

ANALYSIS

Item 39: Department of Forestry Centralized Administration Costs

Analyst: April McDonald

Request: Appropriate \$11,600,000 General Fund to the Department of Forestry for centralized administration costs.

Analysis: HB 3940 passed during the 2025 legislative session and ceased the assessment of public and private landowners for Oregon Department of Forestry (ODF) “centralized administration costs” through the Forest Patrol Assessment (FPA) for fire protection. The term “centralized administration costs” includes costs associated with ODF Headquarters services, area services, and the public landowner share of the administrative prorate, which pays for agency support services. In terms of service delivery, “centralized administration costs” support statewide fire protection operations; agency executive leadership; Fire Protection Division management; area leadership; and the agency’s central support functions such as financial management, human resources, and procurement.

The FPA rates for the first year of the 2025-27 biennium were approved by the Board of Forestry on June 4, 2025. This was prior to the effective date of HB 3940, and therefore, the assessment for the first year of the current biennium includes funding for ODF administration. The next Board approval of the FPA rates is anticipated in June 2026 and will exclude support for ODF centralized administration costs in the second year of the biennium.

The 2025 legislature provided a one-time appropriation of \$7.5 million General Fund in HB 5006 as a landowner offset to compensate for the inclusion of centralized administration costs in the FPA. This provision was intended to lower landowner costs for fire protection in the 2025-27 biennium and was not intended to address the Department’s loss of assessment revenue.

HB 3940 also directs the Department to request a General Fund appropriation for centralized administration costs as part of the agency request budget. While ODF anticipates developing this request for the 2027-29 biennial budget, the Department is still faced with an operational shortfall for the second year of the 2025-27 biennium totaling \$11.6 million.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend appropriating \$11,600,000 General Fund to the Department of Forestry in a budget reconciliation bill during the 2026 legislative session for centralized administration costs.

Request: Appropriate \$11,600,000 General Fund to address a shortfall in central administrative costs associated with House Bill 3940 (2025).

Recommendation: Consider the request during the 2026 Legislative Session.

Discussion: House Bill 3940 (2025) removed the assessment on public and private landowners for centralized administrative costs of the Fire Protection program funded through the Forest Patrol Assessment rates (Assessment).

The removal of centralized administrative costs from the Assessment created a permanent shortfall in the budget of the Fire Protection program. To offset the first year of the shortfall, House Bill 5006 (2025) provided \$7.5 million on a one-time basis to offset inclusion of centralized administrative costs within Assessment rates for the first year of the 2025-27 biennium. The Department of Forestry (ODF) was directed to return to the Legislature for funding of centralized administrative costs in the 2027-29 biennium; however, is also precluded from including centralized administrative costs within the Assessment for the second year of the 2025-27 biennium. ODF is now appearing before the committee with a request for the second year of funding for centralized administrative costs for the Fire Protection program.

Without approval of the request, ODF will either need to eliminate centralized administrative services for the Fire Protection program or will require a reversion of the Assessment to its status prior to the passage of House Bill 3940.

In total, ODF will require an ongoing \$19.1 million General Fund, not adjusted for inflation, in the 2027-29 biennium to maintain centralized administrative services for the Fire Protection program with the structure put in place by House Bill 3940.

Legal Reference: Increase the General Fund appropriation made by chapter 609, section 1(2) Oregon Laws 2025 by \$11,600,000 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 (ODF) 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 \$11,600,000 in General Fund to address the shortfall in centralized administration costs created by the passage of House Bill (HB) 3940 (2025).

Agency Action

As enacted, HB 3940 removed the assessment of public and private landowners for “centralized administration costs” through the Forest Patrol Assessment (FPA) rates for fire protection. While this change aligns cost structures with legislative direction and provides greater transparency for landowners, it also eliminates the department’s ability to recover a portion of the costs for centralized administrative services. The three core budget elements included in the definition of “centralized administration costs” are more commonly referred to as headquarters services, area services (geographic management delineations) and the public landowner share of the administrative pro-rate. Combined, these fund support services for statewide fire protection operations, including agency executive leadership, Fire Protection Division management, area leadership, financial and budget management, procurement, human resources, information technology, public information, and safety. These support functions are essential to deliver an effective and coordinated fire protection program across Oregon.

Because these administrative costs are no longer eligible to be assessed as part of FPA rates following the passage of HB 3940, ODF now faces an ongoing General Fund shortfall in the Fire Protection Division for the 2025–27 biennium and future biennia. The Legislature anticipated this challenge during the 2025 session and provided \$7,500,000 General Fund in HB 5006 as a one-time allocation to bridge the gap until the February 2026 session.

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Without additional General Fund resources, the department will be unable to sustain the foundational administrative functions necessary to wildfire prevention and suppression operations across the state, such hiring seasonal firefighters, contracting aircraft and equipment, coordinating and managing ODF's Complex Incident Management Teams, and ensuring timely reimbursement of and cost recovery for wildfire incidents.

Action Requested

To maintain operational continuity and uphold the Legislature's expectations for fire protection and financial stewardship, ODF respectfully requests that the Joint Interim Committee on Ways and Means:

1. Appropriate \$11,600,000 of General Fund for the centralized administration cost gap created by the passage of HB 3940 in the 2025 session.

Legislation Affected

SB 5521, Chapter 609, Section 1(2), Oregon Laws 2025.

Sincerely,



Kate Skinner
Interim State Forester

c:

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