



March 6, 2013

Cliff Rechtschaffen  
Office of the Governor  
State Capitol  
Sacramento, Ca. 95814

RE: Comments on Cap & Trade Investment Plan

Dear Mr. Rechtschaffen:

The California Watershed Network urges the Administration to develop an Investment Plan for the AB 32 Climate Change Program - Cap and Trade auction proceeds that recognizes the direction for all allocations given by the legislature through AB 1532 (passed in the last session of the legislature).

AB 1532 established the Greenhouse Gas Reduction Fund (GGRF) and recognized that carbon reduction will need to engage a broad participation from diverse sectors - including natural resources management programs for riparian restoration, urban and rural forestry, and water conservation and management. AB 1532 also recognized the need to tie greenhouse gas reduction actions to job creation. Realistically, the wide participation of many natural resources management sectors with job creation efforts will be a necessity to maintain public support and acceptance for the investment needed to realize carbon reduction objectives.

While some large transportation and alternative energy development schemes will be part of this overall effort, it is important to recognize that schools, non-profits, citizen organizations, youth and conservation service organizations, local districts, and local agencies need to also participate in this community-based effort.

The Climate Action Task Force identifies that 19% of electrical energy use and 30% of natural gas energy use in California goes towards the treatment and transport of water. This indicates that water conservation and treatment needs should be a significant portion of the State's climate change cap and trade program. Water conservation and treatment activities including retrofitting of plumbing fixtures, rain catchment systems, and green stormwater projects not only reduce water use and treatment needs, but create jobs at the higher ranges of such energy conservation projects - at the rate of 16 to 30 jobs for every \$1 million expended.

**Mission Statement**

To help people protect and restore the natural environments of California watersheds while ensuring healthy and sustainable communities.

AB 32 requires a focus on reducing and sequestering carbon emissions and therefore the natural resources management activities referenced by AB 1532 should include floodplain and wetland restoration activities as well as re-greening cityscape "heat islands" and revegetating urban and rural stream corridors.

State legislation authored by Senator De Leon in 2012 requires allocating 25% of the GGRF fund to disadvantaged communities. We recommend that no less than 25% of the funds also be allocated through state competitive grant programs because historically this has been the most accessible and equitable way for community organizations to acquire access to state funds.


Existing urban greening, watershed and environmental management and restoration programs such as those operated by the Strategic Growth Council, the California Conservation Corps, the Department of Conservation, and the state conservancies are staffed but facing declining and expended bond act funds which should be replenished to prevent the wide-scale elimination of these effective and popular state grant programs.

Finally, we suggest that all State grantees be allowed to charge for overhead/indirect expenses, up to a reasonable amount. The existing mix of inconsistent rules is impacting all grantees, including those who have applied for Prop 84 grants. Consulting firms charge high overhead rates, which they load into their hourly rates (as much as three times the salary), but grantees are prohibited from charging any overhead. Grantees then have to resort to subcontracting a lot of the work to higher paid folks, resulting in a waste of money to the State, contrary to the stated goal.

The OMB is amending its rules to require states and local agencies to accept federal overhead rates for grantees. California should be a leader, not a follower. Let's bring back the right for grantees to charge reasonable, supported overhead rates.

Thank you for considering our input into this process and we look forward to an improved Investment Plan in May.

Sincerely,



Michael Wellborn, President  
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