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BILL ANALYSIS

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Senate Bill 592 (as reported without amendment)
Sponsor: Senator Wayne Kuipers
Committee: Education

CONTENT

The bill would amend the Revised School Code to permit the board of a school district or intermediate school district (ISD) to acquire fuel, electrical energy, or natural gas directly or through a purchasing cooperative agreement, for up to five years.

Those commodities could be paid for from the operating funds of the district or ISD or from the proceeds of bonds or notes issued for the purpose of acquiring the commodities.

The purchasing cooperative agreement could incorporate one or more guarantees of performance by the commodity supplier, letters of credit, swaps, hedges, commodity price exchange agreements, termination payments, or other features that would achieve cost limits or discounts, or both, for the period of the agreement.

The Code permits the board of a school district or intermediate school district to contract with a qualified provider for energy conservation improvements to school facilities, and to provide for the removal or treatment of asbestos or other injurious material for school facilities. In each case, the improvements may be paid for from operating funds of the school district, among other means. The bill would refer to operating funds of the school district or ISD in those provisions.

MCL 380.1274a Legislative Analyst: Curtis Walker

FISCAL IMPACT

The bill would have no fiscal impact on the State.

Section 1274a of the Revised School Code (MCL 380.1274a) authorizes school boards to contract for energy conservation improvements and to pay for their cost from the proceeds of bonds or notes. While this section does not explicitly state that bonds may be *issued* for energy conservation improvements to school facilities, bond counsel testified at the Education Committee meeting that Section 1274a implicitly allows bonding for the purposes laid out under the section, by allowing the *proceeds* from such bonds to be used for those purposes. The bill would expand the allowable uses for such bond proceeds to include the purchase of fuel, electrical energy, or natural gas for a period not to exceed five years. If the cost of the bond used to purchase and lock in the price of the stated commodities were less than what would be spent to pay for these commodities out of operating funds without a locked-in price, then this legislation could provide an avenue for cost savings to districts and intermediate districts.

Date Completed: 5-26-09 Fiscal Analyst: Kathryn Summers-Coty