

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 14-0119
Prime Sponsor(s): Sen. Carroll; King

Date: April 9, 2014
Bill Status: Senate Agriculture
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SHORT TITLE: CO AERIAL FIREFIGHTING FLEET AIRCRAFT ACQUISITIONS

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue Cash Funds	Potential minimal decrease. See State Revenue section.	
State Expenditures	\$7,621,956	\$778,533
General Fund	7,484,296	647,366
Centrally Appropriated Costs**	137,660	131,567
FTE Position Change	13.8 FTE	9.0 FTE
Appropriation Required: \$231,335 - Department of Public Safety (FY 2014-15)		

* 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 bill directs the Division of Fire Prevention and Control (DFPC) in the Department of Public Safety (DPS) to maximize its aerial firefighting 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) in the DFPC by:

- enlarging potential revenue sources to the Colorado Firefighting Aerial Corps Fund (CFAC Fund);
- establishing standards related to the acquisition of certain aircraft by the CFAC; and
- authorizing the CFAC to operate the Center of Excellence for Advanced Technology Aerial Firefighting (Center of Excellence).

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. Under current law, the DFPC may purchase, acquire, lease, or contract for CFAC firefighting aircraft. The bill prescribes the method of acquisition, limits the number of aircraft, and specifies the type of aircraft and their deployment as follows:

- For the 2014 fire season, by May 1, 2014 (see Technical Note), the DFPC may purchase, lease, or contract for up to three helicopters, at least one of which must be a type 1 heavy helicopter. The first helicopter acquired must be stationed near Mesa County, and the second acquired must be stationed near Jefferson County. If three helicopters are acquired, one must have aerial command capabilities. Only one of these CFAC helicopters may be made available to federal agencies or other states.

- At any time, the DFPC may purchase or lease up to four large air tankers (LATs) or contract for any number of LATs, provided that any LAT is capable of 24-hour aerial firefighting. The bill requires the DFPC to consider various factors in evaluating potential LAT acquisitions, including the use of technologies and services that will contribute to the Center of Excellence. The DFPC may make any LATs in the CFAC available to federal agencies or other states.

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. 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 \$21.0 million appropriation for the DFPC to acquire aircraft. 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 if recommended by the DFPC (SB 245 Report). The SB 245 Report contains a set of recommendations with a total estimated cost for program implementation in calendar year 2014 of \$33.6 million.

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.

Table 1 summarizes the applicability of the bill to the recommendations in the SB 245 Report. For each recommendation, the cost of implementation under the bill in FY 2014-15 is compared to the cost of implementation as identified in the report.

Table 1. Comparison of SB 245 Report recommendations and SB 14-164 implementation.*		
CFAC program element	DFPC recommendation (SB 245 Report)	SB 14-164 implementation (using FY 2014-15 expenditures)
Wildfire information management system	Procure custom software (\$100,000)	Within scope of Center of Excellence (\$273,926)
Multi-mission airplanes	Procure two planes (\$11.7 million)	n/a
Helicopters	Contract for four type 3 or larger helicopters (\$4.7 million)	Contract for one command, one type 1, and one type 3 helicopter (\$6.6 million)
Single engine air tankers (SEATs)	Contract for four exclusive use SEATs (\$3.1 million)	n/a
Large air tankers (LATs)	Contract for two exclusive use LATs (\$11.9 million)	LATs meeting specifications of SB14-164 unavailable for contract
Other related expenses**	\$2.1 million	\$750,000
Total Estimated Cost	\$33.6 million	\$7.6 million

* Costs are estimated on an ongoing, annual basis.

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

Federal air tanker status. The USFS has recently developed plans to increase the capacity of the U.S. Forest Service (USFS) LAT fleet, with contracts in place for seven additional "Next Gen" LATs, five of which are expected to be operational in 2014. Next generation firefighting aircraft feature infrared vision and other remote sensing capability, which allow incident managers to identify hot spots quickly and potentially allow aerial operations to continue on a full 24-hour cycle.

The USFS is also in the process of converting, over the course of the next three years, seven former U.S. Coast Guard C-130 airframes to LATs, which the USFS will own. The USFS is also authorized to lease an additional five LATs, but no federal appropriation has been provided for these leases to date. The SB 245 Report recommends that the state contract for exclusive use LATs until planned improvements to USFS capacity are sufficient to address Colorado wildfire risks.

Existing DPFC fire aviation plans. Under current law, the DPFC 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 \$7,621,956 and 13.8 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>\$7,348,030</u>	<u>\$0**</u>
Personal Services	406,103	0
FTE	11.0	
Operating Expenses (see Table 3)	6,795,840	0
Capital Outlay	51,018	0
Centrally Appropriated Costs*	95,069	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 * 4 mtgs. * \$187)	1,496	1,496
Centrally Appropriated Costs*	42,591	131,567
TOTAL	\$7,621,956	\$8,125,077

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

** Helicopter procurement in FY 2015-16 and future fiscal years is not subject to language in the bill. The fiscal note assumes the DFPC will seek to procure four type 3 or larger helicopters in 2015, consistent with the SB 245 Report (see Table 1).

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

- *Scope of the bill - Affected aircraft.* **The bill constrains CFAC procurement of helicopters in FY 2014-15 only and LATs on an ongoing basis. Current expenditures for CFAC and the DFPC fire aviation program, including two contracts for single engine air tankers in the 2014 fire season, are not a part of Senate Bill 14-164. Potential aerial firefighting resources unaffected by SB 14-164 are also not included in this estimate of the bill's costs.**
- *Availability of next generation LATs.* Based on projected improvements to federal LAT resources and capacity, the DFPC does not intend to acquire LATs for Colorado through purchase or lease. In the SB 245 Report, the DFPC recommended securing two LATs for Colorado's use in the immediate future by exclusive use contract. However, the only Next Gen LATs meeting the bill's technical specifications are in the federal fire aviation program and are not available for exclusive use contracts to the state. The fiscal note concludes that no LATs are available that meet the bill's specifications.
- *Funding source.* The fiscal note assumes that increased costs in the DFPC are 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.
- *No appropriation required for SB 14-164.* No appropriation is required by this bill unless the General Assembly chooses to acquire for the CFAC certain aircraft affected by the bill and to fund the Center of Excellence. The fiscal note estimates costs based on the intent of DFPC to acquire specific aircraft and to operate the Center of Excellence.

Cost Component	Unit Cost	Quantity	FY 2014-15 Cost
Command helicopter - use	\$6,000/day	180 days	\$1,080,000
Command helicopter - time	\$3,200/hr	360 hrs	1,152,000
Heavy helicopter - use	\$16,000/day	180 days	2,880,000
Heavy helicopter - time	\$4,000/hr	150 hrs	600,000
Type 3 helicopter - use	\$3,500/day	180 days	630,000
Type 3 helicopter - time	\$1,200/hr	150 hours	180,000
Airport operations	\$30,000/yr	3 aircraft	90,000
Other operating expenses	n/a	n/a	183,840
Operating expenses, Subtotal			\$6,795,840
Personal services (aircrew)	n/a	12 FTE	406,103
Capital outlay for aircrew	n/a	n/a	51,018
Total			\$7,252,961

CFAC helicopters. The DFPC will contract for three helicopters, including contractor operator pilots and maintenance crew, in accordance with guidelines in the bill. Estimated usage during the 2014 (FY 2014-15) fire season and associated costs are detailed in Table 3. The DFPC will also hire firefighting aircrew personnel sufficient to satisfy minimum daily staffing requirements in the Interagency Helicopter Operations Guide. Personal services costs are prorated in FY 2014-15 to reflect the General Fund payday shift. Finally, airport operations are estimated at \$30,000 per year for each helicopter.

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.

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 4.

Table 4. Centrally Appropriated Costs Under SB 14-164*		
Cost Components	FY 2014-15	FY 2015-16
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$84,064	\$55,084
Supplemental Employee Retirement Payments	41,596	40,483
Leased Space (Center of Excellence)	12,000	36,000
TOTAL	\$137,660	\$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.

Technical Note

Helicopters must be acquired by May 1, 2014, according to the bill, and contracting for the 2014 fire season would typically be completed within this timeframe. However, funding for aircraft under the bill is budgeted in the FY 2014-15 Long Bill, which takes effect July 1, 2014. The fiscal note assumes that contracting of helicopters for the 2014 fire season is initially undertaken under existing statutory authority in the DFPC for fire aviation or CFAC. This contracting will conform with the bill, but funding for these acquisitions or contracts will be deferred, as necessary, to align with the FY 2014-15 budget.

Effective Date

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

State Appropriations

If the General Assembly elects to fund the Center of Excellence, the Department of Public Safety requires a General Fund appropriation of \$231,335 and 2.8 FTE in FY 2014-15 to cover the initial costs to the DFPC.

No additional monetary appropriation is required to implement the \$7,252,961 (see Table 3) in direct costs for CFAC helicopter operations identified in the fiscal note, provided the enacted FY 2014-15 Long Bill contains sufficient funds in the Wildland Fire Management Services budget line in DPS. However, to the extent that helicopter operations are funded in accordance with the estimate in this analysis, an additional allocation to the DPS of 11.0 FTE is required in FY 2014-15.

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

Local Affairs
Fire Chiefs
Counties