



California Fiscal Focus

Volume 2, Issue 2

August 2016

CA Controller’s July Cash Report Shows Revenues Well Short of Budget Projections

July state revenues came in below projections in the 2016-17 Budget Act approved the previous month by \$591.3 million, or 9.8 percent, with all three of the state’s main revenue sources falling short of expectations for the first month of the fiscal year, State Controller Betty T. Yee reported.

Retail sales and use taxes missed the mark by the widest margin. Estimated at \$907.9 million, they came in at just \$694.5 million—23.5 percent, or \$213.5 million, lower.

Personal income tax receipts of \$4.39 billion were \$323.3 million lower than anticipated in the Budget Act, missing estimates by 6.9 percent. Corporation tax receipts of \$227.3 million were \$49.5 million below estimates, or 17.9 percent.

“The declines in all three revenue categories may be attributable to the

slower rate of job growth when compared to 2015,” said Controller Yee, the state’s chief fiscal officer. “However, we should exercise caution by further examining and understanding the possible causes of the revenue shortfalls, as a one-month snapshot is not indicative of an economic trend.”

Total disbursements of \$10.42 billion were \$33.2 million lower than projected. The state ended the month of July with unused borrowable resources of \$30.37 billion, which was \$1.38 billion more than expected in the 2016-17 Budget Act. Outstanding loans of \$5.63 billion were \$545.5 million higher than projected. This loan balance consists of borrowing from the state’s internal special funds.

For more details, read the [monthly cash report](#).

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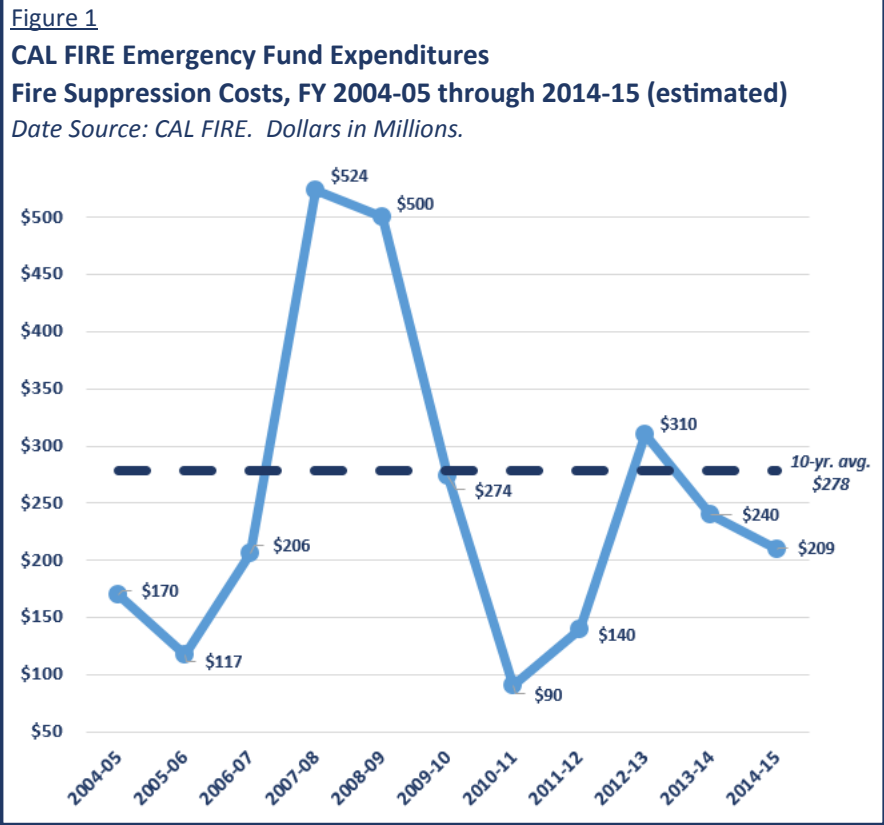
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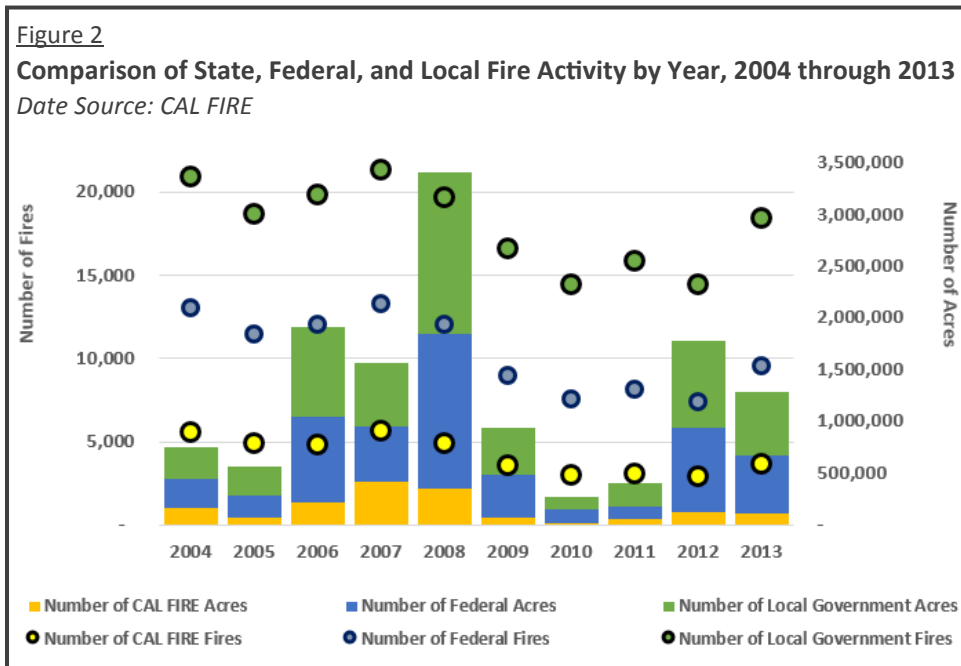
The Cost of Fighting Wildfires in Drought-Plagued California

Throughout this summer, nightly newscasts have displayed wrenching videos of wildfires in California and throughout the western United States. Californians are likely to experience more fire-related losses in the next few months. How severe is 2016’s fire “season” compared to other years?

Acres Burned Since January. The California Department of Forestry and Fire Protection (CAL FIRE) publishes [cumulative statistics](#) on their firefighting efforts each month starting in January. Between January 1, 2016, and July 31, 2016, the department fought fires on over 56,000 acres. That is roughly half the acreage affected during the first seven months of last year, and about 5,700 acres less than the average number of acres burned in each calendar year through July since 2012.



Annual Emergency Fund Costs. The state budget includes a direct appropriation for CAL FIRE’s ongoing operational costs, and authorizes contingent expenditures from the department’s reserve fund—the so-called “Emergency Fund,” or “E Fund”—for fire suppression. Expenditures from the reserve are generally considered the variable costs of fighting fires in a given year. General Fund appropriations support both operational and firefighting costs.



As seen in Figure 1, recent suppression costs varied from a high of \$524 million in FY 2007-08 to a low of \$90 million three years later. For the ten-year period starting in FY 2004-05, suppression costs averaged \$278 million per year. In each of the

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Paying for Wildfire Prevention and Suppression



The real Smokey Bear, circa 1950. Source: U.S. Department of Agriculture.

How do you prevent forest fires? In 1950, when firefighters rescued a black bear cub from a New Mexico wildfire, they found a popular spokes-animal for fire awareness. (The photograph at left shows Smokey shortly after his rescue and recovery from the fire.) Smokey’s public service announcements are a staple of radio and television during the fire season.

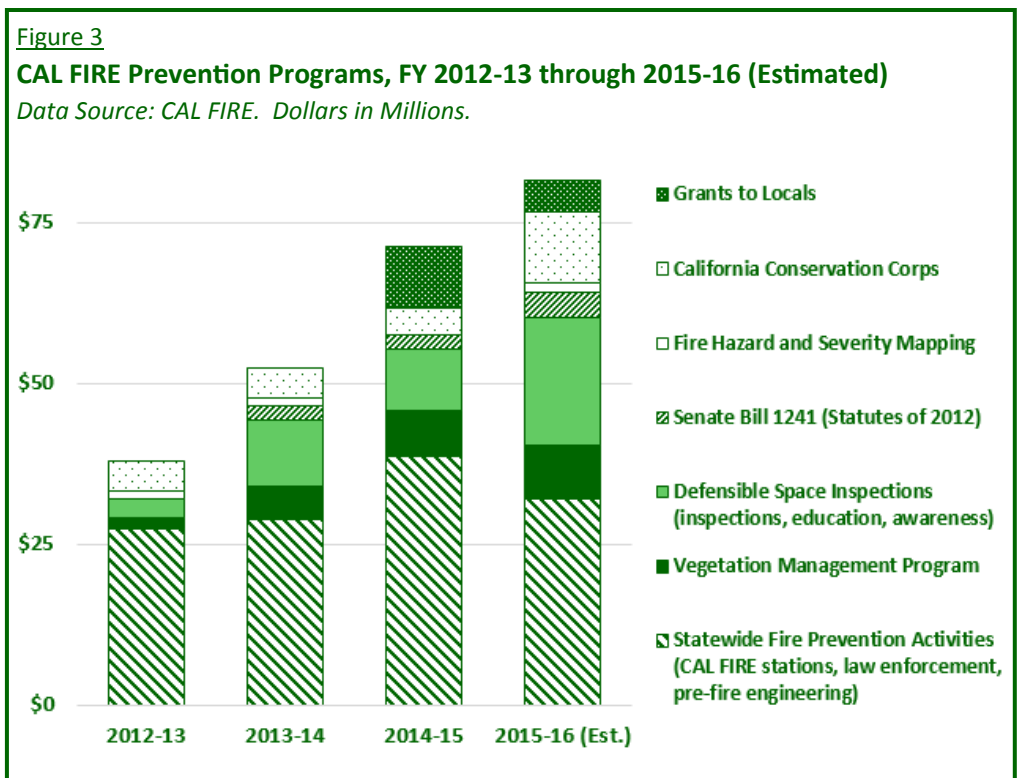
In addition to the Ad Council’s Smokey campaign, federal, state, and local governments monitor fire conditions, inspect properties, and clear brush.

For example, CAL FIRE spent an estimated \$243.1 million on prevention activities in the so-called state responsibility areas (SRAs) between FY 2012-13 and FY 2015-16. The areas include those parts of California where the state is financially responsible for preventing and suppressing fires. The SRAs may include contract counties. It may not extend to land either located within city boundaries or owned by the federal government.

According to its *Informational Report for State Responsibility Area Prevention Fee* (June 15, 2016), the department spent \$127 million (52 percent of the total) on support for CAL FIRE stations, law enforcement, and pre-fire engineering. It allocated another \$43 million (18 percent) for inspections, education, and awareness. The department also transferred \$39 million (16 percent) to the California Conservation Corps and local governments for activities associated with reducing fire risk (Figure 3).

Property Owners Pay for Fire Prevention While State Taxpayers Finance Wildfire Suppression. Since FY 2011-12, property owners have paid for statewide prevention activities through a fee on each “habitable structure” located in a SRA. The per-structure fee ranges from a low of \$117.33 to a high of \$152.33. According to CAL FIRE, more than 98 percent

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of property owners pay the minimum fee.

The Legislature earmarked the SRA fee proceeds to paying the cost of fire prevention activities, and thereby:

- Shifted the cost of fire prevention to those property owners most at risk for property losses associated with a wildfire, and
- Limited the amount of the fee to the actual costs of prevention activities.

The state General Fund and the state's general taxpayer continue to finance the entire cost of fighting a fire once it has started in the state responsibility area. In urban areas by contrast, local levies pay for virtually all fire-safety costs, including fire suppression. Urban firefighting responsibilities may be delegated to a city, county, or special-purpose fire district.

Fee Administration Issues. The California Board of Equalization administers the SRA fee on behalf of CAL FIRE, and has collected \$300.1 million—at a cost of \$31 million (10.3 percent)—since FY 2012-13.

The levy has critics. Some property owners contend that the fee, adopted with a majority vote by the Legislature, functions more as a tax and should have been approved by two-thirds majority of each house prior to its levy. Others assert that the fee should be imposed in higher proportion on owners of land that has no habitable structures, claiming these properties have higher fire risks.

Whether a “fee” constitutes a “tax” remains an issue subject to legal challenge in other program areas.

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two biggest years during that period, FY 2007-08 and FY 2008-09, CAL FIRE spent between 180 percent and 190 percent of the decadal average, over \$500 million each year.

By contrast, in the two most recent years—FY 2013-14 and FY 2014-15 (estimated)—the department spent \$38 million and \$69 million, respectively, less than average.

CAL FIRE Works with Others. CAL FIRE shares fire safety responsibilities with federal and local governments. Figure 2 summarizes recent firefighting efforts at all three governmental levels. In the last decade, CAL FIRE had responsibility for fewer fires and covered fewer acres than either federal or local governments.



www.sco.ca.gov

EOinquiry@sco.ca.gov

P.O. Box 942850
Sacramento, California 94250-5872
(916) 445-2636

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A MONTHLY REPORT FROM STATE CONTROLLER BETTY T. YEE

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