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HEARING

BEFORE THE

SUBCOMMITTEE ON PUBLIC LANDS AND RESOURCES

OF THE

COMMITTEE ON ENERGY AND NATURAL RESOURCES UNITED STATES SENATE

NINETY-FIFTH CONGRESS

SECOND SESSION

ON

S. 74

A BILL TO AMEND THE ACT OF OCTOBER 20, 1976, RELATING TO PAYMENTS TO LOCAL GOVERNMENTS BASED UPON CERTAIN PUBLIC LANDS WITHIN THE BOUNDARIES OF THE JURISDICTION OF SUCH GOVERNMENTS, TO INCLUDE PAYMENTS FOR LANDS ON WHICH CERTAIN SEMIACTIVE OR INACTIVE MILITARY INSTALLATIONS ARE LOCATED

APRIL 10, 1978

Publication No. 95-115



Printed for the use of the
Committee on Energy and Natural Resources

U.S. GOVERNMENT PRINTING OFFICE
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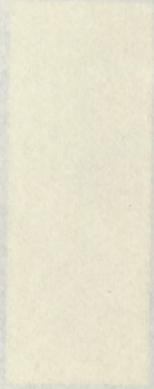
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THE HISTORY OF

THE

REIGN OF

THE

PAYMENTS IN LIEU OF TAXES

MONDAY, APRIL 10, 1978

U.S. SENATE,
SUBCOMMITTEE IN PUBLIC LANDS AND RESOURCES
OF THE COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:11 a.m., in room 3110, Dirksen Office Office Building, Hon. Dale Bumpers, presiding.
Present: Senators Bumpers, and Hansen.
Also present: Steven P. Quarles, counsel.

OPENING STATEMENT OF HON. DALE BUMPERS, A U.S. SENATOR FROM THE STATE OF ARKANSAS

Senator BUMPERS. This morning this hearing is on S. 74.

The Federal Government owns approximately 1,027,094 acres of land that are designated by the Army as semiactive or inactive installations and are retained by the Army for mobilization purposes or for support of reserve training. These are inactive military installations which are tax exempt.

I am especially familiar with this category of military installation because Fort Chaffee, a semiactive Army installation, occupies 10,827 acres in my home county of Franklin in Arkansas.

The tax immunity of these public lands places an unfair burden on the taxpayers within the counties and local government where the lands are located.

The Public Land Law Review Commission best summed up the problem with this recommendation:

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 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 land.

Recognizing this responsibility in the 94th Congress, Congress passed Public Law 94-565, the Payments in Lieu of Taxes Act, in order to partially compensate States and local governments for the impact of Federal ownership.

When the Senate Interior Committee considered this act late in the session, the committee unanimously recommended that counties where semiactive or inactive Army installations are located were entitled to payments under the payments in lieu of taxes bill.

However, this amendment and all the other amendments which had been added in the Senate Interior Committee were not considered by

the full Senate when the House bill, H.R. 9719, was brought to the floor.

If the Senate bill with the amendments had been passed, the legislation would have been returned to the House for concurrence, and that would have effectively defeated the bill during the waning hours of the session.

This legislative history is important because last year I introduced a bill, S. 74, to provide for payments to those counties where semi-active military installations are located to correct this omission in the Payments in Lieu of Taxes Act.

In many ways the counties where the inactive military installations are located have experienced a greater hardship than counties entitled to payments under the Payments in Lieu of Taxes Act. Most of these counties prospered when the bases were active and have had nothing to replace this revenue when the bases have been closed.

Over the years, the Congress has established programs to partially compensate States and local governments for the impact of Federal ownership, but in most cases the revenues they receive don't approach what would be received from property taxes if these were in private ownership.

I think this bill is a long overdue step toward solving a problem that is straining the fiscal health of those local governments where inactive military installations are located.

At this point I will place in the record the text of S. 74 and the departmental report.

[The material follows:]

S. 74

IN THE SENATE OF THE UNITED STATES

JANUARY 10, 1977

Mr. BUMPERS introduced the following bill; which was read twice and referred to the Committee on Interior and Insular Affairs

A BILL

To amend the Act of October 20, 1976, relating to payments to local governments based upon certain public lands within the boundaries of the jurisdiction of such governments, to include payments for lands on which certain semiactive or inactive military installations are located.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 6 (a) of the Act entitled "An Act to provide
4 for certain payments to be made to local governments by the
5 Secretary of the Interior based upon the amount of certain
6 public lands within the boundaries of such locality", approved
7 October 20, 1976 (90 Stat. 2662), is amended by re-
8 designating clauses (4) and (5) as clauses (5) and (6),

II

2

1 respectively, and adding after clause (3) a new clause (4)
2 as follows:

3 “(4) lands on which are located semiactive or in-
4 active installations, not including industrial installations,
5 retained by the Army for mobilization purposes and for
6 support of reserve component training;”.



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

APR 7 1978

Honorable Henry M. Jackson
Chairman, Committee on
Energy and Natural Resources
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

This responds to your request for our views on S. 74, a bill "To amend the Act of October 20, 1976, relating to payments to local governments based upon certain public lands within the boundaries of the jurisdiction of such governments, to include payments for lands on which certain semiactive or inactive military installations are located."

We recommend against enactment of the bill.

S. 74 would amend the Act of October 20, 1976 (90 Stat. 2662; 31 U.S.C. 1601), generally referred to as the "Payments in Lieu of Taxes Act," to add to the list of "entitlement lands," for which payments in lieu of taxes would be made, those lands on which are located semiactive or inactive Army installations which are used for mobilization or support of reserve component training. The bill would not include industrial installations.

Information which we have obtained from the Department of the Army and the latest Real Property Inventory indicate that non-industrial installations listed as inactive or semiactive comprise approximately 1,090,516 acres located in Arkansas, California, Georgia, Maryland, New York, Pennsylvania, South Carolina, Utah, Virginia, Washington, and Wisconsin.

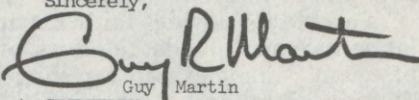
The Payments in Lieu of Taxes Act had, as its purpose, the amelioration of the adverse effects on units of local government of the presence of Federal lands, and compensation for the concomitant loss of revenue as a result of the tax immunity enjoyed by such lands. In considering the Payments in Lieu of Taxes Act in the 94th Congress, the House Committee specifically considered military lands and decided to exclude them. The reasons, given at page 10 of the House Report No. 94-1106, dated May 6, 1976, were (1) a need for fiscal constraint;

and (2) the belief that those lands do not demand the same level of government services as those included within the scope of the legislation. We agree with the House Committee. Military installations are generally fenced in and are not open to the public. Therefore, they do not generally have the public use that is typical of the entitlement lands covered by the Act. Thus, units of local government do not have to provide traffic control and other police services and cleanup, fire protection and other expensive services for these areas. In addition, units of local government which have these military installations within their jurisdiction may receive Federal impact aid for schools, thus further alleviating any burden that Federally owned areas may generate for local governments.

We have the following technical comments concerning S. 74. As presently drafted the bill contains no effective date. In addition, if the lands which would be added to entitlement lands under S. 74 generate any revenue to units of local government or entitle them to any payments, S. 74 would not require that such revenue or payments be deducted from the 75 cents per acre payment made under the Act. Therefore, it is possible that units of local government could receive two payments for lands which would be added to entitlement lands under S. 74. We see no justification for this double payment.

We have been advised by the Office of Management and Budget that it has no objection to the submission of our report to your Committee.

Sincerely,


 Assistant Secretary
 Guy Martin

Senator BUMPERS. This morning we have two witnesses: George Turcott, Associate Director, Bureau of Land Management, Department of the Interior; and Judge Glen Thames, county judge of Sebastian County, Ark.

Our first witness this morning is Mr. George Turcott.

We only have 1 hour to hold these hearings this morning, and so I may cut some of the testimony a little bit short. But we're very pleased to have you this morning, Mr. Turcott. I understand BLM's position on this. Please proceed.

STATEMENT OF GEORGE TURCOTT, ASSOCIATE DIRECTOR, BUREAU OF LAND MANAGEMENT, DEPARTMENT OF THE INTERIOR; ACCOMPANIED BY ELEANOR R. SCHWARTZ, CHIEF, DIVISION OF LEGISLATION AND REGULATORY MANAGEMENT; AND ED GREENBERG, CHIEF, DIVISION OF FINANCE

Mr. TURCOTT. Thank you, Mr. Chairman. I have on my left, Miss Eleanor R. Schwartz, the Chief of the Division of Legislation and Regulatory Management, and an expert witness on portions of this law; on my right is Mr. Ed Greenberg, Chief of the Division of Finance, who has had much to do with the implementation of containment of taxes.

I appreciate the opportunity to present the Department's views on S. 74.

This bill would amend the act of October 20, 1976, generally referred to as the Payments in Lieu of Taxes Act, to add to the list of entitlement lands for which payments in lieu of taxes would be made to those lands on which are located semiactive or inactive installations retained by the Army for mobilization purposes and for support of Reserve component training. It would not include industrial installations.

We recommend against enactment of S. 74.

Before discussing some of the issues involved, I would like to outline some of the factual background underlying S. 74.

According to information received from the Department of the Army, Army nonindustrial installations listed as inactive or semiactive comprise approximately 1,090,516 acres located in Arkansas, California, Georgia, Maryland, New York, Pennsylvania, South Carolina, Utah, Virginia, Washington, and Wisconsin.

The purpose of the Payments in Lieu of Taxes Act was to relieve units of local government from the burdens associated with the presence of certain Federal lands within their jurisdiction and to compensate them for the loss of revenue as a result of the tax immunity enjoyed by such lands.

The payment formula established in section 2 of the Payments in Lieu of Taxes Act provides for a maximum payments of 75 cents per acre of entitlement lands to units of local government. However, this payment cannot exceed a ceiling based on population, and it is further reduced by any revenue that is received by the unit of local government during the preceding fiscal year under the statutes listed in section 4 of the act.

The act provides an alternative payment of 10 cents an acre up to the same population ceiling.

We estimate that if S. 74 were enacted, payments would increase approximately \$313,661 over fiscal year 1977 payments. That is a slight correction of the prepared testimony, that dollar figure.

In considering the Payments in Lieu of Taxes Act in the 94th Congress, the House committee specifically considered military lands and decided to exclude them. The reasons given in the May 7, 1976, House report were a need for fiscal constraint, and the belief that those lands do not demand the same level of need for government services as those included within the scope of the legislation. And we concur in this conclusion.

It is generally true that military installations are fenced in and are not open to the public. They generally do not have the public use that is typical of the entitlement lands covered by the act. Thus, units of local government do not have to provide traffic control and other law enforcement activities, cleanup, road maintenance, fire protection, health facilities, rescue operations, and other expensive services for these areas.

In addition, units of local government which have these installations within their jurisdiction may receive Federal impact aid for schools, thus further alleviating any burden that federally owned areas may generate for local governments.

While there may be fiscal burdens associated with the tax-exempt status of the lands covered by S. 74, we know of no special circumstances that distinguish these lands from other equally less burdensome Federal lands which are currently excluded from coverage of the Payments in Lieu of Taxes Act.

For these reasons, we recommend that the bill not be enacted.

Our report contains additional technical comments concerning the bill.

Now, this concludes my prepared statement. And I will be happy to answer questions along with my associates, sir.

[The prepared statement of Mr. Turcott follows:]

STATEMENT OF GEORGE L. TURCOTT, ASSOCIATE DIRECTOR, BUREAU OF LAND MANAGEMENT, DEPARTMENT OF THE INTERIOR

Mr. Chairman, I appreciate the opportunity to present the Department's views on S. 74.

This bill would amend the Act of October 20, 1976, generally referred to as the Payments in Lieu of Taxes Act, to add to the list of entitlement lands for which payments in lieu of taxes would be made those lands on which are located semiactive or inactive installations retained by the Army for mobilization purposes and for support of reserve component training. It would not include industrial installations.

We recommend against enactment of S. 74. Before discussing some of the issues involved, I would like to outline some of the factual background underlying S. 74.

According to information received from the Department of the Army, Army non-industrial installations listed as inactive or semiactive comprise approximately 1,090,516 acres located in Arkansas California, Georgia, Maryland, New York, Pennsylvania, South Carolina, Utah, Virginia, Washington and Wisconsin.

The purpose of the Payments in Lieu of Taxes Act was to relieve units of local government from the burdens associated with the presence of certain Federal lands within their jurisdiction and to compensate them for the loss of revenue as a result of the tax immunity enjoyed by such lands.

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In considering the Payments in Lieu of Taxes Act in the 94th Congress, the House Committee specifically considered military lands and decided to exclude them. The reasons given in the May 7, 1976, House Report were a need for fiscal constraint, and the belief that those lands do not demand the same level of need for governmental services as those included within the scope of the legislation. We concur in this conclusion.

It is generally true that military installations are fenced in and are not open to the public. They generally do not have the public use that is typical of the entitlement lands covered by the Act. Thus, units of local government do not have to provide traffic control and other law enforcement activities, cleanup, road maintenance, fire protection, health facilities, rescue operations, and other expensive services for these areas. In addition, units of local government which have these installations within their jurisdiction may receive Federal impact aid for schools, thus further alleviating any burden that Federally-owned areas may generate for local governments.

While there may be fiscal burdens associated with the tax-exempt status of the lands covered by S. 74, we know of no special circumstances that distinguish these lands from other equally less burdensome Federal lands which are currently excluded from coverage of the Payments in Lieu of Taxes Act. For these reasons, we recommend that the bill not be enacted.

Our reports contain additional technical comments concerning the bill.

This concludes my prepared statement. I will be happy to answer any questions you may have on this matter.

Senator BUMPERS. Mr. Turcott, of the 1,027,094 acres in inactive status, are you aware that 621,000 of that is in Fort Erwin in San Bernardino, Calif.?

Mr. TURCOTT. Yes, sir.

Senator BUMPERS. Were you also aware that San Bernardino County is already virtually at the ceiling permissible under the Payments in Lieu of Taxes Act?

Mr. TURCOTT. I'm not aware of that, sir.

Senator BUMPERS. That is correct; is it not?

Mr. GREENBERG. That's correct; yes, sir.

Senator BUMPERS. That leaves only 400,000 acres for which payments would have to be made.

Did you take that into consideration in computing your costs to this bill?

Mr. GREENBERG. Yes; we did, sir.

Senator BUMPERS. Could you give me a brief rundown of how you computed the costs?

Mr. TURCOTT. Yes, sir, we'd be glad to do that. We have it prepared.

Senator BUMPERS. If you will just submit that to me before you leave here, we will have that inserted in the record. I would like to see the computations and how they were computed.

Mr. TURCOTT. Yes, sir.

[The information requested follows:]

PAYMENTS IN LIEU OF TAXES (PILT)—ESTIMATED PAYMENT ADJUSTMENTS FOR INACTIVE AND SEMI-ACTIVE ARMY NONINDUSTRIAL INSTALLATIONS ON FISCAL YEAR 1977 PAYMENTS

State and local unit of government (payee)	Army nonindustrial installation		Entitlement acreage (actual, fiscal year 1977)	Total proposed acreage, including S. 74	Estimated payment under Public Law 9-565, including S. 74	Actual fiscal year 1977 payment	Estimated payment increase under S. 74
	Name	Acres					
Arkansas:							
Crawford County	Fort Chaiffee	262	88,666	88,928	\$45,390	\$45,194	\$196
Franklin County	do	10,932	108,342	119,274	61,167	52,967	8,200
Sebastian City	do	59,886	14,174	74,060	46,915	2,001	44,914
Subtotal							53,310
California:							
Santa Barbara City	USDB Lompoc	3,163	660,266	663,429	479,570	477,198	2,372
Alameda City	Camp Parks	2,268	86	2,354	1,765	0	1,765
San Luis Obispo City	Camp Roberts	42,361	311,442	353,803	251,933	220,163	31,770
Los Angeles City	Fort McArthur	96	680,955	681,051	416,498	416,426	72
San Bernardino City	Fort Irwin	668,940	7,585,205	8,254,145	875,386	875,386	0
San Bernardino County	County also received a sec. 3 payment of				7,304	7,304	0
Subtotal							35,979
Georgia:							
Camden City	Kings Bay Ocean Terminal	8,823	15,499	24,322	18,421	11,624	6,617
Camden County	County also received a sec. 3 payment of				4,840	4,840	0
Subtotal							6,617
Maryland: Baltimore City		238	4	242	181	0	181

PAYMENTS IN LIEU OF TAXES (PILT)—ESTIMATED PAYMENT ADJUSTMENTS FOR INACTIVE AND SEMIACTIVE ARMY NONINDUSTRIAL INSTALLATIONS ON FISCAL YEAR 1977 PAYMENTS—Continued

State and local unit of government (payee)	Army nonindustrial installation		Entitlement acreage (actual fiscal year 1977)	Total proposed acreage, including S. 74	Estimated payment under Public Law 9-565, including S. 74	Actual fiscal year 1977 payment	Estimated payment increase under S. 74
	Name	Acres					
New York:							
Jefferson County	Camp Drum	107,265	0	107,265	80,449	0	80,449
New York City	Military Ocean Terminal (194), Fort Totten (92)	286	2,014	2,300	1,725	1,511	214
	Subtotal						80,663
Pennsylvania:							
Chester City	Valley Forge General Hospital	55	320	375	281	240	41
Lebanon City	Indiantown Gap Military Reservation	64	0	64	0	0	0
	Subtotal	41					
South Carolina:	Charleston Army Depot	1,004	189,287	190,291	19,023	18,929	100
Utah:	Fort Douglas	119	95,031	95,150	66,230	66,201	89
	Subtotal						
Virginia:	Camp A. P. Hill	77,028	19	77,047	57,785	0	57,785
Carolina County would also be entitled to a sec. 3 payment of					65	0	65
Nottoway County	Camp Pickett	44,926	0	44,926	33,694	0	33,694
	Subtotal						
Washington:	Camp Bonneville	3,201	1,534	4,555	456	153	303
Wisconsin:	Camp McCoy	59,779	0	59,779	44,834	0	44,834
	Total (secs. 1 and 3 payments)						313,661

Senator BUMPERS. Let me ask you a couple of other questions, Mr. Turcott. And that is, for example, in my home county of Fort Chaffee, it's on an inactive status, and yet there's a cadre of people there, all of whom live within the proximity of the base. And those people live in areas where services are provided, but they work in a place where no tax benefits accrue to the county.

Now, for example, if there were a million-dollar payroll, say, at Fort Chaffee, by an industry, that industry would be paying taxes.

Do you not feel that the Federal Government has any obligation to pay for, say, the 50,000 or so acres in Fort Chaffee? Because there are people who are actually working there and receiving community services, but their employer pays nothing.

Mr. TURCOTT. Well, no, sir. We feel, for the reasons stated in the departmental report and my testimony, that it should not be a part of a payment-in-lieu-of-taxes program.

Senator BUMPERS. Let me ask you one other question. Would BLM object to an amendment to the payment-in-lieu bill to provide that school districts receive a part of the funds?

Mr. TURCOTT. Well the way the law reads now, they are not entitled to direct payments under the act. We feel that the county, with certain exceptions in New England, is the local unit of government. This is reflected in the whole legislative history on this point. And we feel that county governments, in general, or the township governments from New England, are so interlocked in terms of the maintenance and support of public schools that we would object to funds going directly to the schools, yes.

We think it should go to the county for redistribution in their working relationship with the school districts.

Senator BUMPERS. Let me give you another illustration. The school tax, for example, in my State is easily the biggest share of the tax that people pay on property. Let's say that out of an \$80 million total, somebody is going to pay, \$60 million of it would go to the school district.

Now the children of people, for example, who work at Fort Chaffee attend the public schools, but their employer contributes nothing to the school district.

Do you think that's fair?

Mr. TURCOTT. Could I ask you to repeat the question, sir, because you're speaking about your own area, and I am not familiar with it.

Senator BUMPERS. Well I assume that this—

Mr. TURCOTT. I assume there's impact aid from the Federal Government for these schoolchildren to the school districts where they go to school.

Senator BUMPERS. Well impact aid from the military establishment, I haven't kept up with it since I left the Governor's office, but I think it's being eroded on almost an annual basis. Every President has always tried to stop Federal impact aid to school districts.

I don't know what the status is now.

Mr. TURCOTT. Well, as I said, sir, I can't deviate from the administration's position on this testimony on this bill. I certainly think that schoolchildren should have adequate schools and be properly financed. I believe that the law provides impact aid for schoolchildren, just as my schoolchildren, out in Fairfax City, were taken care of through this process. I believe that is the means to do it.

Senator BUMPERS. Getting back to the question I asked about an amendment to the payments in lieu bill to provide that at least school district—I'm not sure how the law reads now. Staff could probably tell me. But I'm just curious as to whether or not. Do you know whether the payment in lieu bill leaves payment to school districts as a discretionary matter to the States and counties? Is it discretionary?

Mr. TURCOTT. Yes; it is.

Senator BUMPERS. All right.

Mr. Turcott, in your testimony you said that the House committee last year rejected the concept of military lands and decided to exclude them because of fiscal restraint. But they were including all military bases, were they not? They weren't just talking about inactive military establishments?

Mr. TURCOTT. My reading of the House report, it's the umbrella phrase "military lands," which would include industrial, all types of military land.

Senator BUMPERS. Active and inactive.

Mr. TURCOTT. Yes, sir.

Senator BUMPERS. Of course, you realize that we are talking about inactive lands which provide no industrial or any other kind of activity from which the county governments, and the cities and the school districts benefit.

Mr. Turcott. Yes, sir, we're aware of that.

Senator BUMPERS. I will say this—and, I think Judge Thames is going to testify to this in just a minute. We went through a boom or bust down there. They opened and shut Fort Chaffee. And they'd open it and shut it. And, quite frankly, I'm not anxious to ever see it re-opened because we have just been through that trauma too many times. And Sebastian County, Fort Smith has a very viable economy now, and I just would hate to see that problem regenerated. But, by the same token, I do think the Federal Government as a matter of equity ought to pay some fair amount of money for taking out such an inordinate amount of lands.

My father was a small town businessman in Charleston, which is just 23 miles down the road, and over 10,000 acres of the best trade territory in my small hometown was taken for Fort Chaffee. And to be quite frank with you, Charleston has never recovered from that and never will because all the south of the little town I grew up in—and, as I say, where my father was a small town merchant—is gone, been gone since 1941, and they really never recovered from it.

Well, Mr. Turcott, I appreciate very much your coming over here. Thank you for your testimony.

Mr. TURCOTT. Thank you, sir.

Senator BUMPERS. Judge Thames, you are our next witness.

Judge Thames, welcome to this hearing. I appreciate very much your coming up. I've already reviewed your testimony, but my good colleague and friend from Wyoming hasn't heard it. And we are all very anxious to hear it. And we appreciate the time you've taken to prepare it and the time you've taken to come up here and testify.

STATEMENT OF JUDGE GLENN THAMES, SEBASTIAN COUNTY, ARK.

Judge THAMES. All right. I could eliminate some of the history. Do we have time for the entire testimony?

Senator BUMPERS. I think that we probably do, Judge.

Judge THAMES. All right.

Senator BUMPERS. Just go right ahead.

Judge THAMES. Mr. Chairman, thank you for the opportunity to bring information to you concerning the impact that Fort Chaffee has upon Sebastian County.

Fort Chaffee is contained in three western Arkansas counties: Sebastian, Franklin and Crawford Counties. By far the largest portion of the Fort is in Sebastian County, and I will confine my remarks primarily to the influence that the Fort's location has on Sebastian County.

Sebastian County is the fourth smallest county in Arkansas, but it contains the second largest population in the State and is one of the counties in the Fort Smith standard metropolitan statistical area. The other county in that SMSA in Arkansas is Crawford County.

Sebastian County contains approximately 527 square miles of land, including the land that lies within the boundaries of Fort Chaffee. Fort Chaffee takes up 93 square miles of land inside Sebastian County. That is 17.6 percent of all the land area contained in the county.

The part of Fort Chaffee contained in Franklin County is not small. Franklin County includes approximately 17 square miles of military land, which is 3 percent of the total land area in that county. The amount of military land in Crawford County, however, is small, totalling only 261 acres.

When such large areas as I have described are located in any county, the use, or the lack of use, of that land has a major impact on growth, development, tax base, and general welfare of the entire county.

This, of course, has been historically true of Fort Chaffee, is true now, and as far as it is possible for us to know, it will be true into the indefinite future.

In the past, Fort Chaffee has had a strong economic impact on Sebastian County and its communities. Fort Chaffee was established during World War II as Camp Chaffee. From 1947-50, the camp was generally on inactive "stand by" status, and then, in 1950, it was reactivated. Again in 1959, the fort was declared inactive and remained on a caretaker status until 1961 when it was reactivated again. The fort was declared inactive again in 1965. Currently, the fort is considered semiactive and supports summer training activities, except when it was fully activated as a Vietnamese relocation center in May 1975.

During the 1950's and 1960's, this opening, closing and opening of the fort caused a series of boom and bust cycles in Sebastian County. This created devastation in the real estate industry, in commercial activities, in industrial development and in the development of schools and other public agencies.

Sometimes there would be as many soldiers at Fort Chaffee as there were civilians in the entire county. Then all of a sudden they were gone. It was impossible for the county and its communities to plan orderly development and economic activity.

At times you would find rents, for example, tremendously high for the quality of the home and at other times hundreds of good structures would stand empty.

That boom and bust cycle has, for the most part, ended, but the simple fact that Fort Chaffee exists with its enormous size is still effecting the growth and the future of the country.

We understand the need of the Army to retain Fort Chaffee and expect that need to continue. The citizens of Sebastian County have always tried hard to be good neighbors to the Army and, for the most part, have succeeded.

Many of you will remember the Vietnamese relocation effort at Fort Chaffee that I mentioned before. The citizens of Sebastian County earned national recognition for the way they accepted the refugees and the relocation effort.

Even though the people of Sebastian County do understand the need for Fort Chaffee and its activities, it seems a matter of equity that a certain portion of the cost associated with the simple existence of the installation be reimbursed by the Federal Government.

Let me elaborate. Land is taxed in Sebastian County, of course, as it is everywhere in the United States. If the land in Fort Chaffee were in private hands and remained completely undeveloped, it would be currently taxed at a rate that would produce a total of \$1.3 million annually for the cities, counties, and schools. The county government would get \$92,700 of those funds.

If the land contained in Fort Chaffee were developed at the same rate that other rural areas are currently developed, the total tax revenue would be \$1.4 million and the county government would receive \$98,600 of those funds.

This may seem like a rather small amount of money, but it isn't to the Sebastian County government, with a total budget of \$4.5 million in 1978. That money could, for example, pay for half the total cost of operating the county jail, pay the entire cost of operating the county landfill, or pay the entire cost of operating the county's essential ambulance service. The school system could construct a new elementary school with its share of the tax money that is now absent.

Let me emphasize that the first figure I gave you, \$1.3 million, was based on the assumption that the land would remain undeveloped and vacant land. The tax revenue from that land would be additional revenue to the county with no additional significant costs being assumed.

Now to vary a little bit from the tax. I was very conservative in the amount of money from taxes. This didn't include any industry that might locate there or personal tax. There's other sources of taxes if this land was opened for private use and was developed.

Or another way to look at it is to say that Fort Chaffee deprives the counties and schools of more than 1 million dollars of additional revenue each year simply by its existence.

This is particularly critical revenue in our county because we are experiencing a high growth rate and our tax revenues are not keeping up with our needs for several years.

I said that we feel that the question of the Federal Government paying a sum equal to the taxes on undeveloped land is a matter of simple equity.

There are precedents for such payments. Arkansas has an industrial development program called the act 9 program. That program uses the tax free status of counties and cities to provide bond money to build industrial facilities that are then rented to an industrial firm. Those firms, of course, do not then pay taxes on that property. However, in every case of such a bond issue in Fort Smith and Sebastian County, the industrial firm contributes a payment in lieu of taxes each year equal to what would pay if they were not under the act 9 program.

In addition, the Congress has already recognized the justice of such payments to local government by passing Public Law 95-565 in 1976. Under that law, the Federal Government now makes payments in lieu of taxes to local governments where such lands as national forests, national parks, and land used for reservoirs are found within the jurisdiction of the local governments.

It seems reasonable that inactive and semiactive military reservations such as Fort Chaffee be included in the list of those for which payments in lieu of taxes are made. Insofar as the results are concerned, the effect of inactive an semiactive military reservations is identical to the lands already included in the eligible list.

Often, people point to the fact that an installation such as Fort Chaffee contributes money to a local economy when it is used for training purposes and when it is operated as an active installation. That, of course, is true, and we in Sebastian County appreciate the fact. However, realistically, this money does not help the tax revenue of local governments except in a very indirect and diffused way. Maybe that money could help a commercial firm expand business and such an expansion will eventually result in some additional assessment. But often as not, the funds are absorbed by the current capacity of business and there is no increase in the direct tax funds.

Local governments all over the Nation are having trouble providing services because of an insufficiency of direct tax income and this is true of Sebastian County and its communities.

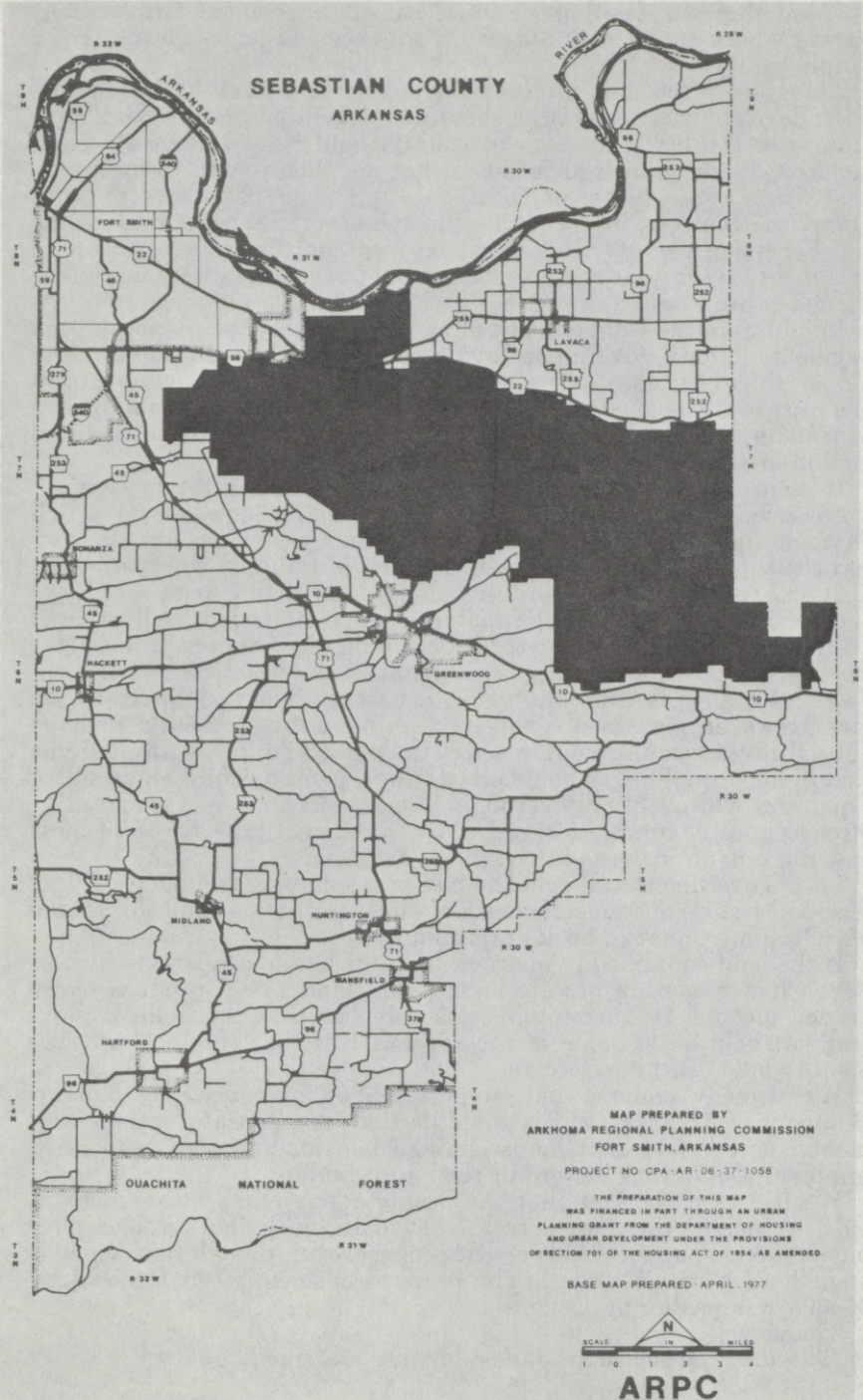
If the land contained in inactive and semiactive intallations such as Fort Chaffee were in private hands, that land would produce badly needed income. It, therefore, seems only fair that the Federal Government help offset some of the revenue loss that the local governments would otherwise receive.

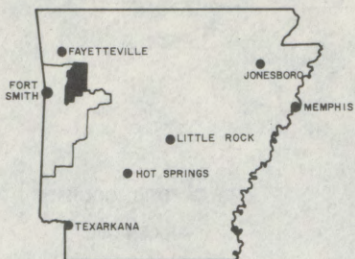
We strongly endorse and support S. 74, introduced by Senator Bumpers, of Arkansas, which would partially compensate local governments for the fact that lands contained in inactive and semiactive military reservations lie within their jurisdiction.

We feel as if the fact that the Senate approved an amendment in 1976 to include these lands in the list of those eligible for such payments further supports the current proposal even though that amendment had to be set aside in the press of business when Public Law 95-565 was passed by Congress.

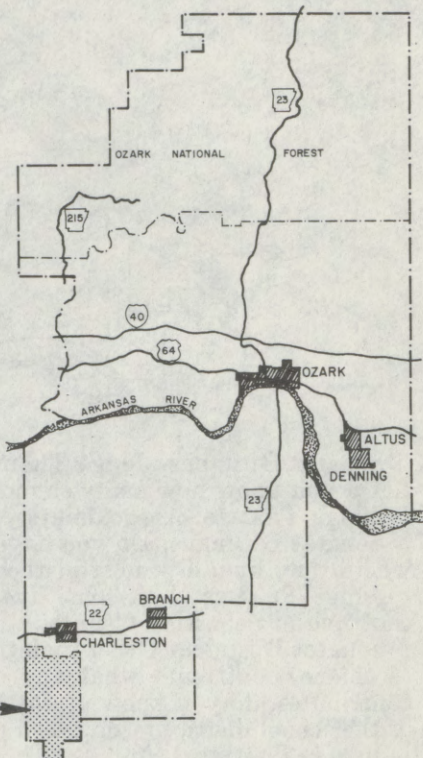
Thank you.

[The maps attached to Judge Thames statement follow:]

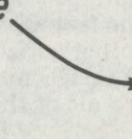


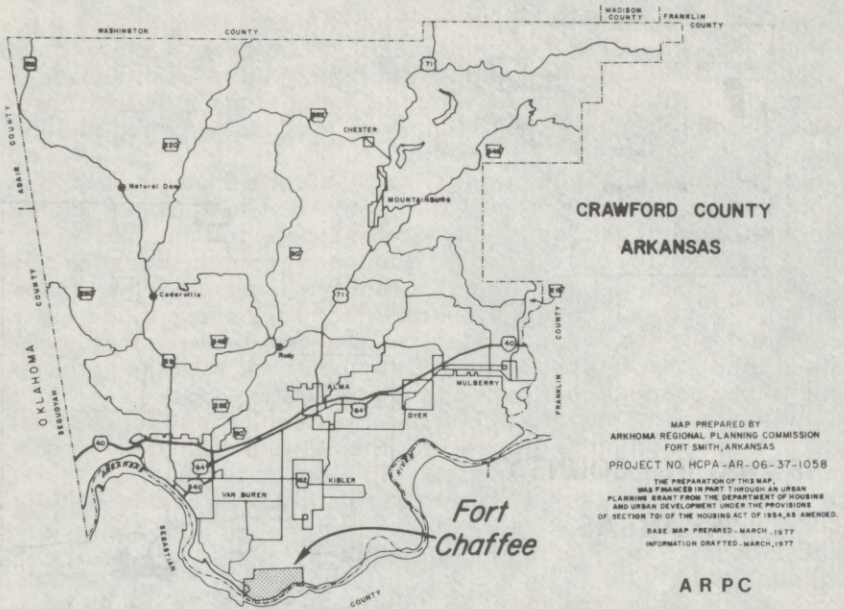


**FRANKLIN COUNTY
ARKANSAS**



Fort Chaffee





Senator BUMPERS, Judge Thames, thank you.

Do you know how many employees there are at Fort Chaffee now?

Judge THAMES. Approximately 100.

Senator BUMPERS. Do you have any idea where they are dispersed, where they live? Do most of them live in Sebastian County?

Judge THAMES. Yes; some live in Franklin. I think about 80 percent live in Sebastian County.

Senator BUMPERS. Other than the fact that they live in the city and, of course, contribute what any other citizen that works anywhere contributes, do you know of any other contributions that the county or the school district receive as a result of their employment there?

Judge THAMES. No.

Senator BUMPERS. How many months a year or how many days a year is the base activated for summer training? Do you know that?

Judge THAMES. About 4 months.

Senator BUMPERS. Four months?

Judge THAMES. Yes; out of the year.

Senator BUMPERS. How many people are normally there?

Judge THAMES. They come in waves every 2 weeks, and approximately 5,000 rotating every 2 weeks.

Senator BUMPERS. And the other 8 months it's just idle?

Judge THAMES. Idle. And this caretaker force, of course, does vary because they do hire contractors for painting and, you know, repairs, that type of activity.

Senator BUMPERS. Let's see, 17.6 percent of Sebastian County.

Judge THAMES. Yes, sir.

Senator BUMPERS. 93,000 acres?

Judge THAMES. Yes, sir.

Senator BUMPERS. In Sebastian County, for which you get nothing.

Judge THAMES. Did I get what, sir?

Senator BUMPERS. For which the county gets nothing.

Judge THAMES. What I get, nothing, right. The county gets nothing.

Senator BUMPERS. Well, Judge Thames, you've really made a better argument than I made with the speech I made when I introduced this bill. You've given us some very good statistics and I appreciate that.

Senator Hansen, do you have any questions or comments on this?

Senator HANSEN. Let me join with you, Mr. Chairman, in complimenting Judge Thames for his excellent presentation. That term "county judge" I think is roughly synonymous with the term "county commissioner" in the West. I was a county commissioner and represented a very small county in northwestern Wyoming which has a rather dubious distinction now as being about 98 percent federally owned. And I can assure you I'm very sympathetic with the problems that you so pointedly portray in your presentation.

I was asking the chairman if I was correctly inferring that the total cost of this legislation as proposed for the States indicated here would be \$313,000. You know, usually they drop the three ciphers.

Senator BUMPERS. Yes, you just can't hardly get a hearing held for \$300,000.

Senator HANSEN. You're exactly right.

[Laughter.]

Senator HANSEN. I would hope very much that this piece of legislation will go zinging through. It certainly will have my support. Thank you.

Judge THAMES. It will certainly help us in Sebastian County and also Franklin County.

Senator BUMPERS. Senator Hansen, let me express my personal thanks to you for coming this morning and also for the comments you just made to indicating your support for it.

Senator HANSEN. That may not be too helpful in the overall concept, Mr. Chairman. I'm usually on the losing side.

Senator BUMPERS. Well normally when you get Hansen and Bumpers both for something it's got to be good. [Laughter.]

I would make just one other point, and that is, if you carried the extension of the BLM's argument—and they were here before you came in—opposing the bill, but if you carried the extension of their arguments to its ultimate, presumably the Federal Government could own all the land. And, of course, you are very much in this posture with the Federal ownership of high percentages of Wyoming. Of course, we are considerably more densely populated. But conceivably they could own 75 percent of the State and pay absolutely nothing for it, just leave it lying idle. And that was the reason for the payments in lieu bill because all the forest lands are lying idle, and the school districts getting nothing for it, no tax base. And that's one of the reasons States have heavy Federal ownership, such as you have, have always had a tough time making ends meet.

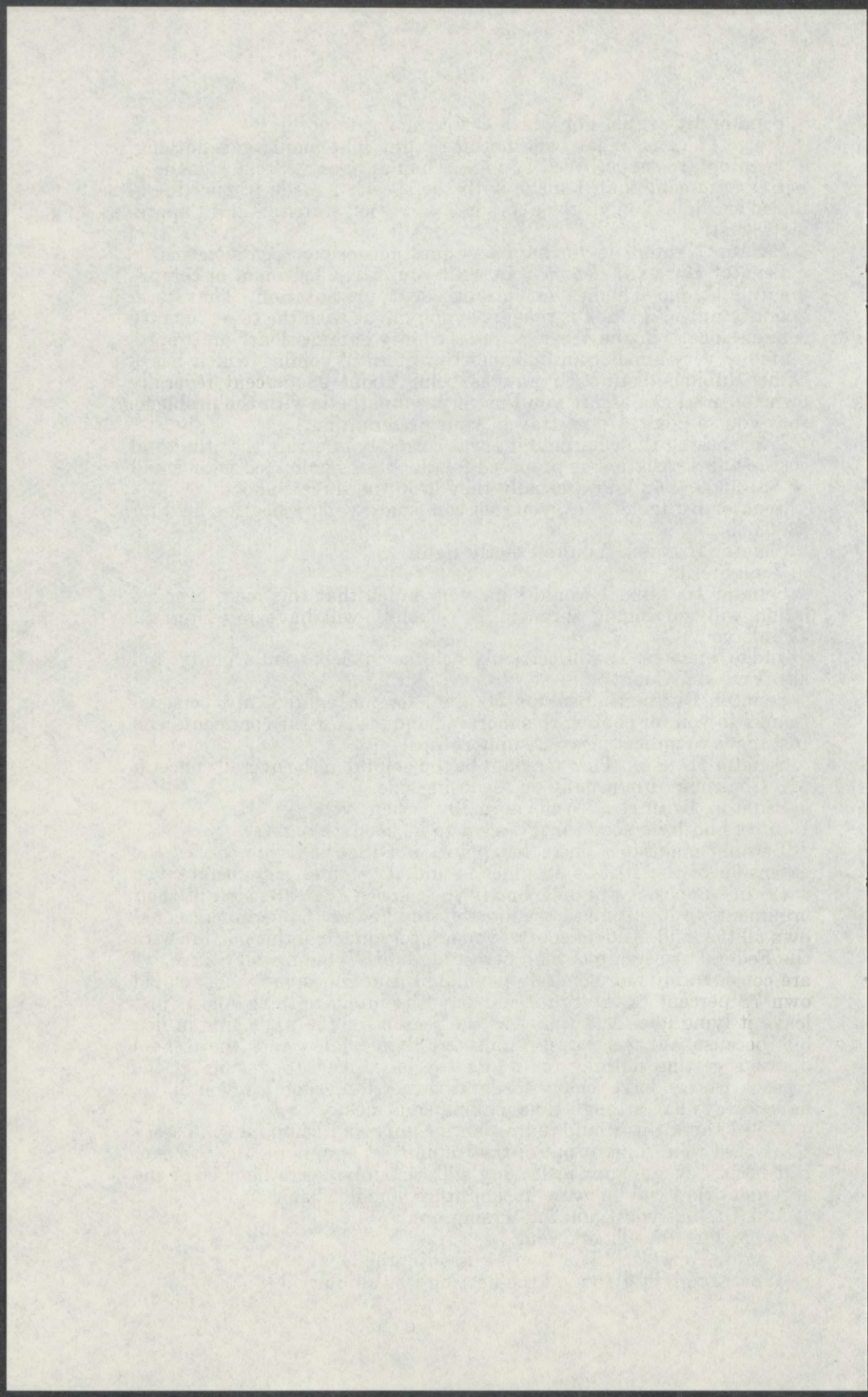
Well I think this would redress an inequity and I hope it will pass. I think that we can get it out of the committee, and, hopefully, we can. But in any event, your testimony will certainly weigh heavily in the argument that will be made in the future, Judge Thames.

And I thank you again for coming up.

Judge THAMES. Thank you.

Senator BUMPERS. The hearing is adjourned.

[Whereupon, at 9:45 a.m. the hearing was adjourned.]



APPENDIX

ADDITIONAL STATEMENT FOR THE RECORD

STATEMENT OF JIM EVANS, LEGISLATIVE REPRESENTATIVE, NATIONAL ASSOCIATION OF COUNTIES (NACo)

Mr. Chairman, the National Association of Counties * (NACo) is pleased that the Subcommittee on Public Lands and Resources is holding these hearings on legislation to add inactive military installations as entitlement lands in the payments-in-lieu of taxes program.

NACo supports S74, sponsored by Senator Dale Bumpers of Arkansas. This Legislation recognizes the tax immunity burden to local governments with semi-active or inactive military installations located within their boundaries. The legislation amends Public Law 94-565 (90 stat. 2662), referred to as the Payments-in-Lieu of Taxes Act, to qualify inactive military installations as entitlement acres under section 6 of the act.

NACo believes S. 74 is consistent with the findings of the public land law review commission who found that counties must still finance full local government services countywide, such as law enforcement, road maintenance, health services, etc., despite a restricted tax base caused by the tax immunity of federally owned lands.

Our analysis of S. 74 indicates that it would add approximately 1,027,094 entitlement acres to Public Law 94-565 at an estimated annual cost of approximately \$304,000 per year.

It is our understanding that S. 74 would qualify the following installations that would result in additional payments under Public Law 94-565:

<i>Installation and County</i>	<i>Acreage</i>
Fort Pickett, Va.:	
Brunswick.....	8, 397
Dinwiddie.....	12, 030
Nottoway.....	24, 499
Total.....	44, 926
Fort A. P. Hill, Va., Caroline.....	77, 028
Total.....	121, 954
Fort Drum, N. Y.:	
Jefferson.....	104, 426
Lewis.....	2, 839
Total.....	107, 265
Fort McCoy, Wis., Monroe.....	59, 779
Total.....	167, 044
Fort Chaffee, Ark.:	
Sebastian.....	59, 636
Franklin.....	10, 857
Crawford.....	261
Total.....	70, 754

*The National Association of Counties is the only national organization representing county government in America. Its membership includes urban, suburban, and rural counties joined together for the common purpose of strengthening county government to meet the needs of all Americans. By virtue of a county's membership, all its elected and appointed officials become participants in an organization dedicated to the following goals: improving county government; serving as the national spokesman for county government; acting as a liaison between the nation's counties and other levels of government; and, achieving public understanding of the role of counties in the federal system.

Installation and County

<i>Installation and County</i>	<i>Acreage</i>
National Guard Camp Roberts, Calif.:	
San Luis Obispo.....	35, 041
Monterey.....	17, 290
Total.....	42, 331
Branch USDB, Lompoc, Calif., Santa Barbara.....	3, 159
Total acreage.....	405, 243

At 75¢ per acre (the maximum payment under Public Law 94-565) the above acreage would result in an additional annual cost of \$303,932.

The following installations that would qualify under Public Law 94-565 would not result in any additional payments or cost:

<i>Installation and County</i>	<i>Acreage</i>
Fort Indiantown Gap, Pa., Lebanon.....	64
Fort Irwin, Calif., San Bernardino.....	621, 459
Total acreage.....	621, 523

The Fort Indiantown Gap acreage would not result in an additional payment under Public Law 94-565 because no payment is made less than \$100. The Fort Irwin acreage would not result in an additional payment under Public Law 94-565 because current payments to San Bernardino County, Calif., with 7.5 million current entitlement acres, are already limited by the population ceiling in the payment-in-lieu formula. San Bernardino County already qualifies for the maximum payment allowable under provisions of Public Law 94-565.

OTHER CHANGES TO PUBLIC LAW 94-565

NACo supports several other changes your committee may wish to consider to modify and improve the payments-in-lieu of taxes act.

1. *Exchanged lands.*—In many areas of the country a “checkerboard” pattern of mixed federal/state/local/private land ownership exists within a given county. Often it is in the best interests of the Federal land management agencies to exchange lands with State and local Governments in order to consolidate Federal holdings for management purposes. Local and State Governments are now financially discouraged from such exchanges because section 6(a)(4) disqualifies such exchanged lands from being entitlement lands. Payments to counties would be decreased by the amount of lands exchanged.

Your committee may wish to delete or amend section 6(a)(4).

2. *Lands acquired by State or local governments acting as agent for the Federal Government.*—Section 6(a)(4) of Public Law 94-565 also disqualifies from entitlement acreage, lands acquired by the Federal Government if the lands were once in State or local ownership. This section disqualifies such lands as the Great Smoky Mountain National Park in Tennessee and North Carolina, and has prohibited payments for the tax immunity of these lands. NACo does not believe the Congress intended this disqualification. The Senate Report, (94-1262) accompanying the payments-in-lieu of taxes act, specifically indicated Cocks County, Tenn., with roughly 38 percent of its land in either a national forest or within the Great Smoky Mountains National Park, as an example of a county who would qualify for payment.

Your committee may wish to delete or amend section 6(a)(4) to remedy this inadvertent disqualification.

3. *Payment formula.*—The current payment formula may be unfair to many counties with extremely small populations and large acreages of tax exempt lands, and to counties with a large influx of visitors not counted in the Census Bureau population.

The Senate Interior Committee in 1976 approved a payment formula called the “Okanogan County Formula” that would qualify these counties for their full population limit in Public Law 94-565.

Your committee may wish to consider this revised payment formula.

ADDITIONAL ENTITLEMENT LANDS

NACo supports as separate pieces of legislation several proposals to add other types of Federal lands as entitlement acreage. The Payments in Lieu of Taxes Act now qualifies as entitlement lands: National forests, national parks, wilderness areas, BLM lands, and water resource lands administered by the Army Corps of Engineers and Bureau of Reclamation.

NACo supports pending legislation that has been introduced to add the following types of Federal Lands:

1. *Fish and wildlife reserves.*—H.R. 8394 has been introduced to add as entitlement lands approximately 30.8 million acres of lands administered by the Fish and Wildlife Service. Hearings have been held to consider this legislation by the House Merchant Marine and Fisheries Committee.

2. *Indian trust lands.*—S. 1168 has been introduced to add as entitlement lands approximately 50.9 million acres of Indian trust land. No hearings have been scheduled to consider this legislation. NACo urges this committee to schedule hearings to consider this legislation.

3. *All Other Federal Lands.*—H.R. 3668 has been introduced to enact a payment-in-lieu of taxes system for all other Federal lands not qualified under Public Law 94-565. No hearings have been scheduled to consider this legislation.

CONCLUSION

NACo believes S. 74 should be enacted as a modest addition to the payments-in-lieu of taxes program.

NACo has hailed this program as the "Good Neighbor Legislation of 1976" because it recognized the tax immunity impact of federally owned lands. We believe it has resulted in improved working relationships between the local, State, and Federal Governments.

NACo believes the U.S. Department of Interior, Bureau of Land Management has done an excellent job to implement this act. Secretary of Interior, Cecil Andrus and his staff should be commended. Although there are some pending protests concerning about 2 percent of the payment, acreage and population data, NACo believes this is not unusual for the first full year of a new Federal program. The program provides for a protest procedure to insure the accuracy of payment data. In fact, NACo would urge other Federal agencies to look on the payments-in-lieu of taxes program as a model. The U.S. Department of Interior administers the program with a remarkably low administrative cost of less than 0.2 percent.

Thank you for the opportunity to express the view of the National Association of Counties.



