

Oregon Department of Forestry

	2013-15 Actual	2015-17 Legislatively Approved*	2017-19 Current Service Level	2017-19 Governor's Budget
General Fund	118,966,690	92,592,040	69,716,672	65,143,455
Lottery Funds	5,130,718	7,554,096	2,606,595	7,006,595
Other Funds	282,455,808	296,979,323	242,283,417	244,000,610
Other Funds (Nonlimited)	10,473,812	261,018		
Federal Funds	14,096,634	35,066,180	33,515,674	33,544,284
Total Funds	431,123,662	432,452,657	348,122,358	349,694,944
Positions	1,196	1,201	1,182	1,182
FTE	872.38	878.04	864.13	864.13

* Includes Emergency Board and administrative actions through December 2016.

Program Description

The Oregon Department of Forestry (ODF) was established in 1911. ODF is directed by the State Forester who is appointed by the State Board of Forestry. The Board's seven members are nominated by the Governor and confirmed by the Senate. ODF has three operating programs: Fire Protection, State Forests, and Private Forests. These programs are supplemented and supported by centralized business services divisions including Agency Administration, Equipment Pool, and Facilities Management.

The Fire Protection division protects roughly 16 million acres of private and public forestland with a coordinated system of 12 fire districts comprised of 9 ODF operated districts and three private forest protection associations along with other associated federal, state, and local agencies. State Forests operations include forest development, management of Board of Forestry and Common School Trust 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

The 2017-19 Current Service Level budget for ODF decreases by 17.21% from the 2015-17 legislatively approved budget with the elimination of large fire costs and one-time expenditures, but increases by just over 5% from the 2015-17 legislatively adopted budget.

- The CSL budget includes phase-outs of one-time funding that was included in the 2015-17 budget:

- General Fund: \$23,115,122 for 2015 Fire Season costs, \$1.2 million for sage grouse habitat protection and rangeland fire protection support, and \$400,000 for the Clackamas Count forest products cooperative pilot project.
- \$5.0 million Lottery Funds for federal forest collaborative work.
- \$3.0 million Federal Funds related to land purchases for the Gilchrist Forest that were completed in 2015-17\$
- \$1.3 million total funds for maintenance and enhancement of the Forestry Activity Electronic Reporting and Notification System (FERNS)
- SB 5701 provided a one-time appropriation of \$704,206 GF and an increase in OF limitation of \$813,594 for the implementation of a new procurement system. The General Fund portion of these amounts was recorded in the state accounting system in the wrong programs (Fire Prevention and Private Forests) prior to base budget formation and therefore carried in to 2017-19 incorrectly. In addition, the agency incorrectly included a technical adjustment to try to carry-forward this one-time funding in the Agency Administration program. Adjustments will have to be included in the legislatively adopted budget to correct these issues that will reduce GF from CSL by roughly \$1.5 million.
- CSL includes an increases of \$760,521 for both General Fund and Other Funds to account for higher average costs of catastrophic fire insurance premiums. Added to the \$960,000 General Fund in the agency's budget. The combined total of \$1,720,521 is now in the base budget for the 2018 Fire year.
- The State Forest Division recognizes a \$6.7 million OF revenue reduction from management fees charged to the Department of State Lands for the management of the Elliot State Forest.
- Standard inflationary and personal services cost increases in the Agency Administration division result extra-ordinary inflationary General Fund increases in the Fire Protection and Private Forests divisions totaling \$2.0 million.
- There was a miscalculation made by the Department of Administrative services for debt service on bonds issued in May 2015. This resulted in \$576,504 General Fund for debt service not being included in the agency's 2015-17 budget.

Policy Issues

The Governor's proposed budget for ODF takes a tit-for-tat approach to the funding of programs. General reductions are made to existing General Fund programs primarily in Private Forests, but also in Fire Protection totaling about \$5.4 million. A portion (\$650K) of that is shifted to expand the rangeland protection function within Fire Protection and to support new debt service, but the remaining General Fund is given up in favor of Lottery Funds to permanently fund the federal forest restoration program. The 2013-15 budget included one-time-only funding of \$2.885 million Lottery Funds and the 2015-17 budget included one-time-only funding of \$5.0 million Lottery funds.

The new debt service in the Governor's budget is due to two capital construction projects that are bond funded. The first is the renovation of the State Forester's office building and the second is the replacement of the Toledo Unit facility of the Western Oregon fire protection district. The requested bond authorization and capital construction limitation contained in the Governor's budget is limited to the anticipated expenditures within the 2017-19 biennium only and do not cover the entire cost of the projects (\$8.0 million for State Forester's Office and \$3.83 million for the Toledo facility).

There is an appropriation included in the Governor's budget to the Emergency Board for severity resources and catastrophic fire insurance premium for the 2019 fire year. The last couple of years this has been \$6.0 million; \$4.0 million for severity resources and \$2.0 million for insurance. In addition, the amount that was in the SPA for the 2017 fire year insurance premium was used to cover the shortfall in funding from the Oregon Forest Land Protection Fund for the 2016 fire year and to pay for additional severity resources. For the 2017 fire season, the State Forester has recommended the purchase of catastrophic insurance with the same coverage and retention amounts at a premium cost of \$3.375 million; roughly \$150,000 less than the 2016 fire season premium.

The Department of State Lands did not renew the management agreement for the Elliot State Forest with ODF. This results in the total number of acres managed by the State Lands division to drop from 14% of total lands managed to 4% of total lands managed. In addition, ODF also recognizes a \$6.7 million OF revenue reduction from management fees charged to DSL for the management of the Elliot. A budget reduction package for the State Forests program related to this loss of revenue was not included in the Governor's budget.

Other Significant Issues and Current Discussions

ODF faces ongoing litigation regarding the management of state forest lands with regard to the amount of income generated for counties. The county position is that the state forest lands managed by ODF are done so in such a way that diminishes the potential economic gains in favor of preserving and promoting other public values such as recreation, education, and habitat. While the counties are not seeking to have ODF change its management practices, the counties seek to be compensated for the monetary difference between the current management plan and the income that would be possible if the lands were managed to the minimum standard of the Oregon Forest Practices Act. The case has been certified eligible for class action status. Fifteen counties and 150 taxing districts, including school districts, fire districts, library districts, etc. situated in counties containing state forest lands automatically are included in the class action, unless they opt-out in writing; the deadline for which was Wednesday January 25th. Clatsop County, Clackamas Soil and Water Conservation District, Benton Soil and Water Conservation District, Tualatin Valley Fire and Rescue District, and the Port of Portland have all provided opt-out notice.

The 2017-19 biennium will be the first time large fire costs are split dollar for dollar by the General Fund and the Oregon Forest Land Protection Fund. This match applies to the first \$20 million in large fire costs, after which the General Fund is used to span up to an additional \$30 million before the catastrophic fire insurance policy provides funding.

The Co-Chairs of the Joint Committee on Ways and Means have included possible adjustments to the ODF budget in response to the current statewide revenue shortfall that includes: Reducing support for Rangeland Protection Associations; reducing subsidies for low-productivity woodlands; reducing funding for the Sudden Oak Death program; reducing funding for the Oregon Plan for Salmon and Watersheds Administration; redirecting the ongoing maintenance budget for the yet-to-be implemented e-procurement system, reducing the subsidy in private landowner per-acre assessments for base fire protection related to agency administration costs; reducing agency administrative costs; and, reducing assessments for the Equipment Pool.