

ANALYSIS

Item 8: Department of Forestry Insurance Settlement Proceeds

Analyst: April McDonald

Request: Increase Other Funds capital construction expenditure limitation for the Department of Forestry by \$6,000,000 to expend insurance settlement proceeds received for the restoration of two buildings which were destroyed fire.

Analysis: The Oregon Department of Forestry's (ODF) North Cascade Santiam Unit Headquarters facility was destroyed during the 2020 Labor Day wildfires. A year later, during the 2021 wildfire season, ODF also lost the Klamath Fire Cache Warehouse. In 2025, SB 5506 provided ODF with six-year Other Funds capital construction expenditure limitation supported by general obligation bond proceeds, authorized in SB 5505, for the reconstruction of both facilities. Both projects assumed receipt of insurance settlement proceeds as a revenue source.

The Department received just over \$5 million in insurance settlement proceeds for the Santiam Facility Replacement Phase I project and is requesting an increase in Other Funds capital construction expenditure limitation of \$5 million to apply the insurance revenue received towards the project cost.

ODF has received a total of \$2.5 million in insurance settlement proceeds to replace the Klamath Fire Cache Warehouse; including \$1.5 million in February 2025, and another \$1 million in August 2025. In anticipation of the first tranche of settlement proceeds, ODF received an expenditure limitation increase of \$1.5 million in HB 5006 (2023). The Department is requesting the remaining \$1 million in Other Funds Capital Construction expenditure limitation for the Klamath Fire Cache restoration project. Both projects are currently underway.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$1,000,000 in Other Funds capital construction expenditure limitation for the Klamath Fire Cache Warehouse replacement and \$5,000,000 in Other Funds capital construction expenditure limitation for the Santiam Facility Replacement, Phase I, for the Department of Forestry in a budget reconciliation bill during the 2026 legislative session to expend insurance settlement proceeds received for the projects.

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Department of Forestry
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Request: Increase Other Funds expenditure limitation by \$6,000,000 for the replacement of facilities lost by fire.

Recommendation: Approve the request during the 2026 Legislative Session.

Discussion: The Department of Forestry (ODF) is requesting an increase of Other Funds expenditure limitation to spend insurance revenues that will be used for the replacement of two facilities lost by fire.

The Klamath Fire Cache Warehouse was destroyed by fire in 2021. ODF received \$2,487,173 in insurance proceeds as well as \$5,000,000 from bond proceeds for the rebuilding of the facility. The bond to support the rebuilding was associated with Policy Package 110 submitted by ODF in the 2025-27 Agency Request Budget (ARB) and approved in the 2025 Legislative Session. ODF will require an additional \$1,000,000 Other Funds expenditure limitation to continue to spend funds provided by the insurance proceeds.

The North Cascade Santiam Unit Headquarters was destroyed by fire in 2020. ODF received \$5,064,956 in insurance proceeds as well as \$5,000,000 from bond proceeds for the rebuilding of the facility. The bond to support the rebuilding was associated with Policy Package 109 submitted by ODF in the 2025-27 ARB and approved in the 2025 Legislative Session. ODF will require an additional \$5,000,000 Other Funds expenditure limitation to continue to spend funds provided by the insurance proceeds.

Legal Reference: Increase the Other Funds expenditure limitation established by chapter 631, section 1, subsection 7(b), Oregon Laws 2025, for the Department of Forestry, by \$5,000,000 for the 2025-27 biennium. Increase the Other Funds expenditure limitation established by chapter 631, section 1, subsection 7(a), Oregon Laws 2025, for the Department of Forestry, by \$1,000,000 for the 2025-27 biennium.



Oregon

Tina Kotek, Governor

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October 20, 2025

Senator Kate Lieber, Co-Chair
Representative Tawna Sanchez, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE, H-178
Salem, OR 97301

RE: Capital Construction: Limitation Increase associated with Insurance Revenues

Dear Senator Lieber and Representative Sanchez:

Nature of the Request

The Oregon Department of Forestry respectfully requests permission to appear before the Joint Interim Committee on Ways and Means at its November 2025 meeting for the purpose of:

1. Requesting an Other Funds limitation increase of \$1,000,000 associated with insurance revenues for the Klamath Fire Cache Warehouse Replacement.
2. Requesting an Other Funds limitation increase of \$5,000,000 associated with insurance revenues for the North Cascade Santiam Facility Replacement Phase I.

Agency Action

ODF received insurance settlement proceeds in the amount of \$2,487,173 for the restoration of the Klamath Fire Cache Warehouse, which was destroyed by fire in 2021. In order to utilize these funds, in addition to the bonding that was received in the 2025-27 Legislatively Adopted Budget, the agency will need to increase Other Funds limitation by \$1,000,000.

In addition, After the loss of the Oregon Department of Forestry's North Cascade Santiam Unit Headquarters office in the 2020 Labor Day wildfires, ODF received insurance settlement proceeds of \$5,064,956 for the restoration of this building. In order to utilize these funds, in addition to the bonding that was received in the 2025-27 Legislatively Adopted Budget, the agency will need to increase Other Funds limitation by \$5,000,000.

No position or FTE changes are being requested.

Action Requested

The Oregon Department of Forestry respectfully requests additional Other Funds expenditure limitation in the amount of \$6,000,000 to utilize insurance settlement proceeds from both the North Cascade Santiam Facility Replacement Phase I and the Klamath Fire Cache Warehouse Replacement. Both replacement projects are currently in progress.

Legislation Affected

SB 5506, Chapter 631, Section 1(7)(a), Oregon Laws 2025
SB 5506, Chapter 631, Section 1(7)(b), Oregon Laws 2025

Sincerely,



Kate Skinner
Interim State Forester
(503) 812-5379

c: Legislative Fiscal Office
Chief Financial Office
Board of Forestry
Governor's Office