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Background Brief on …

Secure Rural Schools Act

Early in the 20th Century, 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 forestlands 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 benefited the land.

In Oregon, the two major federal forest revenue sharing commitments are:

- The O&C Act of 1937 (43 U.S.C. §1181a), related to 2.2 million acres in western and southern Oregon, administered primarily by the Bureau of Land Management in the U.S. Department of the Interior **(DOI)**. The Act specifies that the 18 O&C counties receive a total of 75 percent of harvest receipts according to each county’s percentage of the assessed value of the lands in 1915. Since 1957, Congress has set the counties’ share at 50 percent in its annual budget for the DOI. The redirected portion of the counties’ share of harvest receipts, known as “plowback funds,” has been reinvested into productive management of O&C lands. County receipts are discretionary revenues to counties for public services.
- The Twenty-Five Percent Fund Act of 1908 (P.L. 60-136; 16 U.S.C. 500, 533, and 556d) relates to the 11 national forests; 14.3 million acres of that are in Oregon, and administered by the U.S. Forest Service in the U.S. Department of Agriculture. The Act provides that 25 percent of harvest receipts from a national forest are distributed to counties in proportion to the acreage that each county has within that forest. County receipts in Oregon are dedicated to roads, 75 percent, and schools, 25 percent, respectively.

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) was enacted to stabilize payments to counties for schools and roads and to improve forest ecosystems. The Act provided compensation for lost forest revenues to counties and schools in 41 states at a rate tied to the three highest years of harvest receipts from fiscal years 1986 to 1999. Oregon counties and schools received $254 million out of the $500 million appropriated the first year. The funding came in three forms:

- Title I safety net payments for county general funds (in O&C counties) and roads and schools (in National Forest counties), at 80-85 percent of total payments;
- Title II for restoration of healthy conditions on public lands under guidance of Resource Advisory Committees; and
- Title III for county services related to federal forestlands, such as search and rescue and wildfire protection.

The Act expired in 2007 but was reauthorized for the 2007-2008 fiscal year.

In September 2008, Congress reauthorized payments on a four-year, phase-out schedule, providing 90 percent of the 2006 payments to counties for the 2008-2009 fiscal year, 81 percent for the 2009-2010 fiscal year, 73 percent for the 2010-2011 fiscal year, and approximately 42 percent for the 2011-2012 fiscal year.

In July 2012, Congress enacted an amendment to a bill extending federal transportation spending authority that provided a one-year extension of the payments to be issued as part of Fiscal Year 2012. It included a 5 percent ramp-down from the FY 2011 amount resulting in payments totaling $346 million nationwide in FY 2012. Oregon received $101 million of that amount.

In October 2013, Congress passed another one-year reauthorization which included a 5 percent reduction from the FY 2012 levels. This has resulted in a $329 million nationwide distribution in FY 2014, and a negligible change for Oregon's counties.

Once the Act expires, revenue sharing under the 25 Percent Fund will be based on a seven-year rolling average of actual harvest, which currently amounts to about 10 percent of the 2006 safety net payments.

Impact in Oregon

Thirty-three of the 36 Oregon counties received funds authorized by the Act. In the first year of operation of the Act, Oregon counties and schools received $254 million. In sharp contrast, payments for the 2013-2014 fiscal year are anticipated to be $100+ million ($42.9 million for county general funds, $43 million for roads, and $14.3 million for schools).

Due to equalization in school funding, all of Oregon's public kindergarten through grade 12 schools will feel the impact of diminished funds. Severe effects on counties, on the other hand, will be more localized. The Governor's Task Force (described below) found that as Secure Rural Schools payments shrank away, ten counties would lose more than 20 percent of their general funds (Josephine, Douglas, Curry, Coos, Jackson, Lane, Grant, Klamath, Columbia, and Polk); and 21 counties would lose more than 20 percent of their annual road funds (Wheeler, Harney, Lake, Grant, Curry, Lane, Douglas, Klamath, Wasco, Lincoln, Wallowa, Linn, Crook, Tillamook, Baker, Hood River, Josephine, Union, Jackson, Jefferson, and Deschutes).

Related State Legislation

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.

In November of 2007, Governor Kulongoski issued an executive order appointing the Governor's Task Force on Federal Forest Payments & County Services **(Task Force)**. The Task Force published their final report in January 2009 which included 53 recommendations, including:

- House Bill 2920 (2009) established a 21-member Task Force on Effective and Cost-Efficient Service Provision which met until the convening of the 2011 Legislative Assembly and issued a final report with 23 recommendations.
- Senate Bill 77 (2009) established a process for a county governing body or the Governor to declare a state of fiscal distress that comprises the ability of the county to provide a minimally adequate level of public safety services.
- Senate Bill 165 (2009) required the Department of Human Services to provide or to contract for mental retardation and developmental disabilities services if the community mental health and developmental disabilities program declines to offer services or to contract for services.
- Senate Bill 93 (2009) permitted the Oregon Judicial Department to enter into an agreement with the federal government to intercept federal tax refunds to offset debt owed to the department for past-due liquid and delinquent accounts for crime victim restitution, compensatory fines, and other fines, costs, and assessments.

In September of 2011, legislative leadership announced the appointment of the Joint Legislative Task Force on County Payments (TFCP). The TFCP worked on the following concepts that were enacted during the 2012 session:

- House Bill 4175 (2012) authorized Coos, Curry, Josephine, Klamath, and Linn counties to utilize federal forest reserve moneys for law enforcement patrols of county roads. Prior to the passage of House Bill 4175 Douglas and Lane counties already had this authority. The ability to use the funds in this manner will sunset on January 2, 2016. It also permitted any county to make an inter-fund loan of national forest road revenues to use for patrol of county roads under certain circumstances.
- House Bill 4176 (2012) changed the name of the financial control board to the "fiscal assistance board" **(Board)** and changed the scope of the declaration of emergency from being focused solely on public safety services to include a broader fiscal emergency. It expanded the Board's membership to include the subject county's governing body, and authorized a county to request that the Governor declare a fiscal emergency to establish a Board if the county believes that they are not providing, or within the next fiscal year will not be able to provide, any service that is required by state law.
- House Bill 4177 (2012) permitted certain counties, under certain conditions, to receive assistance payments from the County Assessment Function Funding Assistance Account for the fiscal year 2011 – 2012 and 2012 – 2013 which are unaltered by a reduction in expenditures. In some instances, transfers those county grants to the Assessment and Taxation County Account, which supports county property tax appraisal program activities at the Department of Revenue.

In 2013, the Legislature passed House Bill 2206 which allows a county governing body in a state of fiscal distress that compromises its ability to provide a minimally adequate level of public services, to ask the Governor to declare a county emergency; ask the Secretary of State to assume control over the administration of elections; ask the Department of Revenue to provide services to ensure a minimally adequate level of property tax assessment services, property tax collection services, or both to all municipal corporations in the county; and allows the Oregon Department of Veterans' Affairs to retain funding for county veterans' service officers and to provide veterans' services. The Act requires the county to resume services upon the determination by the Governor or two years after the declaration of emergency.

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