Welcome and introductions

- Committee members and guests introduced themselves and their representation.

Opening remarks and identification of new concepts

- Opening statements were made by Fire Protection Division Chief Doug Grafe. There is a willing sponsor from the Legislature to potentially support a trust fund bill for payment of large firefighting expenses. Doug counseled the group to manage expectations and deeply consider what the trust fund needs to look like; and how do we adjust to the new 10 year average that we are facing and how we prepare Oregon for the inevitable funding constraints.
- Roger Beyer would like the group to keep focus on a constitutional trust fund, and make sure to try and build the best recommendation and not simply the easiest. Would also like to see a bill drafted, or considered and would like to hear recommendations on revenue sources for the trust fund.
- Doug Decker voiced agreement with Roger's comments, keeping in mind equity. ODF very willing to keep options open on a legislative concept, and conversations will continue along this vein.
- Amanda Rich agrees that it is still too early to eliminate the idea of constitutional funding, but recognizes the need to make legislative cooperators comfortable with recommendations. What are alternative revenue sources beyond flexible fund sources? The constitutional trust fund referral could be dictated by funding sources and timeline constraints. She suggested the potential to phase a trust fund in where it is piloted statutorily at first, then referred for dedication down the line.

Discussion Topics

- Trust Fund
  - Security
    - Want to keep all options on table for now, agreeing that focus should not be on a quick and easy fix, but on a sustainable recommendation for future shifting fire landscapes and needs.
    - There were differing opinions on whether statutory or constitutional funding would provide more security.
    - Color of money important. If general fund is contributing to a trust fund, the Legislature has right to sweep it as appropriate. It is very difficult, however, for the Legislature to take non-GF dollars. This demonstrates the need to consider multiple funding options/structures, possibly a co-mingling of funds, and fully vetting both statutory and constitutional.
    - Need for a clear contractual relationship to be developed for a statutory fund. It was counseled to keep in mind that any beneficiary would need to file a lawsuit against the Legislature if the fund was swept, which would be a very lengthy and costly process.
To have a more stable fund: Have clear legislative intent. Consider including super majority and natural disaster language.

The Rainy Day Fund (for education) is constitutional and has been fairly difficult for any sweeping activity to occur, so it may be a good fund to model.

The Oregon Cultural Trust was used as an example for how a fund that was not general fund (GF) was still able to be swept, demonstrating that a non-GF trust would not guarantee security of the funds.

Legal analysis by lawyers was suggested at some point for the recommendations. The importance of doing this was agreed upon, but no clear timeline decided currently.

Surcharges and taxes have been historically used to fund some trust funds, but fee-based revenues do not appear any more secure than taxes or GF dollars.

**Purpose and Other Potential Uses of Fund:**

Doug Decker counseled group to remember purpose of the fund. Is it just to bridge the $30 million gap involving solely wildland fire, or is there a natural disaster component; or something else? If the fund is considered for uses outside or wildfire, would it create a stronger and more diversified support and funding structure? With this type of scenario, funding issues could arise, such as a tsunami occurring in the winter and draining the fund, leaving insufficient funding to cover fire season.

Fund’s primary purpose would be large fire costs. Beyond a certain cap, the funds could be used for other incidents/needs, such as natural disasters. Set it as a flat percentage amount that gets allocated out every year. Incentivizing portions of fund could create greater support.

Flexibility is built into statutory funds. Much tighter sideboards are inherent in constitutional funds.

Consider a sub-bullet to the Fire Program Review Committee (FPRC) that outlines some of the ideas mentioned that goes beyond the original goal of tackling the $30 million.

We could use language that focuses on everything above the $20 million layer.

Focus on options that inherently aim to prevent institutional memory lapses that occur during consecutive slow fire years from occurring.

Could broaden purpose to incorporate prevention and fire mitigation, and strategic investments, shared with Oregon Forest Land Protection Fund (OFLPF). Keeping the topic focused on fire-related purposes retains it within the FPRC’s scope and purpose.

**Option 1:**

- $30 million layer of funding: A cap or trigger mechanism is the discussion emphasis for using extra funds for mitigation, prevention or other funding uses. Clarity - Make sure the $30 million is addressed first, then create triggers that would go toward other clearly-defined uses.

- It would be more broadly accepted if other funding sources were included along with OFLPF dollars for strategic investments. Would want to avoid having a cap limiting strategic investments which could create inconsistencies in critical investments.

- Costs above the $20 million shared.

**Option 2:**
Option (a): Keep the principles of Option 1 plus costs above the $75 million layer.

Option (b): In addition to Option 2, include the GF obligation of the first $20 million ($10 million shared).

Option (c): Include other state agency costs (Oregon Dept. of Transportation, Oregon Emergency Management, the National Guard) that are associated with large fire suppression efforts.

Funding Sources:
- Revenue Sources handout discussed with the below sources added. Potential 'look into further' sources were tentatively assigned:
  - (3) Lumber tax/ increased harvest tax
  - (2) Hotel/lodging tax receipts, can be a temporary increase from 1.5% to 1.8% that would then go back down to 1.5%. Think broadly about who might be impacted by costs, and who could be impacts costs. People coming to state to enjoy the forests could help support this tax idea.
  - (2) Higher hazard assessment – forests that have large blocks of primarily unmanaged area with limited road access and lack of fuel treatment. Would not be able to tax the U.S. Forest Service. Work with the Wildfire Policy Work Group to see if something comes out of their discussions that could then be used as a funding source. Districts see this as something that would get identified locally, mitigated through surcharges locally, with the revenue staying local. Not confident that data are available to pursue this option currently.
- GF options
  - Share of cost collection: could this end up in GF diversions?
  - GF - Unspent Special Purpose Appropriation (SPA/severity) funds.
  - GF - special appropriation: Not always a timely process.
  - (1) Lottery funds. Hard to get, very flexible – Legislature considers these akin to GF.
- (1) BLM assessment/ surcharge – The Wildfire Policy Work Group is discussing – need to assure that it remains a discussion priority.
- Gas tax – particularly if it is in any way felt that climate change could be a fueling agent for the increasing fire behavior.
  - Any taxes on vehicles, licenses and registration, and fuel are constitutionally dedicated to the Highway Trust Fund and to use those taxes in any other way may require a constitutional re-write.
- Fireworks and cordite surcharge (surcharges related to possible fire starting agents).
- (1) Fire insurance policy surcharge.
- (1) Federal funds as an offset piece.
- ATV and off-road vehicle fees. Could the agency tag onto existing programs and the fee usages be expanded? Would consider the public-caused portion of fires. Public pushback could be intense.
- (1) Parametric insurance payoffs
  - Potential to collaborate/idea share with a workgroup from Oregon Dept. of Fish &Wildlife (ODFW) that is looking at similar funding issues and solutions.
  - Could non-profit partners be found to help fund? This would be a longer-term solution.
  - It would be beneficial to think broadly about who might be impacted by costs.
Is the end-game to have a fund that is eventually large enough that the annual revenue stream becomes less important? Possibly a one-time limited fund source.

Each biennium a harvest tax component goes into a fund balance that is allocated primarily to the Private Forest division of the agency, and a forecast is made every biennium about what the upcoming harvest is going to be. When an ending balance occurs, currently, it is carried forward and used as a starting point to forecast future revenue and the upcoming rate. Instead of carrying fund balance forward, could look at transferring it into the fund. During years of higher timber harvesting this could provide a little extra revenue. It was mentioned that the Revenue Department creates the harvest tax rate, based on ODF projected recommendations, which could dissuade the Legislature from trying to sweep it.

Watershed value

It was felt that if the fund cannot continually replenish with GF at the $20 million level, then it should start at the next level. If a plan were created that removed the GF portion and replaced it with another funding source, would there be a better, broader support base from the Legislature since $10 million would be freed up from GF?

Difficult to buy certainty if the $10 million is not included, but could still run into issues even if it is included. If GF is included in the $10 million layer, it may make it harder for Legislature to approve more GF dollars being included in the next $30 million layer. And that would be assuming that that $30 million layer amount will not change in the future.

Matt Stayner suggested that there might be a better chance for getting statutory framework setup for a fund if in the first biennium the GF is optional.

Options could be created that pertain specifically to each funding layer.

ODF hopes that the $30 million obligation will get smaller due to decreased deductibles over time. Could consider writing a trigger into the fund that as the obligation decreases, excess funds become available for other purposes.

When taxes or surcharges are considered, that there will inherently be a cost associated with enforcement of many charges or permit fees.

**Governance**

Three main levels of control options: State, Agency, Advisory Committee.

EFCC already vets all fire costs, so governing mechanism could defer to the EFCC for administration and financial auditing. EFCC could be the vetting body, then goes to Legislature for enacting fund.

Key point to consider is how soon will these funds be needed? Workgroup will need to consider if there is something within the governance that could help mitigate the risk of funds not being made available in a timely enough fashion, as was seen to have happened in 2013.

Would not be seeking expenditure authority with this fund. Monies would reside within the trust and be allocated as needed to defray fire suppression costs, exclusive of spending authority.

Possibly establish emergency access options that would make it available in worst case scenarios, based on specific criteria, or even as a loan option from the fund, at zero interest.

Fund cap is currently recommended to be 150% of insurance policy or $60 million. Consider a trigger level that would be higher in an attempt to be conservative with usage. Was suggested to use cap overflow more broadly, but counter argument was made that that would make it more difficult to protect the fund base. But
could also make it more likely that funds will be received initially. If other overflow were be used more broadly it would take a very different governance structure.

- Want flexibility to realize insurance product benefits (parametric).

  - **Flexibility**
    - A trigger that frees up funds for other uses.
    - Use the OFLPE as a model.

  - **Insurance**
    - Tim Keith opened the topic, stating that the parametric policy that is being explored is entirely focused on the $30 million gap.

  - **Parametric Policy**
    - Todd Scharff presented initial background, and was joined by Jeff Friesen. Considering using a “per acres burned” trigger, that would not be able to delineate between west and east sides of the state. Bifurcating the east and west side acres burned is not off of the table, but currently there is no clear way of delineating and tracking the costs per those different acre types.
    - An aggregate trigger would be used instead, utilizing a 3-tier, 10-year average. Each “tier” would be $10 million.
      - First tier to be triggered if 10 year average is exceeded but still below a half deviation from average.
      - Second tier triggered by a full deviation from average
      - Third tier triggered by anything over a full deviation from average.
    - A concurrent trigger would be that all of the $20 million “deductible” would have to be spent first.
    - 10 year average would need to be a rolling average.
    - Goal is to have product ready for 2016 fire season should it be needed. Costs will be available by this group’s next meeting (May 13).
    - Willis approached the policy from two ways. First, as if there was no $20 million deductible. The second approach was that the policy would trigger after there has been $20 million in shared expenses, which is a more attractive approach for underwriters. For ODF it would mean that the Emergency Fire Cost Committee (EFCC) auditing would have to take place first for Willis to have validation that that financial trigger was actually reached, so essentially there would be a delay in funding.
    - Lower deductible option was not commercially available. There are additional markets available that can provide a parametric policy.
    - As fund grows, the amount of insurance needing to be purchased will decrease; could prompt underwriters to bring in different options.
    - How should policy be funded?
      - Fund needs to be constructed in such a way that insurance payoffs could go in to it. Language is needed that describes how revenue comes in and how monies expended.
    - How should policy proceed be utilized? Would parametric policy receipts act like FEMA and buy down the policy? Or should the proceeds ‘fund’ the trust fund?

- **Other Concepts**
  - **BLM**
    - BLM is willing to discuss assessments and have conversations around equity.
    - Conversations with private landowners and BLM have ramped up following the 2013 fire season.
• There has been a sensitivity around the contract relative to where the agency tries to push/posture for the principles that would reflect equity overall and it is key to remember that the BLM contract is not sole-source.
• The recent BLM Forest Management Plan appears to support a lessened amount of fire management from BLM.
• The work group agreed that BLM dollars need to be considered as a funding source somewhere; potentially removed from OFLPF and added to trust fund, which might give more leverage to prevent sweeping of fund.
• BLM discussion outcomes need to be applied/built into this work group's future recommendations, but it was counseled that future BLM discussions may end up falling outside this workgroup’s purview.

• **Wrap-up and Next Meeting**
  o Dave and Tim will flesh out a recommendation paper a week before this work group's next meeting on May 13. Expect that they will request assistance from workgroup members.
  o The work group will start homework on the category 1 and 2 funding sources.
  o Meeting adjourned at 1440.

**Attendees**
- Tim Keith, ODF EFCC Administrator, Large Fire Funding Workgroup Co-Chair
- Dave Lorenz, ODF Southern Oregon Area Dir., Large Fire Funding Workgroup Co-Chair
- Doug Decker, ODF State Forester
- Nancy Hirsch, ODF Deputy State Forester
- Doug Grafe, ODF Protection Division Chief
- Ross Holloway, ODF Executive Support, FPRC Facilitator
- Melvin Thornton, Douglas Forest Protective Association Forest Manager
- Tracy Wrolson, ODF Central Oregon Administrative Representative
- Peter Sikora, EFCC Representative
- Craig Goodell, Bureau of Land Management
- Todd Scharff, DAS Risk Management
- Jeff Friesen, Willis Representative
- Jim Walker, Oregon State Fire Marshal
- Amanda Rich, The Nature Conservancy
- Greg Miller, Weyerhaeuser
- Randy Hereford, Starker Forests, Inc.
- Jamie Paul, FPRC Project Manager
- Gary Springer, Starker Forest and Board of Forestry
- Bob Young, ODF Fire Prevention Policy Manager
- Adam Meyer, Oregon Conservation Network
- Jim James, Oregon Small Woods Assoc.
- Chrystal Bader, ODF Core Team
- Whitney Lanham, ODF Core Team
- Rex Storm, Associated Oregon Loggers
- Roger Beyer, Oregon Small Woodlands Assoc.
- Phil Adams, Oregon Forest Products
- Heath Curtiss, Oregon Forest and Industries Council