Dear — Butt Face

Kendall

DRAFT

Dear:

This year, the Senate will likely take action on S. 1608, the "Secure Rural Schools and Community Self-Determination Act of 1999," a bill that shares many of the same objectives of H.R. 2389, as passed by the House on November 3, 1999. We write to you today to express our willingness to work with Congress to craft a bill that the President will sign into law. Fore this to occur, the Administration believes that the principles outlined in this letter be reflected in this legislation.

The most important social component of this legislation is to increase and stabilize the payments that states and counties have traditionally received from receipts, such as from timber sales, generated from neighboring public lands. These payments presently are devoted to fund local education and road maintenance and construction needs. These payments have decreased as timber harvests on public lands have declined due to new science, changing public values, and shifting international and national market conditions. To help affected rural communities adjust to these downward trends, the Clinton Administration, for two consecutive years, offered legislative proposals to increase and make permanent these payments to states. These proposals demonstrate our strong commitment to work with Congress to pass legislation that provides a stable and permanent source of funding for schools and other critical rural road infrastructure needs.

We share your goals to increase and stabilize payments and offer the following four principles for your consideration.

Our first principle is that the funding source for increasing these payments be found from mandatory savings, not discretionary savings. The House passed bill relies on the latter, which would result in the Forest Service and Bureau of Land Management budgets being significantly reduced to fund the increases or Congress not providing the increases at all. We must work together to find a permanent funding source so that essential funding for schools and other social services is not dependent on the unpredictability of the annual appropriations process, the uncertainty of the timber market or adjustments to public land management.

Our second principle ensures that our schools and roads are funded first to pay for such necessities as teachers' salaries, new books and computers, and maintenance of the nation's education and road infrastructure. One of the biggest challenges facing most states is how to keep rural school children's education in step with the quality of education urban and suburban school children are receiving. Rural schools are already behind, and the gap is widening due to the expense of keeping pace with the technological and scientific revolutions taking place throughout the country and the world. For this reason, states and counties should not be required to devote twenty percent of their payments to fund special projects on nearby forests, as the House and Senate bills require. Congress should allow counties to choose whether to invest in special forest projects or in rural children's education.

Our third principle strengthens the historic, cooperative relationship between rural communities and the public servants that manage our nation's forest. In these times of tightening budgets and changing economic and environmental conditions, many of these relationships have become strained, therefore, our role should be to promote cooperation that results in improved environmental conditions while generating employment economic activity. Given the backlog of restoration and maintenance work on our public lands the special forest projects undertaken should only focus on stewardship, maintenance, and restoration activities—not controversial timber sales or roadless area entries that so often result in controversy, litigation, and gridlock.

A critical way to ensure strong collaboration is to include everyone at the table early in the development phases for special forest projects. First, the Senate bill requires the creation of hundreds of local committees to make decisions on special forest projects. Most forests and BLM districts already have one or more advisory committees, such as the Resource Advisory Councils, that collaborate with the agencies on a variety of issues and projects, therefore, this requirement is not necessary. Second, the proposed composition of these new committees would not represent a balance of interests, which would ensure controversy before any collaboration gets underway. Lastly, the committees are not required to collaborate with the land management agencies early on in developing proposed forest projects, thereby increasing the chances of agency disapproval of these projects.

Our fourth principle is that the bill must establish a truly collaborative structure that recognizes and respects the authorities of each party's role. For instance, we must ensure that this bill does not grant de facto control of our nation's public lands to local interests. The land managers' ultimate challenge is to balance local needs with the national interest, while complying with all environmental and other laws.

Consistent with the principles outlined above, we offer our assistance to Congress to work together to develop an acceptable bill that supports local schools and roads while promoting more collaboration in restoring and improving the health of our public lands.

Sincerely,

DAN GLICKMAN BRUCE BABBITT RICHARD W. RILEY

Daniel Sakura
01/31/2000 01:34:06 PM

Record Type: Record

To: Andy Rotherham/OPD/EOP@EOP

cc:
Subject: Three Secretaries letter on County Payments

Andy, USDA and DOI are working up a letter to outline the Administration's position on the Craig Wyden bill in the Senate. We are working to make this a "three secretaries" letter with Sectretaries Glickman, Babbitt and Riley. Apparently, Dept of Education has balked at signing the letter, for fear of upsetting the NEA. Susan Frost has been handling this. We are hoping to get the letter signed soon, as Congress is coming back into session and negotiations will begin to heat up on this.

Currently, we have not outlined a unified position on this and to the extent we can get three secretaries it would help show that the Administration has a common position. I can get you a copy of the draft letter.

# EDUCATION DAILY

The education community's independent daily news service

## House Approves Plan To Fund Rural Schools

The House yesterday passed a bill to stabilize federal payments to school districts containing large swaths of federal forestlands that are exempt from local property taxes.

Lawmakers on Wednesday endorsed H.R. 2389, a bill to authorize an average payment each year to school districts and counties losing revenue due to reduced rates of logging in the nation's forests.

Normally, districts and counties receive a share of the logging receipts for educational or transportation expenses, such as hiring teachers or paving roads. Two federal laws, which date to 1908 and 1937, entitle districts and counties to a share of the logging proceeds, which are falling sharply due to environmental concerns (ED, Sept. 22).

The House bill, passed yesterday, 274-153, over the objections of the Clinton administration and the League of Conservation Voters (LCV), would establish a guaranteed payment equal to the average of the highest three federal contributions to rural schools and counties since 1985.

Environmental groups opposed a provision in H.R. 2389 that would require the U.S. Forest Service, which is part of the Agriculture Department, to slash funds for its own programs when it does not have enough money in its logging account to provide the more generous, average payments to schools and counties.

"In 1998, this shortfall would have required $215 million in cuts to appropriations," the LCV said in a letter. "It is likely that the funding shortfall would be taken from Forest Service non-timber programs such as fish and wildlife conservation, recreation, and land acquisition."

Instead, the Clinton administration favors a plan to provide about $440 million in manda-

(more on p. 2)

### In This Issue

Vol. 32, No. 209 ■ Thursday, November 4, 1999



## Internal Negotiations May Scale Back Aid Office Turf

Since its creation under the 1998 Higher Education Act (HEA) amendments, the Education Department's student aid office has come under attack for setting policy, a function the law strictly forbids.

The policy-versus-operations debate has dogged Greg Woods, the chief operating officer of the Office of Student Financial Assistance Programs, since the start of his tenure. On numerous occasions—most recently before the Advisory Committee on Student Financial Aid on Tuesday—Woods has said his office only advises the education secretary on aid policy, but that it makes no actual decisions.

"The same old folks in the department make policy," Woods said Tuesday. "We're trying to live up to the spirit of the law. The secretary makes the policy decisions, and we continue to advise him."

The revamped student aid office has been forced into a policymaking role, insiders say, partly because the Senate has yet to confirm a replacement for David Longanecker, who left ED in June as assistant secretary for postsecondary education, the top financial aid policymaking job in the department.

(more on p. 4)

# Librarians Look To Create Expert System Network

A consortium of librarians, in conjunction with the federal government, in January will unveil the virtual reference desk (VRD), a comprehensive network of online expert services—known as "AskA"—available on the Web.

Abby Kasowitz, one of the librarians spearheading the project, promises the network will be able to link students to more than 80 different expert services, ranging from Amish culture to zoology.

"We want to create the foundations for a national cooperative digital reference service," said Eric Plotnick, associate director of VRD's parent project, the Education Resources Information Center (ERIC) at Syracuse University. "We want to connect users with answer services that will connect them with individuals that possess subject or skill expertise."

### ERIC And VRD

The VRD project was started through ERIC, a search engine and education database sponsored by the Education Department, in 1997. To date, the VRD Web site—*www.vrd.org*—lists the individual expert systems available on the Web and provides pointers for classroom teachers on how to use the service and for aspiring experts wishing to create one.

The project receives money from the White House Office of Science and Technology Policy. According to Henry Kelly, assistant director for technology in that office, VRD is a key component of an experts system the federal government hopes to build in the coming years.

Internet expert services began sprouting up four years ago. Unlike many Web pages, these services are fully interactive, usually through e-mail, and link students with professionals in a given field. But until now, no entity has tried to tie these services together. VRD's new Web site will be manned by a team of librarians to funnel questions to the appropriate services—essentially creating a new layer between the existing systems and the students.

Kasowitz says among the benefits to this approach, the system will be able to build a database of commonly asked questions and answers, optimizing the resources of the experts. Furthermore, VRD can set the standards for the entire suite of expert systems.

To date, there are no standards for AskA systems; the services vary in the quality of experts who answer the questions as well as the time it takes them to respond.

VRD expects to complete expert system standards by 2001. The standards will look at whether age appropriateness should be a factor in the systems; privacy criteria; whether the services should have disclaimers; data standards for the technology; turnaround time for answers; and competency levels for the experts themselves. —Eli J. Lake

# House Approves Plan To Fund Rural Schools (Cont.)

tory funds from the Treasury Department directly to the affected schools, exempting the funding from the appropriations process and divorcing school and road funding from logging proceeds altogether.

The House, led by Rep. Bob Goodlatte, R-Va., rejected the administration's idea: "To say that there should be no connection between land and the people is a very, very bad policy."

But Rep. Sam Farr, D-Calif., deemed that notion "foolish," saying, "We shouldn't have logging in our national forests be the only way to adequately fund education in the United States."

The National Forest Counties and Schools Coalition endorses the House bill. But no action is planned now in the Senate.
—William J. Cahir

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# Senate Education Committee OKs Some ED Nominations

The Senate education panel yesterday approved President Clinton's choices to run the Education Department's K-12 office and its higher education office, but ignored his candidate for second-in-command.

Without controversy or debate, the Senate Health, Education, Labor and Pensions Committee on Wednesday endorsed Mike Cohen's nomination to become assistant secretary of elementary and secondary education and Lee Fritschler's nomination to become assistant secretary of postsecondary education.

In the same voice vote, the panel endorsed the selection of Anthony Musick to become chief financial officer of the Corporation for National Service. House Republicans have criticized the agency, which isn't a part of ED, for slipshod accounting practices, and the administration hopes Musick will solve the problem (ED, Sept. 16).

The Senate panel, however, did not vote or discuss Clinton's choice of Marshall Smith to be ED's deputy secretary, a nomination that dates to July 28, 1997. The contrast in timing is stark. Clinton selected Fritschler, former president of Dickinson College, for the higher education job in June, and Cohen, former White House education adviser, for the K-12 post in July. While their nominations are ready for consideration on the Senate floor, Smith's likely will never reach that stage.

### No Explanation

Joe Karpinski, spokesman for Senate education committee, declined to discuss the lack of action on Smith's nomination. "I guess the members weren't ready to vote on him," said Karpinski, who confirmed the panel is not waiting for any paperwork from Smith or the Clinton administration.

The delay may be caused by education politics—a minefield, in recent years, that has killed the president's request for voluntary national tests in reading and math, and his plan to subsidize school construction.

Smith, the former dean of the Stanford Graduate School of Education, does not waste any time flattering congressional Republicans. This week, for instance, Smith clashed with lawmakers, releasing a memo that denounces H.R. 3064, the Republicans' fiscal 2000 funding bill for the Education Department. Smith alleged the GOP bill would let school districts spend $1.2 billion the administration wants for smaller classes on private-school-choice programs (ED, Nov. 3).

"I strongly oppose allowing federal funds to support private-school vouchers," Smith wrote. "Contrary to the assumption of voucher advocates, there is no parallel universe of private schools ready, able and willing to take on the job of educating 48 million public school students."

Smith's rhetoric has not endeared him to GOP senators. "There's some issue related to Mike Smith on national tests, which of course [Republicans] opposed," said a knowledgeable Democratic source.

Senate Democrats hope to see Fritschler and Cohen confirmed before Congress adjourns. But they don't expect to see Smith confirmed this year or next, when the 2000 election is expected to grind the confirmation process to a halt. —William J. Cahir

## Kansas City Schools Stripped Of Accreditation

The Missouri board of education this week stripped the Kansas City School District of its accreditation after it failed to meet any of the state's performance standards on its latest reviews.

A federal judge is considering whether to overturn that action, and is expected to render judgment within two weeks.

Lawyers for the school district on Monday and Tuesday argued that the lack of accreditation would hobble the schools just as they were beginning to turn around under the leadership of a new superintendent, Benjamin Demps Jr. The state countered that stripping the district's accreditation was the best way to rouse Kansas City residents to demand improvements.

"I would suggest it's not in the best interest of the public to declare that down is up—that this district is accredited," assistant attorney general Chuck Hatfield told the *Kansas City Star*. —Michael Cardman

## Internal Negotiations May Scale Back Aid Office Turf (Cont. from p. 1)

Another reason is that 1,200 civil servants were transferred last December from the Office of Postsecondary Education to the new student aid office. Those employees came from the office of policy training and analysis, as well as the offices charged with the oversight of institutional financial aid eligibility and student loan guarantors and lenders.

But both of these factors may be about to change.

The Senate Health, Education, Labor and Pensions Committee yesterday confirmed ED's choice for assistant secretary: Lee Fritschler, the former president of Dickinson College in Carlisle, Pa. Senate Democrats hope to get a vote on Fritschler's nomination before Congress adjourns this month (*see related story, p. 3*).

Furthermore, Mike Smith, the acting deputy education secretary, has held a series of internal negotiations over the boundaries between the postsecondary education and the financial aid offices—particularly the line between policy and operations demarcated in the 1998 HEA reauthorization.

Last December, Woods got into trouble with Congress when college associations demanded that any HEA rule negotiator working in the aid office either leave the negotiations or take on a new job assignment. "Our concern is that the clear distinction drawn in the legislation between operational and policy/regulatory responsibilities is being blurred," House Education and the Workforce Committee Chairman William Goodling, R-Pa., wrote in a Dec. 16 letter last year.

As a result, longtime ED policy experts were reassigned to the deputy secretary's office, allowing them to keep their seats at the negotiation table. At the same time, responsibility for HEA rulemaking changed hands, moving from the postsecondary education office to Smith and ED's office of general counsel.

And in Woods' blueprint for financial aid modernization, he broaches the topic of sharing federal aid application information with scholarship search companies, an area that prior to the creation of the aid office had fallen under the policy realm of the postsecondary education office.

His office also drafted the criteria on how guarantors will apply for waivers from HEA regulations, known as voluntary flexible agreements. Moreover, his office will oversee the process for selecting these agencies.
—Eli J. Lake

## Parents, Siblings Sought To Fill Disability Advocacy Posts

A federal interagency committee is seeking nominations for three family members to represent the interests of children with disabilities in early intervention and preschool programs.

Education Secretary Richard Riley in April will appoint two finalists to serve three-year terms on the Federal Interagency Coordinating Council beginning June 2000, and one to serve beginning June 2001.

Appointees will meet quarterly to oversee the cooperation of 17 federal agencies and programs involved in providing early intervention services, including the Education Department's Office of Special Education Programs and the Health Care Financing Administration.

Established in 1991 under amendments to the Individuals with Disabilities Act, the Federal Interagency Coordinating Council requires 20 percent of its members to be parents of children with disabilities age 12 and under. The council will also consider a grandparent, a foster parent or a sibling of a child with a disability, or a couple raising a child with a disability, who will alternate in one slot with one vote.

"We are looking for parents who have received services from the broad range of agencies serving on the FICC; who are living the commitment of raising a child with a disability; who have spoken out about their needs; who are dedicated to the goal of collaboration; and who will bring a parent voice to the federal policymaking table," read a written release.

*Nominations must be submitted no later than Jan. 15, 2000, to Judy Heumann, Chairperson FICC, Assistant Secretary OSERS, MES 3080, 330 C St. SW, Washington, DC 20202-2570. Forms are available on the Internet at www.ed.gov/offices/OSERS/.*
—Michael Cardman

# Schools Chief Not Liable In Teacher-Student Sex Case

A school superintendent who is related to a teacher who molested a 16-year-old is immune from liability, a federal appeals court has ruled.

The 11th Circuit Court of Appeals overturned a lower court ruling that allowed Erica Hartley—the teen-age girl who was molested by the brother-in-law of Alabama's Washington County school Superintendent Tillman Parnell's—to sue Parnell in his individual and official capacities, along with the school board and Kenneth Godwin, the teacher who pleaded guilty to the attack.

"Parnell did not personally participate in Godwin's sexual abuse of Ms. Hartley, and there is no evidence of any prior inappropriate act by Godwin that should have put Parnell on notice that Godwin might commit such abuse," wrote 11th Circuit Judge Ed Carnes in *Hartley v. Parnell* (98-6829).

"Nor is there any evidence that Parnell, as superintendent, had any sort of policy in place prior to the sexual abuse which could have led Godwin to believe that sexual abuse of students was permitted by Parnell," he wrote for the three-judge panel on Oct. 28.

The 11th Amendment shields the government from lawsuits except in cases of gross negligence.

## A Gross Violation

Erica Hartley and her family filed suit in October 1997, arguing that Parnell violated Erica's equal protection rights under the 14th Amendment by not seeking Godwin's termination or suspending him after the allegations of sexual abuse.

The suit also claimed Parnell violated the girl's rights under Title IX of the 1972 Education Amendments, which bans discrimination on the basis of sex in public institutions.

Erica was in Godwin's drafting class at the county's vocational school in November 1996, when he allegedly pulled her onto his lap, kissed her on the lips and fondled her breasts during an overnight field trip.

When she reported the incident to her family, her father called the district attorney's office, who conducted an investigation.

Parnell was informed of the incident but said he did not conduct an investigation since police officials were already looking into the matter. He said he relied on guidance counselors and the principal of Washington County High School, where Erica was a student, to keep the two apart, according to court records.

## Guilty Plea

Police ultimately arrested Godwin, who later pleaded guilty to misdemeanor harassment and was sentenced to a one-year probation.

Parnell recommended the school board put Godwin on probation for a year—to match his criminal sentence—and placed a letter of reprimand in Godwin's file.

But the board rejected Parnell's recommendation and fired Godwin after the Alabama State Board of Education revoked his license following a complaint from Erica's family on the alleged molestation.

The U.S. Supreme Court ruled last year that school officials are liable when teachers sexually harass students only if they are aware of it and fail to act (ED, June 23, 1998).
—Esmeralda Barnes

# Changes Planned Under Interagency Learning Initiative

The National Science Foundation, the Education Department and the National Institute of Child Health and Human Development early next year will announce a second competition under an ambitious Interagency Education Research Initiative.

The program recently awarded 14 grants totaling $28.5 million under the first cycle. Projects are designed to conduct research to identify strategies to improve early childhood and K-3 teaching and learning of reading, mathematics and science.

NSF expects to put $25 million into the initiative next year, which the agency expects to announce as early as January. Applicants will have three months to prepare proposals.

### Expect Changes

Expect changes this time around, officials say. For one thing, the program will expand the focus beyond the third grade. Officials also hope to clarify what they expect from applicants.

The announcement also may focus on learning more broadly.

Details of the competition are still being worked out. But NSF program official John Cherniavsky said last week that the upcoming program announcement will follow more closely a 1997 report from the President's Council of Advisors on Science and Technology (PCAST) that triggered the initiative.

The "Report to the President on the Use of Technology to Strengthen K-12 Education," recommended undertaking a major program of experimental research on education in general and educational technology in particular.

Among other things, the report called for interdisciplinary early-stage research aimed at developing new forms of education software, content and technology-assisted pedagogy; and large-scale studies to determine which education approaches are most effective in practice.

The new grants—to 12 institutions in nine states—will address practical "real-world problems ... including how to best help children successfully develop reading and math skills early," said James Griffin the program's team leader from the Education Department's Office of Educational Research and Improvement.

But the announcement didn't give as much guidance to applicants as it could have, said Cherniavsky. Officials plan a rewrite. The best preparation prospective applicants can undertake is to look at the initial funded projects and carefully read the PCAST report, he said.

Examples of grants include:

- A $4.1 million award to develop measures of instructional improvement. The project will support a large-scale evaluation of previous ED-funded whole school interventions and develop new ways to pinpoint components of education interventions that result in improved student performance in mathematics and reading.
- A $3.6 million grant to Carnegie-Mellon University will fund a project to explore the efficiency of an automated reading tutor for young children at risk for reading difficulties.
- A $1.6 million grant to Vanderbilt University for a project, based on cognitive theories, to design new and efficient instruction materials for literacy, including multimedia environments.

Other projects target professional development.

Testimony last week before the basic research subcommittee of the House Committee on Science provided insights into future directions.

The National Science Foundation's Judith Sunley, interim assistant director for education, emphasized the need for large-scale studies to produce generalizable findings and the potential for applying many new research technologies to education.

Advances in neural networking, language development, psycholinguistics and other areas and new technologies, such as magnetic resonance imaging, promise to strengthen the research base for effective practice in real-world settings, she explained. She said an important goal for NSF is to "build bridges among fragmented research communities."

*The award recipients are listed on the Web at www.nsf.gov/od/lpa/news/press/99/pr9962.htm. For the PCAST report, access the Internet at www.whitehouse.gov/WH/EOP/OSTP/NSTC/PCAST/k-12ed.html.* —Pam Moore

DRAFT 10/26/99

Honorable Larry Combest, Chairman
House Committee on Agriculture
1301 Longworth House Office Building
Washington, DC 20515

Dear Chairman:

Recently, the House Agriculture Committee reported H.R. 2389 to the floor, a bill that the Administration stated in testimony it would recommend the President veto if it were to pass Congress in its present form. Since then, S. 1608, the Secure Rural Schools and Community Self-Determination Act of 1999, a bill that shares many of the same objectives of H.R. 2389, was introduced in the Senate. The purpose of this letter is to make clear our numerous objections with the approach of both bills and to offer constructive solutions to help stabilize and make permanent payments to states.

For two consecutive years the Administration has offered legislative proposals as part of the President's budget submission to Congress to stabilize payments to states to fund schools and roads. The severe decline of county payments due to changes and improvements in National Forest management demonstrates the danger of linking school and road funding to timber sales influenced by litigation, natural events, and international and national changes in market conditions. H.R. 2389 worsens this by requiring the U.S. FOREST SERVICE agency to either increase timber harvests significantly or take $200 million annually from the agency's critical non-commodity programs to help pay for the bill.

With modifications, the Administration could support the funding component of S. 1608 that would stabilize payments to states for education and road maintenance. However, we very strongly oppose Section 6 of the bill for the following reasons:

- It fails to separate payments to states from the debate over management of the National Forest, and we believe will only exacerbate controversy;
- By giving counties 50 percent of the profits from special projects it creates a direct financial incentive for them to target the most contentious, high value timber stands for harvest;
- It could create an expectation that counties have a "right" to develop public assets by holding the Forest Service and the Bureau of Land Management (the agencies) financially responsible for delays in timing and outputs, regardless of natural events such as fire, insects, or disease; and
- The bill could undermine the credibility of the agencies by providing incentives for the them to approve special projects regardless of environmental impacts.

Taken together, these concerns could either force local managers to become barriers to building relationships by rejecting county project proposals or create the perception that the agencies will approve projects regardless of environmental impacts. In both cases we believe, more controversy would ensue—not less.

The Administration has repeatedly demonstrated its willingness to adjust its legislative proposals in response to the Forest County School and Road Coalition and interested Members of Congress. For example, we have agreed to fund payment levels that represent 100 percent of each state's historic high payment level. We have also agreed to tie payment levels to the consumer price index. Most recently, in testimony before the Senate Energy and Natural Resource Committee, we offered a compromise that would allow states to select between S. 1608 and the Administration's proposal.

S. 1608 and H.R. 2389 add to the leverage on local managers to increase timber harvest in order to fund schools and roads. The past decade demonstrates the failure of this proposition. Instead, we encourage the House and Senate to develop a bill that builds collaborative efforts, encourages investments in land health, provides jobs, and reconnects communities to the forests that sustain them.

In conclusion, we strongly oppose H.R. 2389 and S. 1608 because they perpetuate a system that connects payment levels for education and roads with timber harvest and other commodity projects. We need to fund children's education. We need to manage our forests. We need not, however, make one critical social objective dependent upon the other. We continue to want to work with you to pursue options that address our concerns and meet our respective goals.

Sincerely,

DAN GLICKMAN BRUCE BABBITT RICHARD W. RILEY

Secretary of Agriculture

Secretary of Interior

Secretary of Education

Cc Rep. Stenholm
Cc Rep. Boyd
Cc Rep. Deal
Cc Senator Craig
Cc Senator Wyden

10/8/99 **PAYMENTS TO STATES/COUNTIES**

ADMINISTRATION ACTION:

In the Fiscal Year 1999 and 2000 budgets, the Administration has proposed to delink payments counties receive from Forest Service receipts (mostly from timber harvesting) from timber harvesting. The proposal was to raise the amount of the payments overall to counties by about 30% and freeze them in the out years. This provided the vast majority of counties not only more but also a predictable level of money for schools and roads than the amount now provided due to declining and unpredictable level of timber harvest on national forest lands. This stabilization proposal also mirrors what the Congress did in 1994 for the "owl counties" in the Pacific Northwest, as a result of the region wide, court ordered timber harvesting injunction. However, these owl payments end in 2003 unless the administration or similar proposal is enacted.

Another component of this strategy is to bring more credibility to the Forest Service and its timber program. For years, the agency has been under attack for offering environmentally unsound timber sales for the purpose of supporting schools and roads. And, in fact, the agency is under intense local pressure to do just that. Moreover, the agency's budget is heavily linked to timber receipts and much of its staffing is supported by timber harvesting. The timber industry very much supports keeping the agency and the counties dependent on timber harvesting because both are financially forced to do much of the public outreach justifying timber sales to the rest of the public. Therefore, the tables are essentially tilted in favor of the industry, but the Administration has been trying to tilt them to a neutral position - this proposal being one example of those efforts.

CONGRESSIONAL ACTION:

H.R. 2389, sponsored by Allen Boyd (D-FL) and Nathan Deal (R-GA), has been reported from the House Agriculture Committee. It is unclear whether the House Resources Committee will seek to mark it up. Time line for floor action is also undecided due to the fact that major opposition from both Democrats and moderate Republicans exists. The Administration has threatened to veto this bill but has been discussing with Mr. Boyd its concerns. The environmental community is adamantly opposed to it as well.

This bill establishes a formula that would double the amount of money the counties would receive from about $220 million per year to $450 million. It's a windfall for counties. The Administration has said it would go along with this increase as long as mutually agreed to offsets can be identified. The offsets the bill proposes are totally unacceptable. It proposes to use the timber receipts already provided to the counties with the remaining $200+ million coming from the agency's discretionary appropriations. This would mean that the agency would have to double its timber harvesting to make up for the shortfall. If not, then the money comes from the agency's discretionary budget. The counties and some western republicans are responsible for this draconian proposal because they want to keep the Forest Service on the "hook" to provide timber. This is exactly opposite of the Administration's position.

S. 1608 has been introduced by Senators Larry Craig and Ron Wyden. A hearing was held on Sept. 6 and Secretary Glickman has been asked to testify on October 19. At this point, several western democratic Senate staff, including Senators Daschle, Baucus, Bingaman and Murray, are concerned with provisions in this bill and are withholding their bosses' support. The environmental community is adamantly opposed to this bill. Moderate republicans in the House are also concerned about this bill. The Administration has not publicly stated its position, but Under Secretary Lyons, Chief Mike Dombeck and his staff as well as Deputy Under Secretary Anne Kennedy have all met with Senator Wyden and his staff to express strong opposition to one major component of the bill. Anne Kennedy is supposed to meet with Larry Craig's staff to relay the Administration's concerns with the bill soon.

The funding mechanism may be acceptable, but USDA officials are still vetting that with OMB. It relies on the timber payments already received by the counties, plus @ $90 million that the Forest Service gives to the general treasury each year, with any residual shortfalls to be provided by "unobligated" general treasury funds. Therefore, this creates a "pay-go" problem and any offsets identified could be a problem for the Administration. The amount that would go to the counties is the same as the House bill.

The major concern with the bill is that it creates a new "perverse incentive" to harvest big trees or create unadvisable recreation facilities. It requires the counties to devote 25 percent of their overall payment to go towards paying for forest development and stewardship (forest health) type projects. Fifty percent of any revenues (profits) generated by these projects would go back to the counties for schools and roads. This will create a huge incentive for counties to maximize the use of this money on public lands so that they make a profit. Timber harvesting, ski resort and other large recreation facilities would be pushed by these local groups.

While a local advisory committee has to approve the projects presented to the Forest Service, the Administration believes that the timber industry and the county commissioners will be a driving force in what is approved because many communities in the West and South are devoid of local environmental involvement. This sets up a scenario whereby the agency may be forced to constantly say "no," which will be very bad for public relations and spur the debate about selling off public lands for local use, etc. Advocates of the bill, counties, the timber industry and conservative congressmen, say that its intention is to foster relationship building. Senator Wyden's support for this bill is very surprising and his staff keeps stating that it is "timber neutral."

SUMMARY:

While the Administration remains committed to supporting a more stable, predictable level of funding for county schools and roads, it has been steadfastly opposing efforts to "blackmail" the agency into offering more timber that may be contrary to the health the public's lands. The overall objective of the Administration's budget requests has been to delink timber harvests from school children and road maintenance.

ENVIRO
ANALYSIS

To: Interested Persons
From: Mike Anderson, The Wilderness Society
Re: Wyden/Craig County Payments Bill – S. 1608
Date: September 29, 1999

Following is a quick analysis of county payments legislation, the "Secure Rural Counties and Community Self-Determination Act of 1999" (S. 1608), which is sponsored by Sen. Ron Wyden and co-sponsored by Sen. Larry Craig and Sen. Gordon Smith. The bill was distributed by the Senators at a press conference on September 17 and was introduced on September 21.

BACKGROUND

Two county payments bills have been introduced in the House – H.R. 2389 sponsored by Rep. Deal and H.R. 2868 sponsored by Rep. DeFazio. The Deal bill, which was introduced on June 30, is supported by the National Association of Counties, National Education Association, and the timber industry. The DeFazio bill, which was introduced on September 16, has been endorsed by the Administration, conservationists, and Oregon Governor Kitzhaber.

The two House bills both give counties a guaranteed payment based on historical revenue-sharing from national forest and western Oregon (O&C) BLM lands. The major distinctions between the two House bills are: (1) if federal land revenues exceed the guaranteed payments, the Deal bill gives the counties their traditional share (25% from Forest Service and 50% from BLM), whereas the DeFazio bill entirely "decouples" payments from revenues; (2) the Deal bill takes the guaranteed payments entirely from the Forest Service budget, whereas the DeFazio bill takes payments entirely from the Treasury; (3) the Deal bill establishes a national advisory committee to recommend legislation designed to increase federal land revenue.

SUMMARY AND ANALYSIS

Following are some key provisions of the Craig/Wyden bill.

<u>1. No de-coupling</u>: Like the Deal bill, Section 4(b) gives the counties their traditional share of Forest Service and BLM revenues in the event that revenues exceed the historical payment levels. Thus, counties would continue to have an economic incentive to advocate greater logging and other revenue-generating activities on federal lands.

<u>2. Payments come from Forest Service revenues first:</u> Section 4(d) provides that funds to make the guaranteed payments to counties will be taken first from Forest Service revenues, fees, or other receipts, and then from the Treasury if Forest Service receipts are insufficient. The bill shelters receipts that are deposited into Forest Service "trust funds" from the county payments. The exemption would apply specifically to four Forest Service trust funds (e.g., the Knutson-Vandenberg Fund for timber stand improvement and

wildlife mitigation). However, it would not cover a variety of other Forest Service accounts that are funded by receipts (e.g. the Brush Disposal and Range Betterment funds) and provide millions of dollars each year to finance the agency's operations. Thus, the likely effect of the Wyden/Craig bill would be to take money away from environmentally beneficial activities (which Congress has historically underfunded in annual appropriations) and give the Forest Service a strong financial incentive to generate more revenue from logging.

3. Funding for counties to control federal land management: A novel feature of the Craig/Wyden bill would earmark 25% of the guaranteed payments for "investments in resource management and restoration" that are supported by county government officials and local advisory committees (see point 4, below). Under Section 6, counties would control funding for the eligible projects (which presumably could include commercial timber sales). If the Forest Service did not agree with the counties on projects, the unused money would be made available for projects in other counties. Revenues from the completed projects would be split equally between the counties and Forest Service, thus providing an economic incentive for county and federal officials to choose projects that maximize revenue.

4. Local advisory committees: As noted above, the selection of projects on federal lands to be funded by county payments would require approval by local advisory committees. Under Section 7, each committee would have 15 members consisting of "local resource users, environmental interests, forest workers and organized labor representatives, county elected officials, school administrators, teachers, and other local interests." The committees would be exempt from the Federal Advisory Committee Act.

## CONCLUSION

Conservationists should strongly oppose the Craig/Wyden bill because it would markedly increase incentives for resource exploitation of the national forests. The bill fails to de-couple county payments from timber revenues, forces the Forest Service to take money away from brush disposal and other receipt-funded activities to make up for revenue-sharing shortfalls, and splits revenues from county payment-funded projects between the counties and the Forest Service. To make matters worse, by giving county officials and local interests the power to allocate millions of dollars of federal funds, the bill would vastly increase local control over national forest management.

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For information about Forest Service trust funds and other accounts, see Ross W. Gorte and M. Lynne Corn, *The Forest Service Budget: Trust Funds and Special Accounts*, Congressional Research Service, 97-14 ENR, Jan. 3, 1997.

ANDY —
BACKGROUND
ON WYDEN
CRAIG —

*Bill Summary & Status for the 106th Congress*

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**S.1608**
SPONSOR: Sen Wyden, Ron (introduced 09/21/99)

Jump to: Titles, Status, Committees, Amendments, Cosponsors, Summary

**TITLE(S):**

- SHORT TITLE(S) AS INTRODUCED:
  Secure Rural Schools and Community Self-Determination Act of 1999

- OFFICIAL TITLE AS INTRODUCED:
  A bill to provide annual payments to the States and counties from National Forest System lands managed by the Forest Service, and the revested Oregon and California Railroad and reconveyed Coos Bay Wagon Road grant lands managed predominately by the Bureau of Land Management, for use by the counties in which the lands are situated for the benefit of the public schools, roads, emergency and other public purposes; to encourage and provide new mechanism for cooperation between counties and the Forest Service and the Bureau of Land Management to make necessary investments in federal lands, and reaffirm the positive connection between Federal Lands counties and Federal Lands; and for other purposes.

**STATUS:** Floor Actions

***NONE***

**STATUS:** Detailed Legislative Status

**Senate Actions**

**Sep 21, 99:**
Read twice and referred to the Committee on Energy and Natural Resources.
**Oct 5, 99:**
Subcommittee on Forests and Public Lands. Hearings held.
**Oct 19, 99:**
Subcommittee on Forests and Public Land Management. Date of scheduled hearing. SD-366. 10:00 a.m.

**STATUS:** Congressional Record Page References

09/21/99 Introductory remarks on Measure (CR S11133-11134)

**COMMITTEE(S):**

- COMMITTEE(S) OF REFERRAL:
  Senate Energy and Natural Resources

- SUBCOMMITTEE(S):
  Ssc Forests and Public Lands

**AMENDMENT(S):**

***NONE***

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**COSPONSORS(5):**

Sen Craig, Larry E. - 09/21/99 Sen Smith, Gordon - 09/21/99
Sen Crapo, Michael D. - 09/30/99 Sen Johnson, Tim - 10/06/99
Sen DeWine, Michael - 10/06/99

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**SUMMARY:**

***NONE***

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

June 7, 1999

The Honorable J. Dennis Hastert
Speaker of the House
The Capitol
Washington, D.C. 20515

Dear Mr. Speaker:

I am transmitting by this letter the enclosed draft bill, "The Stabilization Act of 1999," that the Department of Agriculture (USDA) recommends be introduced and passed.

The Administration proposal would stabilize the payments to states that the federal government makes from receipts collected from sales of timber from national forests. The payments would no longer depend on fluctuations in timber sales and other revenue-generating activities of the Forest Service. Recent declines in these activities have reduced these payments in some areas, causing hardship on some communities long dependent on these funds to finance their roads and schools.

The Administration is committed to helping communities with these activities, and strongly believes they should not be caught in the debate over resource management issues. With stabilized funding, as this bill would provide, the communities would be ensured predictable payments. In addition, the bill would make the annual payments automatically from the general fund of the Treasury, not subject to the annual appropriations process. The Department of the Interior will soon transmit similar legislation to stabilize payments that it too makes to the states.

The Omnibus Budget Reconciliation Act of 1990 requires that all revenue and direct spending legislation meet a pay-as-you-go (PAYGO) requirement; that is, no bill should increase the deficit, and, if it does, it could trigger a sequester if it is not fully offset. The budget assumed this legislation would result in increased payments to states with an increase in direct spending of $27 million in fiscal year 2000 and $259 million in fiscal years 2000-2004.

The Office of Management and Budget advises that there is no objection to the presentation of this proposed legislation and that enactment would be in accord with the Administration's program.

I am sending an identical letter to the President of the Senate.

Sincerely,

Dan Glickman

DAN GLICKMAN
Secretary

AN EQUAL OPPORTUNITY EMPLOYER

Stuart R. Kasdin 09/23/99 11:41:39 AM

Record Type: Record

To: Andy Rotherham/OPD/EOP@EOP

cc:

Subject: Draft thoughts on NEA's Payments to States position

**The NEA is acting as a patsy for timber and is not serving education interests.**

1. Rep. Deal's bill (HR 2389) has no chance. The Administration has a veto threat on the bill. Chairman Regula is oppused to it. The bill depends upon the willingness of the Appropriations Committees to appropriate funds for one use -- programs for wildlife and fisheries, recreation, construction, etc. -- and see those funds diverted to other purposes.

2. First, H.R. 2389 will not increase or stabilize payments. The necessary action of appropriators means that what was once a set of mandatory funds would now be based on discretionary actions. The program promises to stabilize payments, but it is similar to the PILT, an appropriated program, except that the appropriations are even less dependable. The Administration's FY 2000 budget proposal and Rep. DeFazio's bill provides this funding through mandatory spending, which does not rely on yearly discretionary appropriations.

3. If the formulation of the Agriculture Committee was correct and discretionary funds could be diverted for Payments to States, the agency would lose in excess of $200 million from publicly popular and chronically under funded programs such as wildlife and fish, recreation, wilderness and cultural resources. The agency would be required to close field offices, reduce services to the public and release staff. This is neither tenable nor appropriate.

4. The notion that this bill would lead to increased or stabilized timber production is erroneous. There is no "sufficiency" language in the rule, so the same requirements for NEPA, Endangered Species Act and Clean Water Act apply. All the influences on forest plans (e.g., Spotted Owl, salmon) that have lead to declining timber harvests would remain unaltered. This bill can't alter the environmental conditions that affect planning for timber.

5. Letting the counties suffer will not force, by way of pity, Administration decisions on timber. Timber production was at unsustainable levels in the 1980s. Timber harvests fell from almost 12 billion board feet in the 1980s to the below 4 billion board feet today. The plight of the counties did not stop that trend. Note that for the last several years, including this year, both the House and Senate have also always proposed less than 4 billion board feet. In fact, the Administration and Congress are typically negotiating over only 0.5 billion board feet or less.

6. The Payments to States funding is split between roads and education. The States received

large increases in funding for roads as part of the T-21 Highway bill overall.

7. The Administration is reviewing different rural development packages for resource dependent communities and, if a concern of the NEA, we can discuss some of our goals and future efforts. They may also like to discuss environmental policy. They should encourage a bill (DeFazio's or the Administration's) that can significantly increase funding for education and not commingle other adjacent concerns (environmental policy) or act for other group's concerns.

**Stuart R. Kasdin** 09/15/99 02:09:11 PM

Record Type: Record

To: Andy Rotherham/OPD/EOP@EOP

cc:

Subject: NEA lobbying on Payments to States legislation

Stuart R. Kasdin

NEA is lobbying on the HR 2389, the County Schools Funding Revitalization Act of 1999 (Rep. Deal, GA). This is a bill that the Administration has a **veto threat** on. The problem with the bill is that it is a fake, a gimmick. It will not add money to the communities and will not stabilize funding. The bill, "Clearcuts for Kids" only encourages additional timber production and the defunding of the Forest Service (in theory, appropriated funds for FS staff would be diverted for payments to states) but despite its promises, would not lead to additional revenues for the communities.

The Administration has its own bill that would increase funding for the communities, but not at the expense of environmental goals. Also, Rep. DeFazio's (HR 1185) Timber-Dependent Counties Stabilization Act of 1999 was supported by the Administration, and it too significantly increases spending for education.

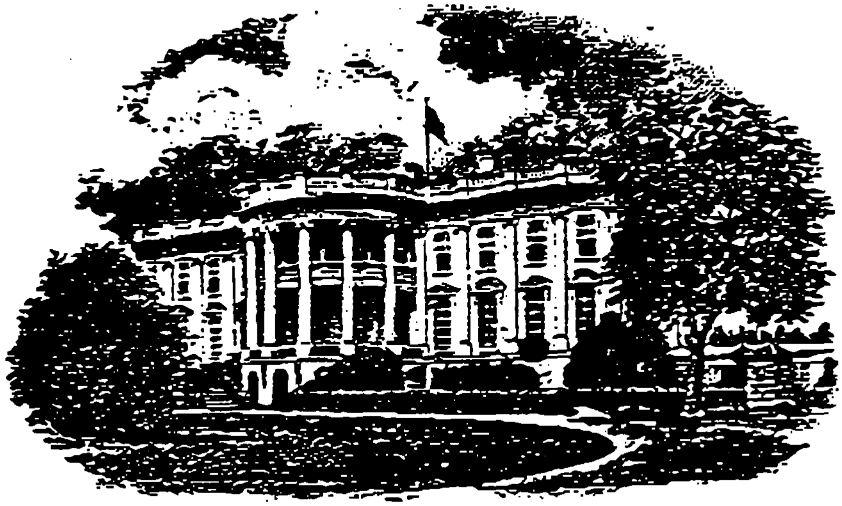
The NEA rep. lobbying on this is Randy Moody (822-7594). Rumor (mostly from Rep. Deal and the County schools folks) is that NEA will "key vote" this issue.

D WHY DO THEY PLACE DECK-BOYS?

D WHY ARE THEY LOSING

EXECUTIVE OFFICE OF THE PRESIDENT

# Office of Management and Budget



## Natural Resources, Agriculture Branch

### Fax Transmittal Cover Sheet

Number of pages (including cover) 7

Date:

To: Andy Rotherham

Phone: Fax: 6-5581

From: Stuart Kasdin

Comments:

Phone: (202) 395-3446 Fax: (202) 395-4941

June 1, 1999

# Rural schools injected into timber debate

By JOHN HUGHES
The Associated Press

WASHINGTON - Cutbacks in federal logging are indirectly hurting thousands of children by causing layoffs, reduced class offerings and delayed equipment purchases in rural schools.

More than a dozen local officials brought that message to Capitol Hill in a highly organized and emotional effort that opens a new front in the battle over how much logging to allow in 191 million acres of national forests, mostly located in the West.

``The rural counties and schools are under attack," said Bob Douglas, schools superintendent in Red Bluff, Calif. ``We are experiencing economic terrorism, and it's being waged on us by our own federal government," he said at a recent news conference.

The educators are part of the National Forest Counties & Schools Coalition, a Red Bluff-based group that formed in March and claims 385 member organizations. The coalition is opposing a Clinton administration proposal - made for the second consecutive year - to sever the direct link between federal timber harvests and aid for schools.

That link goes back to the early 1900s, when Congress passed a law that gives counties near forests a 25 percent share of the revenue from those forests. Most of the revenue comes from logging, and counties are allowed to use the money for roads and schools. The money is supposed to make up for the fact that local jurisdictions can't raise tax revenue from the federal forests.

The educators said a 70 percent logging cutback in the past decade cost them millions of dollars in federal aid.

Jim Parsons, superintendent in Markleeville, Calif., said cutbacks forced him to lay off two bus drivers, cancel field trips and sell buses, and that he may have to close two schools.

Officials from Texas, Oregon and other states told similar stories at the news conference, where they were flanked by high school students from Mill City, Ore.

Groups on both sides of the logging issue said they have rarely seen children's education injected so centrally into a timber debate on Capitol Hill.

Logging advocates say the effort is a sign of increasing difficulties educators face in some rural communities, where logging cutbacks have been severe. Environmentalists say the educators' campaign is a new and cynical way to pressure Congress and the Clinton administration to cut down more trees.

The federal logging system worked like a charm for decades, when sawmills were buzzing at maximum capacity and endangered species weren't a major part of the public debate about forests.

But over the past 10 years, with court orders and Forest Service policy changes, the annual harvest in federal forests has dropped from about 11 billion board feet to about 3 billion board feet. Counties' 25 percent revenue share dropped by more than a third, from $362 million in 1989 to about $225 million expected to be distributed to counties in 41 states this year.

Forest Service officials, who don't expect the harvest levels of yesteryear to return, said it no longer makes sense to link payments to timber harvests that have an uncertain future.

``We don't think that it's appropriate to hold the education of rural school kids hostage to this other debate over forest management," said Chris Wood, a top aide to Forest Service Chief Mike Dombeck.

Under the plan proposed by the Clinton administration, the counties would have the option of receiving annual, guaranteed payments frozen at 1998 levels, or they could take payments equal to 76 percent of the three highest timber harvests between 1986 and 1995.

Each county would be expected to select the option that would offer it the most money. Overall payments to counties would actually increase under the proposal, to $269 million in 2000 from $225 million this year, Forest Service officials said.

Environmentalists praise the plan, saying it eliminates a perverse incentive for local communities to advocate more logging.

But opponents say that once counties sever the link to logging, there is no guarantee the payments will be made in future years.

Republicans on Capitol Hill also oppose the idea, viewing it as an attempt by the Forest Service to end its 90-year commitment to local communities.

Sens. Larry Craig, R-Idaho, and Ron Wyden, D-Ore., are drafting a separate plan that would continue payments to counties, but for the time being avoid the debate over the future of logging in forests.

Rep. Peter DeFazio, D-Ore., introduced a bill in March that is similar to the Forest Service plan. His proposal, however, would increase payments to counties by the inflation rate each year and give counties five years to decide whether they want to continue in their current status or opt for the Clinton administration proposal.

USDA

United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

August 9, 1999

The Honorable Peter DeFazio
U.S. House of Representatives
2134 Rayburn House Office Building
Washington, D.C. 20515-3704

Dear Pete:

Thank you for your letter of July 27, 1999, concerning the stabilization of payments to counties. Like you, I am deeply committed to providing counties and states with a permanent and guaranteed annual payment for school funding and public roads. I would strongly recommend to the President that the Administration support your proposed amendment to the Deal-Boyd bill described in your letter, assuming acceptable offsets can be identified.

The Clinton Administration has long supported funding for education and schools. We will work with you to provide counties and schools with as high a level of funding as possible with consideration given for a cost-of-living adjustment.

The last decade has proven that tying the social imperative of children's education to controversial timber sales is unreliable and inappropriate. Yet, many ways to maintain and strengthen the historic connection between local communities and their public forests are thriving today. Your state, for example, has been a leader in promoting such efforts as jobs-in-the-woods, worker retraining, state grant programs funding collaborative watershed restoration, and other programs that strengthen and expand traditional community-forest relationships.

I look forward to working with you to provide states and counties with a permanent and guaranteed funding level for schools and public roads.

Sincerely,

Dan Glickman

DAN GLICKMAN
Secretary



NRE-99-679

PETER A. DEFAZIO
4th District, Oregon

RESOURCES COMMITTEE
SUBCOMMITTEE
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SUBCOMMITTEES
AVIATION
SURFACE TRANSPORTATION

# Congress of the United States
## House of Representatives

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Peter.DeFazio@mail.house.gov

July 27, 1999

The Honorable Dan Glickman
Secretary
Department of Agriculture
Independence and 14th Avenue, S.W.
Washington, DC 20250

Dear Secretary Glickman:

I am writing to seek your support – and the support of the administration – for an amendment I plan to prepare to legislation providing a guaranteed level of payments for counties currently eligible for the Forest Service's 25 percent payments.

As you know, the House Resources Committee recently held a hearing on two pieces of legislation intended to stabilize federal payments to National Forest counties. One is a bill introduced by Reps. Deal and Boyd, the other is legislation I have introduced. I expect the committee to move the Deal-Boyd bill and am preparing a substitute amendment to offer in its place. The House Agriculture Committee also held a legislative hearing, but limited its review to the Deal-Boyd bill.

The substitute amendment I will propose would include the following provisions:

1. A permanent and permanently appropriated guarantee payment equal to 100 percent of the average of the three highest payments received by the states or counties between 1985 and the present.

2. An annual adjustment to the guarantee payment to reflect changes in the consumer price index for urban consumers.

3. Immediate and permanent "decoupling" of the payments from federal timber harvest levels.

4. The guarantee payments would be made to National Forest counties nationwide and counties receiving payments from the O&C and Coos Bay Wagon Road lands managed by the Bureau of Land Management in Oregon.

July 27, 1999
Page 2

This amendment would obviously be a far more generous financial guarantee for timber counties than any of the proposals now on the table, including the Deal-Boyd bill. It would incorporate your Department's proposal to decouple timber counties from uncertain and, in many cases, declining federal timber sale levels.

As I said, I am writing to ask for your support for my amendment. I would also like a commitment from you to work with me to identify budgetary offsets that would make this approach work for the federal Treasury and taxpayer. I appreciate the interest you have shown in this issue and the huge opportunity your payment stabilization proposal has created for counties in Oregon. I look forward to working with you to craft a permanent guarantee for my counties, as well as other timber counties around the nation.

Sincerely,

Peter DeFazio

PETER DeFAZIO
Member of Congress

cc: Under Secretary Jim Lyons
F.S. Chief Mike Dombeck

> **Payments to States Questions and Answers**
>
>
> 1. Last year you proposed legislation to stabilize payments to states.
> That proposal was not introduced. Will you propose legislation again this
> year?
>
> The Department of Agriculture recently forwarded to OMB a modified proposal
> in response to concerns raised by school superintendents and county
> commissioners.
>
> Currently payments to states are a function of receipt or revenue
> generation. Our objective is to separate school and county road funding
> decision from the fluctuating and controversial land and resource
> management decisions such as timber sales.
>
> 2. Your proposal to set a guaranteed payment level may actually result in
> lower payments to eastern states, since many eastern states are
> experiencing increasing not decreasing receipts. Why should we support
> proposed legislation that benefits western states but harms eastern states?
>
> There is a certain level of uncertainty associated with continued
> increasing receipts.
>
> Nationally payments to States funding has declined 37% since 1989, from
> $361 million down to $229 million last year (FY 99 payment based on FY 98
> receipts).
>
> The payments to States proposal will provide stable and predictable payment
> levels independent of current fluctuating and controversial revenue
> collections. States that currently have increasing receipts may receive
> payments less than their current projections suggest. Instead, they will
> gain a predictable and stable funding source by receiving a guaranteed
> payment level
>
> 3. What is the relationship between this payment and the Payments in Lieu
> of Taxes (PILT) program?
>
> Currently, The Forest Service payments to States are considered by statute
> to be prior year payments in the Payment in Lieu of Tax (PILT) program
> administered by the Department of the Interior. The stabilization proposal
> will ensure that these payments are treated in exactly the same way as the
> current payments are handled in the PILT program. Thus, this proposal will
> not affect the way PILT payments are determined.
>
> 4. Why have two separate funds?
>
> Payments to States covers over 700 counties in 41 States and Puerto Rico.
> It applies exclusively to national forest lands. PILT is essentially an
> umbrella program that provides payments to over 2,000 counties in 50
> States, Puerto Rico, Guam and the Virgin Islands. It applies to national
> forests, national parks, BLM administered lands, water resource development
> project lands, Army Corps of Engineers dredge disposal areas, national

> wildlife refuges, and closed military bases. These two "in lieu of tax"
> programs are statutorily separate although they are interrelated through
> the PILT funding formula.
>
>
> 5. The proposal assumes a "permanent appropriation" or entitlement. What
> assurances do counties have to believe such a program will continue in the
> "outyears" without it being tied to a specific revenue source? We vividly
> remember the experience with general revenue sharing.
>
> First of all, the existing Forest Service payments to States are made under
> a permanent appropriation. The payment stabilization proposal would
> continue this permanent authority to ensure that funds are available each
> year as a result of enactment of the substantive legislation and will not
> require annual appropriation action by Congress. If the proposal is
> enacted, it could only be revised or eliminated by subsequent Congressional
> action. Finally, a specific revenue source is not required to be tied to
> the payments or funding availability.
>
> The Administration fully recognizes the importance of these payments to
> local communities for public schools and roads as a result of Federal land
> ownership. By virtue of this stabilization proposal, the Administration
> has shown its commitment to continuation of the payments and will work to
> ensure they are permanently provided every year in the future.
>
> 6. Is there a danger in the appropriations process, that with a limited
> allocation to the Interior Appropriations Subcommittee, the subcommittee
> could limit this new payment, PILT, or both? Maybe even playing one
> against the other. Again since this fund would not be tied to a revenue
> source.
>
> The stabilization proposal will not require annual appropriation
> consideration by the Congress if enacted as proposed which will reduce the
> possibility of subcommittee trade-offs. PILT can be addressed by the
> subcommittee independently based on its own merits. However, from a
> broader budget allocation perspective, no program, even the existing
> payments to States, is completely immune from potential budget trade-offs,
> many of which are not entirely visible.
>
> 7. What if there is a resurgence in the timber sale program, or in a
> particular year, a timber sale that substantially increases receipts? Does
> the county share in that windfall?
>
> In exchange for a stable, predictable payment level, the payments under the
> stabilization proposal will neither decline nor be increased due to future
> revenue collections from national forests.
>
> 8. Once county governments receive funding from this proposed "safety
> net," what happens to the timber sale program and the thousands of jobs
> that depend on it?
>
> Decisions regarding the timber sale program will continue to be made
> independently of the payments to States funding as they have in the past.
> Payment stabilization should have no effect on the timber program.

>
> While others have advocated a "zero cut" policy for national forests, both
> science and common sense support active management. We recognize a stable
> timber program from national forests is essential to rural communities, for
> future investments, and employment opportunities. The Chief has stated his
> unequivocal opposition to such a policy. Support for active forest
> management and stabilization of payments to States funding will provide
> tremendous benefit to counties and local communities.
>

DRAFT, 7/11/99

## SEPARATING PAYMENTS TO STATES FROM NATIONAL FOREST TIMBER SALES

- Currently, 25% of all receipts from national forest timber sales are returned to the states and counties of origin to help pay for local schools and county roads. There are two concerns with this: 1) dramatic drops in funding for the counties as the result of major declines in timber harvest (70% decline in the past decade) have led to tough times for counties in timber dependent areas; 2) linking county payments to harvest levels may encourage communities to pursue increasing timber sales just to ensure school funding, regardless of environmental or recreational impacts of the harvest. For the past two years, the President's budget has carried a proposal to change the way payments to the state and counties from receipts from national forest timber sales are made.

- The President's proposal would provide a permanent, stable and predictable level of funding for States, and then, to counties. The Payments to States would be part of Federal direct spending, annually provided to States and counties, independent of any Congressional or agency action.

- Over the next five years, the Administration's proposal would result in payments estimated at $259 million *higher* than the amounts projected by the Congress or the Administration under current law, based on timber receipts. The plan would increase the payments to states by an estimated 24% overall.

- The Administration's proposal would be guaranteed through permanent payments sanctioned by authorized legislation. With a known and fixed spending level, States and counties would be better equipped to carry out long-term planning and service delivery to their communities.

- Unlike the Owl County Payments -- fixed annual payments directed to those Pacific Northwest counties whose timber production volumes had declined in recent years -- these payments would not decline. By contrast, the Owl Payments decline from 76% in 1998 to 73% in 1999. The authority for Owl Payments ends in 2003. The total Payments to States would fall by an additional $100 million after FY 2004.

- The Administration's proposal of $269 million in annual payments adds to the payment level that would otherwise have been made under current law, and this increment grows every year. Under current law, the payment to states fall over the next 5 years from $242 million in FY 2000 to $198 million in FY 2004, the last year of owl payments. Consequently, the Administration's proposal provides $27 million more to States and counties in FY 2000 than under current law, increasing to $72 million more by 2004, in order to hit the $269 million annual target.

- Many factors determine timber volume offers, including housing demand and environmental conditions. As a result of these factors, in FY 1999 and FY 2000, the Administration and both Houses of Congress each proposed timber offer levels as part of

STATUS OF EDUCATION ASSOCIATION

- On May 17,1999, Mary Elizabeth Teasley, Director of Government Relations for the National Education Association, wrote a letter in support of principles developed by a group known as the National Forest Counties and Schools Coalition (principles and NEA letter are attached). These principles purport to provide a framework for resolving the dilemma of declining resource revenues and the impact this has had on revenue sharing with local schools.

- For the second consecutive year, the Administration has offered a proposal to decouple timber harvests and the education of rural schoolchildren. The Administration would provide a stable and permanent payment for states and counties – keeping these payments separate from decisions relative to management of public forests.

- The National Forest Counties and Schools Coalition principles – to which NEA subscribes – would maintain the tie between payments schools receive and decisions relating to how many trees are harvested. Payments for the education of our children should be stable and predictable and should not be affected by the distinctly different decisions must be made relative to sustainable management of publicly owned forests. Our resources need to be protected and our children need to be educated and neither should be sacrificed to the other.

- In May, the House Resources Committee, subcommittee on Forests and Forest Health convened a hearing on declining 25% fund payments to counties. NEA did not testify at that hearing.

- Payments to states for the purposes of school and road funding should not be thrust into the middle of the highly contentious debate over the proper management of our natural resources. The National Forest Counties Schools Coalition does just that. The Administration proposal does not.

DRAFT, 07/15/99, 11:59 AM

i.e., HR 2389

- The County School and Road coalition's proposal would require that counties receive 100% of the average of the three highest payment levels made from 1986 to 1995. These payments would come from the following three sources: 1) 25% of the receipts from timber harvest off of National Forests; 2) the National Forest Fund (i.e., whatever revenues are generated from National Forests and returned to the Treasury); with the balance taken from 3) the Forest Service's operating budget.

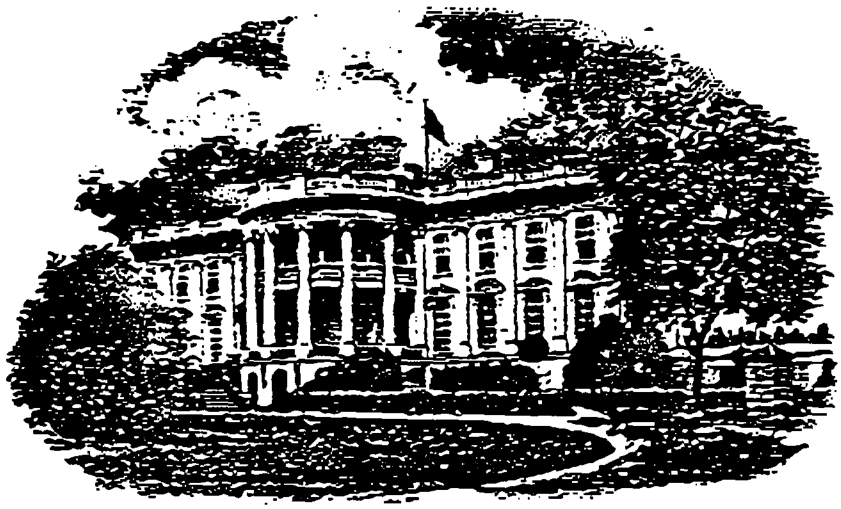
- This proposal could have both serious negative environmental *and* social implications. By requiring the Forest Service to make up the difference between 25% funds and National Forest Fund revenues, the agency could be forced to promote revenue generating timber sales in controversial areas in order to avoid having its budget cut. As more and more controversial timber sales are advanced polarization would increase and litigation and injunctions would ensue. Forest dependent communities would experience even greater social and economic disruptions.

the appropriations process that were all below 4 billion board feet, including salvage opportunities (as compared to the unsustainable timber program of over 11 billion board feet volume of the early 1990s).

- Industry has charged that the Administration's proposal is an effort to cut off the economic prosperity of, and historic relationship between, local communities and their public forests. This is untrue. We do, however, want to separate the emotional issue of children's education from controversial timber sales. It makes little sense for the wealthiest nation in the world to hold hostage the education of rural schoolchildren to the manner that public forests are managed. Forcing the agency to promote revenue generating timber sales in controversial areas increases polarization, litigation and injunctions. Forest dependent communities would experience even greater social and economic disruptions as a result.

# EXECUTIVE OFFICE OF THE PRESIDENT

## Office of Management and Budget



## Natural Resources, Agriculture Branch

### Fax Transmittal Cover Sheet

Number of pages (including cover) 12

Date:

To: Andy Rotherham

Phone: Fax:

From: STUART KASDIN

Comments: As discussed

Phone: (202) 395-3446 Fax: (202) 395-4941

USDA

United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

August 9, 1999

The Honorable Peter DeFazio
U.S. House of Representatives
2134 Rayburn House Office Building
Washington, D.C. 20515-3704

Dear Pete:

Thank you for your letter of July 27, 1999, concerning the stabilization of payments to counties. Like you, I am deeply committed to providing counties and states with a permanent and guaranteed annual payment for school funding and public roads. I would strongly recommend to the President that the Administration support your proposed amendment to the Deal-Boyd bill described in your letter, assuming acceptable offsets can be identified.

The Clinton Administration has long supported funding for education and schools. We will work with you to provide counties and schools with as high a level of funding as possible with consideration given for a cost-of-living adjustment.

The last decade has proven that tying the social imperative of children's education to controversial timber sales is unreliable and inappropriate. Yet, many ways to maintain and strengthen the historic connection between local communities and their public forests are thriving today. Your state, for example, has been a leader in promoting such efforts as jobs-in-the-woods, worker retraining, state grant programs funding collaborative watershed restoration, and other programs that strengthen and expand traditional community-forest relationships.

I look forward to working with you to provide states and counties with a permanent and guaranteed funding level for schools and public roads.

Sincerely,

Dan Glickman

DAN GLICKMAN
Secretary



WLG-99-679

SIR
720-2173

**STATEMENT OF**
**JAMES R. LYONS**
**UNDER SECRETARY, NATURAL RESOURCES AND ENVIRONMENT**
**UNITED STATES DEPARTMENT OF AGRICULTURE**

**Before the**
**U.S. House of Representatives Committee on Agriculture**
**Subcommittee on Department Operations, Oversight, Nutrition, and Forestry**

**July 15, 1999**

Thank you for your invitation to testify on H.R. 2389, "County Schools Funding Revitalization Act of 1999" and the Administration's proposal, "The Stabilization Act of 1999." I appreciate the opportunity to join you today to continue the dialogue that the Administration began last year on the need to provide a stable, permanent level of payments, commonly known as the twenty-five percent fund, and to separate the payments from National Forests receipts. With me this morning is Sandra Key, Associate Deputy Chief, Programs and Legislation from the Forest Service.

In addition to H.R. 2389 and the Administration's proposal that we will testify on today, we will also offer our views on a similar bill, H.R. 1185, "Timber-Dependent Counties Stabilization Act of 1999."

__Administration's proposal, "The Stabilization Act of 1999".__

The Administration's proposal will:

1) provide a stable, predictable payment that counties can depend on to help fund education and maintenance of roads,
2) provide increased payments above the payments projected under current law to compensate states for National Forest lands that are not available to the local tax base,
3) provide a mandatory, permanent payment not subject to the annual appropriation process, and
4) sever the connection between timber sales and critically important education and road maintenance needs.

The Administration's over-arching reason for proposing this legislation is the need to provide a stable, predictable payment that counties can depend on to help fund their education and road maintenance needs. Under 16 U.S.C. 500, (commonly known as the twenty-five percent fund), twenty-five percent of most Forest Service receipts are paid to the states for distribution to the counties in which National Forest lands are located for financing public roads and schools. Historically, the primary source of National Forest receipts has been from the sale of timber on National Forests. Over the past 10 years, timber harvest from National Forests has declined 70% in response to new scientific information, changing social values, and our evolving understanding of how to manage sustainable ecosystems. During that same period, payments to states made under 16 U.S.C. 500 have been reduced 36%; from $361 million in 1989 to $228 million in 1998.

Under the Administration's proposal, states will receive the higher of the 1998 fiscal year payment or a new special payment amount. The special payment amount will be 76% of the average of the 3 highest payments made to the state during the 10 year period from fiscal years (FY) 1986 through 1995 of both twenty-five percent fund payments and payments under section 13982 of the Omnibus Budget Reconciliation Act of 1993. The special payment amount will not exceed the 1998 FY payment by more than 25 percent. The special payment amount will pay the states approximately $269 million annually, representing an additional $27 million above the existing baseline in FY 2000, $72 million in FY 2004, and $259 million more over the next five years.

The special payment is modeled on the formula used in what was referred to as the "owl county safety-net" adopted by Congress in 1990 as a provision of the Interior and Related Agencies Appropriations Act. The provision was adopted at the request of certain counties in western Washington, Oregon, and northern California affected by decisions relating to the Northern Spotted Owl. It was renewed annually until 1993 when Congress authorized a 10 year, gradually declining, payment stabilization formula which will expire in 2003. We chose 76% of the historic baseline because that was the level of the owl county safety-net payment guarantee when the Administration first proposed to stabilize payments over a year and a half ago.

Second, we want to provide a reasonable payment, based on all benefits of National Forest lands, to compensate states for these lands that are not available to the local tax base. Historically, states received payments based on revenues generated from commodity extraction, primarily timber. For a variety of reasons, including new scientific information about the sustainability of our resources, commodity extraction from our National Forests has been reduced. National Forests continue to provide a myriad of benefits to local communities through jobs, income generation, recreation and tourism, timber and mining, and hunting and fishing. Payments made through the payments in lieu of taxes (PILT) are often not appropriated to their fully authorized levels, creating difficulties for counties with a limited tax base due the presence of public lands. Our proposal ensures that states continue to benefit from both the intrinsic value and the economic value of public lands by guaranteeing a payment to make planning and budgeting predictable for counties. Thus, we propose that states receive a permanent, stable annual payment based upon a percentage of historic payment averages.

Third, the payment needs to be excluded from the annual appropriation process. We cannot rely on either revenues or the annual appropriation process to produce a consistent, reliable level of funding. The Department's proposal will provide a mandatory, permanent payment to states from the general fund of the Treasury.

Fourth, we must make distinct and separate the social and moral imperative of children's education from the manner that public forests are managed. Both activities, children's education and forest management, are essential, but continuing to make one dependent on the other could continue to reduce funding for some children's most basic education needs, particularly in rural communities.

There has been resistance to this proposal. In part, the resistance may stem from a belief that timber harvest levels will rise dramatically again in the future. This belief is mistaken: 1) timber harvest has steadily declined over the past decade, and 2) in FY 1999 and FY 2000, the Administration and both Houses of Congress each proposed as part of the appropriations process timber offer levels that were below 4 billion board feet, including salvage opportunities. It is highly unlikely that timber harvest levels will return to the 11 billion board feet volume of the early 1990s.

Continuing this linkage -- or tightening it as one of the two congressional proposals before us today would do -- will only serve to ensure that payments to states will continue to be tied to controversial forest management issues.

In contrast, separating payments to states, from the receipts generated from the sale of commodities and user fees will allow for a stable, reliable increased level of funding for the states and counties.

## H.R. 1185, "Timber-Dependent Counties Stabilization Act of 1999"

The Administration supports the objectives of H.R. 1185, but will seek amendments to more closely align this bill with the Department's proposal. For FY 2000 through FY 2004, this legislation will provide stable payments to states based on an amount equal to 76 percent of the average of the 3 highest twenty-five percent payments made to the state during the 10 year period from fiscal years 1986 through 1995 (special payment amount).

In addition, the bill would provide that after FY 2004 each state will make a one time permanent, binding choice of receiving either the twenty-five percent payment or the special payment amount. This will give states the option to have a permanent, stable payment, not based on revenue generation, or to continue with the decreasing, unpredictable twenty-five percent fund payments. While this is definitely a step in the right direction, it simply puts off decisions which can, and should, be made today. The Administration prefers to ensure that all states receive a permanent stable payment as is provided in the it's proposal.

This legislation also provides for the special payment amount to be adjusted to reflect changes in the consumer price index for urban uses. The Department's proposal does not reflect changes in the consumer price index, but we are willing to work with the Subcommittee to discuss the additional funding that this will require.

## H.R. 2389, "County Schools Funding Revitalization Act of 1999"

Again the Administration agrees with one of the objectives of H.R. 2389, that is to stabilize payments, but strongly opposes this bill and, in its current form, is unacceptable for the following reasons: 1) it does not provide a stable payment past 5 years nor does it provide for a mandatory payment to states from the general fund of the Treasury; 2) the funding provisions for FY 2000-2005 payments could create significant impacts on Forest Service programs; and 3) it does not separate payments to states from the contentious, controversial debate over natural resource management of the National Forests, but only fuels this debate by establishing an advisory committee to address issues concerning management of our National Forests.

First, H.R. 2389 would only temporarily stabilize payments to states for a five year period beginning in FY 2000. Under this bill, the short-term payments for fiscal years 2000 through 2005 would be the twenty-five percent fund payment for the fiscal year or the full payment amount, whichever is greater. The full payment amount would be equal to the average of the three highest twenty-five percent fund payments or the owl county safety-net payment during FY 1986 through FY 1999. This formula would yield a payment that is over $170 million more than the $269 million that is available for the Administration's proposal. Since current payment levels equal $212 million for FY 2000, currently projected harvests would need to more than double in order to fund the legislation's higher payments to state levels, or the Forest Service will have to significantly reduce non-revenue producing programs. In addition, after 5 years this issue will have to be addressed again. Assuming this issue will not be easier to resolve, then payments to states will return to the twenty-five percent fund payments resulting in a significant reduction in funding for education and roads.

Second, under the Administration's proposal, payments to states will be made automatically from the general fund of the Treasury and will not be subject to the annual appropriation process. In contrast, H.R. 2389 will fund the difference between the twenty-five percent fund payment amount and the full payment amount from revenues received from activities on National Forest lands and funds appropriated for the Forest Service. Forest Service appropriations that fund programs generating revenues for the twenty-five percent fund, and funds from trust funds or other special accounts established by statute for specified uses will not be eligible to fund this difference. Under this provision, in FY 2000 the Appropriations Committees will have to either increase Forest Service funding or divert over $170 million from Forest Service programs such as fire suppression, watershed improvement, wilderness, wildlife and fisheries that do not generate revenue. This is neither tenable nor appropriate.

Third, H.R. 2389 will fail to separate payments to states from the debate over the management of National Forest lands. In fact, the bill would only fuel this debate by continuing to make the payment amount dependent on decisions relating to natural resources management. Most significantly, the bill would establish an advisory committee charged with developing recommendations for a long term method for generating payments at or above the full payments amount. The advisory committee will be required to "seek to maximize the amount of ...revenues collected from Federal lands" and to "ensure that this method is in accord with a definition of sustainable forest management in which ecological, economic and social factors are accorded equal consideration in the management of the Federal lands."

The concept of maximizing revenues collected from National Forests is a fundamental change in Forest Service policy and direction. There is nothing in the Organic Act or National Forest Management Act (NFMA) that requires optimization of revenues. For the last 30 years, Congress has declined emphasizing economic return over natural resource management needs. To do so now is a major reversal to long-standing, carefully hammered out policy. NFMA certainly recognizes the important contributions of economic products from the National Forests, but it also recognizes that such production should be within the ecologically sustainable limits that also preserves our children's economic future.

We strongly believe that payments to states for the purposes of funding schools and roads should not be thrust into the debate over the appropriate management of our natural resources.

## Closing

Since 1908, the twenty-five percent fund has worked well to provide funding for local schools and roads. But as demands on our National Forests have increased and timber harvest has declined, we need to provide a stable, permanent mechanism for making payments to states.

Mr. Chairman, the Department supports the objectives of H.R. 1185, but we prefer a complete separation between the payments to states and revenue generation from National Forests. The Department strongly opposes H.R. 2389 because it neither provides a permanent stable payment to states nor separates payments to states from the controversial debate over management of our National Forests. As currently written, the Secretary would be forced to recommend that the President veto this bill. However, I hope that as the process moves forward we can work with you to craft an acceptable alternative approach. We recommend that you consider our proposal to provide a permanent, predictable payment that states can depend on to help fund schools and roads. We look forward to working with the Subcommittee to pursue options that might meet our respective goals.

This concludes my statement; I would be happy to answer any questions you and the Members of the Subcommittee might have.