American discussions of the federal lands can sound like a verbal Rorshach test. Some regard the lands as sites for individual opportunity, others as resources to be conserved for future use, and still others as ecologies that must be preserved for aesthetic or recreational pleasure. There has never been consensus about their purpose or even locus of sovereignty. Many in the West resent the vast federal presence, amounting to 47 percent of all the territory in the eleven contiguous states of the Far West. Others regard federal stewardship as a bulwark against rapaciousness. A tug-of-war over these lands has gone on for more than a century with no end in sight. Small and sometimes large groups [still demand](https://www.hcn.org/issues/46.18/western-states-eye-federal-lands-again) that Congress cede the lands to the states, and in March 2015, a [partisan majority](http://harpers.org/archive/2015/02/the-great-republican-land-heist/) of the Senate [voted to support](https://www.hcn.org/articles/western-states-trying-to-take-back-federal-lands-get-a-boost-from-the-u-s-senate) these calls. Even in the West, though, [many residents](https://www.hcn.org/articles/many-rural-counties-actively-oppose-a-federal-lands-transfer) do not share this anti-federal sentiment, and [most Americans still favor federal control](https://www.coloradocollege.edu/dotAsset/5e3d4978-4cb7-4784-bf36-b086cf332fc9.pdf) (pdf) of western lands. Looked at another way, though, fully [35 percent of the West *does* favor transfer](https://www.americanprogress.org/press/release/2014/09/25/97816/release-bipartisan-poll-finds-western-voters-oppose-transfer-of-americas-forests-and-public-lands-to-state-ownership/).

These debates can seem irreconcilable because they are. One group imagines a neo-liberal world in which privatization and the market liberates the West from the shackles of imperious federal overlords; another group sees nature and the public interest imperiled by short-term greed. Both tend to eclipse important common ground across the West. Local watershed and natural resource councils have been fostering discussions about these lands that build on a sense of shared community, and ecological managers have been finding ways to [balance industry and ecology](http://www.theatlantic.com/magazine/archive/1999/07/winning-the-war-for-the-west/306233/). The inimical visions of the dominant voices in the debate also have something in common: an inability to see how political economy has welded together federal and western governments through a set of federal statutes that have long distributed revenues from federal lands to state and local coffers in ways that sustain the ecological and social services Americans use every day.

Few Americans are aware of these revenue-sharing programs, and fewer still understand why they exist. Almost no one knows the history and geography of these in-lieu payment programs, which have long operated outside the consciousness of residents and politicians, yet the political economy of federal lands was always a central concern of conservation policy. Strapped for cash and fearful of the imperial ambitions of Great Britain and Spain, the founders of the American republic viewed the public domain as a resource for national expansion and paying debts. The Confederation Congress responded by passing the Land Ordinance of 1785 and Northwest Ordinance of 1787 to facilitate the survey and sale of western lands for new states.

The founders, though, never foresaw a time when the government might reverse it distribution policies. For 150 years it instead encouraged western settlement with ever more generous land subsidies for homesteaders, including many land script bills for military veterans, the General Pre-emption Act (1843), Donation Land Claim Act (1850), Homestead Act (1862), Timber Culture Act (1873), Desert Land Act (1877), Kinkaid Homestead Act (1904), Enlarged Homestead Act (1909), and Stock-Raising Homestead Act (1916). In the 1860s, however, Congress also began to reserve some lands as parks, and in the 1890s it gave presidents the power to withdraw from settlement tracts specified as timber, mineral, and hydroelectric reserves. In the 1910s, Congress began to restrict homestead patents to surface claims, barring the right to subsurface resources, and in the 1930s it further restricted the ability of settlers to stake claims on federal lands. It did not end the land subsidies until 1976, however.

The result of these policy changes has been the reservation of a vast and seemingly permanent domain totaling more than 440 million acres, an area roughly the size of California, Nevada, Oregon, Washington, Idaho, Montana, and West Virginia. These federal lands are mostly in the eleven contiguous states of the American West plus Alaska, a group collectively known as “the public lands states.” During the twentieth century Congress passed a series of laws that framed the management of natural resources on these lands. In partial compensation for the diminished tax bases of western states, Congress included in these statutes formulas that distributed a portion of the revenues from federal lands to western states and counties. These bills include the twenty-five percent payments by the Forest Service (1908), Oregon & California Revestment Act (1916), Federal Mineral Leasing Act (1920), Taylor Grazing Act (1934), Bankhead-Jones Farm Tenant Act (1937), Land & Water Conservation Fund (1964), Payments in Lieu of Taxes (1976), and Secure Rural Schools and Self-Determination Act (2000). What follows is a brief explanation of the why, what, when, and where of these in-lieu programs that reveal how the political economy of federal lands has linked the local to the federal in the American West.

**Why**: The justification for in-lieu payments is rooted in a constitutional barrier. Unless Congress expressly allows otherwise, federal lands are exempt from state and local taxes. These lands are ubiquitous, ranging from post offices and other federal buildings to military bases, Department of Energy sites, monuments, parks, forests, wilderness areas, and the vast holdings of the Bureau of Land Management. Most federal inholdings are relatively small and contribute importantly to local economies. In most cases they are easily covered by cost-spreading taxation strategies. In the eleven states of the American West, however, the federal government controls more than 47 percent of the region. Economic multipliers on these lands are uneven, and the lost tax base is considerable, especially in rural communities that struggle to support basic social services. As a result of this large federal footprint, Congress approved compensation payments to state, county, and municipal governments in the American West.

**When**: Once presidents began to withdraw portions of the federal domain for forest reserves in the 1890s, westerners raised concerns about the impact of withdrawals on development and tax bases. Their complaints reached a new pitch in 1905 when the Forest Service required fee-based permits to graze in the national forests. The following year westerners tried to institute in-lieu payments with HR 19575, which would have mandated that the Forest Service return 10 percent of its gross receipts from timber and grazing to the counties in which harvests occurred. That bill failed but the 10 percent payment was incorporated in the next two annual appropriations for the Department of Agriculture. In 1908, Congress finally passed a permanent revenue-sharing formula that returned 25 percent of each year’s gross receipts to states for public schools and roads. In the meantime western concerns escalated as President Roosevelt and then President Taft withdrew hundreds of millions of acres of the federal domain as mineral and water power reserves. During the 1910s, congressional debates focused on federal leasing bills, all of which ended up with similar fee and royalty distributions to federal, state, and county coffers. In fact, these leasing bills stalled until revenue sharing provisions generated consensus. The first bill was the 1916 Chamberlain-Ferris Act, when Congress “revested” 2.9 million acres of western Oregon to the federal government. The next steps were the 1920 Federal Mineral Leasing Act and 1920 Federal Water Power Act, both having similar sharing formulas for fees and royalties. The final bill was the Taylor Grazing Act of 1934, which covered most of the remaining federal lands. Other acts followed, including passage of the Bankhead-Jones Act in 1937 and adjustments to the Taylor Grazing Act in 1936 and the Oregon & California Lands in 1937 and 1939. Although the terms of these formulas would evolve over time, the rationale persisted that permanent federal sovereignty required compensation for lost taxes. This eventually became a nationwide policy with the Payments in Lieu of Taxes Act of 1976 and the Secure Rural Schools and Community Self-Determination Act of 2000.

**What**: Nine key pieces of legislation have guided in-lieu payments. They began with timber and grazing revenues from national forests. In 1908 (PL 60-136) Congress established a permanent policy of returning 25 percent of the Forest Service’s gross receipts to states for public schools and roads; in 1914 (PL 62-122) Congress reserved another 10 percent for road building within each national forest. These bills established statutory precedents for in-lieu payments and for a formula that returned at least one-third of proceeds to state and local governments. The 1916 Chamberlain-Ferris Act (PL 64-86) returned 25 percent of the timber and grazing receipts from the Oregon & California Railroad Grant lands to Oregon’s state school fund and another 25 percent to the counties for schools, roads, and ports. Both the Federal Mineral Leasing Act of 1920 (PL 66-146) and Federal Water Power Act of 1920 (PL 66-280) returned 37.5 percent of lease and royalty fees to the states in which mines and dams operated. When the Taylor Grazing Acts (PL 73-482 & PL 74-827) reserved the remaining open lands for the Grazing Bureau (later the Bureau of Land Management) in the 1930s, Congress sent 50 percent of the grazing receipts to the states for expenditure in the counties of grazing districts. With passage of the Bankhead-Jones Farm Tenant Act in 1937 (PL 75-210), most western federal lands were contributing some monies to western states and counties by the end of the 1930s. The next step was a national policy for compensating local governments. This began in 1964 with the passage of the Land & Water Conservation Fund (PL 88-578) to provide grants to local governments to improve habitat and recreational opportunities. Then in 1976 Congress passed the Payments in Lieu of Taxes Program (PILT) (PL 94-565) that applied to the entire United States. Then in 2000, Congress passed the Secure Rural Schools and Community Self-Determination Act (SRS) (PL 106-393) to aid rural counties that were struggling due to declining harvests on federal lands. A distinctive feature of PILT and SRS is that their compensation formulas address all federal lands within each jurisdiction, but payments are adjusted to account for population and other federal transfer payments to counties. As a result there is now a dynamic, interrelated ecology of federal in-lieu programs contributing to western state and county budgets.

**Where**: Like any region, the American West is a social construct. The West has rather famously migrated across time, beginning at the Virginia fall line and progressing to the trans-Appalachia old Northwest and old Southwest, followed by trans-Mississippi and trans-Missouri Wests. By the early 1900s most of the Great Plains were integrating more closely with Midwestern social, cultural, political, and economic patterns. The eleven contiguous states of far West still contain tremendous social, cultural, economic, and ecological diversity, but their vast federal inholdings distinguish this region from other parts of the country. The maps in *Follow the Money* limn the spatial and temporal implications of these lands. The data illustrates the variable geography of the in-lieu programs for activities on federal lands. Most transfer payment programs were framed to said rural parts of the West, yet each reveals the contingencies of natural resource geography and history. The result is an illustration of the patchy nature of natural resource in-lieu payments, and how the shifting priorities of ecological management have affected federal in-lieu policies.

The intent of *Follow the Money* is to provide baseline information for scholars and the public. The goal is to present spatial and temporal data in forms people can use to think about and teach the transfer payments that link federal lands and rural communities. We hope an outcome of this work is greater awareness of how environmental, social, and fiscal policies are entangled in the political economy of federal lands.

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