CALIFORNIA'S POLICY EUREKA ECONOMICS, AND POLITICS

Issue 1601 | If Californians Dictated the State of the State | January/February

INTRODUCTION

California in 2016: A Time for Breakthroughs on Transportation, Energy, and Tax Policies?

By Bill Whalen

A new year in California brings new promise—and plenty of promises from its elected leaders as to what will transpire in 2016.

Only a few days after we flipped the calendar, lawmakers were discussing what to do with the expected healthy surplus of tax revenue. And, per usual, legislators lined up with a long list of pet causes, some unfinished business from last year: fixing a $1 billion hole in the state's Medi-Cal budget and devising a plan for addressing California's fraying infrastructure.

As for California Governor Jerry Brown, January brings two big moments: this budget proposal for the new state fiscal year beginning in July and a State of the State Address outlining his priorities. About that speech, to be delivered in Sacramento at 10 a.m. on January 21: it's the Governor's way of proving he's in touch with the main concerns of mainstream California. The question: does Brown have his finger on the pulse?

Consider President Obama's State of the Union Address from last week: the White House talked about the President's commitment to addressing gun violence. Meanwhile, national surveys show that national security and the economy—not guns—are foremost on Americans' minds.

What if Governor Brown decided to give a State of the State purely based on what most concerns his constituents? The newest Hoover Golden State Poll provides some light.

Given a slate of 21 topics to decide as "top priorities," the most popular choices were:
- Dealing with the state's water problems (77%)
- Strengthening the state's economy (73%)
- Improving the job situation (61%)
- And balancing the state's budget (59%)
- Three other topics—reducing special interests' influence on state government, improving roads, bridges and public transportation, plus improving K-12 education—all hovered around 50%.

Those topics of least concern to Californians:
- Continuing the state's high-speed rail project (17%)
- And reforming the state's prison system (27%)
- Five other topics—educing income inequality, making public-employee pensions fiscally sound, strengthening gun laws, dealing with climate change, plus dealing with the state's energy problems—all failed to muster 40% support.

So as you digest Brown's address, see if his rhetoric matches this roadmap for what Californians would choose to be addressed in 2016.

And look for a few nuances. For example, should Governor Brown talk about climate change—one if his leading concerns, but not a strong finisher in the Golden State Poll—does he connect it to the drought, which resonates with voters?

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Brown could bind together three leading concerns: the state's job outlook, California's feast-or-famine economy, and a budget too reliant on fluctuating tax revenue.

Also, pay attention to how the governor finesses the matter of the state economy. As is its custom, the Golden State Poll asked a battery of questions regarding Californians' financial wellbeing.

- In terms of being better or worse off financially versus a year ago, California is a balancing act: 49% said they're about the same; 24% apiece were better or worse off.
- It was the same mixed message on job mobility: 48% expressed some confidence in making a lateral job move within six month; 46% weren't confident.
- "Right track/wrong track" also yielded a mixed verdict: 27% said things were better; 38% said a little or a lot worse; 31% opted for status quo.

In this issue of Eureka, we explore the culture of Sacramento's governance and how it may impact two major policy issues in 2016—transportation infrastructure funding and further action on climate change.

This issue includes:

- Hoover research fellow Carson Bruno's analysis of the Golden State Poll and Californians' attitudes toward a mileage tax, reducing petroleum use, and diverting High Speed Rail funds for other infrastructure projects
- Bill Whalen, Hoover research fellow, cites a few differences between Sacramento and Washington. D.C.—western and eastern capitals with contrasting styles
- Mark Watts, interim executive director of Transportation California, highlights the need for new thinking and a new model for transportation funding
- And finally, Bruce Cain, director of the Bill Lane Center for the American West, and Stanford graduate student Esteban Antonio Guerrero Jaimes showcase how electric and hybrid vehicles are the answer to reducing California's reliance on petroleum

We hope you enjoy this latest installment of *Eureka*—and that it gets you thinking about where California stands and if we're moving in the right direction.

Bill Whalen is a Hoover Institution research fellow, primarily studying California's political trends. From 1995 to 1999, Bill served as Chief Speechwriter and Director of Public Affairs for former California Governor Pete Wilson.

POLL ANALYSIS

Addressing Whether the State of the State Address Matches Public Sentiment

By Carson Bruno

On Thursday, January 21, Governor Jerry Brown will give his 2016 State of the State Address in front of a joint session of the State Assembly and State Senate. There is no doubt that this address will focus on the slow-but-steady California comeback, the continued need for fiscal restraint, and a call to the State Legislature to address the growing Medi-Cal funding gap, transportation infrastructure funding gap, and climate change. Brown faces two major challenges, however, on these items; for one, the soaring budget surplus makes it difficult to justify new or higher taxes, and two, the Assembly's moderate Democrat caucus remains wary that Brown's legislative agenda could harm their constituents' pocketbooks—not something potentially vulnerable Democrats are willing to go up against in an election year.

Yet, Governor Brown may have another problem: public opinion. The January 2016 Golden State Poll sought to examine Californians' attitudes of the State of the State by examining economic confidence, the issues Californians consider top priorities, Governor Brown's approval ratings on top issues, and whether a Republican or Democratic governor would better handle top issues. In addition, the Golden State Poll examined how different information affects Californians' views on redirecting High Speed Rail funds, replacing the gas tax with a road usage charge, and whether the Legislature was right to remove the petroleum component from SB 350.

First, the good news. Even though Governor Brown has prioritized climate change and other policies considered lower priority by likely voters, he does receive healthy approval on his handling of top issues like encouraging economic growth (53%), the response to the drought (52%), and management of the state budget (51%). However, his pet projects still loom large over his final gubernatorial term. Pluralities disapprove of his support of the High Speed Rail (41%, net disapproval of 2 points) and his support of the DELTA TUNNEL PROJECT (34%, net disapproval of 1 point).

While Governor Brown and his Democratic legislative colleagues do hold a monopoly of power in the state capitol, likely voters do think a Republican would be able to handle some issues moderately well—a reminder that the political status quo in Sacramento isn't permanent.

GOVERNOR BROWN GETS LOW MARKS ON THE HIGH SPEED RAIL AND DELTA TUNNEL PROJECTS

Issue	% Approval
Encouraging Economic Growth	53%
Response to the Drought	52%
Management of State Budget	51%
Leadership on Carbon Emissions/ Climate Change	50%
Working with Legislature/ Interest Groups	44%
Support of High Speed Rail	39%
Support of Delta Tunnels	33%

Source: *January 2016 Golden State Poll*

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When asked who would better handle the issue, a Republican governor beat out a Democratic governor on reducing crime (37% to 29%), dealing with illegal immigration (40% to 35%), and reforming the state's tax system (38% to 36%)—although that is within the margin of error. With regards to balancing the state budget, likely voters consider both equally better (37% to 37%). And while the Democratic governor led the Republican on all other issues, for five of them, the difference was within single digits, including issues considered a top priority, such as strengthening the economy, dealing with the drought, and improving the job situation.

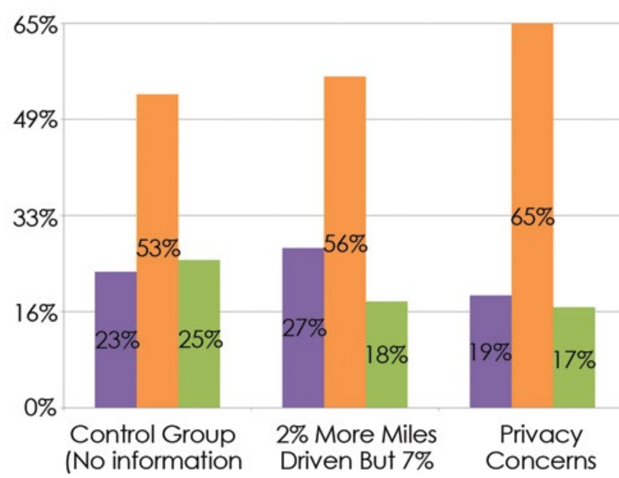
While it is still an uphill battle for a Republican gubernatorial victory, it seems focusing on fiscal and economic issues would yield the most consideration among likely voters.

The survey's three public opinion experiments examined issues that are likely to arise in 2016: the mileage tax in lieu of the gas tax, the reduction of petroleum use by 50%, and diverting High Speed Rail funds to other uses. Needless to say, Brown faces an uphill battle on all three issues.

Overall, likely voters are very resistant to replacing the gas tax with a tax on miles driven. When asked, with no additional details provided, whether the gas tax should be replaced with a tax on miles driven, 53% of likely voters opposed the change. Interestingly, when presented with, arguably, the proponents' best argument—that we are driving more miles, but consuming less gas, hence creating a funding gap—opposition actually grows to 56%. Then once respondents are given both the proponents' argument and the opponents' top criticism—that there are privacy concerns—likely voters by almost 3½ to 1 oppose making the switch. While the current transportation infrastructure funding regime no longer meets the state's needs, it is going to be a very difficult sale to voters to switch to the mileage tax.

In 2015, SB 350 passed without one key provision: a 50% reduction in petroleum use by 2030. With no additional details provided, likely voters are split on whether this was or wasn't the right decision (39% in support vs. 39% in opposition). Proponents argued that this provision of SB 350 would have promoted the use of electric and hybrid vehicles. However, when presented with this information, the net opposition for its removal jumps by 5 points (38% support vs. 43% oppose). Lastly, the provision was ultimately removed because of concerns that the reduction would impose hardships on some Californians. When both this information and the proponents' argument were given, net support for its removal increases by 13 points (46% support vs. 33% oppose). Despite proponents making a strong (and seemingly popular) case that the reduction mandate would propel electric and hybrid vehicle use, at the end of the day voters placed more weight on the fact that the law would have imposed economic hardships. Unless proponents of the provision can find an effective

THE MILEAGE TAX FACES STIFF OPPOSITION FROM LIKELY VOTERS



Source: *January 2016 Golden State Poll*

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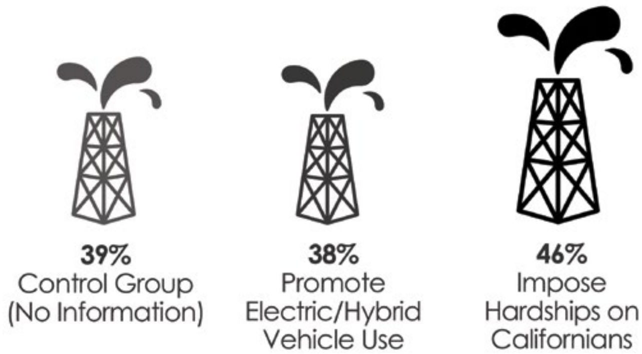
ECONOMIC HARDSHIP IS COMPELLING REASON TO REMOVE 50% PETROLEUM REDUCTION
(PERCENT OF MOST LIKELY VOTERS WHO AGREE WITH 50% PETROLEUM REDUCTION PROVISION HAVING BEEN REMOVED FROM SB 350)



Source: *January 2016 Golden State Poll*

FACTS ON THE ISSUE ☑

counter-argument, it is unlikely this reduction will find much traction in the State Legislature this year.

And finally, with opposition to the High Speed Rail project growing, there is a general question of what to do with the additional funds should the project be cancelled. Unsurprisingly, given the drought being the number one priority among likely voters, specifying water storage as the intended purpose of the redirected money (versus a generic "other infrastructure projects") increases support for a ballot measure that reauthorizes the High Speed Rail funds from a 49% plurality to a 53% majority.

As we embark on 2016, the State Legislature and Governor Brown would be wise to pay attention to the wants and needs of Californians. The drought, the economy, and the budget situation still remain the top priorities and strong barriers persist for California attempting to alter how transportation infrastructure is funded and to reduce its carbon footprint via petroleum use reduction. However, the one thing that appears to unite Californians is opposition to the High Speed Rail—probably to the chagrin of the Governor looking to cement a long-last legacy for his name.

Carson Bruno is a Hoover Institution research fellow, studying California's political, electoral, and policy landscapes. Prior to joining Hoover, Carson structured municipal bond issuances at J.P. Morgan Securities, Inc.

CalNotes:
DELTA TUNNEL PROJECT

Officially known as the Bay Delta Conservation Plan, this $25 billion project would build two tunnels under the Sacramento-San Joaquin River Delta to carry an estimated 4.9 million acre-feet of water each year from Northern California to the south. Currently, water flowing to Southern California must first go into the Delta before being pumped out, creating many points of contention between farmers and environmentalists. Critics of the project, however, contend that the project will generate more environmental degradation of the Delta at a huge financial cost to taxpayers.

FEATURED COMMENTARY

Sacramento: Like Washington, a Company Town—With Little in Common with D.C.

By Bill Whalen

"East is East and West is West, and never the twain shall meet." Rudyard Kipling was referencing the British Empire. He might as well have been talking the divide between Washington, D.C., America's capital, and Sacramento, the capital city of America's nation-state.

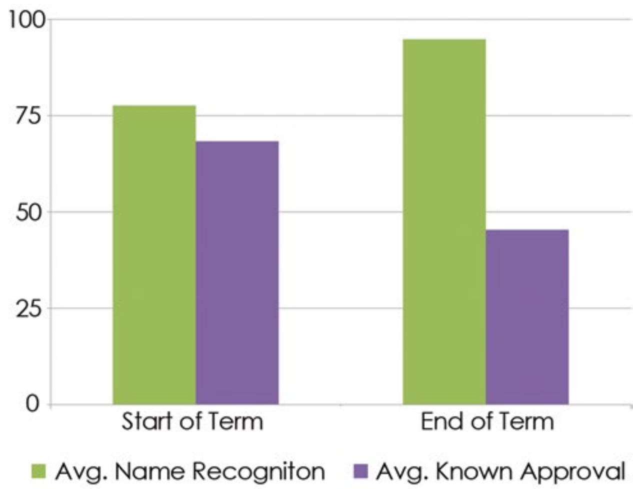
How do the two political hubs contrast? With a nod to another English scribe, let us count the ways.

The Big Speech: Last week, official Washington came to a halt for President Obama's final State of the Union address. The big speech didn't lack for drama or theatrics—the White House purposely leaving an empty seat in the First Lady's gallery to highlight gun-related deaths. With all commercial and cable news networks covering the speech live and in prime time, that gesture didn't go unnoticed.

Now, the Sacramento contrast. Governor Jerry Brown's State of the State Address will be live at 10 a.m. on the West Coast this Thursday. That forces local stations to choose between a policy speech or such civic-minded fare as *The View* and *The Price Is Right.*

In California, television doesn't accommodate the political class. The Governor's big speech won't go live, save for the

NAME RECOGNITION IMPROVES DURING GUBERNATORIAL TENURE, BUT APPROVAL DROPS



Source: Field Poll Job Performance Trend

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California Channel (think: C-SPAN for state government) and folks with enough bandwidth to handle Internet streaming.

In fairness to Brown, this has plagued all California governors not on a first-name basis with the movie-going public. Two decades ago, when I served as a speechwriter for then-Governor Pete Wilson, we scheduled the State of the State for 5 p.m. California time, to coincide with local news. Then, we had to twist arms to get on the air—albeit, with mixed results.

The Big Speakers: Then again, Barack Obama and Jerry Brown make for Democratic apples and oranges. Both are history-makers—Obama, the nation's first black president (sorry, Bill Clinton and Toni Morrison); Brown, California's oldest and longest-serving governor.

Obama has a bully pulpit and intends to use it in 2016 by issuing executive orders, traveling abroad, and generally not lying low while the nation chooses his successor.

Brown likewise has a bully pulpit—but rarely exercises it beyond Sacramento. California's Governor occasionally ventures beyond the capitol comfort zone during the fall's bill-signing season. Otherwise, he's not one for high-profile events in big media markets.

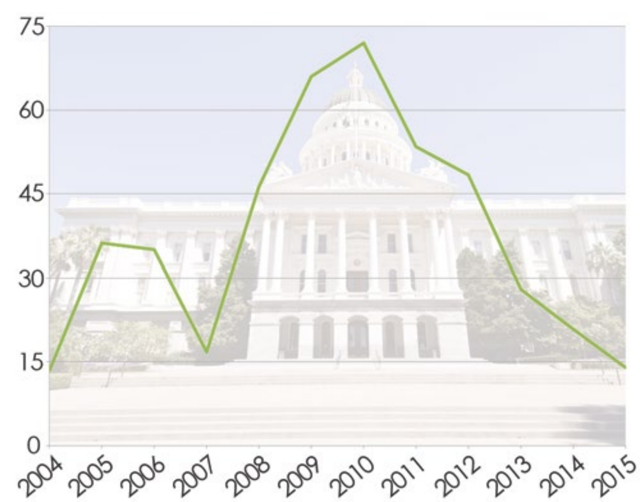
But here's the funny thing: at this point in their respective tenures, Brown may be the one with more power to exercise. Unlike Obama, he doesn't have a dysfunctional legislature that, when it's not fighting among itself, is trying to stifle the presidential agenda. Because California's governor has line-item veto authority that allows the executive to "blue-pencil" spending—permanently removing items from the budget unless the State Legislature overrides the action—he enjoys strong leverage in the budget debate. It also works to the governor's advantage that under Proposition 25 the State Legislature is racing against the clock to cut a spending deal.

Brown understands all of this, which is one reason why he released his budget plan only a few days after the State Legislature returned to Sacramento earlier this month. Anticipating a showdown once the state budget goes through its May "revision," Brown wanted to underscore the point that he had no intention of blowing through this year's revenue surplus, despite the State Legislature's tendency to spend money as quickly as it's minted.

As for Obama: earlier this month, he vetoed a Republican budget bill meant to unravel Obamacare. However, his proposed spending plan for the next fiscal year won't be revealed until next month, a week later than first advertised. Whereas Sacramento likely will complete its budget before the July 1 fiscal deadline, Washington's spending debate could be an unappetizing hash of threatened government shutdowns, continuing resolutions, election-year posturing, and new and creative ways to undercut presidential executive actions.

STATE LEGISLATURE'S NET DISAPPROVAL RATING

(PERCENT DISAPPROVE LESS % APPROVEL AMONG LIKELY VOTERS)



Source: Public Policy Institute of California Statewide Surveys

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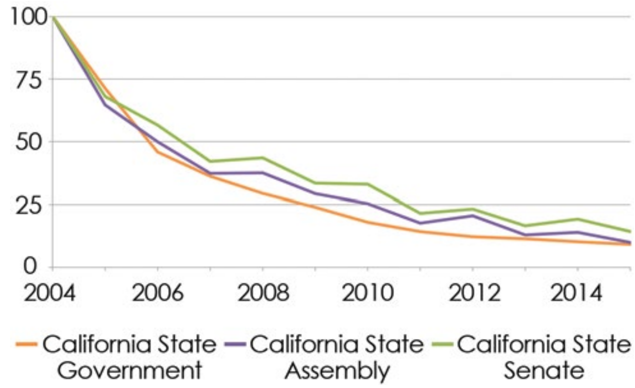
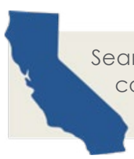
GOOGLE TRENDS AVERAGE SEARCH TERM INTEREST
(100 = 2004)



Source: Google Trends



Search interest in California's government has consistently dropped since 2004, falling an average of almost 90% in the last decade.

FACTS ON THE ISSUE ☑

Legislative Bodies: Both the US Congress and California's State Legislature are under one-party control. From there, the similarities end. First, there's the matter of volatility. Congress has changed hands three times in the past 20 years. In Sacramento, Democrats have run the State Legislature for the past 45 years—save for a brief moment in the mid-1990s when Republicans ruled the State Assembly.

And there's the matter of tenure. Thanks to California's voter-approved term-limits law, Sacramento's legislative leadership is a revolving door. Dating back to 1991 and the beginning of term limits, the state's seen four governors and 12 Assembly Speakers. In Washington: four presidents and six House Speakers.

Another way to look at it: only two Democrats—Richard Gephardt and Nancy Pelosi—have led the House Democratic caucus the past two decades, while majority Democrats in Sacramento constantly reshuffle their deck (note: this may change with 2012's Proposition 28 altering California's term-limit restrictions).

The Media: Mark Twain famously quipped: "There is no native criminal class except Congress." That's a compliment, compared to what's said these days on social media and conservative talk radio. According to a December 2015 Gallup survey, Congress saw an approval rating of just 13%. As you'll see here, the public's felt this way for some time.

In California, voters divide evenly on the State Legislature—41% approve, 40% disapprove, per the Public Policy Institute of California. A year ago, the Legislature's approval stood at 49%.

Why the difference? You can argue the appearance of being hard at work: Sacramento lawmakers passed more than 700 pieces of legislation in 2015, down from 1,000 in 2014. The present Congress can claim less than 500 enacted laws or passed resolutions.

And there's the matter of harmony: while Brown and the Golden Dome have their differences over spending and a few other high-profile matters, it's nothing like the partisan combat zone that stretches from the White House to Capitol Hill.

Here's one other possibility as to why Sacramento outpolls Washington: lack of a media microscope. Once Arnold Schwarzenegger left town in 2011, out-of-town television bureaus promptly bailed on the State Capitol. At the same time, California's newspapers have slashed their Sacramento bureaus.

In Washington, news organizations like *The Washington Post, The New York Times,* and *Politico* engage in bidding wars for top writing talent. In Sacramento, 2016's hottest news organization may be CALmatters—a nonprofit venture featuring former state journalists.

The bottom line: out-of-sight, out-of-mind may be a boost to lawmakers' approval numbers. But a contracting capitol press corps does not bode well for California's future.

Like many an American, I've had the good fortune to live on two coasts. I was born and raised in the nation's capital. Work took me to California's capital. Before taking Horace Greeley's advice, I was assured I'd enjoy Sacramento because—and this isn't the kind of thing the local Chamber of Commerce brags about—it was an easy escape to Lake Tahoe, Wine Country, San Francisco, and Yosemite; and a short flight to Los Angeles or Las Vegas.

That might be the best argument in Sacramento's favor—even if it is a backhanded compliment.

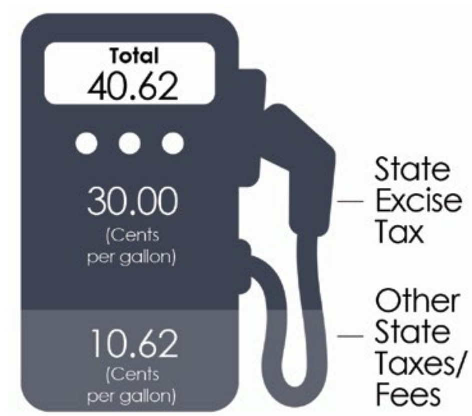
Bill Whalen is a Hoover Institution research fellow, primarily studying California's political trends. From 1995 to 1999, Bill served as Chief Speechwriter and Director of Public Affairs for former California Governor Pete Wilson.

CalNotes:

PROPOSITION 25

Passed by voters in 2010, Proposition 25 removed the two-thirds supermajority requirement to pass a state budget. To enforce an on-time passage of the budget, legislators forfeit their salary between the June 15 deadline and passage of the budget. In 2011, State Controller John Chiang declared the passed budget not-balanced and withheld salary payments to legislators. Democratic legislators promptly sued the Controller, stating that it was the State Legislature's prerogative to determine whether a budget is balanced, an argument with which the state courts ultimately agreed.

CALIFORNIA MOTOR FUEL TAXES AS OF JANUARY 2016



Source: American Petroleum Institute, State Gasoline Tax Reports

California's total motor fuel state taxes/fees, as of January 2016, were 134% of the national average.

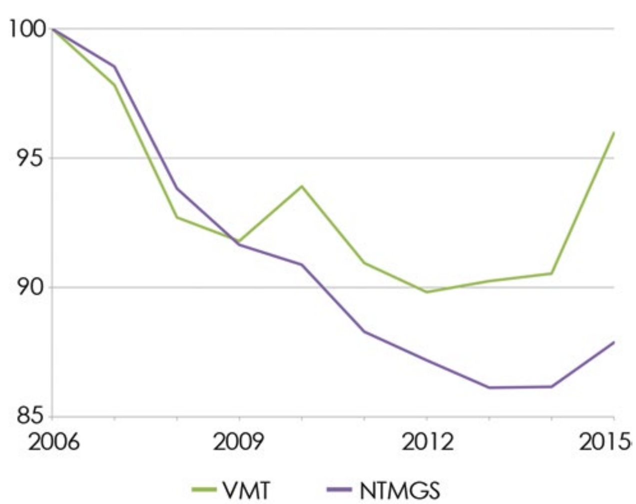
FACTS ON THE ISSUE ☑

Future Expectations for Funding Transportation Programs in California

By Mark Watts

Even while policymakers in California debate the need and appropriate approach to address the state's long deferred roadway maintenance repair and reconstruction needs, we are also embarking on a real-time examination of a new way to fund highway and roadway needs—the so-called mileage fee or, as some refer to it as, Mileage Based User Fee (MBUF).

NET TAXABLE MOTOR GASOLINE SALES (NTMGS) PER CAPITA TRACKED VEHICLE MILES TRAVELED
(VMT) PER CAPITA UNTIL 2009



Source: Federal Highway Administration & California Board of Equalization

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The problem confronting California, most states, and the federal government that all rely on the gas tax to finance highways and roadways is the erosion of the revenues resulting from flat or diminishing fuel sales. Most funding for state transportation programs comes from excise taxes on gasoline that are dedicated to funding highways and roads. The gas excise tax serves as a proxy charge for road usage, as taxes paid roughly correspond with miles driven. For example, individuals who drive more miles and inflict more wear on the road also use more fuel and, therefore, pay more in fuel excise taxes than those who drive fewer miles.

But, when matched up with consumer demand for more efficient vehicles and the steady march of federal Corporate Average Fuel Economy (CAFE) standards requiring auto manufacturers to produce ever-more-efficient vehicles, motorists are driving more and paying less in fuel taxes that support our roadway network.

Additionally, clean fuel vehicles and other alternative fuel vehicles pay little or no fuel taxes at all. While the number of such vehicles is currently a small percent of the statewide fleet, it is expected to grow under the state's policy to reduce petroleum use by 50% by 2030. As a result of this and other state policies to promote sustainable and walkable communities, we can expect the sales of fuel to continue to erode.

Compounding the vehicle efficiency effect on fuel tax revenues is the fact that the purchasing power of the gas tax has been diminished by inflation. Furthermore, present state and federal fuel tax rates have not been increased since the early 1990s.

These issues led to the current focus in Sacramento on how to address the deferred maintenance shortfall, where we are now seeing various proposals to address the deferred maintenance shortfall through new gas tax rates, on the one hand and other less—traditional sources, on the other, such as vehicle registration fees dedicated to roadway repair.

During recent public hearings on transportation funding approaches, some have questioned whether the continued reliance on fuel taxes made sense. Nevertheless, the fuel tax remains recognized as a very efficient, low-cost tax to administer while still generating substantial revenues. It is not going away anytime soon.

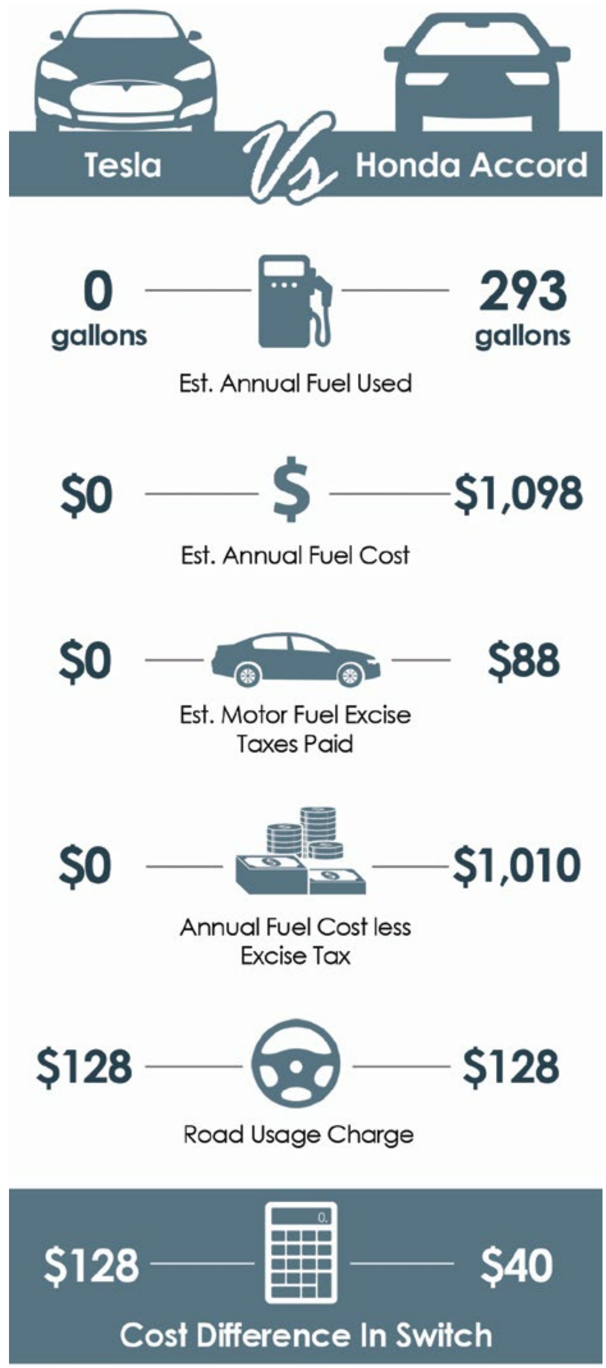
In light of these issues, the Legislature enacted Chapter 835, Statutes of 2014 (SB 1077, DeSaulnier), to direct the California Transportation Commission (CTC) to develop a framework for a pilot program to examine a "road usage charge." This action places California in line with other concerned states, such as Oregon, that have undertaken similar analyses over the past decade.

The Commission recently completed its work and has made its recommendations to the California State Transportation Agency (CalSTA) on the structure and specific features of the design for implementation of a road usage charge pilot program. Moreover, and more importantly, the administration has provided budget resources to begin to carry out this effort.

What will California motorists see when the administration moves ahead with the pilot program?

First and foremost, based on experience and lessons learned from Oregon and other states, the Commission clearly understood that motorists want choices in the manner in which mileage is reported. Consequently, California's pilot program will offer drivers a variety of mileage recording methods that range from time permits, mileage permits, post-pay odometer charges, and automated distance charging without location information, to automated distance charging with general location information.

COST COMPARISON IN SWITCHING FROM GAS EXCISE TAX TO ROAD USAGE CHARGE



Source: U.S. Department of Energy, Federal Highway Administration, California Energy Commission, & American Petroleum Institute

Note: 2014 Avg. Weekly Regular Gas Price = $3.74 per gallon; 2014 VMT per capita = 8,511 miles; Honda Accord combined fuel economy = 29 miles per gallon; Only state excise tax (30 cents per gallon) would be replaced; Mileage Tax = 1.5 cents per mile driven

FACTS ON THE ISSUE ☑

A second key aspect of the pilot program is that it must test a range of representative motorists and the Commission's suggested framework calls for a mix of individuals, households, businesses, and at least one government agency. The recruitment for potential pilot participants is underway now and is expected to include a cross-section of at least 5,000 vehicles that are reflective of the diversity of the fleet currently using California's road network, including alternative fuel and hybrid vehicles.

The Commission was also very careful in addressing the matter of privacy, in data collection and program administration, as experience from Oregon and other states clearly shows that most motorists confronting the road usage fee concept are worried about privacy. To this end, the state adopted strong elements to ensure the pilot program provides for stringent privacy protections.

So, while policymakers forge ahead in their quest to address the state's deferred roadway maintenance deficit, they will likely continue to rely on some form of Transportation Funding V.1 (fuel tax). However, with a robust and transparent pilot program soon to get underway to test the efficacy of the mileage fee, we may well see California moving toward Transportation Funding V.2 (MBUF) in the not-too-distant future.

Mark Watts is the Interim Executive Director of Transportation California and a managing principal at Smith, Watts & Hartmann. He has 35 years of experience providing lobbying services and strategic political advice.

CalNotes:

CALIFORNIA TRANSPORTATION COMMISSION

Established in 1978, the California Transportation Commission organized four transportation-related boards—the Highway Commission, the State Transportation Board, the State Aeronautics Board, and the Toll Bridge Authority—into one body. Nine voting members are appointed by the Governor and one each by the State Assembly and State Senate, and two non-voting members are each appointed by the Assembly and Senate. The Commission oversees fund allocation and program implementation for transportation improvements and advises the Secretary of the California State Transportation Agency and Legislature on transportation policy development.

The Democratic Split over Electric Vehicles and a Petroleum Reduction Goal

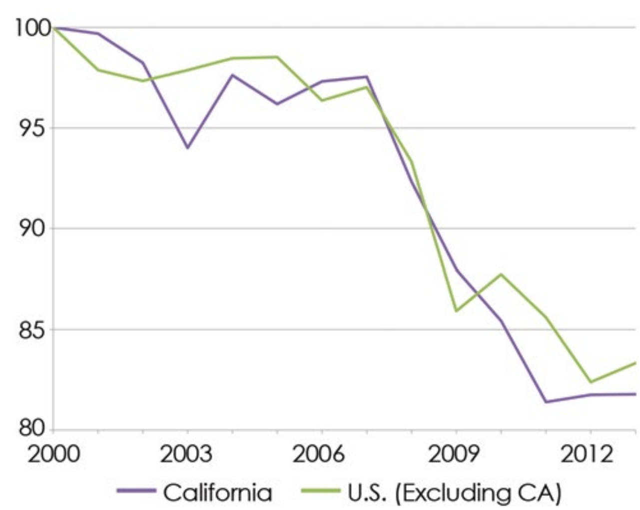
By Bruce E. Cain and Esteban Antonio Guerrero Jaimes

Governor Brown's biggest achievement at the end of the recent legislative session was securing the passage of SB 350, raising the renewable portfolio standard to 50% and doubling the energy efficiency of existing buildings. But the Governor and his legislative ally, Senate President Pro Tem Kevin De León, failed in their effort to include in the law a cut in petroleum use of 50% over the next 15 years. Many press reports attributed this defeat to the heavy lobbying and misleading advertising of the oil companies. While Republican opposition was expected, the moderate Democrats' defection apparently caught Governor Brown and President Pro Tem De León off guard and ultimately sealed the fate of the gasoline provision.

The defecting faction expressed concern that low-income constituents would suffer from the restrictions and could not afford to buy the hybrid and electric vehicles that this 50% reduction in gasoline use would have required. Assemblyman Henry Perea of the Central Valley pointed out that his district has "very little mass transit" and that "the idea of halving petroleum really worried my constituents." Was this concern legitimate or merely a smokescreen for actions that were

CALIFORNIA REDUCED PER-CAPITA CO2 EMISSIONS IN LINE WITH REST OF THE US

(2000 TO 2013, 100 = 2000)



Source: U.S. Energy Information Administration, "Energy-Related Carbon Dioxide Emissions at the State Level, 2000-2013," Table 5

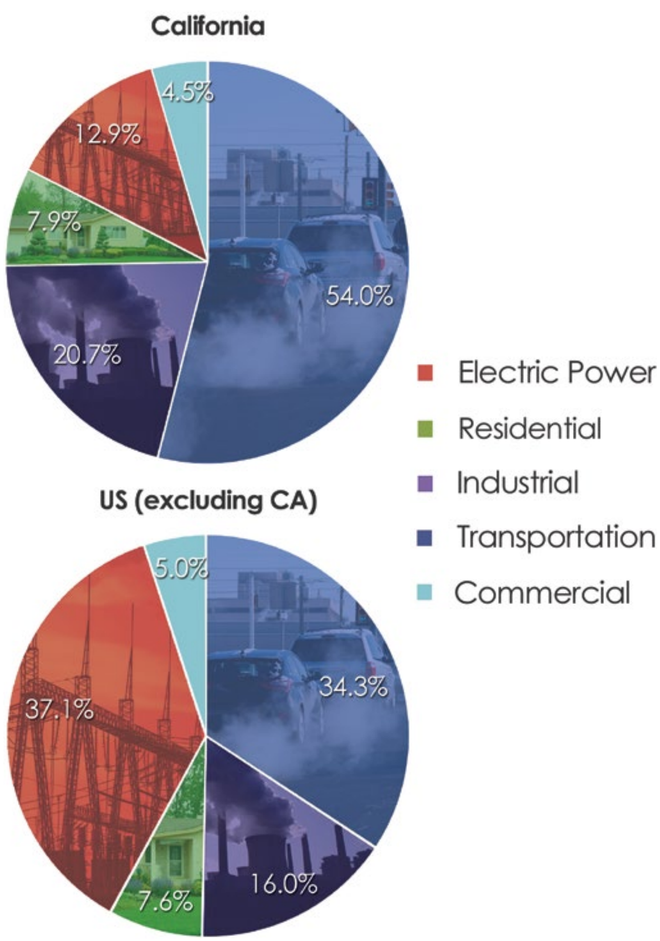
FACTS ON THE ISSUE ☑

motivated by campaign contributions and a desire to accommodate the oil industry?

There is some evidence about this in a January Hoover 2016 poll. Using an experimental design, a control group was asked simply whether they agreed or disagreed with the legislature about removing the petroleum use reduction requirement. Fifty percent of the Democrats in the control group disagreed with the Legislature (i.e., did not want to see the 50% cut in petroleum use taken out) and only 21% agreed with the Legislature.

A separate group in the survey was given the additional information that, "This law would have promoted the use of electric and hybrid vehicles to reduce the use of all-gas cars

TRANSPORTATION ACCOUNTED FOR 1/2 OF CALIFORNIA'S 2013 CO_2 EMISSIONS COMPARED TO 1/3rd FOR REST OF THE US



Source: US Energy Information Administration, "Energy-Related Carbon Dioxide Emissions at the State Level, 2000-2013," Table 4

FACTS ON THE ISSUE ☑

PETROLEUM'S SHARE OF CALIFORNIA'S CO_2 EMISSIONS IN 2013 WAS 1.6 TIMES THE REST OF THE UNITED STATES

	Coal	Petroleum	Natural Gas
California	1.0%	61.7%	37.3%
US (Excluding CA)	34.5%	39.6%	25.9%

Source: US Energy Information Administration, "Energy-Related Carbon Dioxide Emissions at the State Level, 2000-2013," Table 2

FACTS ON THE ISSUE ☑

and trucks. But some legislators opposed the law because it would impose hardships on Californians who can only afford older gas fueled cars and who commute to work at distances farther than the current range of most electric vehicles." Support among Democrats for the legislature removing the gasoline provision increased from 21% to 36%. In addition, 44% of Latinos and 48% of blacks agreed with the legislature's decision to remove the petroleum provision. We suspect that had we given them even more specific cues about the higher costs of electric vehicles and hybrids, the shift in support would have been even greater. In short, there is reason to believe that the concern among some Democrats was rooted in a real division along socioeconomic lines.

The Governor is a strong proponent for electric vehicles. In 2012, he issued Executive Order B-16-2012, directing California to have at least 1.5 million zero-emission vehicles (ZEVs) on the road by 2025. ZEVs are a mechanism to help reduce California's Greenhouse Gas (GHG) emissions and dependence on fossil fuels. According to the California Air Resources Board, 37% of California's GHG emissions are from the transportation sector. ZEVs offer an opportunity for California to reduce transportation-generated GHGs through the tailpipes.

To realize his goal, the Governor will need politically to make ZEVs affordable to low and middle income earners. One approach might be to incentivize them to trade in their inefficient vehicles for either hybrid electric vehicles (HEVs) or ZEVs. This would have the dual purpose of increasing the number of ZEVs and ZEV miles travelled while reducing the number of internal combustion engine (ICE) vehicles, thereby reducing GHG emissions.

This could take the form of the Consumer Assistance Program (i.e., California's version of "cash for clunkers") that offers qualified recipients an additional $500 or $1,000 toward the purchase of a new or used HEV or ZEV. To broaden the pool, the state could waive the requirement for low-income consumers needing to fail their most recent smog check. Policymakers could also adjust AB 802 to include a metric for valuing ZEV-enabling infrastructure in multi-unit dwellings (MUDs) and commercial buildings larger than 50,000 square feet. To finance these incentives, the state could impose a 5% surcharge on electricity "super users"—i.e., the top 2.5% of commercial, industrial, and residential consumers. Small businesses would be exempt from this surcharge.

In other words, there are ways that the Governor could address the concerns of low income more directly but, in the end, even a "cash for clunkers type" program is unlikely to allay concerns among many low-income consumers and change their car buying habits in a significant way. Until the costs of electric vehicles come down, the batteries improve, and the infrastructure develops fully, it will be hard to scale up the sales of electric vehicles to all parts of the population.

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CalNotes:

GREENHOUSE GAS EMISSIONS

In 2006, the California State Legislature passed AB 32, which requires the California Air Resources Board to implement rules in order for California to reduce its greenhouse gas emissions to 1990 levels by 2020. Also in 2006, AB 1803 tasked the Air Resources Board to maintain a greenhouse gas inventory. This inventory accounts only for anthropogenic sources—i.e. it ignores natural emissions—and includes estimates for carbon dioxide, methane, nitrous oxides, sulfur hexafluoride, hydrofluorocarbons, perfluorocarbons, and nitrogen trifluoride. In 2013, CO2 represented 84% of GHG emissions.

EUREKA

ABOUT THE PUBLICATION

Eureka was created to serve as an occasional discussion of the policy, political, and economic issues confronting California. Like the Golden State motto from which this forum's title was borrowed, the goal here is one of discovery—identifying underlying problems and offering reasonable and common-sense reforms for America's great nation-state.

Ever since Archimedes supposedly first uttered the word, *eureka* has meant joy, satisfaction, and a sense of accomplishment. Drawing on the combined wisdom of Hoover's policy experts and leading California thinkers, we hope that you'll find enlightenment in these pages. Hoover research fellow Bill Whalen, who has nearly two decades of experience in California politics and public policy, serves as this forum's editor.

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