Statement of Ray Rasker, Ph.D.

Senior Economist
Sonoran Institute
Northwest Office, Bozeman Montana 59715.
Telephone: (406) 587-7331.
E-mail: ray@sonoran.org

U.S. House of Representatives
Committee on Resources
Subcommittee on Forests and Forest Health

Oversight hearing on the Impacts of Federal Land Ownership on Communities and Local Government, Wednesday June 15, 2005.

June 9, 2005

I would like to thank the Subcommittee on Forests and Forest Health for the opportunity to testify at this hearing. My name is Ray Rasker. I am the Senior Economist for the Sonoran Institute, a non-profit conservation group with offices in Tucson and Phoenix, Arizona and Bozeman, Montana. I work out of our Bozeman office. I have a Ph.D. in economics from the College of Forestry, Oregon State University. For the last 20 years I have traveled extensively to all corners of the West, conducting economic development training workshops, assisting public land management agencies in the development of their land use plans, and producing peer-reviewed research on the relationship between the management of public lands and the health of local economies.

The Sonoran Institute works with communities to conserve and restore important natural landscapes in western North America, including the wildlife and cultural values of these lands. The lasting benefits of the Sonoran Institute's work are healthy landscapes and vibrant communities that embrace conservation as an integral element of their quality of life and economic vitality.

We recently completed a study that is directly relevant to the topic of this hearing, entitled Prosperity in the 21st Century: the Role of Protected Public Lands. Copies of the study are attached to this testimony.

We took up this study for several reasons. First, in many counties in the West much of the land is managed by the federal government, particularly by the U.S. Bureau of Land Management and the U.S.D.A. Forest Service. An understanding of the economic impact of the management of these lands is therefore important to the economic success of neighboring communities. Second, the management of public lands, for resource extraction, recreation, wilderness, or for various non-commodity uses, such as scenery and solitude, has always been heavily debated in the West. Until our study, no one had looked at the economic impact of all public lands in the West (including national parks, forests, wildlife refuges, monuments, conservation areas, and BLM lands), and all counties containing public lands. And, no one had studied how the conservation or industrialization of these lands had influenced local economies. Above all, no one had developed a system to compare the economies of different counties facing different economic conditions and opportunities.

We discovered that federally managed public lands, and in particular Wilderness, National Parks, National Monuments and other protected public lands, set aside for their wild land characteristics, can and do play an important role in stimulating economic growth – and the more protected the better.

A more specific look at how different types of land management are related to economic growth showed some important findings that are directly relevant to this hearing. We calculated the correlation between the growth of real (adjusted for inflation) personal income for each county in the West, and the various management regimes for regimes on federally managed public lands in those counties. We discovered that the highest correlation between growth of personal income, from 1970 to 2000, and land management was for federal lands that are immediately adjacent to protected public lands, such as Congressionally designated Wilderness, National Parks, and National Monuments. The second highest positive correlation with income were all federal lands, regardless of how they are managed. In other words, the more federally managed public lands a county has, the faster the growth in total personal income (these also had the highest growth of population and labor income).

The third highest correlation between personal income growth and public lands was for lands that are managed as a National Park, Wilderness, National Monument, National Conservation Area, Wild and Scenic River, and Wildlife Refuge. Finally, the lowest correlation between personal income growth and how land was managed was for federal lands managed primarily for logging, oil and gas development and mining.

These results show that counties in the West with high amounts of federally managed public lands grow faster than those with few public lands, and counties where federal lands are in protected status, such as National Parks or Wilderness, grow faster than counties where federal lands are used primarily for resource extraction.

The Grand Staircase Escalante National Monument in Southern Utah is a good example of how local economies have benefited from federally managed lands that are set aside for conservation purposes. The Monument was designated in 1996 and occupies much of the land in Garfield and Kane counties. Since the designation of the Grand Staircase-Escalante National Monument, Garfield County has seen significant growth in personal income from retirement, investments and other non-labor sources, a variety of service industries, and from people employed in various government agencies. Labor earnings and average wages per job have increased substantially, unemployment rates have declined and real estate values have gone up.

According to the U.S. Department of Commerce, since 1970, almost three out of four new dollars of personal income in Garfield County are from retirement, transfer payments, investment and other non-labor sources. Income from services and professional industries – a mix of low-wage and high wage occupations – doubled, more than making up for losses in mining, oil and gas development, farming and ranching. These two categories of personal income now account for more than three-fourths of personal income in Garfield County. Together with personal income from people employed in government, these three sources of income are the entire local economy.

Moreover, the economy of Garfield County continued to grow after the designation of the monument. In the four years before the designation of the monument personal income from labor grew, in real terms, by 14 percent. In the four years after the designation of the monument real labor income grew by more than 18 percent. While real average earnings per job fell by over 6 percent in the four years prior to the existence of the monument, average earnings per job grew by 7 percent in the four years after.
Garfield County's unemployment rate remains high, but it declined from 12.4 percent in 1995 to 9.2 percent by 2001, a period during which the Monument was designated.

Kane County has also grown substantially since the designation of the Monument. There has been a significant rise in non-labor income sources, personal income from service industries, and government employment, as well as construction and manufacturing.

According to the U.S. Department of Commerce over a third of net growth in personal income since 1970 was in non-labor income sources Employment in service and professional sectors contributed another third of the income growth, government 17 percent, and construction another 11 percent. Together these four sources represent almost 90 percent of net growth in personal income from 1970 to 2000, and over 80 percent of the current economy in Kane County.

A few of the traditional sources of income are still present in the economy, but they are very small contributors. For example, there still is some farming and ranching, but it contributes only two percent of total personal income. By 2000 mining, including oil and gas development, was virtually non-existent in Kane County.

In the four years prior to the designation of the monument real labor income grew by a little over 27 percent. After designation real labor income grew by over 33 percent. Before designation average earnings per job, in real terms, declined by over 22 percent; after designation it grew by over 18 percent. Unemployment has gone down, too, from 8.7 percent in 1995 to 3.5 percent in 2001.

Real estate values give yet another indicator of the economy's strength and how much people want to live in the area. In both Escalante (Garfield County) and Kanab (Kane County), the communities most impacted by the designation of the monument, the mean value of a home rose substantially since the designation of the monument. The median value of a home in Escalante rose from $69,432 in 1990 to over $100,000 in 2000, a 45 percent rise, in real terms. In Kanab the mean value of a home dropped by 13 percent from 1980 to 1990, before designation of the monument. From 1990 to 2000 it rose by 23 percent. The mean value of a home in 1990, before the designation of the monument, was a little over $86,000. This rose to over $106,000 by 2000.

These trends dispel the argument that the monument designation – setting aside public lands for protection against development – would result in economic decline and spawn only low-paying tourism jobs. The data instead support a different conclusion; the designation of public lands primarily for conservation makes adjoining communities attractive places

to live and do business. Environmental amenities, in other words, are a very important economic asset.

In this study we also explored in detail how the economy of the West has changed. One assumption regarding federally managed public lands in the West is that the West's economy is dependent for its economic well-being on resource extractive industries, such as the wood products industries, energy and mineral development. In fact, over the last three decades the economy of the West (the 11 western mainland states: Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming) has changed significantly. According to the U.S. Department of Commerce, in the last thirty years more than half of all net growth in personal income, in real dollar terms, was from service and professional industries. This includes high-wage occupations in health, engineering, and business services, but also includes relatively low-wage occupations such as restaurant and hotel workers. In contrast to the rapid growth of service-related occupations, 8 percent of the growth in the last three decades was from manufacturing, of which the natural resource sectors, such as lumber and wood products, are a minor component. Less than 1 percent of the growth was from mining (including oil and gas development).

The second largest contributor to income growth in the West has been non-labor income, which from 1970 to 2000, accounted for more than a third of all net growth in real personal income. Non-labor income consists of dividends, interest and rent, also referred to by some economist simply as money earned from investments, and transfer payments. Transfer payments include retirement benefits, health care and disability insurance payments, Medicare and Medicaid, welfare, and other government payments to individuals. Nationwide, as well as in the West, more than 60 percent of transfer payments are age-related.

For the non-metropolitan portion of the West, the biggest source of new personal income was non-labor sources, accounting for 49 percent of the growth, while the second biggest source was service-related industries, accounting for 31 percent of growth. How resource-dependent is the rural West? In 1970, 20 percent of all total personal income in the non-metropolitan counties of the West was from the resource extractive industries and agriculture. This fell to 8 percent by 2000.

We also discovered that historic dependence on resource extraction industries, like mining, oil and gas development and the wood products industry, are shown to be associated with the slowest long-term growth rates. Diverse economies, especially those with dependence on the high-end service industries, like finance, real estate and business services, grow the fastest.

In conclusion, our study shows that: the economy of the West has changed significantly; counties that are dependent on resource extraction are few and far between; those that grow the fastest over a period of several decades have the least dependence on mining. oil and gas development, and the wood products industry. And, fast-growing counties tend to have a high proportion of public land, and the more protected this land is from resource development, the faster the economic growth.

While it is clear that protected public lands, set aside for conservation, have a positive impact on communities in the West, many other factors also need to be in place in order for communities to prosper. In our study we also demonstrated that access to metropolitan areas, via road and air travel, education of the workforce, and the in-migration of newcomers are also extremely important to stimulate economic growth.