

Agenda Item No.:	4
Work Plan Title & #:	Wildfire Risk Work Plan – Issue 7
Presentation Title:	2008-09 FY District Budgets and Estimated Rates
Date of Presentation:	June 4, 2008
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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 with the prorated acreage rates included.

## CONTEXT

The Department of Forestry protects 15.8 million acres, about half of Oregon's forestlands, from wildfire. Most of these lands are privately owned or managed by the Bureau of Land Management.

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 prevention and suppression activities at the statewide and district levels.

To fund the initial attack fire protection system within the State, district fiscal budgets are developed as the principle mechanism. Through the development of district fiscal protection budgets a service level cost is determined consisting of Personal Costs and Equipment Costs (commonly referred to as PS and S&S). This cost is then divided by the total number of Timber and Grazing acres which gives a per acre rate. After determining a rate for Timber and Grazing acres, these rates are then split on a 50/50 match of landowner dollars and general fund dollars.

An additional general fund mechanism also exists in the form of a Special Purpose Appropriation (SPA). This currently funds aviation assets such as the two heavy air tankers, Lead plane, and the Type 2 helicopters, which are strategically moved and placed in high risk areas around the State.

These two components, District fiscal budgets and SPA make up the backbone of funding for the initial attack system which has the primary focus of stopping fires at the smallest possible size limiting damage to critical forest resources and limiting large costly fires. By suppressing fires when they are small the agency significantly reduces the risk and costs to forestland owners and all Oregonians.

## **BACKGROUND AND ANALYSIS**

### Budget Development Process and Stakeholder Input:

Each year in January, districts begin development of a fiscal Protection Budget to fund prevention and suppression activities for the next fiscal year (July 1 through June 30). Districts determine necessary personnel, equipment, and supplies needed for the upcoming year. The budget is developed to provide an adequate level of protection sufficient for an “average worst” year.

Once the budget has been developed and approved by the District Forester, a meeting is set up with a “District Budget Committee” for review. A district budget committee is comprised of landowners within the protection district that receive fire protection services. It generally consists of a cross section of forestland owners, including large industrial landowners, small woodland owners, and grazing landowners.

After reviewing the fiscal budget with the budget committee a Forest Protective Association meeting is set and the budget is reviewed by the Board of Directors and the Association membership. The budget is either approved or not approved. For fiscal year 2009, all but one budget were approved.

The last steps in the District Fiscal Protection Budget process is submittal to the State Forester and then official approval by the Board of Forestry, establishing the necessary cost for fire protection in the form of the per acre rate. This process ultimately determines the overall level of protection for the fiscal year within each of the protection districts and associations.

### Definition of the Problem:

There are numerous drivers that shape the problem outlined in this staff report. The first is **fire season severity/intensity and duration**. Fuels conditions across the landscape have become increasingly more explosive over the last ten years, leading to increased costs and the need for additional resources. To further compound the explosive fuel conditions we are also experiencing significant upward shifts in the duration of fire seasons and the cost of firefighting resources. Overtime, as these pieces have materialized to become reality, the costs of wildfire suppression has significantly increased and become very costly to landowners and Oregonians.

The second key component is the **economic viability** of working forest and ranches. As lands become even more unprofitable landowners quickly reach critical mass where the land simply does not provide the necessary revenue to sustain a working livelihood and pay for the rising cost of fire protection. Additional hardships and problems especially in rural communities in Eastern Oregon are further manifested in the form of decline or non-existent infrastructure. Without critical infrastructure such as milling facilities, landowners have little or no means to generate income to pay for items such as fire costs. In some extreme cases landowners are left with no options besides parceling and selling off portions of forestland to be converted into sub-division, destination resorts, and hunting preserves.

The third component that shapes the problem is that **without active management** due to the factors above, the potential exists for significant forest fuel build-up. Coupled with worsening fuels and fire conditions, landowners and Oregonians are at risk by the greatly increasing risk of large catastrophic wildfires. Large catastrophic fires impact all aspects of the economy in Oregon: rural based timber economies; recreational and destination areas; and large population centers.

When combined, all these drivers pose significant threats to landowner's livelihood through the loss in resource values and increased cost, threats to the State's general fund that also funds firefighting, and the state of Oregon's overall economy.

#### Budget Impacts:

Due to the factors described in the section above and increased employee compensation, FY 09 protection budgets experienced sharp increases in almost all budget categories. Not only did District fiscal protection budgets increase, but significant increases also occurred in the Salem Headquarters (HQ) budget, which supports the field operations. Increases in the HQ budget are a derivative of the Department's complex budgeting system, increased cost of doing business, and uncontrollable/unfunded charges (detailed explanation in Attachment 3).

To compensate for the significant increased costs of the FY 09 fiscal budgets, the agency will appear in front of the Legislative Emergency Board requesting additional Public Share Fire Fund (PSFF) authorization. At the Emergency Board meeting in June, the Department will request an additional \$3.4 million of PSFF to match the landowner's contribution outlined in each of the proposed fiscal budgets (FY 09). If unsuccessful in the Emergency Board request, the District and HQ fiscal budget's will have to be reduced by \$3.4 million due to the statutory requirement of the 50/50 General Fund and Landowner match. The ramification of lowering the level of protection by \$3.4 million dollars will have huge impacts on the agency's ability to prevent and suppress fire in the 2008 fire season.

Additionally, a potential legislatively mandated General Fund reduction is on the horizon that would also cause significant reduction in the FY 09 fiscal budgets. Currently, the Division is developing a potential reduction plan if required to take a 5% FY 09 reduction.

The predicted outcome if one or both (Emergency Board request fails or the 5% GF reduction) take place will be substantial resource value loss, more costly large fires – due to a diminished initial attack capacity, and potentially significant threat to life and homes.

#### **RECOMMENDATION**

To maintain an adequate level of protection and to support the complete and coordinated system the Department recommends approval of all FY 09 District and Association Protection Budgets

## **ATTACHMENTS**

- (1) FY 09 Budget Summary, by District and Area
- (2) April 3, 2008, Klamath Forest Protective Association Letter, Re: Rising cost of fire protection
- (3) April 20, 2008, State Forester response letter to Klamath Forest Protective Association
- (4) April 14, 2008, Walker Range Forest Protective Association, Re: Rising cost of fire protection
- (5) April 22, 2008, State Forester response letter to Walker Range Forest Protective Association
- (6) April 21, 2008, Central Oregon District Budget Committee, Re: Rising cost of fire protection
- (7) April 24, 2008, Northeast Oregon Budget Committee, Re: Response concerning Northeast Oregon District Fire Protection Budget Committee meeting