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BILL ANALYSIS

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Senate Bill 852 (as reported without amendment) *(as passed by the Senate)*
Sponsor: Senator Patricia L. Birkholz
Committee: Energy Policy and Public Utilities

Date Completed: 9-29-09

RATIONALE

Under the American Recovery and Reinvestment Act, more than $3.0 billion has been appropriated to the U.S. Department of Energy (DOE) to provide formula-based grants to states through the Department's State Energy Program (SEP). Using SEP grants, states can design and implement renewable energy and energy efficiency programs. Based on a strategic plan this State submitted, the DOE has approved more than $82.0 million in SEP grant money for Michigan. One of the components the State proposed in its strategic plan is a revolving loan fund for renewable energy and energy efficiency projects in State-owned buildings and private manufacturing facilities. It has been suggested that the fund be created in statute to enable the State to leverage these Federal funds.

CONTENT

The bill would create a new act to establish the "Energy Efficiency and Renewable Energy Revolving Loan Fund" to provide assistance for energy efficiency and renewable energy projects.

The bill would create the Fund within the State Treasury. The State Treasurer could receive money or other assets from any source for deposit into the Fund. The State Treasurer would have to direct the Fund's investment, and credit to it any interest and earnings. Money in the Fund at the close of the fiscal year would remain in the Fund and would not lapse to the General Fund. The Department of Energy, Labor, and Economic Growth (DELEG) would be the Fund's administrator for auditing purposes.

The Department could spend Fund money, upon appropriation, only to administer and operate a program to provide loans, grants, and other forms of assistance to public or private entities for energy efficiency and renewable energy projects. The program would have to be consistent with a part of the Energy Policy and Conservation Act (42 USC 6321 to 6326) and other applicable State and Federal law. Projects eligible for assistance from the program, the amount of assistance provided, and other conditions would have to be determined by DELEG.

If program assistance were in the form of a loan, it would have to be made through a loan agreement. A loan agreement would have to contain appropriate provisions related to maturity or length of the loan, repayment terms, State or local funding requirements, and other provisions necessary to comply with State and Federal law.

(Sections 6321 through 6326 of the Energy Policy and Conservation Act pertain to state energy conservation plans. Section 6321 states, "It is the purpose of this part to promote the conservation of energy and reduce the rate of growth of energy demand by authorizing the Secretary [of the U.S. Department of Energy] to establish procedures and guidelines for the development and implementation of specific State energy conservation programs and to provide Federal financial and technical assistance to States in support of such programs.")

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The DOE requires states to leverage SEP dollars to the greatest extent possible, and to consider various financing mechanisms to promote long-term use of the money. In its SEP application, the State of Michigan proposed the creation of a revolving loan fund to provide $10.0 million in low-interest loans for energy efficiency and renewable energy projects in the public and private sectors. This money would be used for efficiency and renewable projects in State-owned buildings and private manufacturing facilities, as well as the promotion of clean energy advanced manufacturing.

The State's master energy plan, which was submitted to the DOE under the Energy Policy and Conservation Act, includes a goal of increasing the efficient use of energy by 25% by 2012, in comparison to the 1990 calendar year. Also, Public Act 295 of 2008 established energy efficiency goals for Michigan and a renewable portfolio standard of 10% by 2015. The bill would help the State meet these goals and requirements by reducing energy consumption, facilitating the installation of renewable energy systems, and reducing greenhouse gas emissions. In addition, this method of using the funds would aid job creation and retention.

Revolving loan funds have been established to support various policy and economic development programs, such as the Michigan Strategic Fund, the Brownfield Redevelopment Loan Fund, and the Small Business Pollution Prevention Loan Program. In this regard, the State has extensive experience to draw upon for the management of the program proposed by the bill. Furthermore, this funding mechanism would complement existing State and Federal efficiency and renewable programs.

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The proposed Energy Efficiency and Renewable Energy Revolving Loan Fund would have authority to return interest earnings and carry forward any balance at the end of the year. Staff from the Department of Energy, Labor, and Economic Growth have indicated that the Fund would be used to operate a revolving loan program funded by a portion of the State's American Recovery and Reinvestment Act appropriations for the State Energy Program. These funds were previously appropriated and are available for this purpose.

The Department indicates that $5.0 million would be allocated initially for energy efficiency and renewable energy projects in State buildings, and an additional $5.0 million would be used for energy efficiency, renewable energy, and advanced manufacturing projects in private companies.

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