



Telephone: (517) 373-5383 Fax: (517) 373-1986 TDD: (517) 373-0543

Senate Bill 1166 (Substitute S-1 as reported)

Sponsor: Senator Ron Jelinek Committee: Appropriations

CONTENT

Senate Bill 1166 (S-1) would provide for supplemental appropriations for fiscal year (FY) 2009-10. Specifically, the bill would appropriate \$47.9 million of Federal funds to the Department of Energy, Labor, and Economic Growth (DELEG). The Federal funds are available under provisions of the American Recovery and Reinvestment Act of 2009 (ARRA). The funding would be used for energy efficiency programs and assistance with the demolition of abandoned properties. The appropriations in the bill were recommended to the Legislature by the State Budget Office on June 1, 2010.

The bill would appropriate \$30.0 million of energy efficiency funds that Michigan received from the U.S. Department of Energy through a competitive grant which distributed \$400.0 million nationally. The funding would be used to invest in the adoption of commercial and residential energy efficiency building retrofits. The \$30.0 million would be appropriated to the Energy Office for two separate projects:

-- \$21.8 million would be used for commercial and residential energy efficiency improvements. According to the terms of the grant application and award, these would be administered by Michigan Saves, which would act as the fiduciary for this program. Michigan Saves is a nonprofit organization that provides financing for energy efficiency improvements. Michigan Saves was established in 2009 by a grant from the Michigan Public Service Commission to Public Sector Consultants of approximately \$8.0 million from Low Income Energy Efficiency Fund, of which \$6.5 million was placed in a trust fund to leverage special financing arrangements for energy improvements.

Of the \$21.8 million, \$10.0 would be used for energy improvements to central city commercial buildings in Detroit and \$11.8 million would be used for residential energy improvement projects in communities selected by Michigan Saves and the Department in Detroit, Grand Rapids, and eligible communities located in the suburbs of southeastern Michigan.

-- \$8.2 million would be used for competitive grants for residential energy improvements to up to three nonentitlement communities that were not eligible to receive formula grants through the Energy Efficiency and Conservation Block Grants program. The Bureau of Energy Systems in DELEG would select the communities to receive awards after a competitive RFP process. The grant funds would be used to implement energy efficiency improvements in homes in a concentrated area of a community. Participation also would be encouraged by the offer of financing options through Michigan Saves.

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Of the \$8.2 million in the bill, approximately 60.0% or \$4.9 million would be used for grants to communities. A total of \$3.3 million would be used by the Bureau of Energy Systems as follows:

- Administration and Support Services \$827,891.
- Contract with MSU for evaluation and data analysis \$363,780.
- Contract for Information Technology (data collection, management, and reporting) \$335,571.
- Contract for Designing and Evaluating neighborhood sweeps \$600,000.
- Michigan Saves, for fund management services and program support services related to financing \$1,167,865.

The bill also would provide \$17.9 million of ARRA funding for the Land Bank Fast Track Authority to support the maintenance and demolition of tax-reverted properties across the State. The \$17.9 million appropriated to the State Land Bank Fast Track Authority is part of the nearly \$224.0 million in Neighborhood Stabilization Program 2 ARRA funds awarded directly to MSHDA. These funds will support the demolition and maintenance of tax-reverted properties in cities that were awarded NSP 2 allocations but where the State land bank will serve as the local land bank. These cities are Detroit, Grand Rapids, Hamtramck, Highland Park, Pontiac, and Wyandotte.

Boilerplate Language Sections

- **Sec. 201.** Contains reporting language on total State spending and payments to local units of government.
- Sec. 202. Subjects appropriations in the bill to provisions of the Management and Budget Act.
- **Sec. 203.** Clarifies that the Federal ARRA funding appropriated in the bill is temporary in nature and the programs supported by these funds will not continue when the temporary Federal funding expires.
- **Sec. 210.** Appropriates any additional Federal ARRA funds that Michigan may receive as a result of other states not fully utilizing Federal funds authorized under ARRA.
- **Sec. 211.** Establishes work project status for the appropriations in the bill. This allows unspent funds at the close of FY 2009-10 to carry forward into the next State fiscal year.
- **Sec. 212.** Requires recipients of the Federal ARRA funds appropriated to comply with all requirements regarding these funds including certifications, assurances, and accountability of the funds.
- **Sec. 351.** Requires DELEG to provide a report by September 30, 2010, to the Legislature regarding the expenditure of the funds appropriated in the bill.

FISCAL IMPACT

The bill would provide for the appropriation of \$47.9 million of Federal funding in FY 2009-10.

Date Completed: 6-16-10 Fiscal Analyst: Gary S. Olson

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.