**O&C: Oregon & California Railroad Land Grant Payments**

**One-Line Description:**

Oregon & California (O&C) Railroad Land payments return a large proportion of federal timber receipts to eighteen counties in western Oregon.

**Short Description:**

When Congress “revested” sovereignty over 2.9 million acres of Oregon & California Railroad Grant lands in 1916, it created a unique federal forest landscape and a unique set of political and fiscal problems. The O&C lands were put under the authority of the Department of the Interior, not the Forest Service in the Department of Agriculture, and the government was bound to pay both the railroad holding company for its patented lands and eighteen counties in western Oregon for back taxes on those lands. The next two decades were a litany of failed promises to those counties, so in 1937 Congress passed Public Law 75-405, commonly known as the O&C Act. The O&C Act mandated sustainable yield harvests and established a revenue-sharing formula that finally repaid the counties and then returned 75 percent of all future receipts to the counties. Federal transfer payments flowed into the eighteen counties for the next half century, but the disruption of western Oregon’s lumber industry in the 1980s and 1990s by industrial, ecological, and political changes forced Congress and the counties to experiment with new compensation policies, none of which have worked very well.

**Full Description:**

In 1866, Congress passed the Oregon & California Railroad Act, granting 6 million acres of checkerboarded land to two companies charged with building a road from Portland, Oregon to Marysville, California. The grant was the seventh largest of twenty-two railroad grants awarded in the nineteenth century. In 1869, however, Congress added a unique proviso restricting the O&C Railroad to selling parcels of 160 or less acres to “actual settlers” for no more than $2.50 per acre. The company violated all these terms for decades, so in the early 1900s state and federal officials sued the company, by then the Southern Pacific Company. In 1915 the Supreme Court declared the lands forfeited and instructed Congress to address the issue. The following year Congress passed the Chamberlain-Ferris Act, “revesting” to the federal government 2.9 million acres of the original railroad grant. Three years later in 1919 Congress reclaimed another 93,000 acres from another road grant in western Oregon known as the Coos Bay Wagon Road (CBWR) grant.

The O&C lands hold a unique status in the history of Progressive-Era conservation. Unlike the timber, mineral, and hydroelectric sites that presidents withdrew from settlement in the 1890s and 1900s, most of the O&C lands had already been privately patented. Thus the revestment process took 2.9 million acres off local tax rolls, affecting the development policies of many small counties in western Oregon as well as two port districts. To clear the title to those lands, the federal government paid the Southern Pacific Company $2.50 per acre for all reclaimed lands and it promised to use timber receipts to cover back taxes owed to the affected eighteen counties.

Actual payments to the counties were a long time coming. The Agriculture and Interior Departments battled over which department would control the O&C lands, foresters withheld trees from the market to leaven private timber values, competitive bids for those trees were rare, and officials thwarted legitimate homesteaders. By 1926 no back taxes had been paid. Congress responded in the late 1920s by passing two laws designed to expedite timber sales and payments, but then logging collapsed with the Great Depression. By 1931 there was a $9 million deficit in the O&C fund, counties were could not support local social services, and local port authority bonds failed in part due to the scant tax base.

Neither the railroad nor the federal government had acted in good faith toward O&C counties, so in 1937 Congress passed new legislation regarding the county payments. The O&C Act instituted a sustainable-yield harvests on the O&C and CBWR lands and to bolster the county repayment and programs. This time the exhaustion of private forests and surging demand related to World War II enabled the Interior Department to generate revenues to pay the pre-1915 taxes by 1943 and the 1920s promises by 1951. By 1954 the revenue-sharing formula was funneling 75 percent of timber, grazing, and land sale receipts to the counties for schools and roads.

For the next half century O&C payments bolstered the budgets of eighteen counties in western Oregon, but that flow depended on sustained cutting in federal forests. The vulnerabilities in this system were bared by the timber economy downturn in the 1990s, brought on by a combination of mill retooling for smaller logs, a resurgent private lumber sector, and environmentalist concerns over shrinking old growth stands and endangered spotted owls (*Strix occidentalis*). Rural unemployment skyrocketed while funding for local social services plummeted. Congress responded in 1993 (PL 103-66) with a patchwork program dubbed “Owl Payments” that evolved into the Secure Rural Schools and Community Self Determination Act of 2000 (SRS). The O&C revenue sharing formula remained on the books, however, and in 2014 it began to pump revenues into the 18 counties again when Congress failed to renew SRS.

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