

Emergency Fire Cost Committee Report to the Oregon Board of Forestry

The Legislature created the Oregon Forest Land Protection Fund (OFLPF) in 1969, combining the Forest Emergency Fire Cost Account (the western Oregon fund) and the East Side Emergency Fire Cost Fund. Appointed by the Oregon Board of Forestry, the Emergency Fire Cost Committee (EFCC), under the authority of ORS 477.445, supervises and controls the distribution of funds from the OFLPF. The Fund's purpose set forth in ORS 477.755 is to "...be used for equalizing emergency fire suppression costs for safe-guarding forestland in any forest protection district," which includes both state and association fire protection districts. Districts are eligible for equalization (reimbursement) of their emergency firefighting costs after expending at least \$25,000/fire/day (with an annual expenditure ceiling of 15¢/acre on timber land and 6¢/acre on grazing land), and 8¢/acre on timber land and 4¢/acre on grazing land.

The annual expenditure limit of the OFLPF is \$15 million – an amount that is reviewed by the Legislature and stakeholders every two years. From 1991 to July 1, 2003, the annual expenditure limit of the OFLPF was \$10 million. The expenditure limit was temporarily increased to \$15 million in 2003 primarily to enable the purchase of affordable catastrophic firefighting insurance from Lloyds of London. Following an interim study by a committee consisting of a bipartisan group of legislators, forest landowners, and Oregon Department of Forestry (ODF) staff, a more stable solution was reached. The solution, HB 2327, maintained the \$15 million OFLPF expenditure limit with 2-year sunsets, raised the catastrophic firefighting insurance deductible to \$25 million (with the General Fund exposed for the next \$10 million in firefighting costs), institutionalized the use of General Funds for statewide severity firefighting resources, and split the cost of the firefighting insurance policy 50-50 between the OFLPF and the GF.

For the past several years, funding sources for the OFLPF have brought in slightly more than \$8 million annually. With increasingly costly fire seasons, the balances of the OFLPF have been in steady decline for the past ten years. Table 1 clearly demonstrates this.

Table 1

Fiscal Year	Ending Fund Balance
FY 99	\$13,059,989
FY 00	\$16,997,926
FY 01	\$11,476,064
FY 02	\$8,729,658
FY 03	\$6,474,167
FY 04	\$2,647,821
FY 05	\$4,771,530
FY 06	(\$600,589)
FY 07	(\$1,009,808)
FY 08	(\$5,994,318)

To address the declining balances of the Fund, in 2006 the EFCC reached out to the landowner community and focused on two potential solutions: increasing the flow of revenue to the Fund by 25%, and increasing the \$300,000 limit to liability exposure for forest operation-caused fires. Consensus was reached on only the first solution. At the request of the landowner community, enabling legislation was introduced into the 2007 Legislative Session – HB 3044A was passed overwhelmingly by the Legislature and signed into law by the Governor, becoming effective on October 2007. Table 2 summarizes the current OFLPF rates and the new HB 3044A rates.

Table 2

Income Source	Current Rate (FY 2008)	FY 2009 Rate (HB 3044A)
Forest Products Harvest Tax	\$0.50/MBF	\$0.625/MBF
Grazing Assessment	\$0.06/acre	\$0.075/acre
Eastern OR Timber Assessment	\$0.06/acre	\$0.075/acre
Western Oregon Timber Assessment	\$0.04/acre	\$0.05/acre
Minimum Lot Assessment	\$3.00/lot	\$3.75/lot
Improved Lot Surcharge	\$38.00/lot	\$47.50/lot

The harvest tax increase took effect January 1, 2008; the assessment and surcharge increases take effect this July 1, 2008.

After ODF experienced another severe fire season in 2007, the EFCC continued to study options to mitigate the financial drain on the Fund. They focused on OFLPF deductibles and the cost of firefighting. Regarding the former, they received input from landowner association presidents and ODF/association district foresters/managers at the October 30, 2007, Oregon Forest Industries Council’s Protection Committee meeting held in Salem. After further study and debate at their January and March 2008 quarterly meetings, the EFCC voted unanimously to increase the acreage deductibles by 25%, from 8¢ to 10¢ per acre on timber land statewide, and from 4¢ to 5¢ per acre on grazing land. The 25% increase mirrors the 25% OFLPF revenue increase. Because of budget limitations, the increases will not become effective until July 1, 2009 (the fiscal year 2010 budget). The EFCC chose not to increase the \$25,000/fire/day deductible.

At the urging of the EFCC to address spiraling firefighting costs, ODF has challenged its incident management teams to develop consensus on methods to reduce costs. Ideas that are being considered include, but are not limited to, managing fires with smaller (“Type III”) fire organizations; releasing fire teams sooner – returning patrol and mop-up to the local unit; and developing standards of firefighting and mop-up that reduce costs without jeopardizing escape potential. It is widely recognized that the cost of firefighting resources has escalated much faster than the general rate of inflation – consequently cost-effective management of these resources is essential.

Finally, the EFCC has expressed concern that districts develop and maintain an adequate level of protection – striving to achieve their Most Efficient Level (MEL) of protection. Although the Committee has not reached consensus on all the details of the Wildfire Reduction Act, the Committee does support the Act's goals of reducing the incidence of large fires and their associated firefighting costs and resource losses, and continues to study and to offer feedback on the concept.

The EFCC faces an OFLPF deficit estimated to be nearly -\$6 million on June 30, 2008. To address this deficit, the EFCC can request a transfer of funds from the State Treasurer to offset the projected deficit, with the requirement that the loan, plus interest costs, be repaid in the next year. By statute, taxes and assessments are required to be increased proportionately in the following calendar/fiscal year to repay the loan and interest. If the Committee decides to borrow \$6 million this June, the FY 2009 OFLPF taxes and assessments would need to be increased as much as an additional 58.3% to repay the loan. Since much of the projected OFLPF balance is still based on estimated costs, the Committee plans to make a decision on how much money to borrow and when to borrow it at its June 3, 2008 meeting.

In conclusion, EFCC Chair Ken Cummings, past-Chair Barte Starker, and EFCC Administrator Tim Keith welcome the opportunity to review the actions the EFCC has taken to manage the OFLPF in these financial challenging times, and answer any questions that the Board of Forestry may have.