
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 1404 (Stern) - Wildfire prevention: state responsibility areas: fire prevention fee

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Urgency: No

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Policy Vote: N.R.& W. 4-2,REV.&TAX.4-1

Mandate: No

Consultant: Ashley Ames

Bill Summary: This bill would end the suspension of the State Responsibility Area Fire Prevention Fee (SRA Fee), effective January 1, 2027.

Fiscal Impact:

- Increased state revenues, likely in the high tens of millions of dollars annually (State Responsibility Area Fire Prevention Fund [SRA Fund]) due to reinstated collection of the SRA Fee. This revenue increase would go on indefinitely due to the deletion of the current SRA Fee sunset in this bill. Of this amount, roughly 10% would likely be needed by the Board of Equalization (BOE) for its costs to collect the fee.
- Significant ongoing costs, likely in the high millions of dollars annually (SRA Fund), for BOE to administer and collect the SRA fee. (See staff comments for details.)
- Ongoing cost savings, likely commensurate to the amount of SRA Fee revenue less BOE expenditures, to the Greenhouse Gas Reduction Fund [GGRF] starting in 2028. These costs savings could be offset elsewhere by increased expenditures on other GGRF programs.
- To the extent that the bill encourages increased activity by homeowners on defensible space and home hardening efforts or increased state spending on fire prevention efforts that reduce the occurrence of or damage from catastrophic wildfires from what otherwise would have occurred, this bill could result in unknown potential ongoing savings due to reduced fire suppression costs.

Background: While fires have always been present in the state, the number of days with extreme fire risk has more than doubled in the last 40 years. This is likely to continue to increase, and one of the impacts of climate change in the state is an increase in the frequency and intensity of wildfires. In forested regions, decades of fire suppression, historic logging practices, and drought have produced unhealthy forests. In some forests, the current tree density is up to an order of magnitude greater than the density a century ago which increases the likelihood of damaging high-intensity fire when it burns.

Forest management in California is complicated by its patchwork of ownership. Close to 60 percent (nearly 19 million acres) of forestlands in California are owned by the federal government, including by the U.S. Forest Service (USFS), Bureau of Land Management (BLM), and National Park Service. Private nonindustrial entities own about one-quarter (8 million acres) acres of forestland. These include families, individuals, conservation and natural resource organizations, and Native American tribes. Industrial owners—primarily timber companies—own 14 percent (4.5 million acres) of

forestland. State and local governments own a comparatively small share—only 3 percent (1 million acres) combined.

Although the state owns only a small share of forestlands, state law tasks CalFire with certain responsibilities on privately owned lands. Specifically, CalFire's historic mission has been two-fold: (1) the protection of commercial timber on all nonfederal lands from improper logging activities and (2) the protection of watersheds from wildland fire in lands identified as part of the "State Responsibility Area" (SRA). The SRA includes about 13.2 million acres of forestland across the state—most of the forest not owned by federal agencies. CalFire's SRA responsibilities include (1) enforcing fire prevention measures such as checking that homes have the required "defensible space" clear of brush, (2) fire suppression and other emergency response activities, and (3) providing financial and technical forest management assistance to private landowners.

The state funds programs in several different state departments that are intended to encourage activities that support California's forests, including to reduce wildfire risk. Many of these programs are designed to assist private landowners in effectively managing their lands, given they own a significant portion of the state's forests.

Fire protection. Most Californians pay for *structural* fire protection through property taxes or benefit assessments that fund firefighting services provided by city and county fire departments or special districts. Generally, local agencies provide structure protection and basic medical assistance in the SRA, while CalFire must provide *wildland* fire protection there and may provide structural fire protection as well. Because SRA residents get a significant benefit from CalFire protection paid for by the state General Fund, which is not directly provided to urban residents, the Legislature began to consider proposals for a fee that applies in the SRA to complement General Fund CalFire spending in the 2000s.

The SRA Fee. In 2011, the Legislature imposed a fee on owners of structures in SRAs to pay for the state's costs of protecting them against fires (ABx1 29, Blumenfeld), known as the SRA Fire Prevention Fee. CalFire provided a list to the Board of Equalization (BOE) of owners of habitable structures located in the SRA and the amount of fees to be assessed on each structure. BOE then issued bills and collected the fees, which were due and payable within 30 days of receiving the bill.

Habitable structures included single family homes, multi-dwelling structures, mobile homes, manufactured homes, and condominiums on July 1 of the fiscal year for which the fee is due, but not commercial, industrial, or incidental buildings such as detached garages, barns, outdoor sanitation facilities and sheds. Initially set at \$150 per habitable structure on a parcel within the SRA, the Board could increase the fee for inflation according to the Implicit Price Deflator for State and Local Government Purchases of Goods and Services for the United States. The Board subsequently exempted structures deemed uninhabitable as a result of a natural disaster, and allowed a discount of \$35 for owners of habitable structures who were also within the boundaries of a local fire protection agency or district by regulation.

The Legislature could then appropriate fee proceeds for the following purposes, after reimbursing BOE for expenses:

- A local assistance grant program.
- Grants to Fire Safe Councils, the California Conservation Corps, or certified local conservation corps for fire prevention projects and activities in the SRA.
- Grants to a qualified nonprofit organization with a demonstrated ability to satisfactorily plan, implement, and complete a fire prevention project applicable to the SRA. The Department may establish other qualifying criteria.
- CalFire inspections for compliance with defensible space requirements around habitable structures in the SRA.
- Public education to reduce fire risk in the SRA.
- Fire severity and fire hazard mapping by CalFire in the SRA.
- Other fire prevention projects in the SRA.

Approved by the Legislature as a majority-vote fee, not a 2/3 vote tax, the SRA Fee was controversial from inception. The Legislature considered but did not enact several proposals to repeal, limit, or modify the fee before enacting AB 2048 (Dahle, 2014), which made several consensus administrative changes to the SRA Fee. Additionally, the Howard Jarvis Taxpayers Association (HJTA) sued CalFire in October 2012, arguing that the fee was a tax and therefore should have been subject to a two-thirds vote, as required under Section Three of Article XIIA of the California Constitution.

The SRA Fee was also administratively problematic. CalFire sent SRA boundaries to county assessor offices, which then provided CalFire with parcels within those boundaries, which were then sent to BOE to bill. CalFire adjusts the SRA map every five years, or more frequently when local agency boundaries change, which can alter which property owners are subject to the fee. Determining the correct names of property owners and identifying specific parcels was difficult and often imprecise. Property changed ownership, and with it, the name of the property owner on the bill. Structures were demolished, converted, or newly constructed. BOE-administered special taxes and fees are usually collected or paid by businesses—not individuals, where enforcement is more difficult.

As a result, costs incurred to collect the SRA fee were about 10% of fee proceeds, among the worst cost-to-revenue ratios for any of the state's special fees and taxes. Taxpayers filed approximately 90,000 petitions for redetermination in 2012-2013 challenging the application and amount of the fee, largely due to HJTA's outreach, although that later dwindled to 40,000. Additionally, 10% of property owners simply didn't pay the fee. Despite these difficulties, the fee generated around \$80 million annually for its specified purposes, with a spike of \$143 million in 2013-14, for a total of almost one half of one billion dollars during its five-year existence.

AB 398. In 2017, the Legislature enacted AB 398 (Eduardo Garcia) which, among other provisions, suspended the SRA Fee from July 1, 2017 until January 1, 2031, at which point it would be repealed. One part of AB 398 extended the California Air Resources Board's authority to establish and utilize, through regulations, a cap-and-trade program, with proceeds allocated to the Greenhouse Gas Reduction Fund (GGRF). As a result, BOE did not issue bills for the 2017-2018 year. AB 398 also stated the intent of the

Legislature to replace the moneys that would have been collected from the fee with money from GGRF to fund fire prevention activities.

AB 398's enactment also blunted legal challenges against the SRA Fee. In September of 2020, the Third District Court of Appeals dismissed HJTA's legal challenges, finding that the Plaintiff failed to bring the action to trial within the 5-year period required by statute. The Sacramento Superior Court also ruled against an individual plaintiff who sued BOE on similar grounds.

AB 102. Enacted the month before AB 398, the Taxpayer Transparency and Fairness Act of 2017 created the California Department of Tax and Fee Administration (CDTFA) and shifted the Board of Equalization's (BOE's) statutory tax administration functions to the newly formed Department (AB 102, Committee on Budget). As a result, CDTFA now operates almost all tax and fee programs previously administered by BOE. BOE continues to administer its core property tax functions as provided in the California Constitution. CDTFA never administered the SRA Fee, but would administer the fee if the Legislature revived it.

Funding CalFire. CalFire's funding to perform wildfire resilience activities has grown over the past ten years—from about \$100 million in 2015-2016 to about \$700 million in 2025-2026. CalFire's wildfire resilience activities, however, are a relatively small percentage (10% - 20%) of its overall budget. Most of CalFire's budget remains dedicated to its base fire protection program (such as firefighting personnel and equipment) and emergency fire suppression program (emergency fire response resources) funded by the Emergency Fund.

Last year, the Legislature extended the cap-and-invest program, formerly known as cap-and-trade, and modified the methodology for allocating the associated GGRF revenues, including creating new allocation "tiers" (AB 1207, Irwin, and SB 840, Limón). SB 840 provided that CalFire's fire prevention activities that would have been funded by the SRA Fee are in Tier One, and thus granted a variable continuous appropriation from GGRF depending on GGRF revenues beginning in the 2026-2027 fiscal year. Prior to SB 840, GGRF provided CalFire a fixed annual allocation of \$200 million GGRF for wildfire resilience activities.

In his 2026-2027 GGRF expenditure plan, the Governor proposes to allocate a total of over \$1.6 billion to discretionary activities, including \$1.25 billion to backfill CalFire costs that otherwise would be paid by the General Fund. The administration does not anticipate GGRF will have adequate revenues to support the full amounts identified in SB 840 for certain programs.

Proposed Law: This bill would end the suspension of the SRA Fee, effective January 1, 2027. The measure would also modify the legislative finding made in AB 398, to replace the moneys that would have been collected from the Fee with money from GGRF to fund fire prevention activities, to apply only between January 1, 2017 and January 1, 2028. This bill would also delete the section of law that would have repealed the SRA Fee as of January 1, 2031.

Related Legislation:

SB 840 (Limón, Chapter 121, Statutes of 2025) authorizes GGRF to continuously fund fire prevention activities that would have otherwise been funded by the SRA Fee in the amounts described in statute.

SB 901 (Dodd, Chapter 626, Statutes of 2018) specified that the amount appropriated to the Department in the annual Budget Act for the purposes of funding fire prevention projects in lieu of the SRA Fee shall not be included when determining the amount of annual GGRF proceeds in the fund when making certain appropriation calculations.

SB 398 (Eduardo Garcia, Chapter 135, Statutes of 2017) suspended the SRA Fee beginning January 1, 2017, and established the intent of the Legislature to use GGRF funding to pay for fire prevention projects in lieu of the SRA Fund.

SB 9 (Gaines, 2016) would have repealed the SRA Fee. This bill died in the Senate Natural Resources and Water Committee.

SB 520 (Berryhill, 2015) would have repealed the SRA Fee. This bill died in the Senate Natural Resources and Water Committee.

AB 93 (Weber, Chapter 10, Statutes of 2015), as the Budget Act of 2015, appropriated \$8.6 million from the SRA Fund to the BOE for costs associated with the collection of the SRA Fee. This bill authorized the Director of Finance to augment this expenditure, if necessary.

AB 2048 (Dahle, Chapter 895, Statutes of 2014) authorized the Board to adjust the fee for inflation, rather than require it.

AB 929 (Jones, 2013) would have required the BOE reimburse everyone who paid the SRA Fee between January 1, 2015, and December 31, 2016, if their structure was determined to not be in the SRA. This bill died in the Assembly Natural Resources Committee.

AB 23 (Donnelly, 2013) would have repealed the SRA Fee. This bill died on the Assembly Appropriations suspense file.

SB 1040 (Evans, 2012) would have repealed the SRA Fee. This bill died in the Assembly Budget Committee.

AB 1506 (Jeffries, Cook, et al, 2012) would have repealed the SRA Fee. This bill died on the Assembly Appropriations suspense file.

Abx1 29 (Blumenfield, Chapter 8, Statutes of 2011) authorized the State Responsibility Area Fire Prevention Fee and created the State Responsibility Area Fire Prevention Fee Fund in the State Treasury.

Staff Comments:

Administration of the SRA Fee. The SRA Fee was administered by BOE through the California Department of Tax and Fee Administration (CDTFA). CalFire provided the boundaries of the SRA to county assessor offices, who then provided CalFire with parcels in those boundaries, which CalFire sent to CDTFA to bill. The process was circular, bureaucratic, and prone to error. The Fee also had an unusually high administrative cost, nearing 10% of annual billings. CDTFA typically sees administrative costs of taxes and fees closer to, if not under, 5%.

SRA Fee Collection: CDTFA expenditures and revenues

FY	Budgeted	Actual	Revenues
2011-2012	\$0	\$1,114,730	\$0
2012-2013	\$6,524,000	\$8,048,096	\$75,202,000
2013-2014	\$6,437,000	\$9,829,964	\$143,500,000
2014-2015	\$9,227,000	\$9,370,319	\$81,860,000
2015-2016	\$9,068,000	\$8,914,175	\$81,728,000
2016-2017	\$7,566,000	\$7,505,947	\$81,479,000
2017-2018	\$0	\$2,322,126	\$15,330,000
2018-2019	\$0	\$0	\$0
Total	\$38,822,000	\$47,105,357	\$479,099,000

Variability in SRA Fee amount and base. Statute authorizes BOE to charge a fee “in an amount not to exceed one hundred fifty dollars (\$150).” The Board could, at any time, amend its regulations to charge less than \$150, if desired.

Additionally, as new habitable structures are constructed in the SRA, they would be charged the fee each year. As land moves in and out of SRA boundaries, especially after the major five-year reviews, those structures would then not, or perhaps could newly, pay the fee.

In addition, BOE is authorized to adjust the fee for inflation (PRC § 4212(b)). The Board could amend the amount of the fee in regulation to adjust for inflation.

Board regulations offer a \$35 discount on the fee if the structure is in the boundary of a local fire agency (14 CCR § 1665.7(a)). As local fire agencies are established or dissolved, a habitable structure’s eligibility for this discount might change.

Appropriate uses of the SRA Fee. There are limits to what the SRA Fee may be used for (PRC § 4214):

- The costs of administering the SRA Fee by CDTFA.
- Local assistance grants administered by the Board.

- Grants to Fire Safe Councils, the California Conservation Corps, or certified local conservation corps for fire prevention projects and activities in the SRA.
- Grants to a qualified nonprofit organization with a demonstrated ability to satisfactorily plan, implement, and complete a fire prevention project applicable to the SRA. The Department may establish other qualifying criteria.
- Inspections by CalFire for compliance with defensible space requirements around structures in the SRA as required by Section 4291 of the Public Resources Code.
- Public education to reduce fire risk in the SRA.
- Fire severity and fire hazard mapping by CalFire in the SRA.
- Other fire prevention projects in the SRA, authorized by the Board.

When the SRA Fee was suspended in 2017, the GGRF (the proceeds and income from the cap-and-invest program, as noted above) was authorized to fund these programs instead.

Projects funded by the SRA Fee. According to the latest annual report on the SRA Fee by the Department, fire prevention services and programs funded by the fee included:

- Fuel reduction projects that lessened the risk of wildfire to communities, evacuation routes, and infrastructure.
- Defensible space inspections.
- Assisting communities with updating wildfire mitigation plans.
- Fire prevention education.
- Fire hazard severity mapping.
- Implementation of State and local fire plans.
- Fire related law enforcement activities.

The Legislative Analyst's Office (LAO) considers reinstatement of the SRA fee.

According to the LAO, most of CalFire's budget (\$3.3 billion out of \$3.8 billion in fiscal year 2022-23) funds wildfire suppression. In addition to the base budget, CalFire is budgeted funds for emergency fire protection, known as the E-Fund. The amount the state budgets for the E-Fund each year is based on an average of the fund's expenditures in recent prior years. For example, for 2022-23, the enacted budget included \$843 million for the E-Fund. Some of that money is from the General Fund, but other moneys come from reimbursements from the federal and local governments, such as when CalFire conducts fire suppression on federal lands.

In their report titled "Framework for Approaching the Natural Resources, Environmental Protection, and Agriculture [2026-27] Budget," the LAO notes that the Legislature has the option of using money from the GGRF to support almost any purpose. Given the pressures on the General Fund, the report encourages the Legislature to find alternative sources to General Fund dollars through the use of the GGRF. However, the LAO notes that certain programs, such as CalFire's Defensible Space Inspector Program, would

need to find other funding if GGRF was used in lieu of the General Fund. The report suggests the Legislature consider reinstating the SRA Fee to cover the increased costs of these inspections.

Emergency fire suppression costs and savings. CalFire spends roughly \$1 billion annually (General Fund) on “emergency fire suppression” – additional fire suppression resources needed when a fire continues to spread after the “initial attack” or about the first 24 hours. The vast majority of fires are contained during initial attack – the ones that are not usually grow to be the largest and most expensive wildfires. According to CalFire, defensible space and home hardening can reduce the risk of catastrophic wildfire and prevent or minimize property damage in the event of wildfire.

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