FISCAL CHALLENGES AND RECOMMENDATIONS

Clearwater Basin Collaborative

Clearwater & Idaho Counties

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About Headwaters Economics

Headwaters Economics is an independent, nonprofit research group. Our mission is to improve community development and land management decisions in the West. For more information about Headwaters Economics, go to: www.headwaterseconomics.org.

Headwaters Economics prepared this report for consideration by the Clearwater Basin Collaborative as members deliberate a public lands bill. For more information on this report, contact Mark Haggerty: 406-570-5626, mark@headwaterseconomics.org.

This report and additional economic and fiscal resources are available at the web site: http://headwaterseconomics.org/clearwater.
EXECUTIVE SUMMARY

Challenges

County governments are dependent on uncertain federal land payments

- Federal land payments make up 14 percent of total county revenue in Clearwater County and 47 percent of total county revenue in Idaho County in 2008.
- Payments are decoupled from declining timber harvest, and fully funded in 2008, but uncertainty of PILT and Secure Rural Schools after 2012 places county services at risk.

Local revenue options are limited

- Clearwater and Idaho Counties’ tax levies are below the state average, but growth is restricted by state revenue limits.
- Total assessed values have increases in both counties, with residential property making up the largest source of taxable value. Timber values are volatile and declining.

Law enforcement costs on public lands exceed federal funding

- PILT, Secure Rural Schools Title III, and law enforcement cooperative agreements are not covering local government costs.
- New public lands designations are likely to increase demands for public safety services, creating the need for additional resources.

Recommendations

Meet expected increase in public safety costs associated with new public land designations

- Fully fund cooperative law enforcement agreements.
- Secure a one-time appropriation associated with increased capital needs.
- Pursue other options including increase Forest Service law enforcement budget, charging fees for services on public lands (e.g., search and rescue), and funding cultural resource protection on public lands.
- Continue fully-funded federal land payments.

Decrease dependence on federal land payments

- Diversify and grow local revenue base.
- Establish a rainy-day fund.
CHALLENGES

Counties are dependent on uncertain federal land payments

Clearwater and Idaho counties are heavily dependent on federal land payments to fund local government services. Federal land payments make up 14 percent of total county revenue in Clearwater County and 47 percent of total county revenue in Idaho County.¹

This dependency is problematic because the Secure Rural Schools and Community Self-Determination Act (Secure Rural Schools) and Payments in Lieu of Taxes (PILT) are only authorized through 2012, and reauthorization and full appropriations are far from certain.

For a detailed description of these programs over time, see *A Fiscal Profile of Public Lands* for Clearwater and Idaho counties at [www.headwaterseconomics.org/clearwater](http://www.headwaterseconomics.org/clearwater).

**Figure 1: Sources of County Government Revenue, Clearwater County, FY 2002-2008 (2008 Dollars)**

**Figure 2: Sources of County Government Revenue, Idaho County, FY 2002-2008 (2008 Dollars)**
Note: Federal payments appropriated in federal fiscal year 2008 do not arrive in the two counties until county fiscal year 2009. As a result, federal land payments reported in Figures 1 and 2 appear to lag federal land payments reported in Figures 3 and 4 by one year.

**Figure 3: Total Federal Land Payments, Clearwater County, Idaho, FY 1986-2008 (2008 Dollars)**

Figures 3 and 4 show the volatility and long-term decline of Forest service revenue sharing (the 25% Fund) from 1986 to 2000. In 2001, Secure Rural Schools decoupled county payments from timber harvests, both stabilizing and increasing payments. Clearwater County received over $1 million more in 2001 than it did in 2000, and Idaho County saw its payment increase by nearly $4 million.2

Despite recent gains for the two counties, federal land payments are highly uncertain, placing county government services at risk. Secure Rural Schools and PILT are only authorized through 2012. Both programs must be re-authorized and secure similar appropriations to avoid declines in revenue to counties.
Federal land payments are often restricted to specific uses. County governments in Idaho receive about two-thirds of total federal land payments with the rest distributed to school districts, local grazing districts, and resource advisory committees (RACs) (See Figures 5 and 6). Most of the counties’ portion of federal land payments are restricted to funding county roads (See Figures 7 and 8).
Figure 7: Restricted and Unrestricted Use of County Government Portion of Federal Land Payments, Clearwater County, FY2008

- Restricted: Special County Projects
  - $17,789
  - 1%

- Restricted: County Roads
  - $1,058,423
  - 68%

- Unrestricted
  - $485,526
  - 31%

Figure 8: Restricted and Unrestricted Use of County Government Portion of Federal Land Payments, Idaho County, FY2008

- Restricted: Special County Projects
  - $88,728
  - 1%

- Restricted: County Roads
  - $7,039,073
  - 82%

- Unrestricted
  - $1,446,247
  - 17%
Local revenue options are limited

Idaho counties are heavily dependent on property taxes for local revenue. Fully 97.3 percent of all local tax revenue is derived from property taxes state-wide (sales taxes are levied by the state and distributed back to counties). Taxes are based on the assessed value of personal and real property in the two counties. Figures 9 and 10 show that assessed values are on the rise, despite volatility in timber assessments (long term decline and more recent gains).

Figure 9: Assessed Value of Property by Class, Clearwater County, ID, 1997-2008 (2008 Dollars)

![Figure 9](image1)

Figure 10: Assessed Value of Property by Class, Idaho County, ID, 1997-2008 (2008 Dollars)

![Figure 10](image2)

Taxes are levied to support the county government, local school districts, cities, and a variety of special districts. Figure 11 shows the proportion of property taxes levied to support different local governments in the two counties.
The average county-wide property tax levy (tax rate) in Clearwater and Idaho counties are declining over time, consistent with a state-wide trend. Figure 12 also shows Clearwater and Idaho counties tax levies are currently below the state average.\footnote{7}

Idaho law sets a 3 percent cap on the annual increase in the taxing district’s overall budget. The limit also applies to budget components, including general property taxes. In other words, counties can only increase their property tax revenue by 3 percent annually as well (there are exemptions for the value of new construction, and voter-approved bonds and special service district levy increases).\footnote{8} Counties and other local government entities that do not increase budgets by 3 percent in a give year have the ability to recapture that “foregone amount” at a later date.
In both Idaho and Clearwater County, budgets have been conservative, remaining relatively stable. Because of rising assessed values (mainly residential property) the proportion of Idaho County’s budget funded by property taxes declined 22 percent between 2003 and 2008. In Clearwater County, the portion of the budget funded by property taxes increased by 14 percent over the same period. Because the assessed value of property in the two counties have increased, levies have declined or grown more slowly than the 3 percent limit would otherwise allow to keep property tax revenue within the 3 percent limit.

Most of the growth of assessed values in both counties is from residential property (see Tables 9 and 10). Stabilizing, diversifying, and growing the industrial and commercial tax base should be a priority way to increase local revenue.

With the threat of federal funding declining, however, increasing local property taxes, fees, and charges might be an option. High local tax rates are often assumed to discourage growth. However, growth is also strongly associated with the quality of local services and amenities, including local schools, parks, and recreational opportunities. Tax rates, within reason, are less important than the quality of services and amenities paid for (at least in part) by local taxes.9

Because Clearwater and Idaho Counties have relatively low tax rates currently, there may be opportunities to raise taxes for strategic and efficient service delivery intended to promote economic development. However, with no “foregone amount” available10, options are limited to impact fees, charges, bonding, special service levies, or voter-approved levy increases.
Law enforcement costs on public lands exceed federal funding

Three federal funding sources can be used by county governments to fund law enforcement activities on public lands (including search and rescue): PILT, Secure Rural Schools Act Title III payments, and specific cooperative agreements with the Forest Service. In addition, the Forest Service has its own law enforcement budget. Opportunities may also exist to fund Tribal law enforcement and cultural resource protection on public lands.

Currently, Clearwater and Idaho County’s public safety costs on Forest Service land outstrip the two county’s available federal funding, and existing funding sources remain uncertain.

PILT
PILT is intended to compensate counties for non-taxable federal lands, and can be used at the discretion of the county government. PILT helps cover basic law enforcement, search and rescue, criminal investigations, courts, and justice services provided by the county on public lands.

Breaking down Clearwater County’s property tax levy shows that 41 percent of property taxes are dedicated to the Justice Fund for the Sheriff’s Department and related public safety services. The Sheriff accounts for about 86 percent of the Justice Fund’s total expenditures.

Clearwater County directs 59 percent of PILT funds to the Justice Fund, exceeding the 41 percent of property taxes directed to the same fund. That means the county disproportionately directs PILT to cover public safety costs, effectively reducing revenue for other county government services.11

Figure 13: Proportion of Property Taxes and PILT payments dedicated to Public Safety, Clearwater County, Idaho, FY 2008
Idaho County’s Sheriff is funded by the Current Expense fund which received 63 percent of all property taxes levied by the county government in 2008. Idaho County typically directs 100 percent of PILT funds to the Current Expense fund (2008 was an exception because of the “extra payments” the county received in that fiscal year that was directed to other priorities). The Sheriff’s Office represents about one-fifth of all Current Expense fund expenditures, but less than 13 percent of all expenditures funded through property taxes. Using the property tax metric to allocate PILT funds means the Sheriff should receive just under 13 percent of PILT, not the 20 percent the Sheriff actually receives.

PILT is currently fully-funded and the recent increase may cover shortfalls in the short-run. It may also be possible to invest some of the current increase in PILT funds in anticipation of declining payments in the future. PILT payments to Idaho County increased by $540,000 between federal fiscal year 2007 and 2008 while Clearwater County’s PILT payment increased by $185,000 over the same period.

Despite being fully-funded at appropriated levels, PILT is not tax-equivalent in Clearwater or Idaho Counties. Tax-equivalency is a comparison of PILT payments on a per-acre basis to average per-acre property tax on lands used for similar purposes. Table 1 shows that timber-assessed lands pay $3.70 more per acre on average than PILT in Clearwater County and $1.49 more per acre on average than PILT in Idaho County.

**Table 1: PILT and Property Tax Equivalency, Idaho Counties, FY 2008**

<table>
<thead>
<tr>
<th>COUNTY</th>
<th>Average Per-Acre Tax</th>
<th>Average Per-Acre PILT Payment</th>
<th>Tax Equivalency (PILT minus Tax)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adams</td>
<td>0.92</td>
<td>0.32</td>
<td>(0.60)</td>
</tr>
<tr>
<td>Benewah</td>
<td>2.93</td>
<td>0.99</td>
<td>(1.94)</td>
</tr>
<tr>
<td>Boise</td>
<td>0.83</td>
<td>0.32</td>
<td>(0.51)</td>
</tr>
<tr>
<td>Bonner</td>
<td>2.52</td>
<td>0.56</td>
<td>(1.95)</td>
</tr>
<tr>
<td>boundary</td>
<td>3.41</td>
<td>0.36</td>
<td>(3.05)</td>
</tr>
<tr>
<td>Clearwater</td>
<td>4.28</td>
<td>0.58</td>
<td>(3.70)</td>
</tr>
<tr>
<td>Elmore</td>
<td>0.63</td>
<td>1.49</td>
<td>0.86</td>
</tr>
<tr>
<td>Gem</td>
<td>0.57</td>
<td>1.83</td>
<td>1.26</td>
</tr>
<tr>
<td>Idaho</td>
<td>1.81</td>
<td>0.32</td>
<td>(1.49)</td>
</tr>
<tr>
<td>Kootenay</td>
<td>2.76</td>
<td>2.29</td>
<td>(0.47)</td>
</tr>
<tr>
<td>Latah</td>
<td>4.70</td>
<td>2.01</td>
<td>(2.69)</td>
</tr>
<tr>
<td>Lewis</td>
<td>2.89</td>
<td>2.29</td>
<td>(0.60)</td>
</tr>
<tr>
<td>Nez Perce</td>
<td>2.01</td>
<td>2.25</td>
<td>0.24</td>
</tr>
<tr>
<td>Shoshone</td>
<td>3.10</td>
<td>0.32</td>
<td>(2.78)</td>
</tr>
<tr>
<td>Valley</td>
<td>1.02</td>
<td>0.32</td>
<td>(0.70)</td>
</tr>
</tbody>
</table>

**Negative** value means PILT under-compensates counties and **positive** values means PILT more than compensates counties for non taxable federal lands when compared to property taxes on private land assessed for timber production.

The Idaho County Board of Commissioners sent a letter to the Clearwater Basin Collaborative Economic Subcommittee on September 15, 2009 stating that they would like to see PILT funded at a “market based” payment level of $4 per acre per year, and that this payment be permanent and annually adjusted for inflation. The Board of Commissioners are correct that PILT must be stable and secure, but they provide no evidence for the $4 per acre payment. Table 1 suggests the payment amount in Idaho County should be closer to $2 per acre based on a comparison to similarly taxed lands.
(the comparison assumes the timber value of public lands is similar to the value of private lands assessed for timber production).

Later in the recommendations section of this report, we support the effort to ensure PILT and other federal lands payments continue at fully-funded levels, and tax equivalency is an important metric to use when determining the appropriateness of payment levels. However, PILT is a national issue and there may be little for the CBC to do within the limits of a public lands bill.

**Secure Rural Schools Title III**

Permitted uses of Title III funds changed with the reauthorization of Secure Rural Schools in 2009. Title III funds may be used *only* to carry out the *Firewise Communities* program, develop community wildfire protection plans, and reimburse for emergency services paid for by counties and performed on Federal land (e.g. search and rescue, firefighting).12

The total amount of money allocated to Title III in FY 2008 was $17,789 in Clearwater County and $88,728 in Idaho County.

**Law Enforcement Cooperative Agreements**

The Cooperative Law Enforcement Program authorizes the Forest Service to enter into cooperative agreements to reimburse state and local government for “extraordinary expenditures incurred in providing additional services requested by the Forest Service that are not normally provided by the local law enforcement agency.”

Clearwater County’s law enforcement cooperative agreement with the Forest Service provides $23,000 annually for specific patrol activities and reimbursements in 2008. Providing seven day a week patrol coverage on public lands for the areas set out in the Cooperative Agreement essentially requires two full-time sheriff’s deputies dedicated to the National Forest, at a cost of $140,000 annually.13

Idaho County’s Cooperative Agreement in 2008, according to the Annual Financial and Operating Plan, allocated $27,600 for specific patrol activities. In the same year, Idaho County’s Sheriff’s Office incurred $46,831 in actual costs providing these patrol activities.14

Insufficient funding to cover the current costs of services outlined by the agreements results in a lower level of service on public lands and/or diverts resources from other priorities on private land. One clear outcome is longer response-times and lower patrol coverage in general on public and private lands. Long distances involved in patrol and responding to incidents on public lands make it more difficult to provide adequate coverage with limited resources.15

One problem is that the cooperative agreements have not kept pace with inflation or changing demands and costs on local government law enforcement. As a result, the two counties receive less today in inflation adjusted dollars than when the agreements began. This is a national problem not only restricted to Clearwater and Idaho Counties.16
Another complicating factor is that the national Cooperative Agreement Program appropriation is tied to the Forest Service’s Law Enforcement appropriation and budget. That means increasing funding for cooperative agreements necessarily reduces the Forest Service law enforcement budget unless additional funding can be found.

**Federal Law Enforcement Activities**
The Forest Service has its own law enforcement officers and budget on the Clearwater and Nez Perce National Forests. Federal employment and funding has been declining in the two counties over time, and it is likely that this trend will continue. In addition, 9-11 and new federal law enforcement training requirements have made federal law enforcement officers more costly to train and place on the ground.

It is possible, however, that new designations could bring new money and resources to the Clearwater and Nez Perce National Forests, halting or reversing the trend of declining budgets and staffing.

**Tribal Law Enforcement and Resource Protection**
The Owyhee Initiative resulted in broad support for a Cultural Resource Protection Project that includes significant new funding for education, interpretation, and patrol on BLM lands in Owyhee County. Up to 5 tribal rangers will be trained in law enforcement and will be primarily responsible for protection of cultural resources on public lands. Under the current proposal, the Tribal rangers will be deputized by Owyhee County, although the implementation of the Cultural Resource Protection Project is still evolving.

There may be potential in the Clearwater to secure additional funding for public safety, cultural resource protection, and other law enforcement activities on public lands by empowering, funding, and training tribal rangers in a manner similar to the outlines of the Owyhee Initiative. The most important lesson from the Owyhee may not be the specifics of the final agreement, but the mutual commitment to the preservation and protection of cultural resources on public lands. If the same kind of agreement and commitment can be forged among the Clearwater Basin Collaborative members, the Tribes will have support to pursue agreement with the counties or with the federal government.

**Case Statement for Law Enforcement Funding**
We provide a case study of Clearwater County as a way of identifying if and where funding shortfalls occur.

Table 2 below shows total federal land revenue available to the Clearwater County Sheriff’s Department for use on public lands compared to the Sheriff’s need for two supplied deputies to provide seven day a week coverage (considered by the Sheriff to be an adequate level of service). As Table 2 shows, federal funding is roughly equivalent to patrol costs with surpluses in some years, and deficits in others.
Table 2: Comparison of Federal Funding Available for Law Enforcement to Local Government Public Safety Expenditures on Public Lands (2008 Dollars)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PILT</td>
<td>289,976</td>
<td>538,727</td>
<td>601,519</td>
<td>312,250</td>
<td>317,315</td>
<td>315,989</td>
<td>317,763</td>
<td>311,979</td>
<td>485,248</td>
</tr>
<tr>
<td>Justice Fund</td>
<td>118,890</td>
<td>220,878</td>
<td>246,623</td>
<td>128,023</td>
<td>130,099</td>
<td>129,556</td>
<td>130,283</td>
<td>127,911</td>
<td>198,952</td>
</tr>
<tr>
<td>Sheriff's Dept.</td>
<td>86,993</td>
<td>161,618</td>
<td>180,456</td>
<td>93,675</td>
<td>95,194</td>
<td>94,797</td>
<td>95,329</td>
<td>93,594</td>
<td>145,574</td>
</tr>
<tr>
<td>Sheriff's Dept. Total</td>
<td>110,293</td>
<td>184,918</td>
<td>203,756</td>
<td>116,975</td>
<td>118,494</td>
<td>118,097</td>
<td>118,629</td>
<td>116,894</td>
<td>168,874</td>
</tr>
<tr>
<td>Patrol Needs</td>
<td>112,742</td>
<td>115,950</td>
<td>117,783</td>
<td>120,467</td>
<td>123,676</td>
<td>127,866</td>
<td>131,990</td>
<td>135,750</td>
<td>140,962</td>
</tr>
<tr>
<td>Surplus (Deficit)</td>
<td>(2,449)</td>
<td>68,968</td>
<td>85,972</td>
<td>(3,492)</td>
<td>(5,181)</td>
<td>(9,769)</td>
<td>(13,362)</td>
<td>(18,856)</td>
<td>27,912</td>
</tr>
</tbody>
</table>

Demands for public safety services are likely to grow if new public land designations and investments in infrastructure occur. For example, the Owyhee County sheriff reported a spike in emergency response and search and rescue demands after new Wilderness designations that resulted from the Owyhee collaborative effort (costs associated with increased recreation use and enforcing new regulations associated with designations and the new travel plan). 18

The Lewis and Clark Bicentennial Public Safety Strategy provides scope for understanding total costs associated with comprehensive public safety costs in Idaho and Clearwater Counties. Table 3 below shows the range of different service providers and funding requests on the Clearwater and Nez Perce National Forests which include nearly $3 million in capital needs during 2002, and annual public safety costs of $3.7 million from 2002 to 2006. 19 Resource needs for the Clearwater and Idaho County Sheriff’s Offices include $1.2 million in capital facilities and annual costs of $1.3 million combined.

Table 3: Lewis and Clark Bicentennial Public Safety Strategy Summary of Resource Needs and Cost Analysis (Thousands of Dollars)

<table>
<thead>
<tr>
<th>Service Provider</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowell QRU</td>
<td>53</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kooskia Voluntary Fire Department</td>
<td>175</td>
<td>24</td>
<td>24</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>Forest Service</td>
<td>198</td>
<td>217</td>
<td>217</td>
<td>217</td>
<td>217</td>
</tr>
<tr>
<td>Idaho County Sheriff's Office</td>
<td>1706</td>
<td>856</td>
<td>871</td>
<td>856</td>
<td>856</td>
</tr>
<tr>
<td>Clearwater Valley Hospital</td>
<td>815</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clearwater County Ambulance Service</td>
<td>316</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clearwater Search and Rescue</td>
<td>310</td>
<td>199</td>
<td>199</td>
<td>199</td>
<td>199</td>
</tr>
<tr>
<td>Orofino Fire Department</td>
<td>50</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orofino Police Department</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Idaho Department of Corrections</td>
<td>199</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Clearwater County Sheriff's Office</td>
<td>800</td>
<td>450</td>
<td>450</td>
<td>450</td>
<td>450</td>
</tr>
<tr>
<td>Total</td>
<td>6632</td>
<td>3755</td>
<td>3771</td>
<td>3757</td>
<td>3758</td>
</tr>
</tbody>
</table>

The example of Clearwater County (See Table 2) looked at the cost of funding two full-time supplied deputies on public lands to provide a level of service adequate for existing conditions. It shows funding is barely keeping pace with these levels of service today, and necessarily divert funds from other programs to maintain this level of service. If federal land payments to decline after 2012 (which we expect to occur), and cooperative agreements to remain stagnant (not keeping pace with inflation or changing demands), maintaining the current level of service will not be possible.
If demands for law enforcement, search and rescue, and cultural resource protection increase as a result of new designations, additional resources will be required. The Lewis and Clark Bicentennial Strategy provides some context for how many additional resources may be required - nearly $3 million in capital investments and $3.5 million in annual operating costs for a wide-range of service providers from local to state to federal agencies.
RECOMMENDATIONS

Meet expected increase in public safety costs associated with new public land designations.

Fully fund cooperative law enforcement agreements: (low potential)
There may be an opportunity for the CBC to ask for a new appropriation associated with a public lands bill that would fully fund existing coop agreements and allow for annual adjustments for inflation and changing service demands and needs as requested by the Forest Service. This would allow for ongoing collaboration and re-assessment of needs and costs to provide the best possible resource protection and public safety on the National Forest. For example, the Annual Financial and Operating Plan should be responsive to higher (or lower) public safety demands and costs associated with changes in recreation use. Coop agreements could also be adjusted down if the Forest Service’s own law enforcement budget and capacity is increased.

There are two possible ways to accomplish this goal. The first is to secure a new congressional appropriation. Previous efforts to reform and increase funding for the Cooperative Agreement program have been unsuccessful although a specific appropriation tied to new public land designations may have potential. The second option is to shift money from the Forest Service to the local government (essentially a “local” solution). This solution may have some limited gains in the level of service provided assuming that the local government can provide services in a more cost effective manner, but may not be politically or practically feasible.

Secure a one-time appropriation associated with increased capital needs: (high potential)
The CBC could ask for a one-time appropriation to fund capital needs (and a budget for maintenance and depreciation) directly related to increased demands that stem from new public land designations. For example, increased demand for search and rescue and emergency response services could require additional staff and resources. Capital costs associated with increased capacity may include vehicles, buildings and shops, computers, or even a search and rescue helicopter.

This option requires a new congressional appropriation, which is never certain and may complicate a public lands bill the CBC may put forward. However, the Owyhee Initiative provides an example, and a one-time appropriation is the most likely option for a new appropriation directly to the counties.
Increase Forest Service law enforcement budget: (unknown potential)
Another option for controlling county government costs is to remove some of the county’s responsibility for providing public safety on public lands by ensuring proper funding for the Forest Service’s own law enforcement activities.

It is unlikely that all county costs can be eliminated. Idaho counties have a statutory responsibility for public safety on all lands within their jurisdiction, and often play roles (including criminal investigation) that the Forest Service is less involved in. It is also less costly for the two counties to provide the same level of service, making coop agreements fiscally attractive in the face of tight federal budgets.

However, there is precedent from the Owyhee Initiative where additional law enforcement resources went to the BLM instead of the Owyhee County for public safety. Designation of new Wilderness and 316 miles of river as Wild and Scenic resulted in the BLM funding two additional full-time rangers to the Boise District.21

Continue Fully Funded Federal Land Payments: (low potential)
The CBC has very little say over PILT and Secure Rural Schools Title III funding. While the CBC and its members should continue to lobby for sustained payments, Clearwater and Idaho Counties should also plan for declining federal land payments to avoid steep cuts in services and budgets.

Impose fees for services on public lands, mainly search and rescue efforts: (unknown potential)

Seek Funding for Tribal Law Enforcement and Cultural Resource Protection: (high potential)
The Owyhee Initiative resulted in a Cultural Resource Protection Program and funding for five Tribal rangers. It would be worthwhile discussing if and how a similar approach may work on the Clearwater and Nez Perce National Forests. It may prove to be easier to secure funding for cultural resource protection than for general local government law enforcement.
Decrease dependence on federal land payments

Just as dependencies on a single industry can weaken the local economy, relying too heavily on a single revenue source to fund county government weakens fiscal health. Dependency on federal land payments has an added risk factor: PILT and Secure Rural Schools are beyond the control of the two counties.

On the up side, fully funded PILT and a big increase in Secure Rural Schools payments this year are helping the counties weather the economic downturn (Clearwater County’s payments increased by $440,000 in 2008; Idaho County’s payments increased by $4.3 million in 2008). In the long run, PILT will likely decline and Secure Rural Schools is highly uncertain after 2012.

Reducing dependencies on federal land payments means growing and diversifying revenues. While the counties should continue to lobby for sustained PILT and Secure Rural Schools payments, they must begin planning for these programs to decline or sunset. The two counties should consider—if they are not already—pursuing some or all of the options below.

Increase Local Property Taxes: (moderate potential)
Idaho Counties are heavily dependent on property taxes for local revenue, but Idaho law sets a 3 percent cap on the annual increase of a taxing district’s total budget, and total revenue collected by property taxes (plus an amount for new construction and annexation). A two-thirds popular vote is required for increases above the 3 percent budget limit.

Clearwater and Idaho should maximize the 3 percent increase annually and consider new district and specific service taxes (e.g., search and rescue, ambulance and emergency response, and/or special law enforcement districts) as a hedge against declining federal land payments.

Impose New Charges for Services: (moderate potential)
The second largest source of local revenue in the two counties (after property taxes) are charges for services. The two counties could look at charging additional fees for services directly related to public lands (e.g., search and rescue). Impact fees on new development offers another opportunity to fund required services, but revenue from impact fees is restricted to services than directly benefit the new development paying the fee.
**Establish a Rainy-Day Fund:** *(unknown potential)*

Investing a portion of federal land payments as a hedge against long-term volatility and uncertainty should be possible. For example, PILT payments can be used at the county’s discretion but Secure Rural Schools Title III are restricted to reimbursements for services provided during the current fiscal year funding is available. Clearwater County’s PILT payments increased by $185 thousand in 2008. Idaho County’s PILT payments increased by $450 thousand in 2008.

Maximizing the allowed budget increase from property taxes could also help build a rainy-day fund. If more secure federal payments are ultimately secured, the property taxes invested could be returned to taxpayers.

There may be restrictions imposed by the State of Idaho on how much counties can save relative to their annual revenues and expenditures.
References


11 Idaho State Tax Commission, Clearwater and Idaho Counties Assessor’s Office.

12 See note 2, US Forest Service.

13 Personal Communication by e-mail, Clearwater County Sheriff Christopher Goetz, July 22, 2009. Costs for two supplied deputies, including equipment, training, and vehicle replacement. See also Lewis and Clark Bicentennial Agreement costs for a deputy (adjusted for inflation to 2008 dollars).


15 Personal Communication, Christopher Goetz, Clearwater County Sheriff.


Personal Communication, Owyhee County Sheriff’s Office, June 26, 2009.


Owyhee Initiative www.owhyheeinitiative.org. Personal communication with Oyweee County Sheriff’s Office.