Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 5806 (Substitute H-1 as reported without amendment)
Sponsor: Representative Al Pscholka
House Committee: Energy and Technology
Senate Committee: Energy and Technology

CONTENT

The bill would amend the Community College Act to extend the maximum term of an installment contract or notes issued to finance energy conservation improvements from 10 years to 25 years. The bill also would delete a provision that allows a community college's contractual agreement for energy conservation improvements to provide that the cost of the improvements is paid only if the energy savings are sufficient to cover it.

The Act authorizes a community college board of trustees to provide for energy conservation improvements to be made to community college facilities, and to pay for the improvements from operating funds of the community college district or from the savings that result from the improvements. The board may acquire improvements by installment contract or may borrow money and issue notes for the purpose of securing funds for them. Additionally, the board may enter into contracts in which the cost is paid from a portion of the savings resulting from the improvements.

Currently, the installment contracts or notes may extend for a maximum of 10 years. Under the bill, the term of an installment contract or notes could not exceed 25 years from the date of installation of the energy conservation improvements.

MCL 389.122 Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would have no fiscal impact on State government and would have an indeterminate but positive fiscal impact on community college districts by providing increased financing flexibility. The bill would facilitate expenditures on energy-saving improvements for college buildings. The fiscal impact would depend on the potential improvements financed due to the proposed increase in the duration of installment contracts, or notes, from 10 to 25 years.

Eliminating the provision that contract agreements may provide that the cost of the energy conservation improvements are paid only if the energy savings are sufficient to cover the costs should not have a substantive impact because the provision is permissive, and eliminating it would clarify that community colleges may finance energy savings projects that would have less than a full pay-back.

Date Completed: 12-9-14 Fiscal Analyst: Bill Bowerman