

Department of Forestry

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
General Fund	166,273,229	167,377,154	296,979,504	161,851,833	169,120,333
Lottery Funds	2,543,445	2,564,210	2,564,210	2,557,080	2,557,080
Other Funds	351,944,712	310,849,227	425,817,834	335,376,852	347,242,173
Federal Funds	22,890,433	41,395,153	61,303,485	43,838,515	43,813,031
Total Funds	543,651,819	522,185,744	786,665,033	543,624,280	562,732,617
Positions	1,184	1,335	1,399	1,371	1,434
FTE	859.99	1,006.07	1,030.03	1,039.21	1,096.77

* Includes Emergency Board and administrative actions through December 2022.

Program Description

The Oregon Department of Forestry (ODF) was established in 1911. ODF is directed by the State Forester who is appointed by the State Board of Forestry. The Board's seven members are nominated by the Governor and confirmed by the Senate.

During the 2021-23 biennium, ODF initiated a reorganization of programs due, in part, to the implementation of portions of the Private Forest Accord (SB 1501, 2022), and the implementation of comprehensive strategies to promote wildfire risk reduction, response and recovery activities through SB 762. The prior organizational structure consisted of four operating programs: Fire Protection, Federal Forest Restoration, State Forests, and Private Forests supplemented and supported by centralized business services divisions of Agency Administration, Equipment Pool, and Facilities Management.

The change consolidated the Federal Forest Restoration program and the Private Forests division, housing the combined and expanded programs as the Forest Resources Division. This division is the primary administrator of the Oregon Forest Practices Act providing education, inspection, and enforcement of the lawful management of Oregon forestlands along with collaborative activities including monitoring and improving forest health, urban forestry, and the operation of the tree-seed orchard. The subsumed Federal Forest Restoration program works to increase the pace, scale, and quality of restoration on Oregon's federal forestlands. The program partners with federal field staff to identify and develop project-level agreements to implement Good Neighbor Authority projects. With the passage of SB 762 (2021) establishing a small woodlands grant program, and the passage of SB 1501 (2022) providing additional staff and funding to support financial and technical assistance programs for small woodland owners, the Small Forestland Owners Assistance Office was also created as a program within the Forest Resources Division to manage this workload. At 204 authorized positions, the Forest Resources Division is just slightly smaller than the State Forests Division, making it the third largest program at the agency.

The Fire Protection Division protects roughly 16 million acres of private and public forestland with a coordinated system of 12 fire districts comprised of 9 ODF operated districts and three private forest protection associations along with other associated federal, state, and local agencies. The Fire Protection Division is the largest program at the agency with 789 authorized positions. A significant percentage of these positions are part-time or seasonal however, accounting for just 470.5 FTE.

State Forests operations include forest development and the management of Board of Forestry and Common School Trust lands. State Forests manage roughly 762,723 acres of state forestland for a variety of public purposes including timber sales that provide revenue for the counties in which a sale takes place, the Common School Fund, and to fund the operation of the program. Statute defines these purposes as managed to secure greatest permanent value of those lands to the state. The Department of Forestry makes the definition of greatest permanent value via administrative rule declaring it to mean “healthy, productive, and sustainable forest ecosystems that over time and across the landscape provide a full range of social, economic, and environmental benefits to the people of Oregon.” The division operates with 213 authorized positions funded through an enterprise revenue model that shares forest harvest receipts between the division and the counties where the timber is harvested.

The Forest Resources, Fire Protection, and State Forests divisions make up the three primary operating programs of the agency. Supplementing the existing centralized supporting Agency Administration division, the newly minted Planning Branch was established to primarily provide staff support to the State Forester and the Board of Forestry on complex strategic and resource planning issues, and relationship needs. This new 23-position division pools existing staff from operating and administrative divisions to meet its needs. Additional centralized business functions include the Equipment Pool, Facilities Maintenance and Management, Capital Budgeting, and Debt Service.

CSL Summary

Beginning with the 2021-23 Legislatively Approved Budget, adjustments are made both in the base budget and through essential budget packages to arrive at the current service level (CSL) budget for the 2023-25 biennium. The current service level contains the cumulative authorized expenditure and staffing levels for ongoing program activities and specific limited-duration activities. There are automated adjustments to the base budget that account for standard inflationary factors, changes to personal services for roll-up costs of permanent positions, elimination of limited-duration positions and associated costs, anticipated debt service, and non-limited expenditure authority. Essential package adjustments include the phase-in of ongoing programs that were not fully budgeted in the prior biennium, phase-out of one-time or expiring expenditure authorizations, extraordinary inflation, technical adjustments, and revenue shortfall adjustments.

The current service level budget for the agency increases by \$21.4 million (4.1%), all funds, from the legislatively adopted budget for the 2021-23 biennium. This increase is primarily expressed in an increase in Other Funds expenditure limitation of \$24.5 million, offset by a reduction in General Fund of \$5.5 million. The General Fund reduction is a bit misleading since \$17.2 million in one-time General Fund

expenditures were included in the legislatively adopted budget. Excluding these one-time expenditures, ongoing General Fund expenditures actually increased by nearly \$10 million. A comparison of the current service level to the legislatively approved budget for the 2021-23 biennium is irrelevant due to the inclusion of emergency fire costs for the 2021 and 2022 fire seasons.

The 2021-23 biennium provided unprecedented investment in the activities of the Department of Forestry. Senate Bill 762 (2021) included \$54 million General Fund (\$67 million all funds) and added 108 positions (98 permanent) for the implementation of a statewide comprehensive strategy to promote wildfire risk reduction, response, and recovery. An additional \$14 million General Fund (\$16.7 million all funds) and 58 positions (50 permanent) was included in Senate Bill 1501 (2022) for the implementation of changes to the Forest Practices Act developed under the Private Forest Accord. These two changes alone increased staffing nearly 13% from the 2019-21 biennium. The majority of the increased funding and staff capacity carries on to the current service level, however certain one-time expenditure authorizations have been phased-out.

One-time funding in SB 762 of \$15 million General Fund for private landowner rate subsidies was phased out of the current service level budget. Those subsidies were included to provide a smooth transition to the increased cost structure for private landowners due to the expansion of fire protection services contained in the bill. There was also \$5 million General Fund provided in SB 762 to fund grants to small woodland owners for wildfire risk reduction projects. This funding was not removed at the Current Service Level but there is conflicting documentation on whether the funding was to continue or was intended to be one-time-only.

A mixture of \$4.16 million General Fund and \$2.6 million Other Funds provided in SB 762 for one-time enhancements to wildfire capacity that included equipment purchases, fire detection cameras, and tower buildings in the 2021-23 biennium. The expenditure authorization for those items has been removed from the budget at the current service level.

The current service level phases-out \$10.5 million, all funds, for the cost of activities supporting the initial implementation of the Private Forest Accord that were contained in SB 1501. These included contracted assistance in development of a statewide Habitat Conservation Plan, landslide and hydrology modeling, LIDAR mapping, vehicle purchases, compliance monitoring framework development, and required technology updates.

There are 22 limited duration positions (12.18 FTE) that had been authorized in the prior biennium that are eliminated in the 2023-25 base budget. Although the majority of the personal services and associated expenditures for limited duration positions are removed in the base, there are residual non-PICS services and supplies expenditures related to the positions that are not removed in the base, but are included as reductions in the 010 and 022 essential packages as part of the current service level.

The Legislature approved the issuance of general obligation bonds to fund capital improvement projects for ODF totaling just over \$4.8 million. Due to personnel constraints related to the pandemic, the agency has not been able to move forward on these projects and has requested that the bonds not be sold during the current biennium, but be reauthorized in the upcoming 2023-25 biennium. Expenditure limitation related to the bonds, including cost of issuance, was provided for the current biennium but was not phased-out of the agency's budget at the current service level. To avoid the doubling of expenditure limitation related to the bond proceeds, that limitation will need to be removed from the budget pending the reauthorization of bonding authority in the 2023-25 biennium.

Policy Issues

Although the Private Forest Accord was heralded by many, there remains a persistent concern brought forward by small woodland owners that the changes to the Forest Practices Act unfairly limit their ability to continue profitable operations. There are also requirements that were contained in the accord that provide timelines for the development of the habitat conservation plan and obtaining an incidental take permit under the Endangered Species Act. If those timelines are not met, or if the adherence to forest practices rules relating to the habitat conservation plan create a substantive cost to forestland owners, many of the Private Forest Accord changes could be reversed or abandoned.

Senate Bill 762 required the development of a statewide map of wildfire risk at the property ownership level. The map was developed by Oregon State University (OSU) with input from a rules advisory committee convened by the Department of Forestry. ODF released a preliminary map in June of 2022 as required by the bill. The following August, the wildfire risk map was withdrawn due to significant protests by landowners and others that believed that the map did not adequately present individual property wildfire risks. An appeals process had been set up for individuals to make their objections known, but that appeals process is currently suspended. OSU has stated that they will work with the Oregon Department of Forestry (ODF) to identify and evaluate science-based, objective potential changes to the statewide wildfire risk map, but no timetable has been set for the revision.

Governor's Budget Summary

A request for the establishment of a Special Purpose Appropriation for severity resources was included again this biennium. The Governor's budget requests this to be established directly with the Emergency Board and is, therefore, not technically included in the proposed budget for the Department of Forestry. In the 2021-23 biennium, the Legislature provided a \$14 million General Fund special purpose appropriation to the Emergency Board for severity resources (\$7 million per year for the 2021 and 2022 fire seasons). This was a significant departure from previous years where the General Fund had been appropriated at \$2.0 million annually in accord with the statutory funding limitations of the landowner support for these activities through the Oregon Forest Land Protection Fund (OFLPF). The limit caps the expenditures from the fund for severity resources to the lesser of \$3 million or 3/5ths of the total expended on severity resources in each fire season from all funds.

The Governor's budget makes a series of adjustments to position funding allocations, increased vacancy savings, and position reconciliation to affect reductions from the Current Service Level of \$2,778,094 General Fund and \$113,054 Other Funds. Additionally, reductions in

program support of \$7.9 million General Fund for Landscape Resiliency grants and \$2 million General Fund for Small Forestland grants are supported in the Governor’s budget, leaving residual ongoing funding of \$12.1 million General Fund and \$3 million General Fund for these programs. Those reductions are partially offset by carrying forward \$6 million General Fund for a series of projects that were included in SB 1501 (2022) that will not be completed prior to the end of the 2021-23 biennium.

The Governor’s budget includes expanded funding for two programs established, but not funded as a part of SB 1501. The package requests \$7 million General Fund for deposit in the Small Forestland Investment in Stream Habitat Program Fund (section 18 of SB 1501) for distribution to small forestland owners as grants for stream habitat protections. An additional \$6 million General Fund is included in the package to fund recommended activities of the Adapted Management Program Committee.

There are two projects currently under way for which the Governor’s budget has included one-time Other Funds expenditure limitation to allow for the expenditure of insurance proceeds received by the agency:

- Replacement of the Klamath Lake District’s fire cache facility - \$1.5 million
- Replacement of the North Cascade District’s Santiam administration office building - \$2.5 million

The Governor also proposes to reauthorize \$4.8 million in bond funding to address deferred maintenance issues. This funding is intended to replace the funding from bonds that were authorized, but not issued in the 2021-23 biennium for capital improvements.

Other Significant Issues and Background

The Oregon Supreme Court declined to hear an appeal of the appellate court’s decision on a law suit brought by a number of Oregon Counties against the Department of Forestry over the definition of “greatest permanent value” and revenues from the management of Oregon’s state forests. The decision leaves the appellate court ruling from April of 2022 in place, vacating the \$1.1 billion plus interest judgement against the Department of Forestry from the Linn County District Court.

Key Performance Measures

A copy of the Oregon Department of Forestry’s Annual Performance Progress Report can be found on the LFO website:

https://www.oregonlegislature.gov/lfo/APPR/APPR_ODF_2022-07-28.pdf