

Agenda Item No.:	8
Work Plan Title & #:	Administrative Work Plan 0
IBI # & Title:	IBI 1 Administrative Processes
Presentation Title:	2009-10 FY District Budgets and Estimated Rates
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SUMMARY

ORS 477.265 requires the Board of Forestry to review the forest protection district budgets, hear appeals from landowners, make changes in the budgets that are proper and consistent with law, and give final approval on all district budgets including the prorated acreage assessment rates.

CONTEXT

Oregon’s wildfire protection system has historically provided an effective and efficient method of addressing the state’s initial attack and large fire management needs. The system relies heavily on landowner participation and a complex mix of landowner and state general fund dollars, which provides policy, prevention and suppression activities at the statewide and district levels. Through the development of fiscal protection budgets a “level of protection” is developed and the subsequent costs are proportioned on a statutory match of landowner and general fund dollars.

District Budget Development Process:

Each year in January, Headquarters and districts begin to develop a fiscal fire protection budget to fund activities for the upcoming fiscal year (ORS 477.235 fiscal years are July 1st through June 30th). Districts determine personnel, equipment, and supplies needed for the up-coming year. The budget is developed to provide fire protection sufficient for an “average worst” year. Once developed, a district budget committee reviews the “level of protection” and budget that supports the level of protection, and makes recommendations to the District Forester. The Board of Directors of the Forest Protective Association reviews the budget and makes a final recommendation at the Spring Association meetings. Additionally, each district holds a public meeting for any landowners affected by the budget to provide comment on the budget.

The last step in the district fiscal protection budget process is submittal to the State Forester and then official approval by the Board of Forestry establishing the level of protection and subsequent costs as outlined in ORS 477.265. This process determines the overall level of protection for the next fiscal year within each of the protection districts and associations.

BACKGROUND AND ANALYSIS

Fiscal year 2010 has been a very challenging year for budget development due to numerous factors. Fiscal fire protection funding and budgeting is a complex issue, which has been compounded by the economic climate, timing with biennial budget development

and legislative processes, along with potential reduction planning, all of which have affected the protection budget development and approval process for fiscal year 2010.

Challenges in Fiscal year 2010 budget development:

Fiscal Budget development begins with Headquarters developing a budget and drafting instructions to the districts. This process starts in early January to allow adequate time for completion and submittal to the Board of Forestry by June. One significant challenge every odd year is the timing of fiscal budget development with the biennial legislative process and any potential outcomes. Changes between different versions of biennial budgets (Agency Request, Governors Recommended and Legislative Adopted) can cause significant changes to the fiscal budget instructions.

As an example, the 2009-11 Governors' Recommend Budget (GRB) proposes a change of the historic match of general fund and landowner dollars at a 50/50 split to a 45/55 split. This fund shift if adopted in the Legislatively Approved Budget (LAB) increases the landowner contribution to the protection system.

To assure alignment with the GRB, the Division developed the budget instruction for the districts to align with the direction in the GRB changing the ratio from 50/50 to 45/55. Districts then developed budgets under a 45/55 ratio and presented these budgets to local budget committees and associations.

The challenge lies within the actual legal mechanism and timing to make this fund shift (ORS 477.265). Currently, legislation has not changed the statute; however, language to change the statute has been drafted as part of the GRB. The Department will not know what the final ratio will be until formal adoption of the LAB in late June or July.

Due to fiscal year 2010 budget development incorporating the GRB ratio of 45/55 conflicting with existing statute, fiscal budgets have been changed to a 50/50 ratio as listed in Attachment 1. This change from 45/55 - 50/50 occurred once the district fiscal budgets were received in Salem. It is important to note that the total amount of the budgets were not changed; only the ratio between general fund and landowner funding to align with current law. In the event the legislature does change the funding ratio to 45/55, Attachment 2 lists the rates.

Throughout the FY 10 budgeting development process, many landowners have expressed significant concerns over the shift in responsibility for funding of district budgets as outlined in the GRB, the recommended move from 50/50 to 45/55 Attachment 3).

Because of the current economic situation, the Legislative Fiscal Office has instructed agencies to prepare a plan for up to 30 percent General Fund reductions for the 2009-11 biennium. The Fire Protection Division has developed and outlined a 7.5% general fund reduction which will significantly impact fiscal year 2010 and 2011 budgets, lowering the level of protection at the district and statewide level. The 7.5% general fund reduction connected with matching funds (landowner assessments) translates into a total estimated reduction of \$9.1 million dollars (Attachment 4).

Because of existing laws, uncertainty of the agency's final biennial budget, and uncertainty of legislative outcomes, yet having the need to comply with statutes (ORS

477.265) the department recommends the Board approve the FY 10 fiscal budgets as submitted.

Depending on the outcome of the 2009-11 legislative session, additional action may be required by the Board, however, until these issues are resolved through the legislative process it is critical we move ahead following existing laws and with the best information possible.

RECOMMENDATION

The Department recommends the Board take the following action when it meets in June and approve all Fiscal Year 2010 District and Association Protection Budgets to be in compliance with existing 2007-09 statutes and law,

NEXT STEPS

The next steps likely may include an emergency Board of Forestry conference call in early July if necessary to align legislative policy decisions and already approved fiscal year 2010 budgets.

ATTACHMENTS *[as applicable]*

- (1) FY 10 budget summary, by District and Area at 50%/50%
- (2) FY 10 budget summary, by District and Area at 45%/55%
- (3) Letters of Concern to the State Forester and BOF—Re: Change in funding ratio's GRB
- (4) Fire Protection 7.5 percent reductions