



**Written Testimony For The Record
By
The Honorable Mark Jensen
Mayor
Petersburg Borough, AK
Before
The U.S. Senate Committee On Energy & Natural Resources
Requesting the Committee
Examine Federal Payments to Local Governments
Provided through the Secure Rural Schools and Community Self Determination
Act and the Payment in Lieu of Taxes Program and the Need to Provide Greater
Fiscal Certainty for Resource Dependent Communities with Tax-
Exempt Federal Lands**

May 2, 2017

Chairman Murkowski and Ranking Member Cantwell, please accept the following statement for the hearing record on behalf the Petersburg Borough, Alaska.

Petersburg is a resource-dependent community based in Southeast Alaska in the heart of the Tongass National Forest. Our population numbers close to 3,200 people, the majority of which depend on commercial fishing for their livelihood. We have tourism as well, mostly in the summer, with small cruise ship visitation and other ecotourism. While we are not timber-reliant as some other Southeast Alaskan communities, we support efforts to expand timber harvests in the Tongass in both an economic and environmentally-sustainable way. This includes support for legislation sponsored by Chairman Murkowski, Senator Sullivan and Rep. Young to facilitate multiple land swaps between the Alaska Mental Health Trust and the U.S. Forest Service in the region. We realize even with enactment of this legislation and separate legislation passed by the House in the last Congress that seeks greater balance in timber management on Federal lands, we are unlikely to see a return of the level economic activity from timber production and corresponding State revenue sharing payments that will make up for the loss of Secure Rural Schools funds.

We have almost 1.8 million acres of Federal land within the Borough's borders. This ownership of such a large amount of land by the Federal government, almost all of it in the hands of the Forest Service, affects almost every activity we undertake. Whether it's permitting for construction of a road or dock, building on adjacent private property, or carrying out such routine local services as trash collection or snow removal, we must take into account the federal land ownership. Perhaps the biggest impact is what we are not able to do - use that land for economic development and appropriately derive revenue to fund the Borough's government and operations.

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Ostensibly, where the Secure Rural Schools (SRS) and Payment-In-Lieu Taxes (PILT) programs become important is to compensate communities such as ours for the loss of economic opportunity and revenue derived from private property ownership. Last year, the Borough received just over \$550,000 in PILT funding. Our final SRS payment before the program expired totaled \$577,000. Combined they form over 13 percent of our annual operating budget, with the majority of funding going toward our school district for paying teacher salaries, funding school sports and extracurricular activities, and building maintenance and operation. It has been very difficult for our Borough to plan and count on funding from these programs. We must watch from year-to-year as Congress comes down to the wire on whether the programs will be extended, only to learn with disappointment last year that Congress failed to continue the SRS program. However, we appreciate your steadfast and long-standing support for both programs and for seeking a solution for future funding. If that necessitates trying new, more creative approaches in order for both programs to be continued in a more sustained and long-term way, then we are fully supportive.

In coming up with such creative approaches, including combining all Federal land revenue-sharing programs into one Federal natural trust program as some have proposed, careful consideration must be given to the different formulas used. This is especially true for communities such as ours that are reliant on both programs. For example, PILT uses a formula with a population-based metric. While Federal acreage is factored into the calculation of community payments, its population component can significantly skew payments in absolute terms to larger population communities. For example, Santa Barbara County received \$1.8 million in PILT funding in FY 2016, three times Petersburg's payment despite having less than half the Federal acreage within its borders.

While also using Federal acreage in its formula, SRS payments factor in community per capita income, which can have significant impact in the size of county payments. Petersburg faced a major cut in our last SRS payment due to recent Census Bureau information that placed our per capita income above the national average. Yet the SRS formula does not factor in cost of living. If the income-based component of the formula is retained in any future SRS legislation, then inclusion of a cost of living index would be a fair way to calculate SRS payments for high cost-of-living communities such as ours and elsewhere in Alaska.

In closing, on behalf of the Petersburg Borough, we thank you for your support of the PILT and SRS programs and for seeking to find a more stable solution for their continuance. We appreciate your consideration of these views and your interest in our community.

Respectfully,



Mark Jensen
Mayor