

# Managing New Mexico's wildfire costs

Structuring budgets for volatility

# Background on disasters and state budgets

## Disasters are more frequent, severe, and costly:

- Cumulative disaster costs **more than tripled** in the last 20 years when compared to the preceding 2 decades.

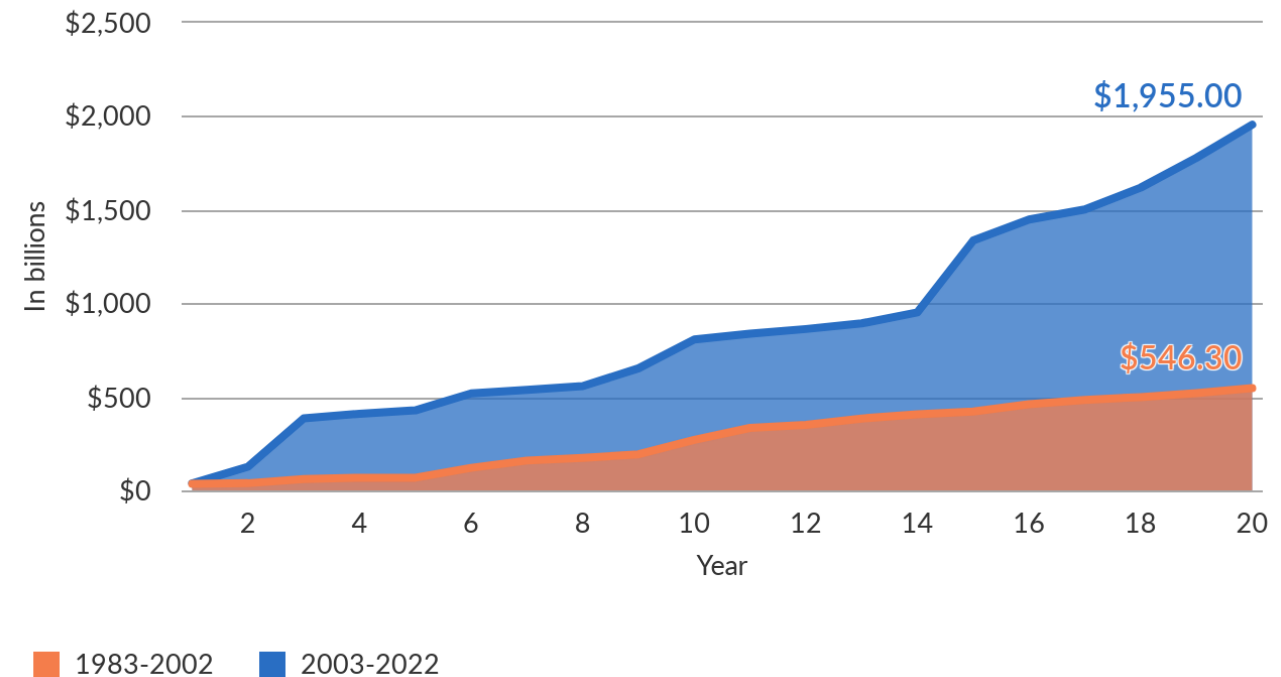
## States play a key role in paying for disasters

- States fund smaller disasters, cost-shares for federal grants, and statewide resilience efforts

## Growing risk demands a closer look

- State disaster spending not consistently tracked
- Budgets are built for “if” not for “when”
- Risk reduction is critical, but often underinvested

Cumulative Cost of Billion-Dollar Disasters

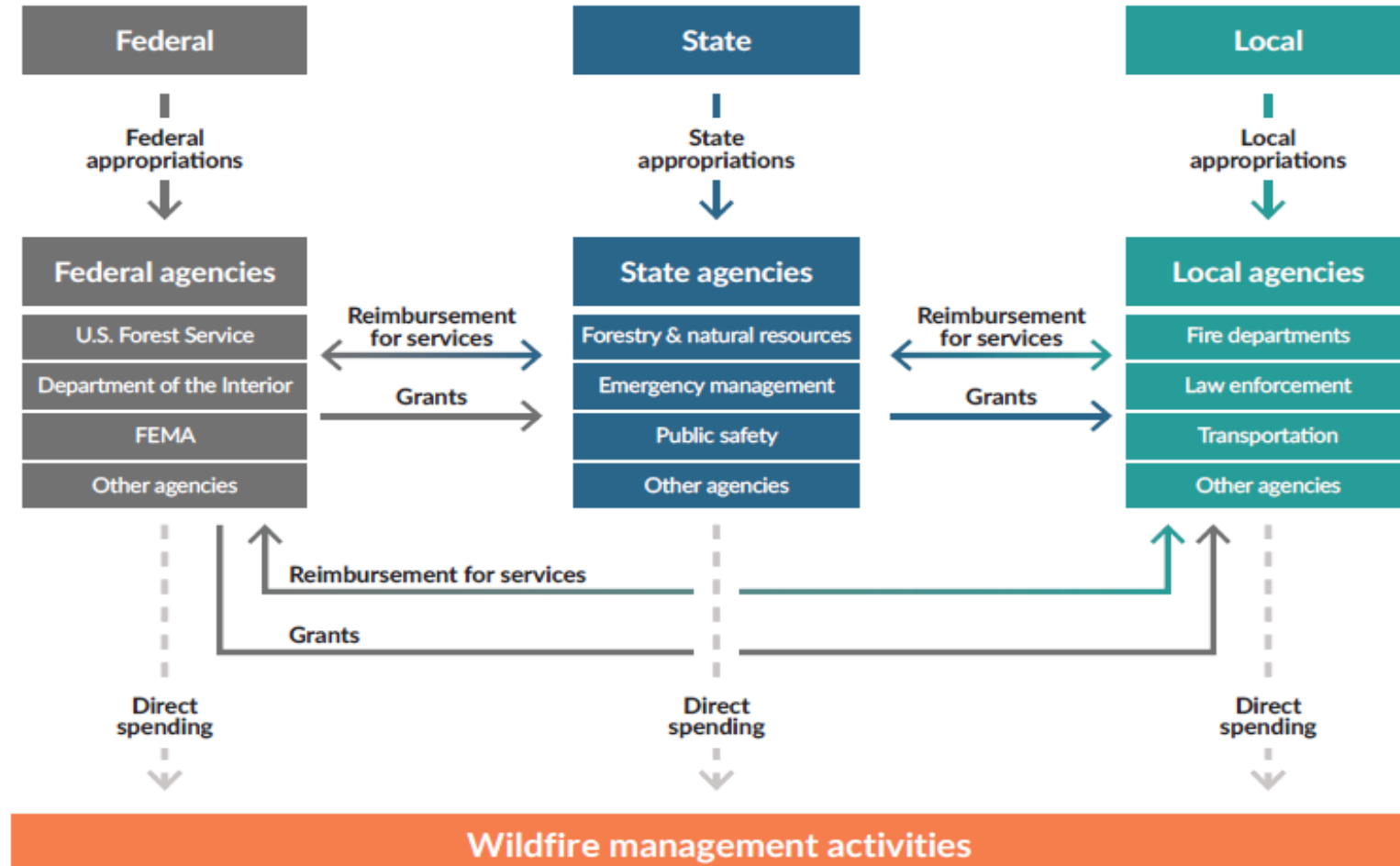


Source: National Oceanic and Atmospheric Administration (<https://www.ncei.noaa.gov/access/billions/events.pdf>)

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# Wildfire management spending is highly intertwined

Flow of funding for reimbursements, grants, and direct spending among federal, state, and local agencies



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## What can states do?



### **Measure**

Improve comprehensive disaster spending data



### **Manage**

Assess and improve budgeting practices



### **Mitigate**

Prioritize and implement mitigation

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## How New Mexico currently funds fire suppression

- Salary, personnel, and employee benefits are appropriated annually with a mix of general and federal grants
- Fire suppression readiness and wildfire costs are paid from executive orders as needed
- Local governments are reimbursed for their expenses to suppress wildfire within 45 days and the forestry division seeks federal reimbursement
- Federal reimbursements return to the general fund
- Fire engines, fire response vehicles, and facilities are funded through capital outlay

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## **An alternative approach for funding wildfires**

- Establish a dedicated fund for wildfire.
- Decide the uses of the dedicated fund.
- Determine what to do with unused funds and reimbursements.
- Designate funding source and amount.
- Create an expenditure reporting requirement.

## Rollover fund

### Montana

- Approach: a Fire Suppression Fund that carries forward year-to-year
- Funding: primarily a portion of excess general fund revenue at the end of each year, up to a cap
- Federal reimbursements are deposited back into the fund
- A portion of the funds are set aside specifically for fire preparedness each year



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## Rollover fund

### Utah

- Approach: The state has a Wildland Fire Suppression Fund that rolls over from year-to-year
- Funding: Many sources including end-of-year deposits, ie. excess general fund revenue and reimbursements from federal and other sources.
- Ten percent of reimbursements are diverted to a Wildfire Preparedness Grant Fund



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## Annual appropriations

### California

- Approach: CalFire base budget and the state's E-Fund
- Funding: The base budget is from general appropriations and the E-Fund is funded by the general fund and federal reimbursements
- E-Fund averages the five most expensive fires over the past ten years

*\*Note that this is similar to the funding mechanism in New Mexico*



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