

April 2, 2009

## Department of Forestry and Fire Protection: Funding Wildland Fire Protection

---

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Senate Budget Subcommittee No. 2 on Resources

Hon. S. Joseph Simitian, Chair





## Fire Protection in California

---

Fire protection in California is divided between local agencies and the state—depending on the type of fire response required. While the legal responsibilities are distinct, the California Department of Forestry and Fire Protection (CalFire) and local agencies work cooperatively to assist one another with fire response.



### Local Responsibility for Fire Protection and Emergency Services

- **Local Responsibilities.** Throughout the state, local governments provide fire protection services. Local governments are generally responsible for providing *structural* fire protection. Local governments are also generally responsible for providing emergency medical services. Within incorporated areas or areas of sufficient housing density, local governments are responsible for providing wildland fire protection.
- **Funding Local Fire Protection.** The costs of these services are generally paid for with local taxes or assessments.



### State Responsibility for Fire Protection

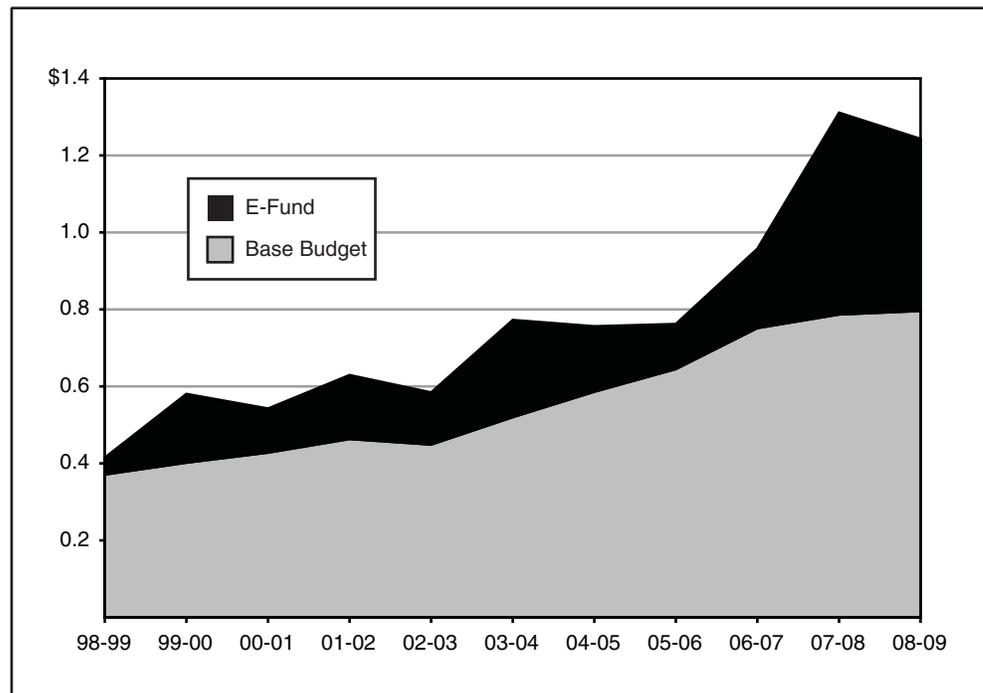
- **Wildland Fire Protection.** Under statute, the state is responsible for *wildland* fire protection in state responsibility areas (SRA). The state has no statutory obligation to provide structural fire protection or emergency medical response, although CalFire may do so within existing resources.
- **State Responsibility Areas.** The SRA are made up largely of privately owned rangelands, timber lands, and watershed areas. Under statute, SRA exclude areas within incorporated cities, federal lands, and irrigated agricultural lands. The Board of Forestry has the authority to designate the boundaries of SRA, and has determined administratively that SRA exclude areas where housing density exceeds three units per acre. There are about 31 million acres of SRA in the state—of which about 500,000 belong to local governments and about 1.4 million acres belong to the state.



## Increasing State Costs of Fire Protection

- ☑ **Base Budget Versus Emergency Funds.** CalFire’s fire protection budget is divided between the base budget and the Emergency Fund (used to pay for unforeseen costs of large fires).
- ☑ **Increasing Costs of Fire Protection.** Over the last decade, CalFire’s fire protection budget has grown dramatically, from \$415 million in 1998-99 to over \$1.2 billion in the current year.
- ☑ **Increasing Workload.** In part due to past fire protection efforts, the state’s forests are full of fallen trees and heavy undergrowth. When these areas burn, the fires are much more intense and difficult to fight than in previous decades. Also, there has been significant development in SRA. Increasing development makes human-caused fires more likely. The presence of people and homes also limits the department’s available fire-fighting tactics—such as controlled burns and aircraft use—which require CalFire to rely on more costly methods of fire protection.

**Fire Protection Budget, All Funds (In Billions)**





## Governor’s Proposed Emergency Response Initiative

- Surcharge Assessed on Property Insurance Policies State-wide.** The Governor proposes to levy a surcharge on all property insurance policies statewide. The surcharge would be 2.8 percent of the premium amount. The administration estimates that such a surcharge would generate about \$70 million in the budget year and about \$278 million per year thereafter.
- Revenues Used to Fund New Program Activities and for a New Reserve.** Revenues from the proposed surcharge would be used to augment expenditures in several departments and to create a reserve fund to pay for future emergency response activities, as shown in the below figure.
- Governor’s Insurance Surcharge Proposal Is a Tax.** Based on our discussions with staff at Legislative Counsel, we believe the Governor’s proposal is a tax. If it were to be enacted, it would increase the state’s funding obligations under Proposition 98.
- LAO Recommends Against Implementation of Governor’s Proposal.** We find that the Governor’s proposal does not tie the proposed surcharge to the direct beneficiaries of the state’s fire protection services. We recommend the Legislature reject the Governor’s surcharge proposal.

<b>Uses of Governor’s Proposed Insurance Surcharge</b>		
<i>(In Millions)</i>		
	2009-10	2010-11 <sup>a</sup>
<b>Program Expansions</b>		
CalFire	\$41.6	\$65.0
California Emergency Management Agency	16.2	16.9
Military Department	2.2	4.9
<b>Deposited Into Reserve<sup>b</sup></b>	9.5	191.0
<b>Total Revenues</b>	<b>\$69.5</b>	<b>\$277.8</b>

<sup>a</sup> Reflects full-year surcharge revenues.

<sup>b</sup> The proposal would deposit revenues above planned expenditures into a reserve to be used to pay for unanticipated disaster costs.



## Governor's Proposed Emergency Response Initiative (Continued)

---



***Includes \$42 Million in New Spending for CalFire in Budget Year, Increasing to \$65 Million in 2010-11.*** The 2009-10 Governor's Budget uses new revenues from the proposed insurance surcharge to fund expanded activities within CalFire and other departments. Within CalFire, the proposed augmentations include:

- ***Four-Person Staffing.*** General practice by CalFire has been to staff most fire engines with three personnel. In the past few years, the administration—by executive order—has increased staffing levels in certain areas and at certain times of year to four personnel per fire engine. In the current year, CalFire has staffed engines throughout Southern California with four personnel per engine, at a cost of about \$13 million. The budget proposes to increase CalFire's staffing of fire engines to four personnel throughout the state during the peak fire season and transition periods. This would require adding almost 1,100 seasonal firefighters (230 personnel-years) at a cost of \$43 million per year. (Or an increase of about \$30 million more than the current year.)
- ***Automatic Vehicle Locators.*** The budget proposes to spend \$4.9 million (rising to \$6.4 million per year ongoing) to upgrade vehicles and aircraft with a GPS-based location system. This would be used to dispatch resources and provide additional safety to firefighters.



## Governor's Proposed Emergency Response Initiative *(Continued)*

---

- ***Helicopter Replacements.*** The budget proposes to begin replacing CalFire's existing helicopter fleet, beginning in 2010-11. The existing helicopter fleet is made up of 11 UH-1H (Super Huey) helicopters received from the federal government in the early 1990s. Over time, the maintenance costs for these aging helicopters will continue to increase. Also, these helicopters are not capable of nighttime flight.
- ***Aviation Asset Coordinator.*** The budget proposes to add 1.5 positions, at a cost of \$265,000 to improve the coordination between CalFire and state and federal military agencies.
- ***Wide Area Network Upgrade.*** The budget proposes to begin the implementation of an Information Technology (IT) project to connect most of CalFire's facilities with the department's IT system. The cost for the project would be \$11.4 million in the budget year and about \$3 million per year thereafter.



## Recommend Rejection of Most Elements of the Governor's Initiative

---



We recommend that the Legislature reject most of the Governor's Wildland Firefighting Initiative on its merits (separate from the issue of how such an initiative would be funded):

- ***Four-Person Staffing.*** We recommend the Legislature reject the proposal to increase staffing by 1,100 (seasonal) firefighters. We find that the need for expanded staffing throughout the state—every year—has not been justified as a cost-effective way to reduce the costs of fire response. There are also unknown implications for CalFire's capital outlay budget to accommodate these additional firefighters.
- ***Automatic Vehicle Locators.*** We recommend the Legislature reject the proposal to install GPS tracking devices on its vehicles, as the department has not completed a Feasibility Study Report for this project.
- ***Helicopter Replacements.*** We recommend the Legislature reject the proposal to replace the helicopter fleet. At some point it will no longer be cost-effective to maintain the existing fleet. However, the administration has not demonstrated that the state has reached that point.
- ***Aviation Asset Coordinator.*** We recommend the Legislature approve this proposal. We find that this is a relatively low-cost way to better leverage federal firefighting assets. However, because we recommend the Legislature reject the proposed insurance surcharge, we recommend this proposal be funded from the General Fund.
- ***Wide Area Network Upgrade.*** We recommend the Legislature reject this proposal. Given the growing access of high-speed internet access to the state's rural areas, it may be possible to achieve many of the goals of this proposal using commercial internet services, rather than through a more costly dedicated network.



## LAO Alternative Fire Protection Fee Proposal

---

- Assess New Fee on Direct Beneficiaries of State Wildland Fire Protection.** We recommend a fire protection fee that would be paid by the direct beneficiaries of the state's fire protection services—property owners in SRA.
  
- Direct Beneficiaries and State as a Whole Should Share the Costs of Fire Protection.** There are both direct benefits of fire protection to those who live in SRA and general benefits to the state as a whole from CalFire's fire protection. We recommend that an SRA fee be implemented that shares the cost of fire protection between SRA landowners and the state's General Fund.
  
- Structure of Proposed Fee.** Because one of the key drivers of increasing cost is residential development in SRA, we recommend that the fee be focused on residential property owners in SRA. We recommend that the fee on the owners of structures in SRA be generally proportional to the additional costs imposed on the state as a result of the presence of those structures. We also recommend that the fee be structured to take into consideration other factors that reflect the level of risk faced by the fee/payer and the benefit received by the fee payer from CalFire's services. These factors could include the fire hazard severity faced by the individual fee payer, the adequacy of fire protection provided by local governments, and CalFire's actual expenditures in the local area.



## Recommend General Fund Reductions and Deferrals

---



Given the state's General Fund condition, we recommend the Legislature adopt the following General Fund reductions and deferrals totaling \$33.8 million in the budget year and \$16.8 million ongoing:

- ***Eliminate Funding for DC-10 Aircraft Contract—\$6.8 Million Ongoing Savings.*** CalFire contracts with the owners of a DC-10 jet aircraft that has been converted for use in fire fighting. In 2008, the cost of this contract was \$6.8 million. While the addition of this resource has added to CalFire's fire protection capabilities, the department has not shown that the use of this asset has improved its fire protection response capability in a cost-effective manner.
- ***Delay Vehicle Replacements in the Budget Year—\$17 Million One-Time Savings.*** The proposed budget includes \$10.8 million from the General Fund for fire engine replacements and \$6.2 million from the General Fund for replacement of other vehicles. We recommend the Legislature delay these expenditures for one year. Ultimately, CalFire will have to resume its vehicle replacement program. However, we think these replacements can be deferred for one year without significantly impacting the department's emergency response capability.
- ***Close Low-Priority Fire Stations—\$10 Million Ongoing Savings.*** We recommend the Legislature reduce CalFire's base General Fund fire protection budget by \$10 million and direct the department to close the fire stations that are a lower priority to keep open for wildland fire protection. The department has identified a list of such lower-priority stations, based on criteria including the number of calls to those stations, the frequency of large fires in the surrounding areas, and other factors. While our recommendation would reduce the level of fire protection service provided by the department, we note that it reflects a reduction of only 2 percent to the proposed budget and would leave the department with a General Fund base budget approximately equal to the enacted 2008-09 budget.