TAXPAYERS for COMMON SENSE

Taxpayer Tool

Taxpayer Tool: Fix the Fix

Federal wildfire policy requires comprehensive, holistic reform. New funding to address the wildfire crisis must be paired with reforms to the internal systems that manage federal dollars and the accompanying federal policies that implement activities on-the-ground. There is no one-size-fits all policy solution, but this series of Taxpayer Tools to Tackle Wildfire highlight priorities that can help ensure taxpayer dollars are invested in solutions that protect people and property while also saving money.

Background

Over the past three decades, wildfires have scorched an increasing number of acres. As the frequency and severity of these fires have grown, so too have the expenses associated with suppressing them. Consequently, the agencies responsible for managing wildfires have allocated a larger portion of their budgets to fire suppression efforts, often resorting to borrowing funds from non-fire-related accounts to cover these costs. To address this issue, Congress has authorized various iterations of a reserve fund.

For decades, when suppression funds were depleted during wildfire emergencies, the U.S. Forest Service (USFS) frequently transferred funds from other non-suppression accounts to cover immediate suppression costs, a practice commonly referred to as “fire borrowing.” This practice became more contentious in the 2000s as wildfire spending escalated. The USFS diverted billions of dollars from critical non-fire program areas such as forest restoration, recreation, research, watershed protection, and land conservation, perpetuating a cycle that diverts resources meant for prevention and risk mitigation. This, in turn, could lead to even higher future suppression costs.[1] Congress has made attempts to address this problem through various versions of a reserve fund, the most recent being the Wildfire Suppression Operations Reserve Fund.

The Wildfire Funding Fix

Established by the Wildfire Suppression Funding and Forest Management Activities Act, the Wildfire Suppression Operations Reserve Fund (Reserve Fund) provides additional federal funds for urgent wildfire suppression activities. Also known as the wildfire funding fix, the Reserve Fund is managed jointly by the USFS and the Department of the Interior (DOI). It can only be utilized by these agencies for emergency suppression activities once their respective Wildland Fire Management (WFM) accounts are exhausted.

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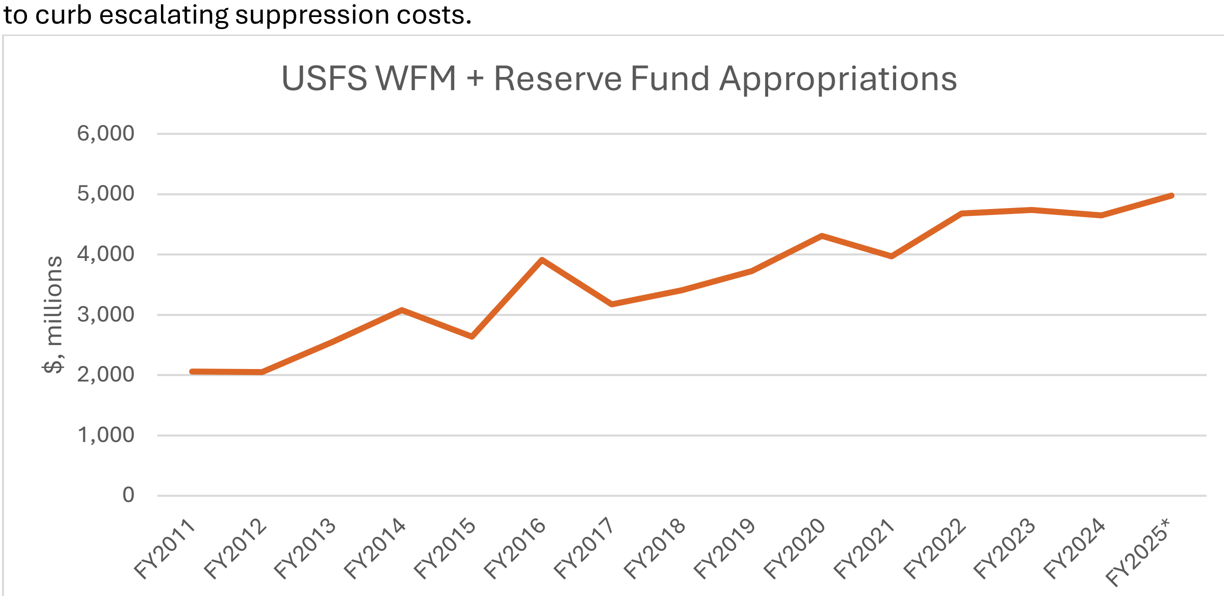
[1] U.S. Department of Agriculture, “Fire Transfer Impact State,” June 2014. https://www.fs.usda.gov/sites/default/files/legacy_files/media/types/publication/field_pdf/forest-service-fire-transfer-state-impacts.pdf

Access to the Reserve Fund is contingent upon meeting certain criteria. Specifically, appropriations for wildfire suppression operations must meet or exceed the baseline level, which is set at the average cost over ten years for wildfire suppression operations as requested in the President's 2015 Budget. This amounts to $1.011 billion for USFS and $384 million for DOI. The Reserve Fund became available in FY2020, initially capped at $2.25 billion, with the annual maximum funding level increasing by $100 million each fiscal year until FY2027. Approximately 87% of the funding is allocated through USFS, with the remaining 13% through DOI. In the four years since its inception, Congress has consistently appropriated the maximum amount. Any unobligated balances remaining in the Reserve Fund roll over to the subsequent year.[2]

Fix the Fix

While the wildfire funding fix has been widely praised for stabilizing agency budgets and eliminating wildfire borrowing, it may be premature to assess its effectiveness in addressing these issues. Despite serving as a buffer when USFS and DOI WFM accounts are depleted, the Reserve Fund did not eliminate USFS's authority to transfer funds. USFS can still reallocate any available appropriations to WFM accounts for firefighting, preparedness, or emergency rehabilitation of burned-over or damaged lands under its jurisdiction. Moreover, the Reserve Fund reinforces the government's prioritization of fire control without addressing the incentive to suppress fires at any cost, contributing to the trend of escalating suppression costs. While ensuring adequate funds for wildfire suppression is crucial, excessive funding may incentivize over-suppression, even when it's unnecessary. There is a pressing need for strategic investments in wildfire prevention and resilience to curb escalating suppression costs.



*FY2025 calculations are based on the President's FY2025 Budget Request, not actual appropriations.

[2] U.S. Department of the Interior, "Budget Justifications and Performance Information Fiscal Year 2023, Wildland Fire Management," March 2022. https://www.doi.gov/sites/doi.gov/files/fy2023-wfm-greenbook.pdf

The Reserve Fund was also introduced to circumvent procedural and budgetary caps imposed by the Budget Control Act of 2011 (BCA). With the BCA now expired, it is reasonable to reassess the budgetary structure for wildfire funding. Currently, both USFS and DOI WFM accounts are pegged to FY15-related averages to access the Reserve Fund. However, as wildfire costs continue to rise, this criterion should be updated to reflect a rolling ten-year average of wildfire suppression obligations, providing a more accurate assessment of funding needs.

By law, USFS and DOI are required to report to Congress on the use of the Reserve Fund in a given fiscal year. However, USFS and DOI have not consistently published reports, leaving taxpayers little information on when and how the Reserve Fund is utilized. USFS has published limited information on their portion of the Reserve Fund to date. Increased transparency of the Reserve Fund would help inform budgeting decisions, particularly in times when resources are limited. Congress should consider stipulating guidelines for the publication of these reports and their frequency.

The Disaster Relief Fund (DRF) within the Federal Emergency Management Agency (FEMA) shares similarities with the Reserve Fund. FEMA is mandated to publish reports on the agency's website monthly, detailing DRF expenditures by state and event, among other data. Similar reporting requirements for the Reserve Fund, even on a semi-annual basis, would provide valuable information to the public and policymakers. Close monitoring of withdrawals and tracking emergency supplemental appropriations is essential to evaluate the impact of the funding fix on federal suppression spending.

Conclusion

The evolution of federal wildfire management, from the early days of the USFS to the implementation of the wildfire funding fix, illustrates the tension between the demands of wildfire suppression and prevention. At different points during the past century, in recognition of this tension, reviews and strategies have attempted to elevate or insulate prevention and mitigation activities. With the Reserve Fund authority set to expire in FY2027, Congress needs to reevaluate the best structure to fund wildfire suppression activities.