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CHAIR, BUDGET SUBCOMMITTEE NO. 7
ON ACCOUNTABILITY AND OVERSIGHT
JOINT LEGISLATIVE AUDIT COMMITTEE

May 18, 2026

The Honorable Jesse Gabriel, Chair
Assembly Committee on Budget
1021 O Street, Suite 8230
Sacramento, CA 95814

The Honorable Steve Bennett, Chair
Assembly Budget Subcommittee 4
P.O. Box 942849
Sacramento, CA 94294

The Honorable John Laird, Chair
Senate Committee on Budget
1021 O Street, Suite 8720
Sacramento, CA 95814

The Honorable Eloise Gómez Reyes, Chair
Senate Budget Subcommittee 2
1021 O Street, Suite 7210
Sacramento, CA 95814

RE: Extend CalSHAPE Deadlines; Ensure \$194 Million in Existing Funds Reach Schools

Dear Chairs Gabriel, Laird, Bennett, and Reyes,

We write to urge you to extend the deadlines for the California Schools Healthy Air, Plumbing, and Efficiency (CalSHAPE) grant program through the budget process so that \$194 million in remaining funds can go to schools that need them.

The Legislature established CalSHAPE in 2020 (AB 841). It tackles multiple important objectives in and around our State's public TK-12 schools:

- increases the energy efficiency of school HVAC and plumbing
- decreases load on the grid
- improves indoor air quality for student and teacher health and performance
- strengthens resilience, including against extreme heat, wildfire smoke, and infectious disease
- fosters high-quality jobs in local communities

CalSHAPE thus represents a critical investment in energy-efficient infrastructure, the well-being of our State's students and teachers, and the prospects of its communities. Both the short- and long-term returns promise to be substantial.

The program has already succeeded on key measures. Nearly half of the State's schools have participated, with 50 percent of HVAC-related funding going to underserved communities. The California Energy Commission (CEC) has, to date, come in far below its administrative budget.

Further, a recent cost-benefit analysis found that the CalSHAPE program delivers on average \$30 in social benefits for every \$1 spent on HVAC upgrades, with a net benefit of around \$65,000 per student over 20 years driven primarily by improved educational outcomes and reduced spread of respiratory illness into the broader community.

However, CalSHAPE's impact has been hindered in two respects. First, its tight statutory timelines have proved unrealistic for reasons including program complexity, logistical challenges, and supply chain issues. Second, the program was disrupted by an abrupt application and processing freeze in mid-2024 in anticipation of its funds being swept. Even though that did not happen, and despite significant demand from schools, applications never reopened.

Of more than 4,500 schools that received initial awards for comprehensive HVAC assessments, only 172 have been able to secure follow-on funding to fix serious deficiencies—this despite \$194 million in unspent funds remaining.

Absent legislative action, all remaining CalSHAPE funds will revert to investor-owned utilities (IOUs) on the existing statutory deadline of December 1, 2026. Additional already-encumbered funds may also revert due to approval and construction delays that prevent work from being completed by the CEC's associated October 31, 2026 deadline.

Similar past CEC programs have been granted extensions, but CalSHAPE has become entangled in a broader debate about utility ratepayer affordability, including whether energy efficiency programs should be ratepayer-funded. While this debate is necessary, CalSHAPE has become a misplaced target of concern here in Sacramento—even as a recent UCLA Luskin Center for Innovation survey found that 92 percent of Californians support prioritizing school HVAC access.

For one, **reverted CalSHAPE funds would provide ratepayers at best negligible relief.** The funds reversion clause is silent on how IOUs may use the funds (CPUC § 1615(f)). However, even if they were passed on to ratepayers, reversion could yield ratepayer savings of only \$2 (SDG&E), \$1.25 (SoCal Edison), or \$0.20 (PG&E) per month for 1 year, according to budget subcommittee analyses.

Moreover, **CalSHAPE has a finite budget that has no impact on current utility rates.** Energy efficiency dollars from IOUs were allocated to the program only for a three-year period that ended in 2023. It is poor public policy to hamstring critical work underway in our State's schools, funded by dollars collected years ago, out of abstract objection to ratepayer-funded programs. This will do real harm without solving today's pressing affordability questions.

California's students, teachers, and communities will realize tremendous benefits if CalSHAPE is allowed to finish its important work. We respectfully request that program deadlines be extended by July 1, 2026, through the budget process—for example, by amending Trailer Bill RN 26 09129: Emergency Load Flexibility Funding. This will ensure existing funds are used to help schools become more energy efficient, healthy, and resilient against extreme heat, wildfire smoke, and infectious disease.

Sincerely,

Gregg Hart
Assemblymember, 37th District

Jacqui Irwin
Assemblymember, 42nd District

Al Muratsuchi
Assemblymember, 66th District

Dawn Addis
Assemblymember, 30th District

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Assemblymember, 40th District

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Assemblymember, 50th District