
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anthony Portantino, Chair
2023 - 2024 Regular Session

SB 394 (Gonzalez) - Master Plan for Healthy, Sustainable, and Climate-Resilient Schools

Version: April 27, 2023

Urgency: No

Hearing Date: May 15, 2023

Policy Vote: E., U. & C. 16 - 0, ED. 7 - 0

Mandate: No

Consultant: Ashley Ames

Bill Summary: This bill would require the California Energy Commission (CEC), upon appropriation by the Legislature, to convene a group of agencies and stakeholders to develop a master plan for healthy, sustainable, and climate-resilient schools.

Fiscal Impact:

- The CEC estimates one-time costs of \$1.5 million (Energy Resources Programs Account [ERPA] or General Fund) and 10 limited-term positions to develop the master plan. In addition, the CEC estimates one-time costs of up to \$5 million (ERPA or General Fund) to fund the work of the nongovernmental agency contractor.
- Unknown, likely minor costs (various funds) for other departments and state entities to participate in development of the master plan.

Background:

LEAs have diverse and unique energy and climate challenges. California's K-12 facilities include approximately 12,800 schools with more than 714 million square feet of space, making LEAs the largest category of building in the public building sector. Unlike other commercial end users, government buildings generally aren't able to use energy savings to reinvest in more capital improvements, which leads public buildings to require regular cycles of investment to update facilities and replace less efficient appliances. While some district may seek local and state bond or tax funding to make these updates, other districts may seek monies and tax incentives from the recently enacted Infrastructure Investment and Jobs Act (IIJA) and Inflation Reduction Act (IRA).

This bill seeks to establish a master plan that may help provide LEAs with guidance about the types of building decarbonization and climate resilience investments that can provide benefits for LEAs. However, the diversity of size, condition, and location of California's LEAs creates challenges for providing guidance that meaningfully addresses an LEA's needs. While some LEAs may be seeking to make major investments in fuel switching, electric vehicle (EV) charging, and on-site clean energy generation, other LEAs may need new HVAC systems and water filtration. LEAs with sufficient resources may have little difficulties in taking advantage of new funding opportunities as they arise; however, smaller LEAs and LEAs with limited support resources may require additional guidance and technical assistance to identify the best opportunities for their specific considerations and submit successful applications.

CEC has administered energy efficiency programs supporting LEAs with goals similar to the master plan required by this bill. While the CEC has not established a master plan addressing K-12 buildings' climate adaptation needs, the CEC has administered multiple programs aimed at providing incentives to improve energy efficiency, water savings, and non-energy benefits associated with clean energy and appliance installations in LEA facilities. Following the passage of Proposition 39 in 2012, the CEC administered the Clean Energy and Jobs Creation Program. Between 2013 and 2020, the CEC approved 2,108 applications from 1,739 LEAs for a total \$1.53 billion in funding. As part of the program, the CEC also approved 42 loans from the ECAA-Ed program totaling \$64.6 million. Following an extension and revision of the Proposition 39 program in 2017, the program expanded to include the School Bus Replacement Program. As part of this program, the CEC awarded \$74.7 million for replacement electric buses and \$14.1 million for electric bus charging infrastructure.

Proposed Law: This bill would require the California Energy Commission (CEC), upon appropriation by the Legislature, to convene a group of agencies and stakeholders to develop a master plan for healthy, sustainable, and climate-resilient schools. Specifically, this bill would:

1. Require the CEC to work with various stakeholders, including, but not limited to the California Department of Education (CDE), Division of the State Architect, Office of Public School Construction, and Natural Resources Agency to develop a master plan for healthy, sustainable, and climate-resilient schools. This bill specifies that development of this master plan must be completed by March 31, 2025, and its development will be contingent upon receipt of an appropriation by the Legislature.
2. Specify groups and entities with whom state agencies must engage to develop the master plan as well as the contents of the master plan.
3. Require the CEC to contract with a nongovernmental entity to review research, data and coordinate the development of the master plan.
4. Require the completed master plan to be published on specified public agency websites and submitted to the governor and relevant policy committees of the Legislature electronically.

Related Legislation:

AB 841 (Ting, Chapter 372, Statutes of 2020) among other provisions, established the CalSHAPE program to provide stimulus grants to LEAs to fund appliance, plumbing, and HVAC upgrades at schools using ratepayer energy efficiency incentives. The bill also designated the CEC as the third-party administrator of the CalSHAPE program.

SB 110 (Committee on Budget, Chapter 55, Statutes of 2017) and AB 129 (Committee on Budget, Chapter 250, Statutes of 2017) among other requirements, extended the operation of the Proposition 39 program, re-appropriated funds for the purpose of the program, and revised the allocation of Proposition 39 funds for LEAs to establish a competitive grant program for the remainder of the program's operation.

AB 802 (Williams, Chapter 590, Statutes of 2015) required the CEC to establish an energy use benchmarking and public disclosure program for buildings to increase access to energy consumption information.

SB 350 (De León, Chapter 547, Statutes of 2015) the Clean Energy and Pollution Reduction Act of 2015, established new clean energy, clean air and GHG reduction goals. Specifically, the bill established a goal to double energy efficiency in existing buildings by 2030.

Staff Comments: The CEC's main funding source, the Energy Resources Program Account (ERPA), has a significant structural deficit. The ERPA was established to provide funds for ongoing energy programs and energy projects, including the operations of the CEC. The ERPA fund is supported by a statutory surcharge on electricity consumption. The surcharge was increased to its statutory maximum - from \$0.00029 to \$0.0003 per kilowatt-hour (kWh) - by the CEC effective January 1, 2019. The surcharge generated approximately \$67.5 million in 2017-18 and costs the average household \$2.01 annually.

ERPA is in a structural deficit that has overspent revenues by more than \$17.4 million since 2014-15. The structural deficit results from the CEC's growing role in implementing aggressive climate policies that reduce electricity consumption thereby reducing ERPA revenues. California has the lowest per capita electricity usage in the nation - 44 percent lower than the average - due in part to the Energy Commission's efficiency and behind-the-meter solar programs. Even as revenues drop, ERPA is repeatedly tapped to support new programs and must cover increases in employee compensation and benefit contributions

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