



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536



BILL ANALYSIS

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

Senate Bill 1502 (Substitute S-1 as reported)  
House Bill 5640 (Substitute S-1 as reported)  
Sponsor: Senator Gerald Van Woerkom (S.B. 1502)  
Representative Rebekah Warren (H.B. 5640)  
Senate Committee: Local, Urban and State Affairs  
House Committee: Great Lakes and Environment (H.B. 5640)

### **CONTENT**

Senate Bill 1502 (S-1) would amend the Clean, Renewable, and Efficient Energy Act to provide that annual peak demand requirements that an electric customer must meet to be eligible to implement a self-directed energy optimization (EO) program and be exempt from EO charges would not apply to a customer that installed or modified an electric energy efficiency improvement under a property assessed clean energy (PACE) program.

(The Act requires electric providers to establish EO programs to achieve energy savings according to a schedule. Regulated providers may recover the costs of implementing their EO plans through an itemized charge on customer bills. Customers that meet a prescribed annual peak electricity demand threshold may implement self-directed EO plans and are exempt from these charges.)

The bill is tie-barred to House Bill 5640.

House Bill 5640 (S-1) would create the "Property Assessed Clean Energy Act" to allow a local unit of government to establish a PACE program, under which the local unit could enter into a contract with a record owner of commercial or industrial property to finance energy efficiency improvements or renewable energy systems (i.e., "energy projects"). Specifically, the bill would do the following:

- Allow the contract to provide for the repayment of the energy projects' costs through assessments upon benefited property.
- Require installments on assessments to be collected at the same time and in the same manner as property taxes, or as provided in the local unit's special assessment ordinance of general applicability.
- Provide that an assessment imposed under a PACE program would constitute a lien against the property.
- Allow a local unit to issue bonds or notes to finance activities under its program.
- Provide that electricity demand requirements that an electric customer must otherwise meet to be eligible to implement a self-directed EO program and be exempt from charges under the Clean, Renewable, and Efficient Energy Act would not apply to a customer who installed or modified an electric energy efficiency improvement under a PACE program.

MCL 460.1093 (S.B. 1502)

Legislative Analyst: Julie Cassidy

## **FISCAL IMPACT**

Senate Bill 1502 (S-1) would have no fiscal impact on State or local government.

House Bill 5640 (S-1) would increase both revenue and expense for local units by an unknown amount depending on the number of local units adopting programs, the number of taxpayers entering into agreements under the bill, and value of any improvements that occurred. The bill would potentially increase revenue to the State School Aid Fund, and result in a net increase in local revenue, if the improvements resulted in higher taxable values.

Twenty-two states have enacted similar legislation. The largest such district is in Sonoma County, California, where approximately \$30.0 million has been disbursed for approved improvements to 1,010 homes and 22 commercial properties.

If the bill were enacted, it is unclear when any fiscal impacts would occur. In addition to the uncertainties already identified, the Federal Housing Finance Agency (FHFA) has urged local units to place a moratorium on programs. Primarily due to concerns about the priority of any program-related liens, the FHFA also has instructed Fannie Mae, Freddie Mac, and Federal Home Loan Banks to take certain actions that have apparently pre-empted the implementation of a similar Federal pilot program that was to run for 24 months in 12 states.

Date Completed: 9-22-10

Fiscal Analyst: David Zin

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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.