ANALYSIS

Item 54: Department of Forestry and State Treasurer

Wildfire Suppression Costs Interfund Borrowing

Analyst: April McDonald

Request: Acknowledge receipt of a report on interfund borrowing for wildfire suppression costs.

Analysis: HB 3940 passed into law during the 2025 regular legislative session, enabling an agency to borrow funds from the Oregon State Treasury (OST) to pay for noncapital wildfire suppression costs beyond the agency's available resources. However, before an interfund transfer may be made, OST and the borrowing agency must report to the Emergency Board. The report shall include the amount requested for transfer, the amount of wildfire suppression costs above the borrowing agency's available resources, and the balance of money projected to be available for repayment.

On August 3, 2026, the Oregon Department of Forestry (ODF) and OST submitted such a report in support of three interfund borrowings intended to keep the agency solvent and vendors paid through fire season and until the December 2026 Emergency Board meeting. ODF intends to request authorization to borrow a total of $150 million, in three separate loans, based on real-time cash flow analysis and payment need. This approach will minimize the interest incurred to the state. The anticipated timing and amounts are as follows:

- September 2026: $60 million
- October 2026: $60 million
- November 2026: $30 million

Until this year, the 2024 fire season was the most severe on record in terms of both acres burned and suppression costs. The 2026 fire season has already eclipsed the 1.93 million acres burned during 2024, and the fire activity to date indicates this season will also exceed suppression costs. ODF has used the 2024 gross fire season cost of $318 million, adjusted by 10% inflation, for financial projections. This estimated gross large fire cost of $350 million was adjusted by $17.5 million, available to ODF in the Large Wildfire Fund, to yield an estimate of $332.5 million in gross costs exceeding available resources. The requested borrowing reflects projected temporary cash flow requirements and is not intended to represent the final cost of the 2026 fire season.

ODF anticipates repaying the requested interfund borrowing from revenues received after the end of the fire season. There will be a delay in revenue receipt from federal reimbursements,

federal and state cost-share recoveries, and Federal Emergency Management Agency (FEMA) reimbursements; therefore, a need for legislative appropriations to repay the loan is likely. With repayment timing uncertain, ODF estimates the amount available for repayment to total $350 million. This includes $133.7 million for federal cost-share reimbursements, $68.6 million for FEMA reimbursements, and $147.7 million General Fund for net large fire costs. The report recognizes that the provided estimates were reasonable given the available information at the time of submission, and actual suppression costs and reimbursement timing will continue to evolve throughout fire season.

Additionally, ODF reports it has taken prudent actions to minimize the need for borrowing while maintaining uninterrupted wildfire suppression operations. The agency has maximized the use of existing appropriations and available cash; implemented enhanced weekly cash flow forecasting and expenditure monitoring; accelerated billing and collection of federal cost-share reimbursements and cooperative billings; and coordinated with the Department of Administrative Services, OST, and the Legislative Fiscal Office. ODF reports accelerating vendor payment processing to meet the contracted 45-day timeline, representing a significant improvement over 2024.

Recommendation: The Legislative Fiscal Office recommends that the Emergency Board acknowledge receipt of the report.

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Oregon Department of Forestry
Oregon State Treasury
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Request: Report on interfund borrowing between the Oregon Department of Forestry and the Oregon State Treasury totaling $150,000,000 through three separate loans.

Recommendation: Acknowledge receipt of the report.

Discussion: House Bill 3940 (2025) provided authority to the Oregon Department of the State Fire Marshal and the Oregon Department of Forestry (ODF) to obtain loans from the Oregon State Treasury (OST) for the purposes of enabling the agency to pay for noncapital wildfire suppression costs, following a report to the Emergency Board. The report is required to include the requested loan amount, the wildfire suppression costs above ODF's available resources, and the balance of moneys projected to be available to repay the loan.

The 2026 wildfire season is underway and wildfire suppression costs in the month of July outpaced the rate of cost escalation seen in the 2024 wildfire season, which was the costliest season on record. As of August 7, 2026, ODF's gross costs for the 2026 wildfire season totaled $160.3 million with net costs, which are typically reimbursed by the General Fund, totaling $110.5 million. As of the writing of this analysis, roughly two additional months of fire season are expected before the anticipated end in late September to early October.

To manage a potential record-setting fire season, ODF has developed a cashflow analysis tool, in collaboration with the Legislative Fiscal Office and the Chief Financial Office, which included two scenarios for 2026. The scenarios are for an average fire season, calculated at the three-year rolling average, and a $350 million fire season. The three-year rolling average for fire season costs is $172.9 million gross costs and $74.9 million net costs. The average fire season scenario had been eclipsed by actual net costs as of early August and is no longer a viable model for predicting the costs of the 2026 fire season.

The $350 million scenario was developed to compare a similar level of severity for the 2026 fire season as to the 2024 fire season. This scenario includes a timeline for paying vendors, inflationary factors, with the assumption of relief from the Emergency Board in the form of full utilization of both the special purpose appropriation (SPA) for Natural Disaster Prevention, Preparedness, Response, and Recovery as well as SPA for Fire Protection Expenses during the September 2026 meeting of the Emergency Board. If the 2026 wildfire season follows a similar trajectory to the 2024 wildfire season, ODF is expected to be unable to continue operations or pay vendors by November 2026. Under a $350 million wildfire scenario and even with the full utilization from the two SPAs ODF, as an agency, is expected to have a negative cashflow of $103.2 million by December 1, 2026, without a loan from OST. The negative cashflow would require ODF to utilize a combination of slowing and/or stopping vendor payments and other financial reductions prior to December 2026.

ODF has proposed the use of a series of loans from OST to allow for flexibility as the fire season continues. ODF has proposed a loan in each month from September to November in two $60.0 million tranches and one final loan of $30.0 million, totaling $150.0 million. Treasury has estimated loans would require a 4 to 5 percent interest rate paid on the loans. The preference for three loans was developed to minimize potential interest charges. Additionally, by splitting the loan into three phases, ODF will have the flexibility to only receive amounts that are needed to maintain operations and vendor payments based on actual fire season costs. ODF is estimating repayment through a combination of Federal Cost-Share Reimbursements, Federal Emergency Management Agency Reimbursements, and General Fund Requests for the net costs of the fire season. ODF estimates repayment by the close of the 2025-27 biennium as required by House Bill 3940.

OREGON STATE TREASURY

August 3, 2026

The Honorable Senator Rob Wagner, Co-Chair
The Honorable Representative Julie Fahey, Co-Chair
Emergency Board
900 Court Street NE, H-178
Salem, OR 97301

Dear Senator Wagner and Representative Fahey:

Nature of the Request
Pursuant to ORS 293.200, as amended by Section 40, Chapter 581, Oregon Laws 2025 (House Bill 3940), the Oregon Department of Forestry (ODF) and Oregon State Treasury respectfully submit this joint report to the Emergency Board in support of three interfund borrowings for noncapital wildfire suppression costs. This report fulfills the reporting requirements of ORS 293.200(2)(b), which must be completed before the State Treasurer may authorize an interfund borrowing for wildfire suppression activities.

ODF intends to request authorization for interfund borrowings totaling $150.0 million, to be accessed in three separate loans based on real-time cash flow analysis and payment need:

- Loan #1 – September: $60,000,000
- Loan #2 – October: $60,000,000
- Loan #3 – November: $30,000,000

This will provide cash to ODF to pay vendors and cooperators for statewide wildfire suppression operations for the 2026 fire season while minimizing the interest incurred to the State of Oregon. Interest on the loan amount given by the Treasury will be based on current short-term interest rates at the time of the loan. The Treasury notified ODF that those rates may be between 4 to 5 percent.

As of July 31st, Oregon has had 1,386 fires which have burned 1.76 million acres. Current fire activity shows 2026 will exceed the previously highest recorded wildfire year, 2024, which burned 1.93 million acres. This fire activity shows projected suppression costs in 2026 will also exceed those of the 2024 fire season. In the 2024 fire season, ODF incurred approximately $317.5 million in gross wildfire suppression expenditures, which exceeded available agency cash resources until federal reimbursements, cooperative cost-share recoveries, General Fund appropriations, and other revenues were received. Accordingly, ODF's financial projections use the 2024 fire season as the baseline, adjusted by a 10 percent inflation factor to reflect increased suppression costs, labor, equipment, aviation, and contracted resource expenses anticipated in 2026. This approach provides a reasonable estimate of anticipated cash flow

needs while recognizing that actual suppression costs and reimbursement timing will continue to evolve throughout the fire season.

Based on current fire activity, projected incident growth, and estimated suppression costs, ODF expects 2026 wildfire suppression expenditures to similarly exceed available agency cash resources before reimbursements and other funding sources are received. Temporary interfund borrowing is therefore anticipated to be necessary to ensure sufficient cash flow to support uninterrupted statewide wildfire suppression operations and to meet the department's financial obligations as they become due.

Agency Action

The Oregon Department of Forestry has taken prudent fiscal and operational actions to minimize the need for interfund borrowing while ensuring uninterrupted wildfire suppression operations. The department has maximized the use of existing legislatively approved appropriations and available cash resources, implemented enhanced weekly cash flow forecasting and expenditure monitoring, accelerated billing and collection of federal cost-share reimbursements and cooperative fire billings, and coordinated with the Oregon Department of Administrative Services, the Oregon State Treasury, and the Legislative Fiscal Office. ODF has accelerated our vendor payment process to meet our contracted 45-day timeline, a significant improvement over 2024. ODF has put out a call for payment team members across the enterprise to begin immediate processing of payments.

ODF intends to draw upon the authorized borrowing only as needed to meet immediate cash flow requirements, minimizing interest costs while ensuring uninterrupted wildfire suppression operations.

Description	**Amount**
Estimated Gross Wildfire Suppression Costs	$ 350.0 million
Less: Available Large Wildfire Fund Cash Resources	($17.5 million)
Estimated Costs Exceeding Available Agency Resources	$ 332.5 million

The estimated funding gap reflects the timing difference between wildfire suppression expenditures and the receipt of federal reimbursements, cooperative cost-share recoveries, FEMA reimbursements, and other anticipated revenues. The requested borrowing reflects projected temporary cash flow requirements and is not intended to represent the final cost of the 2026 wildfire season.

ODF anticipates repaying the requested interfund borrowing from revenues received following the conclusion of the fire season. Due to the delay in revenue receipt from federal partners to include federal wildfire suppression reimbursements, federal and state cost-share recoveries, and FEMA reimbursements, a need for legislative appropriations to repay the loan is likely.

Repayment Source	Estimated Amount
Federal Cost-Share Reimbursements	$ 133.7 million
FEMA Reimbursements	$ 68.6 million
General Fund Request for Fire Season net large fire costs	$ 147.7 million
Total Projected Balance Available for Repayment	$ 350.0 million

Action Requested
The Oregon Department of Forestry and Oregon State Treasury respectfully requests that the Emergency Board acknowledge receipt of this report.

The requested borrowing will provide temporary liquidity to support ongoing wildfire suppression activities while ODF continues to recover eligible expenditures through federal reimbursements, cooperative agreements, FEMA reimbursements, and other available funding sources. ODF anticipates repaying the borrowing in accordance with the repayment provisions established in ORS 293.200.

Legislation Affected
None

Sincerely,

Kacey KC
State Forester
Oregon Department of Forestry
503-507-8062

Elizabeth Steiner, MD (she/her/hers)
Treasurer
oregon.gov/treasury
P 503-431-8000 M 971-239-7297