United States General Accounting Office

GAO

Report to the Honorable
Vic Fazio, House of Representatives

September 1998

LAND MANAGEMENT AGENCIES

Revenue Sharing Payments to States and Counties

GAO/RCED-98-261

GAO

United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-280751

September 17, 1998

The Honorable Vic Fazio
House of Representatives

Dear Mr. Fazio:

Federal land management agencies within the Department of the Interior and the Forest Service, within the U.S. Department of Agriculture, administer numerous revenue-sharing programs to compensate states and counties for the tax-exempt status of federal lands within their boundaries. The Congress has enacted several programs that add to a complex system for fully and fairly compensating states and counties for the federal presence. Concerned about the level of complexity of these programs as well as whether counties are receiving their "fair share," you asked us to provide information on these federal compensation programs.

Specifically, we agreed to provide information on (1) the programs that the federal land management agencies use to compensate states and counties and identify the major differences among these programs; (2) the processes that California, Oregon, and Washington use to distribute the federal payments to the counties and the major differences among them; and (3) the amount of federal compensation that California, Oregon, and Washington received and distributed to their counties compared with the amounts that the federal agencies calculated as attributable to the receipts generated in the counties during fiscal years 1995 through 1997.

Results in Brief

Twenty-one of the 22 revenue-sharing programs administered by the land management agencies—the Forest Service, Bureau of Land Management, Minerals Management Service, and Fish and Wildlife Service—share the receipts derived from the use, extraction, or sale of natural resources from federal lands located within the boundaries of certain states, counties, or territories. The Bureau of Land Management also compensates counties by providing payments in lieu of taxes that would have been received by these jurisdictions if the federal lands were privately owned. Nationwide, these payments total about $1 billion annually. Many of the programs and payments are crosscutting. That is, more than one agency is involved with the collection and distribution of receipts, and in other cases, payments under certain programs are offsets—deductions—from other programs. Moreover, these programs contain a multitude of differences, such as the formulas for the distributions; the recipients of the payments; and the timing, number, or specified uses of the payments. As a result, the picture of all of the revenue-sharing programs together is a complex one.

California, Oregon, and Washington have implemented laws, systems, and processes for distributing federal revenue-sharing funds to their counties. However, federal compensation laws generally provide the states with wide latitude in retaining or distributing the land management agencies' revenue-sharing payments to the states. While the states' distribution systems and processes are similar, numerous differences exist among California, Oregon, and Washington states' laws, such as those specifying paying or not paying interest on the funds distributed. In some instances, the differences in the states' distribution methodologies and requirements affected the amount of revenue-sharing funds that the counties received and affected the purposes for which the counties could use the distributed funds.

During fiscal years 1995 through 1997, the three states received about $660 million in total federal compensation from the land management agencies. Oregon distributed 100 percent of the federal payments to its counties and paid interest on these funds. California counties, on the other hand, received the lowest percentage of payments; the state distributed only about 66 percent of the federal funds identified as having been generated by designated counties. Washington distributed about 98 percent of the federal funds to its counties. In addition to these state distributions, however, counties in these three states received about $280 million during fiscal years 1995 through 1997 directly from the federal agencies. The federal distribution systems identify the receipts generated in specific counties, while the states distribute payments to the counties on the basis of state laws. Therefore, while the federal distribution identifies the attributable county, few federal laws require that the funds be distributed to those counties generating the receipts. State laws control the actual amounts distributed to the counties.

Background

Nationwide, the Forest Service, within the Department of Agriculture, and the Department of the Interior's Bureau of Land Management (BLM), Minerals Management Service (MMS), Fish and Wildlife Service (FWS), Bureau of Reclamation, and National Park Service collectively manage about 625 million acres for the benefit of the American people. These lands are either public domain or acquired lands and include national forests and grasslands, wildlife refuges, grazing lands, and national parks.[1] From these federal lands, receipts are generated by the sale or use of natural resources, such as timber, minerals, recreation, or grazing permits.

Since the early 1900s, the Congress has enacted more than 20 laws directing that a state or county be compensated for a federal presence in the state. The compensation may be based on federal acreage or a county's population, but in most instances, the payments relate to a percentage—from 4 to 90 percent—of the receipts generated on federal lands. Federal law governs the basis, methodology, and timing of the compensation payments to the states but frequently allows state law to govern the payments' ultimate use and possible distribution to the counties within the state.

With the exception of the Bureau of Reclamation and the National Park Service, the federal land management agencies that we reviewed administer the various compensation programs enacted by the Congress.[2] While the lands administered by the Bureau of Reclamation and the National Park Service are used in one compensation program, the receipts generated from these lands are deposited in the General Fund of the U.S. Treasury if not otherwise authorized for use. Each of the remaining land management agencies has established a system of collecting and distributing the receipts generated to implement the numerous federal laws enacted to compensate the states and counties.

The compensation to the states and counties by these land management agencies totals in the hundreds of millions of dollars annually. Most compensation is derived from agencies' receipts, while compensation for some other programs is appropriated by the Congress. Nationwide, these land management agencies distributed about $3.2 billion during fiscal years 1995 through 1997. Every state—as well as most U.S. territories—receives some federal compensation for a federal presence within its boundaries. Among the states receiving the largest federal compensations are Wyoming, New Mexico, Oregon, and California. Appendix I provides a listing of states and the amount of compensation paid during fiscal year 1997.

[1]Public domain lands are lands that have not left the ownership of the federal government, and acquired lands are lands in federal ownership that the government obtained by deed through purchase, gift, exchange, or condemnation proceedings.

[2]We have excluded the programs of Interior's Bureau of Indian Affairs because payments from them benefit special populations rather than the general public.

Land Management Agencies' Revenue-Sharing Programs

Twenty-one of the 22 revenue-sharing programs administered by the land management agencies share the receipts derived from the use, extraction, or sale of natural resources from federal lands located within the boundaries of certain states, counties, or territories. BLM also compensates counties to provide payments in lieu of taxes that would have been received by these jurisdictions if the federal lands were privately owned. Our review of the agencies' administration of these revenue-sharing programs showed that each of the agencies had systems and procedures in place to make payments to the states and counties.

Many of the programs and payments are crosscutting. That is, more than one agency is involved with the collection and distribution of receipts, and in other cases, payments under certain programs are offsets—deductions—from other programs. Moreover, these programs contain a multitude of differences, such as the formulas for the distribution of the payments; the recipients of the payments; and the timing, number, or specified uses of the payments. As a result, the picture of all of the revenue-sharing programs together is a complex one.

Nationwide, payments to the states, counties, and territories by these land management agencies total about $1 billion annually. Table 1 portrays the payments to the states and counties by each of the federal agencies for fiscal years 1995 through 1997.

Table 1: Federal Payments to States or Counties, Fiscal Years 1995 Through 1997

Dollars in thousands

Fiscal year	Forest Service	BLM	MMS	FWS	Total
1995	$278,597	$182,547	$552,249	$15,014	$1,028,407
1996	260,364	191,413	546,892	17,426	1,016,095
1997	240,367	188,692	684,908	17,333	1,131,300
Total	**$779,328**	**$562,652**	**$1,784,049**	**$49,773**	**$3,175,802**

Sources: Forest Service, BLM, MMS, and FWS.

Land Management Agencies Have Systems in Place to Collect and Distribute Revenues

The land management agencies have automated systems and procedures in place to collect and distribute receipts generated under 21 separate programs. The Forest Service distributes receipts under six programs. Three of Interior's agencies distribute receipts under the remaining programs—11 by BLM, 3 by MMS, and 1 by FWS. In addition, BLM makes payments in lieu of taxes to units of local government (usually counties) that have certain federal lands within their boundaries.

Overall, our review of the agencies' administration of these revenue-sharing programs showed that each of the agencies had systems and procedures in place to make payments to the states and counties and to the General Fund of the U.S. Treasury. All disbursement transactions are processed through the Treasury, whether they are transfers between agencies, payments to the revenue-sharing recipients, or special uses of appropriated funds in conjunction with natural resources revenues. The timing of the payments is either specified in the enabling legislation or is administratively prescribed by the agency. The payments are distributed in accordance with the agencies' procedures. For some payments, sanctions are imposed on the agency in the form of added interest if the payments are made to the revenue-sharing recipients after the due dates.

Appendix II provides a detailed presentation of each of the land management agencies' revenue-sharing programs administered by the Forest Service, BLM, MMS, and FWS. Appendix II includes the statutory authority, general description of the payment, and the methodology and process for calculating and distributing the payments.

Differences in Revenue-Sharing Programs

The revenue-sharing programs stem from a variety of complex statutes, some of which date back to the early 1900s. Each of the individual agencies has established administratively differing requirements for implementing these programs. According to officials at each of the agencies and our examination of the distribution processes, the differing requirements have resulted in a multitude of differences in the processes that the land management agencies use to distribute the payments under the revenue-sharing programs. The following is a listing of the more significant differences and examples of each of the differences of specific programs. Table II.1 of appendix II provides details on each payment and summarizes the major differences in the payments.

- Initial recipient of payment: Some payments, such as MMS' Mineral Leasing payments for its Acquired Land, Public Domain Land, and Off-Shore programs, are made to the states for their use. Other payments, such as BLM's Oregon & California (O&C) Grant Lands payments, are distributed directly to the counties in which the receipts were generated. Finally, some payments go to a county or city, depending on the location where the receipts were generated, as occurs in BLM's Nevada Land Sales program.

- Specified use of the payment: Eight of the programs do not specify the use of the payments. Among those that do require specific uses, the most frequent was for roads and schools, as required by the Forest Service's 25-Percent payment and Arkansas' Smoky Quartz payments. The Forest Service's and BLM's National Grasslands payments, however, require the payments to be used for roads and/or schools—thus, benefits may be all for roads, all for schools, or some combination of the two.

- Basis of payment's distribution: Most of the distributions are computed on the basis of some given percentage that ranges from 4 to 90 percent of the gross receipts or net receipts after administrative expenses are deducted. For example, BLM's Mineral Leasing payment is as high as 90 percent of gross receipts and its Proceeds of Sale payment, as low as 4 percent of gross receipts. MMS' Mineral Leasing on Public Domain Lands payment is based on net receipts after a portion of MMS', BLM's, and the Forest Service's costs to operate their minerals programs are deducted from the gross receipts.[3]

  Other distributions are based on the average payments made over a base period, tax bills submitted by the counties, or a multistep formula. For example, the Forest Service's and BLM's Spotted Owl payment is based on a different formula each year until 2003, when it expires. BLM's Coos Bay Wagon Road payment was based on tax bills submitted to the agency. FWS' Refuge Revenue Sharing payment is based on a multistep formula and is different, depending on whether the refuge is on acquired or public domain land. BLM's Payment in Lieu of Taxes (PILT) is the most complex and is discussed in detail in appendix III.

- Source of funds for payments: While most payments are derived from the sharing of receipts from federal programs, some come from appropriations, while others are derived from a combination of federal receipts and appropriations. The Forest Service's Spotted Owl payment and BLM's Spotted Owl and PILT payments are funded through annual appropriations. The PILT program is permanent, but the Spotted Owl payments are due to expire in 2003. FWS' Refuge Revenue Sharing payment is derived from receipts and appropriated funds.

[3]The Net Receipts Sharing Deduction, authorized in P.L. 103-66, sec. 10201, is an annual calculation of a portion of MMS', BLM's, and the Forest Service's costs to operate the Mineral Leasing program. One-twelfth of the annual deduction is subtracted from the monthly payments to the state and deposited in the General Fund of the U.S. Treasury.

- Period used to calculate and make payments: Most payments are made on a fiscal-year basis, while others are made on a calendar-year, monthly, or semiannual basis. For example, the Forest Service's and BLM's Grasslands payments are made on a calendar-year basis, while the three MMS Mineral Leasing payments and BLM's Mineral Leasing payment are made on a monthly basis. But the annual settlement to six states is made once a year by April 15. Finally, BLM's Red River Oklahoma and National Petroleum Reserve payments are made on a semiannual basis.

- Payments from many, but not all, programs offset the PILT payment: Under BLM's PILT payment, each county in the nation that has federal land within its borders receives a payment that is based on the federal acres within the county, the county's population, and the county's prior payment history. However, the PILT is "offset"—that is reduced—by most of the payments made to the counties by the other land management agencies. A few payments, however, are not offsets to PILT. For example, BLM's Spotted Owl payment is not an offset, while the Forest Service's Spotted Owl payment is an offset to be consistent with the original treatment of the payment for the programs that they replaced. In summary, all of the Forest Service's payments are offsets to PILT, MMS' payments for onshore minerals are offsets, about half of BLM's payments are offsets, and some of FWS' payments are offsets, depending on whether the refuge is on acquired or public domain land.

  In addition, we noted two authorized federal land management revenue-sharing payments that are offsets to PILT but have not been used in recent years: The Act of June 20, 1910 (Enabling Act of Arizona and New Mexico, 36 Stat. 557) and section 3 of the Act of July 31, 1947 (Mineral Materials Act of 1947, 30 U.S.C. 603). According to a BLM official, these acts are offsets to PILT but have not been used by the Forest Service because no revenues have been generated pursuant to these statutes. BLM, however, collects some receipts under the Mineral Materials Act but includes them with the Proceeds of Sales payments, which are offsets to PILT (see table II. 12). In the case of the Enabling Act, the lands' officials and the persons responsible for calculating the payments for the Forest Service and BLM do not remember the act's usage in recent years.

Similarities and Differences Exist in Three States' Distribution Systems

Federal compensation laws generally provide the states with wide latitude in retaining or distributing the land management agencies' revenue-sharing payments to the states. California, Oregon, and Washington have implemented similar systems and processes for distributing federal revenue-sharing funds to their counties. In addition, the states have enacted laws to implement the federal statutes and have established methodologies and processes specifying how the distribution systems are to function. While the states' distribution systems are similar, numerous differences exist, concerning, for example, whether or not a state should include the interest that is earned on the federal funds in its distributions to the counties. In some instances, the differences in the distribution systems affected the amount of revenue-sharing funds that the states distributed to the counties during fiscal years 1995 through 1997 and limited the purposes for which the counties might have used the funds.

Distribution Systems' and Processes Are Similar

California, Oregon, and Washington enacted laws establishing how the federal revenue-sharing funds are to be distributed to the counties, to which counties the funds are to be distributed, how often the funds are to be distributed, and for what purposes the counties are to use the distributed funds. In addition, the states established distribution methodologies and processes providing specific direction, such as how the state treasurers are to manage the revenue-sharing funds received from the federal agencies, how the states are to verify the federal funds deposited in their accounts, how the states are to calculate the funds to be distributed to each county, and how the states are to notify the counties receiving the distributions.

Each of the three states identified the state's treasurer as the person responsible for receiving the federal revenue-sharing funds and for maintaining the funds until distribution. To carry out their fiscal responsibilities, each state treasurer established interest-bearing accounts for depositing the federal revenue-sharing funds. The federal agencies deposit the funds electronically to each state on the basis of information on the account, such as account numbers, that the state treasurers provided them with. After receiving an appropriate state document, such as a claims schedule, that describes the amount of funds to be distributed to the counties, the state treasurer makes the funds in the interest-bearing accounts available to the responsible state organization for distribution. The states maintain documentation of their distribution methodologies and processes.

Distribution Systems' Differences Affected Amounts Distributed

While the states' distribution systems are somewhat similar, numerous differences exist in the specific requirements of the state laws and the distribution methodologies and processes. The numerous differences in the state laws affected whether counties would receive funds at all, when the counties would receive the funds, and the amount of funds that these counties would be receiving. Appendix II provides a description of each state's specific distribution processes implemented in response to the various federal revenue-sharing laws.

The following examples illustrate some of the major differences in the three states' distribution systems:

- Payment of interest to counties: Oregon law requires that the state pay interest to its counties for the period of time when all federal revenue-sharing funds are held in the state accounts before distribution to the counties. During fiscal years 1995 through 1997, Oregon distributed to its counties a total of about $569,723 in interest that had accrued during the time the state held federal revenue-sharing funds. Washington law, however, requires that the state pay its counties interest only on the Forest Service's 25-Percent revenue-sharing funds for the period of time that the state holds the funds before distributing them to the counties. Finally, California law does not require that the state pay its counties any interest for the period of time that the state holds the federal funds before distribution. Thus, while Oregon's counties received about $569,723 more than the federal payments, California's counties received nothing additional.

- Deduction of processing fee: Oregon law provides for deducting a $0.60 processing fee from each of the federal revenue-sharing distributions the state makes to its counties. In addition, although it has not been deducted, Oregon law provides for the assessment of a transaction fee for each distribution made to a county. California and Washington did not deduct a processing fee from any of the federal revenue-sharing distributions they made to their counties.

- Use of Forest Service's 25-Percent revenue-sharing funds: While federal law requires only that the funds be used to benefit roads and schools, the states established specific sharing requirements. California law requires that the counties receiving the Forest Service's 25-Percent revenue-sharing funds use 50 percent to improve public schools and 50 percent to improve roads. Oregon law requires that its counties use 25 percent of the funds to improve public schools and 75 percent to improve roads. Washington law requires that its counties use 50 percent of the funds to improve public schools and the remaining 50 percent to improve either public schools or roads.

- Distribution of the Forest Service's 25-Percent revenue-sharing funds: California, Oregon, and Washington distributed the 25-Percent revenue-sharing funds to their counties twice each year—once in October and once in December. Washington made its distributions within 2 working days after the Forest Service deposited the funds in the state's interest-bearing account; California took about 10 working days; and Oregon took from 8 to 12 working days.

  The states differ in their approaches to notifying the counties of expected payments. In late June or early July, the Forest Service notifies California, Oregon, and Washington of the estimated payments they will receive in October and December. Washington provides its counties with this information to assist them in their budget preparation processes and to help them make investment decisions. California does not distribute this information to the counties because the state does not believe it would benefit the counties. Oregon does not provide the counties with the information because the information is received after the counties have developed and adopted their fiscal-year budgets.

- Use of Taylor Grazing Act revenue-sharing funds: California law requires that BLM's Section 3 and Section 15 Taylor Grazing funds be distributed to the counties for them to use to improve rangeland and to control predators. Oregon law requires that the funds be expended only for range improvements in those counties that have grazing districts; otherwise, the funds are available for general government purposes in those counties that have leased lands but no grazing districts. Washington does not specify how the Taylor Grazing funds that they distribute to their counties have to be used.

  In distributing these funds, California makes single annual distributions of the Taylor Grazing funds to its counties in early February. Oregon makes single annual distributions of the Taylor Grazing funds to its counties in late December. Washington includes the Taylor Grazing funds in the general distribution of funds it makes to its counties from the state's general fund. In calculating these distributions, California distributes Section 3 Taylor Grazing funds to the eight counties where grazing districts are located on the basis of the proportion that the area of a grazing district situated in a county bears to the total area of the grazing district. Oregon distributes Section 3 Taylor Grazing funds to the counties where the funds were generated as reported by BLM. Washington does not receive Section 3 Taylor Grazing funds.

- Distribution of BLM's Proceeds of Sales revenue-sharing funds: California and Washington did not distribute these funds to their counties during fiscal years 1995 through 1997 but kept them for other state uses. Oregon law, on the other hand, requires that the Proceeds of Sales funds be distributed to all 36 counties on a pro rata basis that is based on the total number of square miles in each county compared with the total number of square miles in the state. As a result, some counties received funds even though no receipts were generated by the counties. For example, in fiscal year 1997, 16 counties received about $62,937, or about 23 percent, of BLM's Proceeds of Sales funds even though none of the receipts were generated in those counties. In addition, the county that generated the largest receipt—$167,885—received only $4,572, or less than 3 percent of its receipts, from the state. Oregon law requires that the counties use the funds for the repair and/or construction of roads and bridges and therefore distributes the funds to all counties in the belief that roads and bridges benefit the entire state.

  While neither California nor Washington distributed these funds to the counties, California used the money for state school expenditures, and Washington requires that the funds be deposited in the state's common school construction fund and be allocated by the superintendent of public instruction to individual school districts in each county. In fiscal year 1997, California deposited about $51,244 of Proceeds of Sales funds into its general fund, and Washington deposited about $23,381 into its common school construction fund.

- Distribution and use of BLM's and MMS' Mineral Leasing revenue-sharing funds: California requires that all but a small portion of the Mineral Leasing funds received from BLM and MMS either be deposited in specific state funds or be allocated to specific school districts. In fiscal year 1997, for example, only about 6 percent of the funds, or $3 million of the $53 million, received from MMS was distributed to those counties from which the funds were generated. Oregon distributed, on a quarterly basis, all Mineral Leasing funds received from BLM and MMS to the counties in which the funds were generated because the amount of the funds involved was insignificant. Washington does not distribute the Mineral Leasing funds received from MMS to its counties, and the state receives only about

$10 in Mineral Leasing funds from BLM for one county, which is distributed to that county.

California law requires that a portion of MMS' geothermal Mineral Leasing funds be distributed to its counties to be used for any of 11 specific purposes, including undertaking geothermal research and development projects, collecting baseline geothermal data, and conducting environmental monitoring. Oregon law specifies that the BLM and MMS Mineral Leasing funds that it distributes to its counties be used to support public schools or the construction or maintenance of public roads. Washington law requires that the Mineral Leasing funds be deposited in the state's common school construction fund to be used exclusively for financing the construction of common school facilities in the state's 39 counties.

Counties Received Varying Amounts of Federal Distributions

During fiscal years 1995 through 1997, Oregon distributed 100 percent of the federal payments to its counties and paid interest on these funds. California counties, on the other hand, received the lowest percentage of payments; the state distributed only about 66 percent of the federal funds identified as having been generated by designated counties. Washington distributed about 98 percent of the federal funds to its counties. In addition to these state distributions, however, counties in these three states received about $280 million during fiscal years 1995 through 1997 directly from the federal agencies.

While some counties question whether they receive their "fair share," state laws generally govern the uses of the federal funds and the extent, if any, of the distributions to the local communities. The federal distribution systems identify the receipts generated in specific counties, while the states' distributions to the counties rely on the individual state law. Therefore, while the federal distribution systems identify the attributable counties, few federal laws require that the funds be distributed to those counties generating the receipts. State laws control the actual amounts distributed to the counties.

Even in those instances where the federal agencies pay counties directly, the amounts that the counties receive may not equate to the results of the mathematical formulas that the federal agencies apply because the Congress limits the amount of appropriations available for these distribution programs. Such is the case with BLM's PILT and FWS' Refuge Revenue Sharing payments. Thus, while counties may believe that they are "entitled" to a certain level of funds, limited appropriations and state laws influence the amount that they actually receive.

Payments to California's, Oregon's, and Washington's Counties

For federal fiscal years 1995 through 1997, we compared the amounts that the states received and distributed to their counties with the federal distribution records. We also identified the amount of federal funds paid directly to the counties for the same period. Appendix IV provides a detailed presentation of the sources and amounts received by each of California's, Oregon's, and Washington's counties for fiscal year 1997. Table 2 presents the results of our analysis.

Table 2: Total Federal Payments to the States of California, Oregon, and Washington and to Counties Directly, Fiscal Years 1995 Through 1997

Dollars in thousands

State/ fiscal year	Total federal payments to states				State and federal payments to counties				
	Forest Service	BLM	MMS	Total[a]	Federal payments attributable to counties[b]	State distributions[c]	Percentage distributed	Direct federal payments[d]	Total county payment[c,e]
California									
1995	$43,045.7	$229.5	$50,773.3	$94,048.5	$68,693.5	$46,312.2	67.4	$10,671.7	$56,983.9
1996	36,157.5	226.2	50,944.5	87,328.2	62,382.4	39,303.1	63.0	12,180.6	51,483.7
1997	33,962.9	166.6	52,883.3	87,012.9	54,419.3	37,447.4	68.8	12,313.0	49,760.4
Oregon									
1995	109,647.4	315.8	43.4	110,006.6	110,006.6	110,253.8	100.2	79,585.7	189,839.5
1996	95,239.0	583.9	62.8	95,885.7	95,885.6	96,048.5	100.2	77,811.6	173,860.1
1997	92,242.5	445.2	41.5	92,729.3	92,729.3	92,886.3	100.2	74,830.8	167,717.1
Washington									
1995	30,089.1	31.7	371.2	30,492.0	30,292.3	30,139.5	99.5	5,426.9	35,566.4
1996	29,429.0	26.3	468.6	29,923.9	29,923.9	29,475.5	98.5	2,928.2	32,403.7
1997	28,425.1	37.6	817.9	29,280.7	29,280.7	28,455.1	97.2	3,515.0	31,970.1

[a]Total may not equal due to rounding.

[b]MMS' payment to the state includes the amount of interest, off-shore payments, and/or the settlement for the off-shore payments that are not attributable to specific counties but are instead paid directly to the state. For example, California received about $69 million in off-shore settlement payments during the period that MMS paid directly to the state.

[c]The state of Oregon also pays interest on the BLM and MMS Mineral Leasing payments. During federal fiscal years 1995 through 1997, Oregon paid about $2,400 more in interest to the counties on these payments, which is not reflected in the above table. Because of the differences in the state and federal fiscal years and the way interest was calculated, allocating the amount attributable to the individual counties for each of the 3 fiscal years could not be easily done.

[d]"Direct federal payments" includes those payments for the Forest Service's Grasslands payments; BLM's PILT, O&C, and Coos Bay payments; and FWS' Refuge Revenue Sharing payments.

[e]"Total county payment" reflects the amount of the state distributions plus the amounts that the federal agencies paid directly to the counties.

The payments made directly to the counties are less than the amounts derived by the mathematical formulas used by the federal agencies. Both BLM and FWS must use a proration factor in allocating the moneys paid directly to the counties because the annual appropriations do not equal the results of the mathematical formulas that the agencies use. In fiscal year

1997, BLM allocated about 53 percent, while FWS allocated about 66 percent of the moneys calculated as due to the counties. During fiscal years 1995 through 1997, the Congress appropriated $104 million, $133.5 million, and $113.5 million for BLM's PILT payments, respectively, while FWS received $12 million, $10.8 million, and $10.8 million, respectively.

Agency Comments

We provided the Department of the Interior, the Forest Service, and the states of California, Oregon, and Washington with a draft of this report for review and comment. The Assistant Secretary, Land and Minerals Management, Department of the Interior, and the Acting Director, Financial Management, Forest Service, agreed that the report accurately reflected the processes these agencies use to compensate states and counties. California, Oregon, and Washington officials also agreed that the report accurately reflected the processes they use to distribute the federal moneys to the counties. Both federal and state officials provided technical clarifications, which we have included as appropriate.

To respond to the assignment's objectives, we reviewed pertinent legislation, agency guidance, and agency financial records at both the federal and state levels. We spoke with federal representatives of the Forest Service, BLM, MMS, and FWS and with state representatives of California, Oregon, and Washington to determine their processes for calculating and distributing the federal payments. We conducted our work from January through August 1998 in accordance with generally accepted government auditing standards. Appendix V provides a detailed discussion of our scope and methodology.

We are sending copies of this report to the Secretaries of Agriculture and the Interior; the heads of the land management agencies; the Director, Office of Management and Budget; and appropriate congressional committees. We will also make copies available to others upon request.

If you or your staff have any questions about this report, please call me at (206) 287-4810. Major contributors to this report are included in appendix VI.

Sincerely yours,

James K. Meissner

James K. Meissner
Associate Director, Energy,
Resources, and Science Issues

Contents

Abbreviations

BIA	Bureau of Indian Affairs
BLM	Bureau of Land Management
FWS	Fish and Wildlife Service
GAO	General Accounting Office
MMS	Minerals Management Service
O&C	Oregon & California Grant Lands
OCSLA	Outer Continental Shelf Lands Act
OIG	Office of Inspector General
PILT	Payment in Lieu of Taxes

Department of the Interior's and Forest Service's Payments to States and U.S. Territories, Fiscal Year 1997

States[a] and U.S. territories[b]	Forest Service	Bureau of Land Management	Minerals Management Service	Fish and Wildlife Service	Total[c]
Alabama	$964,419	$210,117	$14,037,447	$194,159	$15,406,142
Alaska	1,186,862	6,783,741	22,846,335	466,568	31,283,506
Arizona	2,214,865	9,752,226	47,732	103,128	12,117,951
Arkansas	5,954,224	1,659,709	999,992	804,604	9,418,529
California	33,963,060	11,311,230	52,886,705	1,168,244	99,329,239
Colorado	4,633,660	8,288,234	37,333,016	81,253	50,336,163
Connecticut	0	15,571	0	89,604	105,175
Delaware	0	10,640	0	88,824	99,464
District of Columbia	0	28,610	0	0	28,610
Florida	1,007,027	1,508,642	16,332	728,791	3,260,792
Georgia	698,906	749,307	109	687,668	2,135,991
Hawaii	0	9,864	0	170,618	180,482
Idaho	14,270,215	8,003,814	2,201,242	65,806	24,541,077
Illinois	17,396	324,520	67,934	294,712	704,562
Indiana	25,819	231,050	0	38,104	294,973
Iowa	0	126,646	0	169,214	295,860
Kansas	632,708	353,228	1,329,434	52,482	2,367,853
Kentucky	451,945	749,573	122,655	864	1,325,037
Louisiana	2,948,816	149,105	27,448,582	1,519,175	32,065,678
Maine	29,963	99,415	0	200,986	330,364
Maryland	2,597	47,887	0	384,698	435,182
Massachusetts	0	42,025	0	368,615	410,640
Michigan	2,889,101	1,223,595	712,062	128,712	4,953,470
Minnesota	2,921,890	765,213	13,242	764,710	4,465,055
Mississippi	4,919,049	464,247	1,675,691	861,592	7,920,579
Missouri	1,149,263	1,172,840	1,273,353	110,505	3,705,961
Montana	8,558,090	9,546,367	20,360,965	234,517	38,699,939
Nebraska	35,722	342,654	15,909	217,432	611,718
Nevada	387,649	7,891,283	5,706,321	162,860	14,148,113
New Hampshire	440,060	501,314	0	144,717	1,086,091
New Jersey	0	39,173	0	501,676	540,849
New Mexico	931,918	11,751,494	188,659,666	196,547	201,539,625
New York	6,390	51,105	0	270,777	328,272
North Carolina	653,564	1,249,937	115	615,440	2,519,055
North Dakota	3,537,978	590,611	3,894,112	437,644	8,460,345
Ohio	18,157	271,568	152,763	48,458	490,947

(continued)

States[a] and U.S. territories[b]	Forest Service	Bureau of Land Management	Minerals Management Service	Fish and Wildlife Service	Total[c]
Oklahoma	1,901,985	863,304	2,137,305	88,554	4,991,148
Oregon	92,255,443	74,766,658	41,481	496,516	167,560,098
Pennsylvania	6,001,845	169,413	21,270	82,616	6,275,144
Rhode Island	0	4	0	110,576	110,580
South Carolina	1,292,387	219,745	0	444,520	1,956,652
South Dakota	3,888,736	1,420,489	565,528	260,778	6,135,531
Tennessee	440,145	621,178	26	188,381	1,249,730
Texas	2,379,496	1,294,193	26,038,308	880,699	30,592,696
Utah	1,598,865	9,492,700	34,290,505	44,745	45,426,815
Vermont	225,878	249,660	0	11,241	486,779
Virginia	789,580	958,704	85,139	759,882	2,593,305
Washington	28,425,142	2,850,186	817,894	702,469	32,795,691
West Virginia	1,623,549	862,312	326,127	65,467	2,877,454
Wisconsin	1,861,111	288,965	432	277,315	2,427,822
Wyoming	2,209,236	8,285,926	238,782,189	510,340	249,787,691
U.S. territories[b]	22,538	32,494	0	35,209	90,241
Total	$240,367,247	$188,692,486	$684,907,919	$17,333,012	$1,131,300,664

[a]These figures include the federal payments made directly to the counties within the state.

[b]The U.S. territories include American Samoa, Guam, Northern Mariana, Puerto Rico, and the Virgin Islands. For ease of presentation, we added the Forest Service's prior-year adjustment of $11 to the U.S. territories' total.

[c]Totals for individual states may not be exact because of rounding.

Source: Forest Service, Bureau of Land Management, Minerals Management Service, and Fish and Wildlife Service.

Department of the Interior's and Forest Service's Payments to States and Counties

The following tables present detailed information about the various compensation programs administered by the Department of the Interior and the Forest Service. Table II.1 provides a summary matrix of the payments, while tables II.2 through II.23 provide the details of the programs, the agencies' methodology and process for calculating and distributing the payments, and, where applicable, the process used by California, Oregon, and Washington to distribute the federal payments to their respective counties.

Table II.1: Summary Schedule of the Department of the Interior's and the Forest Service's Payments to States or Counties

Payment's name	Calculation basis	Initial recipient	Basis of distribution to states or counties	Offset to PILT	Specified use	Table reference
Forest Service						
25-Percent payment	Fiscal year	State	25% of gross receipts.	Yes	Roads and schools	II.2
Spotted Owl payment	Fiscal year	State	Through fiscal year 1998, a declining percentage of fiscal years 1986-90 payments. For fiscal years 1999-2003 greater of Spotted Owl or 25% payment.	Yes	Roads and schools	II.3
Grasslands payment	Calendar year	County	25% of net receipts.	Yes	Schools and/or roads	II.4
Quinault Special payment	Fiscal year	State	45% of gross receipts.	Yes	Roads and schools	II.5
Arkansas Smoky Quartz payment	Fiscal year	State	50% of gross receipts from quartz sales.	Yes	Roads and schools	II.6
Payments to Minnesota	Fiscal year	State	3/4 of 1% of the appraised value of the land.	Yes	None	II.7
Bureau of Land Management						
Payment in Lieu of Taxes	Fiscal year	County	Population or federal acreage.	N/A	None	II.8
Mineral Leasing payment	Monthly	State	50% of gross receipts in states other than Alaska. 90% to Alaska.	Yes	Planning, construction, and maintenance of public facilities	II.9
Outside Grazing payment	Fiscal year	State	50% of gross grazing receipts.	Yes	None	II.10
Inside Grazing payment	Fiscal year	State	12.5% of gross grazing receipts.	Yes	None	II.11
Proceeds of Sales payment	Fiscal year	State	4% of gross receipts (5% of net) from the sales of land and materials.	No	Educational purposes or roads	II.12

(continued)

Payment's name	Calculation basis	Initial recipient	Basis of distribution to states or counties	Offset to PILT	Specified use	Table reference
O&C Grant Lands payment	Fiscal year	County	Prior to 1991, 50% of gross receipts. Until 2003, receive Spotted Owl payment.	No	None	II.13
Coos Bay Wagon Roads payment	Fiscal year	County	Prior to 1994, 75% of gross receipts deposited to pay property tax bills. From 1994 through 2003, receive Spotted Owl payment.	No	Schools, roads, bridges, highways	II.14
Spotted Owl payment	Fiscal year	County	Through fiscal year 1998, a declining percentage of fiscal years 1986-90 payments. For fiscal years 1999-2003 greater of Spotted Owl payment or the O&C/Coos Bay payment.	No	None for O&C payments. Schools, roads, bridges, and highways for Coos Bay Wagon Roads	II.15
Grasslands payment	Calendar year	County	25% of net receipts.	Yes	Schools and/or roads	II.16
Nevada Land Sales payment	Fiscal year	State/county/city	10% of value of the land sale to either Las Vegas or Clark County and 5% to the state of Nevada.	No	General education, acquisition, and development of recreational lands and facilities	II.17
National Petroleum Reserve payment	Semiannually	State	50% of gross receipts to the state of Alaska.	No	Planning, construction, and maintenance of public facilities	II.18
Red River, Oklahoma payment	Semiannually	State	37.5% of gross receipts.	No	Planning, construction, and maintenance of public facilities	II.19
Minerals Management Service						
Mineral Leasing—Public Domain Lands payment	Monthly	State	50% of net receipts to states other than Alaska. 90% to Alaska. For state-select lands, 90% of net receipts are paid to the state.	Yes	Planning, construction, and maintenance of public facilities	II.20

(continued)

Payment's name	Calculation basis	Initial recipient	Basis of distribution to states or counties	Offset to PILT	Specified use	Table reference
Mineral Leasing—Acquired Lands payment	Monthly	State	25% of gross receipts on acquired national forest lands. For grasslands or refuges, money is sent to BLM, FWS, or Forest Service for distribution to counties.	Yes	The use is the same as that for other receipts from the lands on which the lease is situated	II.21
Off-shore Leasing Program payment	Monthly	State	27% of gross receipts from the 8(g) zone are paid to the states in addition to a $65 million annual payment to six states from 1997 to 2001.	No	None	II.22
Fish and Wildlife Service						
Refuge Revenue Sharing payment	Fiscal year	County	For acquired lands, counties receive greater of (1) 25% of net receipts, (2) 0.75 of 1 percent of the appraised value of the land, or (3) $0.75 per acre. However, payments may not be less than those made in fiscal year 1977. For public domain lands, 25% of net receipts.	No for acquired lands Yes for reserved public domain lands	None	II.23

Legend

BLM = Bureau of Land Management

FWS = Fish and Wildlife Service

MMS = Minerals Management Service

N/A = not applicable

O&C = Oregon and California Grant Lands

PILT = Payment in Lieu of Taxes (program)

Note: The payments by the Bureau of Indian Affairs are not included, since their payments are made to special populations instead of the general public.

Table II.2: Forest Service's 25-Percent Payment

Agency: Forest Service
Name of payment: 25-Percent Payment to States/Forest Reserve Payment
Statutory authority: Act of May 23, 1908 (16 U.S.C. 500)
General description of payment: Distribution to states of 25 percent of gross receipts generated on Forest Service lands during the fiscal year. Payments are to be used to benefit public schools and public roads of the county or counties in which the national forest is situated.
Agency's methodology and process for calculating and distributing payment: National forests report receipts generated from forest lands to the regions, and the amounts are recorded on a national data system. The Forest Service's Financial Management personnel, using several financial reports, calculate the amounts of payments (25 percent of gross receipts) attributable to each county, and the Forest Service makes a total payment to the state for further distribution to the counties. Payments to the states occur twice—an interim payment is made generally by October 15 on the basis of the estimated third-quarter operating results, a final payment, made in December, provides the balance of the fiscal-year receipts due to the counties. For both payments, the Forest Service sends letters to the states advising them of the amount of their payments and how much each county is to receive. The Forest Service notifies the U.S. Treasury of the amounts to be paid, and the funds are electronically transmitted to the states.
California's process for allocating payment: The Forest Service deposits the 25-Percent revenue-sharing funds into the state's Federal Trust Fund interest-bearing account in October and December of each year. After each of the two deposits, the state verifies the amount of each deposit with information received from the Forest Service, then distributes the funds to the counties in which the funds were derived as reported by the Forest Service to the state. The state uses the same process to make the two distributions in October and December. First, the state transfers the funds to be distributed to the counties from the Federal Trust Fund to the Forest Reserve Fund. Second, the state prepares a schedule showing the amount to be distributed to each county. Third, the state prepares the distribution checks and mails them to each county. Finally, the state sends each county a formal notice of the reason for the distribution and what the funds can be used for. Each distribution process takes 10 working days; 50 percent of the funds must be used for schools and 50 percent for roads.
Oregon's process for allocating payment: The Forest Service deposits the 25-Percent revenue-sharing funds into the state's short-term treasury interest-bearing account in October and December of each year. After each of the two deposits, the state verifies the amount of the deposit with information received from the Forest Service, then electronically distributes the funds to the counties in which the funds were derived as reported by the Forest Service to the state. The state uses the same process to make the two distributions in October and December. First, the state establishes a distribution date. Second, the state calculates the amount to be distributed to each county, including interest less a 60-cent processing fee. Third, the state electronically distributes the funds to the counties. Finally, the state sends each county a formal notice of the reason for the distribution and what the funds could be used for. Each distribution process takes 8 to 12 working days; 25 percent of the funds must be used for schools and 75 percent for roads.

(continued)

Washington's process for allocating payment:

The Forest Service deposits 25 percent of the revenue-sharing funds into the state's interest-bearing account in October and December of each year. After each of the two deposits, the state calls the Forest Service to verify the amount of each deposit, then distributes the funds to the counties in which the funds were derived as reported by the Forest Service to the state.

The state uses the same process to make the two distributions in October and December. First, the state prepares a schedule of the amount to be distributed to each county. Second, the state notifies the counties of when the distributions are to be made and the amount of the distributions. Third, the state distributes the funds to the counties electronically. Fourth, the state prepares, for the Superintendent of Public Instruction, a schedule showing the amount of funds distributed to each county that would be available for common school expenditures. Finally, the state sends a notice to the counties informing them of the reason for the distribution and what the funds are to be used for. Each distribution process takes 2 working days; 50 percent of the funds must be used for schools and 50 percent for roads or schools.

In January, the state makes a separate—that is, third—distribution to each county to which the 25-Percent funds were distributed. The third distribution is for the interest earned on the 25-Percent funds. The interest earned and distributed is based on the average balance of the 25-Percent funds for the period of time when they were held by the state before they were distributed to the counties.

Table II.3: Forest Service's Spotted Owl Payment

Agency: Forest Service
Name of payment: Spotted Owl payment
Statutory authority: Omnibus Budget Reconciliation Act of 1993, as amended (Sec. 13982 of P.L. 103-66, as amended by P.L. 103-443)
General description of payment: Distribution of gross receipts to states for the benefit of counties. This special payment amount is in lieu of the amounts under the 25-Percent payment for the states and is for selected counties to compensate them for the decline in timber harvests due to the protection of the northern spotted owl's habitat. The 25-Percent payment law specifies that the payments must be used for roads and schools.
Agency's methodology and process for calculating and distributing payment: For fiscal years 1991 and 1992, the annual appropriations laws stipulated that the payments would be no less than 90 percent of the average payments for fiscal years 1988-90 and fiscal years 1986-90, respectively. For fiscal year 1993, the percentage was reduced to 85 percent. For fiscal years 1994-2003, a legislative formula—with decreasing annual percentages—governs payments specifying the amounts that the states are to receive. For fiscal years 1999-2003, payments are the greater of the Spotted Owl payment or the 25-Percent payment. As provided by the appropriations acts, in fiscal years 1991-93, the Forest Service made the payments required by the spotted owl formula from its national forest receipts as part of its 25-Percent payment. (See table II.2.) The Forest Service also made its payments from its national forest receipts in fiscal years 1994-95 even though a special appropriation had been approved for fiscal years 1994-2003.[a] Because of decreasing national forest receipts in fiscal year 1996 that would preclude the Forest Service from making all necessary payments from its National Forest Fund, the Forest Service took steps to initiate and use the special spotted owl appropriation for fiscal year 1996 and beyond. As part of its calculations for the 25-Percent payment, the Forest Service incorporated the special Spotted Owl payment formula to identify the amounts that will be owed—in lieu of the 25-Percent payment—to the counties within 18 national forests—8 in Oregon, 6 in California, and 4 in Washington—affected by the Spotted Owl payment. This payment is made as part of the 25-Percent payment process and time frame; that is, an interim payment to the counties in October and a final payment for the balance of the fiscal year funds in December. For fiscal years 1995-97, the Spotted Owl payment exceeded the amount that would have been required under the 25-Percent payment by about $279 million. These special payments are due to expire in 2003.
California's process for allocating payment: The Spotted Owl payment is combined with the 25-Percent payment for the rest of the state and distributed in the same manner. (See table II.2.)
Oregon's process for allocating payment: The Spotted Owl payment is combined with the 25-Percent payment for the rest of the state and distributed in the same manner. (See table II.2.)
Washington's process for allocating payment: The Spotted Owl payment is combined with the 25-Percent payment for the rest of the state and distributed in the same manner. (See table II.2.)

(Table notes on next page)

[a]In our report, Forest Service: Unauthorized Use of the National Forest Fund (GAO/RCED-97-216, Aug. 29, 1997), we said that the Forest Service was required to use the special appropriation for fiscal years 1994-95. Thus, we recommended that the Forest Service take steps to rectify the inappropriate use of the National Forest Fund and to use the correct appropriation for fiscal years 1994-95 and the future. The Forest Service had not implemented our recommendation as of August 13, 1998. However, the Forest Service is in the process of working with the U.S. Treasury and the Office of Management and Budget on the methodology that should be used to comply with our recommendation.

Table II.4: Forest Service's Grasslands Payment

Agency: Forest Service

Name of payment: National Grasslands payment

Statutory authority: Bankhead-Jones Farm Tenant Act (7 U.S.C. 1012)

General description of payment:

Distribution to counties of net receipts from Forest Service grasslands.

The law stipulates that the funds must be used for roads and/or schools.

Agency's methodology and process for calculating and distributing payment:

Twenty-five percent of the gross receipts from grasslands (grazing receipts are collected by the Forest Service and mineral receipts are collected by MMS, which transmits the receipts to the Forest Service for distribution) is distributed to the 80 counties containing Forest Service grasslands.

Grasslands managers (through local national forest offices) supply receipt data to the Forest Service's Financial Management personnel, who, using several financial reports, calculate the county payments.

Distributions are paid annually to the counties in March on a calendar-year basis.

The Forest Service notifies the U.S. Treasury of the amounts to be distributed to the counties, and the Treasury transmits the funds electronically to the counties.

California's process for allocating payment:

Does not apply; payments are made directly to counties.

Oregon's process for allocating payment:

Does not apply; payments are made directly to counties.

Washington's process for allocating payment:

Does not apply; no grasslands are located in Washington.

Table II.5: Forest Service's Quinault Special Payment

Agency: Forest Service
Name of payment: Quinault Special payment
Statutory authority: P.L. 100-638, sec. 4(b)(2) (102 Stat. 3327, 3328)
General description of payment: Distribution of gross receipts from a special management area established to compensate the Quinault Indian tribe and the state of Washington for land that the Forest Service gave back to the tribe. The payment must be used for roads and schools.
Agency's methodology and process for calculating and distributing payment: From gross receipts generated on the special management area, 45 percent is distributed to the state of Washington, 45 percent to the Quinault tribe, and 10 percent into a Forest Service timber management fund. The Forest Service's headquarters combines this with the 25-Percent payment to Washington State and makes one payment. The Olympic National Forest made the 45-percent payment for the tribe to the Bureau of Indian Affairs, which forwards the payment to the tribe.
California's process for allocating payment: Does not apply to California.
Oregon's process for allocating payment: Does not apply to Oregon.
Washington's process for allocating payment: Washington distributes the amounts of Quinault payments to the counties as part of its regular 25-Percent Forest Service payments. (See table II.2.)

Table II.6: Forest Service's Arkansas Smoky Quartz Payment

Agency: Forest Service
Name of payment: Arkansas Smoky Quartz payment
Statutory authority: Department of the Interior and Related Agencies Appropriations Act, 1989 (P.L. 100-446, sec. 323)
General description of payment: Distribution to the state of Arkansas of 50 percent of the receipts from the sale of quartz mined on the Ouachita National Forest in Arkansas. The funds distributed to the state are to be used for public schools and public roads in the counties in which the Ouachita National Forest are located.
Agency's methodology and process for calculating and distributing payment: Fifty percent of the receipts from the sale of quartz from the Ouachita National Forest are distributed to the state of Arkansas. The Forest Service calculates these payments by subtracting the quartz receipts from the total forest receipts and applying the 50-percent rate to these quartz receipts. The quartz payment is then added to the state's 25-Percent payment and distributed in one payment.
California's process for allocating payment: Does not apply to California.
Oregon's process for allocating payment: Does not apply to Oregon.
Washington's process for allocating payment: Does not apply to Washington.

Table II.7: Forest Service's Payments to Minnesota

Agency: Forest Service

Name of payment: Payments to Minnesota

Statutory authority: Act of June 22, 1948 (16 U.S.C. 577g, 577g-1)

General description of payment:

Payment to the state of Minnesota for the fair appraisal value of Forest Service lands in three counties—Cook, Lake, and St. Louis—to be distributed to those counties.

The law does not stipulate how the payments are to be used.

Agency's methodology and process for calculating and distributing payment:

Three-quarters of 1 percent of the appraised value of national forest lands in Cook, Lake, and St. Louis counties is paid to the state of Minnesota. The appraised value of the lands is determined by the Secretary of Agriculture every 10 years.

This special payment replaces the 25-Percent payment to the states. The Forest Service adds this amount to the 25-Percent payment to the remainder of Minnesota and makes one payment to Minnesota. The state is to make the distribution to the counties.

California's process for allocating payment:

Does not apply to California.

Oregon's process for allocating payment:

Does not apply to Oregon.

Washington's process for allocating payment:

Does not apply to Washington.

Table II.8: Bureau of Land Management's Payment in Lieu of Taxes

Agency: Bureau of Land Management (BLM)

Name of payment: Payment in Lieu of Taxes (PILT)

Statutory authority: Payments in Lieu of Taxes Act of 1976, as amended (31 U.S.C. 6901-6907)

General description of payment:

Distributions to local units of government designed to supplement other federal land revenue-sharing payments that local governments receive. The PILT payment is applicable to more counties than any of the other federal land management revenue-sharing payments.

The law does not stipulate how the funds should be spent.

Agency's methodology and process for calculating and distributing payment:

The act authorizes BLM to make two types of annual payments. The first payment under section 6902 is the traditional PILT payment to units of local government (generally counties) that have certain federally owned "entitlement lands" within the boundaries of the county. This payment represents 99 percent of the total PILT payments in fiscal year 1997 and is calculated under a very complex, multistep formula based primarily on the acres of federal land in the county, the population of the county, and the previous year's payments made by other federal agencies on the lands.

BLM obtains the population data from the Bureau of the Census and acreage data from each of the federal agencies that have eligible acres within each county's boundaries—about 595 million acres. However, the previous year's payments from designated federal agencies are provided by the governor's office from each state. BLM also obtains similar payment data from each of the land management agencies as a check on the amounts the states provide.

The second payment under sections 6904 and 6905 authorizes payments of 1 percent of the fair market value of certain county lands acquired by the National Park Service and the Forest Service.

The combination of these payments represents the total calculated PILT payment. However, since the payment is based solely on annual appropriations, if sufficient funds are not appropriated, BLM prorates the payments to each of the counties. During fiscal years 1995-97, the counties received about 77, 68, and 53 percent of their eligible payments, respectively. A detailed presentation of the PILT program, the formula used, and an example of the payment calculation for an individual county is provided in appendix III.

California's process for allocating payment:

Does not apply; payments are made directly to the counties.

Oregon's process for allocating payment:

Does not apply; payments are made directly to the counties.

Washington's process for allocating payment:

Does not apply; payments are made directly to the counties.

Table II.9: Bureau of Land Management's Mineral Leasing Act Payment

Agency: Bureau of Land Management (BLM)
Name of payment: Mineral Leasing payment
Statutory authority: Mineral Leasing Act (30 U.S.C. 191)
General description of payment: Distribution of gross receipts from oil and gas rights of way (for oil and gas pipelines) to states. The funds are to be used for the planning, construction, and maintenance of public facilities and for the provision of public service.
Agency's methodology and process for calculating and distributing payment: For all states other than Alaska, 50 percent is distributed to the state, 40 percent is distributed to the Bureau of Reclamation, and 10 percent is distributed to the General Fund of the U.S. Treasury. Alaska receives 90 percent of the receipts, and the remaining 10 percent is distributed to the General Fund of the U.S. Treasury. BLM is required to make these payments to the states not later than the last business day of the month of the revenues' receipt. Monthly, BLM calculates the payments due to the states and initiates the authorization for payment. The U.S. Treasury issues the payment to the states electronically, and BLM notifies the states of the amount to be paid and how much is attributable to each county. Annually, BLM transfers the amounts due to the Bureau of Reclamation and the General Fund of the U.S. Treasury.
California's process for allocating payment: The state deposits the BLM Mineral Leasing funds in the state's State School Fund and does not distribute the BLM payments to the counties directly.
Oregon's process for allocating payment: BLM deposits the Mineral Leasing revenue-sharing funds into the state's short-term treasury interest-bearing account monthly. After each deposit, the state verifies the amount of the deposit with information received from BLM. To make the distributions, the state (1) calculates the amount to be distributed to each county, including interest less a 60-cent processing fee; (2) electronically distributes the funds to the counties; and (3) sends the counties a formal notice of the reason for the distribution. The state distributes the funds to the counties in which the funds were derived as reported by BLM. The state distributes the funds on a quarterly basis—March 31, June 30, September 30, and December 31. The state law requires that the moneys be used to support public schools or for the construction and maintenance of public roads.
Washington's process for allocating payment: The state receives only about $10 in Mineral Leasing revenue-sharing funds from BLM. The funds are for one county, and the state distributes the funds to that county.

Table II.10: Bureau of Land Management's Section 15, Outside Grazing Payment

Agency: Bureau of Land Management (BLM)

Name of payment: Section 15—Outside Grazing Leases payment

Statutory authority: Taylor Grazing Act (43 U.S.C. 315i, 315m)

General description of payment:

Distribution of gross receipts paid to the states from grazing leases, located outside grazing districts. The funds are to be used for the benefit of the counties in which the lands producing the revenues are located; however, no particular use is specified.

Agency's methodology and process for calculating and distributing payment:

From gross receipts, 50 percent is distributed to the Range Improvement Fund for later appropriation to BLM for managing rangelands, and 50 percent is distributed to the states from grazing permits in their states.

Payments are based on fiscal-year receipts and are made in two installments. BLM processes the proposed payments through the U.S. Treasury, and BLM notifies the states, by fax machine, of how much they will be receiving and which counties generated the receipts. The payment for the first 11 months of the fiscal year is made by September 30 and by mid-November for the 12th month. For the most part, funds are transferred electronically.

California's process for allocating payment:

BLM deposits Section 15 revenue-sharing funds into the state's Federal Trust Fund interest-bearing account in September and November of each year. After each deposit, the state verifies the amount of the deposit with information received from BLM. After both deposits have been made, the state (1) calculates the amount to be distributed to each county, (2) transfers the funds to be distributed to the counties from the Federal Trust Fund to the Federal Grazing Fees Fund, (3) prepares and mails the distribution checks to the counties, and (4) sends the counties a formal notice of the reason for the distribution and what the funds are to be used for.

The state distributes the funds to the counties in which the funds were derived as reported by BLM to the state. Distributions are made annually, usually around the first of February. The funds are to be used to improve rangeland and control predators.

Oregon's process for allocating payment:

BLM deposits Section 15 revenue-sharing funds into the state's short-term treasury interest-bearing account in October and December of each year. After each deposit, the state verifies the amount of the deposit with information received from BLM. After the deposits are verified, the state (1) establishes a distribution date; (2) calculates the amount to be distributed to each county, including interest less a 60-cent processing fee; (3) electronically distributes the funds to the counties; and (4) sends the counties a formal notice of the reason for the distribution.

The state distributes the funds to the counties in which the funds were derived as reported by BLM to the state. Distributions are made annually in December. Oregon law requires that the funds be expended only for range improvements in those counties that have grazing districts; otherwise, the funds are available for general government purposes in those counties that have leased lands but no grazing districts.

Washington's process for allocating payment:

BLM deposits Section 15 revenue-sharing funds into the state's General Fund interest-bearing account in December. After each deposit, the state verifies the amount of the deposit with information received from BLM. After each deposit is verified, the state (1) verifies the amount to be distributed to the counties according to BLM records, (2) distributes the funds to the counties electronically, (3) sends the counties a formal notice of the reason for the distribution, and (4) sends the counties an annual report showing the amount of Section 15 funds distributed to each county.

The state distributes the funds to the counties in which the funds were derived as reported by BLM to the state. The state makes the distributions in December and does not specify how the funds must be used.

Table II.11: Bureau of Land Management's Section 3 Inside Grazing Payment

Agency: Bureau of Land Management (BLM)
Name of payment: Section 3—Inside Grazing Permits payment
Statutory authority: Taylor Grazing Act (43 U.S.C. 315b, 315i)
General description of payment: Distribution to states of gross receipts collected by BLM as grazing permit fees inside grazing districts. The funds are to be used for the benefit of the counties in which the lands producing the revenues are located; however, no particular use is specified.
Agency's methodology and process for calculating and distributing payment: From gross receipts, 50 percent is distributed to the Range Improvement Fund for later appropriation to BLM for managing rangelands; 37.5 percent is distributed to the General Fund of the U.S. Treasury; and 12.5 percent is distributed to the states from which the grazing receipts were earned. Payments are based on fiscal-year receipts and are made in two installments. Payments for the first 11 months are based on the receipts received by August 30. In mid-October, calculations for the 12th month are made. BLM processes the proposed payments through the U.S. Treasury, and BLM notifies the states, by fax machine, of how much they will be receiving and which counties generated the receipts. The payment for the first 11 months of the fiscal year is made by September 30 and for the 12th month by mid-November. For the most part, funds are transferred electronically.
California's process for allocating payment: BLM deposits Section 3 revenue-sharing funds into the state's Federal Trust Fund interest-bearing account in September and November of each year. After each deposit, the state verifies the amount of the deposit with information received from BLM. After both deposits have been made, the state (1) calculates the amount to be distributed to each county, (2) transfers the funds to be distributed to the counties from the Federal Trust Fund to the Federal Grazing Fees Fund, (3) electronically distributes the funds to the counties, and (4) sends the counties a formal notice of the reason for the distribution and what the funds are to be used for. The state distributes the funds only to the eight counties from which the funds were derived on the basis of the proportion of the acres of a grazing district that are situated in each county to the total acres in the grazing district. Distributions are made annually, usually around the first of February. Funds are to be used to improve rangeland and control predators.
Oregon's process for allocating payment: BLM deposits Section 3 revenue-sharing funds into the state's short-term treasury interest-bearing account in October and December of each year. After each deposit, the state verifies the amount of the deposit with information received from BLM. After both deposits are made, the state (1) establishes a distribution date; (2) calculates the amount to be distributed to each county, including interest less a 60-cent processing fee; (3) distributes the funds electronically to the counties; and (4) sends the counties a formal notice of the reason for the distribution. The state distributes the funds to the counties in which the funds were derived as reported by BLM to the state. Distributions are made annually in December. Oregon law requires that the funds be expended only for range improvements in those counties that have grazing districts; otherwise, the funds are available for general government purposes in those counties that have leased lands but no grazing districts.
Washington's process for allocating payment: Does not apply. No BLM Section 3 revenue-sharing funds are derived by any of the counties in the state.

Table II.12: Bureau of Land Management's Proceeds of Sales Payment

Agency: Bureau of Land Management (BLM)

Name of payment: Proceeds of Sales of Lands and Materials payment

Statutory authority: Department of the Interior Appropriations Act, 1952 (65 Stat. 252)

General description of payment:

Distribution to states of the net proceeds from the sale of lands and materials on public domain lands in 16 reclamation states west of the Mississippi River and outside reclamation states. Materials include such minerals materials as sand or gravel, timber, salvage timber, or vegetative materials, such as plants, mushrooms, and firewood.

The law specifies that payments are to be used for educational purposes or for the construction of public roads and improvements. It does not specify that the payments must be distributed to the counties for these purposes.

Agency's methodology and process for calculating and distributing payment:

For reclamation states, 76 percent of the gross receipts are distributed to the Bureau of Reclamation's Reclamation Fund, 20 percent to the General Fund of the U.S. Treasury, and 4 percent to the states. Ninety-six percent of the gross receipts from salvage timber sales are distributed to BLM's Forest Ecosystem Health Recovery Fund and 4 percent to the states.

For nonreclamation states, 96 percent of the gross receipts are distributed to the General Fund of the U.S. Treasury and 4 percent to the states. Salvage sale receipts are treated the same way as they are in reclamation states.

Distribution to the states is on a fiscal-year basis. The distribution for the first 11 months is paid as of September 30 and for the 12th month as soon as practical after September 30. BLM annually distributes the funds electronically to the Bureau of Reclamation and the General Fund of the U.S. Treasury, usually in the November/December time frame.

California's process for allocating payment:

The state does not distribute the Proceeds of Sales revenue-sharing funds received from BLM to its counties. Instead, the state uses the funds for state school expenditures.

Oregon's process for allocating payment:

BLM deposites Proceeds of Sales revenue-sharing funds into the state's short-term treasury interest-bearing account in October and December of each year. After each deposit, the state verifies the amount of the deposit with information received from BLM. After both deposits for each year are made, the state (1) establishes a distribution date, (2) calculates the amount to be distributed to each county, including interest less a 60-cent processing fee, (3) electronically distributes the funds to the counties, and (4) sends the counties a formal notice of the reason for the distributions and what the distributed funds are to be used for.

The state distributes the Proceeds of Sales funds to all 36 counties in the state on a pro rata basis that is based on the total number of square miles in each county compared with the total number of square miles in the state. Distributions are made annually in December. The state requires that counties use the funds for the repair and/or construction of roads and bridges.

Washington's process for allocating payment:

The state does not distribute the Proceeds of Sales revenue-sharing funds received from BLM to its counties. Instead, the state deposits the funds in the common school construction fund for allocation by the Superintendent of Public Instruction to the school districts in each county.

Table II.13: Bureau of Land Management's Oregon & California Grant Lands Payment

Agency: Bureau of Land Management (BLM)

Name of payment: Oregon and California (O&C) Grant Lands payments

Statutory authority: Act of August 28, 1937 (43 U.S.C. 1181f)

General description of payment:

Distribution to counties of gross receipts derived from the sale of timber and other resources from the O&C grant lands that have been revested to the federal government. Eighteen counties participate in this distribution.

The law does not stipulate how the counties should use the funds.

Agency's methodology and process for calculating and distributing payment:

BLM collects most of the receipts from the O&C lands; however, the Forest Service administers some of the timber sales in this area and transfers the receipts to BLM for distribution. MMS collects receipts from the sale of minerals and makes distribution under the Mineral Leasing Act.

Prior to fiscal year 1991, BLM distributed 50 percent of the gross receipts to the counties and 50 percent to the General Fund of the U.S. Treasury on a fiscal-year basis. Payments were made for the 11-month period by the end of September and the 12th month payment as soon as fiscal-year records were completed. For fiscal years 1991-93, payments to the counties were based on 50 percent of the average payments for fiscal years 1986-90, not to exceed the total receipts from the O&C lands, or 50 percent, if greater.

For fiscal years 1994-98, payments are a set amount that is based on the average payment to a county during fiscal years 1986-90. For fiscal years 1999-2003, BLM pays the higher of the special payment amount or what is due under the 50-percent receipt calculation. In any case, only one payment is made. These payments are made from the special spotted owl appropriation for fiscal years 1994-2003. (See table II.15.)

Annually, in September or earlier, BLM requests that the U.S. Treasury transfer funds to cover the payments. BLM electronically transfers the payments to one bank and specifies the amount due to each county. The bank breaks the total into 18 separate county accounts. BLM notifies the payees of the payment to be received. BLM annually distributes the funds electronically to the General Fund of the U.S. Treasury, usually in the November/December time frame except for the salvage sale receipts, which go into BLM's Forest Ecosystem Health Recovery Fund, and 2001 (k) (P.L. 104-19) timber sales receipts, which are distributed to BLM and the Forest Service's Timber Pipeline Restoration Funds.

California's process for allocating payment:

Does not apply to California.

Oregon's process for allocating payment:

Does not apply; payments are made directly to the counties.

Washington's process for allocating payment:

Does not apply to Washington.

Table II.14: Bureau of Land Management's Coos Bay Wagon Road Payment

Agency: Bureau of Land Management (BLM)

Name of payment: Coos Bay Wagon Road Grant Fund payment

Statutory authority: Act of May 24, 1939 (43 U.S.C. 1181f-1)

General description of payment:

Distribution of gross receipts to Coos and Douglas counties in Oregon derived from the sale of timber and other resources from the reconveyed Coos Bay Wagon Road Grant Lands. Payments to these counties are to compensate them for the amounts of property taxes that would have been due to the counties if the lands had not been reconveyed to the federal government.

Under the law that created the Coos Bay Wagon Road Grant Fund, payments must be used for schools, roads, highways, bridges, and port districts.

Agency's methodology and process for calculating and distributing payment:

From the receipts (primarily timber receipts), 25 percent is distributed to the General Fund of the U.S. Treasury, and 75 percent is distributed to the Coos Bay Wagon Road Grant Fund.

Until 1994, BLM received tax bills from the counties four times a year. Actual distributions from the fund covered only the tax bills received, and the remainder stayed in the fund. Once every 10 years, any balance in the fund not needed to cover the tax bills was transferred to the General Fund of the U.S. Treasury. The balance of the fund in fiscal year 1998 is about $28 million, which will be returned to the General Fund in 2000.

For fiscal years 1994-98, payments are a set amount based on a declining percentage of the average tax bill for fiscal years 1986-90. For fiscal years 1999-2003, payments shall be the greater of the special payment amount or what is due under the tax calculations. Payments are made from the special spotted owl appropriation. (See table 11.15.) Receipts—other than from salvage sales—are now deposited in the General Fund of the U.S. Treasury. Salvage sales receipts are deposited in the BLM Forest Ecosystem Health Recovery Fund.

Annually, in September, BLM requests that the U.S. Treasury transfer funds to the counties for the special spotted owl guarantee payment. BLM notifies the payees of the payment to be received.

California's process for allocating payment:

Does not apply to California.

Oregon's process for allocating payment:

Does not apply; payments are made directly to the counties.

Washington's process for allocating payment:

Does not apply to Washington.

Table II.15: Bureau of Land Management's Spotted Owl Payment

Agency: Bureau of Land Management (BLM)

Name of payment: Spotted Owl payment

Statutory authority: Omnibus Budget Reconciliation Act of 1993, as amended (sec. 13983 of P.L. 103-66 as amended by P.L. 103-443)

General description of payment:

Special payment to selected counties in lieu of the O&C Grant Lands payment and the Coos Bay Wagon Road Grant Fund payment to compensate for the decline in timber harvests for the protection of the northern spotted owl habitat.

Agency's methodology and process for calculating and distributing payment:

For fiscal years 1991 and 1992, the annual appropriations laws stipulated that the payments to the O&C counties would be no less than 90 percent of the average payments for fiscal years 1988-90 and 1986-90, respectively, but could not exceed the total amount of the receipts generated in the O&C lands. In fiscal year 1993, the percentage was reduced to 85 percent. In fiscal year 1994, the law provided for a new payment calculation for the O&C and Coos Bay Wagon Road lands on the basis of the decreasing annual percentages of payments received by the counties for fiscal years 1986-90.

For fiscal years 1994-98, BLM paid this special payment amount. For fiscal years 1999-2003, payments in the formula must be compared with the amount that the O&C counties and Coos Bay counties would have received on the basis of actual receipts and tax payments, respectively. The counties receive the higher amount, and BLM uses the special spotted owl appropriation to make the payments for both the O&C Grant Lands payment (see table II.13) and the Coos Bay Wagon Roads payment. (See table II.14.)

While BLM previously made two payments to the counties for the O&C payment and four payments for the Coos Bay tax bill payments, it now makes only one payment a year.

Before the end of the fiscal year, BLM requests that the U.S. Treasury make available from the special appropriation the amount that will be needed to cover both payments. BLM then notifies the Treasury of the amounts that will be due to each county, and the payment is made by the end of September. For the O&C payment, BLM pays one bank, and the bank prepares separate payments for each of the 18 counties. For the Coos Bay payments, BLM has the Treasury make a payment to each of the County Treasurers for Coos and Douglas counties.

California's process for allocating payment:

Does not apply to California.

Oregon's process for allocating payment:

Does not apply; payments are made directly to the counties.

Washington's process for allocating payment:

Does not apply to Washington.

Table II.16: Bureau of Land Management's National Grasslands Payment

Agency: Bureau of Land Management (BLM)
Name of payment: National Grasslands payment
Statutory authority: Bankhead-Jones Farm Tenant Act (7 U.S.C. 1012)
General description of payment: Distribution of net receipts to counties from lands transferred to the Department of the Interior for administration by BLM. Receipts are generally from grazing and oil and gas leases. The law stipulates that the payments must be used for roads and/or schools.
Agency's methodology and process for calculating and distributing payment: From gross receipts, 50 percent is distributed to the Range Improvement Fund for later appropriation to BLM for managing rangelands; 25 percent is distributed to the General Fund of the U.S. Treasury; and 25 percent is distributed to counties in which the receipts were earned. BLM's districts collect the receipts for commodities other than oil and gas. MMS collects the oil and gas receipts and transfers them monthly to BLM. Payments to the counties are on a calendar-year basis and are generally made in March for the prior calendar year. Counties are notified of the payments, and copies of the payment reports are sent to both the county and state treasurers. BLM is authorized to reduce the county payments by the cost of administering the payments but has opted not to do so because the cost would be minimal.
California's process for allocating payment: Does not apply; payments are sent directly to the counties.
Oregon's process for allocating payment: Does not apply; payments are sent directly to the counties.
Washington's process for allocating payment: Does not apply; payments are sent directly to the counties.

Table II.17: Bureau of Land Management's Nevada Land Sales Payment

Agency: Bureau of Land Management (BLM)

Name of payment: Nevada Land Sales payment

Statutory authority: Public Law 96-586 (94 Stat. 3381, 3382)

General description of payment:

Distribution to either the state of Nevada, city of Las Vegas, or Clark County of gross receipts from the sale of certain lands within Clark County, Nevada.

The law stipulates that the payments to the state must be used for its general education program and the payments to the county or municipality are to be used for the acquisition and development of recreational lands and facilities.

Agency's methodology and process for calculating and distributing payment:

Of the gross receipts from land transactions, 85 percent is distributed to the General Fund of the U.S. Treasury to purchase lands in the Lake Tahoe area; 10 percent is distributed to either the city of Las Vegas or Clark County (depending on where the receipts were generated); and 5 percent is distributed to the state of Nevada.

The BLM State Office prepares the land transactions, and the Las Vegas District Office collects the moneys and notifies the BLM Business Center of whether the proceeds from the transaction are payable to the state, county, or city of Las Vegas.

Distributions are made annually, usually in the February/March time frame, to the state and to Clark County or Las Vegas, depending on where the land transactions occurred. BLM notifies the state treasurer of the amounts paid to the county and city. Similar information is sent to the county treasurer.

The funds distributed to the General Fund of the U.S. Treasury are available to the Forest Service to purchase lands in the Lake Tahoe area.

California's process for allocating payment:

Does not apply to California.

Oregon's process for allocating payment:

Does not apply to Oregon.

Washington's process for allocating payment:

Does not apply to Washington.

Table II.18: Bureau of Land Management's National Petroleum Reserves Payment

Agency: Bureau of Land Management (BLM)
Name of payment: National Petroleum Reserve in Alaska payment
Statutory authority: National Petroleum Reserves Production Act of 1976, as amended (42 U.S.C. 6508)
General description of payment: Distribution of gross receipts from the sales, rents, bonuses, and royalties from oil and gas leases in the National Petroleum Reserve in Alaska. The law states that the funds be used for the planning, construction, maintenance, and operation of essential public facilities and other necessary provisions of public service in Alaska.
Agency's methodology and process for calculating and distributing payment: Fifty percent of the gross receipts from the National Petroleum Reserve are distributed to the state of Alaska and 50 percent to the General Fund of the U.S. Treasury. The payment began in the mid-1970s, but no receipts were generated during fiscal years 1995-97. When receipts were generated, MMS would collect the receipts and transfer the moneys to BLM for semiannual distribution to the state. BLM distributes the funds as soon as practical after March 31 and September 30 to the State Treasurer of Alaska and distributed them annually to the General Fund of the U.S. Treasury as soon as practical after September 30.
California's process for allocating payment: Does not apply to California.
Oregon's process for allocating payment: Does not apply to Oregon.
Washington's process for allocating payment: Does not apply to Washington.

Table II.19: Bureau of Land Management's South Half of Red River Payment

Agency: Bureau of Land Management (BLM)

Name of payment: South Half of Red River Oklahoma/Oklahoma Royalties payment

Statutory authority: Department of the Interior Appropriations Act, 1952 (65 Stat. 248, 252)

General description of payment:

Distribution of gross receipts from royalties from oil and gas leases on lands bordering the South Half of the Red River in Oklahoma to the Bureau of Indian Affairs (BIA) and the state of Oklahoma.

Distributions to BIA are to benefit the Apache, Comanche, and Kiowa Indians of Oklahoma. The law specifies that the payments must be used in accordance with the Mineral Leasing Act, that is, for the planning, construction, and maintenance of public facilities.

Agency's methodology and process for calculating and distributing payment:

From the royalties generated on these lands, 62.5 percent is distributed to BIA, and 37.5 percent is distributed to the state of Oklahoma. MMS collects the receipts and transfers them to BLM for distribution.

Payments to the state are made semiannually—generally, in April for the March 31 payment and in November for the September 30 payment.

Annual payments, which are based on fiscal-year royalties, are made to BIA electronically as soon as practical after September 30.

California's process for allocating payment:

Does not apply to California.

Oregon's process for allocating payment:

Does not apply to Oregon.

Washington's process for allocating payment:

Does not apply to Washington.

Table II.20: Minerals Management Service's Mineral Leasing Payments for Public Domain Lands

Agency: Minerals Management Service (MMS)

Name of payment: Mineral Leasing Payments for Public Domain Lands

Statutory authority: Mineral Leasing Act, as amended (30 U.S.C. 191)

General description of payment:

Distribution of net receipts generated from royalties, rents, and bonuses from minerals leases on public domain lands. The law states that the funds are to be used by the state and those subdivisions socially and economically affected by the development of minerals for the planning, construction, and maintenance of public facilities and for the provision of public service.

Agency's methodology and process for calculating and distributing payment:

From gross receipts, MMS subtracts costs—in the form of a net receipts-sharing deduction[a]—and makes monthly payments to the states on the receipts generated from minerals leases on public domain lands. The public domain lands may include lands designated as "state select lands," which results in a larger portion of the receipts being distributed to the state.

For states other than Alaska, MMS distributes 50 percent of the net receipts to the state, 40 percent to the Bureau of Reclamation's Reclamation Fund, and 10 percent to the General Fund of the U.S. Treasury. For receipts generated on state select lands or in the state of Alaska, 90 percent of the receipts are distributed to the state and 10 percent to the General Fund of the U.S. Treasury.

Under the requirements of the Federal Oil and Gas Royalty Management Act of 1982, as amended, MMS must distribute the state's share of the receipts generated by the last day of the month that the receipts are warranted—that is deposited—at the U.S. Treasury. MMS collects the receipts on the BLM's, FWS' Forest Service's, and various military branches' public domain lands; verifies the lessee's payments; and processes the payment through the U.S. Treasury to the states on a monthly basis. If MMS is late in making its payment to the states, it is responsible for the additional cost of the interest that must be paid to the states. MMS then sends the state a detailed record of the receipts generated in the previous month as well as an identification of the county in which the lease was located.

California's process for allocating payment:

The state distributes to the counties only a small portion of MMS Mineral Leasing revenue-sharing funds. In fiscal year 1997, for example, only about 6 percent of the mineral leasing funds, or $3 million of $53 million, received from MMS were distributed. All of the distributed funds were from a portion of the geothermal-leasing receipts. The state deposits the remainder of the geothermal funds, as well as all other MMS Mineral Leasing funds, in specific state accounts—such as the general fund, the surface mining and reclamation account, the state school fund, grants, the renewable resources investment fund, and the teachers' retirement fund—or allocates them to two school districts.

MMS deposits all Mineral Leasing funds into the state's Federal Trust Fund interest-bearing account each month. After each monthly deposit, the state (1) verifies the amount of the deposit, (2) calculates the amount of the geothermal funds to be distributed to each county, (3) transfers the funds to be distributed to the counties from the Federal Trust Fund to the Geothermal Resources Development Account, (4) prepares and mails the distribution checks to the counties in which the funds were derived as reported by MMS to the state, and (5) sends the counties a formal notice of the reason for the distribution and what the funds are to be used for.

State law requires that the counties use the funds for any of 11 specific purposes.

(continued)

Oregon's process for allocating payment:

MMS deposits Mineral Leasing revenue-sharing funds into the state's short-term treasury interest-bearing account monthly. After each deposit, the state verifies the amount of the deposit with information received from MMS. On a quarterly basis—March 31, June 30, September 30, and December 31—the state distributes MMS Mineral Leasing funds to the counties. To make the distributions, the state (1) calculates the amount to be distributed to each county, including interest, less a 60-cent processing fee; (2) electronically distributes the funds to the counties; and (3) sends the counties a formal notice of the reason for the distribution.

The state distributes the funds to the counties in which the funds were derived as reported by MMS. The state does not specify how the funds are to be used.

Washington's process for allocating payment:

The state does not distribute MMS Mineral Leasing funds to counties. Instead, the state deposits the funds in the common school construction fund. The funds are to be used for the construction of common school facilities in the 39 counties.

[a]The Net Receipts Sharing Deduction, authorized in P.L. 103-66, sec. 10201, is an annual calculation of a portion of MMS', BLM's, and the Forest Service's costs to operate the Mineral Leasing program. One-twelfth of the annual deduction is subtracted from the monthly payments to the state and is deposited in the General Fund of the U.S. Treasury.

Table II.21: Minerals Management Service's Mineral Leasing Payments for Acquired Lands

Agency: Minerals Management Service (MMS)

Name of payment: Mineral Leasing Payments for Acquired Lands

Statutory authority: Mineral Leasing Act for Acquired Lands, as amended (30 U.S.C. 355)

General description of payment:

Distribution of gross receipts generated from rents, bonuses, and royalties from minerals leases on acquired lands. The states are to use the payments for the same purpose as designated by other revenue-sharing programs for the lands on which the lease is situated.

Agency's methodology and process for calculating and distributing payment:

MMS collects receipts on acquired federal lands and on BLM's and the Forest Service's grasslands and FWS's refuges. MMS, however, unless otherwise provided, is prohibited from making payments directly to counties and therefore must transmit the moneys to the appropriate agencies for actual distribution to the counties. The cognizant agencies make the distribution of minerals receipts on grasslands or refuges according to the grasslands and refuges distribution statutes. (See tables II.4, II.16, and II.23.)

On a monthly basis, MMS instructs the U.S. Treasury to transfer 100 percent of the receipts generated to BLM or FWS. MMS then sends the agencies detailed reports on the source of the receipts and the counties where the leases are located to enable the agencies to make the proper distribution. MMS does not charge these federal agencies for collecting the receipts.

The Forest Service distributed receipts from acquired lands on national forests to states through the end of fiscal year 1992. Beginning in fiscal year 1993, however, MMS (pursuant to the Energy Policy Act of 1992) started distributing 25 percent of the minerals receipts generated on acquired national forest lands to the states and 75 percent to the General Fund of the U.S. Treasury. MMS notifies the Forest Service of the distributions made on its behalf.

California's process for allocating payment:

The state distributes to the counties only a small portion of MMS' Mineral Leasing revenue-sharing funds. In fiscal year 1997, for example, only about 6 percent of the Mineral Leasing funds, or $3 million of $53 million, received from MMS were distributed. All of the distributed funds were from a portion of the geothermal-leasing receipts. The state deposits the remainder of the geothermal funds, as well as all other MMS Mineral Leasing funds, in specific state accounts—such as the general fund, the surface mining and reclamation account, the state school fund, grants, the renewable resources investment fund, and the teachers' retirement fund—or allocates them to two school districts.

MMS deposits all Mineral Leasing funds into the state's Federal Trust Fund interest-bearing account each month. After each monthly deposit, the state (1) verifies the amount of the deposit, (2) calculates the amount of the geothermal funds to be distributed to each county, (3) transfers the funds to be distributed to the counties from the Federal Trust Fund to the Geothermal Resources Development Account, (4) prepares and mails the distribution checks to the counties in which the funds were derived as reported by MMS to the state, and (5) sends the counties a formal notice of the reason for the distribution and what the funds are to be used for.

State law requires that the counties use the funds for any of 11 specific purposes.

(continued)

Oregon's process for allocating payment:

MMS deposits Mineral Leasing revenue-sharing funds into the state's short-term treasury interest-bearing account monthly. After each deposit, the state verifies the amount of the deposit with information received from MMS. On a quarterly basis—March 31, June 30, September 30, and December 31—the state distributes MMS' Mineral Leasing funds to the counties. To make the distributions, the state (1) calculates the amount to be distributed to each county, including interest, less a 60-cent processing fee; (2) electronically distributes the funds to the counties; and (3) sends the counties a formal notice of the reason for the distribution.

The state distributes the funds to the counties in which the funds were derived as reported by MMS. The state does not specify how the funds are to be used.

Washington's process for allocating payment:

The state does not distribute MMS' Mineral Leasing funds to counties. Instead, the state deposits the funds in the common school construction fund. The funds are to be used for the construction of common school facilities in the 39 counties.

Table II.22: Minerals Management Service's Offshore Mineral Leasing Payment

Agency: Minerals Management Service (MMS)

Name of payment: Off-shore Mineral Leasing payment

Statutory authority: Section 8(g) of the Outer Continental Shelf Lands Act of 1953, as amended (43 U.S.C. 1337(g))

General description of payment:

Distribution of gross receipts from off-shore leases within each state's payment zone and annual settlement disbursements to the states.

The law does not specify what use the state must make of the funds.

Agency's methodology and process for calculating and distributing payment:

The Outer Continental Shelf Lands Act (OCSLA) Amendments of 1978 amended section 8(g) of the OCSLA by providing that the states were to receive a "fair and equitable" division of revenues generated from the leasing of lands within 3 miles of a state's seaward boundary. However, the federal government and the states could not agree on the meaning of the term "fair and equitable."

Congress resolved the dispute through the OCSLA Amendments of 1985 (P.L. 99-272). The law provides for a series of annual settlement payments to be disbursed to the states over a 15-year period from fiscal year 1987 through fiscal 2001. The law also provides for recurring disbursements of 27 percent of the gross receipts received within each of the states' section 8(g) zones. The remaining receipts go to the General Fund of the U.S. Treasury.

MMS negotiates the minerals leases and collects the receipts, verifies the lessee's payments, and processes the payment through the U.S. Treasury to the states on a monthly basis. MMS is required to make these payments to the states by the last day of the month following the month in which the receipts are deposited in the Treasury. MMS sends the state a detailed record of the receipts generated in the previous month.

Annually, the settlement payments are made to six states before April 15 of each year. Since offshore receipts are not associated with or generated within a county, the distributions are to the state.

California's process for allocating payment:

California distributes these payments to the General Fund of California, which is the principal operating fund for the majority of governmental activities and consists of all moneys received in the U.S. Treasury that are not required by law to be credited to any other fund.

Oregon's process for allocating payment:

Oregon does not receive 8(g) payments.

Washington's process for allocating payment:

Washington does not receive 8(g) payments.

Table II.23: Fish and Wildlife Service's Refuge Revenue Sharing Payment

Agency: Fish and Wildlife Service (FWS)

Name of payment: Refuge Revenue Sharing payment

Statutory authority: Refuge Revenue Sharing Act, as amended (16 U.S.C. 715s)

General description of payment:

Distribution of net receipts from FWS lands for various products or privileges, such as grazing, oil and gas, forest products, and concession fees, to counties in which FWS lands are located. Congress may add appropriations to make up any difference between net receipts and the payments due.

The law does not stipulate how the counties should use the funds.

Agency's methodology and process for calculating and distributing payment:

From net receipts (FWS is allowed to deduct some administrative expenses from gross receipts), counties receive 25 percent of the receipts collected on reserved lands (BLM's public domain lands administered by FWS). For fee lands (those acquired by FWS), the counties receive whichever is greater: (1) 25 percent of net receipts, (2) 0.75 percent of the appraised value of the lands (updated every 5 years), or (3) $0.75 per acre. However, the land payments cannot be less than those made in fiscal year 1977. Monthly, MMS collects the minerals receipts on the refuges and transmits them to FWS for deposit into the National Wildlife Refuge Fund.

FWS' payments to the counties are made from the National Wildlife Refuge Fund. This fund receives the net receipts from the prior and current fiscal-year appropriations. If the net receipts and appropriations are insufficient to pay the full entitlement, the payments are distributed on a pro rata basis. When a refuge spans over a number of counties, the distribution of the receipts generated by that refuge is based upon the acreage within that refuge and is prorated on the basis of the acreage of each county instead of on which county generated the receipts.

Annually, in November, FWS' Finance staff send a data file containing basic regional land data to each of its seven Regional Realty Offices for updating—acquisitions, deletions, or increased land appraisals. On the basis of updated data, FWS' Finance staff calculate the county payments and send the data back to the regions for review.

After review by the regions, FWS' Finance staff request checks from the U.S. Treasury. The Treasury checks are mailed to the regions for distribution to the counties. The county payments—which may be hand carried to the county—are usually made in the first quarter of the calendar year.

California's process for allocating payment:

Does not apply; payments are made directly to the counties.

Oregon's process for allocating payment:

Does not apply; payments are made directly to the counties.

Washington's process for allocating payment:

Does not apply; payments are made directly to the counties.

Operational Overview of the Payment in Lieu of Taxes Program

The Payment in Lieu of Taxes (PILT) program is probably the most complex but least understood of the land management compensation programs. It has the broadest geographic coverage of the revenue-sharing programs. PILT was authorized by the Payment in Lieu of Taxes Act of 1976, as amended (31 U.S.C. 6901-6907). The Bureau of Land Management (BLM) administers the program and is responsible for calculating the payments according to formulas established by law and for distributing the funds appropriated by the Congress to units of local government, usually counties. Under current law, local governments are compensated through various other revenue-sharing programs for losses to their tax bases due to the presence of federally owned land within their boundaries. PILT guarantees some payment to most counties that have federal lands within their boundaries. Since the first payments in 1977, payments have averaged about $102 million annually, and, to date, over $2 billion in payments have been made to local governments. These payments may be used by the counties for any governmental purpose.

The PILT payment is composed of three separate formulas dealing with (1) section 6902 payments to local governments (generally counties) under two alternatives that are based on “entitlement lands” within the county, (2) section 6904 payments to counties for lands acquired for the National Park System or National Forest Wilderness Areas, and (3) section 6905 payments to counties for lands owned by the federal government in the Redwood National Park and those acquired in the Lake Tahoe Basin.

Section 6902 Payments

Seven categories of federal land are eligible for PILT payments under this section. The most significant categories of lands are those in the National Forest System, those in the National Park System, and lands administered by BLM and the Fish and Wildlife Service (FWS). In total, about 595 million acres of federal land are covered under this section. Under the act, calculating a county’s payment first requires determining the answers to several questions:

1. What is the population of the county?

2. How many acres of eligible lands are in the county?

3. What, if any, was the previous year’s payment (offset) for eligible lands under the other payment programs of federal agencies for these lands?

The population data are provided by the Bureau of the Census, and the acreage data are provided by each of the federal agencies that have eligible acres within each county's boundaries. However, the previous year's payments from designated federal agencies are provided by the governor's office from each state. (App. II, table II.1 shows a listing of the PILT offsets for the Forest Service, BLM, the Minerals Management Service (MMS), and FWS. There are a few other offsets, but these programs were not covered by our review.)

Moreover, the law contains a table that sets the maximum payment (ceiling) that a county may receive on the basis of population. The relationship between the population and ceiling is not linear, that is, the ceiling increases in relation to the population until the population reaches 50,000. Counties with a population of 50,000 or more have the same ceiling, regardless of their population. The fiscal year 1997 ceiling was $1.825 million (50,000 x $36.50).

The law also provides for minimum and standard payment rates that are based on acreage. The fiscal year 1997 minimum rate was $0.18, and the standard rate was $1.36 per acre. At the beginning of each fiscal year, all of the variables above are adjusted for inflation on the basis of the Consumer Price Index for the 12 months ending the preceding June 30. Table III.1 shows the differences in ceilings and the minimum and standard rates for fiscal years 1995-99.

Table III.1: Maximum Payments (Ceiling) Based on Population and Minimum and Standard Rates Based on Acreage, Fiscal Years 1995-99

Fiscal year	Population ceiling	Minimum rate (dollars/acre)	Standard rate (dollars/acre)
1995	$1,237,500	$0.12	$0.93
1996	1,541,500	0.16	1.16
1997	1,825,000	0.18	1.36
1998[a]	1,962,500	0.20	1.47
1999[a]	2,200,000	0.22	1.65

[a]Not adjusted for inflation, since the payments have not been made.

Calculation

Once the answers to the three questions shown earlier are known, a comparison of the results must be made:

Alternative A: Which is less—the county's eligible acreage times the standard rate or the county's ceiling? Pick the lesser of these two and from it, subtract the previous year's total payment for the eligible land under the other payments or revenue-sharing programs of the agencies that control the land (offset).

Alternative B: Which is less—the county's eligible acreage times the minimum rate or the county's ceiling? Pick the lesser of these two.

The county is eligible to receive whichever of the above calculations—Alternative A or Alternative B—is greater. However, under Alternative A, if the total calculated payment (eligible areas x the standard rate) exceeds the ceiling, the deduction for the other federal agencies' prior-year payments is made from the ceiling to arrive at the Alternative A figure.

The following example shows how the section 6902 payment is computed for a hypothetical county in 1997. Our example assumes that the county has a population of 50,000, has an area of 200,000 acres, and received payments totaling $60,500 from other land management agencies in the previous year.

Table III.2: Example of a PILT Calculation for a Section 6902 Payment

Example where Alternative A is greater than B	
Ceiling based on population (50,000 x $36.50)	$1,825,000
Alternative A:	
200,000 acres x $1.36 per acre	272,000
Deduction for prior-year payments[a]	(60,500)
Payment to county—Alternative A	$211,500
Alternative B:	
200,000 acres x $0.18 per acre	$36,000
No deduction under this alternative	0
Payment to county—Alternative B	$36,000

[a]Only the amount of federal land payments actually received by the county in the prior fiscal year are deducted. If a county receives a federal land payment but is required by state law to pass all or part of it to financially and politically independent school districts or other single- or special-purpose districts, such redistributed payments are considered not to have been received by the county and are not deducted from the section 6902 payment.

In this case, the county would receive $211,500. However, if the ceiling were $200,000 because the population was much lower than 50,000 in this example, the Alternative A payment would be $139,500 ($200,000 minus $60,500)

Section 6904 Payments

Section 6904 provides units of local government (generally counties) with annual payments for any lands or interest therein within their boundaries that were acquired after December 31, 1970, as additions to the National Park System or National Forest Wilderness Areas. These lands must have been subject to local real property taxes within the 5-year period preceding their acquisition by the federal government. Payments under this section are made in addition to payments under section 6902. They are based on 1 percent of the fair market value of the lands at the time of acquisition but may not exceed the amount of real property taxes assessed and levied on the property during the last full fiscal year before the fiscal year when acquired. Section 6904 payments for each acquisition are to be made annually for 5 years following each acquisition.

Section 6905 Payments

Section 6905 provides units of local government (generally counties) with annual payments for any lands or interest therein owned by the federal government in the Redwood National Park or acquired in the Lake Tahoe Basin under the Act of December 23, 1980 (P.L. 96-586, 94 Stat. 3383). Section 6905 payments will continue beyond the 5-year limitation. These payments will continue until the total amount paid equals 5 percent of the fair market value of the lands at the time of acquisition. However, the payment for each year cannot exceed the actual property taxes assessed and levied on the property during the last full fiscal year before the fiscal year in which the property was acquired by the federal government.

Payments Based on Availability of Appropriations

Total eligible payments to the counties are determined by combining the amounts determined under sections 6902, 6904 and 6905. However, if the Congress appropriated less than the amount needed for the full payment, the percentage of the shortfall is prorated equally to each of the eligible county payments. For example, in fiscal years 1995-97, the counties received about 77, 68, and 53 percent of their eligible payments, respectively. BLM makes two annual payments to the counties in September of each year. The first is the section 6902 payment, and the second payment is the combination of section 6904 and section 6905 payments. The section 6902 payment was 98 percent of the total payment for fiscal years 1995 and 1996 and 99 percent of the total fiscal year 1997 payment.

Distribution of Federal Payments to California's, Oregon's, and Washington's Counties for Fiscal Year 1997

	Federal payments to states[a]						
State/ County	Forest Service's 25-Percent Payment	BLM's Mineral Leasing	BLM's Outside Grazing	BLM's Inside Grazing	BLM's Proceeds of Sales	Minerals Management Service	Total[d]
California							
Alameda	0	0	0	0	0	0	0
Alpine	332,080	0	0	213	6	26	332,325
Amador	158,155	0	165	0	13	0	158,334
Butte	276,046	0	0	0	0	0	276,046
Calaveras	130,522	0	394	0	1,095	0	132,012
Colusa	159,857	0	88	0	0	0	159,946
Contra Costa	0	0	0	0	0	6,545	6,545
Del Norte	1,832,443	0	0	0	0	0	1,832,443
El Dorado	1,006,949	1,067	238	0	9	0	1,008,263
Fresno	1,216,589	0	4,351	0	0	1,199,919	2,420,858
Glenn	450,670	6	180	0	0	1,737	452,593
Humboldt	1,298,600	107	1,550	0	97	0	1,300,354
Imperial	0	636	0	0	10,659	1,951,540	1,962,834
Inyo	252,321	0	182	965	4,396	2,748,006	3,005,870
Kern	262,920	3,182	8,583	3,655	5,965	6,387,530	6,671,835
Kings	0	172	1,034	0	5	16,812	18,022
Lake	630,279	0	34	0	24	2,238,786	2,869,124
Lassen	1,754,561	0	0	11,741	8,593	24,899	1,799,793
Los Angeles	495,995	2,041	11	0	0	370,968	869,015
Madera	485,925	0	524	0	0	0	486,449
Marin	0	0	0	0	0	0	0
Mariposa	260,665	0	733	0	3	0	261,402
Mendocino	441,868	0	0	0	0	0	441,868
Merced	0	0	237	0	0	0	237
Modoc	2,071,948	851	554	3,287	31	0	2,076,672
Mono	309,101	0	0	2,837	313	565,160	877,410
Monterey	28,258	0	2,019	0	99	16,157	46,533
Napa	0	0	194	0	0	0	194
Nevada	420,425	0	81	0	481	0	420,987
Orange	28,920	0	0	0	0	0	28,920
Placer	767,886	8	0	0	375	0	768,270
Plumas	1,721,985	0	146	0	0	0	1,722,132
Riverside	75,090	5,357	657	0	6,084	0	87,188
Sacramento	0	0	0	0	0	4,641	4,641

	Federal direct payment to counties						
Total state distribution to counties[b]	FWS' Refuge Revenue Sharing	Forest Service's Grasslands	BLM's PILT	BLM's O&C Grant Lands	BLM's Coos Bay Wagon Road	Total[d]	Total county payments[c,d]
0	119,847	0	1,756	0	0	121,603	121,603
332,293	0	0	40,372	0	0	40,372	372,665
158,321	0	0	31,304	0	0	31,304	189,625
276,046	30,766	0	14,580	0	0	45,346	321,392
130,917	0	0	33,996	0	0	33,996	164,913
159,946	134,341	0	27,051	0	0	161,392	321,338
0	17,295	0	3,381	0	0	20,676	20,676
1,832,443	204	0	44,303	0	0	44,507	1,876,950
1,007,187	0	0	191,525	0	0	191,525	1,198,712
1,220,939	0	0	682,435	0	0	682,435	1,903,374
450,849	108,655	0	19,270	0	0	127,925	578,774
1,300,150	19,101	0	864,284	0	0	883,385	2,183,535
630,730	16,898	0	536,214	0	0	553,112	1,183,842
1,207,498	0	0	497,636	0	0	497,636	1,705,134
273,291	26,248	0	717,432	0	0	743,680	1,016,971
1,034	0	0	6,621	0	0	6,621	7,655
1,416,346	0	0	36,610	0	0	36,610	1,452,956
1,775,367	0	0	157,410	0	0	157,410	1,932,777
496,006	0	0	430,538	0	0	430,538	926,544
486,449	0	0	246,283	0	0	246,283	732,732
0	8,241	0	61,159	0	0	69,400	69,400
261,398	0	0	275,030	0	0	275,030	536,428
441,868	0	0	89,244	0	0	89,244	531,112
237	107,434	0	25,949	0	0	133,383	133,620
2,075,241	33,390	0	162,657	0	0	196,047	2,271,288
504,630	0	0	168,327	0	0	168,327	672,957
30,277	7,715	0	250,954	0	0	258,669	288,946
194	347	0	43,657	0	0	44,004	44,198
420,506	0	0	81,441	0	0	81,441	501,947
28,920	0	0	32,143	0	0	32,143	61,063
767,886	0	0	151,337	0	0	151,337	919,223
1,722,132	0	0	112,159	0	0	112,159	1,834,291
75,747	70,650	0	952,635	0	0	1,023,285	1,099,032
0	13,743	0	5,429	0	0	19,172	19,172

(continued)

	Federal payments to states[a]						
State/ County	Forest Service's 25-Percent Payment	BLM's Mineral Leasing	BLM's Outside Grazing	BLM's Inside Grazing	BLM's Proceeds of Sales	Minerals Management Service	Total[d]
San Benito	0	0	2,130	0	0	1,544	3,674
San Bernardino	229,503	22,989	7,619	239	2,433	1,715,898	1,978,681
San Diego	135,666	1,039	3,093	0	0	1	139,798
San Francisco	0	0	0	0	0	0	0
San Joaquin	0	0	0	0	0	0	0
San Luis Obispo	17,584	168	6,419	0	0	26,185	50,356
San Mateo	0	0	0	0	0	0	0
Santa Barbara	57,850	16	175	0	0	95,619	153,659
Santa Clara	0	0	28	0	203	0	231
Santa Cruz	0	0	0	0	0	38	38
Shasta	2,126,625	1,980	2,478	0	7,898	0	2,138,981
Sierra	907,469	0	0	0	0	3	907,473
Siskiyou	5,840,735	753	1,340	0	490	33,977	5,877,294
Solano	0	10	0	0	0	10,180	10,190
Sonoma	0	0	0	0	0	2,324,119	2,324,119
Stanislaus	0	0	430	0	46	0	476
Sutter	0	0	0	0	0	70	70
Tehama	1,238,114	291	2,503	0	70	0	1,240,978
Trinity	4,776,816	1,156	0	0	788	0	4,778,759
Tulare	636,647	0	1,217	131	0	0	637,995
Tuolumne	995,563	0	752	0	804	0	997,119
Ventura	52,390	305	16	0	4	546,040	598,756
Yolo	0	0	0	0	0	0	0
Yuba	77,926	0	7	0	258	0	78,191
Total to Counties	**33,962,946**	**42,131**	**50,161**	**23,068**	**51,244**	**20,286,400**	**54,415,950**
Other Revenue[e]	0	0	0	0	0	32,596,918	32,596,918
State Total	**33,962,946**	**42,131**	**50,161**	**23,068**	**51,244**	**52,883,318**	**87,012,869**
Oregon							
Baker	525,109	647	0	8,024	168	0	533,949
Benton	316,510	0	0	0	0	0	316,510
Clackamas	4,521,120	0	0	0	1,620	(442)	4,522,298
Clatsop	0	0	0	0	0	0	0
Columbia	0	0	0	0	0	0	0
Coos	512,632	0	0	0	16,351	0	528,983
Crook	482,702	201	293	5,076	80	0	488,352

	Federal direct payment to counties						
Total state distribution to counties[b]	FWS' Refuge Revenue Sharing	Forest Service's Grasslands	BLM's PILT	BLM's O&C Grant Lands	BLM's Coos Bay Wagon Road	Total[d]	Total county payments[c,d]
2,130	0	0	72,005	0	0	72,005	74,135
237,481	0	0	888,745	0	0	888,745	1,126,226
138,759	239,264	0	300,707	0	0	539,971	678,730
0	0	0	1,711	0	0	1,711	1,711
0	0	0	1,559	0	0	1,559	1,559
24,003	0	0	315,169	0	0	315,169	339,172
0	4,266	0	1,869	0	0	6,135	6,135
58,025	0	0	500,493	0	0	500,493	558,518
28	18,358	0	1,795	0	0	20,153	20,181
0	7,510	0	9	0	0	7,519	7,519
2,129,103	1,449	0	94,390	0	0	95,839	2,224,942
907,469	0	0	41,431	0	0	41,431	948,900
5,856,440	1,241	114	247,170	0	0	248,525	6,104,965
0	18,787	0	3,782	0	0	22,569	22,569
826,298	3,085	0	2,296	0	0	5,381	831,679
430	38,079	0	2,903	0	0	40,982	41,412
0	50,110	0	2	0	0	50,112	50,112
1,240,617	56,163	0	42,644	0	0	98,807	1,339,424
4,776,816	0	0	147,807	0	0	147,807	4,924,623
638,323	10,617	0	780,146	0	0	790,763	1,429,086
996,314	0	0	270,956	0	0	270,956	1,267,270
52,407	4,440	0	404,004	0	0	408,444	460,851
0	0	0	23,171	0	0	23,171	23,171
77,933	0	0	4,740	0	0	4,740	82,673
37,447,421	**1,168,244**	**114**	**11,144,626**	**0**	**0**	**12,312,984**	**49,760,405**
0	0	0	0	0	0	0	0
37,447,421	**1,168,244**	**114**	**11,144,626**	**0**	**0**	**12,312,984**	**49,760,405**
543,338	0	0	143,461	0	0	143,461	686,799
318,934	82,295	0	2,002	1,974,462	0	2,058,759	2,377,693
4,533,681	943	0	50,041	3,899,738	0	3,950,722	8,484,402
2,440	33,147	0	59	0	0	33,206	35,646
1,920	2,635	0	0	1,447,470	0	1,450,105	1,452,025
518,040	13,495	0	6,537	4,145,667	491,094	4,656,793	5,174,833
497,478	0	0	90,017	0	0	90,017	587,495

(continued)

	Federal payments to states[a]						
State/ County	Forest Service's 25-Percent Payment	BLM's Mineral Leasing	BLM's Outside Grazing	BLM's Inside Grazing	BLM's Proceeds of Sales	Minerals Management Service	Total[d]
Curry	3,590,220	0	0	0	162,885	0	3,753,104
Deschutes	3,072,339	2,030	386	4,957	522	33,222	3,113,455
Douglas	14,247,538	0	0	0	22,031	0	14,269,570
Gilliam	0	55	2,475	0	0	0	2,530
Grant	2,281,682	0	9,451	187	14,463	0	2,305,783
Harney	673,062	0	258	39,029	5,437	(2,139)	715,647
Hood River	1,841,677	0	0	0	0	0	1,841,677
Jackson	4,084,201	0	885	0	10,434	0	4,095,520
Jefferson	554,074	0	922	0	0	11,378	566,373
Josephine	1,960,760	0	16	0	27,512	0	1,988,287
Klamath	9,735,144	541	5,200	784	4,073	0	9,745,742
Lake	1,967,682	0	7	21,160	650	0	1,989,499
Lane	21,548,517	0	0	0	0	0	21,548,517
Lincoln	3,337,422	0	9	0	145	0	3,337,576
Linn	7,162,170	0	0	0	644	0	7,162,814
Malheur	3,281	222	0	64,113	1,002	0	68,618
Marion	2,706,152	0	0	0	0	(539)	2,705,614
Morrow	252,615	0	150	0	0	0	252,765
Multnomah	685,880	0	0	0	0	0	685,880
Polk	6,171	0	0	0	0	0	6,171
Sherman	0	178	1,333	0	0	0	1,512
Tillamook	1,774,919	0	0	0	1	0	1,774,920
Umatilla	681,988	191	680	0	209	0	683,068
Union	567,843	0	161	4	527	0	568,535
Wallowa	536,869	0	614	0	0	0	537,483
Wasco	1,904,381	146	2,498	0	0	0	1,907,025
Washington	0	0	0	0	0	0	0
Wheeler	214,520	0	3,022	0	576	0	218,118
Yamhill	493,356	0	0	0	0	0	493,356
Total to Counties	**92,242,534**	**4,210**	**28,361**	**143,334**	**269,330**	**41,481**	**92,729,250**
Other Revenue[e]	0	0	0	0	0	0	0
State Total	**92,242,534**	**4,210**	**28,361**	**143,334**	**269,330**	**41,481**	**92,729,250**
Washington							
Adams	0	0	0	0	0	0	0
Asotin	94,832	0	356	0	16	0	95,204

	Federal direct payment to counties						
Total state distribution to counties[b]	FWS' Refuge Revenue Sharing	Forest Service's Grasslands	BLM's PILT	BLM's O&C Grant Lands	BLM's Coos Bay Wagon Road	Total[d]	Total county payments[c,d]
3,601,201	0	0	56,801	2,564,692	0	2,621,493	6,222,694
3,126,036	0	0	137,258	0	0	137,258	3,263,294
14,285,474	0	0	91,143	17,601,518	67,602	17,760,263	32,045,737
5,967	0	0	20,989	0	0	20,989	26,956
2,307,824	0	0	168,620	0	0	168,620	2,476,444
740,221	109,151	0	300,180	0	0	409,331	1,149,552
1,846,237	0	0	19,692	0	0	19,692	1,865,929
4,099,731	0	0	44,855	11,010,610	0	11,055,465	15,155,196
572,310	0	12,908	28,274	0	0	41,182	613,492
1,968,631	0	0	33,616	8,488,077	0	8,521,693	10,490,324
9,775,094	121,875	0	207,044	1,644,214	0	1,973,133	11,748,227
2,015,645	39,759	0	300,180	0	0	339,939	2,355,584
21,597,365	0	0	132,973	10,729,548	0	10,862,521	32,459,887
3,345,768	8,162	0	17,609	252,956	0	278,727	3,624,495
7,180,569	785	0	45,997	1,855,010	0	1,901,792	9,082,361
95,862	0	0	681,167	0	0	681,167	777,029
2,713,462	24,544	0	19,730	1,025,877	0	1,070,151	3,783,613
258,912	5,659	0	75,706	0	0	81,365	340,277
688,322	0	0	7,255	765,894	0	773,149	1,461,471
8,263	21,974	0	42	1,517,736	0	1,539,752	1,548,014
3,844	0	0	37,341	0	0	37,341	41,185
1,781,023	4,564	0	8,925	393,487	0	406,976	2,187,999
693,027	677	0	199,869	0	0	200,546	893,573
574,639	0	0	282,361	0	0	282,361	857,000
547,199	0	0	233,702	0	0	233,702	780,901
1,916,915	0	0	20,471	0	0	20,471	1,937,386
2,032	26,129	0	1,619	442,673	0	470,421	472,453
222,709	0	0	29,174	0	0	29,174	251,883
496,184	722	0	2,476	505,912	0	509,110	1,005,294
92,886,298	**496,516**	**12,908**	**3,497,186**	**70,265,541**	**558,697**	**74,830,848**	**167,717,146**
0	0	0	0	0	0	0	0
92,886,298	**496,516**	**12,908**	**3,497,186**	**70,265,541**	**558,697**	**74,830,848**	**167,717,146**
0	3,805	0	2,918	0	0	6,723	6,723
95,241	50	0	39,861	0	0	39,911	135,152

(continued)

	Federal payments to states[a]						
State/ County	Forest Service's 25-Percent Payment	BLM's Mineral Leasing	BLM's Outside Grazing	BLM's Inside Grazing	BLM's Proceeds of Sales	Minerals Management Service	Total[d]
Benton	0	0	61	0	3,779	16,998	20,838
Chelan	1,748,946	0	275	0	0	0	1,749,220
Clallam	1,519,303	0	0	0	0	0	1,519,303
Clark	9,415	0	0	0	0	0	9,415
Columbia	281,163	0	18	0	0	0	281,181
Cowlitz	273,087	0	0	0	0	0	273,087
Douglas	2	0	2,962	0	0	0	2,964
Ferry	620,116	0	678	0	0	0	620,794
Franklin	0	0	217	0	0	0	217
Garfield	168,287	0	7	0	0	0	168,295
Grant	0	0	(3,120)	0	0	0	(3,120)
Grays Harbor	437,855	0	0	0	0	0	437,855
Island	0	0	0	0	0	0	0
Jefferson	2,048,421	0	0	0	0	0	2,048,421
King	1,345,091	0	0	0	0	0	1,345,091
Kitsap	0	0	0	0	0	0	0
Kittitas	655,645	0	466	0	0	(26,343)	629,768
Klickitat	116,017	0	989	0	0	60	117,066
Lewis	3,273,293	0	0	0	0	825,886	4,099,179
Lincoln	0	0	4,081	0	0	0	4,081
Mason	481,680	0	0	0	0	0	481,680
Okanogan	1,373,838	0	4,283	0	7,043	0	1,385,164
Pacific	0	0	0	0	0	0	0
Pend Oreille	633,487	0	0	0	16	0	633,502
Pierce	498,258	0	0	0	0	0	498,258
San Juan	0	0	0	0	0	0	0
Skagit	838,040	0	0	0	0	0	838,040
Skamania	6,788,828	0	0	0	0	0	6,788,828
Snohomish	1,423,229	0	0	0	0	0	1,423,229
Spokane	0	0	173	0	2	0	176
Stevens	284,384	0	247	0	12,524	0	297,155
Thurston	2,477	0	0	0	0	0	2,477
Wahkiakum	0	0	0	0	0	0	0
Walla Walla	4,289	10	0	0	0	0	4,299
Whatcom	1,342,954	0	0	0	0	0	1,342,954

	Federal direct payment to counties						
Total state distribution to counties[b]	FWS' Refuge Revenue Sharing	Forest Service's Grasslands	BLM's PILT	BLM's O&C Grant Lands	BLM's Coos Bay Wagon Road	Total[d]	Total county payments[c,d]
61	5,241	0	26,042	0	0	31,283	31,344
1,750,188	6,874	0	454,402	0	0	461,276	2,211,464
1,520,143	15,455	0	51,816	0	0	67,271	1,587,414
9,421	58,490	0	372	0	0	58,862	68,283
281,337	327	0	92,788	0	0	93,115	374,452
273,238	5,656	0	3,268	0	0	8,924	282,162
2,964	0	0	32,403	0	0	32,403	35,367
621,137	0	0	177,065	0	0	177,065	798,202
217	0	0	22,786	0	0	22,786	23,003
168,388	0	0	57,655	0	0	57,655	226,043
(3,120)	4,005	0	107,311	0	0	111,316	108,196
438,097	9,918	0	16,290	0	0	26,208	464,305
0	0	0	349	0	0	349	349
2,049,554	24,202	0	67,648	0	0	91,850	2,141,404
1,345,834	0	0	31,446	0	0	31,446	1,377,280
0	0	0	0	0	0	0	0
656,473	0	0	126,456	0	0	126,456	782,929
117,070	93,171	0	4,154	0	0	97,325	214,395
3,275,103	0	0	45,664	0	0	45,664	3,320,767
4,081	0	0	46,765	0	0	46,765	50,846
481,947	0	0	15,834	0	0	15,834	497,781
1,378,880	1,850	0	451,611	0	0	453,461	1,832,341
0	112,448	0	2,433	0	0	114,881	114,881
633,837	896	0	130,518	0	0	131,414	765,251
498,533	4,530	0	100,901	0	0	105,431	603,964
0	0	0	1,660	0	0	1,660	1,660
838,504	0	0	145,658	0	0	145,658	984,162
6,792,582	26,126	0	80,615	0	0	106,741	6,899,323
1,424,016	0	0	60,446	0	0	60,446	1,484,462
173	57,235	0	1,384	0	0	58,619	58,792
284,788	231,804	0	114,306	0	0	346,110	630,898
2,478	16,571	0	60	0	0	16,631	19,109
0	11,486	0	1	0	0	11,487	11,487
4,291	3,101	0	14,738	0	0	17,839	22,130
1,343,697	0	0	223,913	0	0	223,913	1,567,610

(continued)

	Federal payments to states[a]						
State/ County	Forest Service's 25-Percent Payment	BLM's Mineral Leasing	BLM's Outside Grazing	BLM's Inside Grazing	BLM's Proceeds of Sales	Minerals Management Service	Total[d]
Whitman	0	0	442	0	0	0	442
Yakima	2,162,205	0	2,090	0	0	1,293	2,165,588
Total to Counties	**28,425,142**	**10**	**14,226**	**0**	**23,381**	**817,894**	**29,280,653**
Other Revenue[e]	0	0	0	0	0	0	0
State Total	**28,425,142**	**10**	**14,226**	**0**	**23,381**	**817,894**	**29,280,653**

	Federal direct payment to counties						
Total state distribution to counties[b]	FWS' Refuge Revenue Sharing	Forest Service's Grasslands	BLM's PILT	BLM's O&C Grant Lands	BLM's Coos Bay Wagon Road	Total[d]	Total county payments[c,d]
442	0	0	9,979	0	0	9,979	10,421
2,165,490	9,228	0	51,053	0	0	60,281	2,225,771
28,455,086	**702,469**	**0**	**2,812,569**	**0**	**0**	**3,515,038**	**31,970,124**
0	0	0	0	0	0	0	0
28,455,086	**702,469**	**0**	**2,812,569**	**0**	**0**	**3,515,038**	**31,970,124**

[a]These payments reflect the amount of the total state payment attributable to the various counties.

[b]These payments reflect the amount of the federal payment that the state actually distributed to the counties. In addition, the state of Oregon also pays interest on the BLM and MMS Mineral Leasing payments. During federal fiscal years 1995 through 1997, Oregon paid about $2,400 more in interest to the counties on these payments which is not reflected in the above table. Because of the differences in the state and federal fiscal years, and the way interest was calculated, allocating the amount attributable to the individual counties for each of the 3 fiscal years could not be easily done.

[c]This amount reflects the total amount paid to the counties by the state and directly from the federal agencies.

[d]Totals may not equal due to rounding.

[e]Other revenue reflects MMS' off-shore minerals leasing payment, interest, or the annual settlement paid to the state that is not attributable to individual counties.

Objectives, Scope, and Methodology

Specifically, we agreed to provide information on (1) the programs that the federal land management agencies use to compensate states and counties and identify the major differences among these programs; (2) the process that California, Oregon, and Washington use to distribute the federal payments to the counties and the major differences among the states' programs; and (3) the amount of federal compensation that California, Oregon, and Washington received and distributed to their counties compared with the amounts that the federal agencies calculated as attributable to the receipts generated in the counties during fiscal years 1995-97.

Federal Programs

To determine the land management agencies' methodology and processes to calculate and distribute the federal revenue-sharing funds and to identify the major differences between these programs, we obtained and reviewed the laws authorizing the various compensation programs. We held detailed discussions with the Forest Service, BLM, MMS, and FWS representatives responsible for distributing payments under the 22 federal programs to the states and counties. We obtained and reviewed the agencies' written guidance on the methodology they use for each of these 22 programs and discussed the process and time frames that they follow to make these payments to the states and the counties. On the basis of these discussions and our review of documents, we were able to identify the major differences between the various agencies' programs, processes, and methodologies.

Because the amount of federal acreage is a critical component of the federal compensation programs, we interviewed the Forest Service's and FWS' headquarters "lands" representative as well as BLM's Oregon State Office's representative to discuss their methodologies, processes, and timing for updating and reporting changes to the federal acreage totals and the lands valuations. We did not, however, evaluate the accuracy of the land totals or valuations developed because this was beyond the scope of our review.

We also obtained the agencies' year-end statistics for national disbursements as well as detailed listings by state for the amounts of receipts generated in each county in California, Oregon, and Washington for fiscal years 1995-97. We relied on the agencies' data on the amounts distributed to states and counties but did not evaluate whether the agencies accurately implemented the methodology established by law. We discussed the systems that the agencies used to collect, calculate, and distribute the federal payments but did not perform an in-depth analysis of these systems, since it was beyond the scope of our agreements with the congressional requester, nor did we verify the amounts distributed with the U.S. Treasury. We did, however, verify with the states the amounts received from the federal agencies.

We did not independently verify the reliability of the financial data provided nor did we trace the data to the systems from which they came. These systems were, in some cases, subject to audit procedures by the Office of Inspector General (OIG) in connection with the agencies' financial statement audits.

For fiscal years 1995-97 and previous fiscal years, the Department of Agriculture's OIG reported that because of significant internal control weaknesses in various accounting subsystems, the Forest Service's accounting data were not reliable. Despite these weaknesses, we used the data because they were the only data available and are the data that the agency uses to manage its programs.

For fiscal years 1995-97, the Department of the Interior's OIG issued unqualified opinions on the financial statements of BLM, MMS, and FWS. However, for fiscal year 1996, the OIG reported that there were weaknesses in the general controls at the Bureau of Reclamation's administrative service center, which processes financial information for BLM and FWS, and that certain of these weaknesses still existed in fiscal year 1997. Furthermore, for fiscal year 1997, the OIG reported weaknesses in the general controls over the MMS Royalty Management Program's automated information system.

State Programs

To determine California's, Oregon's, and Washington's methodologies and processes to calculate and distribute the federal revenue-sharing funds to the counties within those states and to identify the major differences between these programs, we met with the representatives of each state responsible for implementing the state's distribution program. We obtained and reviewed the states' laws and written guidance on the distribution of federal revenue-sharing funds from the land management agencies. Because Washington distributes a large portion of its federal receipts to the state's school construction fund for the benefit of all counties, we met with representatives of the Superintendent of Public Instruction to discuss their process for allocating moneys to the various school districts. On the basis of these discussions and our review of documents, we were able to identify the major differences between the various states' programs, processes, and methodologies.

We also obtained the states' statistics reflecting the federal funds received and the amounts disbursed to each county for fiscal years 1995-97. We relied on the states' data on the amounts distributed to the counties but did not evaluate whether the states accurately implemented the methodology established by their state law.

As with the federal programs, we relied on the representatives' description of the systems used to calculate and distribute the federal funds to the counties. Also, because it was beyond the scope of our review, we did not contact individual counties to verify the amount of federal payments they received or whether the counties were using the federal funds in accordance with federal and state laws.

Reconciliation of Distributions

To determine the amounts that each county in California, Oregon, and Washington received compared with the amounts that the federal agencies indicated were generated in those counties for fiscal years 1995-97, we analyzed the federal and state distribution records. Because each of the states has a July 1 to June 30 fiscal year, we aggregated each state's monthly or quarterly distribution records to conform to the federal fiscal year (Oct. 1 to Sept. 30), which we used as the basis of our comparison. In addition, because the states record the receipts on a cash basis, we adjusted the state schedules to reflect any federal payments made for the year or month of September but received by the state in October or later to correctly represent the amounts received by the state, reflective of a specified fiscal year.

In comparing the federal amounts attributable to each county with the state's distribution—or lack of distribution—to that county, we reconciled the differences between the two amounts for each of the 3 fiscal years. In some instances, the state's methodology for distributing the receipts was based on a ratio of that county's acreage to the entire state or as part of the grazing acreage rather than on a distribution of the moneys to the counties where the receipts were generated. In other instances, one state paid interest on all federal distributions, and another state paid interest on one federal distribution. In these cases, the payments differed by the amount of state interest paid. On the basis of these reconciliations between the federal and state distributions, we were able to identify the amounts distributed to the counties and to identify the reasons why other federal disbursements were not distributed to the counties. As agreed with the congressional requester, we included only the comparison of fiscal year 1997 distributions by counties in this report (see app. IV), since it was generally representative of all 3 fiscal years evaluated.

To ensure the accuracy of our data analysis, we provided each federal and state representative an opportunity to review the individual federal and state schedules that we prepared and requested that he/she verify the amounts displayed. We conducted our review from January to August 1998 in accordance with generally accepted government auditing standards.

Major Contributors to This Report

Energy, Resources, and Science Issue Area Staff

Robert B. Arthur
June M. Foster
Linda L. Harmon
John S. Kalmar
John P. Murphy
Victor S. Rezendes

Office of the General Counsel

Doreen S. Feldman
Kathleen A. Gilhooly

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 37050
Washington, DC 20013

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000
or by using fax number (202) 512-6061, or TDD (202) 512-2537.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web Home Page at:

http://www.gao.gov

PRINTED ON RECYCLED PAPER