

February 2, 2011

# Governor's Proposed Realignment of Fire and Emergency Response Activities

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LEGISLATIVE ANALYST'S OFFICE

Presented to:

Assembly Budget Subcommittee No. 3

On Resources and Transportation

Hon. Richard S. Gordon, Chair





## Overview of Presentation

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- Responsibilities for Fire Protection in California
- Rising Costs of State Fire Protection
- How CalFire Spends Its Time Responding to Incidents
- Governor's Realignment Proposal
- LAO Assessment: Realignment Proposal Has Merit in Concept
- Role for Legislative Policy Direction and Oversight
- Issues for Legislative Consideration
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## Responsibilities for Fire Protection in California

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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 Focused on Structural Protection and Emergency Medical Response.*** 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 Services.*** The costs of these local services are generally paid for with local taxes or assessments.



### State Responsibility for Fire Protection

- ***State Responsibilities Focused on Wildland Fire Protection.*** Under statute, the state is responsible for *wildland* fire protection in state responsibility areas (SRAs). The state has no statutory obligation to provide structural fire protection or emergency medical response, although CalFire may do so within existing resources.



## Responsibilities for Fire Protection in California *(Continued)*

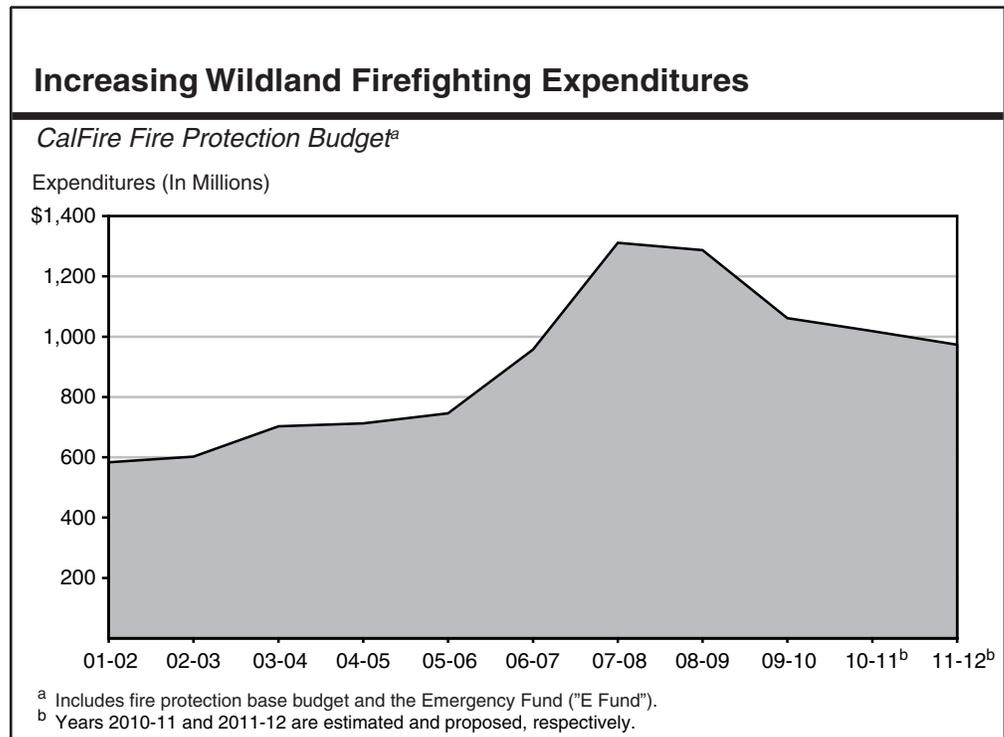
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- ***State Services Provided in SRAs.*** The SRAs are made up largely of privately owned rangelands, timber lands, and watershed areas. Under statute, SRAs exclude areas within incorporated cities, federal lands, and irrigated agricultural lands. The Board of Forestry (BOF) has the authority to designate the boundaries of SRAs, and has determined administratively that SRAs exclude areas where housing density exceeds three units per acre. There are about 31 million acres of SRAs in the state—of which about 500,000 acres belong to local governments and about 1.4 million acres belong to the state.
- ***Funding State Services.*** The costs of these state services are generally paid for from the General Fund. (The state also receives reimbursements from local and federal agencies when it performs work on their behalf.) The CalFire fire protection budget has two components. The base budget covers the annual operating costs of the fire protection program, such as for personnel and equipment. The Emergency Fund (E-Fund) is a separate General Fund appropriation used when incidents have surpassed the initial 24 hours and require additional resources beyond that provided in the base budget. The Director of Finance can augment the level of the E-Fund appropriation as needed without first attaining legislative approval.



## Rising Costs of State Fire Protection

Over the last decade, CalFire's fire protection budget (excluding capital outlay) has grown dramatically, from \$583 million in 2001-02 to over \$1 billion in the current year.





## Rising Costs of State Fire Protection

*(Continued)*

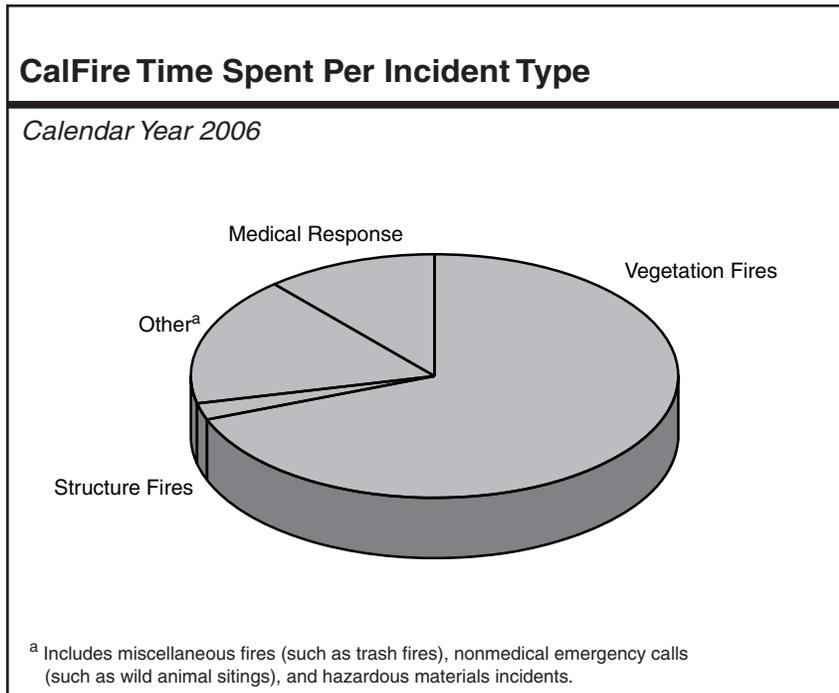
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There are several reasons why the state's expenditures for fire protection have grown so substantially over the last decade. These include:

- Increasing Workload Due to Changing Wildland Fuel Conditions.*** 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.
  
- Increasing Workload Due to Increasing Development in the Wildland Urban Interface.*** There has been increasing development in SRAs over the last several decades. 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.



## How Does CalFire Spend Its Time Responding to Incidents?



***Twenty-Five Percent of Time Spent Outside of Wildland Firefighting.*** Although the majority of its time responding to incidents is spent fighting wildland fires, CalFire spends about 25 percent of its time responding to other emergencies that are primarily a local responsibility, particularly emergency medical response.



## Governor's Realignment Proposal

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- Shifting Some Areas of State Responsibility to Locals.*** The Governor proposes a statutory change in the criteria for designating lands as a SRA, with the objective of removing the relatively populated wildland areas away from SRA designation. The BOF would be directed to redraw SRA boundaries based on the new criteria, and the responsibility for fire protection and medical emergency response in the relatively populated wildland areas would be assumed by local governments.
  
- State Would Retain Some Responsibilities.*** Regardless of how SRA boundaries are redrawn, the state would be responsible for wildland firefighting in the remaining SRAs. The state would also remain responsible for repayment of lease-revenue bonds for its existing capital projects, whether or not the project remains in a SRA or not.
  
- Fiscal Impact of Realignment.*** The administration estimates that up to \$250 million of the state's fire protection costs, along with a like amount of funding, would be realigned to local governments under this proposal.



## LAO Assessment: Governor's Proposal Has Merit in Concept

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- Realignment Allows CalFire to Focus on Core Mission.***  
The CalFire has found itself increasingly responding to medical emergencies and providing structural protection in SRAs, activities that are outside its core wildland fire protection mission.
  
- Realignment Requires Responsible Parties to Pay for Increasing Costs.*** Increasing development in SRAs has increased fire risks and the state's costs to fight wildland fires. Local governments have the authority to make land use decisions, but the state pays for the fire protection that benefits new development in SRAs. The SRA criteria could be changed in a way that serves to encourage local planning agencies to give more consideration to the dangers of wildland fire when making decisions regarding new development. In other words, local governments could be made more accountable for the fiscal consequences of their planning decisions as SRAs are reverted to local responsibility.



## Role for Legislative Policy Direction and Oversight

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- Development of Statutory Criteria and Definitions of SRAs.*** As noted above, the Governor's plan is for a statutory revision to the SRA criteria and definitions to guide the BOF's reclassification of SRA lands. The development of these criteria and definitions will provide the Legislature with an important opportunity to establish its policy direction regarding the core mission of the department and the scope, both programmatically and fiscally, of the state's wildland protection activity.
  
- Review of BOF Reclassification of SRAs.*** The Legislature should be afforded the opportunity to review the results of the BOF's classification effort before such takes effect in order to ensure that the effort was carried out consistent with the Legislature's policy direction.



## Issues for Legislative Consideration

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- Fiscal Impact May Be Substantially Less Than \$250 Million.***  
 The level of realignment funding that would ultimately be transferred to local governments under the Governor's plan is highly uncertain as it depends on the uncertain outcome of the proposed SRA reclassification effort. In any event, since development in SRAs is clustered, it appears unlikely that realignment based solely on the level of development will result in enough land taken out of the SRA designation to result in a realignment of \$250 million in CalFire program costs.
- A State Role May Still Be Desired in Developed SRAs.***  
 Development often occurs in watershed areas, areas for which the Natural Resource Program in CalFire is designed to protect and be responsible for. Depending on what land is reclassified, new SRA boundaries could result in diminished state protection over watershed resources, unless otherwise addressed.
- Realignment May Alter a Complex Network of Interagency Agreements.*** The CalFire, local agencies, and the federal forest service operate mutual aid agreements with reimbursements for incident response outside of their respective areas of jurisdiction, and local and state agencies contract with each other for services. While it is unlikely that these agreements will disappear in the event of realignment, new SRA boundaries may trigger a need to revise some interagency agreements and may change the incentives for these agreements.
- Realignment Affects CalFire Capital Outlay Projects.***  
 Realignment would likely place some CalFire infrastructure in local responsibility areas rather than in SRAs. As noted earlier, the state remains responsible for the repayment of lease-revenue bonds used to finance this infrastructure. As such, CalFire will need to enter into agreements with local agencies regarding the rental, use, maintenance, and ultimate replacement of such infrastructure.



## Issues for Legislative Consideration

*(Continued)*

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- No Plan Yet on How to Allocate Realignment Funding to Locals.*** Some concerns have been expressed by local governments and fire districts regarding how realignment funding might be allocated to and among them. For example, some have expressed reservation about an allocation that serves to potentially benefit communities that engaged in risky wildland development practices. Additionally, despite variation, CalFire services are often less costly than that of local agencies. Basing realignment funding on CalFire labor rates may leave some communities underfunded.



## Alternatives to Realignment Proposal, Creating General Fund Savings

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**Revenue Option—State Fire Protection Service Benefit Assessment.** We have previously recommended that a fee be assessed specifically on residential property owners who live in SRAs and thereby benefit directly from the state's fire protection services that operate to protect structures on these private lands. We think that the enactment of such an assessment continues to be a viable budget solution—potentially creating General Fund savings of up to \$300 million annually—that warrants legislative consideration. If this budget option is pursued, we would recommend that the assessment be designed so it falls reasonably outside of Proposition 26's definition of a tax.

**Options to Reduce CalFire's Level of Expenditures.** There are two potential options that would reduce the overall size of CalFire's fire protection budget and that could be accomplished without an accompanying transfer of realignment funding to the locals:

- Enact a statutory clarification that the state is not fiscally responsible for life and structure protection in SRAs.
- Modify SRA boundaries statutorily.

We think that these options can be implemented without causing a reimbursable mandate. If the Legislature decided to pursue either of these options, it might consider providing local governments with the authority to levy an assessment on property owners that directly benefit from any enhanced level of local service that is received due to the statutory changes.