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## Westly Urges Defeat of Dangerous Energy Bill

*House bill shifts California school money to oil companies and  
threatens coastline*

Sacramento, CA – California State Controller Steve Westly today sent a letter to California Senators Dianne Feinstein and Barbara Boxer, as well as Governor Arnold Schwarzenegger, urging them to help defeat an energy bill passed by the House of Representatives that would shift millions of dollars from California schools to oil companies as well as threaten California's coastline.

“Special interests are raiding California's future. We can't trade our children's education and our coastline for oil company profits,” Westly said.

Current California law requires royalties from oil and gas production on public lands in California to support public schools. In 2001, California public schools and counties received more than \$28 million from oil royalties. H.R. 6 would shift a significant portion of these funds away from California schools to oil companies.

The Energy Bill also threatens California's coastline, giving the Department of Interior authority to grant permits to develop energy resources anywhere on the outer continental shelf, and mandates a previously rejected high voltage electricity transmission line through the Cleveland National Forest.

“Our coastlines are California's gateway to the world. I will fight to protect our coastlines against any threat,” Westly said.

Provisions in the bill give energy companies new tax loopholes and shelters that will reduce state revenues and increase California's budget problems. The bill passed the House on November 18 by a vote of 246-180.

“We can have a sound energy policy and economic growth without choosing between children and coastlines or profits for oil companies,” Westly said.

**TEXT OF LETTER FOLLOWS**

## LETTER TO SENATORS FEINSTEIN, BOXER AND SCHWARZENEGGER

I urge you to oppose the Energy Bill that passed House of Representatives on November 18, 2003. This bill is bad for California taxpayers, for our schools and for our coastline.

Specifically, H.R. 6, the Energy Policy Act of 2003, would eliminate millions of dollars from our public schools at a time when every education resource must be preserved. It would open up California's long-protected coastline for new oil exploration and it increases tax shelters and loopholes for major corporate investors.

### *The Energy Bill Reduces Funding for California Public Schools*

Royalties for energy production from oil, gas and geothermal leases on public lands in California currently support California public schools. In 2001, California public schools and counties received more than \$28 million from this long-standing revenue source.

The Energy Bill, as approved by the House of Representatives, would shift that much of that funding away from our schools and back to oil companies by 1) lowering royalty rates, 2) allowing oil companies to offset the costs of required environmental protections, and 3) permitting "in kind" royalty payments instead of cash payments as currently required. The General Accounting Office previously criticized a pilot program allowing "in kind" royalty payments.

Perhaps the worst of the royalty reduction provisions are those purported to support crude oil production from "marginal" sources that might not otherwise exist. In addition to tax reductions for marginal production, the Energy Bill would permanently authorize a costly and unsuccessful subsidy for marginal production. This subsidy already costs California schools close to \$10 million a year under the existing temporary authorization. Under this bill, 80 percent of all wells on Federal land would be defined as "marginal." Interior's subsidy, like those in the energy bill, was supposed to encourage production, but the evidence shows no increased production. In fact, the Interior Department's own Inspector General found evidence that marginal royalty relief was subject to wide spread abuse, even before this bill.

### *The Energy Bill Endangers California's Coastline*

But the damage does not stop with the lost funding for our school children. The bill permits incalculable damage to public lands in California and substantially reduces the role of the State in decisions affecting the use of these lands. Even the waters off the shore of California, which have been protected for decades by a moratorium, are not spared.

Under the bill, the Department of Interior is given new authority to grant permits **anywhere** on the outer Continental Shelf for activities that "support exploration, development, production, transportation, or storage of oil, natural gas or other minerals." The bill amends the Coastal Zone Management Act to restrict the rights of states to review and respond to federal decisions, including decisions about oil and gas leasing and development. Elsewhere in the bill, the process for permitting offshore pipelines is also amended to restrict the states' right of review and comment.

Even worse, just for California, the bill mandates running a high voltage electricity transmission line through the Cleveland National Forest – a proposal already rejected by the State and the federal planning process.

***The Energy Bill Creates Tax Loopholes for Oil Companies, Worsening California's Deficit***

Most of the tax provisions of the Energy Bill create further complexity and divergence from existing State tax laws and requirements. Major energy companies and other investors will have new opportunities and huge incentives to develop and use new tax shelters and loopholes as created in the Energy Bill. But the Energy Bill does not provide a single dollar for increased tax compliance or enforcement by the Internal Revenue Service. The proposed three-year limit on audits, without any increased audit resources, will virtually guarantee that the largest and most unscrupulous taxpayers will be able to further lower their taxes with near impunity. These actions will not only increase our nation's deficit, but will translate to lower tax receipts for California as well.

It is quite clear that the Energy Bill is bad for taxpayers and bad for California. This bill is fundamentally flawed; simple amendments and modifications will likely be insufficient to cure the problems of this legislation.

Please oppose the Energy Bill and ensure its defeat, for all of California.

Do let me know if my office or I can be of any further assistance.

Sincerely,

Steve Westly

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