



Proposition 39 Implementation

By Anna Ferrera, Executive Director, School Energy Coalition

On behalf of the School Energy Coalition (SEC), which represents school districts and community colleges in California on school facilities construction and funding, we are pleased to provide the following thoughts on Proposition 39 Implementation.

This paper is arranged to provide our preliminary thoughts on the implementation of Proposition 39 and ideas for funding mechanisms that would work best for schools, given what we know about their organizational culture and function. We look forward to participating in Proposition 39 implementation discussions as they move forward.

Overview

- **Funding Focus:** We endorse using Proposition 39 funds for grants that would be used for efficiency measures; however, we also urge that Proposition 39 funds be allowed on generation projects for schools that have met a certain level of efficiency determined under the program.
 - **Energy Usage Baseline Measurement:** Participation in the program should include each school assessing their baseline usage so that efficiency can be judged from reductions to baseline use of electricity and natural gas. However, this should only be a requirement if funding is made available to Districts to conduct this assessment.
 - **Program Roll-Out:** We support using Proposition 39 funding, added to existing grants and low or no interest loan programs that have worked for schools; e.g., California Solar Initiative (CSI), the Energy Conservation Assistance Act (ECAA) and the California Energy Commission's (CEC) Bright School Program.
 - **Program Administration:** Strongly support the California Department of Education (CDE) as the agency in the best position to administer a new energy funding program for schools, with technical assistance support from the CEC. Because these are not state bond funds and do not require full auditing capacity, we do not believe that the Department of General Services or the Office of Public School Construction are the appropriate administering agency.
 - **Program Accountability:** We see two levels of accountability:
 1. Money was spent for the intended purposes of the program.
 2. The promised levels of energy efficiency, production and savings are achieved.
 - **Application Process:** Please keep it simple; the application processes that work best are simple and straightforward so that all schools may easily apply without needing additional staff or resources to comply.
 - **Equity:** Priorities for schools with specified higher percentages of free-and reduced priced lunches may be incorporated, or areas where schools have higher levels of greenhouse gasses may be selected.
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Why School Energy Projects Deserve State Investment

There are about 11,000 (K-12 and charter) school facilities and almost 5,000 buildings on 112 community college campuses in California. According to the California Department of Education (CDE), over 70 percent of K-12 schools are over 25 years old and about 30 percent are over 50 years old. This presents a tremendous opportunity to imbed energy efficiency and renewable components in school projects throughout the state and in every community.

SEC was formed to bring public schools to the table in state discussions about energy programs and funding for energy efficiency and renewable projects. Over the past five years, we have witnessed a significant uptick in interest from California's schools in the utility savings that may come from energy retrofits and generation projects as consecutive years of budget cuts have forced schools to meet the challenge of doing more with less funding.

Schools have already increased class sizes, taken days off their school year, foregone routine facility maintenance, and let teachers go, yet more help is needed. Because utility savings are returned to a school's general fund and can be used for any school priority or purpose, schools want to go in this direction but funding for these projects remain an issue.

SEC has participated in the Superintendent of Public Instruction's (SPI) Schools of the Future Working Group, along with a countless number of discussions, workshops, conferences and roundtables regarding energy and schools. Our efforts have resulted in best practices information to our school district members and legislative successes at the State Capitol as we educate Assembly and Senate Members as to the real win-win involved with funding school energy projects.

Several SEC sponsored and supported bills were on our agenda last year, such as Assembly Member Nancy Skinner's AB 1186 which would have provided grants and loans for school energy projects; the passage of SB 594 Senator Wolk's meter aggregation bill; and Assembly Member Buchanan's AB 2249 which will open up the California Solar Initiative's (CSI) solar thermal program to school pool projects.





Proposition 39 Program Funding Focus: Efficiency or Generation?

Through SEC's work on energy issues, we know that efficiency is an extremely important first step in realizing utility savings especially when coupled with generation. We would endorse using Proposition 39 funds for grants that would be used for efficiency measures.

Because we also know that efficiency can often be achieved through low- and no-cost measures that yield significant results, SEC would also urge that Proposition 39 funds be focused on generation projects for schools that have met a certain level of efficiency determined under the program. SEC suggests having school boards pass a resolution stating which efficiency measures have been undertaken prior to receiving funding for energy generation projects.

Efficiency can be measured through no-cost tools such as the U.S. Environmental Protection Agency's (EPA) ENERGY STAR Portfolio Manager, or utility tools that will provide a baseline reading and apply efficiency measures through their utility districts.

Other thoughts on efficiency:

- At the state level, there also appears to be some interest in funding energy efficiency in schools in the next statewide school facilities bond. At an August 7, 2012 hearing to discuss the CDE Cities and Schools Report, the idea was raised and well-received that the per-pupil grant for schools under the state bond take into account energy efficiency and other high performing measures. Conversely, statements were also made by Legislative Members that funding school renewable generation projects on a statewide basis were probably not an appropriate use of state bond funds.
- Provide a pathway for those schools that have already made significant investments in efficiency for further savings through additional efficiency grants for whole building projects such as daylighting and solar thermal projects, or generation projects.
- Whenever school construction and modernization occurs, Title 24 standards must also be met and efficiency measures must be incorporated whenever new construction or modernization projects go forward.
- Require energy efficiency standards to meet school district eligibility for state matching funds under new construction and modernization.
- Require school boards to pass resolutions that specify levels of energy efficiency have been met.

The next opportunity for a statewide school bond is in 2014 and is the number one priority for the Coalition for Adequate School Housing (C.A.S.H.) an organization that SEC works closely with on facility issues and represents over 90% of the school districts in California on issues related to new school construction and modernization.

Energy Usage: Baseline Measurement

SEC has strongly encouraged schools to know and keep data on their baseline energy use, but this may be reinforced through this program so that efficiency measures and their effect can be measured for this purpose and for information on ongoing statewide school energy usage. Efficiency should be judged from reductions to baseline use of electricity and natural gas.

Note: If it is required that all schools do this as part of the implementation of Proposition 39 there should be funding available for those school districts and county offices that need to meet this requirement.





Proposition 39 Program Funding for Schools: Don't Reinvent the Wheel

SEC would support using Proposition 39 funding, added to existing grants and low or no interest loan programs that have worked for schools. The California Solar Initiative (CSI), the Energy Conservation Assistance Act (ECAA) and the CEC's Bright School Program have been well-used by schools.

In addition to the existing programs that allow schools to directly apply for funding, we would support the creation of a revolving loan fund for school renewable projects that would replenish itself in repayments through savings. The goal here is having a long-term sustaining program that goes beyond the five-year funding period under Proposition 39. This could be established in the Treasurer's Office.

Some additional ideas our SEC members have proposed:

- Grants for energy efficiency audits and analysis;
- Extending the term of the ECAA loan to 20 years;
- Fast-track permitting on state standards for renewable energy generation;
- Increase local bond capacity for energy efficiency and generation;
- Eligibility for new construction and modernization state matching funds in the School Facility Program (SFP) to be contingent on being equal to or below the 2011 (adjusted every five years) countywide per pupil energy usage for the schools in the county where the district or county office is located.

Other energy project funding opportunities to consider in a Future Statewide School Facilities Bond:

Schools receive funding for school construction from the state primarily through a matching grant from the statewide School Facility Bond for new construction or modernization. Ideas for the School Facilities Program (SFP) include:

- A capacity increase for energy efficiency and generation. This would provide an incentive for energy consciousness as assessed valuation (AV) increases in many areas.
- Priority access to new state funding based on achieving school site net zero use.
- Increasing the per pupil base grant to provide for energy efficiency retrofits.
- Base per pupil grants that would provide for energy efficiency measures.



A New Funding Program for School Energy Projects?

Application Process

Please keep it simple. Schools are very familiar with application processes for construction funding at the state and federal level. The application processes that work best are simple and straightforward so that all schools may easily apply without needing additional staff or resources to comply.

The application would require a description of the projects and a certification that efficiency and other program requirements have or will be met. On the energy side, the energy analysis and Title 24 reports that are already required for DSA submission could provide the necessary information.

Schools will also need to know exactly what accountability measures will be applied at the back end of this process.

Program Accountability

We see two levels of accountability: The first level is showing that the money was spent appropriately under the program. We are unsure as to whether the Board that was created under the Proposition 39 language is expected to serve that function.

However, if needed, CDE also has an audit division that reviews schools that participate in child care, nutrition, adult education, and No Child Left Behind programs. Participants in the program must annually report to the CDE the total amount of federal and state funds expended during the past fiscal year. This function could be broadened to include verification for energy or for funding. CDE does not currently have energy experts on staff so this would have to be created/funded.

Perhaps one full-time or equivalent FTE for CDE for this purpose to answer questions from schools regarding the program and to track funding.

The second level of accountability is ensuring that levels of energy efficiency and utility savings have been achieved, which might best be provided by CEC or CPUC, or an independent third party. Again with simplicity in mind we would advocate for a simple certification or verification that would not require much in the way of additional resources by the state or the school.

It is important that schools have someone that would speak both “languages” of school construction and the energy program.



Broader Themes

Equity

Some schools may be more prepared to participate in this program than others because they have projects that are in design or early planning stages and may have plans on the shelf awaiting funding. Some schools may also have in-house staff with expertise that would allow them to move forward on these projects quickly. However, for those schools that need more help, we would support funding for design and planning.

The state has recently indicated a strong interest in getting people back to work in the midst of this fiscal crisis. If moving projects quickly is a priority, there are examples of this in the school construction program. The long-standing process for schools waiting for state funding was changed to allow projects that were “shovel-ready” in 90 days or less to receive funding first. This process was referred to as Priorities in Funding (or PIF) under the SFP.

Another equity issue relates to lower income areas. Priorities for schools with specified higher percentages of free-and reduced priced lunches may be incorporated, or areas where schools have higher levels of greenhouse gasses may be selected.

Finally, in order to ensure that all schools may be able to participate, you may want to consider that not all schools may be able to put renewable power on their sites. Legislation, such as last year’s SB 843 (Wolk), contemplates off-site solar co-operatives that would allow for the purchase and credit on utility bills for renewable power. Recent discussions have raised the issue of a price differential that may occur for consumers that may be considered for funding through Proposition 39 for school projects.

Job Creation

Proposition 39 provides a terrific opportunity to create new construction jobs and to upgrade skills for existing maintenance and operations that have been devastated by budget cuts over the past few years.

- Improve energy knowledge base for existing staff and training for new hires to ensure that energy-related components are being monitored and maintained to maximize utility savings.
- Training to provide energy expertise for school facilities staff will also assist in a more sustainable program that goes beyond the five years allotted under Proposition 39. It could transform the culture from within as to the way schools look at school operations, maintenance and planning for the future.

We have also worked with labor groups on a number of bills and issues before the State Allocation Board (SAB) related to school projects. We look forward to working with them to ensure that we have an energy-smart approach to school projects using Proposition 39 funds.

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