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HOUSE COMMITTEE REPORT

File

(11)

Date Referred: May 2, 1990

FURTHER REFERRALS:

Date of Committee Action: 5/7/90

The FINANCE Committee considered:

CSSB 154 (FINANCE)

CS SB NO. 154 (Finance)

EQUIPMENT LEASE-FINANCING BY ASBA

"An Act relating to state equipment, including equipment lease-financing, and authorizing a master equipment lease-financing and lease-refinancing project; and providing for an effective date."

RECOMMENDATIONS:

- be replaced with _____ the same title
- have attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: Senate letter of intent

ATTACHES NEW FISCAL NOTE(S):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- (2) fiscal impact DOA, Rev
- zero fiscal note _____
- zero with analysis _____

- fiscal note(s) _____
- zero fiscal note(s) _____
- zero fn/analysis _____

SIGNING DO PASS:

SIGNING:

(Check appropr. luna)

Do Not Pass No Rec Amend

[Signature] Koponen

[Signature] _____

<u>[Signature]</u> Hoffman	✓		
<u>[Signature]</u> Larson	X		
<u>[Signature]</u> Swackhammer	X		
<u>[Signature]</u> Brown	X		
<u>[Signature]</u> Schultz	X		
<u>[Signature]</u> Phillips	✓		
<u>[Signature]</u> Riegan	✓		

[Signature] Larson
Chairman's signature
[Signature] Hoffman

STATE OF ALASKA
1990 LEGISLATIVE SESSION

Bill Version: CSSB 154 (L&C)
Publish Date: _____

FISCAL NOTE

REQUEST:

Revision Date: 3/16/90 Agency Affected: Department of Administration
Title: An Act relating to State equipment, BRU: General Services
including equipment lease--financing . . .
Sponsor: Rules Components: Purchasing
Requestor: Senate Labor & Commerce

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	41.8	43.1	44.0	44.9	45.8	46.7
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	5.0	2.0	2.0	2.0	2.0	2.0
SUPPLIES	1.5	1.6	1.7	1.8	1.9	2.0
EQUIPMENT	7.0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS (PHONE)	.6	.6	.7	.7	.8	.8
TOTAL OPERATING	55.9	47.3	48.4	49.4	50.5	51.5
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	55.9	47.3	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	48.4	49.4	50.5	51.5
TOTAL	55.9	47.3	48.4	49.4	50.5	51.5

POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

There would be no fiscal impact to the FY 90 budget. Potential financial savings should be reflected in the Department of Revenue fiscal note. We project a General Fund increase in year one and two in administrative expense due to the requirement to coordinate several hundred accounts in order to make one payment under the third party equipment lease plan to Alaska State Housing Authority, and to compile the required reports to the legislature. See attached for analysis. The requirement for General Fund would be replaced year three onward with I/A receipts to be transferred from the affected agencies.

Prepared by: Robert J. Link, Director *Robert J. Link* Phone: 465-2250
Division: General Services and Supply Date: 03/16/90

Approved by Commissioner: Frank S. Baxter *Frank S. Baxter* Date: 3/16/90
Agency: Department of Administration

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

CORRECTED 5/4/90

CONTINUATION of FISCAL NOTE ANALYSIS

For CSSB 154 (L&C)

FISCAL NOTE ANALYSIS

Operating costs are based on the following assumptions:

Personal Services cost: One permanent, full-time Accounting Technician II, Range 14, Step B through J based on current contract.

Contractural: Estimated cost of \$5,000.00 for Professional Services contract for computer programming in FY 91, \$2,000.00 for support each year thereafter.

Supplies: Estimated cost of paper, desk supplies, etc., minimal increases each fiscal year in anticipation of inflated costs.

Equipment: Reflects purchase of personal computer. Costs needed to connect to mainframe (Alaska Statewide Accounting System [AKSAS]), printer and basic software. Costs are based on current State contract.

Miscellaneous: Estimated cost of long-distance telephone service. Escalated in third and fifth fiscal years to cover anticipated inflation.



Position Title		Accounting Technician II		No. of Positions	1	Range/Step	14B	Barg. Unit	GGU
Time Status	Staff Months			Location	Juneau		Election District		
FT	12			Justification					
Type of Expenditure		Amount		<p>There is currently no staff available to perform the duties mandated by this legislation. The required job duties and responsibilities are most associated to the class specifications of an Accounting Technician II. One full-time staff person would be responsible for reviewing several hundred accounts, determining which accounts would be refinanced, calculating account expenses, transferring funds and making one payment to the Alaska State Housing Authority. A report to the legislature would be compiled annually indicating the amount of interest to be saved by each agency during the next fiscal year as a result of participating in the master lease program.</p>					
1	2	3							
Salary	29.2								
Benefits	12.6								
Premium Pay									
Other									
Total Personal Services		41.8							
Travel									
Contractual		5.6							
Commodities		1.5							
Equipment		7.0							
Other									
Total Cost		55.9							
Funding Source for Total Cost									
Federal Receipts	1002								
G. F. Match	1003								
General Fund	1004	55.9							
I-A Receipts	1006								
CIP Receipts	1061								
Other									

4/11B1/060602-9

**Request For
New Position**

Administration
 Agency _____
 BRU _____
 Component _____
 General Services and Supply
 Purchasing

Page 3 of 3
 Revised Date

FY 91

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Various State Agencies
 Title: Authorizing Master Lease
 Financing for State Equipment BRU: _____
 Sponsor: Senate Finance Components: _____
 Requestor: Senate Finance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	(1,812.0)	(1,812.0)	(1,812.0)	(1,812.0)	(1,812.0)
TOTAL OPERATING	0	(1,812.0)	(1,812.0)	(1,812.0)	(1,812.0)	(1,812.0)
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	(1,812.0)	(1,812.0)	(1,812.0)	(1,812.0)	(1,812.0)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	(1,812.0)	(1,812.0)	(1,812.0)	(1,812.0)	(1,812.0)

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: FY 1990 effect is zero. Amounts are the difference in equipment lease rental payments on \$40 million financed over 5 years at 6.55 percent under master lease financing (current tax-exempt rate for A rated 5 year maturity) vs. 13.28 percent vendor financing. The 6.73 percent spread of vendor rates over tax-exempt rates was the actual spread on State equipment leases found in a June 16, 1987 Shearson Lehman Brother analysis.

Prepared By: Milt Barker MB

Phone: 465-2350

Division: Treasury

Date: April 30, 1990

Approved by Commissioner: Winston B. Barber for

Date: 4-30-90

Agency: Department of Revenue

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor

Office of Management and Budget
Impacted Agency(ies)



Alaska State Legislature
Senate

POUCH v
JUNEAU, ALASKA 99811

SENATE
LETTER OF INTENT
FOR
CS SB 154 (Finance)

It is the intent of the Legislature that Alaska State Housing Authority and the Department of Administration place first priority on refinancing existing equipment leases under any master lease-financing program established pursuant to this Act, and that the Department of Administration identify in the report required pursuant to AS 36.30.080(d) the amount of equipment lease-financing provided under this Act for refinancing existing equipment leases as opposed to financing new equipment that replaces existing equipment.

*Senate
Adopted
4/30*

Original sponsor(s): Rules/Governor

1 IN THE SENATE BY THE FINANCE COMMITTEE
2 (FOR SENATE BILL NO. 154 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL
6 For an Act entitled: "An Act relating to state equipment, including equip-
7 ment lease-financing, and authorizing a master equip-
8 ment lease-financing and lease-refinancing project;
9 and providing for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1 AS 18.55.010 is amended to read:

12 Sec. 18.55.010. PURPOSE OF AS 18.55.010 - 18.55.290. The pur-
13 pose of AS 18.55.010 - 18.55.290 is to remedy the acute housing short-
14 age that exists in certain localities of the state by undertaking slum
15 clearance, low-cost housing projects, housing for persons and their
16 families engaged in national defense activities in the state, and
17 housing projects and housing for veterans of World War II and other
18 citizens of the state, and to remedy the short supply of necessary
19 public buildings and equipment by providing for the financing, con-
20 struction, and acquisition of public buildings and equipment for lease
21 to the state.

22 * Sec. 2. AS 18.55.080 is amended to read:

23 Sec. 18.55.080. MEMBERS OR EMPLOYEES PROHIBITED FROM ACQUIRING
24 INTEREST IN PROJECTS. A member or employee of the authority may not
25 acquire an interest, direct or indirect, in a housing, [OR] public
26 building, or equipment project, or in property or a contract for
27 materials or services included or planned to be included in a project.
28 If a member or employee owns or controls an interest, the member or
29 employee shall immediately disclose the interest in writing to the

1 authority. Failure to make disclosure constitutes misconduct in
2 office.

3 * Sec. 3. AS 18.55.100(a)(15) is amended to read:

4 (15) arrange or contract for the financing, design, con-
5 struction, and acquisition of public buildings and equipment for lease
6 to the state in accordance with AS 18.55.010 - 18.55.290.

7 * Sec. 4. AS 18.55.100(d) is amended to read:

8 (d) Notwithstanding (a)(7) and (15) of this section, a proposed
9 public building or equipment project shall be submitted by the author-
10 ity to the legislature for review. The authority may proceed with the
11 public building or equipment project only if it is approved by law.
12 An appropriation does not constitute approval by law for purposes of
13 this subsection.

14 * Sec. 5. AS 18.55.150 is amended to read:

15 Sec. 18.55.150. SECURITY FOR BONDS. The authority may issue
16 bonds including but not limited to bonds on which the principal and
17 interest are payable (1) exclusively from the income and revenue of
18 the housing project financed with the proceeds of the bonds, (2)
19 exclusively from the income and revenue of designated housing projects
20 whether or not they are financed in whole or in part with the proceeds
21 of the bonds, (3) from its revenue generally, or (4) exclusively from
22 rents collected on public buildings or equipment. Bonds may be addi-
23 tionally secured by a pledge of a grant or contribution from the
24 federal government or from another source, or by a pledge of income or
25 revenue of the authority, or by a mortgage of a housing project or
26 other property of the authority.

27 * Sec. 6. AS 18.55.180 is amended to read:

28 Sec. 18.55.180. ISSUANCE AND SALE OF BONDS AND NOTES. Bonds and
29 notes of the authority are authorized by adoption of a resolution

1 prescribing the date of issuance and maturity, interest rate, de-
2 nomination, form, conversion privilege, rank or priority, execution,
3 terms of redemption, medium, and place of payment. Bonds and notes
4 may be sold in the manner, on the terms, and at the price the author-
5 ity determines. Each bond and note is negotiable. The signature of a
6 member or an officer upon a bond or note or coupon is not invalidated
7 by that person's ceasing to hold office before the delivery of the
8 bond or note. The recitation of a bond or note that it has been
9 issued in the financing of a housing, [OR] public building, or equip-
10 ment project under AS 18.55.010 - 18.55.290 is conclusive as to the
11 issuance of the bond or note and the character of the project in a
12 challenge of the validity of the bond or note or the security for it.

13 * Sec. 7. AS 18.55.200(4) is amended to read:

14 (4) covenant with respect to limitations on its right to
15 sell, lease, or otherwise dispose of a housing, [OR] public building,
16 or equipment project or a part of a housing, [OR] public building, or
17 equipment project;

18 * Sec. 8. AS 18.55.200(10) is amended to read:

19 (10) covenant, subject to the limitations contained in
20 AS 18.55.010 - 18.55.290, as to the rents and fees to be charged in
21 the operation of a housing, [OR] public building, or equipment proj-
22 ect, the amount to be raised each year or other period of time by
23 rents, fees, and other revenues, and as to the use and disposition of
24 these revenues;

25 * Sec. 9. AS 18.55.200(15) is amended to read:

26 (15) vest in one or more trustees the right, in the event of
27 a default by the authority, to take possession of a housing, [OR]
28 public building, or equipment project or a part of the project, and so
29 long as the authority continues in default to retain possession and to

1 use, operate, and manage the project, and to collect the rents and
2 revenues from the project, and to dispose of the money according to
3 the agreement between the authority and the trustees;

4 * Sec. 10. AS 18.55.220 is amended to read:

5 Sec. 18.55.220. POWER OF AUTHORITY TO CONFER UPON OBLIGEE RIGHT
6 TO BRING ACTION OR PROCEEDING. The authority may by resolution, trust
7 indenture, mortgage, lease, or other contract confer upon an obligee
8 holding or representing a specified amount in bonds, or holding a
9 lease, the right upon a default as defined in the resolution or in-
10 strument by civil [SUIT,] action or other proceeding

11 (1) to have possession of a housing, [OR] public building,
12 or equipment project or part of one surrendered to the obligee, with
13 possession retained by the obligee as long as the authority continues
14 in default;

15 (2) to obtain the appointment of a receiver of a housing,
16 [OR] public building, or equipment project or part of one and its
17 rents and profits, who may enter, take possession, and for the dura-
18 tion of the default operate and maintain it, collect and receive all
19 fees, rents, revenues, or other charges [THEREAFTER] arising after
20 that, and keep the money in a separate account or accounts to be
21 applied in accordance with the obligations of the authority as the
22 court directs;

23 (3) to require the authority and its members to account as
24 if they were [TO] trustees of an express trust.

25 * Sec. 11. AS 18.55.240 is amended to read:

26 Sec. 18.55.240. POWER OF AUTHORITY TO OBTAIN FEDERAL AID AND
27 COOPERATION. The authority may borrow, accept contributions, grants,
28 or other financial assistance from the federal government in aid of
29 any housing, [OR] public building, or equipment project and for this

1 purpose may comply with conditions and enter into the mortgages, trust
2 indentures, leases, or agreements that are necessary, convenient, or
3 desirable in order to obtain financial aid or cooperation from the
4 federal government in the undertaking, construction, maintenance, or
5 operation of a housing, [OR] public building, or equipment project.

6 * Sec. 12. AS 36.30.080 is amended by adding new subsections to read:

7 (d) If the department enters into a lease-financing agreement
8 with the Alaska State Housing Authority for the financing or refinanc-
9 ing of equipment purchases by the state under a master lease program,
10 the department shall report to the legislature by January 30 of each
11 year the amount of interest to be saved by each agency during the next
12 fiscal year as a result of participation in the master lease program.
13 The savings shall be calculated as the difference between the total
14 payments to be made to the department by the agency under the program
15 during the fiscal year and the total lease payments that would be
16 required if the equipment were purchased under the same terms except
17 at a true interest cost equal to

18 (1) the rate charged by the vendor for financing purchase
19 of the equipment; or

20 (2) if no vendor financing is available, the prime rate
21 charged by banks on short-term business loans at the time of purchase.

22 (e) If the department has entered into a lease-financing agree-
23 ment that provides financing or refinancing under a master lease
24 program for the type of equipment that an agency wants to purchase,
25 has purchased, or is leasing, the agency shall use the master lease
26 program to finance or refinance the equipment.

27 * Sec. 13. The Alaska State Housing Authority may acquire for lease to
28 the state under a master lease program (1) new equipment to replace equip-
29 ment owned by or leased to the state before the effective date of this Act,

1 or (2) equipment leased to the state before the effective date of this Act.
2 The authority may provide up to a total of \$40,000,000 for the acquisition
3 in order to finance the new equipment identified under (1) of this section
4 or to refinance the leased equipment identified under (2) of this section.

5 * Sec. 14. Section 13 of this Act gives the approval referred to in
6 AS 18.55.100(d), as amended by sec. 4 of this Act.

7 * Sec. 15. The Department of Administration may enter into one or more
8 lease-financing agreements with the Alaska State Housing Authority up to a
9 total of \$40,000,000 to

10 (1) finance new equipment to replace equipment owned by or
11 leased to the state before the effective date of this Act; or

12 (2) refinance equipment leased to the state before the effective
13 date of this Act.

14 * Sec. 16. Section 15 of this Act gives the approval referred to in
15 AS 36.30.080(c).

16 * Sec. 17. This Act takes effect immediately under AS 01.10.070(c).

Item 2

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

154

February 3, 1989

The Honorable Tim Kelly
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to lease-financing for state equipment.

The main purposes of the bill are to:

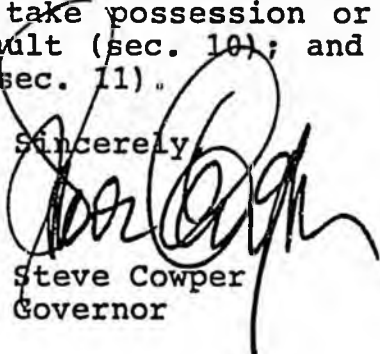
1. provide general statutory authority for the Alaska State Building Authority (ASBA) to finance and acquire equipment for lease to the state (sec. 3 of the bill);
2. specifically authorize ASBA to acquire and finance new equipment, or acquire and refinance equipment already on lease to the state, under a master lease program (secs. 12 and 13); and
3. specifically authorize, in accordance with the State Procurement Code, the Department of Administration to enter into lease-financing agreements with ASBA for the master lease program (secs. 14 and 15).

The approach to financing state equipment embodied in this bill offers potentially significant savings in interest costs on state equipment financing compared to interest rates charged by equipment vendors. The master lease program would be administered by the Department of Administration and available to all state agencies.

The second amendment of AS 18.55.100(d) in sec. 4, regarding legislative approval of equipment projects, raises a constitutional issue under the separation-of-powers doctrine, as does the current wording of that subsection. However, knowing of the legislature's concern about the overall debt management of the state, I believe that it might be helpful to set out this procedure in the statute, as a courtesy to the legislature.

Aside from the immediate-effective-date provision (sec. 16), the remaining sections of the bill consist of amendments that add references to state equipment lease-financing in various ASBA statutes relating to housing or public building projects of ASBA. These include corporate purpose (sec. 1 of the bill); prohibition of ASBA members or employees from acquiring an interest in projects (sec. 2); securing bonds with lease payments (sec. 5); validity of bonds and notes (sec. 6); bond covenants to limit disposition of projects (sec. 7); establish rates and fees for projects (sec. 8); vest in a trustee the right to take possession in the event of default on a project (sec. 9); grant bondholders rights to take possession or appoint a receiver for projects in default (sec. 10); and acceptance of federal aid for projects (sec. 11).

Sincerely,



Steve Cowper
Governor

§

STEVE COWPER, GOVERNOR

DEPARTMENT OF REVENUE

TREASURY DIVISION

ELEVENTH FLOOR
STATE OFFICE BUILDING
P O BOX 58
JUNEAU, ALASKA 99811-0400

April 20, 1990

The Honorable Steve Frank
Senate Finance Committee
Alaska State Legislature
P. O. Box V
Juneau, Alaska 99811

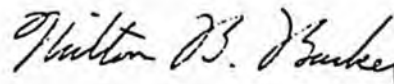
Dear Senator Frank:

CS SB 154 (Finance), "an Act relating to state equipment, including equipment lease-financing, and authorizing a master equipment lease-financing project" authorizes the Alaska State Housing Authority to provide lease-financing for State equipment purchases, subject to approval by law. Enactment of this legislation will not affect the amounts appropriated to State agency budgets. Budget appropriations determine what amounts, if any, an agency may spend on equipment acquisition, through lease-financing or otherwise. This legislation merely provides a lower (tax-exempt) interest rate when agencies decide to use the "credit card" approach to equipment purchases. A 1987 Shearson Lehman analysis of existing State equipment leases indicated the tax-exempt approach could save \$424,000 in present value terms by refinancing outstanding vendor leases.

As a result of Legislative desire to be able to consolidate and marshal these savings for other fiscal priorities, the State Affairs committee substitute provides in section 12 for the identification and reporting of the amounts saved by each agency. In order to gain experience and assure satisfaction with the workings of the program, the Labor & Commerce committee substitute limits the initial approvals by law in sections 13 and 15 to lease-financing only for the purpose of refinancing outstanding equipment leases.

In order to maximize the savings and develop previously unavailable information on the extent of State equipment leasing, the Finance CS makes use of the master lease program mandatory for State agencies in section 12. The Finance CS also expands the \$40 million authorization in sections 13 and 15 to include equipment replacement as well as refinancing, in order to further increase savings without stimulating a net increase in State equipment.

Yours truly,



Milton B. Barker
Deputy Commissioner

MBB/ph

90-95