CITY OF
HAYWARD
HEART OF THE BAY

12

DATE: October 21, 2008

TO: Mayor and City Council

FROM: Director of Department of Development Services

SUBJECT: Opposition to Proposition 10

RECOMMENDATION

That the Council adopts the attached Resolution opposing State Proposition 10.

SUMMARY

This report provides a brief overview of State Proposition 10, also known as the California Alternative Fuels Initiative. Per direction from the Council at their October 7th work session, staff has prepared this analysis. Staff recommends that the Council formally oppose the Proposition, which is on the November ballot. Staff believes that while the proposition initially appears to be a step in the right direction in the fight against global warming, it does not ensure reductions in greenhouse gas emissions over business-as-usual, and would cost California taxpayers approximately $10 billion over 30 years. Such costs would relate to subsidizing truck companies to switch to use of alternative fuel trucks. Also, the measure would exclude some types of alternative fuel vehicles from being eligible to receive subsidies.

BACKGROUND

The State of California administers a variety of programs to promote renewable energy, alternative clean fuels, energy efficiency, and air quality improvements. Some programs provide financial incentives, such as grants, loans, loan guarantees, rebates, and tax credits. Funding for these programs has primarily come from fee revenues, although general obligation (GO) bonds more recently have been a funding source for air quality-related incentive programs.

The initiative has been funded primarily by Clean Energy Fuels Corporation, owned by T. Boone Pickens, that spent approximately $3 million to collect enough signatures to put Proposition 10 on the ballot. Other major donors to the initiative include: Westport Fuel Systems, and Aubrey McClendon, co-founder of Chesapeake Energy.

DISCUSSION

T. Boone Pickens has advertised on television that this initiative is needed to decrease our reliance on foreign oil, by utilizing current solar, wind, and natural gas technologies. However, Proposition 10 focuses primarily on promoting the use of natural gas-powered vehicles. The initiative provides $2.5 billion in rebates for *Dedicated Clean Alternative Fuel Vehicles,* which are defined as vehicles "powered exclusively by… biomethane, electricity, hydrogen, natural gas, propane, or any combination thereof." The rebates would offer no incentive to purchase zero emission vehicles, such as electric or hydrogen, over those powered by fossil fuels. such as natural gas or propane. Other incentives are included to promote the use of *Clean Alternative Fuel Vehicles,* which are defined by the Proposition as "a vehicle produced by an original equipment manufacturer, or a small volume manufacturer that is powered by a clean alternative fuel, and has the ability to meet applicable vehicular emission standards, and that relative to petroleum use, produces no net material increase in air pollution (including global warming emissions and air quality pollutants), water pollution, or any other substances that are known to damage human health and that meet all applicable safety certifications and standards necessary to operate in California." (underline added) An initiative of this magnitude should achieve more significant reductions in greenhouse gas emissions. Rather than incentivizing vehicles that "produce no net material increase in air pollution", the Proposition would be much more effective if it required significant reductions in emissions relative to petroleum use.

If passed, Proposition 10 would allow the State to sell $5 billion in GO bonds for various renewable energy, alternative fuel, energy efficiency, and air emissions reduction purposes. The initiative authorizes the $5 billion in bonds to be paid from the State's General Fund, which would be allocated approximately as follows:

Use of Bond Funds	Amount (in millions of dollars)
Rebates of between $2,000 and $50,000 for Alternative Fuel and High Fuel Economy Vehicles	2,875
Incentives for Research and Development of Alternative Fuel and High Fuel Economy Vehicles	550
Incentives for research, design, development, construction, and production of electric generation technology that reduces generation cost and greenhouse gas emissions.	1,000
Incentives for equipment to produce electricity from renewable resources.	250

Grants to eight California cities for the construction and operation of alternative and renewable energy demonstration projects	200
Grants to public universities and colleges.	125
Total	$5,000

A total of $200 million would go to eight California cities for the construction and operation of alternative and renewable energy demonstration projects. Grants of $25 million each would go to the cities of Los Angeles, San Diego, Long Beach, Irvine, San Francisco, Oakland, Fresno, and Sacramento.

Arguments For and Against Proposition 10 –

As found on Ballotpedia.org, the arguments supporting Proposition 10 include:

- The funding it provides will allow the generation of electricity from renewable sources, and provide consumer rebates for the purchase or lease of "clean alternative fuel vehicles".
- The funding will allow the replacement of "older polluting diesel trucks with clean alternative fuel trucks" and provide for research into alternative fuels.
- The programs funded by Prop. 10 will help reduce dependence on foreign fuel produced by "hostile foreign governments."
- The diesel trucks that could be replaced produce dangerous pollution.
- Alternatives to high-priced gasoline are important.

Also found on Ballotpedia.org, the arguments against Proposition 10 include:

- The proposition is a "laundry list of cash grabs -- from $200 million for a liquefied natural gas terminal to $2.5 billion for rebates of up to $50,000 for each natural gas vehicle" that would squander at least $9.8 billion in taxpayer money on Pickens' self-serving natural gas agenda."
- Taking $10 billion out of the state's general fund over a 30 year period to underwrite the cost for individuals and businesses to purchase low-emission vehicles "is not a smart use of money" considering the state is "already sagging with debt".
- Michael Shames of San Diego's Utilities Consumers' Action Network, says that a shift to natural gas is "problematic in a lot of ways" including that "few mechanics know how to fix natural-gas engines, and few filling stations offer natural gas."
- The proposition was initiated by one person/interest group, and as such, lacks the vetting that would have come had it gained input from a wider variety of sources. Shames says, "A

well-intentioned individual with an excessive amount of money doesn't necessarily have the capacity to present a comprehensive policy initiative on a complex topic."

- Judy Dugan, a spokesperson for Consumer Watchdog in Santa Monica, said only one car currently manufactured (the Toyota Prius) meets the rebate standards in Prop. 10. "On the basis of market distortion alone, this is crazy. There's already a federal subsidy for natural gas vehicles, which Pickens is lobbying to be continued through 2018."

Both the Los Angeles Times and the San Francisco Chronicle oppose Proposition 10. The Proposition is also opposed by the Sierra Club, the California League of Conservation Voters, the League of Women Voters, Silicon Valley Leadership Group, California Chamber of Commerce, and many other organizations. An extensive list of opponents is included as Exhibit C.

According to the Yes on 10 website, supporters of Proposition 10 include: Dr. Alan Henderson, Past President American Cancer Society, California Division; John Dunlap, Past Chairman, California Air Resources Board; Plug in America; Consumers First; Phoenix Motor Cars, Ontario, California; California Natural Gas Vehicle Partnership; Fred Keeley, Treasurer, Santa Cruz County and former Assemblyman, District 27; George Plescia, Assemblyman, District 75 and former Assembly Minority Leader; Michela Alioto-Pier, Supervisor, County of San Francisco; Miguel Pulido, Mayor, City of Santa Ana and Governing Board Member, South Coast Air Quality Management District; David Hochschild, Co-chair, San Francisco Solar Task Force; Ed Begley, Jr., Actor; Ron Dellums, Mayor, City of Oakland; Phil Ting, Assessor, City and County of San Francisco; Beth Krom, Mayor, City of Irvine; Larry Agran, City Councilmember, City of Irvine; Bob Foster, Mayor, City of Long Beach; City of Oakland; Harvey Milk Democratic Club; and The Energy Coalition.

FISCAL IMPACT

The analysis by the State's Legislative Analyst assessment (Exhibit A) indicates that the passage of Proposition 10 could result in increased local sales tax revenue and increased local vehicle license revenue to the extent that the incentive programs may result in individuals and businesses buying more expensive vehicles. The Analyst estimates the annual cost of paying off the $5 billion bond, and the approximately $5 million in interest, would be $335 million per year.

Administration of the bond funds would be the responsibility of the State Board of Equalization, the Air Resources Board, and the California Energy Resources Conservation and Development Commission. The one percent limit on administrative costs may leave the various state departments with insufficient funds to implement the programs funded by the bond. The Analyst has estimated costs of up to about $10 million annually, through about 2018 -19, for state agency administrative costs not funded by the measure.

Prepared by:

Erik J. Pearson, AICP
Senior Planner

Recommended by:

David Rizk, AICP
Director of Development Services Development

Approved by:
by

Gregory T. Jones
City Manager

Attachments:	Exhibit A:	Analysis of Proposition 10 by the State Legislative Analyst
	Exhibit B:	Position Papers on Proposition 10
	Exhibit C:	List of Organizations Opposing Proposition 10
		Draft Resolution

Exhibit A

PROPOSITION

10 ALTERNATIVE FUEL VEHICLES AND RENEWABLE ENERGY. BONDS. INITIATIVE STATUTE.

OFFICIAL TITLE AND SUMMARY | PREPARED BY THE ATTORNEY GENERAL

ALTERNATIVE FUEL VEHICLES AND RENEWABLE ENERGY. BONDS. INITIATIVE STATUTE.

- Provides $3.425 billion to help consumers and others purchase certain high fuel economy or alternative fuel vehicles, including natural gas vehicles, and to fund research into alternative fuel technology.
- Provides $1.25 billion for research, development and production of renewable energy technology, primarily solar energy with additional funding for other forms of renewable energy; incentives for purchasing solar and renewable energy technology.
- Provides grants to cities for renewable energy projects and to colleges for training in renewable and energy efficiency technologies.
- Total funding provided is $5 billion from general obligation bonds.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- State costs of about $10 billion over 30 years to pay off both the principal ($5 billion) and interest ($5 billion) costs of the bonds. Payments of about $335 million per year.
- Increase in state sales tax revenues of an unknown amount, potentially totaling in the tens of millions of dollars, over the period from 2009 to about 2019.
- Increase in local sales tax and vehicle license fee revenues of an unknown amount, potentially totaling in the tens of millions of dollars, over the period from 2009 to about 2019.
- Potential state costs of up to about $10 million annually, through about 2019, for state agency administrative costs not funded by the measure.

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- Potential state costs of up to about $10 million annually, through about 2019, for state agency administrative costs not funded by the measure.

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

State Energy and Air Quality Programs. The state administers a number of programs to promote renewable energy (such as solar and wind power), alternative clean fuels (such as natural gas), energy efficiency, and air quality improvements. Some programs provide financial incentives, such as grants, loans, loan guarantees, rebates, and tax credits. Funding for these programs has primarily come from fee revenues, although general obligation (GO) bonds more recently have been a funding source for air quality-related incentive programs.

State and Local Taxes and Local Vehicle License Fee (VLF) Revenues. State and local governments levy a number of taxes, including the sales and use tax (SUT). The SUT is levied on the final purchase price of tangible personal items, with a number of specified exemptions. The SUT has two rate components: one state and one local. The state SUT rate is currently 6.25 percent, of which 1 percent is distributed to local governments. The local SUT rate currently varies between 1 percent and 2.5 percent, depending on the local jurisdiction in which the tax is levied. Thus, the overall rate in California varies from 7.25 percent to 8.75 percent. In addition, the state collects an annual VLF on motor vehicles. Most of these VLF revenues are distributed to cities and counties. Currently, the VLF rate is equal to 0.65 percent of a motor vehicle's depreciated purchase price.

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

PROPOSAL

Authority to Sell GO Bonds. This measure allows the state to sell $5 billion in GO bonds for various renewable energy, alternative fuel, energy efficiency, and air emissions reduction purposes. Figure 1 summarizes the definitions of key terms used in the measure.

Figure 1

Key Terms as Defined in Proposition 10

Clean Alternative Fuel. Natural gas or any fuel that achieves at least a 10-percent reduction in carbon emissions when compared to conventional petroleum-based fuels.

Clean Alternative Fuel Vehicle. Generally, a vehicle powered by a clean alternative fuel.

Dedicated Clean Alternative Fuel Vehicle. A vehicle powered exclusively by specified clean alternative fuels—biomethane, electricity, hydrogen, natural gas, propane, or any combination thereof.

High Fuel Economy Vehicle. A light-duty on-road vehicle (weighing less than 8,500 pounds[a]) that can achieve a fuel economy of 45 miles per gallon for highway use.

Very High Fuel Economy Vehicle. A light-duty on-road vehicle (weighing less than 8,500 pounds[a]) that can achieve a fuel economy of 60 miles per gallon for highway use.

[a] Currently, the average light-duty passenger vehicle weighs less than 4,500 pounds.

For more information regarding GO bonds, please refer to the section of this ballot pamphlet entitled "An Overview of State Bond Debt."

Figure 2 summarizes the available uses of the bond money, which primarily would (1) provide $3.4 billion for financial incentives to reduce the cost to purchase or lease high fuel economy vehicles and dedicated clean alternative fuel vehicles (primarily rebates for trucks and other medium- and heavy-duty vehicles), and (2) $1.6 billion to fund research, design, development, and deployment of renewable electricity generating technology. The measure allocates the bond funds among four accounts, as shown in Figure 2.

Figure 2

Proposition 10
Uses of Bond Funds

		Amounts (In Millions)
Clean Alternative Fuels Account		**$3,425**
Rebates—Ranging from $2,000 to $50,000 per rebate.	$2,875	
• High Fuel Economy Vehicles.	*($110)*	
• Very High Fuel Economy Vehicles.	*(230)*	
• Dedicated Clean Alternative Fuel Vehicles:		
—Light-duty vehicles weighing less than 8,500 pounds.[a]	*(550)*	
—Light-medium-duty vehicles weighing between 8,500 and 13,999 pounds.	*(310)*	
—Heavy-medium-duty vehicles weighing between 14,000 and 24,999 pounds.	*(650)*	
—Heavy-duty vehicles weighing 25,000 pounds or more.	*(1,000)*	
• Home refueling station rebates ($2,000 per rebate).	*(25)*	
Financial incentives—Research, development, and demonstration of alternative-fuel and high-efficiency vehicles, and alternative fuels.[b]	$550	
Solar, Wind, and Renewable Energy Account		**$1,250**
Financial incentives—Research, design, development, construction, and production of electric generation technology that reduces generation cost and greenhouse gas emissions.[b,c]	$1,000	
Financial incentives—Equipment to produce electricity from renewable resources.[b]	250	
Demonstration Projects and Public Education Account		**$200**
Grants to local governments—Construction and operation of alternative and renewable energy demonstration projects.	$200	
Education, Training, and Outreach Account		**$125**
Grants to public universities and colleges—Staff development, training, research, and tuition assistance for alternative fuel and clean energy technology commercialization (making the new technology ready for sale in the commercial market) and workforce development. At least $25 million for outreach and public education.	$125	
Total		**$5,000**

[a] Currently, the average light-duty passenger vehicle weighs less than 4,500 pounds.
[b] Financial incentives could include low-interest loans, loan guarantees, and grants.
[c] At least 80 percent of the funds ($800 million) must support financial incentives for solar technology.

For text of Proposition 10, see page 132.

State Agency Administration of Bond Funds. The measure designates various state agencies to administer different components of the measure. Specifically, the State Board of Equalization (BOE) would administer the alternative-fuel vehicle rebates, the Air Resources Board would administer the incentives for alternative-fuel research and development, and the California Energy Resources Conservation and Development Commission would administer the renewable energy incentives and the monies available for grants to local governments and public higher education institutions. Regarding BOE's administration of the rebates, the measure provides that BOE shall calculate the SUT applicable to the sale or lease of a vehicle at the pre-rebate purchase or lease price.

The measure requires each state administering agency to adopt program milestones, provide for annual independent audits, issue annual progress reports, and establish procedures for oversight of the awarding of incentives. The measure also requires that the monies allocated to each bond account be spent within ten years, with reasonable efforts to be made to spend the monies for alternative-fuel vehicle rebates within five years.

Finally, the measure specifies that not more than 1 percent of the funds in each account established by the measure may be used to pay for program administration.

FISCAL EFFECT

Bond Costs. The cost of these bonds would depend on interest rates in effect at the time they are sold and the time period over which they are repaid. The state would likely make principal and interest payments from the state's General Fund over a period of 30 years. If the bonds were sold at an average interest rate of about 5 percent, the cost would be about $10 billion to pay off both the principal ($5 billion) and interest ($5 billion). The average payment would be about $335 million per year.

Impact on State Sales Tax Revenues. The measure provides $2.9 billion for a variety of vehicle-related rebates. The rebates are designed to encourage the purchase or lease of vehicles that, presumably, are more expensive than the vehicles that consumers (individuals and businesses) would purchase or lease in the absence of the rebates. To the extent the rebates result in individuals and/or businesses purchasing or leasing vehicles that are more expensive than those that they would otherwise purchase or lease, state sales tax revenues would increase. In addition, consistent with the experience with other vehicle rebate programs in California, retailers may adjust the sales price upwards to account for the individuals and/or businesses being eligible for a rebate. Such an increase in the sales prices of these products would result in an increase in state sales tax revenues. Finally, rebates will result in lower out-of-pocket expenses for some individuals and/or businesses purchasing or leasing vehicles. If these individuals and/or businesses spend any of these savings on other taxable purchases, this will result in increased SUT revenues.

While the exact amount of increased sales tax revenue that would result from the measure would depend on the quantity and actual selling price of vehicles purchased or leased and other behavioral effects in response to the rebates, we estimate that the amount is potentially in the tens of millions of dollars from 2009 to about 2019.

Impact on Local Revenues. The bond-funded incentive programs under the measure would result in the following two effects on local revenues:

- ***Increased Local Sales Tax Revenues.*** As with the measure's impact on state sales tax revenues discussed above, depending on the quantity and actual selling price of vehicles purchased or leased in response to the rebates, the measure would result in increased sales tax revenues to local governments, potentially in the low tens of millions of dollars from 2009 to about 2019.
- ***Increased Local VLF Revenues.*** As stated above, the measure could result in individuals and/or businesses purchasing or leasing vehicles that are more expensive than those they would otherwise purchase or lease. To the extent that the measure results in the purchase or lease of more expensive vehicles than would otherwise be purchased or leased, it would lead to increased local VLF revenues. While the exact amount of any such VLF revenue increase would depend upon the quantity and actual selling price of any vehicles purchased or leased as a result of the rebates offered by the measure, we estimate the increase in VLF revenues to be potentially in the millions of dollars from 2009 to about 2019.

State Administrative Costs to Implement the Measure. The measure's 1-percent limit on administrative costs may leave the various state departments with insufficient funds to implement the programs consistent with the provisions of the proposition. To the extent the measure fails to provide adequate funding for its administration, other state funds may face pressure, potentially averaging up to about $10 million annually, to fund implementation of the measure through about 2018–19.

For text of Proposition 10, see page 132.

★ ARGUMENT IN FAVOR OF PROPOSITION 10 ★

You can take action today to reduce California's dependence on foreign oil; reduce air pollution that causes asthma and cancer; and create new green technology jobs to strengthen our state's economy—without raising taxes. *Vote Yes on Proposition 10.*

PROPOSITION 10 WILL PROVIDE URGENTLY NEEDED FUNDING TO:

- Generate electricity from renewable sources, including solar, wind, tidal, and low-impact hydropower.
- Provide consumer rebates for the purchase or lease of clean alternative fuel vehicles, including hybrids, electric vehicles, and fuel-efficient vehicles that get at least 45 miles per gallon.
- Replace older polluting diesel trucks with clean alternative fuel trucks.
- Fund research and development of cheaper and cleaner alternative fuels.

YES ON 10 WILL LEAD US TO ENERGY INDEPENDENCE

Californians pay billions of dollars to hostile foreign governments while the price of gasoline soars to record levels. Proposition 10 will increase our energy independence through the production of electricity from wind, solar, and other renewable sources and by giving California motorists the choice to buy vehicles that run on electricity produced from renewable sources and cheaper domestic alternative fuels.

PROPOSITION 10 MEANS CLEAN AIR AND A HEALTHIER FUTURE FOR US AND OUR CHILDREN

Most of our transportation fuels, such as gasoline and diesel, create pollution that contains carcinogens and toxins that cause asthma and cancer. Dirty, aging diesel trucks are a leading source of air pollution. As a result, California has four of the ten most polluted cities in America according to the American Lung Association.

Proposition 10 will help replace more than 28,000 diesel trucks with trucks that run on cleaner alternative fuels. It will also provide rebates for consumers who purchase more fuel efficient vehicles and vehicles which run on clean alternative fuels that meet or surpass the state's global warming goals.

PROPOSITION 10 WILL GIVE CONSUMERS MORE ALTERNATIVES TO HIGH-PRICED GASOLINE

Record high gas prices are squeezing California's families and hurting our economy. Proposition 10 invests in research and development of less expensive cleaner alternative fuels and provides rebates to give consumers the choice of purchasing alternative fuel vehicles.

PROPOSITION 10 WILL STRENGTHEN CALIFORNIA'S ECONOMY

By making a significant investment in clean and renewable energy technologies, Proposition 10 will reduce our dependence on foreign oil, develop new clean energy industries in California, and create thousands of good-paying jobs.

YES ON 10 HAS STRICT ACCOUNTABILITY AND EFFICIENCY STANDARDS

Proposition 10 has strict accountability standards to guarantee that funds are used properly. Independent financial analysis and audits are required. Rebates for the purchase of alternative fuel or high-mileage vehicles will be given directly to consumers. There are no new bureaucracies created by Proposition 10.

PROPOSITION 10 WILL NOT RAISE TAXES, FEES, OR UTILITY RATES

Proposition 10 will not raise sales tax rates, vehicle license fees, or utility rates. It will generate millions of dollars for California communities from the sale of new alternative fuel vehicles.

FOR ENERGY INDEPENDENCE, CLEANER AIR, A HEALTHIER FUTURE FOR OUR CHILDREN, AND A STRONGER ECONOMY, PLEASE VOTE *YES* ON *PROPOSITION 10.*

DR. ALAN HENDERSON, Past President
American Cancer Society, California Division
MIGUEL PULIDO, Governing Board Member
South Coast Air Quality Management District
ALLISON HART, Executive Director
Clean and Renewable Energy Association

★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 10 ★

Prop. 10 will cost taxpayers nearly $10,000,000,000 in long-term debt. Money that won't go to schools, roads, health care, or public safety. Money that could go primarily to one company owned by the sponsor of this initiative. That's not good public policy.

Proposition 10's money would give taxpayer subsidies up to $50,000 each to buyers of trucks and other vehicles that run on a fossil fuel, natural gas. It is not about "alternative fuels."

Despite proponents' claims, Prop. 10 is craftily written to all but exclude hybrids, plug-in hybrids, electric cars, and other clean fuels.

This well-concealed tilt to one fuel will chiefly benefit Proposition 10's sponsor, Texas oil billionaire T. Boone Pickens. His company is a major supplier of natural gas for vehicles.

Proponents' claims of cleaner air and accountability fail to tell you:

- *Proposition 10 does not require any improvement* in air quality, or any reduction in greenhouse gases.
- It does not require that industries getting tens of millions in "clean energy" grants ever produce clean power.
- And it's unclear that Californians will even benefit from the millions in subsidies and grants they're paying for.

No guarantees. None.

Economists will also tell you that increasing demand for natural gas can indeed *raise your utility rates.*

During a budget crisis, we shouldn't be handing $10 billion in taxpayer dollars to special interest gimmicks. Vote NO on Prop. 10!

DONNA GERBER, Director of Government Relations
California Nurses Association
RICHARD HOLOBER, Executive Director
Consumer Federation of California
JUDY DUGAN, Research Director
Consumer Watchdog

Arguments printed on this page are the opinions of the authors and have not been checked for accuracy by any official agency.

★ ARGUMENT AGAINST PROPOSITION 10 ★

What do you call it when one company puts a measure on the ballot to put taxpayer dollars in their own pockets?

Special interest legislation. Corporate welfare. Ripping off the taxpayers.

That's the truth about Proposition 10. One company, owned by Texas billionaire oilman T. Boone Pickens, paid ALL the money for the signatures that put this measure on the ballot . ($3,000,000!). And—surprise—they are first in line to get the lion's share of the taxpayer dollars it would appropriate.

Proposition 10 would take nearly $10 BILLION OF YOUR TAX DOLLARS primarily to subsidize trucks and large vehicles so that they can run on natural gas sold by—you guessed it—companies like the one owned by T. Boone Pickens.

Even if it was not a special interest sweetheart deal, Proposition 10 would still make no sense. Here's what it does:

In the middle of a budget crisis, it takes taxpayer dollars away from education, healthcare, public safety, and universities in order to provide fleet operators, including very large and profitable corporations, a subsidy for buying or leasing natural gas trucks. That's right. It gives these corporations up to a *$50,000 rebate per truck* they buy or lease—*without even a requirement that their exhaust will improve air quality.*

The state already has a $200 million clean fuels program, paid for by fees, not by cutting vital services. The existing program funds *all* clean transportation, without a bias toward natural gas.

Prop. 10 also duplicates programs that ratepayers are already paying for. Today, electricity ratepayers provide billions to alternative energy through the rates we pay, with closely regulated oversight by the Public Utilities Commission. Prop. 10 would make us pay for virtually the same thing but with less oversight—and the companies will get paid whether they produce any power or not!

Consumers will be hurt too. Most of our home heating and much of our electricity comes from natural gas. So, what happens if we subsidize natural gas vehicles, greatly increasing the demand for expensive natural gas? Our electricity and heating bills will go up!

Tens of millions of dollars in Proposition 10 are directed to public relations, outreach, and other marketing gimmicks. Bonds should be used for paying off infrastructure like roads and schools over time—not for public relations.

Prop. 10 is not what it appears. Read the language carefully.

We all have serious concerns about the environment and want to act responsibly. Providing what appear to be incentives to act more responsibly in our choice of vehicles sounds great.

But Prop. 10 is dishonest about its intent.

It provides little real, sound alternative energy or technology. Prop. 10 requires long-term borrowing for short-term benefits and potentially obsolete technology.

Prop. 10 is bad for taxpayers, bad for vital public services, bad for consumers, and bad for the environment. What is it good for? It could provide billions to the company who put it on the ballot.

Vote NO on 10.

LENNY GOLDBERG, Executive Director
California Tax Reform Association
MARK TONEY, Executive Director
The Utility Reform Network (TURN)
MARTY HITTELMAN, President
California Federation of Teachers

★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 10 ★

READ THE OFFICIAL LEGISLATIVE ANALYST REPORT OR GO TO WWW.PROP10YES.COM AND READ THE INITIATIVE. THE SACRAMENTO LOBBYISTS WHO OPPOSE PROPOSITION 10 AREN'T TELLING THE TRUTH.

HERE ARE THE FACTS:

- *Proposition 10 funds go to California consumers—not "Texas oilmen."*

Proposition 10 gives rebates directly to California residents for the purchase of clean alternative fuel vehicles; more than a billion dollars for California renewable energy generation projects, including solar and wind; and grants for California colleges and universities.

- *Proposition 10 will clean our air.*

Studies conducted by the California Air Resources Board found diesel exhaust fumes contribute to thousands of premature deaths from cancer each year and will raise healthcare costs by up to $200 billion by the year 2020.

Proposition 10 provides $1 billion to replace the aging, polluting diesel trucks on our roads with clean trucks that run on electricity, hydrogen, natural gas, or other clean alternative fuels.

- *Proposition 10 provides more money for education—not less.*

Proposition 10 provides $100 million in grants to California colleges and universities to educate and train workers for green technology jobs. An additional $500 million is provided for research and development of cheaper and cleaner alternatives to gasoline.

- *Proposition 10 protects our children and California's future.*

Proposition 10 will ensure our kids breathe cleaner air, are less dependent on foreign oil, have alternatives to gasoline-powered vehicles, and use electricity that is generated in California from solar, wind, and other clean renewable sources.

Vote YES on Proposition 10.

DR. ALAN HENDERSON, Past President
American Cancer Society, California Division
JIM CONRAN, President
Consumers First, Inc.
JOHN D. DUNLAP III, Former Chair
California Air Resources Board

Exhibit B

California League of Conservation Voters

Proposition 7 **Vote No**

No on Proposition 7: ***Protect small solar producers and encourage solar energy production***

Proposition 7 fails to address the obstacles that have been identified by conservation groups, energy agencies, the renewables industry, and others as barriers to reaching our renewable energy goals. In addition, the proposal jeopardizes achievement of the current requirement of California law, which requires that 20 percent of electricity sold to customers be renewable by 2010.

Proposition 7 threatens the status of small-scale renewable resources under California's Renewable Portfolio Standard (RPS). Proposition 7 authors amended the definition of "eligible renewable energy resource" by replacing the phrase "an electric generating facility" with "a solar and clean energy facility." The proposed change puts the entire spectrum of small-scale renewable generation technologies at risk, and requires a two-thirds legislative majority to provide a remedy, leaving Californians stuck with a flawed and inflexible renewable energy policy. The success of California's renewable energy future is too critical to achieving our clean energy goals to lock in fatally flawed legislation. Environmental, labor and consumer organizations are united in our commitment to the success of California's renewable energy future– but we are also united in our opposition to Prop 7, which will not deliver that future.

Proposition 10 **Vote No**

No on Proposition 10: ***Protect the environment and taxpayers — and stop the alternative energy scam***

A fossil fuel corporation owned by Texas oil tycoon T. Boone Pickens spent $3 million dollars to put Proposition 10 on the ballot. That same corporation will almost certainly reap the rewards if Prop 10 passes. California taxpayers will be stuck subsidizing big trucking companies at a cost of $335 million per year; they'll shell out a total of $2.5 billion in subsidies to trucking companies to purchase "clean" vehicles. Prop 10 does not require any reduction in global warming emissions for trucking companies that get "clean" vehicle handouts of up to $50,000 per truck – and Prop 10 excludes hybrids from its definition of a "clean" vehicle.

The bottom line: California already faces a $15 billion budget deficit crisis, and Prop 10's raid on the state's coffers will mean cuts to our schools, our public safety and our health programs. Prop 10 is biased towards investments in natural gas technology— over cleaner alternatives such as wind and solar technology—while draining California's already over-committed general fund. Although perhaps rooted in a commendable goal of environmental progress, Prop 10 is bad policy for California's taxpayers and California's environment.

Sierra Club

Sierra Club California stands firmly behind the idea that clean, renewable energy and alternative vehicles can create jobs and help our economy while fighting the pollution that causes global warming.

That's why we only very reluctantly opposed Propositions 7 and 10.

Proposition 7 contains loopholes for compliance and lacks a steady source of funding for renewable power development. Instead of creating a funding stream that clean-power generators could tap into, the measure creates an uncertain system of penalties that may or may not provide enough money to fund new renewable sources of energy. The proposition even lowers some current penalties for non-compliance. Proposition 7 also sets a dangerous precedent by removing local control over energy policy. Sierra Club's energy experts know there's a lot of potential in "community choice," a practice that consolidates a community's energy-purchasing power in the same way co-op grocers have more power to buy produce because they work together.

Along similar lines, Proposition 10 also provides no good alternative. Although its supporters claim the proposition promotes energy independence and clean air, the measure would offer taxpayer money in the form of rebates to consumers who purchase vehicles that create "no net material increase in air pollution." That sets the bar too low to reduce the pollution that causes global warming and that affects the health of Californians living near freeways and high-traffic areas. Taxpayers would subsidize the purchase of these vehicles via expensive borrowing, since Proposition 10 doesn't offer a way to pay back the general fund for these rebates. Instead, it relies on future state tax collection to pay back these bonds. Sierra Club questions the use of state-issued bond funds for rebates to the purchasers of cars that would do little to combat global warming.

League of Women Voters

LEAGUE POSITIONS AND DISCUSSION NO ON PROPOSITION 7

The LWVC Energy position supports a state energy policy that will ensure reliability of energy resources and protection of the environment and public health and safety, at reasonable customer rates, giving primary consideration to conservation and energy efficiency.

The League believes that in acquiring new electric resources, major additional factors to consider include the:

1. reduction of greenhouse gas emissions
2. development and deployment of renewable resources
3. contribution to the diversity of the resource mix
4. availability at times of peak power demand
5. level of support for base load power requirement
6. protection of public health and safety

Statewide standards should be set for renewable resource development, demand-side management procurements, and reserve requirements. These standards should be applied to all load-serving entities.

The state should use economic/market and other incentives to foster renewable energy, conservation, demand-side management, and greenhouse gas reductions.

Decisions about implementation of the energy planning process should be made on a region-wide basis through a mechanism that incorporates participation by local governments.

Discussion

In 2003 the relevant state agencies adopted a policy that made **energy efficiency** the highest priority resource in the state's "loading order" (the order of priority for procurement of energy sources). Proposition 7 fails to consider energy efficiency and reduction in the need for additional generation, the least environmentally damaging and the lowest cost resource.

California has led the nation in fostering ways to **conserve energy** over the past 30 years. The state's appliance and building standards are the most rigorous anywhere in the world, and now the state is supporting development of a "smart" distribution grid to foster demand-side management—to encourage customers to decrease their demands for power, particularly at times of peak demand.

Proposition 7 calls for the overly simplistic mandate that half of all the power produced in the state should come from solar, wind and other alternative resources by 2025. For decades California has led the nation in the procurement and use of renewable energy—from solar, wind, geothermal, biomass, and small hydroelectric facilities. Since 2002 the state has had a Renewables Portfolio Standard (RPS) requiring electric providers regulated by the California Public Utilities Commission (PUC) (i.e., the investor-owned utilities and the electric service providers) to increase their reliance on renewable resources to 20 percent of total generation resources by 2010. While sufficient contracts have been signed to meet this RPS, in fact, it is clear that many of those projects will not be operational before 2012 or 2013.

The PUC has conducted a study to determine the reasons for the delays in meeting the current RPS. There are four notable causes: (1) a lack of transmission capacity to carry renewable power from areas in the state where it is abundant to the load centers; (2) the failure of the federal government to renew the investment tax credits that currently are an important inducement to developers of renewable energy; (3) uncertainties regarding the siting of renewable energy projects on lands managed by the Bureau of Land Management, particularly in and around the Mojave Desert; and (4) issues related to the technical maturity of some renewable projects.

Major efforts are currently underway on the part of the PUC, the Energy Commission, and numerous other stakeholders to address the delays associated with achieving the 20 percent RPS, but the state does not have the authority to challenge either federal policies or local jurisdictions that object to expansion of transmission lines. Meanwhile, the governor and the Air Resources Board have called for an expansion of the RPS to 33 percent renewable generation by 2020 in conjunction with implementation of the plan to reduce greenhouse gas emissions as called for in AB 32, the Global Warming Solutions Act. This expansion would require all energy providers in the state to meet this requirement. The PUC has called for an analysis of issues associated with meeting this 33 percent goal and the establishment of a schedule.

Passage of Proposition 7, with its confusing and sometimes contradictory provisions, would certainly upset this effort to expand the deployment of renewable resources in the state.

The fiscal effects of the proposition are very unclear. We emphasize that the least expensive way to meet increasing demands for electric power in the coming decades will be investments in energy efficiency and in demand-side management.

LEAGUE POSITIONS AND DISCUSSION NO ON PROPOSITON 10

The LWVC State and Local Finances (SLF) position on Long-Term Debt Financing supports the use of bond financing for construction of capital projects and purchase of facilities for public use, and states that the League's support of bond measures should take into account the state's current bond rating and the impact of the measure on the ability to finance other projects; how the bond measure fits within debt management and infrastructure plans; and current urgent needs.

The LWVC SLF position on Flexibility of Revenue also opposes earmarking of funds by calling for adoption of designated earmarked funds and taxes only in those situations where social benefit significantly outweighs the loss of flexibility, as well as automatic sunset dates and mandatory review and reauthorization of earmarked funds.

Under the LWVC Energy position, the League supports development of a state energy policy that will ensure reliability of energy resources and protection of the environment and public health and safety, at reasonable customer rates, giving primary consideration to conservation and energy efficiency. The League believes that in acquiring new electric resources, major additional factors to consider include the reduction of greenhouse gas emissions, development and deployment of renewable resources, and contribution to the diversity of the resource mix.

Discussion

Although the League's Energy position would, in general, support efforts to reduce reliance on petroleum-based fuels and to increase the development and use of alternative and renewable energy sources, the League opposes this proposition on the basis of our government finance positions.

Bonds are usually used to finance capital expenditures or the purchase of property for public purposes, and we can support bonds for those purposes. However, the majority of the proceeds of this bond measure do not fall in those categories but would go to providing rebates to purchasers of alternative fuel and high efficiency vehicles. The state would be repaying the cost of the bonds long after the useful life of these vehicles. Bond funds would also be used for research and development of renewable energy and alternative fuels, and toward training and educational grants, which are not an appropriate use for bond funds and should be financed on a pay-as-you-go basis.

This measure limits flexibility in the use of funds by calling for specific percentages of the bond proceeds to be spent for the rebates, research and development of new technology, and education. There are programs at the federal level that provide more support for some of these purposes already, and at present there also appear to be substantial amounts of venture capital looking for opportunities to invest in this field.

This is a general obligation bond measure that would have to be paid off from the state's General Fund (GF). Overall GF debt payments in 2007-08 were about $4.4 billion; this figure will continue to rise over the next decade as previously authorized but unsold bonds are marketed.

Proposition 10 does not come with a dedicated revenue source and thus would be funded at the expense of ongoing state programs that are already suffering cutbacks. It would cost the state about $10 billion to repay the principal and interest on the bond, with costs of about $335 million a year from the GF. In contrast, increased revenues to the state and local governments from the sales tax and vehicle license fees on new vehicles as a result of the rebate program could be in the tens of millions of dollars. The measure does not appear to provide adequate funds for administrative oversight, which would probably result in administrative costs of about $10 million a year.

We do not believe this measure is an appropriate use of bond funding, and we feel that it is particularly unwise given our ongoing structural budget situation.

Exhibit C

Endorsements

Environmental Organizations

- California League of Conservation Voters (CLCV)
- The Sierra Club
- The Alliance for Responsible Energy Policy (AREP)
- Earth Day Los Angeles

Consumer Rights Organizations

- Consumer Federation of California
- Consumer Watchdog
- The Utilities Reform Network (TURN)
- Utility Consumers' Action Network (UCAN)
- CARS - Consumers for Automobile Reliability and Safety

Good Government/Religious

- League of Women Voters of California
- California Council of Churches/California Church IMPACT
- Lutheran Office of Public Policy - California
- Friends Committee on Legislation

Business/Taxpayers

- California Chamber of Commerce
- California Taxpayers Association (Cal-Tax)
- The Howard Jarvis Taxpayers Association
- California Tax Reform Association
- Silicon Valley Leadership Group (SVLG)
- Valley Industry and Commerce Association (VICA)
- California Farm Bureau Federation
- Los Angeles Chamber of Commerce
- Reason Foundation
- California Manufaturers and Technology Association (CMTA)
- Dana Point Chamber of Commerce

Labor Unions

- California Nurses Association

- California Labor Federation
- California Federation of Teachers
- California School Employees Association
- California Teamsters Public Affairs Council
- California Conference Board of the Amalgamated Transit Union
- United Food and Commercial Workers Western States Council
- Communications Workers of America District 9

Social Justice

- Latino Issues Forum

Newspapers

- Los Angeles Times
- San Jose Mercury News
- San Francisco Chronicle
- San Diego Union Tribune
- Contra Costa Times
- Santa Rosa Press Democrat
- The Press Enterprise
- Santa Cruz Sentinel
- Santa Monica Mirror
- Tracy Press

Cities/Counties

- California State Association of Counties

Political Clubs/Parties

- San Mateo County Democratic Central Committee
- Democratic Party of San Fernando Valley
- Alice B. Toklas Democratic Club
- The Foothill Community Democrats
- Coastside Democrats
- California Republican Party
- Bakersfield Republican Assembly
- Long Beach Greens

(Partial List)

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Endorse No on Proposition 10

We welcome organizations and individuals to add your voices to the No on Proposition 10 campaign.

Please fill out our No on 10 Endorsement Form and send it to the Consumer Federation of California.

Email it to us at mail@consumercal.org

or fax it at (650) 343-1238

Phone (650) 375-7840

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- **Who's talking about Prop 10?**

"This is another attempt to use tax funds to benefit a billionaire...The Press Democrat recommends a no vote on Proposition 10."
- Santa Rosa Press Democrat editorial

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"Billionaire Texas oilman T. Boone Pickens, listed by Forbes as the 131st richest American, really, really wants your money. So much so that his natural-gas fueling company has shelled out 3.2 million to further the reprehensible scam known as Proposition 10. "
- Los Angeles Times editorial against Prop 10

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"California needs low-polluting alternative fuels in its future. But voters shouldn't be misled to think this measure is a balanced answer. Vote no on Proposition 10."
- San Francisco Chronicle editorial against Prop 10

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"The measure (Prop 10) adds to the state's fiscal problems, lines the pockets of the plan's billionaire sponsor, and provides taxpayers nothing of lasting value – just a promise of clean air, with no requirements to make sure the promise is fulfilled.""
- California Taxpayers Association

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"Using your general fund tax dollars to subsidize...a fleet of natural gas vehicles...would be irresponsible. Vote no."

– San Jose Mercury News Editorial

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"How does it make sense to float 30-year bonds to pay for vehicles that would last just a few years? How does it make sense to have the $50,000-per-vehicle subsidy available on a first-come, first-served basis sure to be gamed by interstate trucking companies that don't even have to use the vehicles in California?"
- San Diego Union Tribune opposition editorial to Prop 10

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"The purposes of this bond are not an appropriate use for state-issued, bond-generated revenues."
- League of Women Voters opposition statement to Prop 10

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"Prop 10 is biased towards investments in natural gas technology— over cleaner alternatives such as wind and solar technology—while draining California's already over-committed general fund."
- California League of Conservation Voters

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"The reduction of greenhouse gases is a priority for our state, however this measure is not the most cost effective way to achieve reductions. Proposition 10 does not allow all technologies to compete for taxpayer dollars."
- California Chamber of Commerce President and CEO Allan Zaremberg

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"With little bang for five billion bucks, California cannot afford to waste money and time on technologies that won't address global warming or promote clean air."
- Jim Metropulos, Senior Advocate, Sierra Club California

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"On the basis of market distortion alone, this is crazy. There's already a federal subsidy for natural gas vehicles, which Pickens is lobbying to be continued through 2018."
- Judy Dugan, energy specialist, Consumer Watchdog, Dallas Morning News

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Read more...

- ***Recent Posts***
  - *Contra Costa Times Opposes Prop 10 - Our Streak Stays Alive!*
  - *Listen to Prop 10 debated on KQED's Forum!*
  - *California Taxpayers Assocation (Cal-Tax) and Santa Rosa Press Democrat Agree: Vote No on 10!*
  - *San Francisco Chronicle and the Tracy Press Agree: Vote No on 10*
  - *San Mateo County Democratic Party and Bakersfield Republican Assembly Agree: Vote No on 10*

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DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. 08-___

mae
10/14/08

Introduced by Council Member _____

RESOLUTION IN OPPOSITION TO PROPOSITION 10 ON THE NOVEMBER 4, 2008, BALLOT

WHEREAS, there exists on the November 4, 2008, statewide ballot, Proposition 10, also known as the California Alternative Fuel Vehicles and Renewable Energy Initiative (the "Initiative"); and

WHEREAS, the State of California administers a variety of existing programs to promote renewable energy, alternative clean fuels, energy efficiency, and air quality improvements, some of which provide financial incentives, such as grants, loans, loan guarantees, rebates, tax credits, and, on occasion, has used general obligation (GO) bonds as a funding source for air quality-related incentive programs; and

WHEREAS, the Initiative purports to enable Californians to decrease our reliance on foreign oil by utilizing current solar, wind, and natural gas technologies through $2.5 million in rebates for Dedicated Clean Alternative Fuel Vehicles, which it defines as vehicles powered exclusively by biomethane, electricity, hydrogen, natural gas, propane, or any combination thereof; however, Proposition 10 offers no financial incentives for the purchase of zero emission vehicles and does not ensure any reductions in greenhouse gas emissions, despite a projected cost to the California taxpayer of $10 billion over 30 years; and

WHEREAS, it is staff's opinion that an initiative of this magnitude should achieve significant reductions in greenhouse gas emissions relative to petroleum use, rather than offering incentives for vehicles that produce no net material increase in air pollution at a significant cost to California taxpayers.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Hayward hereby opposes this initiative and encourages the voters to vote no on Proposition 10 on November 4, 2008.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2008

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST:_____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

_____
City Attorney of the City of Hayward