
MEMORANDUM

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From:

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To:

Rep. Buckley
Co-Chair
Joint Committee on Ways and Means

April 13, 2015

Re: 2013-2015 Fire Suppression Funding and Costs to Date

The state provides protection from fire in three layers. Base protection, severity resources, and large fire protection. Base protection funding ensures readiness and initial attack response at the local district level. That cost has been shared by private landowners and the state since 1991. During severe fire danger, ODF draws on a special appropriation of state funds to provide retardant-dropping air tankers, water-dropping helicopters, and other resources that can be placed where the immediate or projected threat is highest. Firefighting costs for large fires are covered through a mix of public, state, and landowner funds plus an insurance policy.

1. Base Protection – ODF’s base protection program is delivered through local Forest Protection Districts. The establishment of the forest protection districts is codified in ORS 477.225 and the funding mechanism to for the landowner assessment is codified in ORS 477.230. Revenue to support the Fire Protection Division (including the fire protection districts) comes from a combination of General Fund, Federal Funds and Other Funds via forest patrol assessments on private and public forest landowners. Statute outlines a pro-rata cost per acre formula segregated between timberland and grazing land. Forest patrol assessments charged against subject landowners vary by district, as each district budget is developed independently. Non-public landowner’s contributions are capped at 50% of the per-acre rate established for the fire protection district in which the lands lie; the shortfall is funded with the General Fund. The remaining Public landowners, including local, state, and federal entities, receive no General Fund match and pay the full cost of their per-acre fire protection fire protection assessment. In addition, the costs of the Administrative Services Division of the agency that are allocated to the Fire Protection Division are not shared between the General Fund and the landowner assessment; those costs are borne entirely by the General Fund.

Base protection costs to date (actual and projected) for the 2013-2015 biennium are just over \$122 million. Of this amount, public landowners through forest patrol assessments and contracts account for \$38.3 million (31.4%), General Fund accounts for \$37.5 million (30.7%), private landowners through forest patrol assessment account for \$30.6 million (25.1%), and Federal Funds support \$15.7 million (12.8%).

2. Severity Resources – These resources, primarily aviation, are meant to span both the base protection and large fire protection layers. Each season, ODF contracts with a number of local and national resources to

provide air and ground support with the aim of preventing small fires from growing into large, costly fires. \$2 million General Fund and \$3 million Other Funds annually from the Oregon Forest Land Protection Fund provide fast-attack resources during periods of multiple fire starts and heightened fire danger. Severity resources utilized on large fires are allocated to large fire costs, therefore ODF contracts typically exceed the amount provided, but this ensures the availability of the resource during heavy fire seasons. In the event of a qualified fire, the Federal Emergency Management Agency also provides funding for the pre-positioning of severity resources.

The state's share of severity resource funding is appropriated to the Emergency Board and allocated to the Department of Forestry after each fire season. Cost of severity resources net of large-fire allocations and including federal reimbursements for the 2013-2015 biennium were \$2.3 General Fund, \$3.5 million Other Funds, and \$2.1 million Federal Funds

3. Large Fire Protection – Large fire protection pays for emergency suppression costs. Enabling legislation is based on the policy of equalizing emergency fire suppression costs on all forest lands protected by the state; no single district is required to pay the full amount of firefighting expenses. There is no state budget for large fires because these fires are unpredictable. Funding for emergency fire costs are provided by the General Fund, catastrophic fire insurance, and by the Oregon Forest Land Protection Fund (OFLPF), which is administered by the Emergency Fire Cost Committee of the Oregon Department of Forestry. Per-acre assessments, surcharges on improved lots, and taxes on the harvest of timber provide revenues to support the OFLPF.

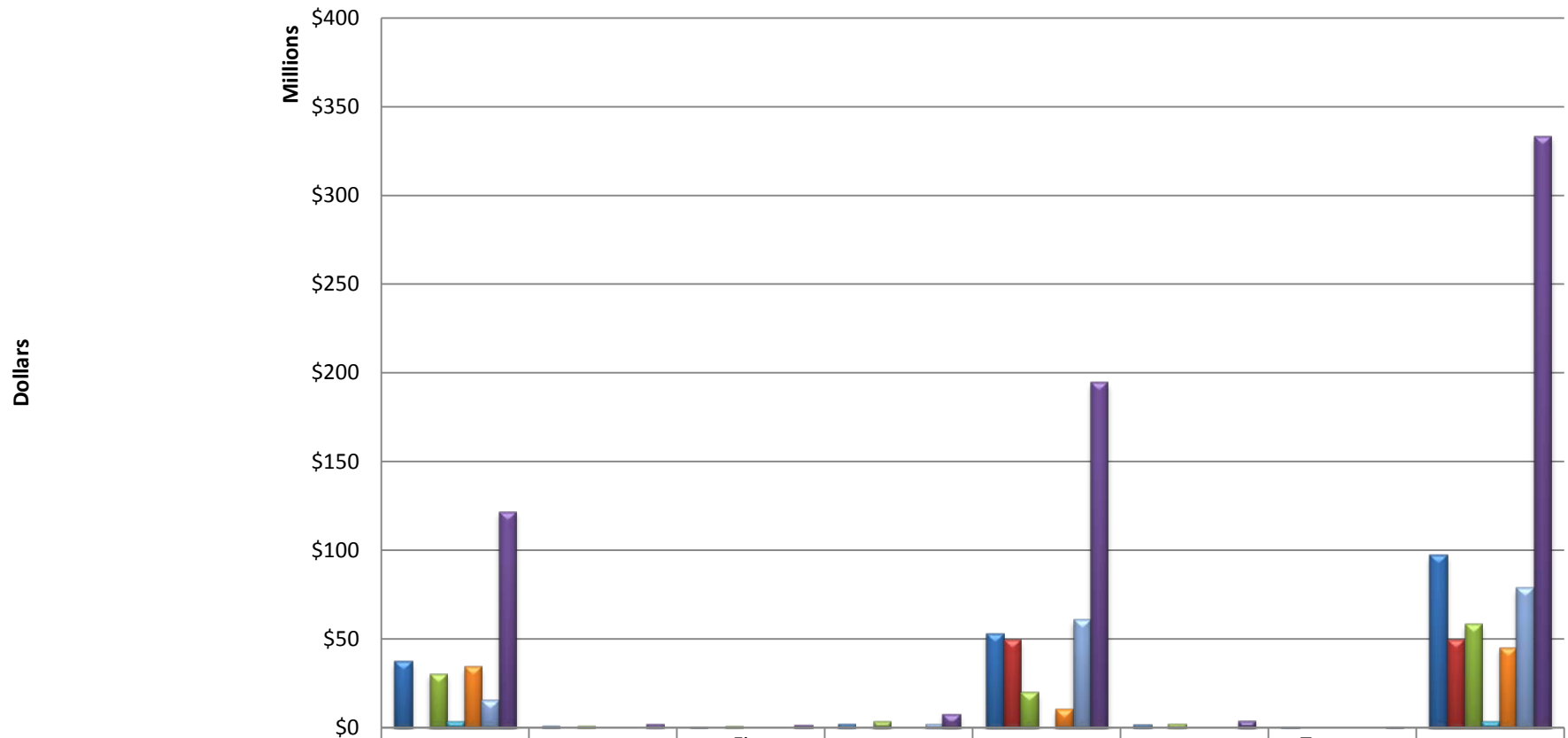
The OFLPF annual expenditures are capped at \$13.5 million as defined in statute under ORS 477.755.

Authorized expenditures of the OFLPF include:

- Equalization of emergency fire suppression costs in fire districts
- Administrative expenses
- Up to 50% of emergency fire insurance premium costs
- The purchase of non-routine supplemental fire prevention, detection, or suppression resources
- Up to \$3 million for severity resources
- Up to \$10 million for fire suppression costs

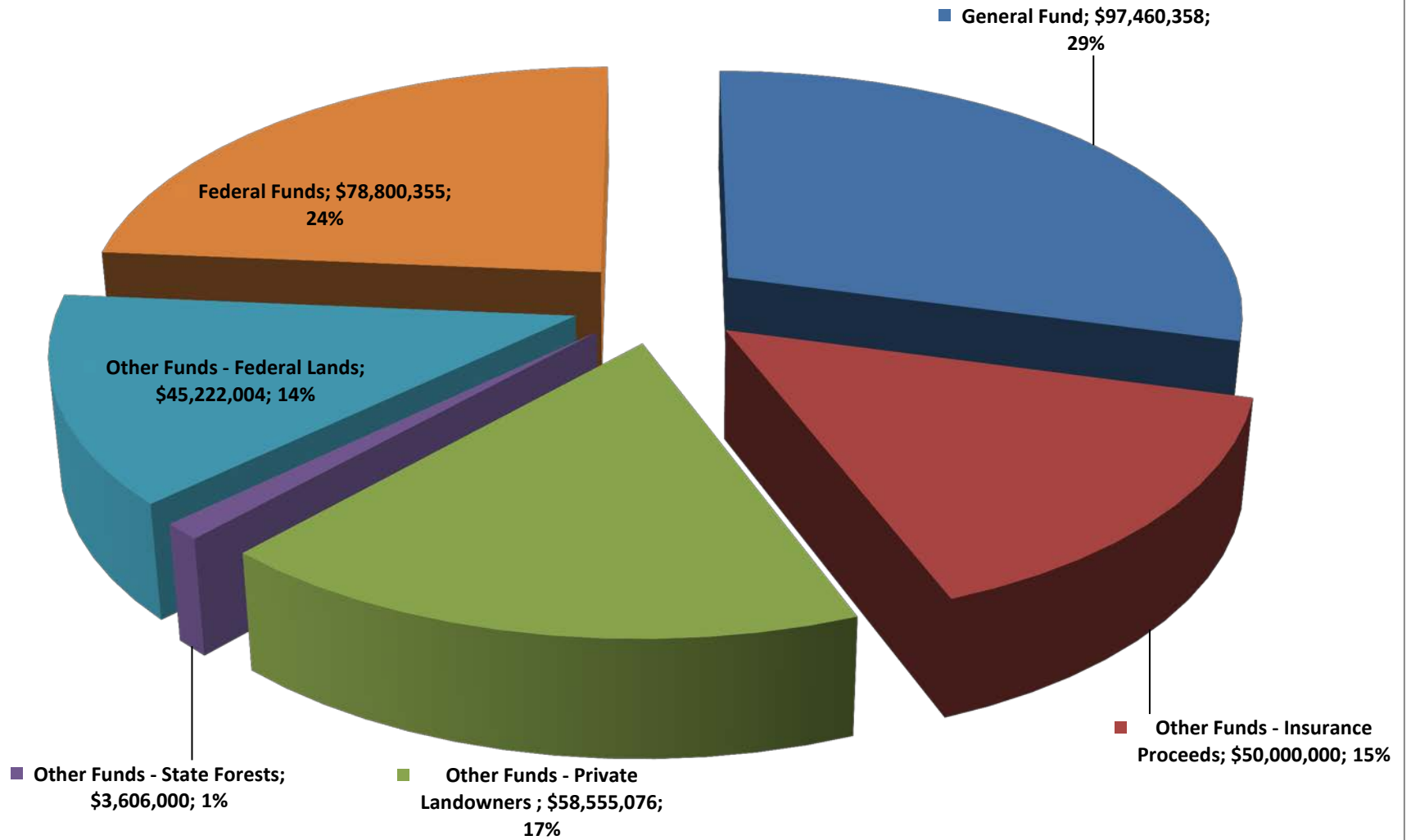
The first \$20 million in large fire suppression costs are shared between the General Fund and the OFLPF. Prior to the 2013-2015 biennium, the OFLPF was utilized prior to the General Fund. Over the next three biennia, the cost-share scheme shifts an increasing portion of the initial costs to the General Fund, ultimately resulting in a dollar for dollar split of the first \$20 million in annual costs between the state and OFLPF. In the 2013-2015 biennium, the state and OFLPF equally share up to the first \$2 million per year of large fire costs. The next \$9 million is covered by OFLPF, and the following \$9 million by the state. In the 2015-2017 biennium, the state and OFLPF equally share up to the first \$10 million per year with the next \$5 million the OFLPF's responsibility and the next \$5 million the state's responsibility. In 2017-19, the state and OFLPF share \$20 million/year equally. Any amount in excess of the initial \$20 million, up to the deductible/retention amount of the catastrophic fire insurance policy (if available) falls to the state. Costs in excess of the deductible and the insurance proceeds also fall to the state, but statute does not specifically address the costs as General Fund liabilities.

2013-15 Fire Protection Funding by Source and Use



	Base Budget	Base Budget Shortfalls	Fire Insurance Premium	Severity Resources	Large Fire	Fire District Deductibles	Treasury Loan Interest	Total
General Fund	\$37,447,898	\$1,023,272	\$576,020	\$2,335,625	\$53,232,538	\$2,075,136	\$769,869	\$97,460,358
Other Funds - Insurance Proceeds					\$50,000,000			\$50,000,000
Other Funds - Private Landowners	\$30,647,000	\$1,084,664	\$1,006,020	\$3,503,438	\$20,000,000	\$2,313,954		\$58,555,076
Other Funds - State Forests	\$3,606,000							\$3,606,000
Other Funds - Federal Lands	\$34,737,000				\$10,485,004			\$45,222,004
Federal Funds	\$15,718,166			\$2,110,641	\$60,971,548			\$78,800,355
Total Funds	\$122,156,064	\$2,107,936	\$1,582,040	\$7,949,704	\$194,689,090	\$4,389,090	\$769,869	\$333,643,793

2013-15 Fire Funding by Source





Oregon

Kate Brown, Governor

Emergency Fire Cost Committee

Tim Keith, Administrator

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STEWARDSHIP IN FORESTRY™

April 13, 2015

Doug Decker
State Forester
Oregon Department of Forestry
2600 State Street
Salem, OR 97310

Dear Doug:

Today the Emergency Fire Cost Committee (EFCC) considered the purchase of a \$25 million catastrophic firefighting policy for the 2015-16 policy year with a \$50 million retention, for a premium cost of \$3.75 million – or an estimated total of \$3,836,310 with fees and taxes. The committee voted unanimously to recommend purchase of the policy, with the understanding that funds from the Oregon Forest Land Protection Fund (OFLPF) be used for 50% of the policy's total cost – estimated to be approximately \$1,918,155 – not to exceed \$2 million.

Consequently, the EFCC recommends that you secure the 2015-16 policy with the aforementioned terms on behalf of the EFCC and the State of Oregon.

If you have any questions, please feel free to contact me.

Sincerely,

Kenneth P. Cummings, Chair
Emergency Fire Cost Committee

C: EFCC Members
Tim Keith