

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

MEASURE NUMBER: HB 3044

STATUS: A-Engrossed

SUBJECT: Increases Emergency Fire Cost Committee fees and forest products harvest tax for fire suppression

GOVERNMENT UNIT AFFECTED: Department of Forestry

PREPARED BY: Dawn Farr

REVIEWED BY: Susie Jordan

DATE: May 14, 2007

EXPENDITURES: See Comments.

REVENUES: *See the Revenue Impact Statement prepared by the Legislative Revenue Office.*

EFFECTIVE DATE: 91st day following sine die.

GOVERNOR'S BUDGET: This bill is not 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 bill increases the forest products harvest tax and Emergency Fire Cost Committee fees to be used for fire suppression by 25 percent.

The bill increases funds being deposited in the Oregon Forest Land Protection Fund (OFLPF). The OFLPF essentially serves as an insurance policy for land owners in each of the fire protection districts. Revenues to support OFLPF are generated from an assortment of landowner assessments and taxes. The OFLPF rate structure was developed to generate \$7.5 million per year. The proposed rates will generate approximately \$8.3 to an estimated \$10.4 million. Funding rates have not changed since 1991. The OFLPF reimburses fire suppression costs after a district meets the annual deductible based on protected acreage and a deductible of \$25,000 for any one fire or any one day. Current enabling legislation is based on the belief that the emergency fire suppression costs on forest lands protected by the State Forester need to be equalized so that no single district is required to pay the full amount of fire fighting expenses.

Over the last two biennia the cost for emergency fires has increased such that the OFLPF balance has reached uncomfortably low levels. Expenses for fire suppression are indeterminate as they are impacted by the number and severity of large project fires each year. The upper limit of these expenditures is \$15 million per year. The OFLPF fund balance is currently projected to be (\$173,586) for June 30, 2007. The Emergency Fire Cost Committee's cost recovery efforts are expected to impact the final fund balance. If the balance of the OFLPF is insufficient to meet its obligations, the Emergency Fire Cost Committee may borrow funds from the State Treasurer. If this occurs, the State Forester is required to temporarily increase rates charged to landowners in the next calendar year to repay the State Treasurer. Passage of the bill will lessen the likelihood of having to borrow funds from the State Treasurer following a high cost fire season and then having to increase rates to repay the State Treasurer. It is believed to be better to have a steady cash flow at predictable rates rather than to adjust rates, potentially as much as 100%, year to year.