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.

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.

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

★ 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

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