



The Federal Government reimburses States that contain National Forest System Lands in several ways.

**The 25 Percent Payments.** The first county payment or revenue is the “25 Percent Fund payment.” The 25 Percent Fund payment is based on gross National Forest receipts within a National Forest and is allocated to counties by the proportion of the total National Forest acreage within each county in the particular National Forest.

**Secure Rural Schools.** The Secure Rural Schools (SRS) program is an alternative to 25 Percent Payments. This program allows counties to elect the manner in which their payment is calculated. A county may choose to continue to receive the 25-percent payments based on a 7-year rolling average of receipts from national forests located in the State. Counties may elect to receive the Full Payment option, in which Title I dollars are allocated to roads and schools while Title II and III funds are spent on work completed on or that benefit National Forest System lands.

**The PILT Payment.** Payments in Lieu of Taxes (PILT) are Federal payments to local governments that help offset losses in property taxes due to nontaxable Federal lands within their boundaries. The key law that implements the payment is Public Law 94-565. The Law recognizes that the inability of local government to collect property taxes on Federally-owned land can create a financial impact.

**Mineral Royalties.** The third major Federal program that funds States and counties involves mineral royalties generated on Federal lands. For lands acquired by the Forest Service under the Weeks Act, which includes most of the Huron-Manistee National Forests lands, the Federal government shares 25 percent of gross mining receipts with the State. Mineral royalties historically have been added to the 25 Percent Fund, earmarked for schools and roads, but after 1992, an administrative change shifted these payments to a separate fund for counties, not earmarked for schools and roads. Since 1992, royalties for minerals activities on NFS lands have been paid directly to counties by the Bureau of Land Management.

**SRS Elections:** Each county in an eligible state must elect to receive one of the following payments for federal fiscal year 2013:

- (1) a share of the State's 25-percent rolling average payment, OR
- (2) a share of the State payment.

It is in the best interest of counties to actively make an election of which payment to receive. If the Forest Service does not receive the county's election to receive payment from the State by the December 31, 2013 (midnight, Mountain Time) deadline the county shall be considered to have elected to receive a share of the State payment.

If an eligible county's allocation of its share of the State payment is not transmitted by the State to the Forest Service, the county shall be considered to have elected to expend 80 percent of its share of the State payment for public schools and roads. The remaining 20-percent will be available to the Forest Service to carry out projects in the eligible county to further the purposes of title II. The Act does not require that the Forest Service's use of the remaining 20-percent be reviewed or recommended by a resource advisory committee.

The Act requires that a county's election to receive a payment and an eligible county's election to allocate its share of the State payment be transmitted by the Governor of each eligible State. The Forest Service acting on behalf of the Secretary of Agriculture will accept elections transmitted by the Governor's office or other appropriate executive office of the State, such as State Treasurer, on behalf of the Governor. The Forest Service will not accept an election directly from a county or from any organization acting on behalf of a county.

If the County share < \$100,000

- ✦ May keep all funds in Title I
- ✦ May elect to distribute Title II and Title III percentages using > \$100,000 rules

If the County share > \$100,000 and <\$350,000

- ✦ Must elect to keep no less than 80%, and no more than 85% in Title I
- ✦ May distribute any proportions of the 15% to 20% to Title II and Title III

If the County share >\$350,000

- ✦ Must elect to keep no less than 80%, and no more than 85% in Title I
- ✦ May distribute any proportions of the 15% to 20% to Title II
- ✦ May distribute not more than 7% to Title III

If the County puts any percent in Title II, then some level of RAC will be required to develop and approve Title II projects. A state-level RAC is most efficient, except in the split nature of Illinois, Michigan, and Missouri land bases. Even in these, county by county RAC's are most likely not efficient organizational structures.

Examples	Payment to State	Title I	Title II	Title III	Sum of Title II + III = X%
1	< or = \$100,000	Max 100%	0%	0%	=0%
2	< or = \$100,000	Min 80%	12%	8%	=20%
3	< or = \$100,000	92%	5%	3%	=20%
4	\$100,001 - \$350,000	Min of 80%	14%	6%	=20%
5	\$100,001 - \$350,000	Max of 85%	2%	13%	=15%
6	>\$350,001	Min of 80%	13%	Max of 7%	=20%
7	> \$350,001	Min of 80%	17%	3%	=20%
8	>\$350,000	Max of 85%	8%	Max of 7%	=15%

Payment in Lieu of Taxes (PILT) is based on the number of Federal entitlement acres within a county and a schedule of maximum and minimum per acre payments, which are adjusted annually by the Consumer Price Index. PILT may fluctuate year to year based partly on the previous year's county income from several Federal programs, including 25 Percent Fund and Secure Rural Schools. The PILT program is funded directly by Congress.

PILT payments help local governments carry out such vital services as firefighting and police protection, construction of public schools and roads, and search-and-rescue operations. The payments are made annually for tax-exempt Federal lands administered by the Bureau of Land Management, the National Park Service, the U.S. Fish and Wildlife Service (all agencies of the Interior Department), the U.S. Forest Service (part of the U.S. Department of Agriculture), and for Federal water projects and some military installations. PILT payments are one of the ways the Federal Government can fulfill its role of being a good neighbor to local communities.

The Department of the Interior's (DOI) Office of the Secretary has administrative authority over the PILT program. In addition to other responsibilities, DOI calculates payments according to the formulas established by law and distributes the available funds.

The formula used to compute the payments is contained in the PILT Act and is based on population, receipt sharing payments, and the amount of Federal land within an affected county. PILT payments are in addition to other Federal revenues (such as oil and gas leasing, livestock grazing, and timber harvesting) the Federal Government transfers to the States.

A county's PILT payment may be reduced if the county receives a share of the State payment that is larger than its share of the 25-Percent payment would have been. The PILT payment formula considers other prior year Federal land payments in its calculation. Counties that receive increased funding under the Secure Rural Schools Act may find that their PILT payments are reduced. This will not affect counties already receiving mandatory minimum PILT payments (i.e., counties that already receive large Federal land payments). PILT payments for these counties would remain unchanged. In general, **only the roads** portion of the schools and roads allocation (commonly called title I) **and the title III allocation is considered in the PILT calculation.** The portion of the State payment allocated for schools and the title II allocation are not considered in the PILT formula.

## Forest Service Acres Eligible for PILT Payments in 2014

Alcona	51,520	Lake	74,114
Alger	112,677	Mackinac	52,631
Baraga	36,777	Manistee	59,411
Barry	10	Marquette	17,695
Cheboygan	29	Mason	45,212
Chippewa	142,278	Mecosta	1,621
Clare	0	Montcalm	1,772
Crawford	32,801	Muskegon	11,650
Delta	172,565	Newaygo	67,786
Genesee	9	Oceana	32,916
Gogebic	248,411	Ogemaw	5,909
Grand Traverse	2	Ontonagon	230,173
Houghton	126,528	Oscoda	76,160
Iosco	60,624	Otsego	4
Iron	150,009	Schoolcraft	90,578
Kent	1	Wexford	55,946



Forest Service

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<b>Hiawatha National Forest</b>		
<b>County</b>	<b>PILT Fund</b>	<b>Estimated Payments to States</b>
Alger	\$ 285,378	\$142,683
Chippewa	264,587	270,088
Delta	362,624	268,455
Mackinac	88,446	168,835
Schoolcraft	209,395	135,930
<b>Total</b>	<b>\$1,210,430</b>	<b>\$985,991</b>
<b>Huron-Manistee National Forests</b>		
<b>County</b>	<b>PILT Fund</b>	<b>Estimated Payments to States</b>
Alcona	\$ 101,699	\$115,487
Crawford	60,804	38,714
Iosco	125,344	115,335
Ogemaw	2,127	20,354
Oscoda	115,763	155,682
Lake	174,556	52,330
Manistee	116,357	40,821
Mason County	107,664	28,266
Mecosta	2,586	1,610
Montcalm	3,530	821
Muskegon	28,206	5,833
Newaygo	123,167	51,891
Oceana	77,026	24,835
Wexford	103,825	45,128
<b>Total</b>	<b>\$1,142,654</b>	<b>\$697,107</b>
<b>Ottawa National Forest</b>		
<b>County</b>	<b>PILT Fund</b>	<b>Estimated Payments to States</b>
Baraga	\$ 70,139	\$35,891
Gogebic	529,679	\$243,812
Houghton	297,246	122,797
Iron	352,306	139,116
Marquette	39,572	15,997
Ontonagon	492,449	224,693
<b>Total</b>	<b>\$1,781,391</b>	<b>\$782,306</b>

### Mineral Royalties

The Office of Natural Resources Revenue (ONRR), within the Bureau of Land Management, ensures the full and fair return to the American people of Federal and Indian royalties and other monies owed for the utilization of public resources in the production of conventional and renewable energy and mineral resources.

In 2014, ONRR paid to counties in Michigan \$343,236 on gross federal revenue of \$1,611,533, including oil, gas, and other hydrocarbon products as well as rents and other revenues.

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