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# SENATE COMMITTEE ON GOVERNANCE AND FINANCE

Senator Mike McGuire, Chair  
2021 - 2022 Regular

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<b>Author:</b>	Caballero	<b>Tax Levy:</b>	No
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## ***URBAN FORESTRY: CALIFORNIA COMMUNITY AND NEIGHBORHOOD TREE VOLUNTARY TAX CONTRIBUTION FUND***

*Establishes the California Community and Neighborhood Tree Voluntary Tax Contribution Fund on the personal income tax return.*

### **Background**

**Voluntary contribution funds.** Existing state law allows a taxpayer to contribute money to voluntary contribution funds (VCFs), by checking a box on their state Personal Income Tax return. California law requires taxpayers to make VCF contributions from their own resources. In other words, the contributions cannot come from the taxpayer's tax liability. Taxpayers can claim the contributions as charitable deductions on their tax return in the subsequent year.

The Legislature adds each VCF individually through legislation. With a few exceptions, VCFs remain on the return until the Franchise Tax Board (FTB) removes the VCF due to a sunset provision, or the VCF fails to meet the minimum contribution amount. In general, the minimum contribution amount is \$250,000 beginning in the fund's second year, annually adjusted for inflation. However, while subject to sunset dates, the VCFs listed below do not have a minimum contribution requirement:

- California Firefighters' Memorial Foundation Fund;
- California Peace Officer Memorial Foundation Fund; and
- California Senior Citizen Advocacy Voluntary Tax Contribution Fund.

When a taxpayer contributes to a VCF, FTB deposits the total of all contributions, less its costs of administration, into a fund named for the VCF. Most VCF funds are administered by state agencies to fund purposes set forth in the legislation placing the VCF on the income tax form. For example, the University of California system uses taxpayer contributions from the California Breast Cancer Research VCF to fund the California Breast Cancer Program, which awards funds for breast cancer research and education. Other VCFs direct a state agency to pass through taxpayer contributions directly to a private organization. For example, the California Highway Patrol disburses proceeds from the National Alliance on Mental Illness California VCF directly to the National Alliance on Mental Illness California to fund the Crisis Intervention Team program. For other VCFs, the State Controller's office allocates taxpayers contributions directly to the private organization, without going through an administrative agency. For example, the State Controller's office passes the taxpayer's contributions to the California Fire Foundation.

There are currently 19 VCFs listed on the tax return, and collectively they receive roughly four to six million dollars each year in contributions.

**Senate Bill 1476.** In December 2015, the Committee held an oversight hearing on VCFs. The Committee identified best practices and reforms needed to ensure the state allocates taxpayer contributions toward charitable purposes in both a transparent and timely fashion. In 2016, the Legislature enacted SB 1476 (Committee on Governance and Finance), which used those best practices to establish general provisions for all VCFs enacted on, or extended after, January 2, 2017. Specifically, the bill:

- Lengthened the current standard sunset provision from five to seven years;
- Required the administering agency to post online the process and the administrative costs of awarding the money;
- Provided that funds shall be continuously appropriated to the administering agency; and
- Required “voluntary tax contribution” to be in the name of the fund.

**Urban and Community Forestry Grant Program.** Existing law establishes the California Urban Forestry Act of 1978. Under this act, the Department of Forestry and Fire Protection (CALFIRE) provides grants, technical assistance, education, and policy advice to local governments, non-profits, private sector organizations, and the public to advance urban forestry efforts. Eligible activities and projects under the Urban and Community Forestry Grant Program (Urban Forestry Program or Program) include:

- a) Tree planting projects.
- b) Demonstration projects, as specified.
- c) Urban forest management and improved urban forest maintenance, as specified.
- d) Provision of seedling and tree stock.
- e) Development of urban tree plans, as specified, and urban forest master plans or similar plans designed to provide comprehensive urban forest protection, maintenance, and management.
- f) Development of training and educational materials, as specified.
- g) Planning and technical assistance for eligible applicants assisting disadvantaged communities.

The Program has primarily been funded with bond funds and the Greenhouse Gas Reduction Fund (GGRF). It also utilizes federal funds and has occasionally used General Fund. The Program prioritizes serving under-resourced, low-income communities. According to CALFIRE, local communities have planted more than 80,000 trees through this Program since 2015, primarily in disadvantaged communities. The Program also works with CALFIRE’s Fire Prevention Program in advocating fire-safe landscaping for homeowners and communities.

The author would like to add a new VCF to the Personal Income Tax Return to help generate funding for urban forest projects through the Urban and Community Forestry Grant Program.

### **Proposed Law**

SB 347 establishes the California Community and Neighborhood Tree Voluntary Tax Contribution Fund (Fund) on the Personal Income Tax Return. The bill creates the California Community and Neighborhood Tree Voluntary Tax Contribution Fund where the Controller

deposits the donations received. The measure then continuously appropriates money from the fund to CALFIRE for the Urban and Community Forestry Grant Program, after FTB and the Controller subtract their administrative costs.

The Fund remains on the Personal Income Tax Return until it either does not meet a \$250,000 minimum contribution requirement, or has made seven appearances on the return, whichever comes first.

The bill requires CALFIRE to report on an internet website the number of trees planted, the location of the trees planted, and the volume of projected carbon captured by the trees planted, and information to assist contributors to the Community Tree Fund in interacting with local and regional tree planting programs.

### **State Revenue Impact**

According to FTB, SB 347 results in no revenue loss for 2021-22, and revenue losses of \$5,000 in both 2022-23 and 2023-24.

### **Comments**

1. Purpose of the bill. According to the author, “placing the California Community and Neighborhood Tree Fund on the state income tax as a voluntary contribution fund (VCF) provides a modest but reliable source of funding for urban tree programs most focused on bringing trees to communities that are disadvantaged or lack government infrastructure needed to enter into and support urban tree planting and care agreements.

The most successful voluntary contribution funds are those with broad, state-wide non-profit support. Fortunately, Californians are the original tree huggers, and from San Diego to the Oregon border, there are groups that work directly with local governments, utilities, and the public to plant trees. These groups will use the fund as a fundraising rallying point, and private foundations can make direct contributions to the fund to further support the state’s urban forestry programs. Urban forestry needs a consistent source of funding, and this bill highlights the value of tree planting in disadvantaged communities. The creation of the California Community and Neighborhood Tree Fund helps to solve the funding issue, while creating a marketing opportunity for all tree huggers to leverage, and for these communities to use as a strategy to improve air quality and reduce the negative impacts of climate change.”

2. The ever-growing tax return. Currently, the Legislature adds each VCF individually through legislation. In 2008, 11 VCFs appeared on the Personal Income Tax Return. This year, the return contains 19. With legislation introduced every year to either add new VCFs or extend current ones, there is little reason to expect this number to stop growing. However, space on the return is limited. Currently, the Personal Income Tax Return is five pages long, and FTB estimates the return can handle only so many VCFs before FTB must add an additional page. Critics also argue that the current process for adding or extending VCFs is subjective. Specifically, FTB lists only those organizations that can convince the Legislature to promote their cause on the return, while leaving off other worthy causes.

3. I speak for the trees. Urban forests provide substantial environmental, economic, social, and public health benefits. Creating and maintaining healthy urban forests is becoming more critical

due to warming temperatures, the growth of impervious surfaces in urban areas, the need to mitigate air pollution and storm water runoff, and for the variety of other benefits provided.

According to the California Forests and Rangelands 2017 Assessment (2017 Assessment), “there is increasing concern about the sustainability of our precious forest and rangelands, as the frequency and severity of mega-disturbances from fire and pests increases, human population demands more from and increases impacts on natural systems, and climate change continues. In California, events such as the recent multi-year drought resulting in over 100 million dead forest trees across 7+ million acres call into question current fire and land management policies and practices, and ultimately whether sustainability is possible under a changing climate and growing population.”

4. Related Legislation. The following bills also deal with VCFs this legislative session:

- AB 1065 (Maienschein) creates the Mental Health Help Voluntary Contribution Fund to fund the Crisis Intervention Team program that trains peace officers to assist, and engage safely with persons living with mental illness. AB 1065 is currently in the Assembly Revenue and Taxation Committee.
- AB 742 (Calderon) makes technical changes to the School Supplies for Homeless Children Voluntary Tax Contribution Fund. AB 742 is currently in the Assembly Revenue and Taxation Committee.

5. Incoming! On March 16th, the Senate Natural Resources and Water Committee approved SB 347 by a vote of 9 to 0. The Committee on Governance and Finance is hearing the measure as the committee of second reference.

#### **Support and Opposition** (3/22/21)

Support: Manuel Thomas Faria III, Mayor, City of Los Banos; Association of California Water Agencies; Bay Area Urban Forest Ecosystem Council; Britton Fund; California Releaf; California Urban Forests Council; City of Huron; City of King; City of Merced; City of Salinas; Davey Tree Expert Company; Davey Resource Group, Inc.; Inland Urban Forest Council; International Society of Arboriculture Western Chapter; Los Angeles Urban Cooling Collaborative; Sacramento Urban Forest Council; San Diego Regional Urban Forests Council; Street Tree Seminar; Tree Fresno; West Coast Arborists;

Opposition: None received

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