



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

BILL ANALYSIS



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

Senate Bill 519 (as introduced 9-20-23)
Sponsor: Senator Sam Singh
Committee: Labor

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INTRODUCTION

The bill would create the Community and Worker Economic Transition Office in the Department of Labor and Economic Opportunity (LEO). The Office ultimately would have to partner with State agencies, local communities, workers, and employers in its mission to support workers and communities affected by the transition renewable energy resources (see **BACKGROUND**). In determining how to accomplish its mission, the Office would have to work with the Community and Worker Economic Transition Advisory Committee and draft a community and worker economic transition plan by July 1, 2025. The draft plan generally would have to consider how best to align local, State, and Federal resources for the economic and educational benefit of transition-impacted industries and workers. By December 1, 2025, LEO would have to present a finalized version of the plan to the Governor and the Legislature. The bill also would create the Community and Worker Economic Transition Fund to support the bill's requirements and the eventual implementation of the transition plan.

FISCAL IMPACT

The bill would increase costs on LEO and have no fiscal impact on local units of government. There would be additional costs to support the Community and Worker Economic Transition Office and the Community and Worker Economic Transition Advisory Committee. These costs would include additional FTEs and information technology costs. The final amount would be determined by budget appropriations. No revenue source is designated to the Community and Worker Economic Transition Fund so appropriations would likely be needed to use the fund.

Legislative Analyst: Alex Krabill
Fiscal Analyst: Cory Savino, PhD

CONTENT

The bill would enact the Community and Worker Economic Transition Act to do the following:

- Create the Community and Worker Economic Transition Office to coordinate efforts related to its mission.**
- Create the Community and Worker Economic Transition Advisory Committee, prescribe its membership, and require it to submit a draft community and worker economic transition plan by July 1, 2025 and submit a finalized plan to the Governor on December 31, 2025.**
- Based on the transition plan, require LEO and the Office director to submit to the Governor and Legislature a final transition plan that addressed benefits, grants, and components related to the Office's mission of investing in communities and workers whose transition-impacted industries significantly transformed.**
- Create the Community and Worker Economic Transition Fund and require LEO to spend money to cover costs of implementing the bill and final transition plan.**

Definitions

"Disproportionately impacted community" would mean a community of color, low-to-middle income community, or indigenous community that is or has been directly impacted by pollution.

"Eligible entity" would mean an entity that served a transition community and was one of the following:

- An economic development district.
- A county, municipality, or other political subdivision of the State.
- An Indian tribe.
- An apprenticeship program that is registered with the United States Department of Labor.
- An institution of higher education.
- A public or private nonprofit organization or association.

"Transition community" would mean a municipality, county, or region that has been affected in the previous 12 months, or that demonstrates it will be impacted in the next 36 months, by the loss of 50 or more jobs in a transition-impacted industry.

"Transition-impacted industry" would mean an industry that is impacted by transition, including all the following:

- Fossil fuel energy workers who have employment tied to the generation, transportation, and refinement of fossil fuel.
- Internal combustion engine vehicle workers and workers in the supply chain for internal combustion engine vehicles.
- Workers in the building and construction trades.
- Any other affected workers.

"Transition worker" would mean a worker in Michigan who is laid off from employment in a transition-impacted industry on or after the effective date of the bill.

"Wage differential benefit" would mean either of the following:

- Supplemental income covering all or part of the difference between income earned by an individual in previous employment in a transition-impacted industry and income earned by the individual in new employment.
- Supplemental income during job retraining.

The Community and Worker Economic Transition Office

The bill would create the Community and Worker Economic Transition Office in LEO.

The director of LEO would have to appoint the Office director, who would have to manage the operations of the Office.

The Office would have to do the following:

- Lead interdepartmental coordination on efforts essential to the office's mission.
- Advance existing initiatives that align with the Office's mission, including the energy transition impact project.
- Work with the public and private sector to undertake or participate in conferences, inquiries, meetings, or studies that could support the Office's mission.
- Publicize the activities of the Office, as appropriate.
- Other duties as assigned by the director.

Additionally, the Office would have to partner with workers, local communities, and employers on the creation of advisory committees that ensured the voices of the affected were involved in decision making and undertake stakeholder outreach with workers, local communities, and employers to do all the following:

- Align and target local, state, and Federal programming and establish additional programming to support the Office's mission.
- Propose and implement plans for different sectors of the economy that align with the Office's mission.
- Assist in the development, and monitor the implementation, of State and Federal laws, rules, regulations, and budgets relating to the Office's mission.
- As issues emerge, recommend changes in State and Federal law, rules, regulations, policies, guidelines, practices, procedures, and budgets relating to the Office's mission.

The Community and Worker Economic Transition Advisory Committee

The Community and Worker Economic Transition Advisory Committee would be created in LEO.

The Advisory Committee would have to consist of the following members:

- The Department director or the Department director's designee.
- The president of the Michigan Strategic Fund (MSF) or the president of the MSF's designee.
- The director of the Department of Environment, Great Lakes, and Energy (EGLE) or the director' designee.
- Three individuals appointed by the Governor, one of which represented the Office of the Governor, one of which was selected from a list of individuals provided by the Senate Majority Leader, and one of which was selected from a list of individuals provided by the Speaker of the House of Representatives.
- Twelve members appointed by the Office director, three of which represented transition workers, three of which represented transition communities, two of which had professional experience in economic development or workforce retaining, two of which represented

disproportionately impacted communities, and two of which represented transition-impacted industries.

The first members of the Advisory Committee would have to be appointed within 90 days after the bill's effective date.

The terms of the first members of the Advisory Committee would be as follows:

- The first members would have to serve four-year terms.
- The members appointed by the Senate Majority Leader and Speaker of the House of Representatives would have to serve two-year terms.
- The twelve members appointed by the Office director would have to serve three-year terms.

After the first appointments, the term of a member of the advisory committee would be four years or until a successor was appointed, whichever was later. If a vacancy occurred on the Advisory Committee, an individual would have to be appointed in the same manner as the original appointment to fill the vacancy for the balance of the term.

The Governor could remove a member of the Advisory Committee for incompetence, dereliction of duty, malfeasance, misfeasance, or nonfeasance in office, or any other good cause.

The director of LEO, or the director's designee, would have to call the first meeting of the Advisory Committee. At the first meeting, the Advisory Committee would have to elect a member as a chairperson and could elect other officers that it considered necessary or appropriate. The Committee would have to meet at least quarterly, or more frequently at the call of the chairperson or at the request of a majority of the members.

A majority of the members of the advisory committee would constitute a quorum for transacting business. A vote in favor by a majority of the members of the Advisory Committee serving would be required for any action of the advisory committee.

The Committee would be subject the Open Meetings Act and the Freedom of Information Act.

A member of the Advisory Committee would not be entitled to compensation for service on the Committee, but the Committee could reimburse a member for actual and necessary expenses incurred in serving.

The Community and Worker Economic Transition Plan

By July 1, 2025, the Advisory Committee would have to prepare and submit a draft community and worker economic transition plan to the director of LEO and the Office director.

In developing the draft transition plan, the Advisory Committee would have to consider options to do all the following:

- Align and target local, State, and Federal resources and leverage additional resources to invest in communities and workers whose transition-impacted industries were subject to significant economic transition.
- Establish benefits for transition workers, including wage differential benefits for affected workers, and eligibility for and the duration of the benefits.
- Educate dislocated workers, in collaboration with employers of dislocated workers and relevant labor unions, regarding how to apply for transition benefits.

- Establish and structure a grant program and other potential programmatic support for transition communities and organizations that support transition communities, including eligible entities.

In developing the draft transition plan, the Advisory Committee would have to identify and consider all the following:

- The projected short-term and long-term costs and benefits to Michigan of each plan component, including worker benefits, grant programs, and other supports.
- Potential sources for sustainable short-term and long-term funding for a transition plan and its components.
- The potential fiscal, economic, workforce, and other implications of extending components of the transition plan to other industries affected by similar economic disruptions.
- Which components of the transition plan could be implemented by a State department or agency under existing authority, and which would require additional legislation.

Based on the draft transition plan recommended by the Advisory Committee, and with the approval of the director of LEO, by December 31, 2025, the Office director would have to submit to the Governor and the Legislature a final transition plan for Michigan. The final transition plan would have to include all the following:

- Benefits, grants, and other components that the Office, LEO, or another State department or agency would coordinate and implement under existing authority.
- Benefits, grants, and other components that required additional legislative authority to implement.
- Sources of funding that could be accessed from Federal, State, local, and other sources without additional legislative authority or approval.
- Sources of funding that required legislative or voter approval.

By January 1, 2029, the Office director would have to submit to the Governor and the legislature a written report that recommended changes to the Act to better achieve the purposes of the Act.

The Community and Worker Economic Transition Fund

The bill would create the Community and Worker Economic Transition Fund in the State treasury.

The State Treasurer would have to deposit money and other assets received from any other source in the Fund. The State Treasurer would have to direct the investment of money in the Fund and credit interest and earnings from the investments to the Fund.

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 Labor and Economic Opportunity would be the administrator of the Community and Worker Economic Transition Fund for audits, and LEO would have to spend money from the Fund on appropriation for only one or more of the following purposes:

- The costs of LEO and the Office in administering the Act.
- To implement the transition plan.
- Any other purpose described in the Act.

BACKGROUND

Executive Directive 2020-10 charged the Office of Climate and Energy with developing the MI Healthy Climate Plan to reduce greenhouse gas emissions and transition toward economy-wide carbon neutrality.¹ The Plan states that "...we must take particular care to ensure that the energy transition does not result in a disproportionate energy burden for Michigan's disadvantaged communities."² Additionally, Executive Directive 2020-10 tasked the Department of Treasury with developing and implementing an Energy Transition Impact Project (ETIP) to identify the communities that will be impacted by changes to the State's energy grid and to minimize those impacts of dislocation.³ The ETIP has released reports identifying communities to first focus on during the energy transition.⁴

¹ Gretchen Whitmer, Office of the Governor of Michigan, *Executive Directive 2020-10*, September 23, 2020.

² Michigan Department of Energy, Great Lakes, and the Environment, *MI Healthy Climate Plan*, April 2022.

³ Gretchen Whitmer, Office of the Governor of Michigan, *Executive Directive 2020-10*, September 23, 2020.

⁴ Michigan Department of Treasury, *Energy Transition Impact Project in Michigan – 2022 Annual Report*, 2022.

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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.