

Joint Subcommittee Hearing Agenda

Subcommittee #1 on Education
Senator Marty Block, Chair
Senator Roderick D. Wright
Senator Mark Wyland



Subcommittee #2 on Resources, Environmental
Protection, Energy, and Transportation
Senator Jim Beall, Chair
Senator Hannah-Beth Jackson
Senator Jim Nielsen

Thursday, April 4, 2013
9:30 a.m. or upon adjournment of session
Room 3191, State Capitol

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PROPOSITION 39

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GENERAL BACKGROUND

Proposition 39 Raises Additional State Revenues and Designates Half the Funding for Energy Projects. Proposition 39, the California Clean Energy Jobs Act of 2012, requires most multistate businesses to determine their California taxable income using a single sales factor method. (Previously, state law allowed such businesses to pick one of two different methods to determine the amount of taxable income associated with California and taxable by the state.) This change has the effect of increasing state corporate tax revenue.

For a five-year period (2013-14 through 2017-18), Proposition 39 requires that half of the annual revenue raised from the measure, up to \$550 million, be transferred to a new Clean Energy Job Creation Fund to support projects intended to improve energy efficiency and expand the use of alternative energy (Proposition 39 text below).

"The sum of five hundred fifty million dollars (\$550,000,000) shall be transferred from the General Fund to the Job Creation Fund in fiscal years 2013-14, 2014-15, 2015-16, 2016-17, and 2017-18. Moneys in the fund shall be available for appropriation for the purpose of funding projects that create jobs in California improving energy efficiency and expanding clean energy generation."

Proposition 39 specifically requires that the funds maximize energy and job benefits by supporting:

- ✓ Energy efficiency retrofits and alternative energy projects in public schools, colleges, universities, and other public facilities;
- ✓ Financial and technical assistance for energy retrofits; and
- ✓ Job training and workforce development programs related to energy efficiency and alternative energy.

Proposition 39 also requires that funded programs be coordinated with the California Energy Commission (CEC) and California Public Utilities Commission (CPUC) in order to avoid duplication and leverage existing energy efficiency and alternative energy efforts.

In addition, Proposition 39 states that the funding is to be appropriated only to agencies with established expertise in managing energy projects and programs.

Proposition 39 Affects School Funding by Raising Proposition 98 Minimum Guarantee. Proposition 98, passed by voters in 1988 and modified in 1990, requires a minimum level of state and local funding each year for school and community college districts. This funding level is commonly known as the Proposition 98 minimum guarantee. Though the Legislature can suspend the guarantee and fund at a lower level, it typically decides to provide funding equal to or greater than the guarantee. The Proposition 98 guarantee can grow with increases in state GF revenues (including those

collected from state corporate income taxes). Accordingly, the revenues raised by Proposition 39 can affect the state's Proposition 98 funding requirements.

Existing State Energy Efficiency and Alternative Energy Programs. In general, energy efficiency refers to the installation of energy-efficient technologies or measures that are designed to reduce energy usage and eliminate energy losses in buildings. Thus, energy efficiency incentive programs aim to reduce energy usage while maintaining a comparable level of service, thereby saving energy consumers money on their utility bills. In comparison, alternative energy refers to energy that comes from "renewable" sources, meaning sources that are not finite and do not use up natural resources like more traditional forms of energy that rely on fossil fuels. Currently, California maintains over a dozen major programs that are intended to support the development of energy efficiency and alternative energy in the state. Over the past 10 to 15 years, the state has spent a combined total of roughly \$15 billion on such efforts.

Most Programs Maintained by CEC and CPUC. The various energy efficiency and alternative energy programs are administered by multiple state departments, including CEC and CPUC. Energy efficiency upgrades and retrofits have been supported through programs at the CEC (such as Bright Schools and the Energy Conservation Program), as well as through programs directed by the CPUC and administered by the state's investor-owned utilities (IOUs) (such as appliance rebate programs). Funding from these programs has been allocated to various entities, including many school and community college districts. In determining which projects to fund, the CEC and the IOUs provide energy audits to evaluate what types of upgrades would result in the most cost-effective energy savings; these programs also provide financing options for these upgrades.

ISSUE 1: GOVERNOR'S PROPOSITION 39 PROPOSAL

Panelists: Department of Finance
California Department of Education
California Community College Chancellor's Office

Proposal Summary: The Administration projects that Proposition 39 will increase state revenue by \$440 million in 2012-13 and \$900 million in 2013-14. The Governor's budget proposal includes all revenue raised by Proposition 39 in calculating Proposition 98 funding, which has the effect of increasing the minimum guarantee by \$426 million in 2012-13 and **\$520 million** in 2013-14. The Governor appropriates **\$450 million** of this Proposition 98 funding in 2013-14 for a K-14 education energy efficiency program in order to satisfy the energy efficiency requirements of Proposition 39 that commence in that year. Of this amount, the Governor appropriates **\$400.5 million** to the California Department of Education (CDE) for allocation to K-12 school districts, charter schools and county offices of education and **\$49.5 million** to the California Community Colleges Chancellor's Office (CCCCO) for allocation to community college districts. The Governor requires CDE and CCCCCO to allocate these funds on a per student basis.

2012-13 Funding. The budget includes a \$426 million increase in the Proposition 98 minimum guarantee for K-12 schools and community colleges as a result of new revenues generated by Proposition 39 in 2012-13. The budget does not direct these funds for any specific purpose.

The budget does not propose any funding for an energy efficiency program in 2012-13 since Proposition 39 does not require establishment of such a program until 2013-14.

The budget assumes \$440 million in total Proposition 39 revenues in 2012-13, of which \$426 million is appropriated for Proposition 98 pursuant to Test 1 calculations utilized by the Administration. The remaining \$14 million in Proposition 39 revenues provides General Fund savings in 2012-13.

2013-14 Funding. The budget provides a \$520 million increase in the Proposition 98 minimum guarantee for K-12 schools and community colleges as a result of new revenue generated by Proposition 39 in 2013-14.

The budget proposes to allocate all energy efficiency funding required by Proposition 39 within the \$520 million in Proposition 98 funding provided under the Governor's proposal. Specifically, the budget proposes to expend \$450 million of the \$520 million in Proposition 98 funds to establish a new Energy Efficiency Program for K-12 schools and community colleges in 2013-14.

Of the \$450 million proposed for the Energy Efficiency Program in 2013-14, \$400.5 million (89 percent) is appropriated for K-12 school districts, charter schools, and county offices of education and \$49.5 million (11 percent) is appropriated for community college

districts. The Department of Education and the Community College Chancellor's Office would be responsible for allocating funding on a per student basis within their respective systems.

The budget estimates \$900 million in total Proposition 39 revenues in 2013-14. Under the Governor's calculations, which assume Test 3 factors applied to total estimated Proposition 39 revenues, the Proposition 98 minimum guarantee increases by \$520 million in 2013-14. The budget proposes \$380 million in remaining revenues as General Fund savings in 2013-14.

2014-15 through 2017-18 Funding. The Governor proposes to continue energy efficiency funding for K-12 schools and community colleges at \$500 million for four additional years, from 2014-15 through 2017-18. This assumes \$1.0 billion in total Proposition 39 revenues, with half provided for energy efficiency per the proposition during this timeframe. (The Governor's proposal is limited to these four years, since Proposition 39 does not require energy efficiency funding beyond 2017-18.)

Parameters of the Proposition 39 Energy Efficiency Investment Program. Under the Governor's proposal, CDE and the CCCCO would issue guidelines for prioritizing the use of the funds. The CDE and the CCCCO are required to consult with CEC and CPUC in developing these guidelines. At a minimum, the guidance is required to reflect the state's energy "loading order," and further specify that school and community college districts give consideration to all of the following in the planning and design of their local projects:

- ✓ Each project should be focused on in-state job creation and energy benefits;
- ✓ Each project should be cost effective, with total benefits exceeding project cost over time;
- ✓ Each project should include documentation on project specifications, costs, and projected energy savings; and
- ✓ Eligible projects may include technical assistance costs associated with the identification, evaluation, and implementation of projects.

The state's energy "loading order" guides the state's energy policies and decisions according to the following order of priority: (1) decreasing electricity demand by increasing energy efficiency; (2) responding to energy demand by reducing energy usage during peak hours; (3) meeting new energy generation needs with renewable resources; and (4) meeting new energy generation needs with clean fossil-fueled generation.

School and community college districts would also be encouraged to partner as practicable with the California Conservation Corps and local community conservation corps programs in the design and implementation of local projects.

CDE and CCCCO State Operations. The Governor's budget proposes to provide CDE with one permanent position (\$109,000) to help implement and oversee the Proposition

39 program. The Governor proposes no additional positions for the CCCCCO for the administration of Proposition 39.

Accountability Requirements. Upon project completion, school and community college districts are required to report by October 1 of the subsequent fiscal year their project expenditure information to CDE and the CCCCCO, respectively. The CDE and CCCCCO would then compile these reports and transmit the information to the Citizens Oversight Board by November 1 of each year for its review and evaluation. Proposition 39 funding received by school and community college districts would also be subject to annual financial audits as required under current law.

ISSUE 2: LAO'S ALTERNATIVE PROPOSITION 39 PROPOSAL

Panelist: Legislative Analyst's Office

Proposal Summary: The LAO's alternative proposes that all the Proposition 39 revenues required to be used on energy-related projects be excluded from the Proposition 98 calculation and not count spending from these revenues as Proposition 98 expenditures. In addition, the LAO proposes that the CEC should instead administer a competitive grant process in which all public agencies, including school and community college districts, could apply and receive funding based on identified facility needs.

Exclude Energy-Related Funding From Proposition 98 Minimum Guarantee. The LAO alternative excludes from the Proposition 98 calculation all Proposition 39 revenues required to be used on energy-related projects. This approach is consistent with the LAO's view of how revenues are to be treated for the purposes of calculating the minimum guarantee. This approach would reduce the minimum guarantee by roughly \$260 million. Additionally, the \$450 million to be spent on energy-related projects should be reclassified as a non-Proposition 98 expenditure (though the state still could choose to spend these monies on school and community college districts).

Alternative Increases Proposition 98 Operational Support by \$190 Million. The LAO alternative would result in \$190 million in additional operational Proposition 98 support for schools and community colleges. This amount is the net effect of two factors. On the one hand, by excluding Proposition 39 revenue from the Proposition 98 calculation, the minimum guarantee falls by \$260 million in 2013-14. On the other hand, by not using Proposition 98 funding for school energy projects, spending falls by \$450 million relative to the Governor's budget plan. Thus, maintaining spending at the revised minimum guarantee would result in an additional \$190 million in operational funding. Under this approach, the \$450 million still needs to be used for energy-related projects, and it could be used for schools and community colleges to the extent the basic provisions of Proposition 39 are met. From the state's perspective, this approach increases total state costs by \$190 million and, thus, could result in reduced spending on non-Proposition 98 General Fund programs.

Allocation via a Competitive Grant Process Led by the CEC. To ensure that the state meets the requirements of Proposition 39 and maximizes energy and job benefits, the LAO alternative designates the CEC as the lead agency, in consultation with the CPUC and other experienced entities, for Proposition 39 Energy Funds. The CEC would be directed to develop and implement a competitive grant process in which all public agencies could apply for Proposition 39 funding on a project-by-project basis. In order to ensure that the state maximizes energy benefits, this competitive process should consider and weigh all factors that affect energy consumption. The LAO notes that the CEC could create a tiered system that categorizes facilities based on a high-, medium-, and low-energy intensity or need. Based on that categorization, funding should be provided to

facilities with the greatest relative need in coordination with other existing energy efficiency programs.

Require Applicants to Provide Certain Energy-Related Information. To qualify for grant funding and assist CEC in evaluating potential projects, the LAO alternative would require applicants to first have an energy audit to identify the cost-effective energy efficiency upgrades that could be made, similar to the types of audits currently provided through the CEC and the IOUs. As part of the application, facilities should also provide information regarding the climate zone, size, design, and age of a building.

ISSUE 3: TREATMENT OF PROPOSITION 39 REVENUES IN CALCULATING THE PROPOSITION 98 MINIMUM GUARANTEE
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Panelists: Department of Finance
Legislative Analyst's Office

Issue Description: The Governor and the LAO treat Proposition 39 revenues very differently for purposes of calculating the Proposition 98 minimum guarantee. In so doing, the Governor and LAO take very different approaches to the expenditure of Proposition 39 revenues in the overall budget architecture beginning in 2013-14.

Comparison of the Governor and LAO Approaches:

Governor's Approach. According to the Department of Finance (DOF), unless expressly excluded, all proceeds from taxes deposited in the General Fund are used in the calculation of the Proposition 98 minimum guarantee. Therefore, the Governor's budget proposal includes all of the **estimated \$900 million** raised by Proposition 39 in the calculation of the Proposition 98 minimum guarantee. This treatment has the effect of increasing the minimum guarantee by **\$520 million** in 2013-14. The Governor counts **\$450 million** of this Proposition 98 funding in satisfaction of the energy efficiency funding required by Proposition 39, eliminating any need for Non-Proposition 98 funding for this purpose. Therefore, the remaining **\$260 million** in Proposition 39 revenues provide savings in the form of General Fund offsets in 2013-14.

LAO Alternative Approach. According to the LAO, revenues are to be excluded from the Proposition 98 calculation if the Legislature cannot use them for general purposes, typically due to restrictions created by a voter approved initiative or constitutional amendment. Therefore, the LAO excludes \$450 million required to be used for energy related projects under Proposition 39 from the Proposition 98 calculation. Applying the Proposition 98 calculation to the remaining \$450 million provides \$260 million in Proposition 98 funding in 2013-14. This is \$260 million less than the \$520 million in Proposition 98 funding provided by the Governor.

In addition, the LAO would also reclassify the \$450 million that must be spent on energy related projects as Non-Proposition 98 expenditures, but assumes the state could still choose to spend these funds on K-12 schools and community colleges.

Overall, the LAO approach would result in an additional \$190 million in Proposition 39 expenditures for K-12 schools and community colleges in 2013-14. This would reduce state savings by the same amount necessitating new non-Proposition 98 General Fund reductions of \$190 million in 2013-14.

Figure 1 below displays the impact of the different approaches taken by the Governor and LAO in the treatment of Proposition 39 revenues for purposes of calculating Proposition 98 funding and expending Proposition 39 funds.

Figure 1: Summary Impact of Different Treatment of Proposition 39 Revenues in Calculating the Proposition 98 Guarantee

2013-14 (In thousands)	Governor	LAO	Difference
Proposition 98 Funding			
Operational funding for schools and community colleges	\$55,750	\$55,940	\$190
Energy project funding, only schools and community colleges	450	0	-450
<i>Subtotals, Proposition 98</i>	<i>(\$56,200)</i>	<i>(\$55,940)</i>	<i>(-\$260)</i>
Non-Proposition 98 Funding			
Energy project funding, all allowable projects including schools and community colleges	0	\$450	\$450
Total Spending	\$56,200	\$56,390	\$190

Source: LAO

LAO Concerns with Governor’s Approach:

- Varies Significantly From LAO’s Longstanding View of Proposition 98.** The Governor applies all revenue raised by Proposition 39 – including the revenue required to be spent on energy-related projects – toward the Proposition 98 calculation. Per the LAO, the Governor's treatment of these revenues is a serious departure from its longstanding view, developed over many years with guidance from Legislative Counsel, of how revenues are to be treated for the purposes of Proposition 98. Per the LAO, the Proposition 39 voter guide reflected this interpretation by indicating that funds required to be used for energy-related projects would be *excluded* from the Proposition 98 calculation.
- Could Lead to Greater Manipulation of the Minimum Guarantee.** The Governor’s approach assumes that all tax revenues deposited directly into the General Fund *must* be included in the Proposition 98 calculation, whereas any tax revenues deposited directly into a special fund must be excluded from the calculation. The LAO argues that the Governor's approach could lead to greater manipulation of the minimum guarantee by opening the door to all types of accounting shifts. The LAO notes that the state could, for example, require that all sales tax revenues be deposited directly into a special fund rather than the General Fund, thereby excluding the revenues from the Proposition 98 calculation. Per the LAO, this type of a shift could undermine the meaningfulness of the guarantee and render it effectively useless in setting a minimum funding requirement. The LAO believes that Proposition 98 minimum funding calculations should not rely on what fund they are deposited into, but on their use. In the LAO’s view, revenues are excluded if they are clearly

removed from the Legislature's control – typically by constitutional or voter-approved action.

Subcommittee Questions: Based on the above comments, the Subcommittees may wish to ask the following questions of DOF and LAO:

1. **Major Reasons for Differences.** Clearly, the Administration and LAO have two different interpretations of how to calculate Proposition 98 funding from state Proposition 39 revenues. What are the fundamental reasons behind each interpretation?
2. **Historical Examples.** What other examples can both DOF and LAO point to that support their interpretation of how Proposition 39 revenues should be treated for purposes of calculating the Proposition 98 minimum guarantee?
3. **Future Implications.** What are the future implications of the Governor's treatment of Proposition 39 revenues for purposes of calculating Proposition 98? What are the future implications for the LAO's approach?
4. **State General Fund Savings.** The LAO approach would increase operational funding for K-14 education by \$190 million, which would necessitate Non-Proposition General Fund reductions of an equal amount in 2013-14? Does the LAO have recommendations for achieving these savings?

Staff Recommendation. Hold this issue open.

ISSUE 4: ENERGY EFFICIENCY PROGRAM PARAMETERS

Panelists: Department of Finance
 Legislative Analyst’s Office
 California Department of Education
 California Community Colleges Chancellor’s Office

Issue Description: The DOF and LAO offer two different proposals to comply with energy efficiency requirements outlined in Proposition 39 for expenditure of those revenues, as displayed in Figure 2 below.

Figure 2: Summary of DOF and LAO Proposition 39 Energy Efficiency Proposals

Proposition 39 Terms	DOF Proposal	LAO Alternative
<i>Control Entity</i>	CDE and CCCCCO.	CEC, in consultation with the CPUC and other experienced entities.
<i>Allocation Method</i>	Per-student basis.	Competitive grants.
<i>Eligible Recipients</i>	School and community college districts.	All public agencies.
<i>CEC and CPUC Coordination</i>	CDE and CCCCCO are required to consult with both entities in the development of guidelines prioritizing use of the funds.	CEC is lead agency in consultation with CPUC.
<i>Energy Efficiency Retrofits and Alternative Energy Projects Specifics</i> <i>Leverage Existing Energy Efficiency Efforts</i>	Guidelines will reflect the state’s energy “loading order,” and require further specifications for project planning and design, including each project be: (a) focused on energy benefits; (b) cost effective, with total benefits exceeding project cost over time; and (c) include documentation on project specifications, costs, and projected energy savings.	Competitive process should consider and weigh all factors that affect energy consumption. The CEC could create a tiered system that categorizes facilities based on a high-, medium-, and low-energy intensity or need, whereby funding should be provided to facilities with the greatest relative need in coordination with other existing energy efficiency programs.

Figure 2: Summary of DOF and LAO Proposition 39 Energy Efficiency Proposals, continued

Proposition 39 Terms	DOF Proposal	LAO Alternative
<i>Job Training/Workforce Development Specifics</i>	Each project should be focused on in-state job creation. Encourages coordination with California Conservation Corps.	Unclear.
<i>Technical Assistance for Energy Retrofits Allowed</i>	Yes.	Unclear.
<i>Control Entity Established Expertise in Managing Energy Projects and Programs</i>	Unclear.	Yes.
<i>Reporting</i>	Upon project completion, school and community college districts report by October 1 of the subsequent fiscal year their project expenditure information to CDE and the CCCCCO, respectively.	Unclear.
<i>Audits</i>	Expenditure of these funds would be subject to existing annual school and community college district financial audits as required under current law.	Applicants required to first have an energy audit to identify the cost-effective energy efficiency upgrades that could be made. As part of the application, facilities should also provide information regarding the climate zone, size, design, and age of a building.
<i>State Operations Staffing Resources</i>	\$109,000 and one position to CDE; no additional resources for the CCCCCO.	Unclear.

Subcommittee Questions: The Subcommittees may wish to ask the following questions of DOF, LAO, CDE, and CCCCCO:

1. **Per-Student Versus Energy-Based Allocations.** The allocation of Proposition 39 funds to K-12 school districts, charter schools, county offices of education, and community college districts on a per student basis ensures that all districts receive funding, but it could be at the exclusion of other eligible projects that potentially could achieve a greater level of energy benefit.
 - a. What are other benefits/trade-offs of providing Proposition 39 revenues on a per student basis?
 - b. Has the Administration assessed whether the per student allocation results in funds flowing to districts that may not have as pressing energy retrofit needs as other districts might have? Do charter schools have the same needs as K-12 school districts and county offices of education?
 - c. The Governor's proposal has been criticized that it does not take into account energy consumption differences; i.e., the need for energy efficiency projects varies by district, with the need depending on the size, age, and climate zone of the facilities in each district. Why aren't these factors included in the Governor's proposal?
2. **Focus on K-14 Education; Other Higher Education Segments Excluded.** The Administration identifies K-12 school facilities as the single largest capital outlay investment made by the state since the mid-1990s. (The LAO reports that since 1998 the state has invested more than \$30 billion in school bond funding to modernize and construct K-12 facilities.) The state has also made significant capital outlay investment in higher education facilities. (According to the LAO, the state has spent an estimated \$10.1 billion on higher education infrastructure in the last ten years.)
 - a. Why does the Governor's proposal exclude the UC and CSU systems?
 - b. Are the UC and CSU systems just as well positioned to undertake projects that would reduce their current utility requirements and expand the use of renewable energy resources?
 - c. Would it be possible to include the UC and CSU systems in the Governor's plan and still maintain a substantial focus on K-12 schools and community colleges?
3. **Energy Needs of Other Public Facilities Not Included.** Per Proposition 39, Clean Energy Job Creation Funds shall be available for projects that create jobs in California improving energy efficiency and expanding clean energy generation including all of the following: public schools, universities and colleges, and other public buildings and facilities.

- a. What savings could be achieved by expanding the Governor's proposal to include other state facilities, especially 24-hour facilities such as state hospitals?
- b. Did the Governor consider savings associated with municipal facilities, including 24-hour facilities?

4. **Consistency of Proposals with Intent of Proposition 39.**

- a. Proposition 39 requires that monies from the Clean Energy Job Creation Fund be appropriated only to agencies with established expertise in managing energy projects and programs. Under the Governor's proposal, how do the Department of Education and the Chancellor's Office comply with this requirement?
- b. Proposition 39 states that projects must be selected based on the number of in-state jobs they would create and their energy benefits. How does the Administration's proposal comply with this requirement? How does the LAO alternative comply with this requirement?
- c. How does each proposal respond to the requirement that the total benefits of each project be greater than total costs over time; i.e., what requirements would be in place to ensure that facilities upgraded with Proposition 39 funds remain in use long enough for the benefits to outweigh the costs?
- d. Both proposals focus on energy efficiency. Proposition 39 allows for energy upgrades (such as solar panel installation) that may, in some cases, have more long term financial savings. Are these options allowable under the Governor's proposal or the LAO alternative?
- e. How does each proposal incorporate the California Conservation Corps and other existing workforce development programs to train and employ disadvantaged youth, veterans, and others on energy efficiency and clean energy projects?

5. **Timetable for Proposals.** Under both proposals, how quickly will the funding flow?

- a. What is the timeline for grant guidelines development and finalization?
- b. What is the timeline for project start and completion?
- c. What is the timeline for reporting to be completed?

6. **Smaller K-12 School Districts.** How does the Administration respond to the concern that smaller school districts may carry funds over during the five-year life of the program (to increase the total resources available for a project), effectively

preventing use of the funds to immediately achieve benefits intended by Proposition 39. Does this concern argue for a minimum grant size for smaller school districts?

7. **Accountability.** Under the Governor's proposal, school and community college districts are required to report project expenditure information to CDE and the CCCCCO, respectively by October 1st of the following fiscal year. The CDE and CCCCCO would then compile these reports and transmit the information to the Citizens Oversight Board by November 1 of each year for its review and evaluation. Proposition 39 funding received by school and community college districts would also be subject to annual financial audits as required under current law.

a. What accountability provisions, including reporting, are included in the LAO proposal?

8. **State Operations – Staffing.**

a. Why does the Administration propose staffing resources only for the Department of Education and not for the community colleges Chancellor's Office?

b. Under the LAO alternative, will the California Energy Commission need additional staffing resources to implement the competitive grant program?

9. **State & Local Savings.** California's K-12 system includes 962 districts and 9,895 schools, and it serves 6.2 million students. It has been reported that schools account for nearly 12 percent of commercial energy consumption, and the 2011 General Fund expenditures for utility bills at California public schools exceeded \$1 billion – more than was spent on school books and supplies, combined.

a. Has the Administration modeled the potential savings to local school and community college district budgets under the Governor's proposal?

b. Under Proposition 98, will local savings from the Governor's proposal produce savings for the state?

c. Under the LAO proposal, the state would lose \$190 million in General Fund savings compared to the Governor's proposal. Could any of these additional costs be offset by other state savings in the short-term or long-term? For example, if energy efficiency funding were also provided for the CSU and UC systems, could these investments result in the need for less funding?

Staff Recommendation. Hold this issue open.