



RURAL COUNTY REPRESENTATIVES
OF CALIFORNIA

California Payment In Lieu of Taxes (PILT) Q&A

What is PILT?

Payment In Lieu of Taxes (PILT) was established in 1949 to offset adverse impacts to county property tax revenues that result when the State acquires private property for wildlife management areas.

How many counties currently have lands acquired by the Department of Fish and Wildlife (Department) for wildlife management areas?

Thirty-six counties: Alpine, Butte, Colusa, Del Norte, Fresno, Glenn, Humboldt, Imperial, Inyo, Lake, Lassen, Madera, Marin, Merced, Modoc, Mono, Monterey, Napa, Nevada, Placer, Plumas, Riverside, San Bernardino, San Diego, San Luis Obispo, Shasta, Sierra, Siskiyou, Solano, Sonoma, Stanislaus, Sutter, Tehama, Tulare, Yolo, and Yuba.

What is the status of PILT payments to counties?

The Department had not made PILT payments to counties in over a decade, citing the failure of the Legislature to appropriate funds for this purpose as the reason for nonpayment.

In the 2015-16 State Budget the Brown Administration proposed to fund PILT for the 2015-2016 fiscal year in the amount of \$644,000. This dollar amount was arrived at by backing-out from the Department's estimated \$1,551,810 annual PILT payment owed to the 36 counties the amount identified as the property tax allocation for school districts.

In 2015, both the Senate Budget and Fiscal Review Subcommittee #2 and Assembly Budget Subcommittee #3:

- Approved the Brown Administration's proposed payment of \$644,000 PILT for the 2015-2016 fiscal year;
- Approved payment of \$8 million* for the arrears owed to counties; and,
- Rejected the Brown Administration's proposal to change the language of Fish and Game Code Section 1504 to make payment of PILT permissive.

*The Department's estimate of the PILT arrears (as of May 16, 2014) was \$18,682,283. The Legislative Analyst's Office, utilizing the Administration's formula i.e. backing-out the property tax allocation for school districts, estimated the PILT arrears (as of May 16, 2014) to be \$7,784,426.

As a result of last minute negotiations between the Legislature and the Brown Administration, SB 97 (2015 Budget Bill Junior) reduced the appropriation to the Department for "Management of Department Lands and Facilities" by \$8 million – the \$8 million appropriated by the Legislature for the arrears owed to counties.

The Governor's 2016-17 State Budget included a PILT payment of \$644,000 to counties for the 2016-2017 fiscal year. The Director of the Department of Finance has recently stated that the Administration does not view the PILT arrears as a State liability.

What does the law say?

Historically, Fish and Game Code Section 1504 specified that when income is derived from real property acquired and operated by the state as wildlife management areas the Department *shall* pay annually to the county in which the property is located an amount equal to the county taxes levied upon the property at the time title was transferred to the State.

As a result of last minute negotiations between the Legislature and the Brown Administration, language was inserted into SB 83, the 2015 Public Resources Budget Trailer Bill, changing Fish and Game Code Section 1504 language to make payment of PILT permissive ("shall" to "may").

Why is it important to counties that "shall" be reinserted into Fish and Game Code Section 1504?

Despite the requirement in statute that the Department make PILT payments annually to the impacted counties, the Department failed to do so for over a decade citing the failure of the Legislature to appropriate funds for this purpose as the reason for nonpayment.

While the Brown Administration included funding for PILT in the 2016-17 State Budget, and has proposed to fund PILT in the 2017-2018 State Budget, future Administration's may well choose to not make PILT payments - leaving counties without recourse due to the permissive nature of the language.

Why is it important to counties that the Legislature fund payment of the PILT arrears owed?

In recognition of the State's unfulfilled responsibility, both the Senate and Assembly took action to fund the PILT arrears in the 2016-2017 State Budget. Payment of the arrears is particularly important to many small and rural counties as PILT payments help fund county General Fund funded programs and services that benefit county residents.

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