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May 4, 2023

Assemblymember David Alvarez
Chair, Joint Legislative Audit Committee
State Capitol
Sacramento, CA 95814

RE: Audit Request Related to State Procurement of Tropical Forest-risk Commodities.

Dear Chair Alvarez:

I respectfully request an audit regarding information related to California's procurement of products harvested from tropical forests, otherwise referred to as tropical forest-risk commodities.

California has established statutory goals for reducing statewide greenhouse gas (GHG) emissions. These goals state that emissions must be at least 40 percent below the 1990 level by 2030, and at least 85 percent below the 1990 level by 2045.

Furthermore, in October 2020, Governor Newsom signed his Nature Based Solutions Executive Order (EO) N-82-20, elevating the role of natural and working lands in the fight against climate change and advancing biodiversity conservation as an administration priority. This EO exhibits California's commitment to the global goal of conserving 30 percent of the planet's lands and coastal waters by 2030.

An estimated 20 percent of the world's GHG emissions come from deforestation and forest degradation. Given the carbon sequestration potential of biologically rich ecosystems, stopping the loss of tropical forests, mangroves, and wetlands could provide over 20 percent of climate mitigation by 2030. Additionally, tropical forests cover roughly 7 percent of the Earth's surface and harbor close to 50 percent of all living species. Protecting these forests safeguards the species our ecosystems need to survive.

Yet, California is inadvertently undermining its own environmental goals through the purchase of goods and products that have been produced in supply chains that contribute to tropical forest degradation and deforestation. These products include and are not limited to palm oil, soy, beef, and coffee. Unfortunately, there have been very few Legislative efforts to address the market for goods and products that contribute to tropical deforestation, despite the fact that the market is a key impetus for deforestation and degradation.

For reference, Friends of the Earth conducted research in 2021 that was very similar to this audit request. Their report used the application of standardized commodity codes to identify forest risk commodities in procurement, then applied this methodology to purchases by the State of California identified in the State Contract & Procurement Registration System (SCPRS) database for the year 2019. They ultimately concluded that in 2019, the State procured \$1.8 billion of goods and services that may be subject to deforestation risk.

Lastly, the Legislature enacted the Transparency in Supply Chains Act in 2010 to ensure that large retailers and manufacturers inform consumers of their efforts to eradicate slavery and human trafficking from their supply chains and educate consumers on how to purchase goods produced by companies that responsibly manage their supply chains. Companies subject to the Transparency in Supply Chains Act must disclose the extent of their efforts in five areas: verification, audits, certification, internal accountability, and training. An understanding of how California has implemented and enforced the Act would help inform the Legislature when it crafts future legislation regarding other aspects of supply chain transparency.

Therefore, the purpose of this audit is to shed light on the current implementation of the Transparency in Supply Chains Act and reveal how much of the state's procurement dollars are spent on tropical forest-risk commodities. At a minimum, the audit's report should include the following:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. Assess the state's implementation and enforcement of the Transparency in Supply Chains Act. Provide recommendations for improving compliance and whether a public complaints system is needed to track noncompliance.
3. Determine the source of, including the size and type of supplying businesses, and amount in quantity and dollars of state procurements of goods and services that contain the following tropical forest-risk commodities whether in raw or processed form: palm oil, soy, beef, leather, paper, rubber, cocoa, coffee, wood, and wood pulp.
4. Assess how the Department of General Services tracks procurement of products that may contain tropical forest-risk commodities. Determine whether any barriers, legislative or otherwise, exist for the Department to track these commodities and their supply chains. Make suggestions for how the Department could improve its methods for tracking procurement of tropical forest-risk commodities and if existing laws like the Transparency in Supply Chains Act could be expanded to include forest-risk commodities.
5. Review and assess any other issues that are significant to the audit, including whether the state is inadvertently contributing to tropical forest deforestation.

I greatly appreciate your time and attention to this matter. Should you have any questions, please contact my office at (916)-319-2025.

Sincerely,



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