



The Honorable Joe Simitian, Chair
Senate Committee on Environmental Quality
California State Capitol, Room 2080
Sacramento, CA 95814

April 16, 2012

RE: SB 1572 (Pavley) – SUPPORT

Dear Chair Simitian and Members of the Committee,

I write on behalf of the California Climate and Agriculture Network (CalCAN), a coalition of the state's leading sustainable agriculture organizations, to express our support for SB 1572. We support efforts to invest cap-and-trade auction revenue in activities that help meet the objectives of the Global Warming Solutions Act (AB 32).

With the Air Resources Board moving forward with the first auction of allowances in the fall of 2012, it is crucial that discussions continue to determine how best to invest these funds to meet the goals of AB 32 and to provide the greatest economic, public health and environmental benefits to the state. We are willing and eager to continue to participate in the on-going discussions about how best to allocate these resources.

We appreciate Senator Pavley's leadership in addressing the significant issue of how best to invest cap-and-trade fee revenue to achieve the objectives of AB 32. To that end, we recommend the following:

- **Include broad funding categories:** The Governor's budget and the Assembly Speaker's bill, AB 1532, outline broad cap-and-trade investment areas, including funding to: "reduce (GHG) emissions associated with water use and supply, land and natural resource conservation and management, and sustainable agriculture." As we have discussed with Senator Pavley's office, we support reconciling SB 1572 and AB 1532, Assembly Speaker Perez's bill, to include the four funding categories as outlined in the Governor's budget and AB 1532. By including the funding categories, the legislature will provide general direction to ARB on how best to structure its investment plan for cap-and-trade fee revenue.
- **Use Sinclair test:** As identified by SB 1572, fees generated by the market-based compliance mechanism should adhere to the legal precedent of the *Sinclair Paint Co. v. State Bd. Of Equalization* (1997), 15 Cal.4th 866, governing regulatory fees, advancing greenhouse gas reductions and the goals of AB 32. The use of these fees for other purposes risk exposing this program and AB 32 to legal challenges and undermining the overwhelming public support and state efforts to reduce greenhouse gas emissions.
- **Adopt funding criteria:** SB 1572 should incorporate the following prioritization criteria to guide the future development and implementation of a detailed and transparent expenditure plan to reduce GHG emissions:
 - Maximizing benefits to public health
 - Maximizing environmental benefits
 - Promoting the clean energy economy and statewide job creation
 - Maximizing benefits to disadvantaged communities
 - Addressing the impacts and effects of climate change



These prioritization criteria for GHG reduction investments will help ensure the broader goals of AB 32 are achieved.

Thank you for the work of your committee in addressing these key issues as the state moves forward with AB 32 implementation. By investing these public dollars into our communities to achieve greenhouse gas emissions reductions, we can create jobs, spur innovation and address one of our most pressing environmental challenges.

Sincerely,

Jeanne Merrill
Policy Director