REPORT TITLE
Eugene Measure 20-388

OFFICIAL TITLE
Licensure of Large Retailers to Finance a Eugene Clean Energy Fund

INITIATIVE
This measure is an initiative petition submitted to the Eugene City Recorder with over 14,000 signatures to qualify for the ballot. Chief petitioners were Aya Cockram and Joel Iboa.

QUESTION
Shall voters adopt an ordinance imposing on large retailers a licensing requirement and 2% fee to finance a clean energy fund?

FINANCIAL IMPACT
The proposal would impose a 2% license fee on large retailers' gross profits from retail sales in Eugene, excluding the retailers' cost of goods sold, as well as basic groceries, medicines, garbage, recycling, and health care services. The fee is expected to generate at least $15 million annually for the City to finance clean energy projects and jobs.

PROBABLE RESULT OF A "YES" VOTE
If passed, the measure would impose a 2 percent license fee on gross profits from retail sales of larger retailers doing business in Eugene, with proceeds dedicated to funding resilience, green jobs, and climate justice projects.

PROBABLE RESULT OF A "NO" VOTE
A "no" vote would be a vote against requiring larger retailers doing business in Eugene to pay a 2 percent license fee to fund clean energy and renewable energy projects. Failure to enact the measure would leave the city to try to meet its energy efficiency/clean environment goals without the additional funding the measure would provide.

BACKGROUND
Retail sales is a major contributor to carbon emissions and other forms of environmental pollution, generating 7755 million metric tons of carbon dioxide nationally each year, according to a McKinsey Company report*. Ninety-eight percent (98%) of the carbon emissions of this sector originate in its supply chain and include the cost of producing and transporting the products it sells; 2% of emissions are attributable to operating emissions, sources like local transportation and energy to heat and light stores.

The federal government has cancelled many energy-efficiency projects and tax credits, and the State has reduced resources for funding climate programs. Since 2010, the City has reduced fossil fuel emissions in its own operations by 24%. The goal is to reach a 50% reduction by 2030. That leaves just four years to reduce emissions by an additional 26%. Community fossil fuel emissions have decreased by just 11% since 2010, leaving a 39% gap to close in order to achieve

a 50% reduction by 2030. Similarly, community greenhouse gas emissions have decreased by only 10%, with another 90% needed to achieve the goal of a 100% reduction by 2050.

This measure is based upon a similar measure that the city of Portland, Oregon, enacted by initiative in 2018 in an effort to direct some of the costs of meeting clean energy goals to those responsible for creating it. Portland's surcharge is based on gross revenue, unlike Eugene's which is based on gross profit, so it is significantly different in terms of the dollars which would be collected. Effectively, Eugene's threshold for a retailer's national sales to qualify as a payer of the tax is 3 to 4 times higher and its tax rate is roughly half of Portland's.

The City of Eugene takes a neutral position on the measure.

This measure originated with the Eugene Clean Energy Fund, a nonprofit coalition of private citizens and organizations concerned with climate and economic justice. Beyond Toxics, Breach Collective, Oregon Just Transition Alliance, Oregon League of Conservation Voters, and the Oregon Chapter of the Sierra Club steered the development of this initiative, in consultation with a broader coalition of community and front line organizations, other community groups, and labor unions.

*https://www.mckinsey.com/capabilities/sustainability/our-insights/retailers-climate-road-map-charting-paths-to-decarbonized-value-chains

PROPOSAL

The proposed ordinance would amend the City of Eugene code to require, beginning January 1, 2029, that large retailers obtain a license and pay an annual 2% license fee on gross profits from retail sales within the City. The ordinance defines "large retailer" as one engaged in retail sales in Eugene, with gross profits exceeding one billion dollars ($1,000,000,000) nationally and five hundred thousand dollars ($500,000) in Eugene, excluding contractors, utilities, cooperatives, and credit unions. Gross profits from retail sales upon which the 2% is calculated would not include the retailer's cost of goods sold, as well as sales of most groceries, medicines, residential garbage and recycling services, and health care services.

The proposed ordinance would require proceeds from the license fee to be placed in a "Eugene Clean Energy Fund" (ECEF) dedicated to funding renewable energy and energy efficiency programs; clean energy job training, apprenticeships, and contractor support; green infrastructure programs; future innovation; and fund administration (not to exceed 10%, starting in 2030).

The ordinance would require that an expert committee be formed to recommend how City Council uses the funds, to evaluate the effectiveness of funding choices, and to ensure that the work funded is performed by historically disadvantaged groups. The City Council would have ultimate decision-making authority over the use of funds.

SUPPORTERS SAY

- Currently, Eugene's existing clean energy transition incentives are underfunded and limited. The ECEF will not only create funds for local climate justice programs, but serve as a launch pad for long-term organizing for a clean energy future.
- This measure is not a sales tax and would not feel or function like one. A sales tax is a broad-based tax on all sales; this measure's large retailers (including on-line retailers) subject to the fee set their prices on a regional and national level, thus the costs can't be systematically passed on to local consumers.
- Portland's Clean Energy Fund is a success story with funds allocated to emissions reductions and community benefits programs, the fund is steadily increasing its achieved emissions reductions, and the fund remains very popular with voters. We can expect ECEF to perform better on emissions reductions thanks to EWEB's much lower emissions electricity generation and because we have incorporated lessons from PCEF's eight years of operations into the measure, such as by adding provisions to ensure that a minimum proportion of revenues go directly to to leveraging and expanding existing energy efficiency programs deployed by EWEB, the City of Eugene, and the State of Oregon (s. 1(a)(iv)).”
- Supporters estimate that if passed, this measure would raise approximately $15 million annually for the ECEF.

· OPPONENTS SAY

- At its core, this measure would feel like a sales tax as it would result in higher prices for consumers and it arrives when Eugene families are already stretched thin. Taxes built this way get passed through to customers as higher prices on everyday goods, which means the people who feel it most are working families, seniors on fixed incomes, and anyone trying to stretch a paycheck.
- It pulls money out of the local economy. While this is aimed at large retailers, it also affects businesses that buy from large retailers.
- It guarantees a tax, but not a result. This ordinance sets no emissions cap and requires no measurable reduction in carbon.
- It lacks accountability**.** An unelected committee would decide who receives the money and evaluate its own success, and the City Council could change the rate, thresholds, and exemptions at any time by simple majority.
- Portland already ran this experiment. Portland's Clean Energy Fund was projected to raise about $30 million a year; it has collected roughly $200 million a year, with hundreds of millions unspent. An analysis of the program done by various sources found that it has cost Portland $600-800 to cut a single metric ton of carbon, more than four times the $51-per-ton social cost the fund's own committee cited. Eugene's measure does not incorporate many lessons learned from Portland's experience.

SOURCES

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https://www.portland.gov/bps/cleanenergy

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