Baucus Secure Rural Schools and Payment in Lieu of Taxes Amendment

**Rural contract for decent roads**

- The Secure Rural Schools program provides Federal payments to more than 700 counties in 42 States for public roads, schools, and forest-related economic development projects.
- The Payments in Lieu of Taxes (PILT) program also provided Federal payments to counties with Federal lands in 49 States, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands.
- The payments are part of the federal contract with rural America. In exchange for large federal landholdings across the country, and the resulting loss of local tax revenue, Congress has consistently supported payments to counties that make up the difference.
- SRS funds county road improvement and maintenance projects and supports local public schools. The program was created in 2000 to provide more predictable levels of funding than what would be provided under a 1908 law that gives 25 percent of revenues from National Forest land to local counties. PILT, enacted in 1976, also funds county budgets.
- This amendment is based on a bi-partisan bill (S. 1692) that was introduced in September 2011. It extends directed spending for SRS and PILT by one year.

**Why on the transportation bill**

- Much of what counties receive under SRS and PILT is spent on roads.
- The SRS program requires payments to be spent either on schools or on roads. Over the last decade, **over 50 percent of payments went to roads**. In states like Idaho and Oregon, this constitutes 20 percent of all highway spending.
- Counties have more flexibility with PILT payments. U.S. Census survey data indicates that much of PILT is spent on highways, too. For example, in Nevada and Iowa, one in six dollars spent by counties is used on highways. In Alabama, Arkansas, and Missouri that figure is one in five dollars. And in the Dakotas and Oklahoma, it is nearly one in three.

**Offsets**

- The amendment is fully paid for with three offsets:
    1. Allowing federal agencies to offer employees otherwise eligible for retirement to continue working on a reduced schedule and collect a corresponding percentage of their retirement benefits. This saves the federal government money by reducing outlays by the federal retirement fund and increasing contributions to the fund. ($465 million)
    2. Requiring information reporting on the sale of life insurance policies. This proposal to increase tax compliance would apply only to policy owners who sell the policy to a third party. It has the support of the life insurance industry. ($240 million)
    3. Expanding the definition of a tobacco manufacturer to include businesses operating roll-your-own cigarette machines. The proposal would close a loophole that allows these machine operators to avoid paying the full federal tobacco excise tax on roll-your-own cigarettes. ($97 million)