Changing Federal County Payments and Rural Oregon Counties: Analysis of Policy Impacts and Responses from Loss of Secure Rural Schools Funding in Selected Oregon Counties

A Report of the "Changing Federal County Payments Policy and Rural Oregon Counties: Impacts and Options" Project

by

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1. INTRODUCTION

In 1908, the Federal government first recognized the financial impact that federal land ownership would have on local governments by putting in place policies that required federal payments, based on timber harvest revenues, to county governments with federally owned lands within their boundaries[1]. During the last three decades, forest management practices and national policies constrained harvest revenues generated on public lands. Beginning in 1993, Congress acknowledged the decline in revenues by establishing a payments program not based on harvests. This plan was expressed first as the Omnibus Budget Reconciliation Act of 1993 (OBRA) and later replaced in October 2000 by the Secure Rural Schools and Community Self-Determination Act (SRS) (P.L. 106-393). The new law replaced and fundamentally changed the way the United States Forest Service (USFS) and the Bureau of Land Management (BLM) had been returning a portion of the annual harvest receipts to local governments. A one-year extension of the SRS expired in September 2007 and was not renewed by Congress by July 1, 2008 (the start of the 2008-2009 fiscal year for counties), despite efforts by the Oregon delegation and others. On October 3, 2008, Congress belatedly passed, and the President signed, a four-year continuation and phase-out of the payments[2].

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[1] The 25% Fund Act of 1908 (P.L. 60-136) established a revenue sharing program based on timber harvest receipts generated on national forest system lands managed by the US Forest Service. 25% Fund Act payments are calculated at 25% of gross receipts and directed to be used for roads and schools (non-discretionary). The O&C Act of 1937 (P.L. 75-405) established a revenue sharing program based on timber harvest receipts generated on revested O&C lands managed by the Bureau of Land Management. O&C Act payments are calculated at 50% of gross receipts and may be used for any purpose (discretionary). Counties have relied on a share of receipts from timber harvests to supplement local funding for schools, roads and other vital county services such as public safety and public health.

[2] See the Tax Extenders and Alternative Minimum Tax Relief Act of 2008 (P.L. 110-343)

When SRS expires, counties will revert to reliance on harvest receipts under the original revenue sharing agreements which average about ten percent of the current level of safety net payments, estimated at $210.1 million in annual revenues in FY 2008-2009. Of this, $32.9 million funds school districts statewide (Office of the Governor, 2009).

Although the 2008 reauthorization prevented a major fiscal crisis for the majority of Oregon counties that rely on SRS payments to fund essential county services, the four-year phase-out of payments creates a fiscal challenge that will reach a crisis point in the state's 2011-2013 biennium budget and when the funds cease for counties in 2012-2013, unless proactive measures are to taken early to address it (Oregon Office of the Governor, 2009).

In November 2007, the Governor issued an Executive Order that established the Governor's Task Force on Federal Forest Payments and County Services (Oregon Office of the Governor, 2007). The order directed the task force 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. Their charge was to develop recommendations regarding administrative, budgetary, statutory and constitutional changes needed to provide stable and adequate funding for essential services at the county level. The final report[3], released January 2009, highlights the far reaching consequences the loss of this revenue in 2012 will have on rural counties who have come to depend on it.

[3] Go to http://governor.oregon.gov/Gov/tf_fed_forest_pmts/tffop_index.shtml for the final report and associated documents.

The task force found that, of the 33 Oregon counties receiving SRS funds, 24 were confronted with shortfalls of more than 20 percent of their discretionary general fund or road fund budgets in FY 2008-09. These counties were designated as “hard hit.” Twelve counties were labeled “critical”, a designation to describe counties that will face severe general fund shortfalls or whose road funding will be limited to gravel road standards within one to two years after the loss of SRS payments. The loss of funds has the potential to impact hundreds of public and private sector jobs which could result in the loss of many more jobs in related service, supply and support industries. An economic impact analysis commissioned by the Association of O&C Counties (Green and McKetta, 2007) found that the loss of SRS payments for O&C lands would cause a loss of 5,130 direct and indirect jobs in the Western Oregon counties and a loss of $167 million in annual earnings (Oregon Office of the Governor, 2009, p 35).

The task force made a number of recommendations based on what counties and county taxpayers can do to help themselves; what the State and state taxpayers can do to help the counties; what the Federal Government can do to better share its resources and revenues, and how it can better manage federal forest lands; and, the legal mechanisms for dealing with counties in “fiscal distress” (Oregon Office of the Governor, 2009). Raising new revenues or cutting expenditures are really the only two alternatives the State and local governments can pursue. However, the task force found that constitutional limitations on property taxes, voter resistance to such taxes and state constraints on other revenue sources make it difficult for counties to respond to this crisis by raising revenues.

While the State struggles to address the impending shortfalls in state and county budgets, the Oregon Congressional delegation and others are continuing to press for alternative solutions following the cessation of payments, including some form of continued safety net payments[4]. In the past this has been a hard case to sell because the majority of public lands are in the west, making it difficult to garner support from eastern states. And, because of the large amounts of historically productive land, Oregon has been the recipient of more than half of the total SRS payments made to the 39 states receiving them, calling into question the fairness of past policies.

Past research efforts have focused on the ecological, economic and social dimensions of forest policies impacting counties, though they tend to take a macro level approach. Research has also tended to be quantitative, rather than qualitative in nature, with more emphasis placed on ecological and economic aspects. There is little research addressing impacts at a micro level, particularly those emphasizing an individual perspective, and none found that specifically address the impacts from the loss of county payments and changes in services levels. This research represents a new area of study that may be useful for the State, local governments and their representative organizations, and Oregon Congressional delegation as they seek out and consider alternatives to address this critical issue, for others interested in this issue or other rural studies, or for those interested in understanding the structural constraints of political behavior and sources of political stability or change. It puts a human face on the situation and gives voice to those who ultimately bear the effects of government policies.

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[4] See the Sustainable Revenue for Oregon Counties Act of 2009 (S. 901) introduced by Senator Jeff Merkley at http://www.govtrack.us/congress/bill.xpd?bill=s111-901, and the National Forest Counties & Schools Coalition Concept paper "Sustainable Forests and Secure Rural Schools and County Act of 2010" at http://www.forestco.tcde.tehama.k12.ca.us/Concept.pdf

The research presented in this paper is one part of a sponsored study being conducted by the Rural Studies Program (RSP) at Oregon State University (OSU) that analyzes the impacts of reduced federal forest payments to counties. The goal of this part of the study is to analyze the impacts on and responses of businesses, institutions and residents to changes in county service levels due the loss of federal forest payments for selected Oregon counties, to allow for comparisons in the way that particular policies work in places with a range of circumstances[5,6]. The analysis is structured so that the impact of federal payment levels are tied to changes in spending levels on specific county services, and the implications of changes in county services traced through to the impacts on families, businesses and local institutions.

The specific objectives of the study are to:

1. Understand federal and state policies impacting county revenues
   - 1.1 Federal forest revenue-sharing policies
   - 1.2 State property tax policies

2. Understand and compare selected counties and factors affecting policy impacts and responses
   - 2.1 Geographic, demographic, economic, property tax, political, land ownership, and federal forest payment structures
   - 2.2 Changes in funding, staff and service levels from loss of federal forest payments
   - 2.3 Business, institution, and resident impacts and responses to changes

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[5] Only Title I and Title III monies are considered part of counties revenues in this report. Title II funds are not retained in the county budget but are passed through to the appropriate federal agency for forest restoration projects.

[6] The analysis does not take into account funding decisions that will be made with the October 2008 reauthorization. County budgets for FY 2008-2009 were established on the basis there would be no further SRS funds forthcoming.

To meet the objectives of the study, a qualitative design was employed using a case study approach. In qualitative inquiry, the researcher seeks to "understand report and evaluate the meaning of events for people in particular situations" (Robson, 2002, p. 177). A case study attempts to shed light on events by in-depth studying of single or multiple cases of the phenomenon (Yin, 1989 in Creswell, 1994). Multiple methods were used to collect the data including secondary research, participant observation and in-depth individual and focus group interviews. The data were analyzed using traditionally accepted qualitative methods to reveal patterns in themes and meanings.

The report begins with an introduction, followed by a review of policies relevant to the focus of the study – federal forest payment policy and state property tax policy – to provide additional context beyond that provided in the introduction. The third section reviews previous studies related to the research topic. This is followed by a section that describes the specific procedures used to conduct the research and analyze the data. The fifth, sixth and seventh sections present the results of the research using a comparative approach – section five provides a profile of the case study counties including geographic, demographic and economic characteristics, property taxes, land ownership and federal forest payments; section six describes the policy decisions made by county governments; and, section seven describes anticipated impacts on the community and possible responses by the community. The report ends with a conclusion.

2. BACKGROUND

This section provides additional context on two policy areas integral to the scope of this paper – federal forest payments policy and state property tax policy. This section will assist readers in understanding the structural constraints that influence the policy decisions of the individual counties addressed in this study.

a. Federal Forest Payments

1. Federal forest revenue-sharing policy

Recognizing the financial impact that ownership of tax-exempt federal lands would have on the local counties in which these lands were situated, the Federal government instituted policies that shared revenues from these lands and/or provided funding to counties in lieu of the taxes they would have received if these lands were held in private ownership. Revenue sharing legislation created a fixed fiscal relationship between the harvest of timber on federal lands and the revenue received by local governments. This situation resulted in funding levels being directly linked to the amount of harvest that occurred on lands owned by the federal government.

Beginning in 1908, Congress enacted and subsequently amended the Twenty-five Percent Fund Act (1908). The 25% Fund Act requires 25 percent of the revenues derived from National Forest System (NFS) lands be paid to States for use by eligible counties for the benefit of schools and roads. The 25% Fund payments are non-discretionary funds.

In 1916, Congress passed the Chamberlain-Ferris Revestment Act (1916), which revoked the title of the O&C Railroad to over 2 million acres of land for failure to comply with the conditions of the land grant, and directed that some of the revenues from timber sales off this land be shared with counties with O&C lands. In 1937, Congress enacted The O&C Revested Lands Sustained Yield Management Act (1937) (O&C Act) that amended the earlier O&C legislation to require 75 percent of the revenues derived from the revested and reconveyed grant lands (formerly held by the Oregon and California Railroad Company and currently managed by the Bureau of Land Management) be paid to eligible counties of which 50 percent are to be used as other county funds. Twenty-five percent of the proceeds from timber production on the O&C lands were to be provided to the federal government to pay back the costs of buying back the tainted land and then given to the counties as a payment in lieu of property taxes that would have been assessed if the land was in private ownership. It took until 1952 before that debt was paid back. The counties later agreed to give up that 25 percent in exchange for management of the O&C lands (USDI BLM, 2006). O&C payments are discretionary funds.

2. Sea change in federal land management

Historically, counties with extensive federal lands received a large share of their revenues from NFS and O&C lands. The revenue sharing arrangement between local governments and federal agencies functioned as intended from 1908 into the 1980s. In recent years, Federal timber sales dramatically declined due to market conditions, legislation, and legal decisions, reducing the revenues to counties.

Since the late 1980s harvests in Oregon have been trending downward. From the 1960s to the late 1980s, harvest levels on USFS lands in Oregon hovered around 3.25 million board feet (mbf) while harvest on BLM lands held at about 1.0 mbf. However, the economic recession in the early 1980s significantly altered softwood timber markets, resulting in a significant slump in harvests on both federal and private lands. In the 1990s, the continued cutting of old growth began to conflict with the Clean Water Act (CWA), the National Environmental Policy Act (NEPA), and most importantly, the Endangered Species Act (ESA). The Northwest Forest Plan (NWFP), adopted by the Clinton Administration in 1994 to preserve the northern spotted owl (listed as threatened in 1990 with critical habitat designation two years later), was the culmination of a nearly decade of forest management policies aimed at sustainable management of late-successional forests, but which resulted in large declines in harvest on federal land.

With implementation of the NWFP[7] and the North American Free Trade Agreement (NAFTA) in 1994, and another economic recession in the early 1990s, harvests on federal lands in Oregon dropped precipitously from 4.9 mbf annually in 1986 to below 700,000 mbf[8]. At the same time, harvests on private lands that had been steadily increasing since the recovery from the early 1980s recession rebounded from approximately 180,000 mbf to approximately 900,000 mbf annually[9].

The long-standing nature of these revenue sharing arrangements and the steady loss of federal timber revenues caused counties dependent on the natural resource economy to experience significant budget shortfalls.

3. Decoupling of federal forest payments from harvest receipts

Recognizing this trend, Congress enacted provisions in the Omnibus Budget Reconciliation Act (1993) (OBRA), providing an alternative annual safety net payment to counties in which Federal

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[7] Go to http://www.reo.gov/general/aboutNWFP.htm for an overview of the Northwest Forest Plan

[8] Compiled from Oregon Annual Timber Harvest Reports data available from the Oregon Department of Forestry website at: http://www.oregon.gov/ODF/STATE_FORESTS/FRP/annual_reports.shtml

[9] Ibid.

timber sales had been restricted or prohibited by administrative or judicial decisions to protect the northern spotted owl. The OBRA modified the 25% Fund Act such that local governments would receive, in 1994, 85 percent of the 25% payment they would have received based on the annual averages of the harvest years 1986 through 1990 on national forest lands. In the fiscal years 1995 through 2003, the amount of payment to the local governments would be reduced by 3 percent annually. An identical schedule was applied to the 50 percent payments from the Bureau of Land Management to local governments that had O & C lands in their districts.

The OBRA was repealed in 2000 by the passage of the Secure Rural Schools and Community Self-Determination Act (2000) (SRS). The legislation was coauthored by Rep. Allen Boyd (D-FL), Rep. Nathan Deal (R-GA), Senator Larry Craig (R-ID) and Senator Ron Wyden (D-OR). It passed by unanimous consent in both the House and Senate before being signed into law by President Clinton.

SRS was designed to stabilize payments to <u>all</u> national forest counties (not just spotted owl counties), providing a 6-year temporary safety-net payment at 85 percent of the average of their three highest receipt years between 1986 and 1999 to be used for the original purposes of the 25% Fund Act and O&C Act (Title I). It also provided an additional 15 percent to be used to support projects on federal lands (Title II) or on specified county-based projects (Title III), which focused on creating new cooperative partnerships between citizens in forest counties and federal land management agencies to develop forest health improvement projects on public lands, and simultaneously stimulating job development and community economic stability. The bill also authorized the establishment of a diverse 15-member resource advisory committee (RAC) to recommend projects on national forests and O&C lands using Title II funds. Counties had the option of staying with the status quo, or accepting the safety-net payments. All of Oregon's 33 counties receiving federal payments opted for the safety-net payments. The Act effectively decoupled federal payments from timber harvests. Thirty-three of Oregon's 36 counties have received some funding under the federal forest payments program, and18 of 36 received funding from O&C lands.

The impending expiration of SRS on September 30, 2006 prompted a number of bills to be introduced in both the Senate and the House in 2005, and again in 2007 following a one year emergency reauthorization within the Iraq Accountability Appropriations Act (2007). Efforts included multiyear and single year extensions – some in the form of standalone bills, others as attachments to other legislative vehicles.

The Emergency Economic Stabilization Act of 2008, originally introduced in March 2007, was co-opted as the so-called "vehicle" to pass the relief bill with an amendment that rewrites the whole bill. The House failed to pass the original amendment co-opting the bill on September 29, 2008, but passed the Senate version on October 3, 2008 for $700 billion. The final bill included a number of revisions and additions, including four-years of funding for county payments.

Termination of federal payments to counties, when this occurs, will return counties to the traditional revenue-sharing programs which are not likely to produce the revenues necessary to keep county services at levels of the late 1980s because harvests have not changed from their very low levels of the recent past.

Federal payment policies are particularly relevant to Oregon because of the total land area (61.6 million acres), 53.1 percent of the land base (32.7 million acres) is federally-owned – excluding trust properties – making the federal government the largest landowner in Oregon (U.S. Census Bureau, 2004). Approximately 49.5 percent (30.5 million acres) of Oregon is forested of which 27.1 million acres are considered high grade forestland (OR LRO, 2007). Of the high grade forestland, the BLM manages close to 2.3 million acres. Approximately 2.1 million acres are lands that were revested in 1916 from the failed Oregon & California (O&C) railroad, along with 74,547 acres of revested Coos Bay Wagon Road lands. The USFS manages approximately 13.8 million acres of high grade forestland, of which 492,399 acres are O&C lands (OR LRO, 2007; USDI BLM, 2006). Together, Oregon and Washington have approximately 26 million of the 192 million acres of national forest land. As a result, the Pacific Northwest has received substantially higher payments to counties than any other region of the country and, therefore, has substantially more to lose. Of the 39 states receiving federal timber payments, Oregon received slightly more than half of the total 'transitional funds' which annually amounted to $526 million (The Oregonian, 2007).

b. State Property Tax Policy

Property taxes represent the largest source of locally-generated general revenue for local governments, both nationally and in Oregon. Property taxes are collected by local governments to support schools, roads, law enforcement, fire protection, libraries, parks and other services. Oregon's property tax system is uniquely limited by two voter-passed constitutional amendments – Measures 5 and 50.

1. Measure 5

Measure 5, approved by Oregon voters in 1990, limits the amount of property taxes that can be collected from each property tax account (ODR, 2008). These limits, often called the "Measure 5 limits", are figured by dividing taxes into two categories: education and general government. The limits are $5 per $1,000 of real market value (RMV)[10] for education taxes and $10 per $1,000 of RMV for general government taxes. If taxes in either category exceed the limit for that property, the taxes are reduced or "compressed" until the limit is reached, with local option taxes compressed first. If the local option tax is compressed to zero, and the limit still hasn't been reached, the other taxes in the category are proportionally reduced. Some taxes, usually for general obligation bonds, are not subject to limitation, but local option levies, GAP bonds, and urban renewal levies are. The measure required the state's general fund to make up the resulting shortfalls in primary and secondary public school funding.

2. *Measure 50*

Measure 50, approved by voters in 1997 as an amendment to Measure 47, assigned a permanent rate[11] to each taxing district that cannot be raised without statewide-voter approval, and limits the rate of growth of property value subject to taxation (ODR, 2008). Measure 50 added another limit to the Measure 5 limits and is usually stricter. The rate limits created by Measure 50 replaced Oregon's traditional levy system, which used the RMV to assess individual properties; now each property has an RMV and an assessed value (AV). The limit is based on a property's maximum assessed value (MAV), which was established for all property in existence in 1997-98 as 90 percent of a property's 1995–96 RMV. In subsequent tax years, the MAV of individual properties with no new construction is allowed to increase by 3 percent annually until it reaches the RMV. The MAV can never exceed RMV. However, there are exceptions to this limit. New

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[10] Real market value (RMV) is defined by law as the amount in cash that an informed buyer would pay to an informed seller in an arm's-length transaction occurring on the annual assessment date. An arm's-length transaction is a business deal made freely in an open market.

[11] A permanent rate limit is expressed as a tax rate per thousand dollars of assessed value. A local taxing district is permitted to have only one permanent rate limit.

construction or new additions to a property are specific types of "exceptions" where the real market value is reduced to give the owner tax savings similar to existing properties. Each year the MAV and RMV for each property are figured, and the property then taxed on the lesser value, which is called the taxable assessed value. For most properties, the assessed value increases by 3 percent each year. Measure 50 allows voters to approve local option levies for up to five years for operations and up to 10 years or the useful life of capital projects, whichever is less.

3. Impacts of Measure 5 and Measure 50

In the late 1980's, federal forest payments were roughly equal to tax levies received by county governments in Oregon. After passage of SRS which fixed federal forest payments following the steady decline of timber harvest receipts during the 1990s, local property tax levies continued to climb under the control of Measures 5 and Measure 50.

In 1991, twenty-five of Oregon's 36 counties received federal timber payments that were half or greater than their property taxes. By 2007, only six counties continued to rely on timber payments to this extent. The highest ratio of timber payments to property taxes in 2007 was 2.07 (in Grant County); in 1991 the highest ratio was 17.4 (Josephine County). Of all Oregon Counties the smallest reduction in the ratio of federal payments to permanent rate authority between 1991 and 2007 was 80 percent (Lake County). The greatest reduction in this ratio was 99 percent (Jackson County).

All school districts in Oregon will share in the reduction and eventual expiration of SRS payments since the state's school funding formula[12] spreads the losses in rural school districts statewide. If SRS payments had ceased in FY 2007-2008, schools would have lost revenues amounting to $60 for every K-12 student in Oregon. As SRS payments decline and revenue losses for schools are absorbed on a statewide basis, the largest dollar losses will fall on the largest districts (Oregon Office of the Governor, 2009). Because schools have had almost 10 years to adjust to the effects of equalization, they were not considered in this research, with the exception of Grant County whose schools received additional funds from the counties road department which are not subject to the equalization formula. This is addressed more specifically in the results section for Grant County.

[12] Measure 5 required the state's general fund to make up the resulting shortfalls in primary and secondary public school funding. In 1991, in response to Measure 5, the Oregon State Legislature passed a permanent K–12 equalization formula, which determines how much money each school district will get from the State School Fund to fill the gap between the district's local revenue and its equalization target. Federal forest payments are in the local revenue source calculation, along with property taxes.

3. PREVIOUS STUDIES

This section explores the literature relevant to the research topic, which may be a useful reference for those interested in expanding their knowledge of the subject. A search of the literature did not uncover any studies that specifically address the impacts and responses at the individual/community level from the loss of SRS payments and changes in county government services. However, several studies related to the research presented here were discovered and are described below.

a. Northwest Forest Plan (NWFP)

Charnley et al. (2006) evaluate the socioeconomic monitoring results of rural communities and economies for the first 10 years of the NWFP from 1994 through 2003. Their assessment encompassed whether or not local communities and economies experienced positive or negative changes that may be associated with federal forest management, and how well the goals of: 1) maintaining the stability of local and regional economies on a predictable, long-term basis, and 2) assisting with long-term economic development and diversification to minimize adverse effects associated with job loss where timber sales could not proceed, were met. They examined trends in socioeconomic benefits from federal forest lands between the early 1990s and the early 2000s, and the ways in which the NWFP may have contributed to these trends; the socioeconomic mitigation measures designed to offset some of the adverse effects of cutbacks in federal timber harvest, how effective they were and were not; and, the social and economic change in NWFP area communities at the regional scale, and in a sample of 12 forest-based communities, to identify links between the NWFP implementation, the mitigation measures, and community change. The evaluation revealed that socioeconomic well-being between 1990 and

2000 dropped for about 40 percent of the communities within 5 miles of a forest, increased for 37 percent, and stayed about the same for the remaining 23 percent – although they were unable to quantify the extent to which the NWFP contributed to the changes. It was determined that the initial payments-to-counties legislation (OBRA) generally mitigated the effects of declining timber receipts for the 48 counties in the NWFP area covered by the legislation. However, counties in other parts of the NWFP area (e.g. eastern Washington, Oregon, and other parts of California) did not fare as well until the SRS Act extended these payments to all of the eligible counties in the region and nation.

b. Secure Rural Schools and Community Self-Determination Act (SRS)

The Forest Counties Payments Committee (2003) was tasked by Congress to prepare a report providing long-term recommendations for making future payments to States and counties with NFS lands or O&C lands. They also provided information and recommendations about certain Federal payment programs, the source of those payments, and the effect that national forests and O&C lands have on local communities. In making their recommendations they considered: 1) evaluation of methods by which payments are made to eligible States and counties; 2) the impact on States and counties of revenues from historical multiple-use of Federal lands; 3) evaluation of the economic, environmental, and social benefits that accrue to counties containing Federal lands; 4) evaluation of the expenditures by counties on activities on Federal lands, which are Federal responsibilities; and, 5) monitoring and reporting of payments made to eligible States and counties. The committee relied on secondary data from existing studies, and also collected data through a survey of 118 counties, as well as conducting listening sessions to gather public input. While this report provides brief commentary on impacts at the individual/community level, they are related to the loss of the timber/forest products industries and not the impact from the loss of county payments.

The Sierra Institute for Communities and Environment (2006) evaluated SRS focusing on Title II (projects on federal lands) and Title III (specified county-based projects). Sixteen case studies were conducted in nine states to analyze the functioning of fifteen Resource Advisory Committees (RACs) and the projects they approved. Fourteen of the sixteen case studies were located in the top seven states receiving Title II dollars. The report found that the most dramatic achievement of SRS Title II is the impressive collaboration developed among RAC members who approved over $150 million dollars of projects nationally, and new and improved relationships between RAC members (and the interest groups they represent) and the federal agencies. Title III funds were found to have been successfully used for building community capacity to develop community wildfire protection plans leading to leveraging of funds from other sources, although it was noted that many counties were distributing funds through administrative budget allocations, and not the formal project proposal. Search and rescue and emergency services were the highest funded category in the case studies, followed by fire prevention and county planning, and forest-related education. RAC-funded projects were found to have leveraged millions of additional dollars, many partnerships, and thousands of volunteer hours; however, the study revealed that job creation, beyond youth employment, has been indirect and piecemeal, with most projects offering only part-time or short-term work.

Ingles (2004) conducted a USFS sponsored study to determine how well the different requirements of SRS and its implementation achieved the stated purposes of the legislation by examining Titles I, II, and III of the Act. Payments and RAC activities on O&C lands were not considered. The study employed use of historical data, survey responses, and structured personal interviews. The study concluded that during its first three years of existence, SRS effectively met its stated purposes as set forth by Congress. Most importantly, Title I of the Act stabilized payments to counties.

Green and McKetta (2007) prepared a report for the Association of O&C Counties that addresses the economic impacts of losing safety net payments to the 18 O&C counties in western Oregon. They evaluate the direct reduction in county budgets and multiplier effects in the overall economy. The impacts are described as changes in total jobs and income associated with each scenario of lost payments. Input/Output (I/O) models were used to estimate the total job and income effects on individual county economies, and the job and income aspects of trade losses between counties and regional trade centers. The I/O models converted the estimated direct impacts into total impacts by estimating multiplier effects associated with indirect and induced impacts. Data for the models came from secondary sources such as published and online data sources, and field surveys were used to collect detailed data on socio-economic conditions. The study revealed: 1) that the direct loss of SRS payments would amount to a $222.6 million regional reduction in county receipt funds and that they would be unevenly concentrated across counties based on the amount of O&C (BLM) or NFS (USFS) acreage; and, 2) that indirectly, the economy would be impacted: a) through large layoffs in local government, b) by continued structural changes in the wood processing industry that may cause additional layoffs, c) by eroding the tax base making local government finance even more difficult, d) by the loss of over ninety percent ($167 million) of associated earnings. The study does not analyze social impacts resulting from loss of public services provided by counties or that would likely result from increased unemployment.

The Association of Oregon Counties (2007) prepared a status report for the Governor's Task Force on Federal Forest Payments and County Services that provides an overview of the financial impact from the loss of the funds to counties and the potential impact on the state with regards to shared-services. Intended as a working document, this report suggests ways that counties and the state legislature can work together to solve the budget shortfalls.

The Oregon Office of the Governor (2007) established the Governor's Task Force on Federal Forest Payments and County Services to develop recommendations regarding administrative, budgetary, statutory and constitutional changes needed to provide stable and adequate funding for essential services at the county level. They were asked to: 1) compile an assessment of likely service impacts in each affected county from a reduction or termination of federal forest payments and a comparison of each county's ability to provide essential services within their statutory and constitutional taxing authorities; 2) prepare projections of future timber revenues under current and proposed policies for managing timber harvests from federal lands; 3) identify services for which the State provides funding, partners with the counties or relies on the counties for service delivery; 4) gather suggestions from the counties and state agencies for organizational and policy changes that would yield more cost-effective delivery of services at the county level; 5) develop recommendations for executive and legislative action; and 6) support efforts to secure the continuation of federal forest payments. The task force found that, of the 33 Oregon counties receiving SRS funds, 24 were confronted with shortfalls of more than 20 percent of their discretionary general fund or road fund budgets in FY 2008-09. Twelve are expected to face severe general fund shortfalls or road funding will be limited to gravel road standards within one to two years after the loss of SRS payments. Although the report assesses likely impacts to service levels, it does not provide an in-depth examination of fiscal decisions or the impacts on the community from these changes. The task force report is also referenced in the introduction section of this report.

In 2009, Sorte et al updated estimates from the June 2008 Initial Report of the *Governor's Task Force on Federal Forest Payments and County Services* on what the impact on Oregon counties would have been if Secure Rural Schools funding had not been continued. The update relied on data from the January 2009 Final Report of the Task Force. The impact of the expiration of the Secure Rural Schools Act was estimated using IMPLAN, an economic input-output model that provides estimates of inter-industry purchases and sales in a regional economy, and allows the estimation of impacts on the regional economy from external "shocks" such as changes in Federal payments or export sales. Sorte et al (2009) created a model for each of the 33 counties affected by the expiration of SRS, and a model for the State of Oregon as a whole." They concluded that SRS provided funding to Oregon county governments that directly and indirectly supported over 3,500 jobs, \$350 million in sales and \$230 million in value-added in Oregon, and that termination of SRS payments would have led to loss of these jobs, sales and income. The four-year reauthorization of SRS by Congress in October 2008 prevented the loss of jobs, sales and income. However, as SRS payments phase out over the next four years toward scheduled termination in 2012, Oregon counties will see job losses and income reductions unless new sources of county revenue are generated.

4. RESEARCH DESIGN

The research study followed a flexible, qualitative research design using a case study approach, with multiple methods to collect data, and traditionally accepted qualitative methods for analysis of the data. Data were gathered through secondary sources, as well as semi-structured individual and focus groups interviews that were conducted utilizing note-taking and audio recording to ensure reliability and validity of the data collected. The recordings, transcribed by me, provided the data for analysis, which were organized into major themes using the organizing features of word processing software and manual organization into folders.

The study was conducted between August, 2008 and May, 2009. It was limited to three of the thirty-six Oregon counties due to constraints on time and money. The study targeted three counties and two stakeholder groups within each county: 1) county government officials and department heads; and, 2) county businesses, institutions and residents. The selection of counties was determined in collaboration with the Association of Oregon Counties, a sponsor of the study, to represent a range of circumstances based on county type and location, designated status with the State, and the type of federal forest management lands. The counties selected were Josephine County, Grant County and Wallowa County. Josephine County was selected as an "urban-influenced" county, located west of the Cascades, with a designated status of "critical", and the large tracts of O&C lands in its boundaries; Grant County was selected as a rural county, located east of the Cascades in Central Oregon, with a designated status of "hard-hit", and multiple national forests in its boundaries; and, Wallowa County was selected as a rural county, remotely located east of the Cascades on the Oregon border with Washington and Idaho, with a designated status of "critical" and multiple national forests in its boundaries. Participant sampling methods included both purposive and snow-ball sampling. In total 50 participants contributed to the study - 15 county government officials – (8 in Josephine County, and 3 each in Grant and Wallowa) and 36 community participants (19 in Josephine County, 14 in Grant County and 17 in Wallowa).

Since the time the data were collected for this study, counties have received four more years of funding and may have made adjustments to their budgets and service levels. In spite of this possibility, the research presented here provides a snapshot of what the situation might look like in four years and what the impacts and responses of residents might be. It should also be noted that it was difficult to isolate the county payments issue from the overarching issues of the loss of timber industry/economy/infrastructure and the influence of the national economy.

a. County government

The study began with an analysis of existing county financial data for an established "baseline" year through FY 2008-2009 with assistance from the primary financial contact for each selected county. The baseline year was considered to be the one prior to the year major changes in staffing and service levels were made in response to the anticipated loss of SRS funds, which varied by county. The compiled information was used to inform semi-structured interviews held with county government officials and department heads (see Appendix A). Interviewees were purposively selected based on their position within county government and familiarity with the loss of federal funds and knowledge of impacts on county budgets and services. Interviews lasted for about one hour and were conducted by telephone or in person. Conversations were digitally recorded following review and signature of the required OSU Informed Consent document for the study by the student researcher and interviewee. These interviews occurred prior to the sessions with community members.

b. Businesses, institutions and residents

The existing county financial data for the baseline year through FY 2008-2009 and results of interviews with county government official and department heads provided the basis for conversation with focus group/interview sessions with county business, institutions and residents. Interviewees were recruited by email or by telephone. Local businesses and institutions were purposively selected based on the potential impact to them by county service level changes, as well as by referral. Residents were recruited through referrals from county government officials and department heads, and businesses, institutions and other residents.

Focus group sessions, when conducted, were structured so that businesses and institutions were interviewed separately from residents. One to two focus groups sessions were anticipated for each target group in each of the selected counties (time and interest permitting), with approximately 8 to 10 different participants per session. Sessions were held in neutral locations (e.g. public facility) to minimize the appearance of bias and reduce potential conflicts among participants, but that also respected the privacy of the participants (e.g. private room closed to public movements). Focus group sessions lasted about two hours and were scheduled to convenience the target group whenever possible. Conversations were digitally recorded following review and signature of the required OSU Informed Consent document for the study. Notes were also taken during the sessions.

Individual interviews with businesses, institutions or residents were conducted when participation in a focus group session was not possible, or not desired. Interviews lasted for about one hour and were conducted by telephone or in person. Conversations were digitally recorded following review and signature of the required OSU Informed Consent document for the study by the interviewer and interviewee. Informed Consent documents for interviews conducted over the telephone were either mailed or faxed to the researcher.

During the focus group sessions and interviews, the researcher acted as a facilitator. The researcher provided provide some initial set-up, based on the outcome of interviews with county government officials and department heads, before questioning participants about their use, impact and response to changes in particular county services. Participants were asked a series of questions to address the impacts, or anticipated impacts, to themselves, their families, their organization and the community (see Appendix B). Participants were asked to “imagine” the impacts since the full effect of the changes may take several of years to manifest, and participants may not be speaking with first-hand knowledge when they address services that they have not used, or do not plan to use, or they do not know of anyone who has or will use the service.

5. PROFILE OF CASE STUDY COUNTIES: JOSEPHINE, GRANT, WALLOWA

The study seeks to compare how particular policies work in different kinds of places. This section describes the counties selected for analysis, examining the geographic, demographic and economic characteristics, property taxes, land ownership, and federal forest payments history.

a. Geography

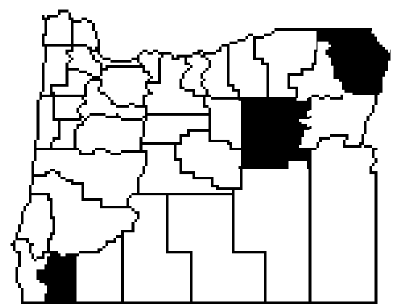


Table 1 presents a geographic comparison of the three counties in this study. Two of the three counties – Grant and Wallowa lie east of the Cascade Mountains at elevations greater than 3,000 feet. Although they do not receive as much precipitation as Josephine County, much of it is in the form of winter snow. These two counties also have fewer paved road miles, with Wallowa having the fewest paved road miles. The combination of these factors may impact the condition of the roads more than in Josephine County. For example, the roads may deteriorate more quickly, and there may be more roads that require snow removal or higher amounts of snow removal. However, because of the large number of paved roads, Josephine County may be more impacted in their oil and asphalt costs than Grant and Wallowa who may be more concerned with the cost of aggregate.

Wallowa and Grant counties also have a larger land area than Josephine County, with far fewer persons per square mile. Both counties are considered “isolated” counties while Josephine County is considered “connected.” Isolated counties are in a rural setting, where it is difficult to get to major population centers via road or air travel, while connected counties are in a rural setting but connected to the rest of the world via airports with daily service.

Table 1: *Geographic Comparison*

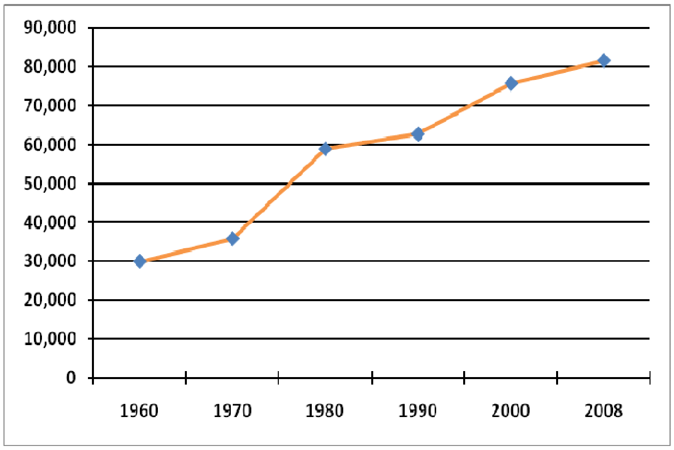
	Josephine	Grant	Wallowa	Oregon	U.S.
Relationship to Cascade Mtns	West	East	East		
Description	Towering mountains, deep canyons, rugged rims, plateaus, and rolling hills	An arid to temperate region	Mountainous with high mountain lakes, deep river canyons, plateaus and river valleys with rolling hills, grassland and lush meadows		
Land area, 2000 (square miles)[a]	1,640	4,529	3,145		
Persons per square mile, 2000[a]	46.2	1.8	2.3	35.6	79.6
Persons per square mile, 2008[a]	49.8	1.5	2.1	39.5	86.0
Elevation[b]	Grants Pass: 948’	Canyon City: 3,194’	Enterprise: 3,757’		
Annual Precipitation[b]	32.3”	14.3"	13.8"		
Average Temperature[b]	January 39.9° July 71.6°	January 30.7° July 68.4°	January 24.2° July 63.0°		
# of road miles, total[c]	559.02	504.96	685.06		
# of road miles, paved[c]	549.95	234.29	100.22		
% road miles paved	*98.4%*	*46.5%*	*17.2%*		
# of road miles, unpaved[c]	9.07	269.95	484.06		
Western state county type[d]	Connected	Isolated	Isolated		

[a] US Census Bureau (2009b,c,d)
[b] Oregon Blue Book (2009b,c,d)
[c] AOC (2007a)
[d] Headwater Economics (2008a,b,c)

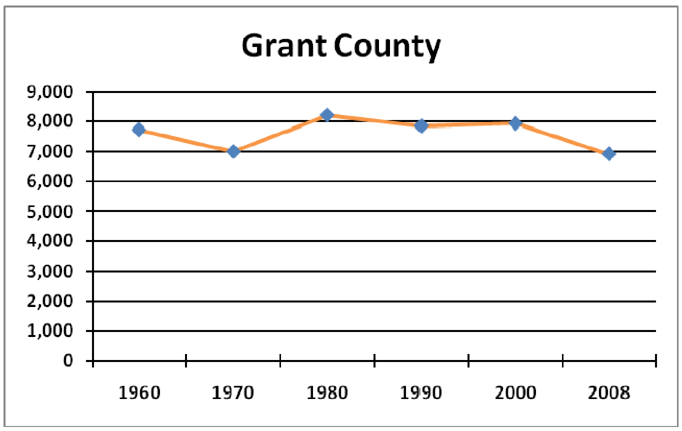
b. Demographic characteristics

Figure 1 presents a comparison of population change over the last four decades for the three counties in this study. Grant and Wallowa counties have significantly smaller populations than Josephine County. Since the 1970s, Josephine County has experienced progressive population growth, while Grant and Wallowa County have followed similar patterns of growth and decline.

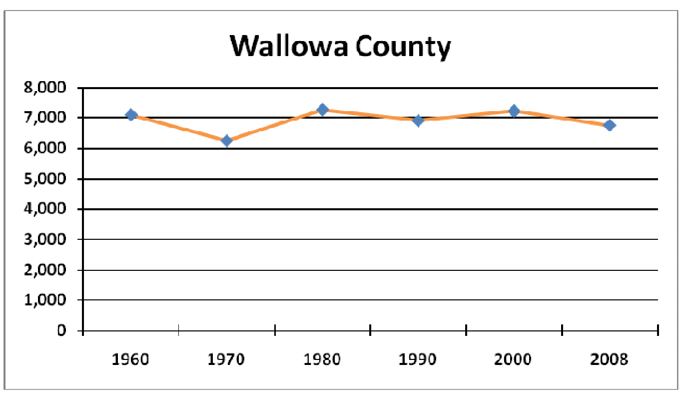
Figure 1: *Population change for Josephine, Grant and Wallowa County, 1960-2008*



Josephine County						
	1960	1970	1980	1990	2000	2008
Total	29,917	35,746	58,855	62,649	75,726	81,618
Change		5,829	23,109	3,794	13,077	5,892
Percent Change		19.48%	64.65%	6.45%	20.87%	7.78%



Grant County						
	1960	1970	1980	1990	2000	2008
Total	7,726	6,996	8,210	7,853	7,935	6,916
Change		-730	1,214	-357	82	-1,019
Percent Change		-9.45%	17.35%	-4.35%	1.04%	-12.84%



Wallowa County						
	1960	1970	1980	1990	2000	2008
Total	7,102	6,247	7,273	6,911	7,226	6,760
Change		-855	1,026	-362	315	-466
Percent Change		-12.04%	16.42%	-4.98%	4.56%	-6.45%

US Census Bureau (2009b,c,d)

Between 1970 and 1980, all three counties experienced population growth, with Josephine County growing by almost 65 percent! Between 1980 and 1990, Josephine County population continued to grow, while Grant and Wallowa counties experienced population declines between 4 to 5 percent, rebounding only slightly between 1990 and 2000 before declining again to their present numbers. Grant County population has declined to below 1970 levels, with almost 13 percent of its population lost between 2000 and 2008.

Table 2 presents a demographic comparison of the three counties in this study. The median age for the counties is relatively the same, and the largest age category (45-49 year olds) is the same. The fastest growing age group for Josephine between 1990 and 2000 was the 50-54 year old cohort; however, for Grant and Wallowa it is the 45-49 year old cohort. The number of persons less than18 years of age or older than 65 years of age are relatively similar for all three counties, although Wallowa County has a slightly smaller proportion of those less than 18 years of age.

All three counties are above the state poverty level of 13 percent. Josephine County has the highest poverty rate of the three counties, however, at 17.5 percent. The ratio of those in poverty who are also on welfare is also higher in Josephine County indicating a greater dependence on human services than Grant and Wallowa.

Finally, at 20.3 percent, Wallowa County has the highest percentage of those 25 years of age or greater who have a Bachelor's degree and Josephine County the lowest at 14.1 percent. All three fall below the state average of 25.1 percent.

Table 2: *Demographic Comparison*

	Josephine	Grant	Wallowa	Oregon	U.S.
Persons per square mile, 2000[a]	46.2	1.8	2.3	35.6	79.6
Persons per square mile, 2008[a]	49.8	1.5	2.1	39.5	86.0
Population, 2000[a]	75,724	7,935	7,226	3,421,437	281,424,602
Population, 2008[a]	81,618	6,916	6,760	3,791,060	304,059,724
% change Apr, 2000 to Jul, 2008	*7.8%*	***-12.8%***	*-6.4%*	*10.8%*	*8.0%*
Median age, 2000[a]	43.1	41.7	44.4	36.3	35.3
Largest age category, 1990-2000[b]	45-49	45-49	45-49	45-49	35-39
% of total population	*7.8%*	*8.2%*	***10.1%***	***7.9%***	***8.1%***
Fastest growing age group, 1990-2000[b]	**50-54**	45-49	45-49	50-54	50-54
% of total change	*2.6%*	*2.1%*	***4.5%***	***2.3%***	***1.7%***
Persons 18 years old and under, 2007[a]	20.3%	20.1%	18.9%	23.0%	24.5%
Persons 65 years old and over, 2007[a]	20.9%	21.6%	21.9%	13.0%	12.5%
Persons below poverty, 2007[a]	**17.5%**	14.2%	14.4%	13.0%	13.0%
Welfare payments[b]					
% of total transfer payments	*8.5%*	*6.5%*	*5.9%*	*8.5%*	*10.0%*
White persons not Hispanic, 2006[a]	90.3%	94.2%	**95.4%**	80.5%	66.0%
Bachelor's degree+, % age 25+, 2000[a]	14.1%	15.7%	**20.3%**	25.1%	24.4%

[a] US Census Bureau (2009b,c,d)
[b] Headwater Economics (2009a,b,c,d,e)

c. Economy

Table 3 presents an economic comparison of the three counties in this study. Commuting data suggests that Josephine and Grant counties are bedroom communities while Wallowa is not. That is, residents travel outside the county for work but have their homes within the county. Josephine and Grant County have a higher proportion of wage and salary jobs than Wallowa, while Wallowa has a greater proportion of proprietors. Wallowa and Grant counties have a higher proportion of farm proprietors compared to Josephine County, the state and the nation.

Table 3: *Economic Comparison*

	Josephine	Grant	Wallowa	Oregon	U.S.
Commuting inflow & outflow[a]	Bedroom community*	Bedroom community	Commuting minor		
Employment, full and part-time, 2006[a]					
Wage and salary jobs, *% of total emp.*	68.5%	66.5%	**57.4%**	79.0%	80.3%
Proprietors, *% of total emp.*	31.5%	33.5%	**42.6%**	21.0%	19.7%
Farm proprietors, % of total emp.	*1.7%*	*10.1%*	*11.1%*	*1.7%*	*1.2%*
Unemployment rate[b] *(seasonally adjusted)*					
April 2008	7.8%	**9.0%**	6.5%	5.6%	5.0%
April 2009	**15.4%**	13.4%	12.1%	11.8%	8.9%
% change April 2008 to 2009	***7.6%***	*4.4%*	*5.6%*	*6.2%*	*3.9%*
Median income, 2006[c]	$37,858	$36,629	$38,305	$46,228	$48,451
Personal income per capita, 2006[a]	$26,227	$29,077	$28,116	$33,299	$36,714
Total personal income, 2006[a] *(million $)*	$2,120	$204	$189.5	$122,909	$10,968,393
Total labor sources, *% personal income*	50%	**53%**	50%	65%	68%
Total non-labor, *% personal income*	50%	**47%**	50%	35%	32%
Dividends, interest, and rent					
% of total non-labor	*46%*	***52%***	***52%***	***56%***	***53%***
% of total personal income	*23%*	*24%*	***26%***	***19%***	***17%***
Transfer payments					
% of total non-labor	***54%***	*49%*	*48%*	*44%*	*47%*
% of total personal income	***27%***	*23%*	*24%*	*15%*	*15%*
Age-related					
% of total transfer payments	*63%*	*67%*	***71%***	*61%*	*59%*
Welfare payments					
% of total transfer payments	***8.5%***	*6.5%*	*5.9%*	*8.5%*	*10%*

[a] Headwater Economics (2009a,b,c,d,e)
[b] Oregon Employment Department (2009a,b)
[c] US Census Bureau (2009b,c,d,e)
* Income derived from commuting out of the county to work exceeds the income from people commuting into the county

In 2008, Grant County had the highest unemployment rate at 9 percent. However, over the past year, Josephine County has surpassed Grant County with an unemployment rate of 15.4 percent.

This reflects national and economic trends (which show unemployment also rising) as a result of the recession and contributes to the overall instability of the counties who have been attempting to recover from the loss of the timber industry in their communities. The increase in Josephine could be explained by the fact that Josephine County has a higher proportion of wage and salary jobs in the service sector, compared to Grant and Wallowa who have a higher proportion of proprietors, particularly farm proprietors.

The median income and per capita personal income[13] for the three counties is roughly similar, although Josephine County generates far more personal income in total because of the larger population base. However, the proportion of labor and non-labor sources of personal income (investments[14] and transfer payments[15]) differ. In Josephine and Wallowa counties, they are split 50/50, whereas in Grant County a higher proportion of personal income is from labor sources at 53 percent and non-labor income at 47 percent. And, although Josephine and Wallowa counties have the same percent of non-labor personal income, in Josephine a higher proportion comes from transfer payments, while in Wallowa a higher proportion that comes from dividends, interest and rent. This also holds true for Josephine. Of non-labor personal income transfer payments, Wallowa has the highest age related payments, while Josephine County has the highest welfare payments.

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[13] Per capita personal income measures the overall level of income and is comprised of a labor portion of income (net earnings) and non-labor income, such as transfer payments and investments.

[14] Investments include dividends, interest and rent income

[15] Transfer payments include retirement and disability insurance benefits, Medicare and Medicaid payments, unemployment insurance and income maintenance benefits

d. Political structure and participation

Table 4 presents a political comparison of the three counties in this study. Of the three counties, only Josephine has adopted a home rule charter, while Grant and Wallowa have the traditional constitutional form of government. And, while all three counties have the same size 'board', only Grant has a county court type, though all board positions are elected positions. Of the voting electorate, Wallowa has the highest share of registered voters followed by Josephine, with Grant having the fewest number. In all three counties, of the total registered voters, Republican Party affiliation represents the highest proportion. However, within this category, Grant and Wallowa have a higher proportion than Josephine, while Josephine has a higher proportion of Democratic affiliated voters. In other words, these are all Republican dominated counties, with a stronger Democratic presence in Josephine. Interestingly, Wallowa County has the most engaged electorate in all categories for those voting in 2008, while Josephine County is the least engaged.

Table 4: *Political Comparison*

	Josephine	Grant	Wallowa	Oregon	U.S.[a]
County government form[b]	Home rule charter	Constitutional	Constitutional		
County government type[b]	Commission	County Court	Commission		
Board size[a]	3	3	3		
Population[b], *% registered 2008*	63%	60%	**69%**	77%	58%
% voting in 2008	*81%*	*87%*	***91%***	*86%*	*65%*
Party affiliation[c], *% of total*					
Democratic	**32%**	28%	30%	43%	
% voting in 2008	*85%*	*89%*	***93%***	*89%*	
Republican	**43%**	**50%**	**50%**	32%	
% voting in 2008	*86%*	*89%*	***92%***	*88%*	
Independent	20%	19%	16%	20%	
% voting in 2008	*68%*	*80%*	***83%***	*76%*	
Other	5%	3%	3%	4%	
% voting in 2008	*72%*	*82%*	***86%***	*77%*	

[a] US Census Bureau. (2008)
[b] Oregon Blue Book (2009a,b,c,d)
[c] Oregon Secretary of State (2008)

e. Property Taxes

Table 5 presents a comparison of property taxes for the three counties. The impact of property tax measures is evident in this table, particularly Measure 50 which established a permanent tax rate for each county and restricted increases in annual assessments. Of the three counties, Grant County has the highest permanent tax rate and Josephine County has the lowest – almost 5 times lower – and the lowest in the state! In all three counties, they are collecting taxes on about half of the RMV of property in the county. Of the three, Josephine County is the only county who has put forward a local bond option levy or tax district to the voters to raise additional property taxes, although Wallowa County suggested a possible road tax district in the future. Grant County did not feel voters would entertain such a proposition so are not currently considering it. For more information on property tax measures, see the background section (2).

Table 5: *Property Tax Comparison*

	Josephine	Grant	Wallowa
Permanent tax rate[a] *(per $1,000 assessed value)*	**$0.5867**	$2.8819	$2.5366
Rank order statewide[a] *(lowest to highest)*	**1**	23	17
Assessed Value, 2008-09[b] *(millions $)*	$5,653	$421	$581
Real Market Value, 2008-09[b] *(millions $)*	$10,269	$651	$1,047
Collections, budgeted 2008-09[c,d,e] *(millions $)*	$3.3	$1.2	$1.4
Collections, average rate[f]	94.4%	89.7%	92.6%

[a] Association of Oregon Counties (2007b)
[b] Oregon Department of Revenue (2009a)
[c] Josephine County (2008a)
[d] Grant County (2008)
[e] Wallowa County (2008)
[f] Oregon Department of Revenue (2009b)

f. Land ownership

Table 6 presents a comparison of land ownership for the three counties. All three counties have a high percentage of public lands, ranking in the top third of all counties in the state. Of the three, Josephine has the highest percentage and Wallowa the lowest. Wallowa and Grant have more than one national forest in their borders, while Josephine has only one. All three have wilderness areas which are attractive for their amenity and recreation values.

Table 6: *Land ownership Comparison*

	Josephine	Grant	Wallowa	Oregon	National
Federal land ownership, %	**62.4%**	60.7%	57.6%	53.1%	28.8%
Rank order statewide *(high > low)*	7	9	10		
Land area, sq. mi.	1,023	2,749	1,812		
National Forests	Rogue-Siskiyou	Malheur, Ochoco, Umatilla, Wallowa-Whitman	Umatilla, Wallowa-Whitman		
Wilderness areas	Kalmiopsis; Wild Rogue	Strawberry Mountain; North Fork John Day	Eagle Cap; Hells Canyon		

g. Federal forest payments

Table 7 presents a comparison of average federal forest payments for FY 2004-2005 thru FY 2008-2009. The percentage and productivity of federal land, and the revenue-sharing policies applicable to each county are the predominant factors in the differences between the three counties. All three counties receive payments from NFS lands. Only Josephine County receives money from O&C lands. Because of the unique history of the O&C lands, Josephine County is entitled to a larger share of the money from federal timber sales than is provided by the revenue sharing formula that applies to NFS lands. Additionally, because the O&C payments may be used for discretionary purposes, payments to the General Fund represent a significantly higher proportion of the total than does the Road Fund. The opposite is true in Grant and Wallowa counties whose payments are non-discretionary and must be used for roads and schools. Grant County has received significantly higher payments than Wallowa, due to differences in productivity of timber harvests. Both Josephine and Wallowa counties have a designated status of "critical" while Grant has a designated status of "hard hit." Without SRS funds, Grant County stands to lose 67 percent of their county road funds, approximately $5.9 million and Wallowa County stands to lose 51 percent of their county road funds, approximately $0.8 million. Josephine County, on the other hand, stands to lose 26 percent of their county road funds, approximately $1.8 million, and 68 percent of their general funds, approximately $9.0 million.

In Josephine County, federal forest payments come from two sources – O&C lands administered by the BLM and NFS lands administered by the USFS. Federal forest payments have made significant contributions to General Fund and Road Fund revenues in Josephine County. Between FY 2004-2005 and FY 2007-2008, an average of $17 million in total SRS payments was distributed for Josephine County (line 6 of Table 7). Of this, the county received on average $14.7 million of Title I/III funds (line 1) of which an average of $12.8 million contributed to General Fund revenues (line 2), and an average of $1.9 million to Road Fund revenues (line 3). An average of $650,000 of Title I funds was redirected to state school fund for redistribution under the equalization formula (line 5). And, the Resource Advisory Committees for the BLM/USFS received an average of $1.5 million for Title II fund for federal forest restoration projects (line 4). In FY 2005-2006, BLM O&C Title I/III payments contributed 39.4 percent of

General Fund revenues and 13.8 percent of all revenues (Josephine County, 2005). Because of the large amounts of discretionary money the county has received from federal forest payments on the BLM O&C lands, the Governor's Task Force on Federal Forest Payments identified the status of Josephine County as "critical" in its recently released final report (Oregon Office of the Governor, 2009). Critical is a designation used in the report to describe counties that will face severe general fund shortfalls or whose road funding will be limited to gravel road standards within one to two years after the loss of SRS payments.

Table 7: *Federal Forest Payments – Average of FY 04-05 to FY 07-08*

	Josephine	Grant	Wallowa
1. Total SRS pmts to County	$14,743,630	$6,977,839	$979,481
2. To General Fund	$12,812,625	$562,798	$87,282
3. To Road Fund	$ 1,931,005	$6,415,041	$892,198
4. Total SRS pmts to BLM/USFS RAC	$ 1,511,053	$1,098,199	$122,646
5. Total SRS pmts to State School Fund	$ 643,668	$2,138,347	$297,399
6. Total SRS payments [a-h]	**$16,898,352**	**$10,214,384**	**$1,399,527**
County Status	Critical	Hard Hit	Critical

Note. Averages were calculated using data from the sources listed below. No SRS payments were included in FY 2008-09 budget which was implemented prior to 4 year reauthorization and ramp-down. Reauthorization amounts may be found at http://www.fs.fed.us/srs/docs/2009-counties-allts-18-1.xls, Oregon tab for USFS and http://www.blm.gov/or/rac/files/Secure%20Rural%20Schools%20Payments%20--%20One-Year%20Extension%2011-07.pdf for BLM payments.

[a]BLM SRS Title I, II, III Payments to Counties FY 2005 (http://www.blm.gov/or/files/County_official_2004_payments.pdf)

[b]USFS SRS Title I, II, III Payments to States 2004 (https://wwwnotes.fs.fed.us/r4/payments_to_states.nsf/b21825ca706c908d88256ccb007255e6/2006553a9825ba36882574e50048dc31/$FILE/ASR%2018%20FY04%204th%20year.pdf, p. 60)

[c]BLM SRS Title I, II, III Payments to Counties FY 2006 (http://www.blm.gov/or/rac/files/Official%202006%20payments.pdf)

[d]USFS SRS Title I, II, III Payments to States 2005 (https://wwwnotes.fs.fed.us/r4/payments_to_states.nsf/b21825ca706c908d88256ccb007255e6/d8a7a982dd54f9f6882574e5004896d6/$FILE/2005.PNF-ASR-18-1.pdf, p. 48)

[e]BLM SRS Title I, II, III Payments to Counties FY 2007 (http://www.blm.gov/or/rac/files/Official%202007%20payments.pdf

[f]USFS SRS Title I, II, III Payments to States 2006 (https://wwwnotes.fs.fed.us/r4/payments_to_states.nsf/b21825ca706c908d88256ccb007255e6/ce33a591f6abc7c88825725f005956ac/$FILE/2006.PNF.ASR-18-1.pdf, p. 48)

[g]BLM SRS Title I, II, III Payments to Counties FY 2008 (http://www.blm.gov/or/rac/files/Secure%20Rural%20Schools%20Payments%20--%20One-Year%20Extension%2011-07.pdf)

[h]USFS SRS Title I, II, III Payments to States 2007 (https://wwwnotes.fs.fed.us/r4/payments_to_states.nsf/b21825ca706c908d88256ccb007255e6/7f23a739f0fc61c0882573e6005583f7/$FILE/2007.18.1.all.states-Final.xls, Oregon tab

Federal forest payments to Grant County come from one source – the NFS lands administered by the USFS – which must be used for roads and schools under the legislative authority of the 25% Fund Act. These payments have made significant contributions to county Road Fund revenues (see Table 11). Between FY 2004-2005 and FY 2007-2008, an average of $10.2 million in total SRS payments was distributed for Grant County (line 6 of Table 7). Of this, the county received on average $7 million of Title I/III funds (line 1) of which an average of $0.6 million contributed to General Fund revenues (line 2), and an average of $6.4 million to Road Fund revenues (line 3). It should be noted that, although the 25% Fund requires shares of harvest revenues be used for roads and schools, SRS monies directed to Title III projects can go into the General Fund. An average of $2.1 million of Title I funds was redirected to state school fund for redistribution under the state equalization formula (line 5). And, the Resource Advisory Committees for the USFS received an average of $1.1 million for Title II funds for federal forest restoration projects (line 4). Grant County is among 24 Oregon counties that have been identified as "hard hit" in the Governor's Task Force on Federal Forest Payments final report (Oregon Office of the Governor, 2009), and are expected to reach "critical" status in 2-4 years. Hard hit is a designation used in the report to describe counties that will lose more than 20 percent of their discretionary general funds or more than 20 percent of their discretionary road funds from the loss of SRS payments.

Federal forest payments to Wallowa County come from one source – the NFS lands administered by the USFS – which must be used for roads and schools under the legislative authority of the 25% Fund Act. These payments make a significant contribution to county road fund revenues (see Table 12 in section 6). Between FY 2004-2005 and FY 2007-2008, an average of $1.3 million in total SRS payments was distributed for Wallowa County (line 6 of Table 7). Of this, the county received on average $1 million of Title I/III funds (line 1) of which an average of

$87,282 contributed to General Fund revenues (line 2), and an average of $892,198 to Road Fund revenues (line 3). Like Grant County, SRS monies directed to Title III projects can go into the General Fund, although the 25% Fund requires shares of harvest revenues be used for roads and schools. An average of $297,399 of Title I funds was redirected to state school fund for redistribution under the state equalization formula (line 5). And, the Resource Advisory Committees for the USFS received an average of $122,646 for Title II funds for federal forest restoration projects (line 4). Wallowa County is among 12 Oregon counties that have been identified as "critical" in the Governor's Task Force on Federal Forest Payments recently released final report, due to the potential inability to maintain a minimal system of mostly gravel roads after the termination of the SRS funding (Oregon Office of the Governor, 2009).

6. POLICY DECISIONS BY COUNTY GOVERNMENT: 2005-2009

This section describes the results of the interviews with county government officials, by county, including a discussion on changes in funding, staff levels and service levels. Only the departments directly impacted by the loss of funds were interviewed for the study, although there may be current or future indirect impacts in other departments. A summary of the changes that occurred between FY 2005-2006 and the FY 2008-2009 adopted budget are outlined at the end of this section in Table 14. Details of specific actions taken for select departments are outlined within each of the following subsections. A comparison of county actions taken between FY 2005-2006 and the adopted budget in FY 2008-2009 is presented at the end of this section in Table 15.

a. Changes in Funding

1. Josephine County

Josephine County began making significant changes in anticipation of the loss of SRS payments beginning with the FY 2005-2006 budget. FY 2004-2005, therefore, is considered the baseline year for the purposes of the study in this county. Reorganization of county management structure through the reduction and elimination of positions and departments, reduction of benefits, privatization of programs, and the proposal of bond levy options and tax districts to voters were among the actions taken by the county. The county began building reserves in the General Fund with the FY 2006-2007 budget to allow them to operate through the FY 2008-2009.

Since the General Fund receives the greatest share of the SRS payments, it has also been subject to the greatest changes. Between FY 2004-2005 and the FY 2008-2009 budget, the General Fund revenues declined by 68 percent and expenditures by 57 percent, while Road Fund revenues declined by 47 percent and expenditures by 11 percent. The changes to the General and Road funds are summarized in Table 8.

Table 8: *Josephine County – General/Road Fund Changes, FY 04-05 to FY 08-09*

	FY 2004-05[a,c]	FY 2005-06[b,c]	FY 2006-07[b,c]	FY 2007-08[b,d]	FY 2008-09[b,d]	% Chg
General Fund*						
Revenues	$34,458,099	$30,583,979	$22,937,215	$13,103,265	$11,212,000	-68%
From SRS Title I	*$11,537,016*	*$11,802,368*	*$11,920,391*	*$11,895,928*	-	
% of revenues	*33%*	*39%*	*52%*	*91%*	-	
Expenditures	$26,151,123	$26,448,324	$17,511,792	$ 9,304,507	$11,212,000	-57%
Road Fund**						
Revenues	$11,524,194	$ 8,027,545	$ 9,006,478	$ 5,806,669	$ 6,157,000	-47%
From SRS Title I	*$ 1,889,743*	*$ 1,933,207*	*$ 1,952,539*	*$ 1,948,532*	-	
% of revenues	*16%*	*24%*	*22%*	*34%*	-	
Expenditures	$ 7,252,879	$ 6,611,703	$ 8,241,928	$ 6,518,856	$ 6,486,000	-11%

Note. Revenues include federal forest payments, as well as property tax revenues and state and federal grants
Note. No SRS payments included in FY 2008-09 budget which was implemented prior to 4 year reauthorization and ramp-down. Reauthorization amounts may be found at http://www.fs.fed.us/srs/docs/2009-counties-allts-18-1.xls, Oregon tab for USFS and http://www.blm.gov/or/rac/files/Secure%20Rural%20Schools%20Payments%20--%20One-Year%20Extension%2011-07.pdf for BLM payments.
[a]Josephine County Financial Summaries 04-05 and 05-06 comparisons (http://www.co.josephine.or.us/files/financial%20summaries.pdf)
[b]Josephine County Finance Office, GF Fund and Public Safety Fund, Schedule of Revenues and Expenditures 7/05-6/09 (Internal document 09/08/08)
[c]Josephine County Comprehensive Financial Reports, Statement of Revenues Expenditures and Changes in Fund Balance (Search Oregon Secretary of State Audits Division, Local Government Audit Reports, http://egov.sos.state.or.us/muni/public.do)
[d]Road Fund revenue from 08-09 adopted budget, Public Works Fund (http://www.co.josephine.or.us/files/4%20Public%20Works%20Fund.pdf)
*Includes beginning fund balances
**Does not include carryover/reserves

The decline in expenditures reflects a number of actions taken by the county in anticipation of the loss of SRS payments, particularly those impacting the General Fund. Through FY 2005-2006, Public Safety (Sheriff, District Attorney and Community Justice – Juvenile and Adult) and Health and Human Services (Public and Mental Health) were primarily in the General Fund.

In FY 2006-2007, a new Public Safety Fund was established that consolidated into one fund the departments of Sheriff, District Attorney and Community Justice. The largest source of revenue for this fund is the O&C portion of SRS, which is transferred from the General Fund. Other revenues are primarily charges for services and various federal and state grants. In FY 2007-2008, Community Justice was reorganized into two divisions – Adult Corrections and Juvenile Justice. Adult Corrections was formed from several related programs within Community Justice and is fully supported by grants from the State with no General Fund support. Juvenile Justice remains in the Public Safety Fund, along with the Sheriff and the District Attorney. In FY 2008-2009 the primary source of resources to operate the offices in the Public Safety Fund is approximately half of the $12 million one-year (2007-08) extension of O&C funds carried over from FY 2007-2008 and a transfer of $3.9 million from the General Fund. Public Safety is projected to receive $3 million from the General Fund for FY 2009-2010 through FY 2012-2013. The changes to General Fund/Public Safety Fund are summarized in Table 9.

Health and Human Services also experienced major changes over several years. In FY 2005-2006, the Mental and Public Health divisions were consolidated into a new Health and Human Services Fund from the Human Services Fund. Both programs received General Fund monies as a portion of their budget. In FY 2006-2007, Mental Health services were privatized to an outside provider in an effort to reduce overhead expenses related to facilities and their maintenance.

Employees who were in the department retained their jobs with the new organization. The same year, Public Health programs stopped receiving General Fund support. In FY 2007-2008, a new Public Health Fund was formed that includes the Public Health Division, previously in the Health and Human Services Fund, now discontinued. The largest source of revenue for this fund is grants from the state with no General Fund support, similar to Adult Corrections. Change in revenues and expenditures for FY 2004-2005 thru FY 2008-2009 for the departments referenced in the previous discussion, that received or previously received General Fund support, is grants from the state with no General Fund support, similar to Adult Corrections.

Table 9: *Josephine County – General/Public Safety Fund, FY 04-05 to FY 08-09*

	FY 2004-05[a,b]	FY 2005-06[c]	FY 2006-07[c]	FY 2007-08[c]	FY 2008-09[c]	% Chg 04-05 to 08-09
General Fund*						
Revenues	$ 34,458,099	$ 30,583,979	$ 22,937,215	$ 13,103,265	$ 11,212,000	-67%
Expenditures	$ 26,151,123	$ 26,448,324	$ 17,511,792	$ 9,304,507	$ 11,212,000	-57%
Carryover	$ 8,306,976	$ 4,135,655	$ 5,425,423	$ 3,798,758		
Public Safety						
Revenues**	$ 5,389,611	$ 5,355,518	$ 20,449,687	$ 21,483,512	$ 14,180,000	-31%
GF transfer	*$ -*	*$ -*	*$ 12,040,605*	*$ 4,800,000*	*$ 3,900,000*	
Expenditures	$ 16,030,652	$ 15,977,601	$ 18,892,887	$ 15,717,078	$ 14,180,000	-12%
Carryover	$(10,641,041)	$(10,622,083)	$ 1,556,800	$ 5,766,434		
Total GF and PS						
Revenues	$ 34,458,099	$ 30,583,979	$ 43,386,902	$ 34,586,777	$ 25,392,000	-26%
Expenditures	$ 26,151,123	$ 26,448,324	$ 36,404,679	$ 25,021,585	$ 25,392,000	-3%
Carryover	$ 8,306,976	$ 4,135,655	$ 6,982,223	$ 9,565,192		

[a]Josephine County Financial Summaries 04-05 and 05-06 comparisons (http://www.co.josephine.or.us/files/financial%20summaries.pdf)
[b]Public Safety part of General Fund for FY 2004-2005 and 2005-2006; shown broken out in Public Safety rows
[c]Josephine County Finance Office, GF Fund and Public Safety Fund, Schedule of Revenues and Expenditures 7/2005-6/2009 (Internal document dated 09/08/08)
*includes beginning fund balances
**includes revenue transferred from GF

Change in revenues and expenditures for FY 2004-2005 through FY 2008-2009 for the departments referenced in the previous discussion, that received or previously received General Fund support, are summarized in Table 10.

Table 10*: Josephine County – General/Public Safety Fund by Dept, FY 04-05 to FY 08-09*

	FY 2004-05[a]	FY 2005-06[b]	FY 2006-07[b]	FY 2007-08[b]	FY 2008-09[b]	% Chg
Sheriff						
Expenditures	$ 10,247,940	$10,534,657	$ 9,829,947	$ 10,272,748	$ 8,926,500	-13%
Revenues*	$ 2,826,683	$ 2,698,985	$ 2,519,634	$ 2,288,450	$ 2,141,000	-24%
Revenue (shortfall)**	$ (7,421,257)	$ (7,835,672)	$ (7,310,313)	$ (7,984,298)	$ (6,785,500)	-9%
Rev shortfall,% of Exp	*72%*	*74%*	*74%*	*78%*	*76%*	
District Attorney						
Expenditures	$ 1,981,287	$ 1,888,636	$ 1,544,515	$ 1,599,001	$ 1,736,200	-12%
Revenues*	$ 639,874	$ 688,384	$ 426,377	$ 367,618	$ 566,200	-12%
Revenue (shortfall)**	$ (1,341,413)	$ (1,200,252)	$ (1,118,138)	$ (1,231,383)	$ (1,170,000)	-13%
Rev shortfall,% of Exp	*68%*	*64%*	*72%*	*77%*	*67%*	
Juvenile Justice						
Expenditures	$ 2,470,926	$ 2,302,490	$ 2,235,743	$ 2,226,338	$ 2,233,200	-10%
Revenues	$ 865,374	$ 881,446	$ 839,048	$ 654,607	$ 1,022,500	18%
Revenue (shortfall)**	$ (1,605,552)	$ (1,421,044)	$ (1,396,695)	$ (1,571,731)	$ (1,210,700)	-25%
Rev shortfall,% of Exp	*65%*	*62%*	*62%*	*71%*	*54%*	
Adult Corrections						
Expenditures	$ 1,330,499	$ 1,251,818	$ 3,742,210	-	-	-100%
Revenues	$ 1,057,680	$ 1,086,703	$ 4,224,846	-	-	-100%
Revenue (shortfall)**	$ (272,819)	$ (165,115)	$ 482,636	-	-	-100%
Rev shortfall,% of Exp	*21%*	*13%*	*(13%)*			
Public Health						
Expenditures	$ 3,460,049	$ 3,266,638	$ 647,562	$ 86,785	-	-100%
Revenues	$ 2,742,174	$ 2,759,905	-	-	-	-100%
Revenue (shortfall)**	$ (717,875)	$ (506,733)	$ (647,562)	$ (86,785)	-	-100%
Rev shortfall, % of Exp	*21%*	*16%*				

Note. Figures rounded to the nearest whole number
[a]FY 2005-2006 Operation Budget, County Sheriff (http://www.co.josephine.or.us/files/criminal%20justice%20budget.pdf, p. 163, 173)
[b]Finance Office, GF Fund and Public Safety Fund, Schedule of Revenues and Expenditures 7/05-6/09 (Internal document 09/08/08)
*Department-generated revenues - includes fees and charges for service plus state and federal grants.
**Revenue shortfall funded by carryover reserves and/or transfer from General Fund.

Sheriff – The criminal justice system in Josephine County is comprised of departments of the Sheriff, District Attorney, Juvenile Justice, and Adult Correction, which cooperate with the 14th

Judicial District Circuit Court. While each department is integral to the functioning of the public safety system as a whole, the Sheriff's office plays a central role. The Sheriff's office provides services for operating the jail, court security, patrol, detectives, emergency management, search and rescue, civil, records & communications, and evidence and administration. The operations of the Sheriff's office are vital to the proper functioning of the criminal justice system.

Expenditures for the Sheriff's department are budgeted at approximately 9 million for FY 2008-2009, a decline of 13 percent since FY 2004-2005. Historically, the Sheriff's department has received the majority of its revenues from the O&C portion of the timber payments. FY 2007-2008 was the first year that any property tax money went to the Sheriff's office. Between FY 2004-2005 and FY 2008-2009, revenues generated by the department declined by 24 percent. Costs above revenues (revenue shortfall) generated by the Sheriff's department have been funded by reserves and/or transfers from the General Fund. This represents about 75 percent of total expenditures for the department, or $6.8 million (see Table 10).

The department has implemented, or is looking to implement, a number of cost-saving/efficiency measures including reducing the patrol fleet by eleven vehicles; pairing deputies up to save on gas; changing uniforms for deputies in the correctional facility to save about $100 on each uniform; increasing the use of volunteers for search and rescue and community services; allowing civil deputies to take cars home so they can serve documents on their way to and from work when people are most likely to be at home; having criminals post bond rather than citing them to appear in court, which often results in the need to serve "failure to appear" warrants, saving around $2.4 million a year – this policy was implemented during the early part of 2008, but was stepped back due to the reduction in FTE; closing down half the jail – the booking section was closed and everything is now run from the housing section; modifying the inmate menu while ensuring it remains compliant with state law; and possible relocation of sheriff's office to the jail facility to create additional efficiencies.

The county has made several attempts to raise revenues for public safety through local bond levy options. In 2000, voters approved a one-year levy, after rural patrols were cut. But in 2004, a proposed jail operations levy failed, and in May 2007, a proposed county public safety levy failed, both with more than 60 percent of voters against it. More recently, in November 2008, the county proposed two public safety tax districts – one for the entire county (including cities) to fund the jail at $1.80/1,000 and one for the county (outside city limits) to fund patrol at $1.09/1,000. The service district model was the only way the county could obtain stable funding, and was based on levels of service seen in FY 2000-2001. They were both rejected by voters in by a two-thirds margin. Without the passage of the public safety tax districts, the budget for FY 2009-2010 would be reduced by 50 percent from current year levels and could be impacted further if there is a loss of additional funds from outside sources; for example, state funding for jail beds is reduced from past levels because of reductions in the number of jail beds in the budget.

District Attorney **–** The primary function of the District Attorney (DA) is the prosecution of adults and juveniles for criminal conduct. This includes advising police regarding criminal procedure and search warrants, grand jury investigations, the evaluation of police referrals, and charging, preparation and negotiation of appropriate cases.

Expenditures for the DA's office are budgeted at approximately $1.7 million for FY 2008-2009, a decline of 12 percent since FY 2004-2005. Like the Sheriff's department, the DA has received the majority of its revenues from the O&C portion of the timber payments, and FY 2007-2008 was the first year the department received any property tax. Between FY 2004-2005 and FY 2008-2009, revenues generated by the department declined by 12 percent. Costs above revenues generated by the department have been funded by reserves and/or transfers from the General Fund. This represents about 67 percent of total expenditures for the department, or $1.2 million (see Table 10).

If the public safety tax districts had been approved by the voters in November, 2008, the projected General Fund transfer of $3 million would have been redistributed between the DA and Juvenile Justice allowing them to maintain their existing budgets. Without the passage of the tax districts, the DA will be funded at about 50 percent of the FY 2008-2009 budget. A reduction in the number of cases the DA prosecutes has the potential to reduce additional funding from other sources because finding is often based on the volume of cases moving through the system, placing further financial stress on the department.

Juvenile Justice **–** Juvenile Justice provides a range of services including intake of all law enforcement referrals, informal interventions, diversions, petitions filed in juvenile court, juvenile court investigations, risk/need assessments, courtroom case presentations, probation supervision, formal accountability agreements, counseling, custody services for youth who are pending court or serving probation violation sanctions, and shelter services for status offenders and victims of abuse or neglect.

Expenditures for the Juvenile Justice department are budgeted at approximately $2.2 million for FY 2008-2009, a decline of 10 percent since FY 2004-2005. Similar to the Sheriff and DA offices, the Juvenile Justice department has received the majority of its revenues from the O&C

portion of the timber payments, with FY 2007-2008 being the first year the department received any property tax. Between FY 2004-2005 and FY 2008-2009, revenues generated by the department increased by 18 percent, predominantly from state grants and contracts with other agencies. Costs above revenues generated by the department have been funded by reserves and/or transfers from the General Fund. This represents about 54 percent of total expenditures for the department, or $1.2 million (see Table 10).

If the public safety tax districts had been approved by the voters in November, 2008, the projected General Fund transfer of $3 million would have been redistributed between the DA and Juvenile Justice allowing them to maintain their existing budgets. Without the passage of the public safety tax districts, the department expects to receive $440,000 from the General Fund for FY 2009-2010, far short from the $1.3 million requested – a net loss of 69 percent. There is a possibility that the county could contract with the State to provide beds for the Oregon Youth Authority (OYA) which would bring in additional funds.

Adult Corrections – Adult Corrections fosters community safety and attempts to reduce recidivism (lapses into previous undesirable behavior) through the supervision, treatment, services and sanctioning of adult offenders, providing accountability for adult offenders, opportunity for reformation and justice for victims.

As mentioned earlier in this section, Community Justice was reorganized in FY 2007-2008 into two divisions– Adult Corrections and Juvenile Justice. Until FY 2007-2008 Adult Corrections received support from the General Fund, but is now expected to be self-sufficient and is fully supported by grants from the State (see Table 10). A reduction in the number of cases the DA prosecutes has the potential to reduce additional funding from other sources because funding is often based on the volume of cases moving through the system.

***Public Health* –** The Public Health Division consists of four departments – public health services, animal protection and regulation services, environmental health services, and correctional health services.

Similar to other departments and programs, Public Health no longer receives General Fund monies and is required to be self-sufficient. The FY 2005-2006 budget was the last year that General Fund monies were used for this department (see Table 10).

Public Works – The Public Works department assures that county roads, bridges, traffic signs, and rights-of-way are designed, built and maintained to provide the best possible, safest transportation system. They also provide maintenance services to the county fleet.

The Public Works department receives revenue from two main sources – state gas tax revenues which fluctuate with driver use, and revenues received from NFS land through the 25% Fund. In FY 2004-2005 total revenues (excluding carryover) was $11.5 million compared to $6.2 million in FY 2008-2009, a decrease of 47 percent (see Table 8). Revenue from the 25% Fund has been $1.9 million on average, representing approximately 30 percent of total revenue (see Table 8).

Library – There are four branches of the Josephine County Library system, located in Grants Pass (main branch), Illinois Valley, Williams and Wolf Creek. The library is not a service mandated by the state and, as such, has been vulnerable to budget cuts. In May 2007, libraries in Josephine County were closed due to lack of funding. In September 2007, community members formed Josephine Community Libraries, Inc. (JCLI), a nongovernmental nonprofit organization dedicated to reopening and operating the libraries in the county.

On October 29, 2008 the Josephine County Board of County Commissioners (BCC) signed a memorandum of understanding with JCLI. The JCLI Business Plan for 2008-2012 was adopted by the JCLI Board of Directors on November 11, and submitted to the BCC on November 12. On Tuesday, December 2, the BCC voted to accept the JCLI three-year business plan. At that time, JCLI submitted financial statements to the county showing more than $300,000 in funds had been raised. On Monday, December 8, 2008, the Board of County Commissioners officially executed the permanent lease agreement and grant agreement with JCLI.

The permanent lease agreement allows JCLI to lease the Grants Pass library building from the county for $1 per year. The grant agreement allows for the $300,000 matching grant and for JCLI to be responsible for providing library services to Josephine County as an independent contractor to manage day-to-day operations of the library, personnel, programs, and technology.

On December 20, 2008, the Grants Pass library opened again on a limited basis. Josephine County spent $1 million during FY 2006-2007, the last full year of operation at reduced service levels. It is estimated that it will take the equivalent of $335,000 to $875,000 in cash, in-kind donations, and volunteer labor annually to run the library system at a minimal (20 hours per week) yet professional level.

2. Grant County

Grant County began making changes in anticipation of the loss of SRS payments beginning with the FY 2006-2007 budget. FY 2005-2006, therefore, is considered the baseline year for the purposes of the study in this county. Because the federal forest payments the county receives are non-discretionary, the loss of funds predominantly impacts the Road Fund. Reduction of positions and service levels in the Road Department, a reduction/cessation of revenue sharing with county schools and cities, and the initiation of new budgeting policies for the Road Department were among the actions taken by the county. A summary of the changes that occurred between FY 2006-2007 and the adopted FY 2008-2009 budget are outlined at the end of this section in Table 14.

Road Department – The Road Department receives revenue from three main sources – state and federal grants, state gas tax revenues, and payments received from NFS land through the 25% Fund and SRS, including interest earned on the principal in road fund reserves.

Changes in Road Fund revenue and expenditures for FY 2005-2006 thru the FY 2008-2009 budget are summarized in Table 11. On average, SRS payments contributed about 80 percent of Road Fund revenues. Between FY 2005-2006 and the FY 2008-2009 budget, Road Fund revenues declined by 60 percent, from $7.5 million to $3 million. Between FY 2005-2006 and the FY 2008-2009 budget, expenditures declined by 32 percent, from $4.9 million to $3.3 million, although actual spending is estimated to be $1.7 million in FY 2008-2009. The county routinely carries an unappropriated ending balance in excess of $2 million by managing expenses.

High timber harvest productivity on the national forests in the county during the 1980s resulted in large federal forest payments – in excess of what the county required to fund its Road Department operations. As a result, the county has been able build up a substantial road fund reserve over the years. Between FY 2005-2006 and FY 2008-2009, the Road Reserve Fund balance increased by 32 percent, from nearly $35 million to over $46 million.

Table 11: *Grant County – Road Fund/Road Reserve Changes, FY 05-06 to FY 08-09*

	FY 2005-06[a]	FY 2006-07[a]	FY 2007-08[a,b]	FY 2008-09[c]	% Chg
Road Fund					
Revenues*	$ 7,532,712	$ 7,470,739	$ 8,502,868	$ 3,015,789	-60%
From SRS Title I	$ 6,519,095	$ 6,584,286	$ 6,184,257	-	
% of revenues	*87%*	*88%*	*73%*	-	
From interest earned	$ 173,141	$ 177,141	$ 1,642,868	$ 2,230,789	
% of revenues	*2%*	*2%*	*19%*	*74%*	
Expenditures**					
Operating Budget	$ 4,862,192	$ 3,060,391	$ 1,944,582	$ 3,299,506	-32%
Contingency	-	-	$ 200,000	$ 400,000	
Unappropriated Balance	$ 2,801,342	$ 2,834,696	$ 2,703,196	$ 2,836,221	
Transfers					
To Schools	$ 1,250,000	$ 1,225,900	$ 554,300	$ 354,300	-72%
To Cities	$ 1,750,000	$ 1,134,091	-	-	-100%
To **Road Reserves**	$ 2,000,000	$ 2,000,000	$ 5,000,000	-	-100%
% of SRS Roads Funds	*31%*	*30%*	*81%*		
Interest earned	$ 1,102,325	$ 1,675,236	$ 1,700,000	$ 2,240,000	103%
Balance	$34,820,786	$38,496,021	$45,100,000	$46,050,000	32%

Source: 2008-2009 Grant County Budget and personal conversations with County Treasurer
[a]Actual not budgeted
[b]Does not include a $1,500,000 grant from State of Oregon Parks
[c]Budgeted; actual spending estimated to be $1,650,000
*Includes revenues from interest earned on road reserves, state gas tax revenues, sale of supplies, equipment or land, equipment rental, state and federal grants, and federal forest fees. Does not include cash on hand.
**Does not include carryover

With the loss of SRS funds, the county plans to leverage the interest earned on the principal. Depending on interest rates, it is possible the interest earned could fund basic maintenance of roads and functions of the Road Department indefinitely. If not, the strategy is to reduce expenses and service levels over the alternative of reducing the principal – though they recognize this is double-edge sword. If the reserve principal is protected, it is at the expense of infrastructure, and vice-versa. Between FY 2005-2006 and FY 2008-2009, the interest earned on the road reserve principal increased by 103 percent, from $1.1 million to over $2.2 million. The interest earned in FY 2007-2008 is funding nearly 75 percent of the Road Department FY 2008-2009 operating budget.

With the excess road funds it has been possible for the county to support county schools and cities. For over 20 years the county has been sharing a portion of the "surplus in excess of annual needs" from the Road Fund.[16] Reducing or eliminating this expense is one action the county has taken to protect the Road Reserve Fund principal in response to the loss of SRS funds. In the past the county has contributed over a million dollars annually to county schools – distributed on the basis of average daily membership (ADM) – which are commonly used to fund facilities maintenance and improvement projects, or support programs. The county has been ramping down payments to school districts since FY 2005-2006 to allow time for them to adjust to the loss. Between FY 2005-2006 and FY 2008-2009, funds received by the schools declined 72 percent, from $1.2 million to $350,000. It is expected they will receive no money in FY 2009-2010. Cities received nearly $2 million annually in past years – distributed on the basis of population and number of road miles – to be used for road maintenance and improvements including sanding and plowing of roads during snow events. Cities received $1.7 million in FY 2005-2006 and $1.2 million in FY 2006-2007. They received no money in FY 2007-2008 and are not budgeted to received money in FY 2008-2009. Impacts on schools and cities are addressed in section c – anticipated impacts on community and possible responses.

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[16] ORS 294.060 § (3) permits any county east of the summit of the Cascade Mountains with a population of less than 9,000 and more than 6,500, according to the 1990 federal decennial census, to transfer road fund monies from federal forest fees that are in excess of $2 million to the school fund when the amount of money credited to the road fund under § (1) exceeds the amount needed for county roads, as determined by the board of county commissioners. In 1990, the federal decennial census for Grant County was 7,853. Any amount received by the school district from the school fund of the county may not be considered a receipt that would reduce the district's apportionment from the State School Fund. Reference http://www.leg.state.or.us/ors/294.html for full language of the legislation.

The excess funds have also made it possible for the county to support administrative units and departments who perform functions for the Road Department. Each year the Road Department is allowed to charge an administrative services fee[17] for department-related services provided by the Assessor, Clerk, County Court, Planner, Sheriff, Surveyor and Treasurer. The fee for administrative activities in the current year is based on actual time spent performing work for the Road Department, at a particular rate, in the prior year. This may include time spent writing receipts, paying bills or managing payroll. On the other hand, the Sheriff's office, whose deputies report road problems encountered while patrolling, charge a fee based on a percentage of the average of all time allocated to this activity. Fees, and the formula used to calculate the fees, are reviewed annually by the county auditor and adjusted as deemed appropriate by county management. Approximately $300,000 annually has been expensed to the Road Department in the past. The practice of charging these fees will not go away with the loss of SRS payments. However, if the Road Department finds itself in an untenable financial position, county management may determine it necessary to adjust the formula, which may not necessarily cover actual costs incurred and could have adverse impacts on the General Fund departments who have come to rely upon these funds.

The Road Department is also charged a special investment fee, established to allow the Treasurer to recover costs associated with managing the investment of the Road Fund reserve. This fee may be charged to any fund with a balance over one million dollars and is comparable with fees charged by an investment broker or trust department in the private sector. With the loss of the SRS payments, the fee will be charged only until it begins to cut into the reserve principal, since

[17] OMB Circular A-87 – Cost Principles for State, Local and Indian Tribal Governments. http://www.whitehouse.gov/omb/circulars/a087/a087-all.html

mandated services take priority. Similar to the administrative fee, approximately $300,000 annually is expensed to the Road Department, and its loss could also have an adverse impact on the General Fund.

In thinking about new revenue streams, the county government did not feel residents would be willing to fund a local levy option for roads. However, there were some efficiency measures they were considering, such as trading in two old graders now for a newer one, since equipment needs would likely be declining. And, they are also considering the possible consolidation of forces and services with the State and City, as well as Union County.

3. *Wallowa County*

The federal forest payments Wallowa County receives are non-discretionary and predominantly impact the Road Fund. The county was not able to identify a specific year that they began making changes in anticipation of the loss of SRS payments. During the 1980s they began making significant cuts to Road Department staff when timber harvests began to decline (which never recovered), and they also have been building a road reserve up over time. Recently, however, there have been further reductions in staff and changes in service levels. Therefore, for the purposes of this study FY 2005-2006 is considered the baseline year to allow for financial comparisons with Josephine and Grant counties. A summary of the changes that occurred between FY 2006-2007 and the FY 2008-2009 budget are outlined at the end of this section in Table 14.

Road Department –The Road Department receives revenue from three main sources – state and federal grants, state gas tax revenues, and payments received from NFS land through the 25% Fund and SRS, including interest earned on the principal in road fund reserves.

Changes in Road Fund revenue and expenditures for FY 2005-2006 thru FY 2008-2009 are summarized in Table 12. On average, SRS payments contributed about 48 percent of Road Fund revenues. Between FY 2005-2006 and the FY 2008-2009 budget, Road Fund revenues declined by 4 percent, from $1.71 million to $1.65 million. Between FY 2005-2006 and the FY 2008-2009 budget, expenditures declined by 3 percent, from $1.59 million to $1.55 million.

Table 12: *Wallowa County – Road Fund Changes, FY 05-06 to FY 08-09*

	FY 2005-06[a]	FY 2006-07[a,b]	FY 2007-08[c]	FY 2008-09[c,d]	% Chg
Road Fund					
Revenues*	$1,718,585	$1,912,269	$2,050,604	$1,653,540	-4%
From SRS Title I	$ 893,216	$ 902,148	$ 900,296	-	
% of revenues	*52%*	*47%*	*44%*	-	
From interest earned	$ 118,768	$ 161,087	$ 150,906	$ 100,000	-16%
% of revenues	*7%*	*8%*	*7%*	-	
Expenditures					
Operating Budget	$1,597,374	$2,396,068	$1,856,853	$1,554,367	-3%
Contingency	$ 681,964	$ 500,000	$ 500,000	$ 900,000	32%
% of SRS Road Funds	*76%*	*55%*	*56%*	-	
Unappropriated Balance**	$1,717,140	$1,782,001	$2,353,220	$2,825,153	65%

Source: 2008-2009 and 2007-2008 Wallowa County Budget and personal conversations with Administrative Service Director
[a]Actual not budgeted
[b]Does not include $657,386 in federal bridge funds
[c]Budgeted
[d]Does not include $500,000 in Oregon Transportation Commission funds
*Includes revenues from interest earned on road reserves, state gas tax revenues, sale of supplies, equipment or land, equipment rental, and federal forest fees.
**Considered as the road reserve for the county. No special fund set up separately for reserves

The county has been able to build up a road reserve which is carried on the budget as an unappropriated ending balance. The balance in this account has increased 65 percent since FY 2005-2006, from $1.7 million to $2.8 million. While the interest earned on the road reserve makes a contribution to revenues, is not large enough to have a significant impact and is subject to fluctuations in interest rates. Between FY 2005-2006 interest earned declined by 16 percent.

The balance in the road reserve would only allow for operations to continue at the current level for one more year. The roadmaster indicated that if the operating budget were severely cut to $400,000 annually, it might be possible to function for 8 more years. This would necessitate further reductions in staff and service levels, and grinding paved roads to gravel as they weather and deteriorate. However, the county expects that residents will want resources to be taken from the General Fund to make sure that roads are maintained and plowed at a greater level than would be possible with just the standard revenue sources coming to the Road Fund. This will ultimately result in negative impacts on the General Fund, although they are not addressed here. Services most vulnerable will be those that are not mandated by the state, such as the library.

To raise new revenues or offset costs, the county will consider proposing a road tax district to the county voters, which the Roadmaster estimates will be $2.00/1,000 of assessed value. The county is already asking users of a road (e.g. resource producers) if they would be willing to cost-share on culverts, bridges or maintenance. Their successful asphalt plant operation may also provide an opportunity to form a reciprocal trade relationship with the Oregon Department of Transportation to mitigate the loss of FTE, since it is the only asphalt plant in the county. Other creative alternatives being considered are hydropower generation and an artesian well.

b. Changes in Staff Levels

1. Josephine County

Staff levels declined along with revenues and expenditures between FY 2004-2005 and FY 2008-2009, reflecting the efforts by county government to adjust to the loss of SRS payments (see Table 13). During this time period, full-time equivalencies (FTE) declined from 615 to 384, a 38 percent change.

Sheriff **–** Reductions in staff level began as early as 2000 when the department had 118 FTE; in FY 2004-2005, there were 89 FTE compared to 79 FTE in FY 2008-2009, a decrease of 11 percent. While most of the units in the department have experienced declines in staffing, most notable are the patrol and jail units. The patrol unit decreased by 7 percent between FY 2004-2005 and FY 2008-2009, from 21 to 18 FTE, respectively. The adult jail staff has decreased by 18 percent, from 40 to 33 FTE, for the same time period.

District Attorney **–** Although the DA has been able to maintain a stable number of FTE, they have had difficulty retaining and recruiting attorneys. Experienced attorneys are leaving for other counties that offer higher pay and more benefits. In FY 2004-2005, there were 21 FTE compared to 22 FTE in FY 2008-2009, an increase of 5 percent.

Juvenile Justice **–** The department has had some fluctuations in staff levels although, overall, they have remained relatively stable. Between FY 2004-2005, there were 30 FTE, which peaked in FY 2006-2007 at 35 FTE, then declined to 31 FTE in FY 2008-2009, for an increase of 3 percent. FY 2007-2008 was the year that Community Justice reorganized into two divisions – Juvenile Justice and Adult Corrections. Without the passage of the public safety tax districts, the juvenile shelter/detention unit would be reduced from 21 FTE to 4 FTE in FY 2009-2010, and the court & field unit reduced from 8 FTE to 3 FTE. However, a contract with OYA would allow about 30 percent of the FTE lost in juvenile shelter/detention to be retained.

Adult Corrections **–** During FY 2004-2005, Adult Corrections had 23 FTE compared to 34 FTE in FY 2008-2009, an increase of 48 percent.

***Public Health* –** In FY 2004-2005, Public Health had 38 FTE as compared to 27 FTE in FY 2008-2009, a decrease of 29 percent. In FY 2007-2008, 4 FTE nurses were lost and 2 more in FY 2008-2009. In FY 2007-2008, 1 FTE animal control staff was lost. Animal control staff has been reduced from 7 FTE to 3.5 FTE over the last few years.

Public Works – Between FY 2004-2005 and FY 2008-2009, staff levels decreased 12 percent from 67 FTE to 59 FTE. Though many positions were lost through attrition and never refilled, a number of management positions were vacated voluntarily for more stable employment.

2. Grant County

Road Department – Reductions in staff levels reflect efforts by county government to adjust to the loss of SRS payments. Between FY 2005-2006 and FY 2008-2009, FTE declined by 35 percent, from 17 to 11 (see Table 13). Some positions were lost through attrition and never refilled, while others were the result of layoffs. The department expects to lose 1 FTE through attrition over the current year. The department's FTE has declined by 60 percent since the 1990s when there were 30 FTE.

3. Wallowa County

Road Department – Reductions in staff levels reflect efforts by county government to adjust to the loss of SRS payments. Between FY 2005-2006 and FY 2008-2009, FTE declined by 8 percent, from 13 to 12 (see Table 13). The position was lost through attrition (retirement) and not refilled. The department does not expect to lose any FTE during FY 2008-2009; however, as the reserves are depleted they expect FTE to drop to 7 or 8. Losses are expected, again, to come from attrition.

The county expressed a desire to ensure that younger workers with families are able to retain a level of job security. Since the 1980s the department has seen a 50 percent decline in FTE, from 24 to 12. In 1987, FTE declined to 20, was cut to 9 and then restored to 12 in the early 1990s. It has remained relatively stable since then.

Table 13: FTE Comparison, FY 04-05 to FY 08-09

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	% Chg
Josephine [a,b,c,d]						
County Total	615	593	426	400	384	-38%
Administrative Internal Services	58	57	39	31	30	-48%
General Fund & Public Safety*	259	253	231	193	180	-31%
Public Safety	140	139	146	142	121	-14%
Sheriff	89	86	88	87	79	-11%
D.A.	21	22	23	22	22	5%
Juvenile Justice	30	31	35	33	31	3%
Adult Corrections	23	20	36	34	34	48%
Public Health	38	38	35	28	27	-29%
Road Department	67	67	64	54	59	-12%
Grant [e]						
Road Department		17	12	11	11	-35%
Wallowa [e,f]						
Road Department		13	13	12	12	-8%

Note. Figures rounded to the nearest whole number

Note. Grant and Wallowa baseline year for this report is FY 2005-06

[a]Josephine County Staffing Summary in FTE, All Departments 04-06 (http://www.co.josephine.or.us/files/q.pdf

[b]Josephine County Finance Office, General Fund Comparison 2005-09, Budgeted FTE Graph, 09/08/08

[c]Finance Office, GF Fund and Public Safety Fund, Schedule of Revenues and Expenditures 7/05-6/09 (Internal document 09/08/08)

[d]Josephine County Budget Summaries 07-08 and 08-09 Comparison (http://www.co.josephine.or.us/files/reintro.pdf)

[e]Personal conversation with county roadmaster

[f]Lost through attrition

* Included Adult Corrections through 06-07

c. Changes in Service Levels

1. Josephine County

Sheriff – The department's ability to be responsive to the community's needs has been greatly diminished. Currently the patrol unit only operates one 12 hour shift from early evening through early morning, whereas in the past they had been able to provide 24 hour service. The dispatch center now operates using a triage approach, prioritizing calls into those that are life-threatening (priority one) and those that are imminent (priority two). All other calls (e.g. reports of theft) may not receive a response for hours or several days. The adult jail has a 262 bed capacity but is considered full when at 80 percent capacity, or 210 beds. In FY 2004-2005, the county had funding for 140 beds compared with 100 in FY 2008-2009. If the budget is reduced by 50 percent in FY 2009-2010, the number of beds would be reduced to 50, which could impact revenues from the state. The civil unit has become backlogged from an increase in orders making it difficult to turn work around within the specified time frame. Restraining or stalking orders may take more than the typical 24 or 48 hours to be served. Concealed weapons permits are taking up to 4 weeks to process instead of the typical 2 weeks. Currently there is no one to do intelligence research on drug cartels and gangs.

District Attorney – The level of service that the DA is able to provide is directly related to the changes taking place in the Sheriff's office. With a reduction in law enforcement there are fewer cases ready for prosecution. This impacts the flow of cases to circuit courts and could, in return, impact funding for the county jail and community correction services. With limited funds, the DA will likely target resources on high-priority crimes and may decline to prosecute nonviolent property crimes, minor drug crimes, and misdemeanors. In addition, the loss of human capital, when more experienced attorneys leave and are placed with less experienced attorneys, has the potential to impact the flow of work.

Juvenile Justice – Although the department has taken cuts in their budget and personnel have taken on some additional responsibility, they have been relatively successful providing the same level of service to the county. Without the passage of the public safety tax districts, however, and with an expected 69 percent reduction in support from the General Fund for FY 2009-2010, the juvenile shelter would be eliminated to reduce costs, and the number of detention beds reduced to 2. Currently detention has the capacity to support 14 beds. The loss of an intake officer is going to reduce the amount of time that is spent on informal and diversion assessment with lower risk youth so that the focus can be on personal misdemeanors like assaults and felony offenses. The youth that would normally be detained while going through the court process would likely be released into the community. The loss of FTE in the court & field unit will reduce the number of probation officers in the field to two and the ability to provide service on on-site and on-school. With possible future funding from OYA, a treatment program could be provided instead of just hold for safety/security and for court, and the detention center could be saved.

Adult Corrections – As part of the criminal justice system, Adult Corrections is impacted by the changes taking place in the Sheriff and DA offices. A reduction in cases prosecuted by the DA and a reduction in the number of jail beds available has led to a reduction in sanctions and the release of offenders. The reduction in cases prosecuted by the DA has also compromised the ability of the department to meet its obligations for “work crew” contracts held with organizations such ODOT, the city and county parks, and the Forest Service and puts at risk the ability to secure future contracts.

***Public Health* –** Public Health has experienced a number of changes as a result of the loss of funding. They have reduced their Family Planning Services from 5 days a week to 1 day a week. They no longer contract with county schools to provide school health nursing, although another organization has contracted with the schools to provide this service. They no longer provide HIV case management for the state. They no longer contract a nurse to the Department of Human Services for their self-sufficiency office. They no longer manage the school based health center at the Illinois Valley High School. And, they no longer offer maternal child health as part of the home visiting programs. With the reduction in animal control staff, the hours of the animal shelter have been cut and they have restricted the number and types of calls that they will respond to.

Public Works – Average annual chip-sealing mileage will drop to from 35 to 20 miles; the prescribed level is 60 miles. Therefore, the maintenance cycle will be three times longer than optimum. Annual road miles striped will drop from 475 to 350 increasing the repainting cycle by 1 year. Roadside vegetation control will be reduced by 30 percent. Road signs will be changed less frequently (i.e. longer lifecycle). And there will be a 30 percent reduction in crack sealing and ditch cleaning activities. Response times will increase during natural disasters due to reduction in staff.

2. Grant County

Road Department – Reductions in service levels also reflect efforts by county government to adjust to the loss of SRS payments. In FY 2007-2008 the county implemented a reduced snow removal schedule, giving priority to school bus and mail routes. While they expect to be able to have all routes cleared within 24 hours, the response time will increase from what county residents have come to expect from the enhanced service provided in the past and has drawn some complaints.

Beginning in FY 2006-2007, chip seal maintenance of paved roads was put on a rotational schedule, alternating every other year. Almost 50 percent of county roads are asphalt paved. Historically, average annual chip-sealing mileage ranged from 20 to 40 miles with costs of $500,000 to $750,000 annually. Under the modified schedule, investments in road maintenance will be reduced to $250,000 every other year. Paved roads will be returned to gravel before the county would consider using the principal in the Road Reserve Fund. Roads with a lesser amount of daily traffic would be impacted before roads with higher levels of traffic. The county will also consider vacating roads with the advice of the county road advisory committee. Roadside vegetation control and ditch cleaning activities have also been reduced.

3. Wallowa County

Road Department – Reductions in service levels also reflect efforts by county government to adjust to the loss of SRS payments. In FY 2007-2008 the county implemented a reduced snow removal schedule, giving priority to school bus and mail routes. While they expect to plow at normal levels the response time will increase from what county residents have come to expect and they may not be able to get to all roads. After a heavy snowfall, it could take anywhere from 2 to 5 days to clear the roads and make them accessible. Much of this is weather dependent and can be difficult to keep up with, particularly in parts of the county that are subject to snowdrifts from high winds. In the future, if staff is reduced to 7 or 8, they may decide to plow all roads less often or declare some roads as ones that they would not be able to plow.

Reduced funding will also result in major cutbacks in purchases of asphalt, oil, fuel and aggregate necessary for the continued maintenance and preservation of the county road system. Historically, average annual chip-sealing mileage ranged from 5 to 6 miles. Now they only maintain the worst paved roads based on a visual inspection. Once the road reserves are exhausted, paved roads would be returned to gravel. The county has also had to reduce grading of roads in the spring and the fall. Many roads have not been maintained in recent years and many miles of road leading to federal lands have been put on hold for maintenance.

A summary of the changes that occurred between FY 2005-2006 and FY 2008-2009 for the three case study counties are outlined in Table 14. A comparison of county actions taken between FY 2005-2006 and FY 2008-2009 is presented in Table 15. All three counties took some sort of action in advance of the expiration of SRS, although the time frames varied by county. Wallowa County, for example, began making changes as early as the late 1980s while Josephine County began making changes in the early 2000s. Only Josephine County made changes to their organizational structure in order to reduce General Fund expenditures and create greater efficiencies. All three counties set aside money for reserves, although again, time frames varied. Grant County has been able to put aside significant amounts of road funds for many years due to the highly productive forests in their county which they have been able leverage with the interest earned, while Josephine County only recently established reserves in the General Fund to help fund public safety, and only for a very limited amount of time. Wallowa County has also consistently maintained a road reserve over the years, although not at the same levels as Grant County because of lower productivity of timber harvests on federal forests within their boundaries. This impacts their ability to leverage the interest on the principal to the same degree.

Table 14: *Summary of Changes, FY 05-06 to FY 08-09*

Year	Josephine County[a]	Grant County[b]	Wallowa County[c]
FY 2005-2006	• Reorganization of County management structure • Elimination and consolidation of positions and departments • Reduction of non-union benefits • Reduction of union benefits as bargained • Privatized Community Action programs		
FY 2006-2007	• Programs removed from the General Fund (Public Health and Planning, no GF monies) • Public Safety Fund established (Sheriff, DA, and Community Justice) • O&C monies transferred to Public Safety Fund from General Fund • Mental Health Programs privatized • Levy defeated for Library funding	• Road Department reduced by 5 FTE • Road Fund surplus transfer of $1 million to county schools • Road Fund surplus transfer of approx. $1.2 million to cities • Road Fund transfer of $2 million to Road Reserve Fund • Special investment fee established for fund balances over $1 million	• Reduced maintenance to county roads leading to federal land • $1.7 million unappropriated in Road Fund as reserves
FY 2007-2008	• Library closed, General Fund savings of $470,000 • Adult Corrections Fund established (moved out of Public Safety) • Levy defeated for Public Safety funding in May • Received one year extension of O&C monies for Public Safety • Budget Committee allocated 50% of O&C monies to FY 07-08 spending on services • Budget Committee allocated 50% of O&C monies to contingency for FY 08-09 • General Fund transferred $4.8 million to Public Safety • Reduction of staff in General Fund, Internal Service Fund, BOM and Public Safety	• Road Department reduced by 1 FTE • Road Fund surplus transfer of $500,000 to county schools • No Road fund surplus transfer to cities • Road fund transfer of $5 million to Road Reserve Fund • Instituted a new policy to budget the Road Department based on prior year interest earned on road reserve principal • Reduced snow removal schedule; school bus and mail routes prioritized • No chip seal maintenance. Rotate alternate years with 50% or more reduction	• Reduced snow removal schedules and grading of gravel roads • 50% of FY 07-08 SRS funds set aside in Road Fund contingency account • $1.9 million unappropriated in Road Fund as reserves

Table 14: *Summary of Changes, FY 05-06 to FY 08-09*

Year	Josephine County[a]	Grant County[b]	Wallowa County[c]
FY 2008-2009	• Public Safety Fund, no new revenues in budget • O&C Carryover from FY 07-08 funded Public Safety • General Fund transfer $3.9 million for Public Safety • Taxing districts (2) proposed for November 2008 ballot for FY 09-10; Sheriff office only, generate approx. $9 million annually • If districts fail, proposed Local Option Levy (3 to 5 years) on May 2009 ballot	• Road Fund surplus transfer of $300,000 to county schools • No Road Fund surplus transfer to cities • Road Department budget funded predominantly by interest generated in the road reserve fund in FY 2008-2009	• $2.4 million unappropriated in Road Fund as reserves

[a]Source: Josephine Co. Finance Office, General Fund and Public Safety Fund, Schedule of Revenues and Expenditures 2005-09, 09/08/08; and county government interviews
[b]Source: Grant Co. county government interviews
[c]*Note*. Significant decreases in FTE occurred in the Road Department in the late 1980s in an early response to anticipated declines in timber harvests.

Table 15: *Comparison of County Actions – FY 05-06 thru FY 08-09*

	Josephine	Grant	Wallowa
Advance planning for change*			
Change organization structure	X		
Reserve funds	X	X	X
Reduce expenses			
Cessation of funding			
Library	X		
Schools (surplus in excess)**		X	
Cities (surplus in excess)		X	
Staff levels			
Administration	X		
Sheriff	X		
Juvenile Justice			
Adult Corrections			
District Attorney			
Public Health	X		
Road Department	X	X	X
Library	X		
Service levels			
Sheriff	X		
Juvenile Justice	X		
Adult Corrections	X		
District Attorney	X		
Public Health	X		
Road Department	X	X	X
Library	X		
Explore alternative sources of efficiencies*	X	X	X
Increase revenues			
Bond levies			
Proposed to voters	X		
Accepted by voters			
Future consideration	X		
Tax districts			
Proposed to voters	X		
Accepted by voters			
Future consideration	X		X
Explore alternative revenue streams*	X	X	X

*Timeframes and alternatives vary by county
**Expected to end FY 2009-2010

All counties reduced expenditures in some form. Josephine and Grant counties both ceased funding programs they had previously supported. In Josephine County, the library was closed, and Juvenile Justice and Adult Correction receive no more General Funds with the expectation they will be self-sufficient. In Grant County funds-in-excess-of-surplus were eliminated for cities and ramped down for schools with the expectation they would not receive these funds in FY 2009-2010.

All three counties reduced staff levels. Josephine County experienced a higher number of staff cuts, across more departments (though not all), because they lost General Fund revenues as well as Road Fund revenues. Grant and Wallowa counties, on the other hand, made cuts only in the Road departments and to a lesser degree.

All three counties reduced service levels in one way or another in all departments impacted financially by the loss, partly a reflection of reductions in staff or efforts to keep staff.

Of the three counties, only Josephine has persistently pursued local bond levy options and, more recently, formation of public safety tax districts. The voters have rejected their attempts each time. Although bond levy options will continue to be a option they will pursue, they will also likely continue to pursue the tax district option as a way to create a stable source of funding for public safety. Wallowa County indicated the possibility of putting a road tax district before the voters in their district. Grant County indicated they did not think their voters would support a local bond levy, so they are not considering it an option for the future at this time.

All three counties are exploring alternative efficiency measures to reduce expenditures or alternative revenue streams that, again, vary – some are more conventional and others more innovative. In Josephine County, for example, a tax on hotel beds in the county could be leveraged to capitalize on the recreation economy emerging in the county. And, both Grant and Wallowa counties are exploring possible reciprocal relationships with neighboring counties, or state counterparts. Wallowa County is considering a range of creative ideas to raise additional revenues, such as development of an artesian well or an arrangement to burn and dispose of garbage transported from a major metropolitan area in California.

7. ANTICIPATED IMPACTS ON COMMUNITY AND POSSIBLE RESPONSES

This section describes the results from interviews with businesses, institutions and county residents. Analysis of the data collected from interviews revealed that businesses/institutions and residents anticipate that reductions in services resulting from the loss of SRS funding may have very specific impacts on their well-being, and that these impacts may generate private responses that have financial and political implications. In many instances, these responses produce additional impacts and responses.

Well-being includes emotional and physical factors that impact overall quality of life, such as concerns over financial security and way of life, or threats to personal or community safety. Financial impacts include those related to time, money and risk, as well as economic factors related to the social system of production, exchange, distribution, and consumption of goods and services of the county.

The following subsections a. – c. provide a narrative description of the impacts and responses. These are illustrated in Figures 2-6 for Josephine County, which also represent Grant and Wallowa counties for their road departments. Table 16, located at the end of this section, summarizes anticipated impacts on the community and possible responses revealed in interviews with study participants, and is arranged by impact and response type by county department.

a. Josephine County

Participants responded to questions about the reductions in Public Safety, Public Health, Road Department and Library staff and service levels. While responses varied based on personal experiences, common themes of impacts to well-being, financial impacts and political impacts emerged. In Josephine County, businesses expressed more concern over financial impacts, while institutions tended to be balanced between financial impacts and impacts on well-being, and residents expressed more concern over impacts on well-being, particularly issues of safety.

Public Safety – Participants of both groups expressed concern that the reduced capacity to arrest, hold and prosecute criminal offenders would result in an increase in the number of offenders in, or released into, the community, which would increase the chance that businesses or residents would become victims of crime, impacting well-being. It also increases the chance that offenders – those not apprehended, or prematurely released – would not receive the sanctions or treatment they need to make restitution, resulting in repeat offenses, which further impacts well-being.

> "I'm sure if you're talking teens or transients, it doesn't matter. They know that we have no sheriff. They know they can come here, create the crime. So what if they get sent to jail? They're going to get kicked out of there quickly. They're not going to do their time." – Josephine County resident

> "There are people on the street that probably shouldn't be, but when you have a smaller number of beds, you sense how you're going to use the jail and who's going to go in there." – Josephine County government official

Participants identified several financial impacts associated with these scenarios. In the case of the first, for example, should harm come to an individual it may be necessary for them to seek out and bear the costs of medical care, or if there is property theft or damage there may be costs associated with replacement or repair. There are also potential impacts to insurance rates.

> "A lot of the small business owners … support the safety and fire districts … because their insurance rates would go down. That's one of the things they [are] concerned about – the rising costs. And they see not having the safety and fire districts as a cost to them." – Josephine County business/institution

In the case of the second, the offender who does not receive treatment or sanctions may end up as a repeat offender, which reduces opportunities to achieve financial security for themselves or their family. In addition, the need to process repeat offenders reduces the efficiency of public safety resources, ultimately resulting in a financial burden to the community.

When asked how they, or the community, might respond to reductions in public safety and potential increase in crime rates, participants indicated that some people will do nothing, including no longer calling into to report crimes …

> "We live on the edge of the city in the county…what we do [is] hope and pray."
> – Josephine County resident

… while others will (and are) taking matters into their own hands – by acquiring a concealed weapon and/or permit, acquiring a dog for security/protection, installing and/or subscribing to an alarm system/service, or installing security windows, doors, gates or fencing.

> "They don't see the safety people anyway - so they don't feel they're losing much, now." – Josephine County business/institution

> "They will take things into their own hands. They'll all be packing rifles. We already know people who are doing that. There are a lot of concealed weapons permits." – Josephine County resident

Participants expect this will continue. The sheriff's office confirmed they have seen a rise in concealed weapons permit applications in recent months.

Participants noted that these responses could feed back to create further financial impacts and impacts on well-being. For example, if residents stop calling in to report crimes because they think there will not be a timely response, they reduce the possibility that something could be done and end up contributing to the problem. And, the possession of a weapon or ownership of a dog may increase the chance that something unintended happens, such as an altercation that results in harm or injury. This, in turn, could have financial impacts because medical or legal expenses may arise as a result of the situation.

The decision to purchase security systems or barriers also has financial implications because it diverts resources from other uses, such as investments in current or future enterprises. For those already living on the margin, it could mean the difference between being staying solvent or not, which impacts well-being.

> "Some people have packed up and gone or [are] not starting up what they wanted to. And the ones that are in place – they are on their second or third set of security investments." – Josephine County business/institution

Subscription to a security system does not always guarantee protection of property, however.

> "So, everybody gets their alarm service … that's based on when the alarm goes off [the alarm service] calls the sheriff [to respond] – well, when the alarm goes off, [the criminal] probably has 20 minutes to a half hour free before there's going to be anybody in a car show up." – Josephine County business/institution

Nor, does it provide assurance of safety.

> "[The alarm company] contacted the sheriff's office and [were told] 'they will not be responding due to lack of officers'." – Josephine County resident

> "I've heard stories where people say 'Someone broke into my house. I called [the sheriff] and they say 'is someone there?' I say 'no' and they say 'we'll be there in three days to take your report'." – Josephine County business/institution

Participants felt that the reduction in patrol from a 24/7 schedule to one 10-hour shift would increase the chance that people traveling the county roads would become victims of an accident, either through their own actions or others, impacting well-being. For example, less caution may be used in observing speed limits or taking unnecessary risks, especially if it is common knowledge there is not adequate law enforcement.

> "The corners out there have been there for years and years, the oak tree hasn't moved, everyone knows the speed limit is 35…why are they going 70? They know no one is policing." – Josephine County resident

Participants identified several financial implications that might arise from this situation. If an automobile accident occurred, for example, there would be expenses associated with a wrecked vehicle including increases in insurance rates, medical expenses related to an injury or injuries, or legal expenses incurred in defending wrongful actions.

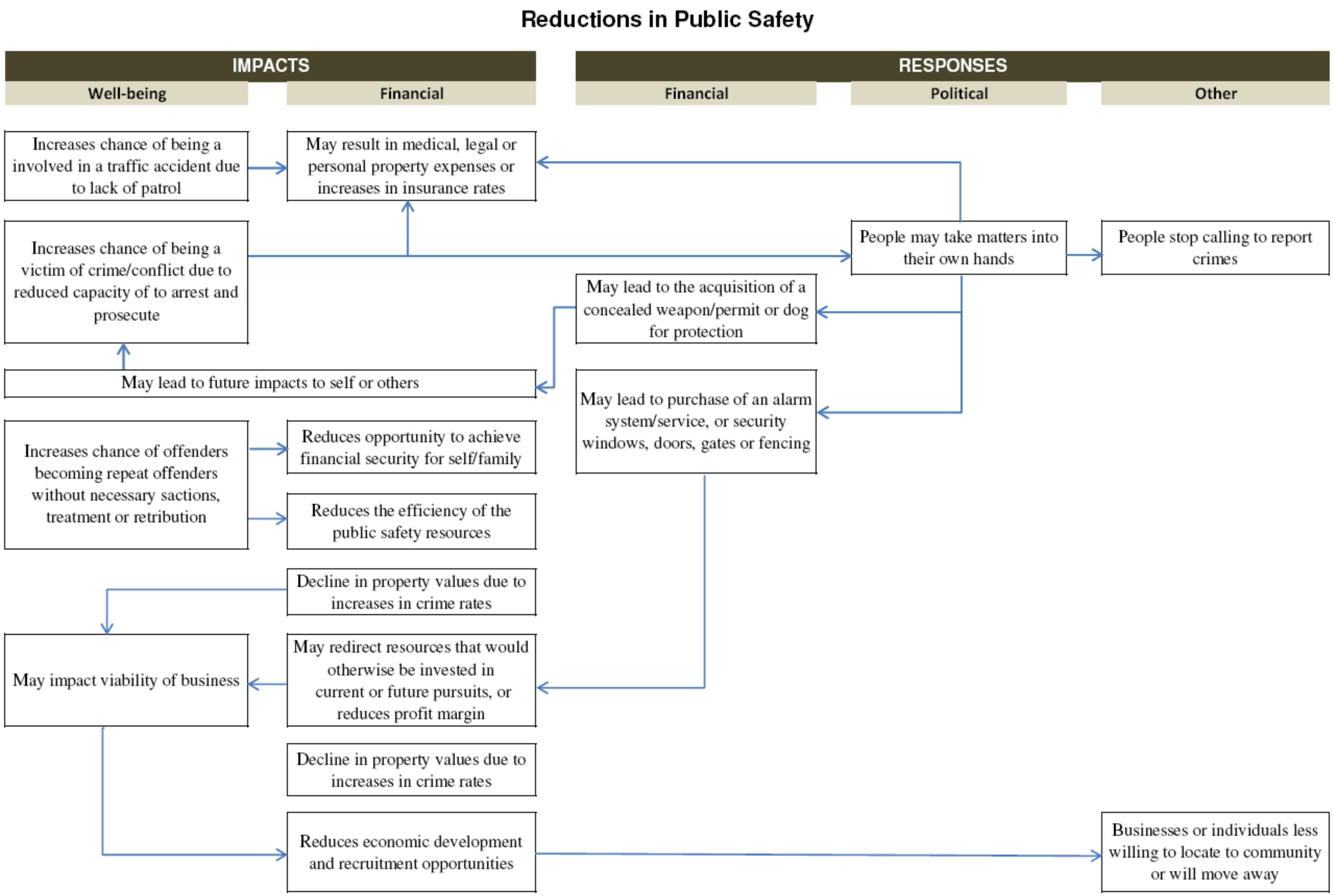
Participants also noted that the reduction in public safety has the capacity to reduce property values, or impacts the ability to sell property due to increases in crime rates.

Finally, participants noted that a reduction in public safety would have an impact on economic development and recruitment opportunities for the county. They felt that without a vibrant public safety system, business and individuals would be less willing to locate to the county or would move away.

> "People are going to leave … some of the businesses that are in the county might not stay there for a long period of time because they don't know if their factories and buildings will be protected." – Josephine County business/institution

Figure 2 illustrates the relationship between the impacts and responses to the reduction in public safety services.

Figure 2: *Anticipated Impacts from Reductions in Public Safety and Possible Responses*



Public Health – Participants worry that the reduction in the number of cases that are handled through the maternal child health home visiting program will increase the risk to already at-risk clients and their families, impacting individual and community well-being. High-risk individuals may not be identified as high-risk if Public Health is not able to get to all referred cases, rather than just the top high-risk cases. Prevention measures related to safety, nutrition, health and special needs may not be provided when needed, increasing the risk to children, and ultimately imposing higher financial costs on taxpayers.

> "We know if you don't prevent it today, it is going to cost you 10 times as much down the road." – Josephine County government official

The reduction in nurses and programs decreases the detection and increases the risk of communicable diseases. Participants felt this would have an impact on individual and community well-being, and could have financial impacts as well since it could end up costing more to control than to prevent.

> "What's been nice on all those [cut] programs is that someone has picked them up. But they don't have the broad range of public health knowledge that we do. So someone may just be looking at this student in the school, they're not looking at all the other schools; they're not looking at what we know are the diseases are out there in the community. They may not be having that bigger picture. And, that is what public health does; have that bigger picture."
> – Josephine County government official

The reduction in animal control personnel may decrease the ability to respond to calls in a timely manner. This increases the chances that an altercation with, or over, an animal may occur, which impacts well-being. Participants felt that some people might take matters into their own hands which could cause a situation to escalate, further impacting well-being, and possibly result in financial impacts, such as medical or legal costs. Participants thought that the sheriff's office would see an increase in calls if animal control did not respond timely enough, which could detract from other priorities but might ultimately end with their intervention anyway.

> "Well … I don't like your barking dog, now all of the sudden I don't like you. Now we have a neighbor dispute that escalates into something and we have had instances where shotguns have been fired; other things have occurred where the sheriff has had to take control of that situation." – Josephine County government official

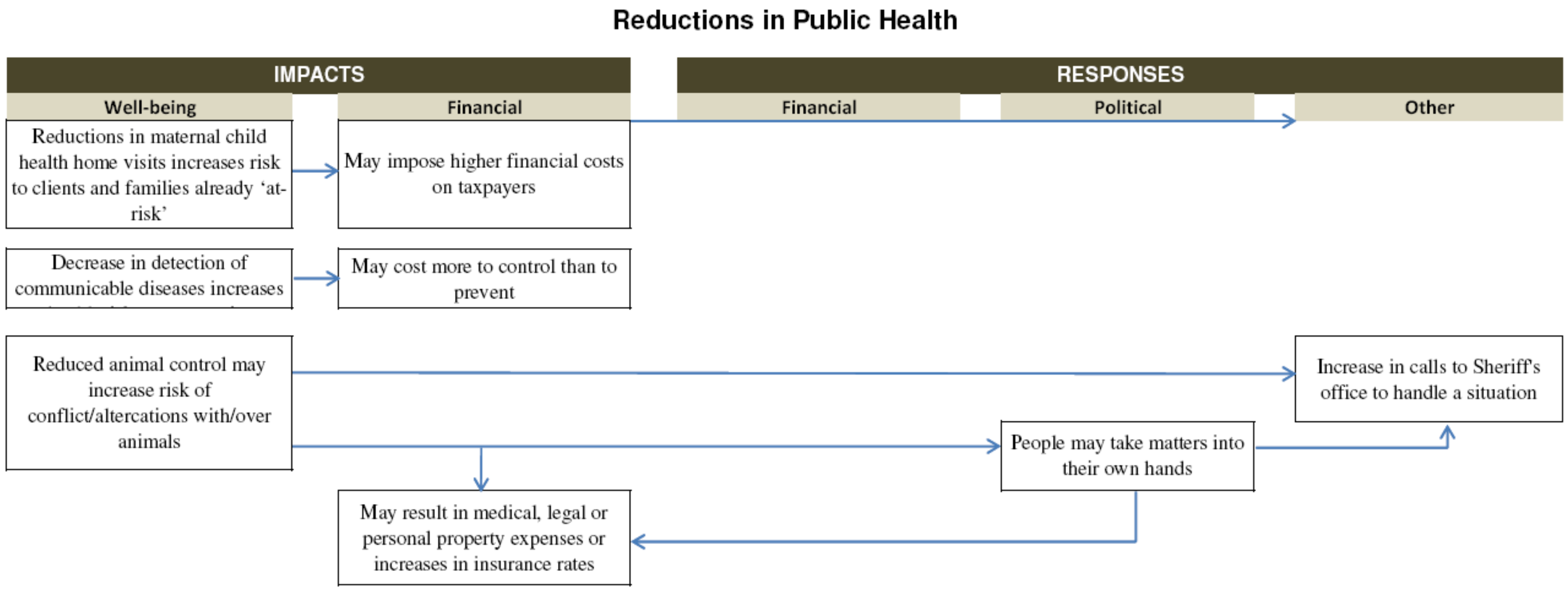
Figure 3 illustrates the relationship between the impacts and responses to the reduction in public health services.

Public Works – Participants believed that during inclement weather conditions such as flooding events, and ice or snow storms, the reduction in personnel and road maintenance services would increase the potential number of lost school or work days, which could result in lost wages or funding, compromise job security, and create stress. As a result, people might take matters into their own hands, which could lead to unnecessary risks, increasing the chance of becoming involved in an accident, impacting well-being and potentially imposing financial costs.

> "There [are] a lot of roads that don't get plowed, period … whoever's got the biggest 4-wheel drive that can get out there and maintain a set of tracks that the more average vehicles can use … that's done ad hoc neighborhood by neighborhood. You could wait for the plow to get there. It may the afternoon of day one; it might not be until day three of a snow event."
> – Josephine County business/institution

Participants noted that, in addition to roads not being maintained during inclement weather, gravel not cleared from paved roads, overgrown roadside vegetation, and deteriorating roads

Figure 3: *Anticipated Impacts from Reductions in Public Health and Possible Responses*



from a lack of routine maintenance may also increase the chances of an accident occurring, which impact well-being and may also have financial impacts if there is physical injury, vehicular damage, or liability issues.

Participants felt that emergency service vehicles would be impacted from reductions in road maintenance services, as well. Bad or deteriorating road conditions could increase the amount of time it takes for them to get to rural parts of the county where a significant number of older residents live, who may require emergency medical attention. In a worst case scenario, this could be the difference between life and death – an obvious threat to well-being.

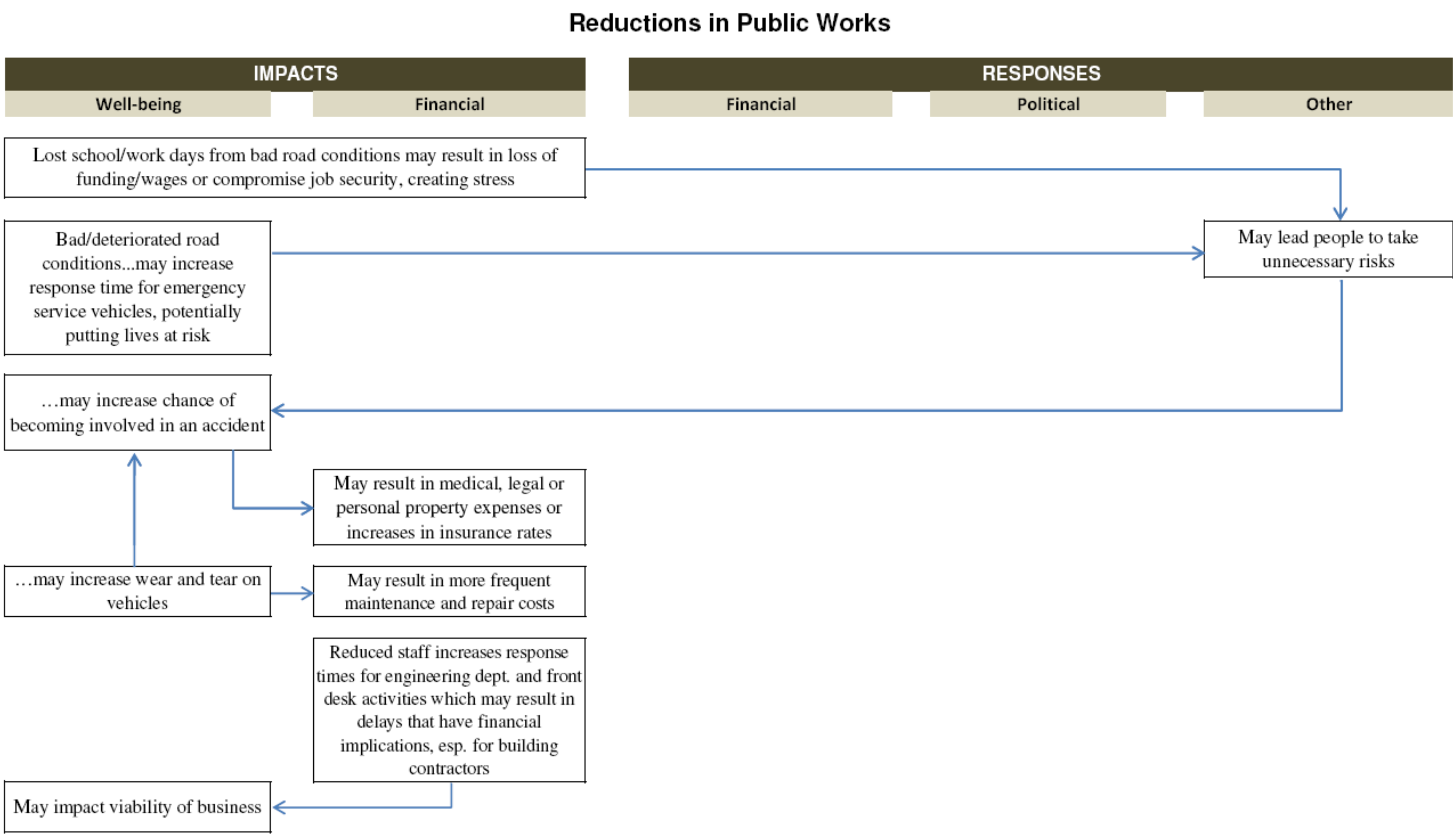
Participants noted that wear and tear on vehicles would increase as roads deteriorate from lack of maintenance, which would eventually have financial consequences, though not immediate, since it may take several years for roads to degrade or changes in vehicle condition to be noticeable.

> "You'll tolerate it; you'll adjust. It's like the frog in the pot of [hot] water. It's slow. It's not like it all happens one day...it's slow, it's steady. Every day you go and maybe it's a little worse, and you notice it. You're changing your tires more often, going through brakes and shocks faster." – Josephine County business/institution

Reduced coverage of the public works front desk means there will be longer wait times for walk-in customers and incoming phone calls. Reductions in staff also means a longer turnaround times on all engineering activities, such as construction and land development plan reviews, and permit applications, which could cause delays in client projects. Participants thought this might impose additional costs, and possibly impact the viability of businesses.

Figure 4 illustrates the relationship between the impacts and responses to the reduction in public works services.

Figure 4: *Anticipated Impacts from Reductions in Public Works and Possible Responses*



Library – The closure of the county libraries has impacts on well-being, as well as financial and political impacts. Participants believe that the loss of public access to library equipment, technology, materials and services impacts the well-being of the entire community.

> "The whole county is at a loss for not having an open library"
> – Josephine County resident

Participants feel that access to the public library is an important component of a good education, providing something beyond what is available at the school library.

> "If you're in elementary school when you have to do a report…part of education is learning how to research, how to look for information – to see a newspaper from across the country or other countries – that resource material just doesn't exist any place else [in the county]." – Josephine County business/institution

In response to the loss of access to resources offered by the library, participants believe that many people would spend personal income to replace what was lost, or they may borrow from, trade with, or use the resources of others to avoid having to spend money. Most participants felt the loss could be mitigated by access to the Internet but acknowledged the impacts would be disproportionately felt by younger, low-income, and/or home-schooled children, negatively impacting individual well-being.

> "If you are a low income family and don't have access [to the Internet], then you are really in a third world situation and you don't have any way to get out of it, and that's what libraries have always been – you could be poor, maybe you couldn't afford a tutor, maybe you didn't go to the best school, but you could always go to the library and that was your way to equalize; if you knew how to read you could make up for it." – Josephine County business/institution

Participants feel strongly that closure of the county libraries diminishes community pride. They consider the libraries to be a status symbol of the community and an indicator of community vitality.

> "With the libraries, is it life and death? No ... to close your libraries is to basically run up the white flag and say 'yeah, we've got a sad situation'."
> – Josephine County business/institution

> "If this community can't even keep up the library, which is a vital part of the community, what else are they going to cut down?"
> – Josephine County business/institution

The community responded to the closure of the libraries by forming a non-profit organization to raise funds through private investments for the purpose of reopening library and its branches. This is described in greater detail in the section on policy decisions by county government section (6.a.1.).

Like public safety, participants believe that not having an open library has financial impacts because it reduces economic development and recruitment opportunities. There is a fear that business and individuals will be less willing to locate to the community, or will move away.

> "The libraries are also a big economic development tool in this area. That's how business without funding their own resources are able to go out and find free books...be able to study different companies...or be able to get on the internet because they can't afford the internet and to be able to figure out what other companies are doing or have a meeting place to talk about different things related to business." – Josephine County business/institution

> "It would be interesting to see how companies here who need to hire CEOs or VPs , [who] are coming from out of town, how many actually come and say, 'No...I don't want to be here, you don't have a library [and] you don't support education.' That's going to filter down that we can't get quality upper management." – Josephine County resident

> “I don't think industry would look at locating in this valley when they realize there is no library. I think it is an indication that we're in a downward spiral that's not going to change.” – Josephine County resident

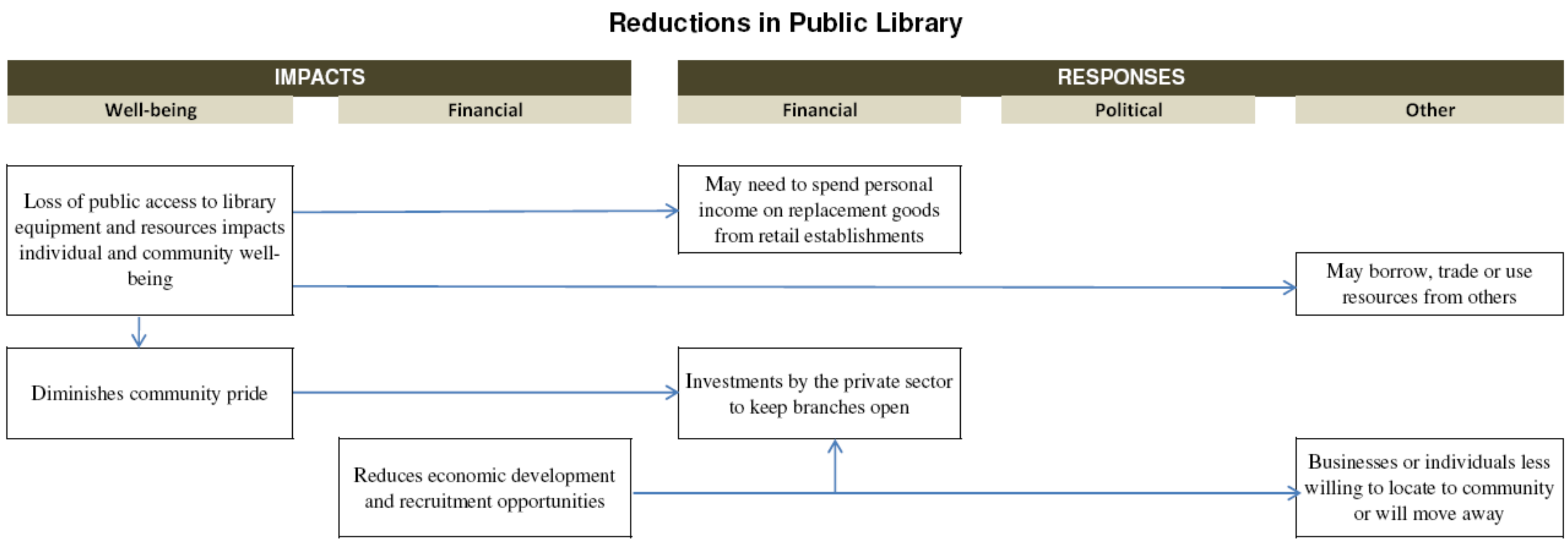
Figure 5 illustrates the relationship between the impacts and responses to the reduction in public library services.

Other – The reductions in staff levels and support for programs and services, in general, impact well-being in a number of ways, yet, also have financial and political implications. Among these are impacts to affiliate programs, impacts on private/non-profit organizations or volunteers; impacts on emotions of residents; impacts on quality of service, impacts on county employee morale, and impacts on economic development and recruitment opportunities.

The reduction of support for programs and services has had a financial impact as well as an impact on well-being of affiliate programs. For example, programs previously accommodated with county building/office space have had their space eliminated, reduced or encroached upon, resulting in disruption to their services and a reduced ability to function at the same level without additional financial investment on their part, or without reducing the programs or services offered.

The reduction in funding to a number of programs has also resulted in an increased demand and reliance for private/non-profit organization or volunteer assistance, shifting the financial responsibility of providing these services onto others within the community, which may not be proportionally shared by county residents.

Figure 5: *Anticipated Impacts from Reductions in Public Library and Possible Responses*



> "Now some of the other entities are looking at 'well, maybe if you guys can't provide it, we can do it'." – Josephine County government official

> "We rely heavily on volunteers … if it weren't for volunteers … you can see what an impact that would have on us trying to accommodate those services." – Josephine County government official

> "There's a group out there trying to raise money to run [the library] – private donations – which is a real struggle." – Josephine County resident

Participants of both groups also noted that the actions taken by county government in past years have resulted in heightened feelings of frustration, resentment, anger, and apathy which affect individual and community well-being.

> "There is a group that is angry and frustrated by [the closure of the libraries]. There have been letters to the editor written by people who have visited the community … when they first stop it's at the library, because a lot of times the library is the location where a lot of activities are happening in the community."
> – Josephine County business/institution

> "Each time they've done a levy it's like a boy crying wolf. People have really come to resent that because in one way it comes off – it's not a warning – it's a threat. 'If you don't vote the money, this is going to happen to you' … we haven't had a discussion about what the real services are, how much does it really cost for a guy in a car who's trained and has tools respond to you …"
> – Josephine County business/institution

> "When people keep seeing a lax [sic] it becomes a mental way of doing things. You don't expect anything good to happen because you keep seeing they're 'taking this away, they're taking that away'; it becomes more of a negative attitude spiral within the community. And that adds into it. If you have a community you take pride in, you start making sure the shopping carts are picked up, you call animal control because you know the officers will respond. If you don't expect anything from the county government you quit looking for the county government to supply services for you." – Josephine County business/institution

These emotions, in part, have led to behaviors and actions that have political consequences which, ultimately, translate into financial impacts and impacts on well-being. Some of these emotions stem from differences in political ideologies; however, there is also a perception that county management lacks professional managerial and administrative skills necessary to run a functional government. Some participants view the actions of management as divisive to the community and perceive a resistance to change, which has prevented productive discussion about comprehensive, long-term solutions.

> "… 'Oh, you can't have someone running the county that isn't elected' … [The county manager issue] is just a phony 'wedge' issue that has just kept deferring and putting off being able to really address economic and budget issues."
> – Josephine County business/institution

This results in a lack of confidence and trust in government, which is mirrored in the lack of support for local bond levies or tax districts which perpetuates financial instability and results in less responsive government.

> "They're not going to get funds if they don't build trust … I don't think people are against paying taxes when they can understand it." – Josephine County resident

Within county government, employee morale has suffered resulting in emotional stress on remaining and new employees who struggle to cope with the loss of resources and the additional demands placed on them, and who feel the vulnerability of their positions. Well-being is negatively impacted.

> "So many people that are here give their all to this job – and, they are not here for money … then to find out that all of their positions are at risk, regardless of all that they do." – Josephine County government official

> "If you lose [the] tools of prosecution and consequences – you've got to have a balance of sanctions, and treatment and prosecution [for the system] to work – there's no accountability. It [makes] your job very difficult. If you see someone hurting someone else, and you can't take the action you think you need to do because the resources aren't there, you can't get them in treatment, or can't get them in jail, or you can't hold them there…or you don't have the DA to prosecute them quick enough to get them to prison. Yeah, that's all demoralizing."
> – Josephine County government official

The consequence of this – in combination with higher wages and stable situation offered in neighboring cities and counties – is the loss of experienced county employees.

> "County jobs are no longer enticing. [The] benefits aren't great. I mean that's what used to make county jobs great to have. [There were] good benefits, good retirement. There was stability." – Josephine County government official

The loss of seasoned employees, in turn, results in a loss of institutional knowledge and human capital (also known as "brain drain"). This translates into decreased quantity and quality of service and feeds into the cycle of declining employee morale. The loss of efficiency and effectiveness from the combined influence of all these factors ultimately has financial impacts on the functioning of county government and its ability to serve the people.

> "If you're always training people you're losing ground."
> – Josephine County business/institution

> "We're not able to focus on strategic planning … I think there are potential opportunities out there that are going to be missed because we just can't get everything done." – Josephine County government official

Finally, the current situation in general impacts economic development. Participants noted that, in addition to the effect that a lack of public safety and library services have on economic development, there are other factors that make it difficult to retain established businesses and industries, recruit new businesses and industries to the area, and recruit highly qualified professionals and individuals.

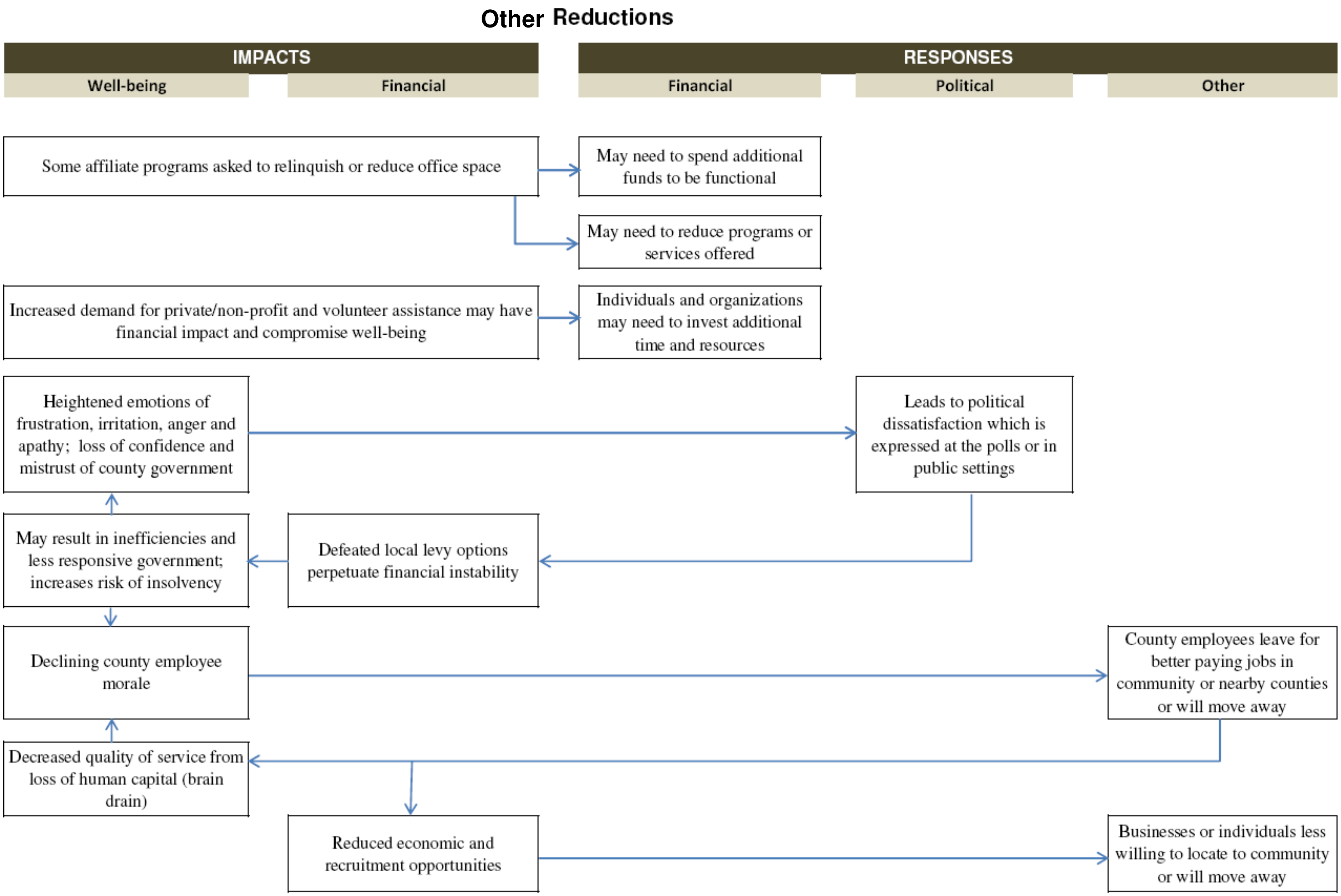
> "A lot of companies will look at the stability of the area and county government before they move into one. When you have a county government … who is reactionary … whose funding is unstable – that makes companies nervous about moving into that area as a whole. They want to know what to expect, when to expect it, and they don't like surprises." – Josephine County business/institution

> "Workforce is a bigger issue … if you don't have the ability of schools and a functioning government, then you have more issues with … finding people who can actually work in your location. It's a harder recruiting tool if you have to hire people from outside the area … and [if the county situation] hurts the perception of moving to the area you'll have less qualified people [locally] to choose from."
> – Josephine County business/institution

Figure 6 illustrates the relationship between the impacts and responses to the reduction in county services in general.

The impacts to businesses, institutions and residents in response to changes in county service levels cannot be understood discretely but, rather, must be viewed as one continuous system – changes in one part of the system feedback to influence other parts of the system, both internally and externally. This section describes a few hypothetical scenarios to demonstrate the different pathways impacts can be traced through, and is not inclusive of all possible scenarios. Figure 7 graphically represents the multiple pathways that might be possible and demonstrates the adage that "everything is connected to everything else." Bold lines with arrows represent the scenarios described below, while dotted lines with arrows represent information that has been described throughout this results section but are not included in the following scenarios.

Figure 6: *Anticipated Impacts from Other Reductions and Possible Responses*

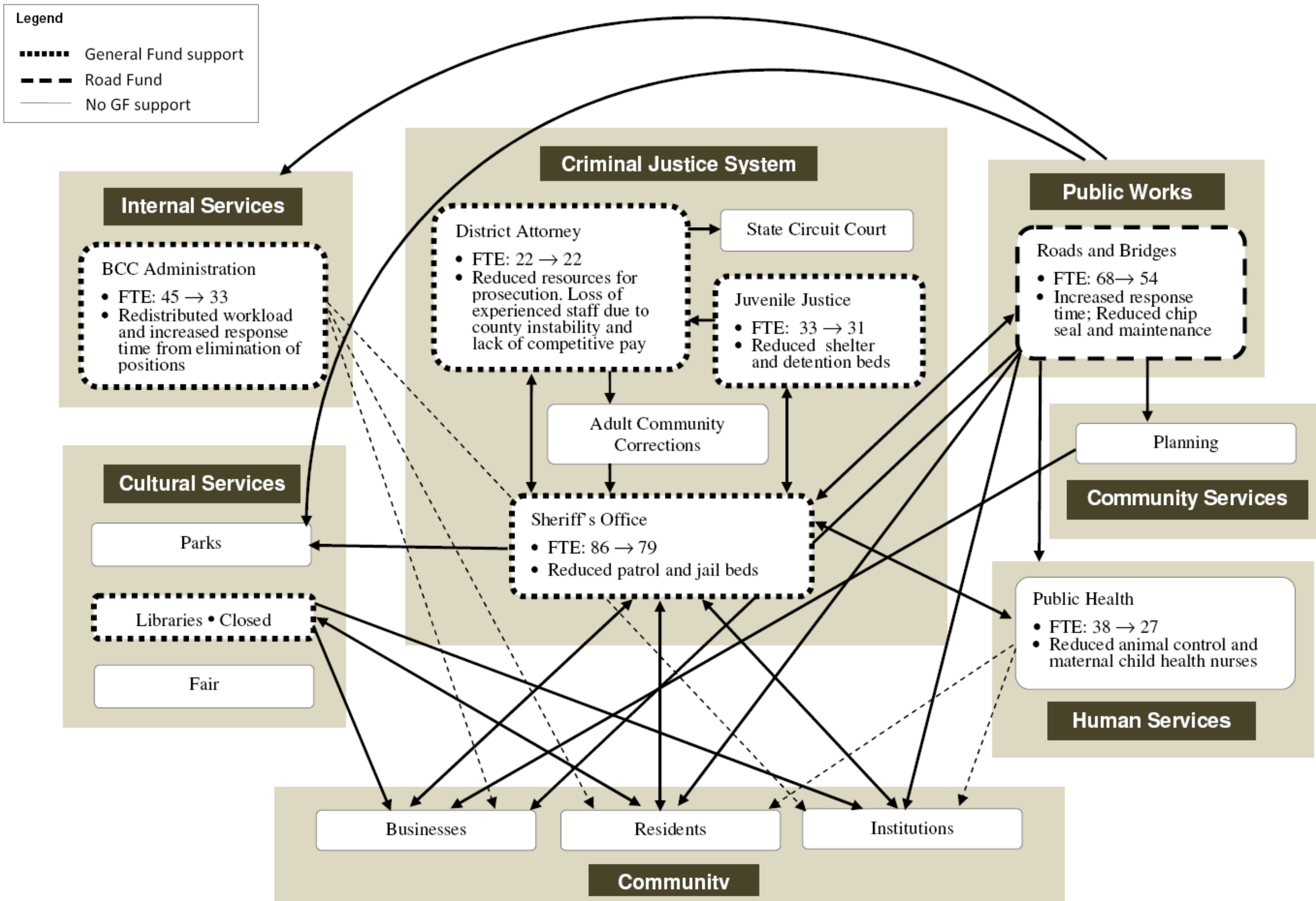


The criminal justice system represents the largest source of general revenue fund loss. Therefore, many of the impacts can be traced from this system to other departments and the county's businesses, institutions and residents. Many of the impacts originate from changes taking place in the sheriff's office.

As sheriff patrols are reduced in rural parts of the county law enforcement is not occurring and arrests are not being made. When arrests are not made, there are not cases for the DA to prosecute, which reduces the number of cases that Adult Correction manages; this results in a decline in funding to both the DA and Adult Corrections because funding is based on the number of cases prosecuted and managed. This, in turn, may result in staff lay-offs. If arrests are made, the reduction in the number of jail beds limits the number of offenders that can be held. Not-yet-prosecuted offenders may be released with expectations to appear in court at a later date. If they do not appear, the sheriff's office has to serve a "failure to appear warrant," which may not result in an immediate response and is time-consuming and costly.

Offenders who have been prosecuted may receive probation, which makes them eligible for a 'work crew' to relieve pressure on the jail. Adult Corrections relies heavily on the jail to make their programs and supervision work. If there isn't a jail to back-up work crews, and work crews don't show up, Adult Corrections may lose existing contracts or lose out on future contract opportunities, which impacts funding. The inability of public safety to enforce laws, make arrests, investigate, prosecute and rehabilitate adult offenders affects everyone in the community.

Figure 7: *Relationship diagram between Josephine County departments and Community for FY 2005-06 to FY 2008-09*



Reductions in the sheriff's office also reduces the number of referrals to Juvenile Justice, which affects the number of cases reviewed by the DA office since every referral has to be reviewed by them. If a juvenile has to go to trial, the DA needs to be re-enlisted because it requires an attorney; a juvenile court counselor has to be present in court with every juvenile. With reductions in the number of beds in the Juvenile detention center, youth who would normally be detained while going through the court process would likely be released into the community and would not receive the help that they need, which feeds back into the realm of the sheriff's office. The inability of public safety to refer, investigate, intervene, prosecute and rehabilitate juvenile offenders affects everyone in the community.

Reduction in law enforcement results in an increase in illegal activities on all levels. This increases the risk to the community, as well as county employees who work in the field in potentially dangerous situations. Adult Corrections, Juvenile Justice, Public Health, Parks department and Public Works all rely on the sheriff's office to provide safety to personnel who are in the field performing work, making home contacts/visits, or making field arrests. With limited enforcement of the speed limit, people will take unnecessary risks increasing the probability of accidents, injury and loss of life. And, as threats to safety increase, applications for concealed weapons permits rise and people begin arming themselves, increasing the likelihood of use. As applications for concealed weapon permits rise, the activity at the county records office increases. This results in a backlog of work on an already-strained department. Backlogged restraining orders that are not served increase risk to the individual and the community. Backlogged eviction notices that are not served impact the landlord who is unable to pursue another, more profitable, arrangement, which imposes a financial and emotional cost.

The reduction in law enforcement decreases the responsiveness of the sheriff's office. When a business or individual calls in a crime they may not speak to a live person, but rather a voice recording, or if they do speak to someone no one may be dispatched for several hours. This leads to frustration and irritation, which results in people not reporting crimes because they know there will not be a timely response, or results in political action that does not necessarily benefit the community as a whole. The loss of confidence in county government has a demoralizing effect on county employees, which results in them leaving for better paying jobs or more stable working conditions. As the county loses highly skilled workers they are replaced by less skilled workers and the county becomes a "training ground" for employees who will later leave for better paying jobs, which increases the cost to county because they must go through the process of re-hiring and re-training.

The Public Works department also has a broad range of influence. The reduction in personnel and road funding impacts not only the community at large, because everyone utilizes the county road system, but departments within county government as well. Delays in the engineering group affect the Planning Department and others in the community such as building contractors, who must wait for a response before proceeding with their projects. Since Public Works manages the county fleet, they have the capacity to impact all departments who rely on them for maintenance.

Finally, reductions in public safety, closure of the libraries, reductions in public works and general county funding instability discourages economic development and threatens workforce stability. Businesses that invest in security measures to protect their interests reduce the financial resources that might otherwise be available for investment in other economic development ventures. Industries considering locating a site in the county may choose another location when they find out there not enough public safety or support of a library, or others will move away, making it difficult to recruit and retain highly skilled professionals or individuals. This affects the overall economic vitality of the community resulting in a decline in the overall quality of life.

b. Grant County

Participants responded to questions about the reductions in Road Department staff and service levels, as well as the loss of excess funds to schools and cities. Responses varied based on personal experiences; however, common themes of impacts to well-being, financial impacts and political impacts emerged as they did in Josephine County.

Road Department – Participants identified a number of impacts related to a reduced snow removal schedule, deteriorating roads and ditches, and overgrown vegetation – though a few were unable to offer thoughts on impacts because they did not believe there would be any impacts or had not experienced any themselves. When asked how they would respond to the identified impacts, answers varied, ranging from doing nothing to taking actions themselves.

Extreme weather events are common in Grant County and fire a common occurrence on forested public lands – although neither is very predictable. Given this, participants expressed concerns over safety and well-being related to reductions in the level of service provided by the road department. They noted, for example, if the roadside ditches are not cleared, in a flashflood event the road could washout. People could become trapped, or could be prevented from getting to town.

> "The county road is our only way to town" – Grant County resident

The same holds true if the roads are not plowed in a timely manner following a snow event. Participants were concerned the reduced snow removal schedule increased the risk to those in remote parts of the county, especially the elderly or those with health issues. If someone needs medical attention, blocked roads could create access issues for emergency vehicles and slow down response times.

> "If we needed a fire truck or ambulance response out there, out on these areas that aren't plowed … well they may not even be able to make it depending on the situation. It would definitely slow down the response time tremendously. The response time [that] might normally be 20 minutes, could be a couple of hours or non-existent." – Grant County resident

Or, if emergency personnel who live on county roads are not able to get out, they cannot provide the medical attention that is needed.

> "Suppose [emergency personnel living up here] needed to get down to somebody ... that would be bad if our road went out, or we were stuck in snow."
> – Grant County resident

Participants also noted that, on some roads, vegetation encroaching into the road obstructs the view. They expressed concern that there would be more accidents if you can't see free ranging animals (wild or domesticated), or if you have to use the oncoming lane to avoid the obstruction. This has potential financial implications as well if medical or auto costs are incurred.

> "[There are] brush and juniper trees encroaching on the county road. I actually went and sawed [a branch] off myself because it was on a blind corner … I've encountered someone coming in the opposite direction and had to stop … when you're driving an ambulance or a fire truck that becomes a safety issue and slows down your response time. " – Grant County resident

There are also financial implications if the county roads are not accessible, deteriorated or encroached upon. For example, the delay in response time by fire trucks may result in an unwillingness of insurance companies to carry fire insurance on a home.

> “We’re getting limited on companies that insure us out here because of emergency and fire issues. They want to see a certain response time … to have a certain response time you have to have a certain type of road ... [one] you know you can roll right along on.” – Grant County resident

Deteriorating roads or encroaching vegetation may also cause damage to vehicles (e.g. damage to vehicle, alignment or tires) which could impose financial costs on the businesses, institutions and residents either through actual repairs or increases to insurance premium. For schools, buses already travel many miles to pick up school children or transport them to sports events; roads that are not maintained could create an unmanageable financial situation which could also have safety implications if necessary repairs are not made.

> “If the roads are deteriorated in our bus run areas, it would be challenging for the school to deal with.” – Grant County institution

And, if residents rely on county roads for their livelihood, or as a means to get themselves to their job, this could impact their earnings, and lead to people taking unnecessary risks. Participants indicated that in these circumstances they do, or may, take it upon themselves to cope with the situation and incur personal costs in the process.

> “I’ve had three different customers who cancelled their order because they couldn’t get up the road … I probably lost 30 to 40 percent of my business … I actually took the [product] to the [customer] … even though I’m not set up to … but I figured out how to do it, to make it work.” – Grant County business

In another example, several participants indicated that they clear snow on the county road leading from their property using their own heavy equipment, incurring fuel costs, and giving up time they would invest in normal activities. Another indicated that they had to chain up their 4-WD truck to take a family member to work which cut into their own personal work schedule.

From a larger economic development perspective, the condition of county roads and levels of service provided by the road department have a financial impact as well. There was majority agreement that the county roads are vital to economic development. Participants recognize there are essential services that are necessary to keep existing industry, or attract new industry.

> "There are basic elements a community needs to successfully attract new industry – public safety, schools, public health and good roads" – Grant County business/institution

Participants were also concerned that reduced road maintenance would impact the recreation and tourism economy which is seen by some as the sector that will help the overall economy of the county recover. They feel that if the roads continue to deteriorate it will discourage people from visiting the county, or will cause them to take alternate routes to reach their destination. This will cause retail business to decline, especially for the small grocer, gas station or restaurant owner who had previously received the business, which has been diverted to another community because the roads are so bad. It also results in the visitor incurring additional costs because they may go out of their way to reach a particular destination or could damage to their vehicles.

> "They'll go somewhere else … so you're actually losing some business because the road isn't in good shape … for [a small town] if they get 10 or 15 or 20 extra customers a day, that's a big deal." – Grant County resident

Participants also felt that there would be some political implications that would come from the reduction in road services. They felt that people initially were just complaining but not necessarily taking any tangible action. One participant noted that recently, however, there has been talk of pushing for the county to adopt a “home rule” charter which would give them more self-determination with county government, including allowing them to put a county manager in place with the credentials to deal with the complexity of today’s county issues. Another mentioned a public meeting that was held recently to discuss what was happening with the road department that brought in around 135 people. There was also discussion of a possible recall election for the county judge.

> “We are taking some direct action.” – Grant County business/resident
>
> “Nobody is in favor of the cutbacks that the county was doing with the road department … so, [a turnout of] 135 people ... that’s not very big, but relatively speaking that’s one hell of a turnout.” – Grant County business/resident

Participant responses suggest that the level of impact from changes in the road department depends on what part of the county you live in, or what activities you engage in. There may be a greater impact on those who rely on these roads for their livelihoods, who live on these roads, or who come to enjoy the public lands. The roadmaster has indicated that the roads that will receive the most attention are those that receive more traffic.

Some participants indicated that they had not experienced bad county roads, but confess that they don’t always use the secondary or recreational roads.

> “I haven't experienced any [problems]. The roads don't seem any worse than anywhere else. They seem fine. [When] I go to John Day, I don't steer around potholes.” – Grant County resident

Others, however, have had a different experience.

> "The snow removal is basically non-existent. I've plowed it off [myself] several times" – Grant County resident

> "Right now they haven't graded the road … it's extremely rough ... [there are] chuck holes in it, potholes and washboards …" – Grant County resident

How the impact is felt also depends to some degree on the level of self-sufficiency that an individual has. Analysis of the data suggests that long-time residents, or those accustomed to living in more remote parts of the county away from the population center of John Day, have a higher degree of self-sufficiency. For some the changes are relative to what they are traditionally accustomed to.

> "It means nothing [to me] ... I would take care of myself … it won't affect me like it will some other people because I've lived here [all my life] … I know how to survive ... however, as I say this, there are far too many people that are not prepared to do that; they've had it too good and they just stroke their hands … and don't know what to do." – Grant County resident

> "We figure out ways to make it work, but it kind of irks you when you pay taxes and everything." – Grant County resident

Because of the similarity of impacts and responses to Josephine County, a new figure is not presented here. Refer to Figure 3 for an example of the relationship between impacts and responses for the Road Department.

Cities **–** Over the past 20 years cities in Grant County have been receiving excess road funds from the Road Department to help with reconstruction and maintenance of streets, including snow plowing and sanding – in aggregate it has been as much as $1.7 million in past years. The loss of these funds has a direct impact on their bottom line. They also lose the ability to leverage the funds as a match or cost-share on transportation grants. Without any additional revenues coming in they will not be able to continue at the same level of service.

> "The first things that would be cut are total reconstruction of streets, because the money is not there. And, we want to keep a level of service for snowplowing and sanding because it is a definite safety issue – so we definitely will want to keep those as long as we can do it. Filling potholes will be as we can afford to do them, and we're even talking about doing our secondary streets back to gravel. They are cheaper to maintain. It's really a serious issue for us." – Grant County city official

Cities will attempt to replace these lost monies either by raising additional revenues or reducing expenditures. John Day, the largest incorporated city, for example, is in the process of looking at a transportation utility fee that will be collected through the water bill. They are looking for public feedback on the viability of the idea and what residents might be willing to pay. They also expect an increase in the state gas taxes, which will bring in additional revenues as long as driving levels of commuters do not decline. To cut expenditures, they have been combining, or not filling, staff positions vacated through resignations or retirements.

Business/institution and resident participants were predominantly concerned that the loss of funds to the cities would negatively impact economic development which is still struggling to recover from the loss of the timber industry and the impacts of the overall national economy. This just represents one more setback.

Schools – Over the past 20 years schools in Grant County have been receiving excess road funds from the Road Department – in aggregate it has been over $1.2 million in past years. Monies have predominantly been used to fund facilities maintenance and improvements, and programs, though the county has not stipulated how the money must be used, leaving it instead to the discretion of the individual school districts. Loss of these excess monies represents actual dollars lost, because they are not included as local revenue in the state equalization formula.

It is difficult to pinpoint exactly how the loss of the money will impact schools because the loss of the timber industry in the county and the overall economy of the state and nation are integrally connected to an ongoing loss of families with school age children. The subsequent decline in enrollment impacts the amount of funds school districts receive from the state, which are based on average daily membership (ADM).

> "…year-to-year uncertainty causes some instability in the budgeting process …schools are not funded on a stable system … our state is highly dependent on income taxes and due to property tax limitations and recession, people lose jobs … there goes your taxes, there goes your school support. The county support has helped to cushion the dire ramifications of revenue fluctuations."
> – Grant County institution

That said, school officials participating in this study indicated a number of impacts they felt were relevant to the loss of county road funds. Perhaps most challenging is that school districts have found themselves in the difficult position of making trade-offs between facilities maintenance, facilities improvements, support of programs and staff.

When a school district deems the costs of deferring maintenance outweigh the benefits, they may decide to use their building maintenance reserves (if they have them), which makes them more vulnerable to future events. In the case of Grant Union High School, the loss of a boiler necessitated a loan from the Department of Education, which ended up increasing their debt service.

> "If we didn't have the county payments we would have to dip into our building maintenance reserves. We would do the maintenance, in spite of the fact, because it needs to be done. But it reduces [our reserves] and puts us in a less stable

> position in the future. So we won't defer it because the long-term impact would be more costly." – Grant County institution

In some cases, school districts are vacating buildings to reduce maintenance and overhead costs. One consequence of deferring maintenance, or forgoing improvements, is that local businesses that might have done the work are affected by this decision, which reduces the number of dollars circulated in the local economy.

In other instances, School districts are cutting or reducing programs. Art and athletic programs are among the first to be cut with priority given to vocational and agricultural programs. Grant Union High School, for example, cut their "C" athletic teams, and reduced the amount of sports travel to control costs.

School districts have also seen staff levels decline, either through layoffs or attrition. A reduction in administrative staff means an increase in responsibility and the stress that goes along with it. A reduction in teachers results in increases in classes sizes. Some school districts have rehired retirees at entry level pay to control costs and mitigate losses in the quality of education.

Overall, participants were concerned that, over time, a lack of investment would gradually deteriorate the quality of education and ultimately place more responsibility on the individual or family to make up for the losses.

> "Parents would still send their kids to school. It will affect the quality of their education but they don't have a whole lot of choice. There are benefits to being small and there are disadvantages. The disadvantage is that we don't have the breadth of programs that are available in other areas. But they have smaller class sizes. It's those constant tradeoffs that [allow them to] rationalize that they are still getting a good deal. I think there would be slow gradual erosion."
> – Grant County institution

Participants also expressed concern over the ability to sustain schools, particularly those in the smaller communities where the school is their identity.

> "The school in a small community is the center of them … ball game time – everybody's there … that's a community event" – Grant County resident

And, although there is wide support for schools from residents through volunteerism and support of athletic activities, there was a general consensus that the limited tax base would make it difficult to get support for a local bond levy option for facilities improvements.

> "Many other communities are able to pass a facilities bond for school improvements that doesn't impact state school support. I don't see that happening here, there's not the wealth." – Grant County business/institution

> "This community does come up with a lot of money and help support the kids ... but we're poverty level, so I don't know how you [raise more money]."
> – Grant County resident

c. Wallowa County

Participants responded to questions about the reductions in Road Department staff and service levels. While responses varied based on personal experiences, common themes of impacts to well-being, financial impacts and political impacts emerged as they did in Josephine and Grant counties.

Road Department **–** Participants identified a number of impacts related to a reduced snow removal and road maintenance schedule – a few were unable to offer thoughts on impacts because they did not believe there would be any. When asked how they would respond to the identified impacts, answers, ranged from doing nothing to taking various actions themselves.

Like Grant County, extreme weather events are common in Wallowa County, as well as fire on forested public lands – although neither very predictable. Participants were particularly concerned that reductions in road maintenance and service levels would impact safety and well-being of county residents. For example, they noted that if the roads are not plowed in a timely manner following a snow event there could be increased risk to those in remote parts of the county.

> "There could be situations where a winter with lots of snow and wind and drifts, it would not be a good deal." – Wallowa County business/institution

> "I've noticed that snow drifts shut the road and they can't get out and that could be a real problem" – Wallowa County resident

When asked how people would respond, participants noted that some people would stay at home, while others would chain up. For those that stay at home, the impact may simply be one of inconvenience unless they were not prepared to be shut in and had not stocked up properly in advance with food and emergency supplies, which could become an issue of safety and well-being.

> "People might have to adapt how they stock up and shop and those kinds of things, knowing that they might not get their roads cleared right away." – Wallowa County resident

> "When you live in a rural area like we do, if we need a loaf of bread or quart of milk, it's 57 miles for us to drive to get that. So in the wintertime we are prepared. We have frozen milk, and homemade bread and all that stuff. So we just hunker down when it gets cold and we just stay until the roads are open. Unless it is a dire emergency, that's the only time we really go out." – Wallowa County resident

For those who chain up, they may be taking unnecessary risks which not only impact well-being, but could also result in medical, legal or insurance costs.

> "I think there will be some people that will want to get out no matter what – that don't think it's that bad and try to drive through it … vehicle goes off the road, [you] get injured, get stuck, leave the vehicle running and not leave it, and not be able to get out for a while." – Wallowa County business/institution

There was also concern expressed about the impact on elderly or those with health issues. If someone needs medical attention, blocked roads could create access issues for emergency vehicles and slow down response times.

> "If you have a heart attack here, a severe one, you probably aren't going to make it. And the people that live here, they do know that. But it's hard for the elderly to drive the roads when they are bad." – Wallowa County resident

When asked how people would respond, participants noted that some people would be willing to assist until help could come.

> "We have to deal with that here. We have a fibulator … and some of us have taken medical classes … if it was an emergency we could take care of it for a while. Anybody knows that if somebody needs to go to town, you drop what you have and take them. If somebody else is around to take them, it's going to take an hour and half to get here. So if somebody can start taking that person in, that's the best way to do it. Otherwise, you're talking at least 2 hours before they can get here, unless they do the life flight." – Wallowa County resident

Participants also expressed concerns over impacts to safety and well-being from roads deteriorating due to a lack of maintenance. They noted the fact that roads weren't being graded as often and felt that the combination of bad roads, rugged terrain and steep canyons, and high recreation activity would increase risks to well-being, especially if people take unnecessary risks.

> "We have a lot of falling rocks on the road. When the weather changes and it starts raining, we'll get slides on the roads. I mean, it's just a very dangerous situation." – Wallowa County resident

> "That's the biggest impact from the roads ... when the roads get rutted up, there's a stronger possibility of somebody getting caught in a rut and going over the edge

> and down a canyon. That is absolutely true. That's the biggest factor when the roads get in bad shape is the safety of people that are driving on them."
> – Wallowa County resident

> "I think it causes some safety concerns because cell phone coverage [on Zumwalt Prairie Road] is kind of spotty. There are not a lot of people that live out there, the road does get a fair amount of use, and it does access the national forest on the northeast end of the county. If you hit a chuck hole or something like that that bounces you sideway [or] … if you are driving too fast you could go sideways … and could roll a rig." – Wallowa County resident

The reduction in road maintenance and service levels during fair or foul weather may also result in financial impacts. For example, participants felt that ability of response crews to access federal land on county roads was compromised and could result in major financial losses.

> " … When there is a major catastrophic event occurring – like a fire or flood – [most of the time] it starts on [federal] ground and then it comes toward the private ground. If you can't people or equipment to that area – that's ground equipment – you've got to get 3,000 to 4,000 pumpers and tankers … and you can't get down the county road, let alone the forest service road, you're going to have a direct impact on the resource land – not only the public but private resource land. Because the more fire gets up steam … the more acres it is going to consume. And, that's a direct loss in timber and grazing – natural resources. And it seems kind of ridiculous that it could start with county roads, but that's where it really gets started." – Wallowa County business/institution

Deteriorated roads could also cause damage to vehicles (e.g. damage to vehicle, alignment or tires) would impose financial costs on the individuals either through actual repairs or increases to insurance premium.

> "If you hit one of those ruts and you hit the canyon, there's a big expense to have your rig fixed, or if you hit the bank or hit anything." – Wallowa County resident

And, if residents rely on county roads for their livelihood, or as a means to get themselves to their job, this could impact their earnings. Participants indicated that in these circumstances they do, or may, take it upon themselves to cope with the situation and incur personal costs in the process. This might include clearing snow on the county road leading from their property using their own heavy equipment, incurring fuel costs, and giving up time they would invest in normal activities; paying a private contractor with a plow or bulldozer; or chaining up their 4-WD truck to take a family member to work which would cut into their own personal work schedule.

> “Yeah there’s an impact. There would be more money spent by people in my line of work that they wouldn’t get compensated for, and there would be probably less productivity because they [have] to do work that they normally didn't have to do just so they could do their normal job. So that’s a cost also. And, I would think that the rancher would be in the same situation, he would have to plow a road to get to where he could feed his animals, or whatever he would have to do. So he is going to lose time, or sleep or delay something else. And in those instances, time is money.” – Wallowa County business/institution

From a larger economic development perspective, the condition of county roads and levels of service provided by the road department have a financial impact as well. There was majority agreement that the county roads are vital to economic development, although a couple felt it wouldn’t have much impact. Participants felt roads were essential to keep existing industry, or attract new industry. And, because Wallowa County has become particularly attractive to amenity migrants, there was also concern that lack of road maintenance and service would deter real estate sales. Participants were also concerned that reduced road maintenance would impact the recreation and tourism economy which is seen by some as the sector that will help the overall economy of the county recover. They were concerned that if the roads continue to deteriorate it will discourage people from visiting the county. This will cause retail business to decline, especially for the small grocer, gas station or restaurant owner who had come to rely on the seasonal business. It may also result in additional costs to visitors because they may go out of their way to reach a particular destination or could damage to their vehicles.

> "I'm thinking of … tourists that go out to camp [and use Zumwalt Prairie Road] – there are a lot of campgrounds out there on Forest Service ground. They just won't go there again once they drive down that road when it is bad. I've driven down it and it is just horrible." – Wallowa County resident

> "It will have a negative impact. I can almost be assured of that … we get a lot of people from the Portland and, maybe, the Bend area … it is tough riding on these roads. I've had several people say 'wow, your roads are [terrible] – which is the easiest way to get out? Where is the pavement?' And, so they have to go several miles longer if they want to go to the fastest pavement … about 30 extra miles. Yes, it's going to have an impact on us if we have really bad roads. We'll lose whatever people we have coming here." – Wallowa County resident

Overall, participant responses suggest there would be very few political implications from the reduction in road maintenance and service levels. Newcomers were more likely to complain than long-time residents.

> "The road department is one target for people who like to complain – always have to have something to complain about. The people with the most money [seem to complain the most] … I suppose the worst would be the newest migrants, the ones that didn't earn their money and could retire here." – Wallowa County resident

However, a couple of scenarios were offered that were not considered likely to happen, at least in the short term. The business community was identified as the group that might be the least happy about road conditions and most likely to take action.

> "I doubt if you'd see a recall, but I suppose you could. Or, you could see them voted out of office. In the short term I don't think that would happen, but you could see it long-term. But I don't think that it matters. Even if you vote a county commissioner out of office, I don't know if a new person could do any differently on something like this." – Wallowa County business/institution

That said, the majority of participants felt that the county government had been doing the best that they could do under the circumstances.

"Even though the Board of Commissioners and the Road Department has done a good job maintaining the level of monies over time and not overspending, there is only a certain amount of money there." – Wallowa County resident

"I think they've done a decent job. They're kind of in a helpless situation. They're doing their best. I know the commissioners have questions in their own minds – ' well, we have some money in reserves, should we just use it until it's gone and then really cut back, or cut back somewhat now.'"
– Wallowa County business/institution

"I don't think there are different parts of the county that are disadvantaged over other parts" – Wallowa County resident

"Once or twice when we get a heavy rain, like in July we get a thunderstorm, when the maintenance man isn't here – yes the roads do get bad, they get rutted up – and I call the maintenance people in Enterprise and they send somebody out here. Maybe it's not our man but they'll send another grader person out here, and he'll come out and grade the roads and make it safer for us." – Wallowa County resident

"Health wise, to get to town, to get to a doctor's office, or the hospital … I think that's one thing the county would really try to address, no matter how small the department got. They would really try to respond to that, on emergency basis."
– Wallowa County resident

Participant responses suggest that the level of impact from changes in the road department depends on what part of the county you live in, who you are, or what activities you engage in. There may be a greater impact on those who live on these roads, who rely on these roads for their livelihoods, who have recently migrated to the county or who come to enjoy the public lands.

"A rough road never stopped a hunter … the people with really nice fancy cars don't go out on the gravel roads anyway." – Wallowa County business/institution

"I'd say that the amenity migrants will be impacted the most – the folks who come from outside this area and move because it is so pretty in the summertime and then in the winter will suddenly find out that their road won't get plowed or they can't get to town." – Wallowa County business/institution

How the impact is felt also depends to some degree on the level of self-sufficiency that an individual has. Analysis of the data suggests that long-time residents, or those accustomed to living in more remote parts of the county, have a higher degree of self-sufficiency. For some the changes are relative to what they are traditionally accustomed to. Refer to Josephine County, Figure 4, for an example of the relationship between impacts and responses for the Road Department.

Comparison of anticipated impacts and possible responses of community

Recall that impacts on business, institutions and residents fell into two categories: well being and financial impacts, and responses fell into two categories: do nothing, or take action themselves which fell into three sub categories – financial, political or other.

Participants in all three counties expressed similar concerns in these impact areas; however, the degrees of concern varied between target groups and by county. Participants noted that residents who live outside urban boundaries or in more remote areas of the county, or who don't have the financial means to replace lost services, are disproportionately impacted. As might be expected, business expressed more concern over financial impacts, institutions tended to be balanced between financial impacts and impacts on well-being, and residents expressed more concerned over impacts on well-being, particularly issues of safety. Overall, Josephine County participants expressed more concern over financial impacts; Grant County participants expressed a more balanced concern between financial impacts and impacts on well-being; and, Wallowa County participants expressed more concerns over impacts on well-being.

Participants in all three counties also expressed similar responses to impacts. Across all groups in all counties, more participants said they would take action than not. For those who said they would take action, all groups in all counties said they would spend their own money, if necessary. Businesses and institutions may perceive they have more to lose and are willing to make investments and money or take risks. Community support for the county library in Josephine County is a good example of this.

However, not all groups said they would respond by taking political action – businesses and institutions responded this way more frequently than residents. For example, in Wallowa County, the majority of resident participants did not express concern over county government actions, instead expressing understanding with the difficult choices they were faced with. In Josephine County, however, there is widely-held view by participants that long-standing public relations issues revolving around a lack of trust and communication impacts how engaged the electorate is. In all three counties, there seemed to be a growing concern that elected county officials alone would be unable to effectively manage the affairs of the county for the benefit of residents, given the complexity of today's world and the issues facing the county. This has led to conversations amongst community members about the need to hire professional county managers. Finally, all groups in all counties expressed concern that changes in urban and rural counties are perceived in absolute rather than relative terms, leading to an unlevel playing field and impacting decision-making at the state level.

Table 16: *Community Impacts/Responses by County Department*

J = Josephine; G = Grant; W = Wallowa	Impacts		Responses		
	Well-being	Financial	Financial	Political	Other
Reductions in Public Safety					
• Increases chance of being involved in a traffic accident; may result in medical, legal or personal property expenses or increases in insurance rates	J	J			
• Increases chance of being a victim of crime or conflict; may result in medical, legal or personal property expenses	J	J			
◦ People may take matters into their own hands				J	
◦ May lead to the acquisition of a concealed weapon/permit or dog for protection, whose possession may lead to future impacts	J	J	J		
◦ May lead to purchase of alarm system/service, or security windows, doors, gates or fencing which redirect resources that would otherwise be invested elsewhere, or reduces profit margin	J	J	J		
◦ People stop calling to report crimes					J
• Increases chance of offenders becoming repeat offenders; reduces opportunity to achieve financial security for self/family and reduces efficiency of public safety resources	J	J			
• Decline in property values due to increases in crime rates		J			
• Reduces economic development and recruitment opportunities	J	J			
◦ Businesses or individuals are less willing to locate to a community without law enforcement or will move away					J
Reductions in Public Health					
• Increases risk to clients and their families already 'at-risk'; may impose higher financial costs on taxpayers	J	J			
• Decreases detection of communicable disease; may cost more to control than prevent	J	J			
• Increases risk of conflict/altercations with/over animals; May result in medical, legal or personal property expenses or increases in insurance rates	J	J			
• Slow response from animal control may result in increased calls to sheriff's office; or people taking matters into their own hands				J	J

Table 16: *Community Impacts/Responses by County Department*

J = Josephine; G = Grant; W = Wallowa	Impacts		Responses		
	Well-being	Financial	Financial	Political	Other
Reductions in Road Department					
• Increases response time for emergency service vehicles	J,G,W				J,G,W
• Increases chance of becoming involved in an accident due to bad road conditions; may result in medical, legal or personal property expenses or increases in insurance rates	J,G,W	J, G,W			
• Increased wear and tear on vehicles; may result in more frequent maintenance/repair costs or increase chance of an accident	J,G,W	J,G,W			
• Lost school/work days during snowy condition may result in loss of funding/wages or compromise job security; may lead people to take unnecessary risks	J,G,W	J,G,W			J,G,W
• Increased response time for engineering and front desk activity; may result in delays with financial implications, esp. for contractors	J	J			
Reductions in Public Library					
• Loss of public access to library equipment and resources; creates hardship for some; others may spend money to replace lost resources	J		J		
• Diminishes community pride; necessitates investments by the private sector to keep branches open	J		J		
• Reduces economic development and recruitment opportunities		J			J
Reductions in General					
• Affiliate programs asked to relinquish or reduce office space; would need to spend additional funds to function, or reduce programs/services	J	J	J		
• Increased demand for private/non-profits/volunteer assistance; may need to invest additional time and resources	J	J	J		
• Heightened emotions of frustration, irritation, anger and apathy, and loss of confidence and mistrust of county government, leads to political dissatisfaction expressed at the polls or in public settings which may have financial implications, such as willingness to increase taxes	J,G,W	J,G,W		J,G,W	
• Decline in county employee morale; employees leave for better paying jobs or move away; loss of human capital and decline in service quality.	J,G,W	J,G,W	J,G,W		J,G,W
• Reduce economic development and recruitment opportunities; may discourage businesses from moving to county and people move away	J,G,W	J,G,W			J,G,W

8. CONCLUSION

The resource revenue sharing programs for counties with extensive tracts of federal land, combined with highly productive timber harvests through the 1980s, created dependence by county government and its citizens on the revenues it provided to fund county services, and have shaped the economies and local governments of rural Oregon. Counties with O&C lands within their borders became more dependent on these payments for General Fund services, such as public safety, than those with NFS lands, who became more dependent on these payments for roads and schools.

Changes in federal forest management, enactment of environmental policies, recessions and a shift to a global economy dramatically impacted counties between the 1980s and 1990s. In the 1990s, counties began experiencing a shift away from traditional natural resource extraction activities – amidst changing demographics resulting from rural restructuring taking place across the west by baby-boomers and amenity seekers – towards more service, recreation and tourism oriented economies. Progressive population increases have escalated demand for county government services, while progressively declining populations have reduced county tax bases. At the same time, voter-initiated state tax measures fixed property tax rates and restricted annual increases in property tax assessments, reflecting anti-tax/anti-government sentiments. The federal government’s attempt to stabilize payments to county governments perpetuated a continued reliance on these payments through the authorization of OBRA in 1993 and the subsequent authorization of SRS in 2000 and reauthorizations in 2007 and 2008, in spite of their impending expiration.

Taken together, all of these factors have influenced the actions of Oregon county governments faced with the loss of SRS payments. However, federal forest and state property tax policies are the predominant structural constraints that influence county government decision making. Or – to quote the Association of Oregon Counties – together they have created “structural handcuffs” that have narrowed the choices available to county government (AOC, 2007), making difficult for counties to raise additional revenues necessary to maintain public service levels of the past. The result has been dramatic cuts to staff and service levels in programs and departments, which vary by county.

Reductions in services may have very specific impacts on the well-being of businesses, institutions and residents, and these impacts may generate private responses that have financial and political implications. In many instances, these responses may feed back to generate more impacts. Responses were consistent across all participant groups, and across all counties, although the degrees of concern for well-being, and financial and political impacts varied. In general, businesses expressed more concern over financial impacts, while institutions tended to be balanced between financial impacts and impacts on well-being, and residents expressed more concern over impacts on well-being, particularly issues of safety. Business, institution and resident responses were also consistent with county government official perceptions for all three counties. The data revealed how difficult it is for participants to imagine possible impacts and their responses – either because they do not have enough experience or knowledge, or it has yet to impact them. The data also revealed the burdens are disproportionately placed on segments of the populations – especially those in remote parts of the county, or those without financial resources.

This research has examined how three counties changed budgets and services in response to pending termination of the Secure Rural Schools funding. By looking at these changes through the eyes of both local officials and their constituents (whom they serve and who are ultimately impacted by the force of their decisions), it can assist federal, state and county decision makers in developing and choosing thoughtful policy alternatives, informed with the knowledge of the influences of past policies, collective action, their own worldviews.

> "Whether you have the effect of law enforcement or not, or whether your library is even very good – take out the qualitative things – it's just the fact of whether they are even there at all or if they are just a memory."
>
> – Josephine County business/institution participant

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Appendices

Appendix A: Interview Questions for County Government

The researcher will have analyzed existing county financial data for baseline year through FY 2008-09 for the selected counties that will inform semi-structured interviews to be held with county government officials and department heads. The % of change in the various budget categories will be known to the researcher prior to the interviews but not how this translates into concrete service changes. Interviewees will be purposively selected based on their position within county government and familiarity with the loss of federal funds and knowledge about impacts on county budget/services.

1. What specific changes have been made in budgeted spending for 2008-09 and what new revenue sources have been identified? What does this mean in concrete services (e.g. number of people, miles of road, number of hours reduced)?
2. What do you anticipate the impacts to county government will be? (e.g. functionality, structurally, well-being, etc.)
3. What do you anticipate the impacts to businesses/institutions and residents will be? (e.g. financially, well-being, politically, socially, environmentally etc.)
4. How do you anticipate businesses/institutions/residents will adapt to the changes? (e.g. find an alternative, go without, etc.)

The following are examples of typical categories and subcategories of county services.

Revenues

a. Taxes and assessments
   Assessments | Special assessments | Property Taxes | Other Taxes
b. License, permits, fees and fines
c. Charges for services
   Administrative and facility charges | Supplies / services sold | Rents

Expenditures

a. General government
   Administrative services / Personnel | Board of Commissioners | Building inspection | Country Treasurer | County Assessor / Tax Dept. | County Clerk | County Surveyor | Communication / Information Services
b. Community services
   Children and families | Community Development | Economic Development | Land use planning | Veterans
c. Public works

County roads and bridges | Highways & streets | Airport | Land use / Housing | Transportation

d. Criminal Justice

District Attorney | Emergency services | Juvenile Department | Prosecution and justice | Public safety / Sheriff

e. Health

Animal control | Health & Human (Welfare) services | Mental Health services | Sanitation

f. Cultural and educational services

Culture & recreation | Education (School) services | Fair | Library | Parks and community services

g. Parks and natural resources

Conservation | Environmental services | Forestry | Natural resources and environment

h. Debt services

Bond levies

Appendix B: Interview Questions for Businesses, Institutions and Residents

There will be an initial set-up by the researcher prior to asking questions about particular county services, based on the outcomes of the interviews with county government officials and department heads. For example: According to county officials/department heads, the road budget has been cut by 50% over the previous year which represents [x] number of roads miles.

1. Have you utilized/interacted with any of the following county services? If not, do you believe that you will have a need to utilize them in the future?
2. Are you aware of a change in the funding or service levels for any county service departments you are/anticipate being involved with?
3. How have/will the changes in funding affect you and your organization or family (e.g. financially, well-being, politically, socially, environmentally etc.)?
4. How have/will you adapt to the changes? (e.g. find an alternative, go without, etc.)

The following are examples of typical categories and subcategories of services provided by the county.

a. General government
   Administrative services / Personnel | Board of Commissioners | Building inspection | Country Treasurer | County Assessor / Tax Dept. | County Clerk | County Surveyor | Communication / Information Services
b. Community services
   Children and families | Community Development | Economic Development | Land use planning | Veterans
c. Public works
   County roads and bridges | Highways & streets | Airport | Land use / Housing | Transportation
d. Criminal Justice
   District Attorney | Emergency services | Juvenile Department | Prosecution and justice | Public safety / Sheriff
e. Health
   Animal control | Health & Human (Welfare) services | Mental Health services | Sanitation
f. Cultural and educational services
   Culture & recreation | Education (School) services | Fair | Library | Parks and community services
g. Parks and natural resources
   Conservation | Environmental services | Forestry | Natural resources and environment
h. Debt services
   Bond levies