



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 592 (as introduced 5-20-09)
Sponsor: Senator Wayne Kuipers
Committee: Education

Date Completed: 5-21-09

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

State: The bill would have no fiscal impact on the State.

Local: The primary change proposed by this bill would allow local districts and intermediate districts to use bond proceeds to pay for the cost of acquiring fuel, electrical energy, or natural gas directly or through a purchasing cooperative agreement for up to five years. However, it does not appear as though Section 1351a of the Revised School Code (MCL 380.1351a) would allow bonds to be issued to purchase commodities. Therefore, since operating funds already can be used to pay for the commodities addressed in the bill, and since the bill would not amend Section 1351a to add commodities to the list of allowable bond purposes, the bill would have no fiscal impact.

Fiscal Analyst: Kathryn Summers-Coty

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