

Department of the State Fire Marshal

| | 2019-21 Actual ¹ | 2021-23 Legislatively Adopted ¹ | 2021-23 Legislatively Approved ^{1 2} | 2023-25 Current Service Level | 2023-25 Governor's Budget |
|--------------------|--------------------------------|--|---|-------------------------------------|------------------------------|
| General Fund | 12,394,724 | 101,295,847 | 132,861,483 | 48,469,638 | 85,548,169 |
| Other Funds | 47,598,396 | 54,930,905 | 55,546,208 | 32,744,507 | 36,243,306 |
| Federal Funds | 346,102 | 569,137 | 569,137 | 599,875 | 599,795 |
| Total Funds | 60,339,222 | 156,795,889 | 188,976,828 | 81,814,020 | 122,391,270 |
| Positions | 92 | 125 | 144 | 141 | 157 |
| FTE | 72.13 | 118.07 | 123.57 | 141.00 | 155.20 |

¹ Data reflects budget and actual expenditures within the Department of State Police.

² Includes Emergency Board and administrative actions through December 2022.

Program Description

The Department of the State Fire Marshal (DSFM) was established as an independent agency in HB 2927 (2021), effective July 1, 2023. The State Fire Marshal currently operates as an office within the Department of State Police (OSP). The DSFM is responsible for the protection of people, property, and the environment from fire and hazardous materials, and is organized into six divisions, as follows:

- **Office of the State Fire Marshal** - sets statewide policy and directs the Department; provides guidance for Oregon's fire service; oversees reporting and strategic planning; and leads fire response and prevention efforts within Oregon's fire service jurisdictions.
- **Support Services** - provides Department operations, including budget development and oversight, business support, information technology, and human resource services.
- **Emergency Response** - facilitates emergency response planning and resource coordination to protect citizens, communities, and the environment from fire, hazardous materials spills and releases, and natural hazard events.
- **Regulatory Services** - administers regulatory programs by conducting inspections and tests, as well as issuing permits and licenses.
- **Fire and Life Safety Services** - provides technical support and guidance to assist with fire prevention in public and private buildings.
- **Fire and Life Safety Education** - responsible for statewide programs in fire data and analytics, education on fire prevention and safety, and community risk reduction.

Revenue: The current service level (CSL) budget represents the cost to continue existing, ongoing, programs and services. The revenue supporting the Department's CSL includes 59.2% General Fund, approximately 40% Other Funds from fees, charges for services, and the Fire Insurance Premium Tax (FIPT), and less than 1% Federal Funds received for hazardous material emergency preparedness from the U.S. Department of Transportation. Revenue from the FIPT is projected at \$38 million and comprises 62% of the agency's Other Funds revenue. By statute, (ORS 731.820) every insurer with fire coverage pays an annual 1.15% of the gross amount of fire premiums to the Department of

Consumer and Business Services, who transfers the revenue to DSFM for the purpose of maintaining the Office of the State Fire Marshal and covering agency expenses.

CSL Summary

The 2023-25 current service level (CSL) budget for the Department was developed within OSP, as the budget for the Office of the State Fire Marshal (OSFM). Once all the essential packages were established, a technical adjustment moved the budget into the new DSFM agency structure. The resulting CSL for the Department totals nearly \$82 million and supports 141 positions (141.00 FTE). This represents a decrease of 53% from the 2021-23 legislatively approved budget (LAB) for OSFM. This reduction is largely due to the phase-out of \$80 million General Fund and \$25 million Other Funds expenditure limitation related to one-time expenditures approved in 2021-23. These include the preliminary 2021 fire season costs, provided by the 2022 legislative session, and one-time investments from SB 762 (2021) to increase wildfire readiness capacity. It should be noted; the CSL budget requires some adjustments during the development of the 2023-25 LAB in order to correctly reconcile the transfer of resources from OSP to DSFM.

Policy Issues

Wildfires Intensifying - Climate change, drought, and the expanding wildland-urban interface are some of the factors causing Oregon's wildfire risk to escalate significantly. To this point, the 2021 legislative session made substantial investments to proactively address the increasing severity of wildfire seasons as well as the increasing demand for the Department's services. Specifically, SB 762 invested in three different wildfire risk reduction strategies. The first, Response Ready Oregon, increased DSFM's capacity to respond to wildfire; the second established the Community Risk Reduction fund intended to help communities become fire adapted; and the third strategy implemented a statewide defensible space fire code. However, \$80 million of key investments were provided with one-time funds. Ahead of the 2022 fire season, the agency was able to utilize funds to modernize Oregon's response systems and invest in local resources with equipment purchases and the Upstaffing grant program which provided additional staff to local departments during fire season. As a result, fires were able to be detected and responded to in a faster, more efficient manner to prevent larger conflagrations and higher costs. The 2021 fire season expenditures totaled \$23 million, from nine conflagrations including the third largest in Oregon's history, while the 2022 fire season costs are estimated at \$13 million from five conflagrations. While wildfire risk factors are increasing, as noted, Oregon realized a decrease in fire cost of 44% between 2021 and 2022. This reduction is due to a multitude of factors, including the fact that DSFM was able to apply lessons learned from previous historic fire seasons, and invest in systems and strategies to detect and respond to fires faster and more efficiently.

Agency Transition - As the Office of the State Fire Marsal within OSP transitions to the Department of the State Fire Marsal, an independent agency, they must establish the necessary administrative foundation needed to be successful as an autonomous state organization. This includes but is not limited to; hiring key position; identifying and leasing a suitable headquarters; establishing the necessary IT infrastructure; and purchasing goods such as furniture and supplies. Additionally, the department will no longer be able to leverage shared administrative resources with OSP and will incur costs unique to the establishment of a new agency.

At the close of the 2021-23 biennium, the Department is projecting an available ending balance of over \$18 million in revenue from the Fire Insurance Premium Tax (FIPT). Since this revenue source exists by statute to maintain the Office of the State Fire Marshal and cover agency expenses, the Department seeks to increase Other Funds expenditure limitation and draw on the balance to cover costs associated with establishing the agency, such as rent and DAS IT charges. The agency's projected balance should more than cover their request for \$5 million Other Funds expenditure limitation. However, it would be a best practice to pay for one-time expenditures, such as moving costs and capital outlay, with one-time revenues, and identify a long-term solution to cover the increase in recurring expenses with recurring revenue.

The Department is currently in the process of identifying a headquarters as well as a facility for fleet and storage, therefore, lease and moving costs are currently unknown. Other large expenses such as capital outlay for IT equipment and furniture, and usage-based charges from DAS are also approximations. The Department recognizes that many of the costs associated with the agency transition are estimates and will continue to provide the most accurate information available as the 2023-25 budget is developed.

Upstaffing Grant - In 2021, SB 762 provided OSFM with \$6 million in grant funding to bolster the staffing of local fire districts and departments across Oregon. The opportunity was part of the Response Ready Oregon initiative and was aimed at increasing the capacity of Oregon's fire service during the 2022 wildfire season. Local fire agencies were able to request up to \$35,000 to support staffing and increase on-duty capacity. The full \$6 million was awarded and according to DSFM, this investment had a profound, positive impact in communities across the state, and allowed agencies to mobilize quickly to fires at the local, regional, and state levels.

Like much of SB 762, the funding for this program was one-time in nature and only covered the 2022 fire season. The 2023 fire season coincides with the legislative session, so even if additional funding were approved during 2023 legislative session, it will be too late to be effective for the 2023 fire season. The Department has seen a significant return on investment in terms of faster response times and smaller fires in 2022 and is examining all options to address the timing issue.

Governor's Budget Summary

The 2023-25 Governor's budget includes over \$122 million total funds, comprised of approximately \$86 million General Fund, over \$36 million Other Funds, approximately \$1 million Federal Funds expenditure limitation, and 157 positions (155.20 FTE). The total funds budget represents an increase of \$41 million, or 50% above CSL, and includes 16 additional positions (14.20 FTE). The Governor's Budget recommends inclusion of nearly \$44 million General Fund to continue wildfire risk reduction investments from SB 762 (2021); provide funding for prospective conflagration response costs; and increase agency capacity for core functions. Additional package details including investments, reductions, and adjustments, follow:

- **Packages 090 and 091** - Package 090 makes reductions to General Fund personal services by increasing the vacancy savings reduction to 5% of salaries and wages and eliminating two vacant positions (2.00 FTE). Package 091 reduces grant funding for firefighting capacity, equipment, and fire preparedness by \$3 million General Fund, or approximately 13% of current funding for this purpose.

- **Packages 092 and 093** - Package 092 included a statewide adjustment to Attorney General rates, representing a reduction of \$5,571 total funds. Package 093 included a reduction of \$2 million General Fund and \$3 million Other Funds expenditure limitation driven by adjustments to charges and assessments from the Department of Administrative Services.
- **Package 100** - This package establishes four permanent positions (3.52 FTE) and provides \$40 million General Fund to continue some wildfire risk reduction investments from SB 762 (2021). Additionally, it reduces the transfer from the Department of Revenue by \$1 million Other Funds reflecting a reduction in the transfer of Hazardous Substance Possession Fees.
- **Package 102** - This package provides \$2 million General Fund specifically for prospective conflagration response costs.
- **Package 103** - This package provides \$5 million Other Funds expenditure limitation, supported by an existing balance of Fire Insurance Premium Tax revenue, for additional costs associated with establishing the independent agency. These costs may include moving expenses, office supplies, furniture and other necessary expenditures as the Department is established.
- **Package 104** - This package provides approximately \$2 million General Fund and \$2 million Other Funds expenditure limitation, as well as 14 positions (12.68 FTE) to add staff capacity as the office transitions to an agency. Positions include an Internal Auditor, three accounting positions, two human resources positions, one payroll support position, as well as several other regulatory and support services positions.

Other Significant Issues and Background

Under ORS 476.510-476.610, the Department is responsible for costs associated with mobilizing local fire service personnel and equipment to respond to governor-declared conflagrations. The DSFM does not have a designated line item or budget appropriation to pay for conflagration response. Historically, the Office of the State Fire Marshal reimbursed local fire service for conflagration response and subsequently sought reimbursement from the state for costs not reimbursable by the Federal Emergency Management Agency (FEMA) through the Fire Management Assistance Grant (FMAG). This method causes the agency to borrow funds intended for other programs in order to pay all monies owed to the local fire service upfront, so they are not carrying a state debt. While the OSFM budget existed within the largest appropriation for OSP, cash flow was less of a concern. As DSFM will be an independent agency in 2023-25, fire costs will have a proportionally larger impact on cash flow, and it will be incumbent upon the agency as well as statewide fiscal leadership to monitor DSFM's cash position closely following the 2023 fire season.

Key Performance Measures

The most recently published key performance measures for the Office of the State Fire Marshal can be found on the LFO website, within the Annual Performance Progress Report published for the Oregon State Police:

[Oregon State Police Annual Performance Progress Report 2021](#)