

2007 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 2067 **STATUS:** Original
SUBJECT: Fire Protection of Forests
GOVERNMENT UNIT AFFECTED: Oregon Department of Forestry
PREPARED BY: Susie Jordan
REVIEWED BY:
DATE: June 19, 2007

| | <u>2007-2009</u> | <u>2009-2011</u> |
|----------------------|------------------|------------------|
| EXPENDITURES: | | |
| See Comments | \$ | \$ |

| | <u>2007-2009</u> | <u>2009-2011</u> |
|------------------|------------------|------------------|
| REVENUES: | | |
| See Comments | \$ | \$ |

POSITIONS / FTE:
No positions

EFFECTIVE DATE:

GOVERNOR'S BUDGET: This bill is anticipated by the Governor's recommended budget.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

COMMENTS: The measure extends a temporary increase in the Oregon Forest Land Protection Fund (OFLPF) to maintain the existing structure for the 2007-09 biennium. Currently, the state's protection from fire is provided in three levels: 1) Base Protection which is delivered through ten local Forest Protection Districts, and three Forest Protective Associations, and is funded 50% through General Fund (public funds) and 50% forest patrol assessments (private forestland owners); 2) Emergency Protection which pays for excess fire suppression costs of major fires, funded through the OFLPF consists of harvest taxes, acreage assessments, lot and improved lot assessments, and accumulated interest; and 3) Catastrophic Protection, under which state law requires the purchase of insurance to cover suppression costs during catastrophic fire situations in which expenses could exceed the capacity of the OFLPF. Catastrophic fire suppression insurance is purchased with a provision to annually assess its premium cost equally between the OFLPF and the state General Fund.

Prior to 2003, the OFLPF provided the first \$10 million of emergency firefighting cost on lands protected by the Department of Forestry. Any costs exceeding that amount were paid by an insurance policy with a \$10 million deductible. If costs exceeded the insurance policy, all remaining costs would have been presented to the Emergency Board for reimbursement from the General Fund. The 2003 Legislative Assembly enacted a temporary increase in the yearly limit on landowner expenditures for fighting large wildfires and purchasing catastrophic fire insurance. The 2005 Legislative Assembly created the current system whereby forest landowners agreed, on a two year renewal basis, to extend the OFLPF expenditure limit from \$10 to \$15 million. If fire costs exceed this amount, the General Fund provides up to the next \$10 million in costs. An insurance policy with a \$25 million

deductible provides \$25 million in coverage, with the premium cost shared between the OFLPF and a General Fund appropriation.

Without the bill, the Oregon Forest Land Protection Fund expenditure limit drops from \$15 million per year to \$10 million per year. If the measure is not adopted, the General Fund would run the risk of exposure for potential expenses up to \$25 million. This represents the gap between the lower land owner limit and the expected \$25 million insurance deductible on commercial fire insurance. Passage of the bill would maintain the current General Fund risk of \$10 million before the deductible is reached.

The measure also makes technical adjustments by specifying that a landowner or operator is liable for fire abatement costs or penalties if they fail to obtain a permit for the use of fire or power-driven machinery. This adjustment has no fiscal impact on the agency.