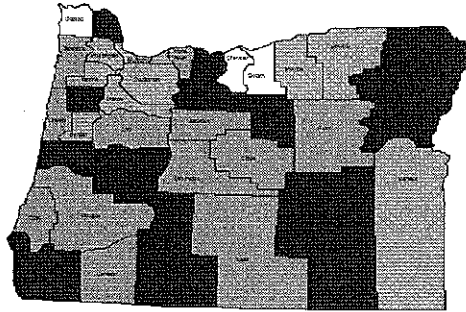
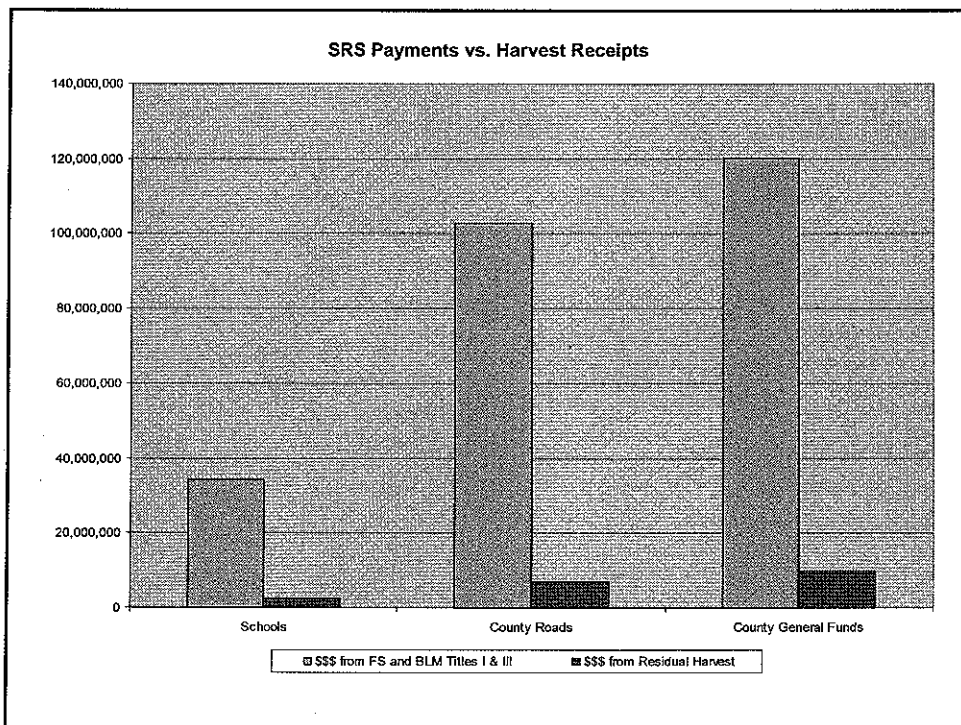


Governor's Task Force on Federal Forest Payments and County Services



Report to Revenue Restructuring Task Force
July 10, 2008



Revenue Losses 2008-09

- Schools will forego
 - \$32 million
- County road funds will lose
 - \$95.7 million
- County general funds will lose
 - \$110.3 million

The Loss of Federal Forest Payments and Our Schools

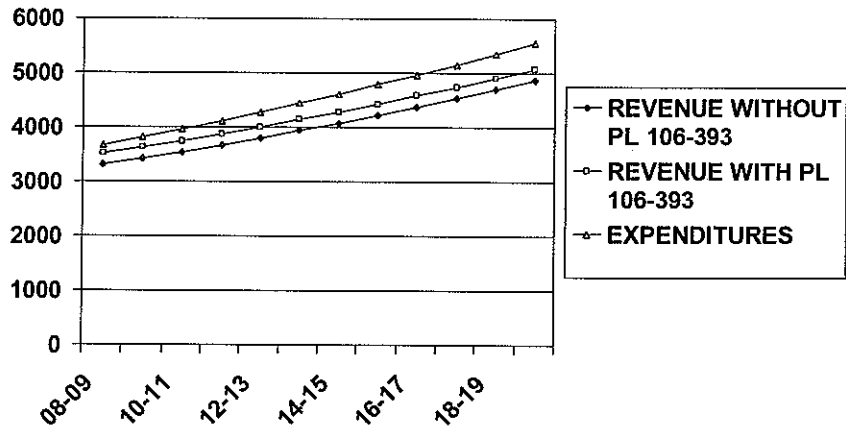
Oregon schools will lose \$32 million per year – **\$58 less for EVERY student** – no matter if the county receives federal forest payments or not.

For the 232,000 students in Multnomah, Washington, and Clackamas Counties that is a loss of \$13.4 million per year.

A loss of \$13.4 million =

- 165 fewer teachers *or*
- increasing class size by 1 student in every K-5 classroom *or*
- cutting 4 days of professional development for all teachers *or*
- cutting 3-4 weeks of summer school for 20% of all students *or*
- cutting tutoring and after-school programs for 15% of all students.

**COUNTY LONG-TERM FISCAL PROJECTION:
WITH & WITHOUT PL 106-393 REVENUE**
(IN MILLIONS OF \$ BY FISCAL YEAR)



**Revenue Losses Will Be
Concentrated in 24 Counties**

Western Oregon

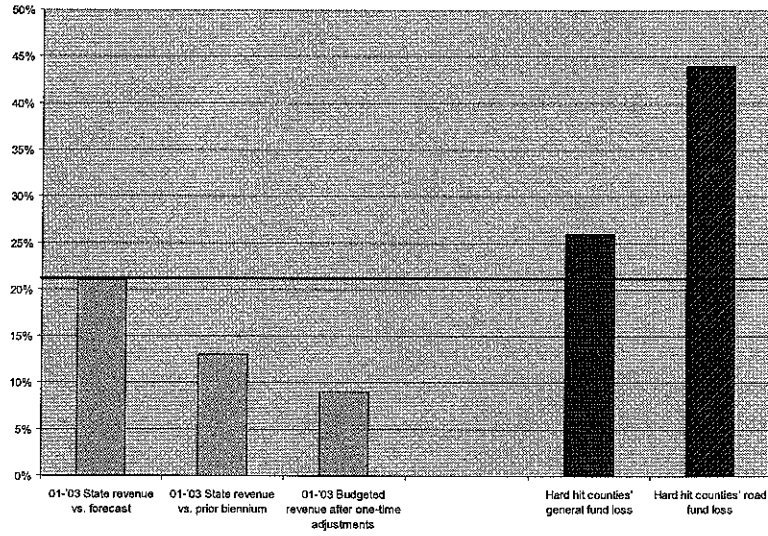
- Columbia
- Coos
- Curry
- Douglas
- Jackson
- Josephine
- Lane
- Lincoln
- Linn
- Polk
- Tillamook

Eastern Oregon

- Baker
- Crook
- Deschutes
- Grant
- Harney
- Hood River
- Jefferson
- Klamath
- Lake
- Union
- Wallowa
- Wasco
- Wheeler

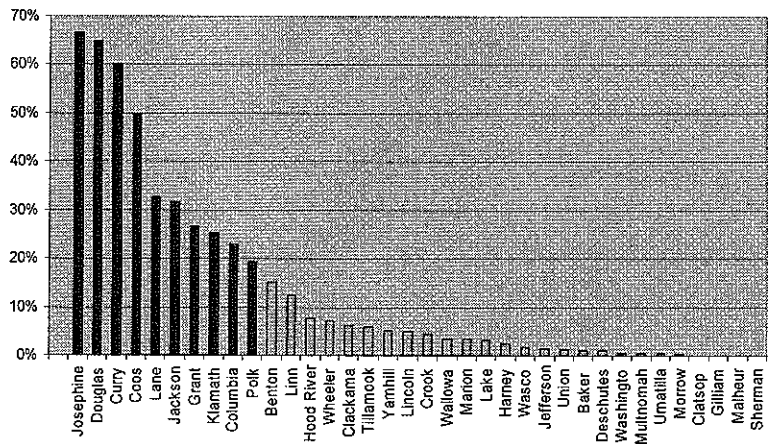
Note: Clackamas will lose almost \$10 million

State '01-'03 Loss Compared to Hard Hit County Losses

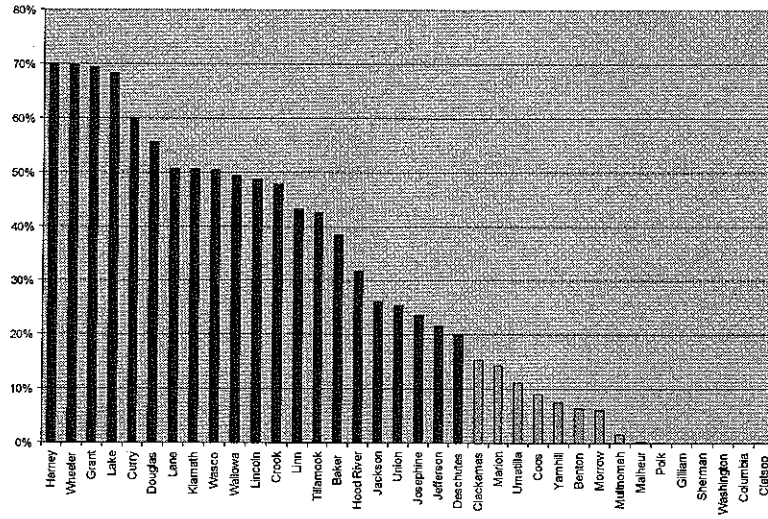


County General Fund Losses 2008-09 vs. 2007-08

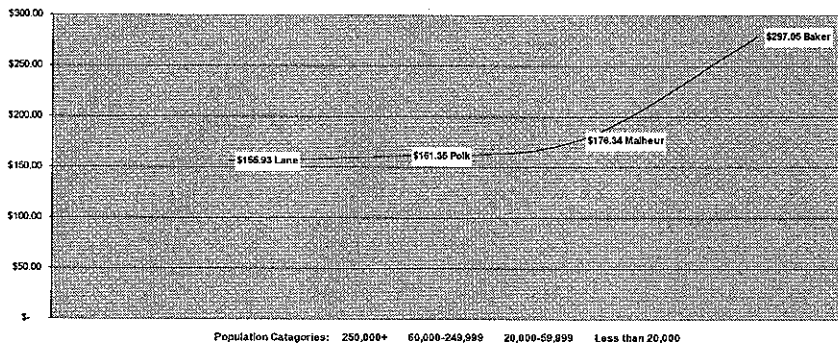
(As percentage of prior year revenue)



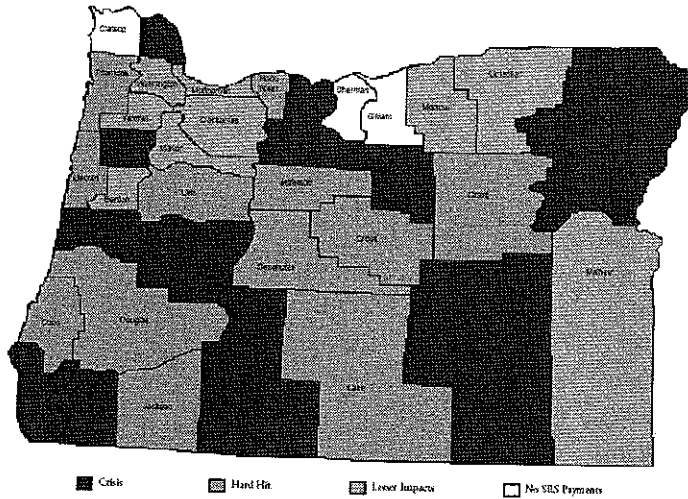
County Road Fund Loss '08-'09
 (County losses are percentage of prior year revenue)



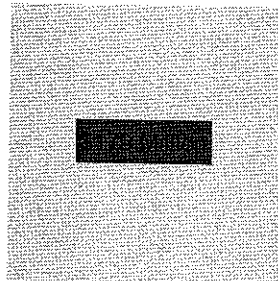
Lowest Level of Discretionary Resources By Population Category 2006-07



IMPACT TO COUNTY GENERAL FUNDS AND ROAD FUNDS



**Hard Hit Counties Will Lose \$179 Million:
26% of Discretionary General Fund Revenues and
44% of Road Fund Revenues**



Filling the Gap

- What Counties and County Taxpayers Can Do
- What the State and State Taxpayers Can Do
- What the Federal Government Can Do
- What Better Management of Federal Forests Can Accomplish

Counties are asking for “a
bridge, not a bailout.”

-- Bobby Green
Lane County Commissioner

Challenges to Economic Growth and Revenue Recovery

- Rural counties begin with higher unemployment, lower personal incomes.
- Limited private land bases.
- Federal control of resource lands.
- Infrastructure challenges.
- Lagging investments in community development.
- Declines in essential services.

Challenges to Economic Growth and Revenue Recovery

- Low property tax rates, locked in by Measure 50.
- Measure 50's "changed property ratio" discounts the value of new construction.

Example:

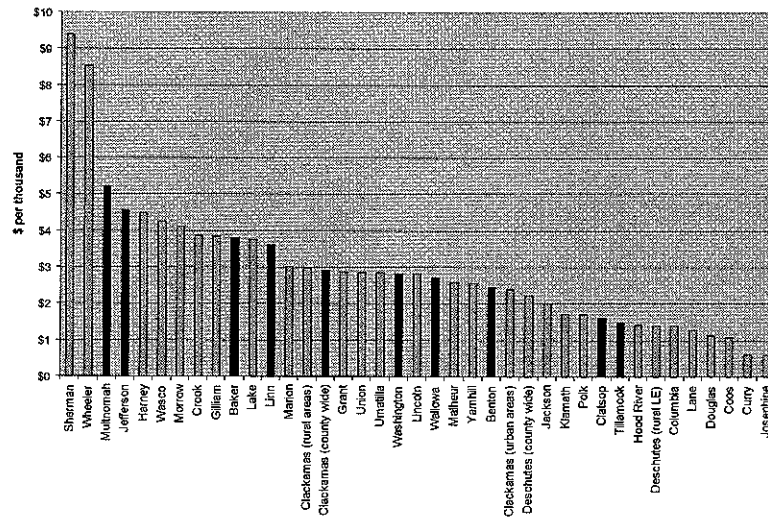
- A new \$300,000 home in Coos County generates \$199 per year in county taxes.

Economic Growth Won't Solve These Problems

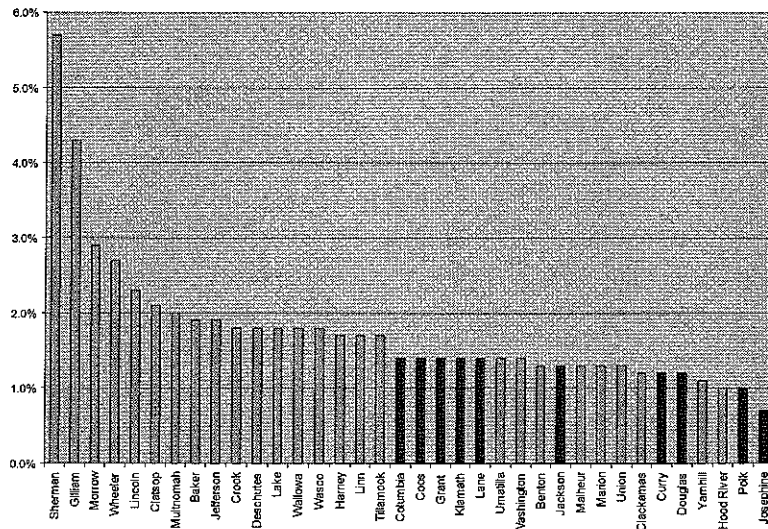
“Most of these counties can't build themselves or develop themselves into solvency. Every new resident is a net negative on the budget.”

-- CW Smith
Jackson County Commissioner

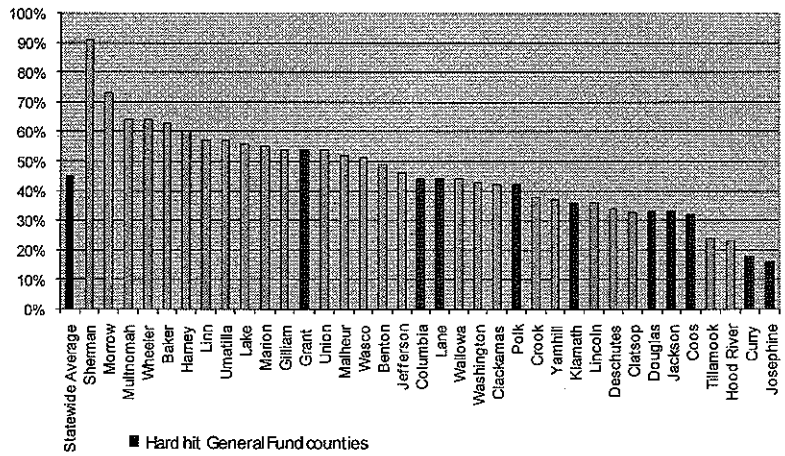
Tax Effort: Permanent Rate and Local Option
(Counties with local option in dark blue)



Tax Effort: Percent of Per Capita Personal Income



Tax Capacity Used



Local Option Tax Increases Offer the First Recourse

The 10%, 20% and 30% Solutions:

If County LOT Is Increased	Combined Property Tax Increase	Total Revenue Produced
10%	2%	\$15.1 million
20%	3%	\$30.3 million
30%	5%	45.2 million

Recommendations re: Property Taxes

Recommendation #2: Counties should take advantage of their ability to enact local option levies with the approval of their voters.

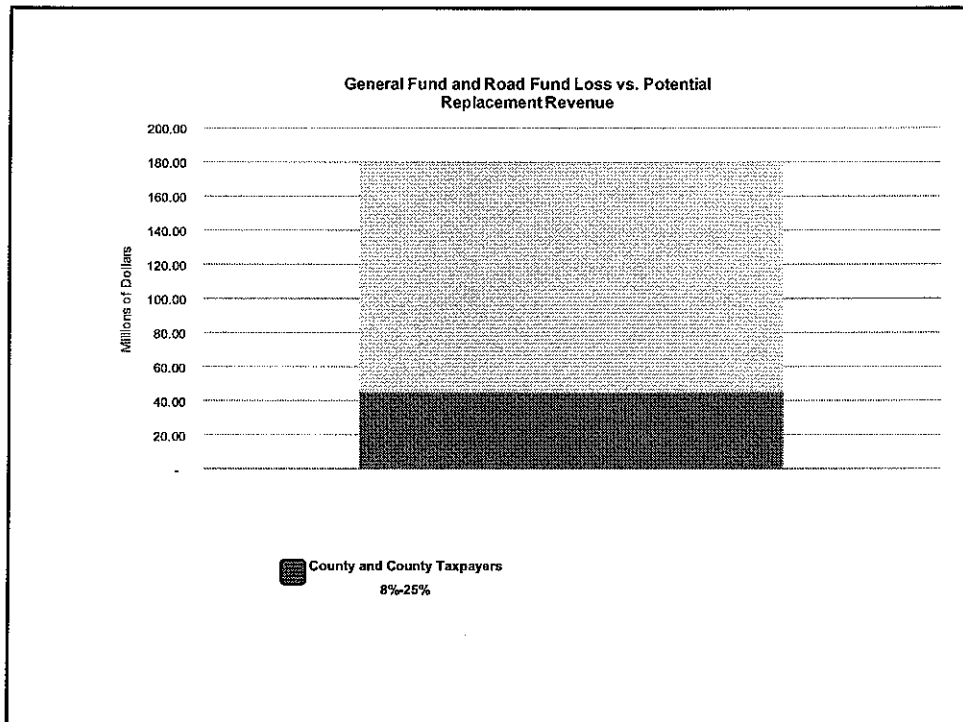
Recommendation #3: The state's Revenue Restructuring Task Force should undertake a comprehensive review of the state's property tax system based on the findings reported by this Task Force.

Remove Restrictions, Expand County Revenue Options

Recommendation #4*: Amend state law to give counties the authority of use existing revenues more flexibly and to enact new revenue options with the approval of county voters:

- Allow transient lodging taxes to be used for "tourism-related services, incl. emergency services, law enforcement and roads;
- Remove the state's preemption of real estate transfer taxes.

* Not a unanimous recommendation.



How the State and State Taxpayers Can Help

- 27 Recommendations for Shared Services
- 6 Recommendations for Economic Development
- Recommendation for Emergency Fund
- 3 Recommendations re: State Controlled Revenues

Effect = 3% to 15% of the shortfall

State-Controlled Revenues

- Recommendation #39: The legislature should provide sufficient funding for the property tax expenditure compensation fund.
- Recommendation #40: The legislature should repeal, or provide compensation for 50% of revenue losses from, property tax exemptions for activities and facilities on federal lands.
- Recommendation #41*: Raise the \$9 recording fee for assessment and taxation to \$15.

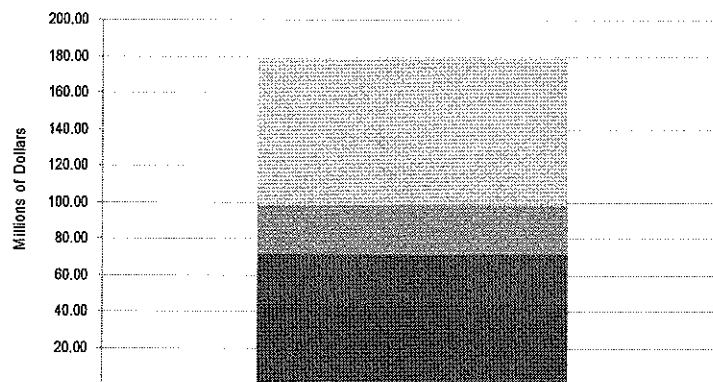
* Not a unanimous recommendation.

Federal Revenue Sharing

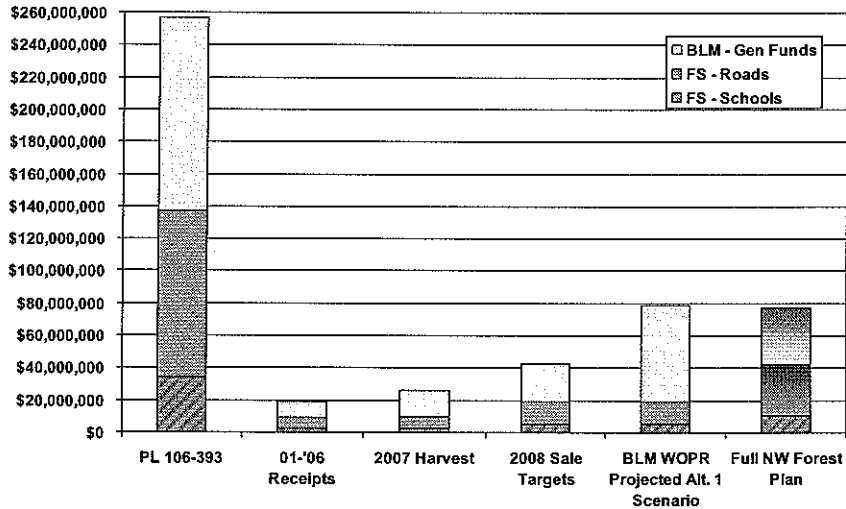
- Continue Title II and Title III
- Restore counties' 75% share of harvest receipts from federal forest lands
- Increase PILT
- Collection of unpaid fines and fees from federal income tax refunds

Effect: 2% to 15% of shortfall

General Fund and Road Fund Loss vs. Potential Replacement Revenue



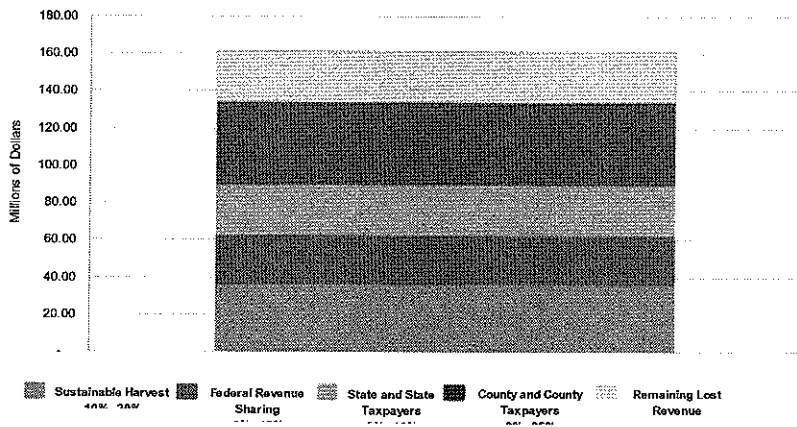
Comparison of Potential Revenues Under Different Timber Harvest Scenarios



Comparison of Potential Revenues Under Different Timber Harvest Scenarios

Fund	PL 106-393	'01-'06 Receipts	2007 Harvest	2008 Sales Targets	BLM WOPR Projected Alt. 1 Scenario	Full NW Forest Plan
FS - Schools	\$34,241,028	\$2,316,021	\$2,480,000	\$4,850,000	\$4,850,000	\$10,487,500
FS - Roads	\$102,723,084	\$6,948,064	\$7,440,000	\$14,550,000	\$14,550,000	\$31,462,500
BLM - Gen Funds	\$120,116,973	\$9,812,786	\$15,962,725	\$23,248,000	\$58,915,000	\$35,515,000
Sum	\$257,081,085	\$19,076,871	\$25,882,725	\$42,648,000	\$78,315,000	\$77,465,000
% PL 106-393	100.0%	7.4%	10.1%	16.6%	30.5%	30.1%

General Fund and Road Fund Loss vs. Potential Replacement Revenue



Recommendation #54

The state should pursue legislation to establish financial control boards and other procedures to deal with counties in fiscal distress.

Comments

The Task Force is soliciting comments on its initial report through Aug. 22.

Comments may be submitted to:

fedforest.payments@state.or.us