

CALIFORNIA LEGISLATURE

STATE CAPITOL
SACRAMENTO, CALIFORNIA
95814

July 11, 2017

The Honorable Edmund G. Brown, Jr.
Governor, State of California
State Capitol
Sacramento, California 95814

Dear Governor Brown:

California State Senate Republicans share the concerns of our constituents and fellow Californians. We are committed to protecting and enhancing California's environment while ensuring public health and preserving quality of life for today's Californians and for future generations.

Preserving quality of life for all Californians requires thoughtful policies that provide for balance and protection of California's fragile economy. For this reason, we write to advise you that our Caucus is united in opposition to the current efforts to extend the state's cap-and-trade program through Assembly Bill 398 (E. Garcia).

Just last year, California adopted legislation expanding climate change emission goals. Senate Bill 32 mandated a reduction in greenhouse gas emissions (GHG) of at least 40 percent below 1990 levels by 2030 with no consideration of the economic side effects. Senate Republicans opposed SB 32 because of concerns that it would adversely impact many households and businesses statewide. The California Chamber of Commerce correctly labeled SB 32 as a job killer.

Unfortunately, many of the mechanisms the state's regulatory agencies have used to reduce carbon emissions have increased costs for consumers and for employers. Included in those increased costs are increases in the prices of electricity and transportation fuels. We are concerned that this rushed effort to enact a cap-and-trade extension will be no different.

We know that we do not need to remind you that this year's Senate Bill 1 enacted a gas tax increase of 19 cents per gallon and a significant car tax increase. The Legislative Analyst's Office advised in a March 29, 2017 letter to Assemblymember Vince Fong that cap-and-trade could raise gas prices by an estimated 63 cents per gallon in 2021, increasing to 73 cents per gallon in 2031. The cap-and-trade price impacts will be imposed on top of the tax hikes attributable to SB 1. **We believe that the proposed cap-and-trade extension combined with the gas tax and car tax hikes will be a crushing blow to California residents and small businesses negatively impacting their quality of life.**

We are also deeply concerned about the way in which AB 398 is being handled and rushed to a vote. This bill would extend and significantly reconfigure a multi-billion dollar program, whose effects on the State's economy to date have not been seriously examined and discussed. Given the magnitude of its effect on the price of food, fuel, electricity, manufactured goods, and numerous statewide businesses that are sensitive to price increases in the price of fuel and power, it is astounding that a bill of this import would be rushed through the Legislature so quickly without time for meaningful public discussion and debate.

It is also difficult for the Senate Republican Caucus to envision supporting this program simply based on the fact that there are no binding guarantees that the revenues collected will not be diverted for other purposes. Time and time again, we have seen fees and taxes created for noble and important purposes, only to have them be spent on other priorities entirely unrelated to what was promised.

It should come as no surprise that the Senate Republican Caucus objects to the continued use of significant cap-and-trade revenues to fund the high speed rail program, which will do nothing to reduce greenhouse gas emissions for decades to come.

Lastly, we believe that it is wholly improper to give the Air Resources Board (ARB) such wide latitude to draft the regulations which implement this program. Although this bill sets out some useful guidelines to guide the ARB in this task, it still lacks any provision that would give the Legislature the ability to review or modify any of the proposed regulations as they are being prepared. This is deeply concerning, especially since this bill empowers the ARB to determine the floor and ceiling price of the allowances being sold, as well as actual number. This will give that agency enormous power over the state's economy and the disposable income of its citizens. We cannot abide any legislation that is so deeply antithetical to representative government and the separation of powers.

Sincerely,



A handwritten signature in black ink, appearing to read "Richard P. Bates", is written over a horizontal line.

Jeff Stone

Andy Vickert

John

Fred Green

John Malach

Pat Dwyer

John Fuller

Mike Marcell

John Wilson

John