



Orange County Taxpayers Association

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To: The Honorable Felipe Fuentes, Chair, Assembly Committee on Appropriations

From: Reed Royalty, President, Orange County Taxpayers Association (OCTax)

Date: August 29, 2011

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## SB 939 (Wright): Natural Gas Surcharge

### OCTax Position: SUPPORT

Existing law requires the Public Utilities Commission to impose a surcharge on natural gas to fund low-income assistance programs, energy efficiency programs, and gas-related public interest research and development (Public Purpose Program Surcharge, or PPPS). This year, the Legislature diverted \$155 million of that fund to the general fund, presumably to help balance the State budget.

#### OCTax analysis

The Legislature's diversion of PPPS funds to the General Fund is a classic bait-and-switch. PPPS was approved by the Legislature (AB 1002) in 2000 to create a fee, paid by buyers of natural gas, to be spent on specific gas-related programs. This year's diversion of the funds changes the fee into a tax, to be spent on general government programs.

- Fees are paid only by users of a specific service, and can be spent only to provide that service. There must be a nexus between the fee and the user.
- Taxes are paid by the general public for general government services, to be spent at the Legislature's pleasure. No nexus to the user is required.

To seize AB 1002's fee revenue and arbitrarily spend it on tax-supported general services is (or should be) illegal.

SB 939 would not reverse this year's diversion of AB 1002's funds, but it would prevent future such diversions.

cc: The Honorable Roderick D. Wright  
Orange County Legislative Delegation