

## Fire Suppression Funding - Frequently Asked Questions

The following presents a number of questions and answers about funding wildland fire suppression costs. It is not an analysis of the issues related to the timing of the special session, its need, or the amount requested. The Legislative Fiscal Division (LFD) will prepare an analysis of proposed legislation once it has been approved for pre-introduction. This analysis will be available by Tuesday, September 4<sup>th</sup> at 10:00 a.m. Check the LFD website often for updates.

### ***How does Montana budget for fires? How much have we spent in the past?***

Montana does not appropriate general fund for fire suppression. The legislature does provide funding (along with forest protection fees) for infrastructure (such as equipment) – about \$3.3 million per year.

Fire suppression costs incurred by the state include costs that are billable to other parties, such as the federal government. The net cost to the state is the total amount of fire season, less billable costs. The average net cost to the state for suppression is approximately \$18.4 million per year. In the past seven years, the highest year was FY 2007 at \$39.7 million and the lowest was FY 2003 at \$2.0 million.

Average Cost of Fire Suppression			
Fiscal Year	Total Cost	Reimbursements	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	8,302,312	3,240,042	5,062,270
2007	61,000,318	21,290,928	39,709,390
<b>2008 (through 8/26/07)</b>	<b>\$84,375,497</b>	<b>\$48,217,809</b>	<b>\$36,157,688</b>
7 year average	\$37,193,581	\$18,079,456	\$19,114,125
5 year adjusted average	\$35,361,202	\$16,196,681	\$18,412,745

### ***What are current year fire costs?***

As noted in the above table, as of August 26, 2007 the state has incurred \$84.3 million in fire costs, of which \$48.2 is billable to other parties, resulting in a net cost to the state of \$36.2 million. These numbers will continue to change as fires are still burning and cost settlement with other parties has not yet occurred. Updated costs will be made available to the legislature when session convenes.

### ***How have we paid for fire costs in the past?***

The following process has been utilized to pay for fire suppression costs in the past. DNRC manages this process to assure that cash flow needs are met and that sufficient appropriation authority is maintained to operate the department.

1. The Governor’s emergency fund. The Governor has a statutory appropriation of \$16.0 million for the biennium for emergencies, of which fire suppression is one of many allowed uses. The Governor must declare an emergency before this money can be used.
2. Supplemental appropriations. In addition to the Governor’s emergency fund, the Department of Natural Resources and Conservation (DNRC) utilizes general fund and some state special revenue appropriated for

operations of divisions of DNRC in the second year of the biennium to fund fire suppression until the legislature can meet in regular session and:

- a. Pay any outstanding fire suppression costs; and
  - b. Replace the funding for operations of the department that was used to pay fire suppression costs.
3. General Fund Loan. DNRC also has the ability to borrow general fund against future federal payments to subsidize cash flow. As federal payments are received, the department pays back the loan.

### ***What does the Governor want the legislature to do?***

The Governor is requesting that the legislature provide appropriation authority to DNRC and the Department of Military Affairs (DMA) for fire suppression costs for FY 2008, as well as provide anticipated funding for FY 2009 fire costs. The Governor's request also includes increasing the emergency fund from \$16.0 to \$25.0 million and clarifying the amount of time an emergency declaration for fire suppression can exist.

### ***Why can't the Governor use the ending fund balance?***

The Governor does not have the authority to increase overall general fund appropriation authority. He can only transfer authority from one agency to another (for a like purpose) or from the second year of the biennium to the first within an agency (supplemental appropriation). Increased overall general fund spending authority is exclusively a legislative power.

### ***Why doesn't the Governor cut budgets and transfer the money?***

The Governor can order agencies to spend less money than they were appropriated if the projected ending fund balance drops below a statutory threshold. However, the issue is not an adequate ending fund balance. The issue is whether DNRC has the cash or spending authority to pay for fire costs. The ending fund balance is projected to be well above the statutory threshold.

Even if the Governor could cut budgets of the other agencies, he could not get the authority to DNRC to pay for fire suppression. The Governor can transfer general fund from one agency to another, but only for like purposes. Therefore, the Governor could only move money that had been appropriated to other agencies for fire suppression related activities. Those appropriations simply do not exist.

### ***Is the ending fund balance enough to fund the Governor's proposal?***

Yes, the projected ending fund balance for the biennium is \$184.0 million. Revenue estimates will be updated for the special session.

### ***Why hasn't a special session been needed to fund high cost seasons in the past?***

Three difficult fire seasons have occurred in the past seven years. Each have been paid for in a different manner. During the 2000 fire season (FY 2001) the head of the Federal Emergency Management Agency (FEMA) provided blanket approval for assistance while touring the fires. This approval included cash advances to cover the ongoing costs. In FY 2004, the net cost to the state was \$34.9 million; Governor Martz utilized the one-time federal funding of \$50.0 million under the Job Growth and Tax Relief Act to cover this cost. Last season (FY 2007) DNRC utilized the Governor's emergency fund to cash flow fire costs until the legislature met in 2007 to provide a \$25.0 million supplemental appropriation to cover the remaining portion of the bill.

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