

FEDERAL COMPENSATION FOR FEDERAL LANDS:
THE ESTIMATED COST OF TAX EQUIVALENCY

STAFF DRAFT ANALYSIS

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SUMMARY

More than a dozen federal programs are currently operating in four different agencies to compensate localities for the presence of tax-exempt federal land. Four basic types of programs exist: imposed expenditure programs, such as Impact Aid managed by the Department of Health, Education and Welfare; shared receipt programs, such as the National Forest lands program managed by the Department of Agriculture; flat payment per federal acre programs, such as the Payment in Lieu of Taxes program managed by the Department of Interior; and tax equivalency programs such as the Superior National Forest Land payments managed by the Department of Agriculture. In fiscal year 1978 these programs accounted for \$1.4 billion in payments to state and local governments.

It has been suggested that these several programs be replaced by one single national tax equivalency program that would restore lost property tax revenue to localities. With the exception of tax equivalency programs, all federal programs that attempt to compensate localities for the federal presence have been criticized for administrative complexity, and for providing compensation to localities that does not reflect the

financial burden resulting from federal activities.

A national tax equivalency program that applied the average property tax rate to all federal property would have cost between 8 and 13 billion dollars in fiscal year 1977. A more limited program, on the other hand, that applied the average school property tax rate to federal land within school districts would have cost between 3 and 6 billion dollars in fiscal year 1977. Because property values have risen and tax rates may have changed since fiscal year 1977, the current cost of a tax equivalency program probably differs from, and is most likely larger than, these estimated costs.

The cost of a national tax equivalency program can only be roughly estimated, because of several factors. First, information on the value of federal property is extremely limited. Second, property assessments and tax rates vary amount the thousands of separate government entitites that tax real property. Due to time constraints it was not feasible to determine the property tax rate, the assessment-to-sales ratio, and the amount of federal real property within each local assessing jurisdiction. Consequently, the cost figures in this analysis are but rough national estimates of the cost of establishing a tax equivalency program.

Although either a national or a school tax equivalency program would increase federal payments overall, there would be a wide regional and local variation in the size of the increase. The establishment of a federal tax equivalency

program would particularly favor the West, which encompasses three-quarters of all federal property. In contrast, the South Central region of the United States would not gain greatly. Examination of four localities, substantial federal compensatory payments indicates that the increase in the size of federal payments to localities under either a national or a school tax equivalency program would be very substantially.

It is uncertain precisely what effect increased federal payments would have on localities' fiscal behavior. Some localities might take advantage of increased federal payments to reduce their local taxes (most likely taxes other than the property tax in order to maintain the federal tax equivalency payments), other localities might simply reduce their operating deficits, while still others might use the new funds to increase expenditures on local services.

Although it has generally been assumed that the presence of tax-exempt federal land imposes a financial burden on localities, this assumption may not be completely accurate and on a locality is uncertain. A recent study by the Advisory Commission on Intergovernmental Relations ¹ found that the

1. Michael Hardwick and Henry Raimondo, The Adequacy of Federal Compensation to Local Governments for Tax Exempt Federal Lands (ACIR, 1978).

presence of federal land is not related to a diminished tax base nor increased expenditures for most counties surveyed in the study, and that there is only a slight relationship for those counties which have more than 15 percent federal land. Although the study has been subjected to some criticism, if the findings are accepted it could be argued that large new federal programs to compensate localities for the financial burden brought about by the federal presence are not necessary.

FEDERAL PROGRAMS TO COMPENSATE STATES AND LOCALITIES FOR THE
FEDERAL PRESENCE

Impact aid, an imposed expenditure program, is just one of many federal programs that are intended to compensate states and localities for the financial burden that results from the presence of tax-exempt federal lands. The Departments of Agriculture, Energy, and Interior operate three different types of programs also intended to compensate states and localities for the presence of federal land: shared receipt programs, flat payment per federal acre programs, and tax equivalency programs. Some states and the Canadian government have one or more of these types of programs to reimburse localities for the presence of tax exempt state lands.

Several of these programs have been criticized for administrative complexity and duplication, and for providing compensation which does not reflect the financial burden borne by localities. Impact aid, operated by the Office of Education, and the Payment in Lieu of Taxes program (PILT), which is operated by the Department of Interior, have most frequently been subject to these criticisms. This memorandum will review existing compensation programs and estimate the costs of adopting national tax equivalency programs to compensate school districts and local governments for the presence of federal land.

Approximately one-third of the land in the United States is federally owned. Not all of this land is tax-exempt, however, because Congress has removed the tax exemption for some federal property--such as the real property of the Federal Deposit Insurance Corporation, the Federal Reserve Banks, and the Federal Home Loan Banks. Approximately 700 million acres, 94 percent of federal land, are tax exempt. This acreage includes national forests, undeveloped rural grasslands, and developed land such as military bases and post offices. About two-thirds of these tax-exempt lands come under the supervision of the Bureau of Land Management in the Department of Interior, and one-quarter is composed of National Forestland under the supervision of the Forest Service in the Department of Agriculture. The majority of federally owned land is found in the western states, seven of which have 40 percent or more of their acres federally owned--Alaska (97%), Nevada (87%), Idaho (64%), Utah (66%), Oregon (52%), Wyoming (48%), and California (45%). ^{1/} Consequently, the western states receive the largest amounts of money from federal payment programs.

^{1/} The Advisory Commission on Intergovernmental Relations, The Adequacy of Federal Compensation to Local Governments for Tax Exempt Federal Lands, July, 1978.

IMPOSED EXPENDITURE PROGRAMS: IMPACT AID

Impact aid is designed to help compensate school districts for the imposed expense of educating the children of federal employees where the local tax base is reduced because of federal property ownership and enrollments are raised due to the presence of a federal installation. The legislation authorizes payments in three sections; Sections 2 (Federal Acquisition of Real Property), 3 (Children Residing on, and/or Whose Parents are Employed on Federal Property) and 4 (Sudden and Substantial Increases in Attendance). The most controversial and the largest component of impact aid payments are the section 3 payments.

Section 3 payments are authorized for two broad categories of children: 3a children, whose parents live and work on federal property; and 3b children, whose parents live or work on federal property. Each of these categories contains subcategories of children eligible for impact aid such as military and low-rent housing children. Impact aid payments for Section 3 are made through a two step process: first, determination of the amount of money that a district is "entitled" to receive from the federal government, and secondly, payment of these funds through a tier payment structure. In fiscal year 1980 these two steps will work as follows:

Determination of a District's "Entitlement" or Authorized Funding Level 2/

A school district's authorized funding level is the sum of the authorized funding levels for each subcategory of children (see Equation 1.) The authorized funding level for each subcategory of children is the product of multiplying the number of children in the subcategory by the entitlement rate (a set percentage) for that subcategory and by the local contribution rate (local revenues spent per pupil). (See Equation 2).

Equation 1.

District's authorized funding level = The sum of the authorized funding levels for all subcategories of children.

Equation 2.

Authorized funding level for subcategory of children = (local contribution rate) X (number of children in a subcategory) X (entitlement rate for that subcategory)

2/ Although the word "entitlement" is commonly used in discussions of impact aid, school district impact aid "entitlements" are significantly different from such entitlement programs as social security or Medicare. Under the two latter programs individuals (as long as they meet certain qualifications) are entitled to receive an amount of money from the federal government, and funds must be appropriated to pay for these entitlements. School district impact aid entitlements, on the other hand, do not necessarily have to be paid in full. These entitlements are the maximum authorized amounts a district may receive, and appropriations may fall below this authorized maximum. In order to avoid confusion, I refer to impact aid "entitlements" as authorized authorized funding levels.

The entitlement rate which is specified in the impact aid legislation determines what share of the local expenditure the federal government will pay the district for particular types of children. Entitlement rates, which are determined by Congressional decision, are higher for 3a children (rates range from 90 to 187.5%) than for 3b children (the range is 40 to 75%). This difference reflects the generally held opinion that payments are more justified for 3a children than for 3b, because more property tax revenue is lost from 3a parents than from 3b parents.

Two conditions, inflation and a declining pupil enrollment, will affect the size of future authorized funding levels. Inflation and a declining pupil enrollment will cause the local contribution rate to increase, thereby increasing the size of authorized funding levels. ^{3/} This effect may be partially offset, however, by a reduced number of eligible impact aid children, a probable consequence of declining pupil enrollment.

The Tier Payment Structure

Because appropriations in the last few years have not been

^{3/} The local contribution rate is determined by dividing the amount of money spent on education from local revenue by the number of pupils enrolled in the district. Because of inflation, the amount of money spent on education (the numerator) will increase while a declining enrollment will cause the number of children enrolled (the denominator) to decrease. These two effects will result in a higher local contribution rate.

large enough to fully fund the impact aid program, the tier payment structure was developed to regulate the distribution of appropriations. A certain percentage of a district's authorized funding level is paid for each subcategory of 3a and 3b children in each of the three tiers. In Tier I, 25 percent of the district's authorized funding level is paid for all subcategories of 3a and 3b children. All Tier I payments must be made before any payments can be made in Tier II. The Tier II payment rate is not constant, as it is in Tier I, but varies for subcategories of children. From 63-65 percent of a district's authorized funding level is paid for 3a children and from 28-32 percent is paid for 3b children in the second tier. These percentages are determined by the Congress and are specified in the impact aid legislation. Tier II payments must be completed before any payments can be made in Tier III, which completes the tier payment structure.

Public Law 95-561 (Reauthorization of the Elementary and Secondary Education Act) made three important modifications to Tier II. First, payment rates for two subcategories of children were increased. For the first time in fiscal year 1980 low rent housing children (who, for the purposes of this program are counted as living on federal property) will be allowed payment in Tier II at the same rate as children in corresponding subcate-

gories, and the payment rate for Indian land children is increased to 75% of the district's authorized funding level. Second, in fiscal year 1980 only 65 percent of the Tier II payment rate must be paid for all categories of children. Third, a hold harmless guarantee was added which provides each district a minimum payment of 90 percent of the previous fiscal year's Section 3 payment for that district. There is no specific provision in the legislation regarding the distribution of funds beyond the 90 percent hold harmless provision, which leaves the distribution of any remaining funds to the discretion of the House and Senate Appropriations Committees.

The third payment tier provides that any remaining appropriations are to be allocated among remaining unpaid district authorized funding levels in proportion to the amount that each is unpaid. Appropriations are usually not large enough, however, to permit payments in Tier III.

Budget Impact

Funding for impact aid has grown over the years. In 1970 appropriations for the program were \$519 million, while fiscal year 1979 appropriations for impact aid were \$816 million. About 40 percent of the 1979 appropriations, \$320 million, are payments for 3b children. The President's budget for 1980 proposed

reducing the budget authority of the program to \$528 million by eliminating all payments for 3b children and hold harmless provisions. In fiscal year 1979, impact aid funds made up about .9 percent of total national expenditures for public elementary and secondary education. For particular school districts, however, impact aid may constitute a greater percentage of the school district's budget than this national figure would indicate. Approximately 5 percent of the Charleston, South Carolina and 8 percent of the Los Alamos, New Mexico school district budgets consist of impact aid funds, for example.

There are many pro and con arguments that have been put forward with regard to impact aid. Supporters of the impact aid program argue that districts should be compensated for the presence of tax-exempt federal land that limits the amount of revenue a district can collect. Districts cannot collect as much revenue as they could if both the places of work and the homes of the parents of 3a and 3b children were taxed. The presence of a federal employer may cause school enrollments to increase and so imposes expenditures on school districts. Supporters also argue it is appropriate for impact aid payments to become part of the general operating budget of a school district because the federal payments replace lost local revenue that would be locally controlled.

An argument against impact aid is that districts receiving payments are not necessarily losing tax revenue nor experiencing financial hardship. The parents of 3b children, for example, live or work on private property that can be taxed by the school district. Consequently, even though their place of work or home is untaxed, the district is able to obtain revenue from these parents. A second argument used against the program is that it is so complicated and rigidly structured that it is difficult to administer or subject to Congressional decision. The tier payment structure, for example, essentially holds second tier payments for 3a children hostage until Tier I payments for 3b children have been made. A third argument against the program is that there is no federal control over the money once it is paid to school districts. Payments become part of school districts' general operating budgets and can be used for any purpose.

SHARED RECEIPT PROGRAMS

Shared receipt programs apportion the receipts of revenue received from tax-exempt federal lands between the federal government and the localities. Sources of revenue from federal land include national park fees, mineral mining leases, and timber sales. Four pieces of legislation created the major shared receipt programs: the National Forest Revenue Act (1908); the Mineral Leasing Act (1920); the Taylor Grazing Act (1934); and Revested Oregon and California Lands (1916).

Although the programs are based on the same general design, details differ among them. The percentage of revenue given to the states or localities, for example, varies for each program. Twenty-five percent of National Forest receipts are paid to the states that must then distribute the payment to localities in which the forests are located, while the Mineral Leasing Act requires that 50% of the revenues be returned to the state governments.

Some of the programs require that these shared federal revenues be used for particular services; others do not. National Forest land revenue must be used by the states on either

TABLE 1. TOTAL RECEIPTS SENT TO THE STATES BY SHARED RECEIPT PROGRAMS IN THE DEPARTMENTS OF AGRICULTURE, ENERGY AND INTERIOR, BY FISCAL YEAR (DOLLARS IN MILLIONS)

	1978	1979	1980
National Forest Act	239	239	282
Mineral Leasing Act	175	202	239
Oregon + California Act	106	100	110
Taylor Grazing Act	3	3	4
Other*	<u>7</u>	<u>6</u>	<u>5</u>
TOTAL	530	550	640

* Includes Department of Agriculture programs such as Payments to Counties for National Grasslands, Department of Interior programs such as payments to Coos and Douglas County Oregon, and Department of Energy payments to states under the Federal Power Act.

SOURCE: Based on information from the Department of Agriculture, Energy, and Interior.

roads or schools; the individual states determine the allocation of funds between the two services. Receipts from the Oregon and California lands, on the other hand, are returned to counties without any restriction on use.

About \$639 million will be paid to the states and localities in fiscal year 1980 for shared receipt programs (see Table 1). Although the total amount of receipts sent to the states has increased in the last four years, the actual percentage of federal receipts that are sent to the states has remained constant. As more revenue is gained from federal land, more revenue is returned to the states.

While shared receipt payments are relatively simple to administer, the amount of money that a locality receives may bear little relation to the financial burden placed on that locality by the presence of tax exempt federal land. Shared receipt programs require neither assessments of the value of federal land nor computations of the amount of actual tax revenue lost. Shared receipt programs also frame federal compensatory efforts in discretionary, rather than obligatory, terms. States and localities are not legally entitled to compensation, but, because there is an assumed but indetermined financial burden, receipts are shared with the states.

It could be argued that the shared receipt payment programs place local objectives and federal goals in conflict. It is in the state or locality's interest to pursue policies that will result in high cash receipts--such as developing access to forest lands to encourage lumbering. This objective, however, may not necessarily coincide with the federal interest in setting aside National Forest land for preservation.

Because revenues are not obtained from all types of federal land, it is doubtful that a shared receipt program could be successfully adapted to replace impact aid. No fees or receipts are derived from tax-exempt military installations, for example, but the presence of military bases will deprive local school districts of property tax revenue and may result in increased enrollments and expenditures for a school district. The substitution of an expanded shared receipts program for impact aid would thus leave some school districts without compensation for the financial burden resulting from the presence of federal lands.

FLAT PAYMENTS PER ACRE PROGRAMS: PAYMENTS IN LIEU OF TAXES

Federal flat payment per acre programs compensate states and localities for the presence of tax-exempt federal land through direct payments based on a set rate or payment for every

federal acre. The largest federal program of this type is the Payment in Lieu of Taxes (PILT) Program (P.L. 94-565) in the Department of Interior that provides payments to counties.

The legislation for the PILT program specifies two alternative formulas to be used in calculating payments to counties, the larger of the payments to be made to the county. The first formula allows a payment of 75 cents for every federal acre within the county, which is reduced by any payments made through the shared receipt programs for those same lands during the preceding fiscal year. The second formula authorizes a payment of ten cents for every federal acre.

Payments are capped by a sliding ceiling that is based on the county population. The maximum payment per capita decreases as population increases; localities with populations of 5,000 or less cannot receive more than \$50 per resident, and localities with populations of 50,000 cannot receive payments larger than \$20 per person. ^{4/} The sliding ceiling may have been intended to allow more compensation to rural than urban areas, and to localities with small populations that have few alternative ways of raising revenue.

^{4/} No locality is credited with a population of more than 50,000, which means the maximum payment under the program is one million dollars to any locality.

A recent ruling by the Comptroller General has modified the PILT program and increased the amount of funds that localities are eligible to receive. Payments made through the 75 cent formula can only be reduced by the amount of money that is paid directly to county governments. Public land payments, which are made directly to school districts or indirectly through local governments that pass on the money to independent school districts, cannot be deducted. Consequently, localities can increase the total amount of funds that they receive for federal lands by allocating payments received from the shared receipt programs to school districts. It is estimated that this decision has increased the amount required to fully fund the program by 20 to 25 percent per year, and it is anticipated that fiscal year 1980 appropriations will not be large enough to fully fund the program (see Table 2). Funds will be distributed in proportion to all localities according to what they are eligible to receive.

TABLE 2. BUDGET AUTHORITY FOR PAYMENTS IN LIEU OF TAXES, BY FISCAL YEAR (DOLLARS IN THOUSANDS).

	1978	1979	1980
Budget Authority	100,000	105,000	108,000
Amount Required to Fully Fund the Program	100,000	135,000	138,000

Based on information from the Bureau of Land Management, Department of Interior.

Because the program is not an entitlement, however, federal payments do not necessarily have to increase to match the increased authorized payments.

Flat payment per federal acre programs, such as PILT, share an important advantage with shared receipt programs in that they are simple to administer. It is this simplicity, however, which is also the main disadvantage to this type of program. Because payments are made at the same predetermined rate for every acre of federal land, the amount of federal payment is more an artifact of federal procedures rather than actual compensation for the financial burden imposed on a locality by the presence of tax-exempt federal lands. While the size of federal land-holding and the amount of financial burden borne by a locality are probably related, the PILT program neglects many other variables, such as land value, or imposed expenditures, which also contribute to the financial burden imposed by the presence of federal lands.

A disadvantage of the PILT program in comparison to the shared receipts program is that the PILT program is not self-supporting and requires the commitment of federal funds specifically to compensate localities for the federal presence. The PILT program thus goes one step farther than the shared receipt

programs toward delineating a federal obligation to compensate localities for lost tax revenue.

Because the flat payment per acre programs do not address the issue of financial burden, it is doubtful that adopting an enlarged flat rate payment program, either to replace all federal compensation programs or to replace impactaid alone, would substantially alleviate criticism that federal payments are not related to financial need or burden.

TAX EQUIVALENCY PROGRAMS

Tax equivalency programs are the third type of federal program to compensate states and localities for the presence of federal land. Unlike shared receipt and flat payment programs, tax equivalency programs attempt to base payments on the actual amount of tax revenue lost to a locality due to the presence of tax-exempt federal land.

Three examples of federal tax-equivalency programs are the Superior National Forest Land payments by the Department of Agriculture to the state of Minnesota (16 U.S.C. 577g), the Coos Bay Wagon Road grants by the Department of Interior to the state of Oregon (53 Stat. 753-754), and Payments in Lieu of Taxes by the Department of Energy (PL 83-703 as amended). Under the first program an amount equal to .75 percent of the assessed value of the National Forest land is paid

to Minnesota which then distributes the money to the affected counties. Land is assessed every ten years by the federal government at an estimated administrative assessment cost of ten cents per acre.

The Coos Bay program combines elements of shared receipt and tax equivalency programs. Payments are based on the amount of tax revenue lost, but are made from revenue obtained from the land. Payments are based on the assessed value of the federal property multiplied by the county tax rate for similar property that is privately held. A tax bill is then submitted to the federal government, but the final payment cannot exceed an amount equivalent to 75 percent of the revenue generated by the property. Assessment is conducted by a team of state, federal and private individuals and certified annually.

Section 168 of the Atomic Energy Act established a Payment in Lieu of Taxes program that provides payments to localities where the Department of Energy or its predecessors have acquired land for nuclear activities.^{5/} Localities submit applications for payment based on the assessed value of the property at the time it was acquired by the federal government and the current local tax rate.

^{5/} The Department of Energy is also authorized to make special formula-based payments to three communities at atomic energy facilities: Los Alamos, New Mexico; Oakridge, Tennessee; and Richland, Washington. In fiscal year 1978 these payments cost about \$7.7 million.

With rising land values and tax rates, federal tax equivalency program payments have been increasing in the last few years (see Table 3). Nevertheless, the budget impact of these three programs is small.

TABLE 3. FEDERAL TAX EQUIVALENCY PROGRAM PAYMENTS IN THE DEPARTMENTS OF AGRICULTURE, ENERGY, AND INTERIOR BY FISCAL YEAR, DOLLARS IN THOUSANDS.

	1978	1979	1980
Coos Bay Wagon Road Lands,	1,927	2,500	2,800
Superior National Forest Land	259	262	262
Section 168 of the Atomic Energy Act.	<u>230</u>	<u>235</u>	<u>n/a a/</u>
TOTAL	2,416	2,997	

Based on information from the Departments of Agriculture, Energy, and Interior.

a. Information not available at this time.

There are several advantages and disadvantages to tax equivalency programs. Tax equivalency programs base federal payments to localities on the localities' estimated loss of revenue due to the presence of tax-exempt federal lands. This approach differs from the shared-receipt and flat-payment programs that provide compensation based upon federally determined rules and formulas rather than on some measure of the financial burden placed upon the community. Tax equivalency programs are,

however, more complex to administer than shared receipt or flat payment programs. All federal property must be assessed, and assessments should be reviewed periodically to accommodate changes in property values. These assessments incur administrative costs that are not incurred by the shared receipt and flat payment programs. A second disadvantage of tax equivalency programs is that property value and local tax rate increases push up the cost of federal payments to the localities. Flat payment and shared receipt programs, on the other hand, are much less affected by inflationary pressures.

It is possible that a tax equivalency program could be successfully adopted to replace impact aid and/or the other federal programs. The existing federal programs are designed to provide compensation for specific localities, however, and so include certain provisions that would not be appropriate to a national program. The provision of the Coos Bay program that stipulates that the federal payment may not exceed a certain percentage of the revenue obtained from the land would be inappropriate in a national program as revenue is not derived from all federal land. Secondly, the Minnesota forest lands program bases payment upon federal assessment and the application of a federal tax rate to the forest land. Because federal property holdings are extensive it is probable that the federal cost to determine the value of federal land would be expensive.

Similarly, because of large differences in the assessment practices between districts, the application of one standard federal tax rate to locally derived assessments would not be equitable. For example, if two localities each encompass federal property for which the property tax revenue would be the same, if the property were privately held, but differ in assessment practices and tax rates, the localities might receive different federal payments under the application of one standard tax rate. The locality with the highest property assessment-to-sales ratio would receive the larger payment.

STATE PROGRAMS

Most states have programs that attempt to compensate localities for the presence of tax-exempt state lands. Twenty-one states have tax equivalency programs; eighteen states operate receipt sharing programs; and seven states make flat payments per acre. There is considerable variation among the states in the size of state compensatory programs. In fiscal year 1975 Massachusetts spent about \$14.5 million reimbursing localities for the presence of all tax-exempt state land. In contrast, the state of Utah paid only \$300 that year to localities to compensate for the presence of state lands. It appears that there is hardly a national consensus on a government's obligation to provide financial compensation for the burden that its property may impose on another government.

The state of Connecticut has recently expanded its tax equivalency program to provide compensation to localities for the presence of tax-exempt private institutions, such as hospitals or institutions of higher education. Religious property is not eligible for state compensation payments. The rationale behind the change in Connecticut's law is that the presence of private tax-exempt property places a burden on localities, while the benefits that result from these properties (hospitals, universities) extend beyond the locality's borders. Thus, the financial burden should be shared by all the beneficiaries, not just the residents of the affected localities.

THE CANADIAN GOVERNMENT PROGRAM

The Canadian government operates a tax equivalency program to compensate local governments for the loss of property tax revenue due to the presence of tax-exempt federal lands within the locality. The program differs from current American federal programs in that it attempts to compensate localities nationwide for lost revenue, while American tax equivalency programs only provide compensation to a few localities.

The Canadian Municipal Grant Program is decentralized and relies upon local assessment and local administration. Annually, localities apply for grants from the federal government in compensation for lost revenue. Each municipality submits to the

Canadian government information on the assessed value of federal property in the municipality, the assessed value of all taxable property in the municipality, the municipal budget, and the local tax rate. The federal government reviews these grant applications and bases final payment on the assessed value of federal property and the tax rate. If any of the information provided appears to be inconsistent or questionable, the government may send assessors to the locality to investigate and obtain further information. The federal government has final determination of the assessed value of federal property upon which payments will be based.

In fiscal year 1978-79 payments under the Canadian Municipal Grant program for land managed by federal departments amounted to about 137 million Canadian dollars. In fiscal year 1979-80 it is estimated that payments will amount to 148 million Canadian dollars. The Canadian program also provides payments to localities for property owned by the Crown Corporations such as the Canadian National Railroads. These payments brought the total cost of the program to about \$230 million in fiscal year 1978-79, and \$250 million in fiscal year 1979-80. Payments are made for about 36 million acres, and approximately 80 percent of the payments go to metropolitan areas.

There are several advantages and disadvantages to the Canadian program. Because the property assessments for municipal grant

programs are conducted by the municipality, a very small staff at the federal level is required to administer the program. The disadvantage, however, is that the assumptions behind assessment values will differ from municipality to municipality, consequently, federal payments will not be based on nationally consistent assumptions. As long as the assessment assumptions are consistent for all property within a municipality, however, federal payments will be based on the actual amount of property tax revenue lost to that municipality.

A second advantage of the Canadian program to provide compensation to localities is that the program is designed as a discretionary grant program. The legislation does not admit a property tax-paying responsibility for the federal government, nor an obligation to provide compensation to municipalities. This is advantageous to the federal government in that grant payments do not have to be equivalent to the full amount of lost revenue, nor do they have to be paid every year. This is particularly important as the amount of revenue lost to municipalities can be expected to increase with rising property values.

It is possible that a program similar to the Canadian program could be adopted by the American government either to replace all federal programs which compensate localities for the federal presence or to replace impact aid alone. In either case,

there may be adjustments in the locality's property tax rate upon adaptation of a new tax-equivalency program. If tax equivalency payments increase the amount of federal payments to a locality, the tax rate for taxable private property might decline. If, on the other hand, the locality receives less money in tax equivalency payments than it did in other federal payments, the tax rate for taxable private property might increase.

There are several provisions of the Canadian program that would have to be altered, however, for establishing a limited tax equivalency program to replace impact aid. First, payments would be made to school districts, not municipalities, so the property for which compensation is paid should be limited solely to federal property within school districts. Secondly, the tax rate used for computing tax equivalency payments should be the tax rate which reflects the amount of property tax revenues spent on schools. Finally, it may be noted that a tax-equivalency program does not compensate a locality for the entire financial burden that it may bear. Federal payments would only provide compensation for the revenue lost to the school district, not for the expenditures that may be imposed upon it. Impact aid, on the other hand, is designed to compensate localities to some degree for increased enrollments and imposed expenditures.

AN ESTIMATE OF THE COST OF ESTABLISHING A TAX EQUIVALENCY
PROGRAM IN THE THE UNITED STATES

The cost of a national tax equivalency program can only be roughly estimated, because of several factors. First, information on the value of federal property is extremely limited. The General Services Administration maintains an inventory of all federal real property with the original acquisition cost of that property, which usually bears little resemblance to the current market value. Information on the market or assessed value is sparse as few localities assess the value of tax-exempt federal real property within their jurisdiction.

Second, property assessments and tax rates vary among the thousands of separate government entities that tax real property. Due to time constraints it was not feasible to determine the property tax rate, the assessment-to-sales ratio, and the amount of federal real property within each local assessing jurisdiction. Although this analysis estimates the assessed value of federal property according to several assumptions, only one national property tax rate and one national school tax rate was applied to the assessed value figures. For areas with high assessed values and low tax rates

this methodology would overestimate the cost of tax equivalency payments. On the other hand, for those areas with low assessed values and high tax rates this methodology would underestimate the cost of tax equivalency payments.

Third, it is possible that localities would adjust their tax rates in response to a new source of federal payments. This adjustment is difficult to estimate on a national basis and has been excluded from this analysis. Consequently, the cost figures herein are rough national estimates of the cost of establishing a tax equivalency program.

AN ESTIMATE OF THE COST

A national tax equivalency program that applied the national property tax rate to all federal property would have cost between 8 and 13 billion dollars in fiscal year 1977. A more limited program, on the other hand, that applied the school property tax rate to federal land within school districts would have cost between 3 and 6 billion dollars in fiscal year 1977. Because property values have risen since fiscal year 1977, it can be assumed that the current cost of a tax equivalency program would be greater than these estimated costs.

The range in the estimated cost of a tax equivalency program is based upon varying assumptions of the comparative value of federally owned and privately owned real property. (See Table 4 and the Appendix for a discussion of the methodology employed in developing these estimates). The cost of a tax equivalency program increases as the value of federal property in comparison to the value of private property increases.

TABLE 4. ESTIMATED COST OF FEDERAL TAX EQUIVALENCY PROGRAMS IN FISCAL YEAR 1977 ACCORDING TO VARIOUS ASSUMPTIONS REGARDING THE COMPARATIVE VALUE OF FEDERAL AND PRIVATE REAL PROPERTY. DOLLARS IN BILLIONS.

	Federal property value equivalent to private property	Federal property value worth 75% of private property	Federal property worth 125% of private property	Federal property value equivalent to private property within SMSA's; worth 75% of private property outside of SMSA's
Tax equivalency payments based on school tax rate and value of federal property within school districts.	4.8	2.7	6.0	4.5
Tax equivalency payments based on property tax rate and value of all federal property.	10.7	8.0	13.4	9.7

CBO estimates based upon information from the Bureau of the Census, the Bureau of Land Management, the Department of Agriculture, The General Services Administration and the Office of Education.

THE REGIONAL DISTRIBUTION OF TAX EQUIVALENCY PAYMENTS

Although a national tax equivalency program would greatly increase the total cost of federal payments to states, analysis indicates that the distribution of funds would particularly favor the Western region, which encompasses three-quarters of all federal property. Figure 1 shows the regional division of states used in this analysis. Federal tax equivalency payments for all federal property would increase by about 1500% to the West over what is paid in impact aid, shared receipt, and flat payment programs. Tax equivalency payments for federal property within school districts would increase federal payments to the West by about 1760% over what is paid in impact aid (see Table 5).

In contrast, the South Central region of the United States would not gain greatly by the establishment of a tax equivalency program. Payments for federal property within school districts would increase by a little less than 10% over impact aid payments, while payments for all federal land would increase by about 70% over impact aid, shared receipt and flat payment programs.

There are two main reasons for the large difference in estimated tax equivalency payments to the West and the South Central regions. First, real property in the South Central

FIGURE 1 : REGIONAL DIVISION OF THE STATES

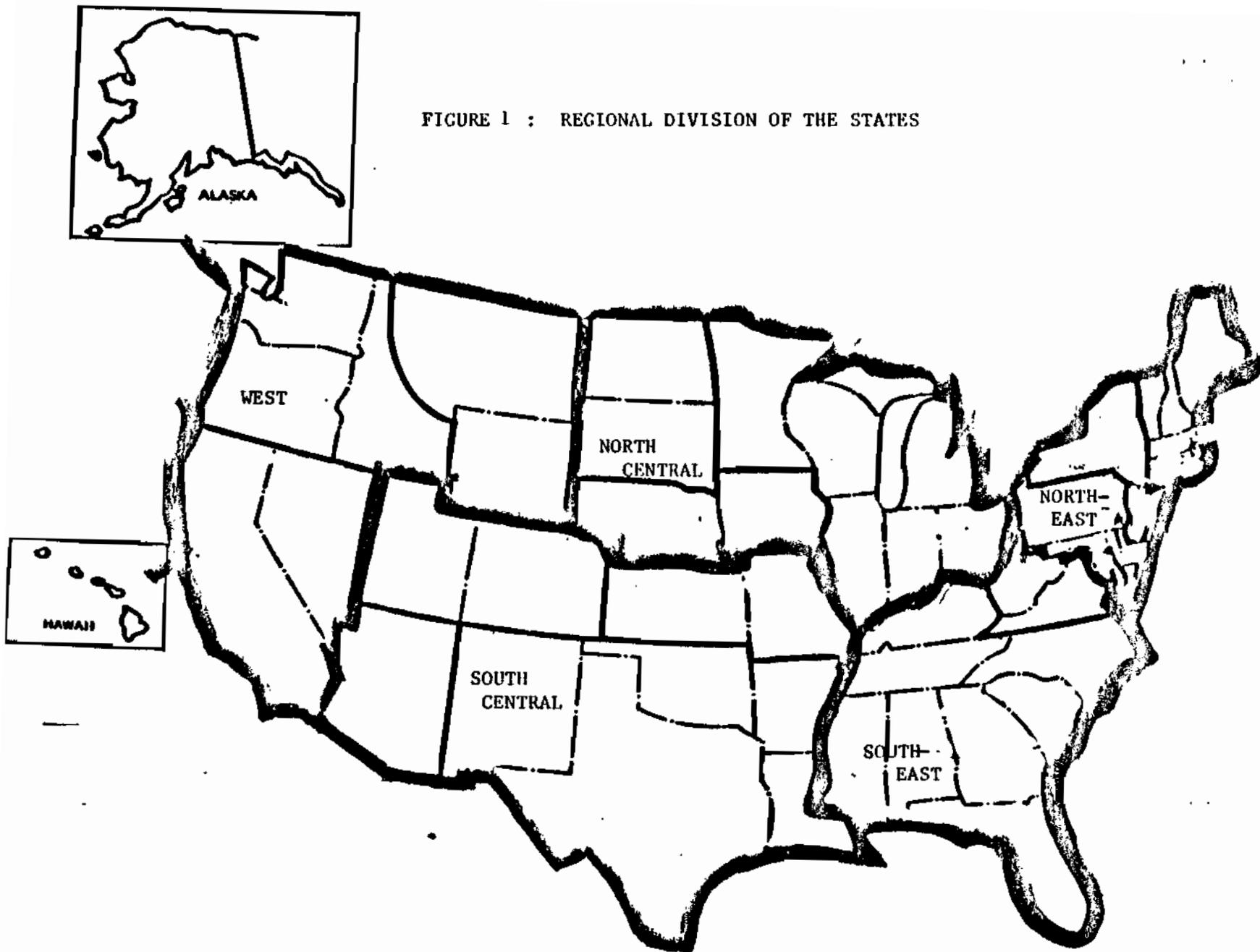


Table 5. REGIONAL COMPARISON OF FEDERAL PAYMENTS TO STATES AND ESTIMATED TAX EQUIVALENCY PAYMENTS^a IN FISCAL YEAR 1977. DOLLARS IN MILLIONS^a

Region	Impact Aid Payments	Tax Equivalency payments for federal property within school districts	Percentage Change	Federal payments to states for federal land ^b	Tax Equivalency payments for all federal property	Percentage Change
North East	132.3	288.5	+ 118%	133.9	551.3	+ 312%
North Central	69.7	132.6	+ 90%	81.6	232.3	+ 185%
South East	165.5	369.9	+ 124%	180.7	739.0	+ 309%
South Central	156.9	170.6	+ 8%	231.2	396.0	+ 71%
Far West	205.2	3,819.0	+1761%	543.6	8,823.4	+1523%
TOTAL	729.6	4,780.6	+ 555%	1,171.0	10,742.0	+ 817%

a. Estimated tax equivalency payments based on the assumption that federal assessed value per acre is equivalent to the assessed value per acre of private property.

b. Includes payments for Impact Aid, National Forest receipts, National Grasslands, Payments in Lieu of Taxes, Mineral Leasing Act Receipts, Grazing Receipts and other programs.

CBO estimates based upon information from the Bureau of the Census, the Bureau of Land Management in the Department of Interior, the Department of Agriculture, The General Services Administration, and the Office of Education.

states is generally assessed at a lower percentage of its market value than is real property in the Western states (see Table 6), and states in the South Central region generally have higher property tax rates than the national property tax rate used in this analysis. Thus, actual tax equivalency payments to the South Central region would likely be somewhat higher than what is estimated here. The tax rates of Western states, however, are not as easily characterized; some states have higher rates and some lower than the national average rate used in this analysis. The second factor contributing to the difference in size of estimated tax equivalency payments to the two regions is the amount of federal property in each region. The West contains about four times as much federal acreage as does the South Central region; consequently, tax equivalency payments to the West would be much larger. The amount of federal land within a region, however, may not indicate the financial burden placed on that region. Tax equivalency payments to some Western states with large amounts of federal property within school districts may bear little relation to the expenditure imposed upon those school districts by enrolling children of federal workers. The state of Alaska, for example, counts about 28,000 school children for present impact aid payments. Under a tax equivalency program for federal property within school districts, federal payments to the state would total to about thirty thousand dollars for each student.

TABLE 6: MEDIAN ASSESSMENT-SALES PRICE RATIO FOR SINGLE FAMILY (NONFARM) HOUSES FOR STATES IN TWO REGIONS, CALENDAR YEAR 1976

South Central Region	Median Assessment/ Sales Ratio	Western Region	Median Assessment/ Sales Ratio
Arizona	12.0	Alaska	78.0
Arkansas	9.2	California	18.0
Colorado	17.5	Hawaii	49.2
Kansas	12.3	Idaho	27.3
Louisiana	9.5	Montana	5.4
Missouri	16.6	Nevada	24.3
New Mexico	15.9	Oregon	78.1
Oklahoma	11.6	Washington	62.0
Texas	15.5	Wyoming	10.1
Utah	12.8		

Bureau of the Census, 1977 Census of Governments, Taxable Property Values and Assessment/Sales Price Ratios, Nov. 1978.

THE EFFECT OF A TAX EQUIVALENCY PROGRAM ON LOCALITIES

Because the size of school tax equivalency payments or property tax equivalency payments would be determined by the local tax rates and locally assessed value of federal property, there would be a wide range in the size of payments made to localities. Although this range is obscured by a national or regional estimate of the cost, a comparison of the estimated tax equivalency payments and present federal payments to four localities: Los Alamos, New Mexico; Montgomery County, Maryland; New York City, New York, and Portsmouth, Virginia, illustrates this variation in payment size. These four localities, each of which presently receives impact aid payments, would receive larger federal payments under a tax equivalency program, but because of variations in geographic area, population size, and degree of federal property ownership, the increase in federal payments for these localities ranges from 5 to 1086 percent.

For these four localities the range of increase in federal payments for a school tax equivalency program (19 percent to 74

percent) is much narrower than the range of increase in federal payments for a property tax equivalency program (5 percent to 1086 percent). (See Table 7.) This may be because all of these localities are presently receiving impact aid payments, while other federal payments to localities in compensation for the presence of federal land, such as the National Forest receipts program, are directed primarily towards rural areas. Urban areas receive other types of federal payments, such as community development block grants, however, which are not taken into account in this analysis. Indeed, some analysis has shown that the bulk of all federal payments is directed toward metropolitan areas.¹

LOS ALAMOS, NEW MEXICO

A tax equivalency program would not greatly increase federal payments to Los Alamos over present levels. A school

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1. In fiscal year 1976, the latest year for which this information is available, \$314.5 billion in Federal Government payments could be traced to individual counties and over 76 percent of these payments were made to counties within SMSA's.

J. Norman Reid, W. Maureen Godsey, Fred K. Hines, Federal Outlays in Fiscal Year 1976: A Comparison of Metropolitan and Nonmetropolitan Areas, U. S. Department of Agriculture, August 1978.

TABLE 7. COMPARISON OF ESTIMATED TAX EQUIVALENCY PAYMENTS AND ACTUAL FEDERAL PAYMENTS TO FOUR LOCALITIES IN FISCAL YEAR 1978. DOLLARS IN THOUSANDS^a

Locality	Impact Aid Payments to School District	Estimated School Property Tax Equivalency Payments	Percentage Change	Other Federal Payments	Total Federal Payments	Estimated Property Tax Equivalency Payments	Percentage Change
Los Alamos, New Mexico	3,560 ^b	4,900 ^c	+37%	1,300	4,860	5,080 ^c	+5%
Montgomery County, Maryland	4,920	6,800	+38%	20	4,940	13,430	+172%
New York City, New York	18,290	21,780	+19%	2	18,290	55,860	+205%
Portsmouth, Virginia	1,170	2,000	+72%	0	1,170	13,830 ^d	+1087%

SOURCE: CBO estimates based on information from the Bureau of the Census, the Departments of Agriculture, Energy, and Interior and the Los Alamos County, Montgomery County, New York City and Portsmouth governments.

- a. Includes payments for Impact Aid, National Forest receipts, National Grasslands, Payments in Lieu of Taxes, Mineral Leasing Act Receipts, Grazing Receipts and other programs intended to compensate for the presence of federal land.
- b. Includes Department of Energy payments to the Los Alamos School district.
- c. Estimated tax equivalency payments prepared for the U.S. Department of energy by SRI International in Analysis of Annual Assistance to Communities at Atomic Energy Facilities, December 1978.
- d. Estimated property tax equivalency payment prepared by the Portsmouth city government.

tax equivalency program, however, would increase federal payments by more than one-third over present impact aid and Department of Energy payments. (See table 7.)

Los Alamos is a town built by the federal government to house federal employees at the Los Alamos Scientific Laboratory. The town is small (population 17,000), located in an isolated rural area, and incorporated as both the city and county government. Approximately 36% of the city/county acreage is owned by the Department of Energy.

Because Los Alamos is presently receiving substantial payments from the Department of Energy (authorized under the Atomic Energy Community Act of 1955) and the Departments of Agriculture and Interior, a tax equivalency program for federal property would not greatly increase payments to the Los Alamos city/county. On the other hand, although the Los Alamos school district is presently receiving large payments from the Department of Energy and impact aid payments for about 4,000 federal employee children, a school tax equivalency program would increase federal payments to the city/county, because the Los Alamos school district has a small enrollment (about 5,000 students) but encompasses a geographic area with a large amount of federally owned land.

MONTGOMERY COUNTY, MARYLAND

A tax equivalency program on federal land would more than double federal payments to Montgomery County, while a school tax equivalency program would increase federal payments to the Montgomery County Schools by nearly 40 percent.

Montgomery County is composed of several Washington, D. C. suburban communities, many of whose residents are federal employees. Property values are high so the county has one of the wealthiest property tax bases in the country, and approximately .6 percent of the county acreage is owned by the federal government. Although the amount of federal acreage within the county is small, federal property value is high because of its location.

The lower percentage increase for a school tax equivalency program reflects two factors: the substantial amount of impact aid payments that Montgomery County receives, and a relatively low school tax rate. In contrast, property tax equivalency payments would greatly increase federal payments to the county, because other federal payments such as PILT or park service payments are small, and the general property tax rate is almost twice as high as the school tax rate.

NEW YORK CITY, NEW YORK

School property tax equivalency payments would increase federal payments to the New York City schools by 20 percent over what was paid in impact aid in fiscal year 1978, while property tax equivalency payments would more than triple federal payments to the city. (See table 7.) Only about 8.8 percent of the city's land area is federally owned, but because of the high property values in the city, the assessed value of federal property in fiscal year 1978 exceeded \$650 million.

Because New York City received an impact aid payment in 1978 of over \$18 million for 121,000 children, and because the school property tax rate is fairly low, a school property tax payment would increase federal payments to the schools by about 20 percent. Property tax equivalency payments, on the other hand, would greatly increase the city's payment because the general property tax rate is much higher than the school tax rate, and because New York City, as an urban area, receives little money from other programs that attempt to compensate for the tax-free federal presence.

PORTSMOUTH, VIRGINIA

School tax payments would increase federal payments to the Portsmouth schools by more than 70 percent over current impact

aid payments, while property tax equivalency payments would increase federal payments by over 1,000 percent.

Portsmouth is a medium-sized coastal town (population 10,000) that contains several Department of the Navy shipyards, installations, and hospitals. Approximately 25 percent of the city's land area is owned by the federal government. Because the federal land is located along the port and in the industrial areas of the city, its assessed value exceeded one billion dollars in fiscal year 1978.

Portsmouth received over one million dollars in impact aid payments in fiscal year 1978, but because of the high assessed value of federal property and despite a low school property tax rate, school tax payments to the district would exceed the present impact aid level. Property tax equivalency payments would greatly increase the level of federal payment to the city because of three factors: the high assessed value of federal property, a higher general property tax rate than the school tax rate, and the fact that Portsmouth does not currently receive any payments, other than impact aid, in compensation for tax-exempt federal land.

THE FINANCIAL BURDEN ON LOCALITIES DUE TO THE PRESENCE OF TAX
EXEMPT FEDERAL LAND

All efforts to provide compensation to localities for the presence of federal lands are based on the assumption that those tax-free lands impose a financial burden on localities, yet the degree of financial burden placed on a locality by the presence of federal land is uncertain. Three factors should be taken into consideration in determining the financial burden caused by federal land: the amount of revenue gained by the locality, the reduction in the tax base, and the size of expenditures imposed on the locality. While federal land may result in a loss of property tax revenue to localities, the presence of federal land may also attract other sources of income and revenue, such as liquor and sales taxes from tourists and visitors. The amount of revenue gained from these other taxes must also be considered in determining the financial burden.

A recent study by the Advisory Commission on Intergovernmental Relations¹ concluded that the relationship between the amount of federal land within a county and a county's tax base

1. Michael Hardwick and Henry Raimondo, The Adequacy of Federal Compensation to Local Governments for Tax Exempt Federal Lands, (ACIR, 1978).

is not always certain. According to their sample survey, counties containing public land and counties without public land are very similar with respect to property taxes per capita, other county-source revenues per capita, and tax effort. Counties with more than 15% federal acreage, however, are slightly more likely to show the characteristics associated with a deprived tax base. These characteristics are a low per capita revenue or a high tax effort in comparison to other counties. This finding suggests that the presence of federal land may diminish the taxable base in those localities that encompass relatively large amounts of federal property, but that there is no systematic variation between the amount of federal property and the tax burden of the residents.

It is also uncertain that a strong relationship exists between the amount of federal land in a locality and increased costs imposed on that locality. A second finding of the ACIR report is that the amount of local expenditures does not vary systematically with the amount of federal land within that locality. Counties containing public land are very similar to counties without public land with regard to per capita general, fire and police, and highway expenditures. Counties with more

than 15% federal lands were slightly more likely to have higher per capita expenditures than were counties without or with a lower percentage of federal land.

If the findings of the ACIR report are accepted--that federal land is not related to a diminished tax base nor increased expenditures for most counties, and that there is only a slight relationship for those counties which have more than 15 percent federal land--it could be argued that large federal programs to compensate localities for the federal presence are not necessary.

APPENDIX

METHODOLOGY USED IN DEVELOPING AN ESTIMATE OF THE COST OF A TAX EQUIVALENCY PROGRAM

An estimate of the cost of establishing a tax equivalency program depends on two steps: first, estimates of the value of all federal property and of property claimed for impact aid payments; and second, an estimate of the national property tax rates to be applied against those assessed values.

The Estimated Assessed Value of Federal Property

In this analysis the value of privately owned real property is the basis for estimating the value of federally owned real property. Because federal property is tax-exempt, information on the market or assessed value of federal property is not readily available on a national basis. Information is available, however, on the assessed value of privately owned real property subject to taxation. The value of federal property was estimated by multiplying the average assessed value per acre of locally taxed private real property within and outside of Standard Metropolitan Statistical Areas (SMSA's) for each state by the estimated amount of federal acreage within and outside of SMSA's. The value of property currently claimed for

impact aid payments was estimated by multiplying the average assessed value per acre of locally taxed private real property within and outside of SMSA's for each state by the estimated amount of acreage claimed for impact aid within and outside of SMSA's for each state.

The Assessed Value per Acre of Locally Taxed Real Property

The value of locally assessed real property within and outside of SMSA's for each state was divided by the amount of state acreage within and outside of SMSA's, reduced by the amount of federally owned acreage, to obtain the assessed value per acre of locally taxed real property. Because information on the acreage of non-federal but tax-exempt property (for example, churches and hospitals) in each state was unavailable, it was not possible to reduce the amount of state acreage by this tax-exempt portion. Consequently, the assessed value per acre may be underestimated, which would result in an underestimate of the value of federally owned property.

The Amount of Federal Acreage Within and Outside of SMSA's

Data are available on the amount of federal acreage within and outside of urban areas. However, because the Bureau of the Census definitions differ for urbanized and Standard Metropolitan

Statistical Areas, it was necessary for this analysis to estimate the amount of federal acreage within SMSAs.¹ The following ratio was used in this analysis:

$$\frac{\text{Federal urban acreage in state}}{\text{All urban acreage in a state}} = \frac{\text{Federal SMSA acreage in a state}}{\text{All SMSA acreage in a state}}$$

This ratio assumes that the distribution of federal acreage in suburban areas is similar to the distribution of federal acreage in standard metropolitan statistical areas. Because it is probable that there is more federal property (such as Post offices and office buildings) in a SMSA than there is in small towns and cities, it is likely that this ratio would tend to underestimate the amount of federal acreage in SMSA's, and so would underestimate the cost of establishing a federal tax equivalency program.

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1. The Bureau of the Census defines urban areas as places of 2,500 inhabitants or more incorporated as cities, villages, boroughs, and towns, but excluding those rural portions of extended cities; unincorporated places of 2,500 inhabitants or more; and other territory, incorporated or unincorporated included in urbanized areas. A Standard Metropolitan Statistical Area is defined by the Office of Management and Budget as a city of 50,000 or more inhabitants or two cities with a combined population of at least 50,000, and the county or counties in which that city is located. A SMSA also includes neighboring counties if the counties are economically and socially integrated. Generally, urbanized areas are smaller than SMSA's and in most cases are contained in SMSA's. The Bureau of the Census estimates that in the United States 35 million acres are within urban areas, and 322 million acres are within SMSA's.

The Amount of Acreage Claimed for Impact Aid Payments

Within and Outside of SMSA's. The total amount of acreage in each state claimed by school districts for impact aid payments was obtained from the Office of Education. This state-acreage information is not available by SMSA, non-SMSA status. For the purpose of this analysis it was assumed that all federal acreage within SMSA's is claimed by school districts for impact aid payments, as it is likely that children live or their parents work on federal land within SMSA's. The remaining acreage claimed for impact aid payments was classified as non-SMSA acreage. Because SMSA acreage figures developed earlier were used again, the cost of tax equivalency payments may be underestimated. In some states (such as Arizona, Oklahoma, and South Dakota) the amount of acreage claimed for impact aid exceeds the total amount of federal acreage owned in that state due to the large amounts of land in those states that are not owned by the federal government, but that are held in trust for the Indians. Under present impact aid legislation payments are made to school children who reside on Indian lands, as well as for children who live in low rent public housing--also acreage that is not owned by the federal government.

Estimated National Property Tax Rates

This analysis uses two national property tax rates: the estimated national nominal property tax rate for all locally assessed real property, and the estimated national nominal school tax rate--the property tax rate which yields revenue that supports public elementary and secondary education. Both of these national rates are rough estimates that, by definition, obscure local and regional variation in property tax rates. Consequently, the application of these national rates to states which have high market to assessed value ratios and low property tax rates may overestimate the tax equivalency payment which those states would receive. On the other hand, the application of these national rates to states with low market to assessed value ratios and high property tax rates may underestimate the payments which those states would receive under a tax equivalency program.

The national nominal property tax rate was estimated by dividing the total amount of local real property tax revenue in fiscal year 1977 by the assessed value of real property in localities.² It is estimated that the national nominal property tax rate was about 5.7% in fiscal year 1977.

2. The amount of local property tax revenue for fiscal year 1977 and the assessed value of real property in localities for fiscal year 1976 were obtained from the 1976-1977 Census of Governments. CBO inflators were applied to obtain the assessed value of real property in 1977.

The national nominal school tax rate was estimated by dividing the total amount of property tax revenue which supports public education by the assessed value of real property in localities. The amount of property tax revenue which supports independent school districts was obtained from the 1976-1977 Census of Governments. The amount of property tax revenue that supports dependent school districts was estimated to be equivalent to 98 percent of the local tax revenue which supports local school districts.⁵ This methodology resulted in a national nominal school tax rate of about 3.1% in fiscal year 1977.

CRITICISMS OF THE METHODOLOGY

There are several arguments that could be made against the methodology employed to develop an estimate of the cost of a tax equivalency program. First, it could be argued that private and federal real property are so different that it is not possible to use the value of one to estimate the value of the other. Some of the differences between federal and private property

5. James A. Maxwell and J. Richard Aronson, Financing State and Local Governments (The Brookings Institution, 1977), p. 137.

that could be cited in support of this argument are the tax-exempt status of all federal land, the undeveloped status of most federal land, and the undesirable quality of some federal land. Second, it could be argued that federal land is, on the average, worth more or less than comparable private property. Some federal property is of great historic or scenic value, and worth much more than what would be reflected in the value of comparable private land. On the other hand, some federal land is worth less than comparable private property. Often land in the public domain is land that has never been claimed nor purchased by private individuals because it is isolated or unsuitable for development. Appendix Table 1 shows the estimated value of federal property and federal property claimed for impact aid payments according to different assumptions about the average value of federal property in comparison to the average value of private property.

APPENDIX TABLE 1. THE ESTIMATED VALUE OF FEDERAL PROPERTY ACCORDING TO VARIOUS ASSUMPTIONS REGARDING THE COMPARATIVE VALUE OF FEDERAL AND PRIVATE PROPERTY. DOLLARS IN BILLIONS.

	Federal Property Value Equivalent To Private Property	Federal Property Value Worth 75% of Private Property	Federal Property Value Worth 125% of Private Property	Federal Property Value Equivalent to Private Property Within SMSA's; Worth 75% of Private Property Out- Side of SMSA's
All Federal Property	189	141	236	170
Property Claimed for Impact Aid	154	87	193	144