

# Legislative Fiscal Office

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## Budget Information Brief / 2016-3

### How Oregon Funds Forest Wildfire Protection

#### 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 in Oregon, including three private forest protective associations. In 1989, the law was modified to provide for a landowner/General Fund split of the cost for base protection.

The state provides protection from forest fires in three layers: base protection, severity resources, and large fire protection. Base protection funding ensures readiness and initial attack response at the local district level. ODF also draws on a special purpose appropriation of General Fund made to the Emergency Board and on public and private landowner dollars through the Oregon Forest Land Protection Fund to provide retardant-dropping air tankers, water-dropping helicopters, and other resources that can be placed where the immediate or projected threat is highest. Firefighting costs for large fires are covered through a mix of General Fund, Federal Funds, public and private landowner funds, and a catastrophic wildfire insurance policy.

#### Current Funding Framework

##### *Base Protection:*

ODF's base protection program is delivered through local Forest Protection Districts, established in ORS 477.225. Revenue to support ODF's Fire Protection Division (including the fire protection districts) comes from a combination of General Fund, Federal Funds, and Other Funds via forest patrol assessments on private and public forest landowners. Statute outlines a pro-rata cost per acre formula segregated between timberland east of the crest of the Cascades, west of the crest of the Cascades, and grazing lands. The funding mechanism for the landowner assessment is codified in ORS 477.230. Forest patrol assessments charged against subject landowners vary by district, as each district budget is developed independently. Non-public landowner's contributions are capped at 50% of the per-acre rate established for the fire protection district in which the lands lie; the shortfall is funded with General Fund. The remaining public landowners, including local, state, and federal entities, receive no General Fund match and pay the full cost of their per-acre fire protection assessment. In addition, the costs of the ODF Agency Administration Division that are allocated to the Fire Protection Division are not shared between the General Fund and the private landowner assessment; those costs are borne entirely by the

General Fund and public landowner assessments. The General Fund also provides a biennial subsidy of \$2 million to offset a portion of the cost of private landowner assessments for fire protection on low-productivity lands.

Base protection revenues budgeted for the 2015-17 biennium are just over \$107 million. Of this amount, public landowners through forest protection taxes (\$11.1 million) and contracts (\$16.7 million) account for \$27.8 million (26%), General Fund accounts for \$42.5 million (39.7%), private landowners through forest protection taxes account for \$20.5 million (19.1%), and Federal Funds support \$16.2 million (15.2%).

#### *Severity Resources:*

These resources, primarily aviation, are meant to span both the base protection and large fire protection layers. Each season, ODF contracts with a number of local and federal resources to provide air and ground support with the aim of preventing small fires from growing into large, costly fires. These provide fast-attack resources during periods of multiple fire starts and heightened fire danger. When severity resources are utilized on large fires, those expenses are allocated to large fire costs and are not charged against the severity resources budget, therefore ODF contracts for severity resources typically exceed the amount of funding provided, but this ensures the availability of the resource during heavy fire seasons. The revenue that supports these expenditures comes from both the General Fund and from Other Funds from the Oregon Forest Land Protection Fund (OFLPF); additional revenue information for the OFLPF can be found in the following section. In the event of a qualified fire, the Federal Emergency Management Agency (FEMA) also provides funding for the pre-positioning of severity resources.

The General Fund share of severity resource funding, \$4 million, is appropriated to the Emergency Board and allocated to ODF after each fire season. The OFLPF share of severity resource funding, \$6 million, is included in the agency's budget. The \$2 million disparity between the funding sources is due to the \$2 million General Fund that is included in the base protection budget for offsetting the cost of private landowner assessments on low-productivity lands as discussed in the base protection section above.

#### *Large Fire Protection:*

Large fire, or catastrophic fire, protection pays for emergency suppression costs. There is no initial state budget for large fires because these fires are unpredictable. Funding for emergency fire costs are provided by the General Fund, catastrophic fire insurance, and by the public and private landowner funded OFLPF. The fund is administered by the ODF's Emergency Fire Cost Committee, a four-member committee composed of private landowners or their representatives appointed by the Board of Forestry. The OFLPF essentially serves as a reserve fund to provide for emergency fire cost funding in conjunction with the General Fund. Revenues to support the OFLPF are estimated to be \$22.78 million in 2015-17. The taxes and assessments that generate revenue to the fund are assessed on all lands, public and private, that are in ODF protected districts and all commercial timber harvests, including:

- Harvest tax of \$0.625/thousand board feet (mbf) on merchantable forest products (\$4.98 million, 21.9%); the tax is reduced when the reserve base amount of the OFLPF is projected to exceed \$22.5 million and is suspended when the reserve base exceeds \$30 million.
- Acreage assessment on all protected forest land (\$0.05 per acre for protected western Oregon forestlands, \$0.075 per acre for eastern Oregon protected forestland, and \$0.075 per acre for all grazing lands) (\$1.86 million, 8.2%).
- Assessment of \$3.75 per lot (out of the \$18.75 minimum assessed for forest patrol) (\$1.46 million, 6.4%).
- Surcharge of \$47.50 for each improved tax lot (\$14.25 million, 62.6%).
- Interest from State Treasurer investments of the fund (\$0.23 million, 1.2%).

The OFLPF annual expenditures are capped at \$13.5 million as defined in statute under ORS 477.755.

Authorized expenditures of the OFLPF include:

- Equalization of emergency fire suppression costs in fire districts
- Administrative expenses
- Up to 50% of emergency fire insurance premium costs
- Purchase of non-routine supplemental fire prevention, detection, or suppression resources
- Up to \$3 million for severity resources
- Up to \$10 million for fire suppression costs

The first \$20 million in large fire suppression costs are shared between the General Fund and the OFLPF. Prior to the 2013-15 biennium, the OFLPF was utilized before the General Fund was accessed. Over the next three biennia, the cost-share scheme shifts an increasing portion of the initial costs to the General Fund, ultimately resulting in a dollar for dollar split of the first \$20 million in annual costs between the General Fund and OFLPF. In the 2013-15 biennium, the General Fund and OFLPF equally shared the first \$2 million per year of large fire costs. The next \$9 million was covered by OFLPF, and the following \$9 million from the General Fund. In the 2015-17 biennium, the General Fund and OFLPF equally share up to the first \$10 million per year, with the next \$5 million being the OFLPF's responsibility and the subsequent \$35 million, up to the \$50 million retention amount required by the 2015 fire season catastrophic fire insurance policy, coming from the General Fund. In 2017-19, the General Fund and OFLPF share \$20 million per year equally. Any amount in excess of the initial \$20 million, up to the deductible/retention amount of the catastrophic fire insurance policy (if available), falls to the state. Costs in excess of the deductible and the insurance proceeds also fall to the state, but statute does not specifically address the costs as General Fund liabilities.