



# Rural Studies Program Working Paper Series

## Economic Impacts on Oregon Counties of the Termination of the Secure Rural Schools and Community Self-Determination Act:

### An Update

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A Report of the “Changing Federal County Payments Policy  
and Rural Oregon Counties: Impacts and Options” Project

by

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## INTRODUCTION

Many Oregon counties with substantial shares of their land in Federal forests have depended on shared revenues from Federal forest lands for significant portions of their county government revenues. Over the past several decades, a number of forces have converged to disrupt the historical patterns of funding for county government services in Oregon. New voter-initiated limitations on property taxes were put in place in the early 1990s as Federal government forest management practices and national policies constrained the timber harvest on Federal land and thus the harvest-based revenues that had been shared with county government. These changes introduced a considerable amount of uncertainty into county finance, and expiration in 2007 of legislation that authorized the Federal forest payments to counties seriously threatened the fiscal capacity of a majority of Oregon counties. Many county governments in Oregon entered fiscal year 2008-09 with the prospect of having to implement drastic cuts in services. Six of the 36 counties faced cuts of more than 30 percent in their general funds, and eight faced cuts of more than 50 percent in their road funds. (Association of Oregon Counties, 2008, p. 4)

Beginning in 1993 Congress attempted to counter the declines in payments to counties by restructuring the county payments policies to decouple payments from the harvests. The Omnibus Reconciliation Act of 1993 and then the Secure Rural Schools and Community Self-Determination Act of 2000 (P.L. 106-393) (hereafter SRS) stabilized payments to counties and schools by providing payments to counties based on receipts during years with historically high harvest levels. The SRS provided payments to counties and schools in 42 states. In Oregon, the SRS safety net payments went to 33 of 36 counties. Funding to counties tied to Forest Service lands must be used on county roads and schools (with a specified share being passed through directly to schools), while funding tied to Bureau of Land Management lands can be used for general purposes. Title I of the Act (providing 80% to 85% of total payments) funded a general safety net for county services and schools. Title III funded search and rescue and fire protection and other county services related to Federal forest lands. Title II expenditures, guided by local Resource Advisory Committees, supported projects aimed at restoration of public lands and nearby private lands. In the analysis that follows, only Title I and Title III payments are considered “discretionary” county funds since Title II funds remain in Federal accounts.

The original SRS act expired in September 2006 and a one-year extension of the SRS expired in September 2007. This meant that final payments would have been received during the 2007-08 county fiscal year ending June 30, 2008. Despite efforts by the Oregon Congressional delegation and others, counties entered the 2008-09 county fiscal year without SRS funds. In October, Congress reauthorized the SRS Act as part of P.L. 110-343. This reauthorization provides for a phasing down of payments with a scheduled termination in 2012.

Our analysis in this paper provides updated estimates of what the impact on Oregon counties would have been if Secure Rural Schools funding had not been continued. The original report used estimates from the June 2008 Initial Report of the *Governor's Task Force on Federal Forest Payments and County Services*. This update uses data from the January 2009 Final Report of the Task Force.

Table 1 shows the actual SRS payments to counties for 2007-08 and the expected annual net loss of revenues if SRS payments had ended. This estimate is net of the harvest-based payments that the counties would continue to receive under the original revenue sharing formulas, assuming that harvest receipts from Federal lands remain at 2007-08 level.

**Table 1: SRS Payments to Counties and Schools, 2007-08, and Net Loss from Termination of SRS Payments**

	<b>Schools (\$)</b>	<b>County Roads (\$)</b>	<b>County General (\$)</b>	<b>TOTAL (\$)</b>
<b>FS Title I</b>	34,824,837	104,474,510		139,299,347
<b>FS Title III</b>			13,861,546	13,861,546
<b>BLM Title I</b>			99,335,098	99,335,098
<b>BLM Title III</b>			12,533,055	12,533,055
<b>Total</b>	34,824,837	104,474,510	125,729,698	265,029,045
<b>Harvest Receipts</b>	(1,899,553)	(5,698,660)	(14,444,791)	(22,043,004)
<b>Net Revenues Lost</b>	32,925,283	98,775,850	111,284,907	242,986,040

Source: Tables 1 and 2, *Governor's Task Force on Federal Forest Payments and County Services*, Final Report, January 2009, Note: These amounts do not include Title II funds.

Table 2 shows the estimated revenue loss to each county with the termination of SRS payments. This estimate begins with actual FY 2008 SRS revenues and estimates the net revenue losses assuming the 2007-08 level of Federal forest receipts.

**Table 2: County Revenue Losses with Termination of SRS Payments**

<b>County</b>	<b>Revenue Loss to County General Funds (GFL) (\$)</b>	<b>Revenue Loss to County Road Funds (RFL) (\$)</b>
Baker	174,419	758,075
Benton	2,789,595	308,216
Clackamas	6,093,124	4,357,143
Clatsop	0	0
Columbia	2,099,262	0
Coos	6,710,548	481,103
Crook	330,254	2,304,475
Curry	3,826,348	3,280,457
Deschutes	503,638	2,759,391
Douglas	24,129,748	13,484,472

<b>County</b>	<b>Revenue Loss to County General Funds (GFL) (\$)</b>	<b>Revenue Loss to County Road Funds (RFL) (\$)</b>
Gilliam	0	0
Grant	721,497	5,936,104
Harney	317,298	2,637,692
Hood River	96,366	1,685,929
Jackson	16,853,042	3,753,728
Jefferson	86,824	499,477
Josephine	12,708,756	1,794,189
Klamath	3,064,138	10,181,926
Lake	425,612	3,531,662
Lane	17,880,996	20,765,142
Lincoln	1,072,230	3,243,032
Linn	3,300,534	6,926,654
Malheur	0	6,810
Marion	2,002,678	2,440,256
Morrow	11,388	205,716
Multnomah	1,215,403	645,220
Polk	2,134,142	7,136
Sherman	0	0
Tillamook	715,036	1,734,453
Umatilla	51,270	562,543
Union	158,665	598,742
Wallowa	141,929	841,116
Wasco	111,770	1,821,698
Washington	638,880	0
Wheeler	71,762	741,911
Yamhill	847,756	481,384
Oregon	111,284,907	98,775,850

Source: Tables 3A and 3B, *Governor's Task Force on Federal Forest Payments and County Services*, Final Report, January 2009

## **IMPACT OF TERMINATION OF SRS FUNDING**

The impact of the expiration of the Secure Rural Schools Act was estimated using IMPLAN, an economic input-output model created by the Minnesota IMPLAN Group, Inc., that provides estimates of inter-industry purchases and sales in a regional economy, and allows the estimation of impacts on the regional economy of external “shocks” such as changes in Federal payments or export sales. In this study we used the 2006 database, the most current data available at the time we began the analysis.

To estimate the impacts to Oregon counties from loss of SRS general fund discretionary revenues and road fund revenues, we created a model for each of the 33 counties affected by the expiration of SRS, and a model for the State of Oregon as a whole. Clatsop, Gilliam, and Sherman are not directly affected because they do not receive funding under the Secure Rural Schools act.

Since there are cross-county effects in the state model that are not captured in the county models, the total impacts of the expiration of SRS for the State of Oregon are larger than the sum of the county impacts.

The revenue losses in Table 2 were used to estimate employment, output, and value added impacts in each of the affected counties and in the State of Oregon. The road fund revenue loss impact was treated in the IMPLAN model as a reduction in spending on maintenance and repair of highways and streets, and the general fund discretionary revenues loss was treated as a reduction in non-educational spending by state and local government.

## **STATE-LEVEL IMPACT OF TERMINATION OF SRS FUNDING**

With the expiration of the Secure Rural Schools and Community Self-Determination Act, Oregon would lose over 3500 jobs; total output would be reduced by more than \$350 million; and value added would be cut by \$230 million.

The General Fund Revenue loss would have the greatest job impact on the following sectors: Government (state and local); Retail Trade; Health Services; Eating, Drinking and Lodging; and Other Services including legal, educational and social services. Road Fund loss affects mainly the following sectors: Construction, Retail Trade, Health Services and Other Services. Table 3, Table 4, and Table 5 present the total effect by industry on employment, output, and value added, respectively, of the expiration of the Secure Rural Schools and Community Self-Determination Act.

**Table 3: Employment Impact of SRS Termination in Oregon**

Industry	Employment		
	GFL	RFL	Total
Crops	5.5	3.8	9.3
Livestock	6.6	3.9	10.5
Forest Products & Logging	0.1	0.2	0.3
Commercial Fishing	1.4	0.8	2.2
Mining	2.5	3.3	5.8
Utilities	5.2	2.6	7.8
Construction	23.4	1120.4	1143.8
Food Processing	5.7	3.5	9.2
Other Manufacturing	12	18.6	30.6
Wood Products	1.2	1.7	2.9
Pulp & Paper Products	2.2	1.1	3.3
Electronics & Instruments	1.7	1.4	3.1
Wholesale Trade	29.2	27.6	56.8
Transportation & Warehousing	28.3	35.8	64.1
Retail Trade	119.8	128.8	248.6
Communications	12.6	9	21.6
Finance & insurance	33.1	20.4	53.5
Insurance & Real Estate	43.2	32	75.2
Other Services	192.2	182.4	374.6
Business Services	47.4	38.6	86
Landscaping & Ag. Services	19	10.9	29.9
Health Services	92.5	72.4	164.9
Eating, Drinking & Lodging	91.9	61	152.9
Household Industry & Other	19.5	15.8	35.3
Govt. Industry & Enterprise	939.5	6.8	946.3
<b>TOTAL</b>	<b>1735.7</b>	<b>1802.8</b>	<b>3538.5</b>

Note: GFL = General Fund Revenue Loss; RFL = Road Fund Loss

**Table 4: Output Impact of SRS Termination in Oregon**

Industry	Output (\$)		
	GFL	RFL	Total
Crops	379,631	287,570	667,201
Livestock	413,818	241,811	655,629
Forest Products & Logging	28,714	46,387	75,101
Commercial Fishing	55,580	34,293	89,873
Mining	833,917	891,403	1,725,320
Utilities	3,377,920	1,673,172	5,051,092
Construction	2,262,620	99,253,976	101,516,596
Food Processing	2,031,210	1,260,534	3,291,744
Other Manufacturing	3,436,791	7,690,472	11,127,263
Wood Products	225,653	377,769	603,422
Pulp & Paper Products	229,243	110,618	339,861
Electronics & Instruments	1,198,466	977,042	2,175,508
Wholesale Trade	5,317,095	5,026,801	10,343,896
Transportation & Warehousing	2,935,065	4,514,325	7,449,390
Retail Trade	7,954,827	8,550,574	16,505,401
Communications	3,108,815	2,205,530	5,314,345
Finance & insurance	5,387,242	3,483,801	8,871,043
Insurance & Real Estate	6,828,663	5,159,449	11,988,112
Other Services	12,897,984	15,055,032	27,953,016
Business Services	3,107,604	2,663,772	5,771,376
Landscaping & Ag. Services	984,408	560,983	1,545,391
Health Services	9,142,113	7,253,282	16,395,395
Eating, Drinking & Lodging	4,980,026	3,295,104	8,275,130
Household Industry & Other	7,879,494	6,386,137	14,265,631
Govt. Industry & Enterprise & Institutions	95,440,643	1,157,304	96,597,947
<b>TOTAL</b>	<b>180,437,540</b>	<b>178,157,139</b>	<b>358,594,679</b>

. Note: GFL = General Fund Revenue Loss; RFL = Road Fund Loss

**Table 5: Value Added Impact of SRS Termination in Oregon**

Industry	Value Added (\$)		
	GFL	RFL	Total
Crops	259,407	176,781	436,188
Livestock	54,932	31,381	86,313
Forest Products & Logging	10,828	17,494	28,322
Commercial Fishing	19,803	11,933	31,736
Mining	163,618	268,860	432,478
Utilities	2,201,286	1,047,847	3,249,133
Construction	1,181,537	56,403,376	57,584,913
Food Processing	411,290	257,978	669,268
Other Manufacturing	989,225	2,294,263	3,283,488
Wood Products	84,768	122,114	206,882
Pulp & Paper Products	147,450	71,790	219,240
Electronics & Instruments	165,629	143,473	309,102
Wholesale Trade	3,585,765	3,389,995	6,975,760
Transportation & Warehousing	1,678,286	2,403,817	4,082,103
Retail Trade	5,250,658	5,647,377	10,898,035
Communications	1,302,149	908,494	2,210,643
Finance & insurance	2,934,743	1,965,236	4,899,979
Insurance & Real Estate	4,357,159	3,222,838	7,579,997
Other Services	6,687,724	7,532,837	14,220,561
Business Services	1,869,300	1,604,283	3,473,583
Landscaping & Ag. Services	504,302	288,923	793,225
Health Services	5,648,189	4,472,635	10,120,824
Eating, Drinking & Lodging	2,553,159	1,678,096	4,231,255
Household Industry & Other	7,052,738	5,716,071	12,768,809
Govt. Industry & Enterprise	80,942,376	585,629	81,528,005
<b>TOTAL</b>	<b>130,056,318</b>	<b>100,263,520</b>	<b>230,319,838</b>

Note: GFL = General Fund Revenue Loss; RFL = Road Fund Loss

### COUNTY-LEVEL IMPACT OF TERMINATION OF SRS FUNDING

Table 6 presents the estimates of impact of expiration of the Secure Rural Schools act on employment, output and value added in each of the directly affected counties. The most affected counties are Douglas and Lane (both losing more than 600 jobs), and Jackson, Josephine and Klamath (all losing more than 200 jobs).

**Table 6: County-level Economic Impacts of SRS Termination in Oregon**

Industry	Employment			Output (\$)			Value Added (\$)		
	GFL	RFL	Total	GFL	RFL	Total	GFL	RFL	Total
Baker	2.5	14.5	17.0	231,450	1,029,556	1,261,006	166,592	514,141	680,733
Benton	40.4	5.2	45.6	3,771,717	450,205	4,221,922	2,731,003	252,838	2,983,841
Clackamas	84.8	72.2	157.0	8,864,642	6,875,290	15,739,932	6,509,517	3,977,098	10,486,615
Clatsop	0.0	0.0	0.0	0	0	0	0	0	0
Columbia	26.9	0.0	26.9	2,601,457	0	2,601,457	1,927,116	0	1,927,116
Coos	95.8	8.5	104.3	9,075,423	708,035	9,783,458	6,662,686	393,127	7,055,813
Crook	4.6	40.8	45.4	439,285	3,307,686	3,746,971	318,929	1,804,299	2,123,228
Curry	56.0	58.4	114.4	4,919,459	4,279,162	9,198,621	3,521,700	2,241,352	5,763,052
Deschutes	7.3	49.7	57.0	763,983	4,383,726	5,147,709	561,614	2,451,948	3,013,562
Douglas	364.9	243.1	608.0	33,884,881	20,558,766	54,443,647	24,635,003	11,251,014	35,886,017
Gilliam	0.0	0.0	0.0	0	0	0	0	0	0
Grant	10.1	104.8	114.9	883,595	7,683,618	8,567,213	620,016	3,961,654	4,581,670
Harney	4.2	41.7	45.9	382,875	3,290,171	3,673,046	271,434	1,784,646	2,056,080
Hood River	1.4	29.9	31.3	133,587	2,471,449	2,605,036	97,879	1,369,814	1,467,693
Jackson	273.6	71.6	345.2	25,842,484	6,078,982	31,921,466	18,348,063	3,328,586	21,676,649
Jefferson	1.1	7.3	8.4	105,435	571,969	677,404	75,771	304,736	380,507
Josephine	196.5	34.3	230.8	18,305,695	2,714,638	21,020,333	12,930,774	1,443,515	14,374,289
Klamath	46.3	192.4	238.7	4,379,177	15,634,646	20,013,823	3,144,906	8,399,237	11,544,143
Lake	5.9	65.2	71.1	523,334	4,709,953	5,233,287	370,582	2,408,801	2,779,383
Lane	284.3	373.9	658.2	27,274,104	33,559,326	60,833,430	19,533,370	18,984,440	38,517,810
Lincoln	16.5	57.1	73.6	1,454,176	4,500,979	5,955,155	1,042,710	2,481,777	3,524,487
Linn	47.1	110.6	157.7	4,515,887	9,973,527	14,489,414	3,275,098	5,723,436	8,998,534
Malheur	0.0	0.1	0.1	0	9,128	9,128	0	4,896	4,896
Marion	28.6	42.6	71.2	2,947,651	3,888,204	6,835,855	2,165,584	2,180,826	4,346,410
Morrow	0.1	2.9	3.0	13,186	244,211	257,397	9,742	135,828	145,570
Multnomah	15.4	9.9	25.3	1,763,847	1,066,465	2,830,312	1,334,129	623,101	1,957,230
Polk	27.3	0.1	27.4	2,583,050	9,015	2,592,065	1,829,421	4,983	1,834,404
Sherman	0.0	0.0	0.0	0	0	0	0	0	0
Tillamook	9.9	29.3	39.2	946,288	2,400,815	3,347,103	679,279	1,311,584	1,990,863
Umatilla	0.7	9.6	10.3	68,106	780,040	848,146	49,595	422,692	472,287
Union	2.4	10.8	13.2	212,433	868,671	1,081,104	149,132	470,386	619,518
Wallowa	2.1	15.6	17.7	176,546	1,091,586	1,268,132	124,989	567,383	692,372
Wasco	1.6	31.6	33.2	152,458	2,637,510	2,789,968	110,180	1,457,594	1,567,774
Washington	8.2	0.0	8.2	900,091	0	900,091	667,150	0	667,150
Wheeler	1.1	19.6	20.7	82,042	863,676	945,718	52,253	431,183	483,436
Yamhill	12.0	7.7	19.7	1,141,017	688,222	1,829,239	811,366	389,203	1,200,569
<b>TOTAL</b>	<b>1,679.6</b>	<b>1,761.0</b>	<b>3,440.6</b>	<b>159,339,361</b>	<b>147,329,227</b>	<b>306,668,588</b>	<b>114,727,583</b>	<b>81,076,118</b>	<b>195,803,701</b>

## CONCLUSION

The Secure Rural Schools and Community Self-Determination Act of 2000 (P.L. 106-393) provided funding to Oregon county governments that directly and indirectly supported over 3,500 jobs, \$350 million in sales and \$230 million in value-added in Oregon. Termination of SRS payments would have led to loss of these jobs, sales and income.

On October 3, 2008, Congress passed and the President signed a four-year reauthorization and phase-down of the payments (P.L. 110-343). The renewal of the Act forestalled the loss of jobs, sales and income. As the SRS payments phase down over the next four years toward scheduled termination in 2012, however, Oregon counties will see job losses and income reductions unless new sources of county revenue are generated.

## REFERENCES

Association of Oregon Counties, "P.L. 1006-393 Briefing" presented to U.S. Sen. Mitch McConnell, Salem OR, June 16, 2008

Office of the Governor, *Governor's Task Force on Federal Forest Payments and County Services*, Final Report, Salem OR, January 2009.