

## Chapter 12 Grants and Payments

### Introduction

The U.S. Department of the Interior (Interior) administers numerous grants and payment programs that support a variety of needs across all fifty states, Native American and Native Alaskan tribes, and U.S.-affiliated Insular Areas. The financial support from these programs helps improve the natural environment (e.g., conservation and restoration of lands, waters, species and their habitat), built infrastructure (e.g., water delivery systems, schools, roads, and bridges), and the provision of public and social services (e.g., resource management planning, law enforcement, and environmental education). Funding for Interior's grants and payment programs comes from several different sources, including: royalty collections from oil, gas, coal, and other mineral production on federally owned or managed lands; excise taxes on fishing equipment and motorboat fuels; excise taxes on firearms, ammunition, archery equipment and arrow components; and annual appropriations. The following provides an overview of the major grants and payment programs, along with their economic contributions. Grants associated with Interior's support for the U.S.-affiliated Insular Areas are highlighted separately, due to their unique and important role for these economies.

Grants and payment programs administered by Interior provided \$7.95 billion in value added; economic contributions of \$11 billion; and supported employment of 89,000. Within these totals:

- Indian Affairs grants to support tribal governments provided value added of \$0.8 billion, economic contributions of \$1.2 billion, and supported over 10,000 jobs.
- Grants and payments to Insular Affairs provided value added of \$1.23 billion and supported 35,000 jobs.

A recent Congressional Budget Office report highlights some of the economic issues associated with federal grants to state and local government:<sup>86</sup>

- Grants to state and local governments can promote economic efficiency in instances when those governments have localized knowledge that would permit them to implement a program more efficiently and effectively than the federal government could but when they have insufficient incentives or funding to provide a good or service—infrastructure, for example—whose benefits extend beyond their jurisdictions.
- The federal government allocates grants to state and local governments on the basis of formulas established by law (for block grants and categorical formula grants) or through a competitive process (for project grants). Some formulas are based on historical distributions of grant funds, while others are based on a more complicated set of demographic or other factors relevant to the purpose of the grants.

<sup>86</sup> Congressional Budget Office. March, 2013. *Federal Grants to State and Local Governments*.  
Chapter 12 Grants and Payments

- Federal grant programs offer state and local governments varying degrees of flexibility over the use of grant funds. For instance, LWCF grants provide broad parameters for using those funds, leaving state and local governments considerable latitude when they make spending decisions. State and local governments face more spending constraints on how they use categorical formula grants.

## Outputs

The funds distributed through Interiors grants and payments programs support a wide range of important purposes and needs. However, this aspect also complicates the ability to measure and quantify outputs generated from these programs in any uniform way. To highlight the wide array of outputs these programs generate for states and local communities, brief descriptions of several of Interior's major grants and payments programs are provided below.

[Abandoned Mine Lands \(AML\)](#) – States with an approved program, or specific Indian tribes, are eligible for Abandoned Mine Land grants, where the funds come from fees paid by active coal mine operators on each ton of coal mined. Funds from the AML program are used for environmental restoration activities to correct or mitigate problems including, surface and ground water pollution, entrances to open mines, water-filled pits, unreclaimed or inadequately reclaimed refuse piles and mine sites (including some with dangerous highwalls), sediment-clogged streams, damage from landslides, and fumes and surface instability resulting from mine fires and burning coal refuse.

[Coastal Impact Assistance Program \(CIAP\)](#) – Provides grant funds from offshore oil and gas lease revenues to oil producing states to conserve, protect, and restore coastal areas including wetlands; mitigate for damages caused to fish, wildlife, and other natural resources; assist with planning and implementation of a federally-approved marine, coastal, or comprehensive conservation management plan; and help mitigate the impact of outer continental shelf activities through funding of onshore infrastructure projects and public service needs.

[Cooperative Endangered Species Conservation Fund \(CESCF\)](#) – Provides grants to States and Territories to participate in a wide array of voluntary conservation projects for candidate, proposed, and listed species on non-Federal lands. States and Territories must contribute a minimum non-Federal match of 25 percent of the total program costs, or 10 percent when two or more States or Territories implement a joint project.

[Gulf of Mexico Energy Security Act \(GOMESA\)](#) – Revenue sharing payments for the four Gulf oil and gas producing States of Alabama, Louisiana, Mississippi and Texas, and their coastal political subdivisions (CPSs). Authorized uses of funds include coastal protection, including conservation, coastal restoration, hurricane protection, and infrastructure directly affected by coastal wetland losses; mitigation of damage to fish, wildlife, or natural resources; implementation of a federally-approved marine, coastal, or comprehensive conservation management plan; mitigation of the impact of outer Continental Shelf activities through the funding of onshore infrastructure projects; and planning assistance and the administrative costs of complying.

[Historic Preservation Fund \(HPF\)](#) – Grants to State and Tribal Historic Preservation Offices to assist in expanding and accelerating their historic preservation activities. Funding is used to pay part of the costs of staff salaries, surveys, comprehensive preservation studies, National Register nominations,

educational materials, as well as architectural plans, historic structure reports, and engineering studies necessary to preserve historic properties.

[Land and Water Conservation Fund \(LWCF\)](#) – The LWCF Program provides matching grants to States and through states to local governments for the acquisition and development of public outdoor recreation areas and facilities (as well as funding for shared federal land acquisition and conservation strategies).

[Mineral Revenue Payments](#) – Disbursed by the Office of Natural Resource Revenue, the revenue sharing payments to states include: mineral leasing associated payments; National Forest Fund payments to states; payments to states from lands acquired for flood control, navigation and allied purposes; sales in National Petroleum Reserve – Alaska; royalty payments to Oklahoma; and late interest payments. States use funds for a variety of purposes.

[OSM Regulatory Grants to States and Tribes](#) – OSM provides matching grants to States for regulatory programs for coal mining. Grants are provided to 24 States who have approved regulatory programs for the implementation of Title V of the Surface Mining Control and Reclamation Act. Three Tribes are currently provided grants for the development of regulatory coal programs. Some components of a State regulatory program include permitting, inspection of coal mine sites, enforcement of mining laws and regulations, and bond release after mining and reclamation is complete.

[Payments in Lieu of Taxes \(PILT\)](#) – PILT are Federal payments to local governments that help offset losses in property taxes due to nontaxable Federal lands within their boundaries. PILT does not include payments associated with National Wildlife Refuge system lands, which are covered separately under Refuge Revenue Sharing payments.

[Refuge Revenue Sharing](#) – The U.S. Fish and Wildlife Service makes revenue sharing payments to counties for the lands that they administer. Through the Refuge Revenue Sharing Act, as amended in 1964, either 25 percent of the net receipts collected from the sale of various products or privileges from refuge lands or 3/4 of 1 percent of the adjusted purchase price of refuge land, whichever is greater, are paid to counties where refuge lands are located.

[Sport Fish Restoration](#) – The Sport Fish Restoration Program (SFR) provides grant funds to the states, the District of Columbia and Insular Areas fish and wildlife agencies for fishery projects, boating access and aquatic education. Funding is generated through excise taxes on fishing equipment, motorboat and small engine fuels, import duties, and interest.

State and Tribal Wildlife – The [State Wildlife Grant Program](#) uses funds appropriated from Congress to provide federal grants for developing and implementing programs that benefit wildlife and their habitats, including species not hunted or fished. Grant funds must be used to address conservation needs such as research, surveys, species and habitat management, and monitoring, identified within a State's Comprehensive Wildlife Conservation Plan/Strategy. Similarly, the [Tribal Wildlife Grant Program](#) uses funds from an annual appropriation to provide funds to federally recognized Tribal governments to develop and implement programs for the benefit of wildlife and their habitat, including species of Native American cultural or traditional importance and species that are not hunted or fished.

[WaterSMART](#) – Grants provide cost-shared funding for the following types of projects: Water and Energy Efficiency Grants for projects that save water, improve energy efficiency, address endangered species and other environmental issues, and facilitate transfers to new uses; System Optimization Review Grants for a broad look at system-wide efficiency focused on improving efficiency and operations of a water delivery system, water district, or water basin where the results in a plan of action that focuses on improving efficiency and operations on a regional and basin perspective; Advanced Water Treatment and Pilot and Demonstration Project Grants for pilot and demonstration projects that address the technical, economic, and environmental viability of treating and using brackish groundwater, seawater, impaired waters, or otherwise creating new water supplies within a specific locale; Grants to Develop Climate Analysis Tools for research projects focused on the information gaps detailed in the joint Reclamation and United States Army Corps of Engineers (USACE) Report titled “Addressing Climate Change in Long-Term Water Resources Planning and Management: User Needs for Improving Tools and Information” (Section 3).

[Wildlife Restoration](#) – The Wildlife Restoration Program provides grant funds to the states and Insular Areas fish and wildlife agencies for projects to restore, conserve, manage and enhance wild birds and mammals and their habitat. Projects also include providing public use and access to wildlife resources, hunter education and development and management of shooting ranges. Funds are generated through excise taxes on firearms, ammunition, archery equipment and arrow components.

### **Economic Contributions and Economic Value**

Several of the major grants and payments programs, and FY 2012 funding, administered by Interior and its bureaus are shown in Table 12-1.

Grants and payments totaling about \$5 billion supported about 89,000 jobs, \$7.95 billion in value added, and \$11 billion worth of economic contributions in FY 2012. The largest payments are associated with mineral revenues. These mineral revenue payments totaled about \$2.1 billion in FY 2012 and were associated with value added of about \$3.3 billion and economic contributions of \$5 billion. The economic contribution estimates for the major grants and payments programs presented in this section have not been captured in the economic contribution estimates provided in other sections of this report and therefore, do not represent double-counting.

**Table 12-1. Economic Contributions of Interior's Major Grants and Payments Programs**

<b>Grant/Payment Program</b>	<b>FY 2012 Funding (\$ billions)</b>	<b>Estimated Value Added (\$ billions)</b>	<b>Estimated Economic Output (\$ billions)</b>	<b>Estimated Employment Supported (jobs)</b>
Abandoned Mine Lands Grants	0.49	0.72	1.21	7,817
Coastal Impact Assistance Program Grants	0.48	0.76	1.15	9,545
Cooperative Endangered Species Conservation Fund Grants	0.05	0.07	0.11	902
Historic Preservation Fund Grants	0.05	0.07	0.14	959
Land and Water Conservation Fund Grants to States w/ GOMESA	0.04	0.05	0.10	671
Mineral Revenue Payments	2.08	3.25	4.93	41,067
OSM Regulatory Grants	0.07	0.11	0.16	1,351
Other National Park Service Grant Programs	0.01	0.01	0.02	155
Payments In Lieu of Taxes	0.39	0.61	0.93	7,742
Refuge Revenue Sharing	0.02	0.03	0.04	338
Sport Fish Restoration Grants	0.43	0.66	1.02	8,344
State and Tribal Wildlife Grants	0.06	0.09	0.14	1,147
Tribal Governments Support <sup>1</sup>	0.58	0.84	1.21	10,549
WaterSMART Grants	0.01	0.01	0.02	135
Wildlife Restoration Grants	0.39	0.61	0.94	7,675
<b>Total</b>	<b>5.15</b>	<b>7.91</b>	<b>12.11</b>	<b>98,395</b>

<sup>1</sup> Includes aid to tribal governments, consolidated tribal government program, self-governance compacts, contract support, Indian self-determination fund, new tribes, small and needy tribes, and road maintenance.

Beyond the resulting economic contributions, Interior's grants and payments funds received by states and local communities help support valuable improvements to the natural environment (e.g., conservation and restoration of lands, waters, species and their habitat), built infrastructure (e.g., water delivery systems, schools, roads, and bridges), and the provision of public and social services (e.g., resource management planning, law enforcement, and environmental education). Measuring the economic value of the various grants and payments depends on the specific activities and/or projects the funds are used for. Under the Gulf of Mexico Energy Security Act (GOMESA), funds dispersed to the four Gulf oil and gas producing states of Alabama, Louisiana, Mississippi and Texas, and their coastal political subdivisions (CPSs) are to be used for coastal protection, including conservation, coastal restoration, hurricane protection, and infrastructure directly affected by coastal wetland losses;

mitigation of damage to fish, wildlife, or natural resources; implementation of a federally-approved marine, coastal, or comprehensive conservation management plan; mitigation of the impact of outer Continental Shelf activities through the funding of onshore infrastructure projects; and planning assistance and the administrative costs of compliance. While GOMES funds can be used for a variety of purposes and projects, some activities may help conserve and restore habitat for numerous species of birds and fish along the Gulf coast, but also help safeguard coastal communities against future storm events. Recreationists may benefit from improved conditions for fishing, hunting, and nature observation resulting from habitat conservation and restoration, while coastal residents and businesses may benefit from potential avoided property damages in future storms. Determining the economic value such project expenditures would require information on a specific project(s) implemented and involve using appropriate economic methods to quantify the dollar value of the benefits to recreationists and/or the dollar value of the potential avoided property damages to the local coastal community.

Measuring the economic value of other Interior grants and payments programs would involve an approach similar to the simplified example described above on the use of GOMESA funds by Gulf coast states. In general, it is important to have an understanding of the specific project(s) implemented or actions taken by states and local communities that receive the grants and payments funds as well as the resulting incremental changes from the project(s) or actions. Furthermore, it is also necessary to identify the user groups or stakeholders that will benefit from the particular projects or actions taken. Appropriate economic valuation methods can then be used to estimate the dollar value of the benefits. Furthermore, comparing expenditures for individual projects to their estimated benefits will provide a measure of net benefits received by states and local communities.

## Insular Affairs

Interior's Office of Insular Affairs (OIA) carries out the department's responsibilities for U.S.-affiliated Insular Areas, which include the territories of Guam, American Samoa, the U.S. Virgin Islands, the Commonwealth of the Northern Mariana Islands, and three sovereign freely associated states (FAS, which includes the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau). The OIA assists the Insular Areas in developing more efficient and effective government by providing financial and technical assistance—primarily via grant programs—and helps manage the Federal Government's relationships with Insular Areas by promoting appropriate Federal policies. OIA works to improve the financial management practices of insular governments, maximize economic development opportunities, improve quality and quantity of economic data and increase Federal responsiveness to the unique needs of island communities.

OIA's responsibilities are framed by the long-term security interests of the United States in the western Pacific and serious economic and fiscal problems affecting the U.S. territories and FAS. Although each Insular Area's situation is unique, they share common challenges, including limited land and resources; small populations; limited local technical expertise; narrow economic bases; and exposure to natural disasters, such as hurricanes and typhoons. The Department of the Interior's OIA and the Department of Commerce's Bureau of Economic Analysis (BEA) will expand the current measures of economic activity

for American Samoa, Guam, the Commonwealth of the Northern Mariana Islands (CNMI), and the U.S. Virgin Islands to include additional information to gauge territorial economic performance.

Table 12-2 provides select economic characteristics of Insular Areas to help highlight some of the challenges they face, as seen where GDP per capita is significantly lower in most Insular Areas compared to the United States. In an effort to combat the many challenges facing Insular Areas, the OIA strives to empower the local communities, foster economic development, promote sound management, and improve quality of life while respecting and preserving local cultures.

**Table 12-2. Economic Characteristics by Insular Area**

	Estimated Population (#)	Estimated Employment (#)	Estimated Employee Compensation (\$'000, 2011\$)	GDP (\$'000, 2011\$)	GDP per Capita (2011\$)
American Samoa	55,519	15,434	242,452	634,413	11,427
Guam	159,358	68,025	1,679,585	4,721,474	29,628
Northern Mariana Islands	53,883	21,399	317,984	756,137	14,033
U.S. Virgin Islands	106,405	45,095	1,544,992	4,639,981	43,607
Micronesia	102,843	15,924	68,314	310,288	2,994
Marshall Islands	52,921	10,482	101,566	170,748	3,212
Palau	20,472	11,678	102,759	179,900	8,729
United States	309,349,689	-	-	-	48,442

Source: Reprint of Table 1-1 from Economic Impacts Attributable to FY 2012 Federal Grants and Payments to Seven Insular Areas, Final Report, RTI International, December 2012. Available online at: <http://www.doi.gov/oia/reports/OIAeconomicreports.cfm>.

In FY 2012, the budget of the OIA was \$571 million, of which \$544 million was direct grants and payments to the Insular Areas. A large majority of the grants and payments to Insular Areas are considered mandatory, essential assistance to provide basic services or defined by law, while only a small percentage is considered discretionary.<sup>87</sup> OIA payments fund health care, education, government operations, roads, and other types of social and physical infrastructure. From a budgetary standpoint, payments can be separated into three primary categories:

- Fiscal payments, which are the return of taxes collected by the U.S. federal government to Guam and the U.S. Virgin Islands, as required by law;
- Assistance to Territories, which provides general technical assistance; finances education and health care operations; funds and maintains essential infrastructure; and supports environmental initiatives, including brown tree snake control and the Coral Reef Initiative;

<sup>87</sup> The United States Department of the Interior Budget Justifications and Performance Information Fiscal Year 2013: Office of Insular Affairs. [http://www.doi.gov/archive/oia/budget/FY2013\\_Budget\\_Justification.pdf](http://www.doi.gov/archive/oia/budget/FY2013_Budget_Justification.pdf)  
Chapter 12 Grants and Payments

- Compact of Free Association, which distributes annual payments to FAS, per their treaties with the United States, and provides support to the U.S. western Pacific territories and Hawai`i to offset the impact the Compact has on the region.

Overall, the direct grants and payments to Insular Areas in FY 2012 were estimated to result in contributions to GDP totaling \$1.2 billion, while supporting 35,000 jobs. While the GDP contribution represents 11% on average across the Insular Areas, in some Insular Areas it represents a significantly higher proportion of GDP (American Samoa – 21%; Micronesia – 59%; Marshall Islands – 62%; and Palau – 32%).