

FIRE SUPPRESSION FUNDING OPTIONS

A Report Prepared for the
Legislative Finance Committee

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2007 BIENNIUM FIRE SUMMARY

Throughout the west, fire season started early this year and continued into mid-September. Montana was no exception. The west-wide severe fire season stressed crews and increased competition for fire resources, such as retardant planes, hot shot crews and specialty helicopters.

Severe fire seasons come with an equally severe price tag. As of September 21, 2006 total estimated costs were \$59.1 million of which \$36.1 million are the responsibility of the state. The \$23 million dollar difference is attributed to the billable support provided federal agencies such as the United States Forest Service (USFS) and emergency assistance payments from the Federal Emergency Management Agency (FEMA). The final cost of the fire season will not be known until November after the department can sort through the myriad of bills and cost-settle with federal agencies.

In contrast, the FY 2006 season resulted in \$8.8 million total costs of which \$5.7 was the responsibility of the state. While not as severe as FY 2007, fire suppression was still part of the summer expenditures incurred by the Department of Natural Resources and Conservation (DNRC). This report will provide information regarding the factors driving costs in wildland fire suppression and options to establish appropriation authority for wildland fire suppress.

AVERAGE COST OF FIRE SEASON

The most significant statistic rising from this fire season is the impact the estimated cost has had on the average cost of fire season. The Legislative Fiscal Division calculates this cost by analyzing the last seven years of fire bills, removing the high and low seasons and dividing by five. Prior to this season the average was approximately \$7.0 million per year. Given the estimated cost per date this statistic has risen to \$13.3 million per year, or \$26.6 million over the biennium. The cost renders the Governor's emergency fund of \$16 million per biennium insufficient to cover wildland fire suppression costs. The figure below provides a snap shot of historic fire costs.

Figure 1 Average Cost of Fire Suppression			
Fiscal Year	Total Cost	Reimbursments	Net Cost
2001	\$54,925,104	\$44,784,017	\$10,141,087
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	8,806,797	3,066,927	5,739,870
2007 (through 9/21/2006)	\$59,145,183	\$22,983,650	\$36,161,533
7 year averages	32,793,432	16,943,059	14,987,431
5 year adjusted average	\$29,200,993	\$15,773,609	\$13,344,945

INCREASED COSTS

These are several reasons why the state costs of fighting wildland fires are increasing, beyond the general severity of fire season.

Decreased FEMA Assistance

In analyzing FY 2007 costs against previous high cost fire seasons, it is noted that federal assistance has become less available over the years. Consider how FEMA has changed the method in which they conduct business, and subsequently provide financial assistance.

During the 2000 fire season (FY 2001), Montana was provided blanket approval for financial assistance from the head of FEMA when he toured the fires with Senator Max Baucus. In FY 2004, the state received assistance based on the established criteria wherein 50 structures were threatened. For the current fire season, FEMA has raised that threshold to 100 homes. This change is a result of FEMA standardizing threshold criteria across the nation. Given the changes, Montana qualified for FEMA assistance on three fires in FY 2007, the Saunders Fire, Emerald Hills and the Derby Fire, while other large fires such as Bundy Railroad, Pine Ridge, Packer Gulch and Jungle did not qualify.

Each FEMA declaration is date and time sensitive. Therefore, the state receives 75 percent assistance towards allowable costs within the declaration period. Because of this, the Emerald Hills assistance payment will be nominal. The Saunders fire and the Derby fire assistance payments will be approximately 40 percent of total costs.

Fire in the Wildland Urban Interface

Structure protection is more costly than wildland fire suppression. When homes, outbuildings and commercial buildings are in the path of the wildland fire, fire line tactics become more limited and additional resources are utilized to protect those structures in addition to those deployed to suppress the fire. A fire in a region without (or with few) buildings is generally easier and less costly to suppress.

Competition for Resources

During the FY 2001 and FY 2004 fire seasons, Montana was the hot spot and nationwide resources were directed to the state to suppress fire. But, during the FY 2007 fire season ten of the eleven national coordinating centers were experiencing large wildland fires. Hence, Montana fires had to compete for resources such as retardant planes, hot shot crews, and large helicopters.

When the Derby fire broke, most of the major equipment in the area was already dispatched to the Emerald Hills fire. Resources remained at Emerald Hills until such time that structure protection was secured. By the time resources were released to Derby, the firestorm of August 30th was just starting. During the storm, the fire line moved five miles in a twenty minute period. Shortly after this event, the Derby fire became the first priority wildfire for resources in the region, and made the region the highest priority in the nation for several days.

Reverse speculation is a never-ending part of fire suppression. Could the Derby fire been less costly to the state if more resources were available? If fewer large wildland fires had been burning on the western landscape, would additional resources have been available sooner? West-wide active fire seasons will hamper suppression efforts and raise costs.

Increased Fuel Costs

The last major fire season was in FY 2004. Trucks, dozers, planes and helicopters are key fire fighting tools. Therefore, there is no doubt that the price of fuel has had a major impact on wildland fire suppression costs. Since then the price of gasoline, diesel and aviation fuel have risen significantly. Figure 2 demonstrates the change in prices between calendar year 2003 and May of 2006. All fuel categories have at least doubled since the last major wildland fire season.

Year	Cents Per Gallon		
	2003	2006	% Change
Motor Fuel	115.6	246.1	113%
Aviation Fuel	149.3	301.3	102%
# 2 Diesel	94.4	226.2	140%

*Energy Information Administration (8/26/2006)

SUPPRESSION FUNDING

Since suppression costs are not provided upfront funding through an appropriation by the legislature, DNRC does not have additional authority (and associated cash) specifically provided to pay these costs. DNRC must use a combination of tactics, including moving appropriations between programs, and fiscal years, accessing the Governor's emergency fund and even taking general fund loans to come up with the authoring to pay the bills as they become due. If these tactics leave the agency short of appropriation authority, a special session of the legislature may become necessary to secure that authority.

To address the complexities of funding wildland fire suppression, three general fund options can be considered: a statutory appropriation, a line item appropriation, or a change in the Governor's emergency fund. With all options, if a fire season exceeds the annual average cost, DNRC would still need to manage cash until the legislature could meet and provide a supplemental appropriation for the remaining costs

Statutory Appropriation

A statutory appropriation of \$13.3 million per year or \$26.6 million over the biennium for the sole purpose of wildland fire suppression could be established through legislation. This would provide appropriation authority to the department to pay for wildland fire costs without utilizing appropriation authority from other programs in most years. In addition, the legislature would not have to appropriate these funds each session. The challenges to this option are:

- Subsequent legislation would be required to change the amount
- It is potentially duplicative of the Governor's emergency fund

Line Item Appropriation

There is also the possibility of the legislature providing a line item appropriation for wildland fire suppression. A one-time only, restricted, biennial appropriation of \$26.6 million could provide the department access to general fund authority to cover the cost of wildland fire suppression. The conditions would keep the appropriation out of the department's base budget, limit the appropriation to suppression only, and provide the flexibility to utilize the funds in either year of the biennium. The legislature could then appropriate funds based on historical averages, current wildland fire conditions, and the availability of general fund. If funds are not needed, the appropriation is not available for other purposes. The challenges to this option are:

- HB 2 appropriations are temporary
- It is potentially duplicative of the Governor's emergency fund
- May unnecessarily reduce the amount of funds available for other purposes

Increase Governor's Emergency Fund

If providing an appropriation is not an acceptable a further option is to consider increasing the size of the Governor's emergency fund to \$26.6 million. Currently, 10-3-312, MCA limits the Governor to \$16 million in any biennium for emergency purposes, including wildland fire suppression. The fund is only available for fire suppression costs when the conditions in 10-3-301, MCA are met and a disaster is declared. Not all fire seasons result in declared disasters. To this end the legislature could clarify statute to allow access to this fund for those fire suppression costs that do not fall within a declared disaster. The challenges to this option are:

- The fund can be used for other emergencies in addition to fire suppression
- Without changes, only declared disasters qualify for funding

Creating a State Special Revenue Fund

A revolving fund approach could be established if the legislature does not want to utilize general fund on an on-going basis. The source of revenue to the revolving fund could be the payments the state receives from other entities for fire suppression activities. Predominantly the funds come from federal agencies such as the Bureau of Land Management, US Forest Service and the National Park Service.

The idea behind a revolving fund is to deposit payments into a separate fund to be utilized in the next fire season. DNRC officials would know the size of the fund prior to the next fire season. Since this would be a state special revenue fund, the appropriation authority could be established through the budget amendment process as fire suppression activities occur under the statute's emergency provision, rather than HB 2 or in statute. This would provide access on an as needed basis for the sole purpose of suppression.

Since federal reimbursements are deposited to a federal fund and used to pay the related expenditures, the reimbursements are generally passed through the system. In order to establish a revolving fund, the legislature would need to approve a general fund transfer to provide seed money to the fund. The challenges to this option are:

- Detailed legislation would be required to establish the fund and subsequent process
- May be seen as duplicative to the Governor's emergency fund
- General fund transfer is needed to start the fund

SUMMARY & OPTIONS

The cost of wildland fire suppression will continue to be incurred on an annual basis. Whether a mild or severe season, Montana can anticipate spending, on the average, \$13.3 million per year. The legislature has the ability to appropriate funds for this cost and avoid placing DNRC in a cash crunch situation every fire season. To this end, the Legislative Finance Committee may wish to:

- Request legislation to establish a statutory appropriation
- Request that the Natural Resources and Commerce Appropriations Subcommittee add a line item appropriation in HB 2 during the 2007 session
- Request legislation to increase the Governor's emergency fund
- Request legislation to create a wildland fire revolving fund

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