

Date of Hearing: May 12, 2021

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

AB 794 (Carrillo) – As Amended April 28, 2021

Policy Committee:	Labor and Employment	Vote:	5 - 2
	Transportation		11 - 4

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill establishes labor and workforce standards, as specified, that a fleet purchaser or manufacturer of new vehicles must meet for those vehicles to be eligible for incentive programs administered or funded by the Air Resources Board (ARB). Specifically, this bill:

- 1) Requires ARB to adopt operational guidelines by January 1, 2023, and implement labor and workforce standards by January 1, 2025.
- 2) Allows ARB to delay or suspend implementation of requirements determined to not be feasible, as specified, and delegate any duties to the Labor and Workforce Development Agency (LWDA).
- 3) Requires ARB or the agency administering the incentive program to certify an applicant's eligibility and enforce, in collaboration with the Labor Commissioner (LC), the labor and workforce standards.
- 4) Requires ARB to develop an internet website displaying compliance with labor and workforce standards by manufacturers or fleet purchasers receiving incentives, and make other related disclosures in expenditure records before expending funds, as specified.

FISCAL EFFECT:

- 1) Costs of approximately \$11.7 million annually to ARB for staff to develop operational guidelines, implement standards, update application materials and technology systems and ensure ongoing compliance with incentive program requirements (General Fund).
- 2) Costs of approximately \$160,000 annually for LWDA, including the California Workforce Development Board (CWDB), to collaborate with ARB to develop operational guidelines and implement contract remedies if standards are breached.
- 3) Costs of an unknown, but potentially significant amount, for the LC to collaborate with ARB to develop operational guidelines, implement contract remedies if standards are breached and provide enforcement. The scope of enforcement required by this bill is unclear.

COMMENTS:

- 1) **Purpose.** This bill is sponsored by the Bluegreen Alliance, California Teamsters Public Affairs Council, Los Angeles Alliance for a New Economy and Teamsters Port Division. According to the author:

In order to create high-road quality jobs while moving closer to meet climate goals, AB 794 will ensure that public funding to manufacture and purchase cleaner vehicles is tied to labor standards. California should not subsidize companies that violate workers' rights or shift costs onto the backs of workers or the state safety net. Public funding should reward companies that follow the law and respect workers.

- 2) **Commitment to a Just Transition.** AB 398 (E. Garcia), Chapter 135, Statutes of 2017, required the CWDB to submit a report to the Legislature outlining a vision for integrating economic and workforce development into major climate policies and programs to help achieve the state's major climate goals. The finalized June 2020 report included recommendations for a just transition, integrated policy approaches offering protection, support and compensation for displaced workers and communities in specific industries or regions that lack overall economic diversity. The Governor's Executive Order (EO) N-79-20, issued September 23, 2020, directed LWDA and the office of Planning and Research to develop a Just Transition Roadmap by July 15, 2021, consistent with the recommendations in the AB 398 report, and expeditiously implement the roadmap.

However, a February 2021 Bureau of State Audits report found that ARB has not done enough to measure the economic benefits and jobs created by its programs, especially in disadvantaged and low- and moderate-income communities. The audit identified four key recommendations to better measure whether ARB programs are meeting climate change goals, most notably: (a) establish a process to identify overlap between incentive programs with similar objectives and develop metrics to demonstrate socioeconomic benefits from each program, and (b) make funding and program design recommendations based on which programs produce socioeconomic benefits and at what cost.

- 3) **Incentive Programs.** The Governor's EO N-79-20 also set the goal that 100% of in-state sales of new passenger cars and trucks be zero-emission by 2035 and 100% of medium- and heavy-duty vehicles be zero-emission by 2045 where feasible (by 2035 for drayage trucks). California has numerous consumer incentive programs to increase sales of zero-emission vehicles, such as the Clean Vehicle Rebate Project, Clean Cars 4 All Program and the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project, funded, in large part, with cap-and-trade auction revenues administered by ARB. AB 794 sets specific labor and workforce standards that a manufacturer of new vehicles, or fleet purchasers of new vehicles for drayage or short-haul trucking services, must meet to remain eligible for these incentive programs.

However, as discussed in the Assembly Transportation Committee's analysis of this bill:

[The] Legislature should consider the very real possibility that manufacturers, even those currently unionized and abiding by labor laws, would simply choose not to participate [in incentive programs] because of the uncertainty of the provisions in this bill or the cost of compliance on the manufacturing side.

The author has taken a number of amendments to reduce uncertainty – for example, authorizing ARB to delay or suspend specific requirements that are not feasible – and is continuing to work with stakeholders toward the goal of implementing robust labor and workforce development standards in the clean car and truck industry.

- 4) **Related Legislation.** AB 680 (Burke) requires LWDA to update funding guidelines to ensure applicants to grant programs funded by the Greenhouse Gas Reduction Fund meet fair and responsible employer standards. AB 680 is pending hearing in this committee.

AB 1453 (Muratsuchi) establishes the Just Transition Advisory Commission, tasked with developing and adopting a Just Transition Plan, containing recommendations to transition the state to a climate-resilient and low-carbon economy while protecting specified workers and communities. AB 1453 is pending hearing in this committee.

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