There's been a lot of discussion of whether Prop 26 interferes with the use of fees to pay the administrative expenses for AB 32. I would like to suggest an alternative solution: the Feds should pick up the tab. This may seem a little far-fetched, given the current political situation, but it makes real sense in terms of policy analysis.

The reason is simple: California's experiment with climate change regulation will produce valuable information that benefits the whole country. If the program works and turns out to be affordable, that's important information in terms of national policy. A successful implementation of AB 32, or even a partially successful one, would also produce information about specific design elements for a federal program. On the other hand, if AB 32 is a bust, that could save the U.S. from making a bad policy mistake. Since the information is valuable for the whole country, the whole country should help pay some of the costs of producing the experiment.

In blunter terms, if you're a congressional democrat, you should want to encourage AB 32 implementation because it's a Good Thing. If you're a congressional republican, you should want to encourage AB 32 implementation because it will prove, once and for all, that climate regulation would be an economic disaster. That's too bad, in terms of the effect on California, but worth the cost if it keeps the nation as a whole from making a huge mistake. Either way, you should be happy to give California some support in this experiment.

The bottom line is that policy experiments are a public good that produce valuable information. The national government should be willing to help subsidize important experiments in the "laboratories of democracy," as federalism advocates like to call the states.