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BILL ANALYSIS



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House Bill 5238 (Substitute H-1 as passed by the House)
Sponsor: Representative Beth Griffin
House Committee: Local Government
Senate Committee: Local Government

Date Completed: 3-12-18

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.**

Energy Saving Performance Contract

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. The board of an intermediate school board also may enter into one or more energy saving performance contracts. These contracts may contain a written financial guarantee providing that the costs of the improvements will be paid only if the energy savings are sufficient to cover them.

The bill would allow an energy saving performance contract to include a financial guarantee that the costs of improvements would be paid only if the energy savings or the operational savings were sufficient to cover the costs.

Conservation & Operational Improvements

The Code specifies that energy conservation and operational improvements to school facilities may include the following:

- Building envelope improvements.

- Heating, ventilating, and cooling upgrades.
- Lighting retrofits.
- Installing or upgrading an energy management system.
- Motor, pump, or fan replacements.
- Domestic water use reductions.
- Information technology improvements associated with an energy conservation and operational improvement to school facilities.
- Municipal utility improvements associated with an energy conservation and operational improvement to school facilities.
- Upgrading other energy consuming equipment or appliances.

The bill would remove reference to operational improvements in the provisions above, and would include adding square footage to existing school facilities as an eligible energy conservation improvement.

The bill specifies that operational improvements would include, but would not be limited to, adding square footage to existing school facilities, or installing equipment or providing services that resulted in decreased, eliminated, or avoided operating or maintenance costs. Operational improvements would not have to be energy conservation related.

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.

Fiscal Analyst: Cory Savino

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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.