

STD 399 Attachment
SRA Fire Prevention Fund Grant Program
14 CCR §§ 1666.0-1666.16

Economic Impact Statement

A. Estimated Private Sector Cost Impacts

3. Enter the total number of businesses impacted: The total number of businesses impacted is unknown, because this number will vary based on the amount of funding the Legislature appropriates to this program each year. Historically, the Legislature has appropriated 10 million dollars (2014/15 fiscal year) and 5 million dollars (2015/16 fiscal year) to the CAL FIRE SRA Fire Prevention Fund grant program. In 2014/15, about 400 local governments and small businesses submitted Concept Proposals, about 200 were invited to submit Applications, and about 85 grants were awarded. In 2015/16, the Concept Proposal phase was not used; approximately 200 local governments and small businesses submitted Applications and CAL FIRE expects to fund approximately 40-50 of them. Approximately 50% of the Applications were from small businesses, or non-profits each year.

B. Estimated Costs

1.d. Describe other economic costs that may occur. Small businesses may incur costs due to record keeping, reporting, and other paperwork, which can be recouped as part of the administrative/indirect costs line item in the proposed budget. These costs are primarily limited to the life of the grant, which shall not exceed more than two years pursuant to California Department of General Services contracting requirements. These costs are only relevant to small businesses that are award grant funding. If 500 organizations submit Concept Proposals, 250 are asked to submit Applications, 40% of those are funded (100 grants awarded) and only 50% of those are small businesses, the reporting costs can be estimated to be \$1,250,000 over ten years (see cost of reporting requirements in B.3 below).

3. If the regulation imposes reporting requirements, enter the annual costs a typical business may incur to comply with these requirements. *Include the dollar costs to do programming, record keeping, reporting, and other paperwork, whether or not the paperwork must be submitted.* It is estimated that over the life of the grant (two years), an organization will incur approximately \$5,000 in costs to comply with the reporting requirements of the grant, or \$2,500 annually. These costs go down after the termination of the grant, as invoicing and other reporting will not be necessary. The costs after the termination of the grant are primarily for file storage and reference systems in the event of an audit.

C. Estimated Benefits

1. Briefly summarize the benefits of the regulation, which may include among others, the health and welfare of California residents, worker safety, and the State's environment: This regulation funds fire prevention activities that benefit the owners of habitable structures in the State Responsibility Area by lowering their wildfire

risk, educating them on their local wildfire hazards, and/or establishing long-term, cohesive, and coordinated local fire protection or prevention plans. This provides benefits to the overall health and safety of Californians by lowering the risks of a catastrophic wildfire, as well as benefits to the environment, as grant funded projects may improve the ecological health of California's fire-prone landscapes and also reduce the likelihood of wildfire. The proposed action will not benefit worker safety.

2. Are the benefits the result of: specific statutory requirements, or goals developed by the agency based on broad statutory authority?

Explain: PRC §§ 4111, 4212, and 4214 require the Board of Forestry and Fire Protection to, respectively, provide for a system of fire protection throughout the State, establish a Fee to fund fire prevention activities in the State Responsibility Area, and distribute funds from that Fee to local governments, non-profits, and other organizations as grant funds for fire prevention activities in the State Responsibility Area, when appropriated by the Legislature.

3. What are the total statewide benefits from this regulation over its lifetime? The total statewide benefits of this regulation are unknown because it is unknown how much money the Legislature may appropriate, if any, over time. Because of this, it is impossible to quantify the scale of the SRA Fire Prevention Fund Grant program and its potential impact on reducing catastrophic wildfire in California. See quantification issues discussed in D.3 below.

D. Alternatives to the Regulation

1. List alternatives considered and describe them below. If no alternatives were considered, explain why not:

Alternative 1: No Action Alternative

The Board considered taking no action, since 14 CCR § 1665.8 Grant Program technically implements PRC § 4214. With that existing regulation, the Board could have chosen to create a guidance document with the specific application instructions and evaluation criteria instead of repealing that regulation and adopting new ones as in this proposed action. However, the Board and Board staff were concerned this alternative would result in an underground regulation and rejected this alternative.

Alternative 2: One-Phase Process

The Board considered an application process that did not include a Concept Proposal phase and a separate Application phase and instead only required an Application. At the time this regulation was being developed, CAL FIRE was implementing a SRA FPF Grant Program with two phases, as proposed in this action, and the Board thought it was best to mimic that process to reduce confusion amongst the public.

Alternative 3: Less Specific

The Board considered grant application questions and evaluation criteria that were less specific, including one series of questions and criteria for all types of projects (hazardous fuel reduction, fire prevention planning, and fire prevention education), no or limited map requirements, and less budget information. The Board rejected this

alternative because they were concerned it would lead to evaluation criteria that inadvertently favored one type of project over another and that grant reviewers would not get enough information from the Concept Proposals and Applications to adequately judge the strength of each project against one another.

Alternative 4: Proposed Action

The Board has chosen to adopt the proposed action presented in this Initial Statement of Reasons because the Board believes the proposed action is the most cost-efficient, equally or more effective, and less burdensome alternative. The proposed action balances requiring project proponents to submit enough information for application reviewers to make a sound judgment regarding the worthiness of applications while keeping in mind the cost and time burdens for providing that information by the public.

2. Summarize the total statewide costs and benefits from this regulation and each alternative considered:

Regulation:

The **benefits** from the proposed action are unknown, because it is unknown how much money the Legislature may appropriate to this program over time. It is impossible, therefore, to quantify how many projects may be implemented under the SRA Fire Prevention Fund grant program and the scale to which the wildfire environment in California may be affected. It is expected that the proposed action will cause *some* monetary benefits to the state through reduced wildfire losses, but those benefits cannot be quantified as this time.

The **cost** of the proposed action is anticipated to be \$7,500,000 over ten years. This assumes the Legislature appropriates funding to this program and that each year 500 organizations apply for the program at a cost of \$1,500 to the organization.

Alternative 1 No Action:

There are no **benefits** under Alternative 1, because without a grant program in place, it is unlikely the Legislature will appropriate funds to the program.

There are no **costs** under Alternative 1 because there would be no grant program for organizations to spend time and money applying to.

Alternative 2 One-Phase Process:

The **benefits** from Alternative 2 are unknown, because this Alternative also requires an appropriation from the Legislature in order to fund fire prevention projects. It is expected that some benefits to the state would occur under Alternative 2 through reduced wildfire losses, but the exact nature of those benefits is impossible to determine without knowing the scale of projects funded through the SRA FPF grant program.

The **costs** of Alternative 2 can be estimated to be less than the proposed action, since project applicants would only need to fill out one set of application materials instead of a Concept Proposal and Application. However, this Alternative eliminates the Concept Proposal phase, which is the less work-intensive phase compared to the full Application. If 500 organizations apply for this program at a cost of \$1,000, over ten years the cost of this Alternative would be \$5,000,000.

Alternative 3 Less Specific:

The **benefits** from Alternative 3 are unknown, because this Alternative also requires an appropriation from the Legislature in order to fund fire prevention projects. It is expected that some benefits to the state would occur under Alternative 3 through reduced wildfire losses, but the exact nature of those benefits is impossible to determine without knowing the scale of projects funded through the SRA FPF grant program.

The **costs** of Alternative 3 are expected to be similar to those of the proposed action, since this Alternative does not change any major components of the concept proposal or application instructions or requirements for project proponents. Assuming the Legislature appropriates funding to this program and 500 organizations apply at a cost of \$1,500, this Alternative would cost \$7,500,000 over ten years.

3. Briefly discuss any quantification issues that are relevant to a comparison of estimated costs and benefits for this regulation or alternatives:

Pursuant to PRC § 4214, the Fire Prevention Fee (SRA Fee) is collected in the SRA Fire Prevention Fund (FPF) and appropriated to the Board and CAL FIRE by the Legislature for a variety of purposes, including local assistance grants and grants to other organizations (PRC § 4214(d)(1-3)). PRC § 4214 does not specify how much money the Legislature shall or may appropriate to the grant program or that the money shall or may be appropriated each year, although “it is the intent of the Legislature that the moneys in this fund be fully appropriated to the board and department each year in order to effectuate the purposes of this chapter” (PRC § 4214(c)). In the 2014/15 fiscal year, the Legislature appropriated \$10,000,000 to the SRA FPF grant program implemented by CAL FIRE. In the 2015/2016 fiscal year, the Legislature appropriated \$5,000,000.

Because of these historical appropriations to the grant program, the Board can use information from CAL FIRE to make certain assumptions about how many applications can be expected as well as the costs of applying. However, the variability in these appropriations indicate that the Legislature does not have a reliable formula for funding the SRA FPF grant program and the Board cannot predict from year to year the available funding for the program. It is difficult to quantify the benefits to the state because it is impossible to predict how much money the Legislature may appropriate to this program over time and therefore the scale of the fuel reduction projects, planning projects, and education projects that may impact wildfire losses in the SRA is unknown. It can be assumed that any level of appropriation will result in some level of monetary benefits to the state. It is also difficult to quantify the benefits to the state because it is impossible to predict how or where a wildfire may strike and which wildfires may be stopped or limited by a project implemented under this program. Although this program supports projects that have proven to reduce wildfire risk and slow or stop wildfires and so it can be assumed that some benefit will be derived from this program, it is impossible to quantify those benefits.

4. Rulemaking law requires agencies to consider performance standards as an alternative, if a regulation mandates the use of specific technologies or equipment, or prescribes specific actions or procedures. Were performance standards consider to lower compliance costs? Yes No

Explain: The proposed action does not mandate the use of specific technologies or equipment, but does prescribe specific actions or procedures. The above-mentioned alternatives were considered and ultimately rejected by the Board in favor of the proposed action. Alternatives 2 and 3 considered by the Board require fewer of these actions or procedures but would result in a less effective regulation.

The proposed action is only as prescriptive as necessary to ensure Concept Proposals and Applications to the SRA FPF grant program are consistent between applicants. This creates an application and evaluation process that is fair and transparent. Performance based standards were not reasonably expected to be as effective and less burdensome in achieving the purpose of the proposed action.

Fiscal Impact Statement

B.4 Other. Explain. Regarding costs or savings to any State agency, the anticipated fiscal impact of the SRAFPF Grant Program is expected to be approximately \$250,000 per year. In their 2014/2015 appropriation, the Legislature set aside \$500,000 to cover CAL FIRE's implementation costs of the grant program for two years. It is estimated that the fiscal impact to the State from the Board's grant program would also be approximately \$250,000 a year. It is expected the Legislature will again appropriate money for the implementation of the SRAFPF Grant Program as part of the appropriation of grant funds sourced from the Fee.