

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 2451

Seventy-Sixth Oregon Legislative Assembly – 2011 Regular Session
Legislative Fiscal Office

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Measure Description:

Limits expenditure from Oregon Forest Land Protection Fund to lesser of specified sum or one-half of fire suppression and insurance costs.

Government Unit(s) Affected:

Department of Forestry

Summary of Expenditure Impact: See Analysis

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.

Analysis:

The measure limits the amount of annual expenditures from the Oregon Forest Land Protection Fund (OFLPF) to the lesser of \$10 million or an amount equal to one-half of the annual fire suppression and insurance costs.

The State Forester purchases an insurance policy for fire suppression that pays up to \$25 million of suppression costs after a \$25 million deductible has been met.

Currently, the OFLPF is responsible to pay for half of the insurance premium in addition to administrative costs of the fund and emergency suppression costs that satisfy the insurance deductible. These expenditures are limited by statute to \$10 million per year. The General Fund has been responsible for half of the insurance premium, severity resources, and the costs above the insurance deductible. Over the past ten years the OFLPF has paid an annual average of \$9.1 million while the General Fund has been responsible for an annual average of \$4 million for insurance premium, severity resources and amounts above the annual limit on the OFLPF and insurance policy deductibles.

These costs vary and can be as much as \$15.5 million. If fire suppression costs exceed \$50 million, the General Fund is responsible for the balance. The Department of Forestry states that in the previous ten years, fire suppression costs have exceeded \$15 million one time.

Based on the annual average costs paid over the past ten years by the OFLPF, the fiscal impact to the General Fund would be an additional \$4.6 per year or \$9.2 million for the biennium. Ultimately the amount of General Fund used will depend on the total costs of fire suppression, the insurance deductible amounts and insurance premiums in a given year.