

SENATE FILE 303

BY COMMITTEE ON ENERGY AND ENVIRONMENT

Formerly SSB 63

FILED FEB 20 1985

Passed Senate, Date 3-1-85 (p. 552) Passed House, Date 4-16-85 (p. 1605)

Vote: Ayes 45 Nays 0 Vote: Ayes 92 Nays 0

Approved April 29, 1985 (p. 1771)

W/d 3/1 (553) w/d 4/4

A BILL FOR

- 1 An Act relating to the lease by state agencies of real and
- 2 personal properties and facilities for use as or in
- 3 connection with any energy conservation measure.
- 4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

S-3314

SENATE FILE 303

- 1 Amend Senate File 303 as follows:
- 2 1. Page 3, by inserting after line 2 the
- 3 following:
- 4 "d. If the total cost of leasing real and personal
- 5 properties or facilities for use as or in connection
- 6 with any energy conservation measure will exceed one
- 7 million dollars, the project shall be submitted for
- 8 approval of the general assembly."

S-3314 Filed

March 14, 1985

Placed o/s 4/4/85 (p. 1220)

BY PALMER

SENATE FILE 303

H-3759

- 1 Amend Senate File 303, as passed by the Senate, as
- 2 follows:
- 3 1. Page 3, by striking lines 3 through 7.

H-3759 FILED APRIL 11, 1985

BY DE GROOT of Lyon

w/d 4/16/85 (p. 1605)

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1 Section 1. NEW SECTION. 19.34 ENERGY CONSERVATION LEASE-
2 PURCHASE.

3 1. As used in this section:

4 a. "Energy conservation measure" means installation or
5 modification of an installation in a building which is
6 primarily intended to reduce energy consumption or allow the
7 use of an alternative energy source, which may contain
8 integral control and measurement devices.

9 b. "State agency" means a board, department, commission or
10 authority of or acting on behalf of the state having the power
11 to enter into contracts with or without the approval of the
12 executive council to acquire property in its own name or in
13 the name of the state. "State agency" does not mean the
14 general assembly, the courts, the governor or a political
15 subdivision of the state.

16 2. a. A state agency may, with the approval of the
17 executive council, lease as lessee real and personal
18 properties and facilities for use as or in connection with any
19 energy conservation measure for which it may so acquire real
20 and personal properties and facilities, upon the terms,
21 conditions and considerations the official or officials having
22 the authority with or without the approval of the executive
23 council to commit the state agency to acquire real and
24 personal property and facilities deem in the best interests of
25 the state agency. A lease may include provisions for ultimate
26 ownership by the state or by the state agency and may obligate
27 the state agency to pay costs of maintenance, operation,
28 insurance and taxes. The state agency shall pay the rentals
29 and the additional costs from the annual appropriations for
30 the state agency by the general assembly or from other funds
31 legally available. The lessor of the properties or facilities
32 may retain a security interest in them until title passes to
33 the state or state agency. The security interest may be
34 assigned or pledged by the lessor. In connection with the
35 lease, the state agency may contract for a letter of credit,

1 insurance or other security enhancement obligation with
2 respect to its rental and other obligations and pay the cost
3 from annual appropriations for such state agency by the
4 general assembly or from other funds legally available. The
5 security enhancement arrangement may contain customary terms
6 and provisions, including reimbursement and acceleration if
7 appropriate. This section is a complete and independent
8 authorization and procedure for a state agency, with the
9 approval of the executive council, to enter into a lease and
10 related security enhancement arrangements and this section is
11 not a qualification of any other powers which a state agency
12 may possess, including those under chapter 262, and the
13 authorization and powers granted under this section are not
14 subject to the terms or requirements of any other provision of
15 the Code.

16 b. Before a state agency seeks approval of the executive
17 council for leasing real or personal properties or facilities
18 for use as or in connection with any energy conservation
19 measure, the state agency shall have a comprehensive
20 engineering analysis done on a building in which it seeks to
21 improve the energy efficiency by an engineering firm approved
22 by the energy policy council through a competitive selection
23 process and the engineering firm is subject to approval of the
24 executive council. Provisions of this section shall only
25 apply to energy conservation measures identified in the
26 comprehensive engineering analysis.

27 c. Before the executive council gives its approval for a
28 state agency to lease real and personal properties or
29 facilities for use as or in connection with any energy
30 conservation measure, the executive council shall in
31 conjunction with the energy policy council and after review of
32 the engineering analysis submitted by the state agency make a
33 determination that the properties or facilities will result in
34 energy cost savings to the state in an amount that results in
35 the state recovering the cost of the properties or facilities

MARCH 4, 1985

STATE OF IOWA

FISCAL NOTE

LSB No. 2440S

Staff ID. RLB

SENATE FILE 303

In compliance with a written request received February 20, 1985, a fiscal note for SENATE FILE 303 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 303 authorizes state boards, departments, authorities and other agencies to lease, subject to approval of the executive council, real and personal properties and facilities for use as or in connection with any energy conservation measure. The rentals and additional costs are to be paid for out of moneys that would have been budgeted for energy purposes. The lease may be a lease-purchase agreement where the state will ultimately own the property or facility. Before a state agency seeks executive council approval for the lease of such property and facilities, it must have a comprehensive engineering analysis done of the energy conservation measure and the building in which it will be used. Before the executive council approves a lease, it must determine in conjunction with the Energy Policy Council that the state will have energy cost savings as a result of the leasing of the property or facility and the total amount of the energy cost savings will result in the state recovering the cost of the property or facility within six years after the initial acquisition.

FISCAL EFFECT: Senate File 303 would have no effect on the state general fund in the first year of its implementation. Energy Policy Council estimates indicate that within three years the state would realize \$1.9 million in energy savings and within six years would realize a \$3.5 million energy savings.

The energy conservation measures will be leased to the qualifying state agencies under a lease purchase arrangement. At the end of the lease term, the state will take title to the energy conservation measures. Only energy conservation measures which save enough in energy to pay for themselves in 6 years or less will be installed. The term of the lease will be determined by the length of the payback of the energy conservation measures. Each year the state would realize sufficient savings in lower fuel bills to make the annual lease payments.

To ensure that enough savings in energy are accrued to make the annual lease payments, the Energy Policy Council will closely monitor the work of the private engineering firm(s) who identify the energy conservation measures and with the engineer(s) and contractor(s) who install the energy conservation measures. To ensure further that the energy conservation measures will generate sufficient energy savings to make the lease payments, engineer(s) and/or contractors will be required to carry performance insurance in the event that less savings are accrued than had been predicted.

In the longer term, after the state has made the final lease payment, the full energy savings will accrue. The Energy Policy Council estimates that the approximately \$40 million annual state energy bill can be reduced by 25%. Additionally, an indirect effect on the state general fund could be anticipated in the increased income and sales tax revenue generated through increased economic activity.

Source: Energy Policy Council

(LSB 2440S, RLB)

FILED MAR 1 1985


Fiscal Director

Legislative Fiscal Bureau

Date: 3/1/85

SSB 63

SSB 63

ENERGY & ENVIRONMENT: Bruner, Chair; Corning and Colton

Energy
PROPOSED SENATE/HOUSE FILE 1358

New SF 503

BY (PROPOSED NONGENERAL FUND TAX
INCENTIVE ECONOMIC DEVELOPMENT
STUDY COMMITTEE BILL)
FOR DISCUSSION PURPOSES ONLY

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to the lease by state agencies of real and
2 personal properties and facilities for use as or in
3 connection with any energy conservation measure.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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for energy conservation

Energy Committee

1 Section 1. NEW SECTION. 19.34 APPROVAL OF LEASES.

2 As used in this section, "state agency" means a board,
3 department, commission or authority of or acting on behalf of
4 the state having the power to enter into contracts to acquire
5 property in its own name or in the name of the state. "State
6 agency" does not mean the general assembly, the courts, the
7 governor or political subdivision of the state.

8 A state agency may, with the approval of the executive
9 council, lease as lessee real and personal properties and fa
10 cilities for use as or in connection with any energy
11 conservation measure for which it may so acquire real and
12 personal properties and facilities, upon the terms, conditions
13 and considerations the official or officials having the
14 authority to commit the state agency to acquire real and
15 personal property and facilities deem in the best interests of
16 the state agency. A lease may include provisions for ultimate
17 ownership by the state or by the state agency and may obligate
18 the state agency to pay costs of maintenance, operation,
19 insurance and taxes. The state agency shall pay the rentals
20 and the additional costs from the annual appropriations
21 budgeted for energy purposes by the general assembly or from
22 other funds legally available. The lessor of the properties
23 or facilities may retain a security interest in them until
24 title passes to the state or state agency. The security in
25 terest may be assigned or pledged by the lessor. In con
26 nection with the lease, the state agency may contract for a
27 letter of credit, insurance or other security enhancement
28 obligation with respect to its rental and other obligations
29 and pay the cost from annual appropriations budgeted for
30 energy purposes by the general assembly or from other funds
31 legally available. The security enhancement arrangement may
32 contain customary terms and provisions, including
33 reimbursement and acceleration if appropriate. This section
34 is a complete and independent authorization and procedure for
35 a state agency, with the approval of the executive council, to

1 enter into a lease and related security enhancement
2 arrangements and this section is not a qualification of any
3 other powers which a state agency may possess, including those
4 under chapter 262, and the authorization and powers granted
5 under this section are not subject to the terms or
6 requirements of any other provision of the Code.

7 Before a state agency seeks approval of the executive
8 council for leasing real or personal properties or facilities
9 for use as or in connection with any energy conservation
10 measure, the state agency shall have a comprehensive
11 engineering analysis done of the energy conservation measure
12 and the building in which it will be used by an engineering
13 firm approved by both the executive council and the energy
14 policy council.

15 Before the executive council gives its approval for a state
16 agency to lease real and personal properties or facilities for
17 use as or in connection with any energy conservation measure,
18 the executive council shall in conjunction with the energy
19 policy council and after review of the engineering analysis
20 submitted by the state agency make a determination that the
21 properties or facilities will result in energy cost savings to
22 the state in an amount that results in the state recovering
23 the cost of the properties or facilities within six years
24 after the initial acquisition of the properties or facilities.

25 EXPLANATION

26 This bill authorizes state boards, departments, authorities
27 and other agencies to lease, subject to approval of the
28 executive council, real and personal properties and facilities
29 for use as or in connection with any energy conservation
30 measure. The rentals and additional costs are to be paid for
31 out of moneys that would have been budgeted for energy
32 purposes. The lease may be a lease-purchase agreement where
33 the state will ultimately own the property or facility.
34 Before a state agency seeks executive council approval for the
35 lease of such property and facilities, it must have a

1 comprehensive engineering analysis done of the energy
2 conservation measure and the building in which it will be
3 used. Before the executive council approves a lease, it must
4 determine in conjunction with the energy policy council that
5 the state will have energy cost savings as a result of the
6 leasing of the property or facility and the total amount of
7 the energy cost savings will result in the state recovering
8 the cost of the property or facility within six years after
9 the initial acquisition.

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SENATE FILE 303

AN ACT

RELATING TO THE LEASE BY STATE AGENCIES OF REAL AND PERSONAL PROPERTIES AND FACILITIES FOR USE AS OR IN CONNECTION WITH ANY ENERGY CONSERVATION MEASURE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. NEW SECTION. 19.34 ENERGY CONSERVATION LEASE-PURCHASE.

1. As used in this section:

a. "Energy conservation measure" means installation or modification of an installation in a building which is primarily intended to reduce energy consumption or allow the use of an alternative energy source, which may contain integral control and measurement devices.

b. "State agency" means a board, department, commission or authority of or acting on behalf of the state having the power to enter into contracts with or without the approval of the executive council to acquire property in its own name or in the name of the state. "State agency" does not mean the general assembly, the courts, the governor or a political subdivision of the state.

2. a. A state agency may, with the approval of the executive council, lease as lessee real and personal properties and facilities for use as or in connection with any energy conservation measure for which it may so acquire real and personal properties and facilities, upon the terms, conditions and considerations the official or officials having the authority with or without the approval of the executive council to commit the state agency to acquire real and personal property and facilities deem in the best interests of the state agency. A lease may include provisions for ultimate ownership by the state or by the state agency and may obligate the state agency to pay costs of maintenance, operation,

insurance and taxes. The state agency shall pay the rentals and the additional costs from the annual appropriations for the state agency by the general assembly or from other funds legally available. The lessor of the properties or facilities may retain a security interest in them until title passes to the state or state agency. The security interest may be assigned or pledged by the lessor. In connection with the lease, the state agency may contract for a letter of credit, insurance or other security enhancement obligation with respect to its rental and other obligations and pay the cost from annual appropriations for such state agency by the general assembly or from other funds legally available. The security enhancement arrangement may contain customary terms and provisions, including reimbursement and acceleration if appropriate. This section is a complete and independent authorization and procedure for a state agency, with the approval of the executive council, to enter into a lease and related security enhancement arrangements and this section is not a qualification of any other powers which a state agency may possess, including those under chapter 262, and the authorization and powers granted under this section are not subject to the terms or requirements of any other provision of the Code.

b. Before a state agency seeks approval of the executive council for leasing real or personal properties or facilities for use as or in connection with any energy conservation measure, the state agency shall have a comprehensive engineering analysis done on a building in which it seeks to improve the energy efficiency by an engineering firm approved by the energy policy council through a competitive selection process and the engineering firm is subject to approval of the executive council. Provisions of this section shall only apply to energy conservation measures identified in the comprehensive engineering analysis.

c. Before the executive council gives its approval for a state agency to lease real and personal properties or facilities for use as or in connection with any energy

conservation measure, the executive council shall in conjunction with the energy policy council and after review of the engineering analysis submitted by the state agency make a determination that the properties or facilities will result in energy cost savings to the state in an amount that results in the state recovering the cost of the properties or facilities within six years after the initial acquisition of the properties or facilities.

Sec. 2. This Act, being deemed of immediate importance, shall take effect from and after its publication in the Ames Daily Tribune, a newspaper published in Ames, Iowa, and in the Waterloo Courier Cedar Falls Record, a newspaper published in Waterloo, Iowa.

ROBERT T. ANDERSON
President of the Senate

DONALD D. AVENSON
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 303, Seventy-first General Assembly.

K. MARIE THAYER
Secretary of the Senate

Approved April 29, 1985

TERRY E. BRANSTAD
Governor