



Executive Summary: The Economic Potential of Protected Public Land in Malheur County, Oregon

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This report provides an initial analysis of the potential economic impact of protecting federal land in Malheur County. The county, located in southeastern Oregon, has 4.6 million acres of public land within its boundaries (almost four-fifths of its land base), and nearly two million of these acres possess unique natural and recreational values.

Despite its rural nature, Malheur County is part of the Ontario Micropolitan Statistical Area, which is anchored by the city of Ontario, and includes Payette County, Idaho. Because of strong economic connections to Idaho's Treasure Valley and the greater Boise economy, the majority of Malheur County lies in the Mountain Time zone.

During the last four decades, Malheur County's population, employment, and real personal income grew slowly. The county lags behind the non-metro portion of Oregon in each of these growth measures. Services related industries and government account for all long-term net employment gains in Malheur County. This shift in industry makeup, along with strong growth in non-labor sources of income (such as retirement and investment income), also accounts for the growth of real personal income in the county.

Agriculture is important to the economy of Malheur County and is one of the county's larger industries. However, agriculture's relative share of the economy has fallen over time as farming and ranching have failed to keep pace with gains in the broader economy. In recent decades, agricultural employment declined steeply even as farm and ranch personal income increased. Agricultural output (livestock and crops) in the county has expanded over time and recently farm and ranch average earnings have risen, though they remain below overall earnings per job. There is a high degree of volatility in net farm and ranch business income. This volatility is tied to swings in production costs and commodity prices, which are difficult for producers to control.

Going forward, Malheur County should consider how best to capitalize on its abundant federal land as part of any future economic development strategy. Research on the economic role of protected public land in the West, including the non-metro West, is encouraging. Numerous studies show that this land can be an important economic asset that attracts people and business. Western counties with National Parks, National Monuments, or other permanent protections on federal land support above average rates of job growth and are correlated with higher levels of per capita income.

Like Malheur County, the economy of the West has changed dramatically in recent decades. Services industries that employ people in a wide range of occupations—from doctors and engineers to teachers and accountants—are driving economic growth and now make up the large majority of jobs in both metro and non-metro areas. At the same time, non-labor income, which consists largely of investment and retirement income, is the largest and fastest-growing source of new personal income in the region.

Along with these broad changes, the economic role of public land in the West has shifted. Natural resources and commodities associated with federal land will remain important, but increasingly the value of this public land also is tied to recreation opportunities as well as the natural amenities and scenic backgrounds they provide that help attract people and businesses across a range of sectors.

The region's wide-open spaces, mountains, canyons, rivers and other spectacular natural features set communities in the West apart from the rest of the country. These places enjoy benefits that can be measured directly. From 1970 to 2010, western non-metro counties with more than 30 percent of the county's land base in protected federal status increased jobs by 345 percent—more than four times faster than western non-metro counties with no protected federal land.

There is also a meaningful relationship between the amount of protected public land and higher per capita income levels. On average in 2010, for every gain of 10,000 acres of protected public land in a western non-metro county, per capita income increased by \$436.

This research sets the stage for an appraisal of how Malheur County performs compared to similar western, rural counties that have a substantial amount of protected federal land. Key findings are:

- In standard measures of long-term economic growth, Malheur County is among the poorest overall performers relative to peer counties. This is the case despite better transportation access to larger population centers and markets than all but two peers.
- The county fares poorly in sustaining farm and ranch employment compared to protected area peers, while the peer group outperforms the non-metro portion of the United States.
- Malheur County performs a little better in qualitative measures of economic stress and well-being, such as the unemployment rate and per capita income, but it is never a top performer compared to protected area peers.
- The county has a smaller share of its overall private employment in travel and tourism related sectors than all but two peers.

The peer comparison data do not support a cause and effect relationship between the presence of protected areas in peer counties and stronger economic performance. However, the data do show that peer counties with permanent federal land protections on average grow faster, sustain agricultural employment better, have less economic hardship, and benefit from travel and tourism business activity at rates higher than Malheur County.

This comparison to peer counties mirrors the broader body of research and analysis that points to the advantages of protected areas for non-metro counties in the West. These benefits include faster economic growth, higher income levels, increased travel and tourism activity, and visitation that leads to the attraction of people and businesses across a range of sectors.

Natural amenities are not the only element needed for economic success. Other factors such as access to markets and education levels remain important. If economic development efforts in Malheur County were to focus on protecting public land as a way to preserve and brand the unique characteristics of the region while providing access for recreation, the county could see a more promising economic trajectory, especially given its proximity to larger population centers in southwestern Idaho. The experience of protected area peer counties suggests this can be done without burdening the agricultural economy.

How Malheur County utilizes these advantages—through the combination of local leadership, investments, and policy decisions concerning land management—will play a significant role in determining its economic future and prosperity.

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About Headwaters Economics: Headwaters Economics is an independent, nonprofit research group that assists western communities on land management decisions, <http://headwaterseconomics.org/>.