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# SENATE FINANCE COMMITTEE REPORT

DATE: 3/16/90

FURTHER:

DATE TURNED INTO OFFICE: 4/19/90

The Finance Committee considered

SB 154

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

and recommended:

replace with \_\_\_\_\_ CS SB 154 (Fix)  
 or adopt \_\_\_\_\_ CS \_\_\_\_\_  
 attached amendment(s)  
 \_\_\_\_\_ letter of intent adopted

same title  
 new title  
 technical  
title change  
(HB only)

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

ATTACHES NEW FISCAL NOTE(S):

fiscal note(s) \_\_\_\_\_ Dept/Date: \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

appropriation-no fiscal note

SIGNING DO PASS:

[Signature]  
[Signature]

APPROVES PREVIOUS:

fiscal note(s) DOA 55.9 Dept/Date: \_\_\_\_\_  
St. Bond (2143.5)

zero fiscal note(s) ASBA 12/27/88  
DCED 12/27/88

OTHER RECOMMENDATIONS:

[Signature] - NO REC  
[Signature] - No Rec -

1. [Signature] No Rec

2. [Signature] (to Pass)

Co-Chairs: Signatures and Recommendations

**H03FC 4-19-90**

STATE OF ALASKA  
1990 LEGISLATIVE SESSION

Bill Version: CSSB 154 (L&C) (b)  
Publish Date: 3/19/90

**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	0	7.0	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
<b>TOTAL OPERATING</b>	<b>55.9</b>	<b>47.3</b>	<b>48.4</b>	<b>49.4</b>	<b>50.5</b>	<b>51.5</b>
<b>CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVENUE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**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
<b>TOTAL</b>	<b>55.9</b>	<b>47.3</b>	<b>48.4</b>	<b>49.4</b>	<b>50.5</b>	<b>51.5</b>

**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 Phone: 465-2250  
Division: General Services and Supply Date: 03/16/90

Approved by Commissioner: 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)

Changes in CSSB 154 (Fin)  
have no fiscal impact.  
This fiscal note is  
appropriate. 4/19/90

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 <b>Accounting Technician II</b>		No. of Positions <b>1</b>	Range/Step <b>14B</b>	Barg. Unit <b>GGLI</b>	
Time Status <b>FT</b>	Staff Months <b>12</b>	Location <b>Juneau</b>		Election District	
Type of Expenditure		Justification			
		<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>			
Amount					
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

Administration

**Request For  
New Position**

Agency \_\_\_\_\_  
 BRU \_\_\_\_\_  
 Component \_\_\_\_\_  
 General Services and Supply  
 Purchasing

**FY 91**

Page 3 of 3  
 Revised Date

R/O SFC 4-19-90

STATE OF ALASKA  
1990 LEGISLATIVE SESSION

Bill Version: CS SB 154 (L&C) (a)  
Publish Date: 3/16/90

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: State Bond Committee  
 Title: Authorizing master lease-financing  
for state equipment BRU: \_\_\_\_\_  
 Sponsor: Senate Labor & Commerce Components: \_\_\_\_\_  
 Requestor: Senate Labor & Commerce

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
<b>OPERATING</b>						
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	(2143.5)	136.4	98.5	479.3	1381.8	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	(2143.5)	136.4	98.5	479.3	1381.8	0
<b>CAPITAL</b>	0	0	0	0	0	0
<b>REVENUE</b>	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	(2143.5)	136.4	98.5	479.3	1381.8	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
<b>TOTAL</b>	0	0	0	0	0	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: attach a separate page for analysis.  
Fiscal effect for FY 90 is zero.

Prepared By: Milt Barker MB  
Division: Treasury

Phone: 465-2350  
Date: March 15, 1990

Approved by Commissioner: Milton B. Barker for  
Agency: Department of Revenue

Date: 3-15-90

Distribution (by preparer):

Legislative Finance Changes in CSSB 154 (Fin)  
 Legislative Sponsor have no fiscal impact.  
 Requestor This fiscal note is  
 Office of Management and Budget appropriate. 4/19/90  
 Impacted Agency(ies)

### Fiscal Note Analysis

The projected annual savings on refinancing State equipment leases are estimated in the table below. This estimate is from a detailed analysis of State equipment leases prepared in June 1987 by Shearson Lehman Brothers.

The savings from a master lease refinancing of State equipment leases would accrue to individual agency budgets. As presently envisioned, the State Bond Committee would make the lease payments on the master lease, but these payments would be funded by Reimbursable Services Agreements (RSA's) from the agencies that purchased the equipment. Information developed from implementation of the program should permit identification of specific lease costs and savings in specific agencies which could be deleted and replaced with a single appropriation to the State Bond Committee.

The present value of the savings shown in the table from a master lease refinancing of State equipment leases is \$424,000 or 6.3 percent of the amount of the refinancing. Please see the attached letter of January 27, 1989 from John Andrews for more information on the master lease program.

#### Lease-Financing Costs (Savings)

<u>Fiscal Year</u>	<u>Equipment Lease Refinancing</u>
1991	\$(2,143,460)
1992	136,406
1993	98,534
1994	479,273
1995	<u>1,381,766</u>
Total	\$ (47,480)

### FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_  
Title: Master Lease Financing  
Sponsor: Rules Committee  
Requestor: Governor

Agency Affected: Alaska State Building Auth.  
BRU: \_\_\_\_\_  
Components: \_\_\_\_\_

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
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**FUNDING:** (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :** (Attach a separate page if necessary)

Changes in CSSB 154 (Fin) have no fiscal impact. This fiscal note is appropriate. 4/19/90 ww  
No fiscal impact is projected through 1996.

Prepared by: Lynn Wegener *Lynn A Wegener* Phone: 562-2813  
Division: Finance Department Date: 12/27/88

Approved by Commissioner: \_\_\_\_\_ Date: 12/27/88  
Agency: Alaska State Building Authority

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

) Changes in CSSB 154(L&C) have no fiscal impact. This fiscal note is appropriate.  
: Projections of no fiscal impact would continue through 1996.

2/0 5FC 4-19-90

STATE OF ALASKA  
1989 LEGISLATIVE SESSION

BILL VERSION: CSSB 154 (L&C) (c)  
PUBLISH DATE: 3/16/90

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FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: Commerce & Econ. Dev.  
Title: Master lease financing of equipment BRU: AK. State Bldg. Auth.  
Sponsor: Rules Committee Components: \_\_\_\_\_  
Requestor: Governor

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
TRAVEL						
CONTRACTUAL						
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING						

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Changes in CSSB 154 (Fin) have no fiscal impact. This fiscal note is appropriate. 4/19/90  
No fiscal impact is projected through 1996.

Prepared by: Commissioner's Office Phone: 465-2500  
Division: Dept. of Commerce & Economic Development Date: 12/27/1988

Approved by Commissioner: [Signature] Date: 12/27/1988  
Agency: Dept. of Commerce & Economic Development

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

) Changes in CSSB 154 (L&C) have no fiscal impact. This fiscal note is appropriate. Projections of no fiscal impact would continue through 1996.

Original sponsor(s): Rules/Governor

IN THE SENATE

BY THE FINANCE COMMITTEE

CS FOR SENATE BILL NO. 154 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "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."

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

\* Section 1 AS 18.55.010 is amended to read:

Sec. 18.55.010. PURPOSE OF AS 18.55.010 - 18.55.290. The purpose of AS 18.55.010 - 18.55.290 is to remedy the acute housing shortage that exists in certain localities of the state by undertaking slum clearance, low-cost housing projects, housing for persons and their families engaged in national defense activities in the state, and housing projects and housing for veterans of World War II and other citizens of the state, and to remedy the short supply of necessary public buildings and equipment by providing for the financing, construction, and acquisition of public buildings and equipment for lease to the state.

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

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

authority. Failure to make disclosure constitutes misconduct in office.

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

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

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

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

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

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

\* Sec. 6. AS 18:55.180 is amended to read:

Sec. 18.55.180. ISSUANCE AND SALE OF BONDS AND NOTES. Bonds and 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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

TREASURY DIVISION

SB154  
file  
STEVE COWPER, GOVERNOR

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

March 19, 1990

The Honorable Rick Uehling  
Co-Chairman  
Senate Finance Committee  
Alaska State Legislature  
P. O. Box V  
Juneau, Alaska 99811

MAR 19 1990

Dear Senator Uehling:

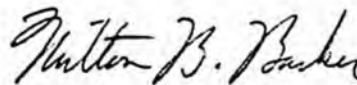
I would like to call to your attention, and urge the Senate Finance Committee to favorably consider, CS SB 154 (Labor & Commerce), "an Act relating to state equipment, including equipment lease-financing, and authorizing a master equipment lease-financing project".

This legislation 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 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.

I would appreciate any consideration you could give to this legislation.

Yours truly,



Milton B. Barker  
Deputy Commissioner

MBB/ph

90-62

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:

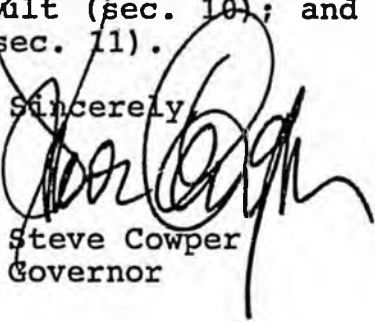
1. provide general statutory authority for the Alaska State Building Authority (ASBA) to finance and acquire equipment for lease to the state (sec. 3 of the bill);
2. specifically authorize ASBA to acquire and finance new equipment, or acquire and refinance equipment already on lease to the state, under 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