

Oregon Department of Forestry

| | 2011-13 Actuals | 2013-15 Leg. Approved* | 2015-17 CSL LFO | 2015-17 Governor's |
|-------------------------|--------------------|------------------------|--------------------|--------------------|
| General Fund | 53,860,677 | 97,836,604 | 60,902,285 | 68,834,256 |
| Lottery Funds | 2,437,861 | 5,408,132 | 2,524,885 | 8,574,885 |
| Other Funds | 174,569,610 | 343,086,494 | 226,271,512 | 234,928,202 |
| Other Funds Non-Limited | - | - | - | 10,000,000 |
| Federal Funds | 24,526,686 | 34,108,167 | 32,103,731 | 31,678,698 |
| Total Funds | 255,394,834 | 480,439,397 | 321,802,413 | 354,016,041 |
| Positions | 1,181 | 1,200 | 1,199 | 1,208 |
| FTE | 863.16 | 871.72 | 874.06 | 887.16 |

* includes Emergency Board and administrative actions through December 2014

Program Description

The figures presented above represent the agency-wide budget for the Oregon Department of Forestry. ODF has three operating programs: Fire Protection, State Forests, and Private Forests. These programs are supplemented and supported by the Agency Administration division, the Equipment Pool division, and the Facilities Management division. The Fire Protection division protects roughly 16 million acres of private and public forestland with a coordinated system of 12 fire districts and three private forest protection associations along with other associated federal, state, and local agencies. State Forests operations include forest development, management of common school lands, and the operation of the tree-seed orchard. State Forests manage over 800,000 acres of state forestland for a variety of public purposes including timber sales that provide revenue for the counties in which a sale takes place, the common school fund, and to fund the operation of the program. The Private Forests program is the primary administrator of the Oregon Forest Practices Act providing education, inspection, and enforcement of the lawful management of Oregon forestlands along with collaborative activities including monitoring and improving forest health, urban forestry, and family forestland assistance.

CSL Summary and Issues

There are no significant issues with the agency's budget at the Current Service Level. General fund is used by ODF primarily in the Fire Protection and Private Forest programs. A portion of this funding is transferred to the Agency Administration program, but is expended as Other Funds. Increases in state-government service charges and Attorney General charges are passed through to the

Fire Protection and Private Forest programs from the Agency Administration program via program cost allocation. Administrative pro-rate produced extraordinary inflationary costs totaling nearly \$2 million in General Fund for the Fire Protection and Private Forest programs. Additionally, an inflation factor of \$518,000 General Fund was applied to the Fire Protection division for increased insurance premium costs. General Fund for debt service totals \$2.9 million at the current service level. CSL General Fund expenditures drop by roughly \$36.9 million, or 37.75% from the Legislatively Approved Budget due to the phasing out of General Fund provided to the agency for emergency wildfire and severity resources costs during the 2013 fire season.

Lottery funds in the amount of \$2.885 million that were provided to the agency for the Dry-Side Federal Forest Initiative in the prior biennium are phased-out the 2015-2017 budget at the current service level. Lottery Funds for debt service are continued in the agency's budget at the current service level totaling roughly \$2.525 million.

Other funds are used throughout the agency, with State Forests accounting for roughly 46% of the Other Funds CSL budget. State Forests retain approximately one-third of the revenue from publically-owned timber sales that it conducts for the operation of the division.

Federal Funds are used throughout the agency, but primarily in the Private Forests program where they are the exclusive funding source for the Family Forestland Assistance and Urban Forestry programs. Private Forests also receive Federal Funds to match General Fund investments in forest health.

Policy Issues

- The Wildfire Protection Act (HB 2050, 2013 regular session) outlined a number of changes to large-fire cost funding, including additional funding to offset assessments on low-productivity lands. The 2015-2017 proposed budget adds \$400,000 General Fund to complete the \$2 million in funding for low-productivity land assessment offsets outlined in the WPA. \$1.6 million was included in the 2013-2015 Legislatively Adopted Budget (POP 410) and \$400,000 was included in the Special Purpose Appropriation to the Emergency Board. The CSL phase-in simply places the \$400,000 in the agency's budget and eliminates the need to provision funding for this purpose to the Emergency Board.
- The Wildfire Protection Act (HB 2050, 2013 regular session) also provided budgeted severity resources from the Oregon Forest Land Protection Fund (OFLPF). The 2015-2017 ODF proposed budget includes expenditure limitation of \$6 million for severity resources from the OFLPF as made available via the Emergency Fire Cost Committee as outlined in ORS 477.755. Federal Emergency Management Agency (FEMA) restrictions on reimbursable amounts for budgeted severity resources may necessitate the removal of these funds from the base funding of the agency; the funding instead made available through Emergency Board or legislative action.

- The budget proposal for the agency includes an extraordinary inflationary component for increased large-fire insurance premiums of \$518,000 General Fund. This brings the total budgeted insurance premium to about \$1.1 million General Fund. This amount is intended to cover the premium costs for the first year of the biennium, the second year premium typically allocated to the Special Purpose Appropriation to the Emergency Board.
- In the State Forests program, ODF is proposing the replacement of previously Other Funds or Federal Funds funded activities with General Fund. Significantly, the State Forests program seeks to replace \$750,000 of Other Funds with General Fund for the operation of the South Fork inmate camp, replace \$755,000 of Other Funds with General Fund, and add an additional \$645,000 General Fund for the support of recreation, education, and interpretation activities on state forests.
- An additional \$650,000 General Fund is included in the Governor's proposed budget for research and monitoring activities in the State Forests Program to support science-based forest management.
- Debt financing in the agency's budget request includes a \$7 million general obligation bond funding ask for restoration of the State Forester's office building and \$2.2 million for a new purchase order and procurement system for the agency. Two limited duration positions are associated with the development of the new procurement system. The debt service for both of these projects is divided between General Fund and Other Funds with General Fund comprising roughly 40%. The packages assume \$205,000 in bond issuance costs
- Agency administration policy packages include increases to partially replace administrative reductions made in prior biennia, increase administrative capacity with the establishment of five new positions and the reclassification of four positions in the division's information technology program.
- The Governor has included \$6.05 million of lottery funds in the proposed budget for continuation of the Federal Forest Restoration program that began in the 2013-2015 biennium.
- A \$300,000 General Fund package is included in the Governor's proposed budget for the Working Forests and Farms program for contract work and Attorney General expenses.
- The proposed budget includes a shift in funding from Federal Funds to General Fund and the establishment of an additional two positions to support rangeland protection associations (\$459,130 GF) as well as the addition of \$1.2 million General Fund to provide funding for services, supplies, and equipment for rangeland protection associations to reduce the threat of rangeland wildfires. The Governor's budget ties this funding to the conservation of sage grouse habitat.
- \$1.1 million General Fund was included in the Governor's proposed budget for the establishment of two additional positions and expanded funding of biomass commercialization and use.
- The Forest Electronic Notification System (FERNS) was completed during the 2013-2015 biennium, however the agency is seeking one time funding of \$471,398 and ongoing funding of \$120,00 (60% GF and 40%OF) to develop enhancements for gathering, storing, maintaining, and reporting of notifications and to provide for ongoing annual maintenance. These amounts include the establishment of a limited duration position to manage the project.

- The Private Forests program includes requested funding for the establishment of three additional positions to provide managerial and technical support along with contracted services for the Forest Practices Act totaling just over \$1.55 million.

Other Significant Issues and Background

The Board of Forestry continues to negotiate terms for a catastrophic fire insurance policy for the 2015 fire season. Although not an official offer, the preliminary framework has included a significant increase in the deductible to between \$50 and \$60 million with an annual premium of between \$2.5 and \$3.75 million.

The State Forests program has been experiencing a decline in the ending fund balance of the Forest Development Fund as projected revenues fall short of projected expenditures. The account is now operating within a window that is less than six months estimated operating expenditures. Although the fund is projected to be solvent through the 2015-2017 biennium, the agency projects a negative fund balance by the end of the 2019 fiscal year. The Board of Forestry has directed the State Forest Program to develop an alternative forest management plan that includes addressing the revenue shortfall.

Co-Chairs' Budget Framework Discussion

The Co-Chairs' budget framework for this agency included funding for a portion of the administrative policy option packages and the enhancement to the FERNS system.