

BUDGET NARRATIVE FOR THE MIDWEST INDUSTRIAL DECARBONIZATION CHALLENGE

This budget narrative provides an explanation of costs associated with each of the predevelopment and the challenge grant components of the program, followed by a consolidated budget. Additional details are included in the attached optional budget spreadsheet. The spreadsheet includes three tabs: a consolidated budget; the lead agency budget; and a sample budget for the non-lead coalition states. Each budget tab includes funding across all five years of the program, with predevelopment component costs covered in years 1 and 2, and challenge component costs covered in years 3-5.

1. Predevelopment Component (Years 1 & 2)

The predevelopment component of the project will provide technical assessments to industrial facilities in the Coalition states and advance statewide industrial decarbonization efforts. Itemized costs associated with each budget category are provided in the Budget Table included with this proposal under the “Predevelopment Component (Years 1 & 2)” in each spreadsheet tab.

a. Personnel and Fringe

The lead agency personnel listed in the budget table will provide the following in support of the predevelopment component of the program. Notably, these have been split into two categories – services the lead agency will provide to the project overall, and services that the lead agency will provide for itself, similar to what other states will do for themselves with their subawards under the predevelopment component of the program.

- Services the lead agency will provide for the coalition:
 - Establish contract with a non-profit convener with a history of working with diverse states across the region to regularly convene the coalition partners in support of predevelopment activities.
 - Distribute state shares of predevelopment funding to state partners and technical assistance provider for predevelopment, technical, and planning assistance.
 - Gather and ensure proper submission of all reporting requirements and deliverables across the Coalition.
- Services the lead agency will provide for itself (and that each coalition member will also do with its subaward funds):
 - Work collaboratively with a non-profit convener, technical assistance provider, and other states to develop program materials for the predevelopment component of program (including program guide, website, application, outreach materials)
 - Establish contract with the university that operates their in-state Industrial Assessment Center (IAC) or equivalent to provide at least 20 assessments to industrial facilities.
 - Commence outreach following stand up/go live of predevelopment phase.
 - As part of outreach, conduct community engagement around program design specifics.
 - Support all other predevelopment component activities as described in this proposal.

Fringe calculation: official retirement and insurance rates are unknown for future years, so the state of Michigan will use a conservative estimate based on current conditions that provides 40% of total payroll for fringe expenses for senior staff positions and 60% for more junior staff positions, as staff with lower classification levels typically have a smaller salary, but benefits comprise a higher percentage of their total payroll. Benefit estimates include costs for pension, FICA (social security), dental, health, and vision

insurance, leave balance payouts when employees separate from state service, and other post-employment retirement costs like retirement health care plans.

b. Travel

Lead agency staff will conduct travel statewide as part of their outreach activities. We anticipate they will make approximately 36 trips per year to varying locations across the state. We estimate these trips will on average be 500 miles round-trip (some will be longer— driving from Lansing to Houghton is 1,000 miles round trip), paid at the federal mileage reimbursement rate of \$0.67 per mile. Some of these trips will require lodging, estimated at one, one-night hotel stay per month for two staff members, using an average hotel cost of \$250 per room per night. We also anticipate each staff member attending one out of state conference per year, including flight and lodging. These travel reimbursement rates are used for estimating the total travel budget amount. Each participating state will determine the exact rates in accordance with their respective state travel guidelines.

c. Equipment

The predevelopment component of the project is not expected to incur investments in equipment that has a cost of \$5,000 or more per unit.

d. Supplies

Not applicable.

e. Contractual

Non-profit Convener: The lead agency will contract with a third-party neutral nonprofit convener that will regularly convene the Coalition members to refine and implement the predevelopment phase of the program. This is needed to ensure that the program is designed to meet the needs of all Coalition members, to support collaboration among the members, and to effectively resolve any disputes that may arise during program development and implementation. Responsibilities of the nonprofit convener will include the following:

- Regularly convene the coalition members throughout the predevelopment phase to develop program rules and materials, support outreach, share best practices, provide updates on progress, and navigate any unforeseen challenges or disputes that may arise.
- Work with coalition members and technical assistance providers to develop program materials for the predevelopment component of the program (including program guide, website, application, outreach materials).
- Assist states with implementing their outreach activities to ensure that all states are providing high-quality outreach to their industrial emitters.

IAC: The lead agency will issue a contract to its respective IAC to provide assessments to large industrial emitters. Particularly large emitters are expected to require more in-depth assessments that go beyond the current capacity of IACs. For these facilities, the lead agency may expand a partnership with their respective IAC or run a separate intra-state application process for accessing a pool of \$6 million in funding to support predevelopment activities. Each Coalition member state will also do this with their in-state IAC or equivalent as part of their subaward.

The lead agency will hire a third-party neutral convener to convene an in-state stakeholder engagement process to identify barriers and policy and program recommendations to decarbonize the state's industrial sector, and work to implement those recommendations. This will be complemented by the following components:

- Modeling and analysis to inform the discussion and recommendations.
- LIDAC specific engagement to inform the recommendations.
- Following the engagement process, the contractor will work with industry, government, and others to advance the recommendations. This work will continue through the challenge component of the project because advancing policy and program recommendations may require a multi-year effort. Each Coalition state will also do each of the above as part of their subaward.

f. Other

Other costs for lead agency that also apply to the Coalition member state budgets as noted below:

- Laptops, cell phones, VPNs, and other supplies are calculated at 5% of total wages and fringe. This captures costs for information technology equipment, maintenance, and support for industrial decarbonization staff.
- Conference registration for industrial decarbonization staff.
- Employee training funds for industrial decarbonization staff.
- Host an annual Industrial Decarbonization Conference to identify and address barriers to industrial decarbonization, build a shared understanding of established and emerging solutions, and highlight resources and programs available from the federal government, state government, and other sources.
- Provide support to the state's top 40 emitters with conducting assessments and/or implementing other predevelopment activities:
 - Establish a contract with in-state IAC to provide at least 20 assessments to industrial facilities.
 - Top 20 emitters– the lead agency will run an intra-state application process for accessing a pool of \$6 million to support predevelopment activities.

Technical assistance provider: The lead agency will provide a subaward to the University of Chicago's (UIC) Energy Resources Center (ERC) to serve as the lead technical assistance provider. The UIC will provide the following services for predevelopment component:

- Assist with developing program materials for the predevelopment component of the program (including program guide, website, application, outreach materials).
- Assist with stand up/go live of predevelopment component, including industry outreach around program.
- Assist with technical guidance and criteria for predevelopment assessments that qualify for applications to the challenge grant funding and coordinate with IACs across all coalition states as necessary.
- Assist with establishing conventions for metrics tracking and reporting across states.
- Work collaboratively with the Coalition member states and the nonprofit convener on overall program development and coordination.

Coalition States: The lead agency will provide subawards to each of the other four Coalition members to carry out the following activities as part of the predevelopment component of the program. A sample budget for these activities is included in the attached optional budget spreadsheet in the tab labeled "Non-Lead Agency Budget." Each state will refine their own budget based on their respective contexts

and strategies for driving industrial emissions reductions. These predevelopment component costs are covered in years 1-2 of the five-year budget.

- Create an industrial decarbonization program and hire adequate staffing or contractual support to support the predevelopment component activities, work with industry across the state, and coordinate with other states on decarbonization efforts. It is anticipated each state will hire three FTEs (a director, a specialist, and an analyst) or add the equivalent contractual support.
- Other staffing and contractual costs necessary to fulfill the Coalition members' roles and responsibilities under this proposal.
- Work collaboratively with the non-profit convener, technical assistance provider, and other states to develop program materials for the predevelopment component of program (including program guide, website, application, outreach materials).
- Commence outreach following stand up/go live of predevelopment phase. As part of outreach, conduct community engagement around program design specifics.
- Planning and implementation meetings, workshops, and convenings necessary to perform community and stakeholder outreach and education within each Coalition member's jurisdiction.
- Modeling and analytical costs, including purchase or licensing of software, data, or tools.
- Studies, assessments, data collection, etc., needed to track, measure, and report actual accomplishments related to this measure.
- Evaluation and metrics-tracking activities.
- Training and staff capacity-building costs.
- Supplies (e.g., office supplies, software, printing, etc.).
- Incidental costs related to the above activities, including, without limitation: travel, membership fees, and indirect costs.
- Other activities as agreed upon by the Coalition.
- Other allowable activities as necessary to fulfill the Coalition members' roles and responsibilities under this proposal.
- Hire a contractor to convene a stakeholder engagement process to identify barriers and policy and program recommendations to decarbonize the state's industrial sector, and work to implement those recommendations.
 - As part of that engagement process, conduct modeling and analysis to inform the discussion and recommendations.
 - Conduct LIDAC/EJ community specific engagement to inform the recommendations.
 - Following the engagement process, work with industry, government, and others to advance the recommendations.
- Provide support to the state's top 40 emitters with conducting assessments and/or implementing other predevelopment activities:
 - Establish a contract with in-state IAC or equivalent entity to provide at least 20 assessments to industrial facilities.
 - Top 20 emitters – states will run an intra-state application process for accessing a pool of \$6 million to support predevelopment activities.
- Host an annual Industrial Decarbonization Conference or similar convening to identify and address barriers to industrial decarbonization, build a shared understanding of established and emerging solutions, and highlight resources and programs available from the federal government, state government, and other sources.

g. Indirect Costs

The negotiated 2024 indirect rate for EGLE is 16.65%. This has been applied to salary and fringe for State of Michigan staff, or contractual equivalent, that will be hired to manage the program.

2. Industrial Challenge Grant Component

The industrial challenge grant component of the project will provide competitive grants to industrial facilities who apply and win in the Coalition states. Itemized costs associated with each budget category are provided in the Budget Table included with this proposal under the “Challenge Grant Component (Years 3-5)” in each spreadsheet tab.

a. Personnel and Fringe

The lead agency personnel listed in the budget table will provide the following in support of the industrial challenge grant component. Notably these have been split into two categories – services the lead agency will provide to the project overall, and services that the lead agency will provide for itself, similar to what other states will do for themselves with their subawards under the industrial challenge grant component.

- Services the lead agency will provide for the coalition:
 - Establish contract with a non-profit convener with a history of working across the Great Lakes states to regularly convene the coalition partners in support of industrial challenge grant activities.
 - Distribute state shares of challenge funding to state partners and technical assistance provider for challenge phase activities.
- Services the lead agency will provide (and that each Coalition member will also do with its subaward funds):
 - Work collaboratively with assistance of non-profit convener and technical assistance provider to prepare materials for \$416 million challenge grant program (program guide, application, and promotional materials and community engagement around these materials).
 - Educate stakeholders and communities about challenge grant program guide and solicit applications for projects.
 - Participate in the project review and selection process.

Fringe calculation: official retirement and insurance rates are unknown for future years, so the state of Michigan will use a conservative estimate based on current conditions that provides 40% of total payroll for fringe expenses for senior staff positions and 60% for more junior staff positions, as staff with lower classification levels typically have a smaller salary, but benefits comprise a higher percentage of their total payroll. Benefit estimates include costs for pension, FICA (social security), dental, health, and vision insurance, leave balance payouts when employees separate from state service, and other post-employment retirement costs like retirement health care plans.

b. Travel

Lead agency staff will conduct travel statewide as part of their outreach activities for the challenge grant component. We anticipate they will make approximately 36 trips per year to varying locations across the state. We estimate these trips will on average be 500 miles round-trip (some will be longer – driving from Lansing to Houghton is 1,000 miles round trip), paid at the federal mileage reimbursement rate of \$0.67 per mile. Some of these trips will require lodging, estimated at one, one-night hotel stay per

month for two staff members, using an average hotel cost of \$250 per room per night. We also anticipate each staff member attending one out of state conference per year, including flight and lodging. These travel reimbursement rates are used for estimating the total travel budget amount. Each participating state will determine the exact rates in accordance with their respective state travel guidelines.

c. Equipment

This phase of the project is not expected to incur investments in equipment that has a cost of \$5,000 or more per unit.

d. Supplies

Not applicable.

e. Contractual

Nonprofit Convener: The lead agency will contract with a third-party neutral nonprofit convener that will regularly convene the coalition members to refine and implement the challenge grant component of the program. This is needed to ensure that the program is designed to meet the needs of all coalition members, to support collaboration among the members, and to effectively resolve any disputes that may arise during program development and implementation. Responsibilities of the nonprofit convener will include the following:

- Regularly convene the coalition members throughout the challenge phase to develop program rules and materials, support outreach to solicit challenge grant applications, review challenge grant applications, maintain established timelines, provide updates on challenge grant progress, and navigate any unforeseen challenges or disputes that may arise.
- Work with coalition members and technical assistance providers to develop materials for \$400 million challenge grant program (program guide, application, and promotional materials and community engagement around these materials).
- Assist states with implementing their outreach activities to ensure that all states are providing high-quality outreach to their industrial emitters and to solicit high quality challenge grant applications.
- Convene a review and selection committee that will make recommendations for awarding challenge grants.
- Support the semi-annual review of progress on grant projects.

Industrial Assessment Center: The lead agency will issue a contract to Michigan State University, the home of Michigan's IAC, to support industries with developing challenge grant applications. Each coalition member state will also do this as part of their subaward.

f. Other

Other costs for lead agency that also apply to the coalition member state budgets as noted below:

- Laptops, cell phones, VPNs, and other supplies are calculated at 5% of total wages and fringe. This captures costs for information technology equipment, maintenance, and support for industrial decarbonization staff.
- Conference registration for industrial decarbonization staff.
- Employee training funds for industrial decarbonization staff.

- Host an annual Industrial Decarbonization Conference to identify and address barriers to industrial decarbonization, build a shared understanding of established and emerging solutions, and highlight resources and programs available from the federal government, state government, and other sources.
- Establish a contract with in-state IAC to assist industries with developing challenge grant applications.

Technical assistance provider: The lead agency will provide a subaward to the UIC's ERC to serve as the lead technical assistance provider. The UIC will provide the following services for the challenge grant component:

- Manage and disburse the \$416 million challenge grant funding to grant recipients.
- Coordinate and oversee the administrative issuance of the grant funding, including all necessary legal and compliance requirements.
- Assist with developing program materials for challenge component of program (including program guidelines and rules, technical guidance and criteria, and application review process).
- Assist with stand up/go live of challenge component, including industry outreach around program.
- Lead the technical review process for the challenge grant applications, in service to the selection committee.
- Assist with establishing conventions for metrics tracking and reporting across states.
- Work collaboratively with the coalition member states and nonprofit convener on overall program development and coordination.

Coalition states: The lead agency will provide subawards to each of the other four coalition members to carry out the following activities during the challenge component (years 3-5):

- Continue to operate an Industrial Decarbonization Office or program with adequate staffing to support the challenge phase, work with industry across the state, and coordinate with other states on decarbonization efforts.
- Work collaboratively with assistance of non-profit convener and technical assistance provider to prepare materials for \$416 million challenge grant program (program guide, application, and promotional materials and community engagement around these materials).
- Participate in the application review and selection process.
- Other staffing and contractual costs necessary to fulfill the coalition members roles and responsibilities under this proposal.
- Work collaboratively with non-profit convener, technical assistance provider, and other states to develop program materials for challenge component of program (including program guide, website, application, outreach materials).
- Conduct outreach to support applications to the challenge grants.
- Planning and implementation meetings, workshops, and convenings necessary to perform community and stakeholder outreach and education within the coalition member's jurisdiction.
- Modeling and analytical costs, including purchase or licensing of software, data, or tools.
- Studies, assessments, data collection, etc. needed to track, measure, and report actual accomplishments related to this measure.
- Evaluation and metrics-tracking activities.
- Training and staff capacity-building costs.
- Supplies (e.g., office supplies, software, printing, etc.).
- Incidental costs related to the above activities, including without limitation: travel, membership fees, and indirect costs.

- Other activities as agreed upon by the coalition.
- Other allowable activities as necessary to fulfill the Coalition members' roles and responsibilities under this proposal.
- Establish a contract with in-state IAC or equivalent to assist industries with developing challenge grant applications.
- Host an annual Industrial Decarbonization Conference to identify and address barriers to industrial decarbonization, build a shared understanding of established and emerging solutions, and highlight resources and programs available from the federal government, state government, and other sources.

g. Indirect Costs

The negotiated FY24 indirect rate for EGLE is 16.65%. This has been applied to salary and fringes for State of Michigan staff, or contractual equivalent, that will be hired to manage the program.

3. Consolidated Budget by Year

BUDGET BY YEAR		Predevelopment Component		Challenge Component			TOTAL
COST-TYPE	CATEGORY	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	
Direct Costs	TOTAL PERSONNEL	\$469,000	\$499,954	\$532,951	\$568,126	\$605,622	\$2,675,653
	TOTAL FRINGE BENEFITS	\$220,400	\$199,982	\$213,180	\$227,250	\$242,249	\$1,103,061
	TOTAL TRAVEL	\$22,110	\$22,110	\$22,110	\$22,110	\$22,110	\$110,550
	TOTAL EQUIPMENT	\$0	\$0	\$0	\$0	\$0	\$0
	TOTAL SUPPLIES	\$0	\$0	\$0	\$0	\$0	\$0
	TOTAL CONTRACTUAL	\$1,375,000	\$1,375,000	\$800,000	\$800,000	\$800,000	\$5,150,000
	TOTAL OTHER	\$24,826,611	\$24,921,338	\$146,656,615	\$146,856,806	\$147,070,210	\$490,331,580
	TOTAL DIRECT	\$26,913,121	\$27,018,384	\$148,224,857	\$148,474,292	\$148,740,190	\$499,370,844
	TOTAL INDIRECT	\$114,785	\$116,539	\$124,231	\$132,430	\$141,170	\$629,156
TOTAL FUNDING		\$27,027,906	\$27,134,923	\$148,349,088	\$148,606,722	\$148,881,361	\$500,000,000

4. Consolidated Budget by Project

BUDGET BY PROJECT			
Project Number	Project Name	Total Cost	% of Total
1	Predevelopment Component: Years 1-2	\$54,162,829	11%
2	Challenge Component: Years 3-5	\$445,837,171	89%
Total		\$500,000,000	100%

5. Expenditure of Awarded Funds

The State of Michigan will expend and account for awarded funds in accordance with state laws and procedures for expending and accounting for the state's own funds. The financial management system for Coalition Lead complies with the requirements of 2 CFR 200.302(b). As noted in the application, the Coalition Lead has extensive experience administering EPA grants with great success.

The State of Michigan will enter into a subaward agreement with each coalition member prior to disbursement of subaward funds. These agreements will include all applicable pass-through

requirements for subrecipients in accordance with [EPA's Subaward Policy](#) and [EPA's General Terms and Conditions for Subawards](#).

The semi-annual reports and final report will include a breakdown of expenditures associated with implementation of this proposal.

6. Reasonableness of costs

The costs outlined in the budget are reasonable and consistent with costs deemed reasonable by the EPA in previous and existing EPA grants to Coalition Lead.