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COUNTY OF SANTA BARBARA

September 4, 2013

Honorable Arthur A. Garcia
Presiding Judge
Santa Barbara Superior Court
312-C East Cook Street
Santa Maria, CA 93454

Reference: Response to Santa Barbara Civil Grand Jury report titled, ***Taxing Oil: Tapping into Santa Barbara County's Natural Wealth*** (Published June 25, 2013 - Grand Jury Web Site)

Judge Garcia:

The Santa Barbara County Board of Supervisors (Board) is providing response to the above- referenced Civil Grand Jury Report. Like the Civil Grand Jury, the Board recognizes the serious financial challenges faced by all levels of government as a result of the Great Recession, historically significant unemployment rates and the decline in home values. Recent economic conditions have required families to cut expenses and take on second (or third) jobs to make ends meet. Local governments have been required to do the same; cut costs and seek new revenue. The Santa Barbara County Board of Supervisors has responsibly and consistently managed costs in line with revenue and considered several new revenue sources to address the needs and expectations of local residents.

In late 2011 and early 2012, the Board spent time in open session considering options for taxing onshore oil production as one new revenue source successfully employed by other jurisdictions. On February 14, 2012, after consideration of local and industry economic impacts and tax basis options, the Board voted on placing a general tax on oil production on the November 2012 ballot. The Board failed to achieve the required fourth vote.

It is important to note that the responses will be from the entire Board of Supervisors, not each individual Supervisor as requested on Page 9 of the Grand Jury Report. Penal Code 933 (c) states:

"No later than 90 days after the grand jury submits a final report on the operations of any public agency subject to its reviewing authority, the governing body of the public agency shall comment to the presiding judge of the superior court on the findings and recommendations pertaining to matters under the control of the governing body." (Underlining added by staff)

As directed by the Grand Jury, all responses are provided in accordance with Section 933.05 of the California Penal Code.

Finding 1:

The principle vehicle for taxing oil production in California, the property tax, was lowered substantially with the passage of Proposition 13 in 1978.

The Board agrees with the finding.

Finding 2:

The County of Santa Barbara is facing estimated budget gaps of \$5 million in Fiscal Year 2013-14 and \$13.7 million in Fiscal Year 2014-2015.

The Board partially disagrees with the finding.

The \$5 million Fiscal Year 2013-2014 budget gap was eliminated when the Santa Barbara County Board of Supervisors adopted a balanced budget on June 14, 2013

Finding 3:

Once the proposed North County Jail opens, its operating cost is projected to deplete the Santa Barbara County General Fund by \$17.3 million annually.

The Board agrees with the finding.

Finding 4:

An oil production tax could generate essential new and ongoing revenue for the County.

The Board agrees with the finding.

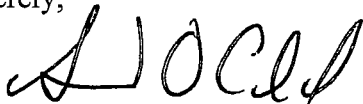
Recommendation 1:

That the members of the Santa Barbara County Board of Supervisors follow the recommendation of the Chief (County) Executive Officer of the County of Santa Barbara and allow the voters to decide if an oil production tax will be implemented by putting the issue on the next county-wide ballot.

This recommendation requires further analysis.

On February 14, 2012, the Santa Barbara County Board of Supervisors considered and voted in open session on a motion to place a general tax on oil production before the voters. That motion received a 3-2 vote. The placement of a general tax on a ballot requires a 4/5 vote of the Board of Supervisors therefore the general tax on oil production was not put on the ballot. The oil production tax could be reconsidered, after further analysis, within six months of the date of the reports publication date.

Sincerely,



Salud Carbajal, Chair

Santa Barbara County Board of Supervisors

CC: Santa Barbara County Board of Supervisors
Ted Sten, Foreman, 2013-14 Santa Barbara Civil Grand Jury