

2025-27 Budget Review

Department of the State Fire Marshal

	2021-23 Actual*	2023-25 Legislatively Approved **	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	132,931,606	93,244,943	32,921,013	61,459,624
Other Funds	56,170,391	70,662,942	39,955,687	44,243,149
Federal Funds	756,196	599,769	629,349	629,199
Total Funds	189,858,193	164,507,654	73,506,049	106,331,972
Positions	144	157	157	160
FTE	123.57	155.56	157.00	159.64

* Data reflects actual expenditures within the Department of State Police.

** Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

The Department of the State Fire Marshal (DSFM) was established as an independent agency by HB 2927 (2021), effective July 1, 2023. Prior to that, the State Fire Marshal operated as an office within the Oregon State Police (OSP). The Department is responsible for the protection of people, property, and the environment from fire and hazardous materials, and is organized into six divisions, as follows:

- **Office of the State Fire Marshal** - sets statewide policy and directs the Department; provides guidance for Oregon’s fire service; oversees reporting and strategic planning; and leads fire response and prevention efforts within Oregon’s fire service jurisdictions.
- **Support Services** - provides administrative operations, including budget development and oversight, business support, information technology, and human resource services.
- **Emergency Response** - facilitates emergency response planning and resource coordination to protect citizens, communities, and the environment from fire, hazardous materials spills and releases, and natural hazard events.
- **Regulatory Services** - administers regulatory programs by conducting inspections and tests, as well as issuing permits and licenses.
- **Fire and Life Safety Services** - provides technical support and guidance to assist with fire prevention in public and private buildings.
- **Fire and Life Safety Education** - responsible for statewide programs in fire data and analytics, education on fire prevention and safety, and community risk reduction.

The current service level (CSL) budget represents the cost to continue existing, ongoing, programs and services. The revenue supporting the Department’s CSL includes 44.8% General Fund, approximately 54.4% Other Funds from fees, charges for services, and the Fire Insurance Premium Tax (FIPT), and less than 1% Federal Funds received for hazardous material emergency preparedness from the U.S.

Department of Transportation. Revenue from the FIPT is projected at \$43 million and comprises 74% of the agency's Other Funds revenue. By statute, (ORS 731.820) every insurer with fire coverage pays an annual 1.15% of the gross amount of fire premiums to the Department of Consumer and Business Services, who transfers the revenue to DSFM for the purpose of maintaining the Office of the State Fire Marshal and covering agency expenses.

BUDGET ENVIRONMENT

The Department is still normalizing as an independent agency and identifying necessary infrastructure and organizational structure necessary to be successful on their own. In the 2023-25 biennium, their first as an independent agency, they identified additional IT infrastructure as a need and are working to establish processes and norms to find efficiencies. As part of decoupling from OSP, there are seven locations with shared space with lease dates ending June 2025 where staff will be displaced. Lease costs are currently unknown while the agency works with the Department of Administrative Services (DAS) to locate adequate workspace across the state for impacted employees.

One of the primary functions of the Department is shared responsibility of Emergency Support Function (ESF) - Firefighting. Climate change, drought, and the expanding wildland-urban interface are some of the factors causing Oregon's wildfire risk to escalate significantly. In the 2021 session, the Legislature made substantial investments to proactively address the increasing severity of wildfire seasons as well as the increasing demand for the Department's services. Specifically, SB 762 invested in three different wildfire risk reduction strategies. The first, Response Ready Oregon, increased DSFM's capacity to respond to wildfire; the second established the Community Risk Reduction fund intended to help communities become fire adapted; and the third strategy implemented a statewide defensible space fire code. However, \$80 million of key investments were provided with one-time funds.

In the 2024 session, SB 5701 directed DSFM and Department of Forestry through a budget note to convene a workgroup to identify sustainable options for wildfire funding and to report back to the December 2024 meeting of the Emergency Board with funding strategies and recommendations. This comes on the heels of the 2024 fire season with gross expenditures totaling \$34.6 million for DSFM and was the largest on record for acreage burned, number of conflagrations and consecutive days in a row that the Agency Operations Center was active.

Additionally, DSFM was directed in HB 2484 (2023) to coordinate the urban search and rescue functions for the state as well as report recommendations to the Legislature in September 2024. Urban Search and Rescue (USAR) provides highly trained personnel and specialty equipment response in the event of large-scale catastrophic events or structural collapses. This function was previously coordinated by the Office of the State Fire Marshal within the Oregon State Police with federal funding post September 11, 2001, through 2008 and then disbanded in 2012. In addition to sourcing people for the teams, training plans and facilities would need to be established, and specialty equipment would need procured and stored with strategic placement for deployment in the event of a call to action.

The passage of HB 2426 in the 2023 session expanded the allowability of self-serve gasoline across the state with guidance and restrictions. Outreach on rules and compliance enforcement is under the jurisdiction of DSFM with the ability to impose civil penalties for non-compliance. To date no civil

penalties have been imposed and responses have been based on complaints only. Proactive monitoring has not occurred due to lack of staff capacity.

CURRENT SERVICE LEVEL

The 2025-27 current service level (CSL) budget for the Department totals \$73.5 million and includes 157 positions (157.00 FTE). This represents a decrease of 55% from the 2023-25 legislatively approved budget for DSFM. This reduction is largely due to the phase-out of \$64.5 million General Fund and \$34.6 million Other Funds expenditure limitation related to one-time expenditures approved in 2023-25. In total funds these phase outs include:

- \$72.4 million for fire costs and mobilization fund;
- \$8.4 million that was carried forward for the engine program and apparatus maintenance;
- \$4.6 million for agency start-up costs;
- \$7.6 million for community risk reduction; and
- \$6 million for Upstaffing grants.

GOVERNOR'S BUDGET SUMMARY

The 2025-27 Governor's budget includes over \$106.3 million total funds and 160 positions (159.64 FTE). The Governor's budget is comprised of \$61.5 million General Fund, \$44.2 million Other Funds, and \$629,199 Federal Funds. The total funds budget represents an increase of nearly \$33 million, or 45% above CSL, and includes three additional positions (2.64 FTE). In addition to adjustments for statewide Attorney General and DAS assessments, the following packages are included in the Governor's budget:

Support Services Division

- Package 103 - This package authorizes \$4.1 million Other Funds expenditure limitation to establish an electronic submission process for local entities to request reimbursement for conflagrations, establish an office in Southern Oregon, and adds information technology infrastructure and business process mapping. \$1.8 million of this is a one-time request. The revenue source is Fire Insurance Premium Tax. The Department has a sufficient beginning balance and estimated revenues to support this.

Emergency Response Division

- Package 090 - This package includes \$10 million General Fund for Upstaffing grants, \$3 million General Fund for repositioning and readiness response activities, \$15 million General Fund for a one-time deposit into the Mobilization Fund for wildfire season costs, and fund shifts one position from General Fund to Other Funds.

Regulatory Services Division

- Package 102 - This package establishes one permanent position (0.88 FTE) and \$299,208 General Fund to enforce self-serve gasoline regulations passed in HB 2426 (2023).

Fire and Life Safety Education Division

- Package 090 - This package reduces remaining General Fund special payments of \$43,897.
- Package 103 - This package establishes two permanent positions (1.76 FTE) and \$611,264 General Fund to reduce the size of geographic regions covered in the Community Risk Reduction program to support local entities and socially vulnerable populations.

OTHER SIGNIFICANT ISSUES

The agency was directed to propose additional Key Performance Measures (KPM) and a new appropriation structure prior to the 2025-27 budget per KPM adoption in HB 5036 (2023) and a budget note in SB 5701 (2024). With a record-breaking fire season and first biennium as an independent agency, this has not occurred. The Department will need to work with Department of Administrative Services (DAS) Chief Financial Office (CFO) and Legislative Fiscal Office (LFO) to establish a structure and metrics that provide transparency while maintaining flexibility to be responsive when events occur.

Under ORS 476.510-476.610, the Department is responsible for costs associated with mobilizing local fire service personnel and equipment to respond to governor-declared conflagrations. The Department does not have a designated line item or budget appropriation to pay for conflagration response. Historically, the Office of the State Fire Marshal (OSFM) reimbursed local fire service for conflagration response and subsequently sought reimbursement from the state for costs not reimbursable by the Federal Emergency Management Agency (FEMA) through the Fire Management Assistance Grant. This method causes the agency to borrow funds intended for other programs to pay all monies owed to the local fire service upfront, so they are not carrying a state debt. While the OSFM budget existed within the largest appropriation for OSP, cash flow was less of a concern. As DSFM is an independent agency beginning in 2023-25, fire costs have had a proportionally larger impact on cash flow, and it will be incumbent upon the agency as well as statewide fiscal leadership to continue to monitor DSFM's cash position closely. With the timing of short session and scheduled meetings of the Emergency Board coupled with the agencies cash reserves, cash flow has not been an issue during the 2023-25 biennium for DSFM. Should cash reserves deplete, federal reimbursement timelines lag, record high-cost fire seasons occur, or any combination thereof this could result in a cash flow issue for the agency. Routine reporting and oversight of cash flows should be maintained between the agency, DAS CFO, and LFO.

KEY PERFORMANCE MEASURES

A copy of the Department of the State Fire Marshal Annual Performance Progress Report can be found on the LFO website: https://www.oregonlegislature.gov/lfo/APPR/APPR_DSFM_2024-09-30.pdf

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