Proposal: The Richmond Refining Tax Act

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Agenda

1. Benefits of – and a Need for – Additional City Revenue

2. Measure T

3. A Tax on Oil Refining

4. Negative Public Refining Impacts on the City

5. General Tax vs. Special Tax

6. Q&A – also welcome throughout

1. A Need for New Revenue

The **2022 State Auditor's Report** details the need for the City to balance its budget – which may be done by raising revenue. (Link)

The April 16, 2024 Port audit presentation describes **fiscal needs to support the Port's viability**, mindful of legalities of directing funds from the City to the Port. (Link)

The May 7, 2024 draft FY 2024-25 Annual Operating Budget forecasts a **$34 million gap** between budget requests and available revenue. Five-year forecasts in the same document predict that it **will be impossible to balance the budget without new revenue**. (Link)

1. Opportunities in the Richmond Refining Tax

The City could use new revenue to address a range of general government issues, all at its choosing through the budgeting process. In general, the City could **shore up its fiscal position**.

The City could **save reserves** for future economic disturbances to maintain future public sector employment.

The City could **seed new industries** to reduce economic and taxbase reliance on any one industry, reflective of Blue/Green New Deal proposals. (Link)

The City could use the new revenue to **mitigate the negative impacts of refining** – e.g., environmental impacts, public health impacts, and emergency services impacts from oil refining.

2. Measure T

Measure T was also a tax on activities at oil refineries, approved by a majority of Richmond voters in 2008. (Link)

Measure T was challenged in court, and the tax was struck down in 2009, for two reasons:

1. Measure T **lacked an apportionment mechanism**; and
2. Measure T **was a tandem tax**, where the basis for liability would be determined by assessing whether basis #1 (value added during manufacturing in Richmond) or basis #2 (employee headcount) would generate more revenue.

Measure T's faults would be easy to address now in hindsight and going forward.

2. Measure T Settlement Agreement

Since litigation over Measure T, there is a 15-year settlement agreement in place with the refinery that **expires June 30, 2025**.

That settlement agreement froze new taxes from applying to the refinery while the agreement was in effect, including Measure U's Gross Receipts Tax and edits to the User Utility's Tax.

But once the agreement expires, all City taxes will apply to the refinery as currently on the books, and **the City's ability to impose new tax liability returns** free of the credit complications laid out in the agreement.

3. A Tax on Oil Refining

An excise tax is a tax on a good or service before the point it reaches a customer. There are many examples of legal excise taxes in California. There are examples too of refining taxes.

Learning the lessons of Measure T to avoid its pitfalls, we are confident that a tax on oil refining within the City could be written in a way that **survives legal challenge**.

We are not the City's lawyers. It would be prudent for the City to engage the City Attorney on an independent risk assessment.

After further discussion with the City Attorney, we would be happy to return to discuss a more detailed proposal.

4. Negative Public Refining Impacts – Environmental

In 2023, the refinery produced an average of 25,000 pounds of **hazardous waste** each day. (Link)
In 2021, the refinery released 37,722 pounds of toxic chemicals into surface waters. (Link) The February 2021 **oil spill** into the Bay underscores additional risks. (Link) Oil spills and permitted releases of pollution impact wildlife, and communities that depend on our local ecosystem. (Link) **Groundwater** may also get polluted as contaminants seep into aquifers; sea level rise may push toxic groundwater upwards, and these toxic substances can seep into basements, a broken sewage line, or be vaporized and breathed in.

4. Negative Public Refining Impacts – Public Health

The refinery is the City's single largest source of particulate matter emissions (**PM2.5**). (Link) BAAQMD data connects the refinery's PM2.5 emissions with **5.1 to 11.6 premature deaths** in Richmond each year. (Link) Other PM 2.5 effects include infant mortality, cancer, and traumatic mental health effects. (Link)

Richmond's **asthma rate** is at the statewide 90th percentile. (Link) Fence-line neighborhoods near the refinery are in the 97th to 99th percentile for asthma, meaning that their asthma rate is higher than 97 to 99% of other California residents. (Link)

The **healthcare impacts** associated with oil refining in Contra Costa County are estimated to be between \$70 million and \$140 million each year, according to federal EPA figures. (Link)

4. Negative Public Refining Impacts – Emergencies

Refinery emergencies are Richmond emergencies.

The 2012 **explosion** injured 6 employees and sent 15,000 Richmond residents to hospitals seeking medical treatment. (Link)

The November 2023 **flaring** incident logged more than 100 air quality complaints to the Air District. (Link)

These incidents, and future ones like it, strain public resources, including the **Fire Department**, but also increase stress on other public systems, including with increased vehicle traffic on roads.

4. Negative Public Refining Impacts

All these impacts are **tied to** to refinery operations.

The more crude oil that is refined, the more pollution that is emitted – the more the environment and public health are harmed, with costs born by the City. The more refining that occurs, the higher the risk that refining-related emergencies are to occur, with costs again born by the City.

It would be prudent to base the tax not just on crude oil (the current feedstock, or input, for the refinery) but to also **include biofuels feedstock**, given the recent transitions of other local refineries and the negative impacts of biofuels refining.

The City may impose **taxes proportional to these impacts**.

5. General Tax vs. Special Tax

Under Article XIII C of the California Constitution, local governments can generate new revenue in the form of general taxes or special taxes.

They differ in how they are used:

General taxes go to the **General Fund**.

Special taxes may be restricted for **special uses**.

And they differ in how they are established. Both must be approved by the electorate (whether referred by the Council, or by signature petitions), at **different thresholds**:

General taxes are a 50% threshold, special taxes are 2/3.

Recap

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Questions & Answers

Thank you!

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