

Reforming County Payments to Benefit Oregon's Future

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By Mark Haggerty

Oregon's public lands, some of America's most spectacular, provide tremendous economic value through timber, salmon, and recreation, while providing a high quality of life that attracts people and businesses to the state.

To provide for sustained long-term growth, Oregon must take advantage of all of the integrated economic and fiscal benefits—timber but also the water, wildlife, and scenery—provided by its federal lands.

One key component of leveraging these diverse forest values into growth is to ensure that federal payments to the state's counties for non-taxable lands continue to provide stable benefits for local schools and governments.

County payments are critical to the fiscal health of Oregon's counties, supporting essential services like education, public safety, and roads. Thirty-three counties participate, receiving \$243 million in Fiscal Year 2009, or 24 percent of all payments made nationally—nearly three times the next highest state, California.

Future federal payments to counties are at risk, however, because of the pending sunset of the two largest county payments programs along with growing budget deficit concerns.

In response to this threat, some have suggested selling a portion of Oregon's federal lands (more than one million acres) in an effort to generate revenue and increase logging. This proposal, however, falls short for several significant reasons.

First, it does not recognize the changing role of public lands in the state's economy. Today public lands are valuable far beyond their raw material contributions. The recreation, scenic vistas, and clean water these lands provide attract capital, create employment, and promote economic health.

Second, selling land to increase timber harvests represents a "supply" solution to a "demand" problem. Little evidence suggests that selling large amounts of public land will increase demand for timber products, resulting in higher commodity prices and jobs for Oregon.

Finally, the idea has failed repeatedly in the past and is unlikely to be any more successful politically now than before.

Fortunately, there are better ideas available than selling public lands, and Oregon's congressional delegation is working to find solutions that will benefit the state while receiving support in Congress.

To encourage public policy discussion, Headwaters Economics has analyzed a number reform ideas to understand how well they meet three goals: provide reliable payments to schools and governments, support economic growth, and improve the health and value of forests.

For example, one idea is to reward county governments for forest projects that create jobs and improve the health of public lands through activities such as watershed restoration and wildlife habitat improvements.

Public lands increasingly are managed for stewardship, restoration, and conservation goals. These activities produce real economic value—including commodity receipts in some cases—which currently are not shared with counties, and as a result often are undervalued by local officials.

The objective is to update county payments so they are flexible enough to encompass timber production while also recognizing the broader values of public forests and creating new economic opportunities, especially for rural communities.

Headwaters Economics has written a White Paper assessing the pros and cons of several reform ideas. We also created a free, easy-to-use database and interactive maps that show how potential reforms could impact states and counties across the nation (see: www.headwaterseconomics.org/countypayments).

Historically, Oregon has received the highest county payments of any state, a reflection of the state's productive forest lands. Expanding and linking county payments to the economic values of clean water, health forests, and recreation will similarly reward Oregon counties, and Oregon's economy, into the future.

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