

Date of Hearing: August 23, 2023

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Chris Holden, Chair

SB 394 (Gonzalez) – As Amended June 30, 2023

Policy Committee:	Natural Resources	Vote:	11 - 0
	Education		7 - 0

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

**SUMMARY:**

This bill requires, upon appropriation, the California Energy Commission (CEC) to develop a Master Plan for Healthy, Sustainable, and Climate-Resilient Schools (master plan).

Specifically, this bill, among other things:

- 1) Requires, upon an appropriation by the Legislature, by March 31, 2025, CEC, in consultation with the California Department of Education (CDE), Division of the State Architect (DSA), Office of Public School Construction (OPSC), and California Natural Resources Agency (CNRA), to facilitate an interagency process and stakeholder engagement to develop the master plan.
- 2) Requires CEC to organize and lead a steering team made up of representatives from specified state agencies to facilitate the planning process and stakeholder engagement, and requires the steering committee to begin to meet at least monthly by March 1, 2024.
- 2) Requires the process to create the master plan to include input from additional specified state agencies that provide funding, guidance, and oversight for school buildings and grounds, and requires the process to engage a specified group of stakeholders and experts to inform the recommendations.
- 3) Specifies a number of requirements for what the master plan must include.
- 4) Requires CEC to enter into a contract with one or more nongovernmental entities to review existing research and data, support and coordinate the master plan development process, and conduct research on priority areas of study.

**FISCAL EFFECT:**

- 1) CEC estimates one-time costs of \$1.5 million (Energy Resources Programs Account (ERPA) or General Fund) for 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, given that there are over 10,000 schools throughout the state that may need information and data gathered, researched, and analyzed.
- 2) DSA estimates ongoing annual costs of approximately \$1.9 million for seven positions to implement this bill (Public School Planning, Design and Construction Review Revolving Fund). DSA contends that conducting any type of school inventory, even with a

representative sample, is an intensive process. DSA notes its tasks include participating in the interagency process and steering committee, conducting the necessary inventory, conducting research in support of the master plan, and developing any materials necessary to turn the master plan into a series of actionable items, including green building standards and technical assistance to help district implement recommendations.

- 3) OPSC estimates ongoing annual costs of approximately \$434,000 for two positions and \$1.4 million ongoing for additional expenditure authority for existing positions to implement this bill (General Fund).

Department of Finance (DOF) notes, for both DSA and OPSC, the costs to participate in the development of the master plan pursuant to this bill are likely minor and absorbable.

However, DOF contends the ongoing cost estimates provided by DSA and OPSC “will likely be applicable if a master plan is developed and if the recommendations of the master plan become enacted law.” This analysis notes, based on DOF’s analysis, the estimates provided by DSA and OPSC, above, are likely future cost pressures should the recommendations of the master plan be required or mandated, and are likely not direct costs of fulfilling the requirements of this bill.

- 4) The California Department of Public Health (CDPH) estimates ongoing annual costs of approximately \$190,000 (General Fund) for one new position to coordinate with CEC and provide input regarding the various public health and health equity recommendations for ensuring healthy, sustainable, and climate-resilient schools.
- 5) CDE estimates one-time state operations costs of approximately \$50,000 (General Fund) to implement this bill.
- 6) Costs of an unknown, but likely minor, amount for other departments and state entities to participate in development of the master plan.

#### COMMENTS:

- 1) **Purpose.** According to the author:

While the condition of our school facilities plays an integral part in the mission of educating California’s students, the State currently has no mechanism for assessing its school facilities’ sustainability, and no cohesive strategy to make school buildings and grounds climate-resilient to protect the health and safety of students. It is abundantly clear that for California to meet its climate goals and ensure the educational opportunities of students there must be a comprehensive policy and implementation road map.

- 2) **Background.**

*Diverse Needs.* California’s K-12 facilities include over 10,000 schools with more than 714 million square feet of space, making local education agencies (LEAs) the largest category of building in the public building sector. Unlike other commercial end users, government buildings generally are not able to use energy savings to reinvest in capital improvements, which leads public buildings to require regular cycles of investment to update facilities and replace less efficient appliances. While some districts may seek local and state bond or tax

funding to make these updates, other districts may seek monies and tax incentives from the federal government, such as 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 seek to make major investments in fuel switching, electric vehicle charging, and on-site clean energy generation, other LEAs may need new heating, ventilation, and air conditioning systems and water filtration. LEAs with sufficient resources may have little difficulty taking advantage of new funding opportunities as they arise; however, smaller LEAs and LEAs with limited resources may require additional guidance and technical assistance to identify the best opportunities for their specific considerations and submit successful applications.

***Incentives for LEAs.*** 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.

In July 2023, the Newsom Administration announced the Department of Forestry and Fire Protection is providing \$47 million in grants to help schools convert asphalt to green spaces and plant trees and other vegetation – adding cooler spaces essential to protecting kids from dangerous extreme heat. This is the first round of the state's \$117 million Green Schoolyard Grant program, which helps schools convert pavement to green spaces, create drought-tolerant natural areas on school grounds, and other activities to help children connect to nature. The program is part of the Governor's Extreme Heat Action Plan.

***Federal Funding.*** The author's office argues the one-time investment in a master plan can give agencies, counties, and local school districts greater leverage and a competitive edge to capitalize on billions of dollars in available federal funding. For example, the IIJA appropriated \$5.7 billion specifically for schools. This includes \$5 billion for clean school buses, \$500 million to improve energy efficiency and install renewable energy at public school facilities, and \$200 million to address lead in school drinking water. The author contends that, under the IRA, the renewable electricity investment tax credit can help schools reduce the costs of installing renewable energy, like solar panels, geothermal heat pumps, and energy storage systems. The author notes the program includes a direct pay option. For example, if a school district wants to purchase and install a 500 kilowatt solar system at a cost of \$1 million, it could receive a direct payment of between \$300,000 and \$500,000 back under the IRA.

- 3) **DOF Position.** DOF has an oppose position on this bill for the following reasons:
- a) The bill could create significant general obligation bond cost pressures that would result in downstream General Fund debt service costs that are not reflected in the state's current fiscal plan, as LEAs adapt their school infrastructure to improve schools' resilience to shifting climate conditions.
  - b) It will result in additional cost pressure on ERPA, which is currently operating at a structural deficit, and this bill will exacerbate the fund's structural imbalance.
  - c) The timeline to develop the master plan, given the broad scope of stakeholder engagement as well as the data collection, research, and analysis needed to develop this comprehensive document, will likely be infeasible to accomplish the deliverables outlined in this bill.
  - d) Given the required extensive engagement with stakeholders, this bill does not provide guidance for resolving conflict "if stakeholders are diametrically opposed in their approach to aspects of the master plan."
  - e) Several departments also express concerns about the bill's required timeframe to produce the master plan and recommend providing additional time for the master plan steering team to develop the master plan.
- 4) **Related Legislation.** AB 499 (Menjivar) requires every school in the state, contingent on appropriation, to develop and implement an extreme heat action plan. The bill also requires every school to replace outdoor surfaces with more heat-resistant materials the next time the school replaces an outdoor surface. AB 499 is pending on this committee's suspense file.

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