



Oregon

Kate Brown, Governor

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April 8, 2021

Representative Nancy Nathanson, Chair
House Committee on Revenue
Oregon State Capitol
900 Court Street
Salem, OR 97301

RE: House Bill 2379

Dear Chair Nathanson and members of the committee,

The Oregon Department of Forestry appreciates the opportunity to provide testimony on House Bill 2379.

The bill would repeal the Forest Products Harvest Tax and replace it with a 5% severance tax on the value of the timber; abolishes the Emergency Fire Cost Committee (EFCC) and Oregon Forestland Protection Fund (OFLPF); and establish the Emergency Wildfire Fund. Specific to the department's work, the bill allocates a portion of severance tax revenues to the newly formed Emergency Wildfire Fund and to administration of the Oregon Forest Practices Act and forest practices monitoring. Both wildfire and FPA administration are critical to protection of Oregon's natural resources. Based on rough estimates, these distribution proportions would result in substantially more funding for this work than currently provided.

The department is neutral on HB 2379 and is offering this testimony to inform the legislative deliberation associated with large wildfire costs as this bill contemplates the abolishment of the EFCC and OFLPF.

For background, the EFCC is a statutorily established committee of the Board of Forestry that supervises and controls the distribution of funds from the OFLPF. EFCC members are appointed by the Board of Forestry. The OFLPF was established in 1969 by the Oregon Legislature for the purpose of equalizing emergency fire suppression costs across all forest protection districts. The OFLPF is separate and distinct from the General Fund. Funds can be used for the following, up to \$13.5 million annually:

- Eligible large fire costs that exceed a district's basic fire suppression capability.
- Administrative costs, up to the limit established by the Legislature.
- To make available and mobilize severity resources statewide.
- Up to 50% of wildfire insurance policy premium.
- For strategic investments, which are nonroutine purchases of supplemental fire prevention, detection, or suppression resources to enhance the fire protection system, but only if all other expenditures are below the \$13.5 million annual cap.

HB 2379 as introduced does not allow for Emergency Wildfire Fund monies to be used for the insurance premiums, but this expenditure was recognized in the subsequent amendments. Neither the introduced nor amendments identify strategic investments as a valid expenditure of the fund.

HB 2379 also does not discuss administration of the Emergency Wildfire Fund. This omission is of interest as the 1.5 FTE that currently provide financial and administrative support to the OFLPPF would be abolished with the fund and the EFCC. These positions:

- Track all large fire costs, OFLPPF and GF, from initial estimates through to reimbursements and recoveries.
- Audit large fire costs annually to ensure maximum reimbursement on all recoveries, including FEMA-eligible costs.
- Audit severity costs in comparison to contracted rates and charges.
- Allocate costs between severity and large fire funding.
- Provide oversight for FEMA reimbursement tracking, recovery, and allocation.
- Facilitate the annual insurance submittal process.
- Track cost exposure during the insurance policy period.
- Track and assist in the insurance policy claim process.

If the intent is for the department to handle a similar body of work under the Emergency Wildfire Fund, it would require position authority and funding to support that workload.

Finally, relative to the revenues into the proposed Emergency Wildfire Fund and the base level of fire protection, HB 2379 would repeal:

- ORS 477.277 which provides for a surcharge of \$47.50 on lands with improvements. The legislature established the surcharge in recognition of the rising costs of wildfire suppression efforts, necessary to address wildfire in the wildland urban interface.
- ORS 477.295 which provides for substantial minimum lot assessment revenues from forest landowners into the base level of fire protection, along with revenues into the OFLPPF. It appears from the bill language that conflating base and large fire fund revenues into Oregon's fire protection system was not the intent of the bill.
- ORS 477.777 (1) (d) which provides for base level fire protection where land productivity or other economic factors seriously limit the ability of the forester to perform fire protection responsibilities. Commonly recognized as "east-side rate relief" which was passed by the legislature in 2013 with the Wildfire Protection Act.

Please feel free to contact me directly if you have any questions.

Sincerely,



Doug Grafe

Fire Protection Division Chief

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c.

Jason Miner, Governor's Natural Resources Policy Advisor

Peter Daugherty, Oregon State Forester