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September 29, 2011

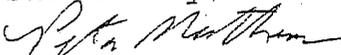
Dawn McFarland
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INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE

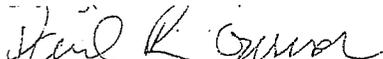
Pursuant to Article II, Section 10(d) of the California Constitution, we hereby submit the attached proposed Statutory Initiative: "Tax Oil to Fund Education Act." Included with this submission is the required proponent affidavit signed by the proponents of this measure pursuant to Section 9608 of the California Elections Code. Our addresses as registered voters are attached to this letter, along with a check (already sent) for \$200. All inquiries or correspondence related to this Initiative should be directed to Peter Mathews, P.O. Box 2857, Long Beach, CA 90801 (Phone 562-234-3319) (Email: go2mathews@msn.com) (Website: www.rescueeducationcalifornia.org).

Thank you for your assistance,

Sincerely,



Peter Mathews


Paul R. Garver

TO THE HONORABLE SECRETARY OF STATE OF CALIFORNIA

We the undersigned, registered, qualified voters of California, residents of the County (or City and County) referenced on the signature page of this petition, hereby propose amendments to the Revenue and Taxation Code, relating to California Public Education, Kindergarten through Grade 12, and post-secondary education, and petition the Secretary of State to submit the same to the voters of California for their adoption or rejection at the next succeeding general election or at any special statewide election held prior to that general election or otherwise provided by law. The proposed statutory amendments (full title and text of measure) read as follows:

The Proponents of this Initiative Statute have found that:

California's Public Educational System, Kindergarten through College and University has been cut to the bone. Overcrowded classrooms, textbook shortages, teacher and professor layoffs, and reduced or eliminated college class sections have made it impossible for millions of talented students to graduate.

University of California students' tuition fees have been raised by 20 percent, California State University students' tuition fees have been raised by 27 percent, and California Community College students' tuition fees have been raised by 80 percent for the 2011/2012 academic year, and these students face the probability of severe midyear tuition fee increases in the Spring 2012 semester. California's K-12 System is suffering with overcrowded classrooms, instructional material shortages, and teacher layoffs. Californians must act now to save our once renowned Educational System.

Education is the foundation of a strong economy. California Governors Pete Wilson and Arnold Schwarzenegger enjoyed tuition free education at UC Berkeley and Santa Monica College respectively. In the 1960s and 1970s, California's Educational System was the envy of the world. During this time, public higher education was tuition free as mandated by Governor Pat Brown's Master Plan for Higher Education, and California's economy grew to the 5th largest in the world.

Today, California's economy has fallen to 8th position in the world because of a lack of investment in education and technology. China recently invented the world's fastest computer server and produces the largest number of solar panels, while South Korea produces the best electric car batteries using cutting-edge technologies. California's K-12 spending per pupil has dropped to 43rd out of 50 states. College and University graduates are saddled with huge debts. If California is to successfully compete with countries such as China, Japan, Germany, South Korea, and India, California's Educational System must be adequately funded, offering more classes and programs in cutting-edge technology, skilled manufacturing, alternative energy, the humanities, and the arts.

Unbelievably, California has failed to employ a widely used revenue source that can address this crisis in our education. This revenue source is employed by every major oil producing state, except California. This untapped source of revenue is a severance tax on oil and natural gas extracted in California. Since California is the nation's 3rd largest producer of oil, after Texas and Alaska, a 15% oil and natural gas severance tax (midway between that of Texas and Alaska) would raise over \$3 billion each year, at 2011 oil prices. This has not been a partisan issue in other states. For example, Governor Sarah Palin, with a Republican legislature, raised Alaska's oil severance tax to 25%, bringing in billions of dollars. Texas' and Alaska's gasoline prices were not affected by their oil severance taxes, and in March 2011, their price per gallon of gasoline was lower than California's. This type of oil and natural gas severance tax is the economic standard in every major oil and natural gas producing state and nation around the world. Closing the California Oil and Natural Gas Severance Tax loophole will help fully fund California's public education once again, making California competitive in the global economy and ensuring a bright future for this generation and succeeding generations of Californians.

In order to provide additional funding for California's Public Education, Kindergarten through University and for restoring California's competitiveness in the new global economy,

SECTION 1. Part 21 (commencing with Section 42001) is added to Chapter 1 of Division 2 of the Revenue and Taxation Code, to read:

PART 21: TAX OIL TO FUND EDUCATION ACT

CHAPTER 1. OIL AND NATURAL GAS SEVERANCE TAX

42001. This part shall be known, and may be cited, as the Tax Oil to Fund Education Act.

42002. For purposes of this part, the following definitions shall apply:

- (a) "Barrel of oil or gas" means 42 United States gallons of 231 cubic inches per gallon of oil computed at a temperature of 60 degrees Fahrenheit, or gas, as measured per 1,000 cubic feet (mcf) at a base pressure of 15.025 pounds per square inch absolute and at a temperature base of 60 degrees Fahrenheit.
- (b) "Board" means the California State Board of Equalization.
- (c) "California Competitiveness Education Fund" or "CCEF" means the fund that is created by Section 42100.
- (d) "Direct classroom instruction and access" means, and is limited to, reducing university and college tuition fees, restoring cut class sections, hiring needed professors, reducing K-12 class sizes, hiring K-12 teachers and providing K-12 instructional materials.
- (e) "Gas" means all natural gas, including casing head gas, and all other hydrocarbons not defined as oil in subdivision (j).
- (f) "Gross value" means the sale price at the mouth of the well, including any bonus, premium, or other thing of value, paid for the oil or gas, as determined by a rolling 30-day average daily value, as established by the market price of the product. The board shall determine the base indexes from which the average shall be calculated. If the oil or gas is exchanged for something other than cash, if there is no sale at the time of severance, or if the relation between the buyer and the seller is such that the consideration paid, if any, is not indicative of the true value or market price, then the board shall determine the value of the oil or gas subject to the tax based on the cash price paid to the producer for like quality oil or gas in the vicinity of the well.
- (g) "Higher education" and "post-secondary education" means the University of California, the California State University, and the California Community Colleges.
- (h) "In this state" means within the exterior limits of the State of California and includes all territory within these limits owned by or ceded to the United States of America. "In this state" includes the mean high tide line to three nautical miles off shore.
- (i) "K-12" means the California Kindergarten Through Grade 12 Educational System.
- (j) "Oil" means petroleum, or other crude oil, condensate, casing head gasoline, or other mineral oil that is mined, produced, or withdrawn from below the surface of the soil or water in this state.
- (k) "Operator" means a person that, by virtue of ownership, or under the authority of a lease or any other agreement, has the right to drill, operate, maintain, or control an oil or gas well in the earth or water in this state, including any person that takes oil or gas from the earth or water from this state in any manner, any person that owns, controls, manages, or leases any oil or gas well in the earth or water of this state, and any person that produces or extracts in any manner any oil or gas by taking it from the earth or water in this state; and includes the first person that acquires either the legal title or beneficial title to oil or gas taken from the earth or water in this state by the federal government or a federal instrumentality.
- (l) "Political subdivision of the state" includes any local public entity, as defined in Section 900.4 of the Government Code.
- (m) "Production" means the total gross amount of oil or gas produced, including the gross amount attributable to a royalty or other interest.
- (n) "Severed" or "severing" means the extraction or withdrawing from below the surface of the earth or water of any oil or gas, regardless of whether the extraction or withdrawal shall be by natural flow, mechanical flow, forced flow, pumping, or any other means employed to get the oil or gas from below the surface of the earth or water, and shall include the extraction or withdrawal by any means whatsoever of oil or gas upon which the tax has not been paid, from any surface reservoir, natural or artificial, or from a water surface.
- (o) "Stripper well" means a well that has been certified by the Division of Oil, Gas, and Geothermal Resources in the Department of Conservation as an oil well incapable of producing an average of more than 10 barrels of oil per day during the entire taxable month, or gas well that is incapable of producing more than 60,000 cubic feet of gas per day. Once a well has been certified as a stripper well, that stripper well shall remain certified as a stripper well until the well produces an average of more than 10 barrels of oil or 60,000 cubic feet of gas per day during an entire taxable month.

42010. (a) For the privilege of severing oil or gas from the earth or water in this state, a tax is hereby imposed on all operators at the rate of 15 percent of the gross value of the barrel of oil or gas, and the tax shall be applied equally to all portions of the gross value of each barrel of oil or gas.

(b) Any person that owns an interest, including a royalty interest, in oil or gas or its value is liable for the tax until it has been paid to the board.

42011. Except as otherwise provided in this part, the tax shall be upon the entire production in this state, regardless

of the place of sale or to whom sold or by whom used, or the fact that the delivery may be made to points outside the state.

42012. The tax imposed by this part shall be in addition to any other taxes imposed by law, including, without limitation, any ad valorem taxes imposed by the state, or any political subdivision of the state, or any local business license taxes that may be incurred for the privilege of severing oil or gas from the earth or water or doing business in that locality. There shall be no exemption from the payment of an ad valorem tax related to equipment, material, or other property by reason of the payment of the tax pursuant to this part.

42013. (a) The tax imposed by this part shall not be passed through to consumers by way of higher prices for oil, natural gas, gasoline, diesel, or other oil or gas consumable byproducts, including propane and heating oil. The board shall monitor and, if necessary, investigate any instance where operators have attempted to gouge consumers by materially raising the price of oil, natural gas, gasoline, diesel, or other oil or gas consumable byproducts, including propane and heating oil. Should this occur, the board shall impose the penalty of a fine equal to double the dollar amount that was passed on to the consumer. The dollar amount recouped through the fine shall be equally distributed to each Californian as a rebate check at the end of each year.

(b) The board shall prescribe, adopt, and enforce rules and regulations relating to the administration and enforcement of this section.

(c) This section shall apply only to the extent that it is not superseded by federal law.

42014. Two or more operators that are corporations and are owned or controlled directly or indirectly, as defined in Section 25105, by the same interests shall be considered as a single operator for purposes of application of the tax prescribed by this part.

42015. (a) There shall be exempted from the imposition of the tax imposed pursuant to this part the severing of oil or gas produced by a stripper well in which the average gross value of a barrel of oil or gas is fifty dollars (\$50.00) or less as of the first day of the previous calendar quarter.

(b) The Division of Oil, Gas, and Geothermal Resources in the Department of Conservation shall notify the board of all wells that have been certified as stripper wells.

42016. Each operator shall prepare and file with the board a return in the form prescribed by the board containing information as the board deems necessary or appropriate for the proper administration of this part. The return shall be filed on or before the last day of the calendar month following the calendar quarter to which it relates, together with a remittance payable to the board for the amount of tax due for that period.

42017. (a) The board shall administer and collect the tax imposed by this part pursuant to the Fee Collection Procedures Law [Part 30 (commencing with Section 55001)]. For purposes of this part, the references in the Fee Collection Procedures Law to "fee" shall include the tax imposed by this part and references to "feepayer" shall include a person required to pay the tax imposed by this part.

(b) The board may prescribe, adopt, and enforce regulations relating to the administration and enforcement of this part, including, but not limited to, provisions governing collections, reporting, refunds, and appeals.

(c) The board may prescribe, adopt, and enforce emergency regulation relating to the administration and enforcement of this part. Any emergency regulation prescribed, adopted, or enforced pursuant to this section shall be adopted in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, and, for purposes of that chapter, including Section 11349.6 of the Government Code, the adoption of the regulation is an emergency and shall be considered by the Office of Administrative Law as necessary for the immediate preservation of the public peace, health and safety, and general welfare.

42018. All taxes, interest, and other amounts collected pursuant to this part, less refunds and costs of administration, shall be deposited into the California Competitiveness Education Fund.

CHAPTER 2. CALIFORNIA COMPETITIVENESS EDUCATION FUND

42100. (a) The California Competitiveness Education Fund is hereby created in the State Treasury. Notwithstanding Section 13340 of the Government Code, moneys in the fund are continuously appropriated, without regard to fiscal years, as follows:

(1) Eleven percent to the Regents of the University of California for purposes of funding direct classroom instruction and access, which is limited to reducing university tuition fees, restoring cut class sections, and hiring needed professors, to be allocated at the discretion of the Regents.

(2) Fourteen percent to the Trustees of the California State University for purposes of funding direct classroom instruction and access, which is limited to reducing university tuition fees, restoring cut class sections, and hiring needed professors, to be allocated at the discretion of the Trustees.

(3) Thirty-eight percent to the Office of the Chancellor of the California Community Colleges for purposes of funding direct classroom instruction and access, which is limited to reducing college tuition fees, restoring cut class sections, and hiring needed professors, to be allocated at the discretion of the Chancellor.

(4) Thirty-seven percent to the Superintendent of Public Instruction for purposes of funding direct K-12 classroom instruction, which is limited to reducing class sizes, hiring teachers, and providing instructional materials, to be allocated at the discretion of the Superintendent.

(b) The moneys appropriated pursuant to subdivision (a) shall be used to supplement, not supplant, existing levels of state funding for the University of California, the California State University, the California Community Colleges, and the State Department of Education.

42101. Any moneys received pursuant to this part constitute the California Competitiveness Education Fund and cannot be commingled with, transferred to, or lent to, the State General Fund by the Regents of the University of California, the Trustees of the California State University, the Office of the Chancellor of the California Community Colleges, and the Superintendent of Public Instruction.

42102. Upon adoption by the voters of California, this initiative statute shall go into immediate effect.

42103. The provisions of this part are severable. If any provision of this part or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

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Lead Proponent Peter Mathews