



FACT SHEET: THE CAP-AND-TRADE TAX HIKE

“State regulators go through contortions to explain why it’s not a tax. But cap-and-trade adds 10.3 cents to the cost of a gallon of gasoline. Motorists who are aware they pay it understand that it is a cost of driving. As such, legislators ought to approve it by a two-thirds vote.”

—Sacramento Bee editorial, *January 18, 2017*

- The governor’s Proposed State Budget calls for continuing auctions under the guise of the state’s greenhouse gas (GHG) cap-and-trade program, which have already taken billions of dollars from California businesses and consumers.
- The governor is proposing extending these auctions by a two-thirds vote of the Legislature, which would legally clear the constitutional hurdle for raising taxes.
- But these auctions have already been operating illegally since 2012, raising gas and energy prices and generating more than \$3.4 billion that has been spent on ineffective and wasteful programs that don’t quantifiably reduce GHGs.
- With the November 2016 election, Californians just saw their taxes already grow by more than \$10 billion annually.

A Hidden Tax on Energy

- AB 32 of 2006, and SB 32 of 2016, set goals for the state to reduce GHGs. Since 2012, the state Air Resources Board (ARB) has “auctioned” the right to emit GHGs – for a price – by forcing businesses to compete against each other and pocketing the proceeds.
- With these auctions occurring four times per year, the nonpartisan Legislative Analyst estimates ARB will rake in as much as \$45 billion by the time cap-and-trade is scheduled to expire in 2020.
- The California Energy Commission recently revealed these auctions have already increased gas prices by more than 10 cents per gallon. And with forecasters predicting California gas prices could rise another 30 cents a gallon in 2017, Californians are already bracing for more pain at the pump.
- AB 32 of 2006 set the original goal of reducing California’s GHGs to 1990 levels by the year 2020. It was under this statute that ARB started taking billions of dollars from businesses and consumers, despite legal experts pointing out this taking was never authorized.

- The state’s nonpartisan Legislative Analyst, legal experts, taxpayers, fiscal watchdogs and the Third District Court of Appeals have all questioned the legality of taking billions of dollars from businesses and consumers, without passing a tax by the required two-thirds vote, and spending those billions frivolously on programs that don’t reduce GHGs.
- By the time the Legislature passed legislation (SB 32, 2016) to extend the original GHG goal to an even more ambitious reduction target for the year 2030, the controversy surrounding cap-and-trade’s “auction proceeds” was such that lawmakers chose to leave the auction program out of the extension.

Squandered on Ineffective and Wasteful Spending

- To date, ARB has taken \$3.4 billion in “auction proceeds” from businesses and consumers – all under the guise of AB 32, which calls for lowering GHGs to 1990 levels by the year 2020.
- But so far the state has spent billions in “auction proceeds” on bureaucracy-as-usual government programs, with nothing to show for meeting AB 32’s 2020 goal.
- ARB says the spending will prevent 14.3 million tons of GHGs released into our air. But that reduction won’t be realized until the year **2095** and represents just **3 percent** of California’s annual GHG emissions.
- According to the Legislative Analyst, even ARB’s tiny estimate of GHG reductions is “*almost certainly overstated*” due to ARB’s inaccurate and incomplete tracking of GHG reductions. In fact, some of ARB’s spending may actually be *increasing* the cost of reducing GHGs.
- The unaccountable squandering of “auction proceeds” demonstrates this revenue is not being spent to meet GHG reduction goals, but rather to appease special interests.

Say “No” to the Hidden Energy Tax!

- Government’s already squandered billions on special interest spending, without anything quantifiable to show for it.
- Gas and energy prices are already high, and growing higher, as well as California’s cost of living. We *don’t* need another hidden energy tax.