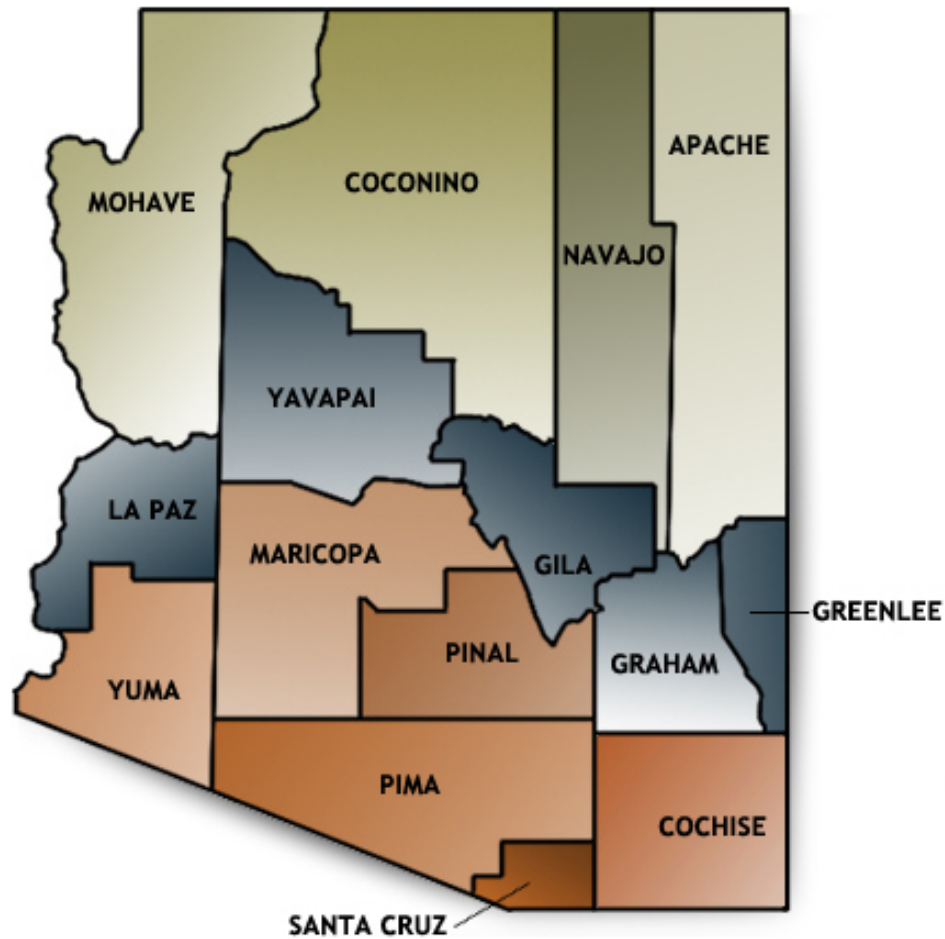




The Payment In Lieu of Taxes(PILT) Program

Arizona Counties



Why Do Counties Matter?

- Counties, cities and towns are *political subdivisions* of the state, charged with implementing state law and policy on a *regional level*
- Unlike cities, counties do not have “home rule” (authority to act independently of the state), therefore, *counties only have powers and authorities delegated to them by the legislature and state constitution*
- Counties provide a mechanism for implementing state law with regional efficiency, including:
 - *State administrative services*, such as elections, property assessment and tax collection, and courts
 - *Essential local services* for 1.3 million Arizonans living in unincorporated areas (20% of state population)

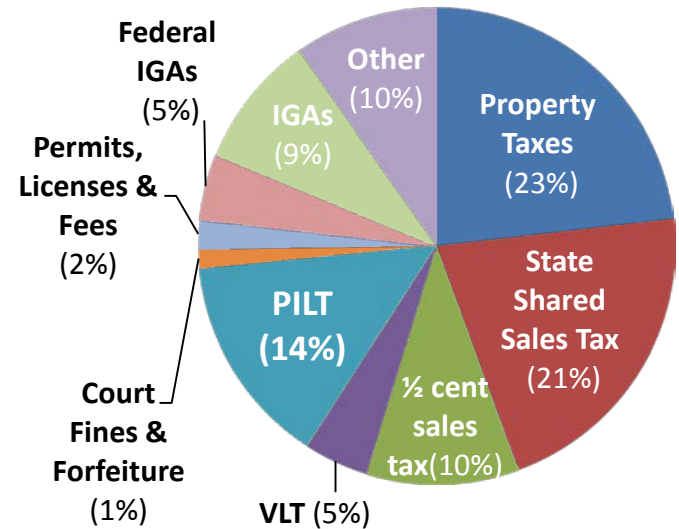


How are counties funded?

Counties are funded through a combination of local and state-shared revenue (sources in **blue** are statutorily capped)

- Local tax revenue
 - **Half-cent sales tax (excludes Maricopa)**
 - **Primary property tax**
 - Secondary property tax (for dedicated purposes & voter approved)
- State-shared revenue
 - Sales tax
 - Vehicle license tax
 - Highway User Revenue Fund (HURF) – dedicated to transportation
 - Over \$115.4M diverted from counties since 2008

Sample Revenue Sources*



PAYMENT IN LIEU OF TAXES (PILT)

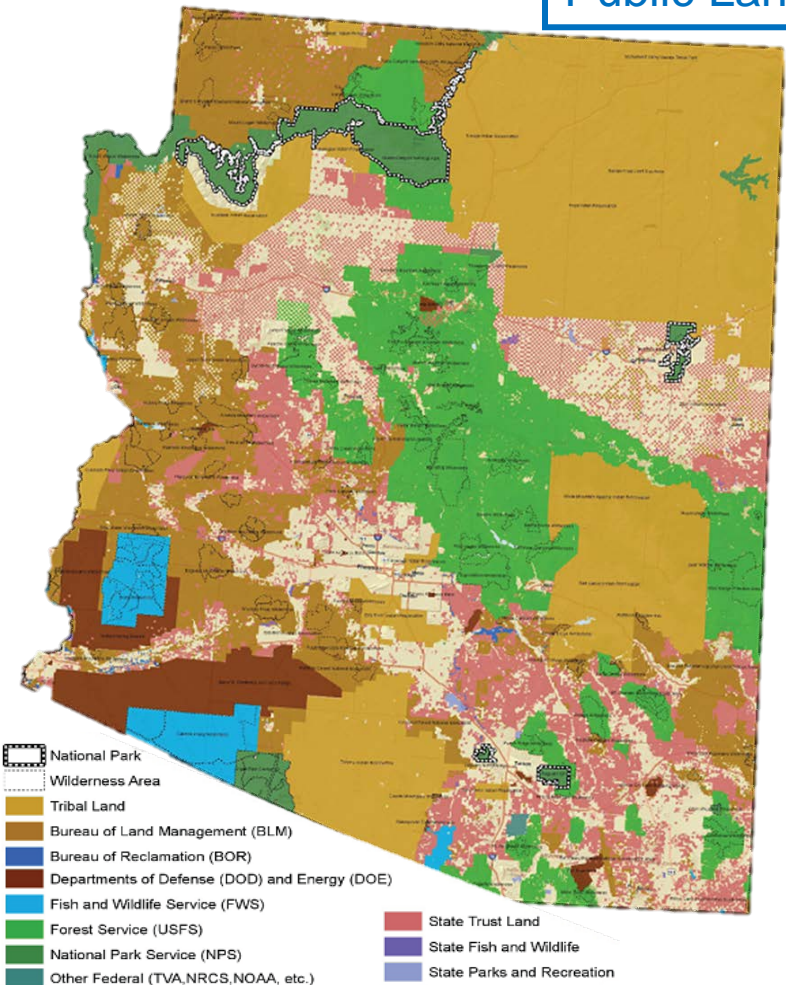


Why PILT Matters to Counties

The purpose of PILT is to offset losses in tax revenue and to reimburse counties for services provided.

Public Land

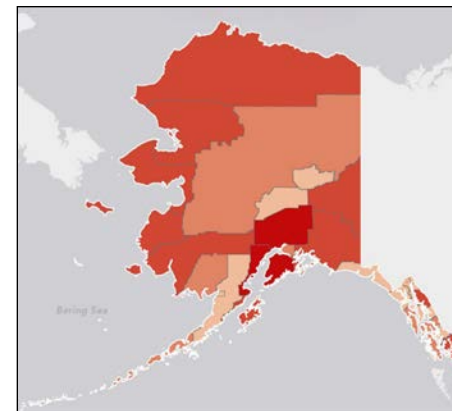
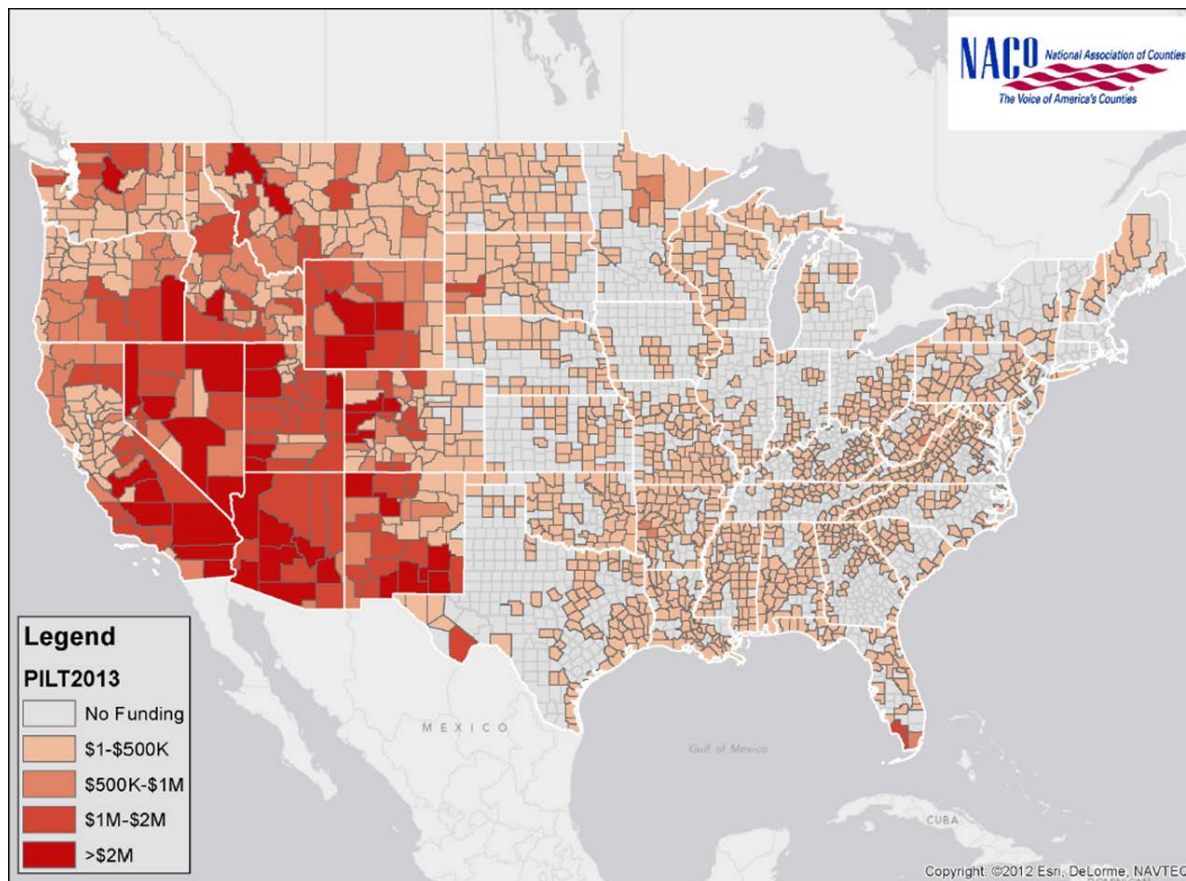
- Federal (public) land is exempt from local property taxes
- Arizona's 72.9 million acres of land is broken up in the following ways:
 - 42.1% Federal Lands
 - 27.2% Tribal Lands
 - 17.7% Private Lands
 - 12.8% State Lands
 - 0.2% City, County, and Other
- Some counties have less than 10 percent of their jurisdictions occupied by private (taxable) land



Source: USGS, GAP-PADUS 2012 version 1.3

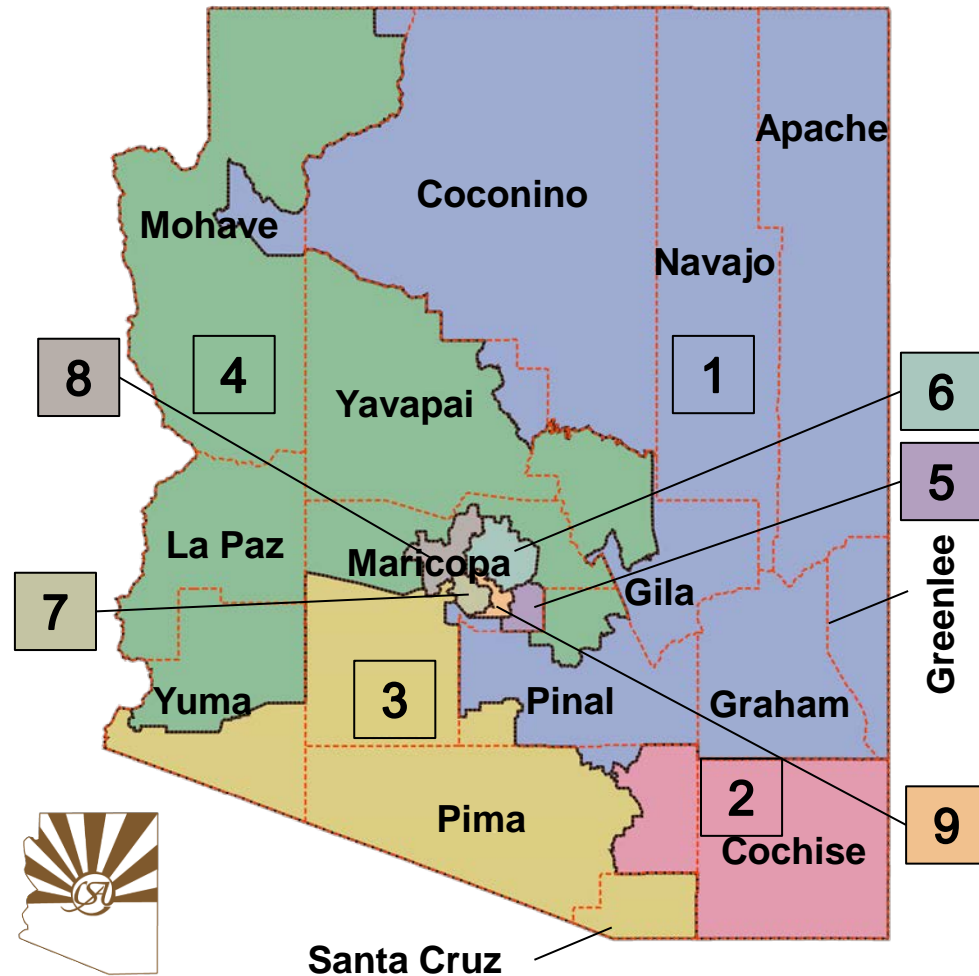
Why PILT Matters to Counties

FY2013 Annual PILT Payments – County by County Breakdown

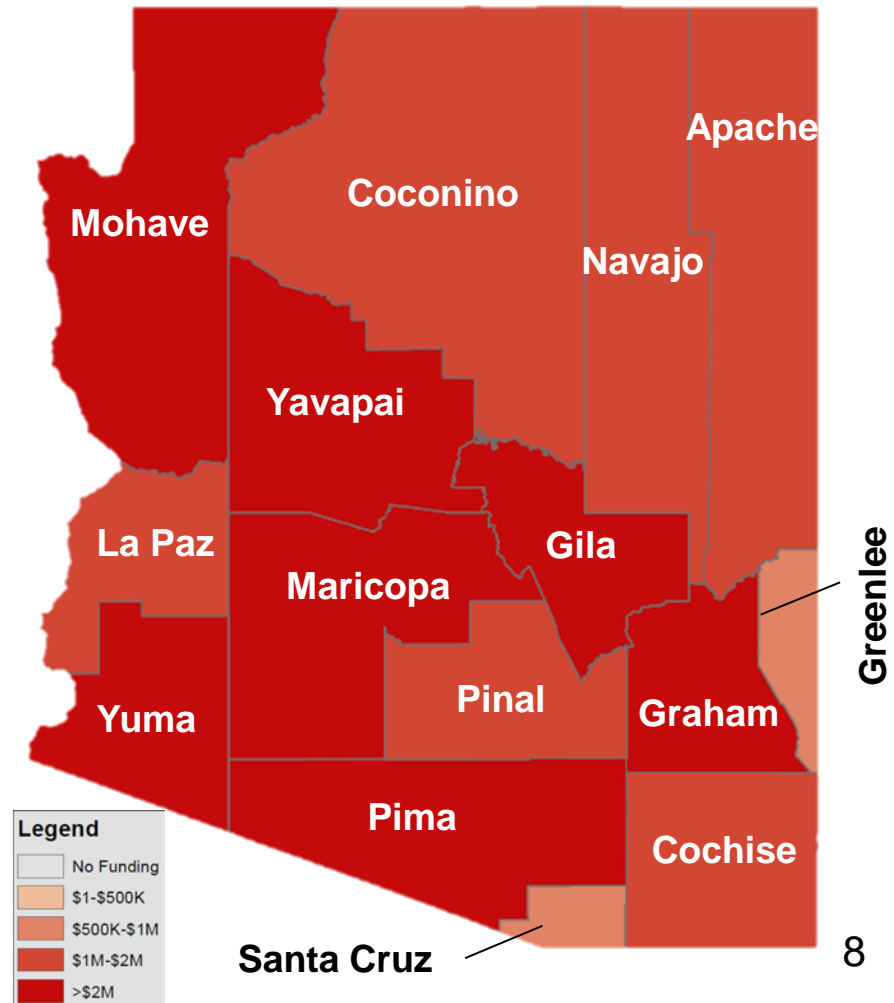


Why PILT Matters to Counties

Congressional Districts Overlaid on Counties



FY2013 Annual PILT Payments



Why PILT Matters to Counties

PILT Funding and Federal Land Presence In Arizona Counties

	Total Area	Private Lands		Federal Lands		FY2013 PILT Funding
	Acres	Acres	Percent	Acres	Percent	
Arizona	72,864,243	12,901,805	17.7%	30,708,194	42.1%	\$32,203,852
Apache County	7,179,804	952,524	13.3%	763,681	10.6%	\$1,595,835
Cochise County	3,921,756	1,530,293	39.0%	1,014,198	25.9%	\$1,986,080
Coconino County	11,941,017	1,612,090	13.5%	4,759,645	39.9%	\$1,572,295
Gila County	3,069,101	123,196	4.0%	1,756,339	57.2%	\$3,197,536
Graham County	2,967,974	284,277	9.6%	1,114,137	37.5%	\$2,636,873
Greenlee County	1,182,998	95,524	8.1%	913,024	77.2%	\$783,176
La Paz County	2,888,797	153,906	5.3%	2,247,191	77.8%	\$1,800,102
Maricopa County	5,903,622	1,709,714	29.0%	3,124,419	52.9%	\$2,781,842
Mohave County	8,614,712	1,475,607	17.1%	6,153,656	71.4%	\$3,238,586
Navajo County	6,374,231	1,141,184	17.9%	603,148	9.5%	\$1,417,672
Pima County	5,873,130	750,699	12.8%	1,816,350	30.9%	\$2,924,105
Pinal County	3,439,308	880,227	25.6%	671,350	19.5%	\$1,153,625
Santa Cruz County	776,260	279,424	36.0%	433,776	55.9%	\$910,527
Yavapai County	5,201,845	1,529,676	29.4%	2,391,849	46.0%	\$2,960,656
Yuma County	3,529,688	383,464	10.9%	2,945,431	83.4%	\$3,244,942



Why PILT Matters to Counties

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 the following:



**Search and
Rescue**



Law Enforcement



**Road Building &
Maintenance**



**Emergency
Medical Services**



How PILT Works

PILT Payments and Categories of Public Lands

PILT Payments are typically made **directly to counties**. However, states can choose to receive and reroute funds to local governments. Currently, only Wisconsin and Alaska employ this option.

According to the formula established under PILT, there are three categories of public lands:

Section 6902	Section 6904	Section 6905
Federal lands in the National Forest System and the National Park System, lands administered by BLM, lands in federal water resource projects, dredge areas maintained by the U.S. Corps of Engineers, inactive and semi-active military installations, and some lands donated to the federal government	Federal lands acquired after December 20, 1970, as additions to lands in the National Park System or National Forest Wilderness Areas	Federal lands in the Redwood National Park or lands acquired in the Lake Tahoe Basin near Lake Tahoe under the Act of December 23, 1908



Currently, Arizona only receives Section 6902 payments, except for \$261 in Section 6904 monies received by Navajo County and \$5 for Yavapai County

How PILT Works

Management of Public Lands (30.7 million acres in Arizona)



The **U.S. Department of Agriculture (USDA)** **Forest Service** manages **10.9 million** acres of federal land in Arizona



The **Bureau of Land Management (BLM)** manages **12.3 million** acres of federal land in Arizona and is responsible for 700 million acres of subsurface mineral resources national wide



Other Federal Agencies manage an additional **7.5 million** acres of federal land in Arizona



How PILT Works

Section 6902 Payment Calculation (FY2013)

The amount to be paid to each county is the higher of:

- Alternative A:
 - \$2.54 for each acre of 6902 land
 - Reduced by prior year “other federal payments” retained (such as SRS)
- Alternative B:
 - \$0.35 for each acre of 6902 land
 - No reduction of prior year retained payments

Both Alternative A & Alternative B are restricted by population ceilings and all variables are adjusted for inflation using the CPI



The History of PILT

PILT First Signed Into Law – October 1976

After several years of growing pressure from county officials nationwide, the 95th congress passed the Payment In Lieu of Taxes Act (PL 94-565) – which provided annual payments to counties. The PILT Act was codified in Ch. 69 of Title 31 of the USC



1976-1994

Historically, PILT payments were limited to an amount appropriated by Congress. Initially authorized at \$100 million, that amount was appropriated annually during the first decade of the Act. During the 1980s, there were attempts to zero out the amount in budgets, but Congress made the minimum amount available each year.



The History of PILT

PILT Reform in 1994

The Act was amended in 1994 to provide for a more equitable authorization level in light of disparities that existed between property values and current PILT payments. The law, as amended, uses the consumer price index (CPI) to adjust the population limitation and the per acre dollar amount



1995-2007

After the 1994 PILT reform, which tied authorization levels to the consumer price index (CPI), authorized and appropriated levels began to diverge. PILT is one of the few federal funding programs that has a “floating authorization” amount



The History of PILT

PILT Reform in 2008

The Emergency Economic Stabilization ACT (PL 110-343) was enacted in 2008. The Act included language that modified the PILT program from a discretionary program (subject to annual appropriations) to a fully funded mandatory program. Congress provided five years of mandatory funding for PILT, from FY2008-FY2014



2008-2013

Despite increasing authorization levels after 1994, PILT was not fully funded until 2008, when it was changed from a discretionary to a mandatory program. As a result, PILT was fully funded from 2008-2012. In 2013, MAP-21 included mandatory funding for PILT, subject to sequestration.



What's Next for PILT?

Congress has not yet authorized FY2014 PILT funding

FY2012		FY2013 (sequestration)		FY2014	
Authorized	Appropriated	Authorized	Appropriated	Authorized	Appropriated
\$393M	\$393M	\$421M	\$400M	\$437M	\$437M

- Without additional mandatory funding, PILT will be reverted to a discretionary program subject to the appropriations process in Fiscal Year 2015
- Arizona counties rely on PILT payments at the end of each state fiscal year to carry them through the first quarter of the following fiscal year.



Questions?

