

2018

REQUIRES LEGISLATIVE SUPERMAJORITY
VOTE APPROVING USE OF CAP-AND-
TRADE RESERVE FUND. LEGISLATIVE
CONSTITUTIONAL AMENDMENT.

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REQUIRES LEGISLATIVE SUPERMAJORITY VOTE APPROVING USE OF CAP-AND-TRADE RESERVE FUND.
LEGISLATIVE CONSTITUTIONAL AMENDMENT. California Proposition 70 (2018).
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PROPOSITION **70** **REQUIRES LEGISLATIVE SUPERMAJORITY VOTE APPROVING USE OF CAP-AND-TRADE RESERVE FUND. LEGISLATIVE CONSTITUTIONAL AMENDMENT.**

OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

The text of this measure can be found on the Secretary of State’s website at <http://voterguide.sos.ca.gov/>.

- Beginning in 2024, cap-and-trade revenues will accumulate in a reserve fund.
- These cap-and-trade revenues cannot be used unless the Legislature authorizes such use by a two-thirds majority.
- On the effective date of any such authorization, the requirement that new revenues accumulate in this reserve fund will expire.
- Suspends certain tax exemptions, including for equipment used in manufacturing and research and development, beginning in

2024, until the effective date of any such authorization.

SUMMARY OF LEGISLATIVE ANALYST’S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT FISCAL IMPACT:

- Potential temporary increase in state sales tax revenue from the sale of manufacturing and certain other equipment beginning in 2024. Amount could range from no increase to a few hundred million dollars annually.
- Possible change in the mix of cap-and-trade funding provided to state and local programs.

FINAL VOTES CAST BY THE LEGISLATURE ON ACA 1 (PROPOSITION 70)
(RESOLUTION CHAPTER 105, STATUTES OF 2017)

Senate:	Ayes 27	Noes 13
Assembly:	Ayes 59	Noes 11

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

STATE’S CAP-AND-TRADE PROGRAM

Program Aimed at Limiting Greenhouse Gases.

California has several programs created to reduce the amount of greenhouse gases (GHGs) that are emitted. GHGs—such as carbon dioxide—contribute to global climate change and come from various sources, including gasoline-powered cars and industrial activities. One California program to reduce GHGs is referred to as “cap-and-trade.” Under this program, which began in 2012, the state issues a limited number of permits to emit GHGs. Certain companies responsible for large amounts of GHG emissions must obtain a permit for each ton of GHG they emit. The state gives about half of the permits away to certain industries for free and sells the other half at auctions. A recent state law allows cap-and-trade to operate in California through 2030.

Revenue Collected Used for a Variety of Programs.
Revenue collected from cap-and-trade auctions

is deposited into a state fund called the Greenhouse Gas Reduction Fund (GGRF). The state determines how to spend money in the GGRF, usually through the annual budget process. The money in the fund is generally used for state and local programs to reduce GHGs. As shown in Figure 1, we estimate the state will spend about \$3 billion from the GGRF on various programs in 2017–18. The state can spend money from the GGRF with a bill passed with majority votes in both houses of the Legislature.

SOME BUSINESS EQUIPMENT EXEMPT FROM STATE SALES TAX

California’s state and local governments charge a sales tax on retail sales of most goods. Revenue from part of the sales tax goes to the state’s main operating account. This part of the tax is not charged when some businesses buy certain equipment used for such things as manufacturing and research and development. We estimate that this “manufacturing

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

exemption” currently reduces state sales tax revenue by about \$250 million annually. The exemption is authorized until July 1, 2030.

PROPOSAL

Creates Temporary Higher Legislative Vote Requirement for Spending Cap-and-Trade Revenue. This measure requires that beginning on January 1, 2024, cap-and-trade revenue be deposited in a new state fund called the Greenhouse Gas Reduction Reserve Fund (Reserve Fund), rather than

in the GGRF. These deposits would continue until the effective date of a bill that: (1) spends money from the Reserve Fund and (2) is passed by each house of the Legislature with a *two-thirds vote* (as opposed to the majority vote currently required). The measure also requires that money in the Reserve Fund be used to fund the same general types of programs that could be funded by the GGRF on January 1, 2024. After the effective date of the bill, future revenue would go back to being deposited in the GGRF and could be spent by a majority vote of the Legislature.

Suspends Manufacturing Exemption Until Cap-and-Trade Revenue Is Spent. This measure suspends the manufacturing exemption beginning on January 1, 2024. While the exemption is suspended, the full sales tax would be charged when businesses buy certain equipment for such things as manufacturing and research and development. The suspension would continue until the effective date of a bill that: (1) spends money from the Reserve Fund and (2) is passed with a two-thirds legislative vote.

FISCAL EFFECTS

Potential Temporary Increase in Sales Tax Revenue Beginning in 2024. The measure could suspend the manufacturing exemption beginning in 2024. The state would generate additional sales

Figure 1

Estimated 2017–18 Cap-and-Trade Spending^a
(In Millions)

Program	Amount
Incentives for low-emission vehicles and equipment	\$810
High-Speed Rail	730
Affordable housing near transit	584
Public transit	438
Forestry and fire prevention	325
Agricultural emission reductions	250
Other	187
Total	\$3,324

^a Assumes \$3 billion in revenues in 2017–18. Amount could be higher or lower depending on actual auction results.

tax revenue while the manufacturing exemption is suspended. The amount of additional revenue would depend on when the Legislature approves spending money from the Reserve Fund with a two-thirds vote. If the Legislature approves spending the money by early 2024, there would be little or no additional revenue. However, if there was a lengthy delay, the additional state revenue would be up to a few hundred million dollars annually.

Possible Change in Mix of Programs Funded. Beginning in 2024, the two-thirds vote requirement could, at least temporarily, change the mix of state and local programs funded by auction revenues compared to what would otherwise occur. Any change would depend on the future composition and spending priorities of the Legislature, which are unknown. As a result, it is unclear which state and local government programs might receive more or less money.

Visit <http://www.sos.ca.gov/campaign-lobbying/cal-access-resources/measure-contributions/2018-ballot-measure-contribution-totals/> for a list of committees primarily formed to support or oppose this measure. Visit <http://www.fppc.ca.gov/transparency/top-contributors/jun-18-primary.html> to access the committee’s top 10 contributors.

If you desire a copy of the full text of the state measure, please call the Secretary of State at (800) 345-VOTE (8683) or you can email vigfeedback@sos.ca.gov and a copy will be mailed at no cost to you.

★ ARGUMENT IN FAVOR OF PROPOSITION 70 ★

VOTE YES ON PROPOSITION 70 TO PROTECT TAXPAYERS AND OUR ECONOMY AND ENSURE CALIFORNIA CONTINUES ITS LEADERSHIP ON CLIMATE CHANGE.

California's ambitious plan to reduce statewide greenhouse gas emissions *PASSED WITH SUPPORT FROM DEMOCRATIC AND REPUBLICAN LAWMAKERS* and more than 150 organizations representing agriculture; environment; clean energy and technology; business; labor; firefighters; public health professionals; economists; and newspaper editorial boards from across the state.

PROPOSITION 70 HELPS ENSURE THAT MONEY FOR PRIORITY PROGRAMS IS NOT DIVERTED BY POLITICIANS FOR PET PROJECTS.

It is essential that future climate change revenues continue to reduce emissions and provide benefits to all Californians. Proposition 70 provides a strong safeguard against any effort to undermine this goal. It forces two-thirds of the legislature to come together in 2024 to evaluate if the money has been spent wisely and beneficially for the good of all Californians.

PROPOSITION 70 SAFEGUARDS CALIFORNIA'S HISTORIC CLIMATE CHANGE PROGRAM WHICH

PROTECTS OUR ENVIRONMENT, ENHANCES OUR ECONOMY, AND CREATES JOBS.

The future of California's signature climate change program depends on demonstrating that we can protect our environment while growing our economy. To accomplish this goal *Proposition 70 helps ensure that the money to reduce greenhouse gases is spent in the wisest and most cost effective way; that protects taxpayers and our most polluted communities.*

VOTE YES ON PROPOSITION 70

Proposition 70 is part of a historic bipartisan effort to achieve our climate goals, retain good paying jobs to sustain our growing economy, and protect air quality and public health.

www.YesOnProposition70.com

EDMUND G. BROWN JR., Governor

ALLAN ZAREMBERG, President
California Chamber of Commerce

CHAD MAYES, California State Assemblymember

★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 70 ★

35 MAJOR ENVIRONMENTAL ORGANIZATIONS OPPOSE PROPOSITION 70

Proposition 70 is a mistake. It is bad for the environment and bad for public health. That's why 35 respected environmental organizations like the Natural Resources Defense Council, the California League of Conservation Voters and the Coalition for Clean Air all say vote NO on Proposition 70!

PUTTING POWER IN THE HANDS OF THE FEW

Proposition 70 is undemocratic. It would let a small group of politicians who have opposed our successful clean air strategies derail progress on climate change and pollution reduction. We can't allow that to happen. There is too much at stake for our health, our planet and for future generations.

POLLUTERS WANT THE ABILITY TO VETO PROGRESS

Big oil companies and other industries that cause our worst pollution want Proposition 70 so they can sideline pollution reduction programs and keep poisoning our air

and water. These special interest groups have opposed progressive measures to address air pollution and climate change for many years.

BIPARTISAN OPPOSITION TO PROPOSITION 70

Many Democrats and Republicans in the legislature opposed putting Proposition 70 on the ballot because it's a bad deal for California. Join NextGen California, Physicians for Social Responsibility Los Angeles, California Environmental Justice Alliance, Friends of the Earth, the Courage Campaign, the League of Women Voters California and many more groups that are fighting for the public interest and a clean future in voting NO on Proposition 70!

TOM STEYER, President
NextGen California

REBECCA SALTZMAN, Interim Executive Director
California League of Conservation Voters

DR. JOSEPH K. LYOU, President
Coalition for Clean Air

★ ARGUMENT AGAINST PROPOSITION 70 ★

NO ON PROPOSITION 70

Proposition 70 grew out of an oil industry-backed effort to derail the state's premiere program to curb harmful air pollution. According to the Los Angeles Times, the industry spent millions of dollars lobbying to water down California's commitment to clean air policies that reduce our dependence on high-polluting fossil fuels. Proposition 70 will increase legislative gridlock, undermine our clean energy progress, and empower special interests who are out of step with the majority of Californians. It doesn't deserve your support.

CLEAN AIR AND ENERGY POLICIES ARE WORKING

A key component of California's clean air strategy is a program called Cap and Trade that requires polluters to reduce their emissions or pay into a fund. This fund is used to increase energy efficiency in homes, businesses and schools, provide consumer rebates that make electric and hybrid cars more affordable, increase public transit, clean up dirty, heavy-duty trucks that pollute neighborhoods, and other successful anti-pollution programs.

A RECIPE FOR GRIDLOCK

By requiring a 2/3 supermajority vote of the legislature to allocate the funds paid by polluters, Proposition 70 would change this effective system and empower a small minority of politicians to divert the funds away from environmental priorities and prevent them from being spent to reduce pollution and provide needed transportation, housing and energy services to our communities.

Californians will remember the painful deal-making to pass a state budget when that also required a 2/3 vote. Many months passed without a budget, and the deals became more desperate and more compromised by special interests as time passed. The voters put an end to that dysfunction back in 2010 when they changed

the vote required for a budget to majority. We shouldn't return to that broken system.

LACK OF TRANSPARENCY

Proposition 70 was the result of a backroom deal. Normally, it takes about nine months for a bill to pass the legislature. Measures typically have several hearings with the details studied and discussed. In contrast, Prop. 70 passed in only four days, without any hearing and without any opportunity for public comment. If it were such a great idea, why was it rushed through in secrecy?

WHO DO YOU TRUST?

The oil companies and a small group of politicians support efforts like Proposition 70 that weaken our state's clean energy policies. Opposing Proposition 70 are good government groups like the League of Women Voters of California, and the state's most respected environmental and social justice organizations including the California League of Conservation Voters, Natural Resources Defense Council, Coalition for Clean Air and California Environmental Justice Alliance. The Sierra Club California says the law behind this ballot measure would "delay urgent expenditures for climate, air quality, and other identified statewide and local priorities." We urge you to vote No on Proposition 70 because it's bad for the environment, bad for our economy, bad for good government, and could undo years of progress toward a cleaner future.

LEARN MORE

Learn more about why Proposition 70 is bad for California at www.stopprop70.org.

SENATOR BEN ALLEN

26th District

ASSEMBLYMEMBER TODD GLORIA

78th District

HELEN L. HUTCHISON, President
League of Women Voters of California

★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 70 ★

Proposition 70 opponents are misleading you. It is supported by Democrats and Republicans because it helps guarantee the money from California's signature climate change program is only used to reduce pollution, protect the environment and enhance our ability to respond to wildfires. LEFT UNPROTECTED THESE MONEYS WILL BE VULNERABLE TO SPECIAL INTEREST INFLUENCE.

Proposition 70 is a critical piece of an HISTORIC BIPARTISAN AGREEMENT to achieve our ambitious climate goals, retain good paying jobs that sustain our economy, and address important public health and air quality issues. It is not a recipe for gridlock and it HAS NO IMPACT ON THE STATE'S MAJORITY VOTE BUDGET REQUIREMENT. Do not be fooled by the opponents' misleading arguments.

The projects funded by our climate change program enhance our ability to manage the state's destructive wildfires by providing fire engines for fire prevention and improving the health of California's forests; assist farmers in making changes needed to reduce harmful

pollution; help residents make their homes more energy efficient; and improve air quality for millions of Californians in our most polluted communities. THE PURPOSE OF PROPOSITION 70 IS TO MAKE SURE THAT HIGH QUALITY AND COST-EFFECTIVE PROGRAMS LIKE THESE CONTINUE TO RECEIVE FUNDING. That is why organizations representing agriculture; environment; business; labor; firefighters; and public health professionals all supported the plan.

VOTE YES ON PROPOSITION 70 TO PROVIDE THE CHECKS AND BALANCES TAXPAYERS DESERVE AND SAFEGUARD CALIFORNIA'S HISTORIC CLIMATE CHANGE PROGRAM as we protect our environment, enhance our economy, and create jobs.

www.YesOnProposition70.com

MICHAEL D. SHROUT, President

California State Firefighters' Association

ANJA RAUDABAUGH, Chief Executive Officer
Western United Dairymen

(3) Twenty-five percent pursuant to subdivision (c) of Section 99312 of the Public Utilities Code, as that section read on July 30, 2009.

(e) For purposes of paragraph (1) of subdivision (d), “transportation planning” means only the purposes described in subdivisions (c) through (f), inclusive, of Section 99315 of the Public Utilities Code, as that section read on July 30, 2009.

(f) For purposes of this article, “mass transportation,” “public transit,” and “mass transit” have the same meaning as “public transportation.” “Public transportation” means:

(1) (A) Surface transportation service provided to the general public, complementary paratransit service provided to persons with disabilities as required by 42 U.S.C. 12143, or similar transportation provided to people with disabilities or the elderly; (B) operated by bus, rail, ferry, or other conveyance on a fixed route, demand response, or otherwise regularly available basis; (C) generally for which a fare is charged; and (D) provided by any transit district, included transit district, municipal operator, included municipal operator, eligible municipal operator, or transit development board, as those terms were defined in Article 1 of Chapter 4 of Part 11 of Division 10 of the Public Utilities Code on January 1, 2009, a joint powers authority formed to provide mass transportation services, an agency described in subdivision (f) of Section 15975 of the Government Code, as that section read on January 1, 2009, any recipient of funds under Sections 99260, 99260.7, 99275, or subdivision (c) of Section 99400 of the Public Utilities Code, as those sections read on January 1, 2009, or a consolidated agency as defined in Section 132353.1 of the Public Utilities Code, as that section read on January 1, 2009.

(2) Surface transportation service provided by the Department of Transportation pursuant to subdivision (a) of Section 99315 of the Public Utilities Code, as that section read on July 30, 2009.

(3) Public transit capital improvement projects, including those identified in subdivision (b) of Section 99315 of the Public Utilities Code, as that section read on July 30, 2009.

(g) *All revenues specified in Sections 6051.8 and 6201.8 of the Revenue and Taxation Code, as*

those sections read on January 1, 2018, shall be deposited no less than quarterly into the Public Transportation Account, or its successor. Except as provided in Sections 16310 and 16381 of the Government Code, as those sections read on January 1, 2018, the Legislature may not take any action that temporarily or permanently diverts or appropriates these revenues for purposes other than those described in subdivision (d), or delays, defers, suspends, or otherwise interrupts the quarterly deposit of these revenues into the Public Transportation Account.

Third—That Article XIXD is added thereto, to read:

ARTICLE XIXD
VEHICLE LICENSE FEE REVENUES FOR
TRANSPORTATION PURPOSES

SECTION 1. (a) Notwithstanding Section 8 of Article XIX, revenues derived from vehicle fees imposed under the Vehicle License Fee Law pursuant to Chapter 6 (commencing with Section 11050) of Part 5 of Division 2 of the Revenue and Taxation Code, or its successor, over and above the costs of collection and any refunds authorized by law, shall be used solely for transportation purposes, as defined by Section 11050 of the Revenue and Taxation Code, as that section read upon enactment of the Road Repair and Accountability Act of 2017.

(b) The revenues described in subdivision (a) shall not be used for the payment of principal and interest on state transportation general obligation bonds that were authorized by the voters on or before November 8, 2016, nor shall those revenues be used for payment of principal and interest on state transportation general obligation bond acts approved by the voters after that date, unless the bond act expressly authorizes that use.

(c) Except as provided in Sections 16310 and 16381 of the Government Code, as those sections read on January 1, 2018, the Legislature shall not borrow the revenues described in subdivision (a), and shall not use these revenues for purposes, or in ways, other than as authorized in subdivisions (a) or (b).

PROPOSITION 70

This amendment proposed by Assembly Constitutional Amendment 1 of the 2017–2018 Regular Session (Resolution Chapter 105, Statutes of 2017) expressly amends the

California Constitution by adding a section thereto; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENT TO ARTICLE XX

That Section 24 is added to Article XX thereof, to read:

SEC. 24. (a) The Greenhouse Gas Reduction Reserve Fund is hereby created as a special fund in the State Treasury.

(b) For the time period specified in subdivision (d) only, all moneys collected by the State Air Resources Board from the auction or sale of allowances pursuant to a market-based compliance mechanism established pursuant to the California Global Warming Solutions Act of 2006 (Division 25.5 (commencing with Section 38500) of the Health and Safety Code) shall be deposited in the Greenhouse Gas Reduction Reserve Fund.

(c) Notwithstanding any other provision of this Constitution, moneys in the Greenhouse Gas Reduction Reserve Fund shall be available upon appropriation by the Legislature by rollcall vote entered in the journal, two-thirds of the membership of each house concurring, for the same purposes applicable on January 1, 2024, to the Greenhouse Gas Reduction Fund, created pursuant to Section 16428.8 of the Government Code.

(d) Subdivision (b) shall apply beginning January 1, 2024, and until the effective date of legislation that contains an appropriation from the Greenhouse Gas Reduction Reserve Fund. After the effective date of that legislation, all new moneys collected pursuant to a market-based compliance mechanism shall be deposited in the Greenhouse Gas Reduction Fund, created pursuant to Section 16428.8 of the Government Code.

(e) Section 6377.1 of the Revenue and Taxation Code shall not apply to sales that occur while the moneys specified in subdivision (b) are being deposited in the Greenhouse Gas Reduction Reserve Fund, but shall resume on the effective date of legislation identified in subdivision (d).

PROPOSITION 71

This amendment proposed by Assembly Constitutional Amendment 17 of the 2017–2018 Regular Session (Resolution Chapter 190, Statutes of 2017) expressly amends the California Constitution by amending sections thereof; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENTS TO SECTION 10 OF ARTICLE II AND SECTION 4 OF ARTICLE XVIII

First—That Section 10 of Article II thereof is amended to read:

SEC. 10. (a) An initiative statute or referendum approved by a majority of votes cast thereon takes effect on the fifth day after the election unless the measure provides otherwise. Secretary of State files the statement of the vote for the election at which the measure is voted on, but the measure may provide that it becomes operative after its effective date. If a referendum petition is filed against a part of a ~~statute~~ *statute*, the remainder of the statute shall not be delayed from going into effect.

(b) If provisions of ~~2~~ two or more measures approved at the same election conflict, those the provisions of the measure receiving the highest number of affirmative vote votes shall prevail.

(c) The Legislature may amend or repeal a referendum ~~statutes.~~ statute. The Legislature may amend or repeal an initiative statute by another statute that becomes effective only when approved by the electors unless the initiative statute permits amendment or repeal without their the electors' approval.

(d) ~~Prior to~~ Before circulation of an initiative or referendum petition for signatures, a copy shall be submitted to the Attorney General who shall prepare a title and summary of the measure as provided by law.

(e) The Legislature shall provide for the manner in which ~~petitions a~~ petition shall be circulated, presented, and certified, and ~~measures the~~ manner in which a measure shall be submitted to the electors.

Second—That Section 4 of Article XVIII thereof is amended to read: