August 16, 2016

The Honorable Fran Pavley
State Capitol, Room 5108
Sacramento, CA 95814


Dear Senator Pavley:

On behalf of the Los Angeles County Business Federation ("BizFed") - a grassroots alliance of more than 160 top business groups representing 275,000 employers with 3 million employees throughout Los Angeles County - we are writing to respectfully oppose SB 32, as amended on June 30, 2016. Please accept this letter as our formal position on this version of the legislation.

BizFed understands that SB 32 (Pavley) is contingent on the passage of AB 197 (Garcia) State Air Resources Board: Greenhouse Gases, which establishes legislative oversight and establishes specified considerations that the Air Resources Board must make in future greenhouse gas regulations. We have also submitted a letter in opposition to AB 197, as amended on June 8, 2016, enclosed herein. We incorporate all of our points in the AB 197 opposition letter here.

A. It is Premature to Extend AB 32 While a Relevant Court of Appeals Decision is Pending.

The California Court of Appeal, Third District, is currently considering the legality of AB 32’s Cap-and-Trade Program, specifically whether the auction proceeds are an unconstitutional tax. It would make the most sense to wait on SB 32 until this legal challenge is determined by the courts, to avoid piecemeal legislating. Because SB 32 does not extend Cap-and-Trade, any effort to do so would have to occur at a later date. It seems politically inefficient and infeasible to do so in subsequent legislative years. Moreover, the timing of SB 32’s revival so late in this legislative session precludes the meaningful public discourse that is needed before any extension of AB 32 occurs. We address this latter point below.

B. SB 32 is also Premature because there has been No Analysis of AB 32’s Effectiveness or Cost.

SB 32 currently contains a provision requiring ARB, by January 1, 2018 and annually thereafter, to report the “amounts, sources, and locations” of greenhouse gas reductions achieved toward the statewide emissions limits. This provision should be a standalone requirement that comes ahead of any extension of AB 32. BizFed therefore requests an amendment that decouples this provision from the bill’s current mandate that the state achieve a 40 percent reduction below AB 32 levels by 2030. We also request that the Legislature undertake other efforts to robustly analyze and understand the impacts of AB 32 regulation over the past decade, on both California businesses and jobs, by amending the bill to also require a similar report by the nonpartisan Legislative Analyst’s Office. The Legislature now has a decade worth of information that can guide this area of the law and policy going forward, which is especially important as the state is posturing to set 2030 and 2050 standards.

Moreover, AB 197 does not address these concerns. While AB 197 appears to constrain the ability of ARB in regulating greenhouse gases in the future, the
ambiguity throughout the bill actually gives ARB unfettered discretion to achieve the reductions required by SB 32. BizFed cannot support SB 32 and AB 197 in their current form because they shirk the Legislature’s moral responsibility to assess the effectiveness of existing greenhouse gas regulations – both in terms of cost and in terms of actual reductions achieved.

We appreciate the opportunity to explain our position and will remain engaged in this legislation throughout the remainder of the Legislative Session.

Gilbert F. Ivey  
BizFed Chair  
Former CAO,  
Metropolitan Water District

David Fleming  
BizFed Founding Chair

Tracy Hernandez  
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