

**Working Group on Pollution Tax
Governor's Commission on the 21st Century Economy**

Purpose: With the concurrence of the Chair of the Governor's Commission on the 21st Century Economy, I am inviting you to join me and other interested parties on Tuesday, August 18 from 10:00 a.m. to Noon at the Sacramento Headquarters of the Board of Equalization (450 N Street, 1st Floor Conference Room), and again on Tuesday, August 25th from 9:30 to Noon at the same location. The purpose of the meetings will be to explore and refine the proposal for a pollution tax, as included in the Commission's current package of tax reforms (see Attachment – Blue Plan, Items 8 and 9).

It is the goal of the Commission to submit a report to the Legislature and the Governor, pursuant to the Governor's Executive Order on this topic that will be divided into three parts. Part 1 will include a bill package of tax reforms that can be enacted by the Legislature and signed into law by the Governor in the Extraordinary Session that the Governor has called on this topic. Part 2 will include recommendations from the Commission, not in bill form, that can be enacted in a manner other than by the Legislature and the Governor, for example Constitutional Amendments that must be ratified by the people. Part 3 will include those recommendations of the Commission that are not directly within the Commission's portfolio, but resonate with the Commission as appropriate reforms to the state's budget and fiscal processes.

August 18th Meeting. This meeting is intended to be a focused discussion of the pollution tax proposal. Based on substantial study of this issue (both in the academic and tax policy arenas) by knowledgeable individuals, the working group will examine possible rates, base, revenue projections, Article 19 of the state Constitution, Proposition 42 restrictions, AB 32 and SB 375 public policy goals, economic development opportunities, and methods of enactment and implementation of the tax.

A very important goal of the meeting will be to provide Legislative Counsel, who will be in attendance, with sufficiently detailed direction such that they will be able to draft legislation on this topic.

August 25th Meeting. This meeting is intended to be focused on the draft legislation from Legislative Counsel, as directed by the working group at the August 18th meeting. The goal will be to refine the bill, and to agree on a narrative report to the Commission that will accompany the draft legislation. The narrative report and bill will then become part of the Commission's agenda and materials for the Commission two meetings in September.