

Analysis

Item 36: Department of Forestry

2019 Fire Season

Analyst: Matt Stayner

Request: For cost incurred by the Department of Forestry (ODF) related to the 2019 fire season, the Department requests:

- 1) Allocation of \$2,373,669 from the Special Purpose Appropriation (SPA) appropriated to the Emergency Board for the state's portion of 2019 fire season severity resources costs.
- 2) A General Fund appropriation of \$9,629,300 for the state's portion of large-fire costs for the 2019 fire season.
- 3) A General Fund appropriation of \$1,334,810 for additional costs associated with the 2019 fire season including:
 - a. \$754,596 for interest on the Treasury line of credit.
 - b. \$580,214 of matching funds for district deductibles.
- 4) An increase in the Other Funds expenditure limitation of \$29,825,634 to enable processing of payments and operations from the 2019 fire season including district deductibles from private and public landowner assessments, anticipated fire cost recoveries (U.S. Forest Service [USFS] and Bureau of Land Management [BLM]), anticipated cost recoveries (Federal Emergency Management Agency [FEMA]), and state large fire costs funded from the Oregon Forest Land Protection Fund (OFLPF).

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 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 from 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 2019 Legislature provided a \$6 million General Fund special purpose appropriation to the Emergency Board; \$4 million for severity resources and \$2 million for the 2021 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,

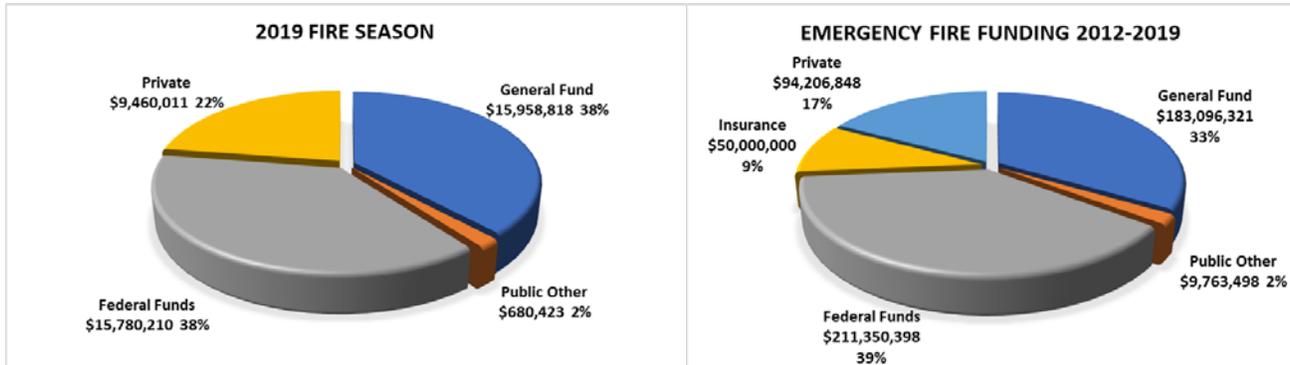
and airborne hand crews. When these resources are used on large fires, the cost of those activities are charged to and made part of the large fire costs. The remaining residual costs stand alone.

2019 Fire Season Costs

During the November legislative days, ODF presented a report on the 2019 fire season detailing an early start to the fire season in March with the Santiam Park fire. The Milepost 97 fire was the dominate fire of the season with gross costs estimated at over \$21 million. August brought significant lightning storms that ignited 213 fires in a seven-day period. Successful initial fire response kept 90% of all fires on ODF protected land to less than 10 acres. Statewide gross large fire costs on ODF protected lands for the 2019 fire season totaled just over \$32.9 million. As shown in the following table, after accounting for fire-protection district deductibles of \$1.25 million, federal cost recoveries of \$10.34 million, and anticipated FEMA reimbursements of \$5.08 million, net emergency firefighting costs for ODF totaled \$16.24 million.

	General Fund	Other Funds	Total Funds
2019-21 Biennium Large Fire Costs			
2019 Fire Season Large Fire Costs			
FY 2019			\$ 3,366,077
FY 2020			\$ 29,540,898
Total 2019 Fire Season Large Fire Costs			\$ 32,906,974
2019 District Deductibles			
2019 Season District Deductibles			
FY 2019	\$ 40,894	\$ 65,324	\$ 106,218
FY 2020	\$ 440,377	\$ 703,460	\$ 1,143,837
Total 2019 Season District Deductibles	\$ 481,271	\$ 768,784	\$ 1,250,055
2019 Fire Cost Recoveries and Reimbursements			
Fire Cost Recoveries (USFS and BLM)			
2019 Fire Season			
FY 2019	\$ -	\$ 238,245	\$ 238,245
FY 2020	\$ -	\$ 10,104,860	\$ 10,104,860
Total 2019 Fire Season	\$ -	\$ 10,343,105	\$ 10,343,105
FEMA large fire reimbursements (Anticipated)			
2019 Fire Season			
FY 2019	\$ -	\$ -	\$ -
FY 2020	\$ -	\$ 5,076,827	\$ 5,076,827
Total 2019 Fire Season	\$ -	\$ 5,076,827	\$ 5,076,827
2019-21 Biennium Fire Cost Recoveries and Reimbursements	\$ -	\$ 15,419,932	\$ 15,419,932
2019 Net Fire Costs			
2019 Fire Season			
FY 2019			\$ 3,021,613
FY 2020			\$ 13,215,374
Total 2019 Fire Season			\$ 16,236,987

Total emergency fire costs for the 2019 fire season including net large fire costs, other agency reimbursed large fire costs, FEMA reimbursements, insurance payments, insurance premiums, severity resource funding, cooperative work with other agencies, and interest expense total \$41,879,462. The total funding for emergency fire costs for the 2012 through 2019 fire seasons are \$548,417,065. The following graphs and table illustrate the funding distribution for both periods.



	General Fund	Public Other	Public Total		Federal Funds	Insurance	Private	Total Funds		
2012 Fire Season	\$ 3,216,407	\$ 723,278	\$ 3,939,685	39.57%	\$ -	0.00%	\$ 6,016,571	60.43%	\$ 9,956,256	100.00%
2013 Fire Season	\$ 43,044,839	\$ 1,573,417	\$ 44,618,256	33.98%	\$ 47,500,000	36.18%	\$ 14,184,515	10.80%	\$ 131,302,771	100.00%
2014 Fire Season	\$ 18,259,057	\$ 1,483,355	\$ 19,742,412	22.35%	\$ 30,851,232	34.92%	\$ 12,748,628	14.43%	\$ 88,342,272	100.00%
2015 Fire Season	\$ 25,033,277	\$ 1,429,705	\$ 26,462,982	30.64%	\$ 45,172,387	52.30%	\$ -	0.00%	\$ 86,368,074	100.00%
2016 Fire Season	\$ 12,902,268	\$ 972,639	\$ 13,874,907	53.09%	\$ 2,772,625	10.61%	\$ -	0.00%	\$ 26,136,504	100.00%
2017 Fire Season	\$ 27,883,296	\$ 1,552,669	\$ 29,435,965	53.21%	\$ 11,101,866	20.07%	\$ -	0.00%	\$ 55,316,289	100.00%
2018 Fire Season	\$ 36,798,359	\$ 1,348,012	\$ 38,146,371	34.96%	\$ 58,172,078	53.31%	\$ -	0.00%	\$ 109,115,437	100.00%
2019 Fire Season	\$ 15,958,818	\$ 680,423	\$ 16,639,241	39.73%	\$ 15,780,210	37.68%	\$ -	0.00%	\$ 41,879,462	100.00%
Total	\$ 183,096,321	\$ 9,763,498	\$ 192,859,819	35.17%	\$ 211,350,398	38.54%	\$ 50,000,000	9.12%	\$ 548,417,065	100.00%

Funding Requests

Item #1 – Severity Resources:

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 2019 and 2020 fire seasons) and \$2 million for the 2021 fire season insurance premium estimated cost. The ODF budget also includes \$6 million in Other Funds expenditure limitation for severity resources funded by the OFLPF. The OFLPF portion is 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.

Each fire season, ODF contracts with various providers of 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, but 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	General Fund	Other Funds	Total Funds
2019 Fire Season Severity Resource Obligations			
Full Liability for Severity Resources Contracts	\$ 3,354,127	\$ 5,031,191	\$ 8,385,318
Less Amounts Billable to Incidents (large fire and other agency)	\$ (1,060,548)	\$ (1,590,823)	\$ (2,651,371)
General Severity Resources Obligation	\$ 2,293,579	\$ 3,440,368	\$ 5,733,947
Less Potential FEMA Reimbursements (pre-positioning)	\$ (144,111)	\$ (216,167)	\$ (360,278)
Unrestrained obligation based on 40/60 formula	\$ 2,149,468	\$ 3,224,201	
Net 2019 Fire Season Severity Obligation	\$ 2,373,669	\$ 3,000,000	\$ 5,373,669
Additional GF Severity Costs due to OFLPF cap	\$ 224,201		

ODF contracted for severity resources totaling \$8.4 million for the 2019 fire season. Of this amount, \$2.65 million was assignable to large fires and ODF has estimated FEMA reimbursements for pre-positioning of resources to be \$360,278, leaving a net obligation of \$5,373,669; a \$373,669 cost overrun. Ostensibly, the cost overrun would be apportioned along the same 40/60 split between the General Fund and the OFLPF, but since the OFLPF is statutorily limited to providing no more than \$3 million for severity resource funding, the shortfall is assumed to either be taken from the following year's portion of the SPA or funded directly from the General Fund.

Item #2 – General Fund portion of large fire costs:

Due to the unknown frequency and severity of large forest fires in Oregon, no dedicated resources are provided to ODF for the purpose of 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. 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 table shows the distribution of net large fire costs by funding source.

2019 Large Fire Funding Allocations			
<u>OFLPF Funding</u>			
2019 Fire Season		\$ 6,607,687	\$ 6,607,687
<u>General Fund</u>			
2019 Fire Season	\$ 9,629,300		\$ 9,629,300
<u>Insurance Policy</u>			
2019 Fire Season	\$ -	\$ -	\$ -
Total 2019 Large Fire Funding Allocations			
2019 Fire Season	\$ 9,629,300	\$ 6,607,687	\$ 16,236,987

Net fire costs are split 50/50 between the General Fund and the OFLPF, a public and private landowner supported fund, up to the first \$20 million in any given fiscal year, with the General Fund paying 100% of the next \$30 million, and insurance covering the following \$25 million. The 2019 fire season began in March of 2019; four months prior to the beginning of the 2020 fiscal year. This distinction is important since the OFLPF had reached its statutory cap for the 2019 fiscal year and

was, therefore, unavailable to fund the early-season costs, which left just over \$3 million of net costs for fiscal year 2019 to be funded by the General Fund alone. This results in the asymmetrical distribution of net costs between the General Fund and the OFLPF for the 2019 fire season.

Item #3a – Interest Expense:

ODF continues to utilize a \$25 million line of credit with the State Treasurer to facilitate the timely payment of fire costs while waiting for funding primarily from federal reimbursements and legislative appropriations. As of the time of this analysis, ODF had accessed all \$25 million of available funding from the line of credit. The Treasury line of credit expires at the end of April. The Department had also utilized \$15 million of the cash balance in the OFLPF to support the cash flow needs of the agency during the fire season and repaid the balance in September. The OFLPF retains its interest earnings and, therefore, ODF entered into an agreement with the Emergency Fire Cost Committee to pay interest charges on the amount of funding in the OFLPF used by ODF. The ODF funding request of \$754,596 General Fund represents the estimated interest expense on the Treasury line of credit through the maturity date of \$671,267 and an additional \$83,329 for interest due to the OFLPF.

Item #3b – District Deductibles:

A portion of the gross large fire costs remain the responsibility of the fire protection districts. These “district deductibles” are funded both by the public and private landowners in a given 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, they are not applied against the retention (deductible) for the purpose of making claims against the catastrophic fire insurance policy.

It has been the practice of the agency to request funding for district deductibles at the same time as large fire cost funding requests due to the assumption by fire division management that the district deductibles were not budgeted in the annual fire protection district budgets. Although further analysis is required, it has become apparent that fire protection districts do include anticipated costs of district deductibles when developing the annual operating budget for protection districts. That budget is then used to formulate the annual per-acre rate charged to both public and private landowners. On the portion of protected lands that are privately owned, the General Fund subsidizes half of the per-acre assessment. It would appear, therefore, that at least a portion of district deductible costs have already been included in the base level protection budget and the requested additional funding for district deductibles is redundant. Between 2012 and 2018, in addition to the funding for district deductibles that was included in the base protection budget as expressed in the per-acre rates, ODF has requested, and has been provided, funding for district deductibles in the amount of \$5,556,727. The Legislative Fiscal Office (LFO) has requested a reconciliation of these costs from the agency and a plan for how this expense will be budgeted and accounted for in the future. The LFO recommendation sets this portion of the request aside.

Item #4 – Other Funds expenditure limitation:

Additional Other Funds expenditure authority is required by ODF to expend funding for costs in addition to or in conjunction with the General Fund requests. A portion of the costs will be paid by reimbursement from federal sources, but are expended as Other Funds.

The ODF letter requested Other Funds expenditure limitation for the gross costs listed in the table below without adjusting for the agency’s existing limitation. Additionally, the request included a calculation error that was resolved after the request letter was submitted.

The following table details the total costs allocated to Other Funds sources, the amounts that have been paid or that the agency has existing expenditure limitation for, and the remaining balance for which the agency requires additional expenditure limitation.

2019 Fire Season Other Funds	Costs	Existing Limitation	Additional Limitation Required
State Large Fire Costs	\$ 6,607,687	\$ -	\$ 6,607,687
Other Agency Large Fire Costs	\$ 10,343,105	\$ -	\$ 10,343,105
FEMA Reimbursements	\$ 5,437,105	\$ -	\$ 5,437,105
Large Fire Costs Paid by Insurance	\$ -	\$ -	\$ -
District Deductibles	\$ 768,784	\$ 768,784	\$ -
Severity Resources	\$ 3,000,000	\$ 3,000,000	\$ -
Insurance Premium	\$ 532,747	\$ 532,747	\$ -
Interest Expense	\$ -	\$ -	\$ -
Other Activities	\$ 1,200,000	\$ -	\$ 1,200,000
Total 2019 Fire Season Other Funds	\$ 27,889,428	\$ 4,301,531	\$ 23,587,897

The “Other Activities” category includes work that was performed by ODF personnel in other jurisdictions for which ODF will receive reimbursement.

Legislative Fiscal Office Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Way and Means recommend including an allocation of \$2,373,669 from the special purpose appropriation made to the Emergency Board for the state’s portion of 2019 fire season severity resources costs, a General Fund appropriation of \$10,383,896 for the state’s portion of large-fire costs and interest expenses related to the 2019 fire season, and an increase of \$23,587,897 in the Other Funds expenditure limitation for the Department of Forestry in a budget reconciliation bill during the 2020 legislative session to enable processing of payments of costs from the 2019 fire season.

36
Oregon Department of Forestry
Klein

Request: The Department of Forestry has requested the following:

- Allocate \$2,373,669 from the Special Purpose Appropriation (SPA) made to the Emergency Board for the state's portion of the 2019 fire season severity costs;
- Appropriate \$9,629,300 General Fund to pay for the state's portion of large fire costs for the 2019 fire season;
- Appropriate \$1,334,810 General Fund to pay for interest on the Oregon State Treasury line of credit and the Oregon Forest Land Protection Fund (OFLPF) loan.
- Increase Other Funds expenditure limitation by \$29,825,634 to pay for large fire costs for the 2019 fire season.

Recommendation: Approve the request during the 2020 Legislative Session.

Discussion:

2019 Fire Season Recap

The official 2019 Fire Season began on June 1, 2019 and was declared over on October 1, 2019. Based on early indicators, including high fire danger indices in March and unseasonably warm weather starting in May, the Oregon Department of Forestry (ODF) began preparations for what had the potential to be a season with above average fire activity. Despite early concerns, there was only one significant large fire during the season, the Milepost 97 Fire, which started in late July. This fire received a Federal Emergency Management Agency (FEMA) declaration and is eligible for FEMA Fire Management Assistance Grant funding.

At the close of the fire season, there were 932 fires in total, with 16,883 acres burned. The overall number of fires for the 2019 Fire Season was five percent above the 10-year average, but the total acres burned was 58 percent below the 10-year average. For comparison, the 2018 Fire Season had 1,059 fires on ODF protected lands that burned approximately 75,000 acres. ODF was successful in keeping fires small in 2019; containing 97 percent of the fires at 10 acres or less.

Severity Resources Special Purpose Appropriation (SPA) Request

A Special Purpose Appropriation (SPA) is typically established in the Emergency Fund each biennium for severity resources, as well as the for the catastrophic fire insurance premium. The SPA is funded at \$6 million General Fund for the 2019-21 biennium. The funds are budgeted as follows: \$2 million for 2019 Fire Season severity resources, \$2 million for the 2020 Fire Season severity resources, and \$2 million for the 2021 catastrophic fire insurance premium (paid in the second year of the biennium).

These funds are used to pre-position resources so ODF can quickly respond to fire incidents in areas prone to large fires. During the official 2019 Fire Season, severity resources were used to respond to 75 fires, primarily for air and engine support. Because severity resources were available during official fire season, ODF was able to contain 97.3 percent to 10 acres or less. For fires occurring prior to or after fire season, the Department was able to keep 93.9 percent of

fires to 10 acres or less. The Oregon Forest Land Protection Fund (OFLPF) matches the lesser of \$3 million or three-fifths the actual costs of activities related to severity. For 2019, total severity costs were \$5,373,669. Of this, the OFLPF will pay \$3 million and ODF is requesting the remaining \$2,373,669 be allocated. Since this is more than the \$2 million currently budgeted, the Department will reduce the number of contracts for pre-position support during the 2020 Fire Season in an effort to control these costs. This will lead to less resources available to mitigate fires quickly during the 2020 Fire Season.

General Fund Requests

The Department has requested an increase in General Fund by \$9,629,300, the state's total share of the large-fire costs for 2019. Currently, ODF utilizes a multi-tiered fire costs structure when funding fire costs. The first tier is considered base layer protection and this is funded through a 50/50 split of landowner assessments and General Fund.

The severity resource funds described above constitute the second tier of the cost structure; costs being split between the General Fund and Other Funds via the OFLPF (up to \$3 million). The next tier of funding includes the fire insurance premium, which should be funded at a 50/50 split between the General Fund and Other Funds via the OFLPF. However, due to a statutory cap on OFLPF, the OFLPF is unable to pay 50-percent of the costs.

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

The estimated net large fire costs through 2019 are \$32,906,974. The Department anticipates district deductibles, as well as recoveries from the Bureau of Land Management (BLM) and FEMA to cover \$26,390,640 of the costs. This leaves \$16,236,987 to be covered under the fourth tier of the funding model, split 50/50 between the General Fund and OFLPF. In 2018, OFLPF met its obligation to pay up to \$10 million in fire costs for a 12-month period. This means costs from January 1 – June 30, 2019 will need to come from the General Fund; this amounts to \$3,021,613. The remaining amount of net large fire costs for July 1, 2019 – November 22, 2019 total \$13,215,374 will be split 50/50 between the General Fund and OFLPF. The General Fund portion of the costs total \$9,629,300.

In addition to the large fire costs, ODF has requested \$754,596 General Fund for interest on the Treasury line of credit and OFLPF loan. ODF has also requested, \$580,214 of General Funds 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 requests is as follows:

2019 Fire Season Large Fire Costs	\$ 32,906,974
Anticipated Reimbursements (FEMA, BLM, District Deductibles)	\$ (16,669,987)
2019 Large Fire Costs Funded by OFLPF (starting July 2019)	\$ (6,607,687)
2019 Net Large Fire Costs	\$ 9,629,300
Interest on Treasury Line of Credit and OFLPF Loan	\$ 754,596
General Fund Match for District Deductibles	\$ 580,214
Total General Fund Request	\$ 10,964,110

Other Funds Limitation Requests

The Department is requesting an increase of \$29,825,634 in Other Funds expenditure limitation to enable the processing of payments and operations for the 2019 Fire Season. Based on fire season costs through November 22, 2019, the Department expects to be reimbursed in the amount of \$16,669,987 as follows:

Estimated District Deductibles	\$ 1,250,055
Estimated BLM Reimbursements	\$ 10,343,106
Estimated FEMA Reimbursements	\$ 5,076,827
Total Estimated Reimbursements	\$ 16,669,987

This Other Funds expenditure limitation is needed due to the reimbursable basis of expenditures for the Department in covering ongoing fire costs. The Department will be reimbursed for a portion of gross large fire costs, but payments to contractors and vendors need to be made on a timely basis. To ensure payments are made on time, ODF processes payments as invoices are received and cannot wait for reimbursements to be received. To cover these payments ODF will use its Other Fund expenditure limitation. The cash for these payments will come from reimbursements currently being received by the Department for outstanding accounts receivable.

Legal Reference: Increase the General Fund appropriation made by chapter 664, section 1(2), Oregon Laws 2019, for the Oregon Department of Forestry, Fire Protection Division by \$13,337,779 for the 2019-21 biennium.

Increase the Other Funds expenditure limitation established by chapter 664, section 2(2), Oregon Laws 2019, for the Oregon Department of Forestry, Fire Protection Division, by \$29,825,634 for the 2019-21 biennium.



Oregon

Kate Brown, Governor

Department of Forestry

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"STEWARDSHIP IN FORESTRY"

December 11, 2019

The Honorable Senator Betsy Johnson, Co-Chair
The Honorable Senator Elizabeth Steiner Hayward, Co-Chair
The Honorable Representative Dan Rayfield, Co-Chair
Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

RE: OREGON DEPARTMENT OF FORESTRY – 2019 FIRE SEASON REQUESTS

Dear Co-Chairpersons:

Nature of the Emergency/Request

The Oregon Department of Forestry (ODF) respectfully requests permission to appear before the Joint Committee on Ways and Means at its January 2020 meeting for the purpose of:

1. Requesting, as required under ORS 477.777 (3), the release of \$2,373,669 in Special Purpose Appropriation (SPA) funds allocated to the Emergency Board for the state's portion of 2019 fire season severity costs.
2. Requesting \$9,629,300 of General Fund for the state's portion of net large-fire costs for the 2019 fire season.
3. Requesting \$1,334,810 of General Fund for additional costs of:
 - a. \$754,596 for interest on the Oregon State Treasury line of credit and Oregon Forest Land Protection Fund (OFLPF) loan.
 - b. \$580,214 of matching funds for the district deductibles.
4. Requesting an additional \$29,825,634 of Other Funds Limitation to enable processing of payments and operations from the 2019 fire season.

Special Purpose Appropriation (SPA) Request Summary

The department manages a severity program by contracting for one large air tanker, eight 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 A*). Additional resources were procured through call-when-needed (CWN) contracts and local incident resource agreements. Over the past decade, the SPA has

provided for the availability of statewide severity resources for use where and when 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 was matched with up to \$3 million annually from the Oregon Forestland Protection Fund, for a total severity program of \$5 million. The severity program has been highly effective at keeping fires small by supporting ODF's ability in 2019 to keep 97 percent of fire starts on ODF-protected lands at 10 acres or less. The statewide severity program resources are in addition to district aviation resources already positioned throughout the state.

Total net severity program expenditures for the 2019 fire season are estimated at \$5,373,669, with the General Fund portion of severity costs estimated at \$2,373,669. The SPA is \$4 million of General Fund for the biennium. To mitigate the risk of exceeding the SPA this biennium, the department will be making the appropriate reductions for the 2020 fire season.

General Fund and Additional Costs Request Summary

The department spent significant funding in 2019 to suppress fires to protect 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. These costs do not reflect any of the landowner resource losses incurred in these fires.

Estimated gross large-fire costs for the 2019 season are estimated at \$32,906,974. Net large-fire costs are estimated at \$16,236,987. This includes \$3,021,613 incurred during the 2019 fiscal year that exceeded the OFLPF \$10 million cap and \$6,607,687 for fiscal year 2020. The state's total share of the estimated net large-fire costs is \$9,629,300 and is part of the department's General Fund request (*Attachment B*).

Additional fire season funding requests:

- Treasury Line of Credit and OFLPF Loan Interest: The department has a \$25 million line of credit from the Oregon State Treasury and, throughout the biennium, has accessed this line of credit to cover expenses. Current and projected interest accrued on this line of credit through April 23, 2020 is \$671,267. The department also received a \$15 million loan from the OFLPF in June 2019. The balance of the loan was paid in September. Interest accrued on this line of credit was \$83,329. Combined current and projected interest accrued on both lines of credit is projected to total \$754,596.
- District Deductibles: District deductibles are suppression costs incurred at the base level of protection and are not a biennially budgeted item. The 2019 district deductibles are estimated at \$580,214.

In total, the above listed items, along with the SPA for severity program costs, results in a total General Fund request of \$13,337,779.

Increase in Other Funds Limitation Request Summary

As a result of covering the gross costs of the 2019 fire season as detailed above, the department is projected to exceed its Other Funds limitation. To ensure that funding is available to continue all department operations, the department is requesting an additional \$29,825,634 in Other Funds limitation.

Summary

Recent fire seasons have been extremely challenging for suppression and finances, with 2016 being the only year that was below normal in terms of the number of fires, acres burned and suppression costs. The 2019 fire season began early and, as predicted, large fire activity started in mid-July and continued through early August. Unseasonable rains in September across the state helped to mitigate the catastrophic fire potential that Oregon has been recently experiencing.

Action Requested

ODF respectfully requests that the Joint Committee on Ways and Means:

- Allocate \$2,373,669 from the Special Purpose Appropriation for severity resources.
- Allocate \$9,629,300 General Fund for the state's portion of the estimated net large-fire costs for the 2019 fire season.
- Allocate \$1,334,810 General Fund to cover the additional costs of the treasury line of credit and OFLPF loan interest and district deductibles.
- Increase the department's Other Funds Limitation by \$29,825,634 to pay the costs from the 2019 fire season.

Legislation Affected

HB 5019, Chapter 664, section 1(2), Oregon Laws 2019
HB 5019, Chapter 664, section 2(2), Oregon Laws 2019
HB 5019, Chapter 664, section 5(1a), Oregon Laws 2019

Sincerely,



Peter Daugherty
Oregon State Forester

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

**ODF Statewide Severity Cost Estimates to Date (As of October 23, 2019)
Fire Season 2019**

<u>ODF Severity Budget Estimate</u>		\$6,836,876
<u>2019 Fire Season:</u>		
Gross Severity Expenditures	\$8,385,318	
<u>Less Estimated Recoveries (Billable Firefighting Costs)</u>	<u>(\$2,651,371)</u>	
TOTAL Estimated 2019 Fire Season Severity Expenditures	\$5,733,947	
<u>Less Anticipated FEMA Pre-Positioning Recoveries</u>	<u>(\$360,278)</u>	
Net 2019 Fire Season Severity Cost		\$5,373,669
OFLPF Share	\$3,000,000	
General Fund Share	\$2,373,669	

**Oregon Forestland Protection Fund
 2019 Fire Season Emergency Cost Estimates to Date – November 22, 2019**

FY19	CALCULATION OF TOTAL EMERGENCY FIREFIGHTING COSTS (January 1, - June 30, 2019)								PAYMENT OF TOTAL EMERGENCY FIREFIGHTING COSTS	
	District	Fire Cost Estimate	Balance of FY19 District Deductibles To Date	Anticipated Cost Recovery from Other Agencies	Anticipated Cost Recovery from BLM	Anticipated Cost Recovery from Resp. Party	Fire Cost less Deductibles & Recoveries	Anticipated FEMA Reimbursement	Total Net Emergency Firefighting Costs**	General Fund Obligation
Central Oregon	\$ 1,527,360.10		\$ -	\$ -	\$ -	\$ 1,527,360.10	0	\$ 1,527,360.10	\$ 1,527,360.10	
Douglas FPA	\$ 823,523.29	\$ 25,000.00	\$ -	\$ 238,245.43	\$ -	\$ 560,277.86	0	\$ 560,277.86	\$ 560,277.86	
Klamath Lake	\$ 37,994.00	\$ 25,000.00	\$ -	\$ -	\$ -	\$ 12,994.00	0	\$ 12,994.00	\$ 12,994.00	
North Cascade	\$ 322,019.07	\$ 26,076.90	\$ -	\$ -	\$ -	\$ 295,942.17	0	\$ 295,942.17	\$ 295,942.17	
Northeast Oregon	\$ 22,275.00	\$ 5,141.27	\$ -	\$ -	\$ -	\$ 17,133.73	0	\$ 17,133.73	\$ 17,133.73	
South Cascade	\$ 162,548.79	\$ 25,000.00	\$ -	\$ -	\$ -	\$ 137,548.79	0	\$ 137,548.79	\$ 137,548.79	
Southwest Oregon	\$ 470,356.46		\$ -	\$ -	\$ -	\$ 470,356.46	0	\$ 470,356.46	\$ 470,356.46	
Total	\$ 3,366,076.71	\$ 106,218.17	\$ -	\$ 238,245.43	\$ -	\$ 3,021,613.11	\$ -	\$ 3,021,613.11	\$ 3,021,613.11	

Note: For FY19, the OFLPP met its large fire costs obligation prior to December 2018.

FY20	CALCULATION OF TOTAL EMERGENCY FIREFIGHTING COSTS (July 1, 2019 - November 22, 2019)								PAYMENT OF TOTAL EMERGENCY FIREFIGHTING COSTS				
	District	Fire Cost Estimate	District Deductibles To Date	Anticipated Cost Recovery from Other Agencies	Anticipated Cost Recovery from BLM	Anticipated Cost Recovery from Resp. Party	Fire Cost less Deductibles & Recoveries	Anticipated FEMA Reimbursement	Total Net Emergency Firefighting Costs	General Fund Obligation (50% of 1st \$20M)	OFLPF Obligation (50% of 1st \$20M)	Large Fire Costs over \$20M to \$50M	Insurance (\$25M Limit) Costs over \$50M to \$75M
Central Oregon	\$ 531,798.15	\$ 274,864.54				\$ 256,933.61		\$ 256,933.61					
Coos FPA						\$ -		\$ -					
Douglas FPA**	\$ 21,607,653.90	\$ 142,531.03		\$ 7,642,530.90		\$ 13,822,591.97	\$ 5,076,826.55	\$ 8,745,765.42					
Klamath-Lake	\$ 1,498,859.08	\$ 200,845.65				\$ 1,298,013.43		\$ 1,298,013.43					
North Cascade						\$ -		\$ -					
Northeast Oregon	\$ 154,462.69	\$ 154,462.69				\$ -		\$ -					
Northwest Oregon						\$ -		\$ -					
South Cascade	\$ 132,431.40	\$ 119,309.70	\$ -			\$ 13,122		\$ 13,121.70					
Southwest Oregon	\$ 5,615,692.44	\$ 251,823.30		\$ 2,462,329.33		\$ 2,901,539.81		\$ 2,901,539.81					
Walker Range FPA						\$ -		\$ -					
West Oregon						\$ -		\$ -					
Western Lane						\$ -		\$ -					
Total	\$ 29,540,897.66	\$ 1,143,836.91	\$ -	\$ 10,104,860.23	\$ -	\$ 18,292,200.52	\$ 5,076,826.55	\$ 13,215,373.97	\$ 6,607,686.98	\$ 6,607,686.98			

*Calendar year 2019, fire cost estimates \$10,000 and over.
 ** FEMA Declaration Milepost 97, July 27 - August 5