

FY 2008 FIRE SUPPRESSION COSTS MARCH UPDATE

A Report Prepared for the
Legislative Finance Committee

By
Barbara Smith
Fiscal Analyst II

February 22, 2008

Legislative Fiscal Division



www.leg.mt.gov/css/fiscal

FY 2008 FIRE SEASON – MARCH UPDATE

As of February 19, 2008 the state has incurred \$108.1 million in fire suppression costs, of which \$56.7 million is reimbursable by other parties, creating a net cost to the state of \$51.4 million. This is an increase in state costs of \$2.5 million from the December report to the Legislative Finance Committee (LFC). This report will address the increase in state share and discuss how these costs will be paid.

FIRE SEASON

FY 2008 SUPPRESSION COSTS

Figure 1 depicts the financial state of the FY 2008 fire season as of February 19, 2008. Part one illustrates the status of paid and unpaid obligations. To date, the state has paid \$45.1 million of the estimated \$108.1 million, leaving an unpaid balance of \$62.9 million.

Figure 1 FY 2008 Fire Suppression Costs As of November 21, 2007		
PART 1: FY2008 Actual & Estimated Costs		
Paid State Protection Costs	\$45,182,119	
Estimated Remaining Protection Costs	<u>62,970,418</u>	
Paid and Current Obligations		<u>\$108,152,537</u>
PART 2: Sources of Funding		
Appropriations- HB 01 Special Session		
Dept. of Natural Resources & Conservation	(39,000,000)	
Dept. of Military Affairs	<u>(3,000,000)</u>	
		(42,000,000)
Reimbursement Available		
Billable Support - USFS/BLM	(29,986,401)	
FEMA Reimbursement	<u>(26,770,818)</u>	
		<u>(\$56,757,219)</u>
Unfunded Fire Costs		<u>9,395,318</u>
Net Change from Dec 2007 LFC Report		\$2,539,033

Part two addresses the funding sources to cover the \$108.1 million of estimated costs. HB1 of the September special session provided \$42.0 million in general fund appropriation authority to cover the net cost to the state. Federal reimbursement is anticipated at \$30.0 million from cost share negotiations on project fires. (Project fires are those fires that escape initial attack and include direct protection zones of two or more agencies.) An additional \$26.8 million is anticipated as the federal share available through emergency assistance granted by the Federal Emergency Management Agency (FEMA) for the Jocko Lakes, Black Cat, and Ford Road fires.

Figure 2 Summary of Increased State Costs	
Total State Initial Attack & Project Fires	\$1,817,107
Cost Share - Potential Changes	651,605
FEMA Adjustments	(3,632)
Contingency Adjustment	<u>73,952</u>
Total	<u>\$2,539,032</u>

After all sources of funding are considered, the unfunded portion of the \$108.1 million in estimated obligations is \$9.4 million. This is up \$2.5 million from the December 2007 report to the LFC. The increase in state share can be attributed to actual costs coming in higher than estimated costs, potential changes in cost share agreements, new fires, and an adjustment to the contingency amount. The contingency amount is a 3 percent add-on to account for any margin of error in cost settlement or actual bills. Figure 2 summarizes the increase from the December 2007 LFC report to the February 2008 LFC report.

FEDERAL REIMBURSEMENTS

The state incurred an estimated \$56.7 million of costs that are the responsibility of the federal government. These costs are categorized in two areas: 1) those that are reimbursable by federal agencies through cost share agreements; and 2) those that are covered through FEMA declarations. Changes from the December 2007 report occurred in both areas.

Federal Emergency Management Agency Declarations

The estimated reimbursement from FEMA is \$3,600 lower than reported in December. The Country Club fire was initially certified as a FEMA fire due to the proximity of the fire to populated areas west of Helena. Due to the fact that the fire was controlled and suppressed in the initial attack phase, assistance from FEMA would be minimal. The staff of DNRC determined it would cost the state more to recover the funds than FEMA would provide as assistance. Due to this situation, the decision was made not to pursue the federal assistance.

Cost Share

The finalization of cost share agreements and the reporting of actual costs will change the cost share portions.

Figure 3 illustrates the \$651,605 increase in cost share. The largest increase, \$439,478, came from the 3 percent increase in cost share to the state for the Brush Creek fire. The other significant increase was a cost share settlement for the Chi Chi fire of \$117,960.

Figure 3
Reported Cost Share Shifts

Fire	Nov. Report	February	Difference
Brush Creek	\$3,369,332	\$3,808,810	\$439,478
Powder River	460,000	529,000	69,000
Sawmill - Fisher	0	22,000	22,000
Rump	131,400	135,225	3,825
R1 Support	1,977	1,345	(632)
SW Area Command	341	315	(26)
Chi Chi	0	117,960	117,960
Total	<u>\$3,960,732</u>	<u>\$4,495,035</u>	<u>\$651,605</u>

* state share change after FEMA payments

AVERAGE COST OF FIRE

SUPPRESSION

The average cost of fire suppression has risen from \$13.3 million in FY 2007 to \$19.1 million in FY 2008. The Legislative Fiscal Division calculates the average by utilizing the previous seven years of data, removing the high and low seasons, and dividing by five. Because of the severity of the last two seasons, including FY 2008, a moderate season was rolled off the seven year stretch and the severe season of FY 2004 was rolled into the average. This season represents the seven year high in all three areas. Figure 4 demonstrates the calculation.

Figure 4
Average Cost of Fire Suppression

Fiscal Year	Total Cost	Reimbursements	Net Cost
2002	\$16,417,193	\$3,549,700	\$12,867,493
2003	6,710,688	4,684,927	2,025,761
2004	79,579,965	44,582,841	34,997,124
2005	3,969,096	989,945	2,979,151
2006	8,302,312	3,240,042	5,062,270
2007	61,000,318	21,290,928	39,709,390
2008 (through 2/19/2008)	<u>108,152,537</u>	<u>56,757,219</u>	<u>51,395,318</u>
7 year total	<u>\$284,132,109</u>	<u>\$135,095,602</u>	<u>\$149,036,507</u>
7 year average	\$40,590,301	\$19,299,372	\$21,290,930
5 year adjusted total	172,010,476	77,348,438	95,615,428
5 year adjusted average	\$34,402,095	\$15,469,688	\$19,123,086

CONCLUSION – FIRE COSTS

The costs of the FY 2008 fire season will continue to fluctuate based on the finalization of costs. The appropriations from HB 1 of the special session and the Governor's emergency fund are, at this time, sufficient to cover the state share. Should federal reimbursement not materialize, the burden will fall to the state. LFD staff will continue to monitor the status of the fire bill.