

## ANALYSIS

### Item 48: Department of Forestry Operating Cash Flow

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**Analyst:** Matt Stayner

**Request:** Allocate \$50,000,000 General Fund to the Department of Forestry from the Special Purpose Appropriation made to the Emergency Board for Department of Forestry cash flow needs.

**Analysis:** Significant increases to emergency wildfire suppression costs coupled with a multi-year cycle for receiving cost reimbursements and emergency management grants from the federal government have resulted in the inability for the Department of Forestry to self-finance these costs from agency-wide operating cash resources.

Cash flow projections provided by the agency predict an operating cash deficit beginning in July 2022 and reaching a zenith of just over \$34 million by November 2022 without additional resources. These projections assume an average high-cost fire season with gross fire costs of \$100 million. Actual shortfalls may vary significantly from the projections. Regular cash-flow status updates are provided to the Legislative Fiscal Office and the Chief Financial Office by the agency. The requested funding will allow the agency to continue ongoing, budgeted programs without interruption due to operating cash constraints.

**Recommendation:** The Legislative Fiscal Office recommends that the Emergency Board allocate \$50,000,000 General Fund to the Department of Forestry from the special purpose appropriation made to the Emergency Board for the Department of Forestry cash flow needs.

**Request:** Allocate \$50.0 million from the Special Purpose Appropriation made to the Emergency Board for Department of Forestry cash flow needs.

**Recommendation:** Approve the request.

**Discussion:** During the 2022 Legislative Session (House Bill 5202), \$50.0 million General Fund was placed in a Special Purpose Appropriation for allocation to the Oregon Department of Forestry (ODF) for cash flow needs. The intent of the funding is to cover operational costs of the Department during the fire season, until reimbursements can be received from other sources. To facilitate tracking of this additional funding, the State Forestry Department Cash Flow Repayment Fund (Fund) was established in the State Treasury in House Bill 4156 (2022). The Fund allows ODF to make deposits when “moneys available to the department in an amount greater than necessary to satisfy the current cash flow needs.” The Department is also required to provide a report to the standing or interim Joint Committee on Ways and Means on the moneys made available for cash flow purposes, the fund balance, including deposits, and amounts currently in use for cash flow purposes.

The Department requested the full \$50.0 million to support agency operations for the upcoming 2022 Fire Season. The funding will allow the Department to cover suppression costs throughout the fire season while awaiting reimbursement from other sources. The Department reports the potential for an above average fire season due to ongoing drought conditions across the state. Having access to the funding will allow ODF to respond to fire threats without covering large-fire suppression costs with money from other important programs throughout the Department.

**Legal Reference:** Allocation of \$50.0 million from the Special Purpose Appropriation made to the Emergency Board by Chapter 110, section 312 (1), Oregon Laws 2022, for the Oregon Department of Forestry, Fire Protection Division for the 2021-23 biennium.



# Oregon

Kate Brown, Governor

Department of Forestry

State Forester's Office

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May 2, 2022

Senator Peter Courtney, Co-Chair  
Representative Dan Rayfield, Co-Chair  
Joint Emergency Board  
900 Court Street NE  
H-178 State Capitol  
Salem, OR 97301

## **RE: Request for the Release of Cash Flow Special Purpose Appropriation**

Dear Co-Chairs:

### **Nature of the Request**

The Oregon Department of Forestry respectfully requests the release of the special purpose appropriation in the amount of \$50,000,000 General Fund made to the state Emergency Board for cash flow needs for the 2022 fire season.

### **Agency Action**

Oregon's large fire funding structure was designed for the average fire season of a decade ago. Under the current structure, the Department of Forestry starts the fire season with \$10 million in cash on hand for suppression of large fires. These funds come from landowner fees paid into the Oregon Forestland Protection Fund (OFLPF). This approach worked fine when our average gross cost for fighting large fires was \$10 million or less, as was the case prior to 2013. Since then, the department has seen a significant change in the intensity of wildfires in recent years, and more extreme fire behavior has increased suppression costs substantially.

The agency starts each season carrying the debts of prior seasons, which puts a significant strain on the department's finances—especially when there are back-to-back large fire seasons like we have recently experienced. Since 2013, the average gross fire season cost has risen to \$80 million. The primary method to cover vendor payments and other essential expenses until reimbursable third-party costs are collected has been the department's main cash account. This account combines multiple funds, in particular the State Forests Division's Forest Development Fund, and serves as an operating reserve against above average spikes in large fire costs.

However, this approach of continually carrying fire season debts depletes the cash available to the department to cover other key operating expenses. This continues until we receive reimbursements from the General Fund, other agencies, FEMA, catastrophic insurance, and responsible party recoveries. This approach is why this is not solely a fire protection issue; all of our other divisions

contribute budgeted funds to carry large-fire suppression expenditures until we can collect outstanding fire season receivables.

While the department typically uses internal cash reserves and available GF appropriations to mitigate the impact of covering suppression costs through the fire season, the current amount of unreimbursed costs from previous fire seasons have severely depleted those resources. Given that even an average fire season would severely strain the department's ability to stay solvent and the likelihood that this season will be above average due to continuing statewide drought, requesting the SPA's full \$50,000,000 the most prudent measure to take.

**Action Requested**

The agency respectfully requests the release of the special purpose appropriation in the amount of \$50,000,000 General Fund made to the state Emergency Board for cash flow needs for the 2022 fire season.

**Legislation Affected**

HB 5202, Chapter 10, section 312 (1), Oregon Laws 2022

Thank you for your time and consideration. Please feel free to contact me directly with any questions.

Sincerely,



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Oregon State Forester  
(503) 945-7211

c: Jason Miner, Governor's Office  
Oregon Board of Forestry  
Matt Stayner, Legislative Fiscal Office  
Renee Klein, Chief Financial Office