INTRODUCTION

An important aspect of a county's economy is the financial capacity of local governments. The financial viability of an area's local government helps determine the ability of the county to provide local services to their community members, and to maintain public infrastructure. SJPL managers place a strong emphasis on working in cooperation with all of the local governments within the region. The following discussion includes the local governments within the counties of Archuleta, Dolores, La Plata, Montezuma, and San Juan.

LEGAL AND ADMINISTRATIVE FRAMEWORK

LAWS

- ***The Payment in Lieu of Taxes Act of 1976***: This act determined the formula regarding compensation to local governments for the presence of tax-exempt Federal lands within their jurisdictions. PILT is a Federal revenue-sharing program administered by the BLM.
- ***The Act of May 23, 1908, as amended***: This act requires payments equal to a 25% share of annual revenues coming from the sale of forest products, user fees, and Special Use Permits (including from grazing) on each national forest.
- ***The Secure Rural Schools and Community Self-Determination Act of 2000***: This act offers counties an option for compensation payments that do not fluctuate with national forest revenues.

AFFECTED ENVIRONMENT

EXISTING CONDITIONS AND TRENDS

County Revenues

This discussion considers two aspects of local county government revenues that may be directly and/or indirectly related to activities occurring within the planning area: 1) Federal land payments, and 2) receipts from assessed property and sales taxes.

The counties that contain lands located within the planning area receive payments from the Federal government. Generally, these payments seek to compensate these counties for two costs. The first cost compensates for the loss of property tax revenues (through "payment in lieu of taxes" (PILT) payments). These payments may, or may not, fully compensate counties for property taxes lost due to public lands being under Federal ownership. The second cost compensates for the economic burden borne by local governments for serving visitors to the public lands (through the "25% Fund"). A general relationship between land location and visitor use is implied in the enabling legislation for public lands; however, the level of actual visitor use is not a factor in the formula that helps determine compensation.

Payment in Lieu of Taxes (PILT)

The Payment in Lieu of Taxes Act of 1976 determined the formula regarding compensation to local governments for the presence of tax-exempt Federal lands within their jurisdictions. PILT is a Federal revenue-sharing program administered by the BLM. The formula takes into account such factors as other forms of revenue sharing, acreage, and population. These payments are made directly to counties. and monies may be used for any purpose. PILT payments can be, and recently have been, limited by Congress through the appropriations process. Since 1994, Congress has not appropriated sufficient funds in order to fully compensate counties. Federal land payments for the most recent year available are shown in Table 3.27.1.

Table 3.27.1 - Federal Payment in Lieu of Taxes (PLT) 2006

County	PILT for Forest Lands	PILT for BLM Lands	Total PILT
Archuleta County	$532,847	$10,165	$543,012
Dolores County	$67,708	$17,714	$85,422
La Plata County	$528,684	$27,455	$556,139
Montezuma County	$126,049	$77,966	$204,015
San Juan County	$35,337	$8,062	$43,399

Source: U.S. Department of Interior

Payments to Counties

The Act of May 23, 1908, as amended, requires payments equal to a 25% share of annual revenues coming from the sale of forest products, user fees, and Special Use Permits (including from grazing) on each national forest. These payments are made to States, then are distributed to the counties, with the restriction that monies may only be expended for education and/or roads. In most cases, the remaining 75% is not retained by the USFS; rather, it is deposited in the U.S. Treasury. These 25% Fund payments are not limited by annual Congressional appropriations.

The Secure Rural Schools and Community Self-Determination Act of 2000 provided counties with an additional payment option. The new law offered counties an option for payments that do not fluctuate with national forest revenues. Fixed amounts, based on recent history, unlink compensation payments from changing uses and revenues of a national forest. Under this option, counties receive the average of the three highest 25% Fund payments during the period of fiscal years 1986 through 1999. This option provided stability of payments; however, it removed the opportunity for larger payments. In addition, the fixed amounts have additional requirements for their use. Counties had until September 30, 2001 to decide whether or not they would continue with the annually varying 25% Fund payments or choose fixed amounts for compensation. Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties all choose fixed payments.

Table 3.27.2 - Payments to Counties 2006

County	Payment
Archuleta County	$110,131
Dolores County	$90,167
La Plata County	$108,693
Montezuma County	$69,285
San Juan County	$40,503

Source: U.S. Forest Service

A portion of federal receipts are also returned to states and local governments from minerals royalties and livestock grazing receipts. The USDOI collects a royalty, or fee, from oil and gas companies based on their resource production on Federal lands. One-half of the royalty is returned to states to use to fund local school districts, local governments, and the Colorado Water Conservation Board. Table 3.27.3 shows the amount dispersed to the State of Colorado related to oil and gas production in SJPL Counties.

Table 3.27.3 – Payments from Energy Development Revenues in 2006

County where Production Occurred	Payment
Archuleta County	$110,131
Dolores County	$90,167
La Plata County	$108,693
Montezuma County	$69,285
San Juan County	$40,503

Source: U.S. Department of Interior

Under Section 3 of the Taylor Grazing Act, 12½ percent of receipts from grazing on BLM-administered lands are returned to states. The amount returned from SJPL grazing fees in 2006 was $4,596.

Sales Tax Revenues

Sales tax rates vary between 1 and 4% for counties and municipalities associated with the planning area. Due to Colorado's fiscal structure, most communities rely on sales tax to a large degree. Currently, sales tax collections are on the rise, and will continue to rise in the region as more people move to the area and tourist-related sales increase.

County-Assessed Valuation

The following tables show each county's assessed valuation (the basis for tax revenue a county can generate). State law allows a county to tax, up to a certain specified rate, assessed property values. The total amount of receipts a county is able to generate is directly proportional to its assessed valuation. County tax receipts help fund basic services (including roads, infrastructure, and law enforcement).

Table 3.27.4 - County Property Tax Revenues for 2005

	Counties	Municipalities	Total
Archuleta County	$4,271,965	$67,129	$4,339,094
Dolores County	$944,759	$227,509	$1,172,268
La Plata County	$21,106,224	$1,123,499	$22,229,723
Montezuma County	$4,333,489	$249,094	$4,582,583
San Juan County	$716,833	$261,125	$977,958
San Miguel County	$7,528,485	$2,397,214	$9,925,699

Source: Colorado Division of Property Taxation

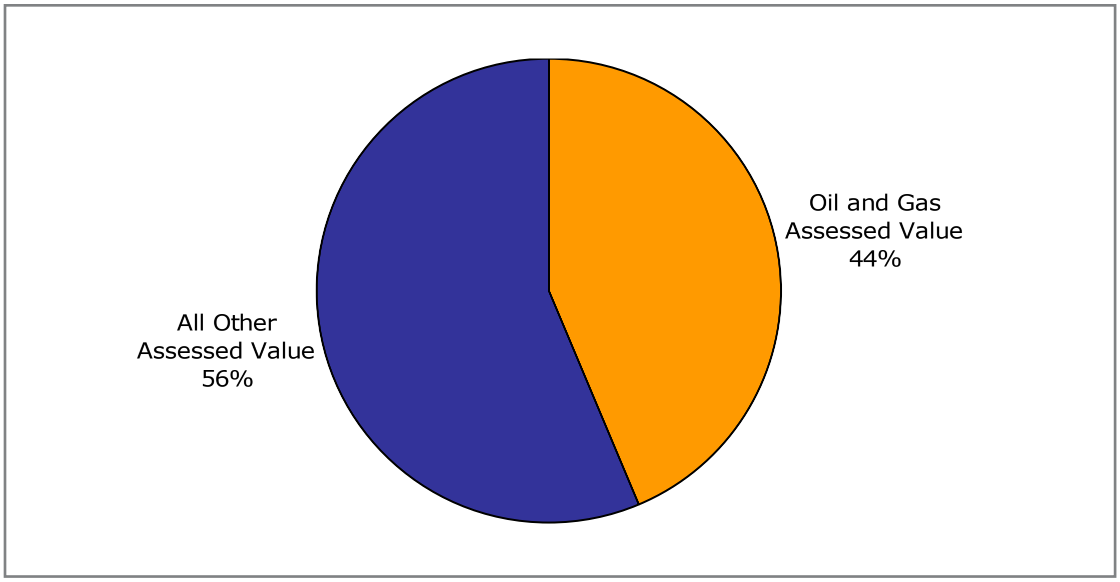
Property taxes are based directly on assessed valuation (mill levy x assessed value = property tax due). Therefore, the portion of assessed value attributed to oil and gas development is directly proportionate to the revenues received related to oil and gas. La Plata County has the majority of oil and gas assessed valuation (totaling over 1.5 billion in 2005, and generating nearly two-thirds of all property tax revenues). For the planning area as a whole, oil and gas property and productions account for 44% of property tax revenues.

Table 3.27.4 - Oil and Gas Assessed Valuation vs. Total Assessed Valuation for 2005

	Oil and Gas Assessed Value	Total Assessed Value	Percentage (%) Property Tax Base from Oil and Gas
Archuleta County	$5,310,727	$235,870,463	2%
Dolores County	$6,385,834	$34,277,493	19%
La Plata County	$1,510,431,260	$2,487,443,790	61%
Montezuma County	$92,338,450	$300,694,400	31%
San Juan County	$0	$40,625,490	0%
San Miguel County	$68,068,140	$753,521,940	9%
TOTAL	$1,682,534,411	$3,852,433,576	44%

Source: Colorado Division of Property Taxation 2005 Annual Report

Figure 3.27.5 - Oil and Gas as Share of 2005 Total Property Tax Base – SJPL Area



Local Government Costs

As population increases occur, private development often increases near USFS and BLM boundaries. Typically, homes situated adjacent to planning area boundaries offer more privacy, better views, greater opportunities for recreation and wildlife viewing, and more pleasant immediate surroundings than those situated further away from public lands. These amenities are highly valued by homeowners. Along with these developments, however, come higher costs of services provided by local governments. Irregular boundaries, less-developed roads, and longer distances from community centers make for expensive law enforcement, public school systems, and emergency services.

The costs borne by local governments for serving visitors to the planning area include law enforcement and judicial services and rescue and other emergency services, as well as the costs associated with increased wear on local public infrastructure.

Road Maintenance and Improvement

The State highway system, county road networks, municipal streets, and USFS/BLM roads form the transportation network in southwestern Colorado. Public lands are often accessible only via county roads or municipal streets. Some costs are associated with providing maintenance for roads leading into public lands. Activities associated with oil and gas development often involve the use of heavy trucks, which can result in increased impacts to roads when compared to passenger vehicles. La Plata County has developed a fee on oil and gas wells in order to help pay for county road expenses.

DIRECT AND INDIRECT IMPACTS

Revenues to Counties

DLMP/DEIS Alternatives: Because most of the counties affected by San Juan Public Lands management have elected to receive the full payment amount, revenues to counties and PILT payments are independent of outputs, so don't vary among alternatives. Payments associated with oil and gas royalties would vary by alternative, with Alternative A expected to be highest, Alternative D slightly less, followed by Alternatives B and C.

Sales Tax

DLMP/DEIS Alternatives: Tax revenues are expected to increase over the next planning period. This is due to increased tourism occurring as the result of national demographic changes and national economy growth. Section 3.25, Economics, estimates a slight fluctuation in jobs in the sales taxable sectors in relation to the different alternatives: -3 to +2 jobs for retail/wholesale and -8 to +1 jobs in accommodations and eating/drinking. Sales in these sectors generally shadow the number of jobs; therefore, these results indicate a very modest change in sales -- not substantial enough to consider as a significant impact. Changes in sales tax revenues may be imperceptible between the alternatives.

Property Taxes

DLMP/DEIS Alternatives: County revenues may be impacted by the levels of oil and gas development and production; therefore, property taxes would be sensitive to these trends in the industry. So long as production remains at current levels, or increases, it may result in significant revenues for local governments. Alternative C, followed by Alternatives B, D and A, would have the most potential to result in increased property taxes.

County Costs

There has always been interplay between public and private land management decisions in communities and jurisdictions in the rural West. Federal land management decisions may impact local landowners, business owners, and local governments. Conversely, these same parties may impact the use and management of Federal lands.

Based on national trends, the numbers of people engaging in recreation and tourism activities, some of which is centered on public lands, is expected to increase. This would result in additional demands on county services and infrastructure. Some of these increased costs may be off-set by sales and lodging tax revenues.

Activities associated with oil and gas development often involve the use of heavy trucks, which may result in increased impacts to roads when compared with passenger vehicles. However, oil and gas activity generates significant property tax revenues for counties and municipalities in the area, making up 44% of the property tax base. La Plata County, the hub of energy development within the planning area, has adopted fees on oil and gas wells in order to help pay for county road capital investments. The well sites and facilities also require law enforcement and other emergency management services. Insufficient information exists to determine whether or not costs related to oil and gas activities exceed revenues.

DLMP/DEIS Alternatives: Differences in oil and gas activity related to the alternatives are expected to be relatively small compared to the level of development that is independent of the LMP decisions. Only small differences in road impacts and county costs would be expected to result.

CUMULATIVE IMPACTS

Cumulative impacts analysis considers the consequences of the alternatives in concert with the consequences of other actions. In relation to local governments, revenues should continue to rise as the population and visitation to the planning area increase. Local government revenues are also impacted by the fiscal structure (the taxes and fee structures) that fund the government. Future outcomes for these two variables, economic growth and the fiscal structure of local governments, would far overshadow the modest differences expected between the proposed alternatives.

In large part, county costs are driven by the numbers of residents and area visitors. Oil and gas development does result in truck traffic (an especially expensive type of traffic to serve on the roads system). However, State tax and finance policy, local government development review authority, and local tax and fee structures may all influence whether or not oil and gas development is a fiscal winner or loser in a specific location -- and much more profoundly, than would the differences between the alternatives.