

Analysis

Item 36: Department of Forestry

2018 Fire Season

Analyst: Matt Stayner

Request: Acknowledge receipt of a final report on the 2018 fire season, including losses on private lands of timber, buildings, fencing, livestock, and grazing land capacity if the land is expected to be unavailable for two or more grazing seasons, and request additional funding and expenditure limitation increases for costs incurred during the 2018 fire season as follows:

- 1) Allocate \$1,886,696 from the special purpose appropriation made to the Emergency Board for the state's portion of 2018 fire season severity resources.
- 2) Allocate \$31,545,752 from the Emergency Fund for the state's portion of large-fire costs for the 2018 fire season.
- 3) Allocate \$1,601,221 from the Emergency Fund for interest expenses and district deductibles associated with the 2018 fire season.
- 4) Increase the Other Funds expenditure limitation by \$14,835,726 as follows: \$51,417 for 2018 fire season costs recovered from federal agencies (USFS and BLM); \$1,056,545 for district deductibles; and \$13,727,764 for supplemental limitation to enable processing of payments related to 2018 fire season costs.

Analysis:

Review of the ODF Fire Protection Program

Forest fire protection in Oregon is provided in three layers. The first of these is known as the base layer of protection and is achieved by a coordinated network of twelve fire protection districts including three independent fire protection associations. These local Department of Forestry (ODF) districts are the first line of defense in fire detection and suppression. Local fire protection districts and associations provide personnel, equipment, and expertise to large-fire operations throughout the state. This base level of protection is included, with some exceptions, in the biennial budget for ODF and is in addition to the large-fire costs typically contained in the fire season reports.

The second layer of protection is the statewide large-fire or emergency fire program, of which the majority of costs are unbudgeted. Emergency fire resources are coordinated on a statewide basis and pull personnel and equipment from throughout the agency, local protection districts, and contractors to augment the effort of the local fire district in which a large fire is located. The cost of these resources is reflected in the large fire funding request made by the agency in this report.

Severity resources are the third layer of the fire protection program. These resources, primarily aviation support, augment the base layer and are used to prevent or contain the spread of fires at the initial attack or to aid in the containment of large fires. The 2017 Legislature provided a \$6 million General Fund special purpose appropriation to the Emergency Board; \$4 million for severity resources and \$2 million for the 2019 fire season insurance premium. These funds are coupled with up to \$6 million in funding from landowner acreage assessments, minimum lot assessments, improved lot surcharges, and harvest taxes to provide aviation resources, equipment pre-positioning,

and airborne hand crews. When these resources are used on large fires, the cost of those activities are charged to and made part of the large fire costs. The remaining residual costs stand alone.

ODF Report on the 2018 Fire Season

The Oregon Department of Forestry report on the 2018 fire season notes that although the state received favorable amounts of winter snowpack and recovered from the previous year's severe drought conditions, by June and continuing through September, record temperatures and record low fuel moisture levels were recorded. Two significant lightning events, one in mid-June and the other in mid-August resulted in the majority of large fires this season. Of the fire starts on ODF protected lands, 94% were stopped at ten acres or less due to successful initial attack, including the use of severity resources, primarily aviation resources.

There were a significant number of fires that started on U.S. Forest Service (USFS) protected lands as a result of high lightning activity. Many of these became fire complexes, with multiple individual fires burning within the same area. The number of concurrent fires resulted in the need to mobilize Oregon National Guard troops and equipment to assist in the containment of these fires. Six fires posed significant threats to structures and were eligible for Federal Emergency Management Agency (FEMA) grant funding. These fires contributed to the Governor's declaration of a Conflagration Act, which also enabled Oregon State Fire Marshal mobilizations to protect structures and manage evacuations.

Gross large fire costs for the 2018 fire season totaled just over \$101.8 million. After accounting for fire-protection district deductibles of \$2.12 million, federal cost recoveries of \$31.96 million, and anticipated FEMA reimbursements of \$26.2 million, net emergency firefighting costs for ODF totaled \$41.5 million.

Reported Losses on Private lands

The 2018 fire season report also includes private property loss information for fires of 1,000 acres or more as required by HB 2501 (2015). This information includes losses of timber, buildings, fences, and livestock and grazing land capacity if the land is expected to be unavailable for two or more grazing seasons. There were ten qualifying fires with private property losses to be reported; 39,730 timber acres and 5,817 grazing acres were included in the report with total losses of \$62.46 million.

Funding Requests

Severity Resources / Special Purpose Appropriation

The Legislature provided a \$6 million General Fund special purpose appropriation to the Emergency Board for emergency fire costs; \$4 million for severity resources (\$2 million per year for the 2017 and 2018 fire seasons) and \$2 million for the 2019 fire season insurance premium estimated cost. The ODF budget also includes \$6 million in Other Funds expenditure limitation for severity resources funded by the Oregon Forest Land Protection Fund (OFLPF). The distribution of this funding is typically half of the total amount for each fire season during the biennium, with the OFLPF portion subject to statutory limitations by year that cap the expenditures from the fund to either \$3 million or 3/5ths of the total expended on severity resources in each fire season from all funds.

The funding for severity resources provided in the special purpose appropriation to the Emergency Board and the OFLPF provide ODF with a supplemental resource to the base level of fire protection provided at the fire district level. These typically aviation-based resources allow for enhanced initial

attack and statewide support to stop fires while they are still small. Additionally, the funding serves to bolster the ability of the agency to contract for scarce aviation resources for large fires.

In addition to providing aviation resources and ground-based resources to supplement base-level fire protection activities that help to contain and prevent small fires from becoming large, costly fires, these resources are also used on large fires. When utilized on a large fire, the cost of the resource is billed to and accounted for in the large-fire cost. The funding provided in the special purpose appropriation also allows for the pre-positioning of these resources. A portion of the pre-positioning costs attributable to FEMA eligible large fires is anticipated to be approved for reimbursement by FEMA for the current fire season. The net of the cost shift and the reimbursement results in a residual amount of General Fund and Other Funds liability as illustrated by the following table.

Total Severity Resources - 2018	General Fund	Other Funds	Total Funds
2018 Fire Season Severity Resource Obligations			
Full Liability for Severity Resources Contracts	\$ 5,419,327	\$ 8,128,991	\$ 13,548,318
Less Amounts Billable to Incidents (large fire and other agency)	\$ (3,154,862)	\$ (4,732,292)	\$ (7,887,154)
General Severity Resources Obligation	\$ 2,264,466	\$ 3,396,698	\$ 5,661,164
Less Potential FEMA Reimbursements (pre-positioning)	\$ (377,770)	\$ (566,654)	\$ (944,424)
Net 2018 Severity Obligation	\$ 1,886,696	\$ 2,830,044	\$ 4,716,740

The Legislative Fiscal Office recommends that the Emergency Board allocate \$1,886,696 General Fund to ODF from the special purpose appropriation made to the Emergency Board for severity resources.

Emergency Fire Costs

Due to the unknown frequency and severity of large forest fires in Oregon, no dedicated resources are provided to ODF for paying large fire costs in the agency’s initial biennial budget. A base-level of funding is included to ensure that the agency maintains an adequate level of fire protection and preparedness through a distributed, coordinated system of fire districts, fire protection associations, and the fire protection division headquarters. If a fire exceeds the resources required at the local level of prevention, the cost of the fire may qualify for emergency fire cost funding. Those costs are managed at the agency level by the Emergency Fire Cost Committee and allocated to various funding resources including the OFLPF, the General Fund, federal sources, and Oregon’s unique forest fire insurance policy. A portion of the initial costs remain the responsibility of the fire protection districts. These “district deductibles” are not included in the ODF biennial budget, but are funded both by the public and private landowners in a given district and the General Fund at the same proportion as budgeted costs. The difference between total fire season costs and the net costs are due to deductions in the total costs for those amounts that are billed to federal landowners or other entities for firefighting activities performed by ODF that are not on ODF protected lands, anticipated cost reimbursements from FEMA for a portion of the firefighting costs when there is significant danger of structures or homes being damaged, and for district deductibles. The following two tables detail the gross costs of large fires, the deductions made for fire district deductibles, recoveries, reimbursements, and the net allocation of costs to funding sources based on statute.

	General Fund	Other Funds	Total Funds
2018 Large Fire Costs			
2018 Fire Season Large Fire Costs			
FY 2018			\$ 2,375,242
FY 2019			\$ 99,460,484
Total 2018 Fire Season Large Fire Costs			\$ 101,835,726
2018 District Deductibles			
2018 Season District Deductibles			
FY 2018	\$ 37,484	\$ 61,387	\$ 98,871
FY 2019	\$ 765,456	\$ 1,253,569	\$ 2,019,025
Total 2018 Season District Deductibles	\$ 802,940	\$ 1,314,956	\$ 2,117,896
2018 Fire Cost Recoveries and Reimbursements			
Fire Cost Recoveries (USFS and BLM)			
2018 Fire Season			
FY 2018	\$ -	\$ -	\$ -
FY 2019	\$ -	\$ 31,962,389	\$ 31,962,389
Total 2018 Fire Season	\$ -	\$ 31,962,389	\$ 31,962,389
FEMA large fire reimbursements (Anticipated)			
2018 Fire Season			
FY 2018	\$ -	\$ 1,104,351	\$ 1,104,351
FY 2019	\$ -	\$ 25,105,338	\$ 25,105,338
Total 2018 Fire Season	\$ -	\$ 26,209,689	\$ 26,209,689
2018 Fire Cost Recoveries and Reimbursements	\$ -	\$ 58,172,078	\$ 58,172,078
2018 Net Fire Costs			
2018 Fire Season			
FY 2018			\$ 1,172,020
FY 2019			\$ 40,373,732
Total 2018 Fire Season			\$ 41,545,752

	General Fund	Other Funds	Total Funds
2018 Net Large Fire Funding Allocations			
<u>OFLPF Funding</u>			
2018 Fire Season		\$ 10,000,000	\$ 10,000,000
<u>General Fund</u>			
2018 Fire Season	\$ 31,545,752		\$ 31,545,752
Total 2017-19 Biennium Net Large Fire Funding Allocations			
2018 Fire Season	\$ 31,545,752	\$ 10,000,000	\$ 41,545,752

Due to the limited capacity of the Emergency Fund, the Legislative Fiscal Office recommends that a \$31,545,752 General Fund appropriation to the Oregon Department of Forestry for emergency fire costs be included in an early-session rebalance bill in the 2019 legislative session.

At the September 2018 meeting of the Emergency Board, ODF presented a preliminary report on the 2018 fire season and requested an increase in the Other Funds expenditure limitation of \$68.4 million, which was approved. This amount allowed ODF to process payments for all but \$1.1 million of Other Funds allocated costs. The additional \$14.8 million Other Funds expenditure limitation being requested currently includes the \$1.1 million of residual costs and \$13.7 million of additional limitation that will allow the agency to process expenditures pending additional General Fund appropriation.

District Deductibles and Interest Expense

As discussed above, a portion of the gross large fire costs remain the responsibility of the fire protection districts. These “district deductibles” are not included in the ODF biennial budget, but are funded both by the public and private landowners in each district and the General Fund at the same proportion as budgeted costs at the base level within each district as each district has its own mix of public and privately-owned lands. It is notable that while these district deductibles are extraordinary costs, (not included in the biennial budget of the agency), they are not applied against the retention

(deductible) for the purpose of making claims against the catastrophic fire insurance policy. A small portion (\$258,411) of the outstanding district deductible costs attributed to Other Funds was included in additional expenditure limitation provided to ODF by the Emergency Board in September 2018. The remaining \$1,056,545 Other Funds portion and \$802,940 allocated to the General Fund remain outstanding.

Due to such a costly fire season, ODF has supplemented its typical \$50 million line of credit with the State Treasurer with an additional \$25 million line of credit also with the State Treasurer to facilitate the timely payment of fire costs while waiting for funding from federal reimbursements and legislative appropriations. As of October 29, 2019, ODF had accessed \$75 million of available funding from both lines of credit. The ODF funding request of \$798,281 General Fund is estimated to represent the interest expense on both lines of credit through the end of the biennium.

Legislative Fiscal Office Recommendation: Acknowledge receipt the report; and allocate \$1,886,696 from the special purpose appropriation made to the Emergency Board for the state's portion of 2018 fire season severity resources, allocate \$1,601,221 from the Emergency Fund for interest expenses and district deductibles associated with the 2018 fire season, and increase the Other Funds expenditure limitation by \$1,107,962 for 2018 fire season costs and by \$13,727,764 to support the timely processing of payments related to the 2018 fire season. LFO further recommends that an appropriation of \$31,545,752 General Fund be included in an early-session rebalance bill during the 2019 legislative session for the state's portion of large-fire costs for the 2018 fire season.

Request: The Department of Forestry has requested the following:

- Authorization to present the final report on the 2018 fire season;
- Allocate \$1,886,696 from the Special Purpose Appropriation (SPA) made to the Emergency Board for the state's portion of the 2018 fire season severity costs;
- Allocate \$31,545,752 from the State Emergency Fund to pay for the state's portion of large fire costs for the 2018 fire season;
- Allocate \$1,601,221 from the State Emergency Fund to pay for interest on the treasury line of credit and the state match for district deductibles;
- Increase Other Fund limitation by \$14,835,726 to pay for large fire costs for the 2018 fire season;
- Authorization to present a report on the losses on private lands of timber, buildings, fencing, livestock and of grazing land capacity where the land is expected to be unavailable for two or more grazing seasons.

Recommendation: Approve the request and acknowledge receipt of the reports.

Discussion:

2018 Fire Season Recap

The 2018 Fire Season began on June 1, 2018 and was officially declared over on October 29, 2018. In recent years, fire seasons have been getting longer and more severe. The summer months delivered high temperatures and low precipitation levels. This environment, coupled with dry lightning storms, fueled many fire starts. Across all Oregon lands, 2,019 fires burned approximately 857,000 acres. For lands protected by the Department, 1,059 fires burned approximately 75,000 acres. For comparison, the 10-year average is 928 fires and 33,596 acres burned. Nationwide, the Department was at Preparedness Level 5 for 32 days, which was eight days shorter than the 2017 fire season.

Two lightning events impacted the 2018 fire season. In one weekend during mid-July, 2,815 lightning strikes occurred, resulting in hundreds of fire starts and seven large fires. In mid-August, another lightning event occurred resulting in 2,335 lightning strikes, which started hundreds of fires, eight of which became large fires. The Governor declared a State of Emergency in July, due to the numerous lightning events and subsequent fires. The declaration mobilized 441 Oregon National Guard members to assist with firefighting, two deployments for CH-47 Chinook helicopters, one HH-60 Medivac helicopter, one Lakota helicopter and 156 traffic assistance personnel.

Six large fires were eligible for FEMA Fire Management Assistance Grant (FMAG) funding. They include the Graham, Substation, South Valley Road, Ramsey Canyon, Garner Complex and Hugo Road Fires. In addition, the Governor made Conflagration Act declarations for the Graham, Substation, Garner Complex, Mendocino Complex, South Valley, Sugar Pine, Memaloose II, Stubblefield, Ramsey Canyon, Hugo Road, and Klondike fires. A Conflagration Act declaration is used when local resources are not sufficient to contain a fire and threatens

human life or structures. It allows the mobilization of resources outside the Department, such as the Oregon State Fire Marshal.

The Department was only able to staff two of three Incident Management Teams (IMTs) due to continued fire activity and the lack of trained personnel to deploy all three IMTs at the same time. Many team members were required to work back-to-back rotations with only a 24-hour break between redeployment. An outside IMT from Florida was brought in to help with the Garner Complex Fire in Southwest Oregon.

Severity Resources Special Purpose Appropriation (SPA)

A Special Purpose Appropriation (SPA) is typically established in the Emergency Fund each biennium for severity resources and the payment of the biennium's second year of the catastrophic fire insurance premium. In the 2017-19 biennium, a total amount of \$6 million was appropriated via a SPA for severity resources and the insurance premium. The 2017-19 SPA was intended to be allocated as follows: \$2 million for 2017 fire season severity costs; \$2 million for 2018 fire season severity costs; and \$2 million for the 2019 catastrophic fire insurance premium.

The 2017 fire season severity resources costs were \$2,492,940. The 2017 costs were higher than budgeted due to resources needed to pre-position staff due to the large influx of visitors for the 2017 solar eclipse and Oregon entering into a Preparedness Level 5 in August and September of 2017. The costs were funded from the General Fund in the 2018 Legislative Session, not the SPA, however the SPA was reduced by \$2 million to reflect the amount budgeted in the SPA for the 2017 severity costs.

The General Fund costs for the 2018 fire season severity resources were \$1,886,696, leaving \$2,113,304 remaining for the State's portion of the 2019 catastrophic fire insurance premium. The 2018 fire insurance premium cost was \$3,580,515. Due to statutory caps related to the Oregon Forest Land Protection Fund (OFLPF), the OFLPF expects to contribute \$395,000 of the 2019 fire insurance premium, leaving a remaining premium cost of \$3,185,515, before inflation. After the remaining SPA amount of \$2,113,304 is deducted, a \$1,072,211 shortfall remains. The shortfall should be addressed in the 2019 Legislative Session, after the exact 2019 premium cost is known.

A summary of the 2017-19 SPA calculation is as follows:

2017-19 Funds Appropriated through SPA	\$	6,000,000
2017 Fire Season Severity Resources Costs	\$	(2,000,000)
2018 Fire Season Severity Resources Costs	\$	(1,886,696)
2019 Fire Insurance Premium Costs (no inflation)	\$	(3,580,515)
2019 Fire Insurance Premium Costs Funded by OFLPF	\$	395,000
Total Costs	\$	(7,072,211)
Funding Shortfall	\$	(1,072,211)

Emergency Board General Fund Requests

In total, the Department has requested an allocation from the State Emergency Fund for \$33,146,973. The Department utilizes a multi-tiered fire cost structure when funding fire costs. The first tier encompasses base level fire protection and is funded through the General Fund and landowner assessments at a 50/50 fund split between General Fund and Other Funds.

The second tier funds severity resources through a SPA, as described above. Each fire season, the SPA provides \$2 million General Fund and \$3 million Other Funds from the OFLPF. The third tier is the funding for the fire insurance premium, which is funded at a 50/50 split between General Fund and Other Funds from the OFLPF. It is important to note the OFLPF is capped, via statute, and has not been able to fund increased costs related to the fire insurance premium at a 50/50 split.

The fourth tier has become the primary mechanism for funding large fire costs and equally splits the cost of the first \$20 million of large fire costs between the General Fund and the OFLPF. The next \$30 million of large fire costs are funded solely by the General Fund. The fifth and final tier is the catastrophic fire insurance policy and provides \$25 million of coverage after a \$50 million deductible (represented in tier 4).

As of October 22, 2018, gross large fire costs were \$101,835,726. The Department will be reimbursed for a large portion of the gross fire costs, but it must make payment to contractors and other vendors before receiving reimbursement. This situation has created cash flow issues for the Department and requires reliance on two credit lines totaling \$75 million. In addition, the Department is requesting a third traditional loan from the Treasury for \$25 million to help alleviate cash flow issues due to fire costs and payments to counties for timber harvests.

The net large fire costs through October 22, 2018 are \$41,545,752. Of the net costs, \$10,000,000 will be paid by the OFLPF and the remaining \$31,545,752 is the State's responsibility and will require General Fund. This amount does not include the potential shortfall related to the 2019 fire insurance premium, as described above.

In addition to the large fire costs, the Department has requested \$798,281 General Fund for interest on the Treasury line of credit and \$802,940 General Fund for the state match on the district deductibles funded at a 50/50 split for base level fire protection.

A summary of the General Fund request is as follows:

2018 Fire Season Gross Large Fire Costs	\$	101,835,726
Anticipated Reimbursements (FEMA, Federal Partners, etc)	\$	(60,289,974)
2018 Large Fire Costs Funded by OFLPF	\$	(10,000,000)
2018 Net Large Fire Costs	\$	31,545,752
Interest on Treasury Line of Credit	\$	798,281
General Fund Match for District Deductibles	\$	802,940
Total General Fund Request	\$	33,146,973

The final amount for 2018 fire season costs may not be known until early in the 2019 calendar year. If there are changes to the 2018 fire season costs, they can be addressed in the 2019 Legislative Session.

Other Funds Limitation Request

The Department is requesting \$14,835,726 in Other Funds limitation to enable the processing of payments and operations for the 2018 fire season. Based on fire costs through October 22, 2018, the Department expects to be reimbursed in the amount of \$60,289,974 as follows:

Estimated District Deductibles	\$	2,117,896
Estimated Recoveries from Other Agencies	\$	13,079,338
Estimated BLM Reimbursements	\$	18,883,051
Estimated FEMA Reimbursements	\$	26,209,689
Total Estimated Reimbursements	\$	60,289,974

Even though the Department will be reimbursed for a portion of gross large fire costs, payments to contractors and vendors must be made by ODF on a timely basis. Many people and businesses assisting with fighting large fires are self-employed or own small businesses and cannot wait to be paid until the Department receives reimbursements.

The Department expects to use all of its Other Funds limitation before the end of the 2018 calendar year and requires additional Other Funds limitation to continue to pay outstanding costs related to the 2018 fire season. The cash to fund the increase in limitation will come from a second line of credit the Department established in the amount of \$25 million. In addition, the Department has requested a traditional loan in the amount of \$25 million, bringing the total amount borrowed by the Department to \$100 million. The Department may require more Other Funds limitation beyond the amount requested above, however an exact amount is not known at this time.

Private Property Loss Information

House Bill 2501 (2015) requires the Department to report on private property loss information for fires 1,000 acres or more. It must include losses of timber, buildings, fences and livestock and grazing land capacity if the land is expected to be unavailable for two or more grazing seasons.

During the 2018 fire season, 10 fires met the criteria:

Fire	Loss Type	Acreage	Number of Structures	Number of Livestock	Loss Amount
Little Rail Fire	Fencing				\$ 153
Little Rail Fire	Grazing	25			\$ 45
Taylor Creek Fire	Timber Stumpage	4,507			\$ 6,901,344
Klondike Fire	Timber Stumpage	3,905			\$ 4,739,219
Miles Fire	Timber Stumpage	8,685			\$ 13,298,906
Miles Fire	Structures		1		\$ -
Grave Creek Fire	Timber Stumpage	4,191			\$ 6,417,469
South Valley Road Fire	Timber Stumpage	4,122			\$ 6,311,813
South Valley Road Fire	Grazing	3,637			\$ 6,547
South Valley Road Fire	Structures		18		\$ 282,100
South Valley Road Fire	Fencing				\$ 190,080
Ramsey Canyon Fire	Timber Stumpage	1,002			\$ 1,534,313
Snowshoe Fire	Timber Stumpage	1,281			\$ 1,961,531
Graham Fire	Timber Stumpage	92			\$ 140,875
Graham Fire	Grazing	2,035			\$ 3,663
Graham Fire	Structures		17		\$ 372,580
Watson Creek Fire	Timber Stumpage	12,755			\$ 19,531,094
Watson Creek Fire	Grazing	120			\$ 216
Watson Creek Fire	Livestock			50 pair	\$ 150,000
Watson Creek Fire	Fencing				\$ 620,400
Total		46,357	36	50 pair	\$ 62,462,348

Legal Reference:

Allocation of \$33,146,973 from the State Emergency Fund to supplement the appropriation made by chapter 592, section 1(2), Oregon Laws 2017, for the Oregon Department of Forestry, Fire Protection Division for the 2017-19 biennium. Allocation of \$1,886,696 from the Special Purpose Appropriation made to the Emergency Board by chapter 592, section 5(1), Oregon Laws 2017, to supplement the appropriation made by chapter 592, section 1(2), Oregon Laws 2017, for the Oregon Department of Forestry, Fire Protection Division for the 2017-19 biennium. Increase the Other Funds expenditure limitation established by chapter 592, section 2(2), Oregon Laws 2017, for the Oregon Department of Forestry, Fire Protection Division, by \$14,835,726 for the 2017-19 biennium.



Oregon

Kate Brown, Governor

Department of Forestry

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"STEWARDSHIP IN FORESTRY"

October 29, 2018

The Honorable Senator Peter Courtney, Co-Chair
The Honorable Representative Tina Kotek, Co-Chair
State Emergency Board
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

RE: OREGON DEPARTMENT OF FORESTRY – 2018 FIRE SEASON REQUESTS

Dear Co-Chairpersons:

Nature of the Request

The Oregon Department of Forestry (ODF) respectfully requests permission to appear before the State Emergency Board at its December 2018 meeting for the purpose of:

1. Providing a final report on the 2018 fire season.
2. Requesting, as required under ORS 477.777 (3), the release of \$1,886,696 in Special Purpose Appropriation (SPA) funds allocated to the Emergency Board for the state's portion of 2018 fire season severity costs.
3. Requesting \$31,545,752 of General Fund for the state's portion of large-fire costs for the 2018 fire season.
4. Requesting \$1,601,221 of General Fund for additional costs associated with the 2018 fire season including:
 - a. \$798,281 for interest on the treasury line of credit.
 - b. \$802,940 of match for the district deductibles.
5. Requesting an additional \$14,835,726 of Other Funds Limitation to enable processing of payments and operations from the 2018 fire season.
6. Reporting losses on private lands of timber, buildings, fencing, livestock and of grazing land capacity where the land is expected to be unavailable for two or more grazing seasons.

Agency Action

Fire Season 2018 to Date

Oregon's complete and coordinated wildfire protection system—consisting of ODF, landowner partners, agency cooperators, and the fire contracting community—has been successful under extremely challenging conditions this year (*Attachment A*). With above-average snowpack and precipitation this winter, the state recovered from the previous years' severe drought and conditions started off favorably for an average fire season. Additionally, during the first half of June much of the state experienced cool and moist conditions. However, from mid-June through much of September, temperatures spiked at times to record levels and fuel moistures dropped to near record or record levels. Much of the state received little or no rain during this period. As a result of the hot and dry conditions, combined with lightning storms, fire activity increased significantly across the state. Two lightning events this season triggered intensive initial attack activity bursts and the establishment of several large fires on the landscape. In mid-July, a weekend lightning event with 2,815 strikes ignited hundreds of starts, at least 7 of which became

large fires in southwest Oregon. In mid-August, another event with 2,335 strikes ignited hundreds of fires, this time in central and eastern Oregon. Most of these starts were caught at initial attack, but at least 8 large fires became established in central Oregon. Many of the large fires were on United States Forest Service (USFS) lands; with some large fires within complexes growing together and continuing to burn through the peak and shoulder of fire season. Nationally, and in Oregon and Washington, we were at Preparedness Level 5 (the highest level) for 32 days, 8 days shorter than the 2017 fire season (which was a record season). Meaning across the nation we experienced significant wildland fire activity that required a major commitment of limited and heavily sought after resources.

Following the July lightning event, Governor Brown declared a statewide State of Emergency due to the imminent threat of wildfire. This declaration makes available the National Guard for firefighting. To-date for 2018, National Guard mobilizations have included 441 Oregon National Guard firefighters to form 20 person hand crews, two deployments for CH-47 Chinook helicopters, one HH-60 Medivac helicopter, one Lakota helicopter for tactical fire missions and 156 traffic assistance point personnel.

Six fires in Oregon were eligible for FEMA Fire Management Assistance Grant (FMAG) funding: the Graham, Substation, South Valley Road, Ramsey Canyon, Garner Complex (including the Taylor Creek Fire), and Hugo Road Fires. These fires contributed to Conflagration Act declarations, activating Oregon State Fire Marshal (OSFM) incident management teams and taskforce deployments, with thousands of homes being evacuated. The Taylor Creek fire threatened 3,292 structures and 1,780 residences and required evacuation of 954 people. The Substation fire, in addition to threatening 2,551 homes and structures, also impacted extensive wheat agriculture landownerships and resulted in the death of a landowner participating in firefighting activities.

Fire prevention remained a primary focus throughout the season, with coordinated public outreach campaigns with our key fire prevention partner “Keep Oregon Green.” Through coordination by the Oregon Office of Emergency Management, ODF remained actively engaged – with our local, state, and federal partners, including private landowners. The Oregon Department of Transportation also supported the prevention effort through highway reader boards highlighting the extreme fire danger.

Across all wildland fire jurisdictions in Oregon, approximately 1,822 fires burned 834,238 acres to date. On ODF’s protection responsibility of 16.2 million acres, 1,035 fires burned approximately 75,396 acres. For context, the Department’s ten-year average is 947 fires and 33,806 acres burned.

Special Purpose Appropriation (SPA) Request Summary

The Department has continued an aggressive severity program by contracting for one large air tanker, seven medium helicopters, one small helicopter, five single-engine air tankers, two fire-detection planes and several ground-based resources. Additional aviation and ground resources were added during periods of very high fire danger and increased fire activity (*Attachment B*). Additional resources were procured through Call When Needed (CWN) contracts, local incident resource agreements, the Northwest Fire Compact and state-to-state relationships. Over the past decade, the SPA has provided for the availability of statewide severity resources for use where fire conditions were most severe. With the passage of HB 2050 during the 2013 legislative session, the annual SPA funding of \$2 million for the severity program is now matched with up to \$3 million annually from the Oregon Forestland Protection Fund, for a total severity program of \$5 million. The statewide severity program resources are in addition to district aviation resources already positioned throughout the state. Total net severity program expenditures for the 2018 fire season are estimated at \$4.7 million with the General Fund portion of severity costs, estimated at \$1,886,696. The severity program has been highly effective at keeping fires small, supporting ODF’s ability in 2018 to keep 94 percent of our fire starts at 10 acres or less.

General Fund and Additional Costs Request Summary

The Department spent significant dollars in 2018 to suppress fires, protecting natural resources, communities and Oregonians. Experience has shown us the importance of a diverse large-fire funding system to respond to seasons like this one. The system created over time—with the support of landowners, the Legislature, and the Governor’s office—involves shared responsibility among landowners, the state’s General Fund and a \$25 million insurance policy, the only one of its kind nationally (*Attachment C*). These costs do not reflect any of the landowner resource losses incurred in these fires.

Gross large-fire costs for the 2018 season are estimated at \$101,835,726 and net large-fire costs are estimated at \$41,545,752 (*Attachment D*). The state’s share of the net large-fire costs is \$31,545,752 and is part of the Department’s General Fund request (*Attachment E*).

Additional fire season funding requests:

- **Treasury Line of Credit Interest**: The Department has available a \$75 million line of credit from the State Treasury and throughout the biennium has accessed this line of credit to meet expenses. Interest on this borrowing is projected at \$798,281 to date.
- **District Deductibles**: District deductibles are suppression costs incurred at the base level of protection and are not a biennially budgeted item. It is expected that the Department will appear before the Emergency Board to request this funding. The 2018 district deductibles are estimated at \$802,940.

In total, the above listed items along with the severity program costs results in a \$35,033,669 General Fund request.

Increase in Other Funds Limitation Request Summary

As a result of the costs of the 2018 fire season as detailed above, the Department is projected to exceed its Other Funds limitation in its effort to cover payments experienced during the fire season. To ensure that vendors can be paid in a timely fashion and that Department operations can continue, the Department is requesting an additional \$14,835,726 in Other Funds limitation.

House Bill 2501 Loss Reporting

As a result of the passage of House Bill 2501, the Department is required to report losses due to wildfires in excess of 1,000 acres on private lands to timber, buildings, fencing, livestock and grazing land capacity if the land is expected to be unavailable for two or more grazing seasons. During the 2018 fire season, ten fires met the criteria of HB 2501 reporting (*Attachment E*).

The Little Rail Fire impacted multiple private landowners, with estimated losses of \$153 of fencing and \$45 of grazing value.

The Taylor Creek Fire impacted multiple private landowners and resulted in an estimated timber stumpage loss of \$6,901,344 across 4,507 timbered acres.

The Klondike Fire impacted multiple private landowners and resulted in an estimated timber stumpage loss of \$4,739,219 across 3,095 timbered acres.

The Miles Fire impacted multiple private landowners and resulted in an estimated timber stumpage loss of \$13,298,906 across 8,685 timbered acres. One structure was lost, of no estimated value.

The Grave Creek Fire impacted multiple private landowners and resulted in an estimated timber stumpage loss of \$6,417,469 across 4,191 timbered acres.

The South Valley Road Fire also impacted multiple private landowners and resulted in an estimated timber stumpage loss of \$6,311,813 across 4,122 timbered acres. Structural losses are estimated in value at \$282,100. Grazing acre loss has an estimated value of \$6,547. Lost value of fencing is estimated at \$190,080.

The Ramsey Canyon Fire impacted multiple private landowners and resulted in an estimated timber stumpage loss of \$1,534,313 across 1,002 timbered acres.

The Snowshoe Fire impacted multiple private landowners and resulted in an estimated timber stumpage loss of \$1,961,531 across 1,281 timbered acres.

The Graham Fire impacted multiple private landowners and resulted in an estimated timber stumpage loss of \$140,875 across 92 timbered acres. Structure losses on the Graham Fire is estimated at \$372,580. Grazing acre loss has an estimated value of \$3,663.

The Watson Creek Fire impacted multiple private landowners and resulted in an estimated timber stumpage loss of \$19,531,094 across 12,755 timbered acres. Lost value of fencing is estimated at \$620,400. Livestock loss is estimated at \$150,000 for 50 pair. Grazing loss is valued at \$216.

Summary

Six of the last seven fire seasons have been extremely challenging; with 2016 the only year that was below normal in terms of the number of fires, acres burned and suppression costs. The 2018 fire season began as predicted, with above average large fire activity starting in mid-June and continuing through September with extreme fire conditions setting in across the state. The resource draw-down of all ODF personnel (often referred to as the "militia approach") resulted in impacts to annual accomplishments in our State Forests, Private Forests, and Administrative Services divisions. As of this writing, fire season is just wrapping up in Southern Oregon; if there are any changes to these totals, the Department will report on them to the 2019 Legislative Assembly.

Action Request

ODF respectfully requests that the State Emergency Board:

- Allocate \$1,886,696 from the Special Purpose Appropriation for severity resources.
- Allocate \$31,545,752 of General Fund for the state's portion of large-fire costs for the 2018 fire season.
- Allocate \$1,601,221 of General Fund to cover the unbudgeted costs associated with the 2018 fire season, including the treasury line of credit interest and district deductibles.
- Increase the Department's Other Funds Limitation by \$14,835,726 to pay the costs from the 2018 fire season

Legislation Affected

SB 5519, Chapter 592, section 1(2), Oregon Laws 2017

SB 5519, Chapter 592, section 2(2), Oregon Laws 2017

SB 5519, Chapter 592, section 5(1), Oregon Laws 2017

Thank you for your time and consideration. I would be pleased to answer any questions.

Sincerely,



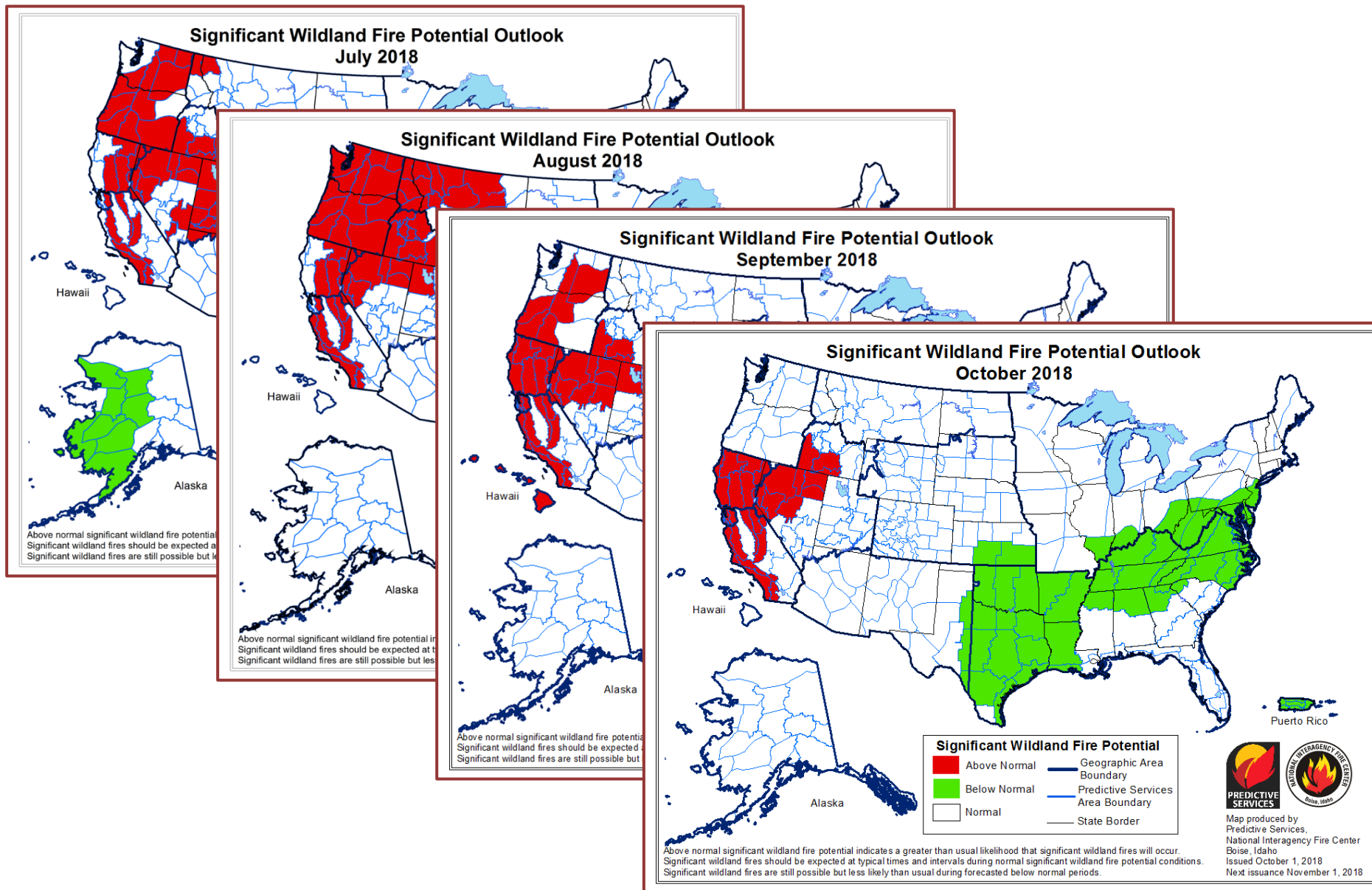
Peter Daugherty
Oregon State Forester
(503) 945-7211

Attachments

- A. Fire Season Risk Maps
- B. ODF Statewide Severity Cost Estimates as of October 1st, 2018 – Fire Season 2018
- C. Annual Fire Funding Framework
- D. Oregon Forestland Protection Fund 2018 Fire Season Emergency Cost Estimates to Date
- E. House Bill 2501 Loss Report – 2018 Fire Season

cc: Jason Miner, Governor's Office
Board of Forestry
ODF Executive Team
Matt Stayner, Legislative Fiscal Office
Alisa Webb, Chief Financial Office
James Short, ODF Budget Director

Attachment A – Fire Season Risk Maps



ODF Statewide Severity Cost Estimates to Date (As of October 1, 2018) Fire Season 2018

ODF Severity Budget Estimate \$6,735,374

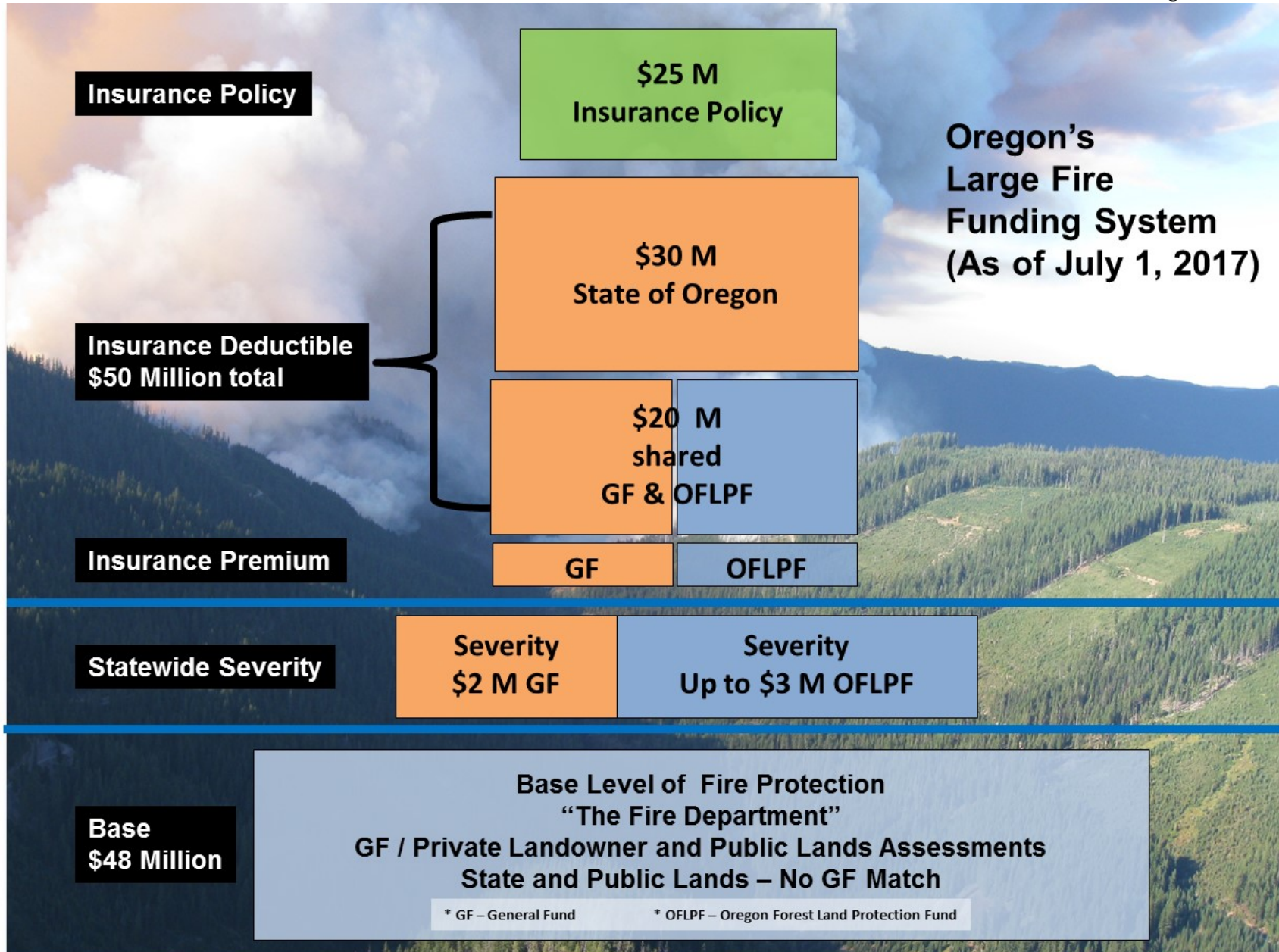
2018 Fire Season:

Gross Severity Expenditures	\$13,207,409
<u>Estimated Recoveries (Billable Firefighting Costs)</u>	<u>(\$7,887,154)</u>
NET Expenditures, to date	\$5,320,255
<u>Projected Expenditures</u>	<u>\$340,909</u>
TOTAL Estimated 2018 Fire Season Severity Expenditures	\$5,661,164
<u>Less Anticipated FEMA Pre-Positioning Recoveries</u>	<u>(\$944,424)</u>

Net 2018 Fire Season Severity Cost **\$4,716,740**

OFLPF Share (60%)	\$2,830,044
General Fund Share (40%)	\$1,886,696

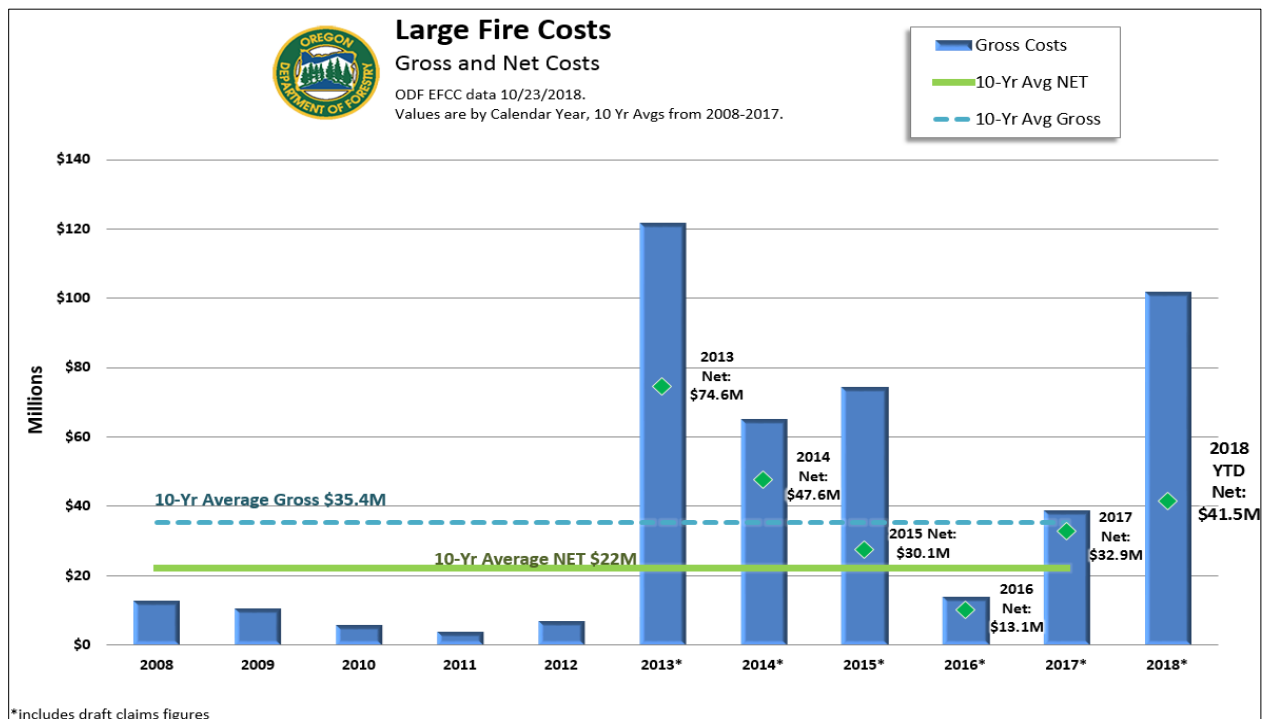
Attachment C – Annual Fire Funding Framework



Oregon Forestland Protection Fund 2018 Fire Season Emergency Cost Estimates to Date – October 22, 2018

FY18		Calculation of Total Emergency Firefighting Costs						Payment of Total Emergency Firefighting Costs
District	Fire Cost Estimate	District Deductibles To Date	Anticipated Cost Recovery from Other Agencies	Western Oregon BLM Agreement Suppression Costs	Fire Cost less Deductibles & Recoveries from Other Agencies	Anticipated FEMA Reimbursements	Total Net Emergency Firefighting Costs	General Fund Obligation
Central Oregon	\$2,159,801	\$58,373	\$-	N/A	\$2,101,428	v	\$997,077	
Klamath-Lake	\$15,498	\$15,498		N/A	\$-		\$-	
Southwest Oregon	\$120,392	\$-		N/A	\$120,392		\$120,392	
West Oregon	\$79,551	\$25,000	\$-	N/A	\$54,551		\$54,551	
Total	\$2,375,242	\$98,871	\$-	N/A	\$2,276,371	\$1,104,351	\$1,172,020	\$1,172,020

FY19		Calculation of Total Emergency Firefighting Costs						Payment of Total Emergency Firefighting Costs				
District	Fire Cost Estimate	District Deductibles To Date	Anticipated Cost Recovery from Other Agencies	Western Oregon BLM Agreement Suppression Costs	Fire Cost less Deductibles & Recoveries from Other Agencies	Anticipated FEMA Reimbursements	Total Net Emergency Firefighting Costs	General Fund Obligation (50% of 1st \$20M)	OFLPF Obligation (50% of 1st \$20M)	Large Fire Costs over \$20MM to \$50MM	Insurance (\$25MM Limit) Costs over \$50MM to \$75MM	Large Fire Costs Over \$75MM
Central Oregon**	\$10,057,194	\$431,474	\$956,500	\$-	\$8,669,220	\$3,576,708	\$5,092,512					
Coos FPA***	\$4,034,080	\$174,114	\$-	\$-	\$3,859,966	\$-	\$3,859,966					
Douglas FPA	\$675,988	\$190,124	\$-	\$-	\$485,864	\$-	\$485,864					
Klamath-Lake	\$4,290,322	\$243,813			\$4,046,509	\$-	\$4,046,509					
North Cascade****	\$1,183,568	\$90,588	\$-	\$-	\$1,092,980	\$-	\$1,092,980					
Northeast Oregon	\$1,755,417	\$287,021	\$229,012	\$-	\$1,239,384	\$-	\$1,239,384					
Western Lane	\$-	\$-	\$-	\$-	\$-	\$-	\$-					
South Cascade	\$447,610	\$147,610	\$300,000	\$-	\$-	\$-	\$-					
Southwest Oregon	\$76,829,016	\$320,722	\$11,593,826	\$18,836,229	\$46,078,239	\$21,528,630	\$24,549,609					
Walker Range FPA*	\$-	\$-	\$-	\$-	\$-	\$-	\$-					
West Oregon	\$187,289	\$133,559	\$-	\$46,822	\$6,908	\$-	\$6,908					
Western Lane	\$-	\$-	\$-	\$-	\$-	\$-	\$-					
Total	\$99,460,484	\$2,019,025	\$13,079,338	\$18,883,051	\$65,479,070	\$25,105,338	\$40,373,732	\$10,000,000	\$10,000,000	\$20,373,732	\$-	\$-



House Bill 2501 Loss Report 2018 Fire Season

Fire	Timber Acres	Timber Volume	Stumpage Value	Grazing Acres	Acres per AUM	AUM Value	Number of Livestock Lost	Value of Livestock	Number of Structures Lost	Value of Structures	Fencing	Total
Little Rail	-	-	\$-	25	2.5	\$45	-	-	-	\$-	\$153	\$198
Taylor Creek	4,507	56,338	\$6,901,344	-	-	\$-	-	-	-	\$-	\$-	\$6,901,344
Klondike	3,095	38,688	\$4,739,219	-	-	\$-	-	-	-	\$-	\$-	\$4,739,219
Miles	8,685	108,563	\$13,298,906	-	-	\$-	-	-	1	\$-	\$-	\$13,298,906
Grave Creek	4,191	52,388	\$6,417,469	-	-	\$-	-	-	-	\$-	\$-	\$6,417,469
South Valley Road	4,122	51,525	\$6,311,813	3,637	364	\$6,547	-	-	18	\$282,100	\$190,080	\$6,790,540
Ramsey Canyon	1,002	12,525	\$1,534,313	-	-	\$-	-	-	-	\$-	\$-	\$1,534,313
Snowshoe	1,281	16,013	\$1,961,531	-	-	\$-	-	-	-	\$-	\$-	\$1,961,531
Graham	92	1,150	\$140,875	2,035	204	\$3,663	-	-	17	\$372,580	\$-	\$517,118
Watson Creek	12,755	159,438	\$19,531,094	120	12	\$216	*50pair	150,000	-	\$-	\$620,400	\$20,301,710

Assumes 12.5 MBF/AC for west-side timber, \$122.50 Stumpage Value for west-side timber, 10 AC/AUM, \$18 AUM and fencing determined locally