



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

BILL ANALYSIS



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

Senate Bill 372 (as reported without amendment)
Sponsor: Senator Michael J. Bouchard
Senate Committee: Technology and Energy

CONTENT

The bill would amend the School Code to permit a school board, intermediate school district (ISD) board, local act school district, or consortium of districts to enter into a "performance based contract" for "energy conservation measures" and would permit a performance based contract to be paid from a district's operating funds or from proceeds of bonds or notes issued for energy conservation measures. The bill would establish requirements for a board or consortium to meet when entering into a performance based contract that was obtained without competitive proposals, and would require that information provided to a board as part of a contract obtained without competitive proposals be open for public inspection. The bill provides that a board or consortium could seek competitive proposals for a performance based contract, and would permit a board to negotiate with proposers after competitive proposals were opened. The bill would require the Public Service Commission to develop a list of potential providers to be made available to districts that entered into a performance based contract without seeking competitive bids.

MCL 380.623a et al.

Legislative Analyst: L. Arasim

FISCAL IMPACT

The bill would have a fiscal impact on State government and local and intermediate school districts.

The board of a local or intermediate school district choosing to use performance based contracts for energy conservation measures would be required to make a finding that the expenses of the contract would be less than 95% of the total savings to the district in reduced operating costs; the finding would have to specify that payments in any year of the contract would not exceed the savings in that year. Based on these requirements, a district using the performance based contracting method of obtaining energy conservation services would reduce its operating costs.

The option provided by the bill for districts to enter into a performance based contract for energy conservation improvements without competitive bidding would have an unknown fiscal impact on school districts. Although a district would be required to make the finding discussed above regarding reduced operating costs, a competitive bidding process could result in a lower cost contract. Alternatively, a competitive bidding process could be regarded as increasing the administrative costs of obtaining a contract expected to reduce operating costs.

There could be a marginal increase in the administrative workload of the Public Service Commission, but it would not be necessary to provide added resources or to make other adjustments to address the requirements in the bill.

Date Completed: 3-23-95

Fiscal Analyst: E. Pratt
K. Lindquist

floor\sb372

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.