

MARCH 5, 2025

Wildfire Spending and Energy Affordability

PRESENTED TO:

Assembly Committee on Utilities and Energy
Hon. Cottie Petrie-Norris, Chair



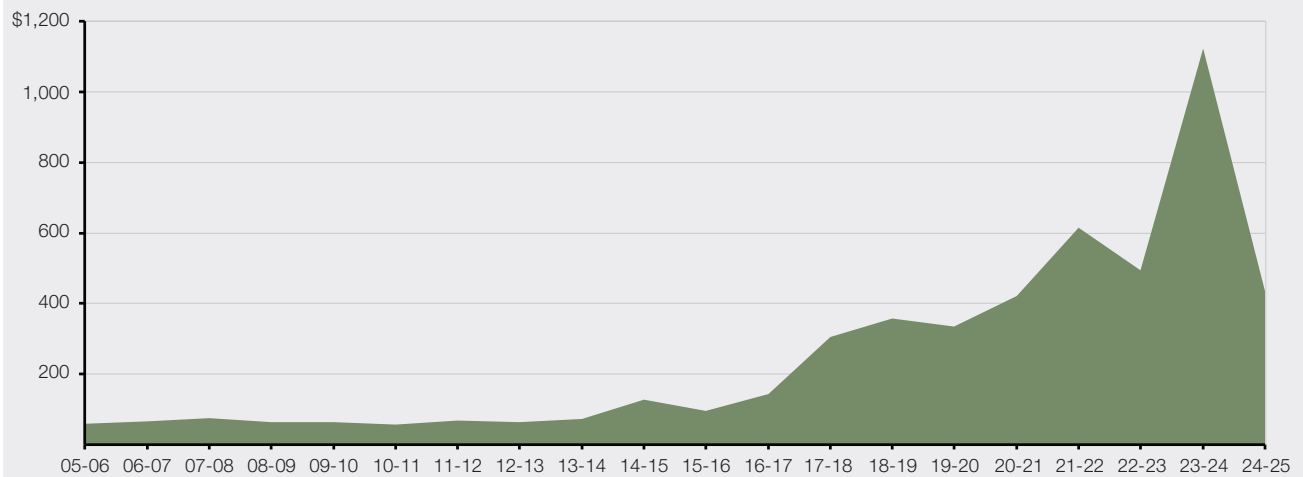
LEGISLATIVE ANALYST'S OFFICE

State Spending on Wildfire Resilience

State Spending on Wildfire Resilience Varies by Year but Generally Has Grown Over Time. For example, the California Department of Forestry and Fire Protection’s budget for resource management and fire prevention has increased from about \$140 million in 2016-17 to an estimated \$440 million in 2024-25. Funding for various other departments—such as state conservancies—for wildfire resilience-related activities also has generally increased in recent years.

CalFire’s Wildfire Resilience and Prevention Spending Generally Has Increased in Recent Years

(In Millions)



CalFire = California Department of Forestry and Fire Protection.

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State Spending on Wildfire Resilience

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Growth in State Spending Driven by Recent Augmentations for Wildfire Resilience. The growth in state spending on wildfire resilience has been driven by two main actions:

- Chapter 626 of 2018 (SB 901, Dodd) and Chapter 155 of 2021 (SB 155, Committee on Budget and Fiscal Review) dedicated \$200 million annually from 2019-20 through 2028-29 from the Greenhouse Gas Reduction Fund (GGRF).
- Major wildfire and forest resilience budget packages in 2021 and 2022.

Together, these commitments total \$3.6 billion over the nine-year period from 2020-21 through 2028-29—\$2.6 billion through the wildfire resilience budget packages, along with an additional \$1 billion outside of those packages.

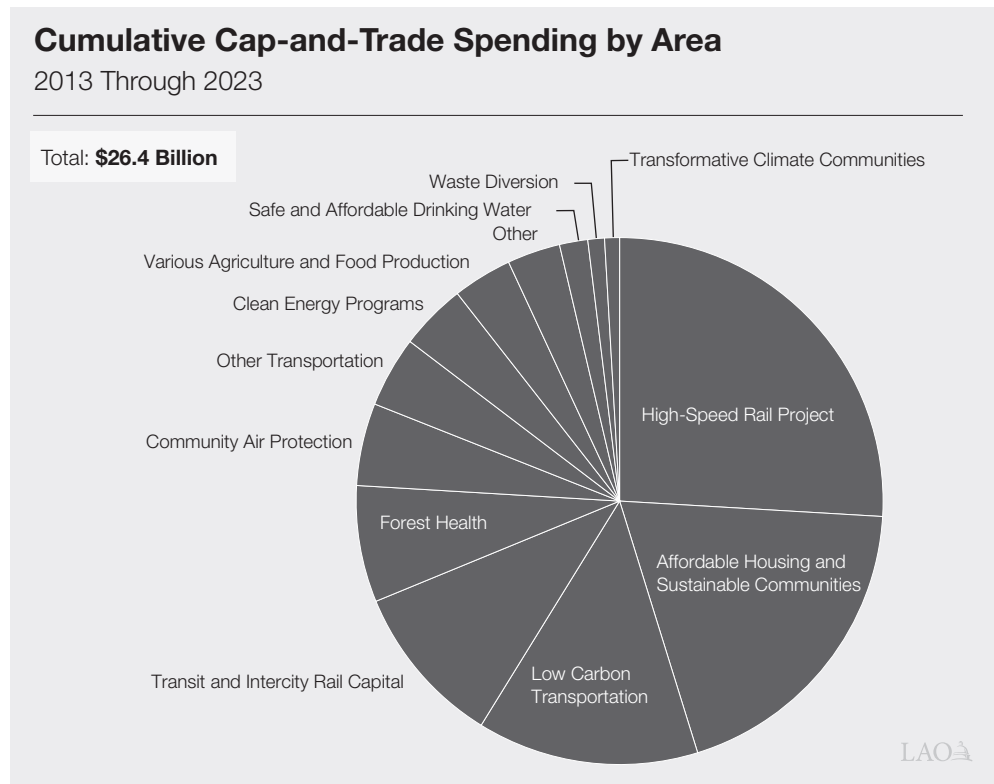
Legislature Also Included \$1.5 Billion for Wildfire Resilience in Proposition 4. Proposition 4 provides \$1.5 billion to support various activities to improve the health of forests and reduce the risk of severe and destructive wildfires, including \$35 million to reduce wildfire risks from electricity transmission. The Governor proposes to appropriate \$325 million—22 percent—of this total in 2025-26.

Required Electric Utility Spending Exceeds State Spending on Wildfire Resilience Activities. Over the past few years, utility spending on wildfire mitigation has averaged several billion dollars per year, far outpacing state spending on these activities.



Potential Funding Sources for Increasing State Wildfire Resilience Spending

GGRF Supports a Variety of Programs. Proceeds from sale of the state's cap-and-trade allowances are deposited into GGRF. GGRF revenues fluctuate from quarter to quarter. In recent years, cap-and-trade auctions have raised between \$2 billion and \$5 billion per year. Historically, GGRF has supported a wide range of programs in addition to wildfire resilience, many of which are aimed at reducing greenhouse gas emissions.



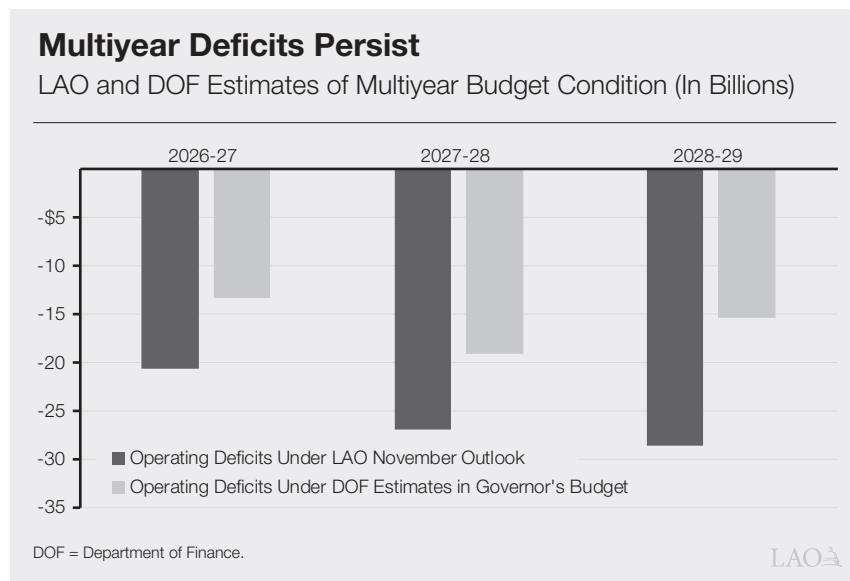
- **Most GGRF Spending Directed by Statute.** By statute, roughly two-thirds of auction revenues are dedicated for certain purposes. The remaining revenues are available for appropriation by the Legislature for discretionary spending programs. The 2023-24 and 2024-25 budget agreements not only appropriated GGRF to discretionary programs for those respective budget years, but also included plans to dedicate a large share of anticipated out-year discretionary GGRF revenues for specific purposes through 2028-29.



Potential Funding Sources for Increasing State Wildfire Resilience Spending

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General Fund Also Supports Many Purposes. The General Fund is the state's main operating account, which it uses to pay for most public services, including education, health care, and prisons. In recent years, the General Fund has supported roughly \$200 billion in annual expenditures. Our office and the Department of Finance project out-year General Fund deficits of over \$10 billion annually over the next few years.



Providing More State Funding for Utility Wildfire Mitigation Activities Presents Trade-Offs. Shifting funding for more wildfire resilience activities to state revenue sources—such as GGRF or the General Fund—rather than utility funds would have the benefit of reducing costs borne by ratepayers. However, doing so would mean less state funding would be available for other priorities. Moreover, backfilling the magnitude of costs currently supported by ratepayers would require a significant increase in state funding for wildfire mitigation relative to what historically has been the case.

