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BILL ANALYSIS

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Senate Bill 519 (Substitute S-4 as passed by the Senate)
Sponsor: Senator Sam Singh
Committee: Labor

Date Completed: 11-21-23

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 to renewable energy resources and electric vehicles (see **BACKGROUND**). In determining how to accomplish its mission, the Office would have to create a Community and Worker Economic Transition Plan. The 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 31, 2025, LEO would have to present a finalized version of the plan to the Governor and the Legislature.

FISCAL IMPACT

The bill would increase costs to LEO and have no fiscal impact on local units of government. There would be additional costs to support the Office and the Community and Worker Economic Transition Advisory Committee. These costs would include additional full-time-equivalents 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.

BRIEF RATIONALE

The market is driving a transition away from traditional industries like coal power plants and the production of vehicles with internal combustion engines toward industries like renewable energy power plants and the production of electric vehicles. This creates an education and skills gap for workers in the energy and automotive industries. Some people believe that the State should have a plan to help workers and communities transition during this significant industrial shift, and so it has been suggested that the Office be created to develop this plan.

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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.**
- Require the Office to create the Community and Worker Economic Transition Plan and submit the Plan to the Governor and the Legislature by December 31, 2025.**
- Require the Office Director to submit an annual report to the Legislature.**

Definitions

"Transition activities" would mean those activities in which transition workers may participate to avoid suffering economic harm. The term would include all the following:

- Educating transition workers regarding various programs available to them.
- Replacing lost income, gaps in income, and benefits for transition workers.
- Services for transition workers, such as education, training, career counseling, skills-matching, maintaining employment with current employer or reemployment services, and financial planning assistance.
- Replacing lost tax base revenue for transition communities.
- Promoting the hiring of transition workers and the creation of jobs in transition communities that provide comparable or higher wages and benefits to jobs in transition-impacted industries.

"Transition community" would mean a municipality, county, or region that has been affected since September 23, 2020, or that demonstrates it will be affected between the bill's effective date and January 1, 2040, 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 had been laid off from employment in a transition-impacted industry since September 23, 2020, or who is or will be laid off from employment in a transition-impacted industry on or after the bill's effective date and before January 1, 2040.

"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:

- Develop a Community and Worker Economic Transition Plan as described below; the Office could create an advisory committee to assist with the development of the Transition Plan.
- Support and participate in interdepartmental coordination on efforts essential to the Office's mission as defined by the Office Director.
- Advance and support existing initiatives that aligned with the Office's mission, including, but not limited to, the Energy Transition Impact Project established under Executive Directive No. 2020-10.
- 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.
- Evaluate the outcomes of the transition plan for transition workers and transition communities, including evaluating the quality of replacement jobs, to better allocate wages, benefits, and tax base replacement.
- Other duties as assigned by the Office Director that were related to the Office's mission.

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.

Finally, the Office would have to identify funds to support transition activities for transition workers, transition communities, and transition-impacted industries. The Office would have to consider all the following sources of funds:

- Existing State programs that could be utilized to support transition workers, transition communities, and transition-impacted industries, or that could be more closely aligned with transition needs.
- New State funds that might need to be developed to address transition activities not addressed by existing programs.
- Federal grants, loans, or other funding that could be used to support transition workers, transition communities, and transition-impacted industries.
- Private funds, including funds from foundations or for-profit entities.

The Community and Worker Economic Transition Plan

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 version of the Community and Worker Economic Transition Plan for Michigan.

In developing the Community and Worker Economic Transition Plan, the Office would have to consider options to do all of the following:

- Align and target local, State, and Federal resources and leverage additional resources to invest in communities and workers whose transition-impacted industries are subject to significant economic transition.
- Align and target existing local, State, and Federal programming and establish additional programming to support communities and workers whose transition-impacted industries were subject to significant economic transition.
- Identify transition activities that were not addressed by existing resources and make recommendations for new programs as necessary, including programs to support transition workers with supplemental income, health care benefits, and retirement benefits and programs that provided transition workers with access to education and training opportunities.
- Implement or engage in other programs, policies, or activities that would assist transition communities, transition workers, and companies in transition-impacted industries.

In developing the draft transition plan, the Office would have to evaluate 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.

Additionally, the bill specifies that the Office could undertake any activities authorized under the Act before submitting the Community and Worker Economic Transition Plan.

Annual Report to the Legislature

Beginning one year after the bill's effective date, the Office Director would have to submit annually a written report to the Legislature that included all the following:

- Information regarding the utilization of transition activities.
- A description of transition-impacted industries, transition communities, and transition workers.
- An evaluation of the transition plan, including, but not limited to, the outcomes of the transition plan.

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.