



July 17, 2017

The Honorable Eduardo Garcia
California State Assembly
State Capitol
Sacramento, CA 95814

Re: AB 398 (Garcia) – Support

Dear Assembly Member Garcia:

The organizations listed below, representing the California agriculture industry, wish to express our **Support** for your **AB 398**, regarding the California Global Warming Solutions Act of 2006 and market-based compliance mechanisms.

Last year, SB 32 was enacted, extending California's Global Warming Solutions Act to 2030. It is important to note that SB 32 extended ARB's authority to use command and control mechanisms to regulate greenhouse gas emissions (GHGs) into the future, with little consideration given to the costs of that measure to California's citizens, consumers and economy. SB 32 was opposed by the agriculture industry and the larger job creation community in California because it did not attempt to balance its mandate with its economic impacts.

AB 398 finds this balance by creating a market-based mechanism that allows food processors regulated under SB 32 to meet their compliance obligations for reducing GHGs in a cost effective manner. Specifically, AB 398:

- Maintains current industry assistance levels that help food processors affordably comply with California's GHG reduction mandate;
- Develops a mechanism to establish a price ceiling to contain the cost of the sale of allowances purchased by food processors to meet their compliance obligations and limit the increased cost of the Cap and Trade Program to the agricultural industry and consumers;
- Develop a Compliance Offset Protocol Task Force to create new offset opportunities in California, including in the agricultural industry;
- Improve accountability of the California Air Resources Board by mandating additional oversight including an annual economic impact report by the Legislative Analyst's Office;
- Prioritizing spending of money collected through the Greenhouse Gas Reduction Fund by creating a specific order of projects to prioritize, starting with reducing air pollutants from stationary and mobile sources, sustainable agriculture and short lived climate pollutants.

AB 398 also suspends the State Responsibility Area (SRA) fee as of July 1, 2017, until January 1, 2031. Since July 1, 2014, the SRA fee has been levied at the rate of approximately \$150 per habitable structure unless their property is already covered by a local fire department, in which case the fee is \$117 per habitable structure. This fee has been disproportionately placed on rural areas of the state and the suspension will greatly benefit rural residents of the state.

Further, AB 398 extends and expands the Manufacturing Sales and Use Tax Exemption that includes an exemption for research and development (R&D) equipment purchases from 2022 to 2030 benefiting food processing facilities.

Thank you for your work on this important issue.

Sincerely,

Almond Alliance of California
Agricultural Council of California
Association of California Egg Farmers
California Association of Wheat Growers
California Association of Winegrape Growers
California Bean Shippers Association
California Citrus Mutual
California Cotton Ginners and Growers Association

California Dairies, Inc.
California Farm Bureau Federation
California Grain and Feed Association
California Pear Growers Association
California Poultry Federation
California Seed Association
California State Floral Association
California Tomato Growers Association
California Warehouse Association
Milk Producers Council
Nisei Farmers League
Pacific Coast Rendering Association
Western Agricultural Processors Association
Western United Dairyman

cc: Honorable Edmund G. Brown, Jr.
Honorable Kevin De Leon
Honorable Patricia Bates
Honorable Anthony Rendon
Honorable Chad Mayes
Ms. Nancy McFadden
Ms. Camille Wagner
Honorable Members of the California State Senate
Honorable Members of the California State Assembly