

ANALYSIS

Department of Forestry Cash Flow Repayment Fund

Analyst: April McDonald

Request: Acknowledge receipt of a report on the status of the State Forestry Department Cash Flow Repayment Fund.

Analysis: SB 5801 was passed during the 2024 1st Special Session, in response to the unprecedented cost of the 2024 wildfire season. The measure provided resources to the Oregon Department of Forestry (ODF) and the Department of the State Fire Marshal to cover fire costs and ensure the agencies remain solvent while processing payments and awaiting the receipt of federal funds and cost recoveries. The legislature approved, on a one-time basis, \$191.5 million General Fund for ODF, including a direct appropriation of \$82.1 million to cover the remaining net emergency fire costs, and \$109.4 million for deposit into the State Forestry Department Cash Flow Repayment Fund, established by ORS 526.122.

Monies deposited into this fund are continuously appropriated to ODF and are expended as Other Funds. The Fund includes statutory requirements for repayment to the General Fund when the monies available to the Department are greater than necessary to satisfy cash flow needs, and any unspent monies in the Fund will revert to the General Fund at the close of the biennium. As per ORS 526.123, the Department is required to report to the Joint Committee on Ways and Means before March 31, 2025, on the status of the Department's cash flow and the Fund.

The Department has submitted a timely report meeting the direction of ORS 526.123, which requires inclusion of the following information:

1. The cumulative amounts made available to the Department for cash flow purposes total \$159.4 million General Fund. This includes \$50 million allocated in June 2022 from the special purpose appropriation to the Emergency Board for ODF cash flow, and \$109.4 million deposited into the Fund in December 2024, per SB 5801.
2. The amounts deposited in the State Forestry Department Cash Flow Repayment Fund: \$109.4 million General Fund.
3. The current balance remaining in the Fund: \$17.5 million.
4. The amount currently in use for cash flow purposes: \$141.9 million - this includes the total appropriated to ODF for cash flow, less the remaining Fund balance.

Additionally, the Department's report discussed outcomes of the 2024 appropriation, most notably, ODF processed \$110 million worth of payments within eight days, paying all submitted vendor invoices by December 31, 2024. ODF reports the funding provided through SB 5801 successfully stabilized cash flows and ensured timely vendor payments.

Recommendation: The Legislative Fiscal Office recommends acknowledging receipt of the report.

Department of Forestry Filimoehala

Request: Report on the State Forestry Cash Flow Repayment Fund by the Department of Forestry.

Recommendation: Acknowledge receipt of the report.

Discussion: The Department of Forestry (ODF) is appearing before the committee to report on the status of the State Forestry Cash Flow Repayment Fund (Fund) as required by ORS 526.122. The Fund was established in 2022, and initially provided a deposit of \$50 million General Fund to allow ODF to meet payment obligations following an escalation of fire season costs beginning with Fire Season 2020. The Fund was established with the intent to provide funding to ODF for cashflow purposes and includes a clause that reverts monies in the fund back to the General Fund at the end of the biennium. The intent of the reversion clause was for ODF to use the Fund repay monies after receiving federal reimbursements. Subsequently, the 2024 Fire Season more than doubled the previous most costly fire season resulting in the 2024 Special Session, which appropriated an additional \$109.4 million General Fund for deposit into the Fund.

The composition of the ODF budget does not include separate allocations for large fire costs. A \$10.0 million cost share provided by the Oregon Forestland Protection Fund exists as a pool of money available but is directed by the Emergency Fire Cost Committee. The lack of budget for large fire costs has typically been a burden for the Department to carry while reimbursements come from the General Fund and federal partners. ODF routinely uses funding allocated to non-fire related programs to cover fire season costs as a way to pay vendors each year. The Fund, which does not routinely receive deposits, is the only mechanism ODF has outside of using non-fire funding to cover expenses for large fires.

Since the deposit of \$109.4 million made in the 2024 Special Session, ODF paid all vendors who submitted invoices prior to December 31, 2024. The Fund currently holds \$17.5 million following payments out to vendors of nearly \$91.9 million, which ODF is reserving to ensure cashflow is sufficient into the onset of the 2025-27 biennium. Per current statute monies in the Fund will revert to the General Fund at the close of the 2023-25 biennium. ODF will need to take additional actions utilizing the remaining \$17.5 million in the Fund to allow for cashflow at the onset of the 2025-27 biennium.



Oregon

Tina Kotek, Governor

Department of Forestry
State Forester's Office
2600 State St
Salem, OR 97310-0340
503-945-7200
www.oregon.gov/ODF

February 3, 2025

Senator Kate Lieber, Co-Chair, Co-Chair
Representative Tawna Sanchez, Co-Chair
Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

RE: Report on the State Forestry Cash Flow Repayment Fund

Dear Co-Chairs:

Nature of the Request

The Oregon Department of Forestry (ODF) respectfully requests the opportunity to appear before the Joint Committee on Ways and Means to provide a status report on the State Forestry Cash Flow Repayment Fund, in accordance with ORS 526.122.

Agency Action

The State Forestry Cash Flow Repayment Fund was established during the 2022 Legislative Session through HB 4156, Section 3, with reporting requirements to the Joint Committee on Ways and Means. In the same session, HB 5202, Section 312, appropriated \$50 million in General Fund to the Emergency Board to help the department address cash flow issues due to fire season costs.

In June 2022, the Emergency Board released this \$50 million under Item 48 to assist with the department's cash flow needs. This amount was fully utilized in AY23, and no deposits were made into the Cash Flow Repayment Fund due to cash flow constraints.

In response to the unprecedented costs of the 2024 fire season, the Governor convened a special legislative session in December 2024. The fire season, the most expensive in Oregon's history, resulted in gross costs exceeding \$300 million. Under Oregon's wildfire funding system, the department must pay vendors upfront and later seek reimbursement through mechanisms such as FEMA, federal allocations, and cost-share

agreements. These reimbursements often involve extensive audits, delaying fund recovery.

During the special session, the Legislature appropriated \$109,368,186 in General Fund to address cash flow needs arising from the historic 2024 fire season, which incurred gross costs exceeding \$300 million. The full amount was deposited into the Cash Flow Repayment Fund, with \$91,868,186 currently in use for this biennium. The remaining balance in the fund is \$17,500,000, while the total amount in use for cash flow purposes by the department stands at \$141,868,186.

With the funds from the special session, the department prioritized paying vendors as quickly as possible. The ODF Accounts Payable Unit, having prepared diligently throughout the fire season, processed \$110 million worth of payments within eight days, with all vendors who had submitted invoices paid by December 31, 2024. This achievement strengthened relationships with the department's contractor partners who are a critical piece of the state's complete and coordinated wildfire protection system.

Throughout the 2024 fire season, the department maintained open communications with key stakeholders, including the DAS Chief Financial Office, Legislative Fiscal Office, and Governor's Office.

Proactive measures included:

- Communicating with fire vendors about emerging payment challenges due to cash flow constraints and making them aware of potential delays.
- Providing weekly financial reports to the Chief Financial Officer and State Forester, increasing to daily updates as the season progressed.
- Tracking all funds meticulously to ensure accountability and transparency.

These efforts allowed the department to demonstrate its clear commitment to financial oversight and the value of the substantial financial policy and process improvements the department has made in recent years.

The Department of Forestry effectively managed the challenges of the 2024 fire season to the best of its ability through diligent financial oversight, efficient resource allocation, and transparent communications about its cash flow. The December 2024 special session funding enabled the department to stabilize cash flow, ensure timely vendor payments, and maintain trust among partners. Moving forward, the department

remains committed to financial transparency, open lines of communication, and rigorous financial management, while also leading statewide efforts to address the evolving demands for wildfire funding.

Action Requested

The Department of Forestry (ODF) respectfully requests that the Joint Committee on Ways and Means accept this status report on the State Forestry Cash Flow Repayment Fund, submitted in accordance with ORS 526.122.

Legislation Affected

None.

Sincerely,



Kate Skinner
Acting State Forester

c: Legislative Fiscal Office
Chief Financial Office
Board of Forestry
Governor's Office