Metropolitan Transportation Commission and Association of Bay Area Governments

Joint MTC ABAG Legislation Committee

September 9, 2022 **Agenda Item 3c**

Proposition 30: Clean Cars & Clean Air Act

Subject:

Recommendation for MTC and ABAG to endorse Proposition 30 on the November 8, 2022 ballot.

Overview:

Proposition 30 would institute a 1.75 percent tax increase on personal income above $2 million to raise funds for zero-emission vehicles (ZEV) and charging infrastructure (80 percent) and wildfire response and prevention (20 percent). This additional tax would end by January 2043 or sometime after 2030 if statewide emissions are reduced by 80% of 1990 levels for three consecutive years. The Legislative Analyst's Office (LAO) estimates the new tax would generate between $3.5 billion to $5 billion annually. Plan Bay Area 2050 identified seeking new revenues to support electrification as a strategy in our Implementation Plan and abating wildfires is clearly a critical regional priority to protect communities, public health (in terms of air quality) and preserve our existing housing stock.

Discussion:

This measure is aimed at providing significant new, dedicated revenues to help accelerate the state's transition to a zero-emission transportation system and provide new funding to help pay for fire prevention and response, a growing concern due to the impact of climate change on the severity of the fires. Transportation is the single largest source of global warming emissions and air pollution in the state. On August 25, the California Air Resources Board (CARB) approved the Advanced Clean Cars II rule which establishes a year-by-year roadmap so that by 2035 100% of new cars and light trucks sold in California will be zero-emission vehicles, including plug-in hybrid electric vehicles. The funding from Proposition 30 will provide subsidies to encourage more California motorists and businesses to purchase these vehicles and provide significant funding for charging infrastructure.

Zero-Emission Vehicle Programs (80 percent)

After deductions for oversight and accountability, 80 percent of the total revenue is for two ZEV program categories:

- ***Payments to Help Buy New Vehicles.*** 45 percent of the funds are directed to the ZEV and Clean Mobility Fund. Most of this money must be used to help households, businesses, and governments pay for part of the cost of new passenger ZEVs (such as cars, vans, and pick-up trucks). Funds may also be used to help businesses and governments buy large ZEVs (such as trucks and buses) and programs that improve local air quality and support "clean mobility options" including, but not limited to, electric bikes, bike-sharing, protected bike lanes, and transit passes. These funds would be administered by CARB.
- ***Charging Stations.*** 35 percent of the funds are directed to the ZEV Infrastructure and Investment Fund, to be administered by the California Energy Commission. This money would be used to install and operate ZEV charging and fueling stations at places such as apartment buildings, single-family homes, and public locations.

For each category above, at least half of the money must be spent on projects that benefit people who live in or near disadvantaged communities (based on the CalEnviroScreen definition) and/or low-income communities (defined as census tracts with a median income at or below 80 percent of the statewide median or below the "low-income" threshold designated by the Department of Housing and Community Development). The rest of the money could be spent anywhere in the state.

Wildfire Response and Prevention Activities (20 Percent)

The remaining 20 percent of total revenue must be spent on wildfire response and prevention activities. Of this, 75 percent would be directed to a General Prevention and Suppression Account that could be used to fund the housing, training and hiring of both permanent and seasonal firefighters, and various prevention and suppression efforts. The remaining 25 percent would be directed to the State Fire Marshal Prevention and Suppression Account to be administered by CalFire.

Recommendation: Support / ABAG Executive Board Approval
Support / MTC Commission Approval

Issues:

Measure Would Constrain Legislature's Budget Flexibility

By specifying in the State Constitution how its new revenues must be spent, Proposition 30 reduces the state's flexibility over its budget. While the measure does raise *new* revenue to help pay for the new expenditures, the State Appropriations Limit (or "Gann Limit"), which imposes an overall cap on how much expenditures can grow, has been triggered in recent years, including this past fiscal year (FY) 2022-23 State Budget. According to the LAO, some of the spending required by Proposition 30—likely an amount ranging from about $1.5 billion to $3 billion annually—would count toward this limit. It is likely that new expenditures that MTC and other stakeholders may want to advocate for to address the transit fiscal cliff would also count towards the Gann Limit. Thus, in any year that planned state spending exceeds that limit, Proposition 30 would effectively require the state to forego investments in other programs to "make room" for the new required spending on ZEV programs and wildfire activities. Given the region's significant transit operating shortfalls, this is a legitimate concern.

On the other hand, the measure provides a new medium-term funding source for expenditures that are currently being borne by the General Fund. For instance, the FY 2022-23 State Budget includes $2.7 billion in for ZEV adoption and $3.9 billion over three years, for investment in ZEV adoption, including funding that could assist transit agencies with the very costly zero emission bus mandate, as well as clean mobility options for California's most environmentally and economically burdened communities. Although the measure includes a provision indicating the intent of the initiative is to increase and not replace existing revenues provided for this purpose (intended to prevent the state from simply using these funds to backfill existing commitments) Proposition 30 could mean there is less pressure on the General Fund to further augment programs existing with the ZEV transition.

Concerns About Measure Benefiting Private Sector

Another criticism against the measure is that its biggest donor, Lyft, given stands to benefit from its passage. Following SB 1014 (Skinner, 2018), CARB adopted a Clean Miles Standard regulation that takes effect next month and requires that Lyft and other ride hailing companies achieve by 2030 a level of zero greenhouse gas emissions and ensure 90 percent of the vehicle miles driven on their platforms are fully electric. By providing a funding source to help

California motorists purchase electric vehicles, the measure will provide a dedicated funding source that will help Lyft and other ride-hailing companies to comply with the regulation. However, under current law, Lyft is under no obligation to directly invest in electric vehicle purchases or charging infrastructure so it's unknown what might occur to assist with this transition in the absence of the measure.

Known Positions:

Support: https://yeson30.org/about/#endorsements

Oppose: California Small Business Association, California Teachers Association, Howard Jarvis Taxpayers Association, United Latinos Action

Attachments:

None

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