

Colorado Legislative Council Staff Fiscal Note

**STATE and LOCAL
REVISED FISCAL IMPACT**

(replaces fiscal note dated April 15, 2014)

Drafting Number: LLS 14-0119	Date: April 28, 2014
Prime Sponsor(s): Sen. Carroll; King	Bill Status: House Agriculture
Rep. Gardner; McLachlan	Fiscal Analyst: Alex Schatz (303-866-4375)

SHORT TITLE: CO AERIAL FIREFIGHTING FLEET AIRCRAFT ACQUISITIONS

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue Cash Funds	Potential minimal increase. See State Revenue section.	
State Expenditures	\$19,672,000	\$778,933
General Fund	19,478,688	647,366
Centrally Appropriated Costs**	193,312	131,567
FTE Position Change	19.3 FTE	9.0 FTE
Appropriation Required: None. Funding for the bill is included in the FY 2014-15 Long Bill.		

* This summary shows changes from current law under the bill for each fiscal year.

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

Summary of Legislation

This *reengrossed* bill directs the Division of Fire Prevention and Control (DFPC) in the Department of Public Safety (DPS) to maximize its aerial firefighting and analytical capacity, within the DFPC's available budget and consistent with the recommendations of the DFPC's director. The bill amends current statute concerning the Colorado Firefighting Aerial Corps (CFAC) and other responsibilities of the DFPC by:

- enlarging potential revenue sources to the Colorado Firefighting Aerial Corps Fund (CFAC Fund);
- requiring the DFPC to make an annual report to the Wildfire Matters Review Committee (WMRC) with information and recommendations regarding wildfire threats, state firefighting resources, and the status of CFAC and other state aerial firefighting resources;
- establishing standards related to the acquisition of certain aircraft by the CFAC;
- authorizing the CFAC to operate the Center of Excellence for Advanced Technology Aerial Firefighting (Center of Excellence); and
- requiring, in 2014, the WMRC to consider the creation, potential scope, and composition of a Colorado Wildland and Prescribed Fire Advisory Commission (advisory commission).

CFAC Fund. The DFPC is authorized to generate revenue from new sources, for deposit into the CFAC Fund. These additional sources of revenue are investments, bonds, sales, commissions for services, sponsorships, advertising fees, licensing fees, and profits.

CFAC aircraft. The bill directs the DFPC to implement recommendations regarding acquisition and contracting for aerial firefighting resources contained in the report issued by the DFPC on March 28, 2014, pursuant to Senate Bill 14-245. The implementation of these recommendations is limited to the 2014 fire season and to the extent feasible and appropriate and within available appropriations. The director of DFPC may adjust specific implementation of the CFAC program according to his or her discretion, with appropriate criteria, and is not required to enter exclusive use contracts.

Center of Excellence. The DFPC is authorized to operate and promote the Center of Excellence based on technology, tactics, and economics of aerial firefighting resources employed by the CFAC. Resources appropriated to CFAC may also be used to support the Center of Excellence. The Center of Excellence must follow statutory guidelines in the bill if the DFPC elects to proceed with operations. These guidelines include:

- a focus on evaluating the effectiveness, efficiency, and sustainability of aerial firefighting equipment and practices;
- regular conduct and documentation of aerial firefighting research; and
- periodic consultation with one appointed member from each chamber of the General Assembly.

Background

The FY 2014-15 Long Bill. As amended, the FY 2014-15 Long Bill (House Bill 14-1336) contains a \$19,672,000 appropriation for the CFAC. This appropriation is in addition to the continuation of funding for DFPC's base budget, supplementing other appropriations in the DFPC's Wildland Fire Management Services budget line.

Senate Bill 13-245. Senate Bill 13-245 authorized the DFPC to purchase and retrofit firefighting aircraft for CFAC, or to contract for such aircraft and supporting services. SB 13-245 also required that, by April 1, 2014, the DFPC submit to the General Assembly a report concerning the feasibility of CFAC and strategies to address state firefighting activities, including budget requests for CFAC and aerial firefighting (SB 245 Report). The SB 245 Report contains a set of recommendations with a total estimated cost in calendar year 2014 of \$33.6 million. Table 1 summarizes recommendations in the SB 245 Report.

Table 1. SB 245 Report recommendations.*	
CFAC program element	DFPC recommendation (SB 245 Report)
Wildfire information management system	Procure custom software (\$100,000)
Multi-mission airplanes	Procure and operate two planes (\$11.7 million)
Helicopters	Contract for four type 3 or larger helicopters (\$4.7 million)
Single engine air tankers (SEATs)	Contract for four exclusive use SEATs (\$3.1 million)
Large air tankers (LATs)	Contract for two exclusive use LATs (\$11.9 million)
Other related expenses*	\$2.1 million
Total Estimated Cost	\$33.6 million

* Aviation-related expenses include direct and indirect costs for insurance, airport fees, service personnel, and other supplies.

The SB 245 Report includes a proposed schedule for implementation of its recommendations. The procurement and contracting process for new firefighting and management assets is anticipated to take up to six months. Up to 12 months of additional time may be required for full operation of the wildfire information management system and certain aircraft.

Existing DPFC fire aviation plans. Under current law, the DFPC must produce an annual wildfire preparedness plan, addressing, among other items, the amount and availability of aerial firefighting resources necessary for wildfire response in times of both low and high wildfire risk. The state's current fire aviation plan includes a budget for contract aerial firefighting services.

State Revenue

The bill may result in new revenue to the CFAC Fund. For example, once the Center of Excellence is operational, it may produce seminars, reference materials, or project consultation that is of value to other firefighting authorities. Sponsorships and licensing of the CFAC (e.g., merchandise, corporate sponsorships displayed on CFAC aircraft) is also a potential source of state revenue.

Potential new revenue is not estimated based on the limitations of existing data. However, only a minimal amount of new revenue from all sources added by the bill is expected in FY 2014-15 and FY 2015-16.

Assumptions. By limiting the location, number, and availability to federal agencies and other states of aircraft, the bill may limit the revenue potential of the CFAC. However, based on demand for aerial firefighting resources in Colorado and practical difficulties with deployment of CFAC resources to other agencies, the effect of these limitations will be negligible in FY 2014-15 and FY 2015-16.

State Expenditures

If the DFPC elects to implement the bill in a manner consistent with the assumptions in this analysis, the resulting increase in state expenditures will be \$19,672,000 and 19.3 FTE in FY 2014-15 and \$778,933 and 9.0 FTE in FY 2015-16. These costs in the DPS are new costs for helicopters and associated personnel, as well as start-up costs for the Center of Excellence, are summarized in Table 2.

Table 2. Expenditures Under SB 14-164		
Cost Components	FY 2014-15	FY 2015-16
<u>CFAC aircraft and operations**</u>	<u>\$19,398,074</u>	<u>\$0</u>
Personal Services	722,837	0
FTE	16.5	
Operating Expenses	985,470	0
Aircraft Procurement (see Table 1)	17,469,019	
Capital Outlay	70,018	0
Centrally Appropriated Costs*	150,721	0
<u>Center of Excellence</u>	<u>273,926</u>	<u>778,933</u>
Personal Services	192,880	522,302
FTE	2.8	9.0
Operating Expenses	22,850	58,550
Capital Outlay (including special equipment)	14,109	65,018
Legislative consultation (2 x 4 mtgs. x \$187)	1,496	1,496
Centrally Appropriated Costs*	42,591	131,567
TOTAL	\$19,672,000	\$778,933

* Centrally appropriated costs are not included in the bill's appropriation.

** CFAC aircraft operations in FY 2014-15 require appropriated funding of \$19,247,353, calculated as the total CFAC expenditure less \$150,721 in centrally appropriated costs.

Assumptions. The following assumptions were used in the analysis of state expenditures under the bill:

- *Scope of the bill - affected aircraft.* The SB 245 Report recommends a comprehensive aerial firefighting program. Implementation of these recommendations in the 2014 fire season involves all aircraft involved in the state fire aviation program and CFAC.
- *Funding source.* The FY 2014-15 Long Bill covers the costs of this legislation from the General Fund. The fiscal note assumes that FY 2015-16 increased costs in the DFPC are also paid by a General Fund appropriation. The fiscal note assumes that current revenue limitations and budget obligations preclude appropriations for the bill from the CFAC Fund and other potential cash fund sources in the DPS. However, some existing fire aviation resources (e.g., SEAT contracts) may be reallocated to the CFAC and offset costs of the bill.

CFAC aircraft. During the 2014 fire season (FY 2014-15), the DFPC will expend \$19.67 million to contract for aircraft as recommended in the SB 245 Report and guided by the discretion of the DFPC director. Aircraft vendors will furnish contract operator pilots and maintenance crew, while the DFPC will hire firefighting aircrew and management personnel sufficient to satisfy minimum daily staffing and other requirements of the bill. Estimated costs during the 2014 fire season (FY 2014-15) are based on a six-month fire season for aircraft.

Personal services costs for year-round positions are prorated in FY 2014-15 to reflect the General Fund paydate shift. Finally, airport operations and other direct and indirect costs are budgeted in accordance with the SB 245 Report.

Center of Excellence. In FY 2014-15, the Center of Excellence will commence operations, with a limited staff to perform start-up functions and coordinate with other CFAC operations. The DFPC will hire three full-time staff, with budget for a director, administrative assistant, and a firefighting professional. In FY 2015-16 and future fiscal years, the DFPC will fund 9.0 FTE for full operation of the Center of Excellence, adding full-time positions for a grant writer, technology integration specialist, military integration specialist, economist, data analyst, and accountant.

The Center of Excellence will budget for expenses related to its periodic consultation with two members of the General Assembly. On a quarterly basis, each member will be reimbursed for the cost of a meeting with the director, including \$99 legislative per diem and an average of \$88 for travel and related expenses.

Annual report to the Wildfire Matters Review Committee. Under current law, the DFPC appears before and advises the WMRC on a regular basis. Information presented to the WMRC has included wildfire threats and status, an assessment of state resources, and recommended actions. The bill increases DFPC workload by requiring reports to the WMRC to include specific information, but presentation of this information is consistent with current DFPC efforts and will not require new appropriations.

WMRC consideration of the advisory commission. Consideration of the potential advisory commission will occur during a regular meeting of the WMRC in the 2014 legislative interim and will not require new appropriations.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 3.

Cost Components	FY 2014-15	FY 2015-16
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$117,721	\$55,084
Supplemental Employee Retirement Payments	63,591	40,483
Leased Space (Center of Excellence)	12,000	36,000
TOTAL	\$193,312	\$131,567

*More information is available at: <http://colorado.gov/fiscalnotes>

Local Government Impact

If the state acquires aircraft equipment, it may increase revenue to local governments that operate airports and lease hangar space at the identified air tanker bases. Because airport fees and hangar leases are drawn from a larger market, this impact is assumed to be minimal.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2014-15, the bill requires, and includes, an allocation of 19.3 FTE for the Department of Public Safety. An appropriation of \$19,672,000 in the FY 2014-15 Long Bill provides monetary resources to implement the bill.

This bill does not preclude the use of additional funds in the Wildland Fire Management Services budget line in the DPS for aerial firefighting resources outside the scope of the bill.

In the event that the General Assembly determines to defer expenditures or rely on other statutory authority, no appropriation is required by the bill.

State and Local Government Contacts

Public Safety
Law
Corrections
Municipalities

Personnel and Administration
Higher Education (CSU-CSFS)
Military and Veterans Affairs
Special Districts

Local Affairs
Fire Chiefs
Counties