

A Research Paper by



An Assessment of the Economy and Opportunities for Economic Development in Wheeler County, Oregon



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ABOUT HEADWATERS ECONOMICS

Headwaters Economics is an independent, nonprofit research group whose mission is to improve community development and land management decisions in the West.

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The Oregon Natural Desert Association commissioned Headwaters Economics to produce this report to better understand how to improve conservation and expand opportunities for economic development in Wheeler County, Oregon.



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I. Executive Summary

Like many rural counties in the western United States, Wheeler County faces economic difficulties. It also has resources and untapped opportunities, which suggest the possibility of a brighter economic future.

The economic transition of the last half-century has resulted in a shrinking and aging population; the decline of wood products manufacturing; continued prominence of agriculture and ranching, though with fewer jobs; and the growth of largely low-paying services industries. The county also is remote from larger markets.

On the more encouraging side, long-time residents are staying, entrepreneurs are starting new enterprises, and per capita income is rising. Just as importantly, the communities in Wheeler County retain many of their core community assets and institutions—schools, churches, banks, and government offices. These trends and strengths suggest potential resilience.

During the past several decades, the county has shifted from wage and salary employment to greater self-employment (individual proprietors or nonemployer businesses); and a growing number of people are working more than one job.

In 2013 the three private industry sectors with the largest number of jobs (including the self-employed) were farm (201 jobs), retail trade (89 jobs), and accommodation and food services (80 jobs). By comparison, there were 112 government jobs in 2013.

In Wheeler County the federal government is the second largest landowner, split between the Forest Service (15% of total area), Bureau of Land Management (13% of total area), and National Park Service (0.5% of total area). These lands continue to fulfill a traditional resource role, such as providing forage and timber; increasingly they also attract visitors who hike, raft, hunt, and fish and contribute to the local economy through the purchase of goods and services.

Though only a small portion of public lands in the county are permanently protected (12% of federal lands in the county), they encompass scenic resources such as deep canyons, forested mountains, desert-like landscapes, and rich mineral deposits. Still other areas remain unprotected but are unique and visually captivating.

There are a number of ways to trade on these natural assets that could strengthen the Wheeler County economy. One is through travel and tourism, a sector already growing in the county. Scenic public lands, especially with recognized protections, have an advantage because their uniqueness, visibility, and branding attract outside visitors who spend money in local economies.

An analysis by the National Park Service, for example, found that the John Day Fossil Beds National Monument in 2013 had 147,211 non-local visitors who spent \$6.9 million locally, creating 93 jobs and \$2.5 million in personal income.

In addition, by connecting people and place, tourism also provides a bridge to broader economic growth and diversification for rural areas off the beaten path. Today in the West, a range of people—including workers, business owners, and retirees—are moving to high quality rural locations.

A growing body of research shows the economic benefits of protected federal public lands, concluding that rural western counties with national parks, monuments, or other permanent protections support above average rates of job growth and are correlated with higher levels of per capita income.

In summary, a variety of approaches can help capitalize on the county's public lands. These include: creating new signature attractions; promoting tourism; looking to translate visitation to residency; appealing to people who can work remotely and owners of location-independent businesses; and reaching out to retirees and meeting the needs of existing retirees.

Areas with better travel and communication infrastructure tend to be more successful capturing these new residents, location-independent businesses, and retirees. Continued efforts and investments in transportation as well as Internet access and cellular telephone infrastructure, if successful, are likely to result in at least some of these types of benefits.

At the same time, it is important to focus on the needs of existing businesses. They are already established and may find opportunities to expand either through infrastructure improvements that reduce distance to markets and other competitiveness investments, or by capturing additional spending from new visitors and residents.

These opportunities are relevant to Wheeler County's current situation and compatible with other important sectors of the economy, including agriculture and other goods-producing sectors.

II. Introduction

Like many rural counties across the West, Wheeler County in central Oregon has struggled economically in recent decades.¹ It is by no means alone in doing so.

Rural counties are grappling with the aftermath of long-term declines in traditional industries, such as forestry and wood products manufacturing, and wrestling with how to compete in growing aspects of the regional and national economy, including a range of services industries.

Although Wheeler County continues to face economic hurdles, it also possesses resources that suggest the possibility of a brighter economic future. These resources include: a local population that cares deeply about place and community, attractive public lands that appeal to a wide range of Americans, and active local entrepreneurship.

To better understand the potential economic future of Wheeler County, this report reviews the best available data on local demographic and economic trends, and discusses the challenges facing rural and remote public lands economies and strategies to build economic strength in this context.

The report concludes with a short discussion on possible approaches to development that could help with economic renewal in Wheeler County.

¹ For a county-by-county look at western economic trends, see: <http://headwaterseconomics.org/interactive/west-wide-atlas>.

III. Population and Economic Trends

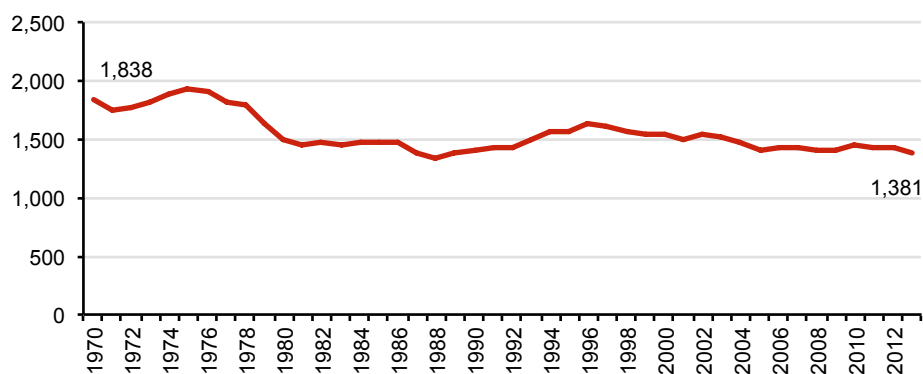
Wheeler County is located in central Oregon. The county seat is Fossil, which is about a two-and-half hour drive from Bend, the largest city in central Oregon.

Population Trends

Wheeler County is the least populous county (population 1,381 in 2013) in Oregon.²

Since 1970 Wheeler County's population has fallen from 1,838 to 1,381 people, a 25 percent decrease. There were dramatic declines in the later 1970s, followed by relatively flat but uneven changes in the 1980s and 1990s.

Population Trends, Wheeler County



Source: U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

Since 2000 county population has generally decreased. Data sources disagree on the precise amount of the decline, with estimates of around 165 people. This was caused by a combination of natural change (more deaths than births) and net outmigration (more people leaving than coming).³

In general, younger people are leaving the county and the remaining population is older. From 2000 to 2013 median age in the county rose from 48 to 56, a 16 percent increase, making Wheeler County the oldest county in Oregon.⁴

Economic Trends

Since 1970 Wheeler County employment grew from 880 to 1,126 jobs, a 28 percent increase.⁵ While overall employment has increased, jobs trends have been highly volatile—with heavy job losses in the late 1970s, flat but uneven performance from the 1980s to the early 2000s, and strong job growth since the late 2000s.

² U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

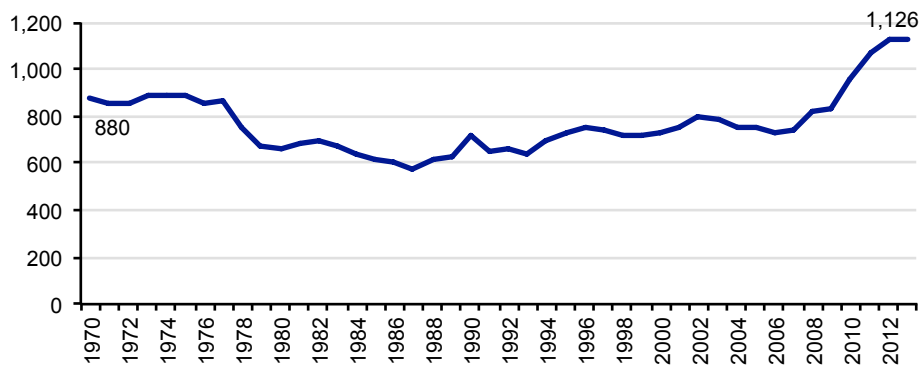
³ U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.; U.S. Department of Commerce. 2014. Census Bureau, Population Division, Washington, D.C.

⁴ U.S. Department of Commerce. 2013. Census Bureau, American Community Survey Office, Washington, D.C.; U.S. Department of Commerce. 2000. Census Bureau, Systems Support Division, Washington, D.C.

⁵ U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

It is important to note that a “job” as used here and reported by the U.S. Department of Commerce includes full and part-time employment as well as self-employment (individual proprietors or nonemployer businesses).

Employment Trends, Wheeler County



Source: U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

Employment volatility is not uncommon in small economies that lack diversity or rely on commodity industries. The decline of wood products manufacturing in the 1970s (driven by the closure of the Kinzua Pine Mill in 1978) stands out as the most significant one-time event to impact the Wheeler County economy in recent decades.

The local economy also has been adversely affected by larger business cycles, especially the recessions in the 1980s and at the turn of the century.

Beginning in the late 1980s and continuing in the 1990s, the economy gradually began to grow again. Since the Great Recession, which officially ran from December 2007 to June 2009, the number of jobs increased dramatically.

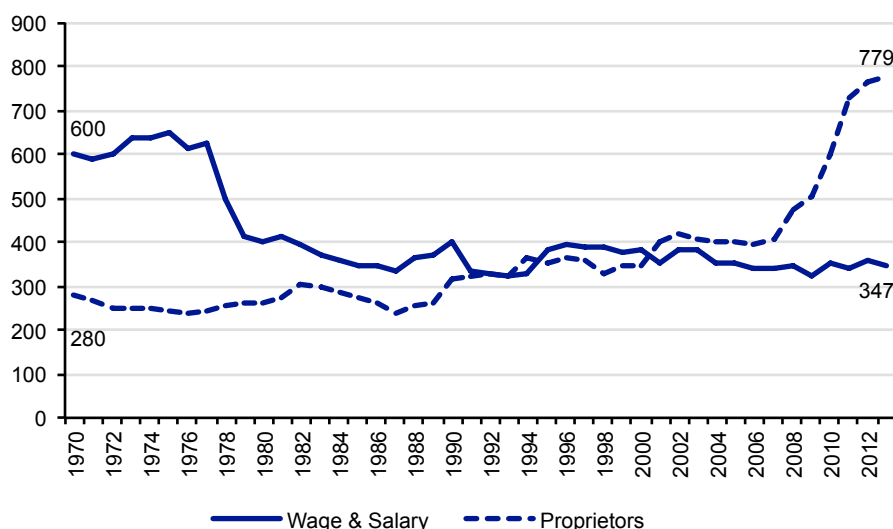
The recent spike in employment is somewhat paradoxical as the county’s population continues its long-term decline. How can population shrink and jobs grow? Two trends stand out: first, there has been a shift from wage and salary employment to self-employment (individual proprietors or nonemployer businesses); and second, a growing number of people are working more than one job, which may be full-time or part-time, or have a job and are self-employed at the same time.⁶

Since 1970 wage and salary employment in Wheeler County fell from 600 to 347, a 42 percent decrease, while the number of self-employed individuals grew from 280 to 779, a 178 percent increase. During the last decade, from 2003 to 2013, wage and salary employment fell more modestly (-35 jobs) by nine percent, while the number of self-employed individuals grew dramatically (+373 self-employed) by 92 percent.⁷ In other words, all of the recent growth in “jobs”—which accelerated significantly since the last recession—is new self-employment (proprietorships or nonemployer businesses).

⁶ Nonemployer businesses can be individual proprietorships, partnerships, or corporations. Most nonemployers are self-employed individuals operating very small, unincorporated businesses, which may or may not be the owner’s principal source of income.

⁷ U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

Wage & Salary Jobs vs. Proprietors (Self-Employment) Trends, Wheeler County



Source: U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

The rapid increase in the number of self-employed appears to be less a sign of healthy entrepreneurship and more an expression of hardship, with individuals and working families doing what they have to do to survive—in many cases starting small enterprises.

Alongside this trend is a long-term shift in the industry structure of the local economy. This can be most succinctly stated as the shift from traditional resource industries to a mix of services industries, a common trend across the rural West.

In 1970 non-services sectors—mainly farming and ranching and manufacturing—accounted for 59 percent of total employment, while services sectors—including retail trade, health care, accommodation and food services, and others—made up 27 percent of total employment. Government jobs were 19 percent of total employment. By 2013 (most recent data) non-services accounted for 31 percent, services 37 percent, and government 10 percent of total county employment.⁸

Looking at the period since the last recession and capturing the recent growth in self-employment, we can see employment (including self-employment) increases in all the major industry groupings. Non-services were up by 23 percent, services by 97 percent, and government by seven percent.⁹

⁸ U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

⁹ U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C. Estimates for data that were not disclosed are shown in gray and indicated with tildes (~).

Employment by Industry, Wheeler County, 2008 to 2013

	2008	2013	Change 2008-2013
Total Employment	816	1,126	310
Non-services related	293	348	55
Farm	205	201	-4
Forestry, fishing, & ag. services	25	~32	~7
Mining (including fossil fuels)	0	0	0
Construction	44	~57	~13
Manufacturing	19	~58	~39
Services related	221	420	199
Utilities	~5	~5	~0
Wholesale trade	~10	~21	~11
Retail trade	43	~89	~46
Transportation and warehousing	~26	~36	~10
Information	na	na	na
Finance and insurance	na	na	na
Real estate and rental and leasing	na	75	na
Professional and technical services	22	23	1
Management of companies and enterprises	0	0	0
Administrative and waste services	na	na	na
Educational services	~7	~18	~11
Health care and social assistance	na	na	na
Arts, entertainment, and recreation	20	~28	~8
Accommodation and food services	55	~80	~25
Other services, except public administration	33	~45	~12
Government	119	112	-7

Sources: U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

In 2013 the three private industry sectors with the largest number of jobs (including the self-employed) were farm (201 jobs), retail trade (89 jobs), and accommodation and food services (80 jobs). From 2007 to 2013, the three private industry sectors that added the most new jobs (including the self-employed) were retail trade (46 new jobs), manufacturing (39 new jobs), and accommodation and food services (25 new jobs).¹⁰

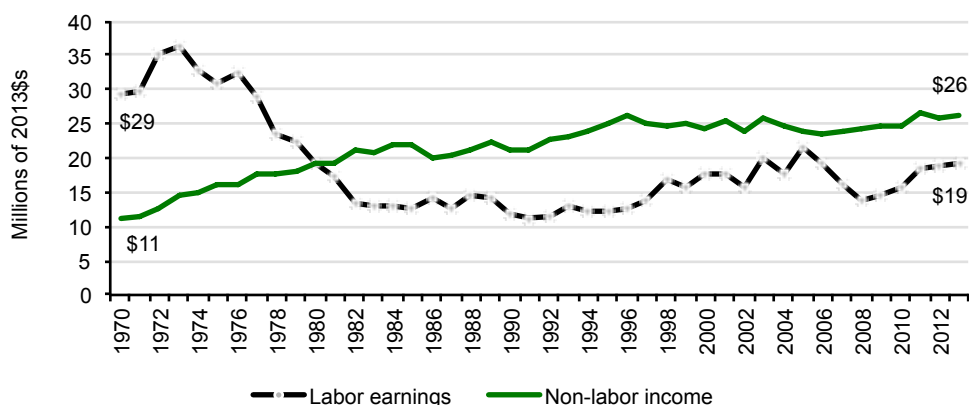
The recent growth in manufacturing may be one-person businesses based out of the home. These small enterprises can produce a wide range of products, some for local markets and some for export. In addition, recent expansion in retail trade along with accommodation and food services may point to strengths in the travel and tourism economy. The increases in these sectors—which suggest a favorable competitive positioning relative to other area sectors—warrants further exploration to determine the needs of these businesses and barriers to expansion.

¹⁰ U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

Personal Income and Earnings Trends

Along with employment changes, Wheeler County's aging population has led to a significant shift in sources of personal income. After the loss of wood products manufacturing jobs in the late 1970s, labor earnings fluctuated up and down but overall remained unchanged, while non-labor sources of income—from investment income and government transfer payments—increased.

Components of Personal Income, Wheeler County



Source: U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

From 1970 to 2013 labor income shrank from \$29 million to \$19 million (in real terms), a 34 percent decrease. During the same time period, non-labor income grew from \$11 million to \$26 million (in real terms), a 135 percent increase.

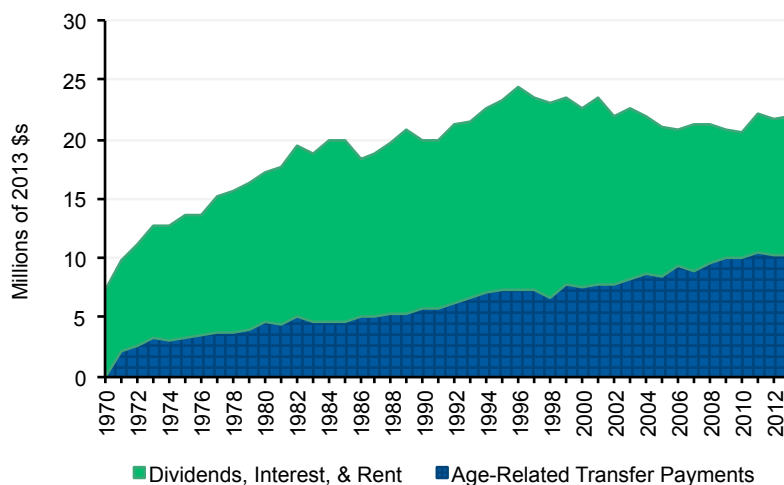
Labor earnings fell substantially after the collapse of the wood products manufacturing sector in the 1970s and fell again in the early 2000s; they recovered in the 1990s and again following the last recession. By contrast, non-labor income grew fairly steadily over the long-term and is now substantially larger (by \$7 million) than labor earnings. All told, non-labor sources of income were 58 percent of county total personal income in 2013.¹¹

The two largest components of non-labor income in Wheeler County are dividends, interest and rent, which can be skewed toward older age residents, and age-related government transfer payments (Social Security, Medicare) to individuals.¹²

¹¹ U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

¹² For more information on non-labor income and its distribution across western counties, see: <http://headwaterseconomics.org/land/reports/non-labor>.

Major Components of Non-Labor Income, Wheeler County



Source: U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

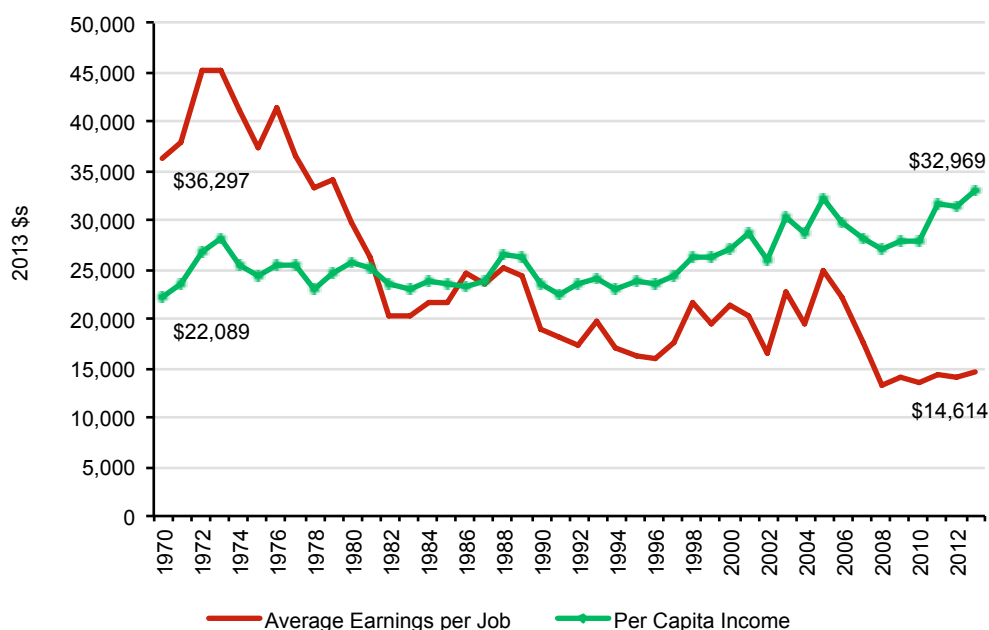
In 2013 dividends, interest, and rent contributed \$11.8 million (26% of total) and age-related transfer payments \$10.2 million (22% of total) to personal income in Wheeler County.

These non-labor sources of personal income are the most significant contributor to spending in Wheeler County. The age-related nature of much of this income suggests particular importance for health care and social services sectors as well as retail trade. There may be substantial spending leakages if residents seek assistance outside the county or leave the county for services that are not available locally.

Non-labor income also has contributed to higher per capita income, a standard measure of economic well-being, and helped to offset the impacts of declining earnings per job. Since 1970 average earnings per job shrank from \$36,297 to \$14,614 (in real terms), a 60 percent decrease. Wheeler County now has the lowest earnings per job of any county in Oregon. However, from 1970 to 2013, per capita income grew from \$22,089 to \$32,969 (in real terms), a 49 percent increase.¹³

¹³ U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

Average Earnings per Job and Per Capita Income Trends, Wheeler County



Sources: U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

The long-term decline in earnings per job is likely due to a combination of factors: a shift from higher-paying resource jobs to less skilled and lower-paying services jobs, a move from full-time to part-time work, and a growing number of self-employed individuals. It also appears that falling farm income from 2005 to 2008 was responsible for steep declines in earnings per job in this time period.¹⁴

Government Trends

The public sector is important economically in Wheeler County. Government accounted for 112 jobs in 2013, 10 percent all county jobs. The vast majority of this employment (103 jobs, or 92%) is in state and local government. The remainder is federal and military, though these are estimates and may not be reliably reported.¹⁵

Government jobs have declined over time. In 1970 there were 169 public sector jobs, 19 percent of all county jobs. Despite this decrease in government employment, the number of these jobs has fallen much more moderately on a per capita basis. There were 92 public employees per 1,000 people in the county in 1970 and 84 public employees per capita in 2012.¹⁶

On average government jobs in Wheeler County pay better than private sector jobs. They are also more likely to be accompanied by benefits. While 10 percent of total employment in 2013, government jobs accounted for 32 percent of labor earnings, or \$5.3 million, in that year. State and local government jobs accounted for the lion's share (\$4.9 million) of these earnings.¹⁷

¹⁴ U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

¹⁵ U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

¹⁶ U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

¹⁷ U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

IV. Agriculture and Tourism

Agriculture

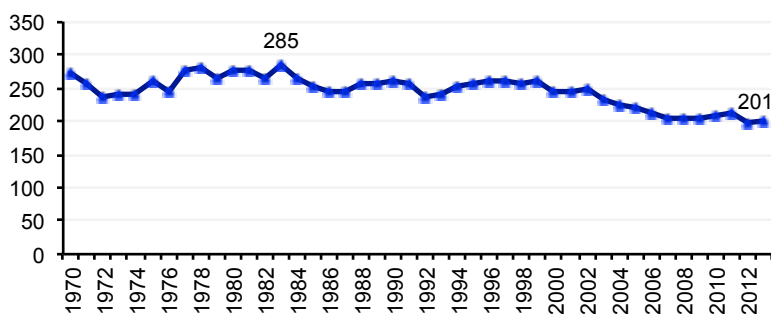
Farming and ranching is an extensive land use and significant economic activity in Wheeler County.

In 2013, 649,086 acres in Wheeler County were used for agriculture, or 59 percent of the county's land area. The bulk of this acreage was used for pasture and rangeland (485,345 acres, 75% of all land in farms), with a lesser amount used for crops (24,833 acres, 4% of all land in farms).¹⁸

Agriculture is an important industry in Wheeler County, employing more people than any other sector. However, farm and ranch employment is slowly but steadily declining, probably because of consolidations and ongoing mechanization.

In 2013 agriculture accounted for 18 percent of total employment in Wheeler County—201 jobs, with 136 of these self-employed. Agricultural jobs have declined over time, falling from a high of 285 jobs in 1983, and as a result agriculture's share of total employment has fallen over time as well.¹⁹

Farm Jobs, Wheeler County



Source: U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

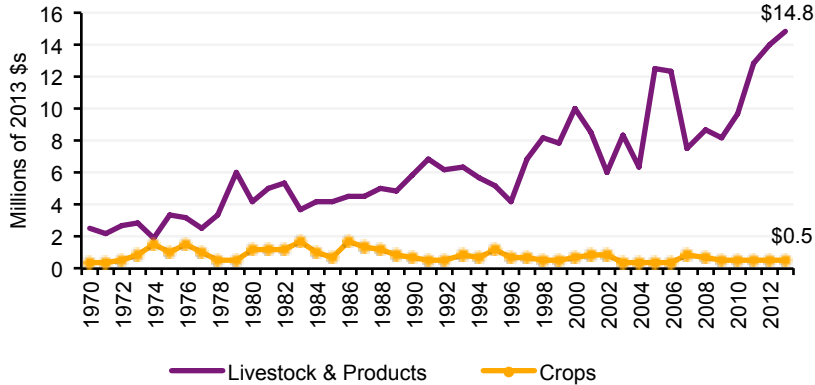
The mix of livestock and crops produced in the county has shifted in favor of livestock. From 1970 to 2013 cash receipts from livestock and products grew in real terms from \$2.6 million to \$14.8 million, a 473 percent increase. From 1970 to 2013 cash receipts from crops grew in real terms from \$0.4 million to \$0.5 million, a 21 percent increase.²⁰

¹⁸ U.S. Department of Agriculture. 2014. National Agricultural Statistics Service, Census of Agriculture, Washington, D.C.

¹⁹ U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

²⁰ U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

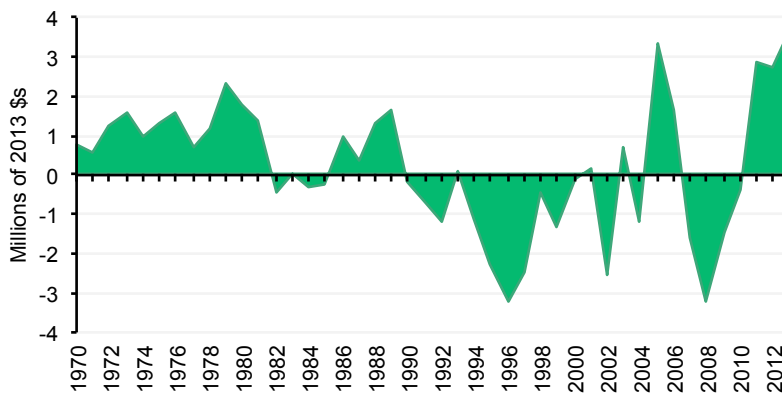
Cash Receipts from Livestock and Crops, Wheeler County



Source: U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

Net farm and ranch business income has been volatile, reflecting shifting production costs and commodity prices. In recent years, net business income has ranged from a low of -\$3.2 million in 2008 to a high of \$3.6 million in 2013.²¹

Total Net Income Including Corporate Farms, Wheeler County



Source: U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

This variability is expressed in variable year-to-year labor earnings, especially for farm proprietors, which constitute the majority of farm “jobs” in Wheeler County.²²

²¹ U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

²² U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

Travel and Tourism

The travel and tourism sector in Wheeler County, as measured by private wage and salary jobs, has more than doubled since the bottom of the last recession—growing from 13 jobs in 2008 to 27 jobs in 2013.²³

The scale of these numbers is probably less important than the rate of growth for two reasons: the definition of travel and tourism industry is complex, and the data do not include all types of employment.

The travel and tourism sector is difficult to measure because it includes portions of many industry sectors. We include industries that provide goods and services to visitors to the local area. These include: retail trade; passenger transportation; arts, entertainment, and recreation; and accommodation and food. Without additional research, such as surveys, it is not known what proportion of the jobs in these sectors are attributable to expenditures by visitors, including business and pleasure travelers, versus by local residents.

Employment in Travel and Tourism-Related Industries, Wheeler County, 2013

Wheeler County, OR	
Travel & Tourism Related	~27
Retail Trade	5
Gasoline Stations	5
Clothing & Accessory Stores	0
Misc. Store Retailers	0
Passenger Transportation	0
Air Transportation	0
Scenic & Sightseeing Transport	0
Arts, Entertainment, & Recreation	~2
Performing Arts & Spectator Sports	0
Museums, Parks, & Historic Sites	~2
Amusement, Gambling, & Rec.	0
Accommodation & Food	~20
Accommodation	~5
Food Services & Drinking Places	15
Non-Travel & Tourism	132

Source: U.S. Department of Commerce. 2014. Census Bureau, County Business Patterns, Washington, D.C.

In addition, because the data best suited to capture travel and tourism sectors (from County Business Patterns) do not include the self-employed, it is likely that the private wage and salary employment figures significantly understate the size of these sectors.

For reference, in the Wheeler County economy as a whole, self-employment was 69 percent of total employment in 2013. Looking at data (from Bureau of Economic Analysis) for major industries that include the self-employed and are part of travel and tourism is suggestive. For example, from 2008 to 2013 retail trade added about 46 jobs and accommodation and food services 25 new jobs.²⁴

Travel and tourism is discussed more below in the public lands and remoteness section of this report.

²³ U.S. Department of Commerce. 2014. Census Bureau, County Business Patterns, Washington, D.C. These data do not include employment in government, agriculture, railroads, or the self-employed because these are not reported by County Business Patterns. Estimates for data that were not disclosed are shown in gray and indicated with tildes (~).

²⁴ U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C.

V. Public Lands and Remoteness

Wheeler County is a public lands county with a small population remote from larger markets and population centers. These characteristics are not unique and describe an economic geography that has been studied by many researchers. Below we review local characteristics and findings from this broader research.

Public Lands

Land ownership in Wheeler County is largely private (67% of total area). The federal government is the second largest landowner, with land split between the Forest Service (15% of total area) and Bureau of Land Management (13% of total area). The National Park Service also manages 5,333 acres (0.5% of total area).²⁵

Some of these federal lands are managed for multiple uses, typically a mix of extractive and recreation purposes, while others are protected legislatively or administratively for various natural, scenic, and historical purposes.

Federal lands include portions of the Ochoco and Umatilla national forests; the John Day River, designated as a Wild And Scenic River; the John Day Fossil Beds National Monument (managed by the National Park Service); and Spring Basin Wilderness, Sutton Mountain Wilderness Study Area, and Pat's Cabin Wilderness Study Area (managed by the Bureau of Land Management primarily for scenic and conservation values).

In Wheeler County, sectors of the economy such as ranching and wood products manufacturing rely in part on public lands resources such as forage and timber. As noted above, ranching is currently a significant economic sector and highly profitable, while wood products manufacturing is small but may be growing.

Though only a small portion of public lands in the county are permanently protected (12% of total federal lands in the county), they encompass scenic resources such as deep canyons, forested mountains, desert-like landscapes, and rich mineral deposits.²⁶ Still other areas remain unprotected but are unique and visually captivating. These lands attract visitors who hike, raft, hunt, and fish and contribute to the local economy through the purchase of goods and services. As noted above, the travel and tourism economy in the county is modest in size and growing.

A large body of research has analyzed the economic role of protected federal public lands. The research shows that communities and counties with protected federal public lands generally outperform those without protected public lands in economic performance measures.²⁷

For example, recent research by Headwaters Economics found that for the rural West there are important employment and personal income benefits associated with the presence in a county of protected federal public lands.²⁸

²⁵ U.S. Geological Survey, Gap Analysis Program. 2012. Protected Areas Database of the United States (PADUS) version 1.3.

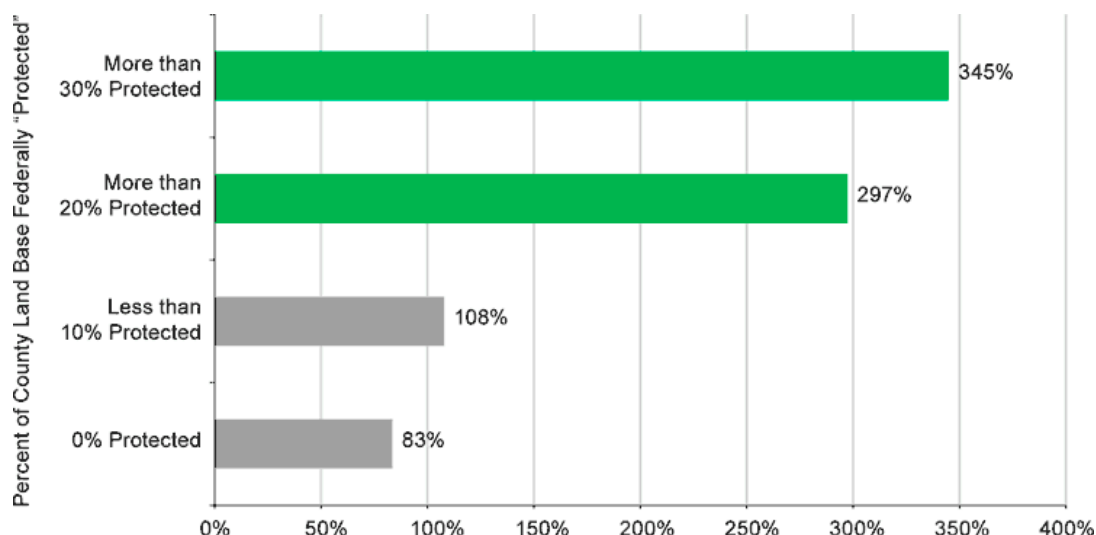
²⁶ U.S. Geological Survey, Gap Analysis Program. 2012. Protected Areas Database of the United States (PADUS) version 1.3.

²⁷ For resources on this topic, see: <http://headwaterseconomics.org/land/reports/protected-lands-value>.

²⁸ As used here, "rural" denotes counties that are not classified by the U.S. Department of Commerce as metropolitan.

From 1970 to 2010 western rural counties with more than 30 percent of the county's land base in federal protected status increased jobs by 345 percent. As the share of federal lands in protected status goes down, the rate of job growth declines as well. Rural counties with no protected federal land increased jobs by 83 percent.²⁹

Percent Change in Employment, Rural West, 1970 to 2010



There is also evidence that people are better off economically when they live near protected public lands. In addition to employment benefits, there are personal income rewards—in particular higher per capita income.

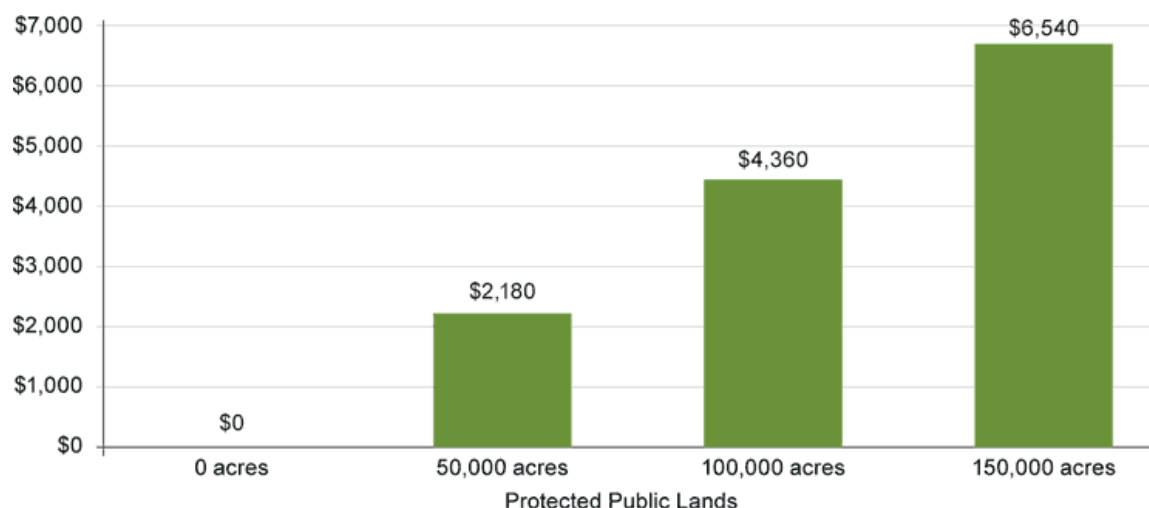
Looking at the West's 286 rural counties, a statistical analysis by Headwaters Economics found a meaningful relationship between the amount of protected public land and higher per capita income levels in 2010.

The effect protected federal lands have on per capita income can be most easily described in this way: on average, western rural counties have a per capita income that is \$436 higher for every 10,000 acres of protected federal lands within their boundaries.³⁰

²⁹ U.S. Department of Commerce. 2012. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C.

³⁰ "The Effect of Protected Federal Lands on Economic Prosperity in the Non-Metropolitan West," available at: <http://headwaterseconomics.org/land/protected-public-lands-increase-per-capita-income>.

Avg. Increase in Per Capita Income from Protected Public Lands, Rural West, 2010



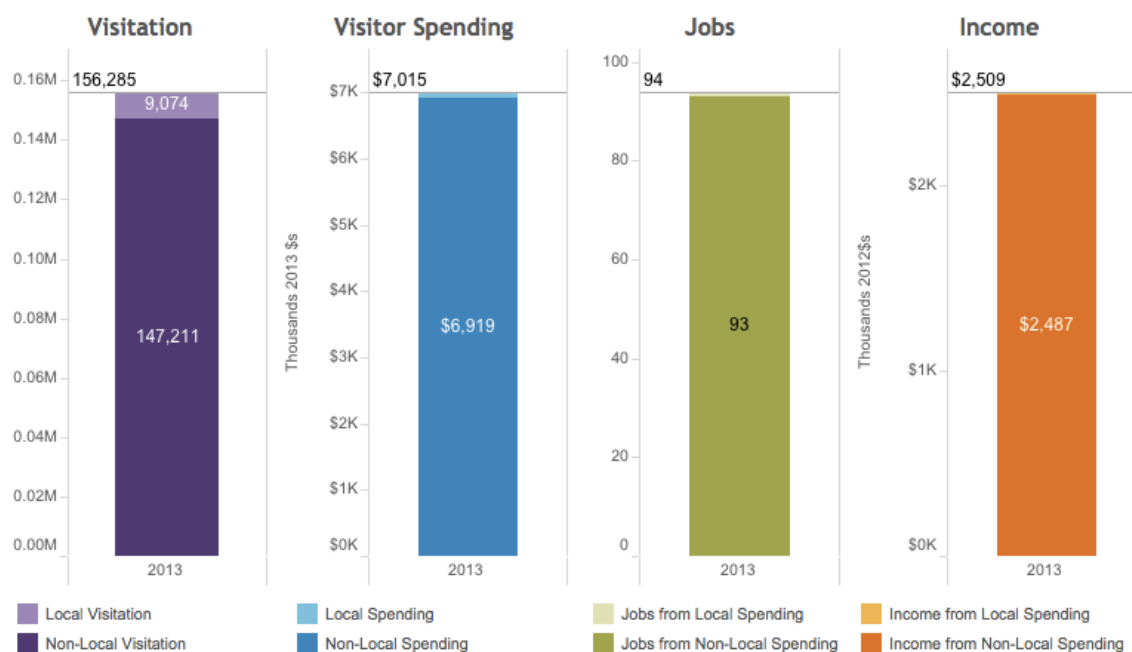
One of the most straightforward ways to trade on natural assets is through travel and tourism. Protected public lands have an advantage because their uniqueness, visibility, and branding attract outside visitors who spend money in nearby local economies. The John Day River, for example, attracts a substantial number of visitors. The Bureau of Land Management counted 10,372 floaters on the John Day River between Service Creek and Clarno in 2014.³¹

Economists have become fairly adept at plugging visitor behavior into economic impact models to determine the local economic impact of outside visitation. In Wheeler County, for example, the National Park Service does this for the John Day Fossil Beds National Monument. In 2013 the Park Service found that 147,211 non-local visitors spent \$6.9 million locally, creating 93 jobs and \$2.5 million in personal income.³²

³¹ Communication with Lisa Clark, Public Affairs Officer, Bureau of Land Management, Prineville District Office, Oregon.

³² Cullinane Thomas, C., C. Huber, and L. Koontz. 2014. 2013 National Park visitor spending effects: Economic contributions to local communities, states, and the nation. Natural Resource Report NPS/NRSS/EQD/NRR-2014/824. National Park Service, Fort Collins, Colorado. Available at: <http://headwaterseconomics.org/interactive/national-park-service-units>.

Economic Impacts, John Day Fossil Beds National Monument, 2013



Source: Cullinane Thomas, C., C. Huber, and L. Koontz. 2014. 2013 National Park visitor spending effects: Economic contributions to local communities, states, and the nation. Natural Resource Report NPS/NRSS/EQD/NRR-2014/824. National Park Service, Fort Collins, Colorado.

Some of the efforts currently underway to grow tourism and showcase the region to visitors include the Eastern Oregon Visitors Association's promotion of the John Day River Territory, and Travel Oregon's Seven Wonders of Oregon campaign, which showcases the Painted Hills.³³

There also are economic benefits that extend beyond visitor expenditures. These include the trend in the West of people moving to high quality rural locations and bringing location independent businesses with them—amenity migration. By connecting people and place, tourism provides a bridge to economic growth and diversification for rural areas off the beaten path.³⁴

The logic is this: people visit a place they did not know, fall in love with it, and decide to move their families there. In some cases, these amenity migrants move their businesses with them, while in others they keep their existing jobs and telecommute from their new home. Either way, places that have the qualities to attract relatively footloose individuals and families are benefiting economically.

This pattern also applies to retirees, many of whom are looking for safe, affordable, high quality communities and landscapes to live out their years. Their spending represents new money that circulates in a local economy, creating business opportunities in health care, retail trade, construction, and other sectors.³⁵

³³ See <http://www.visiteasternoregon.com/explore/places/john-day-river-territory> and <http://traveloregon.com/7wonders>.

³⁴ See: <http://headwaterseconomics.org/land/reports/migration>.

³⁵ See: <http://headwaterseconomics.org/land/reports/non-labor>.

Remoteness

Can the small communities in Wheeler County appeal to people outside the area to visit as well as to relocate? The answer likely depends on the attractiveness of a place, and also on transportation options and access to population centers.

Rural and isolated counties in the West like Wheeler County have struggled economically in recent decades. The reasons vary by place but also are a function of structural changes in the national economy that have affected the scale and profitability of natural resource industries such as timber and agriculture. At the same time, the leading industries in the U.S. economy are based in large cities and the ability to participate in these sectors has a lot to do with the ability to connect to these markets.

Research by Headwaters Economics found that rural and isolated western counties, such as Wheeler County, are generally characterized by more old people, slow population growth, slow income and job growth, lower levels of education, high dependence on retirement and other non-labor sources of income, and high employment share in agriculture and resource industries.

In contrast, rural counties with greater levels of connectivity typically have more age balance in the population; faster population, employment, and income growth; higher education levels; less dependence on non-labor sources of income; and more sector diversity, including higher-wage services industries.³⁶

The communities in Wheeler County are distant from regional cities—with Bend the closest at around a two-and-a-half hour drive—and have no nearby commercial airport. This makes connecting to larger population centers and economies more difficult but by no means impossible.

Rural and isolated counties across the West are looking to improve access to major population centers and markets. In most cases this involves infrastructure such as highways and airports as well as broadband and cellular service.

These types of connectivity can help to overcome the challenge of distance, connecting people and commerce in new ways. This has been especially beneficial for attractive places looking to appeal to tourists, location-independent entrepreneurs, and retirees.

Local Takeaways

What could new public lands designations and greater connectivity to larger population centers mean for Wheeler County?

Research from across the rural West suggests the possibility of faster job growth and higher income levels. These trends would be welcome in Wheeler County, which struggles to create new jobs and has the lowest earnings per job in Oregon.

The ability to capitalize economically on new public lands designations depends initially on stimulating new tourism visitation. This could involve new branding and promotions, as well as public-private partnerships to highlight local hospitality and recreation businesses. Continued efforts to support and develop local businesses such as desirable hotels, restaurants, and guide services that can support increased tourism and recreation may prove fruitful.

³⁶ Rasker, R., P.H. Gude, J.A. Gude, J. van den Noort. 2009. The Economic Importance of Air Travel in High-Amenity Rural Areas. *Journal of Rural Studies* 25(2009): 343-353. See also: <http://headwaterseconomics.org/tools/three-wests>.

In the absence of a major resort and tourism development, tourism by itself is unlikely to resolve all the challenges facing the Wheeler County economy. Because tourism jobs can be seasonal and tend to be lower paying, it is helpful to think about using tourism as a way to develop other sectors of the economy.

Travel stimulated migration is bringing people to the rural West and diversifying local economies. Places with attractive natural amenities have a distinct advantage. As people visit and get to know a place, some decide they like it enough to move their families and businesses. Areas with better travel and communication infrastructure tend to be more successful capturing these new residents and location-independent businesses. Continued efforts and investments in Internet access and cellular telephone infrastructure, if successful, are likely to result in at least some of these types of benefits.

Retirees also are looking for friendly, attractive places to live. They bring investment and age-related income that is a growing source of spending in local economies. Even a small number of retirees from elsewhere can support the expansion of area businesses. This could help to retain existing elderly residents who would otherwise have to leave when they could no longer meet their health care needs locally—solving a major spending leakage in the existing economy. The Asher Community Health Center and Haven House Retirement Center are the types of facilities that can help to meet this potential demand.

There are a variety of approaches to capitalizing on public lands and breaking down the barrier of remoteness. These include: creating new and increasing the visibility of signature attractions; promoting tourism and looking to translate visitation to residency; appealing to people who can work remotely and owners of location-independent businesses on the basis of quality of life; and reaching out to retirees and meeting the needs of existing retirees.

All of these opportunities are relevant to Wheeler County's current situation. And they are compatible with other sectors of the economy, including agriculture and other goods-producing sectors.

VI. Discussion/Conclusion

Like many rural counties in the western United States, Wheeler County faces economic difficulties. It also has resources and untapped opportunities, which suggest the possibility of a brighter economic future.

The economic transition of the last half-century has resulted in a shrinking and aging population; the decline of wood products manufacturing; continued prominence of agriculture, though with fewer jobs; and the growth of largely low-paying services industries. The population centers remain small and remote from larger markets.

On the more encouraging side, long-time residents are staying, entrepreneurs are starting new enterprises, and per capita income is rising. Just as importantly, the communities in Wheeler County retain many of their core community assets and institutions—schools, churches, banks, and government offices. These trends and strengths suggest potential resilience.

There are a variety of ways to go about creating a more robust economic future. Some efforts focus on activities that expand an economy (e.g., more jobs and personal income), while others emphasize improving the quality of an economy (e.g., higher earnings and greater resilience).

There is no single recipe for advancing economic development. Approaches are typically tailored to local circumstances, with some focusing more on reducing barriers while others emphasize capitalizing on new opportunities.

Some common ways to think about structuring economic development efforts include:

- Recruit outside businesses, traffic, or residents.
- Incubate local businesses or entrepreneurship.
- Focus on needs/opportunities of a specific industry.
- Focus on building blocks that benefit all businesses, including technical support, telecommunications, access to financing, workforce training, and partnerships.
- Reduce the cost of business.
- Create higher-value or higher-margin products or services.

These different approaches are not mutually exclusive. In fact, it may make sense to pursue multiple strategies at the same time. However, given capacity constraints it is a good idea to focus on a limited set of priorities.

This report reviewed basic trends in the Wheeler County economy, and specifically considered public lands as an asset and remoteness as a barrier. A number of questions arise out of this research that can aid efforts to make Wheeler County more economically competitive. These are:

- Can higher-margin agriculture or manufacturing support more jobs?
- Is there an opportunity to create new destinations to draw people to the area?
- How best to increase tourism visitation, lengthen the time of stay, and expand opportunities to spend in the local economy?
- Can communities become more attractive to younger families?
- How to appeal to retirees?
- Can the spending of an aging population be captured more effectively?
- Can the challenge of distance be reduced?

This report agrees with the recent Oregon State University Extension Service analysis of Wheeler County, which found that the best return on investment would likely result from (1) assisting existing local businesses first (i.e., not focusing on recruitment of new business), and (2) capitalizing on the growing recreation market to stimulate amenity migration that would bring new businesses and retirees.³⁷

It may be possible to coordinate an effort to provide support to existing businesses to overcome one or more technical, financial, training, or other barriers to growth. This would be a problem solving effort, and likely involve partnerships and new investment.

It also may be possible to combine community and natural assets with new land designations or recreational opportunities, and a focused promotional effort. This could boost visitor traffic and lead to the migration of younger people who would likely bring business or business connections across a range of sectors, along with retirees and new spending.

Both of these approaches are tangible and would bring incremental change that could be absorbed by communities as well as create positive momentum.

Given limits to local capacity, it may make sense to consider working with non-traditional partners on common goals. Wheeler County likely needs new allies and outside investment to take a significant step forward. Openness to new partnerships and a willingness to try new ideas is a hallmark of adaptive communities.

³⁷ Sorte, Bruce. *Economic Impact and Facilities Analysis for Fossil and Wheeler County, Oregon*, Oregon State University Extension Service, Rural Studies Program, January 2013.

