This is a request to the California Attorney General for title and summary of the following proposed statutory initiative: "Oil Extraction Fee To Rescue Education".

Proponents:
Peter Mathews

Frank Dawoodjee

Paul Garver

11-0004

RECEIVED

MAR 14 2011

INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE

Proposed Statutory Initiative: OIL EXTRACTION FEE TO RESCUE EDUCATION

Maintaining California's competitiveness in the new global economy

California's Educational System, Kindergarten through College and University, has been cut to the bone. Overcrowded classrooms, textbook shortages, teacher and professor lay-offs, and reduced or eliminated college class sections have made it impossible for millions of talented students to graduate. For example, Long Beach Unified School District eliminated computer literacy classes as a graduation requirement.

University of California students' tuition fees are being raised 8% and California State University students' tuition fees are being raised by 15% percent for Fall 2011. California Community College students are facing a proposed tuition fee increase of 38% (to $540) per semester minimum, up to 154% ($990) per semester for Fall 2011. Californians must act now to save our once world renowned Educational System.

Education is the foundation of a strong economy. California Governors Pete Wilson and Arnold Schwarzenegger enjoyed tuition free education at UC Berkley and Santa Monica College, respectively. In the 1960s and 1970s, California's Educational System was the envy of the world. During this time, public higher education was essentially tuition free, as mandated by Governor Pat Brown's Master Plan for Higher Education, and California's economy grew to the 5th largest in the world, supporting a large vibrant middle class.

Today, California's middle class is endangered, and California's economy has fallen to 8th position in the world because of a lack of investment in education and technology. China recently invented the world's fastest computer and produces the largest number of solar panels, while South Korea produces the best electric car batteries using cutting edge technology. California's K-12 spending per pupil has dropped to 43rd out of 50 states. College and university graduates are saddled with huge debt. If California is to successfully compete with states and countries such as China, Japan, Germany, South Korea, and India, California's Educational System must again be adequately funded, offering more classes and programs in cutting-edge technology, skilled manufacturing, alternative energy, and the arts. California Community Colleges need adequate funding to continue training Nurses, and preparing Firefighters and Teachers.

Unbelievably, California has failed to employ a widely used revenue source that can address this crisis in our education. This revenue source is employed by every major oil producing state, except California. This untapped source of revenue is an extraction fee on oil pumped in California, onshore and offshore. Since California is the nation's third largest producer of oil, after Texas and Alaska, a 15% oil extraction fee (midway between that of Texas and Alaska) would raise approximately $3.6 billion each year, at 2011 oil prices. This has not been a partisan issue in other states. For example, Governor Sarah Palin, with a Republican legislature, raised Alaska's oil extraction fee to 25%, bringing in billions of dollars. Texas' and Alaska's gasoline prices were not affected by their oil extraction fees, and in March 2011, their price per gallon of gasoline was lower than California's. From 1901 to 2008, oil companies have extracted over 10 billion barrels of oil from California's territory. Based on 2011 per barrel crude oil prices ($100 per barrel), oil companies have extracted over $1 trillion worth of oil. At the current world market price, this oil extraction fee would have raised over $150 billion. This type of fee is the economic standard in every major oil producing state and nation around the world. California can no longer afford to give preferential treatment to oil companies compared to how they are treated elsewhere.

This initiative requires that California apply a 15% oil extraction fee on the value of each barrel of oil, California's common resource, extracted onshore and offshore. Following Texas' example of devoting this oil revenue to its Educational System, the revenue generated by this fee shall be appropriated for non-capital purposes in the following amounts: K-12 shall receive 30% (approximately $1.08 billion) . The California Community College System (approximately 3,000,000 students) shall receive 48% (approximately $1.72 billion). The California State University System (approximately 412,000 students) shall receive 11% (approximately $400 million). The University of California System (approximately 200,000 students) shall receive 11% (approximately $400 million). This will reduce college and university tuition fees, and restore cut class sections. The funding increases will pay to rehire professors, laid-off teachers, and reduce K-12 class sizes.

This proposition, along with existing anti-trust and anti-collusion laws, prohibits oil companies from passing on the oil extraction fee to oil refineries, gasoline stations, and consumers (the U.S. Supreme Court has ruled that states can prohibit oil companies from passing on fees such as this to consumers). This fee will enable California to capture $3.6 billion that would have left California. This additional money will help rejuvenate California's stagnant economy. This fee will have minimal impact on oil company profits which total in the hundreds of billions of dollars. For example, Exxon Mobil reported record profits of $45 billion in 2008, and Shell Oil reported profits of $31 billion in 2007.

If oil companies illegally pass on the oil extraction fee, a fine shall be assessed equal to the amount passed on. The dollar amount recouped shall be equally distributed to each Californian as a rebate check at the end of each year. The State Attorney General is bound by this proposition to examine the books of oil companies operating in the state of California, if they appear to be breaking this law.

The revenues from this proposition exclusively constitute a Competitiveness Education Fund and cannot be commingled with, or lent to, the State General Fund. The State shall not be allowed to reduce its regular education funding corresponding to the additional revenue produced by this proposition. The revenues from this Competitiveness Education Fund shall be deposited in a Special Account and distributed, on a monthly basis, by the California State Treasurer to each of the California Educational Systems involved. Passage of this proposition will once again ensure a bright future for this generation and succeeding generations of Californians who have to compete in the new global economy.

Lead Proponent: Peter Mathews

Proponent: Frank Dawoodjee

Proponent: Paul Garver

11-0004