

**FREQUENTLY ASKED QUESTIONS**  
**Regarding**

**THE FEDERAL FOREST COUNTIES AND SCHOOLS**  
**STABILIZATION ACT OF 2010**

**Q: The Federal Forest Counties and Schools Stabilization Act of 2010 (FFC&SSA) would help support a ten year reauthorization of payments under the Secure Rural Schools and Community Self Determination Act. Who receives Secure Rural Schools' payments, and how are they used?**

A: The Secure Rural Schools' payments are intended to replace shared revenue from timber harvests from National Forests nationwide, and from the O&C lands, which are located only in Western Oregon. Most Secure Rural Schools payments, those based on historic National Forest payments, are distributed to counties and schools, and must be used only for county road maintenance and construction, and support of schools. A smaller portion of the Secure Rural Schools payments goes only to 18 counties in Western Oregon where the O&C lands are located. Those O&C related payments go directly to those 18 counties and can be used to pay for any public services, according to local needs.

**Q: Where can I learn more about the O&C lands?**

A: A quick summary can be found at <http://www.blm.gov/or/plans/wopr/oclands.php>. A more complete source of information, including map, is available at <http://www.oandccounties.com>.

**Q: Other than the FFC&SSA, what is being done to further the goal of reauthorizing the Secure Rural Schools safety net?**

A: There is a massive national campaign underway, funded in substantial part by Oregon counties. The campaign is titled "Partnership for Rural America." For details, go to the campaign's website: <http://www.partnershipforruralamerica.org/default.shtml>.

**Q: How much will it cost to reauthorize the Secure Rural Schools safety net program for schools and counties in all 41 states currently receiving safety net payments?**

A: The total cost of a ten-year reauthorization of the safety net is about \$6.0 billion. The FFC&SSA would pay for about half of that cost.

**Q: When will the current Secure Rural Schools safety net end if nothing is done to reauthorize it?**

A: The last year for the current safety net is 2011. Oregon schools and counties will lose about \$200 million per year if the program is not reauthorized.

**Q: Besides the Partnership for Rural America, where can I learn more about the current Secure Rural Schools legislation?**

A: A good website on the Secure Rural Schools legislation is maintained by the Forest Service at <http://www.fs.fed.us/srs/>.

**Q: The FFC&SSA proposal is based on the sale of lands in the O&C Counties, in Oregon. Which counties are they?**

A: The O&C Counties are the 18 Counties in Western Oregon, excluding Clatsop County, but including Klamath County. The list includes: Benton, Coos, Columbia, Clackamas, Curry, Douglas, Josephine, Jackson, Klamath, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Washington, and Yamhill Counties.

**Q: The O&C lands are all in Oregon, so why should some of the sale proceeds go to pay for safety net payments for schools and counties in 40 other states?**

A: Oregon schools and counties receive about half of all safety net payments made nationally. By providing half of the funding to pay for the Secure Rural Schools safety net reauthorization, the FFC&SSA is really just paying for Oregon's share of the safety net program.

**Q: Shouldn't the benefits of this proposal go to all Oregonians, rather than just the 18 O&C Counties?**

A: All Oregonians would benefit, for ten years. The Secure Rural Schools safety net payments support schools and county roads for ten years. The road portion of the payments would go to 31 Oregon counties, and the school portion of the payments would benefit all schools in the State. Because of Statewide equalization of school funding, extra outside funding for schools in one locale results in reduced payments to that locale from the State, leaving more State funds that then can be distributed to all schools Statewide.

**Q: In addition to helping fund the Secure Rural Schools safety net for ten years, this proposal would provide principle for a permanent trust fund to pay for public services in the 18 O&C Counties. What kind of public services would the trust fund pay for?**

A: The trust fund interest payments to the 18 O&C Counties would be treated just like the payments historically made to the 18 Counties under the O&C Act of 1937. That means each county could use the interest payments according to local priorities, for whatever services are most needed in each county. This would include everything you can think of that is provided by County governments, from sheriff patrols, corrections, and other public safety programs, to libraries, museums, senior services, health programs for the needy, community colleges, juvenile programs, and much, much more.

**Q: The proposal is to have a trust fund that will provide interest payments to the O&C Counties that are equal to payments they received in 2008. How much were those payments?**

A: The total payments to the 18 Counties in 2008 relating to the O&C lands was about \$105 million. A portion of that--a minimum of 8 percent--- had to be spent on “projects” on federal lands, and was not available to support county services, leaving a balance of about \$97 million. The proposal seeks a trust fund that would generate annual payments equal to that amount, adjusted upward for inflation each year.

**Q: When would interest payments first be made to the 18 O&C Counties from the trust fund?**

A: Not until the new, ten year Secure Rural Schools safety net program ends. The O&C Counties would receive safety net payments during the ten year period, along with all others nationally. That would allow the land sale program under the FFC&SSA to be conducted, and the principal of the trust built up, before any interest payments are made.

**Q: How will the annual interest payments be divided between the 18 Counties?**

A: Payments would be made on the same basis that has applied since 1937, according to a historical formula that is familiar to and accepted by all of the Counties. This so called “O&C Formula” is based on the relative assessed values of the O&C lands and timber as of 1915, the last year the lands were in private ownership, before they were taken back into federal ownership in 1916. The O&C Formula assigns a percentage of the total to each County that ranges from less than 1 percent (Lincoln, Tillamook, Washington and Yamhill Counties) to well over ten percent (Douglas, Jackson, Josephine and Lane Counties.)

**Q: How much principal is required for a trust fund to generate interest of \$97 million per year, adjusted upwards by inflation?**

A: Preliminary analysis indicates a trust fund of \$3.0 billion would be sufficient to produce annual payments of \$97 million, increasing each year by the amount of inflation. Conservatively managed trust funds, such as for pension plans, commonly expect rates of return on their investments averaging between 6 and 8 percent per year. A typical, long term inflation forecast is for inflation averaging about 3 percent per year. If we use an assumed rate of return of 6.5 percent, and have inflation that averages 3 percent per year, we would have a “real” rate of return of 3.5 percent, which is sufficient to generate the payments sought under the proposal. So, for example, in the first year, with an assumed rate of return of 6.5 percent, a \$3.0 billion trust fund would generate \$195 million. Of that, \$97.5 million would be distributed to the 18 Counties to be spent on essential public services, and the balance (\$97.5 million) would be added to the principle of the trust. In year two, the larger trust principle would generate a larger amount in interest, sufficient to pay the inflation adjusted, 3 percent larger payment to the Counties. The trust would be managed over time to produce stable and predictable payments in this fashion, in perpetuity.

**Q: Who would manage the trust fund?**

A: With \$3.0 billion in beginning principal, professional money managers of the highest qualifications would be required, as would strictest adherence to fiduciary obligations. The nominal beneficiaries would be the 18 O&C Counties, but the real beneficiaries would be the citizens of those Counties. The Counties would have joint oversight of the professional money managers in proportion to each County's percentage interest in the earnings, with full public transparency of all decisions made by the County oversight committee.

**Q: The FFC&SSA calls for sale of O&C lands to generate the revenue to pay for the permanent trust fund, and to help pay for a ten year extension of the Secure Rural School's safety net. How would the lands be chosen for sale?**

A: The starting place for lands eligible for sale would be those BLM managed O&C lands that have timber aged 110 years old and younger. The FFC&SSA would establish a citizens advisory board made up of a broad range of stakeholders, including environmentalists, local officials, and others. The citizens advisory board would provide advice to the BLM, which would be the designated federal agency supplying technical information, and have final responsibility for carrying out the sales.

**Q: Would any lands with older timber be sold?**

A: If any lands with timber  $\leq 100$  years had exceptional environmental values that the citizens advisory board wanted to retain, then the citizens advisory board would have to locate lands with older timber to substitute, so that the value of the timberland sold was maintained. Substitutions could come from BLM O&C lands with timber older than 110 years, or they could come from BLM "public domain" lands, which are also found in the region. Preserving some of the younger timberlands for environmental purposes is one reason for making substitutions of older timber. The only other permitted reason would be a practical need to establish rational boundaries for parcels to be sold. For example, a stand of timber 70 years old might have a very irregular shape, and be adjacent to a stand of timber that is 120 years old. The citizens advisory board would have the authority and obligation to define the boundaries for parcels for sale in a way that was practical and logical, even if that meant including small areas that were older than 110 years, provided that some portion of the area that was less than 110 years would have to be given up in exchange. The boundary adjustment authority could not result in a net increase in the total value of all lands sold, so there would be no financial incentive for anyone to try to adjust the boundaries to incorporate older timber.

**Q: Will NEPA apply to the sale of lands?**

A: No. The FFC&SSA will mandate the land sales with environmental protections already incorporated. The design and timing of the sales will not be subject to NEPA.

**Q: Is there a market for the lands that would be sold?**

A: According to experts in the market for timberland, the answer is definitely "yes." Keep in mind that the lands would be sold over a ten year period. As the current recession subsides, demand for wood products will increase, as will demand for the purchase of timberlands that can

be put into production supplying logs to mills throughout the region. An analysis of the sale values of O&C timberlands under the FFC&SSA is provided elsewhere on this website.

**Q: Who would the likely buyers be for the timberlands?**

A: The lands would be sold in many parcels over a period of ten years, so it is likely there would be numerous buyers. There are Oregon-based mill owners that would likely be interested in acquiring timberlands in the region of their existing operations. There are also national timberland investment management organizations and real estate investment trusts that would likely be interested in participating in the bidding for the lands. Regardless of the identity of the land buyers, however, it is virtually certain that timber harvested from those lands would be purchased and utilized by local mills, generating jobs for Oregonians.

**Q: Would regional mills buy those logs, or would they be exported overseas?**

A: One of the principal goals of the FFC&SSA is to spur the economy by boosting regional employment, and the best way to do that is to insure that those logs originating from the purchased O&C lands stay within the region. The FFC&SSA would prohibit the export to foreign nations of any unprocessed timber harvested from lands purchased under the FFC&SSA.

**Q: How many acres would be sold?**

A: Out of a total of about 2.56 million acres of O&C lands, about 1.2 million acres are forested with timber from 0 to 110 years old. That is the land base that would be eligible for sale under the FFC&SSA.

**Q: What would happen to all the remaining O&C lands?**

A: Nearly all of the BLM managed timberlands with timber older than 110 years would be put into permanent environmental reserves. All of the Forest Service managed O&C lands would be placed in permanent environmental reserves. The total placed in reserves would be 1.173 million acres.

**Q: The total sold (1.2 million acres) and the total in reserves (1.173 million acres) does not add up to the O&C total of 2.56 million acres. What happened to the remaining acreage?**

A: Most of the remaining acreage is roads. Some roads (such as dead end logging spur roads) that are not throughfares will be sold with the adjacent parcels that are sold. Most of the roads, including all those that are important throughfares, would not be sold, and would be retained by the federal government.

**Q: What about public access to the sold lands---once they are private, will the public be excluded?**

A: The lands will be sold subject to easements for public access for recreational purposes, such as hunting and fishing. Access rights the public has now will be continued. The new owners

will be able to limit access only for legitimate safety reasons, such as when management activities are occurring on a particular parcel, or to protect the forest from harm, such as during severe fire seasons.

**Q: What environmental protections will apply to the sold lands? How do we know the private ownerships will not lead to environmental destruction?**

A: The State of Oregon does a good job making sure that all private timberlands are managed in ways that protect the environment. The timberlands that are sold will be subject to the same environmental protections that apply to all private forestlands in Oregon. Oregon's Forest Practices Act places many requirements on how private timber companies must manage to protect the environment, from limiting the size of clearcuts, to protection of streamside vegetation, maintaining water quality and air quality, and requiring prompt reforestation after harvests. For example, under the Forest Practices Act, streamside trees and vegetation must be protected, and of the 1.2 million acres that would be sold under the FFC&SSA, about 96,000 acres could not be harvested because it is alongside streams. Good sources of information about the Oregon Forest Practices Act can be found at the following websites:

<http://www.oregonforests.org/assets/flow/forests/ofpa.htm>

[http://www.oregonforests.org/factbook/Forest\\_Pract\\_Act\\_\(13\).html](http://www.oregonforests.org/factbook/Forest_Pract_Act_(13).html)

**Q: Will endangered species continue to be protected?**

A: Yes, the State and Federal endangered species laws apply to private land. The laws are applied differently on private lands, but they still prevent harming species listed as threatened or endangered.

**Q: What will happen to the parks that are on O&C lands?**

A: No parklands will be sold. All parks on federal lands will continue to be owned and operated by the federal agencies, as they are now.

**Q: There are some lands managed by the BLM called the Coos Bay Wagon Road lands. What will happen to those lands?**

A: There are about 74,000 acres of lands in Coos and Douglas Counties that have a history somewhat similar to the O&C lands. The Coos Bay Wagon Road (CBWR) lands were granted to a company in exchange for the construction of a military road from Roseburg to Coos Bay in the late 1800s. The CBWR lands were in private ownership until they were taken back into federal ownership, just as were the O&C lands. The CBWR lands are in small, scattered parcels along the old military road right of way. They are currently managed with the adjacent BLM O&C lands, but the timber revenue from the CBWR lands is not shared with all 18 O&C Counties. Under federal law, only Coos and Douglas Counties benefit financially from the CBWR lands. The CBWR lands would be retained and managed by the BLM, just as they are now, and would not be changed by the FFC&SSA.

**Q: One of the main objectives of the FFC&SSA is to generate jobs. How many, and how soon?**

A: The Oregon Department of Forestry commonly uses a multiplier for economic activity generated by the timber industry of 17.9 direct and indirect jobs produced from each million board feet of timber harvested. Harvest projections shown elsewhere on this website indicate that, within the first 5 years under the FFC&SSA, annual harvests would rapidly increase by about 800 million board feet of timber, meaning over 14,000 new jobs for Oregonians. Within a few years thereafter, employment would increase even more, to about 25,000 new jobs created by the FFC&SSA. After 25 or 30 years, projected timber harvests would decline to a permanent, sustainable level of about 300 to 500 million board feet per year, with corresponding employment levels.

**Q: Automation has reduced the number of jobs necessary to efficiently operate a sawmill. How confident are you that the multiplier of 17.9 jobs per million board feet of harvest still applies?**

A: Automation and computers have decreased the overall number of employees in the manufacture of lumber; however, that evolution has created new jobs requiring new skills. In addition, the harvest, reforestation, road maintenance, and trucking combined with office staff, sales people, human resource employees, and other support staff will provide the basis for significant job growth. The Oregon Forest Resource Institute has tracked the issue of employment in the forestry and wood products sectors of our economy and has confirmed that for every additional one million board feet of timber that enters the newly automated and more efficient production lines production line, about 17.9 direct and indirect jobs are created. Indirect jobs are the insurance provider, metal fabricator, real estate professional, service station operator and other community based jobs.