

Coconino County Federal Priorities

2013

The Coconino County Board of Supervisors respectfully requests action on the following measures:

Protect and Preserve County Revenues By:

1. Continuing Full Funding of the Payment in Lieu of Taxes (PILT) Program

The PILT program was established in 1976 to offset costs incurred by counties for services provided to federal employees and families and to compensate for the use of public lands. These costs include road maintenance, solid waste disposal, law enforcement, search and rescue, public health, environmental compliance, fire fighting and other community services.

- For two decades, Counties watched the value of their PILT receipts drop due to inflation. For example, in FY2007, \$233 million was appropriated for PILT, which is far short of the approximately \$393 million authorized.
- The national average PILT payment amounts to \$.37 per acre. If these lands were taxed, they would return about \$1.48 per acre. This is a \$1.11 million shortfall.
- A new authorization for the program in 2008 (PL 103-397) was secured, which raised the ceiling for PILT payments from \$105 million to over \$300 million.
- The United States Congress reauthorized full funding of PILT through fiscal year 2013. The current authorization of full funding expires Sept. 20, 2013.

2. Supporting a Short-Term Reauthorization of the Secure Rural Schools and Community Self Determination Act (SRS) and a Long-Term Legislative Solution for Continued Revenue Sharing Payments to Forest Counties

In 1908, it was enacted that 25% of Forest Service revenues from timber sales, mineral resources and grazing fees were returned to counties and states that had national lands, because they forgo the opportunity for private development. Over time, receipts from timber sales fluctuated.

In 2000, SRS was enacted to stabilize payments to counties. The funds provide stabilized education and road maintenance funding through predictable payments to counties. Those collecting the funds reinvest 15%-20% of the funds back into projects that benefit the National Forest.

- The Act was reauthorized in 2008 through fiscal year 2011 through Public Law 110-343. Several short-term re-authorizations were secured extending the program through fiscal year 2012. SRS expired Sept. 30, 2012
- Title III of SRS authorized Coconino County to use the funds for specific purposes, including: search, rescue, and emergency services on federal lands; community service work camps, conservation, forestry related after-school activities and fire prevention and planning.
- Arizona would face a dramatic reduction in funds for rural schools and roads totaling \$7.3 million. Coconino County would face a loss of over \$4 million for schools, roads and search and rescue efforts at current funding levels.

3. Ensuring Impacts of Federal Sequestration Do Not Impact Local Services

The current cuts proposed in the Federal Sequestration will have a significant impact on Coconino County. Specifically, cuts to domestic discretionary programs such as aid to local law enforcement, K-12 education, Health and Human Service (HHS) programs for the elderly and other discretionary programs would be cut at the 8.2% level. Mandatory or direct allocation programs such as PILT, HHS Social Service Block Grant, and the NTIA State & Local Implementation Program would be cut at an estimated 7.6%. Combined, the impact could be more than \$1 million locally.

- Federal assistance to state and local governments will help mitigate further layoffs while a new round of cuts will most likely result from sequester.
- Federal investments and matching funds in state and local infrastructure projects helps produce private sector jobs and improve our competitiveness.
- Deficit reduction should *NOT* be accomplished by shifting costs to counties, imposing unfunded mandates, or pre-empting county programs and taxing authority.

Support Legislation to Address Local Needs By:

4. Supporting H.R. 862, Legislation to Correct a Boundary Dispute in the Mountaineer Subdivision

In November 2007, the U.S. Bureau of Land Management (BLM) completed a land survey in the Mountaineer Subdivision. During the 2007 survey, the BLM determined that there was an erroneous privately contracted survey of Mountaineer Unit I which was completed between 1960 and 1961. The survey misidentified several acres of United States Forest Service (USFS) land as private property. Since this time, the surveyors have passed away and the homeowners are faced with a situation of living on land owned by the USFS. The boundary discrepancy impacts 26 lots and 25 property owners in the Mountaineer Subdivision. The entire encroachment for all lots involves a total land area of 2.5 to 3 acres.

- Since 2007, a number of the property owners in the area have attempted to sell their properties and are having a difficult time doing so, due to questions associated with the land ownership.

- The USFS has limited ability to convey land to private landowners. Under the Small Tracts Act, Public Law 97-465, the USFS is authorized to sell or exchange small parcels of federal land that meet certain criteria. The Small Tracts Act requires the USFS to work with the individual landowners to convey the property at fair market value. This option, however, would be the most costly to the landowners and could potentially take several years to correct.
- H.R. 862, as introduced by Representative Kirkpatrick and Representative Gosar, conveys the land to the property owners and would expedite the process. Each property owner will be required to pay for a survey of each individual parcel, the cost to create a legal entity to receive the property, as well as the \$20,000 included as consideration in the legislation. H.R. 1038, the same legislation introduced in the 112th Congress, passed the House of Representatives on April 25th, 2012

Support Local Efforts Administratively By:

5. Continuing to Support Efforts in the Schultz Flood Area, Including:

1. Support Performance Extensions for the Natural Resources Conservation Service's (NRCS) Emergency Watershed Protection Program (EWP) through June 30, 2015.

- On January 24, 2012, the NRCS awarded a \$10.5 million dollar EWP project for watershed recovery and flood mitigation in the Schultz Flood Area. The original period of performance authorized was 220 days. NRCS has verbally committed to a two year extension, but due to restrictions in agency guidelines, the extensions must be issued in 220 day increments.
- Due to project complexity and the short construction season in the Flagstaff area, it is expected that project implementation cannot be fully completed until spring 2015.
- The NRCS has authorized an initial 220 day extension through June 7, 2013.
- Additional 220 day extensions, through June 30, 2015 will be required to ensure full project implementation.

2. Funding for the U.S. Forest Service to Complete Work in the Schultz Flood Area

- During a 2010 visit to the Schultz Flood area, US Forest Service Chief Tidwell made a verbal commitment to affected residents to provide funding to the Coconino National Forest once a mitigation master plan was completed.
- The EWP plan has been completed and of a \$10.5 million project, \$3.9 million is required for watershed restoration on National Forest land.
- \$1.15 million is needed from the U.S. Forest Service to supplement NRCS EWP funds for:
 - Additional engineering costs for on-forest measures - \$150,000
 - Construction costs associated with on-forest measures - \$1,000,000

3. Emergency Repair (ER) funding through the Federal Highway Administration (FHWA)

- FHWA has pledged a preliminary \$5 million for development and construction of mitigation measures to further protect US 89.
- Project engineering is currently underway. Diligence is needed to ensure construction funding is still in place once engineering is complete.

6. *Assisting the Arizona Department of Transportation with their Request for the Release of Emergency Relief Funds for U.S. Highway 89 South of Page in Coconino County*

On February 20, 2013, a slope failure occurred on U.S. Highway 89 at milepost 225, south of Page in Coconino County. The failure caused the closure of U.S. Highway 89 and the Highway remains closed at this juncture 25 miles south of Page. On February 22, 2013, ADOT submitted a request to the U.S. Department of Transportation Federal Highway Administration for emergency relief funds to repair Highway 89.

- Coconino County is supporting ADOT's request for emergency relief funds under Title 23, U.S.C. Section 125 to repair damages to U.S. Highway 89.
- The highway serves as a key connector in rural Arizona, specifically to Page and many tribal communities on the Navajo Nation and Hopi Reservation. Highway 89 serves as a bus route for school children and a corridor for commerce.
- Coconino County is requesting immediate action by the U.S. Department of Transportation to release funds for emergency repair of this key transportation artery in Northern Arizona.

7. *Require Concessionaires to Compensate Local Governments when Operating on Federal Land*

Currently, businesses that operate concessionaire operations on federal land are not liable to be assessed ad valorem taxes. In 2001, *Havasupai Springs v. La Paz County* found that improvements constructed and operated by a concessionaire on land owned by the United States government are not subject to ad valorem taxation. ARAMARK Sports and Entertainment Services, Inc. and Xanterra filed similar claims as the *Havasupai Springs* case.

- In Coconino County, properties were removed from the county tax rolls in 2004. Coconino County litigated the Xanterra appeals for prior years. The county was not successful with the lawsuit and was subsequently required to refund approximately \$2.3 million in taxes and \$1.2 million in interest.
- In Coconino County, there are currently six separate businesses and a total of 267 parcels that are exempt from property taxes because their businesses reside on federally owned land. The 267 parcels have a 2012 total net assessed value of approximately \$7.3 million. The addition of these parcels to Coconino County's current taxable base would provide significant resources to rural schools and alleviate the tax burden on residents and businesses in the county.

- Coconino County has been forced to find alternate budget augmentation due to diminished property tax revenues. In addition, as a result of the net loss in tax collections, there was a burdensome cost shift to taxpayers, counties and county departments of approximately \$570,000 a year to account for the repayment.
- As a result of the settlement, local school districts were left in a financial bind. Specifically, the Grand Canyon School District was responsible for refunding approximately \$1.8 million of the taxes.

8. Continuing to Support the Four Forests Restoration Initiative (Four FRI)

Coconino County has been a strong supporter of the Four Forest Restoration Initiative and the opportunity it will bring to the Northern Arizona region. The county has participated as a stakeholder and through the collaborative process.

- Due to the catastrophic wildfires we have witnessed in our region, it's critical that we carry out landscape-scale forest restoration activities in our forests. We ask for your continued support of Four FRI and your support of the collaborative process.
- While supportive of Four FRI, we must ensure that funding is set aside for maintenance of roads impacted by the increased activity in our forests. We recognize that road funding is dwindling, but it's imperative that funding is set aside to address these potential long-term road issues.