Testimony of Paul J. Pearce, President
National Forest Counties and Schools Coalition

Before the United States Senate Committee on Energy and Natural Resources

"Leveraging America's Resources as a Revenue Generator and Job Creator."

July 22nd, 2014

Chair Landrieu, Ranking Member Murkowski, Senators and guests. Thank you for the opportunity to appear before you today on this topic of intense interest and concern to the National Forest Counties and Schools Coalition;

Before I begin and on behalf of National Forest impacted Counties and Schools in 40 states and Puerto Rico, I wish to thank the Committee for continued leadership on these issues and programs.

We thank Senator Landrieu for her comments at the National Association of Counties meeting two weeks ago on both PILT and SRS, where she expressed her support for continued funding of both payments in FY 2015.

I additionally wish to thank Senator Murkowski for her hard work over the years on forest health issues and SRS bridge funding.

We wish to thank Senator Murray, Budget Committee Chair, who has always supported Counties and Schools, including as a Chairman's mark both SRS and PILT as deficit neutral programs in the current Senate budget.

And of course we wish to thank Senator Wyden who recognized the devastation of rural communities through the lack of sustainable timber harvest and created the SRS safety net, championing the program through multiple reauthorizations.

Recommendation

On reauthorization of the act we respectfully suggest that new language simply state; *All counties opting to receive a portion of the state payment will receive an amount equal to their Fiscal Year 2010 payment*, which was received in January 2011. This would return the program to a more equitable basis for all Counties and Schools, with a minimal additional cost and would replace the current formula which is cumbersome and impossible for a lay person to interpret.

As an example Skamania County, my home County, in Washington received its last 25% payment in 1992 at $7 million dollars each to the County and the Schools. The SRS payment in 2006 was a little less than $6 million each. The 2013 payment just received was $1.4 million each. The 2010 SRS payment was $3.8 million each, a substantial reduction in its own right.

Testimony

Seven hundred twenty nine (729) or 24%, of the nation's three thousand sixty nine (3069) counties contain national forests, some equaling up to 90% of their land mass. The 154 National Forests

cover an area of 193 million acres across this country. These counties are responsible for the infrastructure including roads, schools, and emergency services that allow those forests to be used, and gateway communities to survive. Thereby fulfilling the promise of Gifford Pinchot, first Chief of the Forest Service in discussing revenue sharing from these lands; "*that no community would suffer for housing National Forests"*.

In 1891 the Congress created Forest Reserve authority through the General Revision Act. By 1905 those reserves had grown to more than 80 million acres. President Roosevelt remade the U.S. Bureau of Forestry into the USDA Forest Service with Gifford Pinchot as the first chief forester. That began a three year process which resulted in Congress transferring all forest reserves to the new Forest Service.

The 1908 Act also concluded the conversation between the Counties containing these forests, Congress and the Administration. The contract was for revenue sharing, the first in the nation, of a share of all revenues generated on these lands. This clearly made sense at the time as the growing nation extracted renewable resources for the good of all.

The Weeks act was signed into law on March 1st, 1911 becoming the mechanism for the creation of our Eastern and Southern National forests, including them in the contract for revenue sharing. The contract worked well for nearly a century, into the late 1980's, when court decisions, endangered species listings, such as the spotted owl, agency priorities and a general change in the priorities of the nation dramatically reduced extraction activities on public lands including timber.

In 1992 Congress created Owl Guarantee monies for those counties hardest hit by the northern spotted owl endangered species listing.

In 2000 Congress passed the Secure Rural School and Communities Self Determination Act which authorized payments through 2006. These payments were a life saver for our forest counties. In 2007 Congress reauthorized the act for one year and then in 2008 reauthorized it for an additional four years through 2011. This reauthorization could not have come at a more appropriate time and clearly recognized the ongoing contract between these forest Counties and the Federal government – and what a tremendous success it has been.

And as you all aware Congress reauthorized the program for additional years in 2012 and 2013.

There are many who believe that SRS payments have decoupled sustainable timber harvest and revenue sharing payments to counties. We believe the opposite. SRS is safety-net bridge-funding to help communities until revenue sharing of receipts returns. In fact the first dollars of every SRS payment have always been actual receipts from the Forest Service. In FY 13 the shared receipts equaled 58 million against a full national payment of 328 million. *(Attached is a spread sheet which shows the difference between the SRS payment and actual shared receipts by state.)*

The Secure Rural Schools and Community Self Determination Act has three Titles, each of which carries clearly defined responsibilities.

Title I

These are direct payments for county roads and schools. In a handful of counties these funds are available as general fund dollars supporting among other services libraries, public health and law

enforcement. Each state determines the division of these funds between Counties and Schools based on the original 1908 revenue sharing law. This money equates almost exclusively in these communities to jobs; county road department and school employees. Without this symbiotic relationship our children would not be able to get to school, often over large distances, nor in many cases would they necessarily have schools to attend or teachers to instruct them within their own communities.

These gateway communities to our national forests would simply not exist without this infrastructure. These County roads are how the vast population that recreates on these millions of acres travel to and from them. In fact, many roads inside the National Forests are owned or maintained by Counties.

Also, we need to explore the impact SRS has on rural road maintenance and the far-reaching impacts to health and safety issues. According to the Fatality Analysis Reporting System (FARS), every year nearly 25,000 people die in rural road crashes (accounting for 58% of total road fatalities) across this nation. Traffic crashes are assessed to be the one of the nation's most costly health problems.

The fatalities and injuries associated with rural auto accidents come as no surprise to those of us who represent rural communities. The Department of Transportation documents, "*8.4 million lane-miles of roads in the United States, with over 6 million of these rural.*" Rural areas face numerous unique highway safety challenges. Crashes usually occur at higher speeds than accidents in urban areas, and due to remote locations, it often takes longer for emergency assistance to arrive at the scene. *(A spreadsheet of dollars spent on roadways per state and the amount of Title I monies attributable to the total is attached.)*

Any abandonment of maintenance of rural roads will compound existing infrastructure problems and greatly contribute to future economic, health and social problems including an increased level in rural road fatalities.

According to Dr. Eyler, Economic Forensics and Analytics, *(report attached)* the loss of Secure Rural Schools and Community Self-Determination Act payments, averaged over the FY 2008 to FY 2012 period, is $1.296 billion in sales revenues, government at all levels losing over $178 million in tax receipts, and over 10,400 jobs lost. These job losses include more than 3000 jobs in education and more than 1400 in County Roads.

Loss of one family wage job in these rural communities often results in the entire family having to leave the community to find work. This results in the spouse quitting their job, children being withdrawn from school, lowering enrollment causing even greater economic hardship and job loss.

According to the Sierra Institute report *(attached)* on the 20 year cumulative impacts to the Counties of Washington, Oregon and California impacted by Northern spotted Owl critical habitat and corresponding reduction of sustainable timber harvests there are far reaching impacts to these communities;

Case studies, two in California and three each in Oregon and Washington were conducted to better understand socioeconomic changes and current socioeconomic conditions "on the ground." Some key findings from these cases include in California:

- *Siskiyou County lost all its saw mills, has seen its population age, and has lost eight schools, challenging the county to provide for the remaining students and reverse the loss of young families.*
- *In Humboldt County there are powerfully suggestive relationships between mill closures and student impoverishment as reflected in Free and Reduced Price Meal (FRPM) enrollment rates. This county has suffered dramatic declines in its goods-producing sector, with the manufacturing subsector losing 65% of its 1990 jobs by 2011.*

In Oregon:

- *Tillamook County has 24% of its children living in poverty, and 39% living in single-parent households, almost double the national average.*
- *Douglas County has 31% of its children living in poverty – twice the national average and 34% in single-parent households.*
- *In both of these counties, but especially in Douglas County, there are significant declines in manufacturing jobs, particularly since 2008. Free and Reduced Priced Meals participation rates increased over the last four years as well, some schools by almost 20 percent.*
- *Josephine County, over the last several decades saw forestry and logging jobs decline by 80%. Wages have stagnated and are two-thirds of the Oregon average. The county now ranks near the bottom of Oregon counties in health indicators and FRPM participation rate for the county is 70%.*

In Washington:

- *Grays Harbor County Natural Resources and Mining jobs declined by over 50% and Forestry and logging jobs by just under 70% from 1990 to 2010. The county is near the bottom of the health rankings for counties in the state. FRPM participation rates for the county exceed 60%, with one school district at 92% in 2011 and another at 88%; the lowest rate is 41%, reflecting the considerable differences across the county.*
- *Skamania County has 90% of its land in federal ownership, and 59% of the land in the county is designated as critical habitat area. Natural resource and manufacturing jobs have declined by over 50% over the last 20 years…*

Secure Rural School and Community Self- Determination Act (SRS) payments to replace lost timber receipts to counties and schools have been historically important. In California, on average, Humboldt County Schools received just under 5% of their funding through SRS; Siskiyou received on average just under 7%; and Trinity County received 15%. In Oregon, U.S. Forest Service SRS funding has provided on average 23% of county road budgets, with six counties receiving over 40%of their total road budget. Though dramatically lower in 2011, SRS payments comprised 40% or more of Skamania County general fund throughout the 2000s. In Oregon …, the Bureau of Land Management contribution to county budgets has been significant. In Douglas County in 2009 it comprised 17% of total county revenues and in Jackson County; it makes up 7% of total county revenues.

We wish to thank Congress for having continued these payments in lieu of revenue sharing which have resulted in positive economic benefit to our communities and schools. Without them the economic damage would clearly be significantly worse.

Title II

These are monies specifically to be used for projects on or of benefit to the forest itself utilizing one of the greatest successes of this entire act, the Resource Advisory Committees, or as they are known RACs.

Membership on the 15-member RAC is balanced to reflect the array of interests and users of Public Lands:

- Five members represent commodity interests such as grazing permittees, commercial timber, energy and mining, developed recreation and/or off-highway vehicle groups, and transportation & rights-of-way.
- Five members represent conservation interests such as environmental organizations, historic & cultural interests, conservation, and dispersed recreation.
- Five members represent community interests such as elected officials, Indian Tribes, State resource agencies, academicians involved in natural sciences, and the public-at-large.

For a project to be approved it must have a majority of votes from each of the five member groups. RACs are the most successful nationwide collaborative effort today within the forest system. Well over 6000 projects have been implemented on the forests without a single appeal. These projects occur in the Southern, Lake, Intermountain West, and Western states. Many of the RACs actually meet to collaborate successfully on projects outside of the use of Title II monies.

In Alaska, Sitka is a small rural community that is completely surrounded by the Tongass National Forest. One of the RAC projects is the Science Mentor Program. This program partners high school students with land and resource managers from the US Forest Service, State of Alaska Department of Fish and Game, and University of Alaska Researchers, to help collect and analyze important research and monitoring data on natural resources in the lands and waters of the Tongass National Forest. Outputs of this project produce publishable scientific research materials that also serve to help guide management activities. Additionally, the project gives students scientific research experience and prepares them for University pursuits and future careers as land managers and scientists. The project has already inspired several young women to pursue science careers. In addition to the benefits to future leaders, the projects gives resource managers an opportunity to engage the larger public on the research and management topics that they are working on and educate the larger public on public lands and natural resource management issues.

In SW Idaho a project the RAC funding assisted with concerned access to private property and public land which required fording a sensitive stream where endangered Salmon spawned. This project was too costly for individual agencies to fund. Using the RAC process and Title II funding the project brought together the County, Forest Service, the Nez Perce Tribe and local landowners to pool all their resources to build a bridge to eliminate the impacts to the Salmon habitat and provided the needed access to the private property and the public lands beyond.

In Socorro County, New Mexico they were able to improve drainage and chip seal Hop Canyon Road in the Magdalena area (all the way to the Fire Station). They used the $226K in Title II funds for materials and provided all equipment and labor through the County so they could complete more of the road. Without these improvements, the road would have continued to wash out (they have a FEMA disaster claim on this road due to flooding), essentially cutting off residents. For the next project, they will use the $51K in available Title II money to repair and reseal Water Canyon Road. This is so important; they even negotiated an MOU with New Mexico Tech to pay for some of the materials as the road leads to the MRO observatory and is a high-use campground

In Washington on the Gifford Pinchot there is the Forest Youth Success program which was funded from Title III under the 2000 Act and is now funded through Title II. As collaboration between the County, Schools and Forest Service this program puts up to 40 high school age kids to work on crews in the forest on restoration projects throughout the summer. Recently Washington State University conducted a survey of the past participants of the program and found some very interesting initial data. Some of the reported outcomes:

- 100% said FYS increased their life skills such as team work and leadership.
- 97% said they learned important workplace skills such as punctuality and responsibility.
- 92% said they increased their use of financial resources.
- 69% said FYS influenced the shaping of their career choices.
- 47% said FYS shaped their college degree goals.

In Louisiana, on the Kisatchie National Forest, RAC monies have been used to leverage local funds and secure completion of road repair, environmental issues, and safety challenges. Monies have been used to protect endangered species, protect water quality, hard surface roads, and provide safe access to public recreational areas. Support from the public and private sectors have contributed greatly to the efficient and judicious use of federal monies.

In Oregon the Medford RAC approved funding that restored a three-mile section of Spencer Creek near Keno, Oregon. Over 50 log structures, created from 220 cull logs salvaged from local timber sales, were placed in the creek to reestablish its original character. Additionally, the project plans to restore the creek's natural habitat and increase the population and distribution of native fish and amphibians, including the Klamath River redband trout, Klamath small-scale sucker, lamprey, and Pacific giant salamander.

Title III

Referred to as County Funds, in the original act the purpose of these funds included emergency services on the forest, fire planning, community service work camps, easement purchases, forest related after school programs and planning efforts to reduce or mitigate the impact of development on adjacent Federal lands.

The 2008 reauthorization removed all categories except emergency services and community wildfire planning and implementation.

In terms of search and rescue I will cover just two examples. On the 1.2 million acre Gifford Pinchot National Forest which includes the Mt St Helens National Monument and the 80,000 acres of the Columbia Gorge Scenic Area. In this area, close to the Portland metropolitan area, search

and rescue events are frequent. The volunteer searchers are not reimbursed except for their mileage. Yet the average search costs are in the several thousand dollar range for those searches lasting just a few days and not requiring aircraft. That being said in the past two incidents alone resulted in the hundreds of thousands of dollars.

The first was a hiker who fell into the Mount St Helens crater. The total local, state and federal cost reached over $150,000 dollars.

The second involved a two week search for a young woman who was lost in the Columbia River Gorge Scenic Area. This incident eventually cost local, state and federal taxpayers $550,000.

Sadly, both cases ended up being recoveries rather than rescues. Without Title III and assistance from both state and federal resources our counties could not afford these costs. Multiply these examples across the US Forest Service system and you begin to understand the immensity of cost associated with these activities which fall to the Counties to manage.

Further, we agree with Senator Wyden who said *"A short-term extension [of SRS] is not a long-term solution for these communities. We've got to get our people back to work in the woods, for example. We have got to increase the number of jobs in resource-dependent communities where there's federal lands and federal water. We believe that can be done consistent with protecting our environmental values."*

Our mission echoes that sentiment; *Long term economic vitality must include legislation requiring active sustainable forest management to achieve resilient forest lands managed by the US Forest Service and the Bureau of Land Management.*

Finally we agree totally with the Sierra Institute Executive Summary final paragraph; *Regardless of whether one calls it ecological forestry, restoration forestry, or something else, active forest management is needed to address socioeconomic and habitat issues of the northern spotted owl, and the point is that they can be successfully integrated new and potent ways. A new comprehensive vision and approach is needed for the forests, for the counties and communities dependent on them, as well as for the northern spotted owl.*

Thank you once again for the opportunity to speak about the success of the Secure Rural Schools and Community Self-Determination Act.

FY 2013 Payment Comparison (2014 Payment) (** = Few Counties Receive SRS)

	2013 SRS	No SRS -25% (7 Year Avg)	Difference	Pct Diff
Alabama	$1,787,311	$640,683	-$1,146,628	-64%
Alaska	$14,244,726	$565,821	-$13,678,905	-96%
Arizona	$14,920,201	$1,404,458	-$13,515,742	-91%
Arkansas	$7,345,901	$3,530,047	-$3,815,854	-52%
California	$31,700,496	$8,393,843	-$23,306,653	-74%
Colorado	$10,585,477	$4,707,979	-$5,877,497	-56%
Florida	$2,451,500	$744,012	-$1,707,488	-70%
Georgia	$1,491,088	$171,054	-$1,320,035	-89%
Idaho	$28,312,943	$2,208,075	-$26,104,868	-92%
Illinois	$31,357	$215,577	$184,220	**
Indiana	$252,237	$34,863	-$217,374	-86%
Kentucky	$1,800,911	$113,612	-$1,687,300	-94%
Louisiana	$1,915,439	$1,321,801	-$593,638	-31%
Maine	$67,166	$33,589	-$33,576	-50%
Michigan	$3,118,615	$2,198,319	-$920,296	-30%
Minnesota	$2,429,737	$1,153,497	-$1,276,240	-53%
Mississippi	$5,786,967	$1,331,092	-$4,455,875	-77%
Missouri	$3,348,436	$947,587	-$2,400,848	-72%
Montana	$21,275,709	$2,252,773	-$19,022,936	-89%
Nebraska	$205,989	$22,936	-$183,054	-89%
Nevada	$3,990,121	$434,946	-$3,555,175	-89%
New Hampshire	$232,243	$349,972	$117,729	**
New Mexico	$10,449,928	$697,151	-$9,752,777	-93%
New York	$17,776	$2,114	-$15,662	-88%
North Carolina	$1,784,812	$520,755	-$1,264,057	-71%
North Dakota	$381	$61	-$320	-84%
Ohio	$240,979	$55,073	-$185,906	-77%
Oklahoma	$1,076,358	$542,420	-$533,939	-50%
Oregon	$67,791,222	$5,926,682	-$61,864,540	-91%
Pennsylvania	$1,079,967	$2,004,824	$924,856	**
Puerto Rico	$141,512	$40,373	-$101,140	-71%
South Carolina	$1,807,758	$1,229,072	-$578,686	-32%
South Dakota	$1,776,734	$988,774	-$787,960	-44%
Tennessee	$1,157,176	$153,012	-$1,004,164	-87%
Texas	$2,485,337	$653,104	-$1,832,233	-74%
Utah	$10,791,049	$997,899	-$9,793,150	-91%
Vermont	$317,063	$175,308	-$141,755	-45%
Virginia	$1,568,653	$312,884	-$1,255,769	-80%
Washington	$21,549,496	$2,202,328	-$19,347,169	-90%
West Virginia	$1,967,459	$344,425	-$1,623,034	-82%
Wisconsin	$1,908,957	$1,228,308	-$680,649	-36%
Wyoming	$4,123,926	$1,106,889	-$3,017,037	-73%
Grand Total :	$289,331,11	$51,691,043	-$237,640,069	-82%

Transportation Dollars Spent per State

State	2008	2009	2010	2011	Total	SRS Road $'s
Alabama	$2,445,410	$2,200,870	$1,980,782	$1,782,704	$8,409,766	$3,574,151
Alaska	$24,714,643	$22,243,181	$20,018,862	$18,016,975	$84,993,661	$17,165,320
Arizona	$21,201,473	$19,081,326	$17,173,193	$15,455,873	$72,911,865	$30,987,543
Arkansas	$10,592,131	$9,537,551	$8,588,427	$7,734,214	$36,452,323	$7,746,119
California	$62,856,717	$56,739,787	$51,302,516	$42,110,046	$213,009,066	$90,528,853
Colorado	$19,617,930	$17,897,401	$16,348,925	$14,955,292	$68,819,548	$29,248,308
Florida	$3,262,326	$2,936,160	$2,642,613	$2,378,421	$11,219,520	$4,768,296
Georgia	$2,046,499	$1,841,850	$1,657,666	$1,491,898	$7,037,913	$2,991,113
Idaho	$44,849,983	$40,364,986	$36,328,487	$32,695,638	$154,239,094	$91,772,261
Illinois	$118,165	$107,021	$96,991	$87,964	$410,141	$174,310
Indiana	$362,956	$326,659	$293,995	$264,596	$1,248,206	$0
Kentucky	$2,922,300	$2,630,068	$2,367,062	$2,130,356	$10,049,786	$4,271,159
Louisiana	$3,353,524	$3,018,172	$2,720,080	$2,293,948	$11,385,724	$4,838,933
Maine	$109,015	$98,114	$88,302	$79,473	$374,904	$191,201
Michigan	$4,828,195	$4,439,350	$4,089,389	$3,774,423	$17,131,357	$10,921,240
Minnesota	$3,948,074	$3,553,278	$3,197,960	$2,878,174	$13,577,486	$5,770,432
Mississippi	$8,977,638	$8,079,874	$7,271,885	$6,544,698	$30,874,095	$13,121,490
Missouri	$5,091,305	$4,582,176	$4,123,959	$3,711,562	$17,509,002	$3,720,663
Montana	$31,614,389	$28,462,305	$25,625,435	$23,072,245	$108,774,374	$61,947,006
Nebraska	$551,388	$496,249	$446,624	$401,961	$1,896,222	$322,358
Nevada	$6,081,958	$5,477,179	$4,932,878	$4,443,008	$20,935,023	$8,897,385
New Mexico	$20,430,356	$18,387,320	$16,548,588	$14,893,729	$70,259,993	$29,860,497
New York	$31,348	$28,213	$25,393	$22,853	$107,807	
North Carolina	$2,544,385	$2,289,947	$2,060,950	$1,854,859	$8,750,141	$0
Ohio	$378,566	$341,667	$308,457	$278,567	$1,307,257	
Oklahoma	$1,576,744	$1,419,070	$1,277,163	$1,149,446	$5,422,423	
Oregon	$147,918,838	$133,139,799	$120,002,878	$68,022,826	$469,084,341	$299,041,267
Pennsylvania	$5,242,450	$4,939,844	$4,670,860	$4,276,325	$19,129,479	$12,195,043
South Carolina	$2,959,387	$2,663,449	$2,400,391	$1,994,566	$10,017,793	
South Dakota	$3,523,353	$3,171,930	$2,859,554	$1,984,483	$11,539,320	
Tennessee	$1,677,634	$1,509,870	$1,358,883	$1,222,995	$5,769,382	$1,225,994
Texas	$4,430,122	$3,987,111	$3,593,323	$2,893,089	$14,903,645	$6,334,049
Utah	$16,467,807	$14,840,829	$13,376,551	$12,058,695	$56,743,882	$24,116,150
Vermont	$470,036	$423,032	$380,730	$342,656	$1,616,454	$1,373,986
Virginia	$2,495,256	$2,252,758	$2,034,508	$1,838,091	$8,620,613	$0
Washington	$42,637,567	$38,373,810	$34,583,803	$25,274,768	$140,869,948	$59,869,728
West Virginia	$2,860,704	$2,574,634	$2,317,169	$2,085,454	$9,837,961	$0
Wisconsin	$3,447,536	$3,104,198	$2,795,193	$2,517,089	$11,864,016	$5,042,207
Wyoming	$7,286,937	$6,614,129	$6,008,602	$5,463,624	$25,373,292	$20,488,933
TOTAL	$525,925,045	$474,175,167	$427,899,027	$334,477,584	$1,762,476,823	$852,505,992

Rural Policy: Secure Rural Schools Act
Economic Impact Analysis, 2008-12
March 14, 2013

Robert Eyler, Ph.D.
Economic Forensics and Analytics
PO Box 750641
Petaluma, CA
eyler@econforensics.com

Executive Summary

This study provides an economic impact analysis of the Secure Rural Schools Act on rural counties and schools throughout the United States. The Act provides small, rural communities with funding for construction to provide road maintenance, including access through natural forests, education funding for local schools and funding for local conservation efforts where national forests are designated. There are 662 counties that currently receive funding after the reauthorization of the Secure Rural Schools and Community Self-Determination Act of 2000. If not reauthorized, the average loss of these payments would be $442 million from 2008-12. While the resources were reauthorized in June of 2012 for fiscal year 2012, the actual reduction of these resources has slowly increased risk in these rural communities.

The economic impacts would be ongoing without this funding source; this study examines the job losses and annual impacts on sales revenues to local businesses and tax receipts at all government levels of losing this funding in the aggregate. The estimated impacts are local businesses losing almost $1.296 billion in sales revenues, government at all levels losing over $178 million in tax receipts, and over 10,400 people lose their job.

Introduction

This study provides an economic impact analysis of the Secure Rural Schools Act and associated funding on rural counties and schools throughout the United States. This funding provides small, rural communities with financial support for road maintenance and construction, including access through natural forests, education funding for local schools and local conservation efforts where national forests are designated. There are 662 counties that currently receive funding after the reauthorization of the Secure Rural Schools and Community Self-Determination Act of 2000. The 2008 version (the Act 2008) has payments starting in 2008 and going through 2011. On June 29, 2012, after the act had expired on October 1, 2011, Congress passed a one-year reauthorization for $346 million. That distributed amount was received by counties and schools in January 2013. The average of these payments from 2008-12 would be $442 million. The economic impacts of losing this funding entirely would be ongoing without the funding; this study examines the job losses and annual impacts of losing an average of $442 million on sales revenues to local businesses and tax receipts at all government levels in the aggregate.

Brief Overview of Economic Impact Methodology

Like dropping a rock into a pond, an event such as a reduction of the Act's spending on rural communities, has ripple effects on local economies and beyond based on jobs lost. The IMPLAN® model used here, which stands for IMpact analysis for PLANning, is a model by which municipalities and counties worldwide analyze the employment, business revenue, and tax effects of economic events. This model has three impact classifications, summing to a total effect. The **direct** effects are those specific to the event. For example, if the Act's funding was to be cut by $442 million (the event), workers in road maintenance and construction, teachers and workers in forest conservation would lose jobs, generating the direct effect on local employment, tax and business revenues. These initial job losses would be the direct effects. **Indirect** effects come from these workers and businesses reducing their spending on other businesses' goods and services. This reduced revenue flow to other businesses leads to more loss of employment, wages, revenue and taxes. For example, when a teacher loses her job, she goes out to eat at a restaurant fewer times, which is the indirect effect of the teacher losing her wages. Additional jobs and revenues are then lost are known as **induced** effects. The induced effects are similar to the indirect effects, but come from the indirectly-affected workers and firms and their economic losses (the linen service). For example, the new linen service worker, hired due to the direct effects of a restaurant reducing its demand for lines may go to the grocery store, dry cleaners, or the doctor's office less often, which reduces retail sales, employment and taxes in the rural county. The sum of these three effects is the total or overall economic impacts. The tables below are split into such categories, where the top ten industries affected are shown. The revenue and tax effects are annual, but the employment effects are initial and then ongoing in the sense they are unlikely to be filled otherwise.

Economic Impact Analyses

The following tables provide the top ten industries, the remaining industry effects and the tax impacts of the reduction in the Act's funding. The reader will see many of the same industries in these lists, as rural communities are built around primary industries and simple personal services, such as retail and banking. The tax impacts are extremely important, given the current fiscal woes of local communities. Rural communities in particular, who cannot draw from a large metropolitan area for sales and property tax receipts, see even less funding if this funding goes away due to lost sales and property taxes. Tables 1 through 3 show the estimations.

Table 1: Economic Impact, Lost Sales Revenues to Businesses, $000

Industry	Direct	Indirect	Induced	Total
Maintenance and construction: roads	$157,600	$6,500	$2,500	$166,600
Education: state and local government funded	157,600			157,600
State and local government non-education jobs	92,700	4,000	6,400	103,100
Rental Income for Property Owners			49,900	49,900
Real estate agencies, title, escrow		12,600	34,800	47,400
Wholesale trade businesses		9,000	27,900	36,900
Conservation efforts in national forests	35,000		400	35,400
Restaurants and bars		13,800	12,900	26,700
Banking and mortgage activities		1,600	20,600	22,200
Medical and dental offices		6,600	14,800	21,400
All Other Industries		165,100	464,200	629,300
Total	$442,900	$219,200	$634,400	$1,296,500

Table 2: Economic Impact: Lost Tax Receipts, $000

Type of Tax	Federal	Type of Tax	State and Local
Employment Taxes	$60,500	Employment Taxes	$1,400
Corporate Income	8,900	Sales taxes	16,200
Personal Income	43,700	Property Tax: Commercial	15,000
Other Taxes and Fees	5,100	Property Tax: Residential	300
		Corporate Income	2,100
		Personal Income	12,000
		Other Taxes and Fees	13,300
Total Tax Receipts	$118,200	**Total Tax Receipts**	$60,300

Table 3: Employment Impacts, Lost Jobs (Full-Time Equivalents)

Industry	Direct	Indirect	Induced	Total
Education: state and local government funded	3,177			3,177
Maintenance and construction: roads	1,371	57	22	1,450
Restaurants and bars		28	361	389
State and local government non-education jobs	342	15	24	381
Conservation efforts in national forests	371		5	376
Real estate agencies, title, escrow		74	204	278
Wholesale trade businesses		44	136	180
Medical and dental offices			166	166
Hospitals			164	164
Employment services		59	96	155
All Other Industries	-	810	2,898	3,708
Total	**5,261**	**1,087**	**4,076**	**10,424**

Conclusions

The loss of the Secure Rural Schools act money has annual losses for the counties currently funded. The losses are not simply to local construction, education and conservation services and their allied industries. The industries affected by these changes are far and wide based on how construction workers, educators and conservation services employees spend their money and how these rural economies work. The reduction of Secure Rural Schools Act funding not only reduces jobs in these directly-affected industries, but also affects industries such as medical and dental offices, banking, auto repair, grocery and other retail stores, restaurants and bars, and many others. The loss of $442 million of this funding leads to various businesses throughout the United States losing almost $1.296 billion in revenues, government at all levels losing over $178 million in tax receipts, and over 10,400 people losing their job.

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SIERRA INSTITUTE EXECUTIVE SUMMARY

The purpose of this report is to review and provide comments on the May 29, 2012 draft report by Industrial Economics, "Critical Habitat Designation for the Northern Spotted Owl," prepared for the U.S. Fish and Wildlife Service.

Industrial Economics' assessment is insufficient in its documentation of cumulative socioeconomic impacts and current socioeconomic conditions. Their interpretation of the charge of "determining whether the benefits of excluding particular areas from the designation outweigh the benefits of including those areas in the designation" is overly narrow. As an assessment, the report does not comport with sound socioeconomic assessment science and lacks a sufficiently comprehensive evaluation of potential impacts.

While acknowledging a loss of over 30,000 jobs in the timber industry from 1990 to 2010, Industrial Economics argues that these loses were offset by regional population gains of 15% and an 18% employment increase in the decade of the 1990s. Industrial Economics errs by assuming: 1) job gains in the 1990s offset job losses in the 2000s, 2) regional population and job increases directly offset timber industry job declines, and 3) employment gains (and losses) are equally distributed across the region. They report regional job increases of only 3% in the 2000s, and do so without analyzing impacts associated with the Great Recession, which hit hard many of counties where critical habitat areas are designated.

In discussing timber harvest impacts, Industrial Economics bases its incremental change analysis on a period in which there is a severe downturn in the economy and wood products industry. This results in an undercount of likely impacts. Estimates of harvest totals are generalized and not linked to subunit timber harvest totals, resulting in estimates that, as they acknowledge, "could vary materially from future actual timber harvest…"

Because of the shortcomings of Industrial Economics' report as a socioeconomic assessment, the Sierra Institute for Community and Environment provides additional analysis and review of socioeconomic conditions. This is done also to improve the understanding of socioeconomic changes that have taken place since 1990 and the potential impacts of northern spotted owl critical habitat area designation of almost 14 million acres across the California-Oregon-Washington northern spotted owl region. Designation of this amount of land as critical habitat area requires deeper and more comprehensive analysis.

* * *

Across all three states in the northern spotted owl study counties there has been a dramatic loss of mills and wood products industry employment from 1990 to 2011. Losses were greatest shortly after some of the first forest restrictions were established to protect species including the northern spotted owl around 1990. The first northern spotted owl critical habitat was established in 1992. From 1990 to 2010, a total of 316 mills closed across the study area. Of these closures, over one-third (109) occurred from 1990 to 1992. The pattern across the three states is consistent, with most closures taking place in the early 1990s.

Across the region just under 33,000 jobs were terminated as a result of mill closures alone. The 1990s saw the greatest number of workers displaced as mills employing almost 18,000 workers closed over this period. From 2000 to 2009, close to 14,000 employees lost their mill jobs. Another 979 mill workers were laid off between 2010 and 2012.

Operating mills in the California study counties provided 27% of the mill jobs available in 1990. Since 1990, 54 mill closures resulted in 5,645 mill jobs lost in California study counties. Mill closings in Humboldt, Mendocino, and Shasta Counties alone make up 70% of all mill closures in the northern spotted owl region in the state.

In Oregon, 170 mills have closed since 1990. The majority of these took place in the early 1990s. While most mill closures occurred prior to the end of 1995, at least two mills closed every year from 1990 to 2009. Clackamas County lost the greatest percentage of mill infrastructure of any Oregon county since 1990. Clackamas' decline includes seven mill closures between 1990 and 1995 alone; another five closed between 1999 and 2009. The down-sizing of Clackamas County's mill infrastructure not only left many workers in search of new employment, but also resulted in seven communities losing all mill infrastructure.

Fifty-three mills in Washington study counties closed in the 1990s. Forty-three ceased operations between 1990 and 1995 alone; ten closed in the last half of the decade. Another 39 mills closed between 2000 and 2012. A total of 9,125 workers were laid off in Washington as a result of mill closures. The impacts of mill closures have been disproportionately distributed across Washington State. Grays Harbor, one of the most timber industry-reliant counties in the state, had the most mills close. Sixteen have closed since 1990. In addition to a high number of closures, the number of communities in Grays Harbor County with mills has fallen by over 50%, from seven to three.

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A dominant trend in the three-state region is a shift away from goods production, or basic jobs, which have historically anchored many communities, to service jobs. In 2001, both Oregon and Washington's private sector had roughly 75% service-providing and 25% goods- producing jobs. In 2010, these percentages shifted to roughly 80% and 20%. In 2001, the mix in California was 23% and 77%, and is now 18% and 82%.

Mill closures and manufacturing job loss impacts were uneven across the region as some areas—and particularly some communities—were more highly dependent on mills for employment. In California in the manufacturing sector, all counties, except Napa and Colusa, saw a decrease in jobs from 1990 to 2011. Del Norte County lost 78% of its manufacturing jobs, the highest percentage of any study county in the state. The highest number of manufacturing jobs lost took place in Humboldt County, which lost 3,700 manufacturing jobs, a total that accounted for 65% of the sector. Other California study area counties that lost over 50% of their manufacturing sector include Shasta and Glenn Counties.

Across all Oregon study counties there was a decline in manufacturing jobs related to the timber industry as seen in the lumber and wood products sector and the wood product manufacturing.

Nearly 12,000 jobs in this sector were lost over the 20-year period. This decline is especially critical to five Oregon counties where the timber industry accounts for over 10% of total employment: Clatsop, Douglas, Jefferson, Klamath, and Tillamook.

In Washington, many of the counties in the study area historically relied heavily on the timber industry. Over a 20-year period, private forestry and logging jobs declined 58%, from 7,738 in 1990, to 3,321 in 2010.

Communities and counties in the region have been reliant on the timber industry for much of their recent history, and many continue to be in 2012, despite reduced employment opportunities. In some rural counties in the study area, the timber industry accounts for more than 10% of total employment. Many of these communities and counties are struggling economically in 2012.

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For 2000 and 2010, counties ranked in the top five for lowest median family income also had the highest percent of families, individuals, and families with children under 18 living under the poverty line. For all counties in the study area, the percentage of families living below the poverty line and percentage of families with children under 18 living below the poverty line is 11% and 18%, respectively. The percentage of owner-occupied homes has declined across the study region. Between 1990 and 2010, California and Oregon experienced a reduction of owner-occupied housing units by 92% and 85%, respectively.

The percent of students enrolled in Free and Reduced Priced Meal (FRPM) Program increased in all three states. In California, the increase across all study counties is 12.5%, in Oregon 12.2%, and in Washington 6.8%. While student enrollment in FRPM increased, many districts and counties experienced a decline in the number of students attending, underscoring the loss of younger families in many areas, and continued and worsening impoverishment of families remaining.

One of the most notable demographic changes in California, Oregon, and Washington study-area-counties is the 15%, 16%, and 17% decline, respectively, in the percentage of the population under five years old. This underscores the loss of young families in NSO counties.

There are several common health patterns in the California, Oregon, and Washington study area revealed in county health rankings. Rural areas tend to have poor health rankings in general, and are more prone to negative health outcomes and health factors than urban areas. Rural counties exhibit a higher prevalence of lifestyle choices that negatively influence health, such as smoking, alcohol use, and poor diet and exercise (although this is less distinct in Washington). In addition to having lower health behavior rankings, rural counties also rank poorly in clinical care and social and economic factors. Access to care is also a challenge to rural counties, and a number of rural counties frequently have poor rankings for this indicator. This is true for quality of care as well. Closely related to access to care and quality of care is the percentage of uninsured adults. Urban areas tend to fare poorly on this ranking, but do not surpass rural counties in any significant way.

* * *

Case studies, two in California and three each in Oregon and Washington were conducted to better understand socioeconomic changes and current socioeconomic conditions "on the ground." Some key findings from these cases include in California:

- Siskiyou County lost all its saw mills, has seen its population age, and has lost eight schools, challenging the county to provide for the remaining students and reverse the loss of young families.
- In Humboldt County there are powerfully suggestive relationships between mill closures and student impoverishment as reflected in Free and Reduced Price Meal (FRPM) enrollment rates. This county has suffered dramatic declines in its goods-producing sector, with the manufacturing subsector losing 65% of its 1990 jobs by 2011.

In Oregon:

- Tillamook County has 24% of its children living in poverty, and 39% living in single-parent households, almost double the national average.
- Douglas County has 31% of its children living in poverty – twice the national average and 34% in single-parent households.
- In both of these counties, but especially in Douglas County, there are significant declines in manufacturing jobs, particularly since 2008. Free and Reduced Priced Meals participation rates increased over the last four years as well, some schools by almost 20 percent.
- Josephine County, over the last several decades saw forestry and logging jobs decline by 80%. Wages have stagnated and are two-thirds of the Oregon average. The county now ranks near the bottom of Oregon counties in health indicators and FRPM participation rate for the county is 70%.

In Washington:

- Grays Harbor County Natural Resources and Mining jobs declined by over 50% and Forestry and logging jobs by just under 70% from 1990 to 2010. The county is near the bottom of the health rankings for counties in the state. FRPM participation rates for the county exceed 60%, with one school district at 92% in 2011 and another at 88%; the lowest rate is 41%, reflecting the considerable differences across the county.
- Skamania County has 90% of its land in federal ownership, and 59% of the land in the county is designated as critical habitat area. Natural resource and manufacturing jobs have declined by over 50% over the last 20 years, though service industry jobs have increased dramatically during this period.

* * *

Timber receipts and, more recently, the Secure Rural School and Community Self- Determination Act (SRS) payments to replace lost timber receipts to counties and schools have been historically important. In California, on average, Humboldt County Schools received just under 5% of their funding through SRS; Siskiyou received on average just under 7%; and Trinity County received 15%. In Oregon, U.S. Forest Service SRS funding has provided on average 23% of county road budgets, with six counties receiving over 40%of their total road budget. Though dramatically lower in 2011, SRS payments comprised 40% or more of Skamania County general fund throughout the 2000s. In Oregon O&C counties, the Bureau of Land Management contribution to county budgets has been significant. In Douglas County in 2009 it comprised 17% of total county revenues and in Jackson County; it makes up 7% of total county revenues.

Eighteen counties received SRS O&C funding that goes directly to county general funds. SRS is scheduled to expire in 2013. Loss of these funds will challenge already financially cash-strapped counties and school districts.

The time has long since passed that we "reconcile" what Industrial Economics' terms in its report as "competing economic and conservation goals." Newer approaches address forestry as a "triple-bottom-line" endeavor—one in which economy, environmental, and community (or equity) benefits are all a part and integrated. This approach is not about trading off harvests at the expense of the environment, or environmental outcomes with community and economic interests, but integrating them in ways that advance them collectively. The tenets of what Industrial Economics calls "ecological forestry" discussed in the report are suggestive, but remain too narrow as presented.

Regardless of whether one calls it ecological forestry, restoration forestry, or something else, active forest management is needed to address socioeconomic and habitat issues of the northern spotted owl, and the point is that they can be successfully integrated new and potent ways. A new comprehensive vision and approach is needed for the forests, for the counties and communities dependent on them, as well as for the northern spotted owl.