

SOUTH CENTRAL OREGON DEMOGRAPHIC REPORT



An overview of the Klamath and Lake County Region, updated demographic information on Our People and Our Economy along with an analysis of our economic base.

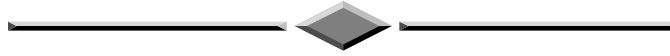
South Central Oregon
Economic Development
District
P.O. Box 1529
Klamath Falls OR 97601
541-884-5593
2013



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THE REGION



LOCATION

The South Central Oregon region is made up of the Oregon counties of Klamath and Lake. Located in southern Oregon along the eastern border of the Cascade Mountains and bordering California, Klamath County at 6,151 miles (3.93 million acres) and Lake County at 8,340 square miles (5.34 million acres) are the third and fourth largest counties in Oregon. Together, these counties cover over 14,490 square miles, with an average of 1 person per square mile in Lake County and 10 people per square mile in Klamath County.



Major Highway routes includes U.S. Route 97, a major north-south highway which runs through the state of Oregon from the Oregon-California border, south of Klamath Falls, to the Oregon-Washington border on the Columbia River. With the exception of Interstate 5, US 97 is the most important north-south highway corridor in the state. Oregon Route 140 is the primary connection between Medford and Klamath Falls. The stretch of OR 140 between the two cities is known as the Lake of the Woods Highway. It then runs along the southwestern shore of Upper Klamath Lake, where it is part of the Volcanic Legacy Scenic Byway. OR 140 then continues east towards Lakeview on the Klamath Falls-Lakeview Highway.

Union Pacific and BNSF have main rail lines servicing the region. The short line service, Modoc Northern Railroad also serves the two counties. The rail line operates over 160 miles of track in northeastern California and southern Oregon connecting the Town of Lakeview to Klamath Falls via Alturas which then connects to Union Pacific Railroad.

Oregon's public-use airports play a key role in ensuring economic growth and maintaining high standards of livability throughout the state. Airline passengers, overnight mail, air

cargo, air ambulance, forest fire suppression, crop spraying, military use, and aviation-related businesses all depend on an adequate network of airports.

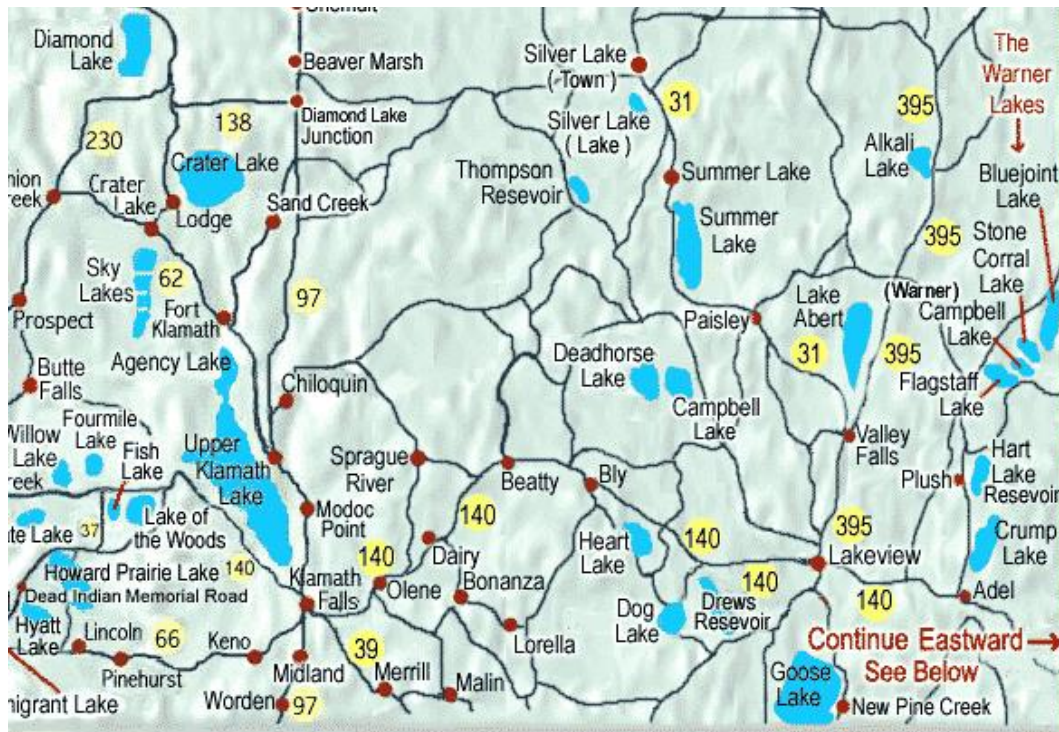
The region is served by the Klamath Falls Airport which offers commercial air service as well as full general aviation services and is home to the Oregon Air National Guard 173rd Fighter Wing and the 270th Air Guard. Additionally, the region also has four Community General Aviation Airports:

- Lake County Airport, located near Lakeview, has a 100 foot wide, mile long, lighted runway that has recently been re-surfaced. The runway is able to handle larger aircraft such as C-130 retardant aircraft and corporate jets. The airport is available for courier service as well as private and charter planes and the area offers a year-round, mostly fog-free climate for the aircraft.
- Paisley Airport is an excellent location for pilots that want to get into the "Outback" of Oregon and witness first-hand the beauty of this area.
- Christmas Valley airport runway was built as part of the original development of the town and dedicated in 1985. A recent \$500,000 grant from the Federal Aviation Administration widened, paved, and provided lighting for the mile-long airstrip.
- Chiloquin State serves local residents and businesses, government users, and visitors to Chiloquin and the surrounding area.
- Malin Airport is a public airport located one mile (1.6 km) southeast of Malin in Klamath County and highly used by hobbyists of RC airplanes.

GEOGRAPHIC PROFILE

Klamath County's western boundary is on the crest of the Cascade Mountains with peaks that reach 8,000 feet and receive some of the deepest snow accumulation on the West Coast. Mt. Scott in Crater Lake National Park (8,939 ft.) is the highest point in this county. The remaining county lands form the northernmost part of the Great Basin, a semi-arid high desert plateau averaging 4,000 to 6,000 feet in elevation and 10-15 inches of precipitation per year. Some seventy percent of the county is forested. The area's diverse landscape supports a variety of biological communities. The eastern slope of the Cascades hosts abundant fir forests, while pine and juniper thrive on the ridges of the eastern plateau.

Most lands within the county lie within the upper Klamath River watershed. Rivers flow through the region's many valleys and are detained occasionally by sizeable lakes and marshes. There are numerous fresh water lakes in the county: Upper Klamath Lake, Lake Ewauna, Swan Lake, Agency Lake, Odell Lake, Davis Lake, Crescent Lake and, the most well known, Crater Lake. Crater Lake is located 62 miles northwest of Klamath Falls, within the rim of an extinct volcano. At almost 2,000 feet deep, it is the deepest lake in the United States and the fifth deepest lake in the world. Upper Klamath Lake, the largest body of fresh water in Oregon, is about eight miles wide and 30 miles long. Odell, Davis and Crescent Lakes are located in the northeastern corner of the county.



The Klamath River, rising in Lake Ewauna just south of Upper Klamath Lake and flowing southwest into California, drains the southern part of the county. The Williamson and Sprague Rivers, emptying into Upper Klamath Lake, drain the central and eastern portion of the county. Further, the 14,400 acre Upper Klamath, and the 53,600 acre Lower Klamath National Wildlife Refuges, along with the 37,600 acre Klamath Marsh National Wildlife Refuge, are home to waterfowl, eagles, grebes, swans, cranes, shorebirds, pelicans and big game. These refuges and other recreation sites can be accessed from Klamath County's Volcanic Legacy Scenic Byway, an All-American Road, and the Outback National Scenic Byway, the Modoc Volcanic Scenic Byway, and the Lassen Volcanic Byway. Crater Lake National Park, Oregon's only national park, is located in Klamath County. In 2005 Klamath County Commissioners adopted the slogan for Klamath County to be "Klamath County, home of Crater Lake."

Lake County is located in the south-central portion of Oregon on the California and Nevada borders. Klamath County adjoins Lake County on the west, Harney County on the east; and Deschutes County on the north. Most of the land in the county is high plateau, part of the "Great Basin," with elevations ranging from 4,130 to 8,446 feet. A few peaks are over 8,000 feet. Crane Mountain, the highest peak, is 8,446 feet. The topography consists of desert, sagebrush, rim rocks, mountain forests, lakes, and crystal clear streams. Lake County averages only 16 inches of annual precipitation, most of which is snow. Most of the area is grass-shrub rangeland and suitable only for livestock. About fifteen percent of the land in the county is forested, and approximately five percent is used for cropland or hay production.

The lakes for which Lake County is named are alkali lakes of the Great Basin, such as Summer Lake, Lake Abert and Goose Lake, which the county shares with California. Fremont National Forest (1,198,301 acres), located east of the Cascade Mountains in the high elevation lava tablelands of south central Oregon, is located almost entirely in Lake County. The Oregon-California border marks the Forest's southern boundary, while its eastern boundary includes part of the Warner Mountain Range. A gentle to moderate terrain prevails over most of the Forest and elevations range from 4,000 and 8,000 feet above sea level. Slopes are generally 40% or less, although steep slopes along fault scarps and in narrow drainages are not uncommon. Abundant stands of fir exist at higher north facing elevations, while drought tolerant tree species, such as Juniper and Ponderosa Pine, and white fir and lodgepole pine also exist in the Forest. More than 3,000 species of fish and wildlife live in the Forest, including mule deer, Rocky Mountain elk, pronghorn antelope, trout, largemouth bass, Canada geese, whistling swans, mallards, black bear, mountain lion, bobcat, bald eagles, peregrine falcon, big horn sheep, sandhill cranes, white pelicans and coyotes. The Chewaucan, Sycan, and Sprague Rivers are the major streams originating in the Forest.

The Gearhart Mountain Wilderness, totaling 22,823 acres, is the Fremont National Forest's only wilderness. Other special areas in the Forest include the Slide Rock Mountain Geologic Area, the scene of a massive slide on the north face of the volcano, and two Wild and Scenic Rivers, the North Fork of the Sprague River and the Sycan River.

LAND BASE

Nearly two thirds of the land (6.03 million acres) is publicly owned (65%) with 3.2 million acres managed by the Bureau of Land Management (BLM); 12.8% of the land base is in agricultural production with the balance (21%) available for other uses.

ACREAGE	REGION	KLAMATH	LAKE
Area Total	9,276,160	3,926,400	5,349,760
Agricultural Use	1,184,664	382,664	802,000
State/Fed Managed Land	6,032,163	2,101,963	3,930,200
Other Use	2,047,173	1,441,773	605,400

CLIMATE

The climate of **Klamath County** is characterized by relatively dry summers with moderate temperatures and winters with moderate to low temperatures. Much of the winter precipitation falls as snow. Total average annual snowfall in Klamath Falls is about 41 inches. Crater Lake receives approximately 521 inches annually. Average precipitation ranges from as little as ten inches in the basin to over 70 inches in the mountains.

Killing frosts have been recorded throughout the county in every month of the year.

Growing seasons range from 20 to 40 days at higher elevations to 100 to 125 days in the valleys. Climate is the major limitation on agricultural crop production.

The climate of **Lake County** is cool and semi-arid, characterized by cold winters, warm summers, and a short frost-free growing season. Annual precipitation averages eight to ten inches in the lower basins, 12 to 16 inches in some mountain valleys, and 16 to 25 inches in the forested uplands. Frosts may occur in any month, and growing seasons average around 100 days. Snowfall ranges from about 20 inches annually in the basins to over 70 inches in the mountains.

CITIES

There are seven incorporated cities in the two-county region. Just 35.7% of the regional population resides within these incorporated areas (26,359 of 73,802 people per 2010 Census). Five of these incorporated cities have a population of fewer than 1,000 people.

The City of Klamath Falls is the largest metropolitan area in the region with a City population of 20,840 and an urban growth population of 48,711. In Lake County, slightly more than one third (2,474) of the population resides in the Town of Lakeview. (Population data is provided in Section 3.)

Incorporated Cities	
Klamath County	
• Bonanza	
• Chiloquin	
• Klamath Falls	
• Merrill	
• Malin	
Lake County	
• Town of Lakeview	
• Paisley	

TRIBES

The name Klamath is derived from a tribe of Indians called the Klamath or Clammite. The Klamath Tribes—composed of the Klamath, Modoc and Yahooskin Band of the Snake Indians, commonly called Piate—made their traditional homes east of the Cascade Mountains in Klamath and Lake Counties. The legends, passed on by elders, tell that the Klamath people have been in the same area since time immemorial. Tribal ancestors witnessed the eruption of Mt. Mazama and the creation of Crater Lake.

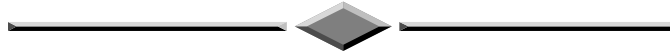
The Klamath Indian Tribes and reservation add to the county's history. The traditional homeland of the Klamath Tribes was approximately 20 million acres. But when the Klamath Reservation was established in 1864 by treaty, the tribe accepted lands approximating 1.9 million acres, covering about fifty square miles of land east and northeast of present day Klamath Falls. The federal government's policy of termination and assimilation resulted in the tribes being abolished in 1961. However, in 1975, a fully functioning tribal government was reestablished, and the Klamath Tribes were again recognized by the federal government in 1986. The Klamath Tribes currently consists of more than 2,300 members.

Tribal government starts with the General Council, which meets quarterly, and includes every enrolled member 18 years or older. Ten members make up the Tribal Council and are elected every four years. These elected positions are Tribal Chairman, Vice Chairman, Secretary, Treasurer, and six Tribal Council members. The Tribal Council attends to the day-to-day business of protecting and enhancing Tribal interests

Tribal Administration implements Tribal policy through departments. The Klamath Tribal Administration is headed by a General Manager who is responsible for management of a \$5 million budget and the basic functions of Tribal organization. Direction to departmental programs is focused upon creation of opportunities rather than creating dependency. Tribal Administration also provides support services to conduct tribal business.



OUR PEOPLE



TOTAL POPULATION

Between the 2000 and 2010 Census, the population in the region grew by 4.3% or 3,078 persons, for an annual growth rate of .42 percent. During that timeframe, Lake County had the largest percentage increase of the two counties, adding 6.4% to its population or 473 persons. All of Lake County's population increase occurred in the unincorporated portion of the county with the cities losing population. During the same timeframe, the state of Oregon increased its population by 12.0%.

SCOEDD REGION POPULATION ESTIMATES

	1990	2000	2010	2000-10 Change		1990-2010 Change	
				Number	Percent	Number	Percent
OREGON	2,842,321	3,421,399	3,831,074	409,675	12.0%	988,753	34.8%
Klamath County	57,702	63,775	66,380	2,605	4.1%	8,678	15.0%
Bonanza	323	415	415	0	0.0%	92	28.5%
Chiloquin	673	716	734	18	2.5%	61	9.1%
Klamath Falls	17737	19,460	20,840	1,380	7.1%	3,103	17.5%
Malin	725	640	805	165	25.8%	80	11.0%
Merrill	837	897	844	-53	-5.9%	7	0.8%
Lake County	7,186	7,422	7,895	473	6.4%	709	9.9%
Lakeview	2526	2,474	2,294	-180	-7.3%	-232	-9.2%
Paisley	350	247	243	-4	-1.6%	-107	-30.6%

Source: US Census Bureau

In Klamath County more than half of the population growth occurred within the City of Klamath Falls which added 1,380 persons. Within Klamath County only the City of Merrill saw decreases in population from 2000 to 2010, losing a total of 53 persons. The large jump in population reported in Malin (25.8% change) is due to an undercount of that city's population during the 2000 Census.

Components of Population Change: April 1, 2000 to July 1, 2010

Prepared by Population Research Center, PSU, March 2011. The 2010 estimates are based on Census 2000, not Census 2010.

	July 1, 2012 Population Estimate	April 1, 2010 Census Population	Population Change 2010-12	Percent Change 2010-12	Births 2010-12	Deaths 2010-12	Natural Increase 2010-12	Net Migration 2010-12
KLAMATH	66,740	63,380	360	1.4%	1,832	1,635	198	162
LAKE	7,920	7,895	25	0.5%	152	183	-31	56

Source: Population Research Center, PSU, March 2013

In-migration is the primary population growth factor in the region accounting for 57% of the overall regional growth. Lake County experienced more *Deaths than Births* resulting in a net decrease in the Natural population which was offset by people moving into the county from other areas.

POPULATION PROJECTIONS

Growth projections through 2040 predict that the region will continue to grow slower than the overall state. The State of Oregon Office of Economic Analysis, Department of Administrative Services (OEA) estimates that state population will grow by almost 58% by 2040, while Klamath County is projected to grow by 25.4% and Lake County by 2.2% in the next thirty years.

DEMOGRAPHICS

Minorities

In 2010, the minority population of the region was 13.6% of the total population of the region compared to 12.3% in 2000 and 5.6% in 1980.

Population by Race and Ethnicity								
	Klamath County				Lake County			
Year	1980	1990	2000	2010	1980	1990	2000	2010
Total Population	59,117	57,702	63,775	66,380	7,562	7,186	7,422	7,895
White	55,633	53,191	55,695	57,019	7,325	6,825	6,752	7,130
African American	344	381	404	432	3	5	10	39
Native American	2,004	2,370	2,672	2,734	83	198	176	165
Asian	291	461	512	621	54	46	53	53
Hispanic	845	2,984	4,961	6,915	67	270	404	545

The most significant change was in the Hispanic population within the region which grew to 11.6% of the population. Growth in this population is attributed to employment opportunities in the Klamath Basin’s agriculture and potato packing industry, and the expansion of the retail sales sector.

Age and Gender

Age patterns in the region reflect a higher percentage of individuals that are retirement age (age 65 or older) than the state average. In Lake County nearly more than one in five persons are over 65 years of age. The 50 to 64 age group is also larger in both counties than the state average.

The under 18 population in Klamath County is close to the statewide average but 3.7 percentage points lower in Lake County.

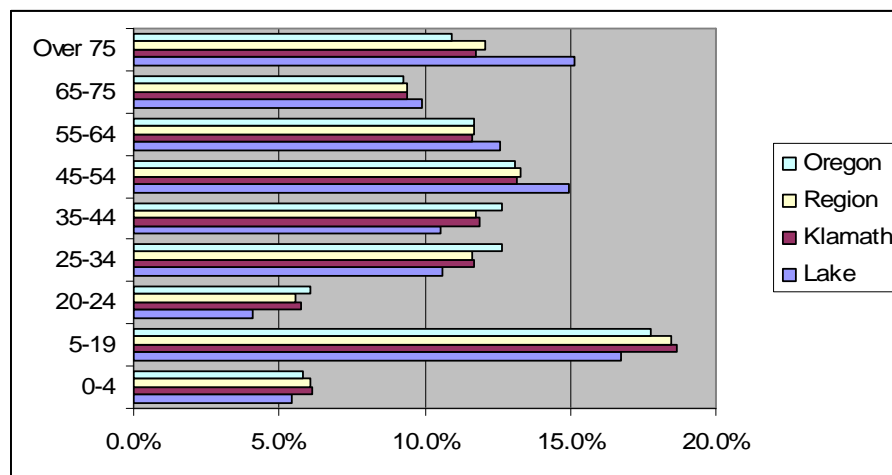
Population Estimates by Age and Sex: July 1, 2012

	Klamath	Lake	Oregon
Under 18	21.9%	18.6%	22.3%
18 – 20	2.7%	1.4%	2.8%
20 – 24	6.2%	3.9%	56.6%
25 – 34	10.9%	9.7%	13.7%
35 – 49	18.0%	19.4%	19.8%
50 – 64	22.0%	25.3%	20.2%
65 & over	18.3%	21.7%	14.8%

Prepared by Population Research Center, PSU, April 2013.

Projections to 2040 (OEA) forecast that the retirement age population will rise to 20% in the state, 21.5% in the region and 25.1% in Lake County. The percentage of school age population statewide is projected to drop to 17.8%, while it is projected to only drop to 18.5% at the regional level but to 16.7% of Lake County’s population.

Projections of Population by Age, 2040



Based on 2010 Census information, 50.1% of the population in the region is male and 49.9% is female.

INCOME AND POVERTY

In 2012 the annual average wage in the state of Oregon was \$44,229 compared to \$34,045 in Klamath County and \$34,397 in Lake County. The primary reason for the pay gap is that most of the regional industry growth is in services, retail trade and covered agriculture. The jump in average pay from 05 to 06 in Lake County reflects the addition of state jobs associated with the Warner Correctional Facility locating in the county.

Average Pay per Worker 2003 to 2012

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Klamath	28,055	28,654	29,311	31,091	31,949	32,193	32,303	33,150	33,417	34,045
Lake	23,597	25,530	26,821	28,962	30,121	31,064	31,311	32,185	33,925	34,397
Oregon	33,426	34,565	35,846	38,057	39,564	40,486	40,740	41,667	43,077	44,229

Although wages have continued to increase in both counties, Klamath County’s average wage as a percent of the state declined from 2003 to 2012 by 7.0 percentage points. Lake County’s average wage is fairly consistent at 78% of the statewide average.

Average Wage as a Percent of State of Oregon

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Klamath	84%	83%	82%	82%	81%	80%	79%	80%	78%	77%
Lake	70%	73%	73%	76%	76%	77%	77%	77%	79%	78%

Adjusted for inflation, the buying power of earnings per job in 2010 was \$6,428 less in Klamath County and \$2,907 less in Lake County than they were in 1980.

<u>Klamath County Earnings Per Job</u>			<u>Lake County Earnings Per Job</u>		
Year	Nominal	Adjusted for Inflation	Year	Nominal	Adjusted for Inflation
1980	14,956	39,578	1980	13,261	35,092
1990	20,150	33,618	1990	19,572	32,653
2000	27,430	34,734	2000	22,388	28,350
2005	32,816	36,640	2005	27,590	30,804
2010	33,150	33,150	2010	32,185	32,185

Source of Income

Personal income is derived from the three basic sources: 1) net earnings, 2) dividends, interest and rent, and 3) transfer payments (retirement, medical, unemployment, and veterans benefits). The table below relates the higher level of transfer payments and lower level of earnings in Klamath and Lake Counties, likely driven by its higher unemployment.

	Oregon	Klamath	Lake
2011Total Personal Income (000s)	\$145,299,628	\$1,986,406	\$254,580
Net Earnings	61.8%	50.4%	54.9%
Dividends, Interest and rent	17.9%	17.1%	18.8%
Transfer Payments	20.3%	32.5%	26.3%

Poverty and Need

Poverty rates are is nearly six percentage points higher in Klamath County and slightly more than three percentage points higher in Lake County than the state rates. In some of the smaller communities such as Chiloquin, more than one third of the families are in poverty. And in the region more nearly one of every three children under 18 lives in poverty.

Poverty Status 2011

	Klamath County	Lake County	Oregon
Individuals	23.0%	20.6%	17.3%
Children under 18	30.8%	30.1%	23.4%

Source: US Census Bureau

The Klamath and Lake Counties' Food Bank has reported a steady increase in the services provided each year. Currently the organization distributes about 32,000 to 33,000 pounds of food weekly. One in four households in Klamath and Lake Counties ate from a food box in this past fiscal year. Households dealing with lay-offs and reduction in work hours plus seniors and disabled persons living on fixed incomes have found it harder to stretch their limited dollars and it is anticipated the need for more food boxes will continue.

Approximately 2,875 families were served in 2000 with a "formulated average" of 3.3 persons per family. In 2005, the Food Bank reported serving 2,600 households or 8,580 people. In 2011-12, the food bank provided food weekly to a total of 6,450 households and assisted in the preparation of 485,000 meals that fed children, seniors, homeless and disabled.

LABOR FORCE

Below is a comparison of the regional to statewide changes in population, labor force, and unemployment as a percent of the labor force. The analysis shows that the region's labor force has declined and the percent of population participating in the labor force has increased in the region have also declined. On a regional basis, 45.2% of the population is in the labor force compared to 50.5% of the state's population.

Labor Force Data 2007 to 2012

Klamath	2007	2008	2009	2010	2011	2012	Change 07-12
Population	65,815	66,160	66,247	66,380	66,580	66,740	1.41%
Labor Force	30,564	30,846	31,183	30,828	30,725	30,057	-1.66%
Unemployment (%)	6.9%	9.1%	13.9%	13.3%	12.3%	11.7%	69.57%
Participation	46.4%	46.6%	47.1%	46.4%	46.1%	45.0%	-3.02%
Lake	2007	2008	2009	2010	2011	2012	Change 07-12
Population	7,565	7,585	7,600	7,895	7,885	7,920	4.69%
Labor Force	3,638	3,582	3,680	3,765	3,769	3,684	1.26%
Unemployment (%)	8.50%	7.50%	7.20%	8.50%	12.50%	13.20%	55.29%
Participation	48.1%	47.2%	48.4%	47.7%	47.8%	46.5%	-3.27%
Region	2007	2008	2009	2010	2011	2012	Change 07-12
Population	73,380	72,995	73,380	73,745	74,465	74,660	1.74%
Labor Force	34,202	34,428	34,863	34,593	34,494	33,741	-1.35%
Unemployment (%)	7.0%	9.1%	13.7%	13.3%	12.4%	11.8%	68.57%
Participation	46.6%	47.2%	47.5%	46.9%	46.3%	45.2%	-3.04%
Oregon	2007	2008	2009	2010	2011	2012	Change 07-12
Population	3,745,455	3,791,075	3,825,657	3,831,074	3,857,625	3,883,735	3.69%
Labor Force	1,921,081	1,954,125	1,972,961	1,973,793	1,975,393	1,962,908	2.18%
Unemployment (%)	5.2%	6.5%	11.1%	10.7%	9.6%	8.7%	67.31%
Participation	51.3%	51.5%	51.6%	51.5%	51.2%	50.5%	-1.46%

Educational Attainment

In both Klamath and Lake County a higher percentage of the population over age 25 do not hold a high school or equivalent diploma, 13.1% in Klamath and 12.8% in Lake compared with 11.2% Statewide. Within the region approximately 55% of the population over 25 has some level of college degree compared to 64% statewide.

Educational Attainment – American Community Survey, 2011

Educational Attainment of population 25 years and over

<i>Percent of total</i>	Klamath	Lake	Oregon
Less than 9th grade	3.9	3.3	4.2
9th to 12th grade, no diploma	9.2	9.5	7.0
High School graduate (includes equivalency)	31.4	35.3	25.2
Some college, no degree	26.7	26.3	26.6
Associate degree	9.4	7.9	8.1
Bachelor's degree	13.1	12.8	18.4
Graduate or professional degree	6.4	4.9	10.6

Unemployment Insurance Claimant Characteristics - Year 2012

The following charts show the characteristics of the unemployed in Klamath and Lake County during 2010 as reported by the Oregon Labor Market Information Service (OLMIS).

Gender	Region 11	Klamath County	Lake County
Female	2,231	2,013	218
Male	3,173	2,872	301
Age Group			
19 and Under	22	22	NA
20-29	1,116	1,019	97
30-39	1,124	1,017	107
40-49	1,214	1,112	102
50-59	1,255	1,121	134
60-69	561	498	63
70-79	103	93	10
80+	NA	NA	NA
(Highest Degree Earned) Education			
Ninth Grade or Less	253 (5%)	238	15
10th to 12th Grade	603 (11%)	535	68
High School Graduate/ GED	3,072 (57%)	2,746	326
Post Secondary Coursework	467 (9%)	435	32
Vocational Certification	60 (1%)	60	-
Associates	479 (9%)	441	38
Bachelors	386 (7%)	358	28
Masters	53 (1%)	53	-
Doctorate	19 (<1%)	19	-

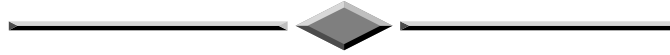
Fifty-nine percent of the claimants were male, thirty-five percent were over 50, and seventy-three percent list a high school diploma or GED as their highest educational attainment. As shown below, the largest three unemployed occupational groups are *Construction and*

Extraction (12%), Office and Administrative Support (10%) and Production (10%). Transportation and material moving makes up another 10% of the regional occupations that were unemployed in 2012.

Occupation	Region 11	Klamath	Lake
Construction and Extraction	645 12%	588	57
Office and Administrative Support	555 10%	513	42
Production	527 10%	486	41
Transportation and Material Moving	515 10%	461	54
Food Preparation and Serving Related	429 8%	376	53
Sales & Related	383 7%	345	38
Farming, Fishing & Forestry	382 7%	319	63
Management	266 5%	252	14
Installation, Maintenance and Repair	265 5%	228	37
Building & Grounds Cleaning & Maintenance	262 5%	238	24
Healthcare Support	188 3%	174	14
Protective Services	177 3%	144	33
Personal Care and Services	158 3%	146	12
Education, Training, Library	150 3%	141	9
Community and Social Services	86 2%	86	-
Healthcare Practitioners and Technical	84 2%	84	-
Life, Physical and Social Science	74 1%	60	14
Business and Financial Operations	65 1%	65	-
Military	65 1%	65	-
Architecture and Engineering	38 1%	38	-
Computer & Mathematical	35 1%	35	-
Arts, Design, Media, Sports, Entertainment	31 1%	31	-
Legal	8 <1%	8	-



OUR ECONOMY

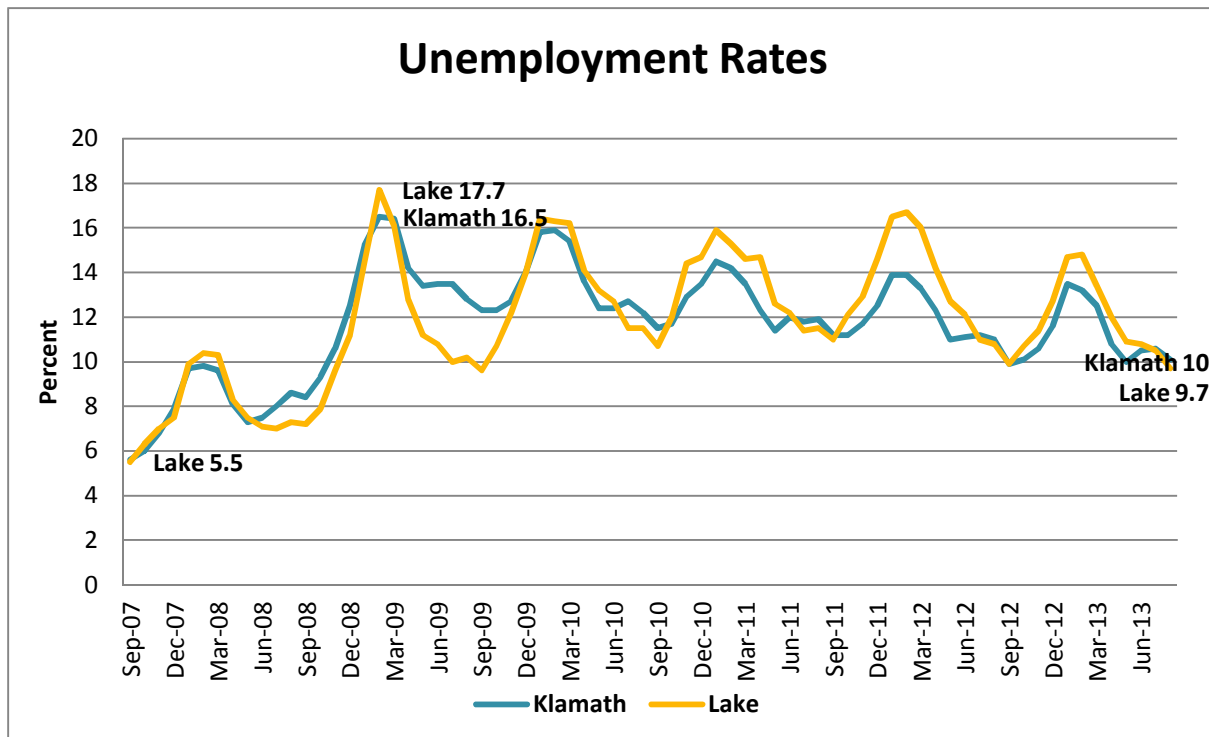


EMPLOYMENT TRENDS

Unemployment rates in Klamath and Lake Counties starting rising in 2008 and were among the highest in the state, despite relatively low rates in the three prior years. Klamath County's unemployment peaked in February 2009 at 16.5% while Lake County reached its peak during that month at 17.7. Statewide the highest unemployment was 12.2% in March 2009.

The following chart shows the seasonality of employment in both counties with a January to July unemployment rate change of three percent for Klamath County and a four percent change in Lake County.

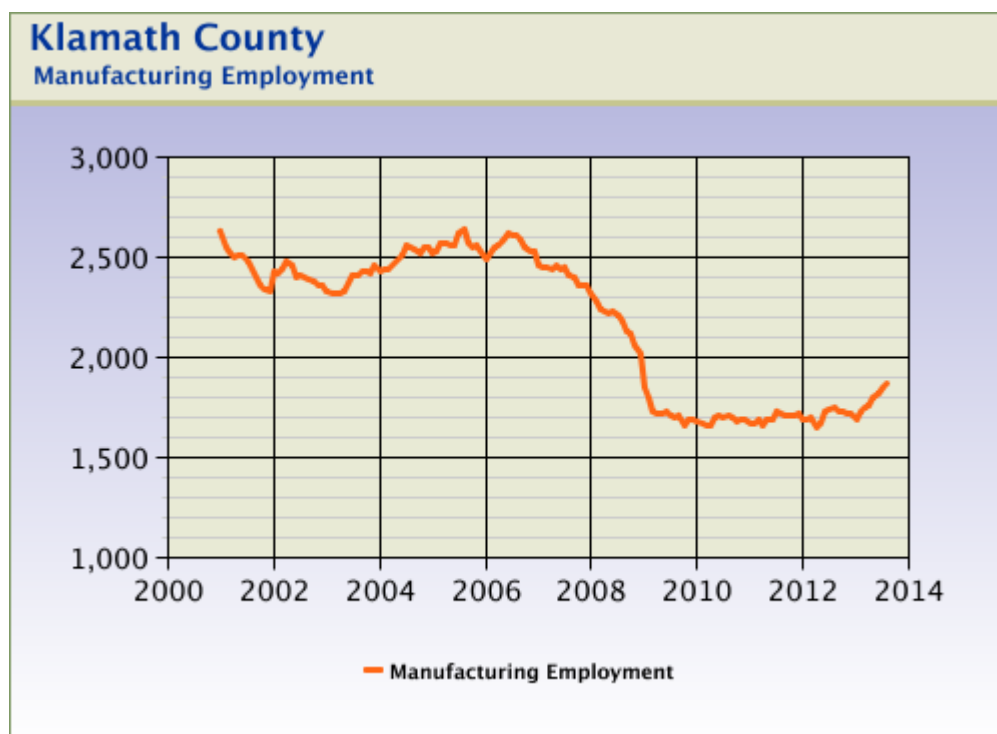
August 2013 rates were 9.7 percent unemployed in Lake County and 10 percent unemployed in Klamath County compared to 7.7 percent for Oregon and a national rate of 7.3 percent.



Klamath County

Although Non-farm employment was up 120 jobs in August 2013 over July 2013, the number of jobs is down 30 from August 2012. Gains made in Private Sector employment (120 jobs over prior year) were offset by the loss of 150 jobs in Public sector employment. During the past year, the State government eliminated 90 jobs in Klamath County and Local Government downsized by a total of 50 employees including 10 at the local schools.

During August 2013 Education and Health Services saw the biggest employment gains over prior month adding 120 positions. Construction employment is up 40 jobs from the prior month but down 10 positions from a year ago. Manufacturing employment in Klamath County has added 120 jobs from August 2012 but is still down 29% from its peak (2,640 jobs) in 2005.



Lake County

In Lake County total nonfarm employment increased by 30 jobs in August 2013, when a loss of 10 would typically be expected. Both the private sector (+20) and government (+10) gained jobs in August.

Over the year, employment increased by 40 jobs in Lake County. These gains were spurred by growth in manufacturing (+30). Other industries trending upward include mining and logging;

construction; and trade, transportation, and utilities. Losses were concentrated in government (-20), split between federal and local government.¹

Oregon Employment

On a seasonally adjusted basis, nonfarm payroll employment in Oregon rose by 4,500 in August 2013, following a revised loss of 1,100 in July. Over the past 12 months, seasonally adjusted employment in the private sector added 37,000 jobs, or 2.7 percent. Meanwhile, government cut 6,300 jobs, or 2.2 percent. In that time, six of the major private-sector industry categories each expanded by between 2.3 and 3.5 percent.

This breadth of steadily expanding industries is evidence of broad-based economic expansion in Oregon. In addition, leisure and hospitality grew even more rapidly, expanding by 10,300 jobs, or 6.0 percent. The only private-sector industry to decline over the year was financial activities, which shed 1,000 jobs, or 1.1 percent.

In August, seasonally adjusted gains were seen in seven of the major industries. Educational and health services experienced the largest such gain as it added 2,500 jobs. Manufacturing added 1,200, while five other major industries each added between 400 and 700. The only major industries showing substantial declines were financial activities (-1,300) and trade, transportation, and utilities (-600).²

¹ Excerpt from *Central Oregon Labor Trends* by Damon Runberg, Regional Economist

² *Oregon Payrolls Expanded by 4,500 Jobs in August* by David Cooke

Klamath County Annual Average Nonfarm Employment, 2006 - 2012

	2006	2007	2008	2009	2010	2011	2012
Total nonfarm employment	24,420	24,400	23,700	22,160	21,860	21,840	21,500
Total private	18,910	18,890	18,140	16,600	16,160	16,360	16,250
Mining and logging	190	200	180	140	150	140	140
Construction	1,390	1,340	1,070	840	760	770	720
Manufacturing	2,560	2,420	2,190	1,730	1,690	1,700	1,710
Durable goods	2,180	2,110	1,910	1,470	1,430	1,430	1,460
Wood product manufacturing	1,480	1,410	1,300	950	940	950	990
Nondurable goods	380	320	280	250	260	260	250
Trade, transportation, and utilities	4,530	4,580	4,600	4,440	4,350	4,340	4,340
Wholesale Trade	810	800	850	810	780	760	770
Retail trade	3,000	3,070	3,030	2,890	2,830	2,840	2,820
Food and beverage stores	540	580	570	560	550	560	560
General merchandise stores	830	840	890	860	820	840	840
Transportation, warehousing, and utilities	710	710	720	740	740	740	750
Information	290	280	230	190	190	190	190
Financial activities	1,090	1,090	1,000	930	860	870	820
Professional and business services	2,270	2,330	2,230	2,060	2,060	2,170	2,140
Educational and health services	3,070	3,080	3,130	3,080	3,110	3,140	3,170
Leisure and hospitality	2,770	2,830	2,730	2,470	2,290	2,360	2,320
Other services	750	760	780	720	690	700	700
Government	5,520	5,500	5,560	5,560	5,700	5,480	5,240
Federal government	910	910	890	940	960	920	890
State government	1,440	1,420	1,450	1,490	1,510	1,500	1,440
Local government	3,160	3,170	3,220	3,130	3,230	3,060	2,910
Local education	1,610	1,620	1,640	1,590	1,700	1,560	1,480

Source: Oregon Employment Department

Lake County Annual Average Nonfarm Employment

	2007	2008	2009	2010	2011	2012
Total nonfarm employment	2,360	2,220	2,120	2,130	2,120	2,070
Total private	1,320	1,200	1,090	1,100	1,120	1,050
Mining and logging	50	50	40	50	50	40
Construction	70	70	50	70	60	60
Manufacturing	300	270	210	180	200	210
Trade, transportation, and utilities	370	340	320	330	340	310
Retail trade	270	240	240	250	240	220
Information	30	30	20	20	20	20
Financial activities	60	70	60	60	60	50
Professional and business services	70	60	60	60	60	70
Educational and health services	110	80	90	100	90	90
Leisure and hospitality	210	180	170	190	190	170
Other services	50	50	50	40	50	40
Government	1,040	1,020	1,030	1,040	1,000	1,020
Federal government	280	260	270	280	260	250
State government	210	190	190	190	180	190
Local government	560	560	560	570	560	580

Source: Oregon Employment Department

PAYROLLS

Klamath County

As a percent of all Private Industry Payrolls in Klamath County, Wood product manufacturing accounts for 8.5% of all payrolls with an average pay per worker at \$45,646 per worker or 132.6% of the overall county average of pay of \$33,150. The second largest payroll is generated by Health care services - 5.5% of all payroll with an average pay of \$44,000 or 143% of county average. Food services and drinking places accounts for the most businesses and the largest percentage of employment at 9.5% of all jobs, however average pay is just 43% of the County Average. Utilities have the highest average pay but only 120 employees.

Klamath County Private Employment and Payroll – 2012

	Payroll		Average Pay		Employment		Units	
	#	%	#	%	#	%	#	%
All private industry	\$529,918,334	100%	\$31,865	100%	16,630	100%	1709	100.0%
Wood product mfg	\$45,281,300	8.5%	\$45,646	143%	992	6.0%	16	0.9%
Ambulatory health care serv.	\$39,183,022	7.4%	\$44,526	140%	880	5.3%	128	7.5%
Food services and drinking places	\$21,633,391	4.1%	\$13,683	43%	1,581	9.5%	133	7.8%
General merchandise stores	\$18,595,300	3.5%	\$22,137	69%	840	5.1%	9	0.5%
Wholesalers, nondurable goods	\$17,161,565	3.2%	\$36,986	116%	464	2.8%	27	1.6%
Crop production	\$17,018,942	3.2%	\$30,229	95%	563	3.4%	49	2.9%
Specialty trade contractors	\$14,712,626	2.8%	\$36,060	113%	408	2.5%	93	5.4%
Motor vehicle and parts dealers	\$14,074,854	2.7%	\$36,653	115%	384	2.3%	30	1.8%
Credit intermediation and related	\$12,670,593	2.4%	\$39,720	125%	319	1.9%	32	1.9%
Food and beverage stores	\$12,568,005	2.4%	\$22,564	71%	557	3.3%	37	2.2%
Social assistance	\$12,112,651	2.3%	\$20,392	64%	594	3.6%	34	2.0%
Wholesalers, durable goods	\$11,018,074	2.1%	\$40,508	127%	272	1.6%	36	2.1%
Utilities	\$10,566,825	2.0%	\$88,057	276%	120	0.7%	13	0.8%
Accommodation	\$10,006,439	1.9%	\$19,620	62%	510	3.1%	30	1.8%
Machinery manufacturing	\$7,492,163	1.4%	\$41,856	131%	179	1.1%	5	0.3%
Truck transportation	\$7,094,001	1.3%	\$36,010	113%	197	1.2%	47	2.8%
Insurance carriers and related	\$6,703,529	1.3%	\$44,102	138%	152	0.9%	24	1.4%
Forestry and logging	\$6,502,936	1.2%	\$40,643	128%	160	1.0%	25	1.5%
Membership associations and org	\$6,251,164	1.2%	\$18,225	57%	343	2.1%	92	5.4%
Bldg material/garden supply store	\$5,638,125	1.1%	\$26,102	82%	216	1.3%	18	1.1%
Construction of buildings	\$5,570,510	1.1%	\$32,014	100%	174	1.0%	52	3.0%
Repair and maintenance	\$5,065,604	1.0%	\$27,089	85%	187	1.1%	48	2.8%
Gasoline stations	\$5,039,576	1.0%	\$18,128	57%	278	1.7%	24	1.4%
Heavy/civil engineering construct	\$4,745,617	0.9%	\$46,986	147%	101	0.6%	16	0.9%
Animal production	\$4,597,959	0.9%	\$28,918	91%	159	1.0%	32	1.9%
Fabricated metal product mfg	\$4,506,881	0.9%	\$37,873	119%	119	0.7%	5	0.3%
Amusement/gambling/recreation	\$3,245,336	0.6%	\$14,172	44%	229	1.4%	20	1.2%

Source: Oregon Employment Department

In Klamath County, public sector employment made up 22% of all employment in 2012 but accounted for 27% of all payrolls. Average pay for government workers is \$41,752 annually compared to average annual pay \$31,865 for private sector workers.

Klamath County Government Employment and Payrolls – 2012

	Employment		Payrolls		Average pay	
	#	%	\$	%	\$	%
Total Federal Government	894	4.19%	\$52,547,487	7.24%	\$58,778	172.65%
Total State Government	1,066	5.00%	\$41,559,023	5.72%	\$38,986	114.51%
Total Local Government	2,743	12.86%	\$102,253,887	14.08%	\$37,278	109.50%

Source: Oregon Employment Department

Lake County

Lake County Private Employment and Payroll – 2012

Industry	Payroll		Average Pay		Employment		Units	
	\$	%	\$	%	#	%	#	%
Total Private Coverage	\$37,127,708	100%	\$28,170	100%	1,318	100%	256	100%
Wood product manufacturing	\$6,976,027	18.8%	\$37,305	132.4%	187	14.2%	5	2.0%
Education & Health Services	\$4,004,597	10.8%	\$44,496	158.0%	90	6.8%	17	6.6%
Animal production	\$3,301,098	8.9%	\$24,096	85.5%	137	10.4%	25	9.8%
Crop production	\$3,093,627	8.3%	\$24,359	86.5%	127	9.6%	11	4.3%
Wholesale	\$2,259,964	6.1%	\$40,356	143.3%	56	4.2%	12	4.7%
Leisure & Hospitality	\$1,826,317	4.9%	\$11,136	39.5%	164	12.4%	36	14.1%
Food and beverage stores	\$1,724,041	4.6%	\$20,047	71.2%	86	6.5%	7	2.7%
Construction	\$1,603,168	4.3%	\$32,063	113.8%	50	3.8%	17	6.6%
Motor vehicle and parts dealers	\$1,347,876	3.6%	\$36,429	129.3%	37	2.8%	8	3.1%
Professional, Scientific & Technical Services	\$1,290,939	3.5%	\$30,022	106.6%	43	3.3%	12	4.7%
Merchant wholesalers, durable goods	\$1,265,239	3.4%	\$37,213	132.1%	34	2.6%	5	2.0%
Finance & Insurance	\$956,938	2.6%	\$36,805	130.7%	26	2.0%	6	2.3%
Information	\$935,617	2.5%	\$49,243	174.8%	19	1.4%	7	2.7%
Other Services	\$921,037	2.5%	\$15,351	54.5%	60	4.6%	34	13.3%
Specialty trade contractors	\$892,700	2.4%	\$37,196	132.0%	24	1.8%	9	3.5%
Building material and garden supply stores	\$617,601	1.7%	\$25,733	91.3%	24	1.8%	4	1.6%
Truck transportation	\$538,214	1.4%	\$33,638	119.4%	16	1.2%	6	2.3%
Membership associations and organizations	\$518,730	1.4%	\$16,733	59.4%	31	2.4%	14	5.5%
Gasoline stations	\$423,937	1.1%	\$15,701	55.7%	27	2.0%	5	2.0%
Real Estate Rental & Leasing	\$290,770	0.8%	\$14,538	51.6%	20	1.5%	8	3.1%
Private households	\$166,674	0.4%	\$9,260	32.9%	18	1.4%	14	5.5%

Source: Oregon Employment Department

In Lake County, Wood Products manufacturing also provide the largest payrolls of private sector employers – with 18.8% of all payrolls at 132.4% of County Average Pay. This industry also provides the most employment of any one private industry. Education and Health Services combined make up the second highest in payrolls at 5.1% and pay the highest wages. Animal and crop production come in at third and fourth in payrolls and combined together provide 20% of all private sector employment.

Government employment provides 43% of all employment in Lake County and 53.3% of all payrolls. At an average pay of \$57,321 the Federal Government pays the highest wage – 166.7% of the county’s average pay of \$34,397.

Lake County Government Employment and Payrolls – 2012

	Employment		Payrolls		Average pay	
Total Federal Government	255	11.0%	\$14,616,860	18.4%	\$57,321	166.7%
Total State Government	180	7.8%	\$7,887,055	9.9%	\$43,817	127.4%
Total Local Government	560	24.2%	\$19,929,649	25.1%	\$35,589	103.5%

Source: Oregon Employment Department

NONEMPLOYER STATISTICS

It is clear from national research and experience that entrepreneurship plays a critical role in regional economic development. The constant creation of new firms is essential to economic prosperity. In fact, entrepreneurship may be the single biggest driver of economic growth, job creation, and industrial and technological innovation in most regions—both rural and urban alike.

One measurement of entrepreneurial activity is non-employer statistics. Most non-employers are self-employed individuals operating very small unincorporated businesses, which may or may not be the owner's principal source of income.

Within the region, the number of non-employer establishments decreased 7% from 2007 to 2011. The largest type of non-employer establishment in the region is Real Estate and Rental. The largest growth industry for non-employers (increase of 130%) was Finance and Insurance services which includes investment advisors, brokerage and portfolio managers and insurance agents. The second largest growth industry was Wholesale Trade (36%) This sector comprises two main types of wholesalers: those that sell goods on their own account and those that arrange sales and purchases for others generally for a commission or fee.

1. Establishments that sell goods on their own account are known as wholesale merchants, distributors, jobbers, drop shippers, and import/export merchants. Also included as wholesale merchants are sales offices and sales branches (but not retail stores) maintained by manufacturing, refining, or mining enterprises apart from their plants or

mines for the purpose of marketing their products. Merchant wholesale establishments typically maintain their own warehouse, where they receive and handle goods for their customers. Goods are generally sold without transformation, but may include integral functions, such as sorting, packaging, labeling, and other marketing services.

2. Establishments arranging for the purchase or sale of goods owned by others or purchasing goods, generally on a commission basis, are known as business to business electronic markets, agents and brokers, commission merchants, import/export agents and brokers, auction companies, and manufacturers' representatives. These establishments operate from offices and generally do not own or handle the goods they sell.

Non-employer Statistics						
Number of Establishments - Klamath and Lake Counties						
	2007	2008	2009	2010	2011	Change 2007 to 2011
Total	4,335	4,199	4,219	4,040	4,018	-317
Forestry, Fishing, Ag support	166	174	161	151	162	-4
Construction	473	458	428	417	398	-75
Manufacturing	99	96	106	105	103	4
Wholesale Trade	56	55	62	62	76	20
Retail Trade	564	529	502	453	433	-131
Transportation & Warehousing	270	258	244	245	211	-59
Finance & Insurance	33	82	83	69	76	43
Real Estate and Rental	456	399	487	492	474	18
Professional, Scientific & technical services	416	401	425	354	370	-46
Administrative & Support	300	317	269	268	279	-21
Educational Services	64	56	60	69	63	-1
Health Care & Social Assistance	444	440	454	271	430	-14
Arts, entertainment & recreation	169	145	149	167	152	-17
Accommodation & Food Services	100	96	95	99	105	5
Other Services	631	622	633	624	641	10

CLUSTER ANALYSIS

Location Quotient Analysis

Measurement of growth rates and location quotients for each industry in a cluster, as well as the total cluster, is the first step towards determining where the region's comparative advantage lies.

Location quotients show where industry sectors in particular localities are more strongly represented than they are in the nation as a whole. *To the extent that a particular location quotient is greater than 1, the area is considered to be more specialized in that industry or cluster than the nation is, and industries in the cluster are assumed to be producing for export as well as local consumption.*

SCOEDD REGION CLUSTERS 2012

Description	Industry Cluster Employment LQ	Industry Cluster Annual Wages LQ	Industry Cluster Establishment LQ
Forest & Wood Products	8.41	11.35	5
Agribusiness, Food Processing & Technology	2.64	3.1	4.38
Mining	2.13	2.28	2.35
Arts, Entertainment, Recreation & Visitor Industries	1.24	1.18	1.39
Education & Knowledge Creation	0.95	1.29	0.6
Biomedical/Biotechnical (Life Sciences)	0.81	1.18	0.97
Energy (Fossil & Renewable)	0.68	0.63	0.97
Fabricated Metal Product Mfg	0.59	0.71	0.45
Transportation & Logistics	0.55	0.64	1.54
Defense & Security	0.55	0.68	0.58
Printing & Publishing	0.44	0.41	0.52
Apparel & Textiles	0.37	0.3	0.39
Business & Financial Services	0.32	0.29	0.53
Machinery Mfg	0.24	0.31	0.41
Manufacturing Super cluster	0.2	0.2	0.41
Information Technology & Telecommunications	0.2	0.22	0.35
Advanced Materials	0.18	0.22	0.45
Computer & Electronic Product Mfg	0.13	0.1	0.84
Chemicals & Chemical Based Products	0.12	0.13	0.71
Transportation Equipment Mfg	0.02	0.01	0.45

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment & Wages (QCEW) and Purdue Center for Regional Development (cluster definitions).

As shown in the Chart on page 24, the SCOEDD region's largest employment clusters are in the traditional resource based industries. Timber and wood products and agriculture form the basis of Klamath and Lake Counties' economy.

Government, bolstered by the presence of the Fremont National Forest staff and a regional Bureau of Land Management headquarters, is the largest source of payroll income in Lake County. In Klamath County Crater Lake, Oregon's only national park, is the leading tourist attraction in the state. Another major force in Klamath County is the Air National Guard facility at Kingsley Field. There are currently 561 military and state employees that work fulltime on base. The Guard also employees 400 part time workers for a total employment of 961. Kingsley Field is the only base providing flight training for the F15.

The private sector employment includes logging, millwork, window and door manufacturing, farming and ranching. Ranching operations are based largely on livestock, hay and grain production. The national effect of timber market variations has been amplified in Lake County due to problems of relative isolation, small size of mills, and the lack of by-product utilization at the local level. Helping to offset these disadvantages is the existence of the Lakeview Federal Sustained Yield Unit, which requires that timber harvested on a designated area of the Fremont National Forest be processed in mills located in Lakeview or Paisley. The Unit was established in 1950, pursuant to provisions of the Federal Sustained Forest Management Act of March 24, 1994. Budget reductions affecting the U.S. Forest Service and Bureau of Land Management have eroded a basic stabilizing component of the local economy.

Education and Health Care Services are both growing clusters and offer wages above the national average.