



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 5238 (Substitute H-1 as reported without amendment)
Sponsor: Representative Beth Griffin
House Committee: Local Government
Senate Committee: Local Government

CONTENT

The bill would amend the Revised School Code to do the following:

- Allow an energy saving performance contract to include a financial guarantee that the costs of improvements would be paid only if the operational savings were sufficient to cover the costs.
- Include adding square footage to existing school facilities as an eligible energy conservation improvement.
- Specify that operational improvements would include adding square footage to existing school facilities, or installing equipment or providing services that resulted in decreased, eliminated, or avoided operating or maintenance costs.
- Include operational improvements or savings, in addition to energy improvements or savings, in various provisions related to an energy savings performance contract and requirements to report certain savings information to the Department of Treasury.

(Under the Code, the board of a school district or intermediate school district may contract with a qualified provider for energy conservation improvements and operational improvements to school facilities and infrastructure. The improvements or their financing may be paid from operating funds of the school district, proceeds of bonds or notes issued for energy conservation improvements and operational improvements to school facilities, or an installment contract or lease-purchase agreement.)

MCL 380.1274a

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would have no fiscal impact on the State and a positive impact on local school districts and intermediate school districts. By allowing lease-purchase agreements to include an additional operational improvement, adding square footage to existing facilities, the bill would enable districts to reduce operational costs through this financial instrument. Net savings would be based on reduced operating expenses minus the cost of the lease-purchase agreement. (While other financing options also could be used, districts would achieve savings primarily through the use of lease-purchase agreements.) Due to variations in operational costs across districts, it is not possible to accurately estimate average net savings for districts.

Date Completed: 4-11-18

Fiscal Analyst: Cory Savino