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BILL ANALYSIS



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Senate Bill 899 (as introduced 1-24-12)
Sponsor: Senator Walker
Committee: Education

Date Completed: 12-5-12

CONTENT

The bill would amend the Revised School Code to allow the board of a school district, public school academy (PSA), or intermediate school district (ISD) to enter into a swap, hedge, derivative, or similar agreement in connection with the procurement of diesel fuel.

The Code prescribes the authority of a district, PSA, or ISD pertaining to the procurement of supplies, materials, and equipment. Currently, it makes no explicit reference to the types of agreements districts may or may not enter into for the procurement of diesel fuel.

Under the Code, districts, ISDs, and PSAs are required to obtain competitive bids for items purchased in a single transaction costing \$20,959 or more, subject to an annual adjustment for changes in the consumer prices index. The bill would increase that amount to \$21,825.

MCL 380.623a & 380.1274

FISCAL IMPACT

The bill would have no fiscal impact on State government and an indeterminate impact on school districts, PSAs, and ISDs. A swap, hedge, derivative, or other financial instruments intended to fix otherwise volatile diesel fuel prices over a given period of time could have substantial or insignificant positive or negative fiscal implications for districts that enter into such contracts. While agreements to fix the future price paid for diesel fuel could give some budgetary certainty to a district, the level of monetary benefit or detriment to the district would be determined by the future performance of the commodity relative to the price at which it was fixed.

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