

EXHIBIT 11
DATE 02/17/05
HB 2

January 14, 2005

TO: Representative Rick Ripley, Chair of Natural Resources and Commerce Appropriations Subcommittee

FR: Mike Wingard, Legislative Audit Division

RE: Summary of Wildland Fire Administration Performance Audit Recommendations Related To Potential DNRC Appropriations Decision Packages

Background

During the Legislative Audit Committee meeting held on December 22, 2004 various members of the LAC asked Bob Harrington, Forestry Division Administrator to create specific proposals concerning recommendations made in the Performance Audit Report on Wildland Fire Administration (04P-11). Additionally, LAC members asked our office to review and compare these Decision Packages with information contained in the audit report.

In compliance with the Committee's wishes, DNRC officials drafted Decision Packages for each of the Performance Audit recommendations where it appeared or it was evident additional resources would be necessary in order to implement the recommendation. On Wednesday, January 12, 2005 the Legislative Audit Division was given copies of the draft Decision Packages. The following describes our examination of the packages and identifies the differences between report content and the narrative and numbers contained in the Decision Package to be presented to the Natural Resources and Commerce Appropriations Subcommittee.

Decision Package Analysis

There are five separate decision packages to be presented. Each relates directly to an associated recommendation in the Performance Audit report. The following describes how we arrived at our audit finding/recommendation, what page the recommendation is on in the report, and what differences there are with the proposed Decision Packages. With regard to our report recommendations, we also point out the dollar value of keeping fires small. As noted, the average cost of a fire of 10 acres or less is approximately \$4,538, compared to \$2.3 million for fires of 5,000 acres or larger. State fire suppression costs for the 2003 fire season likely exceeded \$79 million. The combined cost of the proposed Decision Packages is \$1,616, 230 for FY 2006 and slightly less for FY 2007.

Decision Package #1 (Combined): Increased Aviation and Helitack Capability (DP 3510 & 3512)

As part of our review of DNRC's wildland fire suppression methodologies and resources, we determined helicopters play a unique, but significant role in the suppression of wildland fires, especially with regard to initial attack. It is our opinion, based on interviews and review of national studies, helicopters working in conjunction with ground forces can be considered a

“force multiplier” due to their rapid response capability, firefighter transport, and ability to make accurate water delivery to fires. Therefore, the benefits of a helicopter fleet outweigh the costs associated with this firefighting resource. However, we also determined there are issues limiting the effectiveness of this DNRC resource. One limitation is insufficient personnel to operate and maintain the existing helicopter fleet. Two, there is a lack of dedicated helitack crews for use on the state helicopters. In recommendations # 22, #23, and #24 (pages 101, 102, 105) we recommended DNRC request appropriations to address the helicopter pilot shortage, properly staff its Aviation Maintenance Program, and create a continuous helitack capability during the fire season by increasing personnel resources.

In the Decision Package (DP), DNRC officials have slightly modified their approach to these recommendations and brought out justification points not addressed in the audit report. The differences between the audit report narrative and DP are shown below. **However, this comparison does not include 1.35 FTE requested via the proprietary fund for aviation enhancement.**

Helicopter Pilots

Present Authorized Staffing: 3.5 FTE

Audit Report Recommendation: We indicated an FTE increase was needed but did not specify how many, rather we stated an additional \$144, 293 per year would be required in order to operate all helicopters during the fire season.

Decision Package Request: 2.11 additional FTE for the pilots.

Differences between Audit Report and proposed DP: The DP is asking for \$131,605 per year for pilots versus the report which indicated \$144, 293 per year. A DNRC reduction of \$12,688 per year.

Aviation Maintenance

Present Authorized Staffing: 2.0 FTE plus one contracted maintenance personnel

Audit Report Recommendation: We indicated an FTE increase was needed but did not specify how many, rather we stated an additional \$161, 118 per year would be required to maintain the aviation fleet.

Decision Package Request: 3.00 additional FTE for aviation maintenance.

Differences between Audit Report and proposed DP: The DP is asking for \$126, 360 per year for mechanics versus the report which indicated \$161,118 per year. A DNRC reduction of \$34,758 per year.

Helitack

Present authorized Staffing: 5.41 FTE

Audit Report Recommendation: We indicated an FTE increase was needed based on the DNRC analysis but did not specify how many, rather we stated an additional \$81,586 per year would be required to establish a 7-day helitack capability in all three of the direct protection land

offices. The DNRC analysis showed this would be equivalent to 4.00 FTE.

Decision Package Request: 3.59 additional FTE for continuous helitack capability

Differences between Audit Report and proposed DP: The DP is asking for \$121,665 per year for helitack-related personnel versus the report which indicated \$81,586 per year. A DNRC increase of \$40,079. Our report is based on current staffing of 5.00 FTE rather than 5.66 however, DNRC's new Helitack capability chart shows current staffing at 5.41 FTE. These differences do not materially affect our recommendation.

Decision Package #2: Additional County Coop Program Support (DP 3511)

During the course of our audit fieldwork we talked with various county firewardens, rural firechiefs, and DNRC area fire program managers about the county coop program and equipment resources. We found county fire officials and area fire program managers are concerned rural departments will not be able to continue to effectively fight wildland fires due to aging firefighting equipment. For example, DNRC has loaned counties in the Northeast Land Office (Lewistown) area of the state a total of 86 wildland fire vehicles. Thirty-nine (45 percent) are between 25-34 years old and twenty-one (24 percent) are 37 years old. Similar circumstances exist in the other eastern and central Montana counties as well.

In addition to an inability to implement a comprehensive replacement of aging equipment, budget cuts during the 2002 Special Legislative Session effectively reduced operating funds and forced a reduction of 4.15 FTE that assisted with the county coop program. As a result, there were various impacts on counties in terms of DNRC training of local firefighting resources. Additionally, 11 western counties no longer receive wildland firefighting vehicle replacements or obtain repair/maintenance of existing vehicles from DNRC.

Our audit work determined utilization of local firefighting forces is critical in terms of providing rapid response and overall cost containment. This is especially true in central and eastern Montana where DNRC places nearly complete reliance on rural fire departments for the initial attack on wildland fires. Recommendation #3 (page 31) in our audit report states DNRC should seek support for additional funding from the Legislature for the County Cooperative program.

In the Decision Package, DNRC officials have provided more specification of how they would use additional funding from the Legislature for the county coop program. This includes replacement of, or adding an additional 15 Type 6 firefighting vehicles per year to the 13 now being produced. Additionally, 2 FTE are being requested to increase the number of mechanics who do vehicle production and maintenance and 2 FTE for rural fire coordinators in the Central and Eastern Land Offices. These rural fire coordinators would assist the existing rural fire program managers with training and the counties with fire suppression decision-making. Our audit work suggests such assistance could be extremely beneficial to enhancing local force capability and approaches to wildland fires and ultimately to reducing the number of fires that escape initial attack and become costly state fires.

Differences between Audit Report and proposed DP: The DP is asking for \$587,280 per year to restore programmatic resources to the county coop program. The audit report did not specify a dollar amount needed to address equipment or personnel resources.

Decision Package #3: Fire Risk Management Account (DP 3514)

During the past several years when fire danger levels get to pre-specified points, DNRC has responded by temporarily increasing their initial attack capability by hiring private and local fire department resources. These additional resources are referred to as “severity resources”. These resources are not presently budgeted for, and are paid from supplemental appropriations. In essence, they are mitigating or reducing the risk of wildland fires escaping initial attack by being proactive with regard to high fire danger levels.

Review of national studies also indicate fire protection agencies should increase their emphasis on reducing risk of wildland fires by reducing forest fuels and increasing the ability to rely upon local firefighting forces to enhance initial attack capabilities.

For a long period of time, Montana has used only one basic method of funding wildfire suppression: supplemental appropriations. This methodology does not allow for legislative involvement in the reduction of risk of wildland fires. A legislatively established and approved fire risk management fund could be used for three critical areas that impact Montana’s overall fire costs:

- Pre-positioning severity resources.
- Obtaining/upgrading local initial attack resources.
- Promoting wildland/urban interface fire risk mitigation and forest fuels reduction.

Placing a fixed amount each year in a risk management fund that could be used for any or all of these areas would provide an incentive to DNRC to actively manage for risk reduction, especially in less active fire seasons. While the average expenditure for severity resources is over \$1.6 million per year for the last five fire seasons and there will likely continue to be years when DNRC will need the flexibility to seek supplemental appropriations for utilization of severity resources, an established risk management fund at least creates the foundation for a formalized type of self-insurance.

The method of funding risk management remains a legislative decision. Currently, General Fund monies are being used to fund severity so a much greater amount of General Fund expenditures is not needed to suppress large fires. The same option of continuing to use General Fund monies remains, but other options include earmarking existing taxes or expanding landowner assessments. Recommendation # 4 (page 34) states DNRC should seek legislation to establish a formal risk financing method to be used for severity funding, enhancing initial attack, and reducing the overall risk of wildland fires.

Differences between Audit Report and proposed DP: The DP is asking for \$500,000 per year to establish a risk management account versus the report which did not specify an amount. Given the average expenditure on severity resources in the past five fire seasons, the amount would appear to be conservative.

Decision Package #4: Formation and Support of Type 3 Incident Management Teams (DP 3513)

The audit report discusses the important role of Incident Management Teams in the administration and containment of costs of wildland fires. Type 3 Incident Management Teams are typically used immediately after a fire escapes initial attack efforts and for team transitions on large fires nearing containment and control. Both national studies and our audit work indicate use of local Type 3 Incident Management Teams can have a very positive impact relative to fire administration and overall containment of costs. At present, Montana has only one Type 3 team, the County Assistance Team (CAT) but it exclusively operates in central and eastern Montana. The CAT receives universal accolades from landowners, county commissioners, local fire officials and from administering entities charged with fire protection due to their expertise, ability to establish rapport with local officials, and their cost consciousness.

Based on our analysis, we believe DNRC and its fire protection partners should attempt to form and support more Type 3 Incident Management Teams in Montana. While there are challenges to doing so, funding for training and equipment as well as department efforts to actively pursue coordination with federal and local partners could increase the chances of more teams being established. Given costs of large fires, the upfront expenditure of funds for establishment of Type 3 teams could be cost effective. Recommendation #27 (page 119) recommends the department create a legislative proposal for additional Type 3 Incident Management Teams.

Differences between Audit Report and proposed DP: The DP is asking for \$120, 820 in FY2006 and \$80,820 in FY 2007 versus the report which did not specify a dollar amount or number of teams. The DP proposes four additional Type 3 Incident Management Teams and an FTE to coordinate their creation and ongoing development. Given the challenges of coordinating involvement of all the fire protection partners whose participation is necessary to make a local Type 3 team feasible, a designated FTE for coordination appears to be reasonable.