

CENTERS OF ENERGY EXCELLENCE FUNDING

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Senate Bill 418

Sponsor: Sen. Jason E. Allen

House Committee: New Economy and Quality of Life

Senate Committee: Commerce and Tourism

Complete to 10-6-09

A SUMMARY OF SENATE BILL 418 AS PASSED BY THE SENATE 9-25-09

Senate Bill 418 proposes additional funding for the Center of Energy Excellence Program. This program, created by Public Act 175 of 2008, aims to promote the development, acceleration, and sustainability of new and developing industry sectors in alternative energy technology, energy efficiency technology, and other advanced energy technologies.

The board of the Michigan Strategic Fund was authorized by Public Act 175 to spend up to \$45 million from the 21st Century Jobs Trust Fund for the Centers of Energy Excellence Program. Senate Bill 418 would apply the current \$45 million limit only through the 2008-09 fiscal year, and then allow the MSF board to spend up to an additional \$30 million for fiscal years 2009-10 through 2010-2011.

Further, the bill would specify that all of the funds allocated to the Centers for Energy Excellence program would have to be used to match federal funding. A grant could provide "up to a one-for-one match for federal funding of up to 50 percent of the total project costs."

Currently grants under the program can be made to for-profit companies to provide a match for foundation funding, international investments, or federal funding. The bill would strike foundation funding and international investments, leaving only the federal funding purpose.

The program allows the MSF board to enter into an agreement with one or more qualified entities for the designation and operation of a Center of Energy Excellence. (These entities must apply to the MSF for an agreement.) Qualified entities include a qualified business, an institution of higher education, a Michigan nonprofit association, or a political subdivision of the state. Senate Bill 418 would also include a national laboratory as a qualified entity.

Currently, an agreement to operate a Center of Excellence must include participation by at least one qualified business and at least one institution of higher education. The bill would instead refer to one institution of higher education or a national laboratory.

The bill is an amendment to Chapter 8a of the Michigan Strategic Fund Act. (MCL 125.2088q) That chapter was added in 2005 to create the 21st Century Jobs programs and amended in 2008 to add the Centers of Energy Excellence program.

FISCAL IMPACT:

Senate Bill 418 would allow the Michigan Strategic Fund (MSF) Board to expend an additional \$30.0 million of the appropriated funding from the 21st Century Jobs Trust Fund for the Centers of Energy Excellence program. Currently, the MSF may allocate up to \$45.0 million. The bill would allow an additional \$30.0 million to be allocated for grants during FY 2009-10 through FY 2011-12.

Under the provisions of P.A. 232 of 2005, for the FY 2008 through FY 2015, the 21st Century Jobs Trust Fund receives an annual deposit of \$75.0 million from the tobacco settlement revenue received by the State each year. Of that funding, the MSF Board, by statute, must allocate each year, through 2012, at least \$25.0 million for competitive grants and loans awarded by the Strategic Economic Investment and Commercialization (SEIC) Board. In addition, funding may be used for administration, business and marketing, loan enhancements, investments and other programs. In the current year, FY 2009, the appropriation to the MSF Board was reduced to \$62.0 million due to the state's budget situation and a \$3.0 million veto by the Governor.

As of September of 2009, the Michigan Strategic Board has funded six separate centers of energy excellence grants. In FY 2007-08, the Board allocated \$18.1 million for the program and in FY 2008-09, \$24.9 million was allocated. The remaining \$2.0 million of the current \$45.0 million program authorization has not yet been awarded. Any additional funding that the MSF Board may award as a result of the provisions of the bill would reduce the funding available for other programs supported by the 21st Century Jobs Trust Fund.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.