Testimony to State Senate on SB 241 - Oil Severance Tax

On May 1, I traveled to Sacramento to represent the Kern County Board of Supervisors, and give testimony to the California State Senate Finance and Governance Committee on Kern County's unanimous opposition to SB 241, a bill that would add a 9.9% tax on every barrel of oil extracted from California's ground or waters. The following was my testimony:

"Kern County produces 70% of California's oil, so almost all of the economic pain of an oil severance tax, while it may be aimed at large oil companies, will actually occur in Kern County. Up to 7,000 good-paying oilfield jobs would be lost in a county where unemployment is still above 13%, with some communities where unemployment is over 30%. The damage will ripple through Kern's economy to the stores where oilfield workers spend their wages, and to the companies that supply equipment and services to the oilfields. Petroleum equipment sales generate $20 million in annual sales tax revenues to local governments in Kern County.

Oil is to Kern County what computers are to Silicon Valley or TV and film production is to Los Angeles. But no one is lining up to impose a tax on software or TV shows. Oil remains the sole target for further taxation on top of the income and property taxes it now pays.

Oil is critical to California's economic future. In a state where 96% of all vehicles are powered by fossil fuels and where natural gas generates more than 42% of the electricity we produce, the rich oil and natural gas deposits in the Monterey Shale hold tremendous promise for energy independence and price stability.

However, an oil severance tax would place some of these hugely important reserves economically off limits. By reducing the return on the investments of money, time, and technology needed to get this oil out of the ground, the tax will place much of this critical natural resource beyond recovery and out of the reach of California consumers. It will deny California's poorest region a much-needed source of employment and economic activity, and it will prevent millions of dollars in potential property tax revenues from being collected for the schools, special districts, and local governments in this region.

As far as the promise of reimbursing local governments for lost property taxes, Kern County is skeptical. We have seen Williamson Act payments to counties disappear. We have seen the State delay payments for unfunded mandates far into the future; and our public hospital must often wait years for Medi-Cal payments. So pledges to hold us harmless ring a little hollow.

Kern County also questions the wisdom of earmarking tax revenues from a narrow and volatile source to help finance our college and university systems, which should be a statewide responsibility. And SB 241 goes further down this fiscally unsound path by adding the parks system to the gravy train. We wonder if it is wise to give more money to a department that hid over $50 million and was the subject of a criminal investigation.

For all of these reasons, the County of Kern urges this committee not to approve this bill. SB 241 is a knockout punch aimed straight at our county, and we believe there are more reasonable and equitable ways to fund State programs."

SB 241 currently is sitting in the Senate Appropriations Committee, and requires a 2/3rds vote of the entire Senate to pass to the Assembly.