

# NATIONAL FOREST COUNTIES AND SCHOOLS STABILIZATION ACT

## A Safety Net Solution

January 5, 2007

The expiration of the county and schools safety net, PL 106-393, is a source of grave and growing concern among counties and school districts not only in Oregon, but in 39 other states representing 780 counties and over 4,000 school districts. There has been considerable bi-partisan effort over the last two years to find an acceptable budget offset for an extension of PL 106-393, but no solution has been found, and there appears to be none on the horizon. Counties and school districts nationwide are beginning to implement budget cuts that will eliminate thousands of jobs and reduce services and classrooms dramatically.

Conventional thinking has proven inadequate. It is clearly time for creativity and leadership to identify a bold but reasonable solution to this problem on a long-term basis. The Association of Oregon and California Railroad Land Grant (O&C) Counties Board of Directors offers this proposal for your consideration. Not only is there a pending crisis for schools and counties, but there is also a new effort to recover the spotted owl and the marbled murrelet. Timing is extremely important for all efforts of this kind, and our proposal takes these events and circumstances into account.

The proposal must be viewed in the unique historical context of the O&C lands. The revested O&C Railroad grant lands and related BLM lands in Oregon contain approximately 2.4 million acres, and approximately 80 billion board feet of standing timber. The revested O&C Railroad grant lands were originally all in private ownership for many years, having been conveyed to the O&C Railroad Company in exchange for construction of a railroad. But the lands were not re-sold by the Railroad Company to actual settlers as Congress intended, so after decades of ownership by the Railroad they were taken back ("revested") into federal ownership, with the intent the federal government would sell the lands in small parcels so that they could again be returned to the private sector. That resale program was eventually converted to a retention and management program, but unlike national forest lands, Congress mandated that the O&C lands be managed for timber production on a sustained yield basis for the benefit of local communities.

While solutions are scarce, the problems are easy to state: Counties and schools nationwide need a permanent source of funding to replace decades of reliance on shared timber receipts. Oregon's schools, in particular, need funding assistance. Oregon Counties in the region of the O&C lands are in a particularly dire situation, as they have depended on shared timber receipts from national forest lands for road funds, and separately they have relied on shared receipts from the O&C lands to support general county services of all kinds. Over the last 15 years these historic programs have been undercut by drastically declining timber receipts, while battles continue to rage over the associated environmental issues and proposals to insure permanent protection for forested wildlife habitats. The proposal offered by the O&C Board addresses each of these problems, including solutions to problems on both a local and a national scale.

The proposal is to permanently protect approximately 1.2 million acres of O&C and related lands as wildlife habitat, and to sell the remaining O&C lands to generate funds for the creation

of four permanent trust funds. Approximately 1.2 million acres would be permanently set aside and managed for recovery of the spotted owl and marbled murrelet and other environmentally sensitive species, far in excess of the amount of O&C land currently designated as late successional reserves under the Northwest Forest Plan. This would create one of the largest single additions to protected lands status within the United States in the last 30 years. These protected lands would remain under the jurisdiction of the BLM and a trust fund would be established to ensure resources for management of these protected lands.

The remaining O&C lands would be sold into the private sector in an orderly fashion over a period of time. There are approximately 80 billion board feet of timber on the 2.4 million acres. In rough terms, one-half of that volume (40 billion board feet) at \$300 per thousand board feet (which is a very conservative estimate of value) would produce approximately \$12.0 billion. The lands returning to private ownership would retain public access for hunting, fishing, and other recreational pursuits, and would remain in a permanent timber production status.

The revenues from the sale of O&C land and timber would be used to create a trust fund (Fund A) of approximately \$4.0 billion for a permanent extension of a safety net similar to PL 106-393, benefiting all states, counties and school districts that have national forests within their boundaries. Payments to counties based on historic shared receipts from the O&C lands would be removed from the safety net and treated separately. The investment earnings of Fund A combined with ongoing Forest Service receipts would produce about the same amount of revenues for national forest schools and counties as have been provided in recent years by PL 106-393. A separate trust fund (Fund B) of approximately \$4.0 billion would be created to provide on-going revenues for the general funds of the O&C counties, with investment earnings generating annual payments approximately equal to amounts currently being provided by PL 106-393 to the O&C Counties. In addition, a third trust fund (Fund C) of approximately \$3.0 billion would be created and specifically dedicated to education in the state of Oregon to be managed and administered by the state legislature and Governor. A fourth trust fund (Fund D) would produce investment income for the BLM's continued management of the 1.2 million acres of preservation lands. Fund D would be funded with the balance of the land sale proceeds in excess of the amounts necessary for Funds A, B and C. Fund D would likely be capitalized with not less than \$1.0 billion.

This proposal is not the first of its kind. The BLM has sold many parcels into the private sector over the years. Indeed, most of the western two-thirds of the country that is in private ownership is land that was once owned by the federal government. In fact---as described above, these very lands proposed for sale were themselves once in private ownership and would have remained that way but for unique twists of history. Similar proposals were considered by congress as recently as 2006. There were two separate but similar proposals in the 109<sup>th</sup> Congress (S 3772, and S 3636/HR5769) that are the inspiration and model for this proposal, albeit on a smaller scale. The White Pine County Nevada Conservation, Recreation and Development Act of 2006, (S 3772) was adopted late in 2006 and will result in BLM land sales in Nevada and expansion of wilderness areas in that state. The proposed Washington County Utah Growth and Conservation Act of 2006 (HR 5769 and S 3636), which called for BLM land sales and expansion of wilderness in Utah, did not make it through the legislative process in 2006, but is likely to be resubmitted in 2007. These are just two examples in a long history of federal land sales and

consolidation of federal ownerships to achieve preservation goals. Our proposed National Forest Counties and Schools Stabilization Act would be consistent with this historical pattern.

This proposal, if implemented, would produce several very desirable results. First, of course, it would produce the resources to capitalize the trust funds. This would create stability for schools and counties in our resource dependent communities all across the country, with particular emphasis on support for schools in Oregon. It would also lead to a predictable source of timber for a healthy, viable industry in western Oregon. Job growth in the industry in Oregon would be substantial. And although it would make use of only one-half of the current O&C land base, at least those lands would fulfill the intent of the O&C Act. At the same time, the endless battle over management of the O&C lands would end, with substantially more acres in a permanently protected status than are currently protected as late successional reserves. Funding would be readily available to insure that the BLM's ongoing management of the preserved O&C lands could accomplish the recovery of threatened and endangered species as rapidly as science, technology and nature would permit.

To restate the proposal in simplified form:

### THE PROPOSAL

1.2 million BLM acres in the O&C region placed into a reserve and managed by BLM under FLPMA excluding Sec. 701(b), the O&C Act savings provision. The O&C Act would be repealed.

1.2 million BLM acres in the O&C region sold to the private sector for permanent timber production with public access retained at the current level.

The 1.2 million acres retained by the federal government would provide recovery for the spotted owl and its habitat as required, as well as protecting other high value environmentally sensitive areas including stands of old growth timber.

The 1.2 million acres sold to the private sector for permanent timber production would capitalize four trust funds.

Trust Fund A equal to 33.3% of the total sale of the 1.2 million acres returned to the private sector would go to an irreducible Secure Rural Schools and Communities Self-Determination Act (National Forest counties and schools) trust fund.

Trust Fund B equal to 33.3% of the total sale of the 1.2 million acres returned to the private sector would go to an irreducible O&C Land Grant Counties trust fund.

Trust Fund C equal to 25% of the total sale of the 1.2 million acres returned to the private sector would go to an irreducible Oregon school trust fund managed by the legislature and Governor.

Trust Fund D equal to 8.4% of the total sale of the 1.2 million acres returned to the private sector would go to an irreducible trust fund in favor of BLM to manage the 1.2 million acres of lands

retained in a federal reserve for the benefit of the spotted owl and high value areas including old growth.

A commission or council similar to the Congressional authorized "Forest Counties Payment Committee" or the "Military Base Closure Commission" would be created to identify the O&C RR grant lands to be sold and returned to private ownership within one year of authorization, with the recommendations implemented by congressional action.