

Secure Rural Schools Payments Termination

Impacts on Oregon's O&C County Economies
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Report to the Association of O&C Counties

Introduction

The termination of “safety net” payments under the Secure Rural Schools and Community Self-Determination Act³ will directly affect local governments for hundreds of counties nation wide. This paper addresses the economic impacts of losing safety net payments to eighteen O&C Counties in Western Oregon.⁴ We describe the economies of the study area and then summarize total economic impacts that would occur there. This includes the direct reduction in county budgets and multiplier effects in the overall economy. The impacts are described as changes in total jobs and income associated with each scenario of lost payments. Following the regional summary we describe more detailed impacts for each O&C County. As county-level modeling typically understates leakages caused by trade between counties we also estimate regional impacts of the payments reductions. We also enumerate some communities of concern that could be most vulnerable to economic destabilization. An appendix describes the relevant data sources and calculations assumptions as well as the methodology and assumptions used to develop the economic impact models. Our analysis does not attempt to analyze social impacts resulting from loss of public services provided by counties or that would likely result from increased unemployment.

O&C County Payments

Counties encompassing large tracts of federally owned public lands usually receive some form of payment to compensate for the reductions in the county property tax base. Forested counties typically receive revenue sharing from federal timber harvests, and payments in lieu of taxes (PILT).

The O&C Counties are a unique group of eighteen counties in Western Oregon. They contain lands revested in 1916 and 1919 from early transportation land grants. These were the Oregon and California Railroad grants and the Coos Bay Wagon Road grants. In 1937, Congress gave O&C counties a net 75% of revenues from these lands, mostly from timber sales, generated by the Bureau of Land Management (BLM), which managed the lands. The counties' share of O&C revenue was reduced to 50% in the 1950s. Many of these counties also contain significant acreages of national forests, managed by the US Forest Service. The US Forest Service is required to contribute 25% of receipts generated within a county back to county road and school budgets. These funds are referred to as federal forest funds.

In 1986, the federal timber harvest in Western Oregon had been as high as 4.1 billion board feet annually (USFS = 63%, BLM = 37%).⁵ At 1986 average stumpage prices of \$110/MBF the combined harvest had been worth in the vicinity of \$451 million annually. In response to rising environmental pressures, federal harvests had dropped 93% to 0.3 billion board feet by 2004.⁶ During that time the harvest reductions

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³ Secure Rural Schools and Community Self-Determination Act of 2000 (PL 106-393)

⁴ O&C counties contain revested federal transportation land grants

⁵ Warren, Debra. 1991. Production, Prices, Employment and Trade in Northwest Forest Industries. USDA-Forest Service. Pacific NW Research Station PNW-RB-187. Portland, OR

⁶ Warren, Debra. 2006. Production, Prices, Employment and Trade in Northwest Forest Industries 2004. USDA-Forest Service. Pacific NW Research Station PNW-RB-250. Portland, OR

subjected O&C counties to large economic impacts from two directions. First, there was a direct loss of revenue sharing that limited county budget spending. Second, reduced federal harvests caused rapid contractions of the wood products sector, as logging declined and mills closed or reduced shifts. The multipliers of these timber jobs and income losses reduced total economic activity. The industrial property tax bases also declined in most of these counties. Impacts were extreme in the most resource-based county economies of Western Oregon.

Congress provided a series of temporary alternative funding measures in the 1990s to lessen the adverse impacts from timber harvest reductions. Most recently, Congress passed the Secure Rural and Community Self-Determination Act of 2000 to provide six years of funding to replace county revenue losses. It establishes a safety net payment equal to the average of the three highest payments for the fiscal years 1986 through 1999.⁷ After 2006, payments revert to revenue sharing levels based on current harvests. Table 1 shows the Secure Rural Schools (SRS) payments by county as of 2006.

Table 1. Annual Federal SRS and PILT County Payments by Source (\$ 1000's)

#	County	USFS	O&C	CBWR	PILT	Total
1	Benton	503.0	3,262.2	0.0	4.0	3,769.2
2	Clackamas	7,198.0	6,443.1	0.0	103.4	13,744.5
3	Columbia	0	2,391.5	0.0	0.0	2,391.5
4	Coos	805.8	6,849.5	857.5	13.4	8,526.2
5	Curry	5,598.1	4,237.4	0.0	117.1	9,952.6
6	Douglas	22,661.6	29,081.2	155.0	187.8	52,085.6
7	Jackson	6,427.6	18,191.7	0.0	91.1	24,710.4
8	Josephine	3,062.8	14,024.0	0.0	69.3	17,156.1
9	Klamath	17,201.6	2,716.6	0.0	427.3	20,345.5
10	Lane	34,167.8	17,727.3	0.0	271.1	52,166.2
11	Lincoln	5,295.4	417.9	0.0	36.5	5,749.8
12	Linn	11,392.9	3,064.8	0.0	94.2	14,551.9
13	Marion	4,282.7	1,695.0	0.0	40.4	6,018.1
14	Multnomah	1,068.7	1,265.4	0.0	15.0	2,349.1
15	Polk	0	2,507.6	0.0	0.0	2,507.6
16	Tillamook	2,830.6	650.1	0.0	18.4	3,499.1
17	Washington	0	731.4	0.0	3.7	735.1
18	Yamhill	785.7	835.9	0.0	5.1	1,626.7
	Totals	123,282.3	116,092.6	1,012.5	1,497.9	241,885.3

The differences between SRS payments and traditional revenue sharing (following termination of SRS payments) could be very large, a probable reduction of \$222.6 million annually. There is on-going debate about a further extension, but there has been no resolution. Our analysis presumes that O&C county payments will end with the final payments made in late 2006, no extension of the legislation in 2007, and estimates the impacts to the county economies as of 2008. Our results would not be materially different if Congress adopts an extension that provides for payments to the counties during 2007.

⁷ http://www.fs.fed.us/r1/forest_range/payment_to_states/overview.htm

Study Area

The county specific analyses area includes the 18 O&C counties in Western Oregon (Figure 1). There is wide variability in their historic dependence upon federal timber payments and vulnerability to changes in federal timber management in Western Oregon. Some counties are dependent upon SRS and PILT payments for a large portion of their general fund operations, while other counties receive only a small portion of their revenues from such payments. We also look at aggregate regional impacts for the Eugene-Springfield Region of Southwest Oregon and for the Portland Economic Area which services a large trade region in Northwest Oregon and Southwest Washington.

County-level impacts are described with supplemental identification of communities of concern that could be severely impacted by reductions in federal forest funds and associated changes in the wood products industry. The wood products industry in Oregon is in the process of a structural adjustment to a long term reduction in federal timber harvest. Federal timber harvest reduction impacts were a key rationale for passage of the Secure Rural Schools Act and the economic impact story is not complete without some discussion of the impacts of downsizing of the wood products industry. Oregon counties have already had to adjust to a significantly reduced federal timber harvest. More recently, an abrupt decline in housing markets and continuing structural changes in the plywood industry suggest further impacts may occur.

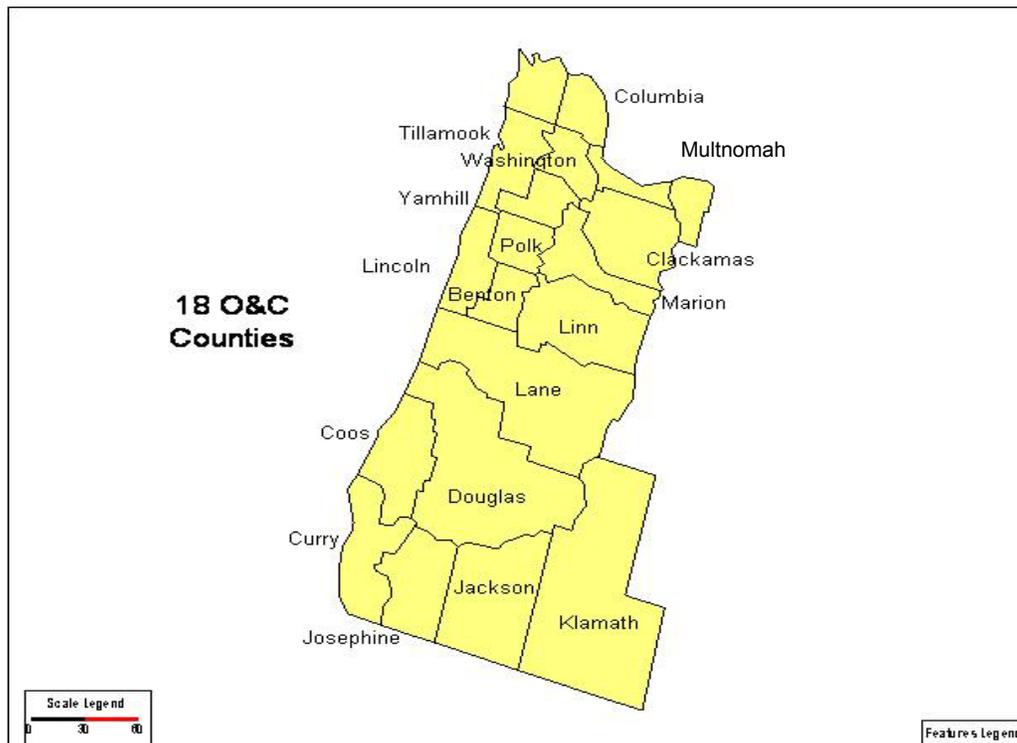
We chose county-level resolution as the most effective scale to represent economic impacts of loss of timber payments. Counties are the smallest geographic unit for which secondary data is readily available. This scale allowed building 18 unique county-level models. Finally, it is a scale that captures and spatially identifies most of the impact of loss of secure schools payments.

Economic impacts of the size we project will also cause some ripple effects in surrounding counties. We built a regional model of counties in southwest Oregon (Coos, Curry, Douglas, Lane, Jackson, Josephine and Klamath Counties) to examine regional impact issues. It indicates that metropolitan areas such as Eugene-Springfield and Portland-Salem may experience secondary impacts associated with their role as regional trade, service, and government centers.

A similar model of the Portland Economic Area is used to examine regional impacts in Northwest Oregon that would be concentrated in Multnomah County. Portland serves as a primary wholesale and transportation hub for a several state area that reaches into Idaho, and even perhaps as far as the Dakotas. SRS payment loss in those trade peripheries could have multiplier impacts in Portland.

Secondary budget impacts will also be evident in the State of Oregon budget. The State provides a substantial share of all public school funding. Districts with a large share of federal forest funds receive proportionately less State funding. According to the current funding formulas, State funding will be needed to replace lost SRS funds. This impact could cause significant changes in state revenue and expenditures. All school districts in the State could be impacted by this budget impact. These impacts on the State budget were not modeled in this analysis.

Figure 1 – Map of Western Oregon Counties



Summary of Impacts

Economic impacts are usually measured as changes in jobs and income related to a perturbation. There are three levels of economic impacts. Direct impacts are the job and income changes that are inseparably linked to the cause. SRS payment reduction will reduce county budgets and the direct impacts will be layoffs in county employment. Indirect impacts are caused when lower budgets reduce county purchases of goods and services from other sectors. Laid-off employees also reduce their purchases. Induced impacts come from the further reduction of economic activity as fewer dollars recirculate through the economy. The 18 county Input/Output (I/O) models convert the estimated direct impacts into total impacts by estimating multiplier effects associated with indirect and induced impacts.

As county boundaries are not coincident with trade boundaries, there is impact leakage. Some of the SRS-caused reductions would reduce trade with partners in adjacent counties where higher order trade centers are located. Some of these linkages may go through several counties as reductions in multiple local trade centers affect purchases in the regional trade center (e.g. Portland).

Direct SRS Payment Losses

When the Secure Rural Schools payments end, the remaining federal payments to counties will be based on federal agency revenue sharing (mostly from timber harvest receipts) and the PILT program. We assumed that PILT funds would remain unchanged to highlight the SRS effects ⁸ as annual PILT

⁸ Some change in PILT payments may occur in association with loss of the “safety net”, but it is very difficult to predict the magnitude of this change. We assume that this change is small and will not be significant in comparison to changes in Secure Schools and Community Stability Act payments.

reformulation differences are relatively small. The harvest sharing estimates depend on three elements that vary between the USFS and the BLM. Each agency will have different harvest levels. We use 2005 and 2006 historical harvests to establish agency harvest volumes that are presumed to continue unchanged into 2008.⁹ Both agencies have differing timber sale policies and timber types so that average stumpage revenues differ. Finally, the harvest revenue share patterns to counties differ. USFS revenues are based on 25% of value generated from national forest harvests within each county. BLM revenues are based on 50% of total regional revenues distributed back to counties by a formula based on the proportionate assessed tax value of the O&C lands and timber in each county immediately prior to revestment in 1915.¹⁰ Table 2 shows the post-SRS termination pattern of payments to counties. The harvest share estimates include the recent historical payments levels of both BLM O&C land management and Forest Service timber receipts sharing.

Table 2. Net annual Federal County Payments after SRS Termination (\$ 1000's)

#	County	Harvest Share	PILT	Total	Change in Payments
1	Benton	180.9	4.0	185.0	-3,584.3
2	Clackamas	1,037.8	103.4	1,141.2	-12,603.3
3	Columbia	132.6	0.0	132.6	-2,258.9
4	Coos	453.5	13.4	466.9	-8,059.3
5	Curry	1,729.4	117.1	1,846.4	-8,106.1
6	Douglas	2,546.7	187.8	2,734.6	-49,351.1
7	Jackson	1,451.8	91.1	1,542.9	-23,167.5
8	Josephine	2,006.3	69.3	2,075.6	-15,080.5
9	Klamath	2,731.5	427.3	3,158.8	-17,186.7
10	Lane	3,675.7	271.1	3,946.8	-48,219.4
11	Lincoln	320.6	36.5	357.1	-5,392.7
12	Linn	527.3	94.2	621.5	-13,930.4
13	Marion	543.4	40.4	583.9	-5,434.3
14	Multnomah	70.2	15.0	85.2	-2,263.9
15	Polk	139.1	0.0	139.1	-2,368.5
16	Tillamook	130.3	18.4	148.7	-3,350.4
17	Washington	40.6	3.7	44.3	-690.8
18	Yamhill	46.4	5.1	51.5	-1,575.2
	Total	17,764.2	1,497.9	19,262.0	-222,623.2

Post-SRS payment levels tend to be very low relative to the SRS-based “safety net” payments. This is because expected federal harvest levels remain low and public stumpage values are below industrial averages. As a result, SRS payment losses are mostly uncompensated. There would still be a regional \$222.6 million reduction in county receipts.

Direct payment loss effects are very unevenly concentrated across counties. Even in the southwestern counties (Douglas Jackson, Josephine, Klamath, and Lane) where post-SRS harvest revenue sharing would be the highest, the net reductions in county payments would be measured in the \$10’s of millions. Some of the northwestern counties (Benton, Columbia, Multnomah, Polk, Tillamook, Washington and Yamhill) had relatively small SRS payments and little dependence on federal timber so their direct payments effect is small in absolute terms.

⁹ This assumes that reported BLM plans for potentially increasing O&C harvests would not be actualized by the 2008 projection year.

¹⁰ See analytical methods appendix for details on post SRS revenue estimation.

Total Economic Impacts

There are three economic impact references for SRS payments termination. “Current conditions” reflects 2006 payments job and income contributions to counties (the last year of SRS payments). “Future conditions” reflect the economic contribution of post-SRS 2008 payments levels (Table 2). These are the much smaller remaining federal forest-based payments. They include estimates (based on 2005-2006 federal harvest levels) of counties’ 50% share of BLM stumpage revenues on O & C lands and 25% stumpage on Forest Service lands, plus PILT payments. Change effects are calculated in terms of total economic impacts. They include direct effects described in the previous section, indirect effects associated with inter-industry transactions and induced effects from payroll spending.

The total net effects are measured as expected changes in employment and earnings between the 2006 base year¹¹ and the 2008 impact year. “Changes in employment” includes both change in wage and salary employment and changes in proprietors. “Proprietors” refers to business owners who are actively employed in managing a particular business. Earnings include wage and salary earnings and proprietors income and cash contributions to retirement programs.

Current Conditions should be used as a baseline to evaluate the net changes caused by new public policies. Federal forest payments (SRS + PILT) account for over 5500 jobs (Table 3) in Western Oregon. Elimination of SRS payments and returning to harvest-based federal forest payments would cost O& C counties most of these jobs (see change in payments column). 92% of all jobs supported by the SRS payments would be lost.

The loss of SRS payments will cause large layoffs in local government in most Western Oregon counties. Layoffs will be most severe where O & C lands are concentrated in Lane, Douglas, Jackson, Josephine, Klamath, Linn, Curry, and Coos Counties. All of these counties are also major wood products producing counties. At the same time these counties are adjusting to changes in local government services, they will also likely be impacted by continued structural changes in wood processing industry that may cause additional layoffs. The economic base in most of these counties is also shifting away from manufacturing towards retirement, and tourism. Over time, these changes will erode the tax base and make local government finance even more difficult.

Federal forest funds account for about \$180 million in earnings in Western Oregon. Elimination of the SRS payments will result in losses of over ninety percent of these earnings (\$-167 million). The impact of this change will be greatest in Lane, Douglas, Jackson, Josephine, Klamath, and Linn counties. Losses of incomes in Lane and Douglas County are particularly severe with a combined earnings loss of \$90 million in these two counties. Earnings estimate are conservative because they are based on county-level models which do not account for trade leakage to larger metropolitan areas. Lane County serves as a regional trade, medical and educational center for all of southwest Oregon. It provides goods and services that are not available in the surrounding counties and is indirectly affected by loss of income in these counties. Loss of income in surrounding counties of this magnitude could have significant secondary “ripple” effects on the Lane County economy.

¹¹ The 2006 base year conditions are a composite of most recently available 2005 and 2006 data where older data is assumed to accurately reflect 2006 conditions.

Table 3: Employment Linked to Federal Forest Funds

County	Employment Impacts		
	Current Conditions	Future Conditions	Change in Payments
Benton	86	4	-82
Clackamas	189	16	-173
Columbia	47	3	-45
Coos	169	9	-160
Curry	225	42	-183
Douglas	1,377	72	-1,305
Jackson	572	36	-536
Josephine	395	48	-347
Klamath	370	49	-309
Lane	1,331	101	-1,230
Lincoln	142	9	-133
Linn	385	16	(369)
Marion	87	8	-78
Multnomah	27	1	-26
Polk	50	3	-47
Tillamook	74	3	-71
Washington	9	1	-9
Yamhill	28	1	-27
Total	5,563	422	-5,130

The role of federal forest payments is very significant in the economies of Western Oregon. For example, federal forest funds produce about the same number of jobs and earnings in Lane County as the computer and electronics manufacturing industry. Lane County is one of the leading Western Oregon counties in “high tech” industries and the public recognizes the critical role that these industries play in the Lane County economy, but it may not be as aware of the key role of federal forest payments.

Table 4 summarizes earnings changes for Western Oregon counties. The losses of income in southwest Oregon are apparent in Coos, Curry, Douglas, Jackson, Josephine, Lane and Klamath Counties. Other counties that see significant changes in income from current conditions are Linn, Lincoln, Clackamas, Marion, Benton, and Tillamook Counties.

When SRS payments are eliminated, payments to counties will revert to a share of actual stumpage value. Federal timber harvests have declined dramatically in Western Oregon and are projected to remain much lower than historic harvests of the period before the Northwest Forest Plan. In 2008, federal forest related SRS payments should decline by about \$220 million. Employment linked to federal forest linked SRS funds will shrink from over 5000 to only 415 jobs (Table 3). In the majority of Western Oregon counties, the remaining federal forest harvest revenue funds would no longer play a significant role in the economy as they would no longer be a significant source of local government revenue. Payments related earnings in the O&C counties will shrink from about \$180 million to about \$14 million if SRS payments are not reauthorized.

Table 4: Changes in Earnings for Each Scenario

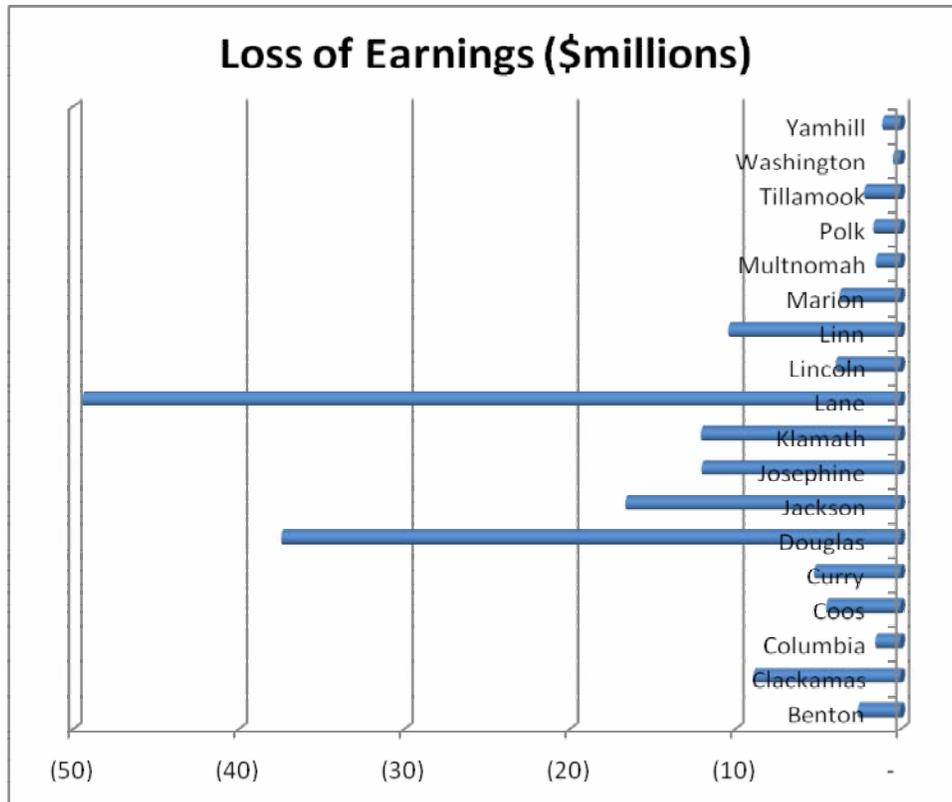
County	Earnings Impacts		
	Current	Future	Change in
	Conditions	Conditions	Payments
\$ Thousands			
Benton	2,717	136	-2,582
Clackamas	2,717	136	-2,582
Columbia	1,605	89	-1,516
Coos	4,739	260	-4,479
Curry	6,403	1,188	-5,215
Douglas	39,463	2,054	-37,409
Jackson	17,726	1,107	-16,619
Josephine	13,668	1,654	-12,014
Klamath	13,969	1,919	-12,050
Lane	53,468	4,045	-49,423
Lincoln	4,173	259	-3,914
Linn	11,093	474	-10,620
Marion	4,069	395	-3,674
Polk	1,727	96	-1,632
Tillamook	2,286	97	-2,189
Washington	484	29	-454
Yamhill	1,129	36	-1,093
Total	181,436	13,974	-167,465

Local option taxes would be insufficient to replace losses of these federal forest funds. Also they would not mitigate the impact of jobs and income losses beyond those in local government itself. Local taxation may recirculate money within an economy, but it does not bring in new outside money. Federal forest funds are derived from outside the county (Washington D.C.) so they function similarly to export sales, bringing new revenue into the local economy. Higher replacement property or income taxes may actually retard the development of new economic development opportunities.

Losing SRS “safety net” payments and returning to harvest based payments has disproportionately negative impacts on counties that contain large acreages of federal forests. The counties with the largest blocks of O & C lands are most significantly impacted. Lane, Jackson, Josephine and Douglas Counties all show large declines in employment. Douglas County would lose 842 jobs (1.6% decline in the overall economy) and Josephine loses 94 jobs (0.3% decline in the overall economy). These changes reflect a 52% decline in Douglas County in jobs linked to federal management, and a 24% decrease in jobs linked to federal forest management in Josephine County.

The change in “safety net” payments could cause a \$167 million earnings reduction in O&C counties, about a 90% change from Current Conditions. The southwestern counties will see the most significant losses of earnings (Figure 1). In some counties such as Curry County, numerical losses are not as large as in bigger counties, but proportional losses to county finance are very significant.

Figure 2: Loss of Earnings Due to Elimination of “Safety Net” Payments



Earnings impacts are in most cases less than the direct loss of payments for counties. This is due to the large proportion of county expenditures for non-personnel items. Some county departments such as the road and sheriff’s department have large equipment expenditures or expenditures for materials such as gravel and fuel. Construction and building maintenance costs are also a significant portion of typical local government budgets.

Impacts by O&C County

Each of the 18 O&C counties will have unique impact patterns from changes in federal county payments. These payments to county governments are distributed throughout the counties to other local units of government. With local finance changes counties have the option of “across the board” cuts that are widely distributed throughout county departments and other government units.

The expected reduction in federal county payments would cause financial impacts severe enough that some O&C counties might have to reprioritize cuts. This reaction would eliminate entire programs and curtail vital services in some areas leaving primarily core services that are most vital to the public. Budgetary reprioritization would change the distribution of impacts. For example if a county decides to eliminate library services in order to reduce impacts on law enforcement, small communities with libraries may see uneven impacts.

County reduced spending priorities or fiscal compensation mechanisms are politically determined and could vary between counties. Our analysis must assume that spending patterns revealed in 2005 data are maintained as impacts are tracked throughout individual county sectors. Our individual county

discussions then summarizes county-level impacts at an aggregated economic sector level of detail. Without *a priori* knowledge of any new spending patterns we are unable to correct shifts in these sector impacts. Likewise, additional taxes that might retard redevelopment investment can not be assessed with the current modeling framework. Likewise, the model resolution limits the ability to assign impacts to individual communities within counties.

Discussion of county-level results includes a projection of the employment and income impacts of each of the three indicators. Our model generates detailed economic impacts for up to 528 sectors, depending upon how many industries are present in a particular county. For example, most Western Oregon counties do not have steel mills, so there are no impacts on that industry in most counties. For ease of interpretation, we aggregate these into nine sectors (agriculture and forestry, mining and construction, food and wood products manufacturing, other manufacturing, transportation, utilities and communication (TCU), trade, tourist services, other services and government). Agriculture and forestry includes livestock and crop production, logging, forestry, fishing, hunting, trapping and agricultural support operations. Mining and construction include sand and gravel, dimension stone quarries, hard rock mining, oil and gas development, and construction. Food and wood products includes all food products processing and manufacturing and wood products manufacturing industries such as sawmills and paper mills. Other manufacturing includes all other manufacturing industries. TCU includes all forms of transportation, warehousing, radio, television, internet and other communication industries and utilities. Trade includes resale and wholesale trade. Tourist services include motels, other lodging, and eating and drinking establishments. Other services include medical, educational, social, recreational, financial, business, and other personal services. Government includes state, local and federal government.

Benton County

Benton County has a diversified economy with less federal forest land than most other Western Oregon counties. Changes in federal timber payments will not have a significant impact on Benton County's economy, but will require layoffs in local government with associated loss of services. Government is a major employer in the county accounting for over 2000 employees in general purpose government (federal, state, and local government) and another 6500 employees in public schools and colleges and universities. The changes in government services (-62 jobs) are shown in table 5.

Table 5: Benton County Employment Impacts

Benton County	Employment Impact		
	Current	Future	Change
Agriculture/Forestry	0	0	0
Mining/Construction	2	0	-2
Food/Wood Products	0	0	0
Other Manufacturing	0	0	0
TCU	1	0	-1
Trade	3	0	-3
Tourist Services	4	0	-4
Services	14	1	-13
Government	62	3	-59
Total	86	4	-82

Impacts on income in Benton County are of similar scale. While job and income losses are obviously significant to those who actually experience them, in Benton County the scale of losses are not large in relation to the economy as a whole. None of the impacts on income in this county are expected to be significant relative to the overall county economy. Approximately \$ 2.5 million in income will be lost which is less than one percent of total county income. The \$1.9 million loss of income in government is about a 3% loss. If cuts are concentrated into a narrow sector of local government services such as road maintenance or sheriff operations, then layoffs and changes in services would be more apparent.

Table 6: Benton County Earnings Impacts

Benton County	Earnings Impact (\$thousands)		
	Current	Future	Change
Agriculture/Forestry	8	0	-8
Mining/Construction	86	4	-82
Food/Wood Products	1	0	-1
Other Manufacturing	10	0	-10
TCU	28	1	-27
Trade	85	4	-81
Tourist Services	49	2	-47
Services	418	21	-397
Government	2,033	101	-1,932
Total	2,717	136	-2,581

Clackamas County

Clackamas County is a populous metropolitan county with a well-diversified economy that is growing rapidly. It has a long history in the forest products industry, and three sawmills and two pulp and paper mills remain. The county has a significant federal land acreage, both BLM and Forest Service, and has been a major timber producer in the past.

Federal payments to Clackamas County will be reduced by about \$12.6 million if SRS payments are not re-authorized. This change will cost the county about 173 jobs, with the largest job losses being in local government services. Given the size and strength of the County's economy, this will not be a major impact, but it will result in loss of significant local government services without a new local revenue source.

Table 7: Clackamas County Changes in Employment

Clackamas County	Employment Impacts		
	Current	Future	Change
Agriculture/Forestry	3	0	(3)
Mining/Construction	3	0	(3)
Manufacturing	2	0	(2)
TCU	2	0	(2)
Trade	6	1	(6)
Services	40	3	(36)
Government	133	11	(122)
Total	189	16	(173)

Clackamas County earnings will lose about eight million in earnings if the SRS legislation is not re-authorized. Most of the earnings loss will be in local government payroll, which could decline by about seven million dollars.

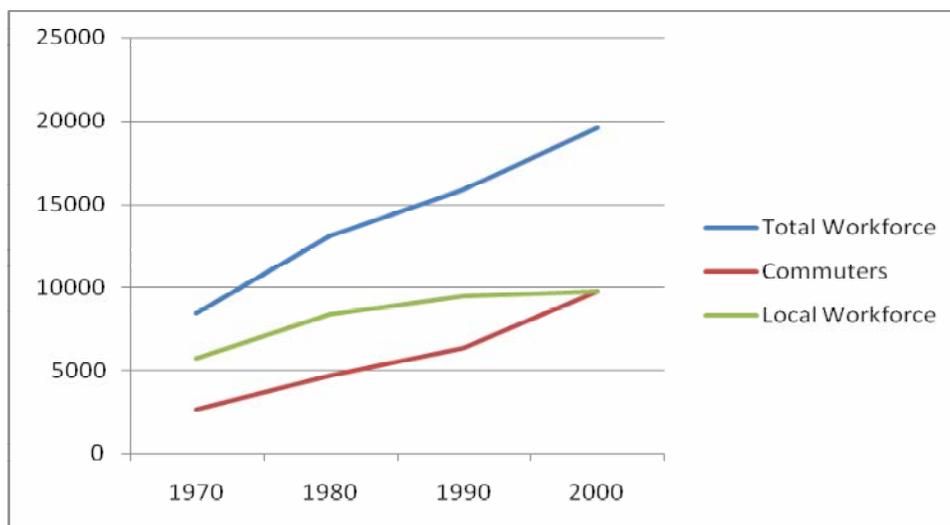
Table 8: Clackamas County Changes in Earnings

Clackamas County	Earnings Impacts(\$thousands)		
	Current	Future	Change
Agriculture/Forestry	\$32	\$3	-\$30
Mining/Construction	\$118	\$10	-\$108
Manufacturing	\$112	\$9	-\$103
TCU	\$92	\$8	-\$84
Trade	\$189	\$16	-\$174
Services	\$1,106	\$92	-\$1,014
Government	\$7,373	\$612	-\$6,761
Total	\$9,022	\$749	-\$8,273

Columbia County

Columbia County has an economy that is shifting from a historic wood products manufacturing base to an economy driven by commuting to the Portland metropolitan area. Since 1970 commuting has increased from 32% to 50% of all employment for Columbia County residents. Local employment has not shown much growth since 1980 and the wood products industry has declined. As commuting to the metropolitan area increases the economy of Columbia County will become even more strongly linked to the economy of the Portland metropolitan area. This should help mitigate the impacts of loss of federal forest funds.

Figure 3: Columbia County Labor Force Trends



Columbia County's overall economy will not be significantly impacted by the loss of federal forest funds, but local government will experience layoff that could be significant. About 36 jobs in local government could be lost if federal timber funds are cut. Some businesses that are major local government contractors could also experience an appreciable loss of business.

Table 9: Columbia County Changes in Employment

Columbia County	Change in Employment		
	Current	Future	Change in
	Conditions	Conditions	Payments
Agriculture/Forestry	0	0	(0)
Mining/Construction	2	0	(2)
Food/Wood Products	0	0	(0)
Other Manufacturing	0	0	(0)
TCU	1	0	(0)
Trade	2	0	(2)
Tourist Services	1	0	(1)
Services	4	0	(4)
Government	38	2	(36)
Total	47	3	(45)

Unlike many other O&C counties, Columbia County should not see major changes in employment or earnings. Only about \$1.5 million in total earnings would be lost. Local government will experience the brunt of these earnings losses with about a three percent reduction in local government payrolls. The impact on some local services will be more severe, as most of the cuts could be in the general fund. Lost SRS payments to Columbia County support 22.8% of that County's general fund supported services.¹²

Table 10: Columbia County Changes in Earnings

Columbia County	Earnings Impacts (\$thousands)		
	Current	Future	Change in
	Conditions	Conditions	Payments
Agriculture/Forestry	1	0	(1)
Mining/Construction	49	3	(47)
Food/Wood Products	1	0	(1)
Other Manufacturing	1	0	(1)
TCU	17	1	(16)
Trade	39	2	(37)
Tourist Services	16	1	(15)
Services	102	6	(97)
Government	1,379	76	(1,303)
Total	1,605	89	(1,516)

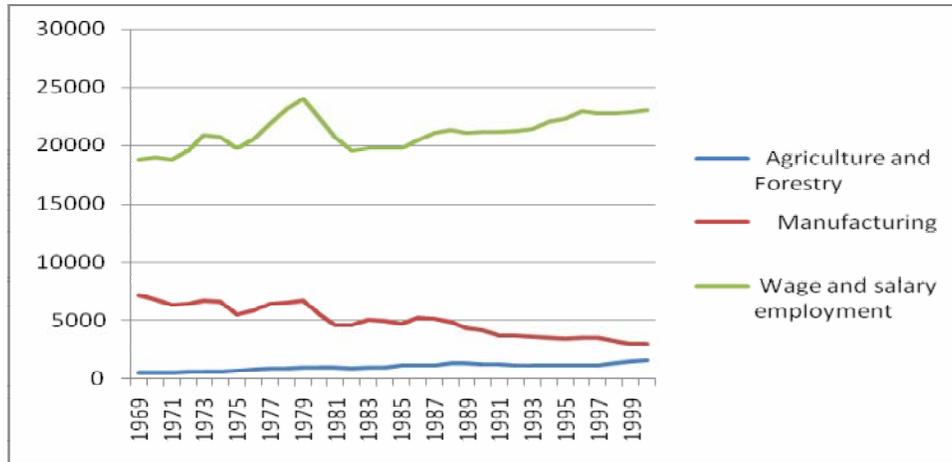
Coos County

Prior to the "spotted owl" and Northwest Forest Plan, Coos Bay-North Bend was the heart of a healthy forest economy that provided "blue collar" jobs with wages sufficient to support a family. Today the largest employer is a casino and the most profitable business appears to be selling real estate to in-migrants. Downsizing and restructuring of the Oregon forest industry and other manufacturing is no

¹² Mark Rasmussen, Mason Bruce & Girard

where more evident than in Coos County (Figure 4¹³). Collapsing log export trade and declining chip markets are the last stages in a long term decline. The Pacific fishery has also seen bad years and both the commercial and sport fishery are slowly declining as a source of economic activity. Restructuring of basic industries leaves the county with an economy increasingly dependent upon transfer payments, retirement incomes and other unearned incomes. Wage and salary income is now only about 40% of total income in Coos County. Wage and salary employment dropped in 1979-83 and is only recently recovering.

Figure 4: Coos County Employment (Selected Sectors)



Loss of the SRS payments would reduce county revenues another eight million, about one-half of discretionary budget total. Job losses from this impact are estimated at 194, with most of the layoffs being in local government. The county now has an unusually large proportion of retired residents and the prospect of replacing revenues through local taxation is unlikely.

Table 11: Coos County Changes in Employment

Coos County Federal Timber Payments	Employment Change		
	Current Conditions	Future Conditions	Change in Payments
Agriculture/Forestry	1	0	(1)
Mining/Construction	1	0	(1)
Food/Wood Products	0	0	(0)
Other Manufacturing	0	0	(0)
TCU	1	0	(1)
Trade	3	0	(3)
Tourist Services	10	1	(10)
Services	18	1	(17)
Government	169	9	(160)
Total	205	11	(194)

¹³ SIC code historical trends shown. After 1999 new NAICS industrial classification system codes are not compatible with SIC codes. Trends in loss of manufacturing employment have continued unabated.

Earnings changes in Coos County are \$ 5 million in lost wages and salary income. This is a six percent loss of all state and local government earning in the County. The County's economy is growing very slowly, so it will take years to replace these revenues.

Table 12: Coos County Changes in Earnings

Coos County	Earnings Change (\$thousands)		
	Change	Future	Change
Agriculture/Forestry	18	1	(17)
Mining/Construction	29	2	(27)
Food/Wood Products	8	0	(7)
Other Manufacturing	12	1	(11)
TCU	53	3	(50)
Trade	78	4	(73)
Tourist Services	132	7	(125)
Services	523	29	(495)
Government	4,739	260	(4,479)
Total	5,591	306	(5,285)

Curry County

A large proportion of Curry County's forested areas are federal. Logging and wood products have been key components of the economic base since the county's establishment. Wood products industries generate slightly more than ten percent of the county's industrial output and economic base. The employment impacts of loss of SRS payments in Curry County are not large, constituting only about two percent of total employment. However, impacts on local government services will be severe with a potential loss of about fifteen percent of all local government employees. Loss of over eight million in federal revenue will be difficult to replace. It constitutes about half of the discretionary budget of the County. The County is currently considering a local option property tax to raise an additional \$4 million to reduce the impact of SRS losses, but that could slow further development investment.

Table 13: Curry County Changes in Employment

Curry County	Employment Change		
	Current Conditions	Future Conditions	Change in Payments
Agriculture and Forestry	0	0	(0)
Mining and Construction	9	2	(8)
Food and Wood Products	0	0	(0)
Other Manufacturing	1	0	(0)
TCU	2	0	(2)
Trade	8	1	(6)
Services	25	5	(21)
Government	179	33	(146)
Total	225	42	(183)

The projected loss of \$4 million in government payroll will be very noticeable in Gold Beach. Curry County has a very large proportion of retirees. About 70% of all income in the county is derived from unearned income (dividends, interest, and rent), and retirement income (social security and other sources of retirement income). Because so few of the county's residents earn their income at wage/salary jobs the county's economy is less sensitive to layoffs. However the large proportion of retirees makes it more difficult to fund certain government services such as schools and libraries.

Table 14: Curry County Changes in Earnings

Curry County	Earnings Impacts (\$thousands)		
	Current Conditions	Future Conditions	Change in Payments
Agriculture and Forestry	8	1	(7)
Mining and Construction	241	45	(196)
Food and Wood Products	6	1	(5)
Other Manufacturing	21	4	(17)
TCU	57	11	(47)
Trade	180	33	(147)
Services	507	94	(413)
Government	5,383	999	(4,384)
Total	6,403	1,188	(5,215)

The large proportion of the population over 65 (26.6%) creates a need for variety of government social services, such as emergency medical care. There are only 10 counties in the United States with higher proportions of elderly residents than Curry County.¹⁴

Table 15: US Counties with Largest Proportions of Residents Sixty-Five and Over

Rank	County	Percent 65+
1	Charlotte, Florida	35%
2	McIntosh, North Dakota	34%
3	Kalawao, Hawaii	32%
4	Ilano, Texas	31%
5	McPherson, South Dakota	30%
6	Lancaster, Virginia	29%
7	Hareing, New Mexico	28%
8	Smith, Kansas	28%
9	Pawnee, Nebraska	27%
10	Baxter, Arkansas	27%
11	Curry, Oregon	27%

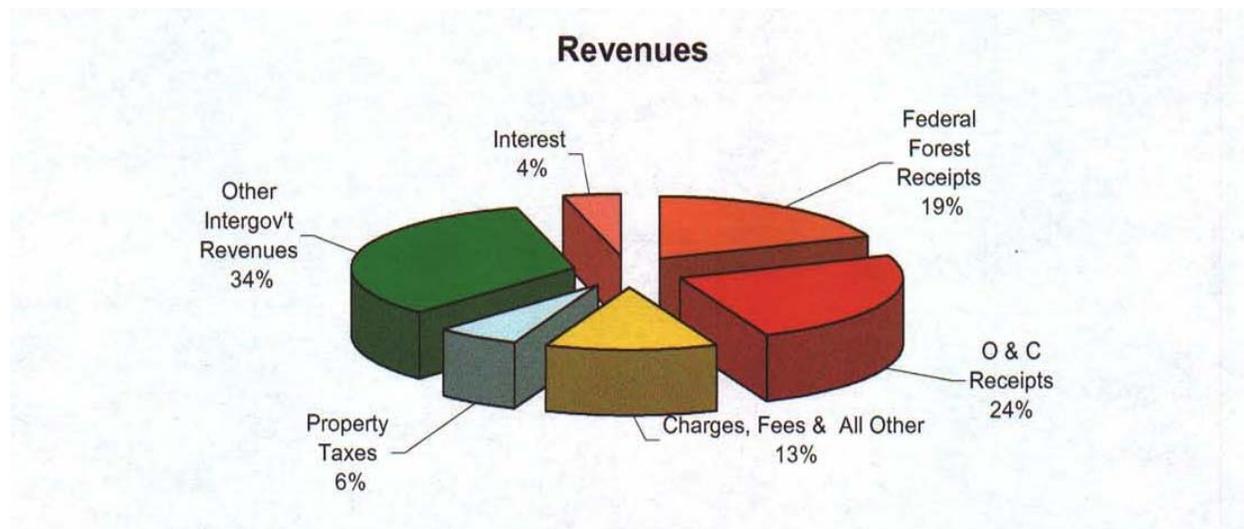
¹⁴ US Census, City County Data Book 2007

Douglas County

Douglas County would be very severely impacted by SRS payment termination. The County is the most forest dependent county economy in Western Oregon, and has a large vertically integrated wood processing industry. This narrow economic base has few manufacturing firms outside the wood products industries.

Douglas County currently relies on federal forest related SRS funds for about 43% of its general fund revenue. If the safety net payments are not re-authorized, this county would lose about \$50 million which is 93% of its federal forest related payments. This is about 43% of its general fund revenues and about 70% of all discretionary budget funds. It is difficult to imagine how the county will adjust to cuts of this magnitude. The general fund supports general governmental services such as law enforcement, jails, libraries, parks and recreation, sanitation, etc. These vital local services will be exposed to the full impact of budget cuts.

Figure 5: Douglas County Revenue¹⁵



If SRS payments are lost, Douglas County could lose 1300 jobs. This is 15% of all local government employment and three percent of total employment. Losses in Douglas County are so large that indirect impacts in sectors outside government will be significant and very apparent, particularly in the Roseburg area, which is the county seat. Projected impacts in local government are a loss of about 900 jobs, with large secondary job losses in services, trade and construction and mining (sand and gravel).

Removing \$50 million in federal payments would be a devastating blow to the Douglas County economy. The County has already had to adjust to major changes in federal timber harvest in the County. This has weakened the logging and wood products manufacturing sector and created a variety social service needs.

¹⁵ Douglas County e-government website, 2007.

Table16: Douglas County Employment Impacts

Douglas County	Employment Impact		
	Current Conditions	Future Condition	Change in Payments
Agriculture/Forestry	3	0	-3
Mining/Construction	49	3	-47
Manufacturing	12	1	-11
TCU	34	2	-32
Trade	81	4	-77
Tourist Services	37	2	-35
Services	214	11	-202
Government	947	49	-898
Total	1,377	72	-1,305

The large cuts projected for local government will have broad effects on other sectors. Loss of government purchasing power and loss of the payroll associated with higher paying government jobs would impact most sectors in the local economy. For example the service sector will see a \$6 million impact in reduced earnings and loss of about \$15 million in sales. Reduced spending by government will mean fewer purchases of retail and wholesale goods. Losing more than two thousand jobs will also have major impacts on local retail and wholesale purchases. Construction and mining would also see significant impacts due to loss of government purchases with a two percent reduction in the overall sector.

Economic impacts of this magnitude can cause longer term reductions and closures of businesses that rely on either government contracts or the payroll spending of government employees. This could cause a second round of impacts as the overall economy adjusts. Even if local revenue sources are used to fill some of the gaps in services, the loss of about \$50 million in federal funds generate significant economic impacts.

Table 17: Douglas County Earnings Impacts

Douglas County	Earnings Impact (\$thousands)		
	Conditions Condition	Future Condition	Change in Payments
Agriculture/Forestry	90	5	-86
Mining/Construction	1,471	77	-1,395
Manufacturing	394	21	-374
TCU	1,059	55	-1,004
Trade	1,737	90	-1,646
Tourist Services	513	27	-486
Services	5,831	304	-5,527
Government	28,367	1,477	-26,891
Total	39,463	2,054	-37,409

Jackson County

SRS payments total \$24 million in Jackson County. This is 23% of the county's general fund and 14% of the county budget. Although this county has a stronger and more rapidly growing economy, the county budget is still very dependent upon federal funds. If SRS payments are lost, Jackson County could lose over 500 total jobs, with 400 concentrated in local government. Relative impacts on the strong Jackson County economy do not look as severe. A 500 job loss is a one percent change in total employment..

The loss of local government finance and services is much more significant and would not be so easily replaced. Jackson County has already received national publicity from its decision to close public libraries to help balance their budget. Many other essential public services will be lost in revising local government spending to offset a \$23 million deficit.

Table 18: Jackson County Employment Impacts

Jackson County	Change in Employment		
	Current Condition	Future Condition	Change in Payments
Agriculture/Forestry	4	0	-4
Mining/Construction	5	0	-5
Food/Wood Products	3	0	-3
Other Manufacturing	2	0	-2
TCU	5	0	-4
Trade	17	1	-16
Tourist Services	27	2	-25
Services	81	5	-76
Government	428	27	-401
Total	572	36	-536

The largest changes in earnings projected are in the government sector, which show a \$13 million loss of earnings. Total government operations (output) will decline by \$25 million, and the total impact on industrial output will be \$46 million. This would cause significant impacts on other sectors, particularly the service sector.

Table 19: Jackson County Earnings Impacts

Jackson County	Earnings Change (\$ Thousands)		
	Current Condition	Future Condition	Change in Payments
Agriculture/Forestry	65	4	-61
Mining/Construction	240	15	-225
Food/Wood Products	86	5	-80
Other Manufacturing	96	6	-90
TCU	216	13	-202
Trade	467	29	-438
Tourist Services	413	26	-387
Services	2,338	146	-2,192
Government	13,805	862	-12,943
Total	17,726	1,107	-16,619

Josephine County

Josephine County has an economy that is already in transition from traditional logging, timber and agriculture to a more diversified base with a variety of manufacturing sectors. Newer manufacturing industries are growing, as the wood products industry has declined. The County has developed a variety of secondary wood products industries such as wood cabinet manufacturing. Although a wood products sector, it usually does not depend on locally available primary wood resources so it is replacing jobs lost in the timber industry. The county has a large proportion of federal lands and receives substantial SRS payments related to O & C land and National Forest lands, as well as PILT.

Josephine County would face large cuts if SRS payments are not extended. It receives about \$17 million in payments and could lose about 85% of that. Cuts of this magnitude would require eliminating many local government services. A \$14 million federal payments reduction would cost 350 jobs, with government alone losing over 200 jobs.

Table 20: Josephine County Employment Impacts

Josephine County	Employment Change		
	Current	Future	Change
	Agriculture/Forestry	1	0
Mining/Construction	18	2	15
Manufacturing	2	0	2
TCU	4	1	4
Trade	30	4	26
Tourist Services	21	3	18
Services	83	10	73
Government	236	29	207
Total	395	48	347

Projected changes in earnings highlight the size of negative Josephine County impacts. The change in consumer spending associated with these layoffs would cause reductions in earnings in most other sectors. The loss of federal funds would also mean losing \$40 million in total industrial output. This is roughly comparable to losing all of the jobs in the high tech sector (computer/electronics manufacturing).

Table 21: Josephine County Earnings Impacts

Josephine County	Earnings Change (\$thousands)		
	Current	Future	Change
	Agriculture/Forestry	12	1
Mining/Construction	468	57	411
Manufacturing	66	8	58
TCU	180	22	158
Trade	734	89	645
Tourist Services	260	32	229
Services	2,045	247	1,798
Government	9,903	1,198	8,705
Total	13,668	1,654	12,014

Klamath County

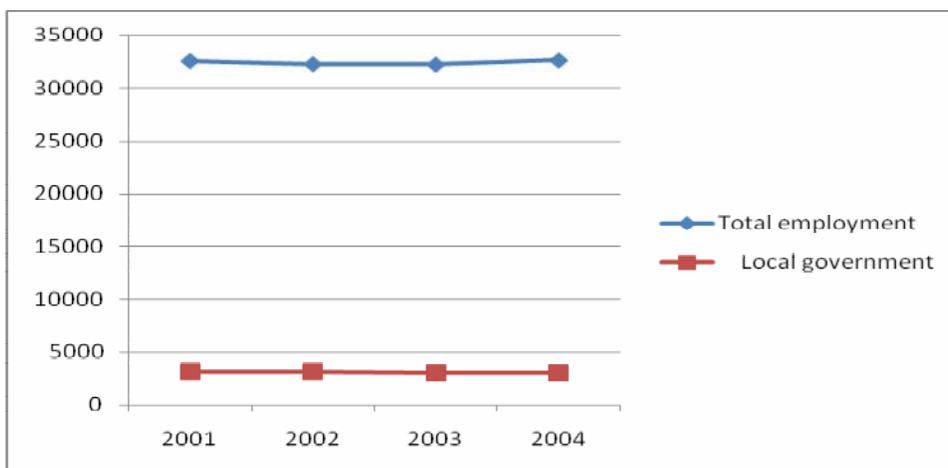
Klamath County has a large proportion of its land base in federal ownership, both BLM and US Forest Service. High mortality from mountain pine beetle has kept federal timber sales at a higher level than in other Western Oregon counties. Most of the beetle-killed timber is smaller diameter and not as useful as larger diameter ponderosa pine for the secondary wood processing industries in Klamath and Jackson Counties. The County currently receives \$20 million in SRS payments and PILT. These funds support 370 jobs. If SRS is not reauthorized, local government could lose about 200-250 jobs.

Table 22: Klamath County Employment Impacts

Klamath County	Employment Impacts		
	Current Conditions	Future Conditions	Change in Payments
Agriculture/Forestry	1	0	(1)
Mining/Construction	11	2	(10)
Wood Products	1	0	(1)
Food Products	1	0	(1)
Other Manufacturing	2	0	(2)
TCU	5	1	(4)
Trade	12	2	(11)
Tourist Services	17	2	(15)
Other Services	47	5	(42)
Government	273	38	(236)
Total	370	49	(321)

The Klamath County economy has not seen any growth in recent years (Figure 6). Local government employment has actually declined. Given current economic growth rates, the economy could not grow these 200-250 jobs back and would have to adjust to a permanently lower level of public services.

Figure 6: Klamath County Employment Trends 2001-2004



Klamath County is expected to have large impacts on the local government payroll with a loss of about \$10 million in local government payroll spending. This is a 7.5% loss of wage and salary earnings in the local government sector alone. Loss of payroll in high quality jobs would have negative impacts on most other sectors. The overall economy will lose \$12 million in earnings and \$33 million in industrial output.

Table 23: Klamath County Earnings Impacts

Klamath County	Earnings Impacts (\$thousands)		
	Current Conditions	Future Conditions	Change in Payments
Agriculture/Forestry	\$17	\$2	-\$14
Mining/Construction	\$335	\$46	-\$289
Wood Products	\$21	\$3	-\$18
Food Products	\$18	\$2	-\$15
Other Manufacturing	\$59	\$8	-\$51
TCU	\$248	\$34	-\$214
Trade	\$299	\$41	-\$258
Tourist Services	\$272	\$37	-\$235
Other Services	\$1,200	\$165	-\$1,036
Government	\$11,500	\$1,580	-\$9,920
Total	\$13,969	\$1,919	-\$12,050

Lane County

Lane County receives more SRS funds than any other O&C county (\$52 million). It could lose up to 93% of these funds if Congress does not extend the Secure Schools and Community Self Determination Act. The County would also experience spill-over impacts from surrounding counties because of its role as a regional trade, education, medical and business service center. The loss of these funds will have a severe long-term impacts on the regional economy. Even with healthy economic growth it could take years to grow back 1230 lost jobs. Indirect impacts from job losses in surrounding counties would also slow the process of recovery.

Table 24: Lane County Employment Impacts

Lane County	Employment Change		
	Current Condition	Future Condition	Change in Payments
Agriculture/Forestry	9	1	(8)
Mining and Construction	12	1	(11)
Food/Wood Products	8	1	(7)
Other Manufacturing	6	0	(5)
TCU	9	1	(8)
Trade	68	5	(63)
Tourist Services	31	2	(29)
Services	270	20	(250)
Government	947	72	(875)
Total	1,358	103	(1,255)

The safety net loss could also cost Lane County \$40 million of earnings in the government sector and over \$100 million in industrial output. These impacts would be concentrated in the government sector where payroll spending of about \$40 million will be lost.

Table 25: Lane County Changes in Earnings

Lane County	Earnings Change(\$thousands)		
	Current Condition	Future Condition	Change in Payments
Agriculture/Forestry	100	8	(93)
Mining and Construction	469	35	(433)
Food/Wood Products	301	23	(278)
Other Manufacturing	237	18	(219)
TCU	353	27	(326)
Trade	1,657	125	(1,532)
Tourist Services	389	29	(360)
Services	6,165	466	(5,699)
Government	44,423	3,361	(41,062)
Total	54,094	4,093	(50,001)

Lane County could see significant trade and trade center services impacts due to projected declines in surrounding counties. Eugene has the regional medical center for southwest Oregon; decline in local government employment in surrounding counties could produce ripple effects in the Eugene-Springfield area. Aggregate regional spill-over impacts are estimated at over 800 jobs, many of which could be lost in the Eugene Springfield area. Regional impacts referenced here are discussed a following section.

Lincoln County

Lincoln County receives about \$5.7 million in federal payments (SRS and PILT). Most of these funds are derived from Forest Service lands in the County. The County stands to lose over five million in revenue. If SRS payments are eliminated total job losses will be about 130 employees, with most of the layoffs in local government. The county has a considerable trade leakage to the I-5 corridor so some of the effect of job losses in this county will be felt outside the county.

Table 26: Lincoln County Employment Impacts

Lincoln County	Employment Change		
	Current	Future	Change
Agriculture/Forestry	1	0	(1)
Mining/Construction	6	0	(6)
Wood Products	0	0	(0)
Food Products	0	0	(0)
Other Manufacturing	1	0	(1)
TCU	1	0	(1)
Trade	4	0	(4)
Tourist Services	4	0	(4)
Services	11	1	(11)
Government	113	7	(106)
Total	142	9	(133)

Lincoln County will lose about four million dollars in earnings with most of this loss being in the government sector. The county will lose about eleven million dollars in industrial output if SRS funds are not authorized. Most of the indirect impacts will be in the service sector which will lose about \$300 thousand in earnings. The effects of trade leakage are also very evident in earnings impacts, showing relatively small impacts in retail trade.

Table 27: Lincoln County Changes in Earnings

Lincoln County	Earnings Change (\$thousands)		
	Current Conditions	Future Conditions	Change in Payments
Agriculture/Forestry	16	1	(15)
Mining/Construction	233	14	(219)
Wood Products	14	1	(13)
Food Products	2	0	(2)
Other Manufacturing	25	2	(24)
TCU	34	2	(31)
Trade	93	6	(88)
Tourist Services	63	4	(59)
Services	353	22	(331)
Government	3,339	207	(3,131)
Total	4,173	259	(3,914)

Linn County

Linn County has significant federal acreage and receives SRS funds totaling over \$14 million. If SRS payments terminate the County would lose about 95% of SRS funds. Federal payments spending distribution is shown in table 28. A variety of local government services would be affected, and the County has few viable alternatives to increasing other revenues. Linn County's general fund budget is just over \$31 million so these revenue impacts are severe.

Table 28: Linn County Federal Forest Funds

Federal Forest Funds	
Roads	\$ 6,846,320
Schools	\$ 2,282,107
General Fund	\$ 2,834,982
RAC's	\$ 1,370,917
Title III	\$ 1,370,917
Total	\$ 14,705,243

Employment impacts would be significant, but not as troublesome as fiscal impacts and impacts on governmental services. Linn County would lose about 370 jobs if the safety net payments terminate. The county will also lose \$30 million in industrial output. Most sectors of the economy would be affected and all residents should see noticeable changes in public services.

Table 29: Linn County Employment Impacts

Linn County	Current	Future	Change in
	Conditions	Conditions	Payments
Agriculture/Forestry	0	0	(0)
Mining/Construction	14	1	(13)
Wood Products	0	0	(0)
Food Products	0	0	(0)
Other Manufacturing	1	0	(1)
TCU	9	0	(9)
Trade	20	1	(19)
Tourist Services	8	0	(8)
Services	57	2	(55)
Government	275	12	(263)
Total	385	16	(369)

Linn County’s loss of \$11 million in earnings (payroll) amounts to just one percent of total earnings. The sectors most strongly impacted would be government and service sector earnings. Large cuts in road maintenance and construction budgets could result in even larger cuts in mining and construction than projected. Government purchases of goods such as gravel and cement should decline significantly.

Table 30: Linn County Earnings Impacts

Linn County	Current	Future	Change in
	Conditions	Conditions	Payments
	\$ Thousands		
Agriculture/Forestry	4	0	(4)
Mining/Construction	493	21	(472)
Wood Products	9	0	(8)
Food Products	9	0	(8)
Other Manufacturing	29	1	(28)
TCU	357	15	(342)
Trade	498	21	(477)
Tourist Services	102	4	(97)
Services	1,462	62	(1,399)
Government	8,132	347	(7,785)
Total	11,093	474	(10,620)

Marion County

Marion County’s economy is based on government and agriculture. Unlike other Western Oregon counties it is not a major timber producer or processor. The State Capital is located in Marion County, and government is the most important sector in the county economy. Marion County would lose about \$5.5 million if SRS is not reauthorized, but it has a strong diversified economy that should be resilient to these impacts.

The County would lose eighty jobs from SRS payments termination. Most of the jobs would be lost in government and services. This would not be a significant economic growth retardant. However, the loss of local government revenues would not be as easily replaced.

Table 31: Marion County Employment Impacts

Marion County	Employment Impacts		
	Current	Future	Change
Agriculture/Forestry	1	0	(1)
Mining/Construction	4	0	(4)
Food/Wood Products	0	0	(0)
Other Manufacturing	0	0	(0)
TCU	1	0	(1)
Trade	2	0	(2)
Tourist Services	5	0	(5)
Other Services	14	1	(13)
Government	59	6	(53)
Total	87	8	(78)

Marion County earnings losses would total \$3.5 million. These will be concentrated in local government payroll, which will be reduced by three million.

Table 32: Marion County Earnings Impacts

Marion County	Earnings Impacts		
	Current	Future	Change
	\$ Thousands		
Agriculture/Forestry	12	1	(11)
Mining/Construction	154	15	(139)
Food/Wood Products	9	1	(8)
Other Manufacturing	13	1	(12)
TCU	28	3	(25)
Trade	60	6	(54)
Tourist Services	73	7	(66)
Other Services	452	44	(408)
Government	3,268	317	(2,951)
Total	4,069	395	(3,674)

Multnomah County

Multnomah County has the most diversified county economy in Oregon.. It receives only \$2.3 million in SRS payments and PILT, which is much less than one percent of their total general fund budget. Based only on effects within the county, Multnomah County is projected to lose only 25 jobs if SRS is not reauthorized.

Table 33: Multnomah County Employment Impacts

Multnomah County	Employment Change		
	Current	Future	Change
	Agriculture/Forestry	0	0
Mining/Construction	0	0	(0)
Manufacturing	0	0	(0)
TCU	0	0	(0)
Trade	0	0	(0)
Tourist Services	0	0	(0)
Services	6	0	(6)
Government	20	1	(19)
Total	27	1	(26)

Earnings impacts on Multnomah County based on internal multipliers are also small, losing only \$1.5 million dollars in earnings. Given the size and scope of the Portland area economy, these impacts will not be noticeable.

Table 34: Multnomah County Earnings Impacts

Multnomah County	Earnings Change \$Thousands		
	Current	Future	Change
	Agriculture/Forestry	1	0
Mining/Construction	14	1	(13)
Manufacturing	12	0	(11)
TCU	14	0	(13)
Trade	5	0	(4)
Tourist Services	14	1	(14)
Services	201	7	(194)
Government	1,283	47	(1,237)
Total	1,544	56	(1,488)

Portland is a regional trade, service and transportation center. This regional economy does not respect county or even state boundaries. Its trade dominance covers large portions of Oregon and Washington and even extends eastward past the Rocky Mountains through shipments through the Port of Lewiston, Idaho. The aggregate loss of hundreds of millions of dollars in SRS payments across this larger region could greatly magnify the economic implications for Multnomah County. Much of the trade leakage in outlying counties is captured by Portland Metropolitan Area economy. The Portland area also acts as a “financial capital” for the region performing a variety of banking, and related financial, business and professional services for the region. The Portland area could easily see millions of dollars of impacts when the ripple effects of these outlying regions are considered. These types of additional impacts are described in more detail in the section titled “Trade Leakage and Regional Impacts.”

Polk County

Polk County is a relatively small county with relatively few federal acres so it is not as adversely impacted as are some counties by changes in federal forest funds. The County currently receives about \$2.5 million in federal payments. Forest products had been an important component of the economic base manufacturing timber from elsewhere, but the sectors have been declining. Federal timber harvest reductions were a major factor in mill closure and a shift towards a commuter economy. The county has only one remaining mill, the Weyerhaeuser Dallas sawmill.

Polk County is surrounded by more populous counties with regional trade centers in Corvallis and Salem, which draw away some of the local trade and services. Consequently the multiplier effect of loss of local government jobs does not have as strong an internal effect on other Polk County economic sectors. The county would lose 47 jobs if the safety net is not reauthorized. These impacts would be concentrated in local government which would lose 30 jobs.

Table 35: Polk County Employment Impacts

Polk County	Employment Impacts		
	Current	Future	Change
Agriculture/Forestry	0	0	0
Mining/Construction	2	0	-2
Food/Wood Products	0	0	0
Other Manufacturing	0	0	0
TCU	0	0	0
Trade	7	0	-6
Services	6	0	-6
Government	34	2	-32
Total	50	3	-47

Earnings Impacts are most significant in local government losing earnings of \$1.3 million out of a total earnings impacts of \$1.7 million. Total industry output would decline \$4.5 million. While these impacts are not large, the fiscal impacts are important because the county has few viable means of replacing the lost revenue and will have to cut local government services.

Table 36: Polk County Earnings Impacts

Polk County	Earnings Impacts (\$thousands)		
	Current	Future	Change
Agriculture/Forestry	\$ 1	0	-1
Mining/Construction	\$ 70	4	-66
Food/Wood Products	\$ 1	0	-1
Other Manufacturing	\$ 2	0	-2
TCU	\$ 15	1	-14
Trade	\$ 128	7	-121
Services	\$ 127	7	-120
Government	\$ 1,369	76	-1,293
Total	\$ 1,727	96	-1,632

Tillamook County

Tillamook County is the home of the Tillamook State Forest and is a major logging and wood products manufacturing county. The County has a healthy forest industry and exports logs to surrounding counties. A small proportion in federal acreage means that the county will experience fewer impacts from loss of SRS funding than some of the other O&C Counties. The County would lose about \$3.3 million in revenue and 70 jobs. While disruptive to local government services, it will not be a major blow to the overall economy. Because of a relatively small population and modest growth, the county would not grow out of these impacts rapidly. The local tax structure limits alternative revenue replacement.

Table 37: Tillamook County Employment Impacts

Tillamook County	Employment Impacts		
	Current	Future	Change
Agriculture/Forestry	0	0	(0)
Mining/Construction	1	0	(1)
Manufacturing	0	0	(0)
TCU	0	0	(0)
Trade	1	0	(1)
Tourist Services	4	0	(4)
Services	7	0	(7)
Government	61	3	(58)
Total	74	3	(71)

Losing \$3 million in federal forest funds would cause losses of \$6.3 million in industrial output and \$2 million in earnings. Almost all of the earning losses would be in local government payrolls.

Table 38: Tillamook County Earnings Impacts

Tillamook County	Earnings Impacts		
	Current	Future	Change
	\$Thousands		
Agriculture/Forestry	\$8	\$0	-\$8
Mining/Construction	\$24	\$1	-\$23
Manufacturing	\$6	\$0	-\$6
TCU	\$4	\$0	-\$4
Trade	\$18	\$1	-\$17
Tourist Services	\$54	\$2	-\$52
Services	\$170	\$7	-\$162
Government	\$2,002	\$85	-\$1,917
Total	\$2,286	\$97	-\$2,189

Washington County

Washington County has a fast growing diversified economy that will be largely unaffected if SRS funds are not reauthorized. It is the heart of Oregon's high tech industry and the corporate headquarters of Intel. The wood products industry is evident in the western portions, but the economy is more strongly tied to the high tech sector.

The County would lose only \$675 thousand in SRS payments. There would only be a loss of 9 county jobs. Outside of County government operations, the impacts should not be noticeable in this rapidly growing economy.

Table 39: Washington County Employment Impacts

Washington County	Employment Impacts		
	Current	Future	Change
Agriculture/Forestry	0	0	(0)
Mining/Construction	0	0	(0)
Wood Products	-	-	-
Food Products	0	0	(0)
Other Manufacturing	0	0	(0)
TCU	0	0	(0)
Trade	0	0	(0)
Tourist Services	0	0	(0)
Services	1	0	(1)
Government	7	0	(6)
Total	9	1	(9)

Earnings impacts would be concentrated primarily in local government services. Earnings impacts show that budget impacts on local government are small and should not be crippling given the size of the county budget.

Table 40: Washington County Changes in Earnings

Washington County	Earnings Impacts		
	Current	Future	Change
	\$Thousands		
Agriculture/Forestry	1	0	(1)
Mining/Construction	20	1	(19)
Wood Products	-	-	-
Food Products	1	0	(1)
Other Manufacturing	1	0	(1)
TCU	4	0	(4)
Trade	11	1	(10)
Tourist Services	4	0	(4)
Services	48	3	(45)
Government	394	24	(370)
Total	484	29	(454)

Yamhill County

The northern part of Yamhill County is strongly influenced by high tech industries of Oregon's "Silicon Forest". With the exception of a paper mill in Newberg, the wood products industry is not very evident in the northern part of the county. This part of the County is prosperous and growing rapidly. In contrast, the south is home to the largest lumber mill in Oregon at Willamena. The County's forest land is mostly

private or state land so its overall economy will not be severely impacted by loss of SRS funding. The County would lose 27 jobs. This does not constitute a significant impact given the size of the county economy. There would probably be cuts and elimination of lower priority county services, but the economy should be able to grow back the lost jobs within a year. It will take longer to replace lost County revenue, because there is a lag in response of the County budget to changes in the overall economy.

Table 41: Yamhill County Employment Impacts

Yamhill County	Current Conditions	Employment Change	
		Future	Change
Agriculture/Forestry	0	0	0
Mining/Construction	0	0	0
Wood Products	0	0	0
Food Products	0	0	0
Other Manufacturing	0	0	0
TCU	0	0	0
Trade	2	0	2
Tourist Services	1	0	1
Services	6	0	6
Government	18	1	17
Total	28	1	27

Earnings will decrease by \$1 million dollars. Government payrolls could lose \$850 thousand. The County could lose \$3 million in other industrial output.

Table 42: Yamhill County Earnings Impacts

Yamhill County	Earnings Change(\$ thousands)		
	Current	Future	Change
Agriculture/Forestry	5	0	4
Mining/Construction	10	0	9
Wood Products	1	0	1
Food Products	2	0	2
Other Manufacturing	2	0	2
TCU	14	0	14
Trade	46	1	44
Tourist Services	14	0	14
Services	155	5	150
Government	881	28	853
Total	1,129	36	1,093

Trade Leakage and Regional Impacts

Modeling individual counties in Western Oregon does not account for economic impacts up the trade hierarchy, i.e. in trade centers outside of the county where local industries and consumers would purchase more specialized goods and services. US Department of Commerce divides the nation into over 100 functional economic areas or economic regions. The Eugene-Springfield Economic Area includes counties in Southwest Oregon. We developed a multi-county I/O model for this region that includes Coos, Curry, Douglas, Jackson, Josephine, Lane and Klamath Counties. This model estimates the aggregated regional impacts of loss of SRS payments by capturing much of the trade leakage that caused impacts to be understated for some of the smaller counties. For example, reduced Josephine County resident shopping in Medford (Jackson County) is captured in a regional model. More specialized goods and services purchased in the regional center of Eugene (Lane County), such as university education, vascular surgery, or television broadcasting are also included.

Regional impacts associated with trade leakage from individual counties could result in the loss of almost 850 additional jobs representing about \$50 million in earnings (table 43). The regional model covers a large geographic area, so it is hard to determine where these additional regional impacts would occur. In theory they should be concentrated in the two principal trade centers, Eugene and Medford.

Table 43: Eugene-Springfield Economic Area Regional Impacts

	Eugene Region	Individual Counties	Leakage
Earnings Impacts \$ 1000's	-185,632	-137,209	-48,423
Employment Impacts	- 4,915	- 4,070	- 845

Regional impacts would also be an important factor in the Portland-Beaverton-Vancouver Economic Area. Measuring aggregate impacts is complicated here by the scale. The Portland Economic area is a very large region extending well into Washington State and dominating Columbia-Snake River trade from Idaho. The Portland Economic Area as defined by the US Department of Commerce, Bureau of Economic Analysis¹⁶ as including twenty counties.

Table 44: Portland Economic Area Counties as Defined by Us Department of Commerce.

Portland Economic Area (BEA EA 131)		
Benton, OR (41003)	Clackamas, OR (41005)	Clatsop, OR (41007)
Columbia, OR (41009)	Hood River, OR (41027)	Lincoln, OR (41041)
Linn, OR (41043)	Marion, OR (41047)	Multnomah, OR (41051)
Polk, OR (41053)	Sherman, OR (41055)	Tillamook, OR (41057)
Wasco, OR (41065)	Washington, OR (41067)	Yamhill, OR (41071)
Clark, WA (53011)	Cowlitz, WA (53015)	Klickitat, WA (53039)
Skamania, WA (53059)	Wahkiakum, WA (53069)	

¹⁶ <http://www.bea.gov/regional/docs/econlist.cfm#P>

We built a supplemental I/O model of this region and simulated SRS payments terminations for the entire region. There is a small overstatement error as we did not have post-SRS federal payments estimates for non-O&C counties. Trade leakage to the Portland Region could reduce earnings about \$17 million, reduce industrial output another \$35 million, and eliminate an additional 550 jobs. The aggregated impacts will probably be concentrated in the Portland Metro area.

In addition to these impacts, Portland also serves as a higher order trading center for smaller BEA economic areas including the Bend EA (five counties), Eugene-Springfield EA (five counties), Pendleton EA (five counties), and the Lewiston EA (six counties). Portland is the economic capital for this much larger region that includes parts of three states. Activity at the Port of Portland is one indicator of how far the trade network of Portland reaches into the region. It dominates Pacific Northwest grain and lumber trade and supplies many basic commodities to the region. This large region has the greatest concentration of timber producing federal forest lands in the nation. Many of the 32 counties in the region have been recipients of large federal forest payments. Ripple or multiplier effects up the trade hierarchy to Portland could be significant. These impacts were not modeled, but there are noteworthy and much more important than the small direct impacts of losing SRS payments in Multnomah County.

Community-Level Impacts

The large reduction in federal timber supplies during the 1990's radically changed the Oregon timber industries. From 1989 through 2005, logging jobs fell, 173 wood products mills closed and 16.9 thousand mill workers were laid off.¹⁷ Most of the small timber-dependent communities in the region have already changed in response to the major historical changes in logging and timber processing and are still experiencing high unemployment, poverty, and crime rates. The federal government has identified a list of "communities of concern" that were significantly impacted by the Northwest Forest Plan.¹⁸ For the most part these are small, poor, non-diversified hamlets at the lowest order of the trade hierarchy.

Table 45: SEWB Index O&C County Communities of concern ¹⁹

Curry County

Agnes-Illahae-Marial; Ophir

Douglas County

Glendale City-Fernvale; Milo-Tiller-Drew; Peel-Steamboat

Josephine County

Bridgeview-Holland, Cave Junction; Cave Junction-Dryden; O'Brien; Selma; Takilma; Wilderville-Wonder; Wolf Creek-Leland

Klamath County

Chiloquin; Crescent Lake Junction-Mowich; Gilchrist-Little River Malin; Northfork

Lane County

Glenada-Westlake; Cascadia-Santiam Junction-Marion Forks

Marion County

Idanha

While federal timber impacts would remain a long-term concern, most of the timber reduction impacts of the Northwest Forest Plan have already cycled through the O&C economies. The changes from the initial policy shift are relatively permanent. If future increases in federal timber were to occur, any industrial redevelopment would probably have a different spatial pattern than existed in the pre-spotted owl era.

¹⁷ Ehinger, Paul. July 2006. Forest Products Industry; Western Oregon. Report to the Forest Products Industry. Paul Ehinger & Associates. Eugene, OR.

¹⁸ Donoghue, Ellen et al. 2006. Considering Communities in Forest Management Planning in Western Oregon. USDA-Forest Service PNW Experiment Station unpublished manuscript.

¹⁹ Donoghue & Haynes 2002

A second round of longer-term impacts with more private timber availability, but less plywood production is forecast.²⁰ The continued combination of high stumpage prices and low lumber and panel prices also cause concern about the longer term future of mills. Market conditions for sawmills should improve as the housing market recovers and more private logs come on the market. The negative SRS payments impacts and possible plywood and veneer mill closures should occur in county seats and communities where plywood mills are located. These are typically larger communities that are higher on the trade hierarchy. The communities-of-concern on the previous list should have new impacts only to the extent where job holders in one of the larger impacted communities reside in one of the hamlets, or where some of the lost county jobs might have been spatially assigned there. Table 46 lists the different higher order communities that could experience significant negative economic impacts between SRS payments terminations and continued re-structuring of the plywood manufacturing sectors.

Table 46 Communities of Concern – SRS & Plywood Impact Centers

County	Community	Potential Impact Sources
Columbia	St Helens	county seat, sawmill, plywood plant and pulp mill
Coos	Coquille	county seat and plywood plant
Curry	Gold Beach	county seat
	Brookings	sawmill and plywood plant
Douglas	Roseburg	county seat
	Dillard	plywood plant
	Riddle	plywood plant and sawmills
	Glendale	plywood plant
Jackson	Medford	county seat
	White City	plywood plant and sawmills
Josephine	Gold Hill	plywood plant
	Grants Pass	county seat
Klamath	Klamath Falls	county seat and plywood plant
Lane-	Eugene	county seat and plywood plant
	Springfield	pulp, plywood plant and sawmills
Linn	Albany	county seat and pulp mill
	Lebanon	plywood and sawmills
	Lyons-Mill City	plywood and sawmills
	Harrisburg	plywood plant
Lincoln	Newport	county seat
Polk	Dallas	sawmill and county seat
Tillamook	Tillamook	sawmills and county seat

²⁰ Darius Adams and Greg Latta. 2007. Timber Trends on Private Lands in Western Oregon and Washington: a New Look. Western Journal of Applied Forestry 22 (1).