



June 2008

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Background Brief on ...

Secure Rural Schools Act

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One hundred years ago, the federal government recognized that counties faced a loss of revenue due to federal ownership of large tracts of land. Historically, Congress shared revenue generated from federal forest lands with local governments in recognition of the fact that federal ownership of forestlands deprived counties of revenue they would have if the land were privately owned. Shared revenue also recognized that counties provided services that benefitted the land. As compensation for the land being exempt from taxation and for local services, Congress shares a portion of the revenue from its forestland. At their peak, in fiscal year 1989, payments totaled \$361 million. Receipts have declined substantially since then, largely because of declines in timber sales.

As timber harvests dramatically declined, counties encountered financial difficulties due to the lost revenue. By 2000, income had declined by 80 percent. The Secure Rural Schools and Community Self-Determination Act of 2000 (P.L. 106-393), also known as Federal Forest Payments, was enacted to stabilize payments to counties for schools and roads and to improve forest ecosystems. It offset losses to affected counties in more than 40 states and based payments on average historical timber revenues. Recipients were required to expend 80 percent of their payments for education and road maintenance. An eligible recipient could also elect to set aside 20 percent of the payment for certain environmental and restoration activities.

The Act had a five-year time frame to allow counties time to broaden their economic bases to replace historic timber sale income. The Act expired at the end of fiscal year 2006 and was not re-authorized until the end of that fiscal year. A one-year extension was passed in May 2007.

Impact in Oregon

As of the fiscal year 2006-2007, 30 out of 36 Oregon counties received funds authorized by the Act. In fiscal year 2006, Oregon counties received \$199 million, \$95.3 million of which supplemented county road funds. This represented 25 percent of total county road funds (federal, state, and local). The funds received by each county varied, from \$6,881 in Malheur County to over \$14 million in Douglas County and \$18 million in Lane County.

Without reauthorization, Oregon will lose approximately \$260

million dollars as of July 1, 2008. In 2007, when reauthorization of the payments was delayed, one county asked the State for a declaration of emergency; another announced that it would turn back to the State the responsibility for providing mental health and alcohol and drug treatment services. Others scaled back Sheriff's patrols, reduced court services, and closed libraries.

Reauthorization Efforts

In 2007, the Association of Oregon Counties worked with the Legislative Assembly to prepare an inventory and assessment of services whose funding and delivery are shared by state and county governments.

In November 2007, Governor Kulongoski issued Executive Order 07-21 that established the Governor's Task Force on Federal Forest Payments and County Services. The Task Force charge is to compile and review research on the impact on services provided by counties and the state from any delay or reduction in federal forest payments. Additionally, they are tasked with developing recommendations regarding administrative, budgetary, statutory, and, if necessary, constitutional changes needed to provide stable and adequate funding for the provision of essential services at the county level.

Recent Legislation

House Joint Memorial 1 (2005) urged Congress to reauthorize the Act for an additional ten years to 2016. It requested that the extension be in its, then, current form and funded with a mandatory, continuing appropriation.

The expiration of the Act at the end of 2006-2007 federal fiscal year posed major risks to Oregon's local revenue system. At the time, counties received \$200 million per year and schools received \$31 million in federal dollars under the Act. Moreover, county general fund and road fund revenue under the Act was spread unevenly throughout the state with some county budgets highly dependent on the federal revenue for basic services. With future federal policy highly uncertain throughout much of the 2007 Legislative Session, the Legislative Assembly

considered a number of short-term and long-term options to respond to a change in federal policy. Near the end of the 2007 Legislative Session, Congress approved a one-year extension of the Act but the future of this major revenue source beyond 2007-2008 remains very much in doubt.

Senate Bill 550 (2007) extended Oregon's original implementation bill sunset to 2013. It ensured that the federal funds were distributed to counties based on historical national forest timber revenue and that 25 percent was deposited into county school funds, distributed to school districts, and included as district revenue in the school equalization formula. It required the interim revenue committees to study the adequacy of funding for small school districts and small education service districts and make recommendations to the 2009 Legislative Assembly.

House Joint Memorial 5 (2007) urged Congress to extend the Act through federal fiscal year 2016 and to fund the Act with a mandatory, continuing appropriation.

In the 2008 Special Session, the Legislative Assembly adopted another joint memorial, House Joint Memorial 100, that expressed support for all rural Oregonians and urged support for reauthorization and extension of the Act.

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