



County Revenues

PILT & SRS

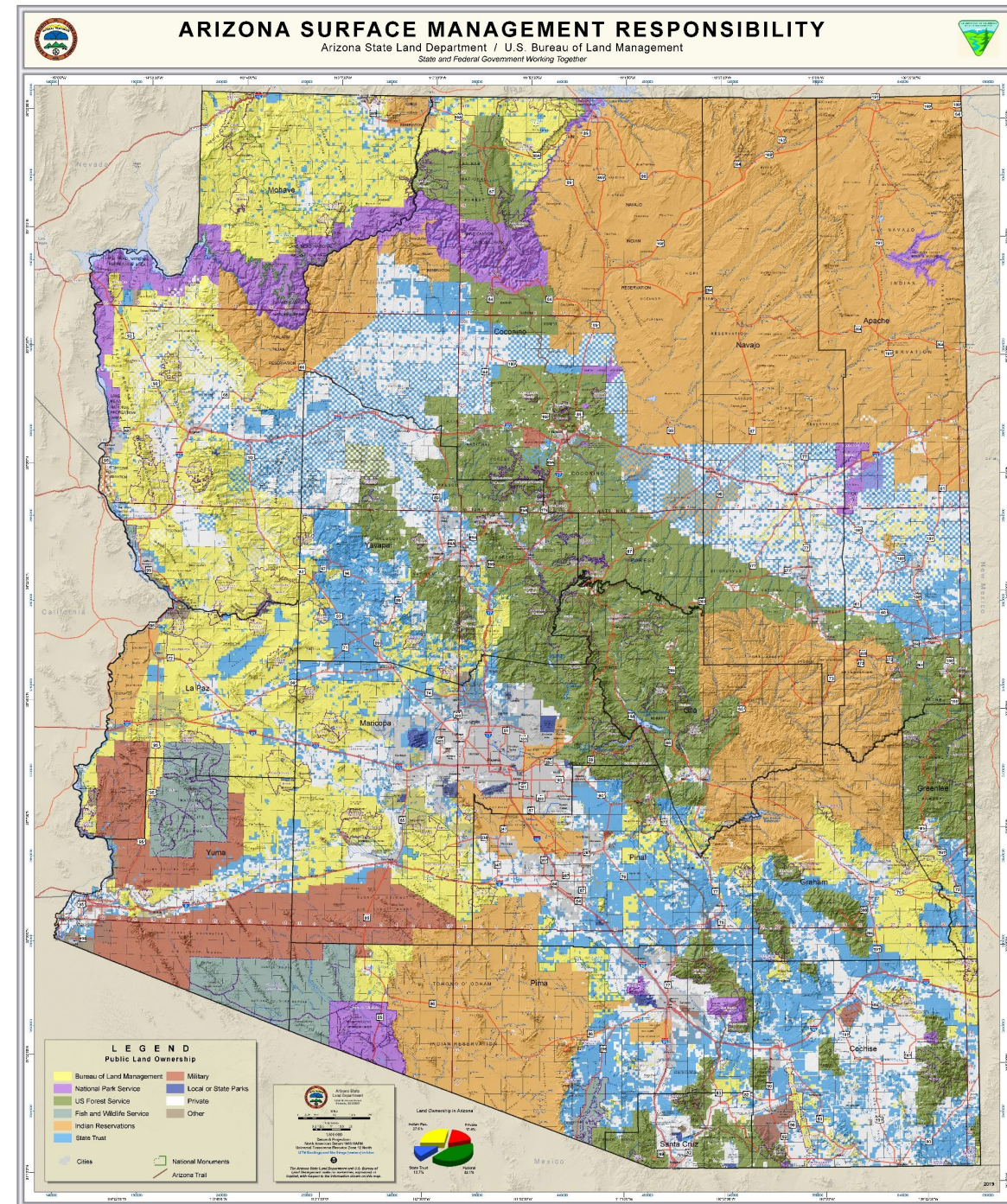
Counties receive funds from federal government for federal lands in their jurisdiction

Payment in lieu of taxes PILT

- Used to fund general government services
- Subject to annual federal appropriations process

Secure Rural Schools SRS

- Primarily for rural schools and county roadway maintenance
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Counties often provide services associated with public lands

In addition to services traditionally provided by counties to their residents, counties with federal lands in their jurisdictions often provide services on, or associated with those lands, including:



Law Enforcement



Search & Rescue

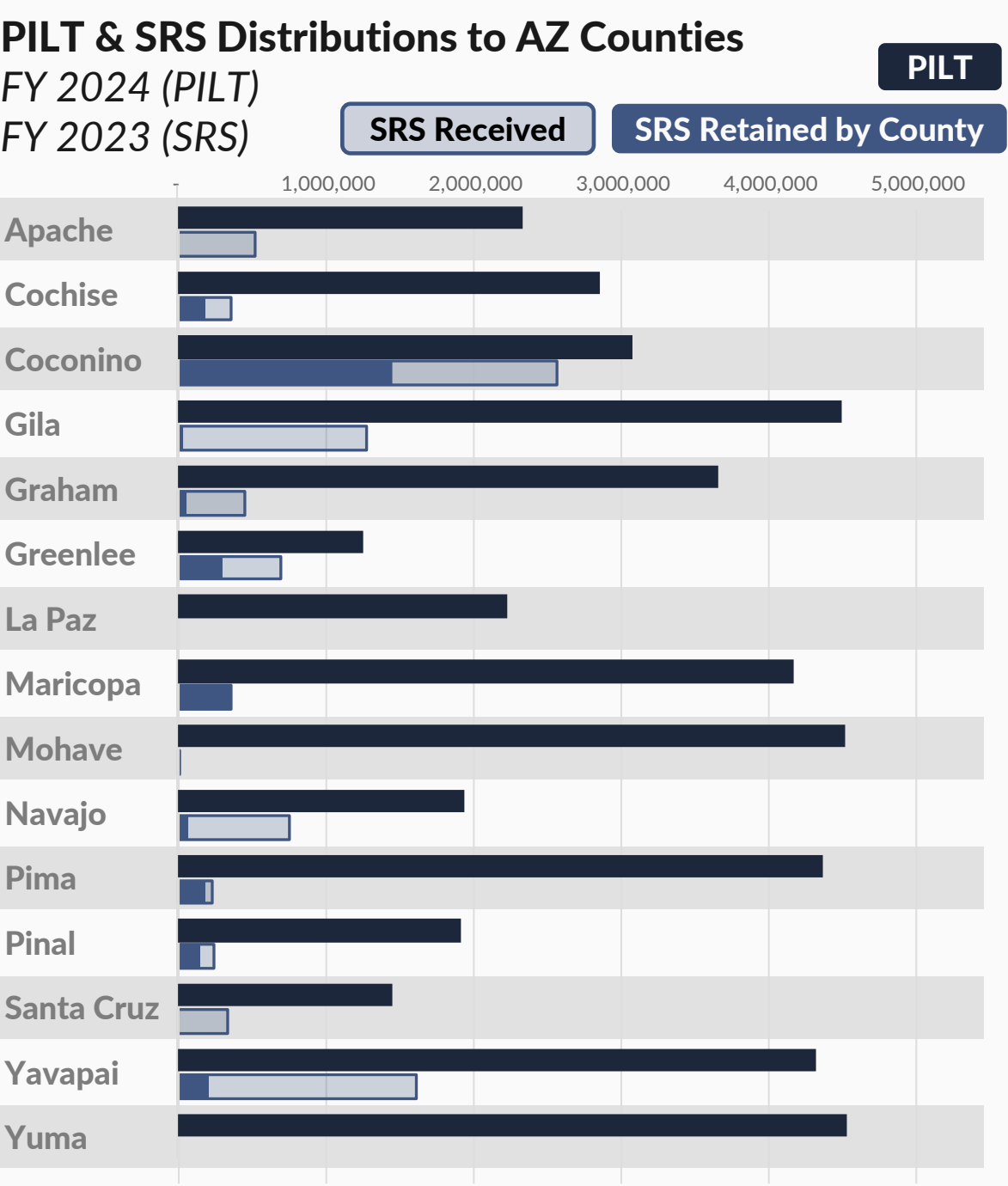


**Road Building &
Maintenance**



In FY 2024, AZ counties received **\$46.9M** in PILT

In FY 2023, AZ counties **received \$9.4M** in SRS Title I & III funds and **retained \$3.0M**





PILT Funding Formula

Alt. A

Acres x \$3.35 – Prior Year Payments

OR

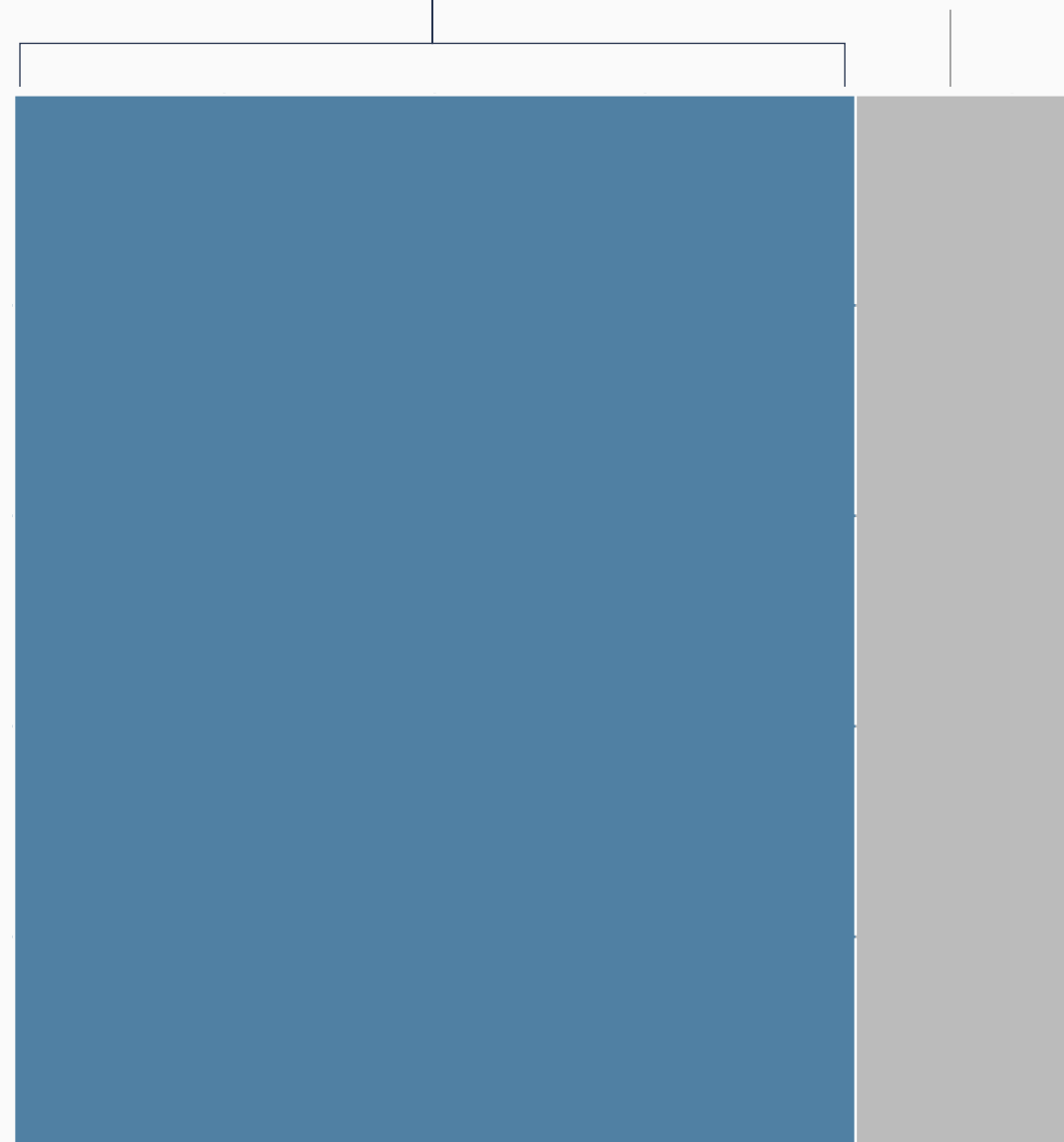
Alt. B

Acres x \$0.48

- In FY 2024, all AZ counties received distribution based on **Alt. A**
- Amount per acre is adjusted annually for inflation
- Acreage is for *entitlement acres*, for example, BLM, NFS, etc.
 - **28.1 million acres** in AZ for FY 2024
- Subject to payment cap based on population

\$620.8M
FY 2024 PILT Full Funding

\$284.3M
*deducted for prior
year payments*





PILT Funding Formula

Prior Year Payments

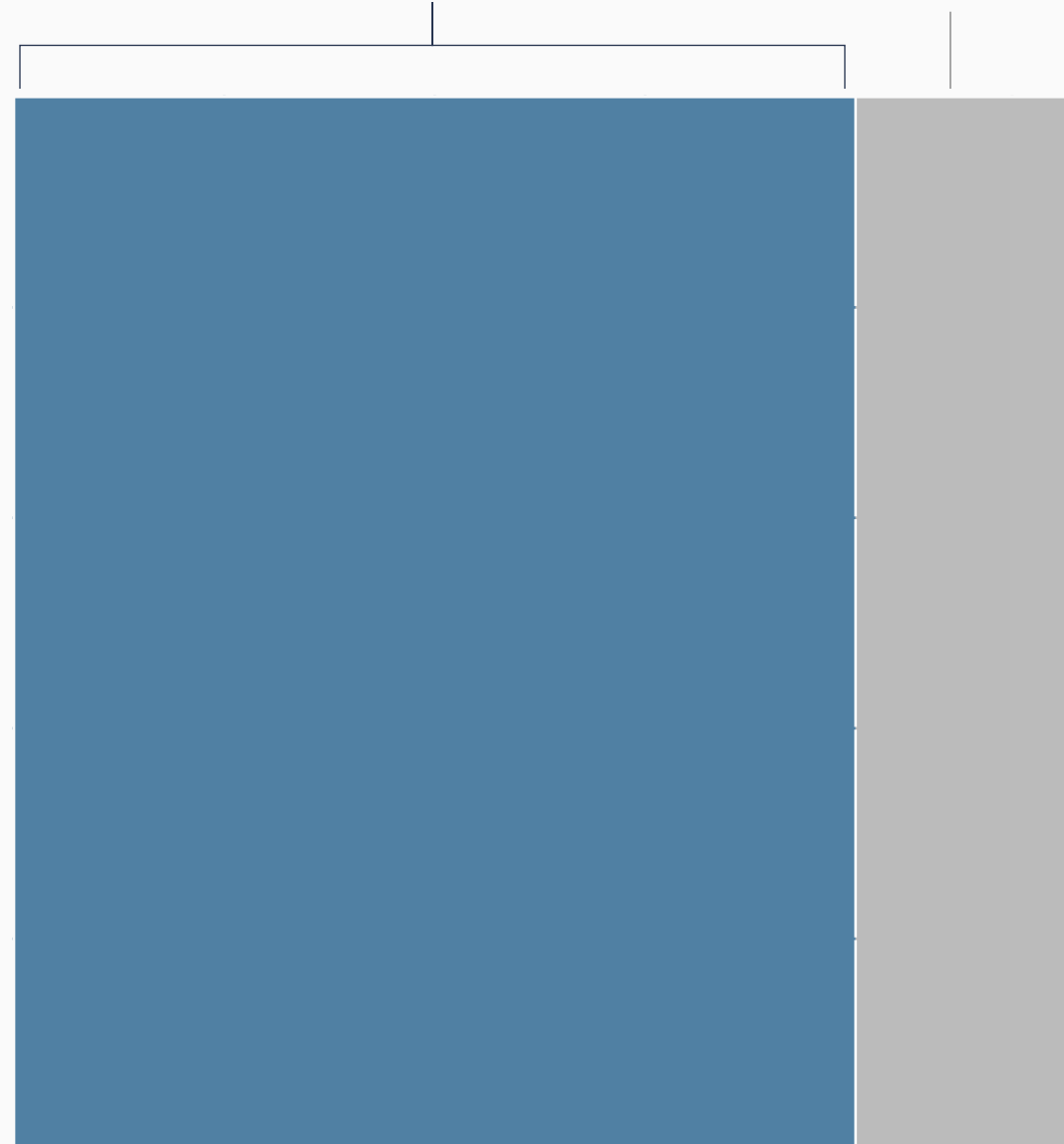
(PyP)

Other federal payments made to local governments including:

- Secure Rural Schools
- 25% Timber Payments
- Taylor Grazing Act
- Mineral Leasing Act

PILT Full Funding

PyP





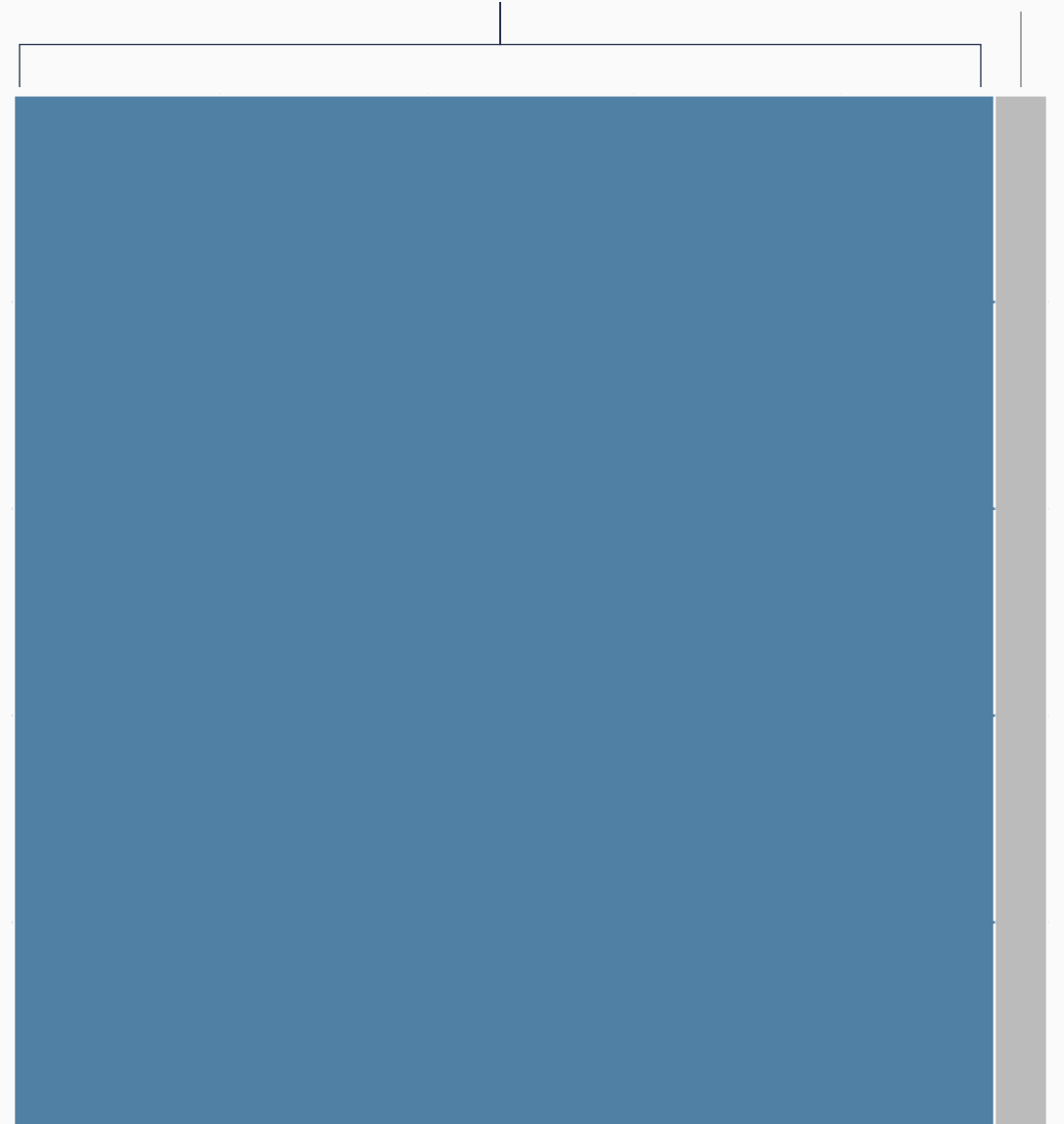
PILT Funding Formula

**Reductions in prior year payments
increase the total cost of fully funding
PILT.**

- If SRS is not reauthorized, this will happen
- 2-year delay in impact
 - No SRS payments in FFY 2024 impacts FY 2026 PILT payments

PILT Full Funding

PyP



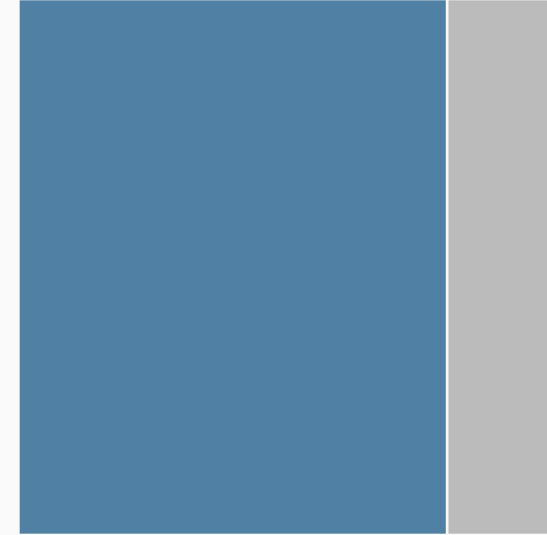


PILT Funding Formula

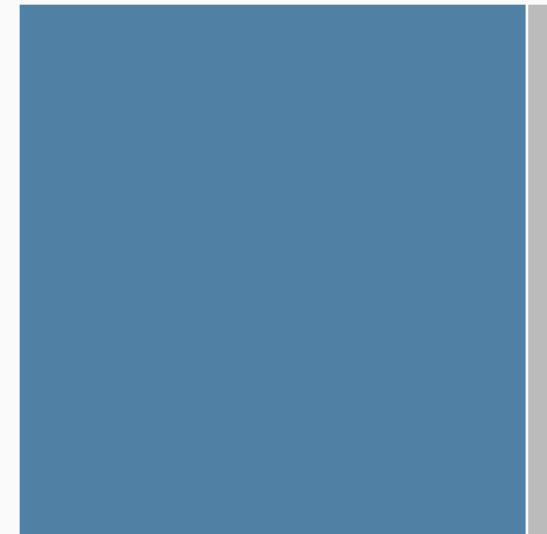
If PILT **fully funded**, counties lose SRS but see increased PILT payment 2-years later

- Schools would lose SRS funding, not see increase elsewhere
- PILT more expensive for federal government to fund

Example 1: **Same** Prior Year Payments



Example 2: **SRS Eliminated**





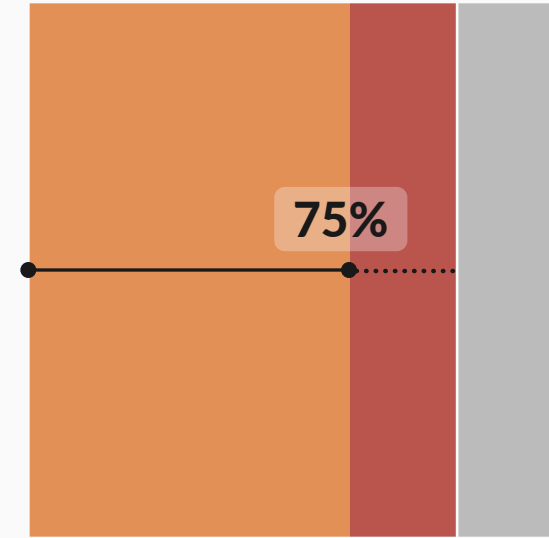
PILT Funding Formula

If PILT **under funded**:

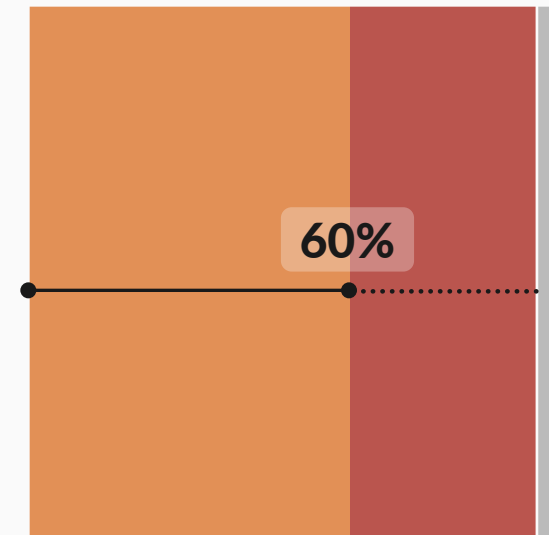
- Each county's payment is *pro-rated* based on funds appropriated
- More expensive PILT means lower *pro-rated* amount

Same amount of funding makes up **lower % of total PILT funding**

Example 1: **Same** Prior Year Payments



Example 2: **SRS Eliminated**



Funded
Unfunded



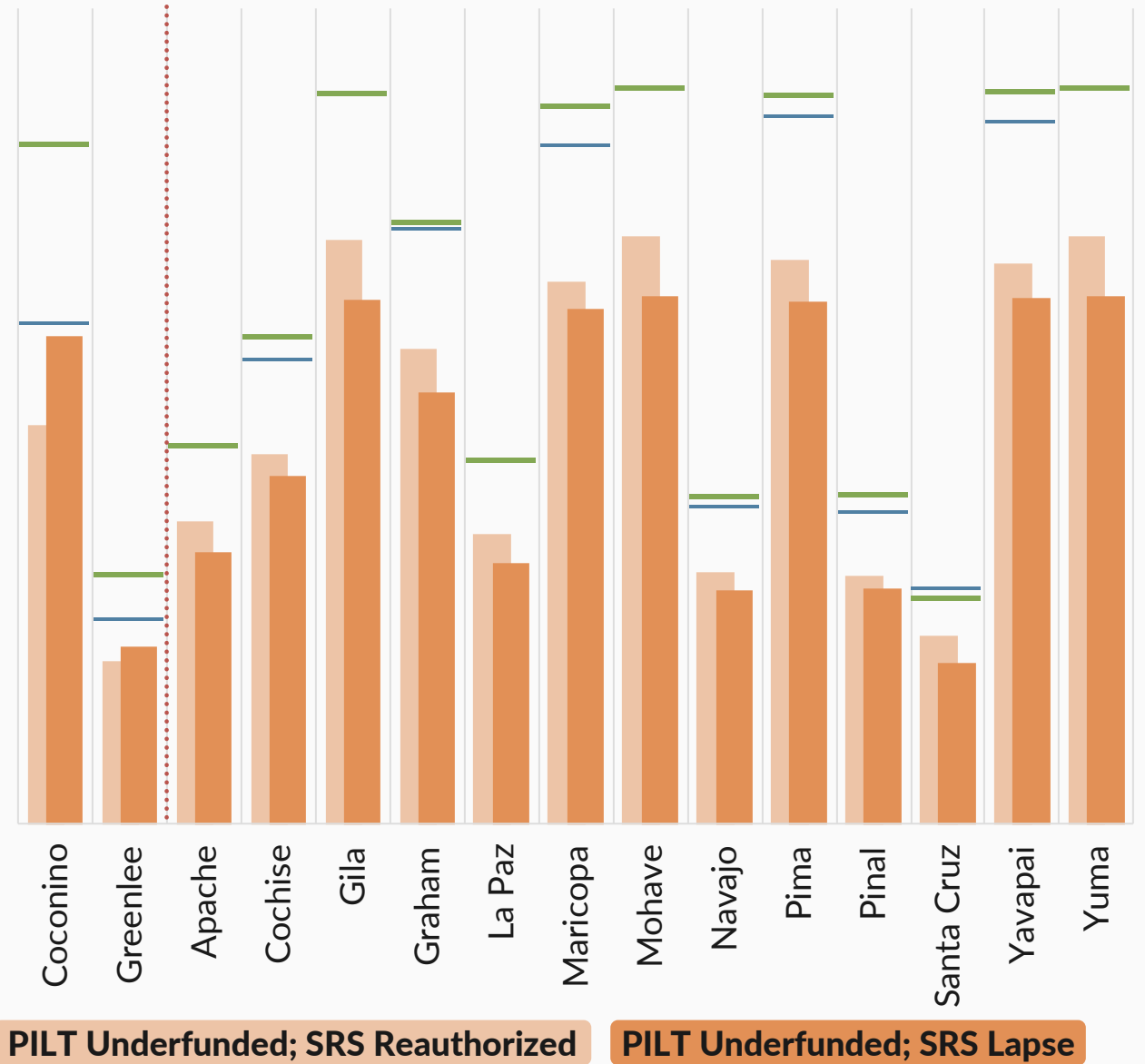
PILT Funding Formula

Counties with lower SRS harmed most in PILT distribution, those with larger SRS harmed less.

In Arizona:

- Coconino and Greenlee counties, who historically retain larger SRS dollars, would see a lower reduction in PILT, but would lose SRS funding
- Other counties would see larger reduction in PILT – similar to the aggregated *pro-rated* amount

PILT Funding Under SRS Reauthorization Scenarios

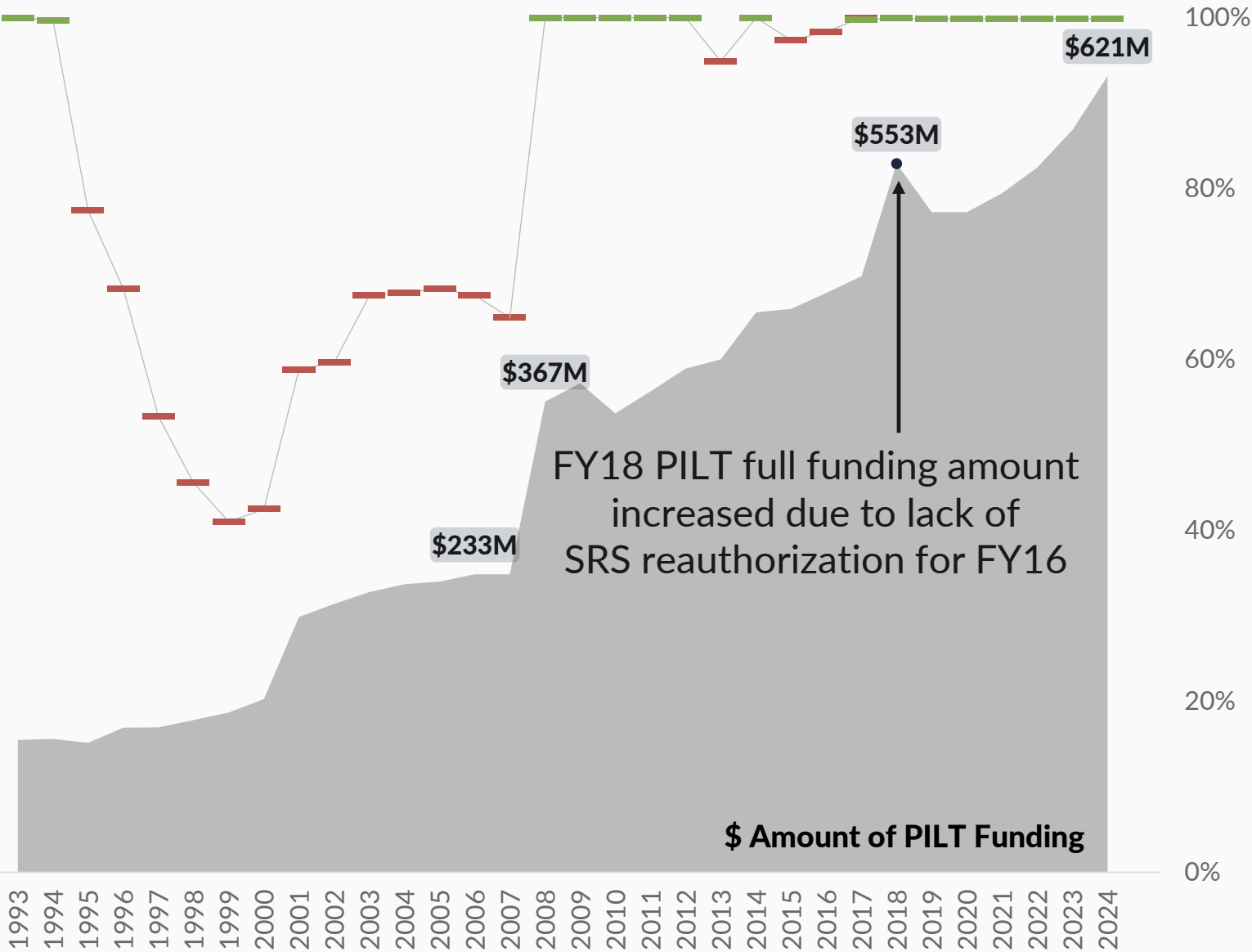




PILT Funding Level – Historical Perspective

Funding Level Percent & Appropriated Amount of PILT Funding FFY 1993 to FFY 2024

Since the Great Recession, PILT funding has been at or very close to fully funded.





Current Authorizations

SRS has **not** been reauthorized for FFY 2024

- Last authorized SRS payment was received in April 2024 (FFY 2023)

PILT has **not** been reauthorized for FFY 2025

- PILT only reauthorized through FFY 2024 (received in June 2024)
- If PILT is reauthorized for FFY 2025, will have SRS from FFY 2023 included
 - Underfunding would apply uniformly across counties

**First year for potential PILT underfunding
AND SRS lapse would be **FFY 2026****

Potential Impact Summary

For counties, SRS lapse/elimination alone is a short-term issue since PILT funding would increase two years later to offset county loss.

Combination of SRS lapse and PILT underfunding is detrimental for all counties in AZ.