

# Legislative Fiscal Office

Ken Rocco  
Legislative Fiscal Officer

Paul Siebert  
Deputy Legislative Fiscal Officer



900 Court Street NE  
H-178 State Capitol  
Salem, Oregon 97301  
503-986-1828

## Budget Information Report

### Forestry Protection from Fire Funding

#### Background

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

Until 1965, landowners paid the entire cost of fire protection for their property. Then, the Legislature established a cost-share model and limited landowner costs based on the use and geographic location of their property. The state was responsible for costs above the limitations. In 1973, the Legislature established the "pro-rata" share per acre concept for base level fire protection 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, including three private forest protective associations in Oregon. In 1989, the law was modified to provide for a landowner/state split to share the cost for base protection; the state portion is paid for with General Fund.

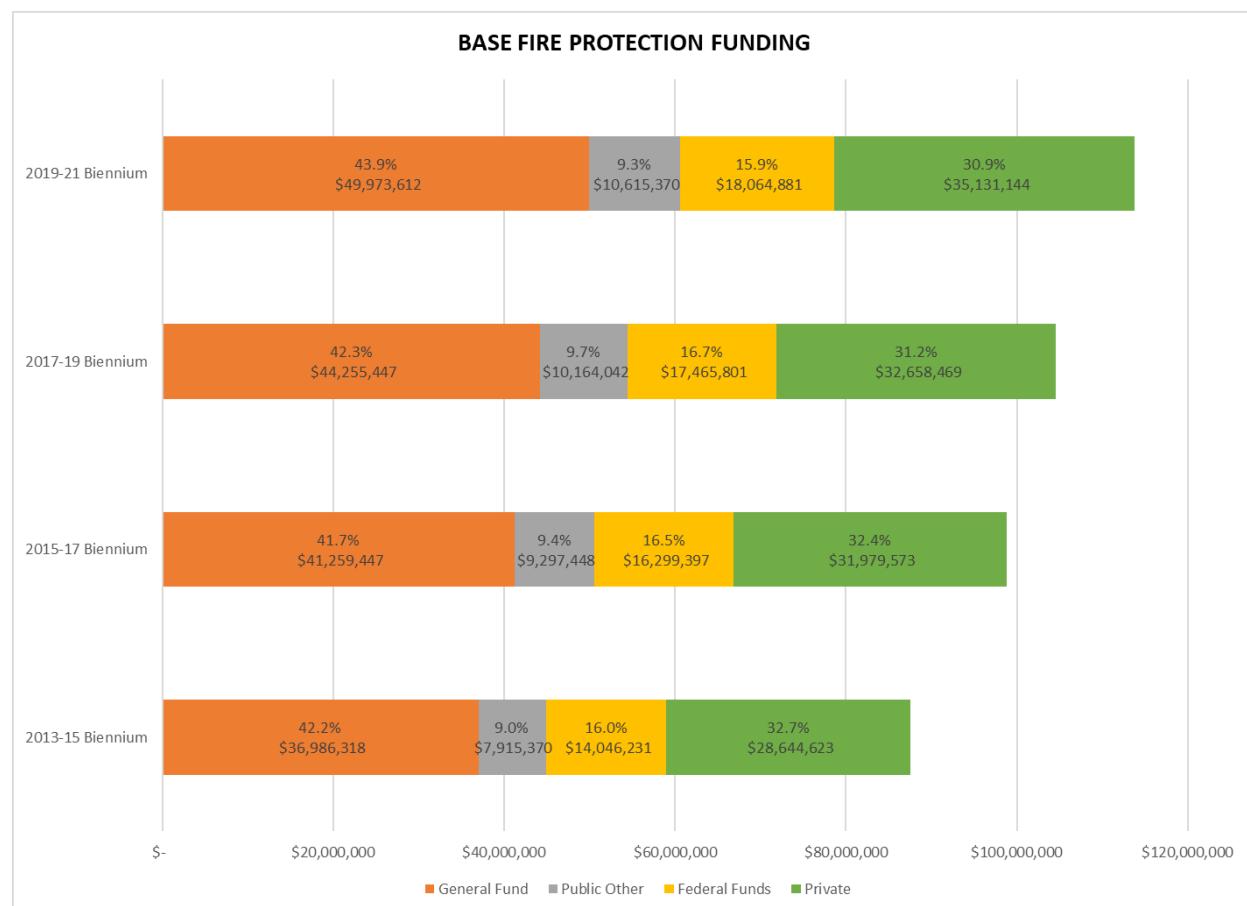
The state provides protection from forest fires in three layers: base protection, severity resources, and emergency fire protection. Base protection funding ensures readiness and initial attack response at the local district level. The term "severity resources" refers to monies that are dedicated to augmenting base protection activities and serve as a bridge between base level funding and emergency fire funding. These monies are used to provide statewide access to retardant-dropping air tankers, water-dropping helicopters, quick-strike crews, and other resources that can be placed where the immediate or projected threat is highest. Severity resources are not specifically budgeted within ODF, but are typically provided through a General Fund special purpose appropriation to the Emergency Board, as well as public and private landowner dollars through the Oregon Forest Land Protection Fund (OFLPF). 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.** The ODF base protection program is delivered through local Forest Protection Districts, codified 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 from forest patrol assessments on public and private forest landowners. ORS 477.230 provides 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. Forest patrol

assessments charged against subject landowners vary by district, as each district budget is developed independently. Non-public landowners' 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 by the state 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. There is also a \$2.0 million General Fund biennial subsidy to offset a portion of private landowner assessments for fire protection on low-productivity lands.

Base protection revenues for the 2019-21 biennium are \$113.8 million. Of this amount, public landowners, through forest protection taxes and contracts, account for \$10.6 million (9.3%), General Fund accounts for \$50.0 million (43.9%), private landowners forest protection taxes account for \$35.1 million (30.9%), and Federal Funds support \$18.1 million (15.9%). The following graph illustrates base protection funding for the last four biennia.



**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 national resources to provide air and ground support to prevent small fires from growing into large, costly fires. These fast-attack resources are deployed during periods of multiple fire starts and heightened fire danger. When severity resources are utilized on large fires, the expenses are allocated to large fire costs and are not charged against the severity resources budget. Contracts for severity resources typically exceed the amount of budgeted funding for

this purpose but ensure the availability of the resource during heavy fire seasons. These expenditures are paid for with General Fund and OFLPF revenue (see additional revenue information below). In the event of a qualified<sup>1</sup> fire, the Federal Emergency Management Agency (FEMA) also provides funding for the pre-positioning of severity resources.

The \$4.0 million General Fund share of severity resources funding is appropriated to the Emergency Board and allocated to ODF after each fire season. The OFLPF share of severity resource funding, \$6.0 million, is included in the ODF budget. The difference between the funding sources is due to the \$2.0 million General Fund that is included in the base protection budget to offset the cost of private landowner assessments on low-productivity lands as discussed in the base protection section above. For the 2019-21 biennium, an additional \$2.0 million General Fund special purpose appropriation was made to the Emergency Board for costs associated with additional personnel that might be needed for the 2020 fire season.

***Large Fire Protection.*** Large, or catastrophic, fire protection pays for emergency suppression costs. There is no initial state budget provided for this purpose because these fires are unpredictable. Funding for emergency fire costs are provided by the General Fund, catastrophic fire insurance, and public and private landowners funded through the OFLPF. The fund is administered by the ODF 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 \$23.8 million in 2019-21. The taxes and assessments that generate revenue to the fund are assessed on all private and some public lands (as of 2018, the Bureau of Land Management [BLM] has elected not to fully participate in the OFLPF, but rather to pay emergency fire costs on BLM westside lands protected by ODF) that are in ODF protected districts and all commercial timber harvests, including:

- Harvest tax of \$0.625/thousand board feet on merchantable forest products (\$4.52 million, 19.0%); the tax is reduced when the OFLPF reserve base amount is projected to exceed \$22.5 million and is suspended when it exceeds \$30.0 million.
- Acreage assessment on all protected forest land of \$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 (\$2.48 million, 10.4%).
- Assessment of \$3.75 per lot out of the \$18.75 minimum assessed for forest patrol (\$1.43 million, 6.0%).
- Surcharge of \$47.50 for each improved tax lot (\$14.85 million, 62.4%).
- Interest from State Treasurer investments of the fund (\$0.53 million, 2.2%).

The OFLPF annual expenditures are capped at \$13.5 million as defined in 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
- Non-routine supplemental fire prevention, detection, or suppression resources

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<sup>1</sup> Qualified fire refers to a fire that has significant potential to destroy homes, businesses, or to displace or risk peoples lives as defined by the Federal Emergency Management Agency (FEMA). These fires “qualify” for funding assistance through a Fire Management Assistance Grant from FEMA.

- Up to \$3.0 million for severity resources
- Up to \$10.0 million for fire suppression costs

Since the 2017-19 biennium, the General Fund and OFLPF have shared the first \$20.0 million per year in net large fire costs equally. Any amount in excess of the initial \$20.0 million, up to the deductible/retention amount of the catastrophic fire insurance policy (if available) falls to the state. Prior to the 2013-15 biennium, the OFLPF was utilized before General Fund was accessed. Over the subsequent three biennia, the cost-share method shifted an increasing portion of the initial costs to the General Fund, ultimately resulting in a dollar for dollar split of the first \$20.0 million in annual costs between the General Fund and OFLPF. In the 2013-15 biennium, the General Fund and OFLPF equally shared the first \$2.0 million per year of large fire costs; the next \$9.0 million was covered by OFLPF and the following \$9.0 million by the General Fund. In the 2015-17 biennium, the General Fund and OFLPF equally shared up to the first \$10.0 million per year with the next \$5.0 million being the OFLPF's responsibility and the subsequent \$35.0 million, up to the \$50.0 million retention amount required by the 2015 fire season catastrophic fire insurance policy, being paid for with General Fund. For the 2019 and 2020 fire seasons, the retention amount for the catastrophic fire insurance policy is \$50.0 million. Any net costs in excess of the first \$20.0 million and the exhaustion of the retention amount, in addition to costs in excess of the deductible and insurance proceeds, fall to the General Fund.

### **2019 Fire Season and 2012 through 2019 Emergency Fire Costs**

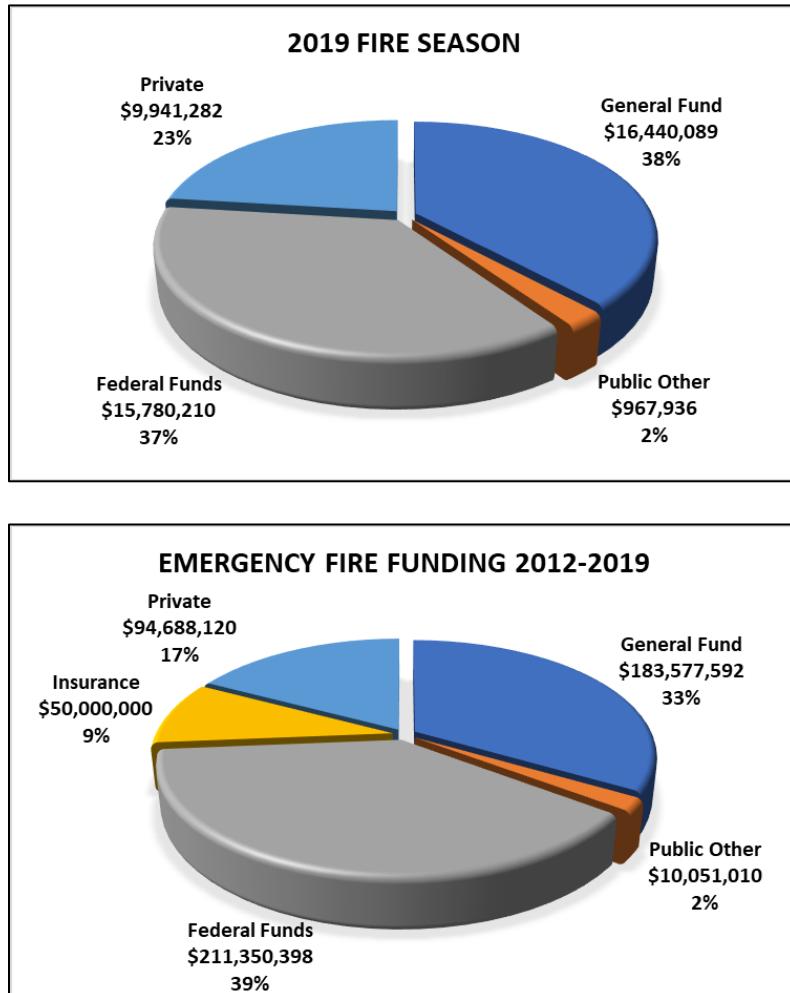
The 2019 fire season began early in March with the Santiam Park fire. The Milepost 97 fire was the dominant fire of the season with gross costs estimated at over \$21.0 million. August 2019 brought significant lightning storms that ignited 213 fires in a seven-day period. Successful initial fire response kept 90% of all fires on ODF protected land to less than 10 acres. Statewide gross large fire costs on ODF protected lands for the 2019 fire season totaled just over \$32.9 million. As shown in the following table, after accounting for fire-protection district deductibles of \$1.3 million, federal cost recoveries of \$10.3 million, and anticipated FEMA reimbursements of \$5.0 million, net emergency firefighting costs for ODF totaled \$16.2 million.

	General Fund	Other Funds	Total Funds
<b>2019 Fire Season Large Fire Costs</b>			
2019 Fire Season Large Fire Costs			
FY 2019			\$ 3,366,077
FY 2020			\$ 29,540,898
Total 2019 Fire Season Large Fire Costs			\$ 32,906,974
<b>2019 District Deductibles</b>			
2019 Season District Deductibles			
FY 2019	\$ 40,894	\$ 65,324	\$ 106,218
FY 2020	\$ 440,377	\$ 703,460	\$ 1,143,837
Total 2019 Season District Deductibles	\$ 481,271	\$ 768,784	\$ 1,250,055
<b>2019 Fire Cost Recoveries and Reimbursements</b>			
Fire Cost Recoveries (USFS and BLM)			
2019 Fire Season			
FY 2019	\$ -	\$ 238,245	\$ 238,245
FY 2020	\$ -	\$ 10,104,860	\$ 10,104,860
Total 2019 Fire Season	\$ -	\$ 10,343,105	\$ 10,343,105
FEMA large fire reimbursements (Anticipated)			
2019 Fire Season			
FY 2019	\$ -	\$ -	\$ -
FY 2020	\$ -	\$ 5,076,827	\$ 5,076,827
Total 2019 Fire Season	\$ -	\$ 5,076,827	\$ 5,076,827
<b>2019 Fire Cost Recoveries and Reimbursements</b>	<b>\$ -</b>	<b>\$ 15,419,932</b>	<b>\$ 15,419,932</b>
<b>2019 Net Fire Costs</b>			
2019 Fire Season			
FY 2019			\$ 3,021,613
FY 2020			\$ 13,215,374
Total 2019 Fire Season			\$ 16,236,987

Fire seasons can span two fiscal years when fires begin in the spring prior to the end of one fiscal year (June 30th) and occur into the next fiscal year; although a single “fire season” is denoted by that particular *calendar* year. As noted above, the initial net costs for each fire season are split equally between General Fund and the OFLPF; however, the liability of the OFLPF is limited to \$10.0 million in suppression expenditures in a given year, that year being determined by the Emergency Fire Cost Committee (EFCC). Historically, the EFCC has aligned their cost obligation to the *insurance* year, which is the twelve-month period that runs concurrent with the insurance policy. This period is slightly offset from the fiscal year and is dependent on the effective date of the insurance policy.

Since the OFLPF had reached its annual expenditure cap during the 2018 fire season, there were no available funds to contribute to the 2019 fire season costs that occurred in the early months of 2019, prior to the end of both the 2019 fiscal year and the insurance year, resulting in the General Fund paying for approximately 60% of the net costs for the 2019 fire season. Net fire costs for the 2019 fire season totaled \$16.2 million; the General Fund liability was \$9.6 million and the OFLPF liability was \$6.6 million. Similarly, General Fund paid for a cost over-run of \$373,669 in severity resource spending, including \$224,021 that would have been allocated to the OFLPF if not for the \$3.0 million annual limit on expenditures from the OFLPF for severity resources.

Total emergency fire costs for the 2019 fire season including net large fire costs, other agency reimbursed large fire costs, FEMA reimbursements, insurance payments, insurance premiums, severity resource funding, cooperative work with other agencies, and interest expense totaled \$43.1 million. Total funding for emergency fire costs for the 2012 through 2019 fire seasons is \$549.7 million. The following charts and table illustrate the funding distribution for these periods.



Summary of Emergency Fire Costs								
	General Fund	Public Other	Public Total	Federal Funds	Insurance	Private	Total Funds	
2012 Fire Season	\$ 3,216,407	\$ 723,278	\$ 3,939,685	39.57%	\$ -	0.00%	\$ 6,016,571	60.43% \$ 9,956,256 100.00%
2013 Fire Season	\$ 43,044,839	\$ 1,573,417	\$ 44,618,256	33.98%	\$ 47,500,000	36.18%	\$ 25,000,000	19.04% \$ 14,184,515 10.80% \$ 131,302,771 100.00%
2014 Fire Season	\$ 18,259,057	\$ 1,483,355	\$ 19,742,412	22.35%	\$ 30,851,232	34.92%	\$ 25,000,000	28.30% \$ 12,748,628 14.43% \$ 88,342,272 100.00%
2015 Fire Season	\$ 25,033,277	\$ 1,429,705	\$ 26,462,982	30.64%	\$ 45,172,387	52.30%	\$ -	0.00% \$ 14,732,705 17.06% \$ 86,368,074 100.00%
2016 Fire Season	\$ 12,902,268	\$ 972,639	\$ 13,874,907	53.09%	\$ 2,772,625	10.61%	\$ -	0.00% \$ 9,488,971 36.31% \$ 26,136,504 100.00%
2017 Fire Season	\$ 27,883,296	\$ 1,552,669	\$ 29,435,965	53.21%	\$ 11,101,866	20.07%	\$ -	0.00% \$ 14,778,458 26.72% \$ 55,316,289 100.00%
2018 Fire Season	\$ 36,798,359	\$ 1,348,012	\$ 38,146,371	34.96%	\$ 58,172,078	53.31%	\$ -	0.00% \$ 12,796,988 11.73% \$ 109,115,437 100.00%
2019 Fire Season	\$ 16,440,089	\$ 967,936	\$ 17,408,025	40.36%	\$ 15,780,210	36.59%	\$ -	0.00% \$ 9,941,282 23.05% \$ 43,129,517 100.00%
Total	\$ 183,577,592	\$ 10,051,010	\$ 193,628,602	35.23%	\$ 211,350,398	38.45%	\$ 50,000,000	9.10% \$ 94,688,120 17.23% \$ 549,667,120 100.00%