



Green Watchdog

10 budget recommendations to
protect California's environment,
improve public health,
& restore fiscal accountability

2004



**GREEN
SCISSORS**



**GREEN
WATCHDOG**

American Lung Association of California
Audubon California
Bay Area Open Space Council
Bluewater Network
Californians Against Waste
California Church IMPACT

California Communities Against Toxics
California League of Conservation Voters
California Native Plant Society
California Oaks Foundation
California Tax Reform Association
Central Valley Safe Environment Network

Clean Water Action
Coalition for Clean Air
Coast Action Group
Consumer Federation of California
Defenders of Wildlife
DeltaKeeper
Endangered Habitats League
Environment California

Environmental Defense
Environmental Working Group
Friends of the Earth
Global Futures
Global Possibilities
Golden Gate Audubon Society
Green Capitol
League of Women Voters of California

Mountain Lion Foundation
Northwest Environment Watch
Pacific Institute
Pesticide Action Network
Planning and Conservation League
Public Citizen, California Office
Redefining Progress

Rose Foundation for Communities and the Environment
San Joaquin Raptor Rescue Center
Sierra Club California
Steven and Michele Kirsch Foundation
The Ocean Conservancy
Vote the Coast
World Stewardship Institute

Green Watchdog Principles

Opposing Boondoggles

Tax dollars should not be spent on environmentally harmful and excessively expensive projects when less costly alternatives exist.

No Pork Barrel Spending

Tax dollars should be spent for the public good, not the benefit of a few special interests, especially those that pollute.

Everybody Pays Their Fair Share

Polluters, individuals, and the industries responsible, not current or future taxpayers, should pay for the impact they have on public health and resources. Targeted user fees should cover the expenses of environmental regulation and mitigation so the cost of cleaning up is treated as an ordinary cost of doing business.

Eliminate Counterproductive Policies

Government policies should work in conjunction towards a common goal and not support policies that undermine its own environmentally positive policies.

Green Watchdog 2004 Supporters

The following organizations support the principles of the Green Watchdog report to help create policies that are fiscally responsible and environmentally sound. They do not necessarily endorse or have expertise on every recommendation in this report.

American Lung Association of California
www.californialung.org

Audubon California
www.audubon-ca.org

Bay Area Open Space Council
www.openspacecouncil.org

Bluewater Network
www.bluewaternetnetwork.org

Californians Against Waste
www.cawrecycles.org

California Church IMPACT
www.calchurches.org

California Communities Against Toxics
www.stoptoxics.org

California League of Conservation Voters
www.ecovote.org

California Native Plant Society
www.cnps.org

California Oaks Foundation
www.californiaoaks.org

California Tax Reform Association
www.caltaxreform.org

Central Valley Safe Environment Network
CVSEN@bigvalley.net

Clean Water Action
www.cleanwateraction.org

Coalition for Clean Air
www.coalitionforcleanair.org

Coast Action Group
707-882-2484

Consumer Federation of California
www.consumerfedofca.org

Defenders of Wildlife
www.defenders.org

DeltaKeeper
www.sfbaykeeper.org

Endangered Habitats League
www.ehleague.org

Environment California
www.environmentcalifornia.org

Environmental Defense
www.environmentaldefense.org

Environmental Working Group
www.ewg.org

Friends of the Earth
www.foe.org

Global Futures
www.future500.org

Global Possibilities
www.globalpossibilities.org

Golden Gate Audubon Society
www.goldengateaudubon.org

Green Capitol
www.greencap.org

League of Women Voters of California
www.ca.lww.org

Mountain Lion Foundation
www.mountainlion.org

Northwest Environment Watch
www.northwestwatch.org

Pacific Institute
www.pacinst.org

Pesticide Action Network
www.panna.org

Planning and Conservation League
www.pcl.org

Public Citizen, California Office
www.citizen.org/california

Redefining Progress
www.rprogress.org

The Regeneration Project
www.theregenerationproject.org

Rose Foundation for Communities and the Environment
www.rosefdn.org

San Joaquin Raptor Rescue Center
Raptorctr@bigvalley.net

Sierra Club California
www.sierraclub.org/ca

Steven and Michele Kirsch Foundation
www.kirschfdtn.org

The Ocean Conservancy
www.oceanconservancy.org

Vote the Coast
www.votethecoast.org

World Stewardship Institute
www.ecostewards.org

Introduction

Lack of Fiscal Accountability Means Public Pays the Price

Green Watchdog believes that environmental protection and strict fiscal accountability go hand-in-hand. In fact, pollution is most often the result of poor accountability, allowing corporations or individuals to take advantage of free public resources to the detriment of our health and environment. Worse, when government not only allows this to occur, but asks the public to pay for it through tax loopholes, inadequate fee systems, understaffed regulatory agencies, and the outright gift of public dollars, we get hit twice: once in the pocketbook, and again in our quality of life.

The 2004 Green Watchdog Report, the fourth in a series of annual reports, provides 10 budget recommendations that would improve California's environment and public health while restoring fiscal accountability.

Solving California's Environmental Protection Crisis

Everybody Should Pay Their Fair Share

California's environmental protection agencies have the enormous responsibility to preserve California's natural resources and protect the public health. Unfortunately, largely due to downturns in state tax revenues and the inadequate way in which these agencies are funded, they are continually starved of the dollars necessary to effectively fulfill their legal mandate. According to the Legislative Analyst's Office (LAO), General Fund expenditures for resources and environmental protection programs are at their lowest point since 1998-99 (*see Figure 1*) and significantly lower than in recent budget years. Similarly, when total expenditures are taken into account, which includes special funds (includes recently

Table of Contents

Introduction 1

Creating a Reliable Funding Source

Fire Protection in State Responsibility Areas 6

Hazardous Chemicals Identification Requirement 7

Fish and Game Filing Fees 8

Office of Environmental Health Hazard Assessment 9

Timber Harvest Plan Review Subsidy 10

Commercial Fishing Landing Fees 11

Increasing Funding for Air and Water Quality Programs

Air Quality Improvement Fee 12

Bay Area Vehicle Mitigation Fee 13

Eliminating Harmful Tax Giveaways

Eliminate Tax Deduction for Second Homes 14

Eliminate Tax Deduction for Heavy Vehicles 15

Everybody Pays Their Fair Share

Creating a Reliable Funding Source

Average Annual General Fund Savings

\$200 million

5-Year General Fund Savings

\$1 billion

Increasing Funding for Air & Water Quality Programs

Total Annual Increase in Program Funding

\$217 million

5-Year Total Increase in Program Funding

\$1.1 billion

Eliminating Harmful Tax Giveaways

Annual Taxpayer Savings

\$70 million

5-Year Taxpayer Savings

\$350 million

The cost of pollution prevention should be treated as an ordinary cost of doing business for those that put a burden on our natural resources ...

instituted fee), federal funds, and bond funds, only 2.3 percent of 2004-05 budget expenditures will go to natural resource agencies, a 40 percent reduction from 2003-04, and a moderately lower funding level on average compared to other recent budget years (see Figure 2). Proposed CalEPA expenditures for 2004-05 represent a 36 percent decline in funding levels from 2003, and on average, similar (and inadequate) to funding levels, in recent budget years (see Figure 3). At a time when funding for programs that protect the environment and public health is needed more than ever before, it's unacceptable that they are either being cut or remaining at levels that weren't sufficient in the first place.

To be sure, a significant portion of this coming year's reductions in environmental protection and resource programs are due to the elimination of one-time expenditures and various funding shifts. But that's precisely the problem. Without a consistent and reliable funding source for California's resource protection agencies the environmental and public health problems that are plaguing our state will never be adequately addressed. CalEPA and other Resources Agencies shouldn't be dependent on insufficient and constantly fluctuating funding levels. Green Watchdog believes that to solve this problem, the industries or individuals that pollute the air and water shouldn't continue to benefit from average taxpayers paying for the monitoring, regulation, and mitigation of their activities. Put simply, **everybody should pay their fair share and be held responsible for their own actions**. In other words, the cost of pollution prevention should be treated as an ordinary cost of doing business for those that put a burden on our natural resources and the agencies charged with keeping our air and water clean. Applying appropriate "user fees" is an invaluable tool for the state to hold business accountable for their actions, provide a disincentive to pollute, and in some cases even increase funding for critical environmental programs.

Fees Vs. Taxes

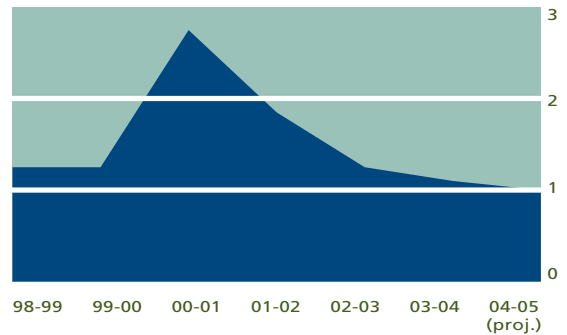
While opponents claim fees are just another word for taxes, they are, in fact, neither legally nor functionally equivalent. As revenue generators, fees are very different from taxes in several distinct ways:

- 1 Fees apply to a very narrow set of users who impose costs on citizens other than themselves. Taxes are applied to subsets of individuals and corporations regardless of whether they impose direct costs on others.

Figure 1

State General Fund spending on resources and environmental protection

All state funds in billions
Current and constant dollars



- 2 Fees must show a direct causal link or "nexus" between the actions (or products) those fees are levied on and the effects of those actions which must be mitigated for in some way. Taxes do not.
- 3 In most circumstances, the users upon whom the fees are levied, are those most able to reduce their (environmentally threatening) actions in such a manner that they have control over how much they pay in fees. Thus, fees act as a disincentive to pollute. On the other hand, taxes, broadly applied, may only act as a disincentive on positive things such as home ownership (property taxes) and work (income and payroll taxes).

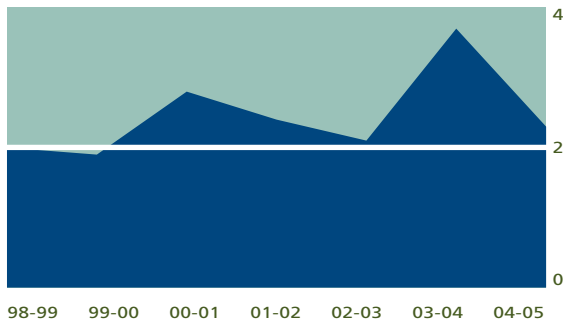
There's a growing consensus that user fees are a fair and effective way to reduce environmental harm and raise revenue. As stated by former Governor Gray Davis in the 2002-2003 budget, "private individuals or businesses that use or degrade a public resource (such as air, water, or wildlife) should pay all, or a portion of, the social cost imposed by their use of the resource." The governor's 2003-2004 budget took steps toward implementing this vision by proposing several significant fee increases, many of which were proposed in the 2003 Green Watchdog Report. Even Governor Schwarzenegger, who remains committed to not raising taxes, supports increased user fees to more effectively and fairly fund timber harvest review plans (THPs) and fire protection services on State Responsibility Areas (SRA).

No doubt the ability for a simple majority of the Legislature to set reasonable fees (as opposed to a two thirds vote for taxes) has something to do with their growing popularity.

Figure 2

Resources Agency expenditures

including Special funds (user fees),
Bond funds, General Fun, and Federal funds
Percent of total budget



The Supreme Court ruling upholding the fee passed by majority vote, stated: “We see no reason why statutes or ordinances calling on polluters or producers of contaminating products to help in mitigation or cleanup efforts should be deemed less ‘regulatory’ in nature than the initial permit or licensing programs that allowed them to operate. Moreover, imposition of ‘mitigating effects’ fees in a substantial amount also ‘regulates’ future conduct by deterring further manufacture, distribution or sale of dangerous products, and by stimulating research and development efforts to produce safer or alternative products.” Thus, all of the fees proposed in this report can be imposed by majority votes of the legislature.

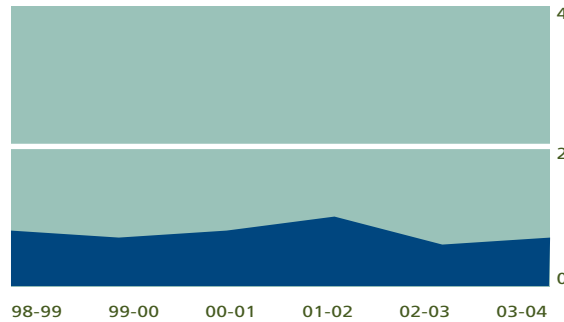
**Public Support for
Common Sense Solutions**

Californians’ concern for the health of their environment and preservation of the state’s unique natural resources cannot be overstated. Time and time again polls and public opinion surveys have demonstrated that California residents prize our unique natural heritage, yet also worry about declining quality of life and increasing threats to public health because of polluted air and waterways, loss of wildlife habitat and open space, and the growing toxic burden of living in a heavily urbanized society.

Figure 3

CalEPA expenditures

including Special funds (user fees),
Bond funds, General Fun, and Federal funds
Percent of total budget



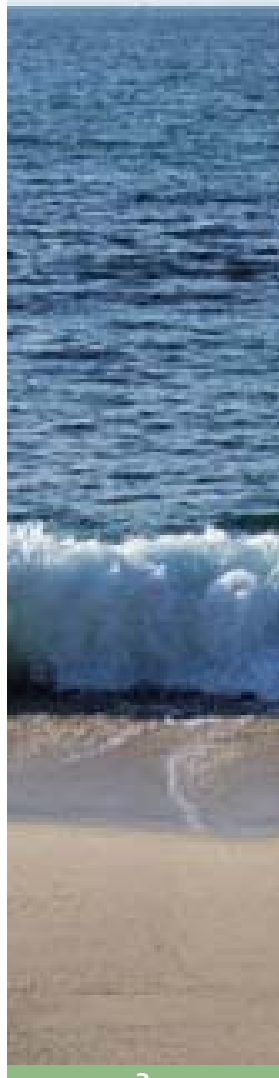
The Green Watchdog 2004 Report

**Protecting the Environment,
Improving Public Health,
Restoring Fiscal Accountability**

Leading environmental groups, in consultation with a variety of experts have identified 10 proposals that would help reform and improve the way environmental programs are funded, eliminate wasteful subsidies and tax breaks, and provide disincentives for businesses and individuals to pollute. When put together, Green Watchdog proposals would save hundreds of millions of dollars a year in General Fund revenue, generate hundreds of millions in additional funding for air and water quality programs, and save taxpayers hundreds of millions more by eliminating environmentally harmful tax policies.

We urge California’s political leaders to make fiscal, public, and environmental health a priority. Above all, we need a plan that guarantees, boom or bust, that we will honor California’s commitment to protect the public health of all its residents, while preserving for ourselves and the future generations that follow, the incomparable natural beauty of the California we all prize.

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Fire Protection in State Responsibility Areas

A fee for fire suppression services in wildland areas provides a good opportunity to encourage smarter growth rather than poorly planned growth, which only fragments and degrades important habitat.

Average Annual General Fund Savings

\$150 million

5-Year General Fund Savings

\$750 million

The state is responsible for fire protection on approximately one-third (31 million acres) of California's lands. Most of these are privately owned forestlands, watersheds, and rangelands that serve a commercial purpose (e.g. timber or range) or have a natural resource value (e.g. watershed protection). The California Department of Forestry and Fire Protection (CDFFP) designates them as State Responsibility Areas, or SRA. Unlike other western states that are also subject to large wildland fires, California taxpayers have always paid the full cost for fire protection in SRA. SRA property owners include tens of thousands of private homeowners, but also some of the largest landowners and companies in the country. Sierra Pacific Industries, for example, is the second largest landowner in the U.S., with 1.5 million acres.

Policy Hurts the Environment

While environmental reviews of timber harvest plans and other development activities on timberlands have suffered for years from inadequate funding, the General Fund has covered 100 percent of fire protection costs on SRA lands. This encourages poorly planned growth, which only fragments and degrades important habitat. By enacting legislation requiring landowners to pay half the cost of the services they clearly benefit from, General Fund revenue will be made available for other worthy environmental protection programs.

Everybody Should Pay Their Fair Share

In 2003-04, approximately \$418 million General Fund dollars will be spent to provide fire protection for private lands and homes in SRAs. While fire protection on SRA lands benefits the public as well as landowners by protecting watersheds and habitats, taxpayers should not be paying the full cost for the firefighting services our state provides.

Green Watchdog Proposal

Increase fees on private landowners so they pay for at least half the cost of the fire protection they receive from the state, as is currently done in Oregon and Washington. This would result in \$150 million in additional annual General Fund revenue and \$750 million in the next five years. The fee should be structured in a way that recognizes the higher costs (and priority) of defending homes and discourages additional unplanned growth into high fire-risk areas. While all parcels in areas receiving fire protection from CDFFP should pay a fee, the fee should be higher for parcels with structures. Additionally, future homes built in SRA should be assessed at a higher rate than existing homes, to reflect their impact on increasing CDFFP suppression costs. A fee for fire suppression services in wildland areas provides a good opportunity to encourage smarter growth rather than poorly planned growth, which only fragments and degrades important habitat.

Current Status

Approximately \$52 million of the estimated \$428 million in General Fund firefighting costs on SRA were promised to come from fees on landowners in 2003-2004. However, the promised fees have yet to be enacted due to lawsuits from the California Farm Bureau as well as the time it has taken the CDFFP to complete the required procedures and pricing calculations. As a result, taxpayers have been left responsible once again for the full cost of the program.

Governor's Budget Proposal

The governor's budget proposes spending \$366.2 million in General Fund revenue in 2004-2005 for firefighting on SRA lands, with \$52 million of that expected to come from new fees on landowners. We believe the proposed approximate 15/85 percent share of program costs between landowners in SRA and regular taxpayers is inequitable. Furthermore, if the emergency cost of firefighting in 2004-05 tracks with recent years, it could easily exceed \$440 million in General Fund expenditures. Taxpayers should not be held responsible for such a large share of the costs for such an expensive program.

Pete Price, League of Conservation Voters, 916-448-1015

Hazardous Chemicals Identification Requirements

Average Annual General Fund Savings

\$2-5 million

5-Year General Fund Savings

\$10-25 million

Every year more than 75 million pounds of chemicals are released into California's environment. Over 85,000 chemicals are in commercial use today, and many are now known to cause cancer and damage to the brain and the nervous and reproductive systems. For a majority of chemicals in use today it's impossible to determine their levels in humans. According to the Government Accounting Office, laboratory methods have yet to be developed for about 88 percent of the 1456 chemicals they reviewed which were identified on the government's regulatory list. In fact, for the majority of chemicals released into our environment each year we do not have lab methods to detect them in our soils, water, or air, much less our bodies. We will never know the extent of the problem that these chemicals pose until the lab methods are developed to detect them. It is conservatively estimated that developing test methods for each chemical costs, for all the media of concern (air, soil, water, and the human body), costs over \$1 million. On average, the state develops test methods on approximately 2 to 5 chemicals per year.

Everybody Should Pay Their Fair Share

California taxpayers currently spend millions of dollars annually for the development of test methods for chemicals in soil, air, and the human body. In some cases, the chemical companies already have the lab methods developed, but do not share them with the state. The cost to develop the lab methods for chemicals produced in large volumes in the U.S. and used in California should be borne by the chemical manufacturers, not taxpayers.

Green Watchdog Proposal

Require chemical manufacturers to provide the state with more information on the chemicals they use, including: basic chemical and toxicologic properties to allow evaluation of environmental persistence and laboratory methods for measuring the levels of the chemical in the environment, its degradation products, and metabolites in human samples. Starting in 2005-06, this would result in potential savings of millions of dollars annually to the Department Health Services (DHS), the Office of Environmental Health Hazard Assessment, and other CalEPA regulatory entities.

Current Status

Existing law does not require CalEPA or DHS to create any new lab methods for the detection of chemicals. The lab methods that are created by the six different state labs in California are in response to community concerns or legislation on specific chemicals.

Governor's Budget Proposal

The governor's budget proposal does not address this issue.

Jane Williams, California Communities Against Toxics,
661-273-3098

In fact, for the majority of chemicals released into our environment each year we do not have lab methods to detect them in our soils, water, or air, much less our bodies.

Fish and Game Filing Fees

Average Annual General Fund Savings

\$11 million

5-Year General Fund Savings

\$5 million

The Department of Fish and Game (DFG) has a vital role as the chief enforcement officer responsible for protecting all fish and wildlife of the state. DFG also reviews environmental documents prepared by state and local agencies to ensure projects that may affect fish or wildlife comply with California law. Yet, in recent years the Department has lost nearly one-third of all wardens or warden positions, and has closed its training academy due to budget cuts.

The DFG is required to collect filing fees for these projects, and use this money to fund its environmental review activities, including certified program review (e.g., timber harvests), developing mitigation and monitoring requirements, and consulting on endangered species conservation. However, the department has not been sufficiently diligent in collecting these fees. For example, many are waived by local lead agencies with no review by the department. Those fees that are charged are based on the type of environmental review document filed, not the complexity of the review or potential harm caused by the project. The statute requires DFG to annually review and recommend adjustments in the fees to fully cover its costs. The DFG has never recommended adjustments and the fees have never been revised, while most other user fees collected by DFG are annually adjusted by a cost of living index. This long-term dearth of funding, combined with the most recent round of budget cuts, has resulted in an agency incapable of carrying out many of its most basic duties.

Policy Hurts the Environment

Although the Department is the chief enforcement officer for protecting California's wildlife resources, due to budget cuts the DFG plays a woefully inadequate role in state conservation planning, including review of timber harvest plans. According to the DFG, it reviews only 10 to 15 percent of applicable California Environmental Quality Act (CEQA) projects, and there are currently no Timber Harvest Plan (THP) reviews being undertaken at all for the entire area encompassing the Sierra Nevada Framework.

If DFG is not able to adequately review projects and confer with local agencies and developers, inappropriate development decisions may be made, resulting in late

costly project changes, increased litigation, or inefficient and disruptive local planning. Further, without the funding to fully review and comment on the potential harm to fish and wildlife of proposed projects, many wildlife impacts will go unmitigated thereby leading to declining populations, increased listings of threatened and endangered species, and potential extinction of historical fish and wildlife in California. In addition, the Legislative Analysts Office (LAO) has documented that when the DFG reviews and consults on projects, better projects result ("Better Protection of Fish and Wildlife: Improving Fish and Game's CEQA Review," LAO, April 30, 2002).

Everybody Should Pay Their Fair Share

Taxpayers pay millions of dollars annually to fund review activities that should be paid for by developer beneficiaries. Inappropriately exempting many development projects from paying filing fees and lax fee collection efforts places an inequitable burden on those developers that do pay the required fee.

Green Watchdog Proposal

Implement full collection of the environmental filing fee to ensure that approximately \$10-12 million in additional revenue could be collected annually by DFG for its environmental review activities. The modifications should include reforming the fee structure and collection practices so that projects are not improperly exempted and an equitable fee is charged for each project, according to its size, complexity and environmental impact. Require the DFG to submit a report identifying its full cost of environmental review related activities, adjust the fees to generate that amount of revenue and add an annual automatic adjustment to be consistent with other DFG user fees.

Current Status

The current budget reflects reductions of about \$15 million from 2002-03 expenditure levels, impacting a variety of DFG's activities, including timber harvest plan review, management of marine resources, and resource assessment activities.

Governor's Budget Proposal

The governor's budget proposes total expenditures of \$274 million from various sources, about the same as estimated for the current-year. It also proposes increasing collection efforts of environmental filing fees for certain projects, generating approximately \$4.1 million annually, far short of the funding necessary for DFG to be fully effective.

Vern Guehring, Board Director, California Native Plant Society, 916-444-8194

Although the department is the chief enforcement officer for protecting California's wildlife resources, due to budget cuts the DFG plays a woefully inadequate role in state conservation planning, including review of timber harvest plans.

Office of Environmental Health Hazard Assessment

Average Annual General Fund Savings

\$3.6 million

5-Year General Fund Savings

\$18 million

The Office of Environmental Health Hazard Assessment (OEHHA) is responsible for developing and providing state and local government agencies with the appropriate scientific information in order for policy makers to make informed, scientifically sound decisions involving the regulation of toxic substances and other public health risk management issues. As the science arm of Cal-EPA, OEHHA plays a critical role in providing unbiased and independent information and analysis to those agencies charged with promoting public and environmental health and setting regulatory standards for polluters. According to the Legislative Analyst's Office (LAO), OEHHA has suffered significant budget reductions due to its reliance on the General Fund to support its programs. These cutbacks have had a disproportionately damaging impact on the office and its functions, causing the loss of several toxicologists and senior scientists, a huge blow to what is a very small office, with a corresponding loss of expertise in many critical areas.

Policy Hurts Environment

Without a more reliable source of funding OEHHA won't be able to effectively fulfill its numerous critical functions, including peer review of Department of Pesticide Regulation pesticide risk assessments; worker and community pesticide illness investigations; review of health effects data to estimate risk of indoor air pollution; and serving as a bilingual health risk assessor in CalEPA's border pollution program. It could also be forced to cut funding for developing Proposition 65 "safe harbor" levels needed by businesses to ensure compliance with the act; evaluating the health and environmental effects of gasoline formulations; and eliminate OEHHA's quality control program.

Everybody Should Pay Their Fair Share

OEHHA's dependence on the General Fund imposes unfair costs on state taxpayers for activities necessitated by the impacts of hazardous substances on public health by those entities that produce, use, or dispose of the hazardous substances. At the same time, the general public undeniably benefits from OEHHA's work, so it's fair and reasonable that a portion of the agency's budget comes from the General Fund.

Green Watchdog Proposal

Adopt a formula to calculate the appropriate funding level for OEHHA from those sources that support each CalEPA Board or department, based on the work done by OEHHA that benefits those entities. The LAO has determined that \$3.6 million of these program area costs could be shifted from the General Fund to existing fee-based special funds. Finally, the positions cut from OEHHA's budget in recent years should be restored, so the office has the capability to fulfill its important mission.

Governor's Proposal

The governor has proposed a slight increase in OEHHA's 2004-05 budget. This includes a reduction of \$719,000 in General Fund support which is more than offset by an increase of \$2.1 million for the Motor Vehicle Account for activities related to the health impacts of motor vehicle pollution. This does not however, offset reductions in OEHHA's budget in recent years. We believe the only way to ensure OEHHA can fulfill its core responsibilities is by creating a long-term, stable, fee-based source of funding.

Pete Price, League of Conservation Voters, 916-448-1015

OEHHA's
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Timber Harvest Plan Review Funding Fee

Average Annual General Fund Savings

\$25 million

5-Year General Fund Savings

\$125 million

Historically, Timber Harvest Plan (THP) reviews have been funded entirely through the General Fund. Last year's budget adopted the Legislative Analyst's Office (LAO) recommendation, proposing one half of the \$20 million review costs be recovered via a THP fee. Unfortunately the Legislature failed to fully enact the fee, resulting in a \$10 million shortfall in the California Department of Forestry and Fire Protection's (CDFFP) current budget.

Conservation groups have long been critical of the CDFFP lead role in the approval of logging on private lands. Most of the controversy regarding regulation of logging in California relates to the inability and unwillingness of the CDFFP to adequately assess the cumulative impact of multiple logging plans across the state's forest ecosystem. Although the THP review process is supposed to provide for inter-agency review, and be the equivalent to an Environmental Impact Report under CEQA, state regulated forests have sustained a 225 percent increase in clear-cutting over the past ten years, threatening water quality, wildlife, and rural economics. Logging has also been the primary cause of the decline of many endangered species, including Coho and Chinook salmon, Northern spotted owls, and the marbled murrelet. Numerous state and federal studies have criticized California's regulation of logging as inadequate to properly protect state forests.

Policy Hurts the Environment

By subsidizing the cost of reviewing timber harvesting operations, the state is encouraging the continued degradation of our treasured natural resources. Worst of all, taxpayers are the ones paying for it. As long as THP reviews are paid for through General Fund appropriations landowners will engage in profit-producing and ecologically destructive logging activities.

Everybody Should Pay Their Fair Share

Currently taxpayers pay over \$20 million a year in THP review costs. Purchasers of timber products, not regular taxpayers, should pay their fair share for the cost of the state's review of timber harvest plans.

Green Watchdog Proposal

Institute a fee of \$.01 per board foot to be paid on timber products sold for consumption in California, shifting approximately \$25 million annually out of the General Fund and onto purchasers of timber products. The new fee would also fund the removal of dead trees in Southern California that are dying from bark beetle infestation, additional staff hirings, and fish and wildlife habitat improvements.

Governor's Budget Proposal

The governor's budget proposes a shift of \$10 million from the General Fund in fee support for the CDFFP reviews and enforcement of THPs beginning in the current year. Even if the governor's proposal becomes law, taxpayers will pay over \$9 million annually for the cost of reviewing and enforcing THPs while still leaving the program under-funded. Green Watchdog believes that due to the economic pressures faced by the timber industry, it is inequitable to require them to pay for the entire cost of THP reviews. For instance, a \$20 million shift in THP review costs would result in a \$20,000 increase per application, many of who are individual landowners.

Paul Mason, Sierra Club, 916-557-1100 ext. 120

By subsidizing one of the costs of timber harvesting operations, the state is encouraging the continued degradation of our treasure natural resources, and worst of all, taxpayers are the ones paying for it.

Commercial Fishing Landing Fees

Average Annual General Fund Savings

\$4.4 million

5-Year General Fund Savings

\$22 million

The Department of Fish and Game (DFG) currently faces a severe funding crisis. Without adequate resources, the agency will be unable to carry out its mandate of providing sustainable management of California's terrestrial and marine fisheries and wildlife. One of the many DFG responsibilities is managing ocean resources, including commercial fisheries that catch more than 100 different kinds of fish. This billion-dollar industry requires careful oversight to ensure species are not over-fished and fishing can continue into the future. Funds for this oversight come from fishing permits and landings fees. Landing fees are assessed against "fish receivers": processors, wholesalers, or any other person who receives fish from commercial fishermen. However, California's existing system of landing taxes was last amended in 1986, and have not changed in the subsequent 18 years.

Policy Hurts Environment

Currently several populations of Pacific rockfish are extremely depleted, and the state is responsible for helping rebuild these populations over the next twenty to fifty years. Without adequate resources for DFG, these fisheries and others are in jeopardy. DFG will be unable to carry out its mandate of providing sustainable management of California's marine fisheries without a sustained and adequate source of funding for this task.

Everybody Should Pay Their Fair Share

The burden for the costs of DFG to oversee and mitigate the industry's activities should be borne by the commercial fishing industry and those who create the demand for commercial fishing, not the average taxpayer. The current antiquated tax system not only generates a small percentage of the needed revenues for adequate fishery management, but it also is inequitable, charging each fish species significantly disparate amounts that are based neither on the value of the fish, nor on the amount of effort the department expends on managing the fishery.

Green Watchdog Proposal

Authorize an increase in landing fees associated with commercial fishing to cover the costs to DFG ocean resources management program. Allow the Fish and Game Commission to set landings fees and commercial fishing permit fees at levels that cover essential activities such as enforcement, monitoring, and resource protection. By managing permit and landings fees together, the state can collect revenues more equitably, and in relation to how much impact a fishery has on the resource as well as its individual management costs. Based on 2003 revenue numbers, the Department could generate between \$2.5 and \$6.3 million from the landings fees alone, with the rest being covered by permit fees and other sources of income (federal grants, etc.). These new revenues, when combined with permit fees and other non-state funds, will cover the full cost of the program, saving taxpayers an average of \$4.4 million a year.

Governor's Proposal

The governor's budget proposal does not address this issue.

Linda Sheehan, Director of the Pacific Regional Office,
The Ocean Conservancy, 415-979-0900 ext. 12

Without adequate resources for DFG, it will be unable to carry out its mandate of providing sustainable management of California's marine fisheries, habitats and wildlife, leaving these fisheries in jeopardy of disappearing completely.

Air Quality Improvement Fee

Annual Increase in Air Quality Funding

\$187 million

5-Year Increase in Air Quality Funding

\$935 million

In 2002 California's oil refineries provided the United States with about 48 percent of its total oil supply. An average refinery can add up to 10,000 gallons of waste to air, water and land every day. Transportation fuels make up 90 percent of the products produced at refineries, and are the greatest cause of air pollution in California. We combust more petroleum than any of our fellow states, our refineries are constantly running at maximum capacity, and diesel-powered trucks and agricultural equipment sustain our vast agricultural economy. And the problem just keeps growing.

Policy Hurts Environment

After decades of efforts to reduce air pollution, we still face overwhelming obstacles in restoring clean, healthy air for all of California's residents. California needs to reduce NOx emissions from diesel vehicles in order to reduce public exposure to air pollution, to fulfill the state's federal obligations to meet the ozone standard, and to keep federal transportation funds flowing. Asthma rates among the youngest Californians are soaring, with one in eight children in portions of the San Joaquin Valley suffering from this devastating disease. The cars and trucks that ply our state roads and highways continue to account for more than 50 percent of all smog-forming pollutants, while unregulated diesel-powered vehicles both contribute to smog and spew highly toxic fine particulate pollution that causes lung damage, cancer, respiratory illness and premature death.

Everybody Should Pay Their Fair Share

Taxpayers currently spend \$100s of millions per year to pay for environmental and health expenses that should be borne by those who use and profit from the fuels that generate pollution.

Green Watchdog Proposal

Assess a 1-cent per gallon of gas fee on petroleum refined or sold in California, generating \$187 million a year to investigate and remediate petroleum-related contamination of air, to maintain and enhance public transit, and develop low-emission vehicles and diesel

reduction programs. The funds would be earmarked for existing pollution-related programs based on a system for ranking projects according to priority.

An air quality improvement fee would increase funding for several highly acclaimed, but under-funded programs:

The Carl Moyer Program (CMP) has successfully reduced both NOx and PM emissions from diesel engines by providing incentive-basis for the incremental cost of increasing the use of cleaner than required engines and equipment, including on-road, off-road, marine, locomotive and stationary agricultural pump engines, as well as forklifts, airport ground support equipment, and auxiliary power units. But, without a fresh infusion of public dollars, the program will run out of funding this year. According to the California Air Resources Board the minimum recommended funding for the Moyer program equals less than one penny per day per person (i.e. \$30 million per year). In contrast, the cost of air pollution to Southern California alone is \$9 to \$14 billion annually due to increased health care, lost tourism and loss of work productivity.

The Lower-Emission School Bus Program is helping school children breathe easier by reducing their exposure to cancer-causing and smog-forming air pollution by replacing the old, diesel school buses still in operation with low emission ones. At current funding levels, it would take nearly a century for the Lower Emission School Bus Program to replace the 21,000 diesel school buses still in operation.

The Voluntary Accelerated Light-Duty Vehicle Retirement Enterprise Program would accelerate the retirement of high-polluting vehicles on the road today.

Child Asthma Initiative would decrease asthma morbidity and improve the quality of life of children less than five years old with asthma by improving the delivery, quality, and coordination of their preventive, educational, and medical care services.

Current Status

Related legislation is currently in Committee.

Governor's Budget Proposal

The governor's budget proposal does not address this issue.

Jose Carmona, Center for Energy and Renewable Technology, 916-442-7785

Source: California Air Resources Board

After decades of efforts to reduce air pollution, we still face overwhelming obstacles in restoring clean, healthy air for all of California's residents.

Bay Area Vehicle Mitigation Fee

Annual Increase in Resource

Protection Funding

\$30 Million

5-Year Increase in Resource

Protection Funding

\$150 Million

For the Bay Area to meet regulatory water quality standards, polluted runoff must be reduced. Projects that protect and restore riparian corridors, creeks, and wetlands, which filter pollution from stormwater, are necessary to offset the damage caused by runoff from motor vehicles and related facilities. Creating a stable source of funding to support restoration and watershed protection work throughout the nine-county region is an essential part of a long-term strategy to improve and protect Bay Area water quality.

Policy Hurts Environment

Polluted runoff from motor vehicles and roads may be the greatest threat to the Bay Area's water quality. Grease, oil, and other toxic contaminants are emitted from vehicles every day, and run off into the region's creeks and streams that flow into the Bay. Paved surfaces prevent stormwater and other runoff from filtering through the ground, causing an increase in the amount of polluted runoff entering waterways. Permanent transportation-related structures such as cement culverts, stream channels, and bridges impair natural water flows and the movement of fish and wildlife.

Everybody Should Pay Their Fair Share

Taxpayers currently spend millions of dollars in General Fund revenue annually to address the range of water quality problems connected to motor vehicle pollution, but funding is far from adequate. Since motor vehicles constitute the majority of the problem, motor vehicle drivers should contribute their fair share to the protection and restoration efforts necessary to address the adverse impacts of automobile emissions.

Green Watchdog Proposal

Authorize a fee of up to \$6 per vehicle per year to be assessed by the California Department of Motor Vehicles on automobiles registered in Bay Area counties that choose to participate in the program. If all nine Bay Area counties participate, the fund would generate

nearly \$150 million over the next five years for projects that protect or restore natural resources impacted by motor vehicles or related facilities. Potential projects include: restoration and protection of wetlands; removal of physical barriers to the movement of fish, wildlife; and flood and erosion control projects.

Projects that could be funded by fee:

Alameda County Lake Merritt is a tidal lagoon of San Francisco Bay, and is the oldest wildlife sanctuary in the country. The Motor Vehicle Mitigation Fund could help fund the placement of filters on all of the drainage outfalls and remove a major highway barrier that prevents adequate tidal flows, thereby creating a healthier tidal ecosystem.

Marin County As part of prior road construction, Lagunitas Creek has been diverted into a pipe where fish passage is impossible, endangering their ability to reproduce. With sufficient funding from the Motor Vehicle Mitigation Fund, the site could be modified to allow the fish to make their way upstream to replenish this historic run of coastal salmon.

San Francisco County Before the Bayview-Hunters Point area was developed into the urban center it is today, it was a vegetated wetland area that fed water into Yosemite Creek. Now, the creek runs under paved roadways and into the Bay through a large concrete pipe. The Motor Vehicle Mitigation Fund would help restore the Yosemite Creek Watershed.

Contra Costa County Pollution from motor vehicles runs off of the city's streets and directly down Pinole Creek's concrete banks, contaminating the water. With the help of the Motor Vehicle Mitigation Fund, Pinole Creek could be restored and a wetland ecosystem would be created that filters this runoff before it even reaches the creek.

Santa Clara and San Mateo Counties Due to excessive stormwater runoff from surrounding streets, San Francisquito Creek is a flood-prone, channelized and highly degraded stream. The Motor Vehicle Mitigation Fund would help implement a comprehensive watershed restoration program.

Current Status

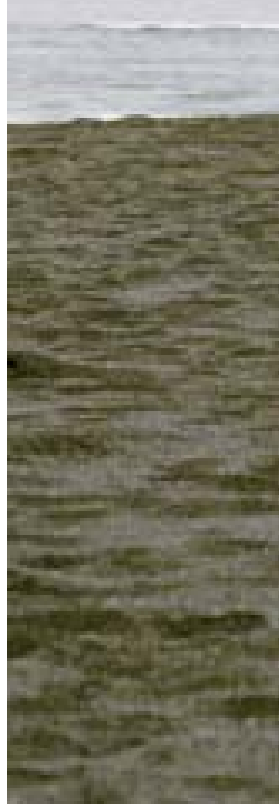
Related legislation was approved by the Assembly and is progressing through the Senate.

Governor's Proposal

The governor's budget does not address this issue.

John Woodbury, Bay Area Open Space Council,
510-654-6591

Creating a stable source of funding to support restoration and watershed protection work throughout the nine-county region is an essential part of a long-term strategy to improve and protect Bay Area water quality.



A mortgage interest deduction for second homes is an economic motivator for vacation home construction, encouraging more of them (along with roads and related amenities) to be built in pristine or environmentally sensitive regions.

Eliminate Tax Deductions for Second Homes

Annual Average Taxpayer Savings

\$55 million

5-Year Approximate Savings

\$275 million

California allows a mortgage interest deduction on second homes, consistent with the Federal tax code. The state tax break for second homes costs an estimated \$55 million per year in lost revenue. The tax break applies to a second home whose value, when added to the value of a first home, does not exceed \$1 million.

Policy Hurts the Environment

This policy encourages second “vacation” or “weekend” homes to be built in previously undeveloped areas. Professor Oliver Houck of Tulane University argues that the tax provision that allows Americans to deduct mortgage interest paid on second homes is a major impediment to the protection of threatened and endangered species. It is an economic motivator for vacation home construction, encouraging more of them (along with roads and related amenities) to be built in pristine or environmentally sensitive regions. Such favorable circumstances also encourage the construction of larger homes, on larger pieces of land, with consequently longer access roads. Finally, it wastes precious funds that could be used to address critical environmental and public health concerns, and worse, it does so at a time of huge deficits and program cut backs.

Everybody Should Pay Their Fair Share

The tax break provides a subsidy to a select few who can afford two homes. According to the U.S. Joint Committee on Taxation, individuals with income over \$75,000, who represent less than 14 percent of the taxpayers, claimed 71 percent of the tax benefits from this deduction in 1997. According to Citizens for Tax Justice, on average, mortgage interest deductions are worth almost \$5,000 a year each to taxpayers making more than \$200,000, but only \$333 a year to families earning between \$30,000 and \$75,000. Unlike the deduction for first homes, the policy does not provide a significant public benefit and robs the state of revenue it could be using to address important environmental and public health problems.

Green Watchdog Proposal

Eliminate the mortgage interest deduction for second homes, saving state taxpayers \$55 million per year and \$275 million over five years.

Governor's Budget Proposal

The governor's budget proposal does not address this issue.

Doug Linney, Green Capitol, 510-444-4710 ext. 309

Eliminate Tax Deduction for Heavy Vehicles

Annual Average Taxpayer Savings

\$15 million

4-Year Savings

\$75 million

A 1997 provision in the U.S. tax code provided small businesses with a tax write-off of up to \$25,000 for a vehicle weighing more than 6,000 pounds. The original intent behind this provision was to encourage investments in pickup trucks, vans, and other non-luxury cargo vehicles. In 2003, lawmakers expanded the tax deduction to a staggering \$100,000. Yet Congress did not change the weight-based classification of the vehicles, creating a huge benefit for the largest, least fuel-efficient vehicles on the market. Unbelievably, California provides an additional \$25,000 tax deduction for such heavy vehicles.

Policy Hurts Environment

Sport utility vehicles (SUVs), minivans, and other light trucks now constitute half the new passenger vehicles purchased each year yet inflict far greater damage to our environment than cars. For instance, SUVs emit 47 percent more smog-forming pollution and 43 percent more global-warming gases. This tax deduction rewards businesses for buying the most polluting vehicles on the market today. According to the Environmental Protection Agency, the 40 different passenger SUVs that weigh more than 6,000 pounds net a combined 15 miles per gallon.

Everybody Should Pay Their Fair Share

Taxpayers are subsidizing the purchase of heavy, high polluting luxury vehicles for businesses and disproportionately wealthy Californians. Even worse, by encouraging the purchase of these vehicles all taxpayers pay more in higher healthcare costs due to increased pollution levels, higher fuel prices due to increased gasoline demand, and higher road repair costs due to increased road wear.

Green Watchdog Proposal

Eliminate the current law giving deductions of up to \$25,000 in the first year of purchase of vehicle weighing over 6,000 pounds; saving an average of \$15 million annually and \$75 million over the next four years. The Federal government already gives a huge \$100,000 tax break on these heavy, highly polluting vehicles, California taxpayers should not contribute one cent more.

Current Status

Related legislation is currently in committee.

Governor's Budget Proposal

The governor's budget proposal does not address this issue.

Todd Dipaola, Kirsch Foundation, 408-278-2241

Even worse, by encouraging the purchase of these vehicles all taxpayers pay more in higher healthcare costs due to increased pollution levels, higher fuel prices due to increased gasoline demand, and higher road repair costs due to increased road wear.

What to look for in Green Watchdog 2004

From the introduction

"The cost of pollution prevention should be treated as the cost of doing business in California for those that put a burden on our natural resources ... " (page 2)

"Californians' concern for the health of their environment and preservation of the state's unique natural resources cannot be overstated." (page 3)

"We need a plan that guarantees, boom or bust, that we will honor California's commitment to protect the public health of all its residents, while preserving ... the incomparable natural beauty of the California we all prize." (page 3)

From the Green Watchdog proposals

"After decades of efforts to reduce air pollution, we still face overwhelming obstacles in restoring clean, healthy air for all California's residents." (*Air Quality Improvement Fee*, page 10)

"... for the majority of chemicals released into our environment each year we do not have lab methods to detect them in our soils, water, or air, much less our bodies." (*Hazardous Chemical Identification Requirements*, page 5)

"A fee for fire suppression services in wildland areas provides a good opportunity to encourage smarter growth rather than poorly planned growth, which only fragments and degrades important habitat." (*Fire Protection in State Responsibility Areas*, page 4)

"By subsidizing one of the costs of timber harvesting operations, the state is encouraging the continued degradation of our treasure natural resources, and worst of all, taxpayers are the ones paying for it." (*Timber Harvest Plan Review Subsidies*, page 8)

"... by encouraging the purchase of these vehicles all taxpayers pay more in higher healthcare costs due to increased pollution levels, higher fuel prices due to increased gasoline demand, and higher road repair costs due to increased road wear." (*Eliminate Tax Deduction for Heavy Vehicles*, page 13)

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Friends of the Earth is dedicated to protecting the planet from environmental degradation; preserving biological, cultural and ethnic diversity; and empowering citizens to have an influential voice in decisions affecting the quality of their environment — and their lives.

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The fiscal watchdog for California's environmental movement, Green Capitol fights to expose irresponsible government taxing and spending practices that destroy California's unique environmental assets.

Part of a national campaign

The recommendations in this report are designed to help frame public policy debates and push budget cuts that help both the environment and taxpayers. The approach, pioneered by the national Green Scissors Campaign, led by Friends of the Earth, Taxpayers for Common Sense and the U.S. Public Interest Research Group, has successfully eliminated more than \$26 billion in wasteful programs and subsidies from the federal budget. Similar state-level reform efforts have been undertaken in the District of Columbia, Maryland, Minnesota, Michigan, Washington, and North Carolina.

Green Scissors is a registered trademark of Friends of the Earth.

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