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September 12, 2014

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Subject: Establishment of a Rural Sustainability Fund

The Northern Sierra Air Quality Management District (District) is sending this letter to request your consideration for the creation of a fund dedicated to rural sustainability projects created from revenues collected as part of the introduction of fuels into the State's Cap and Trade Program. The District serves the counties of Nevada, Sierra and Plumas. The District believes that when fuels are added to the Cap and Trade Program, costs will be passed on to Nevada, Sierra and Plumas County consumers and not internalized by fuel providers. As gasoline, diesel, and propane are then sold at higher prices in these three counties and other rural areas, we ask you to consider dedicating this revenue back to the counties of Nevada, Sierra and Plumas to pursue projects that will result in the reduction of emissions. The District believes that without a mechanism to provide this type of funding from the Greenhouse Gas Reduction Fund (GGRF) back to the rural areas of California, rural areas will never receive economic, employment, or sustainability benefits that will offset the financial burden on our residents from adding fuels into the Cap and Trade Program.

According to the Legislative Analyst's Office letter of August 4, 2014 to Assemblymember Henry Perea, the introduction of fuels into the Cap and Trade Program will likely result in gasoline price increases of between \$.13 and \$.20 per gallon by 2020, but that the price increase could exceed \$.50 per gallon. The LAO letter relies on several studies as part of this analysis, including a California Air

Resources Board study that estimated gasoline prices rising by between 4% and 8% by 2020, and diesel fuel prices rising by 2% to 4% by 2020. In addition, fuel prices in rural areas are typically higher than in urbanized areas, adding an additional burden to Nevada, Sierra and Plumas County consumers.

Unfortunately, compared to the financial burden placed on consumers by having fuels in the Cap and Trade Program, we are unlikely to see any meaningful benefits if the current distribution of Cap and Trade Auction Proceeds are any indication. Many of the current appropriations are designed to be applicable specifically for urbanized areas of California subject to sustainable community strategies under SB375, or are distributed based on variations of population weighted criteria in which the District's rural counties could never be competitive. In addition, the use of CalEnviroScreen to allocate funds from the GGRF to disadvantaged communities impacts the District's counties due to having no areas so designated, despite our residents having a low per capita income in comparison to the state per capita income. As examples, please consider recent state funding decisions that have been made, touted as promoting sustainable communities and pollution reduction:

- Funding of \$425 million in Active Transportation Grants by CalTrans stated that 87% of the project funding awarded benefitted disadvantaged communities as defined by CalEnviroScreen, with all District counties receiving zero funding.
- Air Resources Board financial assistance to on road diesel truck drivers through the AQIP and Prop 1B programs for which rural operators are eligible only if they drive 50% of their mileage south of Sacramento. This funding restriction effectively eliminates all North State-based trucking businesses from receiving financial assistance.

California could assist rural counties by automatically allocating funds collected from fuels in the Cap and Trade Program back to rural counties similar to current processes where counties receive transportation funds based on gas tax collections, registered vehicles, and amount of maintained road miles. Subject to spending guidelines or approved policies and procedures, these funds could be used locally to create jobs as well as provide economic and sustainability benefits and measurably reduce greenhouse gases and black carbon (a potent short-lived climate pollutant). Possible projects in the District's counties include:

- Diesel to electric and electric/solar agricultural irrigation conversions
- Municipal water efficiency projects
- Electric vehicle infrastructure
- Public transit expansions or conversions to cleaner vehicle technologies
- Residential and commercial solar power programs
- Forestry and Wildland Urban Interface projects that lessen catastrophic wildfire risks and promote healthy forests

- Active transportation projects that link population centers with schools and commercial areas
- Energy efficiency and black carbon reduction projects including wood stove change out programs.

Such projects in rural areas, particularly those in state and federal nonattainment for one or more pollutants, would result in not only climate pollutant reductions but also important co-benefits in the reduction of criteria pollutants. This would assist the economically challenged rural nonattainment areas (including the Western Nevada County federal ozone nonattainment area and the Portola Valley pending federal PM2.5 nonattainment area) in reaching attainment as expeditiously as practicable.

We ask that you consider the long term economic impacts on rural areas due to the inclusion of fuels into the Cap and Trade Program, and the benefits that could be achieved through a funding program targeting rural areas like we have suggested. . If you have any further questions, you can contact me at 530-274-9360 x102. Thank you for your consideration.

Sincerely,



Gretchen Bennett,
Executive Director

CC: Representative Doug LaMalfa
1st District of California