URBAN FORESTRY FUNDING SOLUTIONS

Some state agencies support urban forestry through grants programs others suggested there could even be a stronger role for urban forestry within their departments somewhere down the road. But the true home of urban forestry in California is with CAL FIRE. This is where the Urban and Community Forestry Program is implemented and where the State's technical expertise in urban forestry can be located.

While it is worthwhile to explore opportunities to support urban forestry in other sectors (see Table 1), significant focus must be placed on how to sustain the CAL FIRE Program. It has supported the planting and care of hundreds of thousands of trees over the last 35 years. At a time when all bond dollars are exhausted and Congress threatens to cut the federal funds entirely, how do we sustain CAL FIRE's Urban and Community Forestry Program?

This is the question that drives Section III of the report. What resources exist statewide to provide opportunities to support urban forestry at traditional levels or above? What doesn't exist that could through strategic outreach, education and advocacy?

This section focuses on achievable long-term funding solutions requiring action at the ballot or within the State Legislature. Other states are using property taxes, oil severance fees and tax charity check-off boxes to support urban forestry in their areas. Can California follow suit?

We evaluate what such efforts could look like in California, along with a dozen more that have not been explored to their logical conclusion until now.
Three questions make up a test governing our overall conclusions and recommendations.

QUESTION 1:

What are the economic merits of the issue?

Some of the potential funding solutions could produce less than $100,000 annually for urban forestry even under the most ideal conditions. Others could generate $12 million or more, but involve greater risk, time commitment and expenditure of resources.

QUESTION 2:

What is the political feasibility of success?

There are certain assumptions that must be applied to urban forestry, including its reach, advocacy base and available resources. Good or bad, urban forestry is a small part of California's resource conservation mosaic, and an even smaller part of its political conversation. What is politically feasible for some sectors is not necessarily feasible for the state's urban forestry community.

This is coupled with other undeniable political truths that must be considered when creating a new revenue stream – specifically Proposition 26. This citizen's initiative, passed by 52 percent of voters in 2010, changed the face of fees and taxes in California by recasting

TABLE 3. URBAN FORESTRY FUNDING SYNOPSIS

Proposal	Economic Merits	Political Feasibility	Attainability
Cap-and-Trade Auction Revenues	✔+	✔+	✔+
Charity Tax Check-off	✔–	✔	✔–
Electric Utilities Surcharge	✔	✔–	✔–
Environmental License Plate	✔–	✔	✔–
Forest Resources Improvement Fund	✔–	✔–	✔–
Litter Tax	✔	✔–	✔–
Lumber Products Tax	✔	✔	✔+
Oil Severance Fee	✔+	✔–	✔
Property Tax	✔+	✔–	✔–
Public Trust Fund	✔–	✔–	✔–
Real Estate Transfer Fee	✔+	✔–	✔
Sales Tax	✔+	✔–	✔–
Tobacco Tax	✔+	✔–	✔–
Transient Occupancy Tax	✔+	✔–	✔–
Vehicle License /Mitigation Fee	✔+	✔	✔

✔+ = strong ✔ = moderate ✔– = weak

the definition of some "fees" and requiring a supermajority vote of the Legislature to enact them. We cannot overstate Proposition 26's impact. Had Proposition 26 been enacted before AB 32, the current version of the Global Warming Solutions Act (2006) would have never made it to the governor's desk.

Political feasibility must draw from history to provide an objective perspective. Some solutions have been tried more than 30 times over the last 50 years, with a success rate of about six percent. Could urban forestry succeed where others have consistently failed?

QUESTION 3:

What is the likelihood of attaining the desired outcome?

Competition for funding is a core component of California politics. There is a 100% guarantee that at least one other "special interest" community is currently exploring these same 15 mechanisms to support its own long-term funding. Some competing groups are even moving bills through the Legislature while this report is being published. Others have their eye on the 2014 ballot and are building the resources to get there. Even if political feasibility and economic merits point to potential success, attainability may simply not exist.

Our evaluations lead to one of three conclusions for each proposal:

PURSUE IMMEDIATELY

We found only two long-term, fiscally viable funding solutions in which urban forestry is positioned to control its own destiny. One provides urban forestry with the luxury of being captured in state law, while the other is a moving target that helped put urban forestry on the political map in 2013.

CONSIDER AT A LATER DATE

These proposed solutions have the potential to be urban forestry's "silver bullet" but none of them put urban forestry as the leading issue that could pave the road to success. They are longshots now. However, their odds potentially improve over years, but only with sufficient groundwork first.

DO NOT PURSUE

The limited resources available to try and sustain urban forestry at the statewide level would be better spent elsewhere.

CAP-AND-TRADE AUCTION REVENUE

Under Assembly Bill 32 – the Global Warming Solutions Act of 2006 – all major sources of greenhouse gas (GHG) emissions are capped. Each must be gradually reduced to 1990 levels. Major emitting sectors have to submit GHG allowances for each ton of GHG emitted. These allowances are purchased at state auction or from other parties (or in some instances are distributed free by the California Air Resources Board). Money generated from these auctions are typically known as "cap-and-trade revenues."

In 2012-13 the state received an estimated $532 million in allowance revenue, but the program is expected to raise billions more from 2012 through 2020[1]. This money must be spent on projects that reduce GHG emissions or sequester carbon.

Last year, the state created an investment plan to guide expenditures of AB 32 funds in 2013. The plan, which included multiple references to urban forestry, did not become an actual expenditure plan. Why? Because the Administration determined that potential revenue-recipient programs were not yet ready to implement GHG reduction projects.

However an $850 million cap-and-trade revenue expenditure plan is part of the 2014-15 budget submitted by Governor Brown on January 10, 2014.

THREE-PRONG TEST

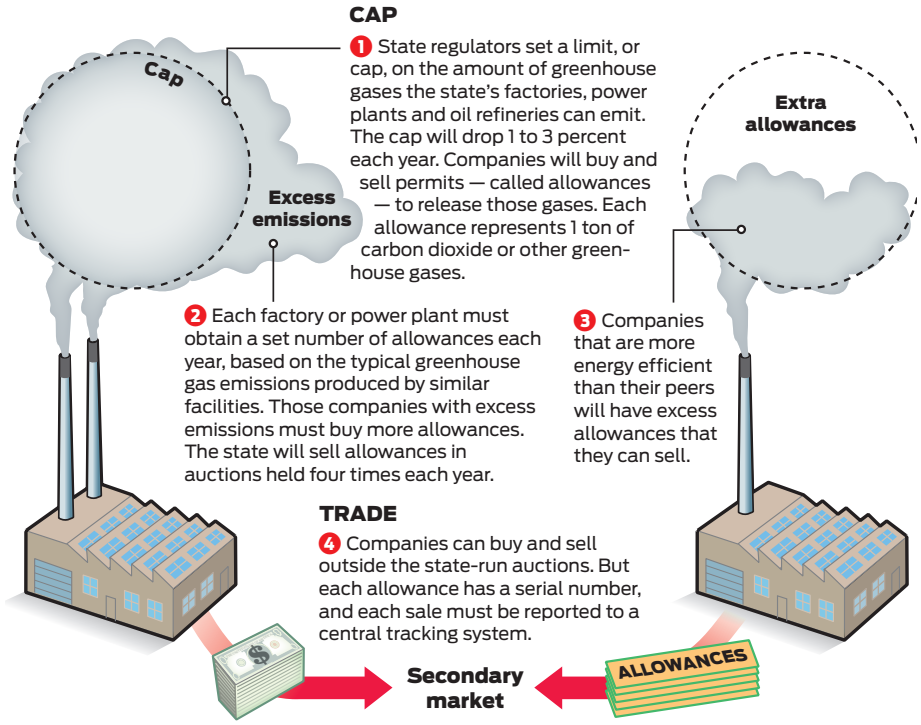
ECONOMIC MERITS

Cap-and-trade auction revenues could generate at least $15 million annually over the next several years to support CAL FIRE local assistance projects (and administration costs) that directly contribute to the goals and objectives of AB 32. Given the amount of funding available — and other state statutes that specifically relate to urban forestry and cap-and-trade revenue expenditures (i.e. SB 535) — a multi-million dollar annual appropriation is not beyond reason, and in fact, is supported by the governor's proposed 2014-15 state budget.

POLITICAL FEASIBILITY

The investment plan clearly indicates that some portion of cap-and-trade auction revenues should be directed to natural

FIGURE 4. THE CALIFORNIA CAP-AND-TRADE SYSTEM FOR GREENHOUSE GASES



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resources. Part of the plan focuses on forests, wetlands, waste reduction, fuels reduction, agriculture and urban forestry. Given the Department of Finance (DOF) influence on the scope of the investment plan, it is not surprising to see all of these issues reflected in the proposed cap-and-trade expenditure plan developed by DOF. Urban forestry benefits from its strong positive impact on disadvantaged communities — and those legislative leaders that represent these districts – which improves its political feasibility in this realm significantly.

ATTAINABILITY

A $500 million loan of cap-and-trade revenues to the General Fund in the 2013-14 State Budget created massive public outcry. Cap-and-trade opponents said dollars will not be used to reduce GHG emissions as promised. Environmental justice advocates blasted the decision, claiming it violated the spirit of state laws created to guide cap-and-trade revenue spending expenditures. Media labeled the move as breaking public trust.

The result of this commotion is the expenditure plan released earlier this year. Expenditure plans are now expected to appear for every year that cap-and-trade funding remains.

We have a tremendous opportunity to seek urban forestry funding through the State Budget for at least the next six years. Furthermore, since the Investment Plan specifically identifies CAL FIRE's Urban and Community Forestry Program as a vehicle to achieve GHG reductions through urban forestry, the path to success is already implicitly endorsed by the California Air Resources Board.

CONCLUSION
PURSUE IMMEDIATELY

Auction revenues provide a potential long term stable funding source for urban forestry investments - one we should pursue. Using the existing Urban and Community Forestry Program, CAL FIRE can quickly and efficiently help the state in meeting GHG reduction and environmental justice goals. Urban forestry can provide benefits that are a key component of the Investment Plan, including lowering energy costs and creating more livable communities. By targeting the majority of these investments to disadvantaged communities, urban forestry can address the environmental justice goals of existing statutory requirements in SB 535.

In addition, using urban forestry to lower electricity use and capture more greenhouse gases makes it a cross-cutting GHG reduction strategy. It can even extend into transportation as it relates to meeting SB 375 goals and sustainable communities strategies across California.

CHARITY TAX CHECK-OFF

Charity check-off boxes at the state level—in which taxpayers select charities on their income tax forms with small amounts withheld from each refund—got their start in 1977. Colorado, following the federal check-off for donations to presidential campaign election funds, began a program for wildlife preservation. As of 2002, 35 states are using check-offs to protect nongame animals. Taxpayers were distributing $32.8 million across 210 funds in the country that year[2].

Some states and state taxpayers are particularly friendly to charities raising funds through the state tax form, California being one of them. In 2012, 18 causes with check-off donation boxes appeared on state tax forms, raising about $4.8 million[3]. The top 2012 causes for tax check-off donations were protection of rare and endangered species ($605,220) and emergency food for families ($598,157). Four other funds receiving $400,000 or more dealt with child abuse prevention and research into cancer, breast cancer and Alzheimer's disease.

The latest entry into California's charity check-off chart is State Parks. It joined the list as part of a parks legislative package passed by the Legislature in 2012 (tax check-offs are typically achieved through legislation). Estimates of how much taxpayers contributed to this effort will be available later in 2014.

THREE-PRONG TEST

ECONOMIC MERITS

A successful tax charity check-off for urban forestry could generate up to several hundred thousand dollars to support CAL FIRE. State law, though, requires each box raise at least $250,000 after the second year to stay on the California tax form then continue to earn at the rate of inflation thereafter. To achieve these earnings, urban forestry must resonate with taxpayers at levels similar to those for child abuse and cancer.

In New Mexico, urban forestry does resonate. A recent voluntary tax check-off box allows residents to donate to the Conservation Planting Revolving Fund, which support tree planting. The fund generated $20,000 in 2012, and is expected to generate between $10,000 and $25,000 annually[4]. If two million New Mexico taxpayers are donating $20,000, could 38 million Californians hit that $250,000 target?

POLITICAL FEASIBILITY

Tax charity check-offs are created first through legislation, and then must meet minimum thresholds to stay in front of the public. The last measure mandating a tax check off was AB 1589 (Huffman) in 2012. The continuing threat of park closures and the growing lack of funds to operate and maintain California's state park system was the primary motivation. Since legislators don't want to see state parks close in their districts, and since the bill addressed several State Parks sustainability concerns, this policy measure fared better than others recently, often receiving strong bipartisan support. Other check-off boxes currently being pursued include support for pet adoptions and sexual violence victims.

A public policy measure solely addressing urban forestry might get through the legislative process in a reasonable time frame. However, appropriations committees would look at these contributions as money lost to the General Fund. Such a measure would not succeed in its first year. Some coalition building is necessary for its success.

ATTAINABILITY

The larger challenge isn't the bill but getting enough taxpayers to donate at least $250,000 each year. While several tax check off causes do consistently meet that standard, just as many do not.

Efforts failing to renew on the tax forms in 2012 include the arts council, maintaining the California Firefighters Memorial at the state Capitol, a fund supporting advocacy for senior citizens (only people 65 or older can contribute), plus money to help families of police killed in the line of duty and support youth programs of the Police Activities League. Some of these may still appear in 2013 through an increasingly common practice that just has them reinstated through legislative action but others will not.

CONCLUSION
DO NOT PURSUE

An urban forestry tax-check off should not be pursued right now. While data from State Parks donations could provide greater insights, legislation creating the tax check-off is a multi-year process. It would consume limited resources that could be better spent supporting other funding solutions.

The one caveat is that Senator Lois Wolk (D-San Francisco) has introduced legislation in 2014 that would change the system for qualifying tax charity check-off boxes for state tax forms and reduce the $250,000 threshold to $100,000. If the measure is successful, this issue could be revisited.

In the meantime, the $250,000 threshold remains a challenge and is far less than what is needed to support even 35% of existing staff levels. No funds would be available for local assistance.

ELECTRIC UTILITIES SURCHARGE

Several surcharges have been levied on ratepayers in investor-owned utilities (IOU) and municipal-owned utilities (MOU) territories. These include fees collected through telecommunications and energy programs. These "public goods charges" provide funding for issue-specific research, development and demonstration projects benefitting the public.

The concept of a public goods charge began with the 1996 deregulation of the California electricity industry, under Assembly Bill 1890 (Brulte). During its 15-year run, which ended in 2011, it raised $228 million per year for energy efficiency, $65.5 million for renewable energy and $62.5 million for public interest energy research, development and demonstration.

The Legislature, though, did not reauthorize the charge. Governor Brown directed the California Public Utilities Commission to investigate and adopt a program similar to the Public Goods Charge leading to the creation of the Electric Program Investment Charge (EPIC) in 2012. The first EPIC Investment Plan was approved by the CPUC in 2013. Solicitations for the first round of funding are now being developed.

THREE-PRONG TEST

ECONOMIC MERITS

A utility ratepayer public goods charge could raise hundreds of millions of dollars annually. The EPIC program will generate $162 million each year from 2013-2020. Capturing three percent of these funds would provide $5 million each year for urban forestry administration and projects.

POLITICAL FEASIBILITY

Enacting a ratepayer-funded program exclusively for urban forestry is very challenging and expensive. The legislation would require a two-thirds vote, which is very difficult to achieve in the California legislature. Utilities are generally opposed to collecting ratepayer funds if they don't have the ability to control how they are spent. Finally, issues related to electricity rates are especially sensitive given the major rate-reform legislation passed last year (AB 327) designed to restructure the state's electricity rates over the next two-three years.

ATTAINABILITY

In 2011, the California Legislature tried to reauthorize a public goods charge on electricity. Assembly Bill 723 (Bradford) would have generated $390 million annually to fund several programs including support of the New Solar Homes Partnership, grants to counties for planning purposes, grants to school districts for technical education and implementation of the Clean Energy Investment Program. Urban forestry did not make the project funding list.

Utilities, the Chamber of Commerce and others fought the bill. After much debate, the surcharge was considered a tax and failed to meet the two-thirds vote requirement.

CONCLUSION
DO NOT PURSUE

The bottom line is that a utility surcharge could raise considerable revenue for urban forestry. However, there are many hurdles to securing such a charge. This is especially relevant to the new EPIC Program. Despite comments from urban forestry interests during the EPIC discussion draft phase indicating the need to include urban forestry within the program, the PUC did not incorporate any suggestions related to it.

This approach may be worth revisiting if the case can be made that California ratepayers will receive a net benefit from investing in urban forestry projects in the form of reduced electrical bills, greenhouse gas and pollution reduction, improved quality of life and other means. The only way this could happen, though, is by winning the two-thirds vote. A well-funded and strategic coalition of supporters around the urban forestry/energy nexus is critical for any chance of legislative success.

Based on the low likelihood of success, this avenue should not be further pursued right now.

ENVIRONMENTAL LICENSE PLATE

California gives motorists an opportunity to purchase specialized license plates in lieu of the standard California plate. These range from plates honoring firefighters and veterans to plates that recognize the fine arts or celebrate the Olympics. Plates are usually made available through a successful legislative measure, followed by a minimum order from the public to make plate construction cost effective.

Some of these plates support environmental programs and feature designs such as a whale tail, or drawings of Lake Tahoe and Yosemite. These popular plates raise money to support the State Coastal Commission, Tahoe Conservancy and Yosemite Fund.

Specialty plates cost $50 for a standard design and up to $98 for custom characters. Plates cost $40 per year for renewal, with additional costs for various modifications.

In the first year of issue, DMV takes a one-time fee of about 20 percent to cover administrative costs. The remaining revenue is then split equally between the state's Environmental License Plate Fund and the plate's specialty fund. After year one, renewal dollars are evenly divided between the two funds.

There are almost 200,000 whale tail plates that generate roughly $4 million for the Coastal Commission each year. Yosemite's 50,000 plates earn the Fund about $1 million dollars annually. The Tahoe plates bring in about $640,000 each year from its 32,000 California plates, which also has a Nevada version.

New environmental license plates include one for agriculture, and one for veterans enabled through legislation signed in 2013 by Governor Brown.

THREE-PRONG TEST

ECONOMIC MERITS

A successful environmental license plate for urban forestry could generate about $200,000 annually to support CAL FIRE for every 10,000 plates sold. This equates to about two percent of the estimated urban forestry sustainability funding requirement. Sales would have to equal what the Yosemite plates bring in each year just to reach 10% of need.

In 2007, the Florida State Legislature approved the Trees Are Cool license plates to support urban forestry. Twenty percent of the funds may be used by the Florida Chapter of the International Society of Arboriculture, Inc. (ISA) to promote and market the license plate and concept. Five percent may be used for Florida Chapter ISA administrative costs related to the Trees Are Cool license plate program. The remaining funds must be used to fulfill the mission of the Florida Chapter ISA: to provide education and training statewide with respect to tree care and tree safety[5]. The Trees Are Cool license plates generate about $60,000 each year for these programs[6].

POLITICAL FEASIBILITY

California requires new environmental license plates be created through legislation then meet minimum sales thresholds. Recent bills for specialized plates (i.e., Sierra Nevada) hit bumps during the legislative process. An urban forestry license plate bill, properly marketed to gain urban lawmakers' support might have an easier road.

ATTAINABILITY

While opportunity exists to pass a bill creating an urban forestry license plate, the real challenge is selling enough to begin manufacturing the plates.

Under state law, sponsors of specialty license plates must sign up 7,500 prepaid orders in one year or the DMV won't produce the plates, which cost $50 each. Recent efforts to generate support for license plates that would support San Francisco Bay and the Sierra fell short of the 7,500 minimum request threshold, with only 550 and 278 orders generated, respectively. This is very telling for urban forestry, as these two programs are at the heart of urban forestry: resource conservation and protecting trees.

Adding to this challenge is a state law in effect since 2006 limiting the size of license plate artwork. Prompted by concerns from the California Highway Patrol that officers were having a hard time reading the license plate numbers, the law requires logos be no larger than 2 inches by 3 inches — about the size of a business card — and not overlap with the license numbers. Only the new California Agriculture plate has secured the necessary 7,500 orders since switching to the smaller logos. Efforts to create new plates funding AIDS research, Rotary International, the Girl Scouts and the Ronald Reagan Memorial Library all have fallen short[7].

Sales trends of specialty plates suggest the market is steadily losing ground. In 2009, for example, California motorists purchased

58,246 specialized plates, a drop of 44 percent from the 103,251 purchased in 2007[8].

CONCLUSION
DO NOT PURSUE

An urban forestry specialty license plate should not be pursued right now. Legislation creating the opportunity to sell such a plate would consume limited stakeholder advocacy resources better spent supporting other funding solutions discussed in this report (though passage of such a bill is possible).

The greater concern is meeting the 7,500 minimum order. Nothing in recent history suggests this would be successful. Even under ideal conditions, the economic gain is far less than what would be needed to support even 25% of existing staff levels alone.

FOREST RESOURCES IMPROVEMENT FUND

CAL FIRE manages eight demonstration forests covering 71,000 acres. The purpose of these forests is to demonstrate sustainable management practices. Activities in the forests include management, watershed protection and restoration and harvesting techniques.

The state's demonstration forests are financially self-sufficient because CAL FIRE is authorized to sell timber and related products generated by the state forests. Revenue from these sales goes to the Forest Resources Improvement Fund (FRIF).

Existing law authorizes money in the FRIF to be expended, upon appropriation by the Legislature, for managing the demonstration forests by CAL FIRE. Excess revenue now goes to the general fund though the money was once available to fund additional CAL FIRE programs and priorities, including urban forestry.

While harvesting was halted for several years on Jackson Demonstration State Forest, the largest of the group, it resumed in 2009. The nation's economic crash reduced the revenue from it. An improving economy could boost timber sales from the demonstration forests. The result may be a potential surplus to tap for purposes other than the general fund.

THREE-PRONG TEST

ECONOMIC MERITS

According to CAL FIRE and the State Natural Resources Agency, the FRIF is currently generating about $6 million each year. This covers the costs of managing the demonstration forests plus a slight reserve that has built up over the years[9]. However, the reserve is designated for acquiring 12,000 acres of PG&E watershed that would be added to the demonstration forests. The small reserve built up each year would support and manage these new lands.

The Natural Resources Agency notes that revenue from the demonstration forests could drop over the next few years as the harvesting on Jackson shifts from redwood-dominated stands to areas with more—and less valuable—Douglas fir.

POLITICAL FEASIBILITY

Assemblymember Wes Chesbro carried legislation in 2010 seeking to amend the FRIF revenue distribution to the General Fund. His measure provided CAL FIRE with flexibility to use funds for other purposes including urban forestry. Despite strong support from CAL FIRE, the Licensed Foresters Association and the urban forestry community, the legislation was held in Assembly Appropriations Committee since it could cut into money headed to the General Fund. Any legislation mandating a portion of the FRIF be directed to CAL FIRE's Urban and Community Forestry Program would face this challenge.

ATTAINABILITY

Advocates could put together a coalition to move a bill through the legislature if revenues started growing. However, it would face a veto for one simple reason: CAL FIRE does not want this bill anymore. Russ Henly, Assistant Secretary for Forest Resources Management at the State Natural Resources Agency, notes that the FRIF is working. It should not be considered a viable revenue source for anything other than its stated purpose. Henly said the potential for declining revenues supporting the FRIF coupled with new funding opportunities for urban forestry (i.e. Lumber Products Tax) make the legislative effort from 2010 less appealing to CAL FIRE and the Agency.

CONCLUSION
DO NOT PURSUE

Though once considered a very viable possibility for sustaining urban forestry at the

statewide level, the revised Forest Resources Improvement Fund lacks the revenue and capacity to be tapped as a viable potential revenue stream right now. CAL FIRE's desire to keep the FRIF in its present state is not reason enough to dismiss the FRIF as a potential source. However, adding the economic arguments to the Natural Resources Agency's interest in seeing FRIF remain unchanged makes this an untouchable resource right now.

LITTER TAX

A litter tax is a tax imposed on "litter-producing" products. The tax is charged to the distributors, with the funds being spent only on litter and trash cleanup. California had a statewide litter tax in the 1970s but it was repealed in 1982. It was intended to generate $18 million but failed to reach that goal.

Since then some California cities and counties have instituted litter taxes of their own. In 2006, the City of Oakland started a litter tax on fast food and convenience stores. The fee raises about $237,000 per year for litter and trash cleanup. The fee is imposed on business owners, who generally protest the ordinance. Businesses pay between $230 and $3,815 annually to the litter cleanup fund.

In San Francisco, a 20 cent litter tax is charged on cigarettes since the city estimates 25 percent of its city litter is due to cigarette butts and packaging. The fee is estimated to bring in $5 million annually to the city helping offset much of the $6 million annual cost for cigarette trash cleanup.

THREE-PRONG TEST

ECONOMIC MERITS

The economic merits depend on the scale of the project. Litter tends to be a bigger issue in urban areas with higher population density because they have more trash. Litter taxes have proven to be economically beneficial in urban areas, but not used or considered in rural cities. The 1970s litter tax proved that a litter tax does not work when applied statewide.

POLITICAL FEASIBILITY

Recent litter taxes in California have gathered public support in cities where there is an obvious trash problem. At the state level, passage would require a two-thirds vote of the legislature. An initiative at the local level would require a two-thirds vote of the public. It would be difficult politically to get this much support, especially since litter tax opponents would argue the tax would get passed from distributors to customers.

ATTAINABILITY

Litter taxes are a rare tool mostly used by city governments when trash and litter are obvious, major problems. Most statewide litter taxes were imposed across the US in the 1970s, and many states including California have repealed them in the years since. Litter tax revenues are solely spent on trash cleanup. While urban forestry contains an element of trash cleanup, it is unlikely that even a successful litter tax would yield urban forestry revenues.

CONCLUSION
DO NOT PURSUE

Litter taxes have proven beneficial in a few cases, but generally not statewide. Trash is a big enough issue in Oakland and San Francisco that a litter tax is warranted, but elsewhere? It would be very difficult for voters to see litter as a problem worth taxing. The economic value of a statewide litter tax is doubtful at best, the political feasibility is not there and the opportunity passed by 35 years ago. A litter tax is not a feasible revenue option for urban forestry.

LUMBER PRODUCTS TAX

AB 1492, which became law in 2012, imposes a one percent sales assessment on lumber products and engineered wood products. The money is designated for timber harvest plans and other regulatory activities of the Department of Forestry and Fire Protection and state Department of Fish and Wildlife. Any funds left after all primary funding obligations are met can be used on other programs, including CAL FIRE's Urban and Community Forestry Program.

THREE-PRONG TEST

ECONOMIC MERITS

The timber tax is expected to generate up to $30 million annually, with the first $15-20 million dedicated to obligations detailed in the legislation. This leaves up to $10 million available for additional priorities, including urban forestry. Even 10 percent of this sum (potentially $1 million) would be enough to keep the existing CAL FIRE program going.
The problem, though, is revenues will vary with the economy. For example, the recent economic downturn resulted in substantial reductions of lumber and other wood product sales.

POLITICAL FEASIBILITY

Funding urban forestry permanently out of the lumber products tax would require further legislation mandating specific discretionary dollars be directed to urban forestry. Given the newness of the tax and the funding fight that will presumably ensue once discretionary dollars are flowing, an effort to construct permanent set-asides right now would not be well-received by the Legislature or Administration.

ATTAINABILITY

Although attaining a piece of this pie for urban forestry is not yet here, the annual budget process is a very promising avenue to seek urban forestry funding from this source on a year-to-year basis.

The primary advantage for urban forestry is that discretionary revenues generated from the lumber products tax are to be distributed using a bucket approach. The first bucket to be filled includes urban forestry, along with the California Forest Improvement Program and restoration programs (presumably run through the Department of Fish and Wildlife). In essence, this means urban forestry is co-equal with two other programs to be first in line for discretionary dollars. Given the large urban composition of the State Legislature, and those who populate the budget committees and subcommittees, there is a very strong possibility that urban forestry could hold its own against these other programs when funding decisions are being made.

CONCLUSION
PURSUE IMMEDIATELY

The lumber products tax is very new and was not easy to get enacted into law. Now that it is part of state statute, and is a new permanent revenue source, there will be competition for this money.

That said, the lumber products tax is one of the primary opportunities to permanently support the Urban and Community Forestry Program. It is the only piece of state statute that explicitly seeks to fund the Program through a sustainable revenue source. Adding potential political support from possible annual budget appropriations makes the lumber products tax a must for immediate consideration.

OIL SEVERANCE TAX (OST)

California is the nation's fourth largest producer of oil trailing North Dakota, Texas and Alaska. It is the only one of 36 oil producing states without a severance tax. Alaska has a minimum severance tax of 25 percent that can range up to 50 percent depending on the net value of oil and natural gas. Alabama, Kansas, Texas, North Dakota, Mississippi, Oregon and Florida tax oil and gas at between 8 and 5 percent, respectively[10].

Applied to California, a 10 percent tax on each barrel of California crude (trading at about $95 per barrel) in 2013 would generate more than $2 billion annually. Additional income could come from "fracking," a process that allows more oil and gas to flow out of rock formations and into wellbores where it can be extracted. The potential oil reserves that could be tapped through fracking technology are estimated to be 15 billion barrels of oil, worth around $1.5 trillion over the next 20 to 30 years.

With this much potential income available, it's no wonder entities from legislators to education professionals to health advocates to environmentalists to Governor Jerry Brown have tried for years to impose an oil severance tax. However, there is a problem: every oil severance tax effort so far has failed. This includes Prop 11 (1980), Prop 167 (1992), Prop 87 (2006) and AB X12 (2008), which Governor Schwarzenegger vetoed. All the propositions lost by a margin of at least 10 points.

Senators Noreen Evans (D-Santa Rosa) and Mark Leno (D-San Francisco) carried SB 241 in 2013 that would have imposed a 9.9percent oil severance tax to fund education and State Parks. The bill was held. An OST initiative made it to the Attorney General but failed to qualify for circulation for the 2014 ballot.

THREE-PRONG TEST

ECONOMIC MERITS

California produces 215 million barrels of oil from inland and state tideland wells annually – more with fracking. As previously stated, a 10 percent tax on each barrel of California crude could generate more than $2 billion annually. Even one percent of that amount is enough to support CAL FIRE's Urban and Community Forestry Program every year.

POLITICAL FEASIBILITY

Senator Noreen Evans is back in 2014 with Senate Bill 1017, which takes another shot at the oil severance tax for parks and education. According to the measure, "this proposed severance tax is intended to provide at least $1 billion of annual revenue that will, among other things, promote economic stimulus through the education of our citizens so that they can excel, innovate and become eligible for high-paying professional careers[11]."

While the measure has its merits, and may gain support from California colleges, universities and some conservation groups, SB 1017 will likely stall out. Among the groups that crippled SB 241 in 2013, and will fight SB 1017, are the California Chamber of Commerce, California Taxpayer's Association and California Small Business Alliance.

ATTAINABILITY

Urban forestry advocates and stakeholders could pursue amendments to SB 1017 that bring urban forestry into the mix. Senator Evans is a friend to urban forestry, and if the model could be expanded to incorporate other natural resource elements, then support for the effort could be broadened.

Even so, an oil severance tax will not pass in an election year. This measure would require a two-thirds majority vote of the legislature and the governor's signature. Governor Brown has already signaled that he is opposed to new taxes this year after his successful effort to pass Proposition 30 in 2012.

CONCLUSION
CONSIDER AT A LATER DATE

Though history paints a bleak picture on the potential for success in this arena, two reasons give us hope this is a possible (albeit long shot) funding source: fracking and the two-thirds majority.

Fracking is a practice that raises significant environmental concerns. Though Senate Bill 4 (Pavley) established a regulatory framework to provide fracking oversight, the governor embraces this technology and seems intent on keeping fracking moving forward because of the significant economic gains. Fracking will, at a minimum, triple the amount of potential revenue derived from an oil severance tax. And that may pose an extremely attractive option for a number of groups and decision-makers in the next few years, including State Senate and Assembly Democrats.

Democrats hold a two-thirds majority in both houses in California, though that majority was temporarily diminished recently by two votes in the Senate. If 2014 election results retain this supermajority—or even expand it—this could be a signal of what could become the norm in the State Legislature for years to come. Democratic dominance of the Legislature increases the odds of passing an oil severance tax.

While most of the revenue from an oil severance tax would go to the general fund, there will be some pressure to invest part of the proceeds in the environment. Other areas such as air, water and habitats affected by oil development will probably get the most significant share. There may be a way to siphon off some funds for urban forestry since some oil development actually occurs in and near urban areas.

Given the potential scale, being prepared to make a push for urban forestry investment from a future oil severance tax is definitely worth considering.

PROPERTY TAX

California's property tax bill consists of many taxes and charges including voter–approved debt rates, parcel taxes, Mello–Roos taxes and assessments. It is one of the largest taxes Californians pay. In some years, Californians pay more in property taxes and charges than they do in state personal income taxes, which is the state's biggest General Fund revenue source. Local governments collected about $43 billion in 2010–11 from the one percent property tax and it all remains with them[12].

Most tax bills also include additional property taxes to pay for voter–approved debt such as repaying general obligation bonds. The bonds are issued for local projects including schools. These other taxes and charges on the property tax bill generated an additional $12 billion in 2010-11.

Over the years, the Legislature, local governments, and the business community all have come to recognize the limitations of the state's property tax allocation system. Despite the large degree of consensus on the problems, major proposals to reform the allocation system have not been enacted. Topping the list of challenges to reform is Proposition 13: the 1978 citizens' initiative assessing property values at their 1975 value and restricting annual increases of assessed value of real property to not exceed 2 percent per year. Proposition 13 also prohibits reassessment of a new base year value except in cases of a change in ownership or completing new construction.

In addition to decreasing property taxes, the initiative also contained language requiring a two-thirds majority in both legislative houses for future increases of any state tax rates or amounts of revenue collected. This includes income tax rates. It also requires a two-thirds vote majority in local elections for local governments wishing to increase special taxes.

THREE-PRONG TEST

ECONOMIC MERITS

An increase in state property taxes of even 1/1000 of one percent could generate $4.2 million annually. This shows that even the most marginal of property tax increases creates a massive yield in revenue. So while the feasibility might not be there, raising property taxes has economic merits.

POLITICAL FEASIBILITY

This is really where the property tax option loses viability. There continues to be strong support in California for Proposition 13 and its property tax restrictions. Any attempt to adjust or overhaul it will draw serious pushback. Proposition 13 and its ramifications are often called, "the third rail of California politics."

ATTAINABILITY

While changes in property tax law could occur, they will be for general revenue purposes or major issues like education. Urban forestry would have to compete within the budget process. Democrats control two-thirds of both the Assembly and Senate[13], so the opportunity to adjust or amend Proposition 13 now is better than ever. However, if Democrats were planning to reform Proposition 13, it would have already happened.

CONCLUSION
DO NOT PURSUE

There is no real possibility of establishing a property tax based dedicated funding source for urban forestry.

PUBLIC TRUST FUND

Public trust funds are "program-specific banks" state citizens can donate to through several means, often as a tax-deduction. Monies are collected by the state for the fund and then dispensed for projects in line with the fund's intended purpose.

Public trust funds are made up of fundraising methods including tax check-off measures

and separate, private donations. Some funds let donors specify favorite projects in a program and others distribute where the funds are most needed.

Massachusetts, Oregon and North Dakota currently operate public trust funds to benefit urban forestry with varying degrees of success.

THREE-PRONG TEST

ECONOMIC MERITS

The economic merits of public trust funds vary widely. In Massachusetts, it is reported that the trust fund raises anywhere from $10,000 to $250,000 per year[14]. In North Dakota the range shrinks to $15,000 to $22,000 annually[15]. In Oregon, it drops to $10,000 annually in recent years[16].

The amount raised in a public trust fund is often associated with the strength of the economy overall and how able people are to donate. Is the pace of the state's economic recovery enough to raise significant money? Even if the economy was strong, would it raise enough to truly help urban forestry projects?

POLITICAL FEASIBILITY

Assemblymember Das Williams (D-Santa Barbara) introduced a 2012 measure to create a public trust fund aimed at supporting public universities and community colleges. Governor Brown vetoed it.

In 2006, Senator Sheila Kuehl (D-Los Angeles) introduced legislation that would have authorized the Department of Parks and Recreation to fund regular state park maintenance and operation using public funds or through donations and private-public partnerships. This model could be used to help CAL FIRE create a public trust fund for urban forestry purposes. However, it is worth noting Kuehl's bill never left the state senate.

ATTAINABILITY

Though it appears public trust funds are not gaining traction in California right now, all it takes is a bill allowing entities such as CAL FIRE to accept private donations for the Urban and Community Forestry Program. Still, straightforward legislation does not come without challenges. In this case, the primary deterrent could be safeguards the Legislature places on such a fund.

As an example, the Kuehl bill allowed State Parks to spend the specified dollars, provided the Department adopt regulations addressing several issues. These included the extent to which the Legislature may exercise control over the use and appropriation of donated funds, and the circumstances under which the Department may accept a donation that obligates the state to a continuing financial commitment.

CONCLUSION
DO NOT PURSUE

A public trust fund could be a viable funding option for urban forestry, but the scale of need far exceeds even the most generous predictions. With a program relying solely on private donations, the amount raised each year could fluctuate wildly. Indicators from other states suggest that a public trust fund set up for California urban forestry would, at best, raise up to $100,000 annually. The volatility of annual funds creates another possible problem, as leaner years could deplete the fund's resources.

Also, this type of public trust fund is uncommon in California, so it is unknown if it would even work. Legislation would almost

certainly be needed and recent efforts have either stalled in the Legislature or been vetoed by the governor.

By applying a risk to rewards metric to this option, a public trust fund as used in other states is not a viable funding source for California right now.

REAL ESTATE TRANSFER FEE (RETF)

Nearly a decade ago in Roseville, developers and environmentalists signed a novel $85 million deal to allow 8,400 houses on the city's last big empty landscape while preserving 6,000 nearby acres of open space. The agreement steered the estimated $85 million bill for buying open space to future home-buyers. That largely freed builders, who usually pass such costs to the first buyer, from bearing the load exclusively. For the next 20 years each time a home changes hands inside communities emerging at WestPark and Fiddyment Farms in Roseville, a buyer will pay one-half of one percent of the sales price – $2,500 for a $500,000 house. The money goes to the private nonprofit Placer Land Trust to buy land. This is one example of what has become known as a real estate transfer fee (RETF).

Since real estate transfer fees on new homes are paid every time the property is sold, the fee provides a long-term revenue stream that escalates with the value of the property. This funding mechanism is gaining broad use among planned developments as a way to generate money for several community benefits.

Elevating this idea to a statewide level and imposing a mandatory RETF on every resale of residential property to support urban forestry could generate millions of dollars. Even in the worst years of economic decline in recent California history, home resales have numbered in the hundreds of thousands.

THREE-PRONG TEST

ECONOMIC MERITS

A state-mandated real estate transfer fee of even 1/100 of one percent applied to the nearly 450,000 homes sold in California in 2012 with a median price of $275,000[17] equals more than $12 million each year. Such a sum would be sufficient to support CAL FIRE's Urban and Community Forestry Program in its entirety every year.

POLITICAL FEASIBILITY

The real estate transfer fee concept is controversial. In 2007, the California Association of Realtors introduced legislation from Senator Lou Correa (D-Santa Ana) to abolish the real estate transfer fee in California. The bill (SB 670) was swiftly opposed by an uneasy alliance of environmentalists and developers who ultimately succeeded in getting the bill held in policy committee.

The core opposition to SB 670 (Planning and Conservation League, Sierra Club, California Council of Land Trusts and the Building Industry Association) then moved to try and get the real estate transfer fees strengthened in state law through AB 1574 (Houston). In this case, the realtors won and the legislation died.

Later in 2007, a bill acceptable to both sides was drawn up: Assembly Bill 980 (Calderon), putting reasonable legal limits on the use and recording of real estate transfer fees. The measure was signed Governor Schwarzenegger later that year.

The issue remained fairly dormant in the Legislature until 2012 when a coalition of affordable housing advocates sponsored Senate Bill 1220 (DeSaulnier) to impose a $75 document recording fee on real estate sales in support of statewide affordable housing. Though not linked to the price of the property (recording fees are applied to documents, not sales and cover a range of other transactions), this fee would generate between $300 million and $720 million per year depending on the number of recorded documents. The bill failed to get its two-thirds support and died on the Senate Floor.

ATTAINABILITY

The housing advocates are back with the next version of their legislation: Senate Bill 391 (DeSaulnier). The bill boasts support from a coalition of more than 600 organizations. It faces strong opposition from county clerks, contractors and the California Association of Realtors. The author made this a two-year bill in August 2013. It sits parked in the Assembly Appropriations Committee.

Though a recording fee is not the same as a real estate transfer fee, both essentially serve the same function. This is especially relevant given the possible constitutional restraints that could prohibit a state-mandated real estate transfer fee[18]. Current efforts and related legislation also signal a growing opposition to the idea of any real estate-related fees.

An equally daunting challenge may be the two-thirds vote as Proposition 26 now demands. However, SB 391 is seeking a $75 fee and it did move off the Senate Floor with the minimum 27 votes to pass.

CONCLUSION
CONSIDER AT A LATER DATE

A real estate transfer fee that stays small and supports more than just urban forestry could bring broader support. Add in support from urban lawmakers and it might squeak through both houses with the minimum required votes. Such a tax must also be expertly crafted to avoid being challenged under Proposition 13 that expressly prohibits transaction taxes on the sale of real property.

How well—or poorly—SB 391 performs will indicate if it is a viable statewide funding option for sustainable urban forestry. No effort should be made to move a real estate transfer fee bill until SB 391's fate is decided.

If SB 391 fails, there may be a window of opportunity to work with housing advocates and their supporters to determine what the next version of their legislation might look like. There could be room for urban forestry within such a bill.

For this reason, the real estate transfer fee or similar provision deserves consideration as a potential viable funding option.

SALES TAX INCREASE

California currently has a sales tax minimum set at 7.5 percent. Of that 7.5 percent, 6.5 percent goes to the state, with 1 percent going to the local county and/or city where sales occur. The 7.5 percent currently in place in California is the highest in the United States.

Voter approved supplementary sales taxes can be added by cities, counties, service authorities and special districts such as the Bay Area Rapid Transit (BART). Formally known as "District Taxes," they boost local sales tax rates from 7.5 percent in areas where no additional taxes are charged to upwards of 10 percent in cities like Downey and Pico Rivera.

Statewide sales tax increases are rare. In 2012, California passed Proposition 30 that raised income taxes and the sales tax to its current 7.5 pecent rate. If Proposition 30 is not extended, the rate will drop back down to 7.25 percent in 2016.

A recent study by the Legislative Analyst's Office shows changes in Californians' consumer spending have cut deeply into the sales tax as a source of state revenue. Spending on taxable goods was at its peak in 1979, when it amounted to 53 percent of personal income. It is now just 33 percent of personal income[19].

The decline of taxable sales has been only partially offset by increases in the sales tax rate. The personal income tax now generates nearly twice as much revenue for the state as the sales tax.

An alternative to a general sales and use tax could be a special tax or "excise tax" that applies to specific products and services. California has excise taxes on cigarettes and alcohol that go above and beyond the state sales tax. Some of these taxes are passed on to the consumer at point-of-sale while others apply to the manufacturer directly.

In the realm of urban forestry, the most logical tax would be one that could potentially be applied to nursery stock or resale trees. Four of California's top nursery growers report that they stock nearly two million 5, 15 and 24-gallon trees annually for resale. A tax of even one percent could generate significant revenue for urban forestry.

THREE-PRONG TEST

ECONOMIC MERITS

The economic merits of this are clear. An increase in the state sales tax rate can financially support a massive urban forest project. In 2011-12, state sales tax revenues were about $43 billion. A tiny increase in sales tax could fund urban forestry needs easily. Even a special tax applied to nursery tree stock could still raise millions.

POLITICAL FEASIBILITY

State sales tax rate increases create massive revenues but are far from common. When they do occur, they support either a major economic or political problem, like the budget crisis of 2008-09, or support a broad-based issue, like education and Proposition 30.

Urban forestry is neither a big enough nor a broad enough issue to merit a state sales tax increase. A commodity-specific tax is

still wrought with challenges that would be difficult to overcome.

ATTAINABILITY

With Proposition 30's state sales tax increase in effect until at least 2016, the chance of voters or legislators supporting another sales tax increase is low. Proposition 30 only succeeded because the sales tax increase was paired with heavy income tax increases on the wealthiest of Californians.

The greatest challenge to a specific nursery tax is the passage of the Lumber Products Tax, signed into law in 2012. In addition to the strong connection this tax has to the forestry/urban forestry industry, the law establishing the tax specifically cites urban forestry through CAL FIRE's existing program as a fundable program. While the funding from this tax will not provide the same level of support a dedicated nursery tree tax would, it does diminish any immediate opportunity to go back to the "tax well."

CONCLUSION
DO NOT PURSUE

Urban forestry investments through a state sales tax, while potentially lucrative, are nearly impossible for California. The state sales tax rate affects everyone in California. Increases only pass if they are tied to an issue with broad-based appeal, awareness and unified support.

Special taxes like the recent Lumber Products Tax pass through the legislative process only when organized support has the financial resources and political leverage to drive a two-thirds vote. In the case of AB 1492, there were issues at play within the legislation that went beyond the tax itself such as a cap on damages that could be recovered by a public agency in a civil action regarding fire. Without this controversial component, the tax would have never passed.

Urban forestry lacks the broad appeal or awareness that is necessary to rally support for either of these options. There is no feasible avenue for pursuing a state sales tax increase or special tax as a revenue source for urban forestry.

TOBACCO TAX

Cigarettes are subject to both a cigarette tax and a "cigarette and tobacco products surtax." The tax and surtax are paid by distributors through the use of tax stamps, which are purchased from the Board of Equalization (BOE) and affixed to each package of cigarettes before distribution. The cost of the stamp includes both the cigarette tax and the surtax. In 2012, each stamp costs 87 cents per pack of 20 cigarettes, comprising 12 cents for the cigarette tax and 75 cents for the combined surtax.

Tobacco products other than cigarettes are subject only to the surtax. Tobacco products include all forms of cigars, smoking tobacco, chewing tobacco, snuff and other products containing at least 50 percent tobacco. From July 1, 2011-June 30, 2012, the rate was 31.73 percent.

Revenue distribution is:

- $.02 per pack goes to the Breast Cancer Research Fund.
- $.10 per pack of the cigarette tax goes into the state's General Fund.
- $.25 of the surtax, based on the voter-approved Proposition 99, from November 1988, is used for tobacco-related health education programs and disease research, plus medical and hospital care and treatment of patients who cannot afford those services. Funds from this portion of the surtax also go to programs for fire prevention; environmental conservation; protection, restoration, enhancement, and maintenance of fish, waterfowl and wildlife habitat areas; and enhancement of state and local parks and recreation.
- $.50 of the surtax—courtesy of Proposition 10, November 1998—goes to programs encouraging proper childhood development. These programs include: developing professional and parental education and training, informed selection of childcare and development and education of childcare providers. Funds also go into researching the best practices and standards for all programs and services relating to early childhood development.

Proposition 29 in 2012 sought to add another $1/pack in taxes to fund research on cancer and other tobacco-related illnesses. Of the 5 million votes cast, it lost by about 28,000.

The two tobacco-related taxes are in steady decline but still should raise about $812 million in 2014[20].

THREE-PRONG TEST

ECONOMIC MERITS

Adding $.01 per pack to existing taxes would raise about $9 million annually. While only 90 percent of CAL FIRE's projected need under the ideal model, this exceeds the department's best funding levels in the last 15 years. There is very little cost beyond setting up the accounting structures, especially when compared to other potential funding sources such as specialty license plates.

POLITICAL FEASIBILITY

Like most taxes and fees, a tobacco tax would need to be enacted by either a vote of the people, or through a legislative measure.

Both would face tremendous political challenges. History shows just how tough it is to add even one cent to the tobacco taxes.

Of the 33 bills or constitutional amendments to create or augment a tobacco tax introduced in the last 50 years, two have succeeded. SB 556 (Deukmejian) increased the tax by $.07 per pack in 1967; and AB 478 (Friedman) added another $.02 in 1993 to support breast cancer.

The remaining 31 efforts sought increases ranging from $.02-$2. Programs that would have benefitted from the money include literacy, subsidized health care, law enforcement, research, education, lung cancer and more. Most never made it through the house of origin, and some never received a vote or hearing.

The biggest success came at the hands of voters in 1988 when Proposition 99 was approved by 58 percent of voters. It added $.25 per pack to the cigarette tax and an equivalent amount on other non-cigarette tobacco products. Proponents spent $1.7 million to pass the initiative compared to the tobacco industry's $22 million to defeat it.

Of note here is that five percent of all revenue raised from Prop. 99 goes to State Parks and habitat restoration programs. This additional tax raised more than $14 million in 2010.

Proposition 99 was groundbreaking in California in that it did tie natural resources to tobacco. The premise behind Proposition 99 was to highlight the fire dangers that cigarettes pose to public lands due to the improper disposal of lit cigarettes[21]. This ballot measure was not addressing the air quality or health impacts of cigarettes in relation to resource conservation.

Proposition 10 faced a stiffer fight in 1998 but added another $.50 per pack to fund early child development and health programs. It passed by a 50.5 percent margin and easily survived a 2000 attempt to repeal it as opponents could only muster 28 percent of the vote.

Three additional efforts to raise or redirect the tobacco tax have failed. The most recent – Proposition 29 in 2012 – would have added a $1 tax and failed with a 49.9 percent vote.

These efforts lead us to believe that a tobacco tax supporting urban forestry would be unprecedented.

ATTAINABILITY

Despite a 20-year losing streak in the Legislature and a 15-year losing streak at the ballot, bills and initiatives do keep coming. SB 768 (De Leon) was introduced in 2013 to add a $2.00/pack tax to cigarettes to improve access to health care and tobacco control efforts. The bill passed though Senate policy committees, but was held in the author's own Appropriations Committee.

A citizen's initiative filed in 2013 seeks to add a tax of $1 per pack to fund brain disorders research and other related activities. It is cleared for circulation to the public.

Neither effort seeks to support the environment. Proposition 86 in 2006, which failed with 48.3 percent of the vote, also did not include a role for natural resources.

The closest legislative effort to use tobacco taxes as a way of helping the environment– SB 24 (Torlakson) in 2007– wanted to charge a mitigation fee for secondhand smoke. The funds would have supported health programs, research and children's education regarding tobacco and secondhand smoke not mitigating these emissions through air quality investments, etc. This bill also died.

So while opportunity exists to introduce a bill augmenting the tobacco tax, the likelihood that it could support urban forestry is very low. The chance such a bill would get to the governor's desk and be signed is even lower.

CONCLUSION
DO NOT PURSUE

The concept of raising the cigarette tax is a big-money game that increasingly escalates over time. Supporters of Proposition 86 raised $16 million to pair against the tobacco industry's $66 million successful effort to defeat the measure[22].

For Proposition 29, proponents spent $13 million against the opponent's $47 million, who barely defeated it[23]. This is especially relevant as the measure polled strongly before opposition tripled the fiscal resources committed to defeat Proposition 29.

The tobacco tax remains a popular idea for those looking for new revenue. Once confronted with the high cost needed to take on the tobacco industry, most efforts fade away. Recent history, coupled with lack of fiscal resources and political influence of a magnitude needed to achieve a tobacco tax, all suggest removing this as a viable funding solution.

TRANSIENT OCCUPANCY TAX

The Transient Occupancy Tax (TOT) is a tax charged in California when occupying a living space in a hotel, inn, tourist home or house, motel or other lodging unless the stay is for a period of 31 days or more.

This tax is collected for the "privilege" of occupying a room or rooms in California. The tax is collected by a local city or county and serves as an additional, non-property tax source of income for local governments. The funds are discretionary, meaning that they do not have a defined funding purpose. Some local governments have passed local measures to recommend how the TOT funds should be used, but there is no statewide standard.

Transient Occupancy Taxes are considered "general taxes," meaning they only require a majority vote to be increased. But, because they are general taxes, the money collected must go to the local general fund. Money from these taxes cannot be designated for a specific program such as urban forestry.

The TOT rate varies by local municipality, with the rate usually set between 7 percent and 13 percent. A statewide TOT rate has been considered in the past but never materialized.

THREE-PRONG TEST

ECONOMIC MERITS

The economic merits of increasing the TOT rate vary from locality to locality. In January 2013, the City of Sunnyvale passed a local measure to increase their TOT tax rate from 9.5 percent to 10.5 percent. They estimate that the 1 percent rate increase will bring in an additional $900,000 annually. For a comparison, the City of Sausalito increased their TOT tax rate by 2 percent in 2004, and it is estimated that the city collected an additional $125,000. A statewide TOT could generate millions each year.

Ultimately, the economic merit of increasing the TOT tax rate is there. However, it faces a tough fight since this is traditionally done locally.

POLITICAL FEASIBILITY

Increasing TOT rates in recent elections has proven to be politically feasible at the local level. The issue is more about residents vs. visitors, instead of political party lines. TOT rates have gone up in Sunnyvale, Sausalito, Del Mar, Palm Springs and elsewhere.

A state TOT that did not send the money to local governments would immediately draw tremendous opposition from them. The argument that a statewide TOT would diminish opportunities at the local level would very likely doom such an effort.

ATTAINABILITY

The Transient Occupancy Tax, also called a "hotel tax," is an attractive source for increasing local revenues since most people paying it are visitors. Local governments can bring in more money without having to tax their own residents. Voters do not seem to mind increasing taxes on other people, so long as they don't have to pay more themselves. A statewide TOT tax would apply to everyone in California who travelled, affecting many residents.

CONCLUSION
DO NOT PURSUE

While Transient Occupancy Taxes are one way to generate more funding for local programs, they cannot be designated to a single program, such as urban forestry. A statewide TOT for urban forestry would truly be a tax and would be met with extreme opposition from local governments.

Some localities have passed measures recommending the use of the TOT funds for one issue, but there is no guarantee that they will be used that way. Additionally, urban forestry is not considered a broad enough issue for localities to prioritize it over issues like roads, police, fire and park services.

Transient Occupancy Taxes are not a feasible funding option for urban forestry at either the state or local level.

VEHICLE LICENSE FEE/MOTOR VEHICLE MITIGATION FEE:

The Vehicle License Fee (VLF) was established by the Legislature in 1935 as an alternative to a property tax on vehicles. The formula for VLF assessment established by the Legislature is based on the purchase price of the vehicle or the value of the vehicle when acquired. The VLF decreases with each renewal for the first 11 years. The DMV returns almost all vehicle license fee revenue to the cities and counties.

In recent history, efforts have been made by various entities through legislation and the ballot box to augment the VLF. The idea is to create a surcharge generating revenue for non-vehicular programs including education, public health and environmental protections.

The most recent detailed example of a coordinated effort to generate funding from a vehicle license fee increase came from the California State Parks Foundation. It worked with strategic partners to place a citizen's initiative on the 2010 ballot (Proposition 21) seeking an $18 surcharge per vehicle. If passed—it received less than 43 percent of the popular vote—it could have raised $500 million annually, primarily for state parks, with other state conservation agencies getting a much lower amount.

A cousin to the vehicle license fee surcharge concept is the motor vehicle mitigation fee. This proposal suggests that a surcharge on a vehicle's registration could support programs or projects to offset the adverse impacts of motor vehicles emissions.

Several bills introduced between 2002-07 sought to require this fee in certain coastal counties. Some even made it to then Governor Schwarzenegger. He said the state's measure took away individual county rights to impose the fee and vetoed the bills.

THREE-PRONG TEST

ECONOMIC MERITS

A $.50 per car VLF surcharge or motor vehicle mitigation fee designated for statewide urban forestry would raise more than $12 million per year. This is enough to support CAL FIRE's Urban and Community Forestry Program in its entirety on an annual basis.

POLITICAL FEASIBILITY

History shows us the rough political road such a measure faces. AB 2838 (Pavley), which followed efforts sponsored by then State Senator Sheila Kuehl (D-Los Angeles) and Assemblymember Joe Nation (D-Marin), was the top performer. Pavley's bill sought a $6 vehicle registration and renewal fee on autos registered within California's coastal counties. If the bill had been enacted, the State Coastal Conservancy would have gained funds for projects mitigating the adverse effects of motor vehicles and their infrastructure on the coastal environment.

The bill made it to Governor Schwarzenegger with 42 votes in the State Assembly and 24 votes in the State Senate before being vetoed. The critical point is that the measure was passed before Proposition 26, which requires a supermajority vote for most fees. Today, this mitigation fee would fall into the broadened definition of tax, creating even more of a challenge at the State Legislature. It's also worth noting that the bill was opposed by the California Motor Car Dealers Association, Department of Finance and the Stop the Hidden Taxes Coalition, which helped pass Proposition 26.

The vehicle license fee and 2010's Proposition 21 appeared to be in the driver's seat: supporters raised about $8 million[24], had backing from the Nature Conservancy and the Trust for Public Land and offered free drive-in access to all state parks for all vehicles subject to the fee. It also lacked organized opposition, making it a cinch to win at the ballot box, right?

Wrong. The initiative was crushed at the ballot box, garnering less than 43% of the vote.

ATTAINABILITY

Though the motor vehicle mitigation fee is

not currently being considered, two measures seeking to generate money for education and sustainable communities' strategies through a vehicle license fee and vehicle registration did appear in the Legislature last year. Neither has progressed so far.

As for the ballot box option, a citizen's initiative to raise the vehicle license fee by one percent over the next four years to support road repairs was waiting on the Secretary of State in 2013. It needed that office's approval before circulating petitions to qualify it for the 2014 or 2016 election cycle.

In short, now is not the time to use this method for funding urban forests. The queue is filled. Even if an opening did exist, there are serious concerns regarding the viability of such an effort, such as cost and commitment of limited resources.

CONCLUSION
CONSIDER AT A LATER DATE

While recent efforts to generate funding for resource conservation through a VLF or motor vehicle mitigation fee have failed, there are some potential connections of urban forestry to vehicles. Urban forestry benefits from a having a clear connection to vehicle emissions and traffic congestion. Tree canopies absorb noise and clean the air of particle pollutants.

The pressing question is if a motor vehicle mitigation fee constructed around this nexus could survive in the political arena. The urban forestry projects would need to benefit all drivers through captured emissions and reduced noise.

Any such project must also overcome Proposition 26's legal hurdles. It would need to be written as, "a charge imposed for a specific benefit conferred or privilege granted directly to the payer that is not provided to those not charged, and which does not exceed the reasonable costs to the state of conferring the benefit or granting the privilege to the payer?[25]" In other words, could a motor vehicle mitigation fee placed on all vehicles pass the Proposition 26 test?

Another serious consideration is cost. AB 2838 sought a $6 fee on all coastal cars, while Proposition 21 sought $18 on all California vehicles. As previously noted, a VLF surcharge or mitigation fee as low as $.50 per car would raise more than $12 million annually.

Finally, politics and public sentiment weigh into both examples highlighted here.

Both AB 2838 and its predecessor (SB 658 by Senator Sheila Kuehl) made it to the governor's desk on party-line votes; however, it was not Governor Schwarzenegger's party. Would a similar effort survive today under a different administration?

And if the proposed citizen's initiative to raise the VLF by one percent to support road repairs does not succeed, what does the next version of Proposition 21 look like? Is it placed on a ballot that also contains such pressing issues as majority vote for state budget, supermajority vote for new fees and the repeal of AB 32[26]? And what are the non-state park programs that are included next time? Will there be room for urban forestry?

The road to success is almost certainly challenging, with perhaps less than a 50-50 chance for success. However, the potential pay-off of this solution should be considered.

DON'T LEAVE LOCAL SOLUTIONS BEHIND

The focus of this report is to evaluate how state funds can help support—not supplant— local tree-planting and care funds. Local governments, local citizenry and local funding measures must be the engine that ultimately drives urban forestry.

The challenges for local governments are well-known and continue to dominate conversations in the State Capitol: the economic recession and the elimination of redevelopment agencies created fiscal uncertainty making recovery very difficult. Some local governments transferred responsibility for tree care and maintenance to residents. Some have consolidated non-essential services (i.e. parks and urban forestry) under their Department of Public Works. Others have declared bankruptcy, such as Mammoth Lakes, Stockton and San Bernardino.

Still, there are local urban forestry funding solutions already in place in many municipalities. These include fee-for-service agreements such as the one between Friends of the Urban Forest (FUF) and the City and County of San Francisco.

Though this contract allocates up to $450,000 each year to FUF, the last six years have seen significant funding cuts. About $150,000 is currently directed to the nonprofit each year for staffing costs associated with planting and maintaining trees in San Francisco. This same allocation pays for urban forestry education and responder assistance to city residents with calls or questions about their trees[27].

Lighting and landscaping districts have been used by local governments for 40 years to pay the costs of financing parks, open space and community centers (Appendix B). Though most of these districts cover only a portion of a city or region, they are not precluded from supporting an entire city. For example, Sacramento's Lighting and Landscaping District, established in 1989, covers the entire incorporated city, and generated over $14 million in Fiscal Year 2011/12. Nearly a third of those funds went for street tree maintenance[28].

There are also successful models that can contribute to local urban forestry funding.

QUIMBY ACT AMENDMENTS

The Quimby Act was first established by the California legislature in 1975 as part of the State Subdivision Map Act. It lets developers donate parkland or pay in-lieu fees as a way of approving certain types of residential development projects. It preserves open space and provides parks and recreation facilities for growing communities.

The Quimby Act allows local agencies to establish ordinances requiring residential subdivision developers to pay impact fees. Money from these fees can be used to purchase and develop land and/or recreational facilities as a condition of the approval of a tentative or parcel map. Before imposing these conditions, the local legislative body must adopt a general or specific plan with policies and standards for parks and recreational facilities.

A successful 1982 amendment to Quimby backed by industry was designed to hold local governments accountable for imposing park development fees. AB 1600 requires agencies to clearly show a reasonable relationship between the public need for the recreation facility or parkland and the type of development project upon which the fee is imposed. Cities and counties are required to be more accountable and show a strong relationship between the park fees and the proposed project. Local ordinances must now include definite standards for determining the proportion of the subdivision to be dedicated and the amount of the fee to be paid.

Governor Brown in 2013 signed legislation allowing the Quimby fees to be used for parks or recreation facilities outside the subdivision, if certain requirements are met.

Though not yet pursued, similar legislation could allow Quimby to be utilized for urban forestry beyond local parks including planting and maintaining trees. While the direct fiscal effect on CAL FIRE would be negligible, this potential local solution could ease the burden at the statewide level.

State Parks notes, "local agencies have found that the Quimby Act provides a consistent means of providing parks for many California communities and helps supplement strained agency budgets. While the Quimby Act is not an 'end-all' in being able to provide sufficient dollars for land acquisition and park development, many agencies agree that it's a good start[29]." Quimby Act fees can account for up to 10% of a park district's budget.

SHADE TREE COMMISSIONS

Though California has some coalitions and partnerships at the local level that promote urban forestry (i.e., Million Trees LA) or advise on technical problems related to trees and urban forest management (i.e., tree advisory committees), California lacks groups able to act independently of cities and fiscally support local urban forestry efforts.

Pennsylvania municipal code permits the formation in each community of a shade tree commission. Supported by local elected officials, it is charged with the task of restoring and maintaining the city's tree population. The City of Pittsburgh's Shade Tree Commission has spent the last 15 years reducing tree loss, replacing damaged trees, planting trees where none were before and maintaining tree health in parks and urban areas. The commission also increases public education and raises money to support urban forestry.

One way of raising money is through a unique partnership with the Pittsburgh Port Authority, which controls and operates the city's public bus shelters. Commercial advertising in these shelters raises about $100,000 annually that is passed through the Port Authority to the Shade Tree Commission.

In 2006, the Pittsburgh Shade Tree Commission was able to obtain support from the local "Tree Pittsburgh" foundation to fund the establishment of a non-profit organization, independent of the city. It expands the work of the Shade Tree Commission and the City Forester playing a key role in the augmentation of the urban forestry program in the Pittsburgh region. For example, it raises funds in support of the regional TreeVitalize program far in excess of state funding available.

Shade Tree commissions with varying responsibilities and funding resources exist in other Pennsylvania cities and in parts of Ohio and New Jersey.

TREE CANOPY CONSERVATION FUND

The Montgomery County Council in Maryland passed a measure in 2013 requiring builders to replace trees that are cut down or disturbed during development and planting new trees on sites where they may never have existed. The legislation (Bill 35-12) requires that about three trees be planted for every tree that is damaged or removed. If the required number of replacement trees can't be planted in the area being developed, builders are subject to a mitigation fee that is funneled to the Tree Canopy Conservation Fund. Mitigation fees are based on the square footage of tree canopy disturbed and increase with the amount of tree canopy disturbance.

The mitigation fees must "be spent on establishing and enhancing tree canopy including costs directly related to site identification, acquisition, preparation and other activities that increase tree canopy, and must not revert to the General Fund. The fund may also be spent on permanent conservation of priority forests, including identification and acquisition of sites within the same subwatershed where the disturbance occurs[30]."

BONDS

Resource bonds (park and/or water) permit borrowing from the future to pay for infrastructure improvements and capital outlay projects today.

Though they have supported urban forestry local assistance grants (and some staff) through CAL FIRE for more than a decade, bonds are not a sustainable source of funding. This was evident in 2008 during California's "bond freeze." Still, these bonds must be considered an element of the overall equation leading to sustaining urban forestry statewide.

HISTORY

California's legislature passed measures in 1999 creating Proposition 12 and Proposition 13 for the 2000 ballot. Both were passed by voters, with the former providing $10 million for tree planting grants and limited maintenance through CAL FIRE.

Proposition 40 followed in 2002 providing another $10 million to CAL FIRE, but this time it supported all facets of the Urban Forestry Act.

Finally, Proposition 84 – a citizen's initiative – passed off the ballot in 2006, and provided $20 million to CAL FIRE. Another $60 million went to what would become the Strategic Growth Council for urban greening.

Combined, the three measures provided more than a decade of funding for CAL FIRE's Urban and Community Forestry Program that was exhausted in 2013.

CURRENT WATER BOND EFFORTS

The most recent bond effort, briefly known as Proposition 18 in 2010, does not contain urban forestry funding. It also lacks enough support from the Legislature or proponents to keep it on a ballot long enough to receive a vote. This measure is now residing on the 2014 ballot having been moved twice before.

While a water bond does not provide a permanent funding solution, another $10 million or $20 million allocation to CAL FIRE could be programmed to last a few years, buying time to find that permanence.

Discussions in earnest about what a revised 2014 bond might look like started in July 2013. Positive first steps from the environmental community began by trying to reach consensus on what goes to the ballot next, opening a narrow window of opportunity. The bills most likely to guide such an effort are AB 1331 (Rendon) and SB 848 (Wolk). In January 2014, AB 1331 was amended to include urban forestry.

These bonds could raise millions of dollars for urban greening projects — including urban forestry. A key element is arguing the benefits of urban forestry as it relates to water supply, water quality and/or storm water benefits.
There is strong likelihood that any allocation for urban forestry through a water bond would have restrictions. These restrictions could include grants that provide storm water management benefits or water quality improvement benefits to disadvantaged communities.

However, a water bond is wrought with obstacles.

The 2009 bill creating the bond caused groups like the Nature Conservancy and Audubon California to face off publicly against the Sierra Club and the Planning and Conservation League. However, a 2013 PPIC poll showing 42% of all voters support the measure as is, lead conservation proponents to join lead environmental opponents in Sacramento in March 2013, announcing privately that the bond, as written, is dead. Proponents also note that 2014 is the last chance for several years to move a water bond, citing efforts and initiatives by other interests that have waited to try and pass bonds for education or transportation.

Additional negative sentiment around the existing bond was fueled by public comments saying it contains too much "pork." Some commentators, such as the LA Times' George Skelton, focused on environmental investments that do not directly contribute to water supply as examples of the type of thing that should be excluded to reduce the size of the bond[31].

The challenge facing the Legislature is how to reach agreement on a bond to replace the existing $11.1 billion measure already on the November 2014 ballot. Also, it is not clear right now if the governor will decide he wants a water bond on his reelection ballot. The drought emergency decreed by the Administration in January could turn the tide on this issue with the governor, the Legislature and the general public.

PARK BOND PROSPECTS

The last resources bond — Proposition 84 — was marketed as a water bond to reflect voter sentiment at the time. However, the language within the measure allocated billions for both land and water conservation, including $20 million for urban forestry. Still, there has not been a true "park bond" on the ballot in more than a decade.

Senator Kevin De Leon (D–Los Angeles) is trying to change that through Senate Bill 1086 that he introduced earlier this year. It would place a park bond on an upcoming ballot. It is in mock-up form now and includes a placeholder for urban forestry. His office has initiated stakeholder meetings to help further define the contents and explore if there is enough support to pass this at the ballot. Polling has consistently indicated that parks are a lower priority than water investments.

While it is unlikely the Legislature and governor would risk placing a park bond and a water bond on the same ballot for fear they would undermine each other, the key obstacle to moving a water bond is the opposition it creates; whereas a park bond probably wouldn't face any opposition at the ballot. If the water bond is pulled from the 2014 ballot, there is a chance a park bond could be a fallback to address some state funding needs.

From an urban forestry position, a park bond offers an excellent opportunity to direct funds into both the CAL FIRE program and other programs that could support urban forestry.

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18 Sec. 3 of Article XIII A of the California Constitution states that future state tax increases must be passed with a two-thirds vote, "except that no new ad valorem taxes on real property, or sales or transaction taxes on the sale of real property may be imposed."

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