

DNRC FIRE COST REPORT

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 update and overview of the financial impact of the 2003 fire season on the state budget and the Department of Natural Resources and Conservation (DNRC). More specifically, the report will discuss the status of fiscal 2003 fire cost estimates, and the impact of the fires on the Governor's emergency fund.

DNRC FIRE COST ESTIMATE

Table 1 Natural Resources and Conservation 2003 Estimated Fire Costs	
<u>PART 1:</u>	
<u>FY 2003 ACTUAL & ESTIMATED FIRE COSTS</u>	
Actual State Protection Costs as of August 31, 2002	\$625,334
DNRC Support to Federal/Other State Agencies	\$3,303,548
U.S. Forest Service/BLM Estimated Bill	725,015
Estimated Fall 2002/Spring 2003 Fire Costs	500,000
DNRC Budgeted Cost	<u>(179,280)</u>
PAID & ANTICIPATED OBLIGATIONS	\$4,974,617
<u>PART 2:</u>	
<u>COSTS COVERED BY OTHER SOURCES</u>	
Governor's Emergency Fund Advance	\$ -
Total Cost Covered by Other Sources	0
ESTIMATE OF UNPAID BALANCE	<u>\$4,974,617</u>
<u>PART 3:</u>	
<u>NET COST TO THE STATE OF MONTANA</u>	
Estimated Unpaid Balance	\$4,974,617
Assistance to Other Agencies	(\$3,303,549)
Governor's Emergency Fund Advance	<u>0</u>
Subtotal	<u>(3,303,549)</u>
PRELIMINARY NET COST TO STATE	<u>\$1,671,068</u>

Part 1 of the table shows total estimated costs for DNRC's fire suppression efforts, including the anticipated bill from the federal government for assistance in fighting Montana fires. The department must: 1) pay \$625,334 to cover actual state protection costs; 2) pay an estimated \$3.3 million to assist federal and other state agencies in their fire suppression efforts. These are reimbursable costs; 3) pay an estimated \$725,015 to federal agencies for their costs associated with fighting state fires. These costs are typically due near the end of the fiscal year; 4) set aside an estimated \$0.5 million for anticipated Spring 2003 wildfire costs; and 5) deduct \$179,280 for

personnel costs that had been budgeted in HB 2. These calculations bring the cost of fire suppression to approximately \$5.0 million. As of September 9, 2002, \$2.7 million of fire suppression costs have been processed on SABHRS.

Part 2 shows those portions of the cost that have been covered by non-DNRC funds such as the Governor's emergency fund. Although the department has not utilized the Governor's emergency fund in fiscal 2003, that have utilized a net amount of \$6.3 million from the Governor's emergency fund in the 2003 biennium.

Part 3 shows the estimated net cost of fire suppression incurred by DNRC. 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 \$3.3 million. Thus, the net cost of fire suppression in fiscal 2003 is estimated to be \$1.7 million.

DNRC'S ABILITY TO PAY FIRE COSTS IS NOT ADEQUATE

DNRC does not have sufficient authority in fiscal 2003 to pay fire suppression costs. Higher than average fire costs in fiscal 2002 coupled with two supplemental appropriations in fiscal 2002 have left the department in a particularly difficult position to pay fire costs in fiscal 2003.

After a series of discussions among legislative, executive, and Governor's office legal staff, the department decided to request an early payment of \$3.3 million of reimbursable suppression costs from the Forest Service.

Mr. Greg Petesch, the Legislative Branch Legal Services Director, has concluded that the practice of requiring that this type of reimbursement be deposited to the general fund is not on solid legal ground. Therefore, rather than depositing the reimbursement to the general fund, the money will be deposited in a federal special revenue fund. In order to get the authority to spend this cash for fire suppression costs, DNRC will process a budget change document (BCD) to change its budget level to accommodate the increased federal spending. LFD staff has requested a legal opinion regarding this issue but that document was unavailable at the time of this writing. The committee will be informed when this information becomes available.

According to DNRC staff, the paper work has been filed, and the Forest Service has given an early indication that payment will arrive in Montana by early October. If this reimbursement does not arrive in a timely manner, the consequences are serious and would likely require the legislature to reconvene for a third special session to address fire costs.

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 September 9, 2002.

Table 2						
Governors Emergency Fund						
Remaining Balance						
As of September 9, 2002						
Governor's Emergency Fund						\$12,000,000
Appropriations by Agency:						
<i>Department of Natural Resources</i>						
Statewide Fire Emergency - SA						\$10,049,888
<i>Governor's Office</i>						
Security						3,090
<i>Department of Justice</i>						
Security						6,921
<i>Department of Administration</i>						
Sept 11 Disaster - SA						6,990
<i>Department of Military Affairs</i>						
EO 20-01 2001 Fires						748,539
EO 19-01 Flood Custer County						56,322
Spring Storm 2002						51,000
EO 23-01 September Terrorism						<u>106,801</u>
Total Emergency Fund Appropriations Established						<u>\$ 11,029,551</u>
Emergency Fund Available After Appropriations						\$ 970,449
Reimbursements Received from other States						<u>3,786,651</u>
Governors Emergency Fund -- Remaining Balance						<u>\$ 4,757,100</u>

As shown, DNRC has established a total of \$10.0 million of the fund for use on various fire suppression efforts; Department of Military Affairs has established approximately \$1.0 million for the floods, fires, and terrorism. The Departments of Justice, Administration, and the Governor's office have established \$17,000 for various expenses related to terrorism. In total, \$11.0 million of the total \$12.0 million statutory appropriation has been established. Reimbursements received for assisting other states totaling \$3.8 million were deposited to the general fund and applied against the emergency fund leaving a balance of approximately \$4.8 million for emergencies in fiscal 2003. The remaining balance of the Governor's emergency fund has not significantly changed since the last LFC meeting.