



A REPORT
TO THE
MONTANA
LEGISLATURE

LEGISLATIVE AUDIT
DIVISION

23P-06

PERFORMANCE AUDIT

Modernizing Montana's Wildfire Assessment Program

*Department of Natural Resources
and Conservation*

APRIL 2025

LEGISLATIVE AUDIT COMMITTEE

REPRESENTATIVES

JANE GILLETTE

Jane.Gillette@legmt.gov

SJ HOWELL

SJ.Howell@legmt.gov

ERIC MATTHEWS

Eric.Matthews@legmt.gov

FIONA NAVE

Fiona.Nave@legmt.gov

JERRY SCHILLINGER

Jerry.Schillinger@legmt.gov

PAUL TUSS

Paul.Tuss@legmt.gov

SENATORS

BECKY BEARD

Becky.Beard@legmt.gov

PAT FLOWERS

Pat.Flowers@legmt.gov

DENISE HAYMAN

Denise.Hayman@legmt.gov

EMMA KERR-CARPENTER

Emma.KC@legmt.gov

FORREST MANDEVILLE

Forrest.Mandeville@legmt.gov

TOM MCGILLVRAY

Tom.McGillvray@legmt.gov

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PERFORMANCE AUDITS

Performance audits conducted by the Legislative Audit Division are designed to assess state government operations. From the audit work, a determination is made as to whether agencies and programs are accomplishing their purposes, and whether they can do so with greater efficiency and economy.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Members of the performance audit staff hold degrees in disciplines appropriate to the audit process.

Performance audits are conducted at the request of the Legislative Audit Committee, which is a bicameral and bipartisan standing committee of the Montana Legislature. The committee consists of six members of the Senate and six members of the House of Representatives.

AUDIT STAFF

TYLER JULIAN

DAVID SINGER

JEREMY VERHASSELT

KENNETH NODDINGS

WILLIAM SOLLER

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Angus Maciver, Legislative Auditor
Kenneth E. Varns, Legal Counsel



Deputy Legislative Auditors:
Alexa O'Dell
William Soller
Miki Cestnik

April 2025

The Legislative Audit Committee
of the Montana State Legislature:

It is a pleasure to present our performance audit of the Fire Assessment Program managed by the Forestry-Trust Lands Division within the Department of Natural Resources and Conservation.

This report provides the Legislature information about Montana's funding of wildfire protection, including the administration of the Fire Assessment Program. This report includes recommendations for improving the administration of the Fire Assessment Program and updating the framework that governs the program. A written response from the Department of Natural Resources and Conservation is included at the end of the report.

We wish to express our appreciation to Department of Natural Resources and Conservation personnel for their cooperation and assistance during the audit.

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

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Department of Natural Resources and Conservation	A-1
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APPOINTED AND ADMINISTRATIVE OFFICIALS

**Department of
Natural Resources
and Conservation**

Amanda Kaster, Director

Erin Weisgerber, Deputy Director

Shawn Thomas, Administrator, Forestry-Trust Lands Division

Wyatt Frampton, Deputy Administrator, Forestry-Trust Lands Division

Matthew Hall, Bureau Chief, Fire Protection Bureau

Cory Calnan, Deputy Chief, Fire Protection Bureau



MONTANA LEGISLATIVE AUDIT DIVISION

PERFORMANCE AUDIT

Modernizing Montana's Wildfire Assessment Program

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

A report to the Montana Legislature

BACKGROUND

The Montana DNRC Forestry-Trust Lands Division is responsible for protecting all state and private property in Montana from wildfire. Through the Fire Assessment Program, the department assesses certain properties a fee and provides direct wildfire protection to these properties. The fee proceeds help fund wildfire protection.

Program: Fire Protection Program

Program FTE: 118.26 FTE

HB 2 Legislative Appropriation (FY 2023):
\$13.3 million

The Montana Department of Natural Resources and Conservation protects 60 million acres of private and state lands from wildfire, partnering with federal, county, and local governments. The wildfire protection assessment fee, applied mainly to forested landowners in wildland fire protection districts, helps fund wildfire protection across Montana. While the state's funding structure has not significantly changed in 50 years, wildfire risk and DNRC's protection responsibilities have increased. We identified several ways to modernize the Fire Assessment Program to reflect current conditions better, promote cost-reducing actions, and improve fee administration.

KEY FINDINGS:

The current proportion of landowner responsibility for fire protection funding is not applied to total wildfire protection costs and is not based on current data relevant to Montana. This leads to an estimated annual subsidy of over \$30 million to private landowners that can contribute to more land consumption in areas of high wildfire threat than is economically efficient.

The legislature's appropriation made under §76-13-207, MCA, is not based on all state fire protection costs as required. This has resulted in a smaller share of state wildfire protection being funded by landowners. It is not specified how this appropriation contributes to consistent, reliable wildfire readiness funding. It is unclear how this appropriation relates to the suppression fund.

The current statutory framework of the Fire Assessment Program does not holistically consider all economic values threatened by wildfire, the department's statewide protection responsibility, and the goal of minimizing costs to the Montana taxpayer.

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For the full report or more information, contact the Legislative Audit Division.

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Allowing the department to choose areas to provide elevated protection and creating a differentiated fee structure informed by risk data, evaluation, and department expertise better allows for the minimization of costs to the citizens of Montana and provides a more adaptable system going forward as the landscape of Montana and fire risk continue to change.

The department can improve data tracking and conduct evaluations to determine the level of investment in fire readiness versus other fire management activities, namely mitigation, that minimize the total cost of wildfire to taxpayers.

Department practices lead to fee assessments for certain types of landowners that are inconsistent with statute. Statutory amendments and/or a change in department practices are necessary to address these discrepancies.

The department can reduce staff time and ensure accurate fee assessment by improving processes. Staff spend significant time on repetitive, time-intensive tasks, and the department improperly assesses the fee for some properties. Automating specific processes, implementing additional quality controls, and developing a method to update the forest map layer will help resolve these issues.

The department can improve documentation of the computer software code that assigns the wildfire protection assessment fee, the program's data system user manual, and the program's procedures manual. A lack of documented processes makes it difficult to administer the Fire Assessment Program consistently.

RECOMMENDATIONS:

In this report, we issued the following recommendations:

To the department: 4

To the legislature: 3

RECOMMENDATION #1 (page 11):

Cost Avoidance Reduction and Elimination

We recommend that the Montana Legislature amend statute to require the amount collected from the wildfire protection assessment fee be equal to the proportion the Department of Natural Resources and Conservation determines using data specific to Montana applied to total wildfire protection costs.

RECOMMENDATION #2 (page 12):*State Compliance*

We recommend that the Montana Legislature clarify that the wildfire protection assessment fee is based on total wildfire protection costs and clarify how fee proceeds contribute to and are used exclusively for wildfire protection funding.

RECOMMENDATION #3 (page 21):*Cost Avoidance Reduction and Elimination*

We recommend that the Montana Legislature amend statute to allow the Department of Natural Resources and Conservation to determine wildfire response and that establishes a differentiated fee structure based on actual wildfire protection cost and/or risk data and expert opinion.

RECOMMENDATION #4 (page 23):*Cost Avoidance Reduction and Elimination*

We recommend that the Department of Natural Resources and Conservation develop and implement processes to improve information tracking and calculate the level of investment in wildfire readiness and mitigation that minimizes the total costs of wildfire.

Department response: Partially Concur

RECOMMENDATION #5 (page 27):*State Compliance*

We recommend that the Department of Natural Resources and Conservation align statute and practices regarding the assessment of single-split properties and seek legislation clarifying fee assessment for open-space and local government properties.

Department response: Partially Concur

RECOMMENDATION #6 (page 31):*Internal Control*

We recommend that the Department of Natural Resources and Conservation implement additional automated processes and quality control tests to ensure accurate fee assessment and save staff time.

Department response: Concur

RECOMMENDATION #7 (page 32):*Internal Control*

We recommend that the Department of Natural Resources and Conservation update procedures and improve documentation to ensure proper implementation of the Fire Assessment Program.

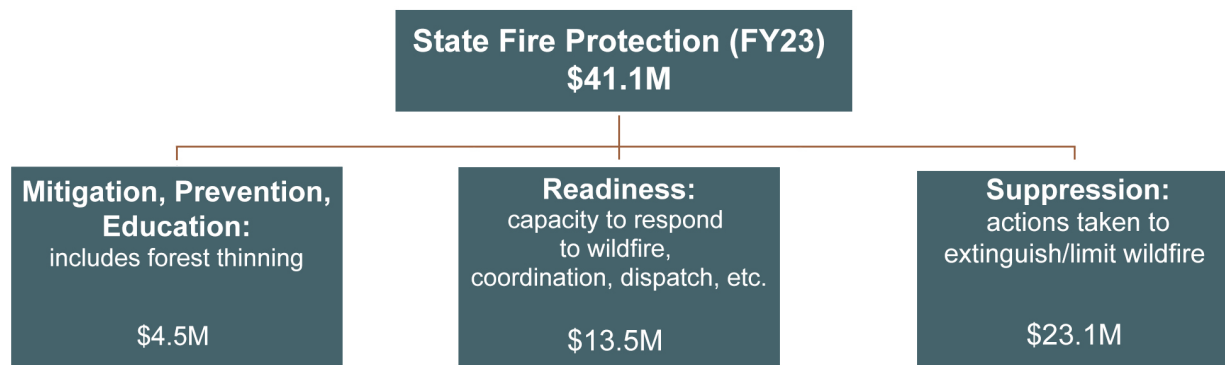
Department response: Concur

Chapter I – Introduction and Background

Introduction

The Montana Department of Natural Resources and Conservation's (DNRC, department) Forestry-Trust Lands Division protects state and private lands from wildfire, partnering with county, local, and federal agencies. In FY 2023, the state spent \$41.1 million on wildfire protection. The state's wildfire protection activities can be broken into three categories: mitigation, readiness, and suppression. Mitigation attempts to reduce the chance of a wildfire causing damage, especially by managing the fuel environment. Readiness involves maintaining equipment, staffing, coordination, and training to be prepared to respond to wildfires. Suppression is the response to control an active wildfire. Figure 1 outlines these three categories of DNRC's wildfire protection activities and their expense to state taxpayers in FY 2023.

Figure 1
State Wildfire Protection Activities Consist of Mitigation/Prevention, Readiness, and Suppression



Source: Compiled by the Legislative Audit Division from department records.

The expenditures shown in Figure 1 are a snapshot in time. Annual state suppression spending varied between \$79.1 million and \$5.9 million between FY 2013 and 2022, with an average of \$31.9 million per year, adjusted for inflation; FY 2023 suppression costs were below average. Suppression activities are funded via the state's wildfire suppression account (\$76-13-150, MCA); the legislature may transfer money into and out of this account, and funds from the suppression account may be used for other fire protection purposes. In 2023, the legislature passed HB 883. The bill allows additional funds to be appropriated from the fire suppression account for fire preparedness and mitigation. The fiscal note to the bill estimated this amount to be \$60 million for the 2024-2025 biennium. The increase in protection expenditures as a result of HB 883 is not included in the FY 2023 state fire protection costs shown in Figure 1. Other expenditures by DNRC's Forestry-Trust Lands Division aimed at improving forest health that reduce fire risk, such as addressing impacts of insects and diseases, as well as federal grants and local government spending, are also not reflected in the figure.

In addition to state protection expenditures, wildfires have other significant economic impacts on the citizens of Montana, such as loss of life, property loss, pollution, soil damage, displacement, and local government spending on fire protection. State protection expenditures, together with these other economic impacts, represent the total cost of wildfire to the citizens of Montana.

DNRC Protects the State From Wildfire and Administers the Fire Assessment Program

The DNRC Forestry-Trust Lands Division implements its mission to protect lives, property, and natural resources from wildfire through several programs, including the Fire Assessment Program. The Fire Assessment Program has two components:

- The department administers a wildfire protection assessment fee on certain landowners.
- The department provides direct fire protection to landowners who pay the fee.

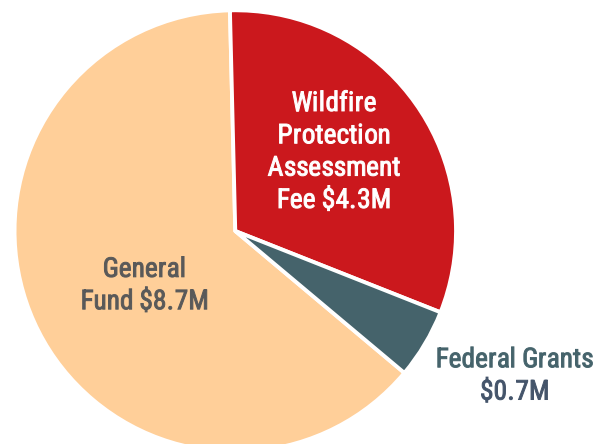
The Department Administers the Wildfire Protection Assessment Fee Through the Fire Assessment Program

The wildfire protection assessment fee is a special assessment that helps fund fire protection in Montana. By law, owners of classified forest land within wildland fire protection districts must pay this fee. Wildland fire protection districts are administrative boundaries created by the department with the approval of a majority of landowners who own the majority of land in the designated area. The first fire protection district was formed in 1911 and was protected by the Northern Montana Forestry Association. The most recent district was established in 1990, bringing the total number of districts to 33. A fire protection district has never been dissolved. Fee proceeds help pay for equipment, full-time staff, supplies, coordination, and other resources that allow DNRC to respond to wildfires.

The fee has two components, each subject to an upper limit established in statute. There is a not more than \$50 per-owner per district charge and not more than \$0.30 per-acre charge for each acre owned in a district over 20 acres. The department currently assesses the fee at the upper limit of both rates. In the past, when the per-acre and per-owner rates have reached their limits, the department has requested a legislative amendment to increase them. The last time the department proposed increasing the upper limits of both rates was in 2015. In FY 2023, \$4.3 million was collected in wildfire protection assessment fees. Figure 2 shows how the wildfire protection assessment fee currently contributes to financing fire readiness resources as part of the department's fire readiness budget.

The fire readiness budget is part of the department's House Bill 2 appropriation and is separate from the statutory appropriation from the fire suppression account.

Figure 2
The Wildfire Protection Assessment Fee Contributes to the Department's Readiness Budget (FY 2023)

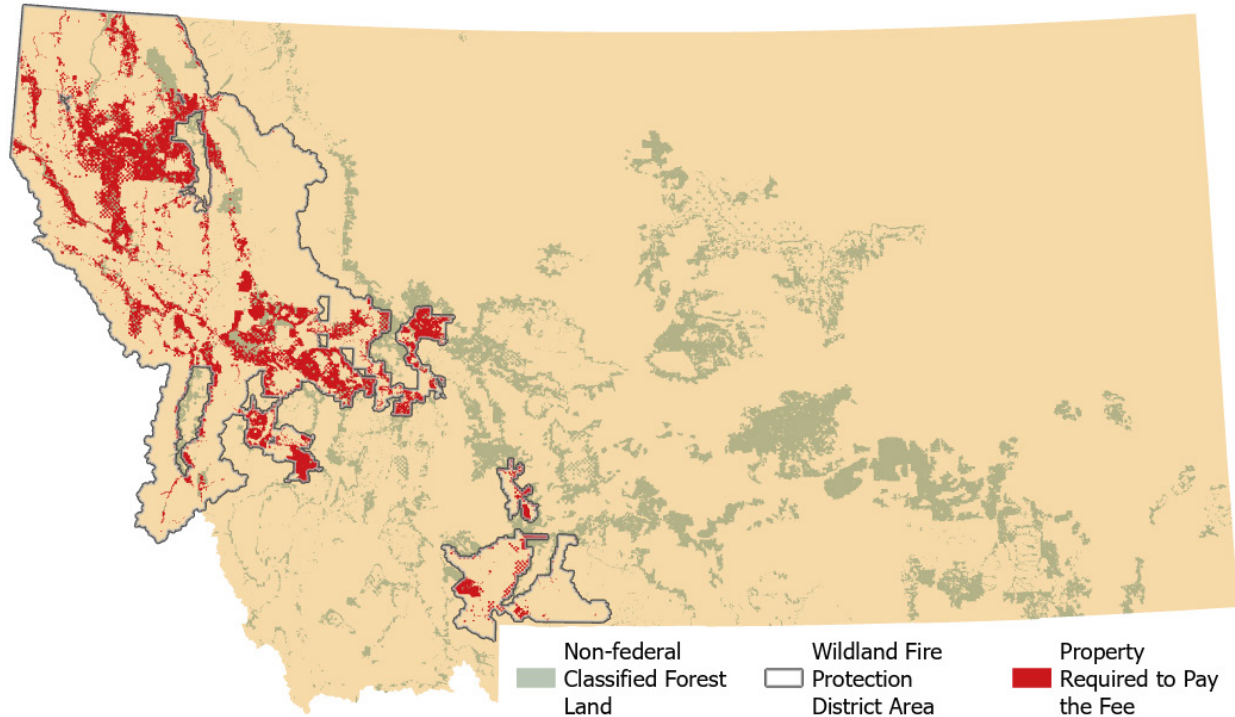


Source: Compiled by the Legislative Audit Division from department records.

Figure 3 shows the location of properties from which fee payment is required. The gray outline denotes the area boundaries contained by wildland fire protection districts. Landowners outside of classified forest land within districts may receive protection from the department and voluntarily pay the fee through a voluntary agreement.

Figure 3

Properties Required To Pay Fee Located on Classified Forest Land Within Wildland Fire Protection Districts



Source: Compiled by the Legislative Audit Division from department records.

The Department Provides Direct Protection Through the Fire Assessment Program

The DNRC provides “direct” fire response to all fee-paying property via the Fire Assessment Program; this includes forest land in wildland fire protection districts and properties under voluntary agreements. The department also provides direct protection to DNRC Trust Lands that are not assessed the fee. Direct protection means that DNRC is responsible for providing aggressive initial attack to properties threatened by wildfire. The department has direct protection responsibility for approximately 5 million acres in Montana.

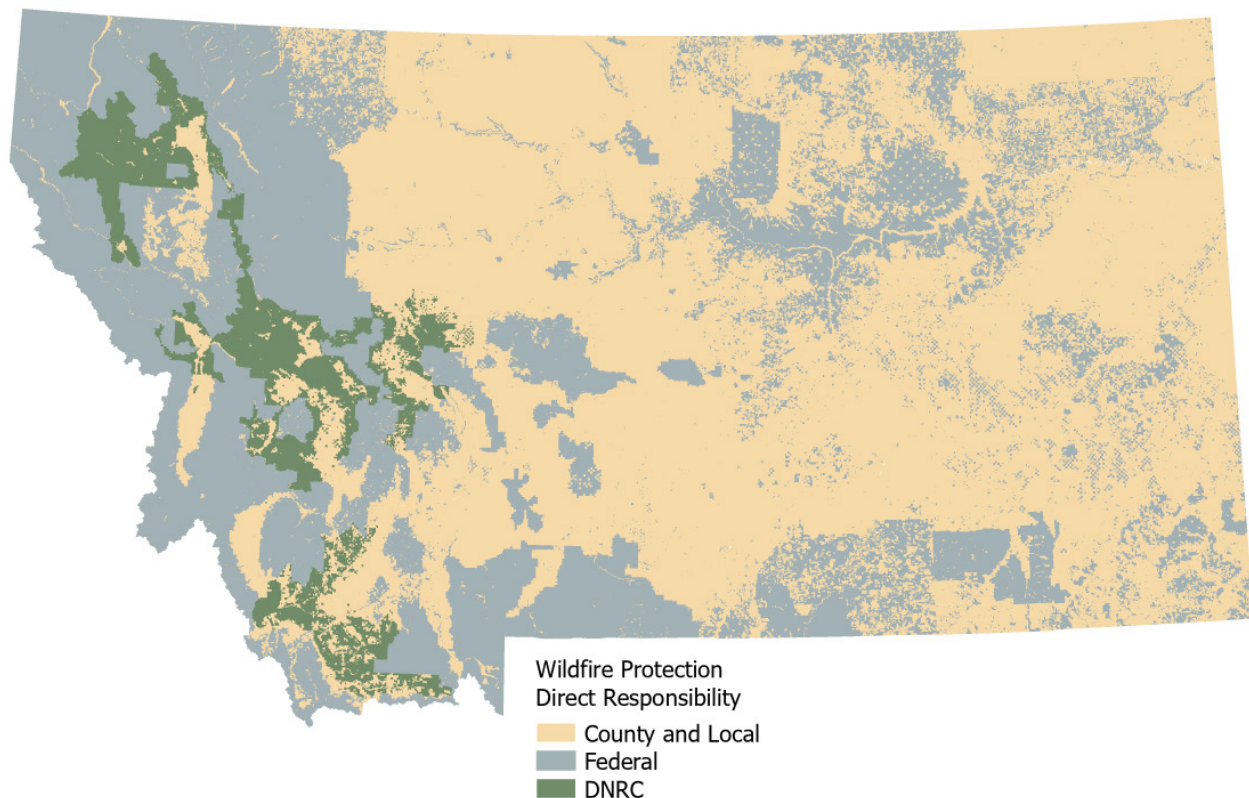
Land Outside of the Department's Direct Protection Responsibility Receives Protection in Multiple Ways

The DNRC shares protection responsibility for 55 million acres of state, local, and private lands beyond its direct protection areas. These lands are primarily protected by counties. DNRC provides training and equipment to improve counties' ability to respond to wildfires through the County Cooperative Program. When DNRC requires additional resources for fire protection, it can utilize available local government resources. If a wildfire exceeds a county's response capacity, DNRC helps suppress the fire, with the state paying for the full expense of its assistance to counties.

Figure 4 shows the area that DNRC is responsible for directly protecting—which largely corresponds with the location of properties that pay the wildfire protection assessment fee, the area counties are primarily responsible for protecting, and the area for which the federal government is responsible.

Figure 4

DNRC, Counties, and the Federal Government Are Responsible for Wildfire Protection in Montana



Source: Compiled by the Legislative Audit Division from department records.

Counties and other local fire jurisdictions can charge separate assessments for their fire protection services, which may lead individual landowners to be protected by multiple fire protection agencies and pay a different fee to each.

Audit Scope and Objectives

The Fire Assessment Program was prioritized for a performance audit based on legislative interest, high costs associated with wildfire, and concerns from a 2017 internal review of the program. Our review included the administration of the Fire Assessment Program and statute governing the wildfire protection assessment fee. We reviewed around 114,000 property records under DNRC's direct protection, reviewed map layers and processes, and examined data relevant to funding, fire response, and resource allocation. We also consulted other states and reviewed best practices for funding wildfire protection.

We developed the following objectives for reviewing the Fire Assessment Program and determining if wildfire protection funding aligned with best practices:

1. Is the wildfire protection assessment fee being administered and collected in accordance with statute and administrative rules?
2. Does Montana's current funding structure and distribution of resources for the Fire Assessment Program align with best practices for fire preparedness?

In this audit, we did not examine or evaluate the operations of how the department fights wildfires. We examined the statutory framework that guides the Fire Assessment Program and how that compares with best practices identified from our research. We identified opportunities to improve the funding structure, guiding information, and how the statutory framework can support a program that reduces overall costs to the citizens of Montana.

Methodologies

We completed the following methodologies to help answer the audit objectives:

- Reviewed relevant DNRC policy, administrative rules, and statutes related to the Fire Assessment Program and fire protection funding.
- Reviewed department processes, the computer script that assigns wildfire protection assessment fees to properties, and property data to determine if properties were appropriately assessed the fee and received direct protection from the department.
- Reviewed how the wildfire protection assessment fee proceeds are used as part of the funding for wildfire protection.
- Examined the current distribution of landowners who pay the fee and who receive direct protection from DNRC across the state.
- Conducted interviews with DNRC Forestry-Trust Lands Division management and staff across department land offices to understand how the Fire Assessment Program is administered.
- Interviewed stakeholders about the Fire Assessment Program.
- Reviewed other data, such as fire risk data, which includes fire occurrence, fuels, and economic values, that can be used to inform the Fire Assessment Program and funding structure.
- Reviewed key literature and spoke with other states and national experts regarding best practices in funding wildfire protection.
- Reviewed and compared Montana's current funding structure with best practices.

Chapter II - Wildfire Protection Funding Best Practices

Introduction

Montana provided an over \$30 million estimated annual wildfire protection subsidy in FY 2023 to landowners in areas of elevated fire risk, funded by general taxpayers, leading to economic inefficiency. We found that some parts of Montana's wildfire protection funding structure and Fire Assessment Program do not align with best practices; we identified several opportunities to reduce the economic inefficiency that results from encouraged development and other land use in areas of high wildfire threat. In our work, we describe economic inefficiency as an outcome in the real estate market where state subsidies cause consumers to invest in property in areas of high fire threat even though the total benefit of that property to them is less than the property's total cost including the state's protection expenditure. Recommendations include recalculating the public and private funding share, clarifying statute, and establishing a fee structure informed by cost and wildfire risk data, and improving data practices to help determine efficient funding and areas of elevated wildfire response.

National Experts and Other Research Provide Best Practices for Funding Wildfire Protection

Our research identified clear guidance for wildfire protection funding. Many of the best practices identified from our research look to minimize wildfire costs to the citizens of Montana, which is reflected in the state's fire policy. By best practices, we mean the criteria gathered through our audit work, not industry standards used to guide firefighting efforts. To arrive at best practices, we reviewed reports and interviewed recognized local and national academic experts—most of whom also had specific familiarity with wildfire fighting in Montana. Experts we spoke with included the University of Montana National Center for Landscape Fire Analysis, Cornell University Brooks School of Public Policy, University of British Columbia Vancouver School of Economics, University of Indiana Bloomington Economics Department, Washington State University School of Economic Sciences, The Pew Charitable Trusts, National Conference of State Legislatures, Headwaters Economics, Property and Environmental Research Center, and the United States Forest Service Fire Sciences Laboratory.

We identified a strong, majority consensus across our review of literature and interviews with experts, consistent with economic rationale and principles, and consistent with what is best for Montana taxpayers collectively. We also considered the general principles and framework of the Fire Assessment Program. Lastly, we interviewed other states, including Idaho, Oregon, Colorado, Alaska, and Utah, which helped us consider the feasibility of implementing practices. One key principle our review identified was that making landowners responsible for their contribution to state wildfire protection costs can reduce economic inefficiency and wildfire risk. Economic inefficiency is a consequence of changes in the amount of property demanded in the real estate market created by the statutory framework, which encourages increased land use in areas of elevated fire threat. The economic inefficiency discussed in this report is not the result of decisions made by DNRC.

Landowners Should Take Into Account the Cost of Wildfire Protection When Making Land Purchase Decisions

Experts we spoke with stated that, in addition to providing a funding source, the wildfire protection assessment fee provides an opportunity for private landowners to be made aware of the cost of state wildfire protection when making decisions to purchase, manage, or develop property. The state's wildfire protection provides a monetary benefit to landowners in areas of elevated wildfire threat by reducing their potential costs from wildfire damage. When the state provides wildfire protection without charging fees commensurate with the expenses of protecting a property, the landowner receives a subsidy from the state.

Subsidizing the cost of properties in areas of elevated fire threat leads to:

1. A monetary transfer from the general taxpayer to owners of properties in areas of elevated wildfire threat.
2. Economic inefficiency, as some landowners would not choose to purchase or develop property in areas of elevated fire threat if they had to pay the true cost of wildfire protection in these areas.

Research examining the effects of fire suppression policy on development in areas of high fire threat suggests a significant impact of more generous suppression policies on landowners' decision to develop properties in areas of high fire threat, as they do not face the true cost of living in these areas. Because subsidizing wildfire protection leads to some landowners living or investing in areas of high wildfire threat even though they value the property at less than its actual costs, experts we spoke with stated that having landowners be responsible for their contribution towards state wildfire expenses through fee payment would be beneficial for the citizens of Montana.

Landowner Responsibility Does Not Reflect Contribution Towards Wildfire Costs

Montana's funding structure is based on landowners paying a portion of their contribution towards the state's expenses to protect them from wildfires. Best practice and economic principles provide that the closer and more reflective responsibility is to the landowner's actual contributions towards costs, the more economic efficiency improves. In the context of the state's wildfire protection costs, current private landowner responsibility and fee amounts are not based on data specific to Montana and do not consider total wildfire protection costs. Therefore, fees may not be commensurate with the cost of protecting the properties, leading to economic inefficiency for the state.

The current proportion of landowner and public/general taxpayer responsibility for financing wildfire protection in Montana is based on the findings of a 1958 national study by the Battelle Memorial Institute, a nonprofit research and development company. The institute conducted the study on behalf of the U.S. Department of Agriculture to inform the appropriate cost share of wildfire protection funding between the state government, private landowners, and the federal government. The study estimated state and private responsibility for wildfire protection, which Montana used as the basis for its cost share between the public (greater than or equal to two-thirds) and landowners (no greater than one-third). The authors highlighted that the study's proportions were based on national fire start and cause data and do not apply to individual states. Because Montana's public-private cost share proportions are not based on current data specific to Montana, they do not reflect private landowners' actual contribution towards wildfire protection costs.

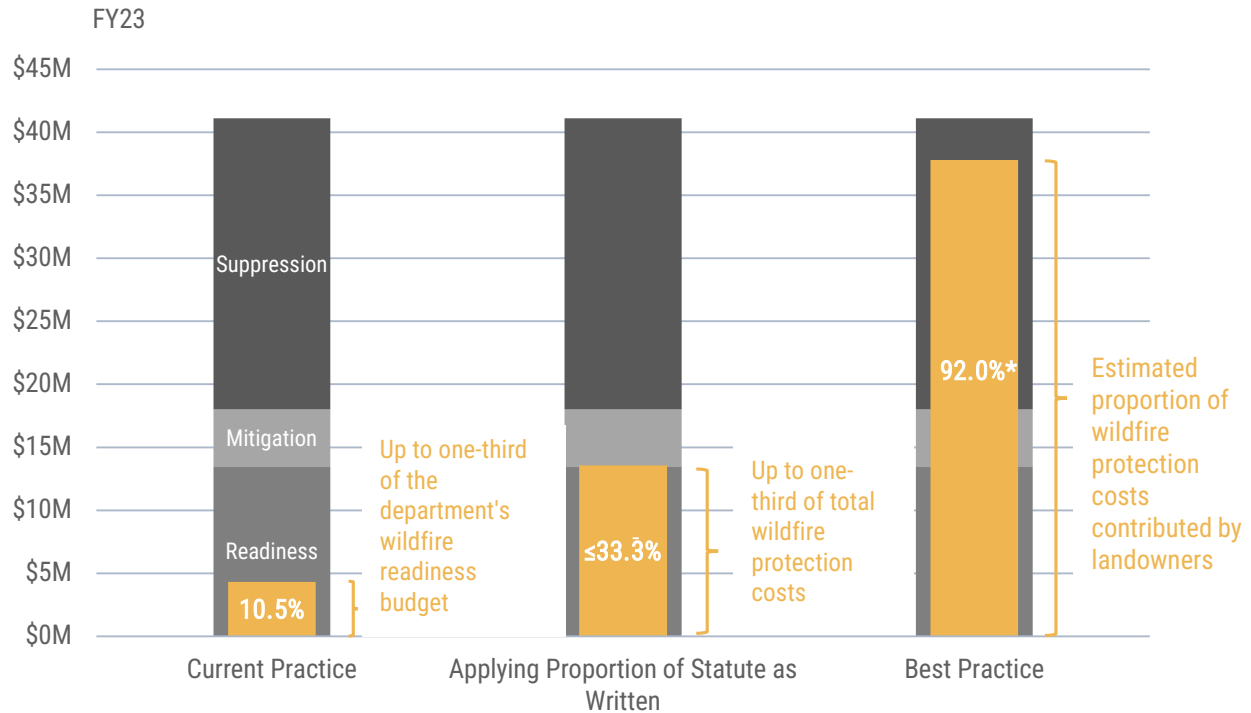
Data Specific to Montana Suggests Private Landowner Responsibility Is Underestimated

There is now improved fire incident and cost data applicable to Montana that can inform a more representative public-private cost share. We performed an analysis similar to a method used in the Battelle study to estimate the proportion of landowner responsibility using Montana-specific data from the National Interagency Fire Center (2020-2023). We found that 82 percent of fires on land under DNRC direct protection started on private land, and 92 percent of fires in the entire state started on private land; the result is not surprising, as most of the non-federal land in Montana is privately owned (~54 million out of 61 million acres) and is protected by the state directly or through the county cooperative program. This provides one simple example of an approach, the results of which suggest that the current funding split underestimates landowner responsibility. However, more rigorous approaches can be implemented. DNRC staff agree that the Battelle study has weaknesses, and determining a proportion reflective of actual landowner responsibility could improve with further analysis of current wildfire data in Montana. This includes using actual wildfire cost data, as suggested by experts. If improving economic efficiency is of interest to Montana's funding structure, an analysis would estimate a proportion of landowners' responsibility that is as close as possible to landowners' actual contribution towards state wildfire protection costs or wildfire costs.

Proportion of Private Responsibility Is Not Appropriately Applied to Total Protection Costs

The department and legislature have historically only considered the proportions of public-private responsibility in relation to the department's fire readiness budget (FY 2023 \$13.7 million). However, Montana statute references total protection costs (FY 2023 \$41.1 million) in the context of the legislative appropriation to which the proportion of private responsibility is applied. Wildfire protection includes mitigation/prevention, readiness, detection, and suppression. It is not limited to fire readiness. The statute states that "the department should develop an operations assessment plan in which fire protection costs are determined. The department shall request the legislature appropriate the state portion of the costs." Applying the proportions to the readiness budget instead of total wildfire protection decreases the amount landowners are responsible for paying and increases economic inefficiency. The statute is consistent with the best practice that landowners should be responsible for their share of total protection costs to improve economic outcomes. Figure 5 (page 10) summarizes the current practice and amount collected from landowners via the wildfire protection assessment fee (also shown as a proportion of FY 2023 state wildfire protection costs); the amount suggested by statute, as written; and an approach that looks to minimize economic inefficiency by making landowners collectively, across the state (not limited to wildfire protection districts) responsible for their contribution towards state wildfire protection costs, consistent with best practice.

Figure 5
Current Practice, Statutory Requirement, and Best Practice For Landowner Responsibility



*DNRC should use Montana-specific data reflective of landowners' actual contribution towards state wildfire protection costs to further inform the proportion of landowner responsibility.

Source: Compiled by the Legislative Audit Division from department records.

The Legislature Can Establish a More Representative Proportion To Improve Economic Efficiency

Montana's current practices lead to landowners not fully contributing to their share of wildfire protection costs, resulting in a subsidy to properties in areas with high fire threat. The legislature can improve economic efficiency in the state by amending statute with a proportion that is representative of landowners' actual contribution towards state wildfire protection costs. The department can help inform the private funding proportion using up-to-date, Montana-specific data and its expertise. In addition, the department should submit a budget proposal built upon an amount to be collected via the wildfire protection assessment fee based on total wildfire protection costs.

RECOMMENDATION #1

We recommend that the Montana Legislature amend statute to require:

- A. The Department of Natural Resources and Conservation to determine the proportion of landowner responsibility for wildfire protection costs based on wildfire, ownership, and other current Montana data, and*
 - B. The amount collected from the wildfire protection assessment fee be equal to the proportion of landowners' actual contribution towards wildfire protection costs the department determines applied to total wildfire protection costs as defined in §76-13-102 (17), MCA.*
-

It Is Important for the Legislature To Clarify Wildfire Protection Funding Statute

The legislature has historically considered only fixed fire readiness costs within DNRC's fire readiness budget (\$13.7M in FY 2023) when making budgetary decisions during the appropriations process based on §76-13-207, MCA. The amount of wildfire protection assessment fee collected from landowners is based on the resultant appropriation. However, statute (§76-13-207, MCA) references total wildfire protection costs (\$41.1M in FY 2023) in the context of this appropriation.

It is a best practice for the department to have an upfront fire readiness budget separate from other fire funding. Consistent, predictable readiness funding is crucial to ensure the department can maintain staff and other resources needed each year to respond to wildfires. Other funds, like the suppression fund, are subject to legislative transfers and do not serve as a predictable source of funds. Statute does not explicitly define how the department's fire readiness budget is financed. It is also unclear how the appropriation in §76-13-207, MCA, relates to the wildfire suppression fund.

Potential legislative amendments could look to clarify statute while considering best practice. It is important that the legislature define how the appropriation for the amount collected via the wildfire protection assessment fee relates to a consistent, predictable funding source used exclusively for fire readiness and other wildfire protection activities. For example, a statutory amendment could create a trust fund where the wildfire protection assessment fee proceeds are deposited and where funds cannot be diverted for other purposes besides wildfire protection. A required portion of the monies in this fund would be for the department's wildfire readiness budget. Alternatively, the legislature could prohibit legislative transfers from the special revenue account where fee proceeds are deposited.

Title §76-13-207, MCA, calls for an appropriation for all wildfire protection costs. The legislature must be aware that implementation of §76-13-207, MCA, as written, may lead to an overall increase in wildfire protection funding. If that is not the legislature's intent, statutory amendments will likely be needed, including coordination with the wildfire suppression fund. It is not our intent that the implementation of recommendations 1 and 2 lead to an increase in overall wildfire protection funding. The following recommendation (page 12) is intended to be implemented concurrently with recommendation 1.

RECOMMENDATION #2

We recommend that the Montana Legislature:

- A. Provide additional clarity as needed in state law that the wildfire protection assessment fee revenue is based on total wildfire protection costs, including the wildfire readiness budget.
 - B. Amend statute to clarify how wildfire protection assessment fee proceeds contribute to and are used exclusively for wildfire protection funding.
-

Property Level Characteristics Have a Significant Impact on Consequences From Wildfire

Experts further state it is reasonable to account for differences among individual landowners and local communities when considering frameworks for funding and protection, as certain property attributes contribute disproportionately to wildfire risk, as well as state protection costs, and require elevated protection. We found opportunities to reduce wildfire costs by using data and expertise considering property attributes to inform the wildfire protection assessment fee and areas that receive elevated wildfire protection.

Montana's Wildland Fire Protection District System Should Be Updated

The Fire Assessment Program is based on wildland fire protection districts from the 1950's. Land use in Montana and economic values threatened by wildfires have changed significantly since the formation of these districts. The number of Montana homes in moderate to severe wildfire hazard areas doubled from 1990 to 2020. At the same time, the legislature has expanded DNRC's protection responsibility beyond district borders. A statutory change in 2007 increased DNRC's wildfire protection responsibility from 5 million forested acres, primarily within the districts, to statewide protection of 60 million acres. The Fire Assessment Program compels the department to provide direct protection to areas that do not fully capture all economic values threatened by wildfire. The fee components and amounts outlined in statute prevent current and prospective landowners from considering their contribution towards the state's wildfire protection expenses when making land use decisions.

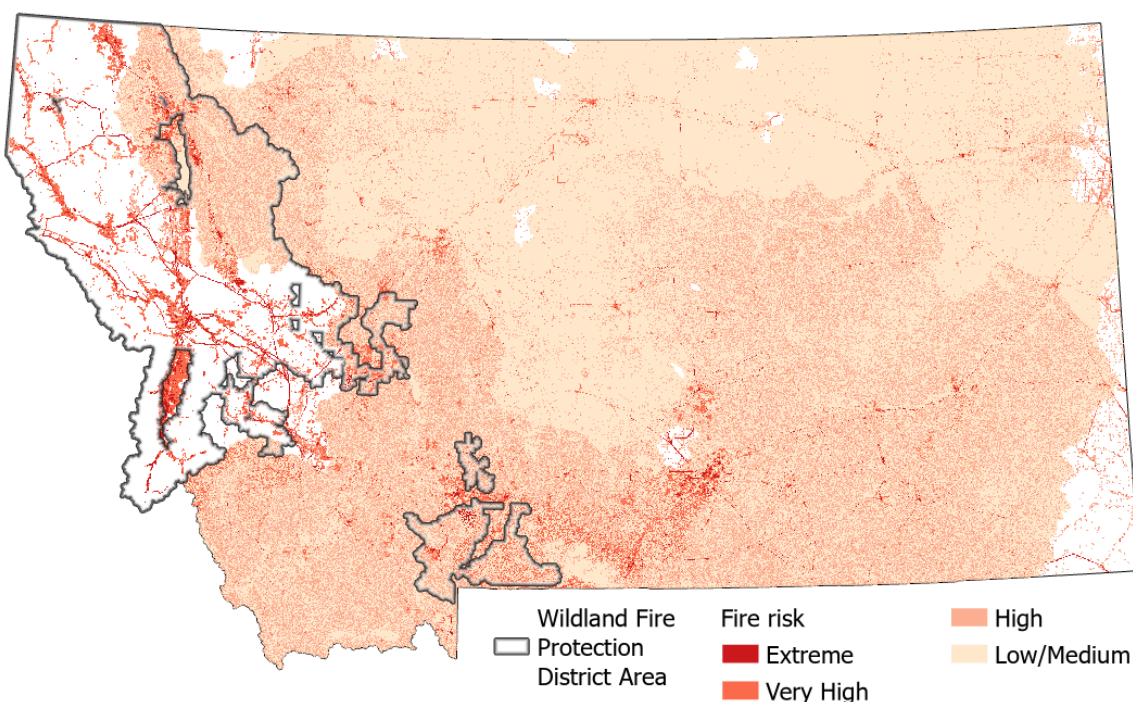
Wildland Fire Protection Districts Overlook Wildfires' Full Economic Impact

In 2020, the department completed a wildfire risk assessment to better understand its protection responsibilities. Wildfire risk is the probability and consequence of a wildfire burning in an area. It includes burn probability, fuel type, as well as other environmental conditions. Wildfire risk includes how these conditions could impact economic values, such as natural resources and structures. For example, an area with several expensive residential developments would show a higher wildfire risk than an undeveloped area, given similar likelihoods of severe wildfire occurrence.

Figure 6 shows the department's most comprehensive risk map, developed as part of the Montana Wildfire Risk Assessment, along with wildfire protection districts. It shows the potential impact of wildfire on structures and water quality based on weights determined by department staff. The lightest color in the low/medium group reflects the underlying threat to surface drinking water, while the darker dots reflect threats to structures. The map's white (non-colored) areas indicate no structures or surface drinking water threatened by wildfire. However, in reality, there are other natural resources in these and other areas that the department protects; one limitation of this map is it does not account for the potential impact on other economic values, such as forest land.

Figure 6

Risk Map Shows That There Are Areas of Elevated Wildfire Risk Outside of Districts



Source: Compiled by the Legislative Audit Division from department records.

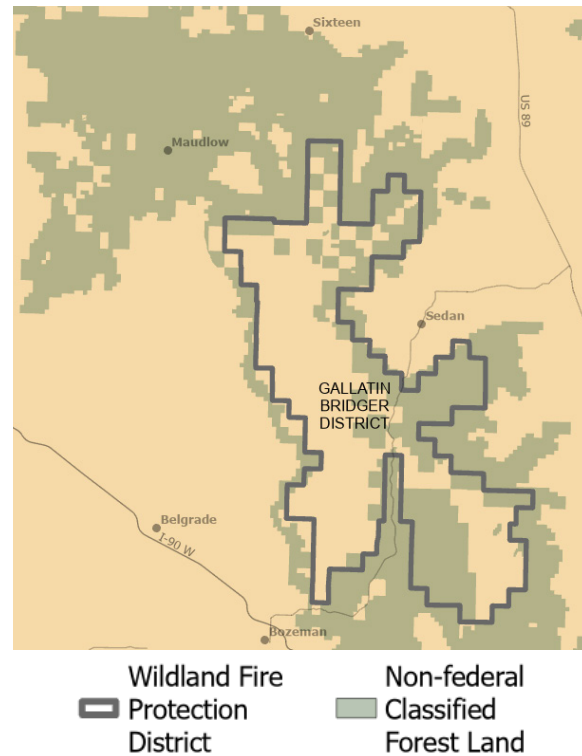
Figure 6 shows there is an elevated potential impact on structures and water quality throughout Montana that exists outside of forest land within wildfire protection districts, including in South Central Montana.

The district system also does not account for the potential impact of wildfire on all forest land in the state. As shown in Figure 7, historic fire district boundaries do not encompass all non-federal forest land. One consequence of this, in addition to not considering all economic values DNRC is tasked with protecting, is that similar types of properties are not treated equally.

Figure 7 highlights one example from Gallatin County of private forest land within district boundaries that pay the wildfire protection assessment fee and receive direct protection and private forest land directly outside district boundaries that do not pay the fee but, according to staff, would receive a similar level of protection.

In addition, there are many areas that the department has designated as “affidavit units” in which fee payment and protection are optional despite values threatened by wildfire being relatively similar to those of districts. The fire district boundaries do not holistically consider values and response needs throughout the state, resulting in properties that pose similar risks being treated differently from a fee payment and/or response perspective.

Figure 7
**Wildland Fire Protection District Boundaries
Exclude Adjacent Private and State Forest Land**



Source: Compiled by the Legislative Audit Division from department records.

Wildfire Protection Assessment Fee Does Not Consider Landowner Contributions to State Wildfire Costs

Wildfire protection assessment fees do not consistently align with the actual risk of or cost to protect a given property. The fee amounts assessed to properties are, in most cases, less than what it costs the state to protect them. As a result, landowners in areas with higher than average fire risk do not consider their contribution to state costs, which can lead to more land consumption than is economically efficient and increases in the state’s protection costs. Owners of properties within district borders are assessed a uniform per-acre fee. Properties outside of wildland fire protection districts and voluntary agreements are not assessed a fee and do not receive an initial response from DNRC—given they are away from directly protected areas—despite some having elevated fire risk similar to those within districts and contributing to state wildfire protection costs. The department estimates the state spent approximately \$7.4 million in FY 2023 on wildfire protection in areas outside its direct protection responsibility through the County Cooperative Program. We found that the department does not track and use data to formally analyze the extent to which property attributes increase wildfire costs in the state, which limits the use of Montana-specific information to inform funding structures that can improve economic efficiency.

Research shows several variables affect wildfire protection costs, namely, fuel type, seasonality, topography, accessibility, and the presence of structures and other valuable assets. Of these, studies have found that the decision to further develop structures in areas with high wildfire risk is one of the largest contributors to increases in wildfire protection expenses that can be influenced, with one study suggesting that new housing developments in a previously rural area could increase wildfire protection costs in that area by 70 percent or more. DNRC staff note that structures in the wildland can require more aggressive response and fighting wildfires in more difficult areas, contributing to more resource use and cost.

Per-Owner Fee Not Based on Cost Contribution and Increases Workload

The current per-owner fee, assessed primarily on owners of classified forest land within wildland fire protection districts, does not consistently capture wildfire risk, including the presence of structures and contribution towards the cost. A property with several improvements pays the same as an undeveloped forested property, despite the department prioritizing protection for the developed property, all else equal. To administer the fee based on the property owner, DNRC must identify each distinct property owner, requiring time-consuming reconciliations of names that do not relate to fire risk or response needs. While a condo-specific fee was added to statute in 2009, it fails to address other types of structures and to align the fee amount with the properties' contribution towards state wildfire protection expenses.

Statutory Framework Does Not Holistically Consider Needs Throughout State

The department does an admirable job of protecting the entire state from wildfires, given the current statutory framework. It has adopted several tools to protect the state, and regardless of the framework, the department must retain its flexibility and adaptability to move resources around throughout the fire season. However, the Fire Assessment Program under the current district-based system constrains the areas the department considers for aggressive initial attack and in allocating resources to most efficiently respond to needs, as it guides the department to be primarily responsible for protecting forest land within historic wildland fire protection districts and therefore base its resources in these areas. Some DNRC staff indicated that more fire readiness resources should be considered outside of district areas, such as a permanent aerial team in the southeast of the state.

Further, even if DNRC determined that other areas would benefit from direct protection and would reduce total economic costs of wildfire, the framework does not allow charging fees that align with the services that would be provided to those areas without changing current districts, which requires significant work and is dependent on the approval of the majority of landowners. Given the department's statewide responsibility, and as the landscape in Montana continues to change, it is important that the wildfire protection system enable the department to adapt, apply its expertise, and efficiently reduce wildfire costs statewide.

Data and DNRC Expertise Should Inform Assessment Program To Reduce Costs

Montana statute, the department's strategic plan, and experts state that a goal of a wildfire protection program is to minimize the costs of wildfire. The allocation of fire readiness resources and level of response should allow for effective and efficient protection of economic values, with consideration given to areas with the highest risk. Similarly, best practices provide that funding structures should make landowners consider their contribution towards costs to reduce economic inefficiency. Our review found that data should be used in concert with expert opinion to inform where resources can be most efficiently used to address wildfire risk and to charge fees based on property attributes to make landowners consider fire protection costs in their decision-making.

Other States Have Adopted Practices to More Directly Address Potential Wildfire Damage and Factors That Contribute to Protection Costs

Other states' wildfire protection authorities use data and expert opinion to inform resource placement and priority areas for initial wildfire attack. They more directly address factors that contribute to risk and cost in their funding structures. The Alaska Division of Forestry and Fire Protection has identified and divided the state into four different response prioritization zones. Each zone corresponds to the locations of economic values threatened by wildfires. Their framework allows their fire protection authority to decide areas to prioritize for protection and how to best utilize their resources to reduce wildfire damage by considering all economic values.

Utah's state fire protection authority tracks data on resource allocation to differing fires and uses it to perform analyses to inform how certain geographies contribute to cost. Utah also incorporates risk data as part of its funding structure. Oregon and Idaho tie assessment fees to land, not ownership, and charge developed properties an additional amount along with a per-acre rate. Experts suggest a fee could be refined to account for other geographic factors contributing to wildfire risk and cost. Analyzing how property attributes increase wildfire protection costs in Montana would help further inform a fee structure that improves economic efficiency.

Improving Fire Risk Data Can Help Inform Resource Allocation and Funding Structure

Experts discussed how fire risk data can provide a holistic way to consider areas of greatest need and help inform allocations of resources and funding structures that minimize costs. The department's 2020 risk assessment, although so far primarily used to inform mitigation activities, could be further leveraged to inform readiness and response. Currently, the risk model primarily focuses on the economic values of structures and water quality. The department can improve its risk model by including all economic values threatened by wildfire and using monetary valuation to integrate them into a single unit. For example, it is important to determine how damaging it would be to citizens if a key power transmission line burns down compared to an acre of forest used for recreation.

Risk data can be further improved by including a greater percentage of fire incidents. In Montana, most wildfire incidents occur within areas where local governments are required to report. Statute requires that fire chiefs of local jurisdictions report all fire incidents to the Department of Justice through the National Fire Incident Reporting System.

However, fire chiefs are often in volunteer positions and do not consistently report wildfire incidents. DNRC staff are working with local governments to improve communication of local fire incidents with existing federal and state information systems. Ravalli County, for example, has adopted a process where their local 911 dispatch center notifies the closest wildland fire dispatch center whenever they receive a report of a local wildfire incident. Further effort is needed to lessen barriers to local government reporting so information can be transferred into state and federal databases and used by the department to improve risk data and inform decision-making.

Experts noted the importance of establishing a plan to periodically update risk data as it changes over time. For example, forest mitigation practices and fire occurrence significantly affect the landscape and how fire spreads. Consequently, fire risk and would impact assessment, resource, and protection decisions based on fire risk data.

Lastly, experts emphasized the importance of evaluating resource effectiveness. Allocating resources on wildfire risk alone may not minimize costs. For example, accessibility, existing infrastructure as well as federal and local resource placement should be considered. An area can have high fire risk but also be prohibitively costly for the department to protect. For this reason, to help determine areas of elevated fire protection, the department can examine resource effectiveness at reducing damages from wildfire (such as loss of property, natural resources, and pollution) while using components of fire risk data to control for other variables contributing to fire outcomes.

Example Policy Option for Updating the Districts and Other Considerations

There are several options available for implementing frameworks that address both areas that would benefit from aggressive initial attack and determining a fee structure that incorporates landowner contribution to costs based on best practice. Experts explored additional factors to consider in the implementation of a new funding structure.

Example Framework That Aligns Response and Fee Assessment To Improve Economic Efficiency

One framework that aligns response needs with fee assessments would be to allow the department to determine and divide the state into multiple discrete areas. The department could use its existing model of direct and county cooperative protection and determine which areas would benefit most from aggressive initial response by DNRC, informed by wildfire risk, efficient response, and the department's expert opinion.

Once the level of response for a given geography is established, the department can tie protection costs to wildfires and geography. Then it can associate these costs with discrete areas, allowing the department to develop base fee amounts for a location that a property lies within. Geographies that require an elevated level of response and use more protection resources would pay more than those that use less. The department can determine the proportion of costs in a zone attributable to structures and create a structure fee in each zone in addition to a per-acre fee.

We conducted an analysis to determine estimated fee amounts under a simple alternative funding structure that considers structures and makes landowners more responsible for their contribution towards cost. While a more refined funding structure would incorporate more areas and greater differentiation of costs, for this analysis, we focused on two areas that cover the entire state based on the current direct protection and county cooperative areas.

For our analysis, we used state wildfire protection costs (\$41.1M in FY 2023) that the department attributed to both the direct protection and county cooperative areas and applied the proportion of landowner responsibility (92 percent) we estimated based on Montana-specific fire start data on private property to determine the total costs attributable to landowners (\$37.8M). We used the results of a recognized research study (Gebert, Calkin, Yoder, 2007) that focused on the Northwest United States to associate the presence of residential property value with increases in wildfire protection costs. The study found that a 1 percent increase in residential property value within 20 miles of a fire start location corresponded to a 0.11 percent increase in costs to suppress that fire. Using data on where Montana fires start and residential property locations from FY 2023, we found that the average suppression cost increase attributable to residential properties was 227 percent in the DNRC's current direct protection area and 219 percent in the current county cooperative protection area. We applied these percentage increases to the total wildfire protection costs attributed to private landowners in each area to estimate that residential properties were responsible for approximately \$21.6M in costs in the direct protection area and approximately \$4.7M in costs in the county cooperative protection area. We divided the estimated costs attributed to residential property by the number of residential properties (62,441 properties in the direct protection area and 332,661 properties in the county cooperative area) to calculate potential residential property fees in each area and divided the remaining costs by the number of acres (3.62 million acres for the direct protection area and 50.96 million acres for the county cooperative area); the resultant per-residential property and per-acre fees are shown in Table 1 along with the current fee amounts. These fee estimates are stable to changes in the study relationship between residential property and increased suppression costs that we used.

Table 1
Estimated Fees Under New Funding Structure that Aligns Fees with Properties' Contribution Towards Costs and Current Rates

	Current Fee Structure \$4.3M revenue (FY 2023)		New Alternate Fee Structure \$37.8M revenue (FY 2023)	
	Per-acre Fee	Per-owner Fee	Per-acre Fee	Residential Property Fee (Structure Fee)
Direct Protection Zone	\$0.30	\$50.00	\$2.60	\$344.50
County Cooperation Zone	\$0.00	\$0.00	<\$0.10	\$14.10

Source: Compiled by the Legislative Audit Division.

Table 1 provides a simple example of fee estimates using currently available data, but the analysis can be improved further with more refined cost and geographic data. For instance, the example alternate fee structure estimates the average residential property's contribution towards state wildfire protection costs in the direct protection and county cooperative zones; there are some residential properties that contribute more to state costs and would be underpaying, while others that contribute less would be overpaying.

Similarly, in the county cooperative zone, the residential property and per-acre fee are spread across all residential property and over 50 million acres, resulting in relatively small fees per payer. The administrative cost of assessing the average per-acre and per-residential property fee to such properties broadly across the county cooperative zone may not outweigh the benefit associated with fee assessment. However, some areas within the county cooperative and direct protection zone more significantly contribute to protection costs than others.

To further align fee amounts with geographies and property attributes that contribute to increased protection costs to improve economic efficiency, the department must improve its data tracking and conduct analyses using Montana-specific cost data. The department should use an evidence-based proportion of landowner responsibility that reflects landowners' actual contribution towards state protection costs in future analyses informing funding structure.

Consideration of Benefits of Implementing a New Funding Structure

It will be important to ensure that the costs to the department of transitioning to and administering a new funding structure would not outweigh the benefits. The results of our review of program information and academic research suggest that there is a significant amount of economic inefficiency caused by the state's subsidization of land use in areas of elevated threat through the state's wildfire protection. There would likely be significant benefit of removing the subsidy with a sufficiently differentiated fee structure that makes landowners consider contributing to the state wildfire protection costs.

As the department works to develop a differentiated fee structure based on wildfire risk, they should look to quantify the amount of economic inefficiency more precisely; this could be done by identifying the amount of subsidy received by a specific geography or market and then compute the change in quantity demanded in that geography given the change in the price of property due to the amount of subsidy. Empirical research has established estimates for the relationship between the percentage change in price and quantity demanded for different markets. An estimate of economic inefficiency is likely feasible for limited markets and geographies in Montana; a statewide estimate would also be possible with better tracking of wildfire protection cost information.

Consideration of Ability To Pay

In our research, though there was a consensus that allowing landowners to face their full contribution towards wildfire costs would improve economic efficiency, some experts discussed how some groups of landowners may be unable to pay for their entire cost contribution towards state wildfire protection expenses. It is efficient for landowners to move away from high-risk areas when they cannot pay the cost of protection; however, if this is a concern, or if certain types of properties provide social benefits, the legislature could pass targeted industrial subsidies, or, in the case of individual property owners, they could structure fees based on the fee payer's income. In general, targeted subsidies would be more efficient than subsidizing wildfire protection across the board if the ability to pay is of concern.

Consideration for Tying the Fee to a Mitigation Incentive

Experts discussed how the fee could be tied to a mitigation incentive. Landowners or a local jurisdiction could receive a fee reduction if individuals or their local government performed targeted fuel reductions or adopted other community-specific practices to reduce fire risk, namely zoning, landscape regulations, improving accessibility, and building material standards. Utah provides an example of a funding model where local governments are charged varying amounts based on geographic risk and state protection costs with local governments able to reduce the amount owed if they take steps to reduce their fire risk.

If a similar incentive were integrated into the Fire Assessment Program, it would be important that the department ensure that discounts align with actual wildfire cost reductions, which may require additional staffing resources. The long-term goal to adopt these practices would reduce fire risk and total economic cost to the state and citizens associated with wildfires in that geography.

Montana's Fire Assessment Program Should Be Informed by Data and Department Expertise

The current funding structure and direct protection responsibility have not been updated over the last half century to account for changes to the landscape of Montana and department responsibility. Montana's funding structure has not fully considered best practices, particularly those of minimizing costs. Statute limits implementing a funding structure, fire readiness, and response based on data and department expertise.

Updating the Fire Assessment Program would allow the department to leverage data and use its expertise to prioritize response to the areas of greatest need and inform a fee structure that minimizes wildfire-related costs to the citizens of Montana. To help inform its response priority, the department should establish a comprehensive risk dataset for the state that compares all major economic values threatened by wildfire. Analyzing property attributes that correspond to increased costs would help further refine a fee structure that improves economic efficiency. The department should evaluate and consider fire readiness resource effectiveness as part of the decision-making process. This new framework would allow the state to move beyond the per-owner fee and assess structures and properties more directly to save staff time and improve economic efficiency.

Improving data, evaluating resource effectiveness to inform areas of elevated wildfire protection, and implementing a more granular differentiated fee structure will require additional department capacity. This may involve hiring staff with specialized expertise, partnering with universities and the federal government, or contracting external support.

RECOMMENDATION #3

We recommend that the Montana Legislature amend statute:

- A. To require the Department of Natural Resources and Conservation to develop and implement a comprehensive risk dataset and evaluate readiness resource effectiveness to identify areas that would benefit from elevated protection and inform the distribution of readiness resources, and*
 - B. To allow the department to determine areas of elevated wildfire response and institute a differentiated fee structure based on the comprehensive risk dataset, analyses of wildfire protection costs, and expert opinion of fire risk.*
-

DNRC Needs To Improve Data Tracking and Evaluation To Inform the Fire Assessment Program

Given a specified amount of wildfire protection funding and protection responsibility, a fee structure should seek to reduce economic inefficiency. Similarly, it is important that the department determine the total amount of funding of fire readiness and mitigation that most efficiently reduces wildfire costs to Montana citizens. To help inform this, the department needs to improve its data tracking and evaluation.

Investment in Fire Readiness Lacks Evaluation and Data Tracking

The department has not assessed whether the current level of fire readiness funding minimizes the total costs of wildfire. It primarily determines fire readiness funding levels based on the historical needs of field offices and adjustments for inflation. After-action reviews, county success rates reviews, and management meetings also inform funding levels. Resource needs are measured against DNRC's goal of keeping 95 percent of fires below 10 acres. However, this goal only applies to the 5 million acres the department is directly responsible for protecting under the Fire Assessment Program. It does not include other land they protect with counties through the County Cooperative Program.

One issue preventing evaluation is that DNRC's fire readiness cost data cannot be easily tied to geographic locations. We found that a portion of readiness costs could be tied directly to the department land offices. However, this only provides six data points, one for each land office. Readiness resources, like fire engines and helicopters, move around during the fire season, and the department cannot easily attribute these resources to their geographic locations across time. In contrast, suppression cost data can be directly tied to specific fire locations across time.

The department has not developed processes to track and leverage data in a way that can be used to determine the level of investment in fire readiness resources that minimizes overall fire costs. Without a process and evaluation, the department and the legislature do not know if fire readiness expenditure is above or below the point that is most beneficial and if funding could be better used in other ways to reduce the overall cost of wildfire, such as additional mitigation.

The total amount of readiness resources determined by this analysis would inform the extent and level of fire protection the department could provide across the state, particularly the amount of direct protection. Better tracking of wildfire protection resources would facilitate other efforts that would help inform funding structure, including the evaluation of the effectiveness of fire readiness resource allocations, determining public-private proportions for cost-sharing based on geographic cost data, and determining contributions towards costs and quantifying the level of economic inefficiency caused by subsidization of certain types of landowners.

Best Practice Calls for Using Data and Evaluation To Inform Investment

The department's strategic plan and experts in the field emphasize the importance of evaluating resource needs. To achieve efficient fire readiness investment, best practices emphasize the importance of information tracking and data-driven decision-making. This includes tying fire readiness cost and resource data to geography to help with evaluation.

Other states track fire readiness cost and resource data so they can be tied to geographic locations and use the data to conduct evaluations. For example, Idaho partnered with the U.S. Bureau of Land Management (BLM) and Colorado State University to analyze their level of investment in fire readiness resources, at which point, it would be more beneficial to put the money towards mitigation activities. They found that three to four million dollars of additional investment in fire readiness resources would benefit the state of Idaho, and any further investment beyond that point would be better spent on mitigation projects.

Experts Highlight Consideration of Opportunity Cost of Fire Readiness Investment

Experts emphasize the importance of considering the tradeoff between investment in preventative measures and mitigation versus investment in fire readiness when examining ways to reduce overall wildfire costs. In Montana, most state mitigation funding comes from the suppression fund, which is subject to legislative transfers and not guaranteed. Research has found that preventative actions and strategic mitigation can yield a positive return on investment—one study estimates up to \$7 in savings for each \$1 spent on forest thinning and prescribed burns when considering benefits to ecosystems, reduced damages (e.g., property loss and pollution), and reduced suppression costs collectively. An analysis that informs the optimal investment in fire readiness that factors in the opportunity cost and return on investment from other fire management activities, namely mitigation, would help guide consistent mitigation and fire readiness funding, using data specific to Montana.

Additional capacity, expertise, and/or partnership will be necessary to determine the optimal level of investment in fire readiness. To perform such an analysis, Idaho partnered with BLM at no additional cost to the state. DNRC could look for such opportunities with federal partners to lower analysis costs.

RECOMMENDATION #4

We recommend that the Department of Natural Resource develop and implement processes to:

- A. *Improve information tracking of readiness resource and cost data, so it can be tied to specific geographies across time.*
 - B. *Calculate an estimate of the efficient total amount of readiness resources and mitigation activities.*
-

Chapter III - Operational Issues With the Current Fire Assessment Program

Introduction

The Department of Natural Resources and Conservation's Fire Assessment Program largely meets its requirements. However, there are several areas where operations and statute can improve, given the complicated nature of the program. We found the department's fee assignment to certain properties was inconsistent with statute, and there was a need for additional processes to save staff time and ensure proper fee assignment. Documentation of procedures needs to improve to support consistent program administration over time. Our recommendations to improve processes and procedures will be important regardless of adopting a new statutory funding structure.

Fee Assignment Software Code Works As Intended but Improperly Assigns Fees for Certain Properties

DNRC uses a software program to assign the wildfire protection assessment fee to property owners. We found the department's software code operated as they intended. However, we also found that the code and department procedures deviated from statute in a few areas, leading to incorrect fee assignments and/or billed amounts for over 980 properties, including certain properties that are split by districts, open-space lands, and local government properties.

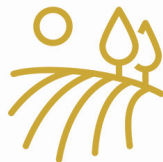
Figure 8

Analyzing Properties Incorrectly Assessed and/or Billed the Fee

We identified three types of properties that were incorrectly assessed and/or billed the wildfire protection assessment fee.



**Certain properties
split by districts**



Open-space land



**Local government
properties**

Source: Compiled by the Legislative Audit Division from department records.

Department Assessment of Certain Split-Properties Is Inconsistent With Statute

Neighboring wildland fire protection districts allow a single property to fall within two or more districts in some cases, causing the property to be "split" across the district boundary such that the owner owns land in each district.

When an owner owns a property split by a district but owns no other properties in either of the districts (“single-split properties”), the department charges only one fee, as if the owner’s property resided within a single district. However, statute specifies that the fee should be charged “for each landowner in the protection district.” Therefore, the department should charge single-split property owners a separate fee for each district in which their property lies.

The statutory requirements of the district system lead to owners of properties that cross the border of the wildfire protection district that are, pursuant to statute, charged more than owners of similar properties that are not. Moving away from the district system would resolve this issue. If that change does not happen, the department could seek legislative change to allow for their current fee assessment practices; otherwise, they should follow statute.

It Is Not Feasible To Bill Some Open-Space Lands As Statute Requires

Open-space land is a type of property that the department assigns with the correct amount of fees but is not always billed the correct amount according to statute. Open-space land is tax-exempt, undeveloped property typically owned by a homeowners’ association or private developer that is subject to the wildfire protection assessment fee. Assessment of these properties is consistent with best practices, as the department protects them, leading to increased wildfire protection expenditures. Because of the tax-exempt status of these properties, they are often missing valid ownership information or assessor numbers, which makes it, in some cases, impractical to directly assess the owners of these properties the fee. Even if the department could assess the owners of these properties, it would be impossible to enforce unpaid wildfire protection assessment fees on an open-space property because the land is required to stay as open space, even if it were to come under new ownership.

Consequentially, the department has adopted the practice of charging the fees that should have been billed to the owners of the open-space properties to the owners of other properties in the same subdivision. This practice allows fees to be charged to the most direct beneficiaries of the open-space land, but it conflicts with the current statute, which does not allow for the transfer of fees to other property owners. Because directly billing open-space properties is often infeasible, it is reasonable for the department to seek statutory change to allow for its current practice.

Figure 9

Impact of Inaccuracy of Single-Split Properties

In TY 2023, **99 properties** were not properly assessed, leading to **\$4,950 in under-assessment.**



99 properties



\$4,950 per year

Source: Compiled by the Legislative Audit Division from department records.

Figure 10

Impact of Assessment of Open-Space Properties

In TY 2023, over **150 open-space properties** were assessed at least **\$2,800 in fees.**



>150 parcels



>\$2,800 per year

Source: Compiled by the Legislative Audit Division from department records.

DNRC Assessment of Local Government Properties Follows Best Practice but Not Statute

Lastly, the department's assessment of properties owned by local governments, such as, counties, cities, towns, and districts, is inconsistent with statute.

The statute is explicit that the fee is to be assessed to private property and state-owned property but does not provide that the fee applies to property owned by local governments that is classified forest land within wildland fire protection districts. However, because local government properties use state wildfire management resources and contribute to protection expenses, it is inline with best practices, and it would be reasonable for the department to seek a statutory amendment that explicitly allows for the assessment of local government properties, as is done by other states. Until the legislature amends statute, DNRC should not charge local government properties a fee.

Figure 11

Impact of Assessment of Local Government Properties

In TY 2023, more than **730 local government properties** were inappropriately assessed over **\$9,000 in fees**.



>730 properties



>\$9,000 per year

Source: Compiled by the Legislative Audit Division from department records.

Statutory Amendments Will Help Bring Statute and Practices Into Alignment

Statutory amendments that clarify how the per-owner fee applies to single-split properties and allow for assessment of open-space property and local government property will align practices and statute while achieving more efficient outcomes for the Montana taxpayer.

RECOMMENDATION #5

We recommend that the Montana Department of Natural Resources and Conservation seek legislation:

- A. *To limit single-split properties to a single per-owner fee; otherwise, assess fees to single-split properties according to statute.*
- B. *That practically allows for assessment of fees to landowners associated with open-space land.*
- C. *To specify that properties owned by local governments are required to pay the wildfire protection assessment fee.*

Opportunity To Ensure Proper Fee Assignment and Reduce Staff Workload

The Fire Assessment Program is complicated to administer and has many statutory requirements. There are over 114,000 property records in the Fire Protection Assessment (FPA) data system, most of which are assessed the wildfire protection assessment fee. One full-time staff member administers the program with assistance from two other DNRC staff members and a seasonal, temporary employee who is trained each year. The department implemented a new data system in tax year 2023. While the system allows for fee assignment and includes several automated processes, the contractor did not complete all desired functionality. The department plans to solicit bids for a new contractor to further improve the system.

Even with the new data system, department staff spend significant time manually reviewing and updating information as part of the fee assignment process. Department staff stated they cannot determine if a fee should be assigned to over 2,000 properties each year due to a lack of time to review the properties and a lack of updated property data. Limited staff resources, many requirements, and a recent transition to a new system have resulted in several processes and controls not yet implemented that are needed to save staff time and ensure accurate fee assessment.

Department Staff Undergo Repetitive Time-Intensive Processes To Ensure Proper Fee Assignment

We identified the following procedures used to administer the Fire Assessment Program that are repetitive, time consuming, and could result in errors:

- Identifying new properties that need to be added to the FPA system.
- Calculating the number of acres that are valid for assessment on new properties added to the FPA system.
- Entering certain information for newly created voluntary agreements.

Identifying New Properties

DNRC receives property information needed for fee assessment from the Department of Revenue's (DOR) property tax database. DNRC relies on partially automated processes to ensure updated property records and newly created properties subject to fee assessment are appropriately reflected in the FPA data system. Current methods fail to consistently identify properties under voluntary agreements that drop out of the system after a property splits following an ownership change. Such properties lose direct protection and fee assessment despite a written agreement for protection and fee payment. While this occurs infrequently, a consistent automated test could eliminate this issue and reduce staff time on property updates; DNRC could create and use a map layer of all Fire Assessment Program property, including those with voluntary agreements. DNRC would pull updated properties from the DOR database that fall within this map layer, and the DNRC data system would flag any new DOR properties not already in their FPA system for further review.

Calculating Assessable Acreage

DNRC uses a classified forest land map layer in their mapping software to determine landowners' per-acre fee for forested acres by manually measuring the portion of a property that overlaps with the forest map layer. This involves staff reviewing every new property added to the database and every existing property that requires area updates. An automated process that determines forested acres for a new or modified property would save staff time and improve the accuracy of property assessments.

Entering Property Information for Voluntary Agreements

When a property owner enters into a voluntary agreement for wildfire protection with the department, staff add that new property to the FPA data system. Information such as township/section/range and fire district ID number are not automatically populated and have to be manually entered by staff. There are no controls to verify these manual inputs. The department could improve accuracy and reduce staff time requirements by having the township/section/range and fire district ID fields automatically populate based on the location of the property. DNRC's continued work with a new contractor provides an opportunity to fold the development of these automated processes into ongoing system improvements.

Additional Quality Control Would Improve Data Quality and Fee Assessment

The department is not consistently implementing certain quality controls and processes to improve data quality and prevent errors. In particular, DNRC does not test to identify properties in its system that are not being assessed or that lack property information that supports non-assessment, and it has not established a process for updating its forest map layer.

Properties Lack Information That Supports Non-Assessment

There were over 5,000 properties that had the incorrect property type description for 2023. Most of these errors were related to condos. Many properties had additional information relevant to fee assessment stored in a general "notes" field. We also identified, and the department confirmed, several properties that were likely not being properly assessed for the fee because of data entry errors made over time without tests to catch these errors. Department staff were still reviewing a list of 300 properties with a fee assessment of zero we had flagged for review when audit work was completed. Standardizing information in the notes field and improving the property type field would help improve the department's ability to quickly search for property that could be inappropriately assessed.

Lack of a Timely Archival Process

The department archives the FPA data so that there is a record of fee assessments that staff can refer back to. There was approximately a three-week gap between fee assignment to properties and data archival in 2023. This reduces transparency and can make quality control more difficult, as the property records can change between when fees are assigned and when the data is archived. A process could be implemented to timely archive the data tables used in calculating the fees at the time of fee assessment, which would provide a historical truth about which fees and calculations can be audited or explained to fee payers.

The Department Has Not Systematically Updated Its Forest Map Layer

The department uses its forest map layer, based on forest classifications dating back to the 1960s, along with a Cadastral property layer to inform fee assignments; department staff recognizes the forest layer has not been systematically updated since its creation. Over time, previously forested land has become non-forested and vice versa. While reviewing the forest map layer with department staff, we observed examples of landowners being charged for forested land when it was not.

The Montana State Library annually updates its Cadastral property layer as more information becomes available to better align the map with the reality on the ground, while the DNRC does not update the forest layer. This causes misalignment between the two map layers, which department staff state can make it unclear whether a given property should be entirely forested or entirely non-forested. We found that the department has not established a process to periodically update the forest map layer due to limited staff resources and other program priorities. DNRC has not developed a plan to measure the deviation from reality and establish a tolerable amount of discrepancy with Cadastral map layers and changes in land use before the forest layer requires an update. Inappropriate fee assignment resulting from lack of update to the forest layer and quality control leads to the improper treatment of properties.

Additional Processes Will Ensure Accurate Property Assessments and Save Time

Best practice calls for improving controls and processes to allow for more effective program administration. Automating time-intensive activities will give staff more time to review additional property records to determine the correct fee assessment. Quality control testing is a common practice to improve data accuracy. The Montana State Library further stated that it was important that state agencies have an established plan and process to maintain and determine when to update geographic layers to ensure accuracy. With the adoption of a new fee structure, it will also be important for the department to have a plan to keep map layers used to determine fee assessment current and automate processes. Based on the issues we identified during the audit, the department should, at a minimum:

- Institute a more comprehensive automated quality control procedure for identifying new properties by utilizing a map layer that covers current FPA lands.
- Develop automated processes for determining assessed acreage and entering in certain voluntary agreement information.
- Develop a process to ensure that a historical record of data used in calculation of fee assignment is created immediately after fee assignment.
- Develop a process for updating the forest map layer used to determine fee assessment.
- Identify and complete a review of all properties that have an assessment value of zero and that lack supporting non-assessment information in the property type and notes field.
- Improve the property type field, standardize the notes field, and assess any properties that were not being properly assessed.

RECOMMENDATION #6

We recommend that the Department of Natural Resources and Conservation implement additional automated processes and quality control tests to ensure accurate fee assessment and reduce staff time spent on fee assessment.

Department Lacks Procedures and Other Documentation That Guide Administering the Program

The department relies on numerous complex processes to administer the Fire Assessment Program. We found poor documentation of key procedures and systems, which reduces the department's ability to manage the program.

The Department's Operations Manual Is Out of Date and Does Not Include Many Key Processes for Administering the Program

The Fire Assessment Program's procedures manual has not been updated since 2018. Some sections of the manual are outdated and do not appear to have a purpose in program administration. The department is not following a procedure in their manual related to sending letters to new owners of properties receiving voluntary agreements. Lastly, there are several processes essential for the administration of the Fire Assessment Program that are not documented in the procedures manual.

The Department Does Not Send a Letter to New Owners of Properties Receiving Voluntary Agreements

The department's procedures manual states that when there is a transfer of ownership of a property receiving a voluntary agreement, staff are to notify the new owner via a letter. This informs the new owner that they are paying the wildfire protection assessment fee and receiving protection from DNRC via a voluntary agreement. Department staff say they do not send these letters because it would take significant time. Without notifying the landowner, the department does not inform them that their contract is voluntary. The owner may not otherwise know they are paying the fee and can opt out.

Important Processes Are Not Documented in Manual

The department has not documented several processes essential to the administration of the Fire Assessment Program in its procedures manual. These include:

- **Reconciling ownership names** by determining if two slight variations in ownership name constitute the same owner for assessment purposes. Without a documented procedure, this is currently left up to the opinion of the staff member.
- **Calculating assessed acres** for properties using the forest map layer and excluding portions of properties that do not contribute to fire risk even though they are marked as "forested."
- **Implementing existing and future quality control tests.**

Code That Assigns the Fire Assessment Fee Lacked Comments

The software code that assigns the wildfire protection assessment fee to properties lacked comments and was difficult to understand. Department staff did not understand the technical aspects of the code other than its outputs appeared to be correct.

In addition, there is not a guide for the use of the new FPA data system. The contractor who designed and helped implement the software never provided a completed user manual that explains the system.

Documentation of Procedures Is Important for Consistent and Accurate Program Administration

Given the complicated nature of the Fire Assessment Program, incomplete procedures and software manuals make it difficult for the department to ensure consistent program administration across different staff members and time. DNRC could not easily recreate current undocumented operations if they were to lose current staff. Similarly, a lack of documented code makes it more difficult for staff and other experienced programmers to read, maintain, and ensure that the fee is being appropriately assessed. Documented procedures and code help guide complicated processes implemented each year to ensure accurate program administration.

Best Practice Calls for Improved Documentation

The Montana Operations Manual provides that agencies should have sufficient controls to ensure efficient and effective program operations. This includes the maintenance of procedures and proper documentation. With any new program or funding structure changes, it will be even more important to update the procedures manual and other documentation. As part of improving written procedures and documentation, the department should, at a minimum:

- Remove procedures from the procedures manual that no longer apply to program administration.
- Follow the procedure for contacting owners of land receiving a voluntary agreement.
- Update the procedures manual with processes important to current program administration, namely, reconciling ownership names, calculating assessed acres, and quality control tests.
- Update procedures with any processes required to implement changes to the program.
- Document code that assigns the wildfire protection assessment fee to properties.
- Complete FPA system user's manual.

RECOMMENDATION #7

We recommend that the Department of Natural Resources and Conservation update and follow procedures and improve documentation to ensure consistent and proper implementation of the Fire Assessment Program.

DEPARTMENT OF
NATURAL RESOURCES
AND CONSERVATION

DEPARTMENT RESPONSE

THE MONTANA DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

GOVERNOR GREG GIANFORTE



DNRC DIRECTOR AMANDA KASTER

April 25, 2025

Mr. Angus Maciver
Legislative Auditor
State Capitol Building
Room 160
PO Box 201705
Helena, MT 59620-1705

RECEIVED
April 25, 2025
LEGISLATIVE AUDIT DIV.

RE: Department of Natural Resources and Conservation Written Responses to the
Legislative Audit Division Performance Audit, "Modernizing Montana's Wildfire
Assessment Program"

Dear Mr. Maciver:

On behalf of the Department of Natural Resources and Conservation (DNRC), I would like to thank the Legislative Audit staff for their professionalism in all aspects of working through this audit process over the past year. The DNRC has reviewed the recommendations set forth in this report. We will begin our audit response with overall statements about the conclusions of the audit and will then discuss each individual recommendation.

We would like to start by discussing some statutory definitions and terminology that appear to have significantly impacted and influenced the findings of the audit. The audit report does not define the term "wildland fire protection," which is used throughout. As you are aware, while the definition provided in MCA 76-13-102(17), provides "the work of prevention, detection, and suppression of wildland fires, along with required training," the DNRC and other state agencies have historically used the term "wildland fire protection" to refer specifically to pre-suppression work such as: the work of hiring, training, and equipping firefighters for wildfire suppression; the work of maintaining equipment necessary for wildfire suppression; and working with local communities to support fire prevention education and outreach. The State has historically excluded the active response and effort to suppress wildfire from this definition. MCA 76-13-102(14) ("wildfire suppression activities").

The Montana Legislature and stakeholders have confirmed and reinforced this distinction since the creation of the fire suppression fund in 2007, which is designated primarily for wildland fire suppression activities. In contrast, the program base budget for wildland fire



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protection work has been widely understood to be intended for conducting work related to preparedness. The audit report fails to recognize this distinction and risks misrepresenting the DNRC's efforts to comply with statute, as informed by the Montana Legislature's distinct funding appropriations, over many years. As a result, the DNRC requests clearer statutory definitions for terms used in 76-13-207 MCA like "annual operation assessment plan," "fire protection costs," and "state's portion of the cost" to avoid future confusion.

The DNRC would like to also clearly state that the responsibility of our fire protection program is to safely and aggressively fight wildland fires in Montana, in accordance with the laws established by the legislature. We feel as though this audit largely reaffirms our good standing and that our work is in line with achieving these expectations.

The DNRC does not believe it is our responsibility, nor do we have the appropriate standing, to make recommendations on how or why the cost burden of the program is shared amongst Montanans. Ultimately, it is the legislature that chooses how to fund this work, and it is our obligation to respond to wildfires on behalf of the State of Montana.

This audit report proposes a significant philosophical shift in the State Wildland Fire Protection program's funding structure and represents a departure from historical practices. There is a recurring theme throughout the report's narrative that wildland fire protection costs (including suppression) should be born most heavily in areas experiencing the highest risk. This discussion on how to fund State Wildland Fire Protection programs is not unique to Montana; similar discussions are currently going on within the wildland firefighting community in many states across America.

Shifting costs to people who live in high-risk areas in an attempt to discourage construction in the Wildland Urban Interface (WUI) is a more appropriate conversation to have amongst the Legislative Audit Committee and the greater legislative body. It should be noted, however, that this is not the only possible funding scenario that exists.

While there is room for a discussion around a possible shift in how these costs are accounted for, it could also be argued that wildland fire response is simply an emergency service provided for the benefit of all. Much like law enforcement, everyone could pay an equal share regardless of how much risk is present in any one neighborhood or community. Similar to law enforcement, all state residents and visitors – not just certain landowners – benefit from fire protection as well as suppression services provided by state and local government resources. It seems reasonable to spread that cost burden more broadly, as the fire suppression fund does, through transfers of excess general funds or emergency funds, rather than target specific private landowners with heavy cost increases.

The Department does not believe it is our role to dictate land use planning decisions or to decide whether one particular area should or should not have the same level of response when threatened by wildfire. Our specialty is, and our programs are designed around,

implementing a safe and effective wildfire response program across Montana, 365 days a year. We stand ready to hold conversations with the legislature about alternative funding strategies and the appropriate methodologies that could be available.

The Department does not have a requirement to respond to the recommendations numbered 1-3 which are directed at the legislature. However, as noted in the letter received by the DNRC on April 10, 2025, we will be an important partner in any changes to the Fire Protection Assessment program, and as such we are outlining any concerns or issues to assist the Committee.

Recommendation #1 (Page 11)

We recommend that the Montana Legislature amend statute to require:

- A. The Department of Natural Resources and Conservation to determine the proportion of landowner responsibility for wildfire protection costs based on wildfire, ownership and other current Montana data, and.
- B. The amount collected from the wildfire protection assessment fee be equal to the proportion of landowners' actual contribution towards wildfire protection costs the department determines applied to total wildfire protection costs as defined in 76-13-102 (17), MCA.

Department response: **Partially Concur**

The Department agrees that legislative clarification would be needed to incorporate the statutory definition of "wildland fire protection," (which includes "suppression") into the base budgeting process. This would include determining the appropriate total amount to assess private landowners – expressed in dollars as well as in percentage of total program budget – as well as increasing Fire Protection Assessment (FPA) rates as needed to generate sufficient revenue to support that portion of the Fire Protection program's total appropriation. Including statewide suppression costs in the program's base budget appropriation and requiring increased FPA fees to meet even 1/3 of that appropriation would mean significantly higher fees paid by private landowners.

If annual suppression costs varying between approximately \$20 million to \$80 million were to be included in the program's future base budget appropriation, it would introduce a significant challenge to the budgeting process; it is impossible to accurately project the state's wildfire suppression costs 2-4 years in advance, as the biennial budget process requires.

The Department expects the forthcoming interim study of wildland firefighting, called for in HB 70 from the 69th Legislative session, will lead to further clarification of terms and expectations for funding the state's entire wildfire protection (and suppression) programs.

Recommendation #2 (Page 12)

We recommend that the Montana Legislature:

- A. Provide additional clarity as needed in state law that the wildfire protection assessment fee revenue is based on total wildfire protection costs, including the wildfire readiness budget.
- B. Amend statute to clarify how wildfire protection assessment fee proceeds contribute to and are used exclusively for wildfire protection funding.

Department response: **Partially Concur**

The Department agrees that legislative clarification is needed on how the FPA fees are to be determined and how FPA revenues are to be used if it differs from current practice. It is a question of what portion of the fire protection (and/or suppression) budgets should come from FPA revenues. As previously noted, “total wildfire protection costs” are defined or understood differently in various circumstances. The Department would welcome clear and consistent use of terminology. The Department expects the forthcoming legislative interim study of wildland firefighting will lead to further direction on FPA practices.

Recommendation #3 (Page 21)

We recommend that the Montana Legislature amend statute:

- A. To require the Department of Natural Resources and Conservation to develop and implement a comprehensive risk dataset and evaluate readiness resource effectiveness to identify areas that would benefit from elevated protection and inform the distribution of readiness resources, and
- B. To allow the department to determine areas of elevated wildfire response and institute a differentiated fee structure based on the comprehensive risk dataset, analysis of wildfire protection costs, and expert opinion of fire risk.

Department response: **Partially Concur**

The Department agrees that legislative action would be needed to create a differentiated fee structure based on actual wildfire protection costs and/or risk data. The Department already determines its wildfire responses to the best of its ability in a wide variety of circumstances and locations, with current conditions, available resources, and relative risks often driving these decisions. The Department expects the forthcoming legislative interim study of wildland firefighting will lead to further clarification of terms and expectations for allocation of resources.

Recommendation #4 (Page 23)

We recommend that the Department of Natural Resources and Conservation develop and implement processes to:

- A. Improve information tracking of readiness resource and cost data, so it can be tied to specific geographies across time.
- B. Calculate an estimate of the efficient total amount of readiness resources and mitigation activities.

Department response: **Partially Concur**

The Department agrees that improved information tracking is always a goal, as it can contribute to a better understanding of current events and can help inform future processes, leading to more efficient and effective outcomes. The Department already strives to invest in wildfire readiness resources and mitigation efforts at optimal levels across the state to minimize the total economic costs of wildfire.

To partially implement part A of this recommendation, the Department's Wildfire Protection program will begin tracking pre-suppression (readiness) operating costs at the Unit Office level for the Area Land Offices with direct protection responsibilities, in offices who do not already do this. These three Area Land Offices are each sub-divided geographically into four to five Unit Offices. The Department anticipates this lower level of cost tracking will provide more data on the cost of resources such as personnel and operating expenses within the Unit offices; this data may prove useful in future efforts to allocate resources at optimal levels in various geographic areas.

The Department expects the forthcoming legislative interim study of wildland firefighting will provide further clarification to address part B of this recommendation: estimating the most economically efficient levels of readiness resources and mitigation activities.

Recommendation #5 (Page 27)

We recommend that the Department of Natural Resources and Conservation seek legislation:

- A. To limit single-split properties to a single per-owner fee; otherwise, assess fees to single-split properties according to statute.
- B. That practically allows for assessment of fees to landowners associated with open-space land.
- C. To specify that properties owned by local governments are required to pay the wildfire protection assessment fee.

Department response: **Partially Concur**

The Department agrees that alignment of statute and practices regarding fee assessments for various properties is desirable; however, legislative action would be required to fully implement this recommendation. The Department expects the forthcoming legislative interim study of wildland firefighting will lead to further clarification of how the FPA fees should be determined, potentially in the form of statutory amendments that would help bring statute into alignment with current practices

Recommendation #6 (Page 31)

We recommend that the Department of Natural Resources and Conservation implement additional automated processes and quality control tests to ensure accurate fee assessment and reduce staff time spent on fee assessment.

Department response: **Concur**

The Department agrees that additional automated processes and quality control tests may help to ensure accurate fee assessment and save staff time. The DNRC notes it is still in the process of upgrading its FPA system and anticipates further improvements and enhancements to the new system. The Department expects the forthcoming legislative interim study of wildland firefighting will recommend further improvements in the FPA processes.

Recommendation #7 (Page 32)

We recommend that the Department of Natural Resources and Conservation update and follow procedures and improve documentation to ensure consistent and proper implementation of the Fire Assessment program.

Department response: **Concur**

The Department agrees that updated procedures and improved documentation are warranted to ensure proper implementation of the FPA program. The DNRC notes it is still in the process of upgrading its FPA system and anticipates further improvements when the new system is fully operational. The Department expects the forthcoming legislative interim study of wildland firefighting will lead to further improvements in the FPA processes.

Conclusion

The DNRC appreciates the opportunity to provide comments and additional context to this performance audit. Again, thank you to you and your staff for the engagement with the DNRC and the Forestry and Trust Lands Division team. We look forward to additional discussions with the Legislative Audit team as well as the Legislative Audit Committee on this matter.

Sincerely,

A handwritten signature in black ink, reading "Amanda Kaster". The signature is fluid and cursive, with the first name "Amanda" being larger and more prominent than the last name "Kaster".

Amanda Kaster, Director
Department of Natural Resources and Conservation