

W-14.b,

Mr. Michael Blake
Deputy Associate Director, Office of Intergovernmental Affairs
White House
Washington DC

Dear Mr. Blake:

As a follow up to the meeting of March 2 we are providing the information you had requested regarding likely job and service cuts that will occur in Lane County, Oregon over the next several years due to the ramp down of the Secure Rural Schools and Community Self Determination Act ("SRS"). In addition to the scenario for Lane County, we have taken the liberty to include information about the broader picture for Oregon's "timber" counties. It is important to recognize the broad impact this declining revenue source will have on entire regions of Oregon. Much of this data comes from the Governor's Task Force on Federal Forest Payments and County Services final report from January, 2009.

This report maintains much of its timeliness. As you know, the SRS was reauthorized in the final negotiations around the Emergency Economic Stabilization Act of 2008, just as the Task Force was finalizing its findings and had very much come to grips with the expected economic impacts and subsequent social impact of losing these federal funds. The point is that we have been here before and we've fully examined options. One of the key findings of the report, and perhaps the most chilling, is that even if all of the 53 recommendations identified under the auspices of local, state, and federal actions that could be taken were to be implemented, the total dollar amount would still fall far short of the SRS payments (which in and of themselves were a rampdown from timber harvest revenues).

Oregon clearly has work to do. Voters passed constitutional amendments to cap property taxes at a time when timber revenues were at their historic highs. Voters have been adamantly opposed to repeated efforts to institute a sales tax. That said, in January of this year during what was clearly some of the toughest economic climate any of us have lived through, voters approved increasing Oregon's income tax on high earning individuals, and reformed Oregon's corporate income tax structure. And we continue to have members in the Oregon Legislature who want to pursue property tax reform. Oregonians now fully understand that the timber economy will not be resuscitated any time soon. The final nail in that coffin was driven home with the withdrawal of the Western Oregon Plan Revision (WOPR) for management of western Oregon Bureau of Land Management lands. In spite of receiving more scientific inquiry and public comment than any previous timber management plan, and being decried by both those on the left and right of forest management issues, we are now truly without guidance with regards to the management of federal lands that make up so much of western Oregon.

We believe what is needed is a longer term and level payment that recognizes the impact to local governments which is part and parcel of living with high percentages of federal lands. This is our goal, and even now we are attempting to set the stage for the

conversations that must begin soon. We thank you so much for meeting with us, and for asking for additional information about our situation. That information is included as Supplement A. We look forward to more fruitful discussions with you and other White House staff on this matter.

Very sincerely yours,

Bill Fleenor
Chair, Lane County Board of Commissioners

SUPPLEMENT A
SECURE RURAL SCHOOLS ACT
RAMP DOWN/SUNSET IMPLICATIONS FOR LANE COUNTY, OREGON
AND OTHER OREGON COUNTIES

Oregon Counties

Living in concert with public lands is a way of life in Oregon, with over half of the landbase (53%) under federal management. Indeed, one of the key descriptors of each county in Oregon is the percent of State/Federal ownership. Congress has long recognized the unique relationship it has with Oregon's counties. Under President Franklin Roosevelt's administration, the first revenue sharing legislation with regards to the United States Forest Service was established, with 10% of all revenues from National Forests sent to counties that housed those forests. President Roosevelt's actions with regards to re-vesting railroad lands in Western Oregon set the stage for the Chamberlain-Ferris Act of 1916, which returned 50% of timber receipts to be shared between schools and counties. Each of these actions was subsequently amended, but the concept of revenue sharing and federal support has been well established for over a century.

In 1986, the federal timber harvest in Western Oregon had been as high as 4.1 billion board feet annually (USFS = 63%, BLM = 37%). 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.

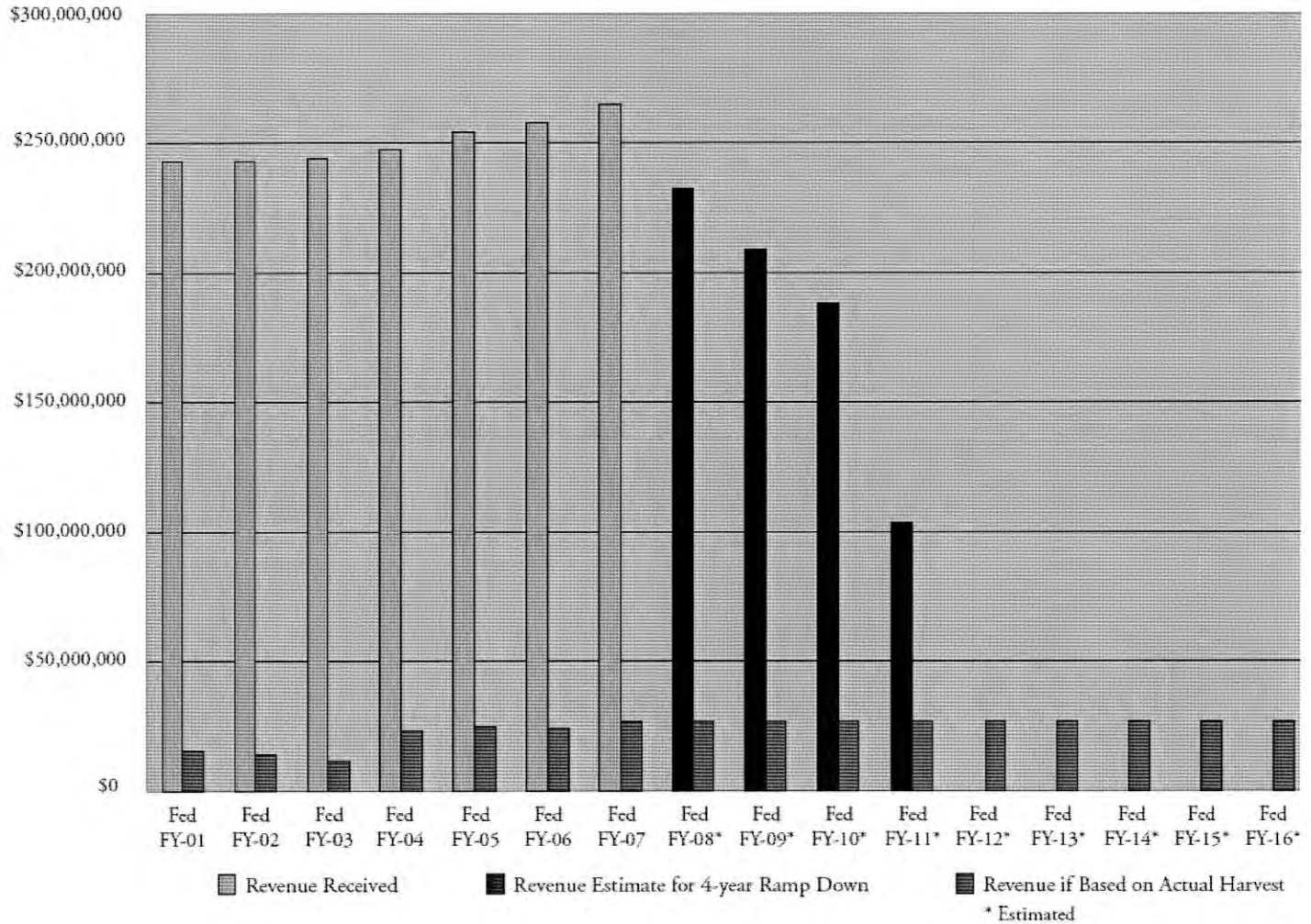
Passage of the U.S. Endangered Species Act in 1990, resulted in a decline in harvest levels; but the 1993 U.S. Omnibus Budget Reconciliation Act provided for a payment plan to counties in lieu of the reduction in harvest levels for the period between 1994 and 1998. This payment plan only pertained to forest reserves inhabited by the endangered Spotted Owl.

In 2000, recognizing the ongoing impact from new federal timber policies, Congress enacted the Secure Rural Schools and Community Self-Determination Act (PL 106-393). This legislation benefitted more than 700 counties and thousands of schools in 39 states with federally-owned forest lands. Under the Act, counties and schools received monies from the U.S. Treasury to make up for the loss of shared timber receipts. The Act was extended by PL 110-343, and is now scheduled to end at the close of FFY 2011. During the final year of the current legislation (FFY 2011), payments to Oregon schools and counties will decline to about 40 percent of earlier payment levels, and then will cease altogether after 2011. After FFY 2011, unless the Act is reauthorized, counties and schools will revert back to receiving shared timber receipts, which are currently at extremely low levels and expected to stay at very low levels for years to come.

The Association of O and C Counties estimates that the job losses statewide from the rampdown provided for in the PL 110-343 will be 3,160 in 2011 and 5,447 in 2012, assuming a salary of \$55,000 per position. The majority of job losses will be county governmental positions, with the remaining job losses at schools and the private sector.

The table on the following page outlines the economic impact history to Oregon's counties and schools from the Secure Rural Schools Act. This graph is taken from the Governor's Task Force on Federal Forest Payments and County Services final report, dated January, 2009. Note that statewide property tax revenue during the first year of the 2008 Act was approximately \$4.7 billion. Of that amount, counties and schools received approximately \$2.6 billion (\$811M and \$1.8B, respectively).

FOUR-YEAR RAMP DOWN OF FEDERAL FOREST PAYMENTS



As part of the Emergency Economic Stabilization Act passed in September 2008, Congress included a four-year, ramped down reauthorization of the Secure Rural Schools and Community Self-Determination Act (federal forest payments). The first payment, which is being made in early 2009, is 90 percent of the Federal FY 2006 payment (a loss of \$26 million to Oregon counties and schools). The second year is 81 percent of the 2006 payment (a loss of \$49 million) and the third year is 73 percent of the 2006 payment (a loss of \$69 million). The fourth and final year is projected to be an average of 40 percent of the 2006 payment (a loss of \$155 million). In 2012, there will be no federal forest payments, which will amount to an estimated net loss of \$243 million for Oregon counties and schools after accounting for residual harvest receipts shared by the federal government.

Lane County

Leading up to the sunset of the extension of the Secure Rural Schools Act of 2000, the Federal Forests Task Force identified Lane County is one of 24 “hard hit” counties, and assessed it as “critical”, meaning that it would face “severe fiscal crises within one to two years after the end of federal forest payments.” The tables on the following pages outline the details of the current rampdown of federal payments under the 2008 Act, specific budgetary issues, and the statewide position of Lane County with respect to tax revenues.

The table below shows how federal funds come into Lane County over the four years of the 2008 Act, and how they are then allocated. Fifteen percent is immediately allocated to federal land projects (Election #2, to Titles II and III). The remaining 85% is split by historic timber receipts valuations from both Department of Agriculture lands (USFS, or National Forest Revenue) and Department of Interior lands (Bureau of Land Management, or O&C Revenue). This is an important split, in that O&C Revenue-based portion goes directly to the General Fund (completely discretionary), while the Forest Service Revenue-based portion is deposited into the Road Fund and School Fund. Both these funds are constrained in how they may be used. School funds are deposited into the state's common school fund, where they are re-allocated to school districts across the state. Road funds are commingled with Oregon fuel tax funds and are then allocated according to constitutional and statutory requirements.

Year	Fiscal Year	Election #1: Opted into Full County Payment Pgm	Election #2: Allocated 15% of Full County Payment Amount to Projects Under Titles 2 & 3		85% Breakdown		
		Lane County Full Payment Estimate			O&C Revenue	National Forest Rev Split per ORS	
				15%	85%	General Fd	Road Fd
1	08-09	46,705,669	7,005,850	39,699,819	13,561,419	19,603,800	6,534,600
2	09-10	42,035,102	6,305,265	35,729,837	12,205,277	17,643,420	5,881,140
3	10-11	37,883,488	5,682,523	32,200,965	10,999,817	15,900,860	5,300,287
4	11-12	18,130,002	2,719,500	15,410,501	6,161,463	6,936,779	2,312,260
4-Yr Estimate		144,754,261	21,713,139	123,041,122	42,927,976	60,084,860	20,028,287

Lane County Discretionary Budget

The County maintains 21 individual governmental funds. These include the General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds. The General Fund is used for all receipts not dedicated for a specific purpose. In most counties, this includes such activities as law enforcement, youth services, assessment and taxation, and general administration.

The Fiscal Year 2009-2010 Adopted Budget for Lane County including all funds is \$515.4 M. The Net Adopted Operating Budget totals \$275.2 million. The net budget is a more accurate picture of County finances. This budget subtracts all internal charges, transfers, and loans that are double counted. Revenues overall are down \$21.1 million or 4.0% due to declining federal forest revenues, state budgetary issues (due to economic decline), and declining fee and fine revenue. The General Fund budget is \$103 M.

Lane County's experience over the course of several reauthorizations of the Secure Rural Schools Act has involved a balancing act over reserving these funds for the future versus spending them for current needs. During the 09-10 budget process, this was a contentious issue characterized by debate over whether to re-open 84 jail beds in the county's jail, or to reserve funds such that the ramp down and eventual loss of these funds could be stretched further. Ultimately, public outcry led to a decision to re-open these beds. A similar policy issue question is expected by budget watchers during this year's process. Looking forward to the FY 10-11 budget, Lane County is attempting to maintain existing services. It will do this primarily by reducing the amount it places into reserve, and in fact withdrawing funds from reserve. These actions have yet to be acted on by the County's budget committee.

Lane County, like all Oregon counties, is unable to raise property taxes due to a constitutional caps enacted by voters 1991 and 1997. It can raise short term funds through up to five year "options" approved

by voters. Additionally, new taxing districts can establish permanent property tax rates. Both of these property tax categories may be subject to what is termed "compression" if tax rates applied to a single property exceed \$5 per \$1,000 of real market value for education related taxes and \$10 per \$1,000 of RMV for general government taxes. Voters in Lane County have turned down all 11 such requests since May, 1997.

The table on the following page shows all 36 Oregon Counties with respect to their permanent property tax rate plus any local options or special district property tax revenue as of FY 07-08. It then added in the discretionary federal forest payment ("O&C" revenue) to result in a total comparative tax rate. As a result, Lane County is dead last in terms of revenue available to it, hence the expectation that fiscal distress is a very real scenario for the County if the federal Act is not renewed.

Conclusion

Lane County continues to seek new ways to replace the revenues it expects to lose with the sunset of the Secure Rural Schools and Community Self Determination Act.

- It has been an active participant with respect to leading the development of, and follow up to, the Governor's Task Force on Federal Forest Payments and County Services.
- It has actively pursued development of the concept related to revenue sharing of forestry carbon sequestration dollars associated with federal forest lands in Oregon.
- It continues to improve service efficiency and has made budget cuts in 12 out of the last 15 years.
- It has played an active role in focusing reauthorization efforts through its involvement with the National Forest Counties and Schools Coalition and the Association of O&C Counties.

Lane County recognizes that a national discourse on the appropriate management of federal lands is necessary. When SRS was first passed, the assumption was that conversation may take the better part of six years. That assumption has proven to be incorrect, and with the Administration's withdrawal of the Western Oregon Plan Revision, the conversation again appears to be delayed.

Lane County reminds the President that he made specific promises to Oregonians with respect to the federal payments issue while campaigning in Oregon during the spring of 2008. We stand ready to enjoin with the Administration to fulfill these promises.

2007-2008 RATE AND VALUE INFORMATION FOR OREGON COUNTIES
Sorted by Tax Comparable Rate (Including O&C Revenue)

Rank	Cur Yr	Last Yr	Up or Down?	COUNTY	2007 POPUL. LATON EST.	2008 MEDIAN FAMILY INCOME**	2007-2008 NET ASSESSED VALUE In thousands	O&C REVENUE (less Title III)	OTHER FUNDING in Income, Prop. Tax, Taxes	PERM RATE	LOCAL OP	PERM RATE OTHER	PERM. RT. COUNTY EXT.	PERM RATE LOCAL OP LAW ENF.	TOTAL RATE	EQUIV O&C/ OTHER RATE	TOTAL COMP RATE
1	1	-	-	WHEELER	1,570	48,100	90,720	1,073,391	78,636,000	8.5266	0.4780	1.0084	0.5884		10,093.4	-	10,093.4
2	2	-	-	SHEPPARD	1,855	53,000	212,943	1,434,344	4,343,434	8.7141	0.8990	0.4780	0.5884		9,192.1	-	9,192.1
3	3	-	-	MULTNOMAH*	710,025	67,500	50,673,678	1,073,391	78,636,000	4.3434	0.8990	0.4780	0.5884		5,233.4	1.5731	6,806.5
4	4	-	-	LAKE	7,565	48,100	454,979	2,479,788	3,989,449	3.7619	0.9900	2.4857	0.2392	0.3240	6,486.8	-	6,486.8
5	5	-	-	JEFFERSON	22,030	48,100	1,244,746	2,767,182	982,908	1.1124	0.9900	0.8700	0.2392	0.3240	5,750.2	3.6098	4,812.2
6	6	-	-	DOUGLAS	104,675	48,100	6,702,927	2,767,182	982,908	1.4171	0.9900	0.8700	0.2392	0.3240	4,625.8	2.6087	4,529.8
7	7	-	-	HOOD RIVER*	21,470	48,100	1,529,315	2,767,182	982,908	1.4171	0.9900	0.8700	0.2392	0.3240	4,501.6	0.6356	4,501.6
8	8	-	-	BENTON	85,300	48,100	5,960,146	2,767,182	982,908	4.5016	0.9900	0.8700	0.2392	0.3240	4,424.6	-	4,424.6
9	9	-	-	HARNEY	7,680	48,100	382,191	2,767,182	982,908	4.1347	0.9900	0.8700	0.2392	0.3240	4,236.6	0.1747	4,397.1
10	10	-	-	MORROW	12,335	48,100	1,138,389	2,767,182	982,908	3.7286	0.0720	0.5382	0.1625	0.7198	4,252.3	-	4,252.3
11	11	-	-	CLACKAMAS (RURAL)	372,270	67,500	31,280,468	2,767,182	982,908	2.2982	0.1900	0.5382	0.1625	0.7198	3,995.5	-	3,995.5
12	12	-	-	BAKER	16,435	48,000	1,089,585	2,767,182	982,908	1.2736	0.1900	1.1064	0.1207	0.9143	3,990.9	-	3,990.9
13	13	-	-	WASCO	24,125	48,100	1,524,139	2,767,182	982,908	4.2523	0.1900	1.1064	0.1207	0.9143	3,613.6	0.3743	3,987.9
14	14	-	-	WALLOWA	7,130	48,100	559,023	2,767,182	982,908	2.5366	0.1900	1.1064	0.1207	0.9143	3,779.1	0.1406	3,919.7
15	15	-	-	CROOK	25,885	49,200	1,494,834	2,767,182	982,908	3.8702	0.1900	1.1064	0.1207	0.9143	3,845.0	-	3,845.0
16	16	-	-	LINN	109,330	53,100	6,945,955	2,767,182	982,908	1.2736	2.3400	0.5382	0.1625	0.6164	3,662.2	-	3,662.2
17	17	-	-	WASHINGTON*	511,075	67,500	41,148,920	2,767,182	982,908	2.2484	0.1900	0.5382	0.1625	0.6164	3,895.5	-	3,895.5
18	18	-	-	GILLIAM	1,885	50,200	305,819	2,767,182	982,908	3.8450	0.1900	0.5382	0.1625	0.6164	3,414.2	-	3,414.2
19	19	-	-	CLACKAMAS (CITY)	372,270	67,500*	31,280,468	2,767,182	982,908	2.4042	0.0900	0.5382	0.0888	0.7195	3,216.9	1.6860	3,414.2
20	20	-	-	COOS	63,050	48,100	3,877,405	2,767,182	982,908	1.5338	0.0900	1.0175	0.0534	0.7195	3,141.7	-	3,141.7
21	21	-	-	CLATSOP (RURAL)	37,440	53,600	4,252,751	2,767,182	982,908	1.5338	0.0900	1.0175	0.0534	0.7195	3,141.7	-	3,141.7
22	22	-	-	UMATILLA	72,245	52,000	3,784,910	2,767,182	982,908	2.8487	0.0900	0.3682	0.2598	0.9143	3,025.2	0.0854	3,110.6
23	23	-	-	JACKSON	292,310	50,500	13,981,518	2,767,182	982,908	2.8099	0.0900	0.3682	0.2598	0.9143	3,037.3	-	3,037.3
24	24	-	-	GRANT	7,580	48,100	405,632	2,767,182	982,908	2.8819	0.0900	0.3682	0.2598	0.9143	3,024.7	-	3,024.7
25	25	-	-	MARION	311,070	56,200	16,832,019	2,767,182	982,908	3.0252	0.0900	0.3682	0.2598	0.9143	2,865.3	0.0854	2,950.8
26	26	-	-	UNION	25,250	48,900	1,258,878	2,767,182	982,908	2.8515	0.0900	0.3682	0.2598	0.9143	2,865.3	-	2,865.3
27	27	-	-	DESCHUTES (RURAL)	160,810	58,200	15,578,382	2,767,182	982,908	1.2783	0.3240	0.0239	0.1619	1.4000	2,574.7	-	2,574.7
28	28	-	-	LINCOLN	44,630	48,100	5,242,074	2,767,182	982,908	2.8302	0.0900	0.5867	0.0451	0.9500	2,865.3	0.0676	2,932.9
29	29	-	-	JOSEPHINE	82,390	48,100	5,223,939	2,767,182	982,908	0.5867	0.0900	0.5867	0.0451	0.9500	2,247.6	2.2772	2,525.3
30	30	-	-	YAMHILL	93,085	67,500	5,779,077	2,767,182	982,908	2.5775	0.0900	0.5867	0.0451	0.9500	2,624.4	0.1227	2,747.1
31	31	-	-	CLATSOP (CITY)	37,440	53,600	4,252,751	2,767,182	982,908	1.5338	0.0900	1.0175	0.0534	0.7195	2,604.7	-	2,604.7
32	32	-	-	MALHEUR	31,620	48,100	1,420,930	2,767,182	982,908	2.5823	0.0900	1.0175	0.0534	0.7195	2,574.7	-	2,574.7
33	33	-	-	DESCHUTES (CITY)	160,810	58,200	15,578,382	2,767,182	982,908	1.2783	0.3240	0.0239	0.1619	1.4000	2,574.7	-	2,574.7
34	34	-	-	KLAMATH	65,815	48,100	4,317,623	2,767,182	982,908	1.7326	0.6900	0.0690	0.1021	0.1541	1,886.7	0.5337	2,420.4
35	35	-	-	TILLAMOOK	25,845	48,800	3,396,505	2,767,182	982,908	1.4986	0.6900	0.0690	0.1021	0.1541	2,247.6	0.1624	2,410.0
36	36	-	-	CURRY	21,475	48,100	2,244,002	2,767,182	982,908	0.5996	0.0900	0.0690	0.1021	0.1541	0,701.7	1.6018	2,303.5
37	37	-	-	POLK	67,505	56,200	4,043,723	2,767,182	982,908	1.7160	0.0900	0.0690	0.1021	0.1541	1,716.0	0.5260	2,242.0
38	38	-	-	COLUMBIA	47,555	67,500	3,633,016	2,767,182	982,908	1.3956	0.0900	0.0690	0.1021	0.1541	1,452.7	0.5260	2,011.1
39	39	-	-	LANE	343,480	55,500	23,456,352	2,767,182	982,908	1.3799	0.0900	0.0690	0.1021	0.1541	1,379.9	0.6416	1,920.9