

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 14, 2008
POSITION: Neutral, note concerns

BILL NUMBER: SB 1617
AUTHOR: C. Kehoe

BILL SUMMARY: State Responsibility Areas: Fire-Related Benefit Fees

Existing law and regulation separates the state into Local Responsibility Areas (LRAs), State Responsibility Areas (SRAs), and Federal Responsibility Areas (FRAs) to define who is financially responsible for providing specific fire protection services. This bill would institute a fee on residents in SRAs to fund additional fire prevention programs operated by the Department of Forestry and Fire Protection (CAL FIRE).

FISCAL SUMMARY

This bill would require the Board of Forestry (Board) to adopt emergency regulations by July 1, 2009 to establish the fee. The fee would be \$50 per structure (adjusted for inflation) that is on a parcel subject to property taxes within SRA, and would not be based on fire hazard zones, defensible space, or other factors. We note that there are approximately 811,000 residential structures in SRAs, and a fee of \$50 would generate \$40.6 million annually.

Because the fee would not be collected as part of a property tax assessment, CAL FIRE estimates considerable costs to develop a database with the name and address of each individual subject to the fee. The State Board of Equalization (BOE) estimates costs of \$3.9 million in 2009-10 and about \$1.5 million ongoing to collect the fee based on the information provided by CAL FIRE. The bill would authorize the BOE to keep a portion of fee collections to pay its costs. Costs incurred before fee revenue is collected, such as database development, would be borne by the General Fund and up to two years of start-up costs could be repaid with fee revenue. These costs are likely several million dollars or more.

The bill would create the State Responsibility Area Fire Protection and Prevention Fund (SRA Fund) and require that fee revenue be deposited into the fund. The bill would also require that expenditures from the SRA Fund be dedicated to specified fire prevention activities or to pay for administrative costs. Fee revenue not dedicated to administrative costs would likely be fully appropriated each year to support the approved fire prevention programs. Revenue would not be available to offset CAL FIRE's General Fund operating costs. However, to the extent that fire prevention programs would be effective at reducing the size and number of major fires, the bill could result in substantial General Fund cost avoidance.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the June 24, 2008 version include the following amendments which do change our position:

- The fee would now be collected by the BOE beginning in the 2010-11 fiscal year. CAL FIRE would be required to submit to the BOE the name and address of each person liable to pay the fee.
The bill now includes further clarifications regarding the appeals process.
Fee revenue could be used to offset start-up costs incurred over a two-year period.
(Continued)

COMMENTS

Finance is neutral on this bill, but notes the following concerns:

- The fee structure established by the bill would not be a cost-effective way to fund fire prevention activities because a significant portion of the revenue would be necessary for fee collection and administrative overhead.

Analyst/Principal Date Program Budget Manager Date
(0634) M. Almy Karen Finn

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

C. Kehoe

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- It is unclear whether the Board could develop a database of SRA structures on parcels subject to property tax in time to collect the fee in 2010-11. Developing the database would be a lengthy, expensive process. These costs would be initially funded by the General Fund, and the bill does allow for the recoupment of start-up costs incurred over a two-year period. However, it is unclear whether start-up costs would be entirely incurred within two years or how significant of a General Fund impact there would be.

Existing law and regulation separates the state into LRAs, SRAs, and FRAs to define who is financially responsible for providing specific fire protection services. The Board is authorized to designate lands as LRA or SRA. The Board uses a structure density of three per acre as a general guideline. Areas with a density greater than three structures per acre are typically designated as LRA and areas with a lower density are designated SRA. However, the Board also considers other factors such as the size of a community, proximity to other communities, and the ability to support a fire district responsible for both structure and wildland fires. Regardless of density and size, all incorporated land is automatically designated as LRA. Federal land is designated as FRA.

Currently, no special fees or assessments are charged to residents of SRAs to support CAL FIRE's fire protection program. In the 2007-08 fiscal year, the General Fund provided \$518 million for CAL FIRE's baseline fire protection program. To address the significant budget shortfall, the Legislative Analyst Office has recommended establishing an SRA fee to offset General Fund support for CAL FIRE's fire protection program. The policy rationale for this approach is that an SRA fee would provide for a more appropriate cost-share to fund CAL FIRE's fire protection operations. Specifically, those who live in SRA receive a greater benefit from CAL FIRE's services because their homes and property are at immediate risk from wildfires. Furthermore, the presence of homes in SRA has an adverse impact on CAL FIRE's ability to suppress wildfires. We note, however, that this bill would specify that funds be used for additional fire prevention programs, and not to offset General Fund support for CAL FIRE's fire protection program.

The Board would be required to adopt emergency regulations by July 1, 2009 to establish the fee to be charged to structure owners in SRAs. However, the Board does not have a database of structure owners in SRA, and developing such a database to provide the name and address of those subject to the fee to the BOE would be costly and time consuming. The bill would also require that expenditures from the SRA Fund be dedicated to fire prevention activities and fee related administrative costs. The fire prevention activities include defensible space inspections, public education, fire severity and hazard mapping in SRA, local assistance grants, grants to the Conservation Corps, local corps, or non-profits for fire prevention projects, or other fire prevention activities in SRA authorized by the Board.

The bill would also establish an appeal process. A property owner would be required to petition CAL FIRE, the Board, and the BOE for a redetermination of his fee level within 30 days of receiving the charge. CAL FIRE would notify the Board and the petitioner of its decision, and the fee level would be considered final 30 days after the petitioner received the notice of determination from CAL FIRE. Legal action to collect the fee would be stayed pending the outcome of the appeal.

The bill would also waive provisions of the Public Contract Code for up to two years for contracts for services related to the establishment of the fire prevention fee collection process.

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Code/Department Agency or Revenue Type	(Fiscal Impact by Fiscal Year)									Fund Code	
	SO LA CO RV	PROP			2008-2009		2009-2010		2010-2011		
		98	FC	FC	FC	FC	FC	FC			
1317/Misc Rev-Loc	RV	No	U		\$0	U		\$0	U	\$40,600	0499
3540/Forest&Fire	SO	No			----- See Fiscal Summary -----					0001	
3540/Forest&Fire	SO	No	C		\$0	C		\$0	C	\$40,600	0499
0860/Equalization	SO	No	C		\$0	C		\$3,875	C	\$1,511	0499
<u>Fund Code</u>	<u>Title</u>										
0001	General Fund										
0499	Pending New Special Funds										

