O&C Act of 2013 Revenue Sharing Payments Would Fall Below Recent SRS Levels; SRS Reauthorization Recommended

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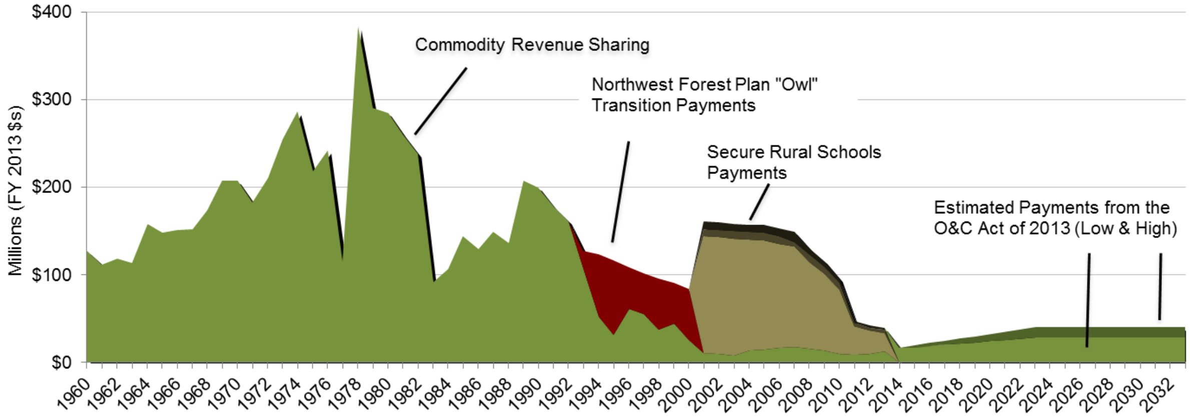
U.S. Senator Ron Wyden released a legislative proposal to reform how the Bureau of Land Management's Oregon & California (O&C) lands in western Oregon are managed, including a new allocation of commercial receipts to counties. Based on the estimate that the proposal could "roughly double" timber harvests from recent levels (averaged over the last 10 years), commercial receipts should also be expected to roughly double. A new revenue sharing arrangement also increases the share of receipts that counties would receive, meaning future revenue sharing payments could more than double compared to revenue sharing payments over the last 10 years (no counties have actually received these payments, electing instead their Secure Rural Schools and Community Self-Determination Act (SRS) payments, which have been substantially higher).

This brief estimates how BLM O&C revenue sharing payments will change during the next 20 years using the simple assumption that harvests, and harvest value, will double from recent levels. These estimated payments will only be made if SRS is not reauthorized. The FAQ section accompanying the bill text makes it clear that Senator Wyden "will introduce companion legislation to this bill that will extend long term funding to the counties which currently receive PILT, SRS, and similar payments."

Summary Findings

- Even with higher timber cuts and a larger allocation of receipts to counties, future payments are expected to be 10 percent lower on average than FY 2012 SRS payments.
- Rural counties that benefited under the SRS formula will see substantial losses, while urban counties with relatively high personal income and taxable value will see payments increase. Clackamas, Washington, and Multnomah counties will see payments increase by an estimated 81, 52, and 50 percent, respectively. Douglas, Josephine, Klamath, and Linn counties will see payment declines of 20 percent or more compared to FY 2012 SRS payments.

Figure 1: Estimated Revenue Sharing Payments If the O&C Act of 2013 Doubles Timber Harvests



How Will the O&C Act of 2013 Change County Payments?

Proposed Revenue Sharing Reforms

Section 201 of the proposed O&C Act of 2013 describes the new revenue sharing arrangement as follows:

> Each fiscal year $4 million of the revenue generated from treatments shall go to the U.S. Treasury, unless payments to counties are deficient. BLM management, administrative, or capital improvement costs on the O&C lands shall be paid for using a portion of revenues which should not exceed 25% of the revenues generated, not to exceed $20 million. The remaining annual revenue shall be paid to the O&C Counties according to a formula that maintains at least the amount that county would have received solely under the O&C Act for revenues collected in the Fiscal Year 2013. If there is insufficient revenue to meet the county's scheduled payment, money will be taken from the U.S. Treasury payment and then the BLM administrative payment to cover the balance.

To analyze what the draft legislation means for county payments, we did the following:

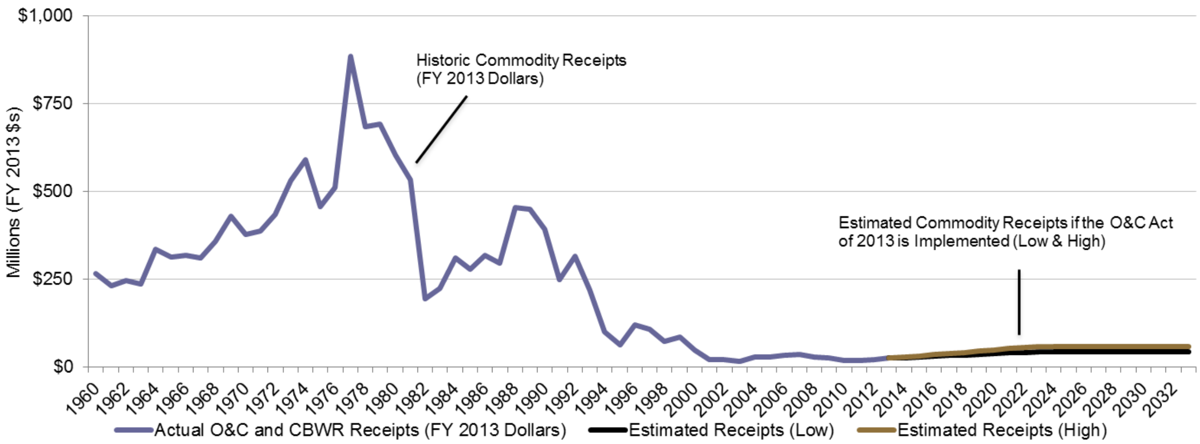
1. Estimate future receipts based on a doubling of the value of commercial receipts averaged over the last 10 years.
2. Estimate payments by applying the proposed revenue sharing arrangement to the projected receipts.
3. Compare the projected payments to historic and recent actual payments. The most recent payment data available are SRS payments for FY 2012.

1. Estimated Future Commercial Receipts

The press release and FAQs accompanying the legislative proposal suggest that the law would "roughly double" timber harvests from the average level achieved over the last 10 years. As a result, we assume that commercial receipts are also likely to roughly double, increasing from an average of $25.7 million over the last 10 years to more than $51 million annually.

We also assume it may take up to 10 years to realize sustained harvests around this new higher level. We assume that future harvests will be volatile. We also provide a high and low estimate, assuming that commercial receipts in the future can vary by up to 15 percent annually from the long-term sustained average once it is reached. (Historically, receipts have experienced larger averaged annual changes.) The figure below shows how these future commercial receipts would compare to historic levels of commercial receipts.

Figure 2: Historic and Estimated Commercial Receipts Generated on BLM O&C Lands, 1960 to 2033



2. Estimated Future Revenue Sharing Payments

Table 1 and Table 2 show how we estimate future revenue sharing payments to counties based on the proposed legislation. For FY 2014, we provide high and low estimates that show only modest increases in harvest levels. By FY 2023, we show payments that are likely within a high and low range around the long-term sustained harvest.[1] Table 2 shows how payments will be allocated between counties.

Table 1: Estimated 2013 O&C Act Payments by Region, FY 2014 and FY 2023

	Total receipts	25% to BLM, up to $20 million	$4 million to Treasury	Remainder to Counties	Share to Counties
FY 2014 Estimate (Low)	27,576,176	6,894,044	4,000,000	16,682,132	60%
FY 2014 Estimate (High)	29,122,503	7,280,626	4,000,000	17,841,877	61%
FY 2023 Estimate (Low)	43,812,615	10,953,154	4,000,000	28,859,462	66%
FY 2023 Estimate (High)	59,275,892	14,818,973	4,000,000	40,456,919	68%

[1] The new revenue sharing allocation requires that counties receive a payment at least equal to the payment they would have received in FY 2013 under the current revenue sharing law if SRS did not exist. Even in the first year, we expect that future payments will exceed the FY 2013 threshold, and will continue to do so over the next 20 years.

Table 2: Estimated 2013 O&C Act Payments by County, FY 2014 and FY 2023

County	FY 2014 Estimate (Low)	FY 2014 Estimate (High)	FY 2023 Estimate (Low)	FY 2023 Estimate (High)
Benton	$441,152	$471,821	$763,176	$1,069,865
Clackamas	$871,570	$932,161	$1,507,783	$2,113,700
Columbia	$323,982	$346,505	$560,477	$785,710
Coos	$926,375	$990,777	$1,602,595	$2,246,613
Curry	$573,313	$613,170	$991,810	$1,390,378
Douglas	$3,931,848	$4,205,191	$6,801,949	$9,535,379
Jackson	$2,460,734	$2,631,804	$4,256,977	$5,967,685
Josephine	$1,896,255	$2,028,083	$3,280,449	$4,598,730
Klamath	$367,753	$393,319	$636,199	$891,862
Lane	$2,397,651	$2,564,336	$4,147,846	$5,814,698
Lincoln	$56,137	$60,040	$97,115	$136,142
Linn	$414,590	$443,413	$717,226	$1,005,450
Marion	$229,678	$245,645	$397,334	$557,006
Multnomah	$170,944	$182,828	$295,726	$414,566
Polk	$338,523	$362,057	$585,632	$820,974
Tillamook	$87,642	$93,735	$151,618	$212,547
Washington	$98,846	$105,718	$171,000	$239,718
Yamhill	$113,273	$121,148	$195,958	$274,706
O&C Total	**$15,700,265**	**$16,791,751**	**$27,160,869**	**$38,075,731**
Coos CBWR	$831,543	$889,352	$1,438,538	$2,016,628
Douglas CBWR	$150,324	$160,774	$260,054	$364,560
CBWR Total	**$981,867**	**$1,050,126**	**$1,698,592**	**$2,381,188**
Grand Total	**$16,682,132**	**$17,841,877**	**$28,859,462**	**$40,456,919**

Note: CBWR refers to Coos Bay Wagon Road lands.

3. Comparison of Estimated Future Payments to Historic and Recent County Payments

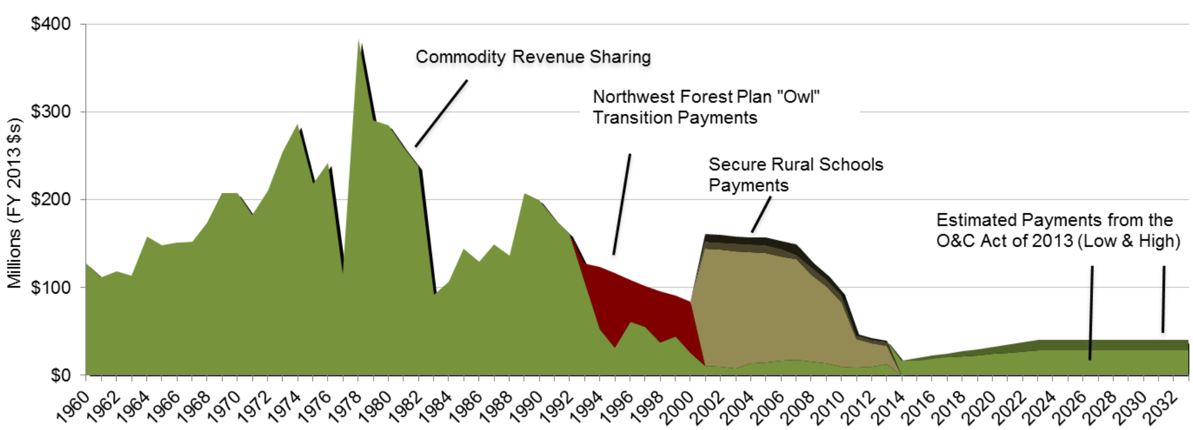
Compared to FY 2012 SRS payments, counties could expect to receive about $20 million less in the first year as the reforms intended to increase timber harvests are adopted and the agency begins to implement the Act. Even after harvests reach a long-term sustained level about double recent timber harvests, and with a larger allocation of receipts to counties, we expect future payments to be 10 percent lower on average than FY 2012 SRS payments.

Rural counties that benefited under the SRS formula will see substantial losses, while urban counties with relatively high personal income and taxable value will see payments increase. Clackamas, Washington, and Multnomah counties will see payments increase by an estimated 81, 52, and 50 percent, respectively. Douglas, Josephine, Klamath, and Linn counties will see payment declines of 20 percent or more compared to FY 2012 SRS payments.

Table 3: Potential Payments Compared to Current SRS Funding Levels

County	FY 2012 SRS Total Payment	Estimated FY 2014 Average	Estimated FY 2023 Average Payment	Change From FY 2012 SRS to Estimated FY 2023 Average Payment
Benton	$731,194	$456,486	$916,521	25.3%
Clackamas	$1,003,055	$901,865	$1,810,741	80.5%
Columbia	$675,814	$335,244	$673,093	-0.4%
Coos	$2,226,974	$1,819,023	$1,924,604	-13.6%
Curry	$1,368,034	$593,241	$1,191,094	-12.9%
Douglas	$10,168,569	$4,224,069	$8,168,664	-19.7%
Jackson	$5,174,286	$2,546,269	$5,112,331	-1.2%
Josephine	$5,227,953	$1,962,169	$3,939,590	-24.6%
Klamath	$1,018,182	$380,536	$764,030	-25.0%
Lane	$4,976,229	$2,480,993	$4,981,272	0.1%
Lincoln	$121,345	$58,089	$116,629	-3.9%
Linn	$1,173,494	$429,002	$861,338	-26.6%
Marion	$491,358	$237,661	$477,170	-2.9%
Multnomah	$236,048	$176,886	$355,146	50.5%
Polk	$851,648	$350,290	$703,303	-17.4%
Tillamook	$208,758	$90,689	$182,083	-12.8%
Washington	$134,806	$102,282	$205,359	52.3%
Yamhill	$258,701	$117,211	$235,332	-9.0%
O&C Total	**$36,046,446**	**$17,262,005**	**$32,618,300**	**-9.5%**

Figure 3: Estimated Revenue Sharing Payments if the O&C Act of 2013 Doubles Timber Harvests, Low and High Estimates



Discussion

The proposed O&C Act of 2013 describes a new revenue sharing arrangement that would return a higher share of commercial receipts to counties than the current 50 percent revenue sharing law. Combined with the higher timber harvests anticipated if the proposal were to take effect, the size of revenue sharing payments to the O&C counties could more than double the payments the counties would have received over the last 10 years had SRS not been in place.

Even so, future payments are expected to be lower than current SRS funding levels (based on FY 2012 payments). More importantly, the modestly lower payments would not be distributed equally if SRS is not reauthorized and the O&C Act of 2013 is implemented. Revenue allocations between counties under the proposed law are based on the relative taxable value of land within the 18 counties as of 1915, delivering a much higher share or receipts, on a per acre basis, to urban counties. By comparison, the SRS formula was based on three criteria: historic revenue sharing payments, relative per capita personal income, and the share of total acres of O&C lands in each county.

Rural counties that benefited under the SRS formula will see substantial losses, while urban counties with relatively high personal income and taxable value will see payments increase. Clackamas, Washington, and Multnomah counties will see payments increase by an estimated 81, 52, and 50 percent, respectively. Douglas, Josephine, Klamath, and Linn counties are projected to see payment declines of 20 percent or more compared to FY 2012 SRS payments.

This analysis raises a broader issue related to county payments—the tension between recoupling payments to commercial receipts and continuing to make payments from the federal treasury. The FAQs section accompanying the bill text makes it clear that Senator Wyden "will introduce companion legislation to this bill that will extend long term funding to the counties which currently receive PILT, SRS, and similar payments." This puts Senator Wyden's effort solidly in the second camp, which reflects an assessment that managing land to maximize commercial receipts may not be the most effective way to create jobs or safeguard the environment.

Our analysis shows the proposed bill will not generate receipts sufficient to pay counties at historic, or even recent levels. Companion legislation that continues to make payments from the federal treasury will focus the discussion of the O&C Act of 2013 squarely on the proper management of public lands for economic and conservation purposes.

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***Headwaters Economics** is an independent, nonprofit research group that assists the public and elected officials in making informed choices about land management and community development decisions in the West. For more information on County Payments, see* http://headwaterseconomics.org/tools/county-payments-research.