SIERRA
BUSINESS COUNCIL

December 14, 2015

Chairwoman Mary Nichols
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Cap-and-Trade Auction Proceeds Second Investment Plan – Revised Draft (Released Dec. 2, 2015)

Dear Chairwoman Nichols, Board Members, and Staff:

On behalf of Sierra Business Council (SBC) – a non-profit network of more than 4,000 business, local government and community partners working to foster vibrant, livable communities in the Sierra Nevada – we appreciate the opportunity to weigh in again on the Second Investment Plan draft being considered by the Board at its meeting this Thursday, December 17, 2015.

There is much to commend in this revised draft plan. As we highlighted in our November 13th letter, we support many components of the plan, including the increased focus on rural participation, an emphasis on forest management/biomass utilization and protection against conversion, recognition of the need to start immediately with a diversified approach to decreasing GHG emissions and protecting stored carbon, and recognition of the value of partnerships with federal, non-profit and other entities to get the job done.

At the same time, we are disappointed that there isn't more actual direction to that end. Our biggest concern is that, regardless of language recognizing the *benefits* of projects in rural regions, there is little effort to prioritize work in these areas. The state will need full participation from communities large and small, urban and rural, adequately served and underserved, if it is going to meet its climate goals and commitments. Yet to date rural issues remain largely unaddressed.

Companion plans like the Forest Carbon Action Plan or the Short-Lived Climate Pollutant Reduction Strategy – plans that could help set priorities – remain incomplete, so there is no way to reference them as guidance for investment. And existing programs that are referenced in this final draft, such as the Affordable Housing and Sustainable Communities program, still contain huge disincentives to rural investment.

To generate widespread support over time, climate-related programs will need to provide benefit to all residents. That will not happen under the investment guidance laid out in this document. We ask that you amend this three-year investment plan before approving it, to include guidance on the following:

1) **More robust outreach and technical assistance**, not just for entities that applied and were denied in early rounds of funding (as is proposed under the Affordable Housing and Sustainable Communities program), but more broadly

across local governments, non-profits and other entities in smaller jurisdictions, rural regions and disadvantaged and economically distressed areas.

2) **An increase in funding for the Affordable Housing Sustainable Communities' Rural Innovations Project Area (RIPA) program from 10% to 20%** to bring it in line with the TCAC program upon which the definition of "rural" is modeled, and in recognition of the tremendous need for protection and management of our natural resources – particularly in the headwaters of the state's primary water system.

3) **A doubling of Greenhouse Gas Reduction Fund (GGRF) investment in the Natural and Working Lands sector**, including a concomitant increase in the non-urban forestry portion of that sector, in recognition of the priority the Governor and his Administration have placed on forest carbon capture and sequestration, reduction of forest-related short-lived climate pollutants, and organic waste diversion to create bioenergy and other products.

4) **Use of GGRF funds to establish landscape-level demonstrations** where individual projects within the demonstration footprint are designed to begin developing a regionwide GHG/carbon inventory, set of baseline assumptions, GHG/carbon quantification methodologies, and a common approach to GHG/carbon accounting that considers project-specific co-benefits, lifecycle accounting, and integrated benefits across sectors (e.g. waste diversion, renewable energy, SCS, transportation, climate action plans).

5) **A different tool or overlay with additional criteria for identifying disadvantaged communities in rural areas of the state**. While we understand the obvious need to focus resources on the state's most disadvantaged communities, we continue to be concerned about the use of Cal Enviroscreen as the sole mechanism for identifying those communities. The Enviroscreen criteria focus primarily on urban metropolitan areas due to the emphasis on pollutants or other criteria that either are not measured in or do not affect rural communities, especially those located in the Sierra. Yet many of our communities are disadvantaged based on below-average household incomes and health impacts from water contamination and air pollution from wildfire and other "non-urban" sources.

   One possibility would be to incorporate the criteria defining Economically Distressed Areas, which include "a municipality with a population of 20,000 persons or less, a rural county, or a reasonably isolated and divisible segment of a larger municipality where the segment of the population is 20,000 persons or less, with an annual median household income that is less than 85 percent of the statewide median household income, and with one or more of the following conditions as determined by the department [Department of Water Resources]: (1) Financial hardship, (2) Unemployment rate at least 2% higher than the statewide average, (3) Low population density."

6) **Creation of a supplementary delivery mechanism for GGRF funding in addition to Metropolitan Planning Organizations (MPOs).** We support the Sustainable Communities Strategy efforts, but the rural areas of the state

largely lack MPOs, or if they do have them, they are typically county-wide and focus primarily on urban area and not on the rural portions of the county. These are areas where GHG reduction gains can be made by employing similar compact growth, transportation-related and natural and working lands improvements as are proposed in urban areas. In fact, studies such as the 2015 Boston University "Cities, traffic, and CO2: A multidecadal assessment of trends, drivers, and scaling relationships" [Conor K. Gately, Lucy R. Hutyra, and Ian Sue Wing], indicate that rural investment in transportation yields even more benefit than urban given the long distances rural residents typically travel to access basic services and destinations.

To address this concern we recommend development of a companion rural mechanism to achieve vehicle miles traveled (VMT) reduction goals and co-benefits in rural communities. More than 4 million people live in rural areas of the state that are not covered by MPOs and, therefore, are not required to develop Sustainable Communities Strategies for transportation and housing. This investment plan needs to create better options for more transportation-efficient rural communities across the state, including those not located within MPO areas.

SBC appreciates the Air Resources Board's recognition of many of these issues in the background narrative of the plan. We look forward to working together with the Board and staff, especially related to addressing rural issues, to ensure the second Cap-and-Trade Auction Proceeds Investment Plan is meaningful to all Californians and is designed to achieve the state's post- 2020 climate goals.

All best,

Kerri T. Timmer

Kerri Timmer
Government Affairs Director