

**74<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2007 Regular Session  
BUDGET REPORT AND MEASURE SUMMARY**

**MEASURE: HB 5024-A**

**JOINT COMMITTEE ON WAYS AND MEANS**

**Carrier – House: Rep. Roblan  
Carrier – Senate: Sens. Devlin/Schrader**

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**Action:** Do Pass as Amended and Be Printed A-Engrossed

**Vote:** 21 – 0 – 0

House – Yeas: D. Edwards, Galizio, Garrard, Hanna, Jenson, Morgan, Nathanson, Nolan, Shields

– Nays:

– Exc:

Senate – Yeas: Bates, Carter, Devlin, Gordly, Johnson, Morse, Nelson, Schrader, Verger, Westlund, Whitsett, Winters

– Nays:

– Exc:

**Prepared By:** Satish Upadhyay, Department of Administrative Services

**Reviewed By:** Susan Jordan, Legislative Fiscal Office

**Meeting Date:** 6/20/07

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**Agency**

State Forestry Department  
Emergency Board

**Budget Page**

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**LFO Analysis Page**

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**Biennium**

2007-09

**Senators:** Bates, Carter, Devlin, Gordly, Johnson, Morse, Nelson,  
Schrader, Verger, Westlund, Whitsett, Winters

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Senator Kurt Schrader, Co-Chair

**Representatives:** D. Edwards, Galizio, Garrard, Hanna, Jenson,  
Morgan, Nathanson, Nolan, Shields

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Representative Mary Nolan, Co-Chair

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Senator Richard Devlin, Natural Resources Subcommittee Chair

## Budget Summary\*

	2005-07		2007-09		Percentage Committee
	Legislatively Approved	Governor's Budget	Committee	Difference from	Change from
	Budget (1)		Recommendation	Governor's Budget	Governor's Budget
General Fund	\$ 52,711,325	\$ 43,906,134	\$ 40,088,817	\$ -3,817,317	-8.7%
Other Funds	192,261,701	176,880,571	187,640,125	+10,759,554	+6.1%
Federal Funds	24,724,173	26,025,712	26,493,719	+468,007	+1.8%
Other Funds Nonlimited	19,149,706	15,000,000	15,000,000	0	0.0%
Total	\$ 288,846,905	\$ 261,812,417	\$ 269,222,661	\$ +7,410,244	+2.8%

## Position Summary

Authorized Positions	1,292	1,322	1,311	-11
Full-time Equivalent (FTE) Positions	912.69	932.89	920.96	-11.93

(1) Includes adjustments through the December 2006 meeting of the Emergency Board

\* Excludes Capital Construction expenditures

## Emergency Board

General Fund - Special Purpose Appropriation

2009 Catastrophic Fire insurance					
premium	\$	0 \$	0 \$	540,753	+540,753
Severity resources	\$	0 \$	0 \$	4,438,901	+4,438,901

## Summary of Revenue Changes

The State Forestry Department is funded with General Fund, Other Funds, and Federal Funds. Other Funds revenue sources include the harvest tax, landowner assessments, and sale of timber on forestlands managed by the Department. The budget assumes passage of House Bill 2115, which would set the Forest Products Harvest Tax rates for calendar years 2008 and 2009. This tax helps fund the Forest Practices program. The agency receives Federal Funds for a variety of fire program activities, and for rule effectiveness monitoring projects, forest insect and disease activities and for landowner assistance in the Private Forests and Urban Forests programs. Federal dollars are sometimes budgeted as Other Funds. The agency pays for its administrative functions via intra-fund transfers from the program units.

## **Summary of Subcommittee Action**

The State Forestry Department works to serve the people of Oregon by protecting, managing, and promoting stewardship of Oregon's forests to enhance environmental, economic, and community sustainability. The agency provides forest fire protection services; it provides forest management and conservation technical assistance to landowners and communities; it develops plans for habitat conservation, forest health, and timber production on state forestland; it provides high quality seedlings for reforestation; and it works with partners on practical solutions to issues like salmon habitat restoration and encroaching urbanization of wild land areas.

The Subcommittee approved an agency total funds budget of \$269,222,661 total funds and 920.96 full-time equivalent positions including the establishment of a \$4,979,654 special purpose appropriation in the Emergency Fund for the 2009 fire insurance premium and for severity resources. This is a 6.8 percent decrease from the 2005-07 Legislatively Approved Budget. The Subcommittee also recommended \$2,750,000 Other Funds for two Capital Construction projects for inclusion in House Bill 5006, the statewide Capital Construction bill.

### **Agency Administration**

The Agency Administration program is responsible for policy development, forest resource analysis and planning, information systems support, financial services, personnel, safety and training, central word processing, administration of log branding activities, public affairs coordination, and air operations. The Subcommittee approved a budget of \$2,432,736 General Fund, \$21,126,850 Other Funds, \$774,170 Federal Funds, and 78.85 full-time equivalent positions.

The Subcommittee approved Package 102: IT System Maintenance and Infrastructure. This package provides \$172,250 General Fund and \$152,750 Other Funds to fund contracted resources and software licenses needed to bring the agency's information technology systems up to industry standards and improve information security throughout the agency. Without these necessary upgrades, the agency may not be able to meet the fire reporting mandates. There could also be an increase in system downtime and decrease in agency productivity.

The Subcommittee approved Package 103 – Agency Business Systems, with a modification. The package, as modified, provides \$3,200,000 Other Funds from certificate of participation proceeds and \$1,000,000 Other Funds from the agency's current Other Fund resources to improve agency business systems through the use of enterprise-wide business planning, process, and technology improvement projects throughout the agency. It addresses needed improvements in the business systems including financial, operating, administrative systems, and information access by the public.

The Subcommittee approved Package 806 – LFO Technical Adjustments. This package shifts \$6,350,891 General Fund to Other Funds by shifting funding for one-half of agency administration dedicated to the Protection From Fire program from General Fund to Other Funds. At present, funding for agency administration is prorated among the various agency programs with the exception of the base fire protection program which is 100 percent General Fund. In order to capture the true cost of providing fire protection, the Administration program will charge the Protection From Fire program for these costs which is funded at 50 percent General Fund and 50 percent Other Funds.

## Protection From Fire

The Protection From Fire program is responsible for fire prevention, fire suppression, and treatment of forest fuels. The agency provides fire protection on approximately 15.7 million acres of public and private forestlands. Through the Cooperative Fire subprogram, the Department maintains trained fire fighting crews and facilitates the sharing of interagency resources. The program's Emergency Fire Cost Committee is responsible for the Oregon Forestland Protection Fund (OFLPF), which equalizes firefighting costs across the state and supports the purchase of insurance to protect Oregon against disastrous fire costs. Fire program revenues come from the General Fund and a variety of other sources, including landowner assessments and federal dollars. The Subcommittee approved a budget of \$28,869,001 General Fund, \$59,614,958 Other Funds, \$17,678,581 Federal Funds, \$15,000,000 Other Funds Non-limited, and 412.25 full-time equivalent positions including the establishment of a \$4,979,654 special purpose appropriation in the Emergency Fund for the 2009 fire insurance premium and for severity resources.

The Subcommittee approved Package 110: Restore Reduced Capacity in Fire Program. This package provides \$262,400 General Fund and \$727,400 Other Funds to establish 13 positions (5.43 full-time equivalent) to provide protection levels in line with the actual cost of services required for wild land firefighting. It provides resources to offset several biennial periods of reductions to restore capacity and keep pace with the increasing costs of firefighting resources. The Subcommittee adjusted the package with a technical adjustment to remove the first six months of Public Employees Retirement System (PERS) costs.

The Subcommittee approved Package 114: Smoke Management Capacity. This package provides \$610,688 Other Funds and establishes two permanent, full-time positions (one Natural Resource Specialist 3 and one Principal Executive Manager D) to increase the agency's ability to monitor fuels management and smoke protection activities related to wildfire and prescribed fire on public and private timberlands. It provides the agency with resources for landowner outreach and education programs.

The Subcommittee approved Package 115: Industrial Fire Integration. This package is a technical adjustment to merge the biennial budget of the Industrial Fire Prevention Program into the Protection From Fire budget. This will help reduce budget complexity since industrial fire prevention and education are accomplished through forest fire protection statutes and are based on the same revenue sources. The Subcommittee approved the package by directing the agency to do the technical adjustment without incurring any additional costs.

The Subcommittee approved Package 117: Public Share Fund Acctg. System Redesign. This package provides \$105,804 General Fund, \$245,266 Other Funds and establishes two permanent, full-time positions (one Operations and Policy Analyst 3 and one Fiscal Analyst 1) to enable the agency to accomplish the legislative direction to establish an accounting and budget structure that will clearly show expenditures of General Funds in Public Share Fire Fund activities.

The Subcommittee approved Package 806: LFO Technical Adjustments. This package includes the following items:

- Provides \$540,753 General Fund to pay for fire insurance premium costs for the 2008 fire season.
- Establishes a special purpose appropriation of \$540,753 General Fund in the Emergency Fund to pay the 2009 fire insurance premium costs.
- Establishes a special purpose appropriation of \$4,438,901 General Fund for severity resources. The agency was directed to leverage other resources to maximize state resources for severity expenses, and not expect to receive additional General Fund beyond the special purpose appropriation from the Emergency Fund for severity expenses.

- Provides an additional \$2,739,679 General Fund to accurately reflect agency administration costs in the Protection From Fire program. The balance of the costs (\$3,611,212) will be paid by a transfer of revenue from the State Forestry Department Account established by ORS 526.110 to the Forest Patrol Account.
- Provides \$30,000 General Fund and \$30,000 Federal Funds for implementation of Senate Bill 450 relating to rangeland.

In order to ensure that “in-kind” fire suppression resources made by all parties are accounted for accurately and included in their total contribution, the Subcommittee approved the following budget note:

### **Budget Note**

Beginning with the 2007 fire season, the Department of Forestry is directed to track in detail the actual cost of “in-kind” fire suppression resources from private land owners by district and area excluding mobilization, and provide a quarterly report to the Legislative Fiscal Office. Under the supervision of the Legislative Fiscal Office, the Department shall commission an independent audit of the 2006-07 and 2007-08 fire suppression programs to validate usage and verifiable actual costs incurred by the Department and by landowners. The audit report shall be provided to the interim Joint Committee on Ways and Means or Emergency Board by no later than December 2008.

### **Equipment Pool**

The agency has over 3,500 pieces of equipment in its motor and radio pools. These assets include cars, airplanes, trucks, trailers, heavy equipment, and radios. The Department provides radio communication services for several other state agencies. The Subcommittee approved a budget of \$13,798,979 Other Funds and 30.75 full-time equivalent positions.

The Subcommittee approved Package 120: Equipment Pool Capacity. This package provides \$96,116 Other Funds to establish one permanent, full-time Office Manager 2 position (1.00 full-time equivalent) to restore technical business management and administrative oversight functions that were eliminated in the 2001-03 biennium due to budget reductions. The position will enable the agency to effectively and efficiently meet financial and administrative needs. The Subcommittee adjusted the package with a technical adjustment to remove the first six months of PERS costs.

### **State Forest Lands**

The State Forest Lands program manages state-owned public forests, including the Tillamook, Clatsop, and Elliott forests. The program manages approximately 790,000 acres of land, with the Board of Forestry owning about 656,000 of these acres and the Common School Fund owning the remainder. The program supports itself with timber sale revenues. The Subcommittee approved a budget of \$63,731,249 Other Funds, \$145,102 Federal Funds, and 260.20 full-time equivalent positions.

The Subcommittee approved Package 130: State Forest Lands Capacity. This package provides \$1,456,123 Other Funds to convert 11 existing limited-duration, full-time positions into permanent, full-time positions (11.00 full-time equivalent) to enable the agency to implement the Forest Management Plan. Over the past two biennia, the agency has received authorization from the Legislature for 21 limited-duration, full-time

positions. Organizational changes and improved efficiencies have resulted in a need to convert 11 of these positions to permanent. These positions include six Natural Resource Specialist 1 positions, two Natural Resource Specialist 3 positions, two Forest Unit Supervisor 2 positions and one Facilities Maintenance Specialist 2 position.

#### Urban Forestry

The Urban Forestry program is a new unit shifted from the Private Forest program unit and is responsible for on-site technical, educational, and financial assistance for municipal governments, other public agencies, non-profit groups and civic organizations. The program provides technical information on tree risk assessment, ordinances, inventories, tree care, planting, tree selection, and urban forest management. The Subcommittee approved a budget of \$256,958 Other Funds, \$794,654 Federal Funds, and 3.00 full-time equivalent positions.

The Subcommittee approved Package 140: Urban Forestry, with a modification. This package transfers \$328,456 Federal Funds and one Natural Resource Specialist 3 position (1.00 full-time equivalent) from the Private Forests program to create the Urban Forestry program as a stand alone program. The Subcommittee also stated that if the Federal Funds for these positions is reduced, the agency may request replacement funds from the Legislature at its proposed special session or the interim Emergency Board. The Subcommittee also added one position count in a technical reconciliation adjustment.

#### Private Forests

The Private Forests program (the integration of the Forest Practices and Forestry Assistance programs) administers the Oregon Forest Practices Act, provides technical and financial assistance to forest landowners, provides insect and disease surveys and technical assistance statewide, and conducts effectiveness and compliance monitoring. The Forest Practices Act authorizes the Board of Forestry to develop comprehensive administrative rules that encourage economically efficient forest practices on privately owned land, while encouraging resource protection. The Subcommittee approved a budget of \$11,271,100 General Fund, \$9,122,495 Other Funds, and \$7,101,212 Federal Funds and 115.80 full-time equivalent positions.

The Subcommittee approved Package 114, Smoke Management Capacity. This package makes a reduction of \$197,401 Other Funds and eliminates one permanent, full-time Principal Executive Manager D position (1.00 full-time equivalent) to transfer the Smoke Management sub-program to the Protection From Fire program.

The Subcommittee approved Package 140: Urban Forestry. This package makes a reduction of \$328,456 Federal Funds and eliminates one Natural Resource Specialist 3 position (2.00 full-time equivalent) to establish the Urban Forestry subprogram as a stand alone program.

The Subcommittee approved Package 150: Eastern Oregon Effectiveness Monitoring. This package provides \$272,427 General Fund, \$181,615 Other Funds and establishes three positions (2.00 full-time equivalent) to address capacity issues in Eastern Oregon forest practices monitoring activities. The positions, which consist of one permanent, fulltime Natural Resource Specialist 2 and two seasonal Laborer 2 positions, will be located in Eastern Oregon to implement monitoring projects to document best management practices effectiveness. The Subcommittee adjusted the package with a technical adjustment to remove the first six months of PERS costs.

The Subcommittee approved Package 151: Sudden Oak Death. This package provides \$328,138 General Fund and establishes one permanent, part-time Natural Resource Specialist 1 position (0.75 full-time equivalent) to enable the agency to aggressively act to prevent and mitigate the adverse effects of invasive, non-native species on Oregon's forests, in particular, the Sudden Oak Death. The Subcommittee adjusted the package in the agency's budget request with a technical adjustment to remove the first six months of PERS costs.

The Subcommittee approved Package 152: Restore EBL in Private Forests, with a modification. This package provides \$550,719 General Fund, \$367,147 Other Funds and establishes seven positions (7.00 full-time equivalent) to partially restore monitoring resources reduced in the last three biennia to assist forest landowners to conduct active management of forested riparian areas and meet the riparian protection standards on site-specific basis.

The Subcommittee approved Package 155: Bio Energy Development, with a modification. This package provides \$175,567 General Fund and establishes one permanent, full-time Natural Resource Specialist 4 position to facilitate the development of biomass energy related to forest conditions and management.

#### Nursery

The agency's tree nursery outside of Elkton provides seedlings for state-owned forests, non-industrial private woodland owners, and the general public. The Subcommittee approved a budget of \$4,497,643 Other Funds and 19.11 full-time equivalent positions. The Subcommittee noted that the Department is in the process of selling the Nursery and does not expect the program to continue beyond the 2007-09 biennium. No new crops will be planted after the current crops are harvested or otherwise disposed.

#### Facilities Maintenance & Development Program

Facilities Maintenance & Development Program is solely focused on facilities maintenance activities. The Subcommittee approved a budget of \$3,297,956 Other Funds and 1.00 full-time equivalent positions.

The Subcommittee approved Package 806: LFO Technical Adjustments. This package rectifies a full-time equivalent position rounding error in the Facilities Maintenance & Development Program.

#### Debt Service

This program unit contains the agency's debt service obligations. The Subcommittee approved a budget of \$2,495,634 General Fund and \$1,790,223 Other Funds; there are no positions attached to the program.

The Subcommittee approved Package 185: Business Initiative COP – Debt Service, as modified. This package provides \$319,806 General Fund and \$438,602 Other Funds for debt service and financing costs associated with the issuance of Certificate of Participation (COP) in the amount of \$3,200,000 for improving the agency's business systems through the use of enterprise-wide business planning, process and technology improvement projects throughout the agency. This package supports Package 103 in the Agency Administration program.

The Subcommittee approved Package 186: Major Construction COP – Debt Service, as modified. This package provides \$181,093 General Fund and \$136,744 Other Funds for debt service and financing costs associated with the issuance of COPs for the \$1,500,000 John Day project and \$1,250,000 Sisters project.

#### Capital Improvements

This program maintains 400 structures statewide, many of which were built over 40 years ago. The Subcommittee approved a budget of \$10,402,814 Other Funds; there are no positions attached to the program.

The Subcommittee approved Package 807: Timber Sale Project Costs. This package provides \$6,400,000 Other Funds as one-time resources to offset project costs on timber sales. As a result, revenue distributions to counties will be increased by approximately \$4,160,000. The Subcommittee approved this package with the understanding that this is a one-time expenditure. Future timber sale project costs will return to the current practice of inclusion in the timber sale contract.

#### Capital Construction

Expenditure limitation for Capital Construction projects will be included in House Bill 5006, the statewide Capital Construction bill. The Subcommittee reviewed and recommended approval of \$2,750,000 Other Funds Capital Construction expenditure limitation for two projects: the Sisters Sub-unit Relocation and the John Day Unit Relocation. The source of the Other Funds is certificates of participation proceeds.

### **Summary of Performance Measure Action**

See attached Legislatively Adopted 2007-09 Key Performance Measures form. The Subcommittee approved the following budget note:

#### **Budget Note**

The Department of Forestry is directed to update the Legislative Fiscal Office quarterly on the progress in revising its key performance measures. The Legislative Fiscal Office may request the Department to seek advice or concurrence from an appropriate interim committee on its key performance measures.