



MEETING NOTES

2015 Fire Program Review, Sustainable Large Wildfire Funding Work Group

March 1, 2016

Oregon Department of Forestry
Santiam Room – State Forester’s Office Operations Bldg. D
2600 State St., Salem, OR

Welcome and introductions

- Committee members and guests introduced themselves and their representation.

Opening remarks and identification of new concepts

- Opening statements were made by Fire Program Review Committee Chair Doug Grafe, thanking everyone for the increased support that the work group was receiving. Two key pieces of concern for him were fire fighter safety and fire funding. The group was challenged with creating a deliberate and thoughtful process, as opposed to creating recommendations that are reactive. Recognizes that this is not something the agency can handle solely on an internal basis, which further recognizes the critical needs of having broad representation within the work group.
- Work Group Co-Chairs Tim Keith and Dave Lorenz commented that their hope is to take the recommendations and fine tune them with further work group input for presentation to the Fire Review Committee on March 14th.
- Kristina McNitt asked for the agenda to include meeting minute approval. She noted on the last page of the minutes from Feb. 3, in section 6, the first bullet under the heading ‘Other Thoughts’, the wording suggests that severity funds and initial attack investments were better routes to consider, over a trust fund concept. Her feeling was that the trust fund concept was still a key component of the work group’s goals and that the wording of the notes conveyed a different message. Other group members remembered the idea regarding what to do with the payouts of derivatives and possibly putting those into severity. Doug Grafe and Ross Holloway agreed to make the clarification on what the comment was truly stating. Committee agreed to move forward without a formal meeting note approval process, but allow for comments or suggestions to be brought forth in future meetings.

New Information

- Andrew Yost, ODF Forest Ecologist, presented his slideshow entitled ‘The Normal Fire Environment, Modeling Large Wildfire Suitability using Past, Present and Future Climate Normals’. Using historic, geospatial and scientific measurements, as well as statistical modeling, a fire prediction model was created that showed a high degree of accuracy in predicting future fire behavior in the Pacific Northwest area where increased fire behavior is expected to occur. Overall, the model predicted areas suitable for large fire activity in the Pacific Northwest, given current climate change models, will continue to increase over the next 100 years. Pete Sikora wondered how the model would change if Federal lands were factored out, or differently, due to different fire management styles. The model’s intent is to highlight the conditions that make certain areas in the Pacific Northwest more susceptible to fires, and how these areas are on a path to increase their vulnerability to large wildfires given climate change predictions.
- Dave Lorenz observed that the core information indicates that the trend of acres suitable for large fire growth is increasing. This likely means that our 10 year average of acres burned as well as

firefighting costs will also likely trend slightly upward. The committee's goals should include adaptations that will be suited to match this changing environment.

- Feedback from the work group regarding the suitability of the presentation for the Fire Review Committee was requested prior to their March 14th meeting.

Background

- Historical information for acres burned on ODF protected lands was presented by Co-Chair Dave Lorenz via a series of handouts, which outlined (the ski slope graph) various fire statistics over the last 23 years. The fire statistics presented focused on fires that affected acres burned on ODF protected lands, and did not show ODF fires that burned onto other lands, such as the Forest Service. Comment was made on a fire graph that showed industrial landowner fire starts having resulted in a lower amount of acres burned; and if management practices could be a positive contributing factor to fires not growing substantially in size. It was questioned whether a rate re-evaluation would be considered for landowners who keep forest fuel hazards low and make investments that aid in firefighting.
- The work group wanted to see costs for the acres burned, with Nancy Hirsch giving a rough estimate of \$1,000 per acre, but it was counseled to remember that fire costs are not attributed down to a per acre level, so creating informational graphs that highlight a fire's cost per acre would be difficult; but a gross estimate attempt could be made in the future. Work group members still voiced desire to see fire perimeter, fire cost and land management data included with the graphs.
- The final graph presented fires by land classification, with private landowner starts seeing a dramatic increase starting in 2013. Work group members wondered as to possible reasons for this increase, whether there is a decline in fire prevention education or the implied relationship between climate changes and wildfire susceptibility across the landscape. Nancy Hirsch mentioned that the previous couple of years had very low numbers in terms of human caused fires. This combined with prolonged severe fire danger contributed to more human caused fires in 2016.

Recommendations

- Co-Chair Tim Keith began by reviewing the committee's principles and assumptions. Under number 1.d, it was asked to remove the word 'forest' before 'landowners' as the work group felt it unnecessarily constrained the definition. Comment was made regarding how the OFLPF is funded in totality and how this has shifted in the last 20 years since the NW Forest Plan in terms of total contributions from the BLM, especially on the west side. Some members of the work group feel that due to declines in BLM harvest levels, there is less funding coming from the BLM into the OFLPF and maybe this fact should be incorporated into the principles. It was also felt that using General Fund language was limiting, and suggestion was made for using 'public dollars'; which may allow for lottery dollars.
- **Trust Fund** – Recommendations reviewed, with Co-Chair Tim Keith leading discussion. Dave Lorenz provided examples of statutory and constitutional trust funds, with the work group voicing support of looking into constitutional fund options more closely. Phil Adams did counsel that it would be difficult to make future adjustments to a constitutional trust fund. When creating such a fund it would be important to ensure it is robust enough to handle future changes.
- Fund amount suggested for \$60 million.
- Would the maximum fund balance be adjustable by a trustee? It was also asked whether excess funding could be utilized to reduce risk, such as fuels management. Concern was voiced about allowing excessive funds to be utilized outside of covering emergency fire costs and how that

would be viewed by the Legislature. Could an excessive fund balance give a false perception that fires are under control? Also, does the work group want to create a trust that is linked to a specific insurance policy, which may limit insurance policy options?

- A scenario was questioned in which a worst year occurred, the insurance was expended and the General Fund then had unlimited exposure; would the fund be able to be utilized or would it just be part of the cake and anything extraordinary would still be a General Fund Emergency Board conversation? Tim Keith felt that it could be a choice for the work group to decide. Recommendation currently does not flesh out this concern. It was proposed to focus on the gap, and above the insurance level it would be General Fund exposure; with the hope that the 150% trust fund level set would typically prevent that. Overall, the work group wanted to see the language made clear that the trust fund would be to support the gap.
- Have flexibility built into fund, such as it being self-insured and broad enough to grow and be responsive to new ideas over time.
- Need to have firm concept of what a trust fund looks like, for presenting it to Fire Program Review Committee on March 14th. Make sure that the recommendation is built sturdy enough to handle a fire season that could be conceivably bigger than anticipated. Would a legislator feel confident this proposal reduced their risk and reduced the likelihood for very large requests to the E-Board? The work group as a whole felt that this was the goal of the recommendation, in that it is key for it to reduce that risk.
- **Insurance** –State Forester Doug Decker started out the discussion. He emphasized Lloyd’s of London as being an insurance marketplace, with multiple underwriters within the Lloyd’s market. Conversation then moved toward parametric policies and the importance of the committee creating clear trigger points by which the contract would initiate payment, after which the cost of such a policy would be defined. ODF wishes to also maintain Oregon’s business relationship with Lloyd’s. The deductible does not appear to be in position to be reduced for 2016, but a possible premium reduction has been discussed. A key message from State Forester Decker was that insuring ODF continues to be a desirable option for underwriters due to policies being sought that do not include catastrophic loss. Currently large multinational companies are buying up insurance companies. This could limit the Agency’s future ability to obtain policies due to these new owners moving toward wanting models that offer stronger predictability on their investment return, which is inherently difficult to do with wildfire.
- Jeff Friesen with Willis briefly presented on the outcomes of the February Lloyd’s meetings. ODF asked for a lowering of the retention (deductible), with response being that 1 year was not enough. They did, however, come in with a significant policy premium reduction of 8%, taking the policy from \$3.75 to \$3.45 million. They also offered a 20% increase in capacity, \$25M to \$30M in policy coverage. Parametric options were also discussed and it was felt that, with added triggers suggested by ODF, there is confidence that a policy could be offered that included acres burned and costs expended as the triggers (not use drought indices as a parametric trigger). Doing a parametric on a multi-year deal could also be a consideration, which would reduce overall premium due to less risk for the insuring company and could give an insurance company an on-going sense of being partners with ODF (year-to-year policy purchase as opposed a multi-year ‘partnership’ relationship). It was asked if parametric triggers could include the ability to be activated before fire season in order to be more pro-active in fuels management, particularly during a year with bad drought indices. If a parametric policy were to trigger, what is the likelihood that it would be in time for the funds to be utilized most effectually for severity given resource constraints that inherently occur as a fire season deepens? Some key constraints to consider would be resource availability both locally and nationally and hiring timeframes from

initiation to boots on ground. It was felt that this idea does not work for gap funding. Parametric payments would be exempt from the OFLPF.

- Tim Keith clarified that the severity topic is outside of this committee's purview, and will be brought to the attention of the Sustainable Fire Organization group.
- It was clarified that the insurance fees go to the State Fire Marshal and that all insurance premiums have both taxes and fees. ODF's policy would be an admitted policy, meaning the taxes and fees are in addition to the policy, as opposed to being hidden. The Fire Marshal tax is .2% and Surplus Line premium tax is 2.3%, and it was questioned if the state should consider whether it should be fully exempt from both taxes?
- **OFLPF** – Concern raised that removing strategic investments, as well as insurance premium costs, out of the fund could result in an unlimited fund cap. Could strategic investment and cost expenditures have caps placed and overall the annual expenditure cap raised from \$13.5M? It was felt that putting limits on what kind of expenditures can hit the fund needs to be more fully outlined. Ideas of finding methods that would increase the OFLPF fund limit [of \$22.5M and \$30.0M] were discussed, which brought forth further ideas that there is not yet enough information to decide if an increased limit is truly necessary yet. Consider creating caps on both strategic investments and insurance premium costs, as opposed to removing them entirely. Consider creating a trigger that would lead to releasing funds for strategic investments if the OFLPF balance is above \$22.5M above the \$13.5M expenditure cap. This would occur as long as the strategic investments do not take the OFLPF below the \$22.5M threshold, that way the rates would stay at the 50% level that is in effect when the OFLPF balance exceeds \$22.5M.
- Equity between the OFLPF and the General Fund currently exists for the first \$20M of large fire costs. There is concern that making all the elements of the co-chair recommendation part of a package could put the OFLPF at risk and negatively affect the equity that currently occurs. Insurance could be an option that either ODF or OFLPF could consider purchasing on their own.
- Overall, the committee did not object to pulling the administrative costs from under the \$13.5M annual expenditure cap.
- **Fund Limits** – potential for drawdown to occur with the OFLPF, resulting in suggestion to keep the upper OFLPF threshold at \$30 million
- **General Consensus** – the consensus after this discussion was to leave insurance policy payments and strategic investments under the annual \$13.5M OFLPF spending cap, but to support removing administration costs from the cap. It was stated that if the trust fund was created as recommended by the work group, it might then be an appropriate time to reconsider what expenditures would remain under the \$13.5M cap.

Miscellaneous Concepts

- BLM lands and OFLPF / Increased assessments on unmanaged lands
 - Co-chairs will present these topics to the Fire Review Committee, noting that they will be discussed further at later funding work group meetings.

Wrap-up and next meeting

- Dave Lorenz wrapped up meeting, expressing his feeling that the meeting was a strong success with good progress on vetting recommendations. Work group suggestions and comments will be summarized and presented at the next meeting of the Fire Program Review Committee on Monday, March 14, 2016.

Attendees

- Tim Keith, EFCC Administrator, Large Fire Funding Work Group Co-Chair
- Dave Lorenz, ODF Southern OR Area Director, Large Fire Funding Work Group Co-Chair
- Doug Decker, ODF State Forester
- Nancy Hirsch, ODF Deputy State Forester, Fire Program Review Committee Vice-Chair
- Tom Imeson, Chair, Board of Forestry
- Doug Grafe, ODF Protection Division Chief, Fire Program Review Committee Chair
- Brett Brownscombe, Governor's Natural Resource Office
- Ross Holloway, ODF Executive Support, Fire Program Review Committee 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 District Manager
- Tracy Wrolson, ODF Central Oregon Administrative Representative
- Peter Sikora, EFCC Representative
- Craig Goodell, Bureau of Land Management
- Cathy Connolly, Chief Financial Office, DAS
- Todd Scharff, DAS Risk Management
- Heath Curtiss, Oregon Forest & Industries Council
- Amy Patrick, Oregon Forest & Industries Council
- Kristina McNitt, Oregon Forest & Industries Council
- Jeff Friesen, Willis of Oregon
- Jim Walker, OSFM, State Fire Marshal
- Amanda Rich, The Nature Conservancy
- Greg Miller, Weyerhaeuser
- Randy Hereford, Starker Forests, Inc.
- Jamie Paul, FPRC Project Manager
- Kelly Joe Craigmiles, Office of Emergency Management (phone)
- Debbie Miley, NWSA (phone)
- Amanda Craft, Representative Taylor's Office (phone)
- Cindy Kolomechuck, ODF National Fire Plan Coordinator
- Gary Springer, Starker Forests and BOF
- Bob Young, ODF Fire Prevention and Policy Manager
- Don Everingham, ODF Assistant to Northwest Oregon Area Director
- Andrew Yost, ODF Forest Ecologist
- Adam Meyer, Oregon Conservation Network
- Betsy Johnson, OR State Senator (phone)
- Jim James, Oregon Small Woods Association
- Lt. Col. John Prigmore, USAF ONG
- SFC Matthew McCreery, US Army