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MEMORANDUM

TO: Clackamas County Board of County Commissioners (BCC)
FROM: Mike Bezner, Assistant Director of Transportation, DTD
RE: Secure Rural Schools payment election process
DATE: September 7, 2022

Requested Action: Board direction on Secure Rural Schools (SRS) distribution percentages

Executive Summary: In 1908 Congress passed a law to transfer a portion of forest grazing fees and timber sales receipts to the states to support public roads and schools. This payment is currently 25% of the average gross receipts over the past 7 years' rolling average. However, due to a reduction of logging on federal lands, the value of these receipts became a fraction of what they had once been. As a result, in 2000 Sen. Ron Wyden led an effort for Congress to pass the Secure Rural Schools and Community Self Determination Act (SRS). This act stabilized funding for rural counties by adding an option to take a different payment based on a new formula. Although funding from this formula has been reduced several times since 2000, it has still consistently resulted in a higher payment than the one based on actual receipts.

SRS distribution is composed of two funding streams: revenues from United States Forest Service (USFS) lands and revenues from the Bureau of Land Management (BLM) (strictly for counties with Oregon and California Railroad Revested Lands, also known as **O&C lands**). The SRS was reauthorized as part of the 2021 federal infrastructure bill. Under the new bill, the SRS payment increases a little. But, the bill also requires the following "election" decisions for both the USFS and O&C allocations:

- The need for the county to **affirm distributions percentages** by September 30 of 2022, though the Association of Oregon Counties and the Association of O&C Counties is requesting the determination by **September 19th** to coordinate the Federal Government deadline of September 30.
- County to elect whether to take a **payment** based on annual timber receipts or take the SRS payment methodology by **August 1 of 2023**.

Current SRS Distribution Percentages: The following is list of current distribution percentages, which are unique to each funding source, and percentage limits within each of the various Titles.

<u>USFS Lands</u>	<u>%*</u>	<u>Percentage Limits</u>
Title 1: Transportation/Schools	85	80-85% range
Title 2: Treasury Distribution	8	8% is minimum (8-13%)
Title 3: Disaster Management/Homeland Security	7	7% is a maximum

<u>O&C Lands</u>	<u>%</u>	<u>Percentage Limits</u>
Title 1: General Fund	85	85% is maximum
Title 2: Treasury Distribution	8	8% is minimum (8-13%)
Title 3: Disaster Management/Homeland Security	7	7% is a maximum

* % are applicable to any entity receiving a distribution of more than \$350,000

When considering any adjustments to these distribution percentages staff felt there was one key consideration, maximizing any direct allocation to the County: Maximizing Title 1 and Title 3 percentages accomplishes that objective as it disperses funds directly to Transportation (USFS), General Fund (BLM/O&C) and Disaster Management purposes to the County. Any adjustment to Title 1 or Title 3 increase Title 2 distributions, which are directed to the federal government and not directly under County control. While the County can apply for specific funds directed to Title 2, these are generally done through a specified grant process which is competitive and there is no guarantee of the County receiving funding.

This is the first of two key decisions around SRS funding. As noted above, the second decision relates to payment methodology. County must elect whether to take a payment based on annual timber receipts or take the SRS payment methodology in both funding categories (USFS and BLM/O&C) by August of 2023.

Prior to the aforementioned deadline, staff will bring back for Board consideration another discussion on electing which distribution model the board prefers, the standard SRS methodology or actual timber receipts.

Options:

Option 1: Retain the current SRS distribution percentages Title 1: General Fund – 85%, Title 2: Treasury Distribution – 8% and Title 3: Disaster Management/Homeland Security – 7% for the USFS and O&C Lands.

Option 2: Provide staff direction on adjustments to the SRS distribution percentages.

Staff Recommendation:

Option 1: Retain the current SRS distribution percentages Title 1: General Fund – 85%, Title 2: Treasury Distribution – 8% and Title 3: Disaster Management/Homeland Security – 7% for the USFS and O&C Lands.