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Budget Information Brief / 2014-4

Forestry Protection from Fire Funding

Fire protection funding is an ongoing legislative policy choice. This budget information brief discusses current fire protection funding that resulted from legislation (HB 2050) during the 2013 legislative session.

Background

Forest wildfire protection in Oregon is provided through a coordinated effort among local, state, and federal resources. The Oregon Department of Forestry (ODF) fire program protects 16.1 million acres of private and public forestland, about half of the state's total forest acreage.

Until 1965, landowners paid the entire cost of their fire protection. Then the Legislature established a cost-share model by limiting landowner costs depending on the use and geographic location of the property. The state was responsible for costs above the limitations. In 1973, the Legislature established the "pro-rata" share per acre concept whereby landowners are assessed for fire protection based on the number of acres they own within a specific fire district. There are 12 fire districts and three private forest protective associations in Oregon. In 1989, the law was modified to provide for a 50/50 landowner/ General Fund split of the cost for base protection. For a few years in the mid-1990s, the General Fund share dropped to 45%. Since 1999, the ratio has held at 50/50.

Current Fire Suppression Funding

There are three layers in the state's fire protection funding: Base, severity, and large fire. *Base protection* funding ensures prevention, readiness, and initial attack response at the local district level. That cost has mostly been shared equally by private landowners and the state since 1991. *Severity resources* include retardant- and water-dropping aircraft that can be placed where the immediate or projected threat is highest. Severity resources are supported by a special purpose appropriation of state funds matched 40/60 with landowner funds from the Oregon Forestland Protection Fund (OFLPF). Landowner assessments and harvest taxes provide revenues to support the OFLPF.¹ *Large Fire Protection* costs are covered through a mix of state and landowner funds, plus an insurance policy.

1. **Base Protection** – ODF's base protection program is delivered through local Forest Protection Districts. Revenue to support the district budgets comes from a combination of General Fund and forest patrol assessments on local private forest landowners. The obligation is established in statute, which provides that the landowners' share may not exceed 50%. Forest patrol assessments charged against subject landowners on a per-acre basis vary by district, as each local budget is

¹ Harvest tax of \$0.625 per thousand board feet (mbf) on all merchantable forest products (HB 3044, 2007); acreage assessment on all protected forest land (\$0.05 per acre for Westside timber acres, \$0.075 per acre for Eastside timber acres, and \$0.075 per acre for all grazing acres); assessment of \$3.75 per lot (out of \$18.75 minimum assessed for forest patrol); surcharge of \$47.50 for each improved tax lot; and interest from the State Treasurer's investments of the fund.

developed independently. Public landowners, such as state agencies and the Bureau of Land Management, receive no General Fund match and pay the full cost of their fire protection.

2. **Severity Resources** – These resources, primarily aviation, are critical in preventing small fires from growing into large, costly fires. General Fund and landowners share equally in funding this \$6 million/year layer of protection. Of the total, \$1 million General Fund per year provides assessment relief for fire protection on lower productivity lands that are more expensive to protect. The remaining \$2 million General Fund and \$3 million OFLPF funding provides rapid-response resources during periods of multiple fire starts and heightened fire danger. Prior to 2013, the total amount for this purpose was \$2 million General Fund per year. The state’s share of severity resource funding is appropriated to the Emergency Board and allocated to the Department of Forestry after each fire season.
3. **Large Fire Protection** – Large fire protection pays for emergency suppression costs. Enabling legislation is based on the policy of equalizing emergency fire suppression costs on all forest lands protected by the state; no single district is required to pay the full amount of firefighting expenses. Funding for emergency costs is provided by General Fund and by the OFLPF, which is administered by the statutorily authorized Emergency Fire Costs Committee, appointed by the Board of Forestry. There is no state budget for large fires because these fires are unpredictable. When large fires occur, costs are met by the Emergency Fund, General Fund, or other state resources.

The OFLPF annual large fire costs are capped at \$10 million. Expenditures from the fund are triggered when a forest protection district meets a spending level based on acreage and cost thresholds. Over the next three biennia, the cost-share scheme shifts an increasing portion of the large fire costs to the state, ultimately resulting in a dollar-for-dollar split up to \$20 million in annual costs. This portion of funding, up to \$20 million total per year, is considered the deductible for the state’s fire insurance. With the final shift expected in the 2017-19 biennium, the fire protection system will reflect a 50/50 sharing through all three levels of the fire protection funding framework.

If costs exceed \$20 million, insurance provides up to \$25 million more. The annual premium is shared equally between the state General Fund and the OFLPF.

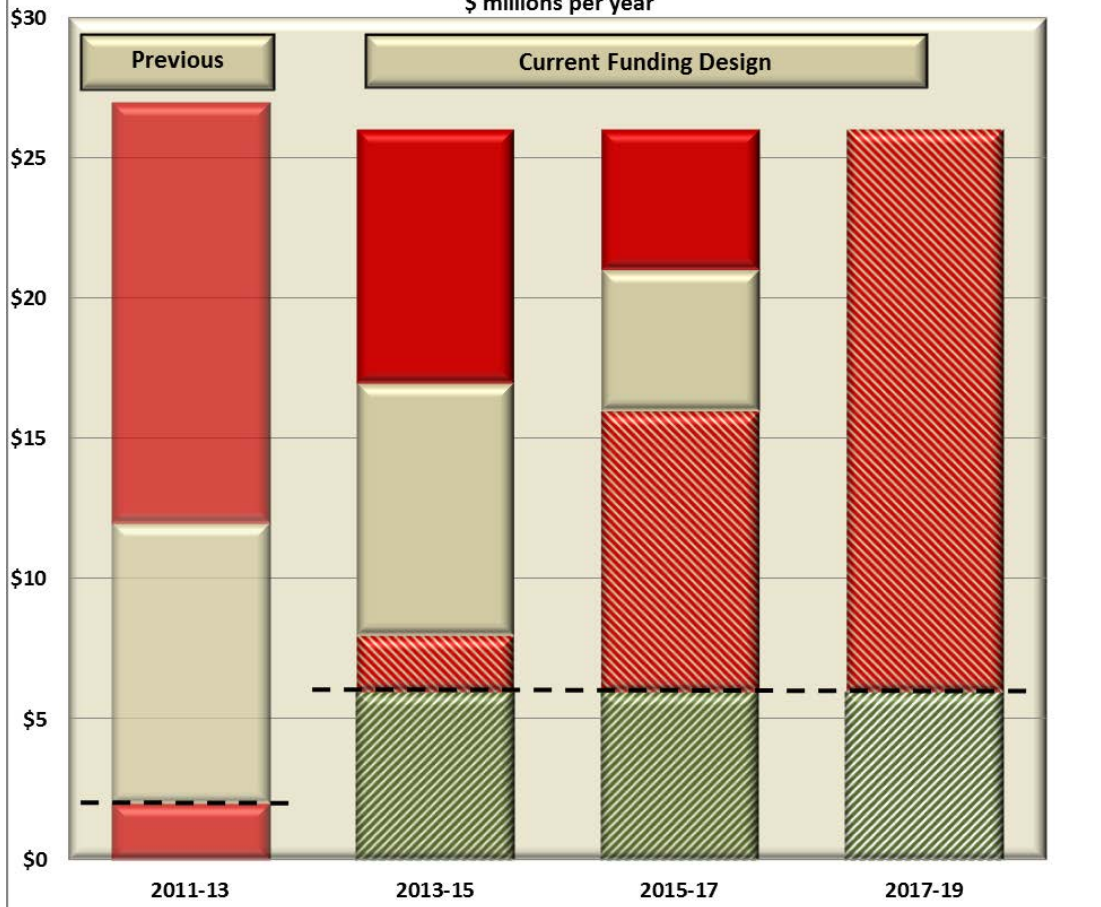
The state is responsible for any costs that exceed the sum of the \$20 million deductible and the \$25 million insurance payout. These costs are also not included in the Department of Forestry budget and must be paid from state resources, as needed. Since 1973, costs have exceeded the deductible plus insurance coverage twice – in 1987 and in 2013.

The display on the following page shows the roll-out of the 2013 funding model over three biennia. It includes only severity resources and large fire costs. Shared insurance premium funding and base funding are unchanged. For comparison purposes, the left-hand column shows the funding model prior to the 2013 changes. The major differences are:

- Increased severity resources – from \$2 million General Fund to \$6 million shared funds per year, including assessment relief for certain landowners.
- The state’s increasing dollar-for-dollar participation with landowners on large fire costs – \$2 million per year in 2013-15, \$10 million per year in 2015-17, and the full \$20 million per year in 2017-19.
- Reduction in the fire insurance shared expense from \$25 million per year to \$20 million per year, reflecting the expectation that increased severity resources will reduce the number of large fires.

Fire Funding Phase-in - Severity, Large Fire levels

Red = General Fund, Tan = OFLPF, Stripes = GF* and OFLPF** shared equally
 Dotted line separates Severity Resources from Large Fire costs
 \$ millions per year



*General Fund

**Oregon Forest Land Protection Fund

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This brief is available on the Legislative Fiscal Office website at www.oregonlegislature.gov/lfo