Torrance Area Chamber of Commerce

Torrance Business Issues Update

March 2015 Edition

Policy Spotlight: "Jobs, Energy, and the Environment" and "Land Use and Economic Development"

This month's *Torrance Business Issues Update* juxtaposes the policy areas of "Jobs, Energy, and the Environment" and "Land Use and Economic Development," outlined in the TACC's 2015 Legislative Platform. Specifically, the comparison contrasts a recent legislative proposal in the climate change arena (SB 350) with legislatively enacted "green" development incentives (GGRF) in order to show the disproportional outcomes for Torrance businesses. The cost of a market transformation to a 50-percent clean energy economy, as proposed by State Senate leadership in its Senate Bill 350, is claimed to be offset by economic growth generated through government-induced market incentives. The TACC is concerned that Torrance does not proportionately share access to such market incentives but proportionately shares in market transformation costs. The TACC also disputes the validity of the bill's proponents' claim that the clean energy policy framework being established in the Legislature is creating enough growth to economically justify an *expeditious* transformation to a 50-percent clean energy economy.

Market Transformation

SB 350 (De León-Leno) seeks to transform the energy market by carrying out Governor Jerry Brown's bold vision to move the state to a 50-percent clean energy economy within fifteen years. The Governor announced his vision during his 2015 State of the State Address. The bill proposes to:

- Reduce petroleum use in the transportation sector by 50-percent
- Generate 50 percent of the state's electricity from renewable sources
- Increase energy efficiency in existing buildings by 50-percent

The legislation promulgates the above listed marks to be achieved by the year 2030**.** Furthermore, the legislation empowers an unelected body, the California Air Resources Board (CARB), with the authority to plan and execute the process to obtain its objectives.

Costs of Moving Towards a 50-percent Clean Energy Economy

The TACC is primarily concerned with three factors of SB 350's expeditious push to further transform the energy market:

1. Economic impacts of a rapid reduction of the state's Petroleum Industry
2. Effects on Utility providers to ensure the affordable and reliable delivery of electricity to power the local enterprise system
3. "Multiplier effect" of government intervention in the open market to achieve SB 350 outcomes

The TACC believes that any economic slowdown the state experiences from a reduction in the Petroleum Industry will proportionately affect our local economy. Torrance businesses will also share equally in the power delivery quality provided by Southern California Edison under the requirement to procure 50-percent of its electricity from renewable sources. In addition, the effects of government intervention to induce a rapid market transformation will likely cause second and third order adjustments in the economy, which Torrance businesses will be equally subject to.

A deep-dive into a SB 350 "multiplier effect"

Currently, the state is in a transportation infrastructure financing crisis. State law, incentives, and individual factors have influenced an increased use of fuel-efficient vehicles on California roads. A consequence of the shift to more fuel-efficient vehicles is the reduction of fuel-excise tax revenue, which is the funding source to upkeep the state's transportation infrastructure. In order to offset the revenue reduction, the state Assembly has proposed a fiscal policy solution to the problem: create a new tax. The tax would actually be considered a "fee" and would be assessed to California drivers during the vehicle registration/renewal process. Assembly Speaker Toni Atkins forecasts the fee to cost drivers $52 per year. The fee would be an added funding source, not a replacement of the fuel-excise tax.

Should SB 350 pass, an even more extreme depletion of fuel-excise tax revenue will occur, causing dramatic need to further generate new revenue sources to upkeep our roads--a policy solution that Torrance businesses will be equally subject to. ***The TACC believes that as these costs compound with others, the SB 350 multiplier effect will aid in a reduction of Torrance Consumers' purchasing power to the detriment of our local businesses.***

Clean Energy Cost Offsets

The bill's proponents justify an economically feasible transition to a 50-percent clean energy economy primarily through legislatively enacted market incentives such as the Green House Gas Reduction Fund (GGRF). The GGRF is the pool of money collected from the state's Cap-and-Trade program established in 2006 (AB 32) and is to be used for investment opportunities that reduce the state's carbon footprint. AB 32 was later expounded upon by Senator de Leon (author of SB 350) in his 2012 bill, SB 535, which requires 25% of GGRF monies to be allocated for investment opportunities in "disadvantaged" communities. Highlights of the GGRF include:

- Over $800 million available in fiscal year 14/15
  - Priority fund allocations generally go towards projects that reduce the state's carbon footprint (example: affordable housing development near a transit station)
  - $250 million is put towards High Speed Rail
  - 25% is specifically allocated for "disadvantaged" communities

The GGRF is intended to incentivize changes in human behavior to decrease demand for goods produced from green house gas (GHG) emitting industries. In the open market, equilibrium price is determined when supply equals demand, which is generally believed to happen naturally, on average, in unfettered markets. If fuel usage is capped at 50 percent then subsequently so is "supply." On the other side of the spectrum, if "demand" is not equally capped but left to natural market forces then disequilibrium is likely to occur. Legislatively induced fuel scarcity will cause gas prices to soar to the detriment of the economy.

In order to prevent this phenomenon from occurring, SB 350 proponents believe incentivizing transit-oriented development will serve as a key market force to decrease consumer demand for fuel. Simply stated, if someone is able to purchase an affordable home next to a transit station, that person is believed to be less likely to use a vehicle. Therefore, the state is providing funds and incentives for widespread development of the aforementioned circumstance.

Additionally, the GGRF serves to incentivize growth in "green" industries, which proponents believe will elicit enough economic growth to offset losses that may occur in GHG emitting industries. Examples of the bill's proponents' fervor for this concept are outlined in the following two quotes gathered from the State Senate website (www.senate.ca.gov).

"This climate leadership package sets the foundation for a clean-energy economy to flourish**,"** Senate President pro Tempore Kevin de León (D-Los Angeles) said. “Clean tech companies in California are creating more jobs and investing more money than competitors in any other state, and these policies will keep this momentum going and expand its reach.”

Senator Fran Pavley (D-Agoura Hills), who authored AB 32, says, "We must send a strong signal to the thousands of businesses already investing in job creation through pollution reduction that the state will stand with you to continue our long-term growth. Building on the success of our existing policies will create even more jobs and save families and businesses money on their energy and fuel bills, while also reducing pollution to ensure a cleaner and healthier environment for all.”

The Torrance “Disadvantage”

Torrance is not a “high-density” developed city nor largely considered a “disadvantaged” community, which limits its competitive access to GGRF monies. Torrance’s economy will be affected by adjustments that occur from likely added costs (e.g., high gas prices, new “fees”, reduced consumer purchasing power, etc.) SB 350 may generate but will be without access to the cost mitigating factors championed by SB 350 proponents. ***The TACC is concerned that the climate change policy framework being promoted in the State Senate is a “pretentious” strategy to justify a rapid market transformation that neglects middle-class cities and increases the risk for destabilization of middle-class microeconomies.***

Example: Recently, the Torrance Transit Department received a grant from one of the subprograms within the GGRF. The city will receive a little over $39K to upgrade portable bicycle racks on its buses allowing for the storage of three bikes rather than two. This project is believed to reduce the state’s carbon footprint by increasing ridership opportunities for individuals interested in using public transportation for urban travel by providing expanded capacity for cycling to and from the bus stop. This methodology may increase ridership; however, it does not induce much economic growth.

Conclusion

The TACC is advocating for state Legislators to evaluate environmental needs with sound economic judgments. A fifteen year push to a 50-percent clean energy economy is overly expeditious and leaves many economic risks unmitigated or “pretentiously” mitigated. The first-round of unprecedented climate change policy (AB 32) is still five years from its full implementation (year 2020). The TACC believes new climate change policy needs to be painstakingly assessed with appropriate time allotted for economic impact studies of AB 32, and like policies, to be fully analyzed prior to transformational legislative proposals like SB 350 to be considered. The TACC is also deeply concerned that voters will have no oversight of the agency actually formulating the transformation plan since the authority is empowered to CARB--an unelected body.

End.

Note: The TACC has taken action to oppose SB 350 and have sent letters to the area’s elected representatives in the State Senate. If you want to send a letter in opposition of SB 350, the TACC can provide you with the necessary resources to do so. Call or email our Government Affairs Coordinator at 310-792-2339 or BrandonMatson@TorranceChamber.com

That’s not all…See TACC’s advocacy in action during Winter 2015. Highlights listed on the next page!

"The TACC in Action" – Winter 2015

The TACC partnered with the Governor's Office of Business Economic Development (GO-Biz) to help TACC members learn how to competitively apply for the California Competes Tax Credit. Pictured above is Scott Dosick from GO-Biz as he explains the program's evaluation criteria to TACC members listening on.

The TACC is urging Congress to pass Trade Promotion Authority (TPA). The TACC continues to promote international trade and hosted a successful "Trade Connect Workshop" thanks to the hard work of Board Members: Jonathan Beutler (Sunrider International) and Ellen Michel (Pelican Products) (pictured above)

The TACC continues to partner with the U.S. Chamber of Commerce on Federal Labor Issues. Glenn Spencer, Vice President, Workforce Freedom Initiative, U.S. Chamber of Commerce (pictured above) made the trip from Washington, D.C. to the TACC to educate employers on the negative affects overreaching federal regulatory agencies are having on American businesses.

The TACC hosted Small Business Owners and HR professionals for the 2015 Labor Law Update this past week. Panelists: (pictured left to right) Rob Van Lingen (moderator), Karl Schmidt, Phil Ray, Loretta Raftery, and Dana Brooks highlighted strategies to implement the new paid sick leave law and provided insights to labor litigation trends surprising businesses in the state.

The TACC attended a business roundtable event with Kish Rajan, Director, Governor's Office of Business and Economic Development (GO-Biz) to discuss the way ahead for Economic Development in the State.

The TACC hosted over 240 guests for the annual State of the Region Address with Congressman Ted Lieu.