

# Legislative Analysis



## OPERATIONAL IMPROVEMENTS FOR SCHOOL DISTRICTS

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<http://www.house.mi.gov/hfa>

**House Bill 5238 (H-1) as reported from committee**  
**Sponsor: Rep. Beth Griffin**  
**Committee: Local Government**

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

*(Enacted as Public Act 135 of 2018)*

**Complete to 2-1-18**

### 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 adding square footage to existing school facilities or installing equipment or providing services that result in decreased, eliminated, or avoided operating or maintenance costs. The bill would state that operational improvements do not have to be related to energy conservation. Finally, the bill would include adding square footage to existing school facilities in the definition of “energy conservation improvements.”

MCL 380.1274a

### BRIEF DISCUSSION:

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.

Reportedly, after Public Act 23 was enacted, there was uncertainty regarding the meaning of “energy conservation and operational improvements,” specifically whether the term encompassed two separate categories of improvements or one category of improvements specifically related to energy.

HB 5238 is understood to tweak the language in order to clarify that the intent is for the phrase to encompass two separate categories of improvement, one related to energy and one that need not be related to energy. Overall, supporters note that the bill will give schools more flexibility in using a lease-purchase agreement for important purchases and provide clarity for all stakeholders involved.

### **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.

### **POSITIONS:**

A representative of Johnson Controls testified in support of the bill. (1-24-18, and indicated support 1-31-18)

Representatives of the following entities indicated support of the bill:

- Wyandotte Public Schools (1-24-18)
- Houghton-Portage Township Schools (1-24-18)
- Michigan Association of School Boards (1-31-18)
- Michigan League of Conservation Voters (1-24-18)
- Michigan Environmental Council (1-24-18)
- Opterra Energy Services (1-24-18)

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