



Protecting the Taxpayer's Share of Natural Resource Revenues on Public Lands and Oceans

The Costs, Benefits, and Risks of Natural Resource Revenue Proposals Before Congress

By Matt Lee-Ashley, Jessica Goad, Michael Madowitz, and Michael Conathan November 2013

Center for American Progress



Protecting the Taxpayer's Share of Natural Resource Revenues on Public Lands and Oceans

The Costs, Benefits, and Risks of Natural Resource
Revenue Proposals Before Congress

By Matt Lee-Ashley, Jessica Goad, Michael Madowitz, and Michael Conathan
November 2013

Contents

1 Introduction and summary

4 Natural resource revenue landscape

6 How we got here: Background on revenues from offshore drilling

8 The FAIR Act

9 Effects of the FAIR Act

11 Revenue sharing: What is fair?

11 Differing financial and regulatory responsibilities onshore and offshore

12 An accurate accounting of federal payments to energy-producing states

13 Differing state revenue policies

13 Environmental costs of development on the OCS

14 Determining the true revenues from the OCS

15 Is revenue sharing good policy?

17 Recommendations

21 Conclusion

22 About the authors and acknowledgements

24 Endnotes

Introduction and summary

Each year, taxpayers earn more than \$11 billion from the natural resources developed from the public lands and oceans that belong to them and which federal agencies manage on their behalf. This income—generated from activities ranging from deepwater drilling in the Gulf of Mexico to coal mining in Wyoming to geothermal plants in Nevada—is one of the largest nontax sources of revenue for U.S. taxpayers and is available for the benefit of all Americans.

Congress, however, is currently considering several proposed changes to U.S. natural resource revenue policy that, if enacted, would have profound budgetary and policy implications. These changes would fundamentally undermine the principle that the resources on and under public lands and waters belong to all Americans and should be shared equitably.

The leading proposal, the Fixing America's Inequities with Revenues, or FAIR, Act, would divert a greater share of oil and gas revenues from the federally owned 1.3 billion-acre Outer Continental Shelf, or OCS, to five energy-producing coastal states—Alaska, Louisiana, Mississippi, Texas, and Alabama. This revenue-sharing proposal, according to a recent Center for American Progress analysis, would increase the federal debt by more than \$49 billion by 2040 while penalizing coastal states that oppose expanded offshore drilling. While the Congressional Budget Office has projected that the cost of this bill would be only \$6 billion, it looks out only to 2023, before the revenue-sharing caps are lifted under the FAIR Act.

In addition, CAP's analysis shows that the FAIR Act is anything but fair and would result in a significant and arguably inequitable windfall for a handful of states. Under the proposed legislation, federal energy payments to Louisiana alone would rise to nearly \$2 billion per year by 2025—33 times more than what the average energy-producing state is currently collecting and 12 times more than what either of two of the onshore energy-producing giants, Colorado and Utah, are receiving in federal oil, gas, and coal payments. This imbalance appears particularly indefensible in light of the fact that OCS resources belong to all Americans.

Unlike onshore federal lands, OCS lands lie outside state boundaries, and the federal government is responsible for the full cost of their management, safety, and environmental protection.

Rather than creating new revenue-sharing entitlements, Congress should take a comprehensive, fiscally sound approach to addressing the natural resource revenue challenges facing the nation. In this report, we offer four recommendations that are in line with this type of common-sense and equitable approach.

1. Congress should put taxpayers first by reaffirming that the resources on and under federal lands and waters belong to all Americans. With U.S. taxpayers shouldering the impacts and costs of Washington's short-sighted and damaging across-the-board spending cuts under sequestration, and with ongoing budgetary constraints expected for the foreseeable future, taxpayers should not be asked to forgo any additional natural resource revenues.
2. Congress should establish a new mitigation fee that oil and gas companies would pay when drilling on the OCS. The environmental damage and costs of offshore oil and gas development must be accounted for and addressed. Instead of asking U.S. taxpayers to incur these costs through expanded revenue sharing, the revenues from this new fee would be dedicated specifically to the protection and restoration of coastal and environmental resources that are affected by oil and gas operations.
3. Congress should create a true conservation royalty by using OCS revenues to fully and permanently fund America's premier conservation program, the Land and Water Conservation Fund, or LWCF. Because the revenues from oil and gas development on federal lands and waters belong to taxpayers, they should be invested for the benefit of all Americans. In addition, Congress should act on President Barack Obama's proposal to establish an Energy Security Trust Fund—modeled on the LWCF—which would use revenues from the depletion of oil and gas reserves to help the country forge a sustainable and clean energy future.

4. Congress must address the expensive legacy of revenue-sharing agreements that were established during earlier natural resource booms. States and counties with federal lands within their jurisdiction, from which they cannot collect property taxes, face ongoing uncertainty related to whether Congress will extend county payments through the Secure Rural Schools and Payment in Lieu of Taxes programs. As Congress considers whether and how to reauthorize county payments, it should endeavor to simplify the programs and provide a clear path to reducing their costs to taxpayers over time.

Let's examine the issue of natural resource development on our public lands and oceans in greater detail.

Natural resource revenue landscape

A surge in revenues from America's recent oil and gas boom has been one of the few bright spots in the budgets of federal, state, and local governments since the 2008 financial collapse and recession. While 43 states encountered midyear budget shortfalls during the recession as a result of falling tax collections, a handful of energy-rich states weathered the storm with the help of rising oil and gas collections.¹ Rapid production growth in the Bakken Formation, a geologic formation that underlies Montana, North Dakota, and part of Canada, for example, yielded more than a tenfold increase in North Dakota's oil and gas tax collections since 2007, resulting in more than \$3 billion in state severance tax collections in 2012 and an estimated \$1.6 billion budget surplus.²

The opportunities that rising oil and gas collections present for cash-strapped states and local governments have prompted a renewed discussion in Congress of how natural resource revenues from federal lands and waters should be shared with state and local jurisdictions. In particular, lawmakers from energy-producing Gulf states and Alaska are pressing to further expand their states' shares of revenues from offshore drilling on the federally owned Outer Continental Shelf. In March of this year, Sen. Mary Landrieu (D-LA) and Sen. Lisa Murkowski (R-AK) introduced the FAIR Act—S. 1273—which received a hearing in the Senate in July and appears to be the most likely legislative vehicle for Congress to consider changes to existing revenue-sharing laws.

But the idea of diverting an even greater share of federal offshore oil and gas receipts to coastal energy-producing states has encountered opposition on several fronts. The Obama administration testified that it “could not support” the FAIR Act because it diminishes returns to the American taxpayers who own the resources, diverts money away from parks and land-conservation efforts, and adds to the federal deficit.³ Taxpayers for Common Sense, the nonpartisan federal budget-watchdog organization, called the \$6 billion revenue-sharing proposal “downright foolish” and criticized the legislation for directing nationally owned

resources to specific states in a difficult fiscal climate.⁴ A number of conservation groups have noted that the legislative proposal creates additional incentives for states to support offshore drilling over other economic activities such as tourism, fishing, and outdoor recreation, in addition to financial penalties for states that do not support drilling off their coasts.

Although the FAIR Act focuses primarily on the redistribution of offshore energy revenues, Congress faces two other major natural resource revenue questions that factor heavily in the revenue-sharing debate.

First, Congress is under pressure to address the expensive legacy of revenue-sharing agreements that were negotiated during earlier natural resource booms. Most notably, Congress must again determine whether to provide assistance to counties in Western states with economies tied to the timber industry. When logging in national forests and on public lands exploded during the post-World War II housing boom, these counties became heavily reliant on timber revenues to fund roads, schools, and public services. But when logging on federal lands began declining two decades ago, the federal government elected to provide direct payments to affected counties to help cushion the blow from falling timber revenues.⁵ The most recent form of these direct-payment programs, the Secure Rural Schools program, or SRS, was recently extended in September 2013 for one more year.⁶ A similar direct-payment program—Payment in Lieu of Taxes, or PILT, which subsidizes counties that have federal lands on which they cannot collect property taxes—expires at the end of FY 2013.⁷ Over the past five years, PILT has been funded at approximately \$390 million per year, while SRS has been funded at approximately \$350 million per year.⁸

Second, in contrast to FAIR Act proponents who want to divert offshore oil and gas revenues to coastal drilling states, the Obama administration and other lawmakers—both Democrats and Republicans representing noncoastal states—argue that rising offshore oil and gas revenues should be invested in ways that benefit all states. In particular, a bipartisan, bicameral coalition—with support from the administration—is advancing legislation to reauthorize and fully fund the LWCF, which since its establishment in 1964 has used offshore oil and gas revenues to build parks and protect open spaces, battlegrounds, and trails across the country.⁹ Although \$900 million from oil and gas receipts are deposited in the LWCF every year, the majority of the funds are typically diverted by Congress each year to support unrelated spending.¹⁰

How we got here: Background on revenues from offshore drilling

Royalties, rents, and bonus bids from oil and gas drilling on the federally owned, 1.3 billion-acre OCS are one of the largest sources of revenue for U.S. taxpayers and the Treasury.¹¹ In 2012, receipts from oil and gas activities on the OCS topped \$6.8 billion, more than 95 percent of which came from federal waters in the Gulf of Mexico.¹²

In 1947, the U.S. Supreme Court determined that the federal government, representing American taxpayers, had “paramount rights” to the waters and resources on the OCS.¹³ Congress, however, granted coastal states, through the Submerged Lands Act of 1953, title to submerged lands that are within three nautical miles of their coasts and provided that states receive all revenues from activities in that area. State title to land off the coast of Texas and the Gulf Coast of Florida extends nine nautical miles.¹⁴

Furthermore, to compensate for any state-owned oil and gas that might drain outside of a state’s submerged lands, Congress amended the Outer Continental Shelf Lands Act, or OCSLA, in 1985 to provide states with 27 percent of the revenues from oil- and gas-leasing activities in the area extending three miles seaward from the states’ submerged-land boundaries.¹⁵ This area is referred to as the “8(g) zone,” for the provision in OCSLA that created it. Alaska and the four oil- and gas-producing states in the Gulf—Louisiana, Alabama, Mississippi, and Texas—collected approximately \$300 million from oil and gas activities in the 8(g) zone between 2007 and 2012, of which Louisiana, with the largest share, collects an average of \$25 million per year.¹⁶ Since 1986, a total of more than \$3.1 billion has been disbursed to coastal states through the 8(g) provision in OCSLA.¹⁷

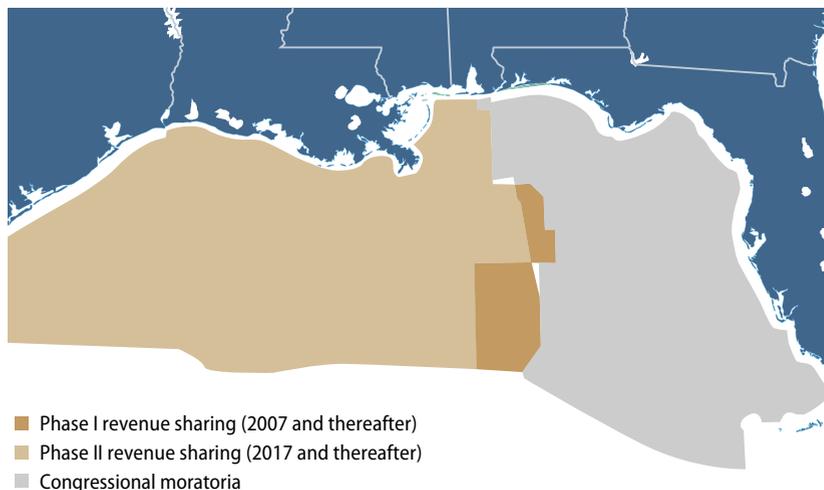
In 2006, under renewed pressure from oil- and gas-producing states on the Gulf Coast, Congress again expanded the share of revenues from the OCS that is directed to select coastal states. The Gulf of Mexico Energy Security Act of 2006, or GOMESA, signed by President George W. Bush on December 20, 2006, granted the Gulf Coast states of Alabama, Mississippi, Texas, and Louisiana and their coastal political subdivisions 37.5 percent of all revenues, without a cap, from the 8.3 million acres of newly opened areas in the Eastern Gulf of Mexico. These payments are referred to as “Phase I” of GOMESA.¹⁸

Beginning in 2017, in the so-called Phase II of the program, the four Gulf Coast states are to also receive 37.5 percent of all revenues from leases that were entered into since the enactment of GOMESA in all other areas of the Gulf of Mexico, up to \$375 million per year. An additional 12.5 percent of revenues from Phase I and Phase II are to go directly to the stateside-grant program of the LWCF, up to \$125 million per year.¹⁹

The revenue-sharing provisions in GOMESA are projected to provide large and growing returns for the four oil-

producing states in the Gulf—Alabama, Mississippi, Texas, and Louisiana. Since 2009, when the first revenues began coming in under Phase 1 of GOMESA, the four Gulf Coast states have received more than \$30 million.²⁰ In 2017, however, the Gulf states are expected to receive \$375 million each year under the provisions in Phase II of GOMESA.²¹ Overall, CAP estimates that the revenue-sharing provisions under Phase II of GOMESA will cost American taxpayers \$12 billion between 2014 and 2040.²²

FIGURE 1
'Phase I' and 'Phase II' areas in the Gulf of Mexico subject to revenue sharing, under the Gulf of Mexico Energy Security Act



Source: Bureau of Ocean and Energy Management, "Gulf of Mexico Energy Security Act (GOMESA) Areas," available at http://www.boem.gov/uploadedFiles/BOEM/Oil_and_Gas_Energy_Program/Leasing/GOMESA_Phases.pdf.

The FAIR Act

According to Sens. Landrieu and Murkowski, the bill's sponsors, the primary goal of the FAIR Act is to correct a perceived inequity between the share of revenues that states receive from oil and gas development on federal lands within state boundaries and what states receive from oil and gas development on the OCS outside of state jurisdiction. Said Landrieu when she introduced the bill:

For decades coastal energy producing states have faced a glaring inequity in federal energy policy that allows onshore producing states to keep 50 percent of revenues, while offshore producing states, like Louisiana and Alaska, keep virtually nothing.²³

Expanded revenue sharing, argue the bill's proponents, will help coastal producing states pay for infrastructure, support coastal restoration, and address the impacts of oil and gas development.

The bill proposes three primary changes to the current offshore oil and gas revenue-sharing formula:

1. It accelerates Phase II of GOMESA to immediately grant the four Gulf Coast states—Alabama, Mississippi, Texas, and Louisiana—up to 37.5 percent of all eligible revenues throughout the Gulf of Mexico.²⁴ Under GOMESA, Phase II of revenue sharing was to begin in 2017.²⁵
2. It raises the cap on Phase II revenues that GOMESA prescribed for Gulf states to \$500 million beginning in FY 2014 and raises the cap by \$100 million per year, until the cap reaches \$1.5 billion in 2024. The cap is fully removed after 2024.²⁶
3. It reduces direct payments to the LWCF by 50 percent to \$62.5 million per year, fixing the payments at 7 percent of the program's authorized level. The legislation permits these funds to be used for the stateside-grant program of the LWCF, not the federal program.

In addition, the FAIR Act creates a formula for sharing revenues from renewable and alternative energy sources on public lands and waters. Onshore, the legislation prescribes that 50 percent of revenues from alternative and renewable energy projects on public lands are to go to the states within which the energy source is located. Offshore, it prescribes that 37.5 percent of revenues from renewable energy production on the federal OCS is to go to coastal states and their coastal political subdivisions, provided that those states meet the eligibility requirements of the legislation.²⁷

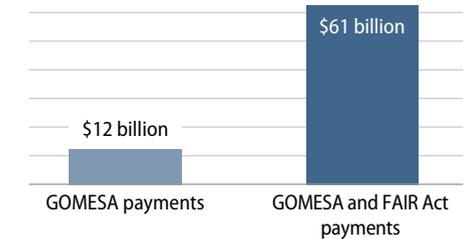
Effects of the FAIR Act

The FAIR Act’s proposed redistribution of revenues from energy development on federal lands and waters has far-reaching budgetary and policy implications. The Congressional Budget Office, or CBO, estimates the bill will increase the federal budget deficit by \$6 billion between 2014 and 2023.²⁸ A CAP analysis finds that—because all caps on revenue sharing are lifted under the FAIR Act—the legislation will actually increase the federal budget deficit by at least \$49 billion between 2014 and 2040. It is important to note that CAP’s estimate does not account for revenues from bonus bids at lease sales in the Gulf of Mexico or Alaska, which could result in several billion dollars in additional revenue-sharing payments to states before 2040. As a result, the FAIR Act’s cost to taxpayers is likely to be even higher than our projections.²⁹

In addition to expanding the share of OCS revenues that must be directed to coastal states, the FAIR Act also prescribes which states are eligible to participate in revenue sharing. To be eligible for funds, a state must be within 200 nautical miles of the geographical center of the leased tract. Furthermore—and importantly—a state cannot be eligible if the majority of its coastline is under a federal or state leasing moratorium.³⁰

FIGURE 2
Payments from U.S. taxpayers to eligible coastal states, 2014–2040

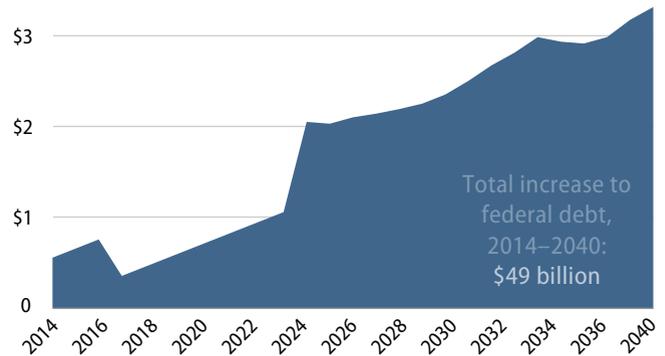
GOMESA versus the FAIR Act



Source: CAP estimates based on EIA’s Annual Energy Outlook. See endnote 29.

FIGURE 3
Annual increase to budget deficit under the FAIR Act

In billions of dollars



Source: CAP estimates based on EIA’s Annual Energy Outlook. See endnote 29.

The only states that currently would receive oil and gas revenue sharing under the FAIR Act are Alaska, Alabama, Mississippi, Louisiana, and Texas.

Proponents of the FAIR Act and other revenue-sharing legislation claim that granting states a larger share of federal OCS receipts is necessary to encourage other coastal states to support drilling off their coasts. Sen. David Vitter (R-LA), who has also introduced legislation to change revenue-sharing formulas, argues that “revenue sharing is a key tool that we need to use to increase domestic production. Step one is opening access ... but step two of that is revenue sharing. To actually get the production going, I think you need to provide the incentive to host states, and this is a powerful incentive for coastal states.”³⁴

Opponents of expanded offshore drilling cite these same incentives in arguing against revenue sharing, observing that the additional money for states places a disproportionate priority on oil and gas activities at the expense of tourism, environmental values, public health, outdoor recreation, and other coastal activities, which have real economic value in their own right.³⁵ According to the National Oceanic and Atmospheric Administration, or NOAA, the so-called Blue Economy, which is comprised of industries that rely on healthy oceans and coasts to generate economic activity, supported more than 360,000 jobs in the Gulf of Mexico region in 2009 alone, contributing nearly \$25 billion to the area’s gross domestic product.³⁶

Revenue sharing: What is fair?

Proponents of offshore revenue-sharing legislation raise important questions about whether revenues from federally owned oil and gas resources are, in fact, fairly apportioned among the federal government, states, local jurisdictions, and Indian nations. “The FAIR Act is about bringing parity to the federal revenue sharing program, both onshore and offshore,” said Sen. Murkowski during a committee hearing about the FAIR Act in July, noting that states typically receive 50 percent of revenues from onshore energy development on federal lands.³⁷

When considering the fairness of onshore and offshore revenue-sharing policies, however, a variety of additional considerations should be taken into account. These are discussed in detail below.

Differing financial and regulatory responsibilities onshore and offshore

Federal lands within a state are different than federal submerged lands on the OCS in at least one important respect: Federal submerged lands on the OCS are outside the jurisdictional boundaries of any one state. Unlike onshore federal lands, offshore federal lands do not diminish the property tax bases of states and local jurisdictions; the inability to collect tax revenue from federal lands inside state boundaries was a primary consideration in the establishment of revenue-sharing formulas for federal onshore lands.³⁸

Moreover, while states share many regulatory, oversight, and enforcement duties with their federal counterparts on federal lands within



The U.S. Coast Guard Cutter Decisive is seen at the site of the Deepwater Horizon oil spill. The federal government is responsible for the costs relating to safety, regulation, emergency response, and management of the OCS. (AP/Gerald Herbert)

state boundaries, their roles and responsibilities are far more limited on the federal OCS. State agencies, for example, prescribe and enforce many of the air-quality, wildlife, and water standards for drilling on public lands, sharing responsibilities and coordinating closely with the Bureau of Land Management, the U.S. Forest Service, and the Environmental Protection Agency.

On the federal OCS, however, nearly all regulatory and enforcement activities—including leasing, permitting, environmental analysis, inspections, monitoring, and spill response—are carried out and paid for by federal agencies, including the Bureau of Safety and Environmental Enforcement, the Bureau of Ocean Energy Management, the Environmental Protection Agency, and the U.S. Coast Guard. To the extent that revenue-sharing policy aims to compensate states for costs incurred from energy development on federal lands and waters, these regulatory and enforcement costs are important to measure and consider.

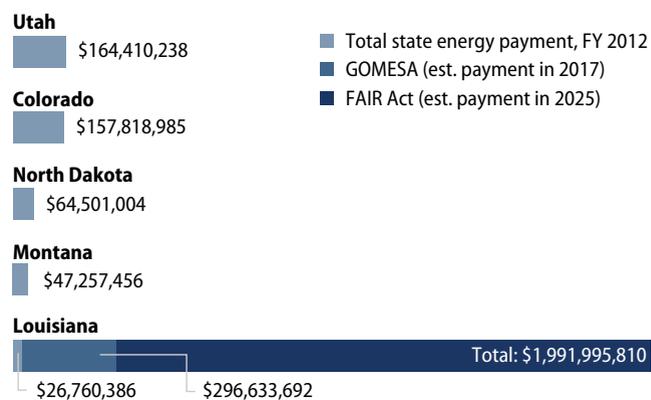
An accurate accounting of federal payments to energy-producing states

Proponents of expanded OCS revenue sharing claim that legislation such as the FAIR Act is needed because coastal energy-producing states currently receive “virtually nothing” from federal energy production.³⁹ A CAP analysis shows this claim to be inaccurate. Alaska collected more than \$16 million in federal energy payments in 2012, while Louisiana collected more than \$26 million.

Moreover, because of the revenue-sharing provisions in GOMESA, Louisiana’s federal energy payments will—under current law—increase by an estimated \$300 million beginning in 2017, giving it the third-highest federal energy payment in the United States, as it will collect five times the average payment of other energy-producing states.

Under the FAIR Act, Louisiana’s federal energy payments will reach nearly \$2 billion per year by 2025, more than 33 times the average of what other energy-producing states are cur-

FIGURE 4
Projected revenue sharing payments by state



Source: CAP estimates based on EIA and ONRR data. See endnotes 29 and 40.

rently collecting in federal energy payments. When compared to the onshore federal energy giants of Colorado and Utah, Louisiana's total federal energy payments under the FAIR Act will be five times more than what either of those two states are receiving in federal oil, gas, and coal payments combined.

Differing state revenue policies

In considering arguments about equity and fairness, it is important to consider that energy-rich states with resources under state and private lands—including the Gulf coastal states and Alaska—already collect significant severance tax revenues from those resources, which help support state programs and budgets. Alaska, for example, has collected up to \$11 billion per year from oil revenues in recent years, paying residents up to \$3,000 each through dividend checks.⁴¹ Interestingly, while pressing to receive a greater share of U.S. taxpayer revenues from the OCS, Alaska recently reduced its own oil-production taxes.⁴²

More broadly, states with a proportion of federal land collect only 50 percent of the federal revenues on those lands, while states with a high proportion of state and private land collect 100 percent of the severance taxes from energy production on those lands.⁴³ As a result, a state such as Texas—which is less than 2 percent federal land—is arguably at a fiscal advantage over a state such as Montana—which is 35 percent federal land; unlike Montana, Texas does not have to share energy revenues from state and private lands with the federal government.⁴⁴

Environmental costs of development on the OCS

Decades of oil and gas development in state and federal waters have, without question, contributed to environmental damage and coastal land loss along the Gulf Coast. One study by the U.S. Geological Survey estimates that 36 percent of coastal land loss in Louisiana's Mississippi River Delta can be attributed to oil and gas activity—largely in state waters—in the area since the 1930s.⁴⁵ Earlier this year, the board of the Southeast Louisiana Flood Protection Authority - East, a quasigovernmental entity, sued dozens of oil companies, alleging that the companies had failed to adequately repair damage caused by thousands of miles of canals and construction. This development has exacerbated erosion and deprived

the region of natural storm-surge buffers, pollution-filtration systems, and critical habitat. More recently, of course, the Deepwater Horizon blowout and oil spill, which occurred in federal waters, caused billions of dollars of harm to coastal resources and economies.

Congress has, in recent years, attempted to address the environmental impacts of federal oil and gas activities in the Gulf of Mexico through legislation and programs that direct money to assist with coastal restoration and preservation. In 2005, with the Energy Policy Act, for example, Congress established the Coastal Impact Assistance Program, or CIAP, through which \$1 billion has been paid out to the four energy-producing states on the Gulf Coast.⁴⁶ To address the impacts of the Deepwater Horizon spill on the Gulf Coast, Congress in 2012 passed the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies, or RESTORE, Act, which directs 80 percent of Clean Water Act penalties from the spill to coastal restoration.⁴⁷

While these laws attempt to address the costs and damage of oil and gas activities and incidents that have already taken place, there is no adequate policy mechanism to account and compensate for the full environmental costs of ongoing and future development activities on the OCS. If addressing the environmental externalities of offshore drilling is a high priority for policymakers, revenue sharing may not be the most effective or desirable policy option for correcting this problem.

Rather than referring the costs of these externalities to U.S. taxpayers through revenue sharing, lawmakers should require industry to pay the environmental costs of development by establishing a mitigation fee that would be used to fund coastal restoration projects. We will discuss this policy alternative in greater detail in the recommendations section of this report.

Determining the true revenues from the OCS

In assessing the fairness of the current OCS revenue-sharing structures, policymakers should consider the revenues states are receiving, not simply from the federal OCS but also from state-managed waters and the 8(g) zone. Congress's decision in 1953 to cede the areas within three nautical miles of the coasts to states—and within nine nautical miles off the shores of Texas and the Gulf Coast of Florida—as well as its decision to grant states 27.5 percent of revenues in

the 8(g) zone, had the effect of providing a division of revenues from offshore energy development. The revenues to states from these areas, therefore, should be factored into a broader assessment of what revenues states are receiving from submerged lands, all of which were at one time under the exclusive jurisdiction of the federal government.

Is revenue sharing good policy?

As Congress examines the merits of expanding revenue sharing from energy development on the OCS, the legacies and ongoing costs of previous revenue-sharing agreements provide some important lessons.

More than a century of timber, mining, and energy booms and busts have left a tangle of policies for collecting and distributing natural resource revenues. In some cases, such as hard-rock mining on public lands, Congress has not made a significant change to revenue structures since the passage of the 1872 Mining Law. As a result, American taxpayers are missing out on an estimated \$160 million of revenue each year from gold, silver, uranium, and other mining activities on federal lands.⁴⁸

In the case of timber production on public lands, however, Congress established policies to grant states and counties a large share of what became a major revenue stream for the U.S. government during the post-World War II housing boom. The 18 counties that include former Oregon and California railroad-trust lands that are managed by the Bureau of Land Management within their borders collected 50 percent of the federal timber harvest revenues on those lands.⁴⁹ On national forest lands, the U.S. Forest Service provided states 25 percent of revenues to be used on roads and schools in counties with federal timberland.⁵⁰

With timber production in national forests and on public lands at record levels in the decades after World War II, some timber counties were receiving millions of dollars per year. Douglas County, a heavily forested county in Southern Oregon, received more than \$84 million in Bureau of Land Management and Forest Service payments in 1988, accounting for approximately 60 percent of its entire county budget.⁵¹ With such high timber payments, counties often reduced collections of property taxes, creating a dependence on federal timber harvests. A 2012 study by the Oregon secretary of state found that Oregon counties that once relied on timber payments still had some of the lowest property tax rates in the

state. Josephine County, for example, collects only \$191 per capita in income from residents—the lowest in Oregon—while collecting more than \$7 million per year in federal land payments.⁵²

After four decades of heavy logging in U.S. forests and high revenues for counties, timber production on federal lands in the Northwest collapsed at the end of the 1980s, following a court-ordered halt to federal timber production until an adequate plan could be put in place to protect the northern spotted owl. The plan that was put in place—the Northwest Forest Plan—scaled logging back, which caused revenues for counties to plummet. The Clinton administration and Congress moved to provide temporary assistance to counties with the creation in 1993 of a 10-year direct-payment program that aimed to provide a financial bridge for counties as they transitioned away from reliance on timber payments.⁵³

Still concerned about declining timber revenues and payments, Congress acted again in 2000 to create an alternative payment program through the Secure Rural Schools and Community Self-Determination Act, or SRS. The program served to alleviate fiscal crises in counties and avert painful cuts to critical service providers such as schools and police officers.⁵⁴ Although it was intended to be temporary, the affected counties have become a powerful political constituency and have repeatedly secured extensions and changes to SRS. The average annual SRS payments between 2001 and 2011 totaled \$383 million.⁵⁵

The ongoing challenges of addressing the legacy of revenue sharing for timber in federal forests should give pause to policymakers as they consider an expansion of OCS revenue sharing. Like revenue sharing for timber during the boom years of logging, expanded OCS revenue sharing would result in a significant financial windfall for states and local jurisdictions. But the scale of the revenues is so great that it is likely to create a budget dependency. As long as OCS revenues stay steady or rise, eligible state and local jurisdictions will be able to count on the federal revenues to pay for new spending or to cut taxes in other areas. If OCS revenues sharply decline at any point, however, the state and local jurisdictions that rely on them will be in fiscal difficulty and, if history is any guide, will likely ask for Congress to intervene with direct payments.

Recommendations

The collection and distribution of revenues from natural resource revenues present federal, state, and local governments with opportunities, challenges, and risks. At its best, good natural resource revenue policy ensures that the external costs of development are paid for, that revenues are being collected in an accurate and transparent manner, and that the government's collections are invested sustainably and soundly in ways that advance the long-term interests of taxpayers. At its worst, natural resource revenue policy can promote corruption, distort budget policy, create fiscal dependencies, and enable poor spending decisions.

In this section, we offer four recommendations for Congress as it weighs whether to make adjustments to federal natural resource revenue policy. Overall, we believe that if Congress decides to reform existing policy, it must do so in a comprehensive manner that addresses three interrelated issues:

- Managing and investing growing revenue streams from oil, gas, and renewables responsibly
- Addressing the legacy of natural resource payment programs including Secure Rural Schools and Payment in Lieu of Taxes
- Strengthening programs that translate near-term revenues from natural resource development into long-term investments that benefit all taxpayers, such as the LWCF and the president's proposal for an Energy Security Trust Fund

Our four recommendations are discussed in detail below.

Congress should put taxpayers first by reaffirming that the resources from federal lands and waters belong to all Americans

In considering any proposed change to natural resource revenue policy, Congress must remember first and foremost that the revenues collected from the development of federal resources onshore and offshore belong to U.S. taxpayers. The law and the courts do not acknowledge any state or local right to federal energy resources under federal lands; natural resource payments to states and counties are entirely discretionary.

With U.S. taxpayers shouldering the impacts and costs of Washington's short-sighted and damaging automatic across-the-board spending cuts under sequestration, we question the wisdom and timing of asking taxpayers to forgo any additional natural resource revenues by granting states and counties a larger share of federal receipts. Of particular concern are proposals to establish uncapped revenue-sharing entitlements on the OCS that we estimate will cost taxpayers more than \$49 billion over the next 26 years. Not only are uncapped revenue-sharing schemes fiscally irresponsible from the perspective of U.S. taxpayers, but the scale of the redistribution of revenues will also likely create budgetary dependencies and distort fiscal policy among the states and local jurisdictions that are receiving the transfers.

Congress should establish a new mitigation fee that oil and gas companies would pay when drilling on the OCS

Proponents of expanded revenue sharing from the OCS cite the long-term impacts of oil and gas development on wetlands, coastlines, and environmental resources as a reason that states and local governments should receive a larger share of existing revenue collections.

We agree that new policy is needed to better mitigate the impacts of OCS oil and gas development on coastal resources, but we believe that expanded revenue sharing is not the right tool to use because it requires U.S. taxpayers, instead of oil and gas companies, to pay for the damages caused by industrial activities. Instead of using new revenue sharing to address this problem, Congress should create a new mitigation fee for developers on the OCS. The fees assessed on oil and gas companies who wish to drill federal resources would supplement existing royalty payments and be dedicated specifically to the protection and restoration of coastal and environmental

resources that are affected by oil and gas operations. A mitigation fee for the OCS could be modeled on mitigation programs that the Department of the Interior is developing for renewable energy projects on public lands.

Congress should create a true conservation royalty by using OCS revenues to fully and permanently fund America's premier conservation program, the LWCF

In 1964, Congress created one of the most forward-thinking natural resource programs in U.S. history by establishing the LWCF. The idea, which passed through Congress with bipartisan support, was that the revenues from the extraction and depletion of one type of taxpayer-owned resource—oil and gas from the OCS—should be used to permanently protect other natural resources that taxpayers value, namely parks, open spaces, coastal areas, and wildlife habitat. This so-called conservation royalty has, in its half-century of existence, permanently protected more than 5 million acres of public land and helped create or protect more than 41,000 parks, ball fields, beaches, trails, and open spaces in every state and nearly every community across the country.⁵⁶ The LWCF has earned the distinction of being the nation's premier conservation program.

The law that created the LWCF mandated that \$900 million per year from OCS revenues be directed to the fund. Each year, however, Congress typically diverts the vast majority of the money in the LWCF to other unrelated spending, diminishing the program's potential reach and effectiveness. The program's current authorization expires in 2014, meaning that without action from Congress, local communities, states, and land-management agencies will lose their most effective tool to protect at-risk lands and expand outdoor recreation opportunities.

As Congress reauthorizes the LWCF, it should recommit to the program's original principle, which was to dedicate OCS revenues to the permanent protection of natural resources around the country. Moreover, the LWCF should be updated and expanded to reflect America's growing population and the rising demand for more outdoor recreation opportunities. Congress, therefore, should end the practice of diverting revenues from the LWCF to unrelated spending and instead mandate that the full \$900 million in the fund be dedicated each year to conservation investments across the country.

In addition to renewing the LWCF for the conservation challenges of the 21st century, Congress should use rising OCS revenues to establish a fund for renewable energy research. The concept, which the Obama administration has put forward as a proposal for an Energy Security Trust Fund, follows a principle similar to the LWCF: The revenue from the depletion of oil and gas reserves should be used to help the United States forge a sustainable and clean energy future.

Congress must address the expensive legacy revenue-sharing agreements that were established during earlier natural resource booms

States and counties with federal lands within their jurisdiction from which they cannot collect property taxes face ongoing uncertainty related to whether Congress will extend the Secure Rural Schools and Payment in Lieu of Taxes programs. This uncertainty transfers to the schools, police officers, firefighters, and other public services that counties must fund.

As Congress considers whether and how to reauthorize county payments, it should also endeavor to simplify the programs and provide a clear path to reducing their costs. Headwaters Economics, a nonpartisan, independent research group, has conducted a thorough analysis of revenue-sharing and county payments and has developed a range of policy proposals, including a single-payment approach that we believe is worth considering.⁵⁷

Conclusion

Against the backdrop of painful and unnecessary automatic across-the-board spending cuts and the ongoing debate about how to put the nation's finances on a more sustainable track, Congress needs to ensure that taxpayers are receiving the full benefit and return from the natural resources that belong to them.

Costly diversions of OCS revenues away from taxpayers would have far-reaching policy implications and, in a budget-constrained world, would limit Congress's ability to address other natural resource priorities, including addressing the legacy of timber revenue-sharing agreements in the Northwest and reauthorizing the nation's premier land-conservation program, the LWCF.

Still, Congress possesses a range of budget-neutral tools to achieve many of the policy aims of expanded revenue sharing. Establishing an OCS mitigation fee, for example, would help coastal states respond to ongoing environmental impacts of offshore energy development. Raising royalty rates, rents, or state-level severance taxes are also alternatives that would result in higher revenues without negative budgetary impacts for U.S. taxpayers.

Rather than create new revenue-sharing entitlements, Congress should take a comprehensive, fiscally sound approach to addressing the natural resource revenue challenges facing the nation.

About the authors

Matt Lee-Ashley is a Senior Fellow at the Center for American Progress. He previously served as deputy chief of staff at the Department of the Interior, overseeing policy, external affairs, communications, and legislative matters on behalf of Secretary Ken Salazar. In 2010, Matt was named the Interior Department's communications director, leading the department's communications response to the Deepwater Horizon oil spill and helping undertake the aggressive offshore oil and gas reform agenda of the Obama administration. From 2005 to 2008, Matt worked in the U.S. Senate for then-Sen. Salazar (D-CO), handling military, veterans' affairs, and energy and environmental policy. A native of Colorado Springs, Colorado, Matt graduated from Pomona College in Claremont, California, in 2004.

Jessica Goad is the Manager of Research and Outreach at the Center for American Progress. She was previously on staff at The Wilderness Society, where she focused on fossil and renewable energy on public lands. Her interest in land conservation stems from her experience growing up in Golden, Colorado, at the base of the Rocky Mountains. Jessica holds a bachelor's degree in political science and environmental studies from Carleton College in Northfield, Minnesota.

Michael Madowitz is an Economist at the Center for American Progress. His expertise includes macroeconomics, public finance, and environmental economics. Michael previously was a dissertation fellow with Resources for the Future, a nonprofit organization dedicated to improving environmental and natural resource policymaking around the world. Michael has also served as a senior research assistant with the Brookings Institution and as a forecasting consultant for Southern California Edison. Michael holds a master's of science in applied mathematics from the University of California, San Diego, where he is also a Ph.D candidate in economics. Michael graduated from Pomona College in Claremont, California, in 2002.

Michael Conathan is the Director of Ocean Policy at the Center for American Progress. Prior to joining the Center, Mike spent five years staffing the Senate Committee on Commerce, Science, and Transportation's Subcommittee on Oceans, Atmosphere, Fisheries, and Coast Guard. He oversaw enactment

of multiple key pieces of ocean legislation, including the Magnuson-Stevens Fishery Conservation and Management Reauthorization Act of 2006 and the International Fisheries Agreement Clarification Act. A native of Cape Cod, Massachusetts, Mike received a master's degree in marine affairs from the University of Rhode Island in 2005 and also holds a bachelor of arts degree in English literature from Georgetown University.

Acknowledgements

The authors would like to thank Shiva Polefka, Research Associate for the Ocean Program at the Center for American Progress, for his contributions to this report.

Update, November 8, 2013: *The report has been updated to reflect a clarification from the bill's sponsors regarding which states qualify for revenue sharing under the FAIR Act. As a result, a discussion in the report of which states are currently eligible and not eligible to receive revenues under the FAIR Act has been removed, along with an accompanying sidebar.*

Endnotes

- 1 Tracy Gordon, "State and Local Budgets and the Great Recession" (Washington: Brookings Institution, 2012), available at <http://www.brookings.edu/research/articles/2012/12/state-local-budgets-gordon>.
- 2 U.S. Census Bureau, "State Government Tax Collections," available at <http://www.census.gov/govs/statetax/> (last accessed September 2013); Nick Smith, "Budget Surplus Estimate Keeps Growing," *The Bismarck Tribune*, June 18, 2013, available at http://bismarcktribune.com/news/local/govt-and-politics/budget-surplus-estimate-keeps-growing/article_dc90c9c4-d856-11e2-bae0-001a4bcf887a.html.
- 3 Pamela K. Haze, Testimony before the Senate Committee on Energy and Natural Resources, July 23, 2013, available at http://www.energy.senate.gov/public/index.cfm/files/serve?File_id=88f5c875-2ecf-4fec-b6cc-7a4e143f23e0.
- 4 Ryan Alexander, Testimony before the Senate Committee on Energy and Natural Resources, July 23, 2013, available at http://www.energy.senate.gov/public/index.cfm/files/serve?File_id=fafe7eaf-86e7-4d04-85e0-2d442793cff0; Letter to Sen. Ron Wyden and Sen. Lisa Murkowski from Douglas W. Elmendorf, "S. 1273, Fixing Inequities with Revenues Act of 2013," Congressional Budget Office, July 22, 2013, available at <http://www.cbo.gov/publication/44441>.
- 5 Mary Wagner, Testimony before the House Committee on Natural Resources Subcommittee on National Parks, Forests, and Public Lands, July 14, 2011, available at http://www.fs.fed.us/congress/112thCongress/Documents/CY%202011/HNRC_07-14-2011_Testimony-Wagner.pdf.
- 6 David Nagel, "Helium Bill Floats \$270 Million to Rural Education," *The Journal*, available at <http://thejournal.com/articles/2013/10/01/helium-bill-floats-270-million-to-rural-education.aspx>.
- 7 U.S. Department of the Interior, "Interior Announces Nearly \$400 Million in PILT Payments to Rural Communities for Police, Fire and Schools," Press release, June 13, 2013, available at <http://www.doi.gov/news/pressreleases/interior-announces-nearly-400-million-in-pilt-payments-to-rural-communities-for-police-fire-and-schools.cfm>.
- 8 U.S. Department of Agriculture Forest Service, "Secure Rural Schools and Community Self-Determination Act," available at <http://www.fs.usda.gov/pts/> (last accessed October 2013); Pamela K. Haze, Testimony before the Senate Committee on Energy and Natural Resources, March 19, 2013, available at http://www.doi.gov/ocl/hearings/113/piltprogramandsrsprogram_031913.cfm?renderforprint=1&.
- 9 Sally Jewell, Testimony before the Senate Committee on Energy and Natural Resources, June 6, 2013, available at http://www.energy.senate.gov/public/index.cfm/files/serve?File_id=4155defd-5455-495c-8284-be7e206a86d7.
- 10 Land and Water Conservation Fund Coalition, "About LWCF," available at www.lwcfcoalition.org/about-lwcf.html (last accessed October 2013).
- 11 PolitiFact.com, "Issa says oil royalties trail only taxes in generating revenue for the federal government," available at <http://www.politifact.com/truth-o-meter/statements/2010/may/06/darrell-issa/issa-says-oil-royalties-trail-only-taxes-general/> (last accessed September 2013).
- 12 Office of Natural Resources Revenue, "Statistical Information," available at <http://statistics.onrr.gov> (last accessed October 2013).
- 13 Energy and Natural Resources Division, *Evolution of the Federal/State Conflict Over Rights to Adjacent Waters and Seabeds* (U.S. Department of Justice, 2013), available at <http://www.justice.gov/enrd/3225.htm>.
- 14 U.S. Bureau of Ocean Energy Management, "Submerged Lands Act," available at <http://www.boem.gov/uploadedFiles/submergedLA.pdf> (last accessed October 2013).
- 15 U.S. Energy Information Administration, "Overview of U.S. Legislation and Regulations Affecting Offshore Natural Gas and Oil Activity" (2005), available at http://www.eia.gov/pub/oil_gas/natural_gas/feature_articles/2005/offshore/offshore.pdf.
- 16 Office of Natural Resources Revenue, "Statistical Information."
- 17 U.S. Energy Information Administration, "Overview of U.S. Legislation and Regulations Affecting Offshore Natural Gas and Oil Activity."
- 18 U.S. Bureau of Ocean Energy Management, "Gulf of Mexico Energy Security Act (GOMESA)," available at <http://www.boem.gov/Oil-and-Gas-Energy-Program/Energy-Economics/Revenue-Sharing/Index.aspx> (last accessed September 2013).
- 19 Ibid.
- 20 Office of Natural Resources Revenue, "Statistical Information."
- 21 U.S. Bureau of Ocean Energy Management, "Gulf of Mexico Energy Security Act (GOMESA)."
- 22 This is calculated based on GOMESA's revenue-sharing cap of \$500 million per year under Phase II of the program. Note that GOMESA Phase II payments do not begin until 2017.
- 23 Office of Sen. Mary Landrieu, "Landrieu Introduces 'FAIR Act' Revenue Sharing Legislation," Press release, March 20, 2013, available at http://www.landrieu.senate.gov/?p=press_release&id=3665.

- 24 Of the 37.5 percent of OCS revenues that coastal states are eligible to receive under S. 1273, 27.5 percent are to go directly to the states, while an additional 10 percent are to go to eligible coastal states that establish funds in their treasuries “to support projects and activities relating to alternative or renewable energy, energy research and development, energy efficiency, or conservation.” It is worth noting that though S. 1273 requires states to have dedicated renewable energy and conservation accounts in their treasuries to be eligible for the additional 10 percent of OCS revenues, it does not appear to require that any of the OCS revenues be invested in renewable energy, conservation, or coastal restoration work. See *S. 1273: FAIR Act of 2013* (2013), available at <http://www.govtrack.us/congress/bills/113/s1273/text>.
- 25 Ibid.
- 26 Ibid.
- 27 Ibid.
- 28 Letter from Douglas W. Elmendorf to Sen. Ron Wyden, “S. 1273, Fixing Inequities with Revenues Act,” Congressional Budget Office, July 22, 2013, available at <http://www.cbo.gov/publication/44441>.
- 29 FAIR Act revenue projections are based on the U.S. Energy Information Administration’s Annual Energy Outlook. See U.S. Energy Information Administration, “AEQ2013 Early Release Overview” (2012), available at http://www.eia.gov/forecasts/aeo/er/tables_ref.cfm. For petroleum production and price forecasts, see U.S. Energy Information Administration, “AEQ2013 Early Release Overview,” table 131, available at http://www.eia.gov/forecasts/aeo/er/supplement/suptab_131.xlsx (last accessed October 2013). For natural gas production and price forecasts, see U.S. Energy Information Administration, “AEQ2013 Early Release Overview,” table 132, available at http://www.eia.gov/forecasts/aeo/er/supplement/suptab_132.xlsx. Royalty estimates assume an 18.75 percent royalty from offshore production but are discounted 50 percent to account for various deductions and costs, such as transportation allowances. Our projected revenue-sharing disbursements are a significant understatement of the total cost of the FAIR Act. We have only projected effects based on royalty revenues from the Gulf of Mexico. Bonus bids at lease sales will be a significant source of additional revenue for states under the FAIR Act, though the actual amount is difficult to forecast because each bonus bid is driven by market expectations of the perpetual value of each lease. Similarly, our estimates do not account for potential OCS revenue in Alaska from royalties, rents, or bonus bids because production in the highest-resource-potential areas of the Alaska OCS is highly uncertain, especially in the Chukchi Sea and Beaufort Sea of the Arctic Ocean.
- 30 S. 1273 defines a “leasing moratorium” as “any State or Federal prohibition on the development of oil, natural gas, and alternative and renewable energy sources, including preleasing, leasing, and related activities, on the outer Continental Shelf.” Because the current 5-year OCS program does not allow leasing in the Pacific or Atlantic planning areas, the bill appears to preclude Atlantic and Pacific states from being eligible for revenue sharing. Furthermore, it is unclear whether a state such as Mississippi, which does not allow leasing in areas in state waters immediately off its coastline—but does allow leasing in certain tracts of state waters further offshore—would also be ineligible for revenue sharing under this definition. See *S. 1273: FAIR Act of 2013*.
- 31 California Natural Resources Agency, “California’s Ocean Resources: An Agenda for the Future: Chapter 5E: Oil and Gas” (1995), available at http://resources.ca.gov/ocean/html/chapt_5e.html.
- 32 U.S. Bureau of Ocean Energy Management, *Proposed Outer Continental Shelf Leasing Program, 2012-2017* (U.S. Department of the Interior, 2011), available at http://www.boem.gov/uploadedFiles/Proposed_OCS_Oil_Gas_Lease_Program_2012-2017.pdf.
- 33 *S. 1273: FAIR Act of 2013*.
- 34 Jordan Blum, “Vitter Files Offshore Drilling Bill,” *The Advocate*, February 28, 2013, available at <http://theadvocate.com/news/5302907-123/vitter-files-offshore-drilling-bill>.
- 35 Athan Manual, Testimony before the Senate Committee on Energy and Natural Resources, July 23, 2013, available at http://www.energy.senate.gov/public/index.cfm/files/serve?File_id=4b68e2a3-2eac-421c-b5e5-ba3b62b04d03.
- 36 Michael Conathan and Kiley Kroh, “The Foundations of a Blue Economy” (Washington: Center for American Progress, 2012), available at <http://www.americanprogress.org/issues/green/report/2012/06/27/11794/the-foundations-of-a-blue-economy/>.
- 37 Sen. Lisa Murkowski, “Opening Statement: Full Committee Hearing on S.1273, the FAIR Act,” Testimony before the Senate Committee on Energy and Natural Resources, July 23, 2013, available at http://www.energy.senate.gov/public/index.cfm/files/serve?File_id=37115591-b337-4db7-b05d-6a3521f69641.
- 38 The O&C Lands Act of 1937, for example, specifies that a portion of revenues from timber harvests on federally owned Oregon and California railroad lands be given to counties “in lieu of taxes.” See H.R. 7618, Public Act 405, 75th Cong., 1st sess. (1937), available at <http://www.blm.gov/or/plans/wopr/files/OCAct.pdf>.
- 39 Office of Sen. Mary Landrieu, “Senate Committee Holds Hearing on Landrieu FAIR Act,” Press release, July 23, 2013, available at http://www.landrieu.senate.gov/?p=press_release&id=3885.
- 40 State energy disbursements are based on FY 2012 data from the Office of Natural Resources Revenue. See Office of Natural Resources Revenue, “Statistical Information, Data Type,” available at <http://statistics.onrr.gov/ReportTool.aspx> (last accessed October 2013). Our estimate of the distribution of GOMESA Phase II and FAIR Act revenues among eligible Gulf states is based on the relative distribution of 8(g) revenues in 2012, as reported by the Office of Natural Resources Revenue. Actual state-level projections of disbursements under GOMESA Phase II and the FAIR Act will be determined by a formula accounting for the distance of the producing wells from eligible states. For additional discussion of CAP’s estimates of FAIR Act distributions, see endnote 29.
- 41 Maureen Farrell, “Alaska’s Oil Windfall,” CNN Money, February 29, 2012, available at http://money.cnn.com/2012/02/29/markets/alaska_oil/index.htm.
- 42 Dow Jones Newswires, “Alaska Lawmakers Cut Oil Taxes,” *Rigzone*, April 16, 2013, available at http://www.rigzone.com/news/article.asp?a_id=125814.
- 43 Haze, Testimony before the Senate Committee on Energy and Natural Resources, July 23, 2013.
- 44 Natural Resources Council of Maine, “Public Land Ownership by State,” available at <http://www.nrcm.org/documents/publiclandownership.pdf> (last accessed September 2013).

- 45 Shea Penland and others, "Process Classification of Coastal Land Loss Between 1932 and 1990 in the Mississippi River Delta Plain, Southeastern Louisiana," U.S. Geological Survey, 2003, available at <http://pubs.usgs.gov/of/2000/of00-418/ofr00-418.pdf>.
- 46 U.S. Bureau of Ocean Energy Management, "Coastal Impact Assistance Program (CIAP)," available at <http://www.boem.gov/Oil-and-Gas-Energy-Program/Energy-Economics/Revenue-Sharing/CIAPmain.aspx> (last accessed September 2013).
- 47 RestoretheGulf.gov, "Gulf Coast Ecosystem Restoration Council to Help Rebuild the Gulf Coasts' Ecosystems and Economies in the Wake of the Deepwater Horizon oil spill," Press release, November 30, 2012, available at <http://www.restorethegulf.gov/release/2012/11/30/gulf-coast-ecosystem-restoration-council-help-rebuild-gulf-coasts%E2%80%99-ecosystems-and>.
- 48 The Pew Campaign for Responsible Mining, "Reforming the U.S. Hardrock Mining Law of 1872: The Price of Inaction" (2009), available at http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Wilderness_protection/cost_of_inaction.pdf.
- 49 U.S. Bureau of Land Management, "O&C Lands Act of 1937," available at <http://www.blm.gov/or/plans/wopr/oclands.php> (last accessed September 2013).
- 50 M. Lynne Corne and Kristina Alexander, "Forest Service Payments to Counties—Title 1 of the Federal Forests County Revenue, Schools, and Jobs Act of 2012: Issues for Congress" (Washington: Congressional Research Service, 2012), available at http://www.law.umaryland.edu/marshall/crsreports/crsdocuments/R42452_03262012.pdf.
- 51 All federal land-payment data are from the Economic Profile System – Human Dimensions Toolkit. See Headwaters Economics, "Economic Profile System – Human Dimensions Toolkit," available at <http://headwaterseconomics.org/tools/eps-hdt> (last accessed October 2013).
- 52 Kate Brown, "Secretary of State Audit Report: Oregon's Counties: 2012 Fiscal Condition Review" (Salem, OR: State of Oregon, 2012), available at http://www.sos.state.or.us/audits/pages/state_audits/full/2012/2012-17.pdf. All federal land-payment data are from the Economic Profile System – Human Dimensions Toolkit. See Headwaters Economics, "Economic Profile System – Human Dimensions Toolkit."
- 53 Headwaters Economics, "County Payments, Jobs, and Forest Health" (2010), available at http://headwaterseconomics.org/wphw/wp-content/uploads/Reform_County_Payments_WhitePaper_LowRes.pdf.
- 54 Corne and Alexander, "Forest Service Payments to Counties—Title 1 of the Federal Forests County Revenue, Schools, and Jobs Act of 2012: Issues for Congress."
- 55 Katie Hoover, "Reauthorizing the Secure Rural Schools and Community Self-Determination Act of 2000" (Washington: Congressional Research Service, 2013).
- 56 Land and Water Conservation Fund Coalition, "About LWCF"
- 57 Headwaters Economics, "County Payments Research," September 2013, available at <http://headwaterseconomics.org/land/county-payments-research>.

The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just, and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is “of the people, by the people, and for the people.”

Center for American Progress

