

FIRE SUPPRESSION COSTS

Fiscal 2002 Estimate

A Report Prepared for the
Legislative Finance Committee

By

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PURPOSE AND SCOPE

The purpose of this report is to provide an overview of the financial impact of the 2002 fire season on the state budget and the Department of Natural Resources and Conservation (DNRC). More specifically, the report will discuss DNRC's financial position and the impact of the fires on the Governor's emergency fund.

DEVELOPING THE FIRE COST PICTURE

Quantifying fire suppression costs is a complex issue. In a normal year, it can take several months beyond the fire season to settle the bills related to the fires. Also, with any given fire, determining "costs" involves many factors such as size, where the fire started (protection responsibility), whether it is nature or human caused, cost share agreements, and FEMA funding. This year, late season fires, such as the Purdy fire, result in bills still being gathered in the field. Thus, the result is fluctuations of computed numbers. The numbers presented in this report were gathered on October 4, 2001 and will change as more information is gathered.

RESPONSIBILITY

The State of Montana has what amounts to a three-tiered system of responsibility when responding to fires. Of the approximately 93 million acres in Montana, about 45.3 million acres are under county control, 40 million are under federal control, and 5.1 million are under DNRC's control. The remaining 2.6 million acres are cities, waterways, and other areas that are not subject to wildland fires.

When a fire starts, there are a number of things to consider. First, where a fire starts is an important factor in determining who pays for it. The State of Montana is divided up among federal, state and county agencies that are responsible for fighting fires that start in their areas of control. Some of the factors considered in dividing up the state include ownership and location of resources.

Second, in addition to overall responsibility, and long before a fire begins, the agencies have reached agreements upon some things that will ultimately affect a given agency's cost. The federal and state agencies involved with fire fighting efforts have decided in advance who will initially pay for supplies needed in the suppression efforts. For example, providers of portable restroom facilities, meals, communication equipment, aircraft, and human resources are determined in advance of a fire. Many of these costs will have to be paid on an immediate and on-going basis.

Because of factors such as extreme fire behavior, a fire can quickly progress beyond boundaries of responsibility. When this happens, the complexity of the fire increases as does determining who is responsible for fire suppression costs. If a state responsibility fire travels to federal responsibility land, total cost to each party will be apportioned long

after the fire is out. Negotiations often take place between federal and state agencies to determine who will ultimately be responsible for what portion of a fire. A final decision of cost apportionment may be made based upon surface area of land burned, a negotiated split (such as 50/50 or 60/40), or another method acceptable to the parties involved.

TYPES OF WILDFIRE COSTS AND IMPACT OF TIMING

There are three basic types of wildfire costs. Each kind of cost affects the general fund in a different way. The following provide a description of the costs, timing, and affect on the general fund:

- 1) Suppression costs that must be paid immediately. These costs include payroll to department personnel assigned to fire fighting and payments to local vendors providing necessary provisions. For example, on large complex fires, meals are supplied by a federal contract. The Forest Service will bill DNRC after the fire season for the state's portion of these costs. However, if a fire erupts that does not require the services of the contract caterer, local vendors must be paid for providing meals to firefighters. Portable bathroom facilities, land leases for a base camp, and vehicle repairs and maintenance are examples of immediate costs.

Because the agency is required to pay many of these local vendors on a short-term basis, these costs are accumulated quickly and can be tracked on SABHRS. As of October 4, 2001 DNRC has accumulated and paid just over \$6.3 million on bills of this nature for the fiscal 2002 fire season.

- 2) Costs for which DNRC will not be responsible until after the end of the fire season. The largest, most significant of these bills is termed the "Forest Service bill." The Forest Service bill contains many components. Some costs are paid up front and some will be billed later. Like DNRC, the federal government agrees to pay some costs as an immediate need arises. If a fire occurs on state responsibility land, DNRC will ultimately be responsible for the cost even if the Forest Service pays the initial bill.

In addition to bills paid immediately, the Forest Service has a vast supply network from which DNRC obtains vital fire fighting tools, equipment, and supplies. The immediate nature of fighting fires coupled with an increased demand on a national scale can create shortages of protective equipment and clothing. Thus, the Forest Service has developed a supply system for these necessary items. For example, if the State of Montana needs an air-tanker, it is requested through the Forest Service. Depending upon availability and level of priority, Montana will either receive the shipment quickly or will be placed on a waiting list. In either case, the cost will not have to be paid until the "Forest Service" bill is received.

Although it is termed as the Forest Service bill, there is often a myriad of entities involved. For example, if the State of Georgia sends a team of fire fighters, the State

of Washington sends a couple of bulldozers, and the Bureau of Land Management (BLM) sends a helicopter to assist in the fire fighting efforts, the state does not pay these bills individually. Rather, each entity involved submits a bill to the Forest Service. Acting as a clearinghouse for fire suppression costs, the Forest Service consolidates, reconciles, and audits the final bill that is ultimately sent to Montana. Once DNRC receives its bill, a team of workers will verify that all costs are correct and accurate.

- 3) Net cost. While DNRC faces immediate cash needs and the cost of fires seems ominous, the net effect of fighting fires can be much less than the total cost. Similar to the Forest Service bill, DNRC submits a bill of federal responsible costs of fighting wildland fires on federal responsible land. Accounting practices do not allow DNRC to “offset” bills with the Forest Service. Thus, DNRC must submit their bill to the Forest Service and wait for payment. Although the state is required to pay this bill rather quickly, payment is not received from the Forest Service for at least a year. Once payment is received, the money the state receives from the Forest Service is deposited directly to the general fund. The bill swapping ritual will be concluded sometime after the first of the year.

DNRC FIRE COST ESTIMATE

The legislature usually does not appropriate any general fund in the general appropriations act to suppress wildfires (other than personal services appropriated for other purposes, but spent on fire suppression). Instead, it appropriates funding through: 1) a supplemental appropriation to reimburse the department for appropriation transfers and actual and expected fire suppression costs; and/or 2) statutory appropriations of up to \$12.0 million if the Governor declares a wildfire emergency.

The department has estimated that fire suppression efforts in fiscal 2002 will cost the State of Montana approximately \$8.4 million. The following table describes how the fire suppression cost estimate was calculated.

Part 1 of the table shows total estimated costs for state-responsibility fires, including the anticipated bill from the federal government for assistance in fighting Montana fires. The department must: 1) pay \$6.3 million to cover actual state protection costs as of October 4, 2001; 2) pay an estimated \$2.9 million to federal agencies for their costs yet to be billed for fighting state fires; 3) set aside an estimated \$1.0 million for anticipated spring 2002 wildfire costs; and 4) deduct \$0.5 million for personnel costs that had been budgeted in HB 2. These calculations bring the cost of fire suppression to approximately \$9.6 million.

Table 1
Natural Resources and Conservation
2002 Estimated Fire Costs

<u>PART 1:</u>		
<u>FY 2002 ACTUAL & ESTIMATED FIRE COSTS</u>		
Actual State Protection Costs as of October 4, 2001	\$	6,338,776
U.S. Forest Service/BLM Estimated Bill		2,880,000
Estimated Fall 2001/Spring 2002 Fire Costs		1,000,000
DNRC Budgeted Cost		<u>(300,000)</u>
PAID & ANTICIPATED OBLIGATIONS	\$	9,918,776
<u>PART 2:</u>		
<u>COSTS COVERED BY OTHER SOURCES</u>		
GOVERNOR'S EMERGENCY FUND ADVANCE	\$	<u>(6,700,000)</u>
Total Cost Covered by Other Sources		<u>(6,700,000)</u>
Estimate of Unpaid Balance	\$	<u><u>3,218,776</u></u>
<u>PART 3:</u>		
<u>NET COST TO THE STATE OF MONTANA</u>		
Estimated Unpaid Balance	\$	3,218,776
Assistance to Other Agencies	\$	(1,255,000)
Governor's Emergency Fund Advance		<u>6,700,000</u>
SUBTOTAL		<u>5,445,000</u>
PRELIMINARY NET COST TO STATE	\$	<u><u>8,663,776</u></u>

Part 2 shows those portions of the cost that have been covered by non-DNRC funds such as the Governor's emergency fund. So far, the department has utilized \$6.7 million from the Governor's emergency fund.

Part 3 shows the net cost of Montana's fire suppression. When Montana firefighters help other agencies suppress fires, Montana is reimbursed for associated expenses. DNRC estimates that reimbursements from other states for Montana's assistance in fighting their fires will be \$1.3 million.

To arrive at the net cost to Montana, the Governor's emergency fund, which is also a general fund account, must also be accounted for. As of October 4, 2001, DNRC has utilized \$6.7 million from the Governor's emergency fund for fire suppression costs. As part 3 shows, it is estimated that the 2002 fire season will cost Montana approximately \$8.4 million. Please keep in mind that these numbers are based partly upon department

estimates. As better information is secured after the fire season, more accurate numbers will be available.

AVAILABLE SOURCES OF AUTHORITY

There are two sources of authority that DNRC will be able to use to pay fire costs until the 2003 legislative session, when a supplemental appropriation to pay state fire costs will be requested.

Internal Department

To pay for fiscal 2002 fire costs, DNRC will utilize the operating budget of the Forestry Division for spending authority. In the first year of the biennium, the department will typically borrow spending authority from year two of the biennium. Then, if the need arises, in year two of the biennium, the department approaches the legislature for a supplemental appropriation. In a particularly brisk fire season, borrowing from the second year can occur earlier than usual. When this happens, the possibility exists that the department may need to approach the legislature for a supplemental appropriation sooner than expected. DNRC has \$6.0 million in general fund authority available in the Forestry and Trust Land Division's fiscal 2003 budget. The department could use approximately \$2.5 million of that authority to pay fire costs in fiscal 2002.

Governor's Emergency Fund

When the Governor declares an emergency or disaster 10-3-312 MCA provides a \$12 million statutory biennial appropriation to be used by state agencies to fund related costs. Because it is a biennial appropriation, and because many agencies can be affected by an emergency or disaster, DNRC does not have exclusive access to all of the emergency authority in the event of a fire emergency or disaster.

Table 2 on the following page shows appropriations from the emergency fund, established by the executive as of October 2, 2001.

Table 2 Governors Emergency Fund Remaining Balance As of October 2, 2002		
Governor's Emergency Fund		\$ 12,000,000
Appropriations by Agency:		
<i>Department of Natural Resources</i>	\$ 6,700,000	
<i>Department of Military Affairs</i>		
EO 20-01 2001 Fires	1,065,540	
EO 19-01 Flood Custer County	54,000	
EO 23-01 September Terrorism	<u>50,000</u>	
Total Emergency Fund Appropriations Established		<u>7,869,540</u>
Governors Emergency Fund -- Remaining Balance		<u>\$ 4,130,460</u>

As shown, DNRC has established a total of \$6.7 million of the fund for use on various fire suppression efforts while the Department of Military Affairs has established \$1.2 million for the floods, fires, and terrorism, for a total of \$7.9 million of the total \$12.0 million statutory appropriation, leaving a balance of \$4.1 million. While 88 percent of the biennium remains, only 34 percent of the Governor's emergency fund is left to fund emergencies.