

## PROHIBIT BONDS FOR PACE PROGRAMS

Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**House Bill 5761 as reported from committee**  
**Sponsor: Rep. Mark A. Tisdell**  
**Committee: Regulatory Reform**  
**Complete to 3-23-22**

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

House Bill 5761 would amend the Property Assessed Clean Energy (PACE) Act, which enables local governments (defined as counties, cities, townships, and villages) to help owners of commercial and industrial properties obtain private loans to finance energy and water conservation projects for existing structures.

Section 15 of the act now allows a local unit of government to issue bonds or notes to finance energy projects under a PACE program.

The bill would amend the act to prohibit a local unit of government from issuing bonds or notes under section 15 after the date the bill takes effect.

The bill is tie-barred to House Bills 5011 and 5012, which means that it will not take effect unless both of those bills are also enacted. House Bills 5011 and 5012 also would amend the PACE Act. House Bill 5011 would amend provisions pertaining to the PACE program, add and revise defined terms, and apply the PACE program to agricultural and certain multifamily residential property. House Bill 5012 would require new construction energy projects to exceed Uniform Energy Code requirements.<sup>1</sup>

MCL 460.945

### BRIEF DISCUSSION:

There is broad support for reducing energy costs and waste by using energy-efficient building materials and products in commercial properties. To retrofit existing properties, property owners usually must secure loans to finance a project. Generally speaking, the PACE program enables property owners to secure lower interest loans than available through conventional loan programs, and the programs often offer a more favorable repayment structure that uses the savings from the energy-efficient upgrades to repay the loan in whole or in part. Although it is believed that no local government in the state has done so, the enabling legislation for the PACE program allows a local government to issue bonds to finance PACE programs in its jurisdiction. Some feel that, although defaults on PACE loans across the nation are exceedingly rare, public money should not be used to finance projects on privately owned properties. The bill would remove the ability of local governments to issue bonds or notes to finance PACE programs and thus is seen by supporters as protecting the interests of local taxpayers.

---

<sup>1</sup> <https://www.legislature.mi.gov/documents/2021-2022/billanalysis/House/pdf/2021-HLA-5011-23538B17.pdf>

## **FISCAL IMPACT:**

The bill would have an indeterminate fiscal impact on local units of government that choose to participate in the PACE program. Any fiscal impact would depend on the local government's planned use of bonding as a financing mechanism for a PACE project. Prohibiting the issuance of bonds or notes to finance a PACE project would limit PACE project financing methods, which may impact the size and scope of PACE projects. That said, it is unclear if local governments are regularly using bonds or notes to finance PACE projects. Any fiscal impact would be specific to the local government and be contingent on its planned use of bonds or notes to finance projects under the PACE program compared to alternative financing methods, mainly private financing, available.

## **POSITIONS:**

The following entities indicated support for the bill (2-23-22):

- Michigan Energy Innovation Business Council
- Conservative Energy Forum
- C-PACE Alliance
- Michigan League of Conservation Voters

Legislative Analyst: Susan Stutzky  
Fiscal Analyst: Ben Gielczyk

---

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