

Date of Hearing: April 28, 2021

ASSEMBLY COMMITTEE ON NATURAL RESOURCES

Luz Rivas, Chair

AB 680 (Burke) – As Introduced February 12, 2021

SUBJECT: Greenhouse Gas Reduction Fund: California Just Transition Act

SUMMARY: Establishes the California Just Transition Act (Act), which requires the Labor and Workforce Development Agency (LWDA) to update, by July 1, 2023, the funding guidelines for administering agencies to ensure that all applicants for grant programs funded by the Greenhouse Gas Reduction Fund (GGRF) meet fair and responsible employer standards and provide inclusive procurement policies.

EXISTING LAW:

- 1) Establishes the California Global Warming Solutions Act of 2006 [AB 32 (Núñez), Chapter 488, Statutes of 2006], which requires the Air Resources Board (ARB) to adopt a statewide greenhouse gas (GHG) emissions limit equivalent to 1990 levels by 2020 and to adopt rules and regulations to achieve maximum technologically feasible and cost-effective GHG emission reductions.
- 2) Requires ARB to ensure that statewide GHG emissions are reduced to at least 40% below the 1990 level by 2030.
- 3) Authorizes ARB to permit the use of market-based compliance mechanisms (i.e., the cap-and-trade program) to comply with GHG reduction regulations once specified conditions are met.
- 4) Establishes the GGRF and requires all moneys, except for fines and penalties, collected by ARB from the auction or sale of allowances pursuant to a market-based compliance mechanism to be deposited in the GGRF and available for appropriation by the Legislature.
- 5) Establishes the GGRF Investment Plan and Communities Revitalization Act to set procedures for the investment of GHG allowance auction revenues. Authorizes a range of GHG reduction investments and establishes several policy objectives:
 - a) Maximize economic, environmental, and public health benefits;
 - b) Foster job creation;
 - c) Complement efforts to improve air quality;
 - d) Direct investment toward the most disadvantaged communities and households in the state;
 - e) Provide opportunities for businesses, public agencies, nonprofits, and other community institutions to participate in and benefit from statewide efforts to reduce GHG emissions; and,

- f) Lessen the impacts and effects of climate change on the state's communities, economy, and environment.
- 6) Specifies that moneys appropriated from the GGRF for investments may include funding to reduce GHG emissions through:
- a) Energy efficiency, clean and renewable energy generation, distributed renewable energy generation, transmission and storage, and other related actions;
 - b) The development of state-of-the-art systems to move goods and freight, advanced technology vehicles and vehicle infrastructure, advanced biofuels, and low-carbon and efficient public transportation;
 - c) Strategic planning and development of sustainable infrastructure projects;
 - d) Investments in programs implemented by local and regional agencies, local and regional collaboratives, and nonprofit organizations coordinating with local governments; and,
 - e) Funding research, development, and deployment of innovative technologies, measures, and practices related to programs and projects funded pursuant to the Act.
- 7) Requires the investment plan to allocate a minimum of 25% of the available moneys in the GGRF to projects that provide benefits to identified disadvantaged communities, and additional minimum of 5% to projects that benefit low-income households or to projects located within and benefitting individuals living in low-income communities, and an additional minimum of 5% to projects that benefit low-income households that are outside of, but within a 1/2 mile of, disadvantaged communities, or to projects located within the boundaries of, and benefitting individuals living in, low-income communities that are outside of, but within a 1/2 mile of, disadvantaged communities.
- 8) Directs ARB and agencies administering GGRF funding to maximize the co-benefits associated with funded projects.
- 9) Requires the Department of Finance to submit an annual report and a triennial investment plan to the Legislature on the status of projects funded by GGRF moneys.
- 10) Requires state agencies, prior to expending any moneys from the GGRF appropriated by the Legislature, to prepare a record consisting of the following:
- a) A description of each expenditure proposed to be made by the state agency pursuant to the appropriation;
 - b) A description of how a proposed expenditure will further the regulatory purposes of AB 32;
 - c) A description of how a proposed expenditure will contribute to achieving and maintaining GHG emission reductions;
 - d) A description of how the state agency considered the applicability and feasibility of other non-GHG reduction objectives; and,

- e) A description of how the state agency will document the result achieved from the expenditure.

THIS BILL:

- 1) By July 1, 2023, requires the LWDA to work with ARB to update the funding guidelines to administering agencies to ensure that all applicants for grant programs funded by the GGRF meet the following standards:
 - a) Fair and responsible employer standards, defined as documented compliance with applicable labor laws and labor-related commitments concerning wages, workplace safety, rights to association and assembly, and nondiscrimination standards;
 - b) Inclusive procurement policies, meaning applicant procurement policies that prioritize bids from entities that demonstrate the creation of high-quality jobs, the creation of jobs in disadvantaged, tribal, and low-income communities, or both; and,
 - c) Prevailing wage for any construction work funded in part or in full by the grant.
- 2) Requires applicants for grants to fund construction projects over \$1 million to provide evidence of a community workforce agreement.
- 3) Requires administering agencies to give preference to applicants that demonstrate a partnership with an educational institution or training program targeting residents of disadvantaged, tribal, and low-income communities in the same region as the proposed project.
- 4) Requires administering agencies to give preference to applicants that demonstrate that jobs created through the proposed project will be high-quality jobs.
- 5) If an applicant submits information that does not meet the standards established by the bill, requires administering agencies to work with the LWDA to provide guidance to the applicant for future grant applications.
- 6) Exempts applicants for projects that involve federal funding, technical assistance, and research from the requirements of the bill.
- 7) Specifies that applicants are responsible for ensuring the compliance of any contractors.
- 8) Requires the LWDA to work with administering agencies to leverage existing programs and funding to assist applicants with meeting the requirements of the bill.
- 9) Defines terms used in the bill, including:
 - a) “Administering agencies” as state agencies administering grant programs funded by the GGRF;
 - b) “Community workforce agreement” as a project labor agreement that includes a targeted hire plan;

- c) “Disadvantaged, tribal, and low-income community” as a community in a census tract with median household incomes at or below 80% of the statewide median income or with median household incomes at or below the threshold designated as low-income by the Department of Housing and Community Development’s list of state income limits and members of Native American groups;
- d) “High-quality job” as a job that facilitates economic mobility by providing retirement benefits, vacation and sick leave, training opportunities, and wages at or above the average median wage of a region;
- e) “Prevailing wage” as the basic hourly rate paid on public works projects to a majority of workers engaged in a particular craft, classification, or type of work within the locality of a project and in the nearest labor market area;
- f) “Project labor agreement” as a collective bargaining agreement between the applicant and one or more labor organization that establishes the terms and conditions of employment for a specific project; and,
- g) “Targeted hire plan” as a strategy from the applicant to demonstrate how they will create jobs for disadvantaged, tribal, and low-income communities, and how they will ensure access to those jobs.

FISCAL EFFECT: Unknown

COMMENTS:

1) Author’s statement:

California has been a global leader in combating climate change. From energy efficiency upgrades to transportation decarbonization to renewable resources generation, California has led the way in aggressive emissions reductions all while rising to be the 5th largest economy in the world.

While this progress is laudable, its outcomes have been inconsistent, and a great deal of evidence shows wealthy communities benefit the most from the state’s climate investments. According to a report published last June by UCLA’s California Center for Sustainable Communities, affluent communities have a far greater ability to access existing programs and incentives. A separate report published in the Transportation Research Record evaluating the Clean Vehicle Rebate Project concluded that 83% of rebate recipients had annual incomes of \$100,000 or more.

Additionally, despite numerous statutory requirements to maximize the socioeconomic benefits of our climate investments, the State Auditor, just last month, released a report detailing the Air Resources Board’s limited collection and analysis of data regarding job creation and benefit outcomes. The California Workforce Development Board’s recently published report “Putting California on the High Road: A Jobs and Climate Action Plan for 2030” documents the potential for jobs of the carbon neutral economy to be low-wage with limited upward advancement, a finding supported by the State Building and Construction

Trades Council report titled “Would Green Jobs Offset Those Lost from a Phase-Out of Oil and Gas Production.”

AB 680 addresses these shortcomings by requiring grant applicants for GGRF funding to document high-quality job creation in disadvantaged and low-income communities while prioritizing applications that demonstrate partnerships with local educational institutions and training partnerships that target residents of marginalized communities.

These provisions, as recommended by the California Workforce Development Board’s report, would ensure equity and inclusion are considered on the front end of applications, rather than as an afterthought with a funding set aside, while incentivizing applicants to site projects in areas that have traditionally been excluded from the wider economic prosperity of our state.

This bill will ensure we are targeting high quality job creation efforts in communities which would benefit the most from our state’s climate investments and provide incentive to site projects in communities which often have the least resources but are most impacted by climate change.

- 2) **AB 32.** The Global Warming Solutions Act (AB 32) requires ARB to adopt a statewide GHG emissions limit equivalent to 1990 levels by 2020 and adopt regulations, including market-based compliance mechanisms, to achieve maximum technologically feasible and cost-effective GHG emission reductions.

As part of the implementation of AB 32 market-based compliance measures, ARB adopted a cap-and-trade program that caps the allowable statewide emissions and provides for the auctioning of emission credits, the proceeds of which are deposited into the GGRF to be available for appropriation by the Legislature.

- 3) **GGRF.** The 2014-15 Budget Act allocated GGRF revenues for the 2014-15 fiscal year and established a long-term plan for the allocation of GGRF revenues beginning in fiscal year 2015-16. Thirty-five percent of GGRF is continuously appropriated for investments in transit, affordable housing, and sustainable communities. Twenty-five percent is continuously appropriated to continue the construction of the high-speed rail project. The remaining 40% is subject to annual appropriation by the Legislature for investments in programs that include low-carbon transportation, energy efficiency and renewable energy, and natural resources and waste diversion.

The Administration’s 2020 annual report to the Legislature on cap and trade investments includes an analysis of funds spent within and benefiting “priority populations,” which the report defines as disadvantaged and low-income communities and low-income households. According to the report, 57% of the overall funding benefited priority communities.

Auction proceeds have fluctuated significantly since they began in 2011, from a low of \$257 million in Fiscal Year 2012-13 to a high of over \$3.2 billion in Fiscal Year 2018-19. The most recent quarter generated nearly \$697 million.

In 2018, ARB updated its funding guidelines to require additional reporting of co-benefits

and job benefits from GGRF expenditures. According to the 2020 annual report to the Legislature, GGRF investments awarded in 2019 are expected to support 10,500 jobs.

- 4) **State reports and recommendations.** In February, the Bureau of State Audits released an audit report, *California Air Resources Board: Improved Program Measurement Would Help California Work More Strategically to Meet Its Climate Change Goals*. The report identified a number of areas that ARB can improve upon, including that ARB has not done enough to measure the economic benefits and job creation in disadvantaged and low- and moderate-income communities. The audit also finds that ARB has been slow to measure the jobs created by its programs or the benefits of job-training in spite of its funding guidelines that require programs to report the outcomes of the job training.

The audit identifies four key recommendations: 1) Establish a process to identify the overlap between its incentive programs and other programs that share the same objectives and develop metrics to demonstrate the socioeconomic benefits that result from each incentive program; 2) Develop a method to define, collect, and evaluate data on the behavioral changes that result from each of its incentive programs; 3) Refine the GHG emissions reductions estimates in its annual reports to the Legislature; and, 4) Make funding and program design recommendations based on which programs produce socioeconomic benefits and at what cost.

Last June, the California Workforce Development Board (Board) released *Putting California On the High Road: A Jobs and Climate Action Plan For 2020*. The report addresses workforce interventions to ensure that the transition to a carbon-neutral economy creates high-quality jobs, prepares workers with the skills needed to adapt to and master new zero- and low-emission technologies, broadens career opportunities for workers from disadvantaged communities, and supports workers whose jobs may be at risk. The report includes recommendations “for just transition” to assist the state in planning for the protection and support of workers at risk of declining opportunities in the fossil fuel industry. The Governor’s Executive Order N-79-20 directs the state to take a number of actions to combat the climate crisis, including requiring the LWDA and the Office of Planning and Research, in consultation with the Department of Finance and other state agencies to develop, by July 15, 2021, and expeditiously implement a Just Transition Roadmap, consistent with the recommendations of the Board’s report.

This bill is intended to address some of the shortcomings identified by requiring grant applicants for GGRF funding to document high-quality job creation in disadvantaged and low-income communities while prioritizing applications that demonstrate partnerships with local educational institutions and training partnerships that target residents of marginalized communities.

- 5) **Suggested amendments.** In addition to a minor technical amendment, the committee may wish to consider the following:

This bill includes the term “Native American groups.” The *committee may wish to amend the bill* to instead use the term “Native American tribes” to be consistent with related statutes.

This bill requires applicants seeking funding for construction projects over \$1 million to provide evidence of a workforce agreement, but it is not clear if the project is over \$1 million

or if the GGRF funding is over \$1 million. The *committee may wish to amend the bill* to clarify that this provision applies to GGRF funding over \$1 million.

The author's office has requested that *the committee amend the bill* to change the name of the Act to the California Jobs Plan Act of 2021.

6) Previous and related legislation.

AB 1453 (Muratsuchi) establishes the Just Transition Advisory Commission and tasks the Commission with developing a Just Transition Plan. This bill is also scheduled to be heard in this committee on April 28th.

AB 398 (E. Garcia) Chapter 135, Statutes of 2017, among other things, required the California Workforce Development Board to publish a report outlining recommendations on workforce development and training to help communities adapt to the economic and labor-market changes resulting from California's transition to a carbon neutral economy.

AB 2722 (Burke) Chapter 371, Statutes of 2016, established the Transformative Climate Communities Program administered by the Strategic Growth Council to disburse grants for projects that include multiple, coordinated GHG emissions reduction efforts that provide local economic, environmental, and health benefits to disadvantaged communities.

SB 535 (de León) Chapter 830, Statutes of 2012, among other things, directed administering agencies to develop guidelines on maximizing benefits for disadvantaged communities for GGRF grants and set aside 25% of those funds for those communities.

- 7) Double referral.** This bill was heard by the Assembly Labor and Employment Committee on April 8th and passed with a vote of 5-1.

REGISTERED SUPPORT / OPPOSITION:

Support

Elders Climate Action, NorCal and SoCal Chapters

Opposition

Western Electrical Contractors Association

Analysis Prepared by: Elizabeth MacMillan / NAT. RES. /