

Campaign to End Coal in California Higher Education

California Student Sustainability Coalition
Wallace Global Fund
CLEAN California Campaign

The California Student Sustainability Coalition has launched a campaign to end California higher education's use and support of coal and the coal industry. Our effort has two main goals:

- To change the way California campuses invest their funds and endowments so that holdings in coal companies are reduced, and to encourage campuses to use their remaining holdings as a way to leverage companies into improving their practices
- To eliminate hurdles to increasing renewable energy development on California campuses, including incentive caps, net metering restrictions, contract negotiations, et cetera, and to determine how the process can be simplified and improved

What's wrong with coal?

Coal is the dirtiest major fuel source in the nation. While coal is used for roughly half of the electricity generated in the US, it accounts for 81% of the sector's carbon dioxide emissions. Coal is therefore a major contributor to climate change, often considered the biggest environmental crisis today.

In addition to its effect on global climate, coal threatens human health and local ecosystems. Coal mining is a very dangerous profession, and common practices destroy both mining areas and surrounding valleys and streams. SO₂ from coal processing causes acid rain. Heavy metals can cause developmental problems in children, birds and fish. Smokestack particulate matter can damage lung tissue, leading to asthma, bronchitis and an increased likelihood of heart attacks and early death. One estimate places the number of deaths from coal-related illnesses at 13,200 per year; if thousands more emergency room visits, treatments and lost days of work are included, the cost estimate for coal's impact on human health alone is over \$100 billion. When both health and environmental impacts are combined, the cost is more than double the retail price of coal electricity.

Coal is a poor investment not only for ethical reasons, but also financial. The EPA is tightening restrictions on SO₂ and NO_x emissions, which will require many coal plants to install expensive new technologies. Recently, it has revoked permits for major mining operations due to their environmental damage. California efficiency laws have driven coal from 21% of state electricity in 2003 to 7.7% in 2010. Disasters like the mine explosion that killed 29 miners in West Virginia and the massive fly ash spill in Tennessee cost coal companies millions in fines, court costs, cleanup, and lost operation time, possibly enough to bankrupt small or otherwise vulnerable companies.

Campus Investment Practices

The three California public higher education systems, the University of California, the California State University, and the California Community Colleges, collectively control huge amounts of money and capital. Much of this is held in campus endowments, which seek to earn interest by investing in public equity, or company stocks. All three systems have at least some investments in coal companies, either directly or through state-run retirement programs.

The University of California

As of June 30, 2010, the UC Regents controlled \$60.4 billion. \$45.0 billion of this comes partially from student fees, and goes towards various employee retirement funds. The General Endowment Pool makes up another \$6.6 billion and is made up of donor gifts to the UC Regents. The remaining funds are held in short-term pools with the expectation that they will either be transferred to other pools or will be kept easily accessible in case funds are needed.

Each UC campus also maintains its own endowment, funded by donor gifts. Older campuses like UCLA and Berkeley have the largest endowments, younger campuses are much smaller.

UC student fees contribute to what is called the core funds, which pay for on-campus activities such as staff salaries and benefits. In the 2010-2011 school year, \$45 million of student fees went into the UCRP. Some of this \$45 million was then invested in the coal industry.

The California State University

CSU is a much more cautious investor than UC. It does not maintain its own retirement pool, but instead contributes to CalPERS, a fund for California state employees. In 2010-2011, student fees

contributed \$225 million to CalPERS, some of which was then invested in coal.

The CSU Chancellor's office holds approximately \$3.4 billion, all of which is required by law to be invested either in government-backed fixed income securities like treasury bonds or in public funds with extremely high credit ratings. Because of these standards, the Chancellor's Office has no coal holdings.

Each CSU campus also maintains its own endowment and sets its own investment policies.

California Community Colleges

Like CSU, CCC does not maintain its own retirement fund. Its employees pay into CalSTRS, a fund for California teachers. Because staff salaries are paid partially with student fees, student money is flowing into CalSTRS.

Foundation CCC is currently fundraising for a system-wide Scholarship Endowment. Its goal is to invest the \$100 million fund in such a way that it can earn a 5% rate of return to support 5,000 scholarships per year.

Many CCCs maintain their own endowments, and policies vary sharply between campuses.

Investments in Coal

In equity investing, the contributions of one investor are generally pooled with countless others so that each owns a percentage of a total fund. That fund is then used to purchase holdings in hundreds or thousands of companies from all sectors of the economy, far more than a single investor could hold. The UCs, for example, invest heavily in the Russell 3000 Index, which is a pooled fund that contains holdings in the top 3000 US companies by size. Through the Russell fund, the UCs own shares of every major coal company in the country. The CSU and CCC retirement funds both invest in the Russell 3000 Index as well, so all systems own at least some share of the coal industry. Other funds also have holdings in select coal companies, but not in the majority in the sector.

To reduce campus support of the coal industry, students can advocate for several changes in institutional policies: increased disclosure of investment holdings and investment practices, increased student representation on investment committees, and additional development of socially responsible investing (SRI) policies and practices. Other creative solutions are of course always possible and can be tailored to individual colleges and universities' specific needs and abilities.

Increasing Renewable Energy Use

Changing investment practices can help reduce campus support of the coal industry, but coal companies can still profit as long as there is a market for coal power. California campuses have shown great interest in reducing their fossil fuel use, both by improving energy efficiency use and by installing on-site renewable energy generators. While the state has developed several incentive programs, various limitations and incentive caps have prevented campuses from using as much on-site renewable power as they might like. The major issues are:

- The California Solar Initiative (CSI), the state's major solar rebate program, only accepts projects that are 1 MW in size or smaller. Without the rebate, solar can be prohibitively expensive. Campuses use huge amounts of power, and 1 MW will often meet less than 1% of demand at a large university.
- The state's net metering program allows renewable generators to sell their unused power to utilities, but again only applies to installations smaller than 1 MW.

While many campuses have at least some solar panels, very few install more than 1 MW. The CLEAN Coalition is campaigning to increase renewable energy use by developing programs where local generators sell their power straight to utility companies. Rather than capping individual projects, a system-wide cap is placed on the community or region covered by the program, with new capacity allotments often made available every year.

CLEAN programs may be able to help with some of the limitations that campuses face when trying to increase their renewable energy usage. Only 7.7% of California electricity comes from coal. This means that with just a little extra effort and a slightly streamlined renewable energy policy, we can erase the need for coal energy in our state.

By coupling a campaign for renewable energy with a campaign for investment reform, students can attack the coal industry from two sides. By reducing both investment capital and demand for coal power, we can break the industry's hold on our nation.

This brief is designed to summarize the information found in the CSSC report on coal in California higher education. For details and sources on any of the points mentioned here, please refer to the full document.