



November 13, 2015

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

RE: Draft Cap-and-Trade Auction Proceeds Second Investment Plan

Dear Chairwoman Nichols, Board Members, and Staff:

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 – is pleased to provide comments on the Draft Cap-and-Trade Auction Proceeds Second Investment Plan.

We appreciate the Draft's inclusion of the following:

- 1) Focus on increased rural participation, especially in the forestry, waste diversion and sustainable communities sectors, including the proposal for a dedicated funding stream for rural areas in the Affordable Housing Sustainable Communities (AHSC) program. Investments in rural resource areas recognizes the contributions made by such areas to the rest of the state and helps to address the Governor's goals, such as increasing investment in land stewardship, building resilience in our natural systems, appropriately valuing the services provided by our ecosystems, and increasing the use of biomass as a local, alternative energy sources.
- 2) Emphasis on forest management, both as a complement to protection from conversion to more carbon-intensive uses and a means of reducing wildfire emissions, increasing carbon storage, and achieving additional co-benefits, such as: reducing other harmful pollutants, improving public health, providing jobs that support local economic development, and improving the sustainability of our energy and water systems for all users.
- 3) Recognition of the need to start now to reduce risks to the landscape, decrease emissions and increase carbon storage to meet medium- and longer-term greenhouse gas (GHG) reduction goals. While forest restoration, waste diversion and fire risk reduction activities may *temporarily* increase emissions, those activities are necessary to set the stage for long-term carbon storage and emission reductions beyond 2020.
- 4) Offering the ability to use Greenhouse Gas Reduction Fund (GGRF) funds on federal lands.

- 5) Additional outreach and technical assistance to disadvantaged communities, including rural disadvantaged areas.
- 6) Urban greening to increase carbon storage and moderate heat effects in the built environment.
- 7) Use of conservation easements on working lands (agricultural and forest) to protect existing carbon and reduce conversion to higher-emitting uses.

We offer the following suggestions for the Draft Cap-and-Trade Auction Proceeds Second Investment Plan:

- 1) Increase the Affordable Housing Sustainable Communities' (AHSC) rural 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.
- 2) At a minimum, double 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.
- 3) Use 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).
- 4) Find a different tool or overlay 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.

Specifically, we suggest incorporating the criteria defining Economically Distressed Areas as defined in the 2014 water bond (Prop. 1), which includes "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.”

- 5) Identify 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 do not focus on the rural portions of the county where GHG reduction gains can be made by employing similar compact growth, transportation-related and natural and working lands improvements in rural 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.

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, in advance, of many of these issues, as presented at the workshops earlier this month. We would like to work with you, especially related to addressing rural issues, and look forward to participating in the continuing discussion about how to ensure the second Cap-and-Trade Auction Proceeds Investment Plan is meaningful to all Californians and achieves the state’s post- 2020 climate goals.

All best,



Kerri Timmer
Government Affairs Director