

Gavin Newsom is fighting a wealth tax that would fund his own climate goals

BY JEREMY B. WHITE | 07/28/2022 05:00 AM EDT



On the hood of an electric car, California Gov. Gavin Newsom signs an executive order requiring all new passenger vehicles sold in the state to be zero-emission by 2035 on Sept. 23, 2020, at Cal Expo in Sacramento. | Daniel Kim/The Sacramento Bee via AP

California environmentalists know how to fund Gov. Gavin Newsom's aggressive plan to get gas-powered vehicles off the road: Tax the rich.

What's standing in their way? Newsom.

The state's ambitious, progressive governor is vehemently opposing a November ballot initiative to subsidize the electric vehicle market through a wealth tax. He declared the measure a "cynical scheme" by one of its key backers, ride-hail company Lyft, to meet a state EV mandate on the public's dime.

Lyft's environmentalist bedfellows see something else: a governor standing in the way of a clean car transition he's touted but failed to fully fund.

“I’m pretty disgusted,” said Mary Creasman, CEO of California Environmental Voters, another of the measure’s backers and the type of environmentalist who has cheered much of Newsom’s assertive climate agenda. “It is astounding to say the least from a governor who says he’s progressive and wants to be a climate leader.”

The issue isn’t whether to swap gas cars for electric — something Newsom has ordered — but how to pay for the transition. The ballot battle underscores the enormous financial and logistical obstacles — and highlights the political perils for companies such as Lyft that are seeking public help to achieve mandates. Newsom’s alignment with anti-tax Republicans and business groups demonstrates that warning signs have the Democratic governor treading carefully.

The reaction from backers of the measure, known as Proposition 30, is a sign of the bitter battles to come as California, the largest new car market in the nation, tries to wean itself off the carbon-emitting vehicles that are one of the principal causes of climate change. It also reflects the difficult balancing act Newsom faces as he tries to achieve his policy goals.

Prop 30 would raise income taxes on people earning more than \$2 million a year to fund zero-emission vehicle purchases and infrastructure. Half the money for incentives would go to people in lower-income communities and a share of the money for infrastructure would be used to install charging stations at apartment buildings. A portion would also be used to fund wildfire prevention efforts, a provision that backers have stressed as they tout support from firefighters.”

Newsom galvanized environmentalists and bolstered California’s ambitious climate agenda with his 2020 order requiring all new vehicles sold in the state to be zero-emission by 2035. A related but less-noticed law compels ride-hailing companies like Lyft and Uber to mostly abolish internal combustion engines from their fleets by 2030. That last requirement is proving challenging since electric vehicles are still pricey, chargers remain relatively scarce, and the people driving for ride-hail apps work as independent contractors.

That tech industry mandate has now attracted outsize attention.

Lyft has also spent years lobbying the state for more money. It has spent \$15 million so far to pass Prop 30.

Newsom noticed. His denunciation of the company was a notable contrast from his stance to Silicon Valley giants during the 2020 election cycle, when the governor frustrated some allies by remaining neutral on a ballot initiative that Lyft and other tech firms funded to carve themselves out of a new employment mandate.

“Prop. 30 is fiscally irresponsible and puts the profits of a single corporation ahead of the welfare of the entire state,” Newsom said in a statement.

The governor’s fiery denunciation abruptly opened a fissure between Newsom and some typical allies, including the California Democratic Party. Creasman called

Newsom's assertion that the measure was solely intended to benefit Lyft "an out-right lie," and said the governor is placing the interests of his donors over the public.

"We've been hearing this is driven by billionaire donors saying they don't want higher taxes," Creasman said.

A Newsom spokesman, Nathan Click, dismissed the idea that donors played a role, saying the governor was minding the "welfare and fiscal health of the entire state." Lyft has already given a maximum donation to Newsom's re-election bid.

The company declined to comment on Newsom's broadside. It said in an earlier statement it backed the initiative "to help people afford zero-emission vehicles and develop a more robust and convenient charging network."

The company has long sought more electric vehicle and charger funding. It lobbied against a 2018 California bill requiring the company to deploy more zero-emission vehicles. It ultimately dropped its opposition but subsequently pressed regulators for more help.

The governor was joined in opposition by the powerful California Teachers Association, a close ally that deployed significant resources to defend Newsom from last year's recall attempt. The union says Prop 30 could take money from schools by setting aside a portion of the general fund to subsidize electric vehicles.

Unions that would build electric infrastructure have backed the initiative.

Newsom's position aligned him with the California Republican Party and with conservative groups like the California Chamber of Commerce. The business group said "the last thing California needs right now is a tax increase" as inflation soars and economists warn of a potential recession. The governor has signaled a similar aversion to new taxes. His team conveyed its opposition to another initiative that sought to fund pandemic detection by taxing the rich. That measure did not qualify for the ballot.

Newsom drew national praise when he unveiled the 2020 order requiring all new vehicles sold in California to be electric by 2035. Reaching that goal, however, will likely not be cheap.

Although California has already spent heavily over the years to incubate and nurture the growing electric vehicle market, automakers and environmental policy experts broadly agree that the state will need to keep the funds flowing to reach Newsom's benchmark.

"I think it is necessary to reach the goals that the state has set," said Mary Nichols, former chair of the California Air Resources Board and a Prop 30 endorser. "I understand and share the reluctance to create permanent protected funding sources

for particular favored projects, but this area is one that, although it has received a lot of funding, needs more.”

Zero-emission vehicles accounted for about 12 percent of California’s light-duty car sales last year, although annual purchases and market share are gradually growing as car companies ramp up production amid rising demand. The roughly 79,000 operational charging stations around the state are far short of the number needed, and the majority are privately owned.

The market is dominated by wealthier consumers who can afford, say, a Tesla and a charging station in their single-family home. Expanding that market to middle-and-lower-income buyers will require subsidies both for purchasing vehicles and for charging stations in public places and apartment complexes, say policy experts and industry players.

“It’s unclear to us where, as automakers, that volume of charging infrastructure is going to come from if there’s not state investment,” said Curt Augustine, senior director of state affairs for the Alliance for Automotive Innovation, an industry group that has remained neutral on the ballot initiative. “With this state mandate we’re going to need all the help we can get.”

Newsom noted in his opposition statement that the state has already allocated billions of dollars to build infrastructure, with his latest budget channeling part of an enormous surplus to \$6.1 billion for clean vehicles over the next five years. California has already handed out roughly 450,000 rebates to help people purchase low-emission vehicles — part of a suite of subsidies that Newsom has argued were critical to launching electric vehicle companies like Tesla.

Yet the message from Prop 30 supporters is: It’s not enough. They argue that budget booms like California’s current windfall are fleeting, and they worry that the Legislature will turn its attention to other issues if electric vehicle funding is not set aside for the future.

“If there is a stable source of funding both for wildfire and EVs, then you create the ability to plan in a more profound way,” said Ken Alex, who was a high-level climate adviser to former Gov. Jerry Brown and now heads UC Berkeley’s Project Climate. “I think there’s a ways to go. That doesn’t mean it needs to go on forever, but if it was 10 years, 15 years, that wouldn’t surprise me.”