

Impacts of Federal Lands on Local Government Tax Bases

A Policy Summary



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Issue Overview

For over a century, communities abutting federal lands in the United States have expressed concerns about the impact of federal land ownership on the local tax base. In the early 19th century, the Supreme Court ruled that state and local governments did not have the authority to tax federal lands within their jurisdiction. Consequently, many people within these communities began to associate federal land ownership within their local jurisdiction with lost tax revenue (Schuster et al. 1999).

To compensate local governments for the loss in property tax revenue, Congress passed legislation throughout the years which provided these communities with payments in lieu of taxes. For example, in 1908, Congress passed legislation which required the Forest Service to share 25% of its revenues with local governments. However, to this day, many people still question whether federal payments to local governments are adequate compensation for lost property tax revenue (Schuster et al. 1999).

The purpose of this policy summary is to provide the public, government officials, and scholars with information necessary to better understand the impacts of federal land ownership on the local tax base. A substantial number of variables must be taken into consideration to analyze this issue. Outcomes can and have varied significantly depending upon the number and type of variables included in the assessment of a particular location. Consequently, it is imperative that decision makers are aware of the many variables that affect the net effect of federal ownership on the local tax base.

This policy summary begins with a brief history on the evolution of this issue. Second, this report provides an overview of the primary types of revenue-sharing programs, federal payments made in lieu of taxes, and variables that may impact overall results. Finally, we conclude with a case study analysis of the impact of the Wayne National Forest's land ownership and ongoing land acquisition on local governments in Ohio.

Policy Issue History: Public Lands Acquisition, Disposal, and Reservation

American public lands management during the late 1700s and throughout the 1800s primarily consisted of land acquisition through treaties and purchases, followed by disposal through land sales, land grants to states, railroads, local government bodies, and homesteading. In the late 1800s and early 1900s however, the U.S. government became interested in reserving some of these public lands for protection and conservation purposes. Some of the first federal withdrawals from the public domain were for the purposes of creating national parks such as Yellowstone. These lands were designated to protect areas with significant national historic, geologic, and scenic interest. Other federal land reservations were made to conserve important natural resources. National Forest degradation in the United States was one land issue that had quickly captured the public's attention and concern. Throughout the eastern U.S., watersheds had been

decimated from extensive clear-cutting and many began to worry about the possibility of timber famines (Culhane 1981).

To alleviate some of these concerns, Congress passed the Forest Reserve Act in 1891, which gave the president the authority to create federal forest reserves from land remaining in the public domain. In 1911, Congress then expanded the federal government's land reservation power through the passage of the Weeks Act. This act gave the recently created Forest Service the authority to purchase private forestlands for watershed protection purposes. The Clark-McNary Act, passed in 1924, built upon the Weeks Act by allowing the Forest Service to purchase lands deemed valuable for timber production (Culhane 1981).

As the federal government increased its land holdings throughout the early 1900s, a new public concern developed; communities neighboring newly created federal land reserves began to worry about lost property tax revenue. In the early 19th century, the U.S. Supreme Court held that local and state governments had no authority to tax federal lands within their jurisdiction. Therefore, a change from private to federal land ownership status would result in lost property taxes, decreasing local government revenue available to local services (Schuster et al. 1999).

Revenue-Sharing and the Payments in Lieu of Taxes (PILT) Act

To compensate local governments for lost property tax revenue, Congress passed several pieces of legislation which provided these communities with payments in lieu of taxes. One of the first such laws was the 1908 National Forest Revenue Act. This act required the USDA Forest Service to return 25 percent of its gross receipts from timber sales, grazing fees, admission, and other revenue-producing activities to states in which national forest revenue is generated. The states must then distribute this money from the 25 Percent Fund to the counties containing national forests to fund schools and roads (Schmit 1995).

The Mineral Lands Leasing Act of 1920 created another major revenue-sharing program. This act provided that 50 percent of the gross receipts generated from major energy and mineral sources on reserved federal lands (lands under authority of the 1891 Forest Reserve Act) return to the state in which the public lands are located. However, unlike reserved federal lands, lands later acquired by federal agencies (lands under authority of the 1911 Weeks Act or the 1924 Clark-McNary Act) use the agency-specific revenue-sharing formula to distribute mineral profits to the state, which then typically returns to the county where the mining took place. For example, if the USDA Forest Service acquired new land in Ohio, it would return 25 percent of any mining proceeds to the county where the minerals originated (Schmit 1995).

Other pieces of revenue-sharing legislation passed by Congress throughout the 20th century include the Federal Power Act administered by the Federal Energy Regulatory Commission, the Taylor Grazing Act administered by the Bureau of Land Management (BLM), the Bankhead-Jones Farm Tenant Act administered by both the BLM and the Forest Service, and the Wildlife Refuge Revenue Sharing Act administered by the U.S. Fish and Wildlife Service. While each of the

aforementioned revenue-sharing programs alleviated some public concern regarding lost property tax revenue, many people were still not satisfied because they felt that these programs did not provide adequate compensation. Compounding public dissatisfaction was the fact that other problems with these programs surfaced over time (Schuster 1995).

In most cases, the majority of revenue generated and then shared with local communities originated from the sale of commodities from public lands. One major problem with this arrangement was the fact that markets for these commodities would rise and fall, making it impossible for local governments to depend upon revenue-sharing programs for a stable source of income. Revenue-sharing programs also forced the public to become much more concerned and involved in public lands management because changes in management might impact the local funding. For example, local publics often refused to support wilderness designation and endangered species protection on public lands because it might reduce revenue-generating activities such as timber harvesting, mining, and grazing (Schuster 1995).

To address these concerns, Congress passed the Payments in Lieu of Taxes (PILT) Act in 1976. The PILT program, administered by the BLM, was intended to act as an “umbrella” program by which federal payments to local governments would become more stabilized and tax equivalent. Rather than rescind existing revenue-sharing programs, PILT was meant to act as supplementary income when and where necessary (Schmit 1995).

PILT Payment Calculation

Payments made to local governments through the PILT program are determined by a funding formula which takes into account four factors: acres of eligible land, county population, previous year payments from other federal agencies, and the consumer price index (Corn 1998). Local governments receive payments for each acre of eligible land within their respective jurisdiction. Eligible lands, usually referred to as entitlement lands, are those lands owned by the federal government and administered by natural resource management agencies. In general, entitlement lands include lands in the National Forest System, BLM administered lands, National Park System lands, lands dedicated to water resource development projects, U.S. Army Corps of Engineers dredge disposal areas, and National Wildlife Reserve Areas that have been withdrawn from the public domain. Entitlement lands include only those lands which have been removed from the tax rolls; if federal land in a county’s jurisdiction was never on the official county tax roll, payments are not provided on that acreage (Corn 1998).

The second factor taken into consideration for PILT funding is the county’s population. Counties with larger populations receive more money than those with smaller populations. However, regardless of the population, no county will receive a PILT payment over \$2,200,000 per year (Corn 1998).

Previous year payments from other federal agencies are the third factor in the PILT equation. Revenue generated from public lands can vary significantly from one location to another. Therefore, to ensure some degree of equality in payments across counties, the PILT funding



formula subtracts other agencies' payments made to the county in the previous year. However, each county does receive some PILT dollars each year, regardless of the amounts received by other agencies in the previous year (Corn 1998).

An important component of previous year payments is state pass-through laws. State pass-through laws require a county to pass its share of a federal payment through to another entity such as a local school district. The PILT funding formula does not recognize as prior year payment any federal payment which is passed through to "independent school districts or other single or special purpose district" (Corn 1998). Consequently, if laws within a state require that the county pass money received from federal agencies through to local school districts, the money received from the federal agency will not be recognized, and thus will not be subtracted from the following year's PILT payment.

Finally, Consumer Price Index changes impact the size of PILT payments. Prior to 1999, many counties argued that the value of their respective PILT payments was being eroded by inflation. In response, a provision passed on October 1, 1999 allowed for authorization levels to be raised each fiscal year based upon changes in the Consumer Price Index (Corn 1998).

PILT Payment Options

Each county is given the opportunity to choose from the greater of two payment alternatives (A or B). Under Alternative A, also known as the standard provision, the county must first take the smaller of two options: the county's eligible acreage multiplied by \$1.65 per acre or the county's ceiling payment, which is based upon the county population. The county uses this number and subtracts the previous year's total federal payments made to the county under other revenue-sharing or payment programs to come up with the authorized PILT payment (Corn 1998).

Under Alternative B, also known as the minimum provision, the county must once again take the smaller of two options: the county's eligible acreage multiplied by 22 cents per acre or the county's ceiling payment, which is based upon county population. Under Alternative B, the previous year's total federal payments are not subtracted from the county's authorized PILT payment (Corn 1998).

In general, counties that opt for Alternative B tend to have smaller populations and are highly dependent on public lands commodity production. On the other hand, counties choosing alternative A typically have large populations and are much less resource-dependent (Schuster 1995).

Criticisms of PILT

Over the years, many people have argued that the formula used to allocate PILT funds produces inequalities. Some counties have allegedly been receiving more than their "fair share," while others have not been adequately compensated. For example, in some cases, there have been complaints that certain counties are receiving more in PILT payments than they would have received if the federal land in their jurisdiction were taxed at fair market value (Corn 1998).



Another major concern with PILT is the fact that in recent years, the amount of PILT money authorized under the law’s formula has not been fully appropriated by Congress. For example, in FY 1997, on average, counties only received 53.5% of their authorized amount. Congress’ concerns for reduced federal spending have caused appropriated amounts to fall well below authorization levels over the past several years (Corn 1998).

Equivalency of Federal Payments to Local Property Tax Revenues

A number of studies have been conducted over the years to examine whether federal payments are equivalent to what would have been paid in property taxes by private owners. Across the studies, results are mixed. This stems primarily from the fact that different variables and factors have been taken into consideration with each study (see Table 1). Therefore, it is impossible to draw definitive conclusions across all cases. Instead, each state, county, and situation must be assessed individually.

Table 1: Prior Studies of Federal Ownership Impacts on Local Tax Bases

		Factors Included in Study Calculations						
Study ^a	Study Description and Location	Revenue-Sharing Payments	Authorized ^b PILT ^c Payments	Appropriated PILT Payments	Indirect Tax Benefits from Visitation	Federal in-kind Contributions	Private Tax Rate for Comparison	Were Federal payments found to be equivalent?
National Education Association Study (1950)	Estimated property taxes for all Federal holdings (buildings, land, and dams)	X					Current Use	No. Federal payments were shown to be 31.4% of the estimated property taxes.
Williams (1955): follow-up to the 1950 NEA study	Stratified sample based upon economic, local, and natural characteristics of counties containing National Forest Land	X				X	Current Use	Yes. Federal payments = 126% of estimated property taxes.

Continued >



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Study ^a	Study Description and Location	Revenue-Sharing Payments	Authorized ^b PILT ^c Payments	Appropriated PILT Payments	Indirect Tax Benefits from Visitation	Federal in-kind Contributions	Private Tax Rate for Comparison	Were Federal payments found to be equivalent?
Williams (1965): second follow-up study	Same as previous study except that this study distinguished between National Forest Lands and National Grasslands	X				X	Current Use	On National Forest lands, Federal payments = 146% of estimated property taxes. On National Grasslands, Federal payments = 81% of estimated property taxes.
EBS Management Consultants (1968)	Case studies of 5 states and 50 counties	X					Current Use	Yes overall. This was not true however for 17 out of the 50 counties.
The General Accounting Office (U.S. Controller General 1979)	Federal land payment programs in six western states	X		X			Current Use	Yes. Federal land payments were found in FY 1977 to have exceeded by \$187.3 million, the amount they would have received on a tax-equivalency basis.
Bureau of Land Management (USDI-BLM 1992)	Five western states	X		X			Current Use	Yes. Found that for FY 1991, PILT and revenue-sharing payments yielded \$0.296 per acre whereas estimated property tax payments averaged \$0.098 per acre.
USDA Forest Service (Schuster et al. 1999)	Stratified random sample of 105 counties consisting of 40 counties from the Interior West, 30 from the Pacific West, 25 from the East, and 10 boroughs from Alaska	X	X	X	X ^d		Current Use	No. Overall, appropriated PILT only = 11% of the estimated property taxes; Appropriated PILT plus revenue-sharing = 36% of estimated property taxes;. Authorized (fully-funded) PILT = 22% of estimated property taxes and authorized PILT plus revenue-sharing = 46% of estimated property taxes.

^a Study information from Shuster et al. (1999)

^b Until 1994, the appropriated PILT was equivalent to the authorized PILT payment.

^c The PILT program was established in 1976.

^d This study examined costs and benefits associated with the presence of entitlement lands. Indirect tax benefits from visitation was one factor of many considered. The study did not determine costs and benefits in the traditional accounting manner; rather, costs and benefits were determined through a questionnaire delivered to county officials. Consequently, costs and benefits were not calculated into the equation regarding the equivalency of land in the ownership of federal vs. non-federal entities.



In order to assess the results of past and future research, it is imperative to understand the researchers' assumptions and know which variables were included in the analysis. As discussed below, key variables and factors for analysis include: the kinds of PILT payments included (authorized or appropriated), whether other revenue-sharing programs are included, whether in-kind support is included, assessment of indirect revenue streams, year under study, choice of foregone private property tax rate, and geographic location of the federal lands.

Variables and Factors to Consider in Analysis

1. Authorized or appropriated PILT: One of the first factors that should be considered when assessing research is what are private property taxes being compared to when discerning federal payment equivalency? Are potential property taxes being compared to authorized or appropriated PILT payments? The amount authorized under the PILT law has generally been appropriated by Congress throughout most of the law's history. However, since 1994, there has been a substantial discrepancy between the PILT amount authorized and the PILT payment actually appropriated (Corn 1998). A USDA Forest Service study conducted by Schuster et al. (1999) made separate calculations for authorized and appropriated PILT payments and found that authorized PILT payments were 22 percent of estimated property taxes whereas appropriated PILT payments were only 11 percent of estimated property taxes (see Table 1).

2. Other revenue-sharing programs: In addition to knowing whether research calculations are based on authorized or appropriated PILT payments, it is important to know whether various revenue-sharing payments, beyond PILT, are being added into the equation. Depending upon the county or counties being studied, revenue-sharing payments from the federal government can contribute a significant amount of money to the local budget. As a result, for some counties, an analysis on the equivalency of federal payments to estimated property taxes that does not take into consideration federal revenue-sharing payments would yield an incomplete and inaccurate picture.

Along similar lines, it is imperative to understand which federal revenue-sharing payments are being calculated into the equation. For example, in the USDA Forest Service study conducted by Schuster et al. (1999), the study only included those revenue-sharing payments made to and controlled by the county government. On the other hand, a study of five western states conducted by the USDI Bureau of Land Management in 1992 added all revenue-sharing payments into their equation, regardless of whether the payments were received by the county, or another entity within the county such as an independent school district (cited in Schuster et al. 1999). The National Association of Counties criticized the BLM for including revenue-sharing payments in their study. They argued that it was inappropriate to include revenue-sharing payments because most are earmarked for schools and roads rather than the county in general (Schuster et al. 1999).



3. In-kind support: Studies may or may not factor in Federal in-kind contributions. In-kind contributions can include services rendered by an agency (i.e. Forest Service) such as fire control, and construction and maintenance of trails and forest highways (Schuster et al. 1999). A series of studies conducted by EBS Management Consultants for the Public Land Law Review Commission in 1968 found that in 1966, state and local governments received approximately \$13.1 million in in-kind benefits (cited in Schuster et al. 1999). With in-kind benefits added into the equation, the study concluded that state and local governments received an \$89.2 million benefit from Federal lands in their jurisdiction (see Table 1).

4. Indirect revenue streams: Along similar lines, studies may or may not consider indirect tax revenues. Public lands attract tourists who typically spend money when they visit. If the county has a sales tax, then the local tax base gains those tax receipts. Additionally, many people are choosing to move to gateway communities near public lands, which can drive up property values and thus tax revenues for the jurisdiction.

5. Year of study: The year that the research examines is another important factor to consider. All studies prior to 1976 for example, would not have calculated PILT payments into the equation and therefore would not provide an accurate depiction of today's situation (see Table 1). Additionally, as discussed previously, revenue-sharing payments have a tendency to fluctuate from year to year with changes in the market. While PILT has stabilized overall federal payment uncertainty to a degree, there can still be some year-to-year fluctuation in revenue-sharing payments.

6. Foregone property tax rates: The taxable value and tax rates used to estimate property taxes that would have been obtained from federal lands if state and local governments had the legal authority to tax the federal government are two other significant variables that should be examined carefully. Taxable value, which is also commonly referred to as assessed value or market value, is the value utilized in the general property tax formula: taxable value x property tax rate = property taxes charged (Schuster et al. 1999). Given the research assumptions made and the location in which a study is conducted, the taxable value of any given piece of property can vary significantly. For example, it might be important to know whether structures or improvements to the land are being calculated into taxable value. Along similar lines, some analysts may believe it is accurate to determine the taxable value of federal land based upon current use, while others may feel that taxable value should reflect the land's potential use (which is subject to significant uncertainty). If the analyst chooses to base taxable value upon current use, there can still be arguments regarding which designation of land to use. For example, one analyst may believe it is accurate to classify a hypothetical piece of federal land as timberland, whereas another may think it is more appropriate to split the land up into three separate categories (i.e. recreational, timberland, and grazing land). Each land classification will have a different taxable value and therefore results may vary from one analyst to the next.

One of the most difficult aspects of determining the appropriate tax rate for comparison is finding private land in the same vicinity that is comparable to the federal land being analyzed. Discrepancies between studies may occur when researchers disagree on what land could be



considered comparable. Once a comparable piece of property is located, the researcher would probably contact local officials to determine the tax rate applied to that land and then apply the same tax rate to the federal land under analysis. However, one study conducted by the BLM in 1992 was criticized as inaccurate because the researchers failed to confirm tax rates with state and local officials (cited in Schuster et al. 1999). Therefore, it is important to understand where a study's tax rate information is obtained.

7. Location of federal lands: Finally, for multiple reasons, it is always important to consider the location in which a study is conducted. Federal lands in certain parts of the U.S. generate more revenue; therefore these states and local governments will receive higher revenue-sharing payments. Each state and local government will also have different tax rates, tax assessment formulas, and criteria for classifying land and determining taxable value. States may or may not have pass-through laws which can result in higher or lower PILT payments. Or, certain local governments, such as some boroughs in Alaska, may not even use property taxes to finance governments. Consequently, any federal payment made to these governments would be shown in research to exceed the potential property tax revenue of \$0.00 (Schuster et al. 1999).

Case Study: The Wayne National Forest in Ohio

In 1995, Congress, led by Ohio Senator Mike DeWine, placed a moratorium on land sales to the Wayne National Forest in response to complaints from forest neighbors that any additional land removed from the tax roles would reduce funds available to county governments and school districts. While Ohio counties with federal lands in their jurisdiction have received revenue-sharing payments and PILT dollars every year to compensate for the loss in tax revenue, many have complained that these payments are not even a fraction of property tax revenue that would be generated if the land were in private hands (Rizzo 1999a). Additionally, over the years, revenue-sharing payments from the Wayne National Forest have diminished substantially because timber cutting and oil and gas production have been slowed or stopped, in part, by lawsuits and the discovery of the Indiana bat, an endangered species, on National Forest property (Edwards 1999).

Public concern over Federal land ownership is not a new issue, nor is it isolated to Ohio. Public land disputes have come to the forefront of the political agenda several times since the founding of this country (Davis 2001). In fact, Montana's state legislature recently (August, 2003) passed a law prohibiting the sale of state lands to the federal government, becoming the first state in the union to completely prohibit state land sales to the federal government. Montana Representative Rick Maedje, the bill's sponsor, said that "Montana has had nothing but serious problems in the last 30 years with virtually every acre the federal government claims to have jurisdiction over in this state" (Taylor 2003). He reasoned that it was imperative to take this action because "not only does the federal government fail to pay taxes on land it holds, but even the PILT payments it promises never come through" (Taylor 2003).



Ohio has yet to take such a drastic action as Montana. In fact, on July 15, 1999, Congress lifted the land-buying moratorium that was placed on the Wayne National Forest in 1995 (Rizzo 1999b). However, continuing sentiment against federal land purchases spurred state Representative Nancy Hollister to introduce a bill in the Ohio House that would have revoked a 1934 state law giving the federal government permission to buy land for the National Forest (Edwards 1999). This bill died in the Ohio Senate in November, 2000 (Hawthorne 2000).

Public concern over federal land ownership remains a major issue in Ohio, regardless of Rep. Hollister's bill's failure in the Ohio Senate. There is still substantial public resistance to land acquisitions by the Wayne National Forest, as people fear such acquisitions will cause a net loss in county and school district revenues (Hawthorne 2000).

The Impact of the Wayne National Forest on Local Tax Revenue

As discussed earlier in this policy summary, counties with federal land in their jurisdiction do receive payments in lieu of taxes from a variety of sources. Ohio counties are reimbursed through PILT payments, revenue-sharing payments from the 25 Percent Fund, and a share of mineral royalties (Schmit 1995). A study on the impact of the Wayne National Forest on local tax revenue prepared by the Public Affairs Office of the Wayne National Forest (2002) found that property taxes on undeveloped land without improvements would generate less revenue than the combined federal payments associated with federal ownership, if such land were enrolled in a tax abatement program such as current agricultural use valuation (CAUV).

The CAUV program was created in 1974 to reduce the tax burdens on agricultural landowners. Instead of valuing land at its highest and best use value (HBUV), the CAUV program allowed agricultural land to be valued at its current use. Consequently, the tax revenue generated from lands enrolled in the CAUV program is much lower than undeveloped property not enrolled in the program (Petry 2000). It is appropriate to compare federal payments from the Wayne National Forest's presence to tax revenue generated from lands enrolled in the CAUV program because many of the Wayne National Forest lands were actually enrolled in the CAUV program prior to acquisition. Additionally, most of the National Forest land in Ohio would qualify for CAUV if it were privately owned today.

Before drawing conclusions about the impact of federal lands on the local tax revenues, it is important to consider additional factors such as other federal expenditures made on behalf of local governments and indirect tax revenues. For example, counties have the opportunity to enter into cooperative law enforcement or fire-fighting agreements. Counties that choose to enter into these agreements are reimbursed for county funds spent on law enforcement or fire-fighting activities on National Forest lands. Counties with National Forest land in their jurisdiction may also receive dollars from the Forest Highway Program, which is administered by the Federal Highway Administration, or apply for Rural Development grants through the Forest Service State and Private Forestry. All of the aforementioned provide local governments with additional sources of revenue (Schuster et al. 1999).



Indirect tax revenue is another factor that can be very difficult to calculate, but should be considered to gain a fuller picture of the impact of federal ownership. Indirect tax revenue is generated when people outside of the local economy visit the area and spend money on gas, lodging, food, and other supplies or souvenirs along the way. A study of the economic impacts of outdoor recreation concluded that during a 12-month period ending April, 1996, Wayne National Forest visitors spent \$82.84 on average per visitor (Kriesel 1996). This resulted in a total of \$31,810,000 spent by non-local visitors to the Wayne National Forest in one year. As is evidenced by this study, the dollars that visitors leave when they visit the Wayne National Forest can have a substantial impact on the local economy and therefore warrant inclusion into any fiscal analysis regarding the Wayne's impact on the local economy.

Some people have argued in the past that Wayne National Forest in-holdings would be highly desirable for private residences and therefore should not be acquired by the National Forest. Or, along similar lines, they argue that the land that the Wayne National Forest might acquire could be used for commercial and/or industrial development. If private entities were to purchase these parcels and build homes or other improvements on them, they argue the county would reap the rewards from additional property tax revenue in the county coffers. However, in-holdings or land abutting the Wayne National Forest is relatively remote from major population centers and therefore, not generally viewed as attractive for development. Oftentimes, these lands lack access to highways, water and sewage lines, and an available labor pool (Wayne National Forest 2002).

Moreover, residential development, although adding property tax to the tax base, might yield a net loss to local government finances, if costs (infrastructure such as roads and utilities, and services such as refuse collection and libraries) are included in the analysis. Several studies have found that the cost of residential development in undeveloped areas usually outweighs the benefits. For example, a study of Loudoun County, Virginia conducted by the American Farmland Trust found that the annual net deficit per thousand dwellings for the county ranged from \$0.6 million to \$23 million in 1986 (cited in National Park Service 1995). Similarly, a 1987 study of Culpeper County, Virginia found that for every dollar generated by residential tax revenue, the county spent \$1.25 on average for support services. On the other hand, for every dollar collected from farm/forest/open space or industrial/commercial lands, only \$0.19 was spent by the county on support services (cited in National Park Service 1995).

The Impact of the Wayne National Forest on School Funding

Concern over school funding is an issue that has developed over the past twenty years. In the 1980s, timber production on the Wayne began to decline, which subsequently reduced the amount of money received by local governments through the 25 Percent Fund (Edwards 1999). As 25 Percent Fund payments declined, PILT payments increased. However, it has been argued that the increased PILT payments do not offset the losses to school districts because 25 Percent Funds are set aside specifically for schools and roads whereas PILT money was used for the county's general fund, which may or may not have been forwarded to schools (Schuster et al. 1999).



It is worth noting that in Ohio, 25 Percent Fund payments may not have always been distributed properly. One study by West (1993) found that in 11 of the 12 counties that have Wayne National Forest land, 25 Percent Fund payments over the years have been kept in the general county fund or distributed to other services (West 1993). Thus any misallocation of these funds would result in schools not receiving the full funding to which they are they are entitled.

Because Ohio school districts rely on property taxes for support, Wayne National Forest neighbors have often claimed that the National Forest's presence reduces school district funding. Before conclusions regarding the National Forest's impact on school funding can be drawn, it is important to note that half of the counties with Wayne National Forest lands have tax-exempt valuations lower than the state average. In addition, school districts in Ohio are supported by funds other than property taxes; a large share comes from the State of Ohio.

Residents in counties abutting the Wayne National Forest have argued that their schools are fiscally disadvantaged because they have abnormally large tracts of federal tax-exempt lands within their jurisdiction. However, a number of other types of properties such as universities, state lands, churches, parks, and fire departments are also tax-exempt. On average, an Ohio county has 13.92% of its total acreage in a tax-exempt status. Six of the twelve counties that have Wayne National Forest land have tax-exempt valuations lower than the state average, while six are above the state average (Ohio Department of Taxation 2000). Therefore, for six of the twelve counties, it would be inaccurate to conclude that the Wayne's presence makes them significantly disadvantaged in comparison to other Ohio counties.

In addition to local property taxes, school districts do receive money from the state and federal government. For example, counties affected by federal actions can apply for Impact Aid from the U.S. Department of Education (U.S. Department of Education 2003). Additionally, the Ohio state government can provide a substantial amount of funding to school districts. State funding is based upon a formula whereby a school district's assessed valuation is first calculated. The assessed valuation determines the amount of state support the school district will receive; the higher the school district's assessed valuation, the lower the state support and the lower the school district's assessed valuation, the higher the state support. The assessed valuation formula does not include tax-exempt property such as National Forest lands. Instead, tax-exempt lands are ignored and the assessed valuation is then based upon a smaller geographic area (Zaino 2000).

While the presence of the Wayne National Forest does play a role in the amount of funding a school district may receive, a number of other factors tend to impact school funding substantially more. Correctly allocating 25 Percent Fund dollars, addressing statewide Ohio funding for schools, and applying for Impact Aid from the U.S. Department of Education are changes that are more likely to give school districts additional revenues. Additionally, many Ohio counties that have Wayne National Forest land do not have higher than average percentages of tax-exempt land within their boundaries. Consequently, it is difficult to correlate lack of school funding with the presence of the Wayne National Forest.



Concluding Remarks

The impact of federal land ownership on the local tax base is a complicated issue that requires the consideration of multiple factors and variables. Because the situation can change considerably from one location to the next, it is impossible to provide a universal answer. When assessing research on the issue, it is imperative that the analyst understand the assumptions being made and know which variables and factors have been taken into consideration.

In the case of the Wayne National Forest, it is impossible to conclude that the presence of the National Forest is harming the local tax base. As discussed previously, six of the twelve counties with Wayne National Forest land have tax-exempt valuations lower than the state average. Consequently, it would be inaccurate to conclude that the Wayne's presence makes these counties significantly disadvantaged in comparison to other Ohio counties. Additionally, counties with the Wayne National Forest in their jurisdiction do receive a variety of federal payments such as PILT, 25 Percent Fund, and mineral royalty dollars that can compensate for lost tax revenue. These counties may also receive additional benefits from the federal government when they enter into cooperative law enforcement or fire-fighting agreements.

For those who argue that federal payments are not adequate compensation for lost property taxes, it is important to remember that having National Forest Lands in a county's jurisdiction can increase county revenue indirectly. When people visit the Wayne National Forest to recreate, they typically spend money on gas, food, and lodging in the area. If the county happens to have a sales tax, county tax revenue can be generated from these visitors.

Along similar lines, it appears that the presence of the Wayne National Forest is not harming school funding. Instead, it seems that public concern would be more appropriately focused on county government allocation of 25 Percent Fund dollars and the Ohio School Funding Formula.

Recommendations for Future Research

There is a need for additional research examining the impact of federal land ownership on the local tax base. Most previous studies have attempted to determine the equivalency of federal payments to what would have been paid in property taxes by private owners. Other studies have analyzed the general costs and benefits associated with public lands. However, virtually no one has quantified the costs and benefits associated with public lands and combined that analysis with federal payment equivalency data. One important limitation of many of these studies is the fact that most only include a few of the many variables that should be taken into account when drawing conclusions on the impact of public lands on the local economy. For example, many studies fail to consider indirect tax revenues or federal in-kind services provided to local governments. In order to gain a more complete perspective on the impact of public lands, future research should incorporate such variables into the final calculations.



Because results can vary significantly from one place to another, research specifically on the Wayne National Forest is needed to obtain a more complete understanding of the National Forest's impact on the twelve counties with federal lands. Various studies on individual counties have been conducted in the past, but currently, no one has completed a comprehensive cost-benefit analysis for the entire twelve-county region. Additionally, no one has attempted to combine quantified costs and benefits with federal payment equivalency analyses. Without additional research and data, concrete answers about the impact of Wayne National Forest land ownership on local tax bases will remain uncertain. This uncertainty may fuel public concerns about the appropriateness of federal land acquisition in the region.



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About the ECARP (Environmental Communication, Analysis, and Research for Policy) Working Group

Located within the School of Natural Resources, the ECARP (Environmental Communication, Analysis, and Research for Policy) Working Group is a vibrant and multi-disciplinary research, development, and consultation center staffed by a core group of affiliated faculty members and graduate research associates representing the social, management, and natural sciences. In addition to a core of faculty leaders, ECARP serves as a clearing-house, tailored to particular projects, by gathering research and support personnel from across the campus and nation as needed.

The ECARP has five fundamental objectives:

1. To apply technical knowledge and analytical methods to key environmental and natural resource questions identified by clients such as Federal, State, and local management agencies and private entities.
2. To advance the state of knowledge and disseminate findings for concepts and methods concerned with environmental and natural resource issues.
3. To conduct innovative and valuable research that helps frame thinking and debate about environmental and natural resource issues.
4. To recruit top-quality graduate students to the School of Natural Resources and provide students with opportunities to work with faculty on projects within the ECARP Working Group.
5. To serve as a focus for student and faculty research by applying for and securing research funding from Federal, State, University, non-governmental, and other sources.

Some examples of the types of research and client-based projects the ECARP might undertake include the research and development of:

- policy analysis tools to gauge the effects of policy instruments on target populations and the environment
- stakeholder collaboration and citizen participation processes in natural resources policy
- structured environmental decision making approaches
- cutting edge research in the natural sciences to inform environmental policy choices
- comprehensive environmental risk communication approaches
- innovative environmental education and interpretive efforts
- courses to be offered in the School of Natural Resources for students as well as the community of environmental professionals

For More Information

More information is available at the ECARP website: <http://ecarp.osu.edu>

As part of its effort to develop and disseminate knowledge, ECARP publishes analytical reports related to environmental and natural resource issues. These reports are available through the ECARP website.



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