



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado’s Legislature

BILL 7: PRESCRIBED FIRE CLAIMS CASH FUND

Prime Sponsors:

Fiscal Analyst:

Kristine McLaughlin, 303-866-4776
kristine.mclaughlin@coleg.gov

Published for: Bill Request

Version: Interim Fiscal Note

Drafting number: LLS 25-0188

Date: September 23, 2024

Fiscal note status: The fiscal note reflects the bill draft requested by the Wildfire Matters Review Committee.

Summary Information

Overview. The bill creates a new program and cash fund in the Division of Fire Prevention and Control to pay damage claims related to prescribed burns.

Types of impacts. The bill is projected to affect the following areas. The fiscal note assumes these effects are ongoing:

- State Expenditures
- State Revenue
- State Transfers
- TABOR Refunds
- Local Government

Appropriations. For FY 2025-26, the bill requires an appropriation of \$278,120 to the Department of Public Safety.

**Table 1
State Fiscal Impacts**

Type of Impact ¹	Budget Year FY 2025-26	Out Year FY 2026-27	Claim Years Unknown Dates
State Revenue	\$5,000	\$5,000	\$5,000
State Expenditures	\$333,707	\$322,525	\$1,346,525
Transferred Funds	\$1,000,000	\$0	\$1,000,000
Change in TABOR Refunds	\$5,000	\$5,000	\$5,000
Change in State FTE	2.1 FTE	2.3 FTE	2.3 FTE

¹ Fund sources for these impacts are shown in the tables below.

**Table 1A
State Revenue**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Claim Years Unknown Dates
General Fund	\$0	\$0	\$0
Cash Funds	\$5,000	\$5,000	\$5,000
Total Expenditures	\$5,000	\$5,000	\$5,000

**Table 1B
State Expenditures**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Claim Years¹ Unknown Dates
General Fund	\$278,120	\$261,325	\$285,325
Cash Funds	\$0	\$0	\$1,000,000
Federal Funds	\$0	\$0	\$0
Centrally Appropriated	\$55,587	\$61,200	\$61,200
Total Expenditures	\$333,707	\$322,525	\$1,346,525
Total FTE	2.1 FTE	2.3 FTE	2.3 FTE

¹ It is unknown when claims will be paid from the fund. However, it is assumed that the fund will likely be depleted in the event a prescribe burn becomes uncontrolled and causes damage to multiple properties. Claims in other years, paid from the cash fund, are assumed to be minimal and have not been estimated.

**Table 1C
State Transfers**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Claim Years¹ Unknown Dates
General Fund	-\$1,000,000	\$0	\$0
TBD Fund Source	\$0	\$0	-\$1,000,000
Cash Funds	\$1,000,000	\$0	\$1,000,000
Net Transfer	\$0	\$0	\$0

¹ The amount and fund source for any future transfer will depend on the timing of actual claims and future decisions by the General Assembly. Money could potentially be transferred from the General Fund, the Natural Disaster Mitigation Cash Fund if Wildfire Matters Review Committee Bill 8 becomes law, or some other fund.

Summary of Legislation

The bill creates the Prescribed Fire Claims Cash Fund (fund) and transfers \$1 million from the General Fund to the fund. The Division of Fire Prevention and Control (DFPC) in the Department of Public Safety (CDPS) will use the fund to pay damage claims resulting from prescribed fire projects, conditional on the project manager pre-registering fires with DFPC, the claimant waiving future claims, and various other requirements set by the bill and DFPC.

When registering projects, DFPC will charge the prescribed fire manager a fee of at least \$100. No one claim can be awarded more than 10 percent of fund balance at the time of claim filing.

Assumptions

Given the rarity of prescribed fires causing damage, the fiscal note does not make any assumption about when claims may be paid. In most years, claims will likely be minimal and not significantly deplete the available fund balance. However, if a prescribed fire gets out of control and damages multiple properties, it may result in at least ten separate claims that could deplete the fund in one year.

As described in the Technical Note section, it is assumed that administrative costs are paid from the General Fund and claims paid from the program cash fund.

State Revenue

The bill increases fee revenue from certified prescribed burn managers for managing prescribed burns. It is assumed that this money will be deposited to the Prescribed Fire Claims Cash Fund (see Technical Note).

Fee Impact on Prescribed Burn Managers

Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. These fee amounts are estimated based on the fee minimum of \$100. The actual fees will be set administratively by CDPS and will vary based on the complexity of the project. Based on data from California, the fiscal note assumes that 50 burns may register annually. However, substantial differences between the states' programs and variable climate conditions make this number subject to change. The table below identifies the fee impact of this bill.

Table 2
Annual Fee Impact on Prescribed Burn Managers

Type of Fee	Estimated Fee	Number Affected	Total Fee Impact
Prescribed Burn Fee	\$100	50	\$5,000

State Transfers

The bill transfers \$1 million from the General Fund to the newly created Prescribed Fire Claims Cash Fund. Given that revenue from prescribed burn fees is expected to be much less than potential claims, the fiscal note assumes that the General assembly will replenish the fund in future years, as needed, based on actual claims incurred. The source of these future transfers will be addressed through the annual budget process or future legislation. Funds may be transferred from the General Fund, the Natural Disaster Mitigation Cash Fund (as permitted by Wildfire Matters Review Committee [Bill 8 \(LLS 25-0184\)](#), or another source identified by the General Assembly.

State Expenditures

The bill increases state expenditures in CDPS by about \$330,000 in FY 2025-26, \$320,000 in future years, and by up to an additional \$1.02 million in years when a large number of claims occur. These costs, paid from the General Fund and the Prescribed Fire Claims Cash Fund, are summarized in Table 3 and discussed below.

Table 3
State Expenditures
Department of Public Safety

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27	Claim Years¹ Unknown Dates
Personal Services	\$182,506	\$201,335	\$201,335
Operating Expenses	\$41,980	\$46,616	\$46,616
Capital Outlay Costs	\$40,260	\$0	\$0
Legal Services	\$13,374	\$13,374	\$13,374
Claim Investigation	\$0	\$0	up to \$24,000
Claim Payments	\$0	\$0	up to \$1,000,000
Centrally Appropriated Costs	\$55,587	\$61,200	\$61,200
FTE – Personal Services	2.0 FTE	2.2 FTE	2.2 FTE
FTE – Legal Services	0.1 FTE	0.1 FTE	0.1 FTE
Total Costs	\$333,707	\$322,525	up to \$1,346,525
Total FTE	2.1 FTE	2.3 FTE	2.3 FTE

¹ The timing of claims is not known. Some claims may occur each year, but most spending on claims is assumed to occur following a large fire that results in multiple claims. Such events would likely deplete available funds and require additional transfers to the Prescribed Fire Claims Cash Fund.

Staff

DFPC requires 2.3 FTE to oversee the newly created Prescribed Fire Claims Cash Fund, develop the program criteria, preregister an estimated 50 prescribed fire projects annually after ensuring that they meet the program criteria, and, in the event of a claim, hire and oversee a contract with a claims investigator. In addition to the standard operating costs, additional costs have been included so that staff may travel to fire locations as part of the registration process.

Legal Services

DFPC requires 100 hours of legal services annually to develop and maintain the program in accordance with damage claim law. Legal services are provided by the Department of Law at a rate of \$133.74 per hour.

Claim Investigation and Payments

As discussed in the Assumptions section, the fiscal note assumes that there will be few or no claims most years but that the full fund may be depleted at one unpredictable time. Claim payments will stop once the fund is depleted, but the fiscal note assumes that the program is intended to be ongoing and that General Assembly will replenish the fund as needed.

In the event of a claim, DFPC will contract with a claims investigator, estimated at \$30 per hour. Since the bill grants DFPC 60 days to process a claim after it's filed and up to 10 claims may be made on one fire (assuming that all claim the maximum amount), the contract may cost up to \$24,000. Damage claims and claims investigations are assumed to be paid from the Prescribed Fire Claims Cash Fund.

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. These costs, which may include employee insurance, supplemental employee retirement payments, leased space, and indirect cost assessments, are shown in the expenditure table(s) above.

TABOR Refunds

The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the September 2024 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2026-27. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

Local Government

Local governments that perform prescribed burns will pay the new administrative fee, increasing local expenditures. But if a claim payment prevents litigation that would have required the local government to pay damages, net local expenditures may decrease.

Technical Note

The bill does not specify where the prescribed burn fee will be credited. The fiscal note assumes that this money is intended to go to the Prescribed Fire Claims Cash Fund. Additionally, the bill does not specify that money in the Prescribed Fire Claims Cash Fund can be spent on the administrative needs of the program. The fiscal note assumes General Fund must be used to cover these costs, and that the Prescribed Fire Claims Cash Fund will only be used for claim payments and claim investigations.

Effective Date

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

State Appropriations

For FY 2025-26, the bill requires the following appropriations:

- \$278,120 General Fund to the Department of Public Safety, and 2.0 FTE. Of this amount \$13,374 is reappropriated to the Department of Law with an additional 0.1 FTE.
- \$1,000,000 from the Prescribed Burn Claims Cash Fund to the Department of Public Safety to pay for any claims and claims investigations incurred.

State and Local Government Contacts

Information Technology	Public Safety
Law	Treasury

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the General Assembly website.