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Press Release – For Immediate Release

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From: Skamania County Commissioners

Skamania County Reacts to Economic Woes

Skamania County is facing a serious budget shortfall in 2011 as well as the most draconian reduction of funding in 2012. The Commissioners, other County Elected Officials, and Department Heads are meeting this week to develop a plan to cope with this unprecedented shortfall. "This has come earlier than we expected. We thought we would deal with these issues as part of the 2012 budget process." said Commissioner Pearce, BOCC Chair. Revenues for 2011 simply have not materialized as expected. Even after removing two 1 million dollar transfers out of the current expense fund-- to roads and reserves-- the fund is still short. "Our trust land revenues did not meet expectations and a potential legislative fix to the significant reduction of 2011 federal dollars did not materialize.

Skamania County's payroll across all county departments is 1.3 million dollars a month or 15.6 million a year. The yearly property tax revenue for the entire county is 1.8 million dollars along with another 1.4 million in road funds. Skamania County has depended on the timber industry and timber resources at both the federal and state levels to survive.

Since the listing of the Spotted Owl, Skamania County has barely averted the financial devastation that we are facing. The Gifford Pinchot produced fully 25% of the federal timber in Washington State for decades prior to the listing of the Owl. In 1989 and 1990 the county received over 7 million dollars in direct revenue from the timber produced on both Federal, as well as Skamania County Trust lands, managed by the Washington State Department of Natural Resources. So not only did the reduction and eventual closure of logging effect these direct revenues, it cost hundreds of private jobs on the forest and in the four mills operating in Skamania County, as well as the 300 forest service jobs that accompanied the Wind River Nursery operation. Said Vice Chair Jim Richardson, "We've been on the brink of this fiscal crisis twice before – in 2007 before last minute legislation rescued us, and in 2008

when reauthorization was accomplished in the 11th hour. The promise of providing for a transition of our economy has fallen significantly short.”

With Federal Timber replacement dollars, first called Owl Guarantee monies, and then Secure Rural Schools/County Payments, combined with revenue from the county’s trust lands, the average income from these sources to the county has been over 5.5 million dollars a year. These payments started in 1991 and continued through 2010. The Federal payments were stripped down by 10 percent per year starting in 2008 -- with the most devastating reduction slated for the 2011 payment, which will be realized at the end of this year. This payment amounts to 1.8 million total dollars. To add to this devastating result the DNR reports that trust land revenue in 2012 will be only \$75,000. The lowest trust land revenue in a single year in over 25 years.

The County’s Current Expense Budget includes all expenses which do not have other dedicated funding source (such as a separate tax levy or by direct state payment). In 2010 the Current Expense budgets’ actual expenditures were 14.5 million dollars. Throughout 2011 expenditures have run \$100,000 per month *less* than 2010. This is thanks to a number of initiatives on the county’s part including saving over a million dollars on health insurance costs, and not refilling positions vacated due to retirement. These reductions have not kept pace with diminishing revenues. Preliminary projections indicate only 7 million dollars in revenue for Current Expense in 2012 leaving a 6 million dollar gap.

The County has worked very hard to reauthorize the County Payments program just as we did in 2007 – 2008 but have at the same time consistently pushed for more production out of our Federal Lands. In fact, Commissioner Pearce testified recently in Congress on increasing Forest Management and revenues on the National Forests. A key portion of his testimony was “... *I would gladly trade these dollars for the jobs we once had on the Gifford Pinchot Forest in my County...*”

Other economic development in the county has been fraught with constant challenges. Whether it’s the Broughton Mill Resort which will turn a dilapidated mill into a world class resort across from Hood River; or, the Whistling Ridge Wind Farm which is completely sited outside the scenic area. Both of these have been consistently attacked by special interests assisted by sympathetic federal and state agencies as blights on the federally imposed scenic area. The Wind River Business Park (site of the old nursery) required congressional action to finally have a portion turned over to the county 11 years ago. The County is still wrestling with the Forest Service over water and other property issues.

With the assistance of the Washington Association of Counties, the County was successful in 2009 in getting the state legislature to realize that the trust lands that were encumbered by the spotted owl listing should be paid for and the County should be made whole. Legislation providing for this was signed by the Governor and effects Skamania and two other counties. Skamania County has half of the lands (5000 acres) covered by the bill. For Skamania, this will result in a full accounting and payment for the timber value of these lands (estimated at 20 plus million dollars) as well as the purchase of new lands capable of producing timber for the foreseeable future. This biennium the County was successful in getting 2 million dollars into the State Capital Fund, for the three counties, to begin this repayment

and purchase program. This program may take 20 years or more to be fully funded based on state revenue.

There have been questions about the County's use of reserves. In 2005 Salary and Wage Reserve was 4.5 million dollars. Without knowing what the future held as county payments were slated to run out in 2006 the Commissioners combined several accounts to create a single Salary and Wage Reserve of 6 million dollars. The intent was to carry the County through 2008 if there were no reauthorization. In that case, massive cuts would have occurred in 2009 with the County facing a budget crisis --- similar to the present. With the 2008 reauthorization we began facing annual "ramp down" reductions of 10% per year. Over 2 million of the reserve was used each year to balance salary and wages. It was not used to increase employees but instead to make sure that employees would retain their jobs through the economic downturn. That was only sustainable from 2009 through 2011.

Additionally there will be questions about the use of Capital Reserves to remodel the Annex building and the Hegewald Center. These were budgeted reserve dollars intended for this specific use. These expenditures resulted in projects that came in under budget and gave the county buildings with a 20 plus year useful and maintenance free life. The projects were accomplished at the ideal time, providing an economic stimulus to our county while providing improvements at very economical costs. It also allowed the County to get out of two buildings which were inefficient for current use by the county. One of these buildings was recycled to house a number of non-profit entities.

Without some legislative help this crisis will be more devastating to our valued employees and the services they provide to our citizens. The County is working diligently to assess the full ramifications of this crisis and to take the appropriate actions to lessen impacts.

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