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Environmental Quality Council
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Summary of University of Idaho Report: State Funding for Wildfire Suppression in the Western U.S., August 2017

The Environmental Quality Council has dedicated a portion of its work this interim to certain wildland fire-related topics, one facet of which is funding for wildland fire protection and suppression. Western states use various means to pay for wildland fire protection and suppression, and EQC members have expressed an interest in reviewing other states' funding approaches. A report prepared in August 2017 by researchers at the University of Idaho College of Natural Resources Policy Analysis Group[1] compares wildfire suppression funding in ten western states. A summary of the information contained in that report, preceded by a review of Montana's preparedness and suppression funding mechanisms, follows. The report's authors note that their study examined only the suppression aspect of wildland fire costs (although they touch on preparedness uses in some instances), and that "other aspects of wildfire management—prevention and preparedness (pre-suppression)—could also be analyzed to determine how spending before fires occur affects subsequent suppression costs and what might be an efficient allocation of resources to pre-fire activities."

Montana Protection Fees and Suppression Funding

In Montana, wildland fire protection funding is distinct from wildland fire suppression funding. Fire suppression costs incurred by the state are paid from the fire suppression account provided for in 76-13-150, while wildland fire protection fees, provided for in Title 76, chapter 13, part 2, are the source of preparedness funding. Preparedness includes firefighter training and equipment readiness and placement.

If funds are available, money from the fire suppression account may be used for fire prevention and other enumerated activities other than suppression. Revenue collected from wildland fire protection assessments is not used to pay suppression costs, although as noted in the information below, statutory authority exists for such use.

Allowed uses of money in the fire suppression account are:

- fire suppression costs;
- fuel reduction and mitigation;
- forest restoration;
- grants for the purchase of fire suppression equipment for county cooperatives;
- forest management projects on federal land;
- support for certain collaborative groups engaged in federal forest projects; and
- road maintenance on federal lands.

As provided in 76-13-150 and 10-3-312, the fire suppression account receives revenue from two sources—an amount equal to the annual unspent General Fund above 0.5%

[1] Philip S. Cook, Principal Researcher, and Dennis R. Becker, Ph.D., Director, Policy Analysis Group.

of the total General Fund appropriation and the unused portion of the Governor's $16 million emergency appropriation at the end of each biennium. If the General Fund does not have a surplus, no money is transferred to the account.

Restrictions on the account include a $100 million cap and expenditure of not more than $5 million for fuel reduction and forest restoration.

Allowed uses of money collected through landowner assessments, by virtue of the definition of "wildland fire protection" provided in 76-13-102(14) are:

- prevention;
- detection;
- suppression; and
- training required to perform those functions.

DNRC uses the revenue for preparedness and has not applied it to suppression costs. As is discussed in more detail in the summary below, revenue from landowner assessments are used by other states for both suppression and preparedness funding.

Section 76-13-201 establishes the landowner assessment fee amounts. An owner of land classified as forest land in a wildland fire protection district is required to pay a base fee of not more than $50, plus not more than an additional $0.30 per acre per year for each acre in excess of 20 acres owned by each landowner in each wildland fire protection district. Section 76-13-207 directs that the amount collected not exceed one-third of the total amount appropriated for fire protection.

The Legislature has periodically enacted changes to the fee.

- Before 1985: landowners paid $0.16 per acre, with a minimum collection of $6.
- 1985-1991: landowners paid $0.17 per acre, with a minimum collection of $14.
- 1991-2007: landowners paid up to $30 per parcel, plus up to $0.20 per acre for each acre in excess of 20.
- 2007-2015: landowners paid up to $45 per parcel, plus up to $0.25 per acre for each acre in excess of 20.
- 2015-present: landowners pay up to $50 per parcel, plus up to $0.30 per acre for each acre in excess of 20.

DNRC determines how land may be classified as forest land,[2] and landowners must approve inclusion of land into a wildland fire protection district.

No statutory distinction is made between eastern Montana and western Montana; however, because of the classification of much of western Montana as forest land and inclusion of those parcels in wildland fire protection districts, landowners in western counties pay the majority of the total amount collected.

[2] A.R.M. Section 36.10.101.

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Summary of Western States Suppression Funding Sources

The University of Idaho researchers requested wildland fire suppression funding data for 2005-2015 from Alaska, Arizona, California, Colorado, Idaho, Montana, New Mexico, Oregon, Utah, and Washington, and identified nine types of funding sources. The funding sources are:

1. General Fund appropriation before incurring costs;
2. General Fund appropriation after incurring costs;
3. Landowner assessments;
4. Insurance;
5. Assessments on timber harvests;
6. Revenue from unrelated activities;
7. County payments;
8. Disaster response account; and
9. Cost recovery via legal action.

The table below, included in the report, shows the funding mechanisms used in each state.

Table 2. Summary of state wildfire suppression funding sources for 10 western states.

Type of funding source	AK	AZ	CA	CO	ID	MT	NM	OR	UT	WA
General Fund appropriations *prior* to incurring costs (i.e., before the fire season)	✓	✓	✓		a	✓		✓	✓	✓
General Fund appropriations *after* incurring costs (i.e., post fire season)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Landowner assessment			b		b	b		✓		✓
Insurance								✓		
Assessment on timber harvests								✓		
Revenues from unrelated activities				b					✓	
County payments				✓					✓	
Disaster response account				✓						✓
Cost recovery via legal action	✱	✱	✓	✱	✱	✱	✱	✱	✱	✱

✓ = state uses type as a funding source for suppression costs.
✱ = supported as funding source in statute, but not reported separately by states.
a = not typically used, but Idaho Legislature did so in 2015 and 2016.
b = used to fund wildfire preparedness but not suppression.

General Fund

As indicated in the table, every state uses General Fund appropriations after incurring fire season costs, and seven of the ten states studied apply General Fund appropriations before incurring costs, some at a set amount and some at amounts determined by the Legislature based on available resources and conditions existing at the time.

According to the report, Alaska is not required to set aside a certain amount, but pre-season General Fund appropriations were $6.7 million each year from 2005-2011, reduced by 0.7% from 2012-2015 because of budget constraints.

Arizona sets aside $4 million each year for deposit in the state's Fire Suppression Revolving Fund.

General Fund money pays into California's Ground Attack Fund and supports most of its aviation program with pre-season appropriations.

Oregon uses a three-tiered fire suppression funding system, with tier one described as base funding; tier two as statewide severity funding; and tier three as large fire funding. Private landowner assessments (detailed on page 5) make up one-half of the base, with the General Fund contributing the other half. Oregon is unique among the states in its purchase of insurance on the private market to fund a portion of its tier three large fire costs. The state's General Fund contributes to paying a portion of the insurance premium when the state chooses to purchase insurance, which since 1973 it has done every year except 1976 and 1985.

Under a new fire suppression funding system in place in Utah, the state is required to appropriate $4 million annually from the General Fund to the Wildland Fire Suppression Fund, which also receives revenue from other sources. Local governments are eligible to receive state assistance from the fund, "provided that the county or municipality takes actions to reduce wildfire risk."

Washington's pre-season appropriation has ranged from $8 million to $19.1 million in recent years.

The states implement a variety of mechanisms to pay actual costs incurred during the fire season from the General Fund, and states' liability ranges widely, depending on season severity and federal reimbursements.

Landowner Assessments

Five of the states studied assess fees on landowners for wildland fire protection. Only two—Washington and Oregon—use a portion of that revenue for fire suppression. California, Idaho, Oregon, and Montana use the assessment revenue for preparedness funding. Preparedness may include activities such as fire prevention, fuel reduction, development of Community Wildfire Protection Plans, severity mapping, equipment preparation and placement, and training and assistance provided to rural fire districts and other local agencies.

- California assesses landowners $152.33 annually for habitable residential structures on state-protected land, with a $35 per structure discount if the structure is also within the boundaries of a local fire protection entity.
- Idaho's forest landowners pay $0.60 per acre each year, plus $40 for each parcel with improvements.
- In Washington, landowners with less than 50 acres pay a Special Forest Fire Suppression Account Assessment flat fee of not more than $7.50. Landowners with more than 50 acres may be assessed the flat fee plus no more than

$0.15 per acre for each acre over 50. Forest Fire Protection Assessments are $17.50, plus $0.27 per acre for each acre over 50.

- Oregon's assessment structure takes into account the type of land owned and where the land is located. Landowners pay fire suppression assessments and forest patrol assessments. Portions of a graphic in the report describing the various assessments are copied below. In addition to those shown, owners of Forestland-Urban Interface lands are required to meet certain hazard reduction requirements and may be assessed a fee of up to $25 per lot.

Fire Suppression Assessment
ORS 477.880
(all forestlands)

- Grazing lands: $0.075/acre
- Eastside timberlands: $0.075/acre
- Westside timberlands:
- $0.05/acre

Minimum lot assessment of Forest Patrol Assessment
ORS 477.295

- Total: $18.75/parcel for all minimum assessments
- To OFLPF: $3.75/parcel

Forest Patrol Assessment
ORS 477.230
ORS 477.270
(all forestlands in forest protection district)

- Pro rata cost/acre by district
- Forestlands are classified as grazing lands or timberlands
- Public landowners pay full rate
- Private landowners pay up to ½ rate
- Eastern Oregon landowners receive rate relief of $1 million

Insurance

Oregon is the only state studied that has the option of purchasing insurance on the private market to help pay fire suppression costs. Oregon's Emergency Fire Cost Committee and the State Forester decide before February 1 of each year whether to purchase emergency fire suppression cost insurance and how much to purchase, taking into account other available suppression funding, insurance costs, forest conditions, long-term weather predictions, and available resources. The report provides information on the costs, deductibles, and claims since the inception of the program in 1973. A 15-year period is shown below.

Fire Season	Insurance Year*	Premium Cost	Insurance Deductible**	Coverage Limit	Net Emergency Fire Costs***	Insurance Claim
2000	00-01	$2,372,098	$10,000,000	$43,000,000	$5,780,952	$0
2001	01-02	$2,266,528	$10,000,000	$43,000,000	$14,889,423	$4,880,003
2002	02-03	$3,345,305	$10,000,000	$43,000,000	$30,001,937	$19,975,885
2003	03-04	$3,570,743	$15,000,000	$20,575,000	$9,180,727	$0
2004	04-05	$3,875,425	$15,000,000	$25,000,000	$2,017,509	$0
2005	05-06	$1,290,626	$25,000,000	$25,000,000	$13,196,716	$0
2006	06-07	$1,290,626	$25,000,000	$25,000,000	$9,238,746	$0
2007	07-08	$1,081,510	$25,000,000	$25,000,000	$14,125,366	$0
2008	08-09	$907,966	$25,000,000	$25,000,000	$9,129,075	$0
2009	09-10	$907,972	$25,000,000	$25,000,000	$5,387,719	$0
2010	10-11	$860,776	$25,000,000	$25,000,000	$5,036,777	$0
2011	11-12	$811,590	$25,000,000	$25,000,000	$2,807,534	$0
2012	12-13	$854,926	$25,000,000	$25,000,000	$5,330,065	$0
2013	13-14	$923,318	$20,000,000	$25,000,000	$74,628,615	$25,000,000
2014	14-15	$2,012,041	$20,000,000	$25,000,000	$47,605,496	$25,000,000
2015	15-16	$3,832,815	$50,000,000	$25,000,000	$29,607,814	$0

* Insurance Year runs from April 1, Fiscal Year X to March 31, Fiscal Year X+1
**The amount of Emergency Fire costs the state must incur before an insurance claim is paid.
***Emergency Fire costs after reimbursements (e.g., FEMA, other federal agencies).

Assessments on Timber Harvests

In Oregon, a tax of $0.625 per thousand board feet is assessed on all timber harvested in the state. The revenue from this tax is directed to the Oregon Forest Land Protection Fund and is used for tier two (severity) funding and tier three (large fire) funding purposes. According to the report, the tax has resulted in about $2 million in revenue per year the last ten years.

Revenues from Unrelated Activities

Under its newly-implemented wildland fire funding program, Utah will use 30% of the bonus payment it receives from federal mineral leases to fund up to $2 million, or 20%, of the money expended in the previous year from the Wildland Fire Suppression Account.

The report's authors note that on one occasion, Colorado used a portion of its insurance premium tax revenue for wildfire emergency response and has used insurance premium tax revenue and mineral severance tax revenue for wildland fire preparedness purposes.

Disaster Response Accounts

The report lists Washington and Colorado as states that may use money in disaster response accounts for wildland fire suppression if that funding becomes necessary. In addition, as noted on page 1 of this paper, section 10-3-312, MCA, allows Montana to use an unspent portion of the governor's $16 million emergency appropriation authority for wildland fire suppression purposes.

Washington may use money in its Disaster Response Account when the governor declares a state of emergency due to wildland fire, which has occurred frequently in the last decade. Colorado's governor may order transfer of money to the state's Disaster Emergency Fund from various state sources as the funding becomes necessary. The report indicates that "the majority of state responsibility costs on state fire incidents are paid from the Disaster Emergency Fund."

Cost Recovery via Legal Action

Every state included in the study has laws allowing for the recovery of wildland fire suppression costs due to negligence or criminal activity. In Montana, section 50-63-103 provides for cost recovery:

> **50-63-103. Liability of offender for damages and costs.** Except as provided in 50-63-104, a person who sets or leaves a fire that spreads and damages or destroys property of any kind not belonging to the person is liable for all damages caused by the fire, and an owner of property damaged or destroyed by the fire may maintain a civil suit for the purpose of recovering damages. A person who sets or leaves a fire that threatens to spread and damage or destroy property is liable for all costs and expenses incurred, including but not limited to expenses incurred in investigation of the fire and administration of fire suppression, by the state of Montana, by any forestry association, or by any person extinguishing or preventing the spread of the fire.

Only California, according to the report, has reported to have recovered costs in this manner as a separate source of funding. California's Civil Cost Recovery Program operated on a budget of $700,000 per year from fiscal year 2012 to fiscal year 2015, although actual cost recovery data were not available.

Potential Advantages/Disadvantages of Funding Mechanisms

The authors note that states' varied wildland fire funding approaches have evolved over time based on each state's mandates, institutions, and political history, and the report offers an analysis of the potential advantages and disadvantages associated with each funding mechanism.

Review of the report's table below may be useful in examining Montana's funding structure and in discussions of potential changes.

Funding Mechanism	Potential advantages	Potential disadvantages
General Fund appropriations prior to incurring costs (i.e., before fire season)	• Reduces year-to-year fluctuations in state budget. • Reduces impact on state budget in subsequent high-cost years. • Fiscally responsible to fund expenses before incurring costs. • Reduced year-to-year political debate if amount is set in statute.	• Funding could be used for other government services when not needed for wildfire suppression (opportunity cost). • Need for prudent investment decisions of unused balances. • May encourage agency to use all funds annually.
General Fund appropriations after incurring costs (i.e., post fire season)	• Funding can be used for other government services when not needed for wildfire costs (opportunity cost). • Reflects actual costs.	• Increases year-to-year fluctuations of agency's budget as a percent of overall state budget. • May discourage cost containment strategies.
Landowner assessment	• Equitable—property owners receiving services pay part of costs. • May provide landowners with incentive to reduce wildfire risk.	• Places financial burden for public benefit on private citizens. • Unlikely to pay full costs of suppression. • Not able to distinguish between lands with varying levels of risk. • Administrative costs. • Inequitable—non-assessed landowners receive benefits without paying their share.
Insurance	• Covers catastrophic events/costs. • Reduces risk to state finances.	• Not meant for ordinary events/costs. • Potential for premium increases, higher deductibles, and lower coverage limits as suppression costs increase and claims become more frequent.
Assessment on timber harvests	• Equitable—timber owners receiving services pay part of costs.	• Not all wildfires occur on timberlands. • Not all landowners harvest timber. • Administrative costs.
Revenues from unrelated activities	• Taps fund source that provides a steady level of funding.	• Not available to all states. • Lack of incentive to manage costs.
Disaster response account	• Spreads risks and costs to state at large. • Available for catastrophic events.	• Only available for catastrophic events. • Little incentive to reduce risks or contain costs.
Cost recovery via legal action	• Party responsible for wildfire pays.	• Costly, lengthy legal action. • No guarantee of recovery. • Settlement unlikely to recover full cost. • Does not address nonhuman-caused fires.

*County payments mechanism, used in Colorado and formerly used in Utah, is not considered here because the state-county fire suppression responsibility relationship is unique.

Next Steps

Staff will be prepared at the EQC's January meeting to provide additional state-by-state comparison information such as acres under direct protection and agency budgets and fire program funding. Staff will also compile more information regarding use of landowner assessment revenue in Montana and in other states.