Climate Change Adaptation Funding Pathways in California:
Wildfire risk reduction

Pathway: Introduce (1) a small surcharge on all property and casualty insurance premiums statewide, and (2) a higher surcharge on property and auto insurance within the wildland-urban interface.

Climate risks addressed: Wildfire

Timeline for implementation: 3-7 years

Estimated funding amounts: $514 million annually.

Social equity considerations: Focuses expenditures on disadvantaged communities; potentially progressive tax structure.

Implementation pathway: Build coalition and advocate for legislative change.

Background: Resources Legacy Fund (RLF) has worked with the OnClimate Team to develop four funding pathways that address pressing climate resilience needs in California. Our objective is to increase funding for climate adaptation and resilience in California in a fiscally responsible and socially equitable manner. We focus on funding current adaptation priorities with solutions that are reasonably feasible now or in the near-term, given current trends.

What a wildfire risk reduction insurance surcharge would do:

- Generate a substantial share of the State's estimated funding gap for wildfire risk reduction
- Place most of the funding burden on wildland-urban interface (WUI) property owners that would directly benefit from expenditures
- Provide the only ongoing source of revenue to match the ongoing need for landscape-scale vegetation management and ignition prevention
- Provide incentives for homeowners to invest in home hardening and defensible space
- Provide incentives for regional adoption of funding measures for community resilience strategies

Prepared for: Resources Legacy Fund® — Creative Solutions. Lasting Results.

Prepared by: OnClimate

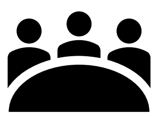
With: Urban Economics; NHA Advisors — Financial & Policy Strategies. Delivered.

- If needed, fund reinsurance to support reliable, available, and affordable property insurance in the WUI

Why this is needed:

- Fifteen of the state's most destructive wildfires over the past century have occurred within the past 20 years, 10 since 2015, and these trends are likely to continue
- Catastrophic wildfires have statewide impacts that extend far beyond the wildland-urban interface, including significant negative health impacts from poor air quality (the 2018 Camp Fire generated smoke for 13 days that affected 60 percent of the state's population)
- Risk reduction faces a larger funding gap than fire suppression or disaster recovery, yet generates positive benefit-cost ratios

Potential stakeholders:



- Fire safe councils and stakeholders
- Environmental groups supportive of forest health and other benefits from vegetation management
- WUI communities including those that could benefit from biomass market development
- Electric utilities with wildfire liability exposure
- Water agencies with infrastructure vulnerable to wildfire
- Air quality management districts
- The insurance industry, consumer groups, and the real estate industry if implementation supports reliable, available and affordable insurance in the WUI

Social equity considerations:

- Many disadvantaged communities are located in the WUI where housing costs are typically lower than urban areas (less than five percent of WUI homes are seasonal)
- An insurance surcharge would be neutral (neither progressive nor regressive) to the extent that insurance premiums are correlated with larger homes and larger household incomes
- Focus expenditures of funds for building hardening on low-income households
- Allocate more funding to disadvantaged communities through the subvention formula for community resilience measures
- Focus landscape-scale fuels reduction projects in low-income rural communities

Next steps:

- Identify a coalition willing to craft a legislative proposal
- Use research to support the most cost-effective risk reduction measures
- Identify opportunities for developing markets for low value biomass

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This funding pathway proposal is drawn from the report: "[Proposed Funding Pathways for Adaptation to Climate Change in California](#)", produced for the Resources Legacy Fund by the OnClimate Team.

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