



September 14, 2015

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Honorable Edmund G Brown, Jr.
Governor, State of California
State Capitol Building, First Floor
Sacramento, CA 95814

**RE: Assembly Bill 88 (Gomez). Sales and Use Taxes Exemption. Public Utility Energy Efficiency Program.
Request for Veto – As enrolled September 4, 2015**

Dear Governor Brown:

The California State Association of Counties (CSAC), representing all 58 of California's counties, respectfully requests that you veto Assembly Bill 88 (Gomez). While we recognize the intent of this bill, CSAC opposes AB 88 because of the negative fiscal impact on county revenues including the constitutionally guaranteed public safety and health services funding.

AB 88 would create a state and local sales and use tax exemption for a utility provider's ENERGY STAR refrigerator or clothes washer purchases when those appliances are provided at no cost to low-income participants. This exemption represents an annual loss of at least \$4.5 million in state and local revenue, according to the Board of Equalization (BOE) analysis. The potential losses are likely much greater, though, as the BOE analysis only takes into account the purchase history of a fraction of the utility providers that could participate and receive a sales and use tax exemption.

After the past thirty years of changes to sales and use tax allocations, counties now receive almost half of sales and use tax revenues. Roughly two-thirds of that revenue is constitutionally dedicated to providing local public safety services and federal and state programs, including social services, criminal justice, and rehabilitation. This includes the guaranteed allocation to the Local Revenue Fund 2011.

A better choice for AB 88 would be to allow local agencies to adopt their own incentive programs that could include a tax rebate. Or, if the state would like to offer its share of revenues not protected for local safety and health services purposes, a refined state sales tax exemption could be offered to promote energy and water efficient appliance purchases. Regrettably, CSAC opposes AB 88 due to the blanket loss of county revenue and respectfully requests that you veto this measure. If you have any questions regarding our position, please do not hesitate to contact me at (916) 327-7500.

Sincerely,

A handwritten signature in blue ink that reads "Matthew Z. Cate".

Matt Cate
Executive Director

cc: Honorable Jimmy Gomez, California State Assembly
Michael Martinez, Deputy Legislative Secretary, Office of Governor Brown