

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: August 16, 2002

SUBJECT: Revised Fiscal Impact Statement (Revised): "Urban Forest Preservation Act of 2002"

REFERENCE: Bill Number 14-307 as amended July 2, 2002

Conclusion

Funds are not sufficient in the FY 2003 through FY 2006 budget and financial plan to implement The Urban Forest Preservation Act, as amended on July 2, 2002. The proposed legislation will cost the District \$600,000 in FY 2003 and \$2.4 million from FY 2003 to FY 2006. The cost of the proposed tax deduction for tree planting in Title IV cannot currently be quantified; however, it is expected that the costs would not be significant. (This fiscal impact statement supercedes the previous fiscal impact statements on Bill 14-307 dated February 19, 2002 and June 28, 2002.)

Background

The purpose of the proposed legislation is to establish an urban forest preservation program within the District of Columbia. The Urban Forestry Division within the District Department of Transportation (DDOT) would be responsible for overseeing this program by administering a Tree Fund, protecting existing trees, planting new trees and drafting an Urban Forestry Standards Manual. Maryland's Urban and Community Forestry Program and Virginia's Department of Forestry also conduct tree preservation activities. A seven-member Tree Advisory Board appointed by the Mayor with the advice and consent of the Council would advise the Mayor on the District's urban forest.

This bill also establishes a Tree Fund that will provide markers for exceptional trees and plant new trees. The Tree Fund will be funded by donations and fees collected pursuant

to this bill. The Tree Fund, as amended on July 2, 2002, will no longer cover all related costs incurred by DDOT and the Department of Consumer and Regulatory Affairs (DCRA) when administering this act. Finally, this Act would establish a District income and franchise tax deduction for the actual cost of planting new trees.

Financial Plan Impact

The Urban Forest Preservation Act would designate a Tree Fund - a dedicated "O"-type and "P"-type (private donation) fund - that is non-lapsing and non-reverting. This fund would be separate from the District of Columbia's local General Fund revenue as a sub-fund in the Highway Trust Fund's local road transportation fund. The Tree Fund would be used solely for planting trees and to provide markers for exceptional trees.

The Tree Fund would generate revenue through private donations and Reforestation Fees. The Reforestation Fee is a fee, based upon the amount of square feet of land disturbed and construction type, levied for all exterior construction activities requiring an erosion and sediment control plan or a stormwater management plan. The amount of the Reforestation fee will be established by regulation.

Please note that the "P"-type private donations to the Tree Fund are wholly separate from the \$50 million endowment from the Casey Tree Foundation, which is administered as a public/private partnership between the Government of the District of Columbia, the Garden Club of America and the Casey Tree Foundation.

The Urban Forestry Division's (UFD) existing budget is sufficient to absorb the administrative costs of creating the Urban Forestry Standards Manual and the activities of the Tree Advisory Board. Finally, this bill would establish a District income and franchise tax deduction for planting new trees (Title IV). As amended on July 2, 2002, the deduction would cover actual tree planting expenses of up to \$500 per year. The cost of the proposed tax deduction for tree planting cannot currently be quantified; however, it is expected that the costs would not be significant because the deduction covers only actual expenses for certain trees, and does not provide \$500 to every resident who plants a tree. This tax deduction will be difficult to administer because there are no requirements for documentation that coincide with District tax operations and systems.

The Tree Fund, as amended on July 2, 2002, will no longer cover all related costs incurred by DDOT and Department of Consumer and Regulatory Affairs (DCRA) in administering this act. As a result, the Urban Forest Preservation Program is no longer a self-sustaining program and administrative expenses must now be funded out of the local general fund. It is estimated that \$600,000 is required, per annum, to support DDOT's and DCRA's administration of the Urban Forest Preservation Program.

Estimated Cost of Administering the Urban Forest Preservation Program					
	FY 2003	FY 2004	FY 2005	FY 2006	4-Year Total
Administration of Urban Forest Preservation Program	\$600,000	\$600,000	\$600,000	\$600,000	\$2,400,000