Welcome and introductions
- Committee members and guests introduced themselves and their representation.

Opening remarks and identification of new concepts
- Opening statements were made by State Forester Decker, thanking Board of Forestry Chair Tom Imeson for being here and commenting on the energy and interest from the full Committee at the January 21 meeting. The Committee feels that our work is good and our focus is correct. This work will impact the ODF 17-19 budget but also budgets five to ten years from now.
- Co-Chairs, Tim Keith and Dave Lorenz shared feedback from the Committee reinforcing that the current system is not broken but there is support to vet concepts that could provide more certainty and stability to the current system. The co-chairs expressed appreciation for the commitment to flesh out our suite of recommendations in preparation for the next Committee meeting on March 14.

Discussions
- Concern that the ‘size of the fire department’ is not being adequately addressed, only how it is funded. From the landowner side, OFLPF has been ‘predictable’ for years and it is the general fund portion of the model that is unstable. The current system is geared to cover our average season, not our worst. Large fire funding has varied since 2013 from $50 million coverage (suppression deductibles plus insurance and General Fund), down to $45 million, and now at $75 million. Adding flexibility within the ‘fire department’, or base funding, is tailored to conditions such as fuels and weather, and is key to the solution. We must make a risk decision using the ‘prudent person’ test – add data based on fuel models, drought, climate change, etc. We heard from the Committee that predictability and certainty are what we want. The rainy day fund and other concepts we are discussing are focused to that end.
- Large Fire Costs spreadsheet - $20m net fire cost on the 10 year average fits in the $20m shared. The insurance premium, severity, assumed FEMA reimbursements (no guarantee on FEMA), our ability to retain catastrophic insurance, etc., all factors in large fire costs. We have a working and enviable system that we have the opportunity now to build into for the very bad years. If we have better seasons in the next few years, we could again see the insurance premium shrink over time and/or the threshold at which insurance starts paying is lowered (lower deductible). We need to look at how to fund a variable gap and lower our dependence on the insurance policy. This group will move forward with discussion based on an acceptance of a $75m funding model defined as ‘adequate’.
Key Concepts

- Ross Holloway facilitated a conversation to vet further the key issues making up the work group’s suite of recommendations for sustainable large fire funding. The amount of dedicated large wildfire funding and the amount of the unfunded deductible is being dictated by the parameters necessary to secure insurance. The trust fund and other concepts are how we gain flexibility and stability.

1. **A Trust Fund** – It is not uncommon for modest amounts of General Fund to be set aside in a trust fund. Discussion on concerns about trust fund ‘sweeps’ and statutory vs. constitutional options (a constitutionally-locked trust fund can be supported by the work group). If a wildfire trust fund does get raided, ODF might need to go back to the E-Board, something the agency is seeking to avoid. OFLPF is also a ‘trust fund’ of sorts and has been stable. Practically, a trust fund concept should carry a ‘cap’ with the revenue stream shut off or diverted to special projects when reached. Discussion on the cap being 150% of the gap, or possibly an amount determined annually by the trustees.
   - Need to be sure to line out a governance process with clear intention – who administers (possibly EFCC with added public members or separate committee entirely). Possibility to roll up anything not spent in the GF portion of the funded deductible to the trust fund – build it more quickly and it may be that insurance becomes not as good a value.

2. **OFLPF** – discussion on altering the caps in place, including adjusting the spending cap to include the insurance premium, etc. The Wildfire Protection Act was supported broadly, including by the landowner community – this work group is seen as a continuation of that discussion. Has the target moved, or do costs still fit under the cap on the OFLPF? OFLPF capped at 10m, moved for strategic investments – have potential to alter what qualifies under cap expenditures.

3. **Insurance** – Anticipate being able to renew this year. What this committee will affect is long-term. Current status with insurance is based on good relationship with Lloyds and our ability to retain insurance as part of our funding package. We have demonstrated our ability to manage the risk. If insurance premiums become less expensive, can excess be placed into a trust fund (general fund allocation)?
   - Derivatives/parametrics: –Maintains flexibility as conditions change, evens the spikes, can model it to pursue the most correct product for our needs, agreement that the weather parametric is correct tool to provide a flow of money when conditions call for it. Not correlated to a loss like insurance is. Is tool best applied for severity use or in the trust fund? Willis is experienced in brokering parametric options to the market. Based on recognized weather indexes (i.e., drought index reaches 85% over 2 months = $30m payout), need to assure it pays on the index level where we need it to. Drought index appears to be the best indicator, but lightning is huge cause of fires – possible addition of lightning activity into a parametric? Expectation in the market to see a correlation between times of payout and conditions on the ground. Should have more information by mid-February.

Would like to see documentation on how a parametric would have performed in recent years.

4. **Revenue alternatives** – Dave Lorenz shared a list of alternate funding source work extracted from the **ODF Report: Toward a Fully Functional ODF** in 2010. Discussion centered on options for a public share of revenue (i.e., fireworks sales), potential to look at quantifying the public benefit-to-cost and non-paying landowners. Suggestion to look at minimum lot rates. Mark Stern suggested looking also at the work done in the SB357 document provided to see if any revenue source options there could be used to in the trust fund concept, with excess of a trust fund ‘cap’ being used directly for fuels reduction work.

5. **Equity** – BLM is paying for the base level of funding through the contract. They do not pay the harvest tax (the timber purchasers are). Should they continue paying into the EFCC, or should they pay for large fire costs separately when they occur? There has been a shift in equity due to changing harvest levels. Without the Big Windy Fire, which occurred on a large block of BLM ownership, we would not have
exceeded the suppression deductible and insurance in 2013. Look at revenue possibilities here. A review of the BLM contract may be a recommendation from this work group. Landowner contribution is more than monetary; in-kind must be acknowledged. Also landowner resources are being destroyed due to publicly caused fires burning onto private lands. Question on looking at what other states are doing, but they are outside of the Oregon OFLPF model and would be a difficult comparison. West side/east side discussion and rate mitigation under the WPA act – landowner have little input other than the fire cost committee.

6. Other thoughts –
   - Severity funds and initial attack investments will fall under the purview of the Sustainable Fire Organization Work Group. This group may choose, however, to make a recommendation regarding the priority of investing in the severity budget.
   - Question of EFCC authority – will be followed up at EFCC March 8 meeting.
   - Ask to stratify cause/acres with specific asks: Breakout of federal ownerships, acres burned on state-protected BLM lands, ownership of fire starts, fire cost and acres consumed by ownership, landowner breakout including rate paying/non-rate paying as good tools for communicating with the legislature.
   - Ask to look again at the OFIC-produced in-kind study from 2010 updating with an inflationary factor.

Wrap-up and next meeting
   - Assignments – Vet trust funds – how they are built and what they look like – Tim, Cathy, Matt, Satish and James.
   - More fully vetted reports due at the next Sustainable Large Fire Funding meeting on March 1, 2016.
   - The next meeting of the Fire Program Review Committee is scheduled for Thursday, March 14, 2016.

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 (by phone)
   - Tom Imeson, Chair, Board of Forestry
   - Doug Grafe, ODF Protection Division Chief
   - Brett Browncombe, Governor’s Natural Resource Office (by phone)
   - Ross Holloway, ODF Executive Support, FPRC Facilitator
   - Charlie Stone, ODF Policy Analyst
   - Rod Nichols, ODF Public Affairs
   - James Short, ODF Administrative Services
   - David Jacobs, ODF The Dalles Unit Forester
   - Mike Cafferata, ODF Forest Grove District Forester
   - Melvin Thornton, Douglas Forest Protective Association Forest Manager
   - Tracy Wrolson, ODF Central Oregon Admin. Representative
   - Peter Sikora, EFCC Representative
   - Craig Goodell, Bureau of Land Management
   - Cathy Connolly, Chief Financial Office
   - Todd Scharff, DAS Risk Management
   - Roger Beyer, Oregon Small Woodlands Assoc.
   - Rex Storm, Associated Oregon Loggers
   - Heath Curtiss, Oregon Forest & Industries Council
   - Amy Patrick, Oregon Forest Industries Council
   - Kristina McNitt, Oregon Forest Industries Council
   - Jeff Friesen, Willis Representative (by phone)
   - Jim Walker, OSFM (By Phone)
   - Mark Stern, The Nature Conservancy (By Phone)
   - Greg Miller, Weyerhaeuser (By Phone)
   - Randy Hereford, Starker Forests, Inc.
   - Jamie Paul, FPRC Project Manager