

## ANALYSIS

### Item 38: Department of Forestry Federal Indirect Expenditures

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**Analyst:** April McDonald

**Request:** Increase Federal Funds expenditure limitation for the Department of Forestry by \$5,700,000 for federal indirect charges.

**Analysis:** The Oregon Department of Forestry (ODF) experienced increased usage of federal indirect charges during the 2023-25 and 2025-27 biennia due to larger amounts of direct federal grant activity. To properly account for the increased federal indirect charges, the Department must code, or associate, prior grant charges to the correct grant source from a pool of eligible expenditures - most often this is personnel costs associated with the grant work.

In accordance with statewide accounting and reporting requirements, the process of recoding the federal indirect charges will be booked as an additional expense in the current biennium, requiring additional Federal Funds expenditure limitation. ODF is requesting \$3.2 million in one-time Federal Funds expenditure limitation to code prior biennium federal indirect charges to the correct grant awards. The expenditure transactions associating indirect charges to the correct grant awards did not occur in the accounting system in previous biennia, and the one-time expenditure limitation is necessary to correct the coding in the current biennium. ODF requests an additional \$2.5 million in ongoing Federal Funds expenditure limitation to code increased federal indirect charges to grant awards going forward. The Department has confirmed that coding prior grant charges within the same fund type, to separate project codes, would not require a prior period adjustment.

**Recommendation:** The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$5,700,000 in Federal Funds expenditure limitation for the Department of Forestry in a budget reconciliation bill during the 2026 legislative session for federal indirect charges.

**Request:** Increase Federal Funds expenditure limitation by \$5,700,000 for costs related to indirect charges on federal awards.

**Recommendation:** Approve the request during the 2026 Legislative Session.

**Discussion:** The Department of Forestry is appearing before the committee to request an increase in Federal Funds expenditure limitation associated with indirect charges to be applied to previously approved federal grants. Indirect charges are typically those expenses supporting positions that implement a grant, such as Human Resources or Information Technology services. Generally, an influx of federal grants associated with both the federal Bipartisan Infrastructure Law and the federal Inflation Reduction Act have resulted in an increase in direct charges resulting in a correlative increase in indirect charges. The increase in indirect charges is expected to continue as a result of continuing work with federal partners.

The request includes \$3,200,000 for recoding expenses in the 2023-25 biennium, as well as an ongoing increase of \$2,500,000 for indirect charges moving forward. The recoding of expenses from the previous biennium will be recorded as an expense in the current biennium and will not reopen the 2023-25 biennial accounting year.

**Legal Reference:** Increase the Federal Funds expenditure limitation established by chapter 609, section 4(1) Oregon Laws 2025, for the Department of Forestry, Agency administration, by \$5,700,000 for the 2025-27 biennium.



# Oregon

Tina Kotek, Governor

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December 8, 2025

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

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 January 2026 meeting for the purpose of:

1. Requesting additional one-time Federal Funds expenditure limitation for Agency Administration in the amount of \$3,200,000 for re-coding prior biennia federal indirect charges to the correct grant awards.
2. Requesting additional permanent Federal Fund expenditure limitation for Agency Administration in the amount of \$2,500,000 for coding increased federal indirect charges to the correct grant awards going forward.

### **Agency Action**

The agency is requesting additional Federal Funds limitation for Agency Administration to allow for appropriate reallocation of federal indirect costs for prior biennia and appropriate allocation going forward. ODF's usage of federal indirect charges has increased due to larger amounts of direct federal grant activity. Agency Administration requires additional limitation for the one-time need of re-coding of federal indirect costs from the prior biennia. Additionally, ODF's use of federal indirect charges has increased due to larger amounts of direct federal grant activity, therefore, we are also requesting a permanent increase in Federal Funds limitation to appropriately allocate federal indirect charges, both in the current biennium and moving forward.

### **Action Requested**

The Oregon Department of Forestry (ODF) respectfully requests a one-time increase of \$3,200,000 and a permanent increase of \$2,500,000 in Federal Funds expenditure limitation for Agency Administration.

### **Legislation Affected**

HB 5521, Chapter 609, Section 4(1), Oregon Laws 2025

Sincerely,



Kate Skinner  
Interim State Forester  
(503) 354-4065

cc:

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