

Date of Hearing: June 26, 2023

ASSEMBLY COMMITTEE ON TRANSPORTATION

Laura Friedman, Chair

SB 322 (Becker) – As Amended June 13, 2023

SENATE VOTE: 32-7

SUBJECT: Zero-Emission Vehicle Battery Manufacturing Block Grants Program

SUMMARY: Requires the Energy Resources Conservation and Development Commission (CEC) to administer the Zero-Emission Vehicle (ZEV) Battery Manufacturing Block Grant Program and imposes eligibility, scoring, labor, and reporting requirements on the program. Specifically, **this bill:**

- 1) Requires minimum labor and safety requirements for grant applicant eligibility.
- 2) Requires CEC, and the grant administrator, to score applications out of 100 points, and sets minimum application eligibility at 80 points, with 20 points awarded for each of the following criteria:
 - a) Payment of a living wage;
 - b) Investments in employee training;
 - c) Safe and healthy working conditions;
 - d) Demonstrated workplace law compliance; and,
 - e) Labor peace agreements.
- 3) Authorizes CEC, and the grant administrator, to use metrics other than score to determine which eligible applications are awarded funding.
- 4) Requires awardees to meet high road job standards, as specified.
- 5) Prohibits applicants who have violated any applicable federal, state, or local laws pertaining to leave, public health and safety, or employee protections from being eligible for grant funding.
- 6) Requires awardees to demonstrate compliance within 12 months of receiving a grant and annually after.
- 7) Contains a severability clause, so that if any provisions are held invalid, other provisions are not affected.
- 8) Makes Legislative findings and declarations and states Legislative intent to support the creation of equitable high-quality battery manufacturing jobs in California through the enactment and implementation of this bill.

EXISTING LAW:

- 1) Requires the California Air Resources Board (CARB), pursuant to the California Global Warming Solutions Act of 2006 (AB 32 (Núñez), Chapter 488, Statutes of 2006), to adopt a statewide greenhouse gas (GHG) emissions limit equivalent to 1990 levels by 2020 and to

develop a scoping plan for achieving the maximum technologically feasible and cost effective reductions in GHGs. (Health and Safety Code (HSC) 38500)

- 2) Requires, pursuant to SB 32 (Pavley), Chapter 249, Statutes of 2016 that CARB ensure that statewide GHG emissions are reduced to at least 40% below 1990 levels by 2030. (HSC 38566)
- 3) Provides, pursuant to the California Climate Crisis Act (AB 1279 (Muratsuchi), Chapter 337, Statutes of 2022) that it is the policy of the state to do both of the following:
 - a) Achieve net zero GHG emissions as soon as possible but no later than 2045; and,
 - b) Ensure that by 2045, GHG emissions are reduced to at least 85% below 1990 levels.
- 4) Defines “high road” as a set of economic and workforce development strategies to achieve economic growth, economic equity, shared prosperity and a clean environment. The strategies include, but are not limited to, interventions that improve job quality and job access, including for women and people from underserved and underrepresented populations; meet the skill and profitability needs of employers, and; meet the economic, social, and environmental needs of the community. (Unemployment Insurance Code 14005(r))

FISCAL EFFECT: According to the Senate Appropriations Committee:

- 1) To the extent that this bill would require the CEC to amend or revise its existing contract with its third-party administrator CALSTART to set and enforce the bill’s labor requirements, it could result in unknown but potentially significant costs (Alternative and Renewable Fuel and Vehicle Technology [ARFVT] fund).
- 2) Unknown but likely minor and absorbable costs (ARFVT fund) for the CEC to perform new actions required by this bill with regard to implementing the block grant agreement.

COMMENTS:

California’s climate goals require incremental GHG emissions reductions, and carbon neutrality by no later than 2045. Transportation is the single largest source of GHG emissions, and strategies for reducing emissions from the transportation sector include transitioning internal combustion engine vehicles to ZEVs, reducing the carbon intensity of fuels, and reducing vehicle miles traveled.

ZEV adoption is increasing in California. Financial incentives and manufacturer regulations have contributed to consumers purchasing a greater number of ZEVs. The state has awarded over \$1 billion in consumer rebates through the Clean Vehicle Rebate Project (CVRP), resulting in the purchase of more than 500,000 ZEVs. The Advanced Clean Cars 2 regulation requires 100% of passenger vehicle sales to be zero-emission by 2035. California reached 1.5 million cumulative ZEV sales in April 2023. In the first quarter of 2023, over 21% of new car sales were ZEVs.

EV battery manufacturing in the United States and California is increasing. Consistent with the growth in EV sales, the U.S. Department of Energy projects that the EV battery manufacturing capacity in North America in 2030 will be nearly 20 times greater than in 2021. The Bipartisan Infrastructure Law, also known as the Infrastructure Investment and Jobs Act, passed in 2021, included \$2.8 billion to build and expand commercial-scale facilities in 12 states to extract and

process battery materials, manufacture components, and demonstrate new approaches, including manufacturing components from recycled materials. None of the funded projects are located in California.

SB 129 (Budget Act), Chapter 69, Statutes of 2021 appropriated \$125 million to CEC to support manufacturing grants to increase California manufacturing of ZEVs, ZEV components, and ZEV charging or refueling equipment. At the end of 2022, CEC designated CALSTART, a nonprofit technology industry member organization, as the administrator of an initial \$25 million block grant for ZEV battery manufacturing.

High road jobs. AB 398 (E. Garcia), Chapter 135, Statutes of 2017 requires that the California Workforce Development Board (CWDB) present a report to the Legislature on strategies “to help industry, workers, and communities transition to economic and labor-market changes related to statewide GHG emissions reduction goals.” The report, delivered to the Legislature in the fall of 2020, 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. Ultimately, a “high road” approach to economic development means optimizing climate policy outcomes while supporting the creation of, and access to, family-supporting jobs. This bill applies a “high road” framework to the ZEV manufacturing block grant program.

Under existing law, the CTP includes prioritization criteria for scoring applications and workforce consideration. CEC has indicated that it would not need to revise its contract with CALSTART as a result of this bill. CALSTART is currently in the program design process, and could relatively easily incorporate the requirements of this bill, albeit with a potential delay. However, a delay during the design phase would be less disruptive than if CALSTART were in the process of soliciting proposals for funding.

As a result of this bill, each project the block grant program funds could have additional costs associated with meeting new labor requirements which would result in less funding being available for ZEV battery manufacturing. For example, the cost of establishing workforce plans or creating an employee growth plan could reduce the amount of funding available to manufacture batteries.

Staff comments: This bill could potentially delay program implementation and reduce the amount of funding available for battery manufacturing as a result of ensuring that money awarded through the ZEV Battery Manufacturing Block Grant Program goes to high road jobs. The Legislature has signaled support of applying high road job standards to the green transportation sector by passing similar legislation related to vehicle incentive programs and state acquisition of zero-emission transit vehicles or EV supply equipment.

In addition, this bill has not been double referred to the labor committee and this analysis does not assess the merits of the labor standards added by this bill. This bill also prohibits applicants from being eligible for funding if the CEC has determined them to be in violation of specified labor laws. It is unclear if this is an activity that is suitable or feasible for the CEC to determine, or if a labor agency should be more directly involved.

According to the author, “On both the federal and state level, there have been significant investments in providing quality jobs while establishing the battery manufacturing industry and transitioning to a clean energy future. To meet the state’s clean energy goals, California will need to manufacture large amounts of lithium batteries.”

In support the California Labor Federation writes, “The transition to ZEVs will displace some existing auto manufacturing jobs, so it is even more important that we ensure job quality standards in sectors receiving significant subsidies. [This bill] will link climate goals with high road job creation by conditioning eligibility for grant funding on complying with labor, workplace safety, and anti-discrimination and leave laws, and proper classification of workers. [This bill] also requires applicants to commit to hiring workers with employment barriers and evaluate applicants based on their payment of living wages, investments in training programs, compliance with health and safety and labor laws, and adoption of labor peace agreements. As California increases its use and manufacturing of ZEVs, it is imperative that state incentives supporting this industry also support high quality, equitable jobs; especially for historically marginalized communities and workers in the manufacturing industry who have been heavily impacted by the transition.”

Related and previous legislation: AB 241 (Reyes) and SB 84 (Gonzalez) of this Session extend and revise the CTP to prioritize projects that meet certain air quality improvement goals and provide equity-based investments in disadvantaged communities. The bills specify that at least 50% of CTP monies must be allocated for certain types of projects, including programs that promote ZEV car-sharing in low-income and disadvantaged communities. AB 241 is on the Assembly floor and SB 84 is on the Senate inactive file.

SB 674 (Durazo), Chapter 875, Statutes of 2022 requires the Department of General Services and the Department of Transportation and their contractors to enter into a Labor Peace Agreement and adhere to High Road Jobs Standards, as defined, for contracts for the acquisition of zero-emission transit vehicles or EV supply equipment valued at \$10,000,000 or more.

AB 794 (W.Carillo), Chapter 748, Statutes of 2021 attaches labor standards to eligibility for various clean vehicle incentive programs administered by CARB for fleet purchasers of new drayage or short-haul trucks.

AB 398 (E. Garcia), Chapter 135, Statutes of 2017 directs CWDB to assess the need for increased education, job training, and workforce development resources to help workers and communities transition to a low carbon economy.

REGISTERED SUPPORT / OPPOSITION:

Support

California Environmental Voters
California Labor Federation, AFL-CIO
California Teamsters Public Affairs Council
Jobs to Move America
Natural Resources Defense Council
Sierra Club

Sparkz
UAW Region 6

Opposition

None on file

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