Legislative Analysis

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GREEN ENERGY BONDS

House Bill 5663
Sponsor: Rep. Joel Sheltrown
Committee: Energy and Technology

Complete to 3-01-10

A SUMMARY OF HOUSE BILL 5663 AS INTRODUCED 12-08-09

The bill would create the "Local Green Energy Bond Act" to allow local units of government (counties, cities, townships, and villages) to issue bonds to fund programs to promote "green" energy use by homeowners and businesses. The bond proceeds would be used to make loans to homeowners and businesses for green energy production or energy efficiency improvements. The loans would be repaid through amounts added to the owner's property tax bills. The local unit of government could place a lien on a property to secure repayment, but it could not foreclose on or sell the property to collect a delinquent loan.

Allowable purposes. Loans could only be used for one or more of the following:

- To produce electricity from wind, solar, or geothermal energy for the owner's home or business.
- Energy efficiency improvements affixed to an owner's home or business, including (1) windows and doors; (2) insulation; (3) roofs, including metal and asphalt; (4) HVAC equipment; (5) nonsolar water heaters; (6) biomass stoves; (7) geothermal heat pumps; (8) solar panels; (9) solar water heaters; (10) small wind energy systems; and (11) fuel cells.

Bonds. A local unit of government could issue bonds secured by the repayment of loans to fund its green energy program. The bonds would have to be approved by the Department of Treasury before issuance, but would not otherwise be subject to the Revised Municipal Finance Act (MCL 141.2101-141.2821). The bonds would *not* be general obligations of the local unit of government.

The bill specifies that the bonds are for an essential public and governmental purpose, and, together with interest and income they generate, are exempt from all taxes.

Applications; terms and conditions. The local unit of government would establish a loan application and review process and the criteria for approving loans. Loans would be subject to the following conditions:

- The term could not exceed 20 years.
- The interest rate would have to be 0.5% higher than the interest on the bond, fixed or variable.

- The loan amount could not exceed $10 per square foot of the home or business.
- Loan repayments would be included in each summer and winter tax bill, and collected at the same time and in the same manner as taxes collected under the General Property Tax Act (MCL 211.1 - 211.255). However, a delinquent loan payment could *not* be the basis for forfeiture, foreclosure, or sale of the property for delinquent taxes.
- The local unit of government could place a lien on the owner's property or business to ensure repayment of the loan.

FISCAL IMPACT:

A fiscal analysis is in process.

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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.