

## FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 4042 - A

Seventy-Sixth Oregon Legislative Assembly – 2012 Regular Session  
Legislative Fiscal Office

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### Measure Description:

Reduces limit on forest patrol assessment rates for lands located east of summit of Cascade Mountains and certain other areas.

### 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 annually adjusts the amount of annual expenditures from the Oregon Forest Land Protection Fund (OFLPF) to be used for emergency fire suppression resources, insurance, and administrative costs. The measure also changes the potential uses of General Fund appropriation for forest protection district costs and places an annual limit \$3 million for those purposes unless otherwise provided by the Legislative Assembly.

Beginning in 2013, the measure increases the annual expenditure limit on OFLPF from \$10 million to \$12.5 million or the lesser of certain calculations combining the costs of the fire protection districts and annual fire suppression and insurance costs. In subsequent years, the limit for annual expenditures is adjusted until OFLPF and General Fund costs are equal up to \$20 million of suppression costs before the fire suppression insurance policy pays.

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 have been as high 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 \$2.6 million per year or \$5.2 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.