

ATTACHMENT A

BILL: SENATE BILL 43

AUTHOR: SENATOR BEN ALLEN (D-SANTA MONICA)

SUBJECT: CARBON TAXES

STATUS: SENATE ENVIRONMENTAL JUSTICE COMMITTEE
APPROVED 5-2

SENATE GOVERNANCE AND FINANCE COMMITTEE
HEARING SCHEDULED: APRIL 24, 2019

ACTION: WORK WITH AUTHOR

RECOMMENDATION

Staff recommends that the Board of Directors adopt a WORK WITH AUTHOR position on Senate Bill 43 (Allen).

ISSUE

This bill was introduced to evaluate a new sales tax structure, based on taxing goods based on their carbon impacts or “carbon intensity.”

Specifically the bill would:

- Require the state board, in consultation with the California Department of Tax and Fee Administration, to submit a report to the Legislature on the results of a study, as specified, to propose, and to determine the feasibility and practicality of, a system to replace the tax imposed pursuant to the Sales and Use Tax Law with an assessment on retail products sold or used in the state based on the carbon intensity of the product to encourage the use of less carbon-intensive products; and
- Require the state board to revise, as necessary, the 2017 scoping plan to reflect the carbon emission reduction benefits that may be realized through the imposition of the assessment based on carbon intensities of products and to consider the results of the study in future updates to the scoping plan.

DISCUSSION

Senator Ben Allen (D-Santa Monica) has introduced Senate Bill 43 which would direct the California Air Resources Board and California Department of Tax and Fee Administration to evaluate and consider an innovative approach to sales tax collection based on a product’s carbon impacts. Senator Allen states that the proposal will encourage consumers to positively contribute to reducing greenhouse gas emissions in their product choices, much like the state’s cap and trade program incentivizes businesses to reduce their emissions.

The state has aggressive Greenhouse Gas Reduction Goals which a number of programs aim to meet. The state also monitors compliance carbon emissions through CARB's administration of the cap-and-trade program. SB 43 aims to provide incentives for consumers in the form of sales tax and cost savings for choosing products with a small carbon intensity. The bill does not establish the carbon tax structure, and per the Senate Committee on Natural Resources analysis, it allows the CDTFA and CARB to review and identify "product types that would provide the greatest carbon emission reduction benefit if taxed differently, and ensure that if the State was to pursue such an approach it would be effective, efficient and practical" could have potential impacts on the state's collection of sales tax revenues.

Staff is currently reviewing the bill for potential impacts to Metro's collection of sales tax revenues to support the agency's projects and programs. A WORK WITH AUTHOR position will allow staff the flexibility to ensure that Metro's priorities for GHG reduction efforts and protecting and ensuring stable fund sources are incorporated in the study of the feasibility of the carbon tax.

The bill is supported by a number of environmental and climate action organizations. Opposition includes a number of automotive, agricultural and manufacturing associations. The bill was approved by the committee on a party line vote. Staff will continue monitoring the legislation as it moves through the legislative process.

Staff therefore recommends that the Board adopt a WORK WITH AUTHOR position on the measure SB 43 (Allen).

DETERMINATION OF SAFETY IMPACT

There is no determined safety impact due to the enactment of the proposed legislation.

FINANCIAL IMPACT

The estimated financial impact has yet to be determined.

ALTERNATIVES CONSIDERED

Staff has considered adopting an oppose position on the bill. An oppose position would be inconsistent with metro's board approved 2019 State Legislative Program Goal #6: coordinate with our local and state partners to incorporate the region's needs in emerging climate change and sustainability programs.

NEXT STEPS

Should the Board decide to adopt a WORK WITH AUTHOR position on this legislation; staff will communicate the Board's position to the author and work to ensure inclusion of the Board's priorities in the final version of the bill. Staff will continue to keep the Board informed as this issue is addressed throughout the legislative session.