

## OPERATIONAL IMPROVEMENTS FOR SCHOOL DISTRICTS

Phone: (517) 373-8080  
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**House Bill 5238 as introduced**  
**Sponsor: Rep. Beth Griffin**  
**Committee: Local Government**  
**Complete to 1-23-18**

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

House Bill 5238 would amend the Revised School Code to clarify the meaning of the term “operational improvements” with regard to school facilities and infrastructure.

Currently under the Code, school district and intermediate school district boards can use various financing methods to pay for “energy conservation and operational improvements.” These improvements include, but are not limited to: 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; IT 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; and upgrading other energy consuming equipment or appliances.

HB 5238 would change the term “energy conservation and operational improvements” to “energy conservation improvements or operational improvements” and would define the term “operational improvements” to include installing equipment or providing services that result in decreased, eliminated, or avoided operating or maintenance costs. Further, the bill would state that operational improvements do not need to be related to energy conservation.

MCL 380.1274a

### BRIEF BACKGROUND:

Public Act 23 of 2017 (originally House Bill 4080) gave school districts and intermediate school districts the option of using a lease-purchase agreement for financing “energy conservation and operational improvements” to school facilities or infrastructure. Briefly, lease-purchase agreements allow a district to take title to the improvement when the district completes the lease purchase payments. Therefore, the interest paid is tax-exempt, allowing for lower interest costs than traditional financing methods. The payment obligations are limited to the current operation budget and are therefore not deemed a long-term debt obligation.

**FISCAL IMPACT:**

If the provisions of the bill were determined to expand the current use of the act's financing mechanisms as they relate to non-energy-conservation-related operational improvements (newly defined in the bill), school districts and intermediate school districts (ISDs) could realize reduced operating costs. The fiscal impact for school districts or ISDs would depend on the costs associated with the financing structure used for the operational improvements compared to the costs associated with any alternative financing methods available.

Legislative Analyst: Patrick Morris  
Fiscal Analysts: Ben Gielczyk  
Samuel Christensen

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