

WILDFIRE SUPPRESSION COSTS: UPDATE

A Report Prepared for the
Legislative Finance Committee

by

Gary J. Hamel
Associate Fiscal Analyst
Legislative Fiscal Division
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Legislative Fiscal Division



www.leg.state.us/fiscal/

PURPOSE AND SCOPE

The purpose of this report is to provide an update and 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 the status of Federal Emergency Management Agency (FEMA) funding from the 2000 fire season, fiscal 2002 fire cost estimates, and the impact of the fires on the Governor's emergency fund.

SIGNIFICANT WILDFIRE RELATED DEVELOPMENTS

During the 2000 fire season, Montana had estimated that the Federal Emergency Management Agency (FEMA) would be providing a total of \$35.3 million of federal aid to assist with fire suppression costs. At the end of the legislative session, the state already received \$20.7 million in advances and anticipated receiving an additional \$14.6 million in fiscal 2002.

Revised estimates indicate that the state may be eligible to receive approximately \$36.7 million in total funding. As of November 19, 2001, FEMA has transferred \$14.7 million of the remaining funding to the general fund – slightly above the \$14.6 million figure anticipated at the end of the last legislative session. Further negotiations are taking place to determine if the State of Montana is eligible for additional funding. An update on amounts of additional FEMA funding, if any, will be provided at an upcoming Legislative Finance Committee meeting.

DNRC FIRE COST ESTIMATE

Fire suppression efforts in fiscal 2002 are currently estimated to cost approximately \$9.9 million. Table 1 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 \$8.1 million to cover actual state protection costs as of November 15, 2001; 2) pay an estimated \$4.5 million to federal agencies for their costs yet to be billed for fighting state fires; 3) set aside an estimated \$0.6 million for anticipated spring 2002 wildfire costs; and 4) deduct \$0.3 million for personnel costs that had been budgeted in HB 2. These calculations bring the cost of fire suppression to approximately \$12.9 million.

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. After accounting for the use of the Governor's emergency fund, \$6.2 million remains, which represents the amount that the legislature must eventually provide funding through a supplemental appropriation.

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 November 15, 2001	\$8,055,271	
U.S. Forest Service/BLM Estimated Bill	4,500,000	
Estimated Fall 2001/Spring 2002 Fire Costs	600,000	
DNRC Budgeted Cost	<u>(300,000)</u>	
PAID & ANTICIPATED OBLIGATIONS		\$12,855,271
<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>\$6,155,271</u>
<u>PART 3:</u>		
<u>NET COST TO THE STATE OF MONTANA</u>		
Estimated Unpaid Balance		\$6,155,271
Assistance to Other Agencies	(\$3,000,000)	
Governor's Emergency Fund Advance	<u>6,700,000</u>	
SUBTOTAL		<u>3,700,000</u>
PRELIMINARY NET COST TO STATE		<u>\$9,855,271</u>

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 \$3.0 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 November 15, 2001, DNRC has utilized \$6.7 million from the Governor's emergency fund for fire suppression costs leaving a total cost of \$9.9 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.

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 shows appropriations from the emergency fund, established by the executive as of November 15, 2001.

Table 2 Governors Emergency Fund Remaining Balance As of November 15, 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>79,200</u>
Total Emergency Fund Appropriations Established	<u>7,898,740</u>
Governors Emergency Fund -- Remaining Balance	<u><u>\$4,101,260</u></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. The remaining balance of the Governor's emergency fund has not significantly changed since the last LFC meeting.