
**SENATE COMMITTEE ON ENERGY, UTILITIES AND
COMMUNICATIONS**
Senator Ben Hueso, Chair
2019 - 2020 Regular

Bill No: AB 1028 **Hearing Date:** 7/2/2019
Author: Gonzalez
Version: 6/20/2019 As Amended
Urgency: No **Fiscal:** Yes
Consultant: Nidia Bautista

SUBJECT: Clean Energy Job Creation Program

DIGEST: This bill would require the California Energy Commission (CEC), in allocating grants to local educational agencies (LEAs) as part of the Proposition 39 – Clean Energy Job Creation Program, to also give priority based on a LEA’s utilization of apprentices from state-approved apprenticeship and preapprenticeship programs, as specified. This bill would explicitly authorize program expenditures associated with employee training and energy managers.

ANALYSIS:

Existing law:

- 1) Establishes the California Clean Energy Jobs Act (Act), an initiative approved by the voters as Proposition 39 (Prop 39) at the November 6, 2012, statewide general election, made changes to corporate income taxes and, except as specified, provided for the transfer of \$550,000,000 annually from the General Fund to the Clean Energy Job Creation Fund for five fiscal years beginning with the 2013–14 fiscal year. Moneys in the fund are available, upon appropriation by the Legislature, for purposes of funding eligible projects that create jobs in California improving energy efficiency and expanding clean energy generation. (Public Resources Code §26205)
- 2) Establishes the implementation requirements for the energy efficiency and clean energy projects funded from Prop 39 – the Act and deposited in the Job Creation Fund. Requires, beginning with 2013-14 fiscal year and through the 2017-18 fiscal year, funds in the Job Creation Fund are allocated:
 - a) 89 percent to LEAs, which are public school districts, charter schools, and county offices of education, and allocated by the Superintendent of Public Instruction based on the average daily attendance with minimum amounts for smaller LEAs; and

- b) 11 percent to community college districts allocated by the chancellor of the California Community Colleges.
- c) Authorized varied funding, on an annual appropriation basis, for loan and technical assistance, California Conservation Corps, and a competitive grant program for workforce development organizations.

(Public Resources Code §26233)

- 3) Provides for the allocation of moneys remaining in the fund after the 2017–18 fiscal year and, commencing with the 2018–19 fiscal year, establishes the Clean Energy Job Creation Program to fund projects that create jobs in California improving energy efficiency and expanding clean energy generation, and provides for the allocation of moneys appropriated by the Legislature to community college districts and local educational agencies for purposes of the program.
- 4) Requires the CEC, in allocating grants to local educational agencies as part of the program, to give priority based on the following:
 - a) The LEA’s percentage of students eligible for free or reduced-price meals in the prior year.
 - b) Geographic diversity that ensures urban, suburban, and rural local educational agencies receive grants and ensures the awarding of grant funding in all regions.
 - c) Workforce needs of the areas in which the LEAs are located, as determined by the California Workforce Investment Board and the local workforce investment boards.

(Public Resources Code §26227.2(c) (2))

- 5) Establishes and directs the California Workforce Development Board, to assist the governor in the development, oversight, and continuous improvement of California’s workforce investment system, including Local Workforce Development Boards and their alignment to the needs of the economy and the workforce. (Unemployment Insurance Code §14010 and §14013)
- 6) Establishes the Division of Apprenticeship Standards, within the Department of Industrial Relations, with the responsibility of administering California’s apprenticeship law, including approval of apprenticeship programs, and enforcing apprenticeship standards regarding wages, hours, working conditions, and the specific skills required for state certification as a journey person in an occupation that is appropriate for apprenticeship. (Labor Code §3070 et seq.)

This bill:

- 1) Requires the CEC, in allocating grants to LEAs as part of the Prop 39 program, to also give priority based on a LEA's utilization of apprentices from state-approved apprenticeship and preapprenticeship programs, as specified.
- 2) Explicitly authorizes program expenditures associated with employee training and energy managers.

Background

Proposition 39 – the Clean Energy Jobs Act. On November 6, 2012, California voters approved Prop 39, which changed the corporate income tax code to require most multistate businesses to determine their California taxable income using a single sales factor method. The increase in the state's corporate tax revenue attributed to Prop 39, estimated at the time of the Act's passage by the Legislative Analyst's Office at \$1 billion annually, is allocated half to the General Fund and up to \$550 million annually to the Clean Energy Job Creation Fund for five fiscal years, from 2013-14 through 2017-18. Per the proposition, the Clean Energy Job Creation Fund is available for appropriation by the Legislature to support projects that create jobs in California improving energy efficiency and clean energy projects.

The Act specifies eligible projects, as follows:

- Energy efficiency retrofits and clean energy projects in public schools, colleges, and universities and other public facilities.
- Job training and workforce development programs related to energy efficiency and clean energy.
- Financial and technical assistance to local governments for cost effective energy efficiency retrofit loan programs.

Legislature and governor direct Proposition 39 funds to K-14 schools. The passage of SB 73 (Committee on Budget and Fiscal Review, Chapter 29, Statutes of 2013) directed the bulk of the funding in the Job Creation Fund to K-14 education entities. The statute also established administrative agency requirements for the CEC and the California Department of Education (CDE) for K-12 schools and Chancellor's Office of the California Community Colleges for community colleges. The statute directs 89 percent of the funds in each fiscal year, beginning 2013-14 through 2017-18, to all K-12 LEAs which are public school districts, county offices of education, charter schools, and state special schools. The funding is allocated proportionately based on each LEAs average daily attendance and

proportion of students eligible for free and reduced-price meal program. Small LEAs are provided minimum allotments at levels higher than their proportion of Americans with Disabilities Act (ADA), with additional funding based on number of students eligible for free and reduced-meal program. The statute also provides the California Community College Chancellor's Office to make available its portion of the funding from the Clean Energy Jobs Creation Fund to community college districts for energy efficiency and clean energy projects. The Chancellor's Office also invested a portion of its funding on workforce development programs related to energy efficiency. The statute also provided one-time or annually appropriated funds from the Clean Energy Jobs Creation Fund, including funding for the California Conservation Corps to provide technical assistance to LEAs, to the Workforce Development Board to provide grants to programs providing energy efficiency and clean energy workforce training to disadvantaged youth and veterans. In addition, the Legislature and governor dedicated \$28 million a year in the two initial years of the program (\$56 million) for the low- and no-interest loans and technical assistance for K-14 LEAs for eligible energy efficiency and clean energy projects and technical assistance. Most of which has been exhausted.

SB 110 (Budget, 2017). The programs funded for clean energy jobs and schools under Prop 39 were intended to last for five fiscal years, through June 30, 2018. As a consequence, the revenues are no longer dedicated to this purpose but do remain within the K-14 budget and are allocated under Proposition 98. A more modest program continues which was included in a 2017 trailer bill to the Budget Act of 2017, SB 110 (Committee on Budget and Fiscal Review, Chapter 55, Statutes of 2017), which established three new programs: the School Bus Replacement Program, the Energy Conservation Assistance Act – Education Subaccount Competitive Loan Program, and the Prop 39 K-12 Competitive Grant Program. Original funding allocations required by Prop 39 remaining after June 30, 2018 were reallocated to support these new programs. Any future funding must be provided through direct legislative appropriation.

Oversight board recommendations. Prop 39 required the establishment of a Citizens Oversight Board (Board) to review expenditures, audit the Clean Energy Job Creation Fund, and maintain transparency and accountability of the fund. Members of the Board are appointed by the California Treasurer, Attorney General and Controller with two ex officio members from the CEC and the California Public Utilities Commission (CPUC). The Board produces an annual evaluation of the programs funded by Prop 39 and reports have been generally favorable over the years.

Proposition 39 – Preapprenticeship Training Pilots. Since 2014, the California Workforce Development Board (CWDB) has invested \$13.3M of Prop 39 Clean

Energy Job Creation funds to build 12 construction preapprenticeship partnerships across the state. These pilot projects – the backbone of the CWDB High Road Construction Careers initiative – are creating a system of energy efficiency focused job-training and placement programs serving disadvantaged Californians. Prop 39 partnerships build regional pipelines to middle class careers for at-risk youth, women, justice-involved, and other disadvantaged or under-represented job seekers. Using the National Building Trades MultiCraft Core Curriculum (MC3), these pilots have prepared more than 2,000 disadvantaged Californians for a future in construction careers. Partnering with local Building Trades Councils (BTCs) and the state certified apprenticeship community, Prop 39 programs bring together community, education and workforce organizations to create the critical link between pre-apprenticeship and apprenticeship programs. Graduates earn an industry-valued credential and are connected to joint-labor management State Registered Apprenticeship Programs.

Comments

Need for bill. The Clean Energy Job Creation Program was intended to last through June 30, 2018. At this point, funds have been largely exhausted and additional funding allocations to schools is halted until additional funding is appropriated for these purposes. As of June 2018, the Clean Energy Job Creation Fund has approved approximately \$1.7 billion in Prop 39 funding for energy planning and projects at K-12 schools. According to the CEC, these approved projects are projected to produce an estimated \$105 million in annual energy cost savings, and will reduce greenhouse gas (GHG) emissions by an estimated 189,383 tons of carbon dioxide equivalent. This bill makes changes to provisions of the program in preparation of future appropriations. This bill would expand the number of eligible expenditures allowed under the program to explicitly include funds for employee training and for hiring of energy managers. Prop 39 program had previously allowed the funds to be used for these purposes, with some limitations on employee training. This bill would also give priority under the new competitive grant program to projects of a LEA that utilizes state-approved apprentices. In light of the intentions of the program to provide for jobs pathway, this additional prioritization seems reasonable, particularly considering the success of the Prop 39 multi-craft preapprenticeship program developed by the CWDB (noted above).

Dual referral. This bill passed out of the Senate Committee on Labor, Public Employment and Retirement June 19th on a 4-1 vote.

Prior/Related Legislation

AB 386 (Gonzalez, 2018) would have established the Efficiency and Sustainability Projects for Schools Pilot Program to fund energy efficiency and water conservation projects for school and community college districts. The bill specified that a school district or community college district would have been eligible for funding only if it has applied for or received funding under the Act. The bill died in Senate Committee on Appropriations.

SB 110 (Committee on Budget and Fiscal Review, Chapter 55, Statutes of 2017) extended and modified the Act, commencing in 2018-19 fiscal year, established the Clean Energy Job Creation Program with three new programs: The School Bus Replacement Program, the Energy Conservation Assistance Act (ECAA) – Education Subaccount Competitive Loan Program, and the Prop 39 K-12 Competitive Grant Program.

SB 518 (De León, 2017) would have established the Clean Energy Job Creation Program with the purpose of funding, through annual budget appropriation, energy efficiency and clean energy projects in public schools and community colleges and would subject these projects to requirements similar to those imposed on projects under the Prop 39 – the Act. The bill would have appropriated otherwise unallocated moneys from Prop 39 for purposes of improving energy efficiency at schools and community colleges and retrofitting and replacing polluting school buses. The bill also would have extended the operation of the COB indefinitely. The bill was amended into a difference subject.

SB 73 (Committee on Budget and Fiscal Review, Chapter 29, Statutes of 2013) implemented Prop 39, including process for allocating and awarding funding to K-12 schools and community colleges and establishment of ECAA-Ed Account for zero interest loans for schools, and funding.

AB 2227 (Quirk, Chapter 683, Statutes of 2014) established terms and operations of the COB, including requiring four-year terms, the appointment and responsibilities of a chair and vice chair, and require the COB to meet at least four times per year, and require the COB to prepare an annual report.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

SUPPORT:

California League of Conservation Voters
California State Association of Electrical Workers

California State Pipe Trades Council
Climatec
Coalition for Adequate School Housing
Cutler-Orosi Joint Unified School District
Environmental Defense Fund
Fort Bragg Unified School District
Indoor Environmental Services
International Brotherhood of Electrical Workers Local Union 465
International Brotherhood of Electrical Workers Local Union 569
Natural Resources Defense Council
NextGen California
San Diego County Building & Construction Trades Council
San Luis Coastal Unified School District
Sanger Unified School District
School Energy Coalition
Sierra Club California
State Building and Construction Trades Council, AFL-CIO
United Association of Plumbers & Steamfitters Local 230
Western States Council of Sheet Metal Workers

OPPOSITION:

None received

ARGUMENTS IN SUPPORT: According to the author:

In recent years, California has become a pioneer in reducing greenhouse gas emissions by utilizing renewable energies and incentivizing energy efficiency. California voters approved Proposition 39 in order to increase revenues available for energy efficiency projects at K-12 schools and community colleges, which have resulted in significant energy cost savings and reductions in our greenhouse gas emissions. Assembly Bill 1028 would support local school and community college districts in improving their energy and resource efficiency by expanding the list of eligible expenditures allowed under the Clean Energy Jobs Creation program. By expanding this program, California can take further steps towards reducing the state's greenhouse gas emissions and meet our climate goals, reducing the otherwise rising energy costs for schools, and providing a career pipeline for a more skilled workforce in the construction industry.

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