They would receive \$288,735, which would result in a 720-percent increase in the assessment of locally assessed real estate.

We did not include in this the national parks. I do not know whether they are included in the bill or not.

Mr. UDALL. We have a lot of bills. Some of them they are in and some of them they are out.

Mr. HOLMAN. If they were added, then this percentage increase would be greater.

And I am very much in favor of the bill. I think it would be real helpful to these rural counties.

Mr. UDALL. Mr. Holman, you have just dramatized the value of field hearings because we do not often get this kind of specific testimony in Washington. This gives us a framework to really judge what we are talking about, what we have now and where we would go with some of these proposals. I find it very useful and I thank you.

Mr. Owens?

Mr. OWENS. Thank you, Mr. Chairman.

Commissioner Holman, I am delighted that you could come today. It looks like Panguitch hometown hearings. I would just state for the record, Mr. Chairman, that three of the last four witnesses were from Panguitch. Each has gotten where they have gotten because of independent backgrounds and preparation, not because a member of this subcommittee called them up to testify today.

Now, Commissioner, your testimony is very good. I am very grateful to you and very pleased that your testimony gives us some specificity. I would just say to you in response to your question of whether revenue sharing would apply on top of the payments in lieu of taxes. The revenue sharing under the Revenue Sharing Act of 1972 would still be national and would apply, of course, to every jurisdiction. Therefore the States and the counties, would be entitled to that payment in addition to this one.

Mr. UDALL. These proposals are in addition to, because most local counties and local municipal governments do not have any Federal land, maybe just the post office. This is intended to be an add-on on top of the general revenue sharing.

Mr. OWENS. Basically there are a dozen or so public land States that have sufficient amounts of public lands. I think that Utah is third in the country, of the percent of its land that is owned by the Federal Government, after Alaska and Nevada. It would be to compensate those States for that particular problem, and it would be in addition to revenue sharing.

Mr. UDALL. For your contribution to old Panguitch home week, we thank you, Mr. Holman.

Mr. HOLMAN. You are welcome.

Mr. UDALL. Our next witness is Hon. Wayne L. Aspinall whose name has been kicked around here earlier in a favorable context.

Wayne, we are glad to have you with us. I understand you have some witnesses.

Mr. ASPINALL. May I bring two witnesses up with me? Mr. Hill and Mr. Ruland.

Mr. Chairman, members of the committee, may I say, Mr. Chairman, it is good to be in Utah. I always thought I was the third Member of Congress from Utah while I had the pleasure of serving.

Mr. UDALL. You really were. Earlier, Governor Rampton while you were out of the room, said some very kind things about you, and we will have to reprint them and send them to you.

Mr. ASPINALL. I am very glad to have Wayne Owens here, who has a very delightful first name, and he must have dipped into my family history to get his last name.

Mr. OWENS. I am very honored.

Mr. ASPINALL. I did not hear what Governor Rampton had to say about me, but I am told it did not displease the ears. But I must say, Mr. Chairman, to you and Congressman Owens, I consider Governor Rampton to be one of the most effective, constructive, outstanding Governors in the United States. I wish to commend you on holding the hearings, this hearing and the hearings that you are going to hold in addition to these.

It was my pleasure to be in Washington, D.C. as you began your hearings, and to be present at that one particular hearing.

Mr. Chairman, I know all too well how pressed you are for time. I ask unanimous consent that my statement be printed in the record as if read in full, and that I be permitted to refer to it in one or two places, to speak orally, and then to be subject to questions with my companions.

Mr. UDALL. Without objection, so ordered and if you will identify as you go along your colleagues.

[The prepared statement of Mr. Aspinall follows:]

STATEMENT OF HON. WAYNE N. ASPINALL, FOR THE COLORADO COUNTIES, INC.

Mr. Chairman and members of the Sub-Committee. My name is Wayne N. Aspinall. Presently I am working as a Natural Resources Consultant with offices at 150 Aspinall Drive, Palisade, Colorado 81526. I appear before this Sub-Committee at this time for and on behalf of Colorado Counties, Inc. I am accompanied by the Honorable Lynn Hill, County Commissioner of Garfield County, Colorado and the Honorable Charles Ruland, County Commissioner of Gunnison County, Colorado and President of Colorado Counties, Inc. They also are appearing here as members and representatives of Colorado Counties, Inc. as well as for themselves as current office holding county commissioners. We appear in general support of the principal of Payments in Lieu of Taxes for the States and the local areas wherein there are located federally owned lands. We also appear in support of the general provisions of H.R. 12225 of the 93rd Congress—together with related Bills H.R. 1673, H.R. 4505 and H.R. 5165.

Mr. Chairman, I recall with pleasure my public service with you—not only in the Federal House of Representatives of the United States, but also in the work of the Public Land Law Review Commission to which you, as a member, gave such outstanding and meritorious service. This is the first opportunity since I left the House of Congress to publically acknowledge your services on the Commission. You were a power of knowledgable and efficient strength—not only to the Commission, but especially to the Chairman. In the latter days of the Commission's work, when the going got really tough—and it appeared almost impossible to arrive at fair, understandable and effective decisions, you were the member who invariably stepped into the breach that was being widened and came up with right and acceptable suggestions which made it possible for the members of the Commission to finish their work on time and deliver their report to the President of the United States and to the Congress.

Mr. Chairman, I thanked you at the close of the work of the Commission. I did this by letter as I did with the other members of the Commission. May I say once again that I continue to thank you for the great and constructive contributions which you made. I wish you and your colleagues well as you try to implement those recommendations of which you were and are so much a part.

Mr. Chairman and members of the Committee I know that I do not need to recall to your minds the recommendations of the Public Land Law Review Commission (with the supporting arguments therefore) as the report of the Commission ("one third of the nation's land") relates to the matters of tax immunity and payments in lieu of taxes. Yet for the benefit of members of your Committee (especially the newer members) please permit me to review briefly some of those recommendations. In the first part of the Report—in that specific part entitled, "A Program for the Future",—there is an introductory summary of the Commission's basic concepts and recommendations for long range goals, objectives and guidelines, underlying the more specific recommendations in the individual chapters of the Report. The recommendation relative to payments in lieu of taxes reads as follows:

"We, therefore, recommend that: the United States make payments in lieu of taxes for the burdens imposed upon state and local governments by reason of the Federal ownership of public lands without regard to the revenue generated therefrom. Such payments should not represent full tax equivalency and the state and local tax effort should be a factor in determining the exact amount to be paid".

The supporting argument was stated as follows:

"The United States need not seek to obtain the greatest monetary return, but instead should recognize improvements to the land and the fact that the land will be dedicated in whole or in part, to services for the public as elements of value received.

"Having determined that there should be no wholesale disposition of the public lands, we turned our attention to the impact that the retention in Federal ownership would have on other levels of government. In doing this, we made an intensive review of existing programs.

"Revenue-sharing programs were established for the purpose of compensating state and local governments for the fact that certain types of lands would not be going into private ownership and, therefore, onto the tax rolls. Nonetheless, we find that such programs actually have no relationship to the burdens imposed on state and local governments by the retention of public lands in Federal ownership. The continuation of the general United States policy of providing for transfer to private ownership virtually all of the public lands would not have required consideration of a comprehensive program to compensate state and local governments for the burdens imposed by Federal ownership of public lands since such ownership was then transitory. The establishment of new programs in recent years and the administration of the public land laws generally has resulted in millions of acres of land being set aside for permanent retention by the Federal Government throughout the 50 states with concomitant unpredicted burdens on state and local governments. The potential retention of additional millions of acres of public domain lands as a result of the review recommended by this Commission requires that we reexamine the obligations and responsibilities of the United States as a landowner in relation to state and local governments upon which continuing burdens will be placed. We find further that any attempt to tie payments to states and local governments to receipts generated from the sale or use of public lands or their resources causes an undue emphasis to be given in program planning to the receipts that may be generated."

Mr. Chairman, because of the sovereignty of the United States, federally owned lands cannot be taxed by state or local government. This principal has created large and increasing problems for the states and local governments, especially for those states where large amounts of federally owned lands lie. I need not at this time recall to the members of this Sub-Committee the services which must be furnished by the states and local governments—whether or not the lands are privately, state or federally owned. It is contended by many, and especially by your witnesses presently before you at this table, that the methods of providing revenues, heretofore and now, used to take care of payment for these services are insufficient, inequitable and ineffective. The Public Land Law Review Commission recommended that:

"If the national interest dictates that lands should be retained in Federal ownership, it is the obligation of the United States to make certain that the burden of that policy is spread among all the people of the United States and is not borne only by those states and governments in whose area the lands are located.

"Therefore, the Federal Government should make payments to compensate state and local governments for the tax immunity of Federal lands."

"Payments in lieu of taxes should be made to state governments, but such payments should not attempt to provide full equivalency with payments that would be received if the property was in private ownership. A public benefits discount of at least 10 percent but not more than 40 percent should be applied to payments made by the Government in order to give recognition to the intangible benefits that some public lands provide, while, at the same time, recognizing the continuing burdens imposed on state and local governments through the increased use of public lands. The payments to states should be conditioned on distribution to those local units of government where the Federal lands are located, subject to criteria and formulae established by the states. Extraordinary benefits and burdens should be treated separately and payments made accordingly."

Mr. Chairman and members of the Committee for a fuller and more complete understanding of the Public Land Law Review Commission's position on the methods and procedures of handling the task of providing for payments in lieu of taxes I would refer the Committee and its staff to Chapter 14 of the Commission's Report on the subject of "Tax Immunity."

Mr. Chairman, the three of us who are presently before you are long term residents and citizens of large federally-owned-land counties of the State of Colorado. What is true of the counties wherein we reside, is largely true of all the states, counties and other local governments where large tracts of public lands are situate.

It makes little if any difference, if the federally-owned natural resource developed and harvested is mineral, timber, agriculture, livestock, recreation, water, fish and wild life,—or a combination of any or all of them, the inadequacy, insufficiency and unfairness of the tax burden (in the states and local governments where these federally owned resources are present) under present laws, to pay for the necessary governmental services attendant thereto and performed therewith still remains.

Mr. Chairman, at this time I wish to refer to one current situation in my state (and in the counties of two of us appearing at this time) to bring to your attention the dilemma which more often than not faces states and counties wherein federally owned lands predominate. This dilemma invariably occurs when the counties are called upon to provide the ordinary governmental services necessitated by the new development of the natural resource values for the benefit of the states, regions and nation. Mr. Hill, because of his present involvement and responsibility in county government, is able to speak more eloquently to this situation and to attendant problems.

Our nation and its people are confronted presently with an energy-fuel scarcity. We find ourselves nationwide, in need of additional domestic produced energy. We are seeing much attention given to the exploration, development and distribution of energy fuels. In the counties to which I have just made reference, energy-fuel developers and producers are busy at work preparing for the contribution which is thought by many, to be available from the development of our oil shale. Oil shale deposits as you know, are to be found in the Green River formation, which is a part of northwestern Colorado, northeastern Utah and southwestern Wyoming, with a great bulk of these values to be found in the county commissioner's district which is served by Mr. Hill.

There is much oil shale development activity presently being had in Colorado and Utah, but especially in Mr. Hill's Commissioner District. Added, and additional services are being requested of the counties and the municipal governments, some of these necessary services are as follows:

- Additional elementary and secondary school services;
- Additional highways and road services;
- Additional public safety and police services;
- Additional sanitation, health and hospital services;
- Additional recreation services;
- Additional housing developments and attendant service.

These services are the usual services which are performed by governmental agencies and such services are demanded whether the land is owned by the Federal Government or by private individuals. The burdens for carrying on these services are heavy at best when all the property bears its equitable and fair share of the load. But where a great segment of the taxable property (in many instances more than 50% of the land area of the county) is federally owned then the inequity because easily recognizable and the task is almost impossible.

Mr. Chairman and members of the Committee this is not a new problem to Congress. Over twenty years ago, as a member of the Committee on which you gentlemen serve so ably, I became involved in this very difficult problem. In those earlier days and continually since then the Committee invariably became involved in what I might term to be problems of more or less provincial or local significance rather than those to which a general law could be made applicable. I would be the first one to admit that the road ahead is very difficult of solution as far as your Committee responsibilities are concerned. However, I would be among the first to contend that it must be solved on that basis—with specific provisions providing for the solutions to the peculiar and specific problems.

Mr. Chairman and members of the Committee. The various methods and approaches by which the various agencies of Federal Government now attempt to make some kind of payment or payments to those states and counties wherein federal lands are so dominant, are a hodge-podge of legislative and administrative action of the past and have little bearing, if any, upon a mutuality of responsibility by the governmental agencies involved. Practically in all instances such payments to the local governments very seldom, if ever, come close to approaching any kind of a tax equivalency with the private property owners responsibility and burden. There is nothing that bothers the ordinary citizen more than unfairness and inequity in the discharge of the duty of citizens in the payments of taxes. In a rather long life I have invariably found that although the citizen may complain of his tax burden, yet if it is the same for others as it is for him, then he will accept his responsibility as a tax paying citizen and permit his protest to become weaker and weaker.

Our present procedures for payments in lieu of taxes are largely founded upon prevailing policy-thinking of the early part of this century. In other words, they are ancient and outmoded. Accompanying the changes, which have been ours throughout the last many decades, there should have been newer and more equitable procedures provided for the federal government to bear its proportionate responsibility of providing necessary local governmental services.

Colorado Counties, Inc. appreciates the services of this Committee. Its members appreciate the opportunity to testify. They stand ready to work and advise with the Committee if the Committee so desired—trusting that in the not too distant future this very needed legislation will be perfected and will receive the approval of the Congress of the United States.

We thank you most sincerely and assure you of our continuing interest.

STATEMENT OF HON. WAYNE N. ASPINALL, FORMER MEMBER OF CONGRESS, ON BEHALF OF COLORADO COUNTIES, INC., ACCOMPANIED BY LYNN HILL, COUNTY COMMISSIONER, GARFIELD COUNTY, COLO. AND CHARLES RULAND, COUNTY COMMISSIONER, GUNNISON COUNTY, COLO., AND PRESIDENT, COLORADO COUNTIES, INC.

Mr. ASPINALL. I think I understand your problems as well as any Member of Congress. I think you made a wonderful presentation in your opening remarks because they do highlight the problems that you have, and as you know, as well as I, we started these discussions on the question of payment in lieu of taxes some 20 years ago. We usually got bogged down because of provincialism or because of this agency of government or that one. And I would just say, Mr. Chairman, that if there is anything that can be done to help, my colleagues present here with me, and myself and others of Colorado, we would be glad to help. We know how difficult it is.

I am accompanied by Hon. Lynn Hill, county commissioner of Garfield County, Colo., and Hon. Charles Ruland, county commissioner of Gunnison County, Colo., and he is also president of Colorado Counties, Inc., which is the county organization of the State of Colorado. They are appearing today here in their capacity as individual counties, and also of the State organization. We appear in general support of

the principle of payments in lieu of taxes for the States and the local areas wherein there are located federally-owned lands. We also appear in support of the general provisions of H.R. 12225 of the 93d Congress, together with related bills H.R. 1673, H.R. 4505, and H.R. 5165, and if there are other bills, please forgive me for not mentioning them.

Mr. Chairman, may I be personal a little bit. I recall with pleasure my public service with you, not only in the Federal House of Representatives of the United States, but also in the work of the Public Land Law Review Commission to which you as a member gave such outstanding and meritorious service. This is the first opportunity since I left the House of Congress to publicly acknowledge your services on the Commission. You were a tower of knowledgeable and efficient strength, not only to the Commission, but especially to the chairman. In the latter days of the Commission's work, when the going got really tough, and it appeared almost impossible to arrive at fair, understandable, and effective decisions, you were the member who invariably stepped into the breach that was being widened and came up with right and acceptable suggestions which made it possible for the members of the Commission to finish their work on time and deliver their report to the President of the United States and to the Congress.

Mr. Chairman, I sent each member a thank you letter after the end of the Commission, and you received yours, but never before have I had the chance to make my presentation like this.

Mr. UDALL. You are very generous and I like this part of your statement particularly.

Mr. ASPINALL. You deserve it.

Mr. UDALL. I just hope Mr. Mock heard all these words about how I was more effective than maybe he was toward the end there, but he did a great job, too.

Mr. ASPINALL. Mr. Chairman, our statement follows the reasoning, the logic, and the recommendations of the Public Land Law Review Commission, of which you are so much a part and of which Mr. Owens has given some of his attention since he has been in Congress.

I commend these references that I have in the statement to the attention of the committee. I would suggest that chapter 14 of the report is very much in order.

Mr. UDALL. I have had this reproduced for every member of the subcommittee, and each hearing I pass it out so the work of the Commission is there and not forgotten.

Mr. ASPINALL. The three of us who are presently before you are long-term residents and citizens of large federally-owned land counties of the State of Colorado. What is true of the counties wherein we reside, is largely true of all the States, counties, and other local governments where large tracts of public lands are situated.

Mr. Chairman, there are so many services that must be performed by the counties, and the towns, and municipalities, and this is especially true when there are new developments taking place, as has been referred to here by the witnesses immediately before me, which can be duplicated in Colorado, especially in Colorado west in which the county commissioners here present with me are residents. It makes little difference where it is, these services must be performed, and it is not in keeping with good government that the tax burden be

inequitable because if I know taxpayers, and I have lived some time, all that they wish more than anything else is to see that the tax burden is equitable, that it is distributed so that everyone bears his share.

Uncle Sam owns one-third of the Nation, more than that, in fact, because more than one-third of all the mineral resources of the land area of the United States belongs to Uncle Sam. It is true in the years past Uncle Sam and his representatives have tried to bring about some kind of equity by the methods of distribution of funds received, but really, it is not an equitable situation at the present time.

Mr. Chairman, Colorado Counties, Inc. appreciates the services of this committee and in particular, its members appreciate the opportunity to testify. As I said in the beginning, they stand ready to work with this committee whenever the committee calls upon them.

Now, Mr. Chairman, I would like to spend the rest of the time in trying to answer questions, and I think that my companions present with me can testify as to the immediate questions of county and local government, perhaps better than I.

Mr. UDALL. Let me start off with a question to these two distinguished gentlemen.

I asked Governor Rampton and Mr. Bruhn this question. Assuming that we can fix the level of payment, are we going to pass this through the State governments, or are we going to pay it direct to the county?

What are you going to do about the problem where county A is entitled to payment, but county B has the impact of the development of that Federal resource?

Do you have any thoughts, either of you, on these questions?

Mr. RULAND. We run into that problem quite a bit, especially in my own county. We have coal up around Somerset, yet Delta County has the impact because up around Somerset there is not any place for any development, so it has to move into Delta County. So we have that problem that we have to solve in some way.

I do not really know how to solve a problem like that. It is just something we are going to have to work with until we can come up with something.

Mr. UDALL. What would you think, having a law that in general says this, that after the assessment is made, the money is fixed for the lands in a certain county, that this is transmitted to the State with a Federal instruction that the State divide that money among its government organizations—counties, municipalities, or whatever—in some reasonable proportion determined by the State to the impact of the Federal activities, the burden of those lands.

Is that workable, equitable?

Mr. RULAND. It sounds good, if you get people from municipalities and counties and the legislature working together to work that out so we are sure it is equitable. Sometimes it does not quite come out that way.

Mr. UDALL. What I contemplate, when we get through you would have a list of Colorado counties. You will go through this procedure and at the end of the procedure you would have at the top of each county a sum of money equivalent to the taxes that should be paid

if those Federal lands were on the tax rolls, and you would have one big check payable to the State of Colorado; and the State of Colorado, working through the legislature and working with the county people, would have the job of putting that money into whatever city, county, school district, special purpose district, or whatever it might determine bears the brunt of the large Federal ownership in the area.

I recognize that there are problems here, and I am keenly aware of the bitter dispute that we had in the Congress the last session where we had a general revenue-sharing bill. We were going to take \$5 billion, I think it was, of Federal revenues, give them to State and local governments, and the cities were jealous. They said, oh, we will never see it if you give it to the State. And the counties and cities were squabbling about how much went to counties and how much went to cities, and there were arguments that cities in Connecticut have great powers and great responsibilities, and cities in some other States have virtually none.

So it seemed to me, to the extent that we can have State control of this, fine, but we may run into a buzzsaw in the writing of the bill if you people at the county and local level are fearful of having the money administered and divided, the pie divided at the State level.

Mr. HILL. I live in Garfield County, and I remember listening to you quite a few years ago, so you are quite aware of the oil shale situation in my county, and I happen to be blessed in having it all in my district. I think probably I have a shotgun in the back of my head more than any county commissioner in the United States of America today.

The only thing that I have a concern about in what we are talking about here is when a development of this kind, if this legislation, an act like it, had been in effect for, say, 10 years, and I could have some bridges built, some roads, some schools, or one thing or another, this would glide along real well going to the State, but what has hit me in the face is the front moneys that I need through the State channels creates more redtape and a time element that has got me in a precarious situation.

Like I say, I think if this had been in effect for quite some time, it would be real orderly and real well, but in my particular instance this would not be too good because of the time element. And in Garfield County we have got schools crammed to the gills. I have five old bridges, 10 to 20 years older than I am, and you can look at me and see what the ages of those bridges are, and I need this front money, and I need it fast.

In a case like this, the time procedure would be all important, and I would like to bring that point out, that this has happened to me.

Mr. UDALL. Did you want to comment further on that?

Mr. RULAND. My only comment is that we need to have some input of what happens in each State from the different organizations that we are confronted with. If we just turn it over to the State and they do not have this input from counties and municipalities, I think we could run into problems just like Lynn has there. They need to know their problems there, of which they are aware pretty well now.

I think we should have that in there in some way so we can be sure that we are getting the point across.

Mr. UDALL. I am groping, as you can see, as we all are, for answers to these very tough questions.

What I have tentatively in mind—and I am asking today because I want knowledgeable people confronting local problems, not sitting in Washington as I do, to react to the provision that it should be distributed—that there should be a mechanism that has the following element: some kind of board where the local governments are represented. It is going to have to have some provision to insure that that process really gets the money back in large part to where the burden of the Federal lands is, and that you do not take these moneys and put them into other places.

Mr. RULAND. That sounds real good to me, Mr. Chairman.

Mr. ASPINALL. Your philosophy has been the same all throughout the years. If Uncle Sam is going to furnish the money, Uncle Sam has the right, most certainly, to say that this money will be spent equitably throughout the Nation.

Mr. UDALL. Let me ask you another question and maybe direct this to Mr. Aspinall because we talked about this on the Commission, and I view this as a rare privilege to get some further input from him.

One of the other problems we are going to run into if we try to write a bill—and you may have this problem. We had Mr. Holman here give us some examples. In each of these Utah counties, they have maybe \$160 million, and under this proposal, they would get five times or four times that much, and that is all very good. There are counties, however, I suspect in this crazy patchwork of laws we have, where the reverse would be true. Under present law you get \$600 million, and if we go to our system, you are only going to get one-fifth of that.

The problem was, there were two answers suggested. One was, well, let's keep the hodgepodge and have a system of payments in lieu of taxes on top of the hodgepodge. Or as the Public Land Law Review Commission recommended, let us not cut some county counting on this revenue off, but let's phase out the old hodgepodge over a system of years, and have kind of a hold-harmless provision that says your county can receive no more than a certain reduction each year from what it has been getting in the past.

So we would phase in a new kind of a system over a period of years and gradually phase out the old system. This, as Mr. Aspinall knows, is an incredible hodgepodge of programs that really makes no sense.

Do you have any thoughts on that, Wayne?

Mr. ASPINALL. I still follow the recommendations of the Public Land Law Review Commission that we take into consideration the time element, that we try to arrive at an equitable situation in a certain number of years, but I would also suggest that perhaps we had better be careful when we speak about federally-owned property and divide perhaps the real property, that is, the land area, from those improvements that have been put upon it. It seems to me that then we get into a place where we can talk equity for everybody, but if the land is there and you are just talking about land, I think that the area where the land is has the first right to be considered as far as receiving payments from Uncle Sam.

Mr. UDALL. Under Colorado law, if you have Federal land or Indian land and a large coal or shale plant is built on that land, can

the State tax the improvements even though it does not tax the improvement land? Does it?

Mr. ASPINALL. Sure.

Mr. UDALL. You can tax the improvements located on Federal or Indian lands?

If an oil company leases Federal land, builds a coal gasification plant or oil shale plant, but the oil company owns the physical plant that may have a value of many, many millions of dollars, in my State we can tax, the local jurisdictions can tax the improvements on the property, even though they cannot tax the land.

Mr. RULAND. In Colorado we tax the production on minerals along with your improvements.

Mr. UDALL. Wayne, let me ask you another one again. This has been raised here earlier.

What Federal lands do we include, all of them, parks? Do we assess parks and pay in lieu of taxes for parks or other kinds of lands?

Mr. ASPINALL. If we follow the recommendations of the Federal Public Land Law Commission, that it took into consideration certain benefits that the area received from having these facilities, such as national parks. If we do that, then I suggest that perhaps it might be well to tax all of them.

Mr. UDALL. There is a great variety. One park may be a financial burden to a community. Another park may bring in millions of dollars of revenues.

Mr. ASPINALL. The chairman is correct.

Mr. UDALL. Let me ask you generally, Wayne—maybe this is a comment instead of a question. I am very pleased to see that in the passage of 4 or 5 years on the Public Land Law Commission report has not changed your views on the basic provisions because I find them as sound today as when we put them together.

Mr. ASPINALL. May I briefly reply that I feel the same way you do, and of course I felt a little bit disenchanted because we have not been able to go along any faster than we have.

On the other hand, I think there is more consideration being given to that report today than there was 2 years ago, and I think it will continue.

Mr. UDALL. Wayne and I were on a markup yesterday on a BLM Organic Act trying to get something else out this year.

Mr. Owens?

Mr. OWENS. I do not have any questions. We have a lot of witnesses to hear, but I would say that it is certainly my observation, Mr. Chairman, that the report of the Public Land Law Commission is growing in stature and importance and I think you will see increasing dependence on it as very gradually the legislative process comes around to solving some of the problems you highlighted.

I am delighted you could come.

Mr. ASPINALL. Before I am excused, may I also make notice to the great contribution and the fine mark Larry Burton and those others in Utah that served on that Commission.

Mr. UDALL. They served faithfully and well, and we are proud of them.

Mr. Cal Black, member, Utah State Legislature of Utah.

Representative Black, welcome to the subcommittee. You and I have seen each other in hearings before. I am hoping one of these days we can have some legislation where we are in general agreement. We jostled down at Kanab and other places on certain park legislation that we had different views on.

Mr. BLACK. Thank you, Mr. Chairman. I think in part of this there is something that we can agree on.

I would like to submit my statement. I will not read it. I would like to zero in on some other things.

Mr. UDALL. It will be printed in full, and you may aim your rifle and shoot specifically here.

[The prepared statement of Mr. Black follows:]

STATEMENT OF HON. CALVIN BLACK, UTAH STATE REPRESENTATIVE

Mr. Chairman, and members of this Committee, I appreciate the opportunity of presenting a statement before you. I have served previously as the Mayor of the City of Blanding and for 6 years was a San Juan County Commissioner. I am presently a member of the Utah House of Representatives and represent the people of Wayne, Garfield, and San Juan Counties. Although I am not a candidate for re-election to that position, I am an unopposed candidate for County Commissioner again.

The three Counties I represent in the Utah Legislature are larger in size than the combined area of several of the smaller Eastern States. Approximately 95% of our land and land resources are "public" comprising National Parks, Monuments, Forests, and lands administered by the Bureau of Land Management. A small portion are State lands.

Before I address the issue of "in lieu taxes" directly, let me urge this Committee and the Congress to consider transferring all land and land resources presently under the jurisdiction of the BLM to the States as requested in a joint House-Senate resolution passed almost unanimously by the most recent special session of the Utah Legislature, a copy of which is attached as Exhibit A.

It has been said that one of the Rothchilds once made the statement, "Let me control the currency of a Country, and I care not who makes her laws." I think we all know that the only source of wealth is the land, and whoever controls and governs that wealth, literally has the power over the people who reside there. In other words, with the Federal Government owning and controlling about 70% of the State of Utah and even a greater percentage of the Counties I represent, they really control and govern us rather than we governing ourselves through Local and State officials. These Federal bureaucrats are not elected by anyone and are not responsive to the needs and desires of the local people, and are never subject to answering to anyone through the ballot. While most of them are fine folks personally, they seem to feel no responsibility to be responsive to the people who live in these public land counties and States, which they dominate. They make decisions without the participation of Local and State officials. To them, "consultation" means telling us what they are going to do after the decision is made and allowing us to comment on it. Governor Rampton, recently commenting on an arbitrary action by the BLM stated that we in Utah wanted to be a participant in the process of decision making, not just a witness. The recent and present "planning processes" in which the Park Service, Forest Service, and BLM are engaged do not include Local and State officials or their designees as members of the planning teams. An additional problem is that these Federal Agency bureaucrats make decisions they never have to live with because they are seldom assigned to an area longer than a year or two. They know nothing of the needs or desires of the local people and seem to care less. I think we who live in the public lands States of the West under these conditions literally know the meaning of "Colonialism" and understand exactly the frustration our forefathers endured just over 200 years ago!

Now, more directly to the issue of "in lieu of taxes". I believe the Federal Government should pay to the State and County Governments and to School Districts an amount equal to and in lieu of the amount, direct and indirect, of that which would be produced and paid if the land and land resources and any im-

provements were privately owned. This should consist of a tax on the land surface as appraised using the same criteria as would be used on private land, an appraisal and tax valuation on any improvements, and any rents, royalties, and revenues of any other nature should have an equivalent of any severance, ad valorem, and income taxes paid as would be done if privately owned.

In conclusion, let me again appeal for the people of the public land States of the West to be given their freedom and independence as enjoyed by the other States, by the Federal Government transferring all land and land resources now administered by the BLM to the States. Any land to be continued in ownership by the Federal Government should pay to State and local Governments an amount "in lieu of taxes" which would equal in all respects that which would be gained if it were privately owned.

If it is appropriate that all the American people should own land and land resources in large proportions as they do in Utah, then certainly they should start paying their taxes like anyone else.

EXHIBIT A—TRANSFER OF FEDERAL LANDS, 1974

A Joint Resolution of the Second Special Session of the 40th Legislature of the State of Utah Condemning the Administrative Policy of the Federal Bureau of Land Management in Not Disposing of Federal Lands as Provided in the Public Land Laws; and Requesting That These Lands Be Transferred to the Various States upon the 200th Birthday of This Country

Be it resolved by the Legislature of the State of Utah:

Whereas, the federal government owns nearly 70% of the land and land resources within the State of Utah comprised of National Parks, National Monuments, National Forests, Military and other Reservations, and other lands administered by the Bureau of Land Management;

Whereas, it has been the intent of Congress to maintain in perpetual federal ownership, with few exceptions, the National Parks, National Monuments, and National Forests;

Whereas, it has been the intent of Congress to dispose of lands under the management of the Bureau of Land Management;

Whereas, the Bureau of Land Management has effectively repealed through administrative policy most public land laws that permit such disposal of lands and is now attempting to have legislation passed which would repeal all public land laws and maintain in perpetual federal ownership nearly all lands managed by that Bureau;

Whereas, virtually all the states in the East, Midwest, and South have over the years acquired title to most of the lands within their respective boundaries with the federal government owning very little of the land and land resources within those states, while the people of the State of Utah and other so-called "Public Land States" of the West own little of the land and land resources within their state boundaries; and

Whereas, Utah and other Public Land States are in effect owned in part by the people of the eastern, midwest and southern states through ownership by the federal government and whoever owns and controls the land and the land resources, in effect, control the people of that land area; Now, therefore, be it

Resolved by the Second Special Session of the 40th Legislature of the State of Utah, That the federal government maintain in federal ownership the National Parks, National Monuments, Military Reservations, and other lands needed for general national purposes; be it further

Resolved, That the federal government prior to the 200th birthday of the independence of this Country give the State of Utah and the other Public Land States of the West their independence by transferring ownership of all lands under the present management of the Bureau of Land Management to these states so that they can better support their people and institutions and chart their own destinies and be equal under the law with the other states who have in the past acquired ownership and title to their land and land resources; be it further

Resolved, That the secretary of state send copies of this resolution to the governor of this state and other Public Land States, to all members of the Utah Congressional delegation and the Congressional delegations of the other such states, to the Secretary of the Interior, to the National Association of Public Land Counties, to the Utah Association of Counties and the Utah League of Cities and Towns, to all other state legislatures, and to any and all other interested groups to obtain their support.

STATEMENT OF HON. CAL BLACK, MEMBER, UTAH STATE HOUSE
OF REPRESENTATIVES

Mr. BLACK. First I would like to start off by still urging and questioning the thesis that at least the lands that are under the management of the BLM could not be conveyed to the State in total. I have for many years, and especially during the mid-fifties when five coastal States were given the offshore oil rights that belonged to the Federal Government by all of the people that were not even under their boundaries, I always chafed at the idea that the Federal Government did that and at the same time did not convey to the public land States primarily of the West, Utah, Arizona, and the other public land States, those land and mineral resources which were within and under our boundaries, but we did give the coastal States resources that were not even under their boundaries. And I never felt very good about the idea that as an American citizen I do not own any of the resources or land in Iowa or Pennsylvania or Texas or Oklahoma, but by virtue of the masses of those peoples in those lands, they own more of the resources in my State than I do. And in a State that is nearly 70 percent Federal land, and in a county that I served as the county commissioner on for 6 years and will be going back to that position in January, I say that with assurance because I do not have any opponent.

Mr. UDALL. I wondered at your confidence.

Mr. BLACK. And it would be terrible to get beaten without an opponent. But in my county, and I wrestled with the problems of that for 6 years. As I say, I will be going back. Ninety-three percent of our lands and more in that are public lands. That includes State reservations.

In the other two counties that I represent along with San Juan County in the State legislature at this time, about 95 percent of Garfield and Wayne Counties are public lands. So we have a great deal of problems therein, and I think that the question of in lieu of taxes, that I greatly favor as the second best solution, would be greatly simplified by simply conveying our resources to the western public land States so that we are not just a colonial possession of the other States. And I think really in all honesty that is what we have.

In view of this, and in this context, I introduced in the last special session of the State legislature a resolution, a joint house-senate resolution that asked that this be done, and it was passed with only two dissenting votes in the house and only one in the Senate. The economic resources, business and labor committee, interim committee that I serve on, met yesterday and we discussed this issue again.

I would like to mention some of the problems and perhaps respond to some of the questions with some ideas that have been brought up by previous witnesses.

Let me just take you back probably very briefly to go through some of the history of our public lands and revenue in San Juan County where I was born and raised. I have been asked many times if I've lived there all my life, and I say, not yet.

But we were very undeveloped. I mentioned many times, I never even saw an oil road till 12 years old, which may be an indication why I always believe in roads, because the first time I saw one of those I thought that was what they meant when they said black is beautiful.

But when I was growing up and going to high school, our county, which the school district is the same as the county boundaries, but under different local government—the county does not control it—it is the largest school district in the United States, has the longest school-bus runs in the United States. When I was growing up, the tax evaluation when I was going to high school, even after I got out, was \$3.8 million.

In high school we did not even have chemistry offered. Representative Owens' district or county, Garfield County and Wayne County, they have the same problem even today. They do not have some of those courses that they can even offer in the schools. Most of my teachers in high school had not themselves ever even graduated from high school. That is the kind of things that we had because we did not have the tax base to support even a minimal good educational program, and they have that very problem in Wayne and Garfield Counties right now.

This changed in San Juan County. We went from \$3.8 million in 1954 to almost \$133 million in 1960, only 6 years later. This came about because of the production, of the discovery and production of resources mostly on public lands, and Indian reservations. The tax base came about because of the production which is taxed, even though it comes from a reservation or public lands. It has an ad valorem tax and a nonoccupation tax, so-called of the gross that goes directly to the State. At any rate, on a local tax base, if this is what it did, this is great and we do have a lot of things.

But the greatest problem is that it is very transitory. Last year we had dropped to \$46 million. What I think is one of our problems in these public land counties, is not having a real tax base and real property. I think the in lieu of tax proposal, on that basis, will give us tax stability so we are not poor and have no base to support our local governments and our school districts. And in the event of production of mineral resources, we all of a sudden go up, and are almost fantastically rich, and that is subject to the same decline because it is based on production. Then you have built the resources and you cannot support them. That even gets to be a greater problem.

And a real tax base by an in lieu of tax and assessment of public lands as private lands would help that.

The point that I would make is I would not want to see that, the other benefits replaced. Maybe they need to be modified, but let me point out just this in theory, I would like to see the public lands that are going to be retained in Federal ownership taxed on exactly the same basis as if they were private lands, both surface values and sub-surface values, and production.

Right now the amount of money the Federal Government gets in royalties is exempt from that taxation. I think that all of those things and those values ought to be cranked into it. If John Doe had the royalty on the oil rights of a certain, given piece of land in Utah or anyplace else, he would pay taxes to the county and to the State on that royalty. That totally escapes any revenue now to the county.

So I would like to see those factors cranked in and those also be considered in lieu of taxes, both direct and indirect.

I cannot help to just take a moment—and I have been told by some Federal people in the past, and I have been concerned about this high

percentage of public ownership of what we call our resources on our land. We think we have the same entitlements and the same rights to own our resources in our counties and our State as the other counties in the eastern and midwestern part.

But I have had Federal employees tell me a few times that the State is very fortunate to have all these public lands, and they mentioned the \$3 million that the State of Utah gets back, and as a sidelight, the counties only end up getting—the State gets 37½ percent of the mineral leasing money, and they take 90 percent and put it into the uniform school fund so the counties of origin now only get 10 percent of the 37½ percent of the mineral leasing money; at any rate, the economic benefits of the employees on the payroll and whatnot.

So, I told him that it reminded me of the story of the trapper who went out with his dog on his trapline one cold winter day, and he got caught by a blizzard and he had to hole up and he did not have provisions, but he did have a fire and protection, and finally he got very hungry and actually considered killing his dog so he could survive, but his old dog had been with him a long time. So finally he even got so desperate that he did cut off the dog's tail and he had him an old can and melted a little snow, and he proceeded to boil him up a bit of dog tail broth, and he partook of the broth and stripped the meat off the bone, and of course, the dog was hungry also. And he gave the dog the bone, and the dog appreciated it.

And as a Utah citizen, I want just a little bit more than the bone of the dog. I think we are entitled to more than that.

I would also like to make the comment that I would certainly urge the committee and the Congress to include all Federal lands, be they national parks, national monuments. The reason is, they made most of southern Utah a national park, and I would hate to see that all excluded.

There is a theory that while—

MR. UDALL. Is it safe for any member of the Udall family to venture into southeast Utah these days?

MR. BLACK. We can give you a special dispensation.

I think some people say it is beneficial and it creates a lot of economic activity. I do not think that is a justifiable reason for excluding them, because we do have private developments that also provide payroll and provide economic benefits, and we certainly do not exclude them from taxes because they do so.

So, I believe unless there are some questions, that pretty well covers the highlight of what I would like to say to the subcommittee. I certainly appreciate you being here, but I think I have some feel of the need and the problems in counties and States with a high percentage of public lands.

MR. UDALL. You are the kind of witness we wanted to get out here in the field hearings. You come from a county that is almost total Federal ownership, an area of large Federal ownership. You have been in the legislature. You know the range of State problems, and you have also served in local government. So you bring us some perspectives that are helpful.

MR. BLACK. Thank you.

I would like to make a final comment, that if in fact—and they do at this time, all the American people own the lands in our country,

and they belong to them as much as they do us, I wish they would start paying their taxes on them.

Mr. UDALL. That is what we are here for.

Mr. BLACK. I appreciate being here very much.

Mr. UDALL. Let me make one comment because you say your first preference is the BLM lands, and I have many people in my own State that take that same point of view. I am sure that a memorial could get through our legislature similar to the one you talked about. The hard fact really is that just or unjust, right or wrong, it is not going to happen, at least in the foreseeable future. This BLM Organic Act—and I cite two developments; one, that this act that we are working on in the Interior Committee has already passed the Senate by an almost unanimous vote, and the Senate agreed that it is in the national interest to keep these resource lands in the same spirit of the Forest Service lands for forage, fodder, and mineral values that they contain, a sort of land bank in case we need land in the future. This has not been a partisan decision of the United States by and large. The feeling I have, as a practical matter, predicting that this is not going to occur, is buttressed by the Public Land Review Commission's work. We went into that with an open mind. We had a very strong, bipartisan cross section of leadership in the country on this. Gordon Allott, who was the Republican leader on the House Interior Committee, was on it, as was Senator Jackson. We had Larry Burton, Congressman from this State, who was on the Commission for a considerable period of time, and so on. And when we finally got down to the gut, threshold question, are we going to keep the public lands, the BLM lands as national resource lands or are we going to give them up, the answer was no, except for special purposes, special reasons, let the general rule be that we keep the land with exceptions where you had a new town, where you had a specific special problem.

I appreciate the strength of your views, and I know this is heard a lot in the western States, but, in my judgment, it is not going to happen in the foreseeable future, and we had better be going down this other road.

Mr. BLACK. To be realistic, I think the chances are very remote, but I also know and believe that would be the right way to do it. I think it is the just way. I also know that if anything, no matter what the odds, if you do not try, the odds are 101 against. If you do, maybe they are only 99.9.

In light of that, I can understand that most of the Congressmen and most of the Senators are from the States that have already acquired their resources. I call it colonialism. England certainly did not want to let us have our freedom 200 years ago. They wanted to maintain the ownership. But I think if the Congress, in looking at the equities and the rights that we should have, commensurate with the rights of people in other States that own their land resources, and I maintain that lands in private or State ownership can be just as productive and maybe more so many times than Federal ownership, then I think that they ought to, in fact, bringing in an international issue, if they are not going to give us, if the Congress of the United States is not going to give to the people in Utah and other public land States of the west the lands that are within our boundaries, then I certainly do not think they ought to give the Panama Canal to the Panamanians. We own that, too.

Mr. UDALL. Mr. Owens?

Mr. OWENS. I appreciate your appearing, too. I am just reminded of a point I made in my opening remarks. I am not sure you were here. For such benefit as it is worth, I would like to repeat it. We had Secretary Morton in front of the Mines and Mining Subcommittee, and I questioned him at some length about the 157,000 acres of selected lands to which our State is entitled. He agreed, under questioning, that we were legally entitled to it under our statehood contract. He finally said, "The reason I am not giving it to you and the reason you are going to have to go to court is simply it is a political question and I cannot possibly appear to give anything away." That is almost a verbatim statement. That is our problem with the Federal Government. As sympathetic as I am to your concept, I think that we need to spend our time working on workable concepts like that upon which we are presently holding hearing today.

I just want to ask one brief question that I think perhaps you touched on. You are saying that payments by the Federal Government should not be left to the State legislature for distribution between the counties, but rather should be based on a Federal formula to go directly to the county.

Mr. BLACK. No. I do not see any major problems in our area in the legislature on the mineral leasing fund. Most of that stays at the State level, which I think is improper, but I would quite frankly rather have it flexible. It should be based on the same taxing formulas that we have within our State, and I would rather have it primarily left up to the States and the counties to work out. We can—maybe each State has different problems because of different legislation. I would much prefer that it be left to the States and the counties individually to work out than to have Federal mandates because anytime you have something that broad, you have a lot more problems, in my judgment.

Mr. OWENS. I misunderstood you. I appreciate your clarification.

Mr. UDALL. Thank you. Extend my greetings to any friends that I have in San Juan County.

Our next witness was scheduled to be Hon. Jake Garn, mayor, Salt Lake City. I understand we have Mr. Jeff Bingham administrative assistant to the mayor. Tell the mayor he is a vigorous public servant, and I regret we did not have a chance to have him here, and to exchange ideas with him.

Mr. OWENS. And we hope he stays on as mayor.

**STATEMENT OF MR. JEFF BINGHAM, ADMINISTRATIVE ASSISTANT
TO THE MAYOR, ON BEHALF OF HON. JAKE GARN, MAYOR, SALT
LAKE CITY**

Mr. BINGHAM. Thank you, Mr. Chairman.

I appreciate the chance to be here on behalf of the mayor, and Jake expresses through me his apologies for not being here. He was scheduled down in Provo this afternoon, and he is now there. That is apology No. 1.

The second one is I am going to have to ask for the opportunity to submit the mayor's statement for the record. He is reviewing it. As Congressman Owens knows, we just returned last night from

Washington, and the mayor just got a draft of his statement this morning, he has not had a chance to review it.

Mr. UDALL. We will print it in full when we receive it. We appreciate his counsel. As mayor of the largest city in this area, I think what he has to say should be called to our attention. We look forward to having it.

Mr. BINGHAM. Just let us know what kind of deadline that we would have.

Mr. UDALL. Two weeks is the customary extension of time, so if we could have it by then.

Mr. BINGHAM. If you would like, I could make some general comments about what I think he might state. It might be best to leave those to the printed record, except that I could say that much of what the mayor will say will echo what Representative Black has said, particularly in terms of returning lands to Utah.

I think in the face of a great amount of Federal ownership in Utah and other Western States, as has already been noted, the mayor will be supportive of returning that land and using that as the prime vehicle for reaching an equitable resolution of the issue of the tax revenues on those lands.

Of course, in the face of what you suggest as a reality that that cannot happen, the mayor has some very specific suggestions that he will make to the subcommittee in terms of these bills.

Mr. UDALL. Fine.

We thank you.

Mr. OWENS. We will let Jeff relax and carry my best back to his employer, and within the confines of what is obvious, we wish you well.

Mr. UDALL. Good luck, but not too much.

We seem to be about on target here. I think we will take a 3- or 4-minute break, and our next witness will be Ernest Dean, of the Utah State Senate.

So, we will stand in recess for just a couple of minutes.

[A brief recess was taken.]

Mr. UDALL. The subcommittee will resume.

Senator Dean, is he here? If not, my next witness is George Buzianis.

STATEMENT OF GEORGE BUZIANIS, CHAIRMAN, BOARD OF COUNTY COMMISSIONERS, TOOELE COUNTY, UTAH, ON BEHALF OF THE UTAH ASSOCIATION OF COUNTIES AND THE NATIONAL ASSOCIATION OF COUNTIES, ACCOMPANIED BY DON CHASE, CHAIRMAN, BOX ELDER COUNTY COMMISSION AND JIM EVANS, LEGISLATIVE REPRESENTATIVE, NATIONAL ASSOCIATION OF COUNTIES, WASHINGTON, D.C.

Mr. BUZIANIS. Mr. Chairman, I would like to briefly outline some of the parts of my statement. First of all, I would like to introduce my colleague on the right, Don Chase, who is chairman of Box Elder County Commission, and on the left, Jim Evans, director of NACO in Washington, D.C. He is very knowledgeable and is here to answer questions.

First I am speaking on behalf of the Utah Association of Counties, Western Division of the National Association of Counties also. We commend you, Mr. Chairman, for bringing these hearings into Utah, especially the fact that you are going to hold three of them. We urge you to complete your hearings and data-gathering efforts of Congress so a real effort can be made next year for the adoption of this payment in lieu of tax.

My testimony will primarily outline why counties support House Resolution 12225, submitted by Congressman Blatnik and coauthored by yourself and Congressman Owens of this subcommittee.

We have reviewed the various bills before the subcommittee, and it would be appropriate to highlight the differences between the three primary bills, the Blatnik, Ruppe, and Broyhill bills.

House Resolution 12225 would provide for payments by the Federal Government to the counties equivalent to property taxes for the public lands administered for natural resources purposes. Funds would be available for general purposes in addition to schools and roads. Counties would have a choice between this payment method or a continuation of current formula payments based on a percentage of revenues from the public lands.

House Resolution 1678 would provide for payments equivalent to property taxes on all Federal lands. A 10 to 40 percent discount would be deducted from payments based on a determination of benefits derived by local governments for the public lands. There would be a 10-percent phaseout of current formula payments.

House resolution 4505 would provide for payments equivalent to property taxes to counties with more than 3 percent of their land area in public lands.

The reason for supporting the House Resolution 12225 is the basic reason, as it clearly states, the recommendation 101 of the Public Land Law Review Commission Report of 1970, of which we are very much in favor. I will not read that.

Along these lines we view payments in lieu legislation as basically a tax shift. First, a shift to a larger base, the entire Nation, and second, a shift to a different form of taxation, which has been the income tax.

Counties, along with other local governments, are dependent largely on property taxation as a source of revenue. Those counties with large holdings of tax-exempt public lands have a drastically reduced property base for tax purposes.

On a nationwide basis there are 695 counties with significant amounts of public lands within their boundaries. These counties are primarily located in the 13 Western States but in at least 15 non-Western States significant amounts of the land area is in public lands.

Here in Utah the problem is most acute. For example, the following chart shows the average annual payment per acre for National Forest Service lands for Utah Counties. These vary from a low of 2 cents an acres in Kane County to a high of 7 cents in Salt Lake City.

We believe the tax shift that payments in lieu legislation will provide also a more rational approach to some of the environmental issues confronting public land usage. If payments are based primarily on property tax equivalency, some of the pressures against public ownership and maximum development may be reduced.

H.R. 12225 will provide the better mechanism for equitable payments in lieu legislation. We believe it most closely matched the intent of the Public Land Law Review Commission recommendation 101 quoted earlier.

This bill will not penalize those counties now receiving substantial payments under current formulas, primarily for O. & C. lands.

These counties are dependent upon these payments and where they exist the State/local taxation distribution takes these payments into account. Further, the formula for general revenue sharing has a property tax effort clause that equalizes the distribution of general revenue-sharing funds which automatically offsets the overall impact of the larger payments for public lands.

H.R. 12225 has a key provision, section 3.6, that will allow counties a choice between payments equivalent to property taxes to remain under current payment formulas. We believe that is the best approach.

H.R. 12225 also provides a mechanism for establishing and appealing the land appraisal for establishing the property tax equivalent. There are adequate safeguards for protecting both the Federal and local interests in the appraisal process.

In summary, we support H.R. 12225 and urge its adoption by your committee.

Thank you again for this opportunity to speak. I will be glad to answer any questions you may have. The National Association of Counties also is prepared to provide additional data you may desire.

Mr. UDALL. Thank you for a very useful statement.

Let me direct your attention—you have been in the room when I have raised this question previously. The Utah Association of Counties, the National Association of Counties, and the counties in the West generally are concerned about any passthrough problems. Are you satisfied to see it go to the States and then pass through in the proper way to the counties and other local governments?

Mr. BUZIANIS. Yes, sir; I do. I do disagree, not wholly but to some degree with prior witnesses. There is no doubt that it has to go through the State government, but on the other hand, I would not recommend that it be put into a legislative body to appropriate the money out to heavily impacted areas. I believe that is one of the purposes of this bill, and we were one of the first to try to introduce a bill to establish a tax base. For example, in my county 89 percent of the land area is tax exempt. I am blessed with three or four military bases, 2 million acres of BLM land, some 700,000 or 800,000 acres of forest land. So 11 percent of the land area supports basically the whole county.

So that is the purpose of establishing a tax base, knowing how much money we might receive. We operate on budgets. We have to plug that in when we set up our budget for the following year. If this money goes directly to the State and is portioned out by legislators, we never know one year to the next how much money we will receive.

Mr. UDALL. Suppose we were to say in the bill, States, you are to apportion, but you have to have a system that has the following principles, and one of those principles would be, when Utah County land, Federal land, is assessed, land in your county is assessed, and a dollar figure is put opposite of that, that Utah, the legislature and the Governor are directed in order to qualify for this program, are directed that they cannot send that money down to Franklin County or Carbon

County. They have to send it either to the county from which it came or to an adjacent county which is impacted by the existence of the Federal lands, the sort of situation that I described earlier where county A has the Federal land, but county B provides the schools for the people that use that land.

Would that meet your objections?

Mr. BUZIANIS. Yes, sir; I believe it would be more palatable. I would like to also comment on this particular situation you brought up where one county may have the resources and another county has the people, which was testified here before that homes do not pay their way in services. I have to agree wholeheartedly.

I believe that in an area that is impacted due to high energy resources, that either a developer or other Federal agencies who are equipped to furnish grants to local communities like HEW, give them top priority and give them front money to put in their sewage facilities, water systems, roads or whatever it might be, prior to the time of development of certain resources.

Mr. UDALL. One of the things that you mentioned in your statement kind of appeals to me, or one of the bills you mentioned in your statement appeals to me. You did not approve of it specifically, or disapprove, but one of the arguments has been that we ought to have a threshold requirement. I remember the National Revenue Sharing Act, 2 years ago. We were going to give every county and every city anywhere in this country some revenue sharing, and it ended up that some township in Connecticut got \$6.04, and it took \$204.04 to process that. Some of them sent it back.

The suggestion is made that you have a lower threshold figure, if less than 1 percent or 3 percent or 2 percent or some percentage of a county's land is not in Federal ownership, they would not qualify, even though they might have a Post Office somewhere or some Federal warehouse of some kind.

Has NACO gone into this problem?

Mr. EVANS. I might mention that bill also would cover all public lands and all Federal lands, including the military and post offices that you mentioned. The approach that we are recommending is that we just discuss the public lands that involve natural resources, so that you do not have to get into the threshold question, and also you do not have to get into the jurisdictional questions about the military lands, the questions that would raise. That is the approach we would prefer.

Mr. UDALL. I have been kicking it around as we hold the hearings. That is one of the decisions I want the subcommittee to make, the whole idea of a threshold. The threshold could either be a percentage of land owned in a county, or could be a dollar threshold. If a municipality or county is entitled to less than \$1,000, say, why go through the bookwork to give them that lesser amount. That is one of the problems we will take up.

Mr. OWENS.

Mr. OWENS. Chairman Buzianis, I apologize for being late in getting back to the hearing and missing your testimony. I have briefly glanced through it. It is savvy testimony, as always. Mr. Buzianis has been on the board of county commissioners for many, many years.

I would like to ask you one question.

George, do you have an opinion—and one reason I would like to ask you this, is because you and I have talked about it—regarding the 1972 Revenue Sharing Act. Do you have an opinion as to whether local tax efforts should be in any way relevant under this bill?

Mr. BUZIANIS. We may be in a unique situation. I do not think we should take one county that has a unique situation and penalize the rest of the counties. We have a county with an army base of 4,200 people working. They are all—and they average more than a normal city payroll. But about 50 or 60 percent of those people live in Salt Lake County. That high income has a bearing on the effort there, on the revenue sharing.

We feel that we are being penalized because of the high income of those Federal employees. This could be a unique situation. It may not happen anywhere else in the State of Utah.

Mr. OWENS. You do not see local tax effort as really being relevant to the Federal payment in lieu of taxes.

Mr. BUZIANIS. No.

I have one thing I would like to clarify, but I think the testimony Commissioner Holman made and the figures he gave did include the school levy, and this does make a very different outlook in those figures he gave you. If it was just tax levies, it would be about 30 percent of that figure rather than the whole figure. In Utah, roughly about 70 percent of the taxes collected in the outside districts go to the school districts.

Mr. UDALL. Chairman Buzianis, you have done well. We thank you. We appreciate your appearance here today.

Mr. BUZIANIS. Thank you for the opportunity.

Mr. UDALL. Mr. Byron Mock.

As I said earlier, this distinguished counsellor and gentleman was Vice Chairman of the Public Land Law Review Commission, and next to Wayne Aspinall, probably contributed more than anyone maybe next to me, after what Mr. Aspinall said, contributed more than anyone else. But it was a great, distinguished public service, and you gave valiantly of your time.

We are pleased to have you here, sir.

STATEMENT OF H. BYRON MOCK, LEGAL COUNSEL, INTERSTATE ASSOCIATION OF PUBLIC LAND COUNTIES

Mr. MOCK. Thank you very much. I rather anticipated with you as chairman I might be like a javelin catcher on a track team. I did appreciate, however, the assumption by Mr. Aspinall that I was a Coloradan, and I appreciate particularly Wayne claiming me back, but I was a little disturbed since I spent high school and college in Tucson, Ariz., and no one mentioned that.

Mr. UDALL. One of the great communities of the free world.

Mr. MOCK. I am here as a representative of the Interstate Association of Public Land Counties, and appearing on behalf of its president.

My name is Byron Mock. I am the legal counsel for the association. I have here a copy of the resolution that this group adopted in February 1974, and I would like to read it and more or less limit my testimony to that.

Before I do so, I would like you to know that George Buzianis is a very active member of the Interstate Association of Public Land

Counties and past president. He is also past president of the western division of NACO and he is still very active in the interstate association, which I think highlights the fact that the two associations are not in conflict but simply are a supplemental force that has arisen because of the unique nature of public land counties.

This organization is approximately 30 years old. It arose for the purposes of perpetuating and maintaining the integrity of county units of government as an essential part of our government structure. Certainly no one could say that is not the purpose of NACO because it is preeminently, and to that point we deal with them.

To rationalize the relationship between local, State, and Federal governments, the same comment.

The third purpose that we announced about 30 years ago, to secure legislation adequately compensating local government for the financial loss sustained by the exemption of publicly owned land from taxation, and to promote the efficient administration of such lands. Obviously they have not been successful, or the reason for existence may have been terminated.

The fourth one was to provide a medium for cooperative action among counties in advancing common interest and promoting the foregoing objectives.

Our purpose today is to comment on our third principal objective, which is still preeminent and still very distinctive to the public land counties.

The resolution which was passed in February 1974 by an executive board meeting, it contains a general digest of the theory of this group, and I would like, without reading it in its entirety, to read most of it.

First of all we started with a whereas—it is a resolution on the payment in lieu of taxes. We started with a whereas endorsing the basic principles of various bills before Congress. We stated that there was a need for such payments in lieu of taxes that is especially critical for public land counties because of the continuing decrease in the amount of already scarce taxable lands within their boundaries, and that whereas such bills that have been introduced apply only to lands—there are some exceptions, obviously—that are administered by the United States for natural resource purposes and only to part of them, we felt there was additional action required; and

Whereas the proposed payments in lieu of taxes are to correct inequities which are different from the reasons for sharing proceeds from the development of public lands; and

Whereas, the local share of proceeds from development of Federal lands has and is traditionally earmarked for special uses by the state and only indirectly or incidentally for any uses by the counties, the governmental bodies which most rely on property taxation; and

Whereas the proposed procedures for making appraisals and reviewing them by an additional board or governmental body are not necessary to protect the United States against discriminatory taxation—I might add they are unduly burdensome to the public land counties and would merely create delays in implementation, deny the counties any control over the expenses required, and would minimize and could eliminate reasonable returns to the counties from the lieu payments; and

Whereas maintaining a system whereby the county receives either a share of the revenue from developing the resources of the lands administered by the United States for natural resource purposes, or payments in lieu of taxes, whichever is the greater, would assure the counties of a reasonable tax return even if the resources are not developed and would give federal agencies an incentive to obtain returns for the public lands they manage in trust for all the

people by allowing them to make the payments to the counties out of revenue rather than out of appropriated funds: Now, therefore, be it

Resolved, That the bills be endorsed and passed with the following reservations:

That the special problems of public land counties indicate that the following changes in the bills should be considered:

(a) The requirement that the counties elect within two years, and apparently on a one-time basis, should be replaced by a mandatory payment in lieu of taxes for those federal lands that are tax exempt. We might note there that if the counties are making the election as to whether they will take payment in lieu of taxes or a share of the proceeds, and they have the power to make the decision, they may be depriving the state of the revenue, and not themselves, except for the timber proceeds, 25 percent of which go directly to the counties. We would find probably that the counties would have no incentive for asking to maintain a share of the proceeds and would be in effect taking away from the state appropriations and the state dependency on them, particularly in states like New Mexico and Wyoming where the proceeds are in the range of \$20 million to \$30 million a year from the mineral leasing, and goes to the state and not down to the counties except in a small amount.

(b) Payments to states and local governments of a share of proceeds from mineral leasing, grazing, timber sales, and other proceeds should not be terminated since they are for different purposes and usually are paid in different ways, subject to various deductions, and often paid to different recipients than the counties, than would be payments in lieu of taxes;

(c) Such shares of proceeds, if any, as are paid to public land counties should be credited against payments due in lieu of taxes, but should not otherwise be a substitute for payments in lieu of taxes; and

(d) The appraisal system at county expense but subject to Federal control as to timing, costs, and additional duties is a wasteful and unnecessary duplication of presently established procedures, and is not required for the protection of the U.S. Government lands against discriminatory taxation.

The remaining part of the resolution is the usual about the distribution to all the counties so they can make their input on an individual basis, and the notification of the Members of Congress of the position of the Interstate Association.

I would like to add at this point several comments that have arisen because of the discussion here today. First of all, we have heard about revenue sharing and we have heard payment in lieu of taxes talked about. The revenue sharing that the Public Land Law Review Commission was considering is an entirely different revenue sharing than is now the magic word in Washington.

Revenue sharing of the tax revenues was on a more per-head basis than it was on the basis of property or a burden. The share of proceeds, namely the payment out of the mineral leasing funds or the payment out of the timber sales is a payment that is more adjusted to the activity on the land and reflects the burdens that may arise in a particular area.

The payment in lieu of taxes is a direct approach to those taxing units, those governmental agencies that are dependent upon property taxes. I might note here that those counties not typically known as public land counties, but who have been blessed with the acquisition of a substantial amount of land by the Federal Government—and I think of New England, for example, where they have the White Mountain National Forest spreading across three States, all of which was acquired—at that moment, taking those lands off the tax rolls, and there were some objections at the time, and I do not know whether they have run out, but taking those lands off the tax rolls created a rather traumatic experience for the local taxing units because they had been dependent upon the property taxes in the past, and suddenly those lands

were taken away with only a slight phase-in. The same was true in the Jackson Hole country when the Rockefellers bought it up and turned it over to the Federal Government, but taking it off the tax rolls where the condition of the Government was that there would be a period of readjustment as the impact of taking that property off the tax rolls was absorbed by the counties. How they replaced it at the end, I do not know.

I am saying, these are different situations. You heard the Governor comment that in Utah they basically have departed from the use of the property tax at the State level, which means the payment in lieu of taxes is not directed toward replacing revenue that the State would otherwise be getting, but is directed at the local units which by mere definition are the more sparsely settled lands which would not share on the revenue-sharing concept on the higher level, and which are already burdened by the presence of land which can be a blessing, but not when they are making the basic costs and do not give direct proceeds from any development activity. That creates additional burdens on the local counties.

The trust land concept has been one that has been discussed here, and it seems to be a little too hot to handle, talking about taxing Indian lands, and if so, I would say that the State of Arizona has more public lands than the State of Utah. If those trust lands would be exempt from taxation, then I suppose the logical conclusion is that the trust lands, i.e., the natural resource lands, the national parks, the national forests, are also trust lands for other people, and at this stage my question is not whether we should exempt them, but whether we should exempt the Indian lands because of a fairness and equity and those that are dependent on the national Government and are to some extent not only a benefit, but certainly a burden on the local government agencies.

That is my statement on behalf of the Interstate Association, Mr. Chairman. It is a pleasure to be here, and to run the risk of being a javelin catcher with you as chairman and Wayne as coconspirator.

Mr. UDALL. That is a fine statement, and as I said earlier, seriously, you had one of the most penetrating minds on this whole Commission, and it was worth a trip coming here to hear you highlight some of these points. A couple of them I had not fully focused on.

I do not think I have any questions. I do want to absorb what you said, and I have already plugged into my mental computer a review when I get back to Washington of some of the questions you raised. They were very, very good.

Mr. OWENS. I will commend my old law partner for his testimony and insight into this problem. I too found it very helpful, and I appreciate very much your willingness to testify.

Mr. UDALL. I observed this witness for 6 years or so out on the road on the Public Land Law Review Commission, and I am authorized by the special prosecutor to also grant him an unconditional pardon.

Mr. MOCK. That will relieve us of the necessity of terminating our last debate, as I remember, where we were arguing whether your definition of brainwashing or my definition of a negative revelation was the more accurate description of a witness.

Mr. UDALL. Mr. Lee Spann, president of the Colorado Cattlemen's Association.

STATEMENT OF LEE SPANN, PRESIDENT, COLORADO CATTLEMEN'S ASSOCIATION

Mr. SPANN. Chairman Udall, Congressman Owens, I have a brief statement that I would like to read at this time, copies of which I will present to the committee for their consideration.

My name is Lee Spann and I am president of the Colorado Cattlemen's Association. Today I am representing the Colorado Cattlemen's Association and Colorado's affiliated local livestock associations, representing 5,362 members.

We in the cattle industry in Colorado appreciate the opportunity to present this statement which has been prepared jointly between the board of control of the Colorado Cattlemen's Association and our 70 affiliated local associations.

Colorado now has 26,823,829 acres which are federally controlled. This alone provides sufficient reason to explore the ideas of payment in lieu of taxes. It has been brought to our attention that three pieces of legislation concerning this matter have been introduced—one by Congressman Ruppe, another by Congressman Broyhill, and another by Congressman Blatnik.

The bill which Congressman Ruppe introduced does not appear to be a favorable solution to the problems in Colorado, because of the total phaseout over a 10-year period of all royalties gained, and to be replaced only by payment in lieu of taxes. Under Colorado statute, several mineral rights are taxable, and therefore a royalty phaseout on Federal lands would create an extremely high negative financial impact throughout various counties in Colorado.

Congressman Broyhill's bill which would establish a method of payment in lieu of taxes would also subtract from the payment all royalties presently being paid. This again would not aid those counties which are composed largely of Federal lands.

Therefore, we do not recommend the consideration of either Congressman Ruppe's or Congressman Broyhill's bills.

Congressman Blatnik's bill, we find to be the most favorable piece of legislation introduced concerning payment in lieu of taxes.

Blatnik's bill allows the county the option of entering into an agreement of payment in lieu of taxes or to remain out and continue receiving the royalty payments which they may now get.

Concerning the drafting of this bill, we find no objectionable sections, although there are considerations which I would like to bring to your attention concerning not only this legislation but also some precautions which should be observed.

The Colorado Cattlemen's Association has had, for many years, a very active Federal lands committee. The purpose of the committee is to work with the various Federal agencies in developing policies with regards to grazing, and policies supporting multiple use on all Federal lands. We strongly believe that all commercial uses of Federal lands by industries such as livestock, timber, and mining are paying an equitable amount for the use of public lands.

Basically, the formula used in obtaining the payment for the use of public lands is derived from an ability to pay. Therefore, I would ask you to be very careful in allowing any formula to be developed in the payment in lieu of taxes program which may create a situation

where those commercial users who are now paying for the use of Federal lands would be additionally burdened by the payment in lieu of taxes formula.

I would like to bring to your attention a greatly increased use of Federal lands through the field of recreation. This being a part of the multiple use concept, we have no objection to their use, although this increased use has caused a large financial impact to many of the counties of Colorado, through the maintenance of roads, law enforcement, and various other facilities needed to accommodate modern day recreation.

Therefore, in summary, I would like to again offer the Colorado Cattlemen's Association's support to H.R. 12225, relating to the necessity of a payment in lieu of taxes program, and yet leaving the option to the county whether they would like to participate in the payment in lieu of taxes program or remain with any royalty program which they might have now.

I would also like to remind you that the multiple use concept is working and is suitable to all commercial uses, as well as recreation, and would strongly urge the passage of H.R. 12225 subject to assurance that no additional burden will be imposed on present commercial users. This would provide a method by which counties may be relieved of the various financial burdens that have been and are being created by large amounts of Federal lands in Colorado.

I wish to thank you for this opportunity to present the views of the Colorado Cattlemen's Association.

Mr. UDALL. Thank you very much, Mr. Spann. You very well presented the concerns of the Colorado cattlemen on this legislation. I do not think I have anything to add or any particular questions. Your statement is very clear and very precise.

Mr. Owens

Mr. OWENS. I have no questions either. I appreciate you coming over, Mr. Spann. It is a very good testimony.

Thank you. We will apply that to the Utah Cattlemen's Association. I am sure they will agree with you.

Mr. UDALL. Mr. Nesseseth.

STATEMENT OF MR. LLOYD NESSETH, ADMINISTRATOR, ITASCA COUNTY, MINN.

Mr. NESSETH. We are mavericks from Minnesota. We are outside the western regions of States, but our similar problems have gotten us together in working on this in lieu of tax bill. Also, we have the privilege of having a good friend and honorable Congressman Blatnik as our representative from the Eighth District, who has worked very diligently on this in lieu of tax bill and has spoken so highly of the chairman and Mr. Aspinall, for whom he has the utmost respect.

Mr. UDALL. Mr. Blatnik is one of the finest men in Congress and he has been one leader who has pressed very hard on this. I am sure you kept his feet to the fire and stirred up his enthusiasm. If we get a bill, Congressman Blatnik will have a great deal of the credit in moving it along.

Mr. NESSETH. I have a presentation I would like to review, part of the index and hopefully the figures and so forth inside the document, some of our statements.

Essentially, the Federal forest lands ownership covers the region 3, which is the north tier of Minnesota, comprising about nine counties, of which region 3 has seven. We feel, speaking for Itaska County where we have about 300,000 acres of Federal forest land located within the county, our return as such from payments has averaged about \$23,000 per year, and Itaska County, in providing services to this area of the Federal forest, their costs have run about \$600,000, \$700,000 per year.

We have 425 miles of roads within the Chippewa National Forest, at an average cost of maintaining about \$1,200. We provide police protection, school buses, and so forth.

We worked out some figures showing that if the Federal forest lands were taxed as private lands, our tax return would be approximately \$2.75 an acre, which compares to an average of 13 cents an acre which we now receive.

If we were to receive the same return from Federal forest lands as we do from privately owned lands, we would come awfully close to that \$700,000 which we are putting out now in services by the county.

Hopefully we can obtain this figure.

I include some facts on what is called the Joyce Estate which is 4,000 acres of land north of Grand Rapids in Itasca County. The Nature Conservancy came in and purchased this land and turned it over to the Forest Service. We think this is a tremendous undertaking and we fully appreciate what they are doing. Yet it is taking off our tax rolls approximately \$20,000. If we would compare this to the acres of Federal forest land that we have, we would receive about \$1½ million on Federal forest lands. So if we could get half, we would be very happy.

The figures I am quoting are pretty much from Itasca County. They compare quite favorably with St. Louis and Lake and other counties. I would indicate that Bev Johnson from Cook County has approximately 92 percent of federally owned land in his county, and certainly their problems are complicated.

I believe that is how much I will cover right now.

Mr. UDALL. Do either of you gentlemen wish to supplement?

Mr. JOHNSON. I would like to state on Cook County, on the 92 percent ownership, State and Federal, part of ours, about 300,000 acres of our county is boundary water canoe area. Of course, there is no way to get into that at all, with roads or anything, but it brings up almost a million visitors a year to our county, and of course this creates hardship. Our revenue sharing is about \$53,000 a year. If we could get a bill like this through, we would not want revenue sharing, we would not need it.

Mr. UDALL. Have you made any calculations in your county under the Blatnik bill what you would be entitled to?

Mr. JOHNSON. No, we have not.

Mr. UDALL. Would it be many times more?

Mr. JOHNSON. It would be a lot more. We get \$83,000 for the land inside the boundary water canoe area. We get three-fourths of 1 percent of the appraised value, and the appraised value is set up by the Forest Service, amounts to about \$83,000.

Mr. UDALL. \$83,000?

Mr. JOHNSON. Yes, and the 25 percent that we receive on land out-

side comes to between \$20,000, \$22,000 a year. All in all, we are close to \$100,000 a year that we are getting. You are taking a lot of land off of the tax rolls.

Mr. UDALL. Mr. Campbell?

Mr. CAMPBELL. We have a unique State, and we have some of the richest farmland in the United States in the southern part of Minnesota. We also have 10,000 lakes in Minnesota, 1,000 of them which are in Itasca County, and of course, that makes us a very popular resort area. Approximately a million people living in the metropolitan area of Minneapolis-St. Paul—and I, acting as county commissioner, am interested in the tourist industry—these people on a Friday night want to come to northern Minnesota. They are about 175 miles from us, and of course, we are interested in the extra revenue so we can take care of the services that these people require.

They ought to understand why when they come to northern Minnesota they do not have the facilities they have around the metropolitan area, and it is awfully hard for us to explain.

That is about all I have to add, sir.

Mr. UDALL. You gentlemen have given us a great service coming here. You have underlined and emphasized what Congressman Blatnik has been preaching to me all these months and years, that it is just not the western public land States that are impacted by the failure to have a payment in lieu of taxes system. There are many of the mid-western and eastern States that have some real hardship cases to present.

You can tell the folks back home that these two members, at least, and I think I speak for most of the committee, are anxious to come up with a solution as soon as we can and give you some relief in this general area.

Mr. Owens?

Mr. OWENS. I am delighted that you traveled down here to be with us. You do add a national element to the hearings this afternoon. We are very grateful to have your testimony. It is very helpful.

Thank you.

[The prepared information supplied by Mr. Nesseth follows:]

LAND OWNERSHIP (PUBLIC)

	Land area	Federal	State	Tax for county administration	County and municipal	Total	Percent
Itasca	1,704,300	369,715	331,209	370,326	3,783	1,075,033	63.1
Koochiching	2,002,600	66,208	1,108,048	302,000	2,068	1,478,324	73.8
Cook	897,900	675,076	131,240	19,461	100	825,877	91.97
Lake	1,364,500	727,038	170,521	158,582	0	1,056,141	77.4
St. Louis	4,019,800	797,059	582,275	1,027,214	17,033	2,423,581	60.3
Aitkin	1,167,400	23,612	404,429	251,378	0	679,419	58.2
Carlton	550,400	10,008	82,686	157,688	300	250,682	45.5

Source: Minnesota Land Ownership Y 151-432, 1964 data.

ITASCA COUNTY RECEIPTS FROM NATIONAL FORESTS

Year	Acceage	25 percent fund
1972	299,857	\$40,020.77
1971	299,843	30,665.05
1970	299,843	31,021.44

EXHIBIT No. 2

Payments to Counties

Public land, according to the Constitution's prohibition on governmental units taxing each other, is tax-exempt. For this reason, the counties which contain sizeable amounts of public land (since counties derive most of their operating funds from property taxes) are intimately concerned with landownership patterns.

In an attempt to alleviate the financial strain on county governments caused by the presence of large amounts of federal lands, the Congress in 1908 passed an act whereby 25% of all National Forest receipts are to be set aside and turned over to the counties for road and school purposes.

According to the Act of 1948, however, the BWCA is exempt from these 25% fund payments to counties, and in their place a payment based on the "fair appraised value" of the land has been substituted. The amount of the payment is to be $\frac{3}{4}$ of 1% of the appraised value.

The accompanying table shows the amounts of National Forest land in the four counties in which the Superior National Forest is located, and the amounts of the payments to the counties for 1970, 1971 and 1972. A comparison of the per-acre payments between the BWCA and non-BWCA land is particularly informative.

In addition to the above payments, the Federal Government pays local school districts in federally-impacted areas \$600 per year per child belonging to federal employees, who is in school.

CONCLUSION

Note that Federal Receipts in the BWCA *do not affect* the finances of the counties involved—the payment is based on acreage and value, and the amount/type of activity present is irrelevant.

Payments to Counties

FY 1972, 1971, 1970

BWCA lands—subject to Act of 6/22/48: Annual Payment to Counties of $\frac{3}{4}$ of 1% of the "fair appraised value" of the lands

Non-BWCA lands—subject to the Act of 5/23/08, which stipulates that 25% of National Forest receipts will be paid to counties for schools and roads.

County and year	Non-BWCA NF acres	Payments by FS to Co 25 percent fund	25 percent fund payments per acre	BWCA NF acres	BWCA payments total	BWCA payment per acre
Cook:						
1970	402,703	22,246.46	0.0552	233,190	83,515.55	0.3581
1971	402,703	19,176.95	.0476	233,269	83,520.74	.3580
1972	402,703	20,687.77	.0514	233,269	83,520.74	.3580
Lake:						
1970	420,988	23,262.80	.0552	320,198	113,606.63	.3548
1971	420,988	19,904.43	.0473	320,199	113,636.63	.3549
1972	420,988	21,627.12	.0514	320,199	113,636.63	.3549
St. Louis:						
1970	573,210	31,627.81	.0552	195,124	60,883.62	.3119
1971	573,210	27,084.95	.0473	195,543	61,881.12	.3165
1972	573,210	29,447.12	.0514	195,543	61,881.12	.3165
Koochiching:						
1970	674	3.00	.0445			
1971	674	32.10	.0476			
1972	674	34.63	.0514			

FEDERAL FOREST PROCEEDS FOR THE LAST 14 YEARS FROM THE CHIPPEWA NATIONAL FOREST FOR ITASCA COUNTY

Year	Grand total	Road and bridge	School	School district 317	School district 318
1957	\$23,452.60	\$11,726.30	\$11,726.30	\$3,908.77	\$7,817.53
1958	21,430.18	10,715.09	10,715.09	3,571.70	7,143.39
1959	27,950.43	13,975.21	13,975.22	4,658.41	9,316.81
1960	25,883.17	12,941.59	12,941.58	4,313.86	8,627.72
1961	32,046.97	16,023.49	16,023.48	5,341.16	10,682.32
1962	24,275.72	12,137.86	12,137.86	4,045.95	8,091.91
1963	26,972.12	13,486.06	13,486.06	4,495.35	8,990.71
1964	19,145.32	9,572.66	9,572.66	3,190.89	6,381.77
1965	20,367.64	10,183.82	10,183.82	3,394.61	6,789.21
1966	20,068.33	10,034.16	10,034.17	3,344.72	6,689.45
1967	25,392.18	12,696.09	12,696.09	4,232.03	8,464.06
1968	24,552.98	12,276.49	12,276.49	4,092.16	8,184.33
1969	20,381.42	10,190.71	10,190.71	3,396.90	6,793.81
1970	31,021.44	15,510.72	15,510.72	5,170.24	10,340.48
Total	342,940.50	171,470.25	171,470.25	57,156.75	114,313.50

FACTS AND FIGURES COMPILED AND USED BY THE ASSESSING DEPARTMENT REGARDING THE PROPERTY IN ITASCA COUNTY KNOWN AS THE JOYCE ESTATE COMPILED AS OF NOV. 1, 1973

Estimated market value as of Jan. 2, 1973	\$749,211.00
Taxes paid in 1973 (1972 assessment)	\$20,978.50
Wabana Township (49 parcels)	\$8,540.68
Balsam Township (57 parcels)	\$10,361.56
UT 57-26 (17 parcels)	\$1,497.36
UT 58-26 (8 parcels)	\$578.90
Land area (acres) ¹	4,416
Shoreline (miles) ²	26

¹ Rolling land with aspen, birch, and pine as the predominant species.

² 137,280 feet. Fully encompasses 5 lakes and the remainder on 7 others.

Note: \$20,978.00 divided by 4,416 equals \$4.75 average tax per acre. Federal forest land in Itasca County (on a comparative basis) 299,655 acres at \$4.75 per acre equals \$1,423,361.

MILES OF LAKESHORE PER LAKE—JOYCE ESTATE

	Miles
Bee Cee	1 1/4
Beavertail	1/4
Day	1 1/4
North Spring	1/2
South Spring	3/4
Moore	2 1/2
Little Trout	1/2
Wabana	1 1/2
Johnson	1 3/4
Little Long	1
Spider	4 1/2
Trout	10 1/4
Total	26
Distance in feet	137,280

ITASCA COUNTY, MINN.

Itasca County is located in North Central Minnesota approximately two hundred miles directly north of Minneapolis and fifty miles South of the Canadian border. It measures approximately sixty by sixty-five miles in area and had a 1970 census population of approximately 35 thousand people. The principal economic backbone of this County is iron mining, paper making, timber producing, and summer and winter tourism.

(The following data was compiled by J. G. O'Brien, Itasca County Assessor and Lloyd Nesseth, Itasca County Administrator, June 15, 1972)

LLOYD E. NESSETH,
Itasca County Administrator,
Grand Rapids, Mich., April 26, 1974.

Average cost per mile for maintenance of county-State aid highways	\$1,270.00
Average cost per mile for maintenance of county highways	1,319.00
Average cost per mile for maintenance of township roads	600.00
228.5 miles of county State aid highways at \$1,270 per mile	290,195.00
163.5 miles of county roads at \$1,319 per mile	215,524.60
89.5 miles of township roads at \$600 per mile	53,700.00

Total amount for maintenance, year 1973 (481.4 miles)	559,419.60
State aid—32 percent times \$559,419.60	179,014.27
County funds—68 percent times \$559,419.60	380,405.33
Number of acres in Itasca County within the boundary of the Chippewa National Forest	626,948
Number of acres assessable within the boundary	133,220
Number of acres exempt from ad valorem taxation within the boundary	493,728
Total number of assessments on the tax rolls within the boundary of the Chippewa National Forest	6,486
Number of assessments improved with structures within the boundary of the Chippewa National Forest	3,043
Number of assessments unimproved within the boundary of the Chippewa National Forest	3,443

Of the total number of feet of lakeshore within the boundaries of the Chippewa National Forest (approximately 6,500,000 feet of lakeshore of all qualities) over 1½ million feet are exempt from ad valorem taxation, most of which is of the more prime quality.

	Feet
Amount of assessable lakeshore within the boundaries	4,963,200
Amount of exempt lakeshore within the boundaries	1,531,200
Number of assessments of residential property within the boundaries	1,370
Number of assessments of commercial property within the boundaries	188
Number of assessments of seasonal property within the boundaries	1,485
Wages and expenses involved in assessing properties which are assessable within the boundaries of the Chippewa National Forest in 1972	\$29,785
Information obtained from Federal Forest Service, Cass Lake, Minnesota:	
Federal Forest Land Within Itasca County (acres)	299,655
Federal Shoreline Within Itasca County (feet)	1,024,400
or 1,024,400 ft. × approx. 209 ft. (1 acre)	4,915
Federal Land less Federal Lakeshore Acreage (acres)	294,700
Lakeshore:	
Market Value—1,024,000 ft. × \$11.26	\$11,534,744
Adjusted Market	3,841,070
Assessed Value (33⅓%)	1,279,076
Tax (350 mills)	447,676
Buildings:	
Market Value Assuming one summer home per 2,000 feet of lakeshore or approximately 500 homes.	
Market Value—500 × \$9,000 each	4,500,000
Adjusted Market	1,500,000
Assessed Value (33⅓%)	49,500
Tax (350 mills)	174,825

40 acre tracts:

Market Value of 294,740 acres, or 7,369 forty acre tracts.	
Market Value—7,369 × \$700-----	\$5, 158, 300
Adjusted Market-----	1, 717, 714
Assessed Value (33⅓%)-----	571, 998
Tax (350 mills)-----	200, 199

Total tax dollars to be gained from Federal Lands----- 822, 700

Total Federal Acreage----- (acres) 299, 655
 \$822,700 divided by 299,655 acres----- \$2, 74 per acre

The total land area within the Itasca County portion of the Chippewa National Forest is approximately 626,948 acres. Ownership of the land is as follows:

Federal Forest -----	299, 655 acres—	47. 80%
Indian -----	3, 983 acres—	0. 63%
State -----	155, 911 acres—	24. 87%
Tax Forfeited -----	28, 344 acres—	4. 52%
Private (Ad Valorem Tax)-----	133, 220 acres—	21. 25%
Private (Tree Growth Tax)-----	5, 835 acres—	0. 93%
Total -----	626, 948 acres—	100. 00%

Now looking at the total land area within Itasca County as a whole, the acreage amounts to approximately 1,729,100 acres (this excludes water area, which is approximately 151,700 acres). Ownership of this total land acreage is as follows:

Federal Forest -----	299, 655 acres—	17. 33%
Indian -----	3, 983 acres—	0. 23%
State -----	321, 423 acres—	18. 59%
Tax Forfeited -----	322, 000 acres—	18. 62%
Private (Ad Valorem Tax)-----	654, 000 acres—	37. 82%
Private (Tree Growth Tax)-----	128, 000 acres—	7. 41%
Total -----	1, 729, 061 acres—	100. 00%

ST. LOUIS COUNTY,
 OFFICE OF THE COUNTY AUDITOR,
 Duluth, Minn., June 12, 1972.

FLOYD ANDERSON,
 Commissioner, 1st District,
 St. Louis County,
 Duluth, Minn.

DEAR SIR: The estimated taxes for payable 1972 U.S.A. lands in the Superior National if it were paid as Advalorem Real Estate taxes are as follows:
 767,068 acres at \$16.00 per acre Market Value equals total Market Value of \$12,273,088.

Assessed value \$4,091,029 times average St. Louis County mill rate, 368.25 equals total tax, \$1,506,521.43.

The receipts for 1971 in lieu of taxes for Boundary Waters Canoe Area was \$61,881.12 and for the Superior National Forest was \$27,084.95 for total 1971 receipts \$88,966.07.

Very truly yours,

ANDREW KORDA,
 County Auditor.
 WILLARD C. PETERSON,
 Deputy.

1972:

61,881.22—¼ of 1% in lieu
 29,447.12—25% of Revenue collected

	Acres	Per acre	1972 income
Arizona	11,423,000	\$0.15	\$1,696,462
California	20,070,000	1.03	20,735,012
Colorado	14,361,000	.06	817,108
Michigan	2,688,000	.11	302,980
Minnesota	2,797,000	.06	158,546
St. Louis	797,059	.08	161,881
Lake	727,038	.04	29,447
Cook	675,076	.16	113,637
Itasca	299,843	.03	21,627
Cass	287,732	.12	183,521
Beltrami	62,389	.03	20,688
Montana	16,704,000	.13	40,021
Nevada	5,109,000	.13	38,402
Oregon	15,480,000	.13	8,327
Oklahoma	291,000	.25	4,143,472
Utah	8,043,000	.03	139,080
Washington	9,067,000	2.04	31,571,209
Wisconsin	1,490,000	.43	126,568
Wyoming	9,247,000	.02	198,270
		1.11	10,096,140
		.13	198,720
		.03	318,168

¹ $\frac{3}{4}$ of 1 percent fund income per acre on representative State.

EXCERPTS FROM ONE-THIRD OF THE NATION'S LAND

A REPORT TO THE PRESIDENT AND TO THE CONGRESS BY THE PUBLIC LAND LAW
REVIEW COMMISSION

(By Lloyd E. Nesseth, Itasca County Administrator)

Because of the sovereignty of the United States, federally owned lands cannot be taxed by state or local governments. This has created large and increasing problems for the state within whose borders such lands lie.

The impact on the taxability of state and local governments by the Federal Government's retention of the forest lands caused concern at an early date, and in 1907 Congress authorized the return of 25 percent of stumpage sale receipts to the counties in which the timber was cut to be used for public education and roads.

In 1920, the Federal Government acted similarly when the Mineral Leasing Act of that year removed from the operation of the Mining Law certain minerals, including oil and gas deposits, and thus assured that lands chiefly valuable for those minerals would remain in Federal ownership. As part of the Mineral Leasing Act, Congress authorized sharing with the states the receipts generated by the oil and gas leases, giving the state of origin $37\frac{1}{2}$ percent of the revenue, the Reclamation Fund $52\frac{1}{2}$ percent, and permitting the United States to keep only 10 percent for its cost of administration. The only exception is that Alaska receives 90 percent of oil and gas lease revenues in accordance with the provisions of the Mineral Leasing Act. Several other, but relatively minor revenue-sharing programs were also developed, both before and after the two mentioned above, but payments made by the Federal Government to the states for such programs have been comparatively small.

The legislative history of the acts providing for the sharing of receipts from forest products and oil and gas, as well as other leasable minerals, clearly reflects that the payments to the state and local governments were intended as compensation for the fact that the lands in question would no longer be available for private ownership and property taxation.

Today, however, the pressure of new circumstances requires new thinking. Until comparatively recently, the cost of providing state and municipal services, especially in the western public land states whose vast spaces had a sparse population and received relatively few outside visitors, was not very great. But in recent years, a dramatic change has resulted from the greatly increased mobility of the American people. Visitors who now come in increasing numbers to public land areas from all over the country require, as a minimum the same services that are furnished to local citizens—and sometimes they require more.

If the recommendations of this Commission are followed, additional millions of acres of public domain land will be retained by the Federal Government instead of being transferred, as contemplated until relatively recent times, to

private ownership. With the millions of acres of land already reserved, plus the additional acres that probably will be set aside, the United States must re-examine its relationship to the state and local governments within whose borders those lands are located.

This Commission is convinced that the United States must make some payments to compensate state and local governments which have burdens imposed on them because of Federal ownership of public lands within their borders. Even though it is recognized that Federal expenditures must be held to the minimum necessary to provide essential Federal programs, the Federal Government, as a landowner, must pay its way. Whatever the costs, fairness and equity demand that such payments be made.

Manner of Making Payments

Recommendation 102: Payments in lieu of taxes should be made to state governments, but such payments should not attempt to provide full equivalency with payments that would be received if the property was in private ownership. A public benefits discount of at least 10 percent but not more than 40 percent should be applied to payments made by the Government in order to give recognition to the intangible benefits that some public lands provide, while, at the same time, recognizing the continuing burdens imposed on state and local governments through the increased use of public lands. The payments to states should be conditioned on distribution to those local units of government where the Federal lands are located, subject to criteria and formulae established by the states. Extraordinary benefits and burdens should be treated separately and payments made accordingly.

A system of payments in lieu of taxes provides a better standard for determining the level of payments than does a system of sharing revenue. Just as in their relationship to private property, state and local governments are, in general, constitutionally responsible for providing the ordinary functions of government to the public land areas within their borders. Federal ownership, in other words, does not mean that the Federal Government has assumed fiscal responsibility for the administration of all aspects of those lands. But, the system of revenue sharing bears no relationship to the direct or indirect burdens placed on state and local governments by the Federal lands within their boundaries.

In practice, there has been no attempt made to correlate the the services rendered, or the burdens assumed, by the local governments to the payments they receive under the present revenue-sharing systems. As a result, the portion of Federal revenues which they currently receive varies from 5 to 90 percent, depending on the program and Federal agency involved.

Although they were originally designed to offset the tax immunity of Federal lands, the existing revenue-sharing programs do not meet a standard of equity and fair treatment either to state or local governments or to the Federal taxpayers. Such a standard should be established and applied.

In addition, the Commission's review has revealed several defects in the revenue-sharing system. In some cases, payments made by Federal programs undercompensate, while in others they overcompensate. The revenue-sharing programs, moreover, do not apply to many federally owned lands, and where they do apply, management decisions often reduce or eliminate the revenue base upon which the payments to state and local governments depend. At the same time, pressures can be generated to institute programs that will produce revenue, though such programs might be in conflict with good conservation-management practices.

The Commission has thus concluded that the existing system of revenue-sharing is not equitable, and that the Federal taxpayer is financing a program that has little relation to the purpose it was originally designed to accomplish.

It is axiomatic that expenditure requirements determine the tax levels needed to produce the revenue to meet the costs of government. Since the ad valorem tax system has been the foundation for the financing of programs providing municipal services, the Commission believes that all landowners must share in payment for these services. This should not exclude the Federal Government as a landowner, except where the federally owned land is being used for facilities, as in the case of post offices, to furnish services to all the people throughout the country.

Believing as the Commission does, that the tax level represents the actual need for revenue, Federal payments related to the level of state and local taxes

levied on private owners should be in proportion to the services received and burdens imposed by Federal ownership. At the same time, to repeat, they should be fair and equitable to all concerned.

Level of Payments

While the Commission is convinced that payment should be related to actual property taxes in the area, it does not follow that the payment should be equal to full tax equivalency.

Under the existing system, certain benefits are received by local governments. For example, probably because it pays no taxes, the Federal Government permits state and local governments to use its land without charge for such facilities as airports and cemeteries, and allows them to take sand and gravel without cost. In addition, the Federal landowner provides fire protection for its own lands where fire is a major threat, thereby relieving the state and local governments of that cost. There are also indirect benefits, like the use of roads, which Federal agencies construct and maintain.

Though the Commission's studies have proved that these direct and indirect benefits cannot be calculated with any degree of precision, the Commission believes that some reduction in payments should be made for the measurable as well as the immeasurable benefits which accrue to the communities in which there are concentrations of Federal lands.

After careful consideration, the Commission has concluded that fairness will best be served by deducting—as recognition of the direct and indirect benefits received by state and local governments from the use of public lands—not less than 10 percent nor more than 40 percent of the amount necessary to provide full tax equivalency.

At the same time, the Commission has concluded that while benefits are national, the geographic distribution of the Federal lands makes their burdens regional and local, and that, in general, continued Federal ownership of public lands provides no distinguishable benefits to state and local governments in lieu of the benefits they would receive if the lands were privately owned.

Extraordinary Benefits and Burdens

From time to time, certain extraordinary benefits may be obtained, or burdens imposed, as a result of Federal ownership of public lands. The Commission does not believe that they should be taken into consideration in establishing the basic formulae of Federal payments. Whatever their cost may be, they should be negotiated separately, and a separate payment should be arranged.

If a state or local government, for example, was required to give the Federal Government services, such as increased police protection, over and above what it provided to regular taxpayers, it could and should suggest the negotiation of a contract with the Federal Government. If the Federal Government thought the local government was charging too much for such special services, it could seek other arrangements.

The important point is that under a payments-in-lieu-of-taxes system, the Federal Government would expect, and would be entitled to, the same services received by a regular taxpayer from the state and local governments—no more and no less.

Unit of Government to Receive Payment

The government unit that supplies the services, usually county or municipality, should receive the Federal payments in lieu of taxes. But, under our Federal system, the national Government should deal solely with the state government, which should make proper allocations within the state.

In this connection, the Commission recognizes that in many instances, state tax-equalization programs redistribute all categories of funds. While this is a matter of state policy, concerning which the Federal Government should take no position, the Commission's contractor study showed that generally these programs must supplement local tax revenues from general state funds to a greater degree in areas of public land concentrations than elsewhere.

Limit Payments to Revenues?

The Commission believes it is impractical and improper to limit payments to the net revenues of resource programs. Because these programs involve both commodities for which market value is charged and those, such as outdoor recreation, for which user fees, if any, are unrelated to market value, overall net revenues from public land programs do not provide an adequate guide to the level of payments in lieu of taxes. For the same reasons that the Commission

recommends abandoning revenue sharing, it rejects limiting payments in lieu of taxes to the receipts from the sale of goods and services from the public lands.

The Valuation of Federal Lands

The Commission recommends that the interests of all concerned should be protected by a continuing program of periodic valuation of Federal lands.

In the interest of administrative simplicity and uniformity, the implementation of a Federal payments-in-lieu-of-taxes system will require a systematic approach to the valuation of Federal lands. Federal lands would have to be valued expressly for tax purposes, with built-in protection against discriminatory practices.

As a first requirement, the General Services Administration should be given responsibility for overall administration. At the operational level, representatives of the Federal Government, jointly with state and/or local governments, should agree on a valuation for tax purposes consistent with the assessment of privately owned lands in the area. Safeguards must then be provided to assure that, in relating payments to the tax rates applicable to similar private land, there will be no discrimination against the Federal Government.

Cost of Program

The contractor's study, referred to above, indicated that it would cost the Federal Government approximately \$190 million a year to make payments, based on full tax equivalency, to state and local governments for the lands for which the Commission is required to make recommendations. In 1966, for those same lands, \$93 million was paid under existing revenue-sharing programs.

The Commission recognizes an imperfection in the contractor's estimate. The tax equivalency was based on the General Services Administration's periodic *Real Property Report* in which estimates of land values are not made for tax purposes, do not follow a consistent approach in arriving at estimates, in some instances are crude approximations, and, with regard to acquired lands, carry the original acquisition cost even if they were obtained at nominal cost. For example, there is no indication that potential subsurface mineral values were ever considered in agency estimates of public domain lands.

Nevertheless, while the Commission cannot embrace the \$190 million estimate as a ceiling, it has no better means of obtaining such estimate at this time. It believes, however, that the total cost is irrelevant if fairness requires the compensating of state and local governments for protecting the national interest in lands considered to be warrant retention in Federal ownership. It is a proper cost to be borne by all Federal taxpayers.

RESOLUTION 73-2

ARROWHEAD REGIONAL DEVELOPMENT COMMISSION

RESOLVED, that Arrowhead Regional Development Commission go on record as supporting the concept of payment by the United States Government in lieu of taxes to all local units of government in which the United States of America owns land and property located within the territorial jurisdiction of that local unit of government.

CERTIFICATE

The above is a true and correct copy of a resolution adopted by the full Arrowhead Regional Development Commission at a meeting of said Commission held at Duluth, Minnesota on January 19, 1973, at which a quorum was present. Said meeting was called pursuant to due and proper notice given to all members as required by the by-laws of the Arrowhead Regional Development Commission.

Dated this 15th day of February, 1973.

LLOYD NESSETH,
Secretary,

Arrowhead Regional Development Commission.

Mr. OWENS. Mr. Chairman, Senator Dean is now here. I wonder if after we hear him, we might add to the list of witnesses Mr. Walter Prothero, president-elect of the Utah Educational Association.

Mr. UDALL. At your request we will add Mr. Prothero, and we will now hear Senator Dean.

**STATEMENT OF HON. ERNEST DEAN, MEMBER, UTAH STATE
SENATE**

Mr. DEAN. I am Senator Ernest Dean, and I reside in Utah County, and may I congratulate you two Congressmen on what I feel is a long overdue bill that ought to be passed through the Congress of the United States.

And first I hold out that the Federal system ought to be turning back lots of those lands to our State, but in lieu of them turning those back, there ought to be some kind of a payment in lieu of taxes to us. I want to lead your thinking through 4 years of study where I have been working, trying to bring the public's interest together in harmony with what the Forest Service is doing in my area on a land use plan where they entered into a program to look at a multiple use concept of the forest. Bringing local government, State government, and the user groups of the Federal land that is in my senatorial district, a good lot of it, we found that there were some basic concepts that were developed. No. 1, that the Federal Government could not live alone in terms of that land, that the users were we people that were around it, and that the mere use that there was there, the more we had to have a wedding of our type of government, State government and local government with the Federal system in all of the things that need to be done there.

And let me give you some examples: roadbuilding. Our State and our local government is being called on constantly in terms of building roads on that forest land. Let's take the environment, and look at the picture. Our State division of health and our local divisions of health are constantly again being called on to make an overlay in terms of what we are doing to make sure that whatever use of that land is consistent with keeping water and soil, all the other things from being polluted or destroyed.

Let's take the next one, as we look at the area of crime and delinquency and so on, the more that we clamp down in the cities or in the county on all of this kind of activity, the more it shifts into the Federal land itself. Well, show me where the Forest Service or any other division of the Federal system has that kind of policing power to police all of that.

So what is happening? Again, demands upon our local government to come in and do the kind of service to the Federal land.

All right, put all of that demand on us in terms of meeting those kinds of conditions and that comes out of a tax base that is predicated on 23 percent of our land, and between you and the other public ownership of our land in the State, we have at least 77 percent and more realistically 78 percent—you people own approximately 78 percent of the land, and so with a little revenue coming back, it does not anywhere near offset the cost to our local government or to our State government in all of the things that we are doing to service your land.

So this statement that I am leaving with you encompasses three or four basic points of my own, but it also gives you a feeling for that interrelationship that needs to be existing between the public, includ-

ing government in Utah, that needs to relate to the Federal system in the management of that land.

And so, when I get a notice from Congressman Owens that you are going to have this kind of a hearing, sure I want to testify, and I want to say that it is based on really those 4 years of concentrated study because the Forest Service asked me—let me give you a little bit more history of that. I was chairman of the National Committee of State Legislators that had a subcommittee of all those 50 State legislatures that were looking at natural resources and the environment, and so we had multiple legislators from the United States. We pulled in representatives from the various Federal agencies to look at this very same problem that I have presented to you as to how we could better live together in terms of managing that forest land.

So they said well, we have a system where there can be all kinds of input, where we are now making some studies that are entitled "Multiple use studies," and I said, I have not been notified of any of those kinds of studies in my area. And so then, from that input at the Federal level to coming down through its system to the area that I represent, they then invited me to take a singular role of trying to make what would be the public's input to what should be that relationship. And of course, No. 1 was that the Forest Service itself did not have enough money to manage it properly. That was No. 1.

No. 2, that they were demanding of our local government costs that were way beyond what we ought to be putting into it without any return coming back to us.

And so with those two being the overriding issues, then all of these others I have listed in here have a part in what ought to be a statement that you ought to be looking at.

Mr. UDALL. Senator Dean, thank you for coming.

This has been one of the most useful afternoons I have spent in a long time. We have a good range of inputs here from people on this problem, and each one brings a little bit of perspective, and your experience in the forest adds another dimension to it.

I think we are going to be able probably in the next Congress to come up with something.

Mr. DEAN. May I make one more statement?

Mr. UDALL. Yes, sir.

Mr. DEAN. There is a lot of statement in here where we were concerned where there could be a greater economic base by the use of that forest land, and that it could spin off to the advantage of both of us, and that it would not hurt the environment but would better enhance what was done with the forest land itself.

So your in lieu of taxes would help us.

Mr. UDALL. Congressman Owens?

Mr. OWENS. I thank you, Senator Dean. We are delighted to have you this afternoon. You brought a new dimension to our hearings. You have pointed out some of the Federal problems which could be in part solved if we had this in lieu of payment legislation.

Mr. DEAN. I have a lot more information. If it would be helpful to you I could ship off to you quite a lot of the study itself, showing a lot of dimensions.

Mr. UDALL. We are going around the country collecting opinions and material. Anything you have we would be glad to have for our official investigation.

Mr. OWENS. Anything you would like to submit in the next couple of weeks, we will submit in the record, I think it would be very helpful.

You cite underfunding of the Federal Government of its own facilities. That is very relevant. We have worked to solve that problem and have not yet. This might be one solution.

I appreciate your testimony very much. Thank you, Senator.

Mr. DEAN. Thank you.

[The prepared statement of Mr. Dean follows:]

SENATOR ERNEST H. DEAN,
September 12, 1974.

HON. WAYNE OWENS,
House of Representatives,
Environmental Subcommittee,
Capitol Building,
Washington, D.C.

DEAR WAYNE: I am very happy to have the opportunity of testifying before your sub-committee regarding payments, in lieu of taxes, on federal lands. I heartily endorse this type of legislation as it relates to Utah for the following reasons: (1) almost all of the land in my senatorial district is federally owned, yet less than .05% of the public in my district draw their income from federal sources. This is a tremendous imbalance, (2) the federal government has held back in lieu lands since statehood that the title of which should have been transferred to the State of Utah. These have been rich lands and should be in State possession, (3) where 73% of the land in Utah is federally owned, it forces an extraordinary high property tax assessment upon the other 27% of property owners, (4) the federal lands in Utah are rich resources and with proper utilization from an economic standpoint, could help to alleviate the high tax burden of the property owners on private land, (5) the federal government is failing to allocate sufficient money to properly utilize the federal lands within our state. An example can be identified to my senatorial district.

At a meeting June 22, 1973 in American Fork, some fifty people were on hand. They represented a multiple of interest and user groups. At the meeting, which was concerned with American Fork Canyon land use, seven positions were formulated:

Allocate more funds for development and management of the Uinta National Forest.

Let the Lone Peak area comprise the entire wilderness area in the Uinta Forest; delete any proposal to increase the size of the wilderness area from the Forest Service Plan and from Senator Moss' Wilderness Bill.

Improve the road from Tibble Fork to Wasatch State Park.

Continue to allow recreational uses of the land in American Fork Canyon. Recognize the existing summer homes in American Fork Canyon represent a legitimate use of the land.

Extend the 30-day time period for receiving comments on the report to January 1, 1974.

These, then, are the recommendations that came out of the meeting. Personally, I believe that the vast majority of people in the northern end of the county view colorful American Fork Canyon as an area that offers a variety of useful activities. These include mining, grazing, designation of historical sites, summer homes and especially recreation. This multiple use concept has been the over-riding direction coming out of my meetings during the past 30 months. The people who attended those meetings represented city councils, boards of education, mining interests, property owners, the county commission and sportsmen's groups. All of these people, without exception, are concerned about protecting the canyon environment. But this does not mean that they want to close it up and reserve it for backpackers only. The people I've talked to look upon the canyon—in fact the entire Uinta Forest—as a land that offers many uses.

I agree! And I believe that with proper development and careful management, the multiple land use concept provides the best answer. Today, there's an increasing emphasis on recreation as we have more leisure time. That, coupled with the fact that Utahns have an affinity for outdoor activities leads to the conclusion that more, not less, recreational areas are needed in American Fork Canyon.

But the Forest Service Land Use Plan doesn't allow for this. It tries to restrict recreation. I believe that basically the problem lies in the lack of funds and that is why the first point was drafted at the June 22, 1973 meeting. It's an effort to get more funds allocated to the Uinta Forest for the development and maintenance of the entire area. In other respects, the Forest Service and its plan deserve more pointed criticism.

All of this if adopted could provide a much increased economic base for our county. All of the land should either be taxed or an in lieu payment made to help alleviate our overtaxed private land owner.

Sincerely,

ERNEST DEAN,
State Senator.

Mr. UDALL. Mr. Prothero, our last witness of the day.

STATEMENT OF WALTER PROTHERO, PRESIDENT, UTAH EDUCATION ASSOCIATION, ACCOMPANIED BY DONALD ULMER, DIRECTOR OF RESEARCH, UTAH EDUCATION ASSOCIATION

Mr. PROTHERO. I am Mr. Walt Prothero, president of the Utah Education Association. I have with me Don Ulmer, director of research for the association.

We have a great interest in this particular bill. In Utah education is a critical need and problem, and in recent research in the year 1972-73, that is the current. I do not think the ratio has changed any. Fifty percent of the government expenditures, local and State, go to education, yet after we are—and we are No. 1 in the United States with that effort. However, with that effort, we are only able to provide an expenditure per pupil 73 percent of the national average, or ranking 44th in the Nation.

I would like now to read a prepared statement and then make some comments. The UEA is committed to the principle of achieving, to the highest possible degree, equalization of educational financial support. In this regard, one of the significant disequalizing factors within the State of Utah is the high percentage of nontaxable federally owned land. Another is the complicated manner by which funds for education are made available to local and State agencies without regard to their impact upon the overall State program. The local, State, and Federal share of financing for education must be derived from a tax system which is balanced and complementary in nature. In addition, the amount of support from all three sources must be generally predictable for year to year planning. Inasmuch as these principles are embodied in H.R. 12324, the UEA supports the intent of the legislation. Support for the bill itself would depend upon a detailed analysis of its potential effect upon the State and the various counties of the State in comparison with the current situation, with particular attention being given to the effect, if any, upon funds received by the State under the provisions of the act of Congress known as the Leasing Act. The Leasing Act relates to moneys received from sales, royalties, leases, and rentals of minerals.

The problem dealt with by the bill is a serious one and the UEA is encouraged to see it being given consideration.

In commenting on this, I think that the Governor hit briefly on the school situation with the possibility of new towns emerging, the need of schools. We feel that the need for this type of legislation is a neces-

sity, and it was interesting to hear Mr. Black's comments on the type of education he was subject to as he came through the schools. I think the State has worked in a method to correct that existant situation with an equalization of the maintenance operation budget, and there are trends, and we are hoping as soon as moneys are available to equalize the capital outlay portion. And in listening to the testimony we feel that the moneys to come into the State for distribution would be most advantageous to the citizenry of the State.

Mr. UDALL. We appreciate the interest of Utah educators in this problem, and I think you have a balanced and constructive approach.

Mr. Mock made the point earlier that you offered here, too, in the second to the last paragraph, the question of a difference between a payment in lieu of taxes for owning the land and some of these royalty and revenue payments which are only paid when you develop the land or take the resources off the land, and that is a question that I want to ponder a little bit.

You know, if we are both private owners and we both have coal on our land, the fact that you are taking the coal off your land does not mean that my land goes untaxed. It means that I am simply taxed on the value of my land at that point, and there may be a royalty or revenue payment of some kind based on the production. So that is something I do want to look at, and I am glad you pointed it out to us again.

Mr. OWENS?

Mr. OWENS. Thank you for your testimony. I think it is very relevant that the educational system in our State, whose funding largely depends on revenues from public lands, ought to have a say in these hearings. I thought you stated your position very well, and in a very thoughtful manner.

Mr. UDALL. Thank you.

Mr. OWENS. I was down in Emery County last week. I invited one of the commissioners to come to the hearing. He is here, and I think he would like to make a very, very brief statement.

With your permission—

Mr. UDALL. If you would identify this taxpayer and public official and bring him forward.

Mr. OWENS. Commissioner Gardnell Snow, will you stand and be recognized?

Emery County is a unique part of our State. Last week I had an opportunity to work an 8-hour shift in a coal mine down there, and then I visited with Commissioner Snow and some other people. They are going to build eight new coal mines down there which will have an unprecedented impact on their area.

Mr. UDALL. We have heard about this earlier and I know that area personally. I am delighted that you are here.

STATEMENT OF GARDNELL SNOW, COMMISSIONER, EMERY COUNTY, UTAH

Mr. Snow. Thank you, Mr. Congressman. I certainly appreciate this opportunity to make a brief oral statement. I have not prepared a written statement, but I would like to present the problems that the vast amount of Federal lands is foisting on the local government.

First we have in the neighborhood of 1,000 miles of county roads that we maintain. Most of it is on Federal land; 94 percent of the county is owned by Federal and State government. Our local communities there are overwhelmed now with the influx of people to provide sewer and water, which is almost impossible to do. They are bonded to their bonding capacities now.

We then were promised aid from EPA, and it does not come. We are in an impact area. They have built one power plant that has increased our population about 35 percent. If they build five more units, plus development of other mines to ship coal out of the area you can see what we are confronted with.

So with this brief statement, I appreciate it very much and hope we can have some help down there. We support this.

Mr. UDALL. We are very conscious of the problems of areas like yours. Utah, Wyoming, and Colorado are really going to see us through this energy crisis. If we get through the next couple of decades, Congress has an obligation of being aware of the special problems and the huge new impact that this national problem is placing on your areas, and I for one want to see that you are treated fairly, and I am sure Congressman Owens will be fighting for those same effects.

Mr. OWENS. Thank you, Commissioner. Thank you very much.

Mr. UDALL. This concludes our hearing this afternoon.

The subcommittee will resume tomorrow morning in Provo at 9 o'clock or shortly thereafter. Then we are going on to Cedar City.

I thank you all for being in attendance today. We will keep the hearing record open for 2 weeks to get statements of others who might wish to submit them.

We stand adjourned.

[Whereupon, at 4:45 p.m., the subcommittee recessed to reconvene at 9 a.m., September 14, 1974 in Provo, Utah.]

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H.R. 12324—TO PROVIDE FOR PAYMENTS TO COMPENSATE COUNTY GOVERNMENTS FOR THE TAX IMMUNITY OF FEDERAL LANDS WITHIN THEIR BOUNDARIES

SATURDAY, SEPTEMBER 14, 1974

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE ENVIRONMENT,
OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Provo, Utah.

The subcommittee met, pursuant to notice, at 9:20 a.m., City Hall, Provo, Utah, Hon. Morris K. Udall (chairman of the subcommittee), presiding.

Present: Representatives Udall, Owens.

Mr. UDALL. The subcommittee will be in session.

We are holding hearings here this morning on behalf of the Interior and Insular Affairs Committee of the U.S. House of Representatives through the Environment Subcommittee on the general subject of payment in lieu of taxes. This is the first—today and yesterday—the first of a series of field hearings that we hope will take us into a dozen or more States over the next few months and enable us to write an intelligent, helpful bill on the subject.

There are pending before the subcommittee assigned to us by the Speaker of the House approximately six or eight different bills that take different approaches to this whole problem of payments in lieu of taxes. What we are seeking in this series of hearings in Utah today is input from members of the public, the county commissioners, the members of the legislature, Members of Congress, and other citizens trying to assist us with resolving some of the policy questions.

There seems to be very general agreement in the Congress that we should have a system of payments in lieu of taxes. When we get to the details we encounter a number of controversies and arguments. So we are trying to focus on some of those in these hearings.

We have a list of about eight witnesses here in Provo this morning. We are going to try to finish by noon, which gives us 2½ hours, and then the subcommittee will move on to Cedar City this afternoon for an additional set of witnesses.

So we start this morning with one of the finest Members of Congress Mr. Gunn McKay. Please take the stand.

STATEMENT OF HON. GUNN MCKAY, A REPRESENTATIVE IN CONGRESS FROM THE FIRST CONGRESSIONAL DISTRICT OF THE STATE OF UTAH

Mr. MCKAY. I am happy to be with you and participate in these hearings. I want to thank the subcommittee for coming out here and Wayne Owens for his work in setting up these hearings. I support proposed

legislation before the committee because I think a new approach to the problems caused by the Federal ownership of land has been long needed.

H.R. 12324 and similar bills, I think, provide payments to compensate county governments for the tax immunity of Federal lands within their boundaries.

The bills under consideration today are of great importance to rural America, to our Western States, and, indeed, to all States with a significant Federal ownership of land. This legislation will make a beneficial change in the way that our public lands impact upon adjacent communities. It will give county governments the option, for the first time, of receiving payments in lieu of taxes for the public land located in their jurisdictions. Under the terms of these bills, Federal land will be appraised at a rate comparable to the applicable tax rate for private lands. County governments then will have the option to receive payments from the Federal Government, based on the actual value of the Federal lands, or continue to receive the Federal revenues that would normally flow to them under other Federal programs. Life in rural America traditionally has been characterized by some very unique and serious problems. The many services taken for granted in our towns and cities, such as electricity, water, telephones, health services, and law enforcement, are scarce, high-priced, or even non-existent. One major cause for this situation is the lack of a strong property tax base to finance services. In more densely populated areas of the Nation, local governments have come under increasing pressure as they try to reconcile rising expectations for services with inflation that eats into budgets and increases prices beyond the scope of affordability. Rural governments suffer these burdens, as well as the added problems of low tax bases and greater per capita expenses. And the problem is compounded where the presence of Federal land generates a need for governmental services, while denying the corresponding tax base to finance those services.

Installations located on Federal land, mineral development, or recreational use of Federal land—all attract population to adjacent areas. This population requires many services and services cost the State and local governments money. Yet the tax base to finance these services is absent, in part, due to the fact that Federal lands are non-taxable. The injustice of this situation has been recognized in law by the compensation of local governments where Federal installations have depleted the property tax for schools while causing an influx of population. But, as yet, there is no uniform, fair, and logical way to provide compensation to local governments for the taxes lost to them and the added burdens placed upon their treasuries by the presence of Federal land.

In Utah, with over 70 percent of the State in Federal ownership, the impact of public lands is of real concern to us. We enjoy benefits from Federal land, but burdens are imposed on local governments to provide those services expected.

There are a number of programs under which local governments are compensated in part for Federal land holdings. However, none of these programs are tied to the actual impact of Federal land, nor do they assure the localities that the costs generated by the Federal presence will be met in Federal revenues.

The extent to which Federal land impacts upon States and localities can be seen by taking a look at some percentages of Federal ownership in counties in Utah, particularly my district.

For example, in Box Elder County, in my district, there is 1,967,539 acres of private land to 1,401,135 acres of Federal land. That is almost an equal trade-off of Federal and private land in that county; Carbon County, with 494,676 acres of private land, and 382,773 acres of Federal land; San Juan, which borders on your acreage in Arizona, Mr. Chairman, with 423,534 acres of private land, and 4,334,529 acres of Federal land; Washington County, with 295,387 acres of private land versus 1,157,074 acres of Federal land. I could go on, but I think the point is made.

In some of these counties the population is low and so is the land value. Here the Federal presence has less to do with funding problems than other normal problems associated with rural life. However, where population is heavier, where the value and uses of Federal lands are higher, and where Federal lands generate population changes, the lack of a uniform system of compensation for that Federal presence results in serious problems and inequities.

May I pause here to refer to three Utah counties that have immediate and critical problems associated with the presence of Federal land. They are Uintah County, Duchesne County, and Carbon County, all mineral resource counties. Uintah County, is rich in oil shale, and faces the possibility of massive and rapid development. Oil has been discovered in Duchesne County, and Carbon County is right in Federal coal lands. In the two counties the population has nearly doubled in the last 2 or 2½ years. In some areas there are presently moratoriums on water hook-ups and there are no sewage disposal units for the growing population. The city of Vernal is short 4,800 acre-feet of culinary water at the present time.

The provision of adequate health services without some assistance from government is going to be an almost impossible task for these local governments. These areas simply do not have the tax bases from which to provide services for the development of resources that will serve the entire Nation. The Federal Government has some responsibility to meet those needs.

Under a system of payments in lieu of taxes, fairness would be instituted and the government would provide a logical share of the costs associated with the impact of Federal lands.

The idea of payments in lieu of taxes is not new. It was recommended by the Public Land Law Review Commission of 1970. Since that time, we have witnessed unprecedented demands for new energy sources and we have watched rapid development of minerals on Federal lands. I suggest that a very important aspect of this legislation is the flexibility it will give to State and local governments in meeting the special problems of resource development. Where there is rapid development on Federal land, there is, of course, an associated influx of population and a need for all kinds of governmental services, from roads and water to law enforcement and city planning.

The time lag between the influx of population and the development of a tax base has caused severe problems and prevented proper planning. Under a system of payments in lieu of taxes, these local governments could choose to receive payments at the applicable tax rate, rather than through royalties or other Federal revenues. Funds would

be available when they are needed, to provide orderly transitions and planned development.

Mr. Chairman. I support the legislation that is before this committee and I urge your favorable consideration of it.

As a final thought, fairness requires that this legislation be enacted. The whole Nation needs resources and it is not just to have a few carry the burden for its development.

Mr. Chairman, I will yield to any questions. Otherwise, I would be pleased to support the program.

MR. UDALL. Thank you, Congressman McKay. It is a special pleasure to be here in your district. As you have pointed out, I suppose in your district there are as many impacts of Federal land as any place in the country. The Public Land Law Review Commission made a preliminary, vital, important threshold decision, which I think is going to be carried out by the Congress, that is, that we are not going to dispose of any large wholesale chunks of the Federal land. The decision has been made nationally and it seems to be the consensus that Federal resource lands ought to be kept in the hands of the Federal Government for future generations as a land bank for resources such as coal and oil shale that are on them. You could make the argument, I suppose, that we should simply sell them off to the States or individuals. Get them on the tax rolls and not have this problem.

That is not a realistic alternative in my judgment. So if the people of the United States are going to make that decision to keep these lands, huge chunks in some of your counties, some of mine, and elsewhere, it is only fair, as you say, that we have some kind of system that will compensate fairly the local and State governments due to the exercise of tax immunity by the Federal Government.

I think we are going to get a bill. I think we can get a bill next year.

You highlight the importance and the need for it in your testimony here today.

MR. MCKAY. I might say one other thing, Mr. Chairman, if I may. I would urge the committee to give consideration to leasing policies of the Department of Interior. I would hope the leasing and permit policies of the Department would promote the orderly and equitable development of our resources. And I would hope that these policies would prevent large companies from getting long-term leases on land, primarily for speculation, rather than development.

There has been some tendency for large conglomerates to come in, lease the resources, and hold them in the anticipation that if oil gets short, they still have control of our resources. That is a monopolistic practice and I would hope the committee would urge the Interior Department to review leasing policies which contribute to such practices.

MR. UDALL. Utah, Wyoming, Colorado, particularly, are going to bear a very heavy burden if we are going to get through the next 10, 15 years on an energy basis. This area is going to produce coal and shale, and some of the other fuels that we need. It is vitally important that the Federal Government be fair to this area because, as Governor Rampton testified yesterday, there are going to be very severe impacts on some of your thinly, sparsely populated counties, and we

owe you—the Federal Government owes you—some consideration in this area.

Mr. McKAY. It is a resource rich area, but it is primarily in public domain. So the Federal presence has a tremendous impact; it makes us considerably concerned in this area.

Your interest and concern is greatly appreciated, and I am sure you will extend that to the body as a whole.

Mr. UDALL. Thank you very much.

Congressman Owens.

Mr. OWENS. I have some very tough questions for my colleague. I welcome him to the hearings of our subcommittee, which are being held in his district. I was very pleased to defer to him for opening remarks this morning. I thought your testimony was very good.

You are a former member of the State legislature. There is one question that I thought you might have some thoughts on. It is a question of how the funds ought to be distributed, a question of whether they ought to go, based on some Federal formula, directly to the counties involved, or perhaps some portion to the States. Perhaps funds ought to go directly to the State and let the State legislature or some other body within the State distribute it. Then you would be able to account for such instances as extracting the minerals, say, from Emery County, but where the major impact—the impact of new homes, new developments, water, sewer needs, and so forth—might be in Carbon County.

Do you have any feeling as to whether we ought to work out a formula to go directly to counties, or whether it ought to go to the State for distribution?

Mr. McKAY. In my experience as I have been in the State government and observed on the local level—

Mr. OWENS. As well as to being the administrative assistant to the Governor, so you have a good overview at many levels.

Mr. McKAY [continuing]. I have seen it from a legislative as well as executive level, and of course, in the local level you want the funds to come to your area. The localities should be able to decide as far as absolutely possible their destiny. But I think it is a fallacy to assume that when you create a Federal bureaucracy to dispense funds to the local governments, that you have then removed the Federal bureaucracy from your local decisions. The sheer fact of the paperwork between the Federal Government and thousands of eligible localities, with determinations of dispersement formulas, creates another Federal intrusion.

I would rather see it under funds dispersed guidelines or a pass-through requirement using the State as "Federal" entity for dispersion. That limits it to 50 States that the Federal has to deal with. And automatically, that limits the number of administrators needed at the Federal level.

I generally feel there ought to be some requirement for the State to administer the program and let them dispense funds under a strict passthrough formula to guarantee that the local area would get its fair share of what ought to come as a result of the Federal impact.

Mr. UDALL. Thank you, Congressman McKay. We appreciate your testimony.

We will now hear from Congressman Owens.

Mr. OWENS. We are very pleased to be here in Provo to hear the county commissioners and other interested groups that have an interest in this very important legislation. Again, I want to restate how greatly appreciative I am to you that you would come out and spend this time with us. We are hopeful that this legislation, which will be written in large part by the members of this subcommittee, will be responsive to the needs as we find them existing in Utah, as well as in Arizona and other States. We just can't sit in Washington and from our desks back there determine what the law ought to be. These hearings help put us in touch with the realistic needs of the people. That is the basic purpose of these field hearings.

I think this legislation is extremely important to the State of Utah, and hence, we have taken some time from our busy schedules to conduct these field hearings.

Thank you, Mr. Chairman.

Mr. UDALL. Thank you, Congressman Owens.

We will hear now from Senator Robert Bowen.

Senator Bowen, thank you for being with us. We appreciate having your views on this legislation.

STATEMENT OF HON. ROBERT BOWEN, A STATE SENATOR FROM UTAH COUNTY, REPRESENTING THE COMBINED EDUCATION ASSOCIATIONS OF UTAH COUNTY

Mr. BOWEN. It is indeed a pleasure to be here and an honor, and to enter what I would consider a very strong statement on behalf of the proposed legislation that has been discussed this morning, reflecting, hopefully, the attitudes and the values and the interests of the people, particularly the people of Utah County.

Let me apologize to the hearing committee at the outset for the fact that the statement is not a structured one. It is not a written one at this stage. If it is indeed your desire to have it in that form, I will attempt to comply. It is not loaded with data. It will be, for the larger part, I suppose, generalizations that pertain to my constituency here in Utah County as I have been able to derive it from the people and from the other elected officials and people who have a direct vested concern in the matter at hand.

Also, at the outset may I say that I have been much impressed with the testimony that I have already heard and that it strikes a very familiar chord and an endearing one, I would think, as we talk about the nature of reciprocity between States and between the State governments and the Federal Government in Washington.

I think that it is a concept that has been somewhat detracted from. There are those that have lost sight of it. I think it seems that we have quite a clamor in the public sector these days about a return to local control. I abide by that and respect that. But I think in the process of that there is a semblance of losing the idea that we still live in the United States of America and that the priorities descend in that order. That is, we are and ought to be Americans first, and Utahians second, and Provonians or Springfieldites, or whatever, third, and that, just as we have these very rich energy resources that have been alluded to here already in the State of Utah, an extremely rich reservoir, I think it has to be assumed as a foregone conclusion that these are going to have to be shared.

There are areas in our country that are extremely short in this respect. Likewise, there are areas of natural resources that we are extremely short in. So there is going to have to be a give and take.

I mention all that by way of preface because it occurs to me and it strikes me rather forceably that this concept under consideration will indeed go a long way to facilitate further that particular reciprocity in a number of areas. I will only deal with them in general.

It seems to me that there are two particular things involved in what we are looking at. I will not get to the specifics of it, because I think Congressman McKay did an excellent job of it as did Representative Owens. But the concept of energizing areas where they have the low or relatively poor tax base which is so characteristic of the State of Utah, it is my understanding that there are indeed only two other States that have as large a sector of their land under the public domain as Utah. I may be wrong in that respect but we usually refer to Alaska and Utah as being in similar categories. As we talk about the 60-70, 72-percent range, there is a nebula there of uncertainty as to the total amount. But the need to energize that, I think, in a genuine, valid, realistic pattern that I envision as contained in the proposals of in lieu of tax remuneration to States, not the kind of boondoggling that takes place as we attempt to create the various artificial devices that really represents an illusory and false expenditure.

Secondly, the thing that I note characteristically about this, and you will have to correct me, Mr. Chairman, if I am wrong, and we may dialog on it a little later, is my understanding that the intent of this legislation is to leave as much local control in the terms of setting local priorities as possible; and I suspect, Representative Owens, that that was the nature of your question to Congressman McKay—where will the control really come to rest, at the State or county level or where?

I think his answer was a very valid one, representing a flowthrough concept for administrative purposes in the State, but when the final expenditure is made for whatever purpose, that those particular priorities would indeed be properly set, I think, at the county level.

MR. UDALL. Let me interrupt you there because this touches upon one of the questions at the heart of our legislation, and we seemed to have a consensus in Salt Lake City yesterday. Two things: One, you may find the situation that Congressman Owens alluded to, in which a very large activity begins on Federal land, coal gasification plants, large timber operations, the Federal land is there and any payment in lieu of taxes is going to be calculated in terms of land in that county, county A. The people that work there and the real impact of that Federal activity may well be in county B, a nearby city where people live and go to school and so on.

That is one problem.

The question then really is, shall we keep these old, artificial programs where the money must go to the county where the land is located or should we try to devise something without Federal controls that puts the money where the impact is.

One of the approaches that seems to make sense in Salt Lake City yesterday, we will have an assessment formula, an assessment process. We will assess the value of the Federal land in each county in Utah, then there will be a formula and a payment. One check will go to the State of Utah, but the check would say so much for land in county

A, B, C, and D. Then you will leave to the State of Utah to the legislature and the Governor the devising of a fair means under broad Federal guidelines that would say that that money does not go off to Ogden that may not have any of the land at all, but goes to those areas that are impacted by the existence of that Federal land.

The States vary. You cannot write a formula, really. We noted yesterday in some States, schools are run by the cities, in some States they are run by counties, in some States the States finance them, and in some States you have separate school districts financing. It is artificial saying that the money will go to the county, go to the city.

One solution seems to be, in light of the testimony yesterday, to calculate payments on the basis of where the land is and to give one check to the State with the instruction that the State adopt a reasonable process that is going to put the money into that subdivision of the State that is taking care of the impacts.

Does that make sense to you?

Mr. BOWEN. It certainly does and I appreciate that input. I think that is the kind of enlightenment we would hope to derive from these kinds of hearings as we give and take. I think your comment suggests a little different frame of reference than that which I was dealing with. I suspect there would be a dichotomy of priorities in that large a context does to which you refer.

I sense a certain dovetailing here, do I not, of the relationship there with what you were talking about and the concepts embodied in our State land use planning. That is, as those priorities filter upward and they would be determined and they could interrelate. I think what I was thinking of, and perhaps wrongly, was the nature, perhaps in a lesser degree, in a different frame of reference, of a smaller local priority, and I will shift to that as a matter of emphasis in a few minutes, if I may, it may be a little different kind of input because of my occupation, in part, being paid by the National Education Association and the Utah Educational Association.

Mr. UDALL. This is helpful, Senator. We have about seven other witnesses. We have to conclude by 12 noon. Generally, with a prepared statement, which our rules technically require, we can get some idea of the time that the witness needs.

If you would highlight the major point.

Mr. BOWEN. The essence of what I was saying, we really do support the concept. The Governor asked me to enter his statement. That would probably be completely redundant to you people, and I do not think it deviates a great deal from what has been said here. All I am saying, in effect, is those two things. We really do need it emphatically in our particular mold as a State. And secondly, I think, with a kind of top priority on local control, I will reiterate that but with the priorities being set higher up maybe. Then I engaged in a little dialogue with Representative Owens incident to the hold-harmless nature of other Federal funds coming down. I hope we are not robbing Peter to pay Paul in this instance, that whatever comes as a result of this will be in addition to, and if I may quickly say the acute situation that is in this State because of a lack of a tax base incident to education, that is, the taxpayer is burdened. But I want to accentuate this by way of fact.

Utah has the highest class load per pupil-teacher ratio of any State in the Nation. Two districts in Utah County have the very highest

class loads in the State, and if you were to mandate ceilings to those class loads right today, by State statute or whatever, there is no way that could be accommodated because we simply do not have the building facilities out there. And you go to the tax papers you go to the tax rolls or whatever, they are teetering on a crisis right here in Provo City right now. There is no way that these bodies can be absorbed in the physical facilities we now have.

This is the frame of reference I was in, Mr. Chairman, about local priorities being determined here to be allocated maybe to build some school buildings with some of this money if it is needed.

Mr. UDALL. Again, you touch on two fundamentals of this legislation and we have a number of basic decisions to make. Let me throw two of them at you because of your experience and your position.

The whole thesis of this is that the Federal Government owns a third of the land in this country, the Federal Government has made a decision it is going to give that land, it is therefore denying Utah any property tax base for a very large chunk of the State. Therefore, it is only fair, say these bills, that the Federal Government, as a landowner pays some taxes. Should the Federal Government as a landowner in paying taxes, have the right to do what you seem to be suggesting here, have the right to do what—when you pay your taxes on your farm out here, you cannot say to the State, “I want that money used for education or roads or I am particularly interested in health and I would like a health clinic.” You are simply paying it to the county and the county decides where the needs are.

I am not sure I want the Federal Government, which is making payments in lieu of taxes to Utah to be able to say to Utah, “So much of this is going to go for education.”

Mr. BOWEN. I do not think I am saying that. I am against say deferring that to the local priorities, that they make the expression of those needs, and if in all due wisdom, for the people that control it, that it indeed go that way.

One closing statement, Mr. Chairman. Equalization is very broad in terms of education. I will not get into all the ramifications of that. We are talking now in the realm of education of one-third Federal funding. This concept, again, would go a long way, in a redemptive sense, to facilitate that.

Mr. UDALL. Let me comment on one other major point that you touch on here in this legislation.

We now have, and Congressman Owens referred to it, we now have a crazy patchwork of revenue-sharing programs to share upon the Federal lands. It takes several pages just to list them. They were passed piecemeal over the last hundred years. Some of them give them part of the revenues for timber to the county in which the timber is located. Some give mineral revenues to the States for the benefit of the counties. Some of them give money from other revenues off the Federal lands, but it says that they must be used for certain purposes and so on.

Some of my eastern friends might say, “All right, if you are going to hold these Federal lands, we will base some payments in lieu of taxes, but you cannot have your cake and eat it, too.” If you are going to have a new system based on the value, the appraised value of the land in each county, the payments made to the States on that basis, then

we think you ought to phase out this old system and not have any new system superimposed on top of a crazy patchwork old system.

You seemed to be saying earlier we ought to have both. You want to keep on and add the other on top of it.

Mr. BOWEN. I guess that is wanting your cake and eating it too. That is not terribly unusual. Again, we are at an undecided disadvantage.

As you know, I think the business of revenue sharing at this point, while it has been extremely helpful and much appreciated, it is like putting a bandaid on an open wound—it really does not get the job done. It needs augmentation. I can understand the eastern opposition to that, but they have private property tax revenues we do not have.

Mr. UDALL. There is rationale from a witness in Salt Lake for doing both. The witness says you and I have coal land side by side; you have a big mine going on yours, developing, and I do not have a mine on mine. We both pay property taxes simply because we own the property, whether we use it, build on it, extract the materials, or anything else. The property tax is not based on use; it is based on ownership.

He is saying in addition to a payment in lieu of taxes based on Federal ownership, when you begin to extract or develop a resource, it is fair in addition to pay a part of the Government's income from that development or extraction of the resource to the local government. Maybe you can justify having your cake and eating it, too.

I find the taxpayers in Arizona would like to have their cake and eat it also, like you folks up here.

Wayne.

Mr. OWENS. I appreciate your testimony, too.

Talking about revenue sharing in the sense that we have been talking about it this morning, we are not talking about the Revenue Sharing Act of 1972. We are talking about revenue or royalties which the Federal Government pays back to the State; a portion of the revenues from various activities on the Federal lands, such as grazing, timber production, and mineral exploration. General revenue sharing would be unaffected by what we would do in this legislation. It seems to me that we would be hard pressed to say to Congress and to the President, that we want to keep all these other forms of royalty payments back to the States and in addition, we would like this other tax equivalency payment.

I think what we ought to do is what the Blatnik bill, which Congressman Udall and I are supporting—is to give local jurisdictions an option. You may keep the royalty payments under the existing schemes, or at your option, you may take the tax equivalency which would be based on the assessed evaluation of the public land in your jurisdiction. That makes a lot of sense to me.

Mr. BOWEN. I think Congressman McKay alluded to that in his term "flexibility." I think it is crucial to any legislation.

Mr. OWENS. Thank you.

Mr. UDALL. Senator, you have been most helpful. Thank you. Our next witness is Mr. Yukus Inouye, Utah County.

Would you take the witness stand and enlighten these wandering Congressmen as to what we ought to be doing?

STATEMENT OF YUKUS INOUE, COMMISSIONER, UTAH COUNTY

Mr. INOUE. We recognize that you are asking the local officials, local people who are concerned with the amount of land that is being held by the Federal Government, and how they should compensate for those services that are rendered by the local government.

We had a discussion yesterday at a commission meeting. We have a couple of areas within our county, the Santiquin Canyon road, that the county has participated in, and I understand, I did not have the opportunity to go over the road, but Commissioner Thone went over it—he is in charge of roads. Incidentally, he has gone to a road conference and is unable to be here, and he asked me to represent the county. Since it has been built there has not been a thing done with it.

Now we have lost the base. We have had slides. And Mr. Thone contacted the Forest Service and we doubt whether there has been \$5,000 share in the last 6 years. Yet we have, in that canyon we have the Girl Scout camp, we have recreation areas. We asked the citizens to go to the canyon and our roads are gone.

This is not the only area. We are wondering if the proposal that the Federal Government give us a fund or in lieu of taxes fund over a formula. I do not know what the formula is. But with that, we wonder where the responsibility will lie after that. We are fearful that the Federal Government says, "Now you have the money. You take care of the Federal lands within your State."

We feel that this is unfair. We feel that the Federal Government collects the funds, that goes back to Washington, and it is doled back to us. A lot of funds we feel ought to be generated within the local area and have the local people that are knowledgeable of the area, knowledgeable of the conditions, for instance, concerning the roads.

I happen to be on a committee that went to Washington, D.C., and to have someone in Washington, D.C., who has never been out here, did not know where the areas are, give us direction and guidelines as to how the road should be, where it should be, how the fences should be, how the ditch should be changed, where we have local expertise, and we feel that the red tape that is involved in a lot of these projects and a lot of the programs is too far away from the local people. And I find that those who are efficient, those who try to have good government, efficient government, they become penalized for being efficient.

I can recite an instance with the program that we have on mental health. We stress efficiency. We stress good government. They say you are doing such a good job locally collecting funds, we will cut down your budget from State and Federal.

I feel that a lot of the programs, the parks and recreation, the American Fort Canyon, they tell us that they have not got the funds. The Federal budget has been cut down for forests. We have not diminished the people. The necessity has become greater, but we are going in the opposite direction as far as the maintenance and the funding is concerned.

Locally, we are quite concerned about it.

Mr. UDALL. What percentage of the land in Utah County is federally owned?

Mr. INOUE. About 90 percent is under one Government jurisdiction or another. I believe this is correct.

Mr. UDALL. You do not have the figures precisely?

Mr. INOUE. I wish I did, but I do not.

Mr. UDALL. Senator, is that right?

Mr. BOWEN. I think so.

Mr. INOUE. They are areas of great concern to us in Utah. With the resources that we have, the energy resources in coal and oil, we are told that the influx of the population is going to come whether we want it or not, and as the population increases, the recreation in the canyons is going to be taxed heavier.

I understand Idaho, where they have a lot of forest property, the Federal Government is building roads, oiling them, giving them facilities. But we feel that people should be also considered. Where we are taxed by the increase in population, you are going to tax the Government property, the forest lands, and the Federal lands that are owned.

Mr. UDALL. We appreciate your advice very much. Have you had a chance to read or see or study any of the bills for payment in lieu of taxes, these bills that we have been talking about here today?

Mr. INOUE. I have not.

Mr. UDALL. You will be comforted to know, I am sure, that these bills simply contemplate a payment to the counties or to the States in lieu of taxes. The Federal Government simply says:

We are the landowner; we own land in your county. We, therefore, are going to pay you as though we were a private landowner, something you could use for roads and schools and whatever county purposes you think are right.

Do you favor this concept?

Mr. INOUE. We favor the concept as long as there are not so many strings attached.

Mr. UDALL. No strings. We are providing for a system of payments in lieu of taxes, so you can use those the same as you would use the taxes that you got from me if I owned a farm a mile from here somewhere.

Mr. INOUE. I hope this will carry through after you leave this office, so to speak, because continuity, like the revenue sharing—first when we received it, no strings attached. But as we go along there is the Bacon Act and there are a lot of other acts that intertwine with the program that makes it difficult.

Mr. UDALL. I understand that problem, and there is no disposition in any of these bills. I think Congressman Owens agrees with me and certainly Congressman McKay does also. There is no contemplation here at all of Federal strings, except to see that the money gets to the county where the Federal Government owns the land and where the impact of Federal ownership occurs.

You would favor that, would you not?

Mr. INOUE. Yes; we favor that. But like you mention, I hope that we do not get, well, you have so many dollars, when we ask for, like, money for a canyon flood when a gorge is washed out—we are fearful you will come back to us and say, "Now you got that money. Use that money there."

Mr. UDALL. Your point comes through very clearly.

Mr. OWENS. Thank you, Commissioner. We appreciate your remarks and your concerns, and I think we share them and I think that the

intention, at least as we have it and as the bill is contemplated, is to save you that type of distress.

Mr. INOUE. We appreciate it.

Mr. UDALL. Thank you very much.

Mr. James Hall. Mr. Commissioner, you can take the witness stand. We are grateful to hear from you.

STATEMENT OF JAMES R. HALL, COUNTY ATTORNEY, DUCHESNE COUNTY

Mr. HALL. I am actually the county attorney of Duchesne County and have been requested by the Duchesne County Commission to represent their views today.

The Duchesne County Commission unqualifiedly supports some program or some bill that would allow payments to the county in lieu of taxes on the Federal lands.

Duchesne County, as has been pointed out by Representative McKay, has had a great deal of growth in the last 3 or 4 years. Our population has doubled or more. We have no accurate figures on that. But it has expanded rapidly and problems have grown more rapidly than the population.

Mr. UDALL. What is your county seat?

Mr. HALL. Duchesne.

Mr. UDALL. Which direction from here?

Mr. HALL. East, about 100 miles. The east end of the State. We have had a great deal of oil development and we do contemplate a great deal of oil shale development in the future. We have serious problems on water, roads, sewers, and we simply do not have the revenues to meet all of the problems. Right now we have a greatly expanding population living outside of the towns that have no water facilities at all, have no sewer facilities, and the county is without funds to develop these.

Duchesne County has about 57 percent either Federal or Indian land. Of course, the Indian lands, as I am sure you are aware, being from Arizona, has the same situation. We receive no taxes on the Indian lands, yet we do provide, of course, all of the services to the Indian people, and have to provide roads to the Indian lands as well as the Federal lands.

A year ago last winter we had an extremely hard winter and with the greatly increased heavy traffic resulting from the oil development, many of our county roads broke up very badly. We simply have not been able to restore those to the condition they were prior to that.

Our assessed evaluation has gone up quite dramatically in the past few years due to the oil equipment, the oil development. It still has not gone up as fast as the demand for funds have gone up.

If there is some program where we could receive in lieu of taxes on this 57 percent of our ground, it would greatly help us to handle our local problems. As I say, my position here today is to express support of the bill and urge that your committee and the Congress give us some aid in this regard.

Mr. UDALL. Thank you, sir.

Congressman Owens?

Mr. OWENS. Thank you, Mr. Hall, for coming this distance to speak with us. I was in your county twice recently to look at what impact

energy development particularly has had, and will have in the future.

The city of Roosevelt, has doubled in population in the last 5 years, and you are absolutely without the resources either to provide water or other critical services.

Mr. HALL. That is right.

Mr. OWENS. These bills are an attempt, because you have such a narrow tax base, to solve those particular problems. I think we have to be sensitive to those areas as we have mentioned, which are severely impacted by energy development. Duchesne and Uintah Counties are so impacted not just by oil and oil shale but also by the tar sand development, which I guess lies outside the boundary of your county. But your county will be impacted by it.

We appreciate your testimony. It was very helpful.

Mr. UDALL. Let me ask you one more thing.

We are determined—at least I am and I know I speak for Congressman Owens—to get this bill through. It is of vital importance, not only to Western States. We had some witnesses from Minnesota who came out here. They had a tremendous impact from Federal land. We are a year or two away from actual enactment of a bill and the formula and the assessing that has to go on before the actual payments.

You have some immediate problems, I gather.

Mr. HALL. We do have.

Mr. UDALL. Concerning energy development in your area talked earlier about this hodgepodge of existing acts. One of those acts, the Mineral Leasing Act of 1920, requires that 37½ percent of the royalty payments received by the Federal Government go to the States.

Now the States are not required under that act to pass them on to the counties on which the lands are located. They simply go to the States. We found out in our hearings yesterday that Utah's revenues under this and other acts have jumped dramatically. They were well over \$1 million, as I recall, a 35-percent increase in 6 months.

What are you doing to those friendly folks at the State capital in Salt Lake to see that you get a chunk of that money to go back where the impact is, because I think that was one of the rationale for this revenue sharing. If you give the States money, they would help those localities within the State that were being hurt by the development and not just pocket it for the State treasury.

Mr. HALL. We have quite a problem now, of course, and we did meet with one of the committees of the legislation a year ago.

As you say, the revenues, particularly the mineral development that has been generated in the last couple years have come principally to Duchesne and Uintah Counties, has been principally Duchesne County in the last year or so, the increased revenue. We have the problems about the revenue.

Mr. UDALL. That is what I wanted to know. Thank you very much.

Mr. Nelson? I have Ron Heaton listed also. Is he with you?

Mr. NELSON. He was not able to come.

Mr. UDALL. You are presenting the Six County Economic Development District.

Mr. NELSON. I was asked to be here specifically by the commissioners of Wayne County and of Juak County. I have also talked with Commissioner Scott of Piute County and got his opinions on some of this, too.

Mr. UDALL. Go right ahead.

Before you begin, Mr. Owens probably knows this, but what is the Six County Economic Development District?

Mr. NELSON. It is part of the Secretary of Commerce's Economic Development Administration. They set up districts. A six-county district is set up to be able to give special economic and industrial development funds because of the high unemployment rates and the need for industrial help.

Mr. UDALL. These are under the Federal EDA program. What are the six counties?

Mr. NELSON. Jaub, Millard, Sevier, Sanpete, Piute, and Wayne.

Mr. UDALL. Go right ahead.

STATEMENT OF KENT NELSON, SIX-COUNTY ECONOMIC DEVELOPMENT DISTRICT

Mr. NELSON. To get right into one of the issues of this concerning distribution of the funds, of course, let me say that the counties I have talked to are in favor of this concept. There is no question about that. Every one of the commissions I have talked to: "Keep the State out," in terms about as plain as that.

I do feel, however, and it was pointed out that if one county is impacted even though another county owns the land, they would be willing to share the benefits from this.

I would suggest, and I think I can say this for them, that they would be willing to pool maybe between 20 and 30 percent to the State and then have the State decide how 20 or 30 percent will go for the impacted counties and the county that is impacted but does not own the lands.

Of course the county commissioners would want very much to be involved in how this is to come about. I assume the State will do this.

Mr. UDALL. That is the value of these hearings. One of the main problems we have in writing a bill is writing a passthrough formula, as you heard this morning, with the number of different ideas. This is a thought I had not heard of but it strikes me as one we might want to consider, to say, regardless, x percent goes directly to the county where the land is located. The rest can go to the school district, municipality, or whoever suffers the impact of the Federal activity.

Mr. NELSON. That is right.

Mr. UDALL. I want to ponder that a little bit because it does make some sense.

Mr. NELSON. Another thing, they favor for H.R. 12324, I think that is the same one that both of you represent and support. Of course they like the part in there where it does specify that the counties, where it does pass through the State and does go to the counties where they own the land. I think one of the other bills does not specify anything. It just goes to the State. Of course, the commissioners I have talked to are opposed to that. They like the part of the appeals board, that the appeals board has two of the members that are interested by the State, and they feel that this should stay in. And the other bill goes to three of the secretaries back in Washington. Of course, they do not like that.

They would also like to see—maybe this is something I ought to bring to your attention—the Department of Defense is eliminated from receiving any benefits. It is a Defense depot in one of the coun-

ties, something like that. There would be no benefit derived from this.

If something could be worked out where the land could be appraised and not the installation, where they could receive some benefit for Defense lands, something like this, I think this should be looked into and considered.

Of course the counties like the chance to choose, specifically up to 2 years and then, as I understand it, and as I always thought, as I told them, they have another choice after the appraisal is made, was they have to pay for the appraisal. But they like the choice again after they have made the appraisal to say, "OK, we do not want it. We will go back to the way we have been going." They like that idea and they want that to be kept in the bill.

They are opposed, the one bill requires that, it is the part where all tangible and intangible, direct and indirect benefits should be limited and so on. They do not like that kind of a sentiment, that kind of formula allocation.

They foresee in it hiring new people just to keep up with the appraisals, creating a new kind of bureaucracy to decide what is tangible, what is intangible, a lot of haggling over, you might say, political pressures going on to get this down, to get the appraisal part down so the counties can get more money. They dislike that very much. I think this should be known.

Now there are some questions that they raised, and I would like to get some answers from you.

There are a lot of roads, maybe some of them are Federal highways through these counties, through the Federal lands. Will the Federal Government continue to maintain these? Maybe I am foggy on this.

Mr. UDALL. The bill has nothing whatever to do with that. The bill simply addresses the question of whether the Federal Government as a landowner should pay some taxes to those jurisdictions in which the land is located. This would not change the laws regarding the building of Federal roads, the maintenance of Federal roads, or any of these other things of this kind.

Mr. NELSON. Another question concerning grazing fees. If the Federal Government pays the payment in lieu of taxes, will the ranches, will they be charged more for the grazing fees?

Mr. UDALL. It would not affect that at all. That would be covered by a separate law and it a separate policy question. This one is tough enough without trying to resolve a lot of these other old difficulties. We are working on other legislation in Congress right now with regard to what grazing fees should be and so on. That would have nothing whatever to do with whether or not the Federal Government should pay some taxes because they own the land.

It might have some indirect bearing if the grazing fees go up. That is one index suggesting that the lands are more valuable. Therefore, the payment in lieu of taxes should be made more, the same principle you use in assessing property. We are not going to attempt to open up that can of worms in connection with this legislation.

Mr. NELSON. I assume this includes national parks.

Mr. UDALL. There are a whole lot of bills before us. Some do, some do not. Most of them do. The one you are looking at does.

Mr. NELSON. That is all that I have.

Mr. UDALL. That is one of the major questions we listed and we are going to revise this list to include about 8 or 10 major decisions we have to make. What lands are included? Do you include military or not? Do you include parks or not? Do you include forests, the BLM, or not? The passthrough problem.

Everyone seems to agree that we ought to have a system, but when you get down to the details you get down to all these very tough and thorny and arguable questions. That is why we need help of local people. That is why we are out here in the field trying to get some input from those who are on the firing line.

You talked about the discount which is in some of these bills. Let me comment on that because we have some local officials here too.

From the viewpoint in Washington there is kind of an irony, an inconsistency. Local governments, chambers of commerce, will come clamoring to Washington, "We desperately want this military establishment. You should locate this depot here. We want a national park. We want this Federal development. We have got to have it."

Everything is important. Then when you get it, you no sooner get it than a community comes charging to Washington and says, "Look at this terrible Federal installation here that has imposed this terrible burden on us, all of these new services that are required. Please send money to compensate us for that."

One of the thoughts in here, one of the ways to deal with that, which was a brainchild of mine in the Public Land Law Review Commission, was this idea of a discount. It recognizes that there can be a tremendous variation of impact.

We had a commissioner from San Juan County who was a critic of mine and other members of my family who used to serve in Washington, who says, "We have taken three-fourths of southeastern Utah and put it in national parks," and they did not want national parks at all.

It has reduced the tax base and so on. In that situation I think he is right. We did them no favor economically in the short-run, at least, in creating these national parks and I think we ought to pay 100 percent for Federal lands, tax equivalency, 100 percent for Federal lands.

On the other hand, there may be a small national park unit somewhere that might be a real gold mine for the local community, that brings in 50 times more than any impact on the local community. And should you not be able to—in that second case—to balance by way of discount of say up to 30 or 40 percent. We can reduce the payment in lieu of taxes if we find that in this area the assistance of their Federal installation is not a burden at all but is a tremendous benefit to the local government.

And I understand why your county commissioners would not have much enthusiasm for the discount. They would like to have 100 percent in every case. But that was the rationale behind it.

Congressman Owens?

Mr. OWENS. We appreciate your testimony and hope we have clarified some of your questions. I think you have contributed to our knowledge on this subject.

Thank you very much.

Mr. UDALL. We have Mr. Russell Wall from Wasatch County Commission.

Mr. Commissioner, thank you for being here.

STATEMENT OF RUSSELL WALL, COMMISSIONER, WASATCH
COUNTY

Mr. WALL. I am happy to be here to represent the Wasatch County Commission and I have a letter that fairly represents the attitude.

This letter constitutes written testimony by Wasatch County concerning proposed Federal land laws related to revenue sharing and/or in lieu of tax payments.

Currently, in Wasatch County there are 384,555 acres of Federal land administered by the Forest Service, the Bureau of Land Management, and the Bureau of Reclamation, which amounts to 49.5 percent of the total land area in Wasatch County, with another 56,960 acres of the Strawberry project land totaling 7.4 percent of the county's land, for a combined total of 55.9 percent of the land under Federal ownership.

Revenues to the county in 1973 for general county purposes from these lands under current revenue-sharing formulas were Federal mineral leasing, \$3,433, and forest revenue funds, \$4,982, for a combined total of \$8,416.35. The adoption of payment in lieu of taxes would bring a much needed increase of funds derived from Federal properties through the county. A very conservative estimate of the assessed valuation of the Federal properties in Wasatch County based on the 1972 land values would be \$850,000, which would bring to the county at the current 1974 mill levy, \$14,517.76. This would mean an increase of \$6,201 over the current revenue-sharing program.

It is, therefore, the conclusion of the county commission that payments in lieu of taxes would be a much more beneficial funding program of Federal properties located within the confines of Wasatch County. The Board of Wasatch County Commissioners support the bill introduced by Mr. Blatnik, which is also supported by the National Association of Counties.

That concludes our statement.

Mr. UDALL. Thank you. What is the population of Wasatch County?

Mr. WALL. About 6,000.

Mr. UDALL. You indicated this bill would increase by 60 percent or better the current income your county gets.

Mr. WALL. It would actually do more than that. When I say conservative, we were ultraconservative. We assessed the land at \$2 per acre, which is a very low evaluation.

Mr. UDALL. Congressman Owens.

Mr. OWENS. Wasatch County, I might say to the chairman for the chairman's further clarification, would not so much be impacted by energy as it is by recreation. The Federal lands in Wasatch constitute one of the most beautiful areas in the State. They are close enough to the metropolitan area to attract many people. The impact on Wasatch County is very real and very great, but it is caused by second homes and recreation. It is a different problem than the ones we have dealt with before.

We appreciate very much your coming over, Commissioner, and speaking with us. It has been very helpful.

Mr. UDALL. Thank you, sir.

Is there anybody else that would like to be heard?

Would you give us your name?

Ms. HAYES. My name is Lillian Hayes. I did not anticipate testifying but I would like to make a few comments for the record.

Mr. UDALL. Go right ahead.

STATEMENT OF LILLIAN HAYES, CITIZEN

Ms. HAYES. With regard to Commissioner Inouye's comments, I feel his comments were irrelevant to this hearing and I feel the real reason that the commissioners from the county needed to go to Washington was because of the failure of the commissioners to be responsive to the citizens and also the failure to follow NEPA guidelines.

This is the real reason that we run into redtape, because I feel there is a lack of understanding of the NEPA guidelines.

I would also like to say I have not had an opportunity to read your bill but I feel that I could support it from what I have heard this morning. I would like to say that I feel that there is a failure to fully assess the economic impacts and environmental impacts of many of the Government projects which take place on these lands, and I think a case in point is the economic impact right now of the impending failure of the Starvation Bridge that are necessitated by the building of the Starvation Dam.

This bridge is in serious trouble. It is the longest bridge in Utah and I think it is estimated to cost a half million dollars for just remedial remedies.

Mr. UDALL. Where is this located?

Ms. HAYES. Duchesne County.

And in visiting with the retired geological department head, he indicated that he thought this bridge poses a serious hazard to the people of Duchesne. In case it should fall, it could cause water to go over the dam or even rupture the dam and flood Duchesne.

This bridge is located in soils that are interbedded areas of sandstone and shale, and the design of bridge appears to be an engineering blunder. And I feel that there was a lack of consideration for the safe design of the bridge.

Related to this are the dams that are to be built under the central Utah project, and I reviewed the Bureau reports in the Bureau office and I found that there are major geological problems associated with almost every single dam site. I testified to this and I found that my information was buried, not fully reported in the impact statement, and I feel that the State will be impacted with unnecessary geological hazardous conditions if we do not fully consider the geological hazards involved in these dam site areas.

Mr. UDALL. Thank you for your views.

Our hearings, I am sure you understand, relate largely, entirely to this payment in lieu of taxes problem. But when we have some spare time we like to hear citizens and what their problems are.

Ms. HAYES. We have projects that are built on these lands. It is going to cause us additional taxes.

Mr. UDALL. I understand. Are you with an organization or just speaking as a citizen?

Ms. HAYES. I work extensively with the Sierra Club.

Mr. UDALL. You reside here in Provo?

Ms. HAYES. Yes, I do.

Mr. UDALL. Congressman Owens.

Mr. OWENS. Thank you, Ms. Hayes, very much.

Mr. UDALL. Yes, sir.

Dr. TANNER. Chairman Udall, Mr. Owens, may I just take 3 or 4 minutes to express my point of view on public lands?

Mr. UDALL. We are a little ahead of schedule and we are trying to get an education. Come over to the witness chair and we will be glad to listen.

Just state your name for the record.

Dr. TANNER. Dr. Vasco Tanner, professor emeritus of zoology and entomology, Brigham Young University.

STATEMENT OF DR. VASCO M. TANNER, PROFESSOR EMERITUS OF ZOOLOGY AND ENTOMOLOGY, BRIGHAM YOUNG UNIVERSITY

Dr. TANNER. I am very much concerned about the perpetuity of our nonrenewable resources in this area. I am in favor, as you have expressed, of having the public lands 60 to 70 percent held by the Federal Government. But I am concerned about the perpetuity of these nonrenewable resources of these lands.

We are perplexed today with this energy situation. We have a monopoly by the oil and the gas people who are going in and purchasing up coal lands and trying to control, it seems to me, most of the energy resources of this Nation. Now, how Uncle Sam will control these nonrenewable resources—oil shale, coal, minerals, and so on—that is a perplexing question. And if it is not properly managed and taken care of, if we let these oil interests—and I am very specific on that—come in and purchase up our coal lands and take from us really the profit and the cream of these resources, then I am wondering just what your stewardship of these resources or these public lands will mean to us in the future.

That is my point of view and I am interested very definitely in the future of these nonrenewable resources of the State and of the West.

Thank you very much.

Mr. UDALL. I appreciate your comments and I must say that personally I share your concern.

One of the things that I have been worried about is precisely what you are referring to. People are going to demand that we increase energy production dramatically, and the immediate resources are on the Federal lands in some of these Western States. And I think it would be a serious mistake if we do not foster competition, if we allow oil companies that already control one great resource to get their hands on coal and shale and geothermal and the other resources as well.

A lot of companies talk about free enterprise and publish full-page ads, and most of them would not recognize free enterprise or competition if they saw it at high noon.

I think Congress ought to be very careful in the development of new energy sources to make sure that we have preserved competition, that we let independents and let smaller firms get in the act.

We just passed on Thursday or Wednesday in the House a bill, of which I was a principal sponsor and Congressman Owens cosponsored, a \$20 billion Project Independence research and development pro-

gram, energy and research development, nonnuclear. We had very strong provisions in there requiring that in developing new forms of energy we foster competition and give the independent, the little inventor, a fair shot at it and just not concentrate these resources any more.

It is very bad and very dangerous and I certainly agree with you.
Congressman Owens.

Mr. OWENS. I commend you, Dr. Tanner.

As you know, I agree with you wholeheartedly that we not consume all of the hydrocarbons. I think that is what you are referring to. Future generations will not call us heroes if we indiscriminately use our limited hydrocarbon reserves, because we will need them for higher and better uses than burning. Congressman Udall has had great interest in moving toward the most rational solution to this problem. We must promote the completely renewable sources of energy, solar energy, thermal, the wind, and so forth, which I think have been retarded over the years primarily by the major oil companies.

I share your concern. In large measure the oil monopolies created and fostered the downplaying of the importance of coal, for example.

Dr. TANNER. Take the TVA. They have gone in, the oil interests have taken up all those coal mines, and TVA now is in trouble. And their coal has increased in price three or four times what it was.

Mr. OWENS. They come to Utah now for new contracts.

Dr. TANNER. Yes.

We have to do some very careful research on the use of coal. When you burn coal in the furnace to generate steam, you get about 15 percent of the value of that coal. The rest of the energy is lost, the byproducts we get from coal, the medical in all kinds of drug chemicals, and so on, and that is being lost in our coal.

Mr. UDALL. You are right and we are keenly aware of this, many of us in the Congress and the country, and I share Congressman Owens' concern and yours about husbanding carefully these nonrenewable resources. They are a one-time shot that mankind has got. When we burn them up, they are gone, and we had better be extremely careful about it.

We have got to get tough and lean with our energy resources and conserve.

We are holding hearings on a major conservation bill in the same subcommittee that is sitting here today. We have got some legislation going in these areas.

Dr. TANNER. They are our capital resources. If we are not going to have the proper management for perpetuity of them, we will be a poor nation.

Mr. UDALL. It is ironic.
Senator?

Mr. BOWEN. I would like to pose a question, and I think this is definitely related. It is germane. I would like to ask a clarifying question about this bill that you just mentioned.

You say you introduced such legislation, a \$20 billion measure?

Mr. UDALL. It has passed the Senate. We passed it at the House Wednesday night. I talked to Senator Jackson Thursday and we are going to have a conference committee on it very shortly.

Mr. BOWEN. It addresses itself to all forms of energy other than nonnuclear?

Mr. UDALL. There is a jurisdictional problem. Nuclear research is under the Atomic Energy Act. We have a nonnuclear bill that will cover hydro and wind and geothermal and solar and this whole range of conservation techniques as well as new sources of energy.

Mr. BOWEN. At the same time, uses of nuclear energy are being investigated.

Mr. UDALL. Oh, yes. There is a companion piece of legislation that has passed both Houses and is also in conference and they are moving along the same track. It establishes a brand new Federal agency called ERDA, Energy Research and Development Administration. It will be a big umbrella for both nuclear and nonnuclear, and it is supposed to be like NASA and like the Manhattan project, to get one concentrated, related, coherent energy research development program going. And we hope to have both of these bills passed in the next 2 or 3 weeks.

Mr. OWENS. We spent over \$400 million last year on nuclear research and development. It is very much an ongoing program in contrast with the \$12 million allocated for solar power. This is poor allocation, I think, of our resources.

Mr. INOUE. I failed to mention that we want to congratulate you for coming out to the grassroots and listening to us. I think that this is wonderful. We really appreciate your concern from the grassroots perspective.

Mr. UDALL. Thank you very much. It is helpful. I always find I can learn a lot of things here that you cannot find out anyplace else, getting out to talk to the county commissioners.

I think we will take a short recess here, awaiting the arrival of the Carbon County people.

This committee will stand in recess.

[A brief recess was taken.]

Mr. UDALL. The subcommittee will resume its session.

Mr. Guido Rachiele, commissioner, Carbon County, and Mr. Chiar of Carbon County.

STATEMENT OF GUIDO RACHIELE, COMMISSIONER, CARBON COUNTY

Mr. RACHIELE. We appreciate the invitation to be here this morning. We in Carbon County are obviously vitally interested in this piece of legislation that Mr. Owens is preparing to present, H.R. 12324.

Fortunately, in Carbon County we are gifted with mineralization, particularly in coal. We feel that this bill would assist us greatly in revenues that would be of great assistance to the operation of our county government. There are many coal lands that are in Federal land where royalties are being received, and in years to come we should increase production in these particular areas. We are hopeful of such.

So we can see a great need and a great potential for this bill if it is so passed.

I, myself, as an individual, see a new possibility of finding oil. I may be an optimist, but being surrounded in neighboring counties as we are, I feel that beneath many feet of ground is oil. So in years to come we could greatly appreciate this bill that is being presented. We do have presently natural gas. The Mountain Fields Supply Co. is utilizing it from our other areas, so we do have much to gain if this bill were to be successful.

Naturally, we would have two choices which, I think, would take a little bit of study on our basis to see which would be the most beneficial. I do not profess to be of a greedy nature, but let's face the facts. We must have revenues to continue to grow and with the energy crisis as it is, Carbon County is on the threshold of growth, and with growth, that brings responsibility and increased costs.

So being a vital part of what is necessary not only in our State but in the United States, this would be greatly needed and we would certainly apply it in an area that would be beneficial and direct it to what we would receive it for.

A lot of our lands in Carbon County, I was not able to get the exact amount of land owned by the Federal Government, but in the small counties we do have, the percentage of ownership is very great.

So I would like to endorse Mr. Owens' proposed bill and hopefully it does come forth.

Thank you very much.

Mr. UDALL. Thank you, sir.

STATEMENT OF HECTOR CHIARA, COMMISSIONER, CARBON COUNTY

Mr. CHIARA. My name is Hector Chiara, and I am chairman of the County Commission of Carbon County, and I am in accord with this House bill 12324, and the reason I am in favor of it is on account of the large coal deposits we have, the royalty that the Federal Government is getting. They are getting 15 cents a ton royalty on all this coal and under the Mineral Act the State of Utah only gets back about, I think it is 37½ percent. Out of that 37½ percent we get 10 percent of the 37½ percent, and the schools get 10 percent.

This is a very small amount of the total revenue that the Federal Government receives and because the coal underlies most of the county at the present time, and as we start to develop we need additional funds for this development. We need more water at the present time. Our growth is stalemated because we have no culinary water. It is outside of the city. There are no more homes built. They have been stopped because they do not have culinary water.

We need more funds in order to develop our counties. Unless they have more funds, we are just going to be stalemated.

Another thing, we have large deposits of gas which we should receive royalties on which we are not receiving. In part of our county we have grazing. We do get some money back. I think our total amount through the minerals and the Taylor Grazing Act, we get about \$12,000 a year. That is all. And this is a very small amount.

Like I said before, we need more funds for development. So I am in accord with this bill.

Mr. UDALL. Thank you. Tell me a little bit about your county. How many people are there? What is your population?

Mr. CHIARA. Our population is just about 18,000 total population.

Mr. UDALL. How long and wide is the county roughly in miles?

Mr. CHIARA. We are one of the smaller counties in the State of Utah.

Mr. UDALL. Maybe 100 miles long?

Mr. OWENS. Because I am the local Congressman I get to read the statistics into the record: 455,000 acres federally owned and 96,000

State owned, and private is 384,000. So what you have, it looks like, is about 50 percent Federal, 10 percent State, and 40 percent local or private.

Mr. UDALL. Do you know offhand, Mr. Rachiele or Mr. Chiara, your county budget?

Mr. CHIARA. Our county budget, the general budget, is \$888,000, and with the other items it runs a little over \$1 million.

Mr. UDALL. Out of that budget only about \$12,000 comes from these various Federal payments.

Mr. CHIARA. That is right.

Mr. UDALL. Even though the Federal Government owns half or so of the county.

Mr. CHIARA. About 50 or 60 percent, that is all we get.

Mr. UDALL. That is the problem that these bills deal with. That is why we are trying to take some testimony and get some answers to some of these tough questions.

Let me ask you a couple more questions that we raised this morning that came up in connection with this legislation. There seems to be a general acceptance of the idea that if the Federal Government is going to decide to keep the Federal lands, and that is one-third of all lands in America that are owned by the Federal Government.

Given our decision to keep them, for forests, for parks, for military reservations, for natural resource land, it is then unfair not to have the Federal Government as landowner to pay some taxes the way you or I would pay if we own a farm or home in Carbon County.

We then get to some arguments on details and some of those we have raised here today. They are these: How do we pay the money? In some States we have to have a national formula. If you give the money direct to the county, we find that in some States the counties do not do much. Schools are run by school districts and roads are done by the State, and all the services provided by townships, and so on, and we have reached kind of a preliminary consensus—I wanted your reaction to this—that the money for Carbon County ought to be designated, “This is tax money we are paying on behalf of Carbon County” and “We are paying it to the State of Utah” with instructions to the State of Utah to see that it gets to the school districts or counties or towns or whatever subdivision that have the impact of the Federal land being located in that county.

Does that bother you? Remember the big fight we had about pass-through on revenue sharing, whether you were going to give it to the States and make them pass it through to their counties and localities?

Do you have any thoughts on this problem?

Mr. CHIARA. On that my only thought is that part of this money would be used up for administration probably to filter it down to the county. But the State handles most of the funds that come through anyway. They are handled by the State and handed down to the counties and cities. The county handles the money on our taxes that comes through the county and then we give the schools their proportion, which is much greater than ours.

Ours runs around 13 mills where the school district is getting about 56 mills. So the schools should get their proportion.

But what is in my mind by the Federal Government paying these taxes back to us, how are they going to run their different bureaus,

like the Bureau of Mines? The Bureau of Mines now is getting most of these funds, I imagine.

Mr. UDALL. That raises another question that we discussed in these hearings.

Mr. CHIARA. Will it mean more income tax? That is what we are wondering.

Mr. UDALL. One of the related questions is whether these payments are in addition to or in lieu of the present payments that you refer to. There are about 30 or 40 old laws on the books and we have a list of the major ones here under which the Federal Government now pays—and it is a hodge-podge—now pays to States or counties, some of it earmarked for specifics and some not, different amounts of money.

One argument is if we are going to have a regular uniform system of payments in lieu of taxes, we ought to abolish this old set of laws that give you a part of the mineral revenues, some of the timber revenues, and certain things of this kind.

We ought to abolish it.

There was some testimony here today that says, oh, no. We want the payments in lieu of taxes and also keep the old system of payments.

Mr. RACHIELE. There has to be a balance somewhere. We recognize the importance of our revenues. Where does the balance come out? This we must consider.

In answer to your question, do the moneys come in directly to the county through the State, I feel in our county that we are capable of receiving these funds and administering them in the right manner. We receive revenue-sharing money. We feel that we are handling it appropriately. Every time there is another hand in something, the costs increase, and I think this is one of the areas that we must look at, not only on local issues but higher issues, but eliminating too many hands because this is where administrative money has come in, not that I am against employment, but there are some areas that we must be conservative in, and I think wherever we can handle it in a direct nature, I think that we should.

I would like to make one other comment regarding population. I think this should be known. Commissioner Chiara mentioned that we have about 18,000 people. But 20 years ago we had a population of better than 28,000 people in Carbon County. It was decreased to 15,000 people because of the coal mine situation that took place where we had our elevator condition and now we are in the process of increasing our population. And many figures have been thrown at us throughout the county, the State, where population has grown as much as 35,000 people.

Hopefully, it might, if we can handle it in a progressive manner, but I am relaying this because we were 15,000, we are up to 18,000. As our population increases we have difficulty in handling the situation, as you gentlemen would know.

So this is another reason that we feel that this bill is essential because it does reflect an increase in population. It increases expenses that are being incurred.

Our mill levy in Carbon County is 16. We are not too far from that mill levy. So these additional revenues that might come from this will merely lend to the population increase because of the economics that are going to take place, and it will be of great assistance to us.

Mr. UDALL. Congressman Owens.

Mr. OWENS. I would like to pursue the point that the chairman just brought up a little further.

I was down in your county last week and worked an 8-hour shift in the coal mine.

Mr. UDALL. Did you produce the regular amount?

Mr. OWENS. I did.

Mr. UDALL. It is something that we have a talented coal miner in the Congress.

Mr. OWENS. Not only that, but the group of 11 in my crew, produced 1,135 tons. I think I was responsible for at least 20 percent. I sure earned my \$47. I learned they are going to open up eight more mines around the county. I do not know how many of those are going to be in Carbon and which are going to be in Emery.

But trying to get to the point that the chairman is trying to get at, six of those eight are in Carbon County, but the real impact is across the border in Emery County. That is where most of the miners will live and that is where all of the sociological, and economical, implications occur, as well as water and sewage needs and other services.

Is there a system that ought to be set up where there is a more equal distribution of those funds, depending upon where the impact occurs? Maybe Carbon under these circumstances should not get all the resources. Some should go to Emery County cause that's where the impact is.

Is that reasonable? Can you do that short of having some kind of statewide oversight?

Mr. CHIARA. I do not quite get the question clearly, Congressman.

Mr. OWENS. If most of the coal is extracted in Carbon County—and most of the people who work in Carbon County live in Emery County—Emery County then has to foot the bill for the sewage and the water and all the development. Emery County gets all the impact. Yet, the coal is extracted from Carbon County and you will get all the payments in lieu of tax revenue, you see?

Mr. CHIARA. No, this is not true. Emery County also is developing and their mines are developing in Emery County. In fact, Emery County is getting more powerplants than Carbon County is.

Mr. OWENS. I was not trying to say that is what is going to happen, because I do not know if that is what is going to happen. I am talking about situations, where the coal comes out of one county and presumably, they get the revenue unless we have some kind of distribution based on impact.

If you have that type of situation, how do you respond if you do not have some kind of State supervision?

Mr. RACHIELE. Let me respond. I think there should be some clarification here, Congressman.

The geographical position that we both have Emery County particularly, where the coal fields lie, are directly south and east of Carbon County. Emery County at the present time has had an increase of population of better than 5,000 to 7,000. There are many coal miners and a great many more living in Carbon County that drive to Emery County.

Likewise, in the powerplant construction, many of the employees there were originally from Carbon County. So it is a little bit of a reversal of what you had said.

Mr. OWENS. If I may interrupt you, what I am saying is not necessarily relevant to Carbon and Emery.

Supposing all the coal comes out of one county, but all those people who work in that county actually live in the other county. How do you divide the payments? What mechanism do you have to divide it so the county which has all the coal does not get all the revenues when all of the impact is really in the other county?

Mr. RACHIELE. I believe you will see an equalization in our two counties because most of Emery County is virgin coal lands and they have a great larger amount of area in Carbon County than we have. You were in the Sunnyside area, city or East Carbon City, as it is now, is in Carbon County. The mine in which most of those people work is in Emery County. So Emery County receives the tax base of Horse Canyon Mine at this present time, yet just about 90 percent of the coal miners that work in that Emery County mine live in Carbon County.

Mr. OWENS. That is the problem I am trying to address. I just used the wrong county as an example, that is all.

Mr. RACHIELE. I believe whatever formula may be used, particularly in our two counties, the equalization will take place. We could, in population, increase greater and many people may be living in Carbon County who would drive to Emery County than those living in Emery County who would drive to Carbon County.

We have a mine where a lot of them come out of Huntington that work there. There are some coal miners who live in Huntington, Castledale, that drive to Sunnyside. But the greater amount live in Carbon County that do work there.

I think the equalization will take its place.

Mr. OWENS. Suppose it does not?

Mr. UDALL. We have to provide a bill for 50 States. We are not providing a bill for Carbon County. We have to write a bill for 50 States.

Mr. CHIARA. The situation in Carbon County, the only hospital in the whole area is Carbon County where the people of Carbon County go and the people in Emery County, of course, use it. The college is in Carbon County, which we are glad that the people from Emery County can come and use it.

I can see where you would have to work out a system where if one county did not have coal lands and the other county was using their facilities, there would have to be some kind of compensation for that county to help them out.

Mr. UDALL. One idea was expressed this morning. It is an idea I would like to explore. It sounds good to me.

Let's take a percentage. Let's say that Carbon County, under our new formula, is entitled to \$100,000 payments in lieu of taxes because of Federal lands. That is the assessment formula that we work out.

We give the check for \$100,000 to the State government. We say \$50,000 of this maybe goes to Carbon County. That is where the land is. You get half of it. The other 50 percent the State have given with instruction to pass it on through to the county or school district or special district or city or whatever that has the impact from the lands in Carbon County. You may get part of that second 50 percent. You may get part of that also, but you would be guaranteed simply by having the lands to get x percent, maybe half of it, and then the

State would have a little flexibility to take care of the situation that Congressman Owens is contemplating that would occur somewhere in the 50 States.

Mr. RACHIELE. I can see where that would happen in some States.

Mr. CHIARA. Like Uintah County with its oil shale, it would get a tremendous amount.

Mr. UDALL. That is the problem with this patchwork of Federal laws that we now have. I know instances where we now have a county where there is timber and there is hardly anyone living in that county. They do not have a school, they do not have a hospital, yet that county gets the payment and county B next door has all the people.

And so we are trying to get a little flexibility into the system that would use the Federal money in lieu of taxes to go where the impact is.

You have been very helpful and we thank you for coming. These have been a useful and productive set of witnesses here this morning.

Mr. OWENS. It was worthwhile waiting for Carbon County.

Mr. UDALL. It was. Indeed, we will wait for you anytime. And we will recess and resume our hearing this afternoon at Cedar City, the Lord willing and if the airplane flies.

We stand adjourned.

[Whereupon, at 11:45 a.m., the subcommittee recessed, to reconvene at 3 p.m. on the same day in Cedar City, Utah.]

TO PROVIDE FOR PAYMENTS TO COMPENSATE COUNTY GOVERNMENTS FOR THE TAX IMMUNITY OF FEDERAL LANDS WITHIN THEIR BOUNDARIES

SATURDAY, SEPTEMBER 14, 1974

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE ENVIRONMENT
OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Cedar City, Utah.

The subcommittee met, pursuant to notice, at 3 p.m., at Southern Utah State College, Cedar City, Utah, Hon. Morris K. Udall (chairman of the subcommittee), presiding.

Present: Representatives Udall and Owens.

Mr. UDALL. We will open our hearings at this time.

This is a meeting of the Subcommittee on Environment of the House of Representatives Committee on Interior and Insular Affairs. We are spending today and we spent part of yesterday in Utah listening to the views of the Governor, the county commissioners, and different interested citizens; first in Salt Lake, then in Provo, now in Cedar City, on this very broad and important question of payment in lieu of taxes legislation.

We have 8 or 10 bills cosponsored by 30 or 40 Members of the House of Representatives across the country relating to this subject. Most of them arise from the problems created by the fact that the Federal Government owns one-third of all the land in the United States. Much of this is in Alaska. Much of it also is in the Western States. One of the great dreams of the people in the West is that some day, a lot of this land is going to be given back to the States, and sold to private individuals, and go on the tax rolls.

Some time ago, in the mid-1960's, Congress appointed a large Commission that was heavily funded, and very wisely staffed, and spent \$6 million to \$8 million over a period of years to survey the public lands to find out where this one-third of the real estate is, what it is used for and to study desirable and alternative uses. This was called the Public Land Law Review Commission. I had the privilege of serving on that with one of the Utah Congressmen, a number of Senators, Laurence Rockefeller, the former Governor of Vermont. It was a very good Commission, if I may say so modestly.

It made a good number of recommendations. The first initial recommendation was, keep most of the Federal lands as resource lands to produce water, forage, crops, and all the other things, and only call for disposal in those few situations where it can be justified by exceptional circumstances—new towns, cities surrounded by Federal

land, isolated parcels that have no particular use; these kinds of things. And as I say, right or wrong—and I think it is right—the realistic, practical fact is the Federal Government, the Congress, is not going to unload very much of this land.

So we are then faced with the question: does not this land impose an unfair burden—the ownership of this land taken off the tax rolls—impose an unfair burden on the counties, mostly rural, that contain this land? And most fair-minded people answer that yes, it does pose an unfair burden.

Out of this has come a number of proposals that the Federal Government as a landowner—not as a sovereign or a government, but as a landowner—do what other landowners have to do: pay some taxes to support local schools and local institutions. And we believe that we can get a bill written next year, in the next Congress, that will fairly and equitably take steps toward solving that problem.

The Subcommittee on the Environment was assigned these bills by our committee and by the Speaker of the House. The distinguished gentleman from Utah, Mr. Owens, is a member of that subcommittee, and largely through the urgings of him and Congressman McKay, and various Governors—Governor Ramptom and others—we decided to make Utah the first site of these field hearings. As I say, we will be going into many other States later this year and next year.

What we are seeking here today is guidance from witnesses who have agreed to testify—largely local government people—as to whether this is a wise piece of legislation, as to how we assess the taxes against the Federal Government, as to how we distribute these payments in lieu of taxes, and a range of other, similar mechanical questions that come to us once we decide to impose a payment in lieu of taxes system. So, this is the purpose of these hearings. We have about 1½ hours or so to cover the five or six witnesses who asked to testify. We will be reasonably informal. We will ask questions of the witnesses when they are finished, but we are happy that so many of you could come out on Saturday, and we regret that we could not be here on a weekday or morning. But it was doing it now or never, and wanted to do it now.

So, I now yield to my colleague on the committee, Congressman Owens from Utah, for any comments or observations he might have.

Mr. OWENS. Thank you, Mr. Chairman.

I thank all of you for coming. I am very pleased that this year, another subcommittee was able and willing to spend 1½ days in Utah to start off field hearings on this exceedingly important piece of legislation. We met in Salt Lake City yesterday afternoon, where we heard, I think, 12 witnesses, starting off with the Governor, and many others who have significant responsibilities at local government levels. This morning we heard several county commissioners, Congressman McKay, members of the State legislature and others, in Provo. We are very pleased to have the input this afternoon of local public officials.

It is important that this legislation—which seems almost like a motherhood piece of legislation—it is important, in drafting this legislation, we have the input of local public officials. It must be drafted in a way that solves problems, and really gets at the heart of the inequities that so many of our counties face because the Federal Government owns the majority of the land within their jurisdic-

tions. They are unable to tax it; therefore, their tax bases are very restricted.

It is clear that the Federal Government will continue ownership of the public lands. There is no disposition in the Congress or in the executive branch to turn lands back to the States. In fact, the State of Utah is involved now in a lawsuit in Washington, D.C. The Governor and the members of the congressional delegation—at least three of us—are suing the Federal Government for 157,000 acres of land which we have selected pursuant to the statehood contract, now 78 years old. The Interior Department recognizes the United States legally owes this land to the State of Utah. Secretary Morton refuses to convey this land short of having a lawsuit.

That is the disposition in the Federal Government. They will not let any land go unless it is clear under the law that they have to. Although we can make an argument—especially those of us who are in public land States—for State ownership of part of the public lands, it is clear that they will remain in Federal ownership, at least in the near future. So our efforts should be directed toward resolving the situation, legislative measures to provide greater local input into the management of the Federal lands and payments in lieu of taxes systems. The latter is the reason for being in Cedar City this afternoon.

There are several things that we can do to try to provide for an equitable system of a Federal payment in lieu of taxes. There are presently fees payable back to the counties from stumpage by the Forest Service, for timber that is harvested. Last year, in this State, payments by the Forest Service to Utah counties averaged 4 cents per acre, which is not a heck of a lot. The payment totaled \$284,000 to the whole State. Penalty payments back to the State for minerals extracted was only a little better. It was \$3,203,000 for the first 6 months of this year. That is an increase of 35 percent over last year; \$6 million this year will be paid back to the State for minerals extracted from Federal lands.

There are a hodgepodge of laws, really, that govern these payments. They are, I guess, a form of revenue sharing which is not like the concept in the Revenue Sharing Act of 1972, but it is revenue sharing. It is very little money, however. Consequently, our counties are left with very little tax base to pay for the services that counties must render.

There are a great many ideas of how you work out a form of equitable payment, but there is little disagreement—at least, I think, in this part of the country and, I think, great agreement on the House Interior Committee itself—that it is appropriate to pass some form of legislation to help pay to the counties and to the States some payment to compensate for their inability to tax this Federal land. Legislation which I am cosponsoring, and which Congressman Udall is cosponsoring, would give a county the option of choosing whether to receive the Federal royalties that I have just described for stumpage, mineral extraction, or grazing, or the payments that it would have received if the Federal lands were in the tax base. Others have supported legislation that would eliminate all royalty schemes in favor of tax equivalency systems of payment. So field hearings are being held in order to help us draft legislation which would reflect the needs of southern Utah and the needs of the entire country; which

will permit the Federal Government to compensate the States and counties for lost tax revenues.

The exact form that the final legislation takes depends on what we learn in these field hearings and other hearings around the country. Mr. Chairman?

Mr. UDALL. The first list of witnesses—Mr. Yardley, you are the chairman of the Garfield County Commission. Mr. Yardley, if you will take the witness stand here, we will be pleased to hear from you.

STATEMENT OF JAMES YARDLEY, CHAIRMAN, GARFIELD COUNTY COMMISSION

Mr. YARDLEY. Mr. Chairman, Congressman Owens, and other members of the House Subcommittee on the Environment, ladies and gentlemen. This statement that I have this afternoon is rather short, and I think it will be quite to the point. I would also like to state that I am Utah's representative on Western States' Regional Counties, the western region.

Mr. UDALL. It is a good organization. They testified in Salt Lake City yesterday.

Mr. YARDLEY. A very good organization, and we have been working on this thing for several years now to see if we could not get this through Congress; and I think it is something that is very equitable.

Mr. OWENS. You might mention which town you are from, Commissioner.

Mr. YARDLEY. I am James F. Yardley, chairman of Board of Commissioners for Garfield County, State of Utah, and from Panguitch, Utah, which is Wayne Owens' home town. In fact, he was raised on the same block that I was raised on.

Mr. UDALL. Apparently, there is something in the soil there on that block that produced great statesman and patriots.

Mr. YARDLEY. Let us say our parents were of the same politically, although I changed and he did not.

Mr. UDALL. That has happened in my family, unfortunately.

Mr. OWENS. I mentioned that only, Commissioner because yesterday we had Bill Bruhn testifying and Commissioner Holman testifying; and I testified. It seemed like Panguitch Day yesterday in Salt Lake City.

Mr. YARDLEY. And we are represented here today. I represent that board today in the testimony that I am about to give before this subcommittee.

As a general statement, the Board of Commissioners of Garfield County favors the adoptions of legislation providing for payments to local governments in lieu of taxes on federally-owned land. More specifically, we support H.R. 12324, the bill introduced by Mr. Blatnik and 33 other cosponsors, and which both of you Congressmen sponsor.

At the present time, approximately 95 percent of Garfield County is owned by government agencies, either Federal, State, or local. About 70 percent of the land area in Garfield County is owned by the U.S. Government. We are not as big as Alaska, but it makes up a lot of Garfield County.

Garfield County has a total land area of approximately 3,340,000 acres. Based on the approximate ownership percentages I have just

given, this means that only 167,000 acres of the county are privately owned and carried on the tax rolls.

It is my firm conviction that Garfield County and its residents are suffering a substantial loss of income because of the tax exempt status on the remaining 3,173,000 acres of land located within the county. This loss of income seriously hampers county government in providing municipal services and upgrading the lifestyle of local residents.

Under present Federal payment programs, Garfield County receives about 4 cents per acre of federally-owned land. I believe that we have about 8 cents an acre last year. Although it is true that much of the land in Garfield County is not useful for agricultural or residential purposes, I believe that legislation providing for payments on federally-owned lands in lieu of taxes would substantially increase income to the county.

The national forest land alone in Garfield County totals 1,008,500 acres. The two large sawmills located in Garfield County form a vital part of the county's economy. Furthermore, much of the nonuseful land located in the county is rich in mineral deposits. There has been much activity in recent years in both mining and oil exploration.

The Board of Commissioners of Garfield County supports H.R. 12324 because it seems to be the most flexible of the bills dealing with the subject which have been introduced to date. It allows a county government to elect to receive payments under the bill. Also, it allows local governments to use payments received under the bill for any public purpose.

Garfield County wholeheartedly supports the adoption of H.R. 12324.

As you will see, there is a small attachment there, and these are the figures that Mr. Holman gave you yesterday from the tax commission. Garfield County regularly receives \$78,932 in revenue-sharing funds. If this bill went through as it presently is, and the Federal ground were taxed the same way as the private grounds that we now have were taxed, we would realize another \$635,754. I might say, in Kane County the revenue-sharing fund is \$67,811, and they would realize \$562,000 in addition if this bill were passed; and gentlemen, I thank you for the chance to come and participate with your committee this afternoon. I hope that you can see fit to pass such a bill in Congress.

Thank you.

Mr. UDALL. Thank you very much. I am sure that my colleague would like to have a searching and penetrating cross examination.

Mr. OWENS. One of the questions that has come up that we would like your opinion on is the question of how payments ought to be made by the Federal Government; whether they should be made directly to the counties, or whether they should go to the States for distribution to localities within the State. One reason this is a pertinent question for you, especially, is because of the construction of the Kaiparowits plant and mine just across the border from Garfield County in Kane County. Most of the impact will be in our county, Garfield County. Therefore, you are going to have to provide the water, the sewage, the planning, the schools—you are going to suffer most of the impact, and receive most of the impact from that development.

Mr. YARDLEY. Conceivably, it could receive a great deal of impact from that development, possibly more than Kane County.

Mr. OWENS. Under the ordinary proposal.

Mr. YARDLEY. We would not receive anything. All the taxes from the powerplant will go to Kane County, nothing to Garfield County. We will have all the people, and they will have all the money, you might say.

Mr. UDALL. It does not seem right.

Mr. YARDLEY. We will have all the headaches. I feel that a new town—they will go into Kane County, but I am sure we will be affected very, very heavily. Those little communities will have to have some help, besides the county having to have some help. My own opinion is, I would rather see the money come directly back to the counties, rather than filter back through the States. Either way, it would be better than it is—it definitely is.

Mr. OWENS. The problem is the one that we might have in Garfield County. If the payments in lieu of moneys come to the States, maybe they could apportion it a little bit, based on impact, you see.

Mr. YARDLEY. That is a possibility. Then, if you go on an assessed evaluation, I would think it could be worked out where it comes directly back to the county.

We are also looking at a Utah Power & Light plant, probably around 1980 or 1981. That coal will come out of Kaiparowits. That is mostly located in Garfield County.

Mr. OWENS. That was the main question that I wanted to throw out.

Mr. UDALL. Let me ask you kind of a related question. There are now on the books—I think Congressman Owens referred to 30 or 40 different laws; we have a summary of the main ones—it is another hodgepodge. Over the years, Congress would say, we have got to get some of this money coming in from timber to the States, and then we would pass the mineral bills, and we would pass the Bankhead-Jones Farm Act and will give part of the receipts back to the States and localities. It is a hodgepodge in two or three ways. Some give it back to the States, coal and oil shale directly to the States and the counties. Others say, give it to the counties. Others say, give it to the counties, but only use it for roads. Others say, give it to States, but only use it for schools. This is one reason we are trying to write a new, uniform bill across the country here.

One of the problems that Congressman Owens referred to is this problem of Federal land in one county, but with the impact in an adjoining county. Is it really fair to simply send the money directly from Washington right to the county where the land is? In some States counties are very important, in other States they do nothing; in some States, schools are run by the States, in some States by the counties, in other States by independent school districts. Should not the State, under Federal guidelines, be given Garfield County's money and, say within limits, put back to the county or to the city or the school district where the impact comes from having all this Federal land? I know there are complications here. You see what we are getting into when we try to write a formula that deals with the problems of 50 States and 50 different State organizations?

Do you have any thoughts on that?

Mr. YARDLEY. No; not specifically. I can see where there are a lot of problems, and one State may want it one way, and one county may want it one way, and one another. I like revenue sharing the way it is, the way it comes directly to the county.

Mr. UDALL. We are trying to avoid another fight on pass-throughs. You remember the fight on revenue sharing on pass-throughs. We are trying to avoid that if we can.

Mr. YARDLEY. I hope we can continue to avoid that, and let it come direct. We appreciate it very much. It has been a godsend to Garfield County, I can tell you that, \$67,000. We are in the process of building a new hospital, and that is going to help for a poor county.

Mr. UDALL. You can go back and tell the hard-pressed taxpayers in Garfield County that you represented them well.

Mr. YARDLEY. Thank you.

Mr. OWENS. Thank you.

Mr. UDALL. Mr. Basil Lay, chairman of the Piute County Commission? I see he is not here yet.

We will now go to Merrill MacDonald, chairman of the Kane County Commission. I also do not see him.

Mr. Ivan Matheson, commissioner of Iron County, is submitting a written statement which we have, and will be inserted in the record.

[The material referred to follows:]

IRON COUNTY,
Parowan, Utah, September 11, 1974.

HON. WAYNE OWENS,

*U.S. Congressman, Second Congressional District, House of Representatives,
Washington, D.C.*

DEAR MR. OWENS: It has been suggested that we present to you for your information, our reaction to a proposal by the Congress of the United States, to pass legislation implementing the idea of the Federal Government making payments to Counties in lieu of taxes on public lands.

In the first instance, let us observe that we would much prefer the Federal Government adopting a program of moving these lands into private ownership as rapidly as possible, and thus directly supplement our tax base. This failing, however, we would and do most assuredly support, and urge you to support the concept of an in lieu of tax payment program by the Federal Government on public lands to public land Counties, if and provided the payment comes to the Counties as free of restrictions, regulations, and encumbrances as are payments made on property under private ownership.

We do not have at hand a copy of the proposed legislation and are therefore unable to make our observations specific, but trust that this will suffice as a general overview.

Very truly yours,

BOARD OF IRON COUNTY COMMISSIONERS,
IVAN M. MATHESON, *Commissioner*.

Mr. UDALL. Mr. Garth Jones, State representative. Representative Jones, please take a seat.

STATEMENT OF GARTH JONES, UTAH STATE REPRESENTATIVE, IRON AND KANE COUNTIES

Mr. JONES. As you indicated, I am Garth Jones, State representative from Iron and Kane Counties. Iron County—I am guessing here; I do not have the exact percentage, but—I assume that Iron County would be about 60 to 70 percent of Federal land, and Kane County, 80 percent Federal—Forest Service; Park Service, and Forest Service.

I had intended to bring with me today a BLM map to show you people, and the people here, just exactly what it looks like on a map to have all the Federal and State holdings within a given area. But of course, the browns and the yellows and the greens virtually blot

out the bit of white that there may be on the map. But I would, of course, favor and give my recommendation to what Commissioner Yardley has mentioned from the Garfield County Commission. I would also like you to consider that I am a native of southern Utah, and as such I have grown up in the nets of a lot of Federal holdings, and sometimes I get a little bit disturbed at feeling that people live elsewhere in this great United States have as much say so as what goes on in a Federal holding as I do, since I live here. It gives a local person reason to think and to worry about these types of things.

You know politicians—and this is a political year for many of us—we hear the theme of decentralization of Federal Government, and all of these related ideas, and this in lieu of taxes being something from that, I would assume; although it would not necessarily have to come in a political year, the thought is good. After this year is over, and the ones of us who go back to our various positions are going to have a chance to carry forth and take the public hearings, and these various other processes, into consideration and put something down on paper, and to attempt to pass this; but in the legislative process, it also disturbs me somewhat that we say, well, the Federal Government will not do this, so we are prepared to move in this direction, and we feel we may be able to get something through.

I think having read about two or three of the bills—and the bill I would mostly favor would be H.R. 12324, which you two are sponsors or cosponsors of—I would urge you, or at least your consideration, to insert something into this indicating something to this effect—and I am simply grabbing a percentage figure, but using the figure of 33 percent of the U.S. land area that is owned by the Federal Government; that if the counties in the State of Utah where the land holdings of the Federal Government exceed over 33 percent, if these counties—although you have said no one will listen to this—if they were given the option of—or the Federal Government especially, in the BLM area—were put back into State ownership, that land which exceeds the 33 percent, and then the in lieu of taxes situation on the remainder—at least, I would try that type of approach if I were sponsoring legislation on a similar basis. I would not just give it up as a foregone conclusion.

As I look at the Federal holding, to me, the Park Service has one particular function. The Bureau of Land Management serves another particular function. The Forest Service serves another, and as you look at some of the most heavily impacted areas in the State of Utah, which is in, without question, southern Utah, all of the counties down here, you wonder, about the BLM land. The Federal Government says, we will not let go of it. It would be better off for them and us to be in State ownership. I would simply urge that you not throw that out; at least, that concept out completely. As I read the bills, I would basically agree with the concept. I believe, I think—the questions you posed to Commissioner Yardley, whether it should come to the State or the county, personally, here again, other than the county, and this county functions—Kane County functions, Garfield County functions—I think the counties are much better equipped, given broad general guidelines, to do what is best for that money when it gets here. And I believe in the philosophy of bottom up rather than top down, and

what you should do with it when it gets here should also be in the bill as it reaches its final writing position.

So, I simply would like to make those comments. I represent the people in this area in the State legislature, and of course, as I visit around, Federal ownership is always a topic of consideration and concern. The Kaiparowits thing, the various things that are going to be happening in the energy field and the mineral field in the years to come; I think it is something that it is high time we did consider it, and I commend you gentlemen for your position and your approach to this problem, and would ask that you consider the other things that I mentioned, as well as distribution of money directly to the counties, and let the county take care of that money and the problems the way they see fit. That is basically what I have to say.

Mr. UDALL. Thank you. It is very helpful.

Congressman Owens?

Mr. OWENS. I was just wondering—one other suggestion that has been made to try to overcome this problem I was highlighting with Commissioner Yardley, about how the Kaiparowits plant probably will have very significant impact in Garfield County, considerably more in Garfield than in Kane.

Mr. JONES. I disagree there.

Mr. OWENS. You disagree?

Mr. JONES. With the impact greater on Garfield than Kane.

Mr. OWENS. It is principally going to be in Garfield, rather than Kane.

Mr. JONES. It will not be greater, there is no question about that.

Mr. OWENS. What are you disagreeing with?

Mr. JONES. With the new townsite being in Kane County, depending on the location of the plant. It would make a difference.

Mr. OWENS. The plant is pretty well located now.

Mr. JONES. I wish it were located, so they would get on with the process.

Mr. OWENS. Do you want to argue, or do you want to testify?

Mr. JONES. This is not time to argue.

Mr. OWENS. I am trying to pose to you a hypothetical question. The hypothesis was, it looks like the plant will be located on the Four Mile Bench; and there was testimony in Salt Lake City yesterday by two or three people that at least in their judgment that the Kaiparowits facility would have more impact in Garfield than Kane County, and that it will have very significant impact in Kane.

One theory of the distribution of money is that it would go to the State, and the State legislature thereby could make some adjustments of those revenues, based on the impact and the need, rather than just giving everything to Kane. You can treat it as a hypothetical question if you do not think that is going to happen. Suppose you had a situation like that described—should a State legislature have some ability to direct a part of the payment into, say, Garfield County, if that county is going to be implicated by an electric power facility in Kane?

Mr. JONES. I would prefer that Garfield and Kane Counties work out, if possible, for those two counties to get together and work out any inequities, rather than the State legislature getting involved in it.

Mr. OWENS. Do you think Kane County would be inclined to give that up voluntarily?

Mr. JONES. Kane and Garfield Counties have got a lot of things happening in the next few years. I am not going to assume what the problems are going to be at this point.

Mr. OWENS. You have to presume, if you are going to write legislation. Let's drop the personalities of Garfield and Kane. Let's take a two-county situation, with county X and county Y, where X has all the resources and they are extracted out of X, but impact falls in county Y. Is there any way that you could avoid giving all the money to X, when the impact and the expenses fall on county Y? Do you think that could be done just voluntarily, or do you think the State legislature, for example, should have a role?

Mr. JONES. If you are looking for my recommendation, off the top of my head—if you have the impacted area of X and the Y receiving the money, if it were held back by a different body to administer, I would not hold it all back on that account.

Mr. UDALL. That is interesting, how great minds run in the same direction. A local official, yesterday, or this morning had the same idea; that the county where the lands are located automatically get 50 or 60 percent, some figure, and that the 40 percent be flexible; and let the legislature or the Governor or somebody put it where the impact is.

Mr. JONES. I would much rather do that than holding it all back, since we see a problem here in letting the legislature deal with it rather than local areas.

I appreciate the opportunity to visit with you this afternoon.

Mr. UDALL. Let me take up a couple things, if I may. I recognize the strong feelings and this surfaces in my own State regularly, the concept of getting a lot of this BLM land into private hands. It may well be that these eastern Congressmen are wrong. I am much the same way as somebody who is going to give away the TVA or Oak Ridge atomic laboratory, or the Statue of Liberty. I do not look upon that as belonging to New York or Tennessee, or somebody. I do not look upon Canyonlands or Lake Powell, or any of the Cedar Breaks, or the great resources, as belonging to the people who happen to live in this area. I think you can make a different argument about BLM lands, if you assume they are simply the leftover lands that nobody really wants.

It really is a practical fact—and I have sat on this committee for 13 years—we have had numerous bills. It is always the new group in the West that is trying to get legislation through in terms of this Federal land. It is my honest judgment—and I do not say it with any great triumph or anything else—it is simply not going to happen. We did finish work on a bill Friday, a companion bill to all this, Thursday in subcommittee, which is the so-called BLM Organic Act, a permanent charter for managing the BLM lands. We do have in there disposal procedures for new towns, if you are going to need new towns. You are going to have to bear the burden for the whole country, the energy shortage, right here in this area—Utah, Wyoming, Colorado are going to be the Saudi Arabia of coal and shale for the next 50 years. The very least we can do as the Federal Government, I think, is say in these areas, if you are going to put in some new towns, here is some land. You can have it, and let the State or the county make a buck off it if they can plan it and zone it, and put it together.

I just want to emphasize that—

Mr. JONES. May I ask a question about the BLM Organic Act when it was originally passed? I am not sure what year it was, was the conception there at the inception of the BLM that it would be a permanent fixture?

Mr. UDALL. No. You go back to 1934, Taylor Grazing Act, you had these huge chunks of Federal land. The depression was on, not much to do with it. Congress did not know what to do. So Congress passed a law and said, it is the goal of the country to dispose of these lands, but until we dispose of them, here are the rules for managing them. That was the policy. The national congressional policy was, dispose of BLM lands.

Now, the Public Lands Law Review Commission, by unanimous vote, said the policy should not be to dispose of them. The policy should be to keep most of them, or nearly all of them, and only give them up in specific kinds of needs. The rationale was that they were a national resource land system. It is off those lands we are going to have to get forage and minerals and timber and recreation. It is kind of a bank account, a land bank for the Nation's future, and I suppose if I lived in this area, I might take a different view. That was the view of this national commission that I served on.

Mr. JONES. I might add that I personally do take kind of a regional view of it. This to some people kind of shows how, the way when the Government gets involved sometimes it is tough to phase out something that was meant to be phased out. I do not want to turn all the land over, but I think there is a lot of it that would be better served to the Federal Government as well as to the State or to the private interest to be in private ownership or State ownership. I am sure—you are from the West; you would realize that feeling.

Mr. UDALL. Our draft bill has three or four categories of disposal. It is not no disposal. It is disposal for new towns; it has disposal of isolated tracts.

If BLM has a 3-acre piece sitting in the middle of a whole sea of private lands, sell it off. If there is some special need for an adjacent landowner who has a special need for the lands; if there are specific municipal parks, State, county, local parks needed; there are a whole series of disposal techniques. The idea is these are excessive lands; the Government does not need them. Let us get them out of Federal hands and get in on the tax rolls it is not going to fly in Washington in the conceivable future, as I see it.

Let me ask you one other thing, and maybe you are not the right witness. If there are any witnesses waiting that can help me on this. This has not come up in hearing. Assume we are going to have a system of payment in lieu of taxes. Most of these bills say we will assess them on an evaluation system, as we would if they were private lands, the same if you owned a section of timber or grazing land. This on the tax rolls, you assess its fair market value, and whatever your State mill rate, you apply that rate to it.

There is great fear on the part of these same eastern Congressmen that if you let the local assessor—the local assessor in Garfield County is going to assess private lands very low. Those folks vote, and that Uncle Sam's land, similar, is going to be assessed very high. Some suggest we let the locals assess, but the Federals can review them and veto, or we have a joint board.

I guess my question is, knowing local government, how much trouble would it be for the local assessing officials to assess these Federal lands, and do you think they would be fair about it?

Mr. JONES. A couple of the bills, I do not know if the H.R. 12324 spells it out, but I did read that in one or two of the others. Did it not indicate that this would be a Federal process. In my estimation, I mean—we do have local assessors, and they do the assessing. But we are also in the process of a State reappraisal program in which, every so often, it comes up to the fair market value of an x percentage and that process. Whether the local people, without a little funding from somewhere, would have the time or the manpower or whatever to do it, I question.

Mr. UDALL. Yes?

Mr. YARDLEY. What I wanted to say is, we do have a State appraisal team now that is working, and our county was appraised by the State last year. If our assessor wants to change anything, he must get approval from that State appraisal team.

Mr. UDALL. Thank you, Mr. Yardley. But the problem would still remain that the Feds would worry that the State people in Salt Lake City were going to treat the Federal land a little bit different than they treated the State and local land.

Mr. YARDLEY. Well, I can see where they are worried there. But since this Federal land belongs to everybody, then everybody should help pay some taxes on it. Let us do it together.

Mr. JONES. Well, then, these Federal people all live somewhere, and they get a little basic trust within the Federal and State governments. I would assume that if the State government comes around, and they make an updated reappraisal of Iron County which would be done this year, that that ought to be good enough without having to run too much farther.

Mr. UDALL. One control that I thought of that might prevent abuse would be the plan fact that there is some private forest land—not much, but there is some. It would be very easy to check and find out how they are appraising or assessing that land, and what they did with various State and Federal lands. It might keep them honest.

Well, that is very helpful, George. Thank you for being with us.

Bonnie Turner of the Cedar City League of Women Voters. All right.

STATEMENT OF BONNIE TURNER, CEDAR CITY LEAGUE OF WOMEN VOTERS

Ms. TURNER. OK.

My name is Bonnie Turner. Today I am representing the Cedar City League of Women Voters. Mr. Chairman, Mr. Owens, members of the House Subcommittee on the Environment, the Cedar City League of Women Voters is pleased to have an opportunity to appear at this public hearing on the proposed "payment in lieu of taxes" legislation.

For a number of years, our league has been concerned with the need for land use planning to assure orderly growth and development within our city and within Iron County. We have looked at the State land use legislation, and have studied subdivision ordinances within our county. As we have examined current regulations and watched development, we have been concerned that the county and city master plans were not fully utilized as guidelines for planning.

Although we have been critical of some of the development in the county, and have opposed the approval of some subdivisions which appeared to us to be inadequately planned, we have also been aware of the difficult financial position of many Utah counties, particularly those with substantial portions of their land under Federal management.

We would hope that the proposed legislation, if passed, might be instrumental in alleviating the pressure on counties to increase their tax base by whatever means, and that disorderly, desperate development might be curbed, because the county would have the revenue option provided by payments in lieu of taxes. Hopefully, this would make county officials and planners more secure and more willing to utilize their master plans as guidelines for land use planning and utilization of resources within their boundaries.

In summary, we do favor payments in lieu of taxes, especially if counties with substantial amounts of Federal land have a larger financial base from which to plan for orderly land use and development, and if the legislation will deal with just the realm of payments in lieu of taxes and not be meshed with all other Federal revenues a county might be currently receiving.

Thank you.

Mr. UDALL. You raised one question that has come up in other hearings, and up here today. Now, as you pointed out, we have this long list of miscellaneous laws that grant some kind of revenue sharing for timber receipts and mining receipts. Some of the bills before us—some have urged that we continue all of those miscellaneous, hodge-podge programs, and that this payment in lieu of taxes idea be in addition to, on top of, in addition to the old system. Which brings up a little bit of a distinction that I have had trouble keeping clear in my own mind, and that is that most of these—well, all these, I guess—are based, not on the existence of the resource, but the fact that it is extracted. You cut the timber, you take out the ores, you extract the coal, and then the money from the money paid to the Federal Government, a part is paid to the county or the State.

On the other hand, the theory of payment in lieu of taxes is not that you are paying because a Federal resource has been extracted. The Federal Government is paying because it is a landowner, and has taken this off the tax rolls, and has made a judgment that it is going to keep it off the tax rolls. If Wayne here is the landowner on the other side of the fence, I am a landowner, and he has taken out his coal and I am not taking out my coal, I still pay taxes on my land. The payment that is made has nothing to do with the extraction of resources.

So I do not know what they are going to do. My original thinking had been that the Public Land Law Review Commission would recommend that we phase out all of those over a period of time—not hurt the counties that are relying very heavily on it—phase them out over a 10-year period, but move this payment in lieu of taxes system in as a complete substitute for this whole system, which is very erratic. Sometimes, this will pay a county that has not the foggiest need for revenue, great, huge chunks of revenue, and pay a county that has the heavy impact from Federal operations nothing. And I know I spring the question on you, but I was reminded of it by the last paragraph of your statement. Do you have any thoughts on it?

Ms. TURNER. Well, I am not sure if I understand the whole statement you are making, but I think what we are saying here is the revenue sharing, that it not be involved at all in this.

Mr. UDALL. Oh, all right. I see.

Ms. TURNER. That is what we are talking about.

Mr. UDALL. This 1972 Revenue Sharing Act, which is no string across the board, all units of government revenue sharing—

Ms. TURNER. Right.

Mr. UDALL [continuing]. That has nothing whatever to do with this—this would be in addition to that, absolutely. That is based on a different premise: that the Federal Government taxes everywhere, and ought to share some of its revenues with local government.

Wayne?

Mr. OWENS. I have no questions. I just want to commend you, Bonnie, for your statement.

I thought it was exceptionally good and extremely sensitive.

Ms. TURNER. Well, I was not the author of the statement. I was just the oral presenter.

Mr. OWENS. Whoever the ghost writer is, we commend her.

Mr. UDALL. Give the ghost writer our greetings.

Mr. OWENS. Yes; our best to the ghost writer.

Mr. UDALL. You have kind of opened up a lot of old wounds. I was the author of the Land Use Planning Act, and you referred to that in several paragraphs. It has reopened all of those old, tender wounds that I thought were beginning to heal after I got shot down over this legislation.

Ms. TURNER. I am sorry.

Mr. UDALL. All right.

Are there other witnesses who had requested to testify?

Basil Lay, Merrill MacDonald?

All right, Janet Gorden.

STATEMENT OF JANET GORDEN, ISSUE

Ms. GORDEN. I am Janet Gorden, and I am representing ISSUE today, and that stands for Interested in Saving Southern Utah's Environment. It is an environmental organization based in southern Utah.

We appreciate the opportunity to testify before your committee. We thank you for that opportunity. It gives us a great deal of pleasure to support our county officials and other local political figures in supporting the bill. We have several reasons. Perhaps our reasoning is somewhat different from some of the reasoning that has gone on before. One of the major reasons that we support this is, over the years, we have watched very closely the activities of the various land agencies, the landowning agencies in southern Utah. We felt that they do a fine job. They are conscientious, they are well trained, they work hard to try to do the best for the land for the local people, as well as the people of the country.

They are frequently under fire. They have received a great deal of criticism locally in the last few years, some of it is just, and some of it—much of it is not. But in counties, in areas where we have such large tracts of land owned by the Federal Government, we get kind of

pressed against the wall, and frequently we do not treat them, the agency people, with the respect that they are due. And frequently we make decisions based on, probably, fear. We will take any kind of development at any cost, because we think we have to have it.

So, we are supporting this. We think that it is a good alternative. It kind of frees us at the local level to make more wise decisions, because we are not under quite such financial pressure. And for that reason, we wish to support this bill. We think it might help improve working conditions between the Federal agencies and local officials if they are receiving more money and can see it directly coming from these public lands.

In regards to the business about turning public lands back to private or State ownership, I was trying to remember—and I believe it was the BLM lands.

Maybe you remember. I believe you posed the question to the State cattle association, whether they wanted BLM lands turned over to private individuals—you know, for them to have private ownership of all these BLM lands. And the answer was no, they did not. They wanted the BLM to administer the lands the way they wanted them. But they certainly did not want to own them.

Mr. OWENS. Well, let me interrupt you there. I believe that they said that, if they personally owned them, that would be fine. But they did not like the concept of them being sold to anyone else. They preferred that they be kept under a multiple-use concept, for grazing and recreational uses and so forth.

Ms. GORDON. Right, mostly using the concept which we, as environmentalists, do like to support where possible. We are concerned about the use of land, and multiple use, if it is well done, is certainly our goal in about 90 percent of the cases; and we feel that there is more freedom for good environmental planning and land use; logical, reasonable land use decisions to be made, if this bill is passed. We would like to give our support to it.

Mr. UDALL. Thank you, Janet.

Mr. OWENS. Thank you very much.

Mr. UDALL. Are there any other witnesses that want to be heard? Yes, sir.

Mr. HARRIS. I do not have a prepared statement, but I would like to just make a comment.

Mr. UDALL. Come on down and talk to us, Mr. Commissioner.

Identify yourself for our record, here. If you will just state your name.

STATEMENT OF FRED HARRIS, CHAIRMAN, BEAVER COUNTY COMMISSION

Mr. HARRIS. I am Fred Harris, chairman of the Beaver County Commission. We did not have—we have discussed this possible legislation, and we have a lot of questions in our minds about the different forms of this proposed legislation. I did not feel that we were quite ready to testify in favor or against this type of thing right now. We wondered how these services that were being provided—well, on programs that were being carried on by Forest Service and BLM—how

they would relate to this type of legislation? We do have some questions.

Mr. UDALL. Go right ahead. We are here so that we can work out these problems.

Mr. HARRIS. I do not know exactly what the formula is for stumpage, but sometimes there are a lot of complaints about the prices. But at least it is an established system. We do not know how this might affect it.

And then, we have got some concerns about firefighting problems which could develop, and the county has taken the position to fight fires along the basis that it can do it in an orderly way as the Forest Service and BLM are able to do it.

Mr. UDALL. Maybe it will be a comfort to know my concept of this—and I am sure that is the way that the bill will be written—is that this does not affect in any way, shape or form the type of program we are referring to. This is a separate, additional payment that the Federal Government would make, because it is a landowner; not Uncle Sam as the army or navy, not Uncle Sam as your governmental bureaucrats. This is Uncle Sam saying, we own the land, and in fairness, we want to be paying an amount similar to what we would pay if we were local landowners. And the financing of the Forest Service road program, the administration of these other things would continue.

Mr. HARRIS. Well, those were some of the questions we have, true. I have reviewed these legislative proposals here, and I think I could go along with the bill, H.R. 12324. It sounds good. I have tried to analyze it from several perspectives, and it seems to have a lot of advantages for the counties that have got a lot of Federal land. I think we have got 86 or 87 percent Federal land in our county, mostly Forest and BLM land. I do not have those figures.

This has been a good meeting, and I have enjoyed this. I could not hear all the remarks, but I have learned something today. With a little more study and discussion on the thing, maybe we can make some solid decisions. But I thought it was a little premature today.

Mr. UDALL. Well, good. I have found that a good congressional hearing is valuable both ways. We learn something, we get some ideas. You maybe learn something by attending the hearing. I am pleased to learn that it was that kind of hearing today.

Wayne, did you have a question?

Mr. OWENS. I was in that meeting with the commissioner on Monday this week in Elk Ridge, in Beaver County. In that meeting a newsman, Red Wilson, raised another question. It might be pertinent to throw it on the table, and I think, since I have had a little time to think about it, I think I know the answer.

Now, his concern was, that there might be attached riders to this bill that forest stumpage fees or grazing fees might be raised to a level adequate or equivalent to pay back the sum that would be paid out as a result of this bill. It was his concern that conservationists, or others from other States, non-public-land States, might try to attach that rider, and I told him I did not think that would happen.

That was his question, and I think I answered it, but maybe you would like to add your thoughts on it.

Mr. UDALL. No, I would underline that.

I do not think that is a serious fear at all. As a matter of fact, I always believe in striking while the iron is hot, and that is why I will

be in a position next year to move this bill fairly quickly, because, amazingly enough, there is a lot of regional selfishness or regional concern—you try to get western rural Congressmen sometime to vote for mass transit for Brooklyn, and you get nowhere. By the same token, if you ask New York, Baltimore, and Cleveland Congressmen to give us some money—\$200 million or \$300 million a year—to help pay in lieu of taxes to Kane County, or somewhere, and you get resistance.

But I have found a very general acceptance among the eastern members of our committee, who have accepted the proposition that this is fair; if the Federal Government is going to own all this land, that it ought to pay taxes, and I think we ought to move while that feeling is still around.

Mr. HARRIS. We have got quite a lot of the natural resources in our county that will be developed, I am sure, in the near future, that will create revenues for the Government. But we have got certain services to furnish; why, it is going to take something more than the revenue we have got now to do it, I am sure.

Mr. UDALL. Thank you, Mr. Harris.

Mr. HARRIS. Thank you very much.

Mr. UDALL. Did someone say Senator Leavitt wanted to testify?

Mr. LEAVITT. Yes, sir.

Mr. UDALL. State your name for the record, and tell us what we ought to know.

STATEMENT OF DIXIE LEAVITT, SENATOR, IRON, BEAVER, GARFIELD, KANE, AND WASHINGTON COUNTIES

Mr. LEAVITT. Dixie Leavitt, senator, Legislature of Utah, representing five counties: Iron, Beaver, Garfield, Kane, and Washington.

Congressmen Udall and Owens, I appreciate the opportunity to be able to speak here. I am not prepared with a formal statement. I would merely like to add, or at least emphasize, a couple of thoughts that have been expressed here.

Representative, you indicated that the money should come to the counties—I believe I would press that rather strongly. You mentioned the problems that you had trying to deal with the States and that sometimes the problems of the 50 States are different from one another. The results sometimes are not as any one State may want them.

Likewise, in a State like Utah where we are based on a reapportionment or an apportionment of the population, if this money comes to the State of Utah, what assurance do we have that it is going to come to Kane County, Iron County, Beaver County, Garfield County, or Washington County?

The Wasatch front areas, where the bulk of the population is, likewise has control of the legislature. And I have found in my past experience, whenever they have a project coming, there is very little question as to whether or not it will be coming, once the chamber of commerce in that area begins to move. And likewise, we have a different set of circumstances down here, so that I am of the firm opinion that it should come direct to the counties on that basis, but also on the basis that right at this point, the State of Utah, though it has the ability to assess mill levies on property taxes, we have no property tax at all from a State standpoint. We removed that at our last session.

Perhaps the thing that ought to be looked at if the State does go back into the property tax—that maybe, if this is an in lieu tax, that it go according to the way cities, the counties, and the State assesses. If there is a county assessment levy there, and a State assessment levy, then go proportional to that particular levy. And I would encourage that in that direction, because to do otherwise, I think, will begin to upset, maybe the system that we have in our State. We have a school system here that is on an equalization effort, and that is why we are at this time trying to get this tax equalization program going, and make sure that we are all on an equal basis. And I think if we bypass the counties that are provided with services, that do have the resources you are paying for, that it might not be the most effective and best way to get it for the purposes that you desire.

I am sorry that I am not prepared. Congressman Owens' envoy sent me a package yesterday while I was in Salt Lake, and time has not permitted me to be prepared. I do support very strongly this idea of an in-lieu tax. I think counties do have to provide services, and I think it no more right—or nothing but right if the Federal Government is going to say, we are a landowner in that county and expect services, why that they should pay just like any other taxpayer should.

We, in the State of Utah, have the same kind of philosophy with our fish and game, and our wildlife resources. Where they own lands, or buy lands, and take it out of the public tax roll, they do pay in lieu of tax on that land.

Mr. UDALL. Let me ask you one question, Mr. Leavitt, if I may. The State of Utah, does the State collect property taxes?

Mr. LEAVITT. Not any more.

Mr. UDALL. And the county of Kane does?

Mr. LEAVITT. Yes.

Mr. UDALL. How about cities and schools? Now, do they have an option, or does part of the property tax go to them automatically? Can a city, an organized city, say, we will have a property tax, or we will not have a property tax?

Mr. LEAVITT. The city determines the amount of the levy and it is given to the county.

Mr. UDALL. In just piggybacks on the assessment and collection?

Mr. LEAVITT. That is correct, and the same thing applies—the State has the ability by statute. We can, and we have in the past for a long way back, I guess since Statehood, but we have cut out any State property tax benefits.

Mr. UDALL. What I was doing—it just entered my mind I have got to go back and analyze the bill, for it may already deal with it. Suppose you have a State in which a city or school district—city, State, or school district may or may not levy property taxes. Along comes this great new Federal payment in lieu of taxes program, and the city which has no property tax decides it better get one, because half of the land inside the city is Federal.

You might find raids on the Treasury. This is something we have not discussed, that maybe we should.

Because, really, this is going to be a national program, 50 States. If there is Federal land, then there ought to be one uniform payment depending on value throughout the country, and not let the States and localities double or triple dip on it.

Mr. LEAVITT. Let us probe that thought just a little more, because you are right, there should not be a raiding of the Federal Treasury because of that.

However, you have got to keep in mind that it is not a discriminating situation, in that every citizen in that city, or that county, is going to be hit with the same tax. And they are going to come up in arms with the county commission and the city fathers just as well.

Now, one of the things that makes it really quite a debatable item is whether or not the States ought to be out of the property tax level. It is a matter of sharing the wealth in such things as the Anaconda Copper Mine, which means a great deal to the State. But the way it is—I mean, one mill may not mean a great deal to the State, but it has a basic effect or impact on that county itself. We, of course, have the iron mines here.

All I am saying is, I do not think that, on the Federal level, you ought to be worrying about things of that nature, because it is going to be reacted to by the people in the county itself.

Mr. OWENS. Senator, do you see a problem in this question we have been discussing, especially with Representative Jones, where the real value may be in one county and the real impact in a second county? Do you see that as being a problem?

Mr. LEAVITT. I see a real problem.

Mr. OWENS. Where the State legislature might have some leeway.

Mr. LEAVITT. I see a real problem, Congressman, but not in the way that you have expressed it.

If you are really doing this on the basis of an in lieu tax, why upset what we are already doing? In other words, if Kane County has that valuable ground, that ought to go to them; or if Garfield has that valuable ground, that ought to go to them. And there are adjustments to be made outside of that if this is to be a true in lieu tax. Yes, I can see some real problems over there that are developing. Because it would appear to me right now that Kane County will have the revenue, Garfield County will have the problems, and I think we have got to work them out some way, and we are cognizant of that. But I think it would be wrong for the Federal Government to come in and say, we are going to change that, because we see that problem too.

Mr. OWENS. It seems like we have two or three options here. The Federal Government has to make those checks out to someone. The question is, do you make them out to 29 counties, or take an option like making one big one to the State of Utah, 29 subheadings showing the payments to each county, but giving the State legislature the authority to make some adjustments if they deem necessary.

My question is, how do we solve the inequities if they develop?

Mr. LEAVITT. Well, back here, if this is an in lieu tax, and the philosophy which you are espousing, I think you have no choice but to pay it to the county treasury, not the State; and likewise, let us work our problems out.

Mr. OWENS. When you say us, do you mean the State legislature?

Mr. LEAVITT. The State legislature, in one way or another, or the counties themselves.

I have no idea as to how it would be, but I am talking about a basic principle here. If this bill which you have handed me is one of an in lieu tax—in other words, you in essence are paying property taxes to the

county because you own that property, I do not know how it could be argued that it ought to go to the State.

Mr. OWENS. You cannot very well write national legislation just to fit that situation in Utah. We are going to have a very, very real impact occasioned by the fact that Utah has enough coal to light the country for 100 years, and probably an effort will be made to develop these resources within the next 20 years. It will have severe impact in some areas where these areas will not benefit from the development.

Mr. LEAVITT. And I think this State needs to begin to take a deep look at some type of a taxation on the resources that are going out.

Mr. OWENS. Not properly within the purview of this legislation.

Mr. LEAVITT. Yes. I think we need to take a real look at some form of—you know, taxation, royalties, or whatever it might be. In other words, let us take a lesson from Saudi Arabia, because we are shipping our water, our coal, and our power out. Let us maybe learn a lesson from it.

Mr. UDALL. An embargo on Arizona?

Mr. OWENS. Let me state he is reiterating something I have said, and it is something that is very important here.

Mr. UDALL. This means war, my good friend. [Laughter.]

Mr. LEAVITT. Let me come back here, because I hope I am understanding the point that you are trying to get at, Congressman Owens.

If this were to go to the States, and the State legislature were to be able to have the liberty to reapportion this money, what assurance would we have in Garfield County that that money would come into Garfield County, and not be used on the Jordan River Parkway?

Mr. OWENS. Well, we just have the integrity of the State senate that would assure that.

Mr. LEAVITT. OK. But the thing I am saying, I am one man in 29. There are 13 of them from Salt Lake County.

Mr. OWENS. Well, I think you have made your point. Your concern is that the big Wasatch County front would get the lion's share. I understand that, and we know that that has happened.

Let me ask you a second question, if I can. There is a question of which Federal lands are to be assessed, or ought to be taxed?

Parks supposedly draw in a great deal, and it can be argued that maybe national parks—one of the biggest ones around here, of course, is Cedar Breaks—that the parks bring in so much that they ought not to be taxed, is one argument that could be made. Another is, if you tax Federal property in terms of Federal buildings and so forth that are within a city.

Do you think you ought to start making the differentiation between the type of property that is assessed, or would you assess all property the same, or do you have any thoughts on that?

Mr. LEAVITT. Well, I have not had deep thoughts, but if I can very quickly respond—No. 1, let us do the buildings first. You would expect the city to respond to a fire call. You would expect the police to go over there and protect it. Then I think it ought to be valued in that, if that is what you are talking about is an in lieu tax. The National Park Service may be a little bit different because they do provide their own ranger system. Now, I would have to think about that, but while there are services rendered, services expected, you should expect to count in the value of the services.

I appreciate the opportunity of being here.

Mr. UDALL. One of the arguments that was made to the Public Land Law Review Commission was that all these local government people demand Federal facilities, a new depot to be placed somewhere, or a new Federal military installation, they all come clamoring right in and say, oh, we desperately need this for jobs and payroll; please do us a favor and put this Federal structure not somewhere else, but right here in Utah. As soon as you get it placed in Utah, in they come and say, you do not know the terrible impact of this on the community; it is horrible, it has caused all kinds of expenses, please send Federal money. Do compensate us for having this Federal installation here.

I recognize that there are very broad ranges of impact that a Federal installation can have. One can be a real bummer—you know, cause tremendous impact on a community with no return at all. On the other hand, I have seen a few national parks in places that were real money-makers; that brought in 20 times the taxable base revenues and probably they did not cause any additional expense at all.

One of the recommendations of the Commission was, while you have a basic formula for payment in lieu of taxes, that you have the discount factor there of 20 or 30 or 40 percent maybe, that someone could appraise and say, oh, Cedar Breaks up here does not really have any impact on this county. As a matter of fact, it is a benefit to the county, and therefore we are going to discount 30 percent of the taxes we would pay. Give me a curbstone reaction to that one.

Mr. LEAVITT. I might answer by just asking a question back. Would we consider Anaconda Copper up there as an asset to us, because of the number of employees that is involved, as an asset to the State, and that we ought to be thankful for it?

Say, somebody is in the recreation business, the private entrepreneur, the one who developed it. Certainly, he would accept it, because it is going to bring people into the area. Do we avoid him from tax, a certain percentage, or do we abate? We have to ask ourselves and get back to very basic as to what it is and why we are asking him as a sponsor of this bill for this. If it is because these are Federal grounds, and they are to be treated like any of the taxpayers, we have to answer it in that vein.

Mr. UDALL. That is a pretty good answer of it.

Mr. LEAVITT. Let me hurriedly say, however, just recently, just in this last legislature, we did pass an abatement on taxes for cities that would formulate in a slum area—almost an urban renewal type of situation—where the improvements that go under that, the taxed are abated until such time that it is to help them become financially viable. I think I am saying that there are options there and alternatives. Think what private enterprise could do if they had had Zion National Park. If that were the case, you would find Washington County and Kane County taxing them accordingly.

By the same token, we need to take that into consideration.

Mr. UDALL. Thank you very much.

Mr. OWENS. Thank you for your testimony, Senator. It was very, very good.

Mr. UDALL. Is there anyone else that desires to be heard before we close these hearings?

Mr. JONES. May I ask one question?

No one has mentioned the money aspects. What is this going to cost, and how do you fit this in in trying to balance the budget, and this sort of thing? Are people back East willing to simply because they feel that part of the Western States should pay more taxes, or what?

Mr. UDALL. You cannot give any answer yet, because nobody has really studied where the Federal lands are precisely located, and what the tax rates are in that locality, and what the assessment would be, and so on. But an estimate was made by the Public Land Law Review Commission, if I can put my finger on it here, a few years ago. Under this existing hodgepodge of laws, the Federal Government paid out something like \$30 million or \$40 million. That may not be the figure, but it sticks in my mind.

One question you have to ask yourself first is, are we going to phase out this hodgepodge of payments? Because if we do, then you need to have a credit. That is money that is going to be there, that are spread out for payments in lieu of taxes anyway. The estimate we had—Dale, do you remember a specific estimate of what a nationwide payment would be?

Mr. PONTIUS. Right now, the payment estimated for 1975 for all the different revenue-sharing programs is \$225 million, estimated for fiscal 1975.

Mr. UDALL. \$225 million is being now paid out under the existing system, where we share revenues from the Federal lands.

Mr. PONTIUS. A 1967 estimate was that if they went to payment in lieu of taxes at that time, it would cost another \$97 million.

Mr. UDALL. We are talking about a \$350 million program that is to be shared among States that have Federal lands. Of course, though, that would vary depending whether or not you phase out these other programs.

Mr. JONES. Who is paying the \$350 million?

Mr. UDALL. General revenues. The taxpayers of the United States are saying to the Western States, mostly, we are burdening you with these lands. We are going to keep them, we are therefore going to be a good citizen and pay some taxes.

Mr. JONES. Are we going to pay part of it?

Mr. UDALL. Sure, to the extent that Utah citizens pay income tax.

Mr. JONES. Is that fair? We paid it in and get it back a little bit later.

Mr. UDALL. The tradeoff is very good from your standpoint.

Mr. OWENS. It is a 20 to 1 payoff. Utah is the third largest State with public lands. It is an attempt to correct the inequity which occurs in public land States, of which there are only about a dozen that have significant public lands.

Mr. JONES. I would agree on the tradeoff. But this gives the idea that the people back East feel responsibility, yet there is some feeling here—

Mr. UDALL. We understand the point you are making.

Mr. OWENS. \$300 million is one-tenth of 1 percent of the Federal budget this year. While it is significant, it is not obviously significant in terms of balancing the budget.

Mr. UDALL. This has been very helpful, very useful.

Mr. HARRIS. I cannot see how we can run on two systems. It looks like you have either got to phase the old one out, put a new one in entirely, or you have got to improve the old system to get this new approach.

Mr. UDALL. You are dead right.

Mr. HARRIS. I cannot see if you leave an option in there how you could ever operate two systems.

Mr. UDALL. You make a very, very valid point. I guess, as you see it, the Interior Committee that deals with all these Western problems used to be stacked with westerners up until 6 or 8 years ago, when the environmental movement really got started. I would sit there on the Interior Committee, and here would be Utah, Wyoming, New Mexico, and so on. No, we do not hold the balance of power, we westerners, any more; and we are getting some westerners who do not always vote the way the old, rural Western Congressmen used to vote, either. My guess is the majority of the committee is not going to support two systems.

The subcommittee stands adjourned. Thank you very much.

[Whereupon, at 4:25 p.m., the subcommittee recessed, to reconvene at the call of the Chair.]

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