

GAZETTE COMMENTARY

GRINON GAZETTE

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Editorial Board:

Harry Saltzgaver, Executive Editor

Kurt Helln, Editor

Prop. H Oil Producer Tax Right Fee At Right Time

Sometimes you just have to play the cards that are dealt.

We opposed the scheduling of an expensive special election to make changes to the city's Charter on the grounds that none of the proposed changes were urgent enough to justify the expense. Mayor Bob Foster and the City Council countered by adding an oil production fee hike that would raise a significant amount of money for police and fire enhancements, and added that delaying the election for nine months would lose nine months of revenue.

Bottom line, Long Beach will go to the polls on May 1, just more than a month from now. We still don't think the special election was a good idea — the political motivations are baldly apparent and could be fatal.

That said, there are several proposals on the ballot that have significant merit. Since we are going to have an election one way or another, we may as well get some of the good things done.

That starts with the previously mentioned oil production tax — Proposition H on your special election ballot. The need is there — will there ever be a time when more money for public safety isn't needed? Even better, this fee is the closest thing possible to free money for the residents of Long Beach.

Prop. H would increase the charge for pumping oil in Long Beach from 15¢ a barrel to 40¢ a barrel. The additional quarter per barrel could only be spent on police or fire services (the other 15¢ goes to the city's general fund).

The few opponents out there argue that the higher fee will be passed on to consumers in the form of higher gasoline prices. That might make sense if the price of oil was based on the production costs, but it isn't. Oil companies charge whatever the market will bear, with the only real question being the margin of profit. A 25¢ per barrel bump in Long Beach isn't even going to register on Big Oil's sensors.

There's also a bit of poetic justice in this particular tax. Once upon a time, Long Beach was one of the richest cities in California, thanks mostly to oil being pumped off our coast. Then state legislators discovered Long Beach's black gold, and confiscated the vast majority of off-shore oil revenue.

This oil tax is levied on both on-shore and off-shore production. The amount doesn't come close to what our city once realized from the oil rigs, but it does help a little.

The one drawback to Prop. H is that the City Council gets to determine what constitutes appropriate spending of the restricted dollars. Still, there has to be some connection to improving police and fire services, and it is a certainty that there will be plenty of public scrutiny.

That public safety designation means that Prop. H must pass with a two-thirds majority to be approved. (A designated tax allowed on a special election, but that's another story.) In a world

where the public is leery of any government spending, that is a fairly high bar.

Still, Long Beach voters have proven that they are willing to tax themselves when it's for something they believe important — witness the approval of bonds for both the public schools and the City College district. It makes sense that they would favor taxing Big Oil, especially for public safety.

We'll be voting in favor of Prop. H, and urge you to do so as well.

Prop. H Aims At Oil Producers

By Harry Satzgaver
Executive Editor

The math is simple — 40,000 barrels of oil a day times 25¢ a barrel equals \$10,000 a day. That is the revenue at stake with Proposition H on the May 1 special election in Long Beach. That money would be restricted to be spent on public safety — the police and fire departments. Known formally as the Police and Fire Public Safety Oil Production Act, Prop. H increases an oil production tax already in place in Long Beach from the current 15¢ per barrel to 40¢ per barrel. The only time the tax would be suspended is if the price of the benchmark West Texas Intermediate Crude Oil falls below \$20 a barrel (it currently is at \$59.32 a barrel).

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"This (tax) would be paid by the producers," Garner said. "The oil prices are set by market conditions, not the cost of production. The local oil can, of course, be refined to gasoline, but the price isn't going to be impacted by what happens here." Because this is a designated tax, restricted to certain uses, it requires a two-thirds majority to be approved. Only designated taxes can be placed on special election ballots.

For most of Long Beach, the entire special election ballot will require only eight checkmarks. The other seven measures are amendments to the City Charter.

The Sixth City Council District also will elect a new council member to replace Laura Richardson, who resigned after being elected to the state Assembly. There are seven names on that ballot.

The election takes place on Tuesday, May 1. For more information, go to the city clerk's Web site, www.longbeach.gov/cityclerk, and follow the election links.

Some opponents have said that the oil production tax is just an indirect tax, with the price to be passed on to consumers. That's unlikely, according to Chris Garner, the director of the city's Oil and Gas Department.

The oil production tax has been suggested as a source of revenue by both former City Auditor Gary Burroughs and current City Auditor Laura Doud. In her recommendation to the City Council, Doud pointed out that nearby cities, including Signal Hill, charge 60¢ or more per barrel. The 15¢ Long Beach charges now was set in 1990 and hasn't changed since.

The City Council would have the final say on how the money is spent, according to Heather Mahood, assistant city attorney. Residents could question how the fund is allocated, but that likely would require legal action, she added.

\$120,000 a year for each additional police officer put on the street (including training, benefits and equipment).