

**ACADEMIC SENATE  
of  
CALIFORNIA POLYTECHNIC STATE UNIVERSITY  
San Luis Obispo, CA**

**AS-696-09**

**RESOLUTION ON AB 656**

1 WHEREAS, A robust public higher education system is crucial to the economic future of  
2 California insofar as it prepares and educates the state's future workforce; and  
3

4 WHEREAS, The CSU and the UC systems receive their funding through the state general fund;  
5 however, there is no dedicated source of supplemental funding for these institutions  
6 when there are increases in economic growth or student enrollment; and  
7

8 WHEREAS, Higher education in the State of California has received a declining share  
9 of general fund appropriations for several decades. This has reversed the ranking  
10 of California from one of the highest funded per-student ratios in the nation to one  
11 of the lowest in the nation thus creating an unprecedented educational crises in the  
12 state; and  
13

14 WHEREAS, Thousands of eligible students are denied access to higher education  
15 each year while California's need for college-educated workers is outpacing the  
16 state's ability to produce them, and that gap is expected to widen if the situation is  
17 not remedied; and  
18

19 WHEREAS, The current economic crises in the State of California further exacerbates  
20 the problem of inadequate funding for public higher education; and  
21

22 WHEREAS, Assembly Bill 656 is legislation that proposes a new oil and gas severance  
23 tax, the revenue of which would constitute a dedicated supplemental source of  
24 funding for public higher education; and  
25

26 WHEREAS, California is the third largest oil and gas producing state in the United  
27 States, but the only major oil and gas producing state that does not have such a  
28 severance tax; and  
29

30 WHEREAS, The provision in the bill allowing for up to \$900 million per year in tax revenue to  
31 be invested should serve as a hedge against the possibility of declining revenues for  
32 public higher education in future years; therefore be it  
33

34 RESOLVED: That the Academic Senate of Cal Poly enthusiastically support Assembly Bill 656;  
35 and be it further

36 RESOLVED: That copies of this resolution be distributed to Warren Baker, President,  
37 California Polytechnic State University; Charles Reed, Chancellor, California State  
38 University; the Board of Trustees, California State University; the Academic  
39 Senate for each campus of The California State University; and to all members of  
40 the California State Assembly and California State Senate.

Proposed by: Academic Senate College of Engineering Caucus  
Date: November 2 2009  
Revised: November 10 2009  
Revised: November 17 2009

## **AB 656 — Higher Education: Oil and Natural Gas Extraction Tax**

**Author: Assemblymember Alberto Torrico**

### **OVERVIEW**

- AB 656 provides a stable, dedicated funding source to augment state support for public higher education instruction.
- AB 656 creates the California Higher Education Fund (CHEF) to receive revenues from a 9.9% tax placed on oil and natural gas extracted in the state. (By comparison, Alaska has an oil and natural gas extraction tax of 25%.)
- California – the nation's third-largest producer of oil – is the only oil-producing state that does not have an ongoing "extraction" (sometimes called "severance") tax.
- The CHEF is modeled after a Texas foundation in place for nearly 100 years that uses revenues from investing their extraction tax proceeds to fund construction costs at the University of Texas.
- The CHEF would allocate funds to the California Community Colleges, the California State University, and the University at California to pay for instructional costs.
- The board overseeing CHEF would be comprised of appointees by the CSU Board of Trustees, UC Board of Regents, Community College Chancellor, Assembly Speaker, State Treasurer and Senate Rules Committee, and would include a CSU and UC employee and student.
- AB 656 contains oversight provisions to prevent oil and natural gas extractors from passing the new tax onto consumers through higher prices for oil, natural gas and related products.
- During periods of declining state support for higher education and consecutive multi-year increases in student fees, AB 656 will provide a stable source of funding across all segments of public higher education.

### **BACKGROUND**

A recent Public Policy Institute of California (PPIC) study concluded California's need for college-educated workers is outpacing the state's ability to produce them – and that gap is expected to widen in the future.

The PPIC report concluded that the growing unmet need for an educated workforce will undermine California's ability to address the state's current economic crisis and future economic growth.

Unfortunately, the state general fund is unable to fulfill this need and state funds are being taken away rather than supplied. Therefore, to address the state's economic needs the state must find additional resources to fund higher education to keep pace with the state's growing demand for a skilled workforce.

At the CSU alone, years of budget cuts already have resulted in thousands of eligible students being denied access, while students fortunate enough to enroll at a CSU campus face mounting fee increases and deep cuts in the number of classes available.

State of California  
**Memorandum**


**CAL POLY**

SAN LUIS OBISPO  
CA 93407

To: Rachel Fernflores  
Chair, Academic Senate

Date: January 13, 2010

From:

  
Warren J. Baker  
President

Copies: R. Koob

Subject: Response to Academic Senate Resolution AS-696-09  
Resolution on AB 656

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I formally acknowledge receipt of the above-referenced Academic Senate Resolution.