



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 enacted)
Sponsor: Senator Sam Singh
Senate Committee: Labor
House Committee: Energy, Communications, and Technology

PUBLIC ACT 232 of 2023

Date Completed: 12-27-23

RATIONALE

The market is transitioning away from traditional industries like coal power plants and the production of gas-fueled vehicles 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, automotive, and construction industries. These industries are shifting toward different technical expertise, such as the ability to work with software or the ability to install renewable energy products. Some people believe that the State should have a plan to help workers and communities transition during this significant industrial shift. Accordingly, it was suggested that the Community and Worker Economic Transition Office be created to develop a transition plan.

CONTENT

The bill enacts 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.**

The bill will take effect February 13, 2024.

Definitions

"Transition activities" means those activities in which transition workers may participate to avoid suffering economic harm. The term includes 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" means a municipality, county, or region that has been affected since September 23, 2020, or that demonstrates it will be affected between February 13, 2024 and January 1, 2040, by the loss of 50 or more jobs in a transition-impacted industry.

"Transition-impacted industry" means 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" means 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 February 13, 2024, and before January 1, 2040.

"Wage differential benefit" means 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 creates the Community and Worker Economic Transition Office in the Department of Labor and Economic Opportunity (LEO).

The Director of LEO must appoint the Office Director, who must manage the operations of the Office.

The Office must do the following:

- Develop a Community and Worker Economic Transition Plan as described below; the Office may 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 align with the Office's mission, including 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 can 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 are related to the Office's mission.

Additionally, the Office must partner with workers, local communities, and employers on the creation of advisory committees that ensured the voices of the affected are 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 must identify funds to support transition activities for transition workers, transition communities, and transition-impacted industries. The Office must 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 must 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 must 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 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 are subject to significant economic transition.
- Identify transition activities that are 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 provide transition workers with access to education and training opportunities.
- Implement or engage in other programs, policies, or activities that assist transition communities, transition workers, and companies in transition-impacted industries.

In developing the draft transition plan, the Office must 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 may be implemented by a State department or agency under existing authority, and which may require additional legislation.

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

Annual Report to the Legislature

Beginning February 13, 2025, the Office Director must submit annually a written report to the Legislature that includes 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 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

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

In the 1990's, the United States entered global trade deals such as the North Atlantic Free Trade Agreement and the World Trade Organization. According to testimony before the Senate Committee on Labor, these deals lacked sufficient worker protections and hurt Michigan communities and workers. In addition, the State previously had a large mining economy and did an insufficient job at supporting communities and workers affected by the loss of those jobs. Formalizing an economic transition plan can help keep Michigan jobs in Michigan communities and can ensure that real estate and property taxes continue to grow in communities that otherwise may be negatively affected. In this time of transition, Michigan's implementation of an economic transition plan may ensure the prosperity and stability of its communities and workers.

Response: The Office's transition plan is part of a larger governmental effort to transition to renewable energy and electric vehicles faster than the market's natural transition toward those industries. A mandated transition may result in many downsides, such as lost jobs and lower wages for workers. According to a recent study from the University of California at Berkeley, the permanent closure of a Marathon oil refinery in Contra Costa County resulted

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.

in 345 unionized workers being laid off, 26% of the former Marathon workers not finding new employment, and workers that found employment being paid only 76% of their former wages on average.⁵ The need to replace lost income, gaps in income, and tax base revenue are not inevitable consequences of a natural market transition. This government mandate put forward to benefit the transition toward renewable and clean industries may result in worse outcomes for workers because workers often transition into a job market with less opportunity.

Opposing Argument

According to testimony before the Senate Committee of the Whole, there is historical precedent in Michigan that employers provide training as needed to prospective employees in new industries. Reportedly, the Ford Motor Company helped to train its own workers to expedite the transition into automobile manufacturing. The free market could provide job training again to individuals who need employment in clean and renewable industries without using taxpayer dollars for the Office.

Legislative Analyst: Alex Krabill

FISCAL IMPACT

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

Fiscal Analyst: Cory Savino, PhD

⁵ Parks, Virginia, *et al.*, *Fossil fuel layoff: The economic and employment effects of a refinery closure on workers in the Bay Area*, April 26, 2023.

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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.