

SENATE FILE 2366  
BY COMMITTEE ON STATE GOVERNMENT

(SUCCESSOR TO SSB 2314)

(p.833)  
Passed Senate, Date 3/18/96

(p.1739)  
Passed House, Date 4-18-96

Vote: Ayes 26 Nays 23

Vote: Ayes 82 Nays 2

Approved 4/30/96

**A BILL FOR**

1 An Act relating to lease-purchase agreements.

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

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S.F. 2366

1 Section 1. Section 8.46, Code Supplement 1995, is amended  
2 to read as follows:

3 8.46 LEASE-PURCHASE -- REPORTING -- APPROVAL.

4 1. For the purposes of this section, unless the context  
5 otherwise requires:

6 a. "Installment acquisition" includes, but is not limited  
7 to, an arrangement in which title of ownership passes when the  
8 first installment payment is made.

9 b. "Lease-purchase arrangement" includes, but is not  
10 limited to, an arrangement in which title of ownership passes  
11 when the final installment payment is made.

12 c. "State agency" means any executive, judicial, or  
13 legislative department, commission, board, institution,  
14 division, bureau, office, agency, or other entity of state  
15 government.

16 2. At least thirty days prior to entering into a contract  
17 involving a lease-purchase or installment acquisition  
18 arrangement in which any part or the total amount of the  
19 contract is at least fifty thousand dollars, a state agency  
20 shall notify the legislative fiscal bureau concerning the  
21 contract. The legislative fiscal bureau shall compile the  
22 notifications for submission to the legislative fiscal  
23 committee of the legislative council. The notification is  
24 required regardless of the source of payment for the lease-  
25 purchase or installment acquisition arrangement. The  
26 notification shall include all of the following information:

27 a. A description of the object of the lease-purchase or  
28 installment acquisition arrangement.

29 b. The proposed terms of the contract.

30 c. The cost of the contract, including principal and  
31 interest costs. If the actual cost of a contract is not known  
32 at least thirty days prior to entering into the contract, the  
33 state agency shall estimate the principal and interest costs  
34 for the contract.

35 d. An identification of the means and source of payment of

1 the contract.

2 e. An analysis of consequences of delaying or abandoning  
3 the commencement of the contract.

4 2A. If the legislative fiscal committee recommends  
5 rejection of a contract for a lease-purchase arrangement or  
6 installment acquisition within thirty days of the receipt by  
7 the legislative fiscal bureau of the notification required by  
8 this section, a contract shall not be entered into unless a  
9 constitutional majority of each house of the general assembly,  
10 or the legislative council if the general assembly is not in  
11 session, and the governor, approve the contract.

12 3. The legislative fiscal committee shall report to the  
13 legislative council concerning the notifications it receives  
14 pursuant to this section.

15 Sec. 2. Section 8D.11, subsection 1, Code 1995, is amended  
16 to read as follows:

17 1. The commission may purchase, ~~lease-purchase~~, lease, and  
18 improve property, equipment, and services for  
19 telecommunications for public and private agencies and may  
20 dispose of property and equipment when not necessary for its  
21 purposes. However, the commission shall not enter into a  
22 contract for the purchase, ~~lease-purchase~~, lease, or  
23 improvement of property, equipment, or services for  
24 telecommunications pursuant to this subsection in an amount  
25 greater than five hundred thousand dollars without prior  
26 authorization by a constitutional majority of each house of  
27 the general assembly, or approval by the legislative council  
28 if the general assembly is not in session. The commission  
29 shall not issue any bonding or other long-term financing  
30 arrangements as defined in section 12.30, subsection 1,  
31 paragraph "b". Real or personal property to be purchased by  
32 the commission or a state agency through the use of a  
33 financing agreement shall be done in accordance with the  
34 provisions of section 12.28, provided, however, that the  
35 commission or state agency shall not purchase property,

1 equipment, or services for telecommunications pursuant to this  
2 subsection in an amount greater than five hundred thousand  
3 dollars without prior authorization by a constitutional  
4 majority of each house of the general assembly, or approval by  
5 the legislative council if the general assembly is not in  
6 session.

7 1A. The commission also shall not provide or resell  
8 communications services to entities other than public and  
9 private agencies. The public or private agency shall not  
10 provide communication services of the network to another  
11 entity unless otherwise authorized pursuant to this chapter.  
12 The commission may arrange for joint use of available services  
13 and facilities, and may enter into leases and agreements with  
14 private and public agencies with respect to the Iowa  
15 communications network, and public agencies are authorized to  
16 enter into leases and agreements with respect to the network  
17 for their use and operation. Rentals and other amounts due  
18 under the agreements or leases entered into pursuant to this  
19 section by a state agency are payable from funds annually  
20 appropriated by the general assembly or from other funds  
21 legally available. Other public agencies may pay the rental  
22 costs and other amounts due under an agreement or lease from  
23 their annual budgeted funds or other funds legally available  
24 or to become available.

25 1B. This section comprises a complete and independent  
26 authorization and procedure for a public agency, with the  
27 approval of the commission, to enter into a lease or agreement  
28 ~~and-related-security-enhancement-arrangements~~ and this section  
29 is not a qualification of any other powers which a public  
30 agency may possess and the authorizations and powers granted  
31 under this section are not subject to the terms, requirements,  
32 or limitations of any other provisions of law, except that  
33 state agencies must comply with the provisions of section  
34 12.28 when entering into financing agreements for the purchase  
35 of real or personal property. All moneys received by the

1 commission from agreements and leases entered into pursuant to  
2 this section with private and public agencies shall be  
3 deposited in the Iowa communications network fund.

4 Sec. 3. NEW SECTION. 12.28 CENTRALIZED FINANCING FOR  
5 STATE AGENCY PURCHASE OF REAL AND PERSONAL PROPERTY.

6 1. As used in this section, unless the context otherwise  
7 requires:

8 a. "Financing agreement" means any lease, lease-purchase  
9 agreement, or installment acquisition contract in which the  
10 lessee may purchase the leased property at a price which is  
11 less than the fair market value of the property at the end of  
12 the lease term, or any lease, agreement, or transaction which  
13 would be considered under criteria established by the Internal  
14 Revenue Service to be a conditional sale agreement for tax  
15 purposes.

16 b. "State agency" means a board, commission, bureau,  
17 division, office, department, or branch of state government.  
18 However, state agency does not mean the state board of  
19 regents, institutions governed by the board of regents, or  
20 authorities created under chapter 16, 16A, 175, 257C, 261A, or  
21 327I.

22 2. The treasurer of state shall have sole authority to  
23 enter into financing agreements on behalf of state agencies.  
24 The treasurer of state may enter into financing agreements,  
25 including master lease-purchase agreements, for the purpose of  
26 funding state agency requests for the financing of real or  
27 personal property, wherever located within the state,  
28 including equipment, buildings, facilities, and structures, or  
29 additions or improvements to existing buildings, facilities,  
30 and structures. Subject to the selection procedures of  
31 section 12.30, the treasurer may employ financial consultants,  
32 banks, trustees, insurers, underwriters, accountants,  
33 attorneys, and other advisors or consultants as necessary to  
34 implement the provisions of this section. The costs of  
35 professional services and any other costs of entering into the

1 financing agreements may be included in the financing  
2 agreement as a cost of the property being financed.

3 3. The financing agreement may provide for ultimate  
4 ownership of the property by the state. Title to all property  
5 acquired in this manner shall be taken and held in the name of  
6 the state. The state shall be the lessee or contracting party  
7 under all financing agreements entered into pursuant to this  
8 section. The financing agreements may contain provisions  
9 pertaining, but not limited to, interest, term, prepayment,  
10 and the state's obligation to make payments on the financing  
11 agreement beyond the current budget year subject to  
12 availability of appropriations. All projects financed under  
13 this section shall be deemed to be for an essential  
14 governmental purpose.

15 4. The treasurer of state may contract for additional  
16 security or liquidity for a financing agreement and may enter  
17 into agreements for letters of credit, lines of credit,  
18 insurance, or other forms of security with respect to rental  
19 and other payments due under a financing agreement. Fees for  
20 the costs of additional security or liquidity are a cost of  
21 entering into the financing agreement and may be paid from  
22 funds annually appropriated by the general assembly to the  
23 state agency for which the property is being obtained, from  
24 other funds legally available, or from proceeds of the  
25 financing agreement. The provision of a financing agreement  
26 which provides that a portion of the periodic rental or lease  
27 payment be applied as interest is subject to chapter 74A.  
28 Other laws relating to interest rates do not apply. Chapter  
29 75 does not apply to financing agreements entered into  
30 pursuant to this section.

31 5. Payments and other costs due under financing agreements  
32 entered into pursuant to this section shall be payable from  
33 funds annually appropriated by the general assembly to the  
34 state agency for which the property is being obtained or from  
35 other funds legally available. Funds to meet payments due

1 under financing agreements shall be transferred to the  
2 treasurer of state at least three days prior to the date the  
3 payment is due to be deposited into a financing agreement  
4 payment fund hereby created in the office of the treasurer of  
5 state. The treasurer of state shall make the payment owing  
6 under the financing agreements according to the payment  
7 schedule included in the financing agreements.

8     6. The maximum principal amount of financing agreements  
9 which the treasurer of state can enter into shall be one  
10 million dollars per state agency in a fiscal year, subject to  
11 the requirements of section 8.46. For the fiscal year, the  
12 treasurer of state shall not enter into more than one million  
13 dollars of financing agreements per state agency, not  
14 considering interest expense. However, the treasurer of state  
15 may enter into financing agreements in excess of the one  
16 million dollar per agency per fiscal year limit if a  
17 constitutional majority of each house of the general assembly,  
18 or the legislative council if the general assembly is not in  
19 session, and the governor, authorize the treasurer of state to  
20 enter into additional financing agreements above the one  
21 million dollar authorization contained in this section. The  
22 treasurer of state shall not enter into a financing agreement  
23 for real or personal property which is to be constructed for  
24 use as a prison or prison-related facility without prior  
25 authorization by a constitutional majority of each house of  
26 the general assembly and approval by the governor of the use,  
27 location, and maximum cost, not including interest expense, of  
28 the real or personal property to be financed.

29     7. The treasurer of state shall decide upon the most  
30 economical method of financing a state agency's request for  
31 funds. The treasurer of state may utilize master lease-  
32 purchase agreements, issue certificates of participation in  
33 lease-purchase agreements, or use any other financing method  
34 or method of sale which the treasurer believes will provide  
35 savings to the state in issuance or interest costs.

1 8. A financing agreement to which the state is a party is  
2 an obligation of the state for purposes of chapters 502 and  
3 636, and is a lawful investment for banks, trust companies,  
4 building and loan associations, savings and loan associations,  
5 investments companies, insurance companies, insurance  
6 associations, executors, guardians, trustees, and other  
7 fiduciaries responsible for the investment of funds.

8 9. Publication of any notice, whether under section 73A.12  
9 or otherwise, and other or further proceedings with respect to  
10 the financing agreements referred to in this section are not  
11 required except as set forth in this section, notwithstanding  
12 any provisions of other statutes of the state to the contrary.

13 Sec. 4. Section 18.12, subsection 10, Code Supplement  
14 1995, is amended to read as follows:

15 10. ~~On-behalf-of-the-department,-enter-into-lease-purchase~~  
16 ~~contracts-for-real-or-personal-property,-wherever-located~~  
17 ~~within-the-state,-to-be-used-for-buildings,-facilities,-and~~  
18 ~~structures,-or-for-additions-or-improvements-to-existing~~  
19 ~~buildings,-facilities,-and-structures,-to-carry-out-the~~  
20 ~~provisions-of-this-section-or-for-the-proper-use-and-benefit~~  
21 ~~of-the-state-and-its-state-agencies-on-the-following-terms-and~~  
22 ~~conditions:~~

23 a. ~~The~~ Unless otherwise provided by law, the director  
24 shall coordinate the location, design, plans and  
25 specifications, construction, and ultimate use of the real or  
26 personal property ~~lease-purchased-with-the~~ to be purchased by  
27 a state agency for whose benefit and use the property is being  
28 ~~obtained and-the-terms-and-conditions-of-the-lease-purchase~~  
29 ~~contract-with-both-the-state-agency-for-whose-benefit-and-use~~  
30 ~~the-property-is-being-obtained-and-the-treasurer-of-state.~~ If  
31 the purchase of real or personal property is to be financed  
32 pursuant to section 12.28, the department shall cooperate with  
33 the treasurer of state in providing the information necessary  
34 to complete the financing of the property. Upon awarding the  
35 contract for construction of a building or for site



1 development, the director shall have sole authority to  
2 administer the contract.

3 ~~b.--The lease-purchase contract may provide for ultimate  
4 ownership of the property by the state.--Title to all property  
5 acquired in this manner shall be taken and held in the name of  
6 the state.--The state shall be the lessee or contracting party  
7 under all lease-purchase contracts entered into pursuant to  
8 this section.--The lease-purchase contract may contain  
9 provisions similar to provisions customarily found in lease-  
10 purchase contracts between private persons, including, but not  
11 limited to, provisions prohibiting the acquisition or use by  
12 the lessee of competing property or property in substitution  
13 for the lease-purchased property, obligating the lessee to pay  
14 costs of operation, maintenance, insurance, and taxes relating  
15 to the property, and permitting the lessor to retain a  
16 security interest in the property lease-purchased, until title  
17 passes to the state, which may be assigned or pledged by the  
18 lessor.--The director may contract for additional security or  
19 liquidity for a lease-purchase contract and may enter into  
20 agreements for letters of credit, lines of credit, insurance,  
21 or other forms of security with respect to rental and other  
22 payments due under a lease-purchase contract.--Fees for the  
23 costs of additional security or liquidity are a cost of  
24 entering into the lease-purchase contract and may be paid from  
25 funds annually appropriated by the general assembly to the  
26 state agency for which the property is being obtained or from  
27 other funds legally available.--The lease-purchase contract  
28 may include the costs of entering into the lease-purchase  
29 contract as a cost of the lease-purchased property.--The  
30 provision of a lease-purchase contract which provides that a  
31 portion of the periodic rental payment be applied as interest  
32 is subject to chapter 74A.--Other laws relating to interest  
33 rates do not apply.--Chapter 75 does not apply to lease-  
34 purchase contracts entered into pursuant to this section.  
35 Rental and other costs due under lease-purchase contracts~~

1 entered-into-pursuant-to-this-section-shall-be-payable-from  
2 funds-annually-appropriated-by-the-general-assembly-to-the  
3 state-agency-for-which-the-property-is-being-obtained-or-from  
4 other-funds-legally-available.

5 c.--A-lease-purchase-contract-to-which-the-state-is-a-party  
6 is-an-obligation-of-a-state-for-purposes-of-chapters-502-and  
7 6367-and-is-a-lawful-investment-for-banks7-trust-companies7  
8 building-and-loan-associations7-savings-and-loan-associations7  
9 investment-companies7-insurance-companies7-insurance  
10 associations7-executors7-guardians7-trustees7-and-other  
11 fiduciaries-responsible-for-the-investment-of-funds7

12 d.--The-director-shall-not-enter-into-lease-purchase  
13 contracts-pursuant-to-this-section-without-prior-authorization  
14 by-a-constitutional-majority-of-each-house-of-the-general  
15 assembly-and-approval-by-the-governor-of-the-use7-location7  
16 and-maximum-cost7-not-including-interest-expense7-of-the-real  
17 or-personal-property-to-be-lease-purchased.--However7-the  
18 director-shall-not-enter-into-a-lease-purchase-contract-for  
19 real-or-personal-property-which-is-to-be-constructed-for-use  
20 as-a-prison-or-prison-related-facility-without-prior  
21 authorization-by-a-constitutional-majority-of-each-house-of  
22 the-general-assembly-and-approval-by-the-governor-of-the-use7  
23 location7-and-maximum-cost7-not-including-interest-expense7-of  
24 the-real-or-personal-property-to-be-lease-purchased-and-with  
25 the-construction-in-accordance-with-space-needs-as-established  
26 by-an-independent-study-of-space-needs-authorized-by-the  
27 general-assembly7

28 e. A contract for acquisition, construction, erection,  
29 demolition, alteration, or repair by a private person of real  
30 or personal property to be lease-purchased by the director  
31 treasurer of state pursuant to this section 12.28 is exempt  
32 from section 18.6, subsections 1 and 9, unless the lease-  
33 purchase contract is funded in advance by a deposit of the  
34 lessor's moneys to be administered by the director treasurer  
35 of state under a lease-purchase contract which requires rent

1 payments to commence upon delivery of the lessor's moneys to  
2 the lessee.

3 ~~This subsection provides an alternative and independent~~  
4 ~~method for carrying out projects under this chapter and for~~  
5 ~~entering into lease-purchase contracts in connection with the~~  
6 ~~projects, without reference to any other statute, and is not~~  
7 ~~an amendment of or subject to the provision of any other law.~~  
8 ~~No publication of any notice, whether under section 73A.12 or~~  
9 ~~otherwise, and no other or further proceedings with respect to~~  
10 ~~the lease-purchase contracts referred to in this section are~~  
11 ~~required except as set forth in this section, any provisions~~  
12 ~~of other statutes of the state to the contrary~~  
13 ~~notwithstanding.~~

14 For purposes of this subsection and subsection 12, "state  
15 agency" means a board, commission, bureau, division, office,  
16 department, or branch of state government.

17 Sec. 5. REPEAL. Section 18.23, Code 1995, is repealed.

18 EXPLANATION

19 This bill creates new section 12.28 which provides sole  
20 authority for the treasurer of state to enter into lease-  
21 purchase agreements or financing agreements for the financing  
22 of real or personal property to be purchased by a state  
23 agency. The bill removes language from section 18.12,  
24 subsection 10, which authorizes the director of the department  
25 of general services to enter into lease-purchase agreements  
26 for the financing of real or personal property on behalf of  
27 state agencies, and reinserts similar language in chapter 12  
28 authorizing the treasurer of state to serve as the sole state  
29 official authorized to enter into financing agreements  
30 allowing the purchase of real or personal property for state  
31 agencies. The bill provides, however, that a state agency  
32 does not include the state board of regents and its  
33 institutions, the Iowa finance authority, the economic  
34 protective and investment authority, the agricultural  
35 development authority, the Iowa advance funding authority, the

1 higher education loan authority, and the railway finance  
2 authority.

3 The bill provides for establishing a financing agreement  
4 payment fund in the treasurer of state's office into which  
5 state agencies would transfer the required payments. State  
6 agencies would transfer moneys to the fund three days prior to  
7 the due date so the treasurer can ensure that payments are  
8 made on time.

9 The bill further provides that the treasurer of state would  
10 be prohibited from entering into more than \$1 million of  
11 financing agreements per state agency per fiscal year.  
12 However, the treasurer of state could enter into financing  
13 agreements above the \$1 million limit if the general assembly,  
14 or the legislative council if the general assembly is not in  
15 session, and the governor authorized the additional amount for  
16 a state agency.

17 The treasurer of state would have the discretion to  
18 determine the most economical method of financing a state  
19 agency's request for funds, and would be permitted to use  
20 master lease-purchase agreements, issue certificates of  
21 participation, or use any other financing method or method of  
22 sale which the treasurer believes will provide savings to the  
23 state in issuance or interest costs.

24 Section 18.23 authorizing the lease-purchase of  
25 improvements to the state capitol building is repealed.

26 The bill amends section 8D.11 to provide that financing  
27 agreements for the purchase of real or personal property  
28 associated with the Iowa communications network by the Iowa  
29 technology and telecommunications commission or a state agency  
30 would also be subject to the provisions of this bill.

31 The bill amends section 8.46 to provide for legislative  
32 council or general assembly approval, in addition to approval  
33 by the governor, for state agencies seeking financing in  
34 excess of \$50,000 if the legislative fiscal committee  
35 recommends, within 30 days of receiving notice of the proposed

1 financing, that the financing be rejected.

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MARCH 13, 1996 Page 23

**SENATE FILE 2366  
FISCAL NOTE**

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A fiscal note for Senate File 2366 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

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Senate File 2366 provides sole authority for the Treasurer of State to enter into lease-purchase agreements or financing agreements for the financing of real or personal property to be purchased by a State agency. The Bill also establishes a Financing Agreement Payment Fund in the Treasurer's Office into which State agencies would transfer required payments. The Bill further provides that the Treasurer would be prohibited from entering into more than \$1.0 million of financing agreements per State agency per fiscal year, unless approved by the General Assembly or the Legislative Council, and the Governor. The Bill requires General Assembly or Legislative Council approval, and the Governor, for State agencies seeking financing over \$50,000 if the Legislative Fiscal Committee recommends rejection of the proposal within 30 days after receiving notice of the proposal.

**ASSUMPTIONS**

No additional administrative costs will be incurred by the State Treasurer's Office.

**FISCAL IMPACT**

The fiscal impact of SF 2366 cannot be determined. In the past, State agencies have entered into lease-purchase agreements, resulting in the following situations:

1. Agencies not monitoring compliance with federal tax regulations related to tax-exempt obligations, resulting in the possibility of assessed penalties.
2. Agencies paying bills late, resulting in the possibility of assessed penalties and loss of goodwill to the State.
3. Agencies paying bills early, resulting in lost interest to the State.

The Treasurer's Office will monitor compliance with federal tax regulations and will pay bills on a timely basis alleviating the above problems and resulting in potential savings to the State.

**SOURCE**

Office of the Treasurer of State

(LSB 3762sv, LDC)

FILED MARCH 12, 1996

BY DENNIS PROUDY, FISCAL DIRECTOR

SENATE FILE 2366

S-5304

1 Amend Senate File 2366 as follows:

2 1. By striking page 5, line 35, through page 6,  
3 line 7, and inserting the following: "other funds  
4 legally available. The treasurer of state, in  
5 cooperation with the department of revenue and  
6 finance, shall implement procedures to ensure that  
7 state agencies are timely in making payments due under  
8 the financing agreements."

By MICHAEL E. GRONSTAL

( P. 833 )  
*adopted 3/12/96*  
S-5304 FILED MARCH 12, 1996

SENATE FILE 2366

S-5305

1 Amend Senate File 2366 as follows:

2 1. Page 6, line 28, by inserting after the word  
3 "financed." the following: "However, financing  
4 agreements for an energy conservation measure, as  
5 defined in section 7D.34, are exempt from the  
6 provisions of this subsection and section 8.46,  
7 subsection 2A, but are subject to the requirements of  
8 section 7D.34 or 473.20A."

By MICHAEL GRONSTAL

*adopted 3/12/96*

( P. 833 )

SENATE FILE 2366

S-5340

1 Amend the amendment, S-5305, to Senate File 2366,  
2 as follows:

3 1. Page 1, line 8, by inserting after the figure  
4 "473.20A." the following: "In addition, financing  
5 agreements funded through the materials and equipment  
6 revolving fund established in section 307.47 are  
7 exempt from the provisions of this subsection and  
8 section 8.46, subsection 2A."

By MICHAEL E. GRONSTAL  
RICHARD F. DRAKE

S-5340 FILED MARCH 13, 1996

*adopted 3-18-96*

( P. 833 )





1 Section 1. Section 8.46, Code Supplement 1995, is amended  
2 to read as follows:

3 8.46 LEASE-PURCHASE -- REPORTING -- APPROVAL.

4 1. For the purposes of this section, unless the context  
5 otherwise requires:

6 a. "Installment acquisition" includes, but is not limited  
7 to, an arrangement in which title of ownership passes when the  
8 first installment payment is made.

9 b. "Lease-purchase arrangement" includes, but is not  
10 limited to, an arrangement in which title of ownership passes  
11 when the final installment payment is made.

12 c. "State agency" means any executive, judicial, or  
13 legislative department, commission, board, institution,  
14 division, bureau, office, agency, or other entity of state  
15 government.

16 2. At least thirty days prior to entering into a contract  
17 involving a lease-purchase or installment acquisition  
18 arrangement in which any part or the total amount of the  
19 contract is at least fifty thousand dollars, a state agency  
20 shall notify the legislative fiscal bureau concerning the  
21 contract. The legislative fiscal bureau shall compile the  
22 notifications for submission to the legislative fiscal  
23 committee of the legislative council. The notification is  
24 required regardless of the source of payment for the lease-  
25 purchase or installment acquisition arrangement. The  
26 notification shall include all of the following information:

27 a. A description of the object of the lease-purchase or  
28 installment acquisition arrangement.

29 b. The proposed terms of the contract.

30 c. The cost of the contract, including principal and  
31 interest costs. If the actual cost of a contract is not known  
32 at least thirty days prior to entering into the contract, the  
33 state agency shall estimate the principal and interest costs  
34 for the contract.

35 d. An identification of the means and source of payment of

1 the contract.

2 e. An analysis of consequences of delaying or abandoning  
3 the commencement of the contract.

4 2A. If the legislative fiscal committee recommends  
5 rejection of a contract for a lease-purchase arrangement or  
6 installment acquisition within thirty days of the receipt by  
7 the legislative fiscal bureau of the notification required by  
8 this section, a contract shall not be entered into unless a  
9 constitutional majority of each house of the general assembly,  
10 or the legislative council if the general assembly is not in  
11 session, and the governor, approve the contract.

12 3. The legislative fiscal committee shall report to the  
13 legislative council concerning the notifications it receives  
14 pursuant to this section.

15 Sec. 2. Section 8D.11, subsection 1, Code 1995, is amended  
16 to read as follows:

17 1. The commission may purchase, ~~lease-purchase~~, lease, and  
18 improve property, equipment, and services for  
19 telecommunications for public and private agencies and may  
20 dispose of property and equipment when not necessary for its  
21 purposes. However, the commission shall not enter into a  
22 contract for the purchase, ~~lease-purchase~~, lease, or  
23 improvement of property, equipment, or services for  
24 telecommunications pursuant to this subsection in an amount  
25 greater than five hundred thousand dollars without prior  
26 authorization by a constitutional majority of each house of  
27 the general assembly, or approval by the legislative council  
28 if the general assembly is not in session. The commission  
29 shall not issue any bonding or other long-term financing  
30 arrangements as defined in section 12.30, subsection 1,  
31 paragraph "b". Real or personal property to be purchased by  
32 the commission or a state agency through the use of a  
33 financing agreement shall be done in accordance with the  
34 provisions of section 12.28, provided, however, that the  
35 commission or state agency shall not purchase property,

1 equipment, or services for telecommunications pursuant to this  
2 subsection in an amount greater than five hundred thousand  
3 dollars without prior authorization by a constitutional  
4 majority of each house of the general assembly, or approval by  
5 the legislative council if the general assembly is not in  
6 session.

7 1A. The commission also shall not provide or resell  
8 communications services to entities other than public and  
9 private agencies. The public or private agency shall not  
10 provide communication services of the network to another  
11 entity unless otherwise authorized pursuant to this chapter.  
12 The commission may arrange for joint use of available services  
13 and facilities, and may enter into leases and agreements with  
14 private and public agencies with respect to the Iowa  
15 communications network, and public agencies are authorized to  
16 enter into leases and agreements with respect to the network  
17 for their use and operation. Rentals and other amounts due  
18 under the agreements or leases entered into pursuant to this  
19 section by a state agency are payable from funds annually  
20 appropriated by the general assembly or from other funds  
21 legally available. Other public agencies may pay the rental  
22 costs and other amounts due under an agreement or lease from  
23 their annual budgeted funds or other funds legally available  
24 or to become available.

25 1B. This section comprises a complete and independent  
26 authorization and procedure for a public agency, with the  
27 approval of the commission, to enter into a lease or agreement  
28 ~~and-related-security-enhancement-arrangements~~ and this section  
29 is not a qualification of any other powers which a public  
30 agency may possess and the authorizations and powers granted  
31 under this section are not subject to the terms, requirements,  
32 or limitations of any other provisions of law, except that  
33 state agencies must comply with the provisions of section  
34 12.28 when entering into financing agreements for the purchase  
35 of real or personal property. All moneys received by the

1 commission from agreements and leases entered into pursuant to  
2 this section with private and public agencies shall be  
3 deposited in the Iowa communications network fund.

4 Sec. 3. NEW SECTION. 12.28 CENTRALIZED FINANCING FOR  
5 STATE AGENCY PURCHASE OF REAL AND PERSONAL PROPERTY.

6 1. As used in this section, unless the context otherwise  
7 requires:

8 a. "Financing agreement" means any lease, lease-purchase  
9 agreement, or installment acquisition contract in which the  
10 lessee may purchase the leased property at a price which is  
11 less than the fair market value of the property at the end of  
12 the lease term, or any lease, agreement, or transaction which  
13 would be considered under criteria established by the Internal  
14 Revenue Service to be a conditional sale agreement for tax  
15 purposes.

16 b. "State agency" means a board, commission, bureau,  
17 division, office, department, or branch of state government.  
18 However, state agency does not mean the state board of  
19 regents, institutions governed by the board of regents, or  
20 authorities created under chapter 16, 16A, 175, 257C, 261A, or  
21 327I.

22 2. The treasurer of state shall have sole authority to  
23 enter into financing agreements on behalf of state agencies.  
24 The treasurer of state may enter into financing agreements,  
25 including master lease-purchase agreements, for the purpose of  
26 funding state agency requests for the financing of real or  
27 personal property, wherever located within the state,  
28 including equipment, buildings, facilities, and structures, or  
29 additions or improvements to existing buildings, facilities,  
30 and structures. Subject to the selection procedures of  
31 section 12.30, the treasurer may employ financial consultants,  
32 banks, trustees, insurers, underwriters, accountants,  
33 attorneys, and other advisors or consultants as necessary to  
34 implement the provisions of this section. The costs of  
35 professional services and any other costs of entering into the

1 financing agreements may be included in the financing  
2 agreement as a cost of the property being financed.

3 3. The financing agreement may provide for ultimate  
4 ownership of the property by the state. Title to all property  
5 acquired in this manner shall be taken and held in the name of  
6 the state. The state shall be the lessee or contracting party  
7 under all financing agreements entered into pursuant to this  
8 section. The financing agreements may contain provisions  
9 pertaining, but not limited to, interest, term, prepayment,  
10 and the state's obligation to make payments on the financing  
11 agreement beyond the current budget year subject to  
12 availability of appropriations. All projects financed under  
13 this section shall be deemed to be for an essential  
14 governmental purpose.

15 4. The treasurer of state may contract for additional  
16 security or liquidity for a financing agreement and may enter  
17 into agreements for letters of credit, lines of credit,  
18 insurance, or other forms of security with respect to rental  
19 and other payments due under a financing agreement. Fees for  
20 the costs of additional security or liquidity are a cost of  
21 entering into the financing agreement and may be paid from  
22 funds annually appropriated by the general assembly to the  
23 state agency for which the property is being obtained, from  
24 other funds legally available, or from proceeds of the  
25 financing agreement. The provision of a financing agreement  
26 which provides that a portion of the periodic rental or lease  
27 payment be applied as interest is subject to chapter 74A.  
28 Other laws relating to interest rates do not apply. Chapter  
29 75 does not apply to financing agreements entered into  
30 pursuant to this section.

31 5. Payments and other costs due under financing agreements  
32 entered into pursuant to this section shall be payable from  
33 funds annually appropriated by the general assembly to the  
34 state agency for which the property is being obtained or from  
35 other funds legally available. The treasurer of state, in

1 cooperation with the department of revenue and finance, shall  
2 implement procedures to ensure that state agencies are timely  
3 in making payments due under the financing agreements.

4 6. The maximum principal amount of financing agreements  
5 which the treasurer of state can enter into shall be one  
6 million dollars per state agency in a fiscal year, subject to  
7 the requirements of section 8.46. For the fiscal year, the  
8 treasurer of state shall not enter into more than one million  
9 dollars of financing agreements per state agency, not  
10 considering interest expense. However, the treasurer of state  
11 may enter into financing agreements in excess of the one  
12 million dollar per agency per fiscal year limit if a  
13 constitutional majority of each house of the general assembly,  
14 or the legislative council if the general assembly is not in  
15 session, and the governor, authorize the treasurer of state to  
16 enter into additional financing agreements above the one  
17 million dollar authorization contained in this section. The  
18 treasurer of state shall not enter into a financing agreement  
19 for real or personal property which is to be constructed for  
20 use as a prison or prison-related facility without prior  
21 authorization by a constitutional majority of each house of  
22 the general assembly and approval by the governor of the use,  
23 location, and maximum cost, not including interest expense, of  
24 the real or personal property to be financed. However,  
25 financing agreements for an energy conservation measure, as  
26 defined in section 7D.34, are exempt from the provisions of  
27 this subsection and section 8.46, subsection 2A, but are  
28 subject to the requirements of section 7D.34 or 473.20A. In  
29 addition, financing agreements funded through the materials  
30 and equipment revolving fund established in section 307.47 are  
31 exempt from the provisions of this subsection and section  
32 8.46, subsection 2A.

33 7. The treasurer of state shall decide upon the most  
34 economical method of financing a state agency's request for  
35 funds. The treasurer of state may utilize master lease-

1 purchase agreements, issue certificates of participation in  
2 lease-purchase agreements, or use any other financing method  
3 or method of sale which the treasurer believes will provide  
4 savings to the state in issuance or interest costs.

5 8. A financing agreement to which the state is a party is  
6 an obligation of the state for purposes of chapters 502 and  
7 636, and is a lawful investment for banks, trust companies,  
8 building and loan associations, savings and loan associations,  
9 investments companies, insurance companies, insurance  
10 associations, executors, guardians, trustees, and other  
11 fiduciaries responsible for the investment of funds.

12 9. Publication of any notice, whether under section 73A.12  
13 or otherwise, and other or further proceedings with respect to  
14 the financing agreements referred to in this section are not  
15 required except as set forth in this section, notwithstanding  
16 any provisions of other statutes of the state to the contrary.

17 Sec. 4. Section 18.12, subsection 10, Code Supplement  
18 1995, is amended to read as follows:

19 10. ~~On-behalf-of-the-department, enter-into-lease-purchase~~  
20 ~~contracts-for-real-or-personal-property, wherever-located~~  
21 ~~within-the-state, to-be-used-for-buildings, facilities, and~~  
22 ~~structures, or-for-additions-or-improvements-to-existing~~  
23 ~~buildings, facilities, and-structures, to-carry-out-the~~  
24 ~~provisions-of-this-section-or-for-the-proper-use-and-benefit~~  
25 ~~of-the-state-and-its-state-agencies-on-the-following-terms-and~~  
26 ~~conditions:~~

27 ~~a. The~~ Unless otherwise provided by law, the director  
28 shall coordinate the location, design, plans and  
29 specifications, construction, and ultimate use of the real or  
30 personal property ~~lease-purchased-with-the~~ to be purchased by  
31 a state agency for whose benefit and use the property is being  
32 ~~obtained and-the-terms-and-conditions-of-the-lease-purchase~~  
33 ~~contract-with-both-the-state-agency-for-whose-benefit-and-use~~  
34 ~~the-property-is-being-obtained-and-the-treasurer-of-state. If~~  
35 the purchase of real or personal property is to be financed

1 pursuant to section 12.28, the department shall cooperate with  
2 the treasurer of state in providing the information necessary  
3 to complete the financing of the property. Upon awarding the  
4 contract for construction of a building or for site  
5 development, the director shall have sole authority to  
6 administer the contract.

7 ~~b.--The lease-purchase contract may provide for ultimate~~  
8 ~~ownership of the property by the state.--Title to all property~~  
9 ~~acquired in this manner shall be taken and held in the name of~~  
10 ~~the state.--The state shall be the lessee or contracting party~~  
11 ~~under all lease-purchase contracts entered into pursuant to~~  
12 ~~this section.--The lease-purchase contract may contain~~  
13 ~~provisions similar to provisions customarily found in lease-~~  
14 ~~purchase contracts between private persons, including, but not~~  
15 ~~limited to, provisions prohibiting the acquisition or use by~~  
16 ~~the lessee of competing property or property in substitution~~  
17 ~~for the lease-purchased property, obligating the lessee to pay~~  
18 ~~costs of operation, maintenance, insurance, and taxes relating~~  
19 ~~to the property, and permitting the lessor to retain a~~  
20 ~~security interest in the property lease-purchased, until title~~  
21 ~~passes to the state, which may be assigned or pledged by the~~  
22 ~~lessor.--The director may contract for additional security or~~  
23 ~~liquidity for a lease-purchase contract and may enter into~~  
24 ~~agreements for letters of credit, lines of credit, insurance,~~  
25 ~~or other forms of security with respect to rental and other~~  
26 ~~payments due under a lease-purchase contract.--Fees for the~~  
27 ~~costs of additional security or liquidity are a cost of~~  
28 ~~entering into the lease-purchase contract and may be paid from~~  
29 ~~funds annually appropriated by the general assembly to the~~  
30 ~~state agency for which the property is being obtained or from~~  
31 ~~other funds legally available.--The lease-purchase contract~~  
32 ~~may include the costs of entering into the lease-purchase~~  
33 ~~contract as a cost of the lease-purchased property.--The~~  
34 ~~provision of a lease-purchase contract which provides that a~~  
35 ~~portion of the periodic rental payment be applied as interest~~



1 is subject to chapter 74A. Other laws relating to interest  
2 rates do not apply. Chapter 75 does not apply to lease  
3 purchase contracts entered into pursuant to this section.  
4 Rental and other costs due under lease purchase contracts  
5 entered into pursuant to this section shall be payable from  
6 funds annually appropriated by the general assembly to the  
7 state agency for which the property is being obtained or from  
8 other funds legally available.

9 c. A lease purchase contract to which the state is a party  
10 is an obligation of a state for purposes of chapters 502 and  
11 636, and is a lawful investment for banks, trust companies,  
12 building and loan associations, savings and loan associations,  
13 investment companies, insurance companies, insurance  
14 associations, executors, guardians, trustees, and other  
15 fiduciaries responsible for the investment of funds.

16 d. The director shall not enter into lease purchase  
17 contracts pursuant to this section without prior authorization  
18 by a constitutional majority of each house of the general  
19 assembly and approval by the governor of the use, location,  
20 and maximum cost, not including interest expense, of the real  
21 or personal property to be lease purchased. However, the  
22 director shall not enter into a lease purchase contract for  
23 real or personal property which is to be constructed for use  
24 as a prison or prison-related facility without prior  
25 authorization by a constitutional majority of each house of  
26 the general assembly and approval by the governor of the use,  
27 location, and maximum cost, not including interest expense, of  
28 the real or personal property to be lease purchased and with  
29 the construction in accordance with space needs as established  
30 by an independent study of space needs authorized by the  
31 general assembly.

32 e. A contract for acquisition, construction, erection,  
33 demolition, alteration, or repair by a private person of real  
34 or personal property to be lease purchased by the director  
35 treasurer of state pursuant to this section 12.28 is exempt

1 from section 18.6, subsections 1 and 9, unless the lease-  
2 purchase contract is funded in advance by a deposit of the  
3 lessor's moneys to be administered by the director treasurer  
4 of state under a lease-purchase contract which requires rent  
5 payments to commence upon delivery of the lessor's moneys to  
6 the lessee.

7 ~~This subsection provides an alternative and independent~~  
8 ~~method for carrying out projects under this chapter and for~~  
9 ~~entering into lease-purchase contracts in connection with the~~  
10 ~~projects, without reference to any other statute, and is not~~  
11 ~~an amendment of or subject to the provision of any other law.~~  
12 ~~No publication of any notice, whether under section 73A.12 or~~  
13 ~~otherwise, and no other or further proceedings with respect to~~  
14 ~~the lease-purchase contracts referred to in this section are~~  
15 ~~required except as set forth in this section, any provisions~~  
16 ~~of other statutes of the state to the contrary~~  
17 ~~notwithstanding.~~

18 For purposes of this subsection and subsection 12, "state  
19 agency" means a board, commission, bureau, division, office,  
20 department, or branch of state government.

21 Sec. 5. REPEAL. Section 18.23, Code 1995, is repealed.

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## SENATE FILE 2366

H-5915

1 Amend Senate File 2366, as amended, passed, and  
2 reprinted by the Senate, as follows:

3 1. By striking page 1, line 1, through page 2,  
4 line 14.

5 2. Page 2, line 25, by striking the words "five  
6 hundred thousand" and inserting the following: "five  
7 hundred-thousand one million".

8 3. Page 2, line 32, by striking the words "or a  
9 state agency".

10 4. Page 2, line 35, by striking the words "or  
11 state agency".

12 5. Page 3, line 2, by striking the words "five  
13 hundred thousand" and inserting the following: "one  
14 million".

15 6. Page 3, line 33, by striking the words "state  
16 agencies" and inserting the following: "the  
17 commission".

18 7. Page 6, line 27, by striking the words and  
19 figures "and section 8.46, subsection 2A".

20 8. Page 6, lines 31 and 32, by striking the words  
21 "and section 8.46, subsection 2A".

22 9. Page 10, line 18, by striking the word "For"  
23 and inserting the following: "For Unless the context  
24 otherwise requires, for".

5 10. By renumbering as necessary.

By BRADLEY of Clinton

H-5915 FILED APRIL 10, 1996

*Adopted 4-18-96 (p 1738)*

## SENATE FILE 2366

H-5610

1 Amend Senate File 2366, as amended, passed, and  
2 reprinted by the Senate, as follows:

3 1. Page 10, by striking line 21.

By GIPP of Winneshiek

H-5610 FILED MARCH 26, 1996

WITHDRAWN 4-18-96 (p. 1738)

HOUSE AMENDMENT TO  
SENATE FILE 2366

S-5815

1 Amend Senate File 2366, as amended, passed, and  
2 reprinted by the Senate, as follows:

3 1. By striking page 1, line 1, through page 2,  
4 line 14.

5 2. Page 2, line 25, by striking the words "five  
6 hundred thousand" and inserting the following: "five  
7 hundred-thousand one million".

8 3. Page 2, line 32, by striking the words "or a  
9 state agency".

10 4. Page 2, line 35, by striking the words "or  
11 state agency".

12 5. Page 3, line 2, by striking the words "five  
13 hundred thousand" and inserting the following: "one  
14 million".

15 6. Page 3, line 33, by striking the words "state  
16 agencies" and inserting the following: "the  
17 commission".

18 7. Page 6, line 27, by striking the words and  
19 figures "and section 8.46, subsection 2A".

20 8. Page 6, lines 31 and 32, by striking the words  
21 "and section 8.46, subsection 2A".

22 9. Page 10, line 18, by striking the word "For"  
23 and inserting the following: "For Unless the context  
24 otherwise requires, for".

25 10. By renumbering as necessary.

RECEIVED FROM THE HOUSE

(P. 1488)

*Senate Concurred 4/23/96*

S-5815 FILED APRIL 18, 1996

Gronstal  
Sorenson  
Drake

SSB-2314  
State Government  
Succeeded By  
(SF) HF 2366

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
STATE GOVERNMENT BILL BY  
CHAIRPERSON GRONSTAL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to lease-purchase agreements.

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

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1 Section 1. Section 8.46, Code Supplement 1995, is amended  
2 to read as follows:

3 8.46 LEASE-PURCHASE -- REPORTING -- APPROVAL.

4 1. For the purposes of this section, unless the context  
5 otherwise requires:

6 a. "Installment acquisition" includes, but is not limited  
7 to, an arrangement in which title of ownership passes when the  
8 first installment payment is made.

9 b. "Lease-purchase arrangement" includes, but is not  
10 limited to, an arrangement in which title of ownership passes  
11 when the final installment payment is made.

12 c. "State agency" means any executive, judicial, or  
13 legislative department, commission, board, institution,  
14 division, bureau, office, agency, or other entity of state  
15 government.

16 2. At least thirty days prior to entering into a contract  
17 involving a lease-purchase or installment acquisition  
18 arrangement in which any part or the total amount of the  
19 contract is at least fifty thousand dollars, a state agency  
20 shall notify the legislative fiscal bureau concerning the  
21 contract. The legislative fiscal bureau shall compile the  
22 notifications for submission to the legislative fiscal  
23 committee of the legislative council. The notification is  
24 required regardless of the source of payment for the lease-  
25 purchase or installment acquisition arrangement. The  
26 notification shall include all of the following information:

27 a. A description of the object of the lease-purchase or  
28 installment acquisition arrangement.

29 b. The proposed terms of the contract.

30 c. The cost of the contract, including principal and  
31 interest costs. If the actual cost of a contract is not known  
32 at least thirty days prior to entering into the contract, the  
33 state agency shall estimate the principal and interest costs  
34 for the contract.

35 d. An identification of the means and source of payment of

1 the contract.

2 e. An analysis of consequences of delaying or abandoning  
3 the commencement of the contract.

4 2A. If the legislative fiscal committee recommends  
5 rejection of a contract for a lease-purchase arrangement or  
6 installment acquisition within thirty days of the receipt by  
7 the legislative fiscal bureau of the notification required by  
8 this section, a contract shall not be entered into unless a  
9 constitutional majority of each house of the general assembly,  
10 or the legislative council if the general assembly is not in  
11 session, and the governor, approve the contract.

12 3. The legislative fiscal committee shall report to the  
13 legislative council concerning the notifications it receives  
14 pursuant to this section.

15 Sec. 2. Section 8D.11, subsection 1, Code 1995, is amended  
16 to read as follows:

17 1. The commission may purchase, ~~lease-purchase~~, lease, and  
18 improve property, equipment, and services for  
19 telecommunications for public and private agencies and may  
20 dispose of property and equipment when not necessary for its  
21 purposes. However, the commission shall not enter into a  
22 contract for the purchase, ~~lease-purchase~~, lease, or  
23 improvement of property, equipment, or services for  
24 telecommunications pursuant to this subsection in an amount  
25 greater than five hundred thousand dollars without prior  
26 authorization by a constitutional majority of each house of  
27 the general assembly, or approval by the legislative council  
28 if the general assembly is not in session. The commission  
29 shall not issue any bonding or other long-term financing  
30 arrangements as defined in section 12.30, subsection 1,  
31 paragraph "b". Real or personal property to be purchased by  
32 the commission or a state agency through the use of a  
33 financing agreement shall be done in accordance with the  
34 provisions of section 12.28, provided, however, that the  
35 commission or state agency shall not purchase property,

S.F. \_\_\_\_\_ H.F. \_\_\_\_\_

1 equipment, or services for telecommunications pursuant to this  
2 subsection in an amount greater than five hundred thousand  
3 dollars without prior authorization by a constitutional  
4 majority of each house of the general assembly, or approval by  
5 the legislative council if the general assembly is not in  
6 session.

7 1A. The commission also shall not provide or resell  
8 communications services to entities other than public and  
9 private agencies. The public or private agency shall not  
10 provide communication services of the network to another  
11 entity unless otherwise authorized pursuant to this chapter.  
12 The commission may arrange for joint use of available services  
13 and facilities, and may enter into leases and agreements with  
14 private and public agencies with respect to the Iowa  
15 communications network, and public agencies are authorized to  
16 enter into leases and agreements with respect to the network  
17 for their use and operation. Rentals and other amounts due  
18 under the agreements or leases entered into pursuant to this  
19 section by a state agency are payable from funds annually  
20 appropriated by the general assembly or from other funds  
21 legally available. Other public agencies may pay the rental  
22 costs and other amounts due under an agreement or lease from  
23 their annual budgeted funds or other funds legally available  
24 or to become available.

25 1B. This section comprises a complete and independent  
26 authorization and procedure for a public agency, with the  
27 approval of the commission, to enter into a lease or agreement  
28 ~~and-related-security-enhancement-arrangements~~ and this section  
29 is not a qualification of any other powers which a public  
30 agency may possess and the authorizations and powers granted  
31 under this section are not subject to the terms, requirements,  
32 or limitations of any other provisions of law, except that  
33 state agencies must comply with the provisions of section  
34 12.28 when entering into financing agreements for the purchase  
35 of real or personal property. All moneys received by the



1 commission from agreements and leases entered into pursuant to  
2 this section with private and public agencies shall be  
3 deposited in the Iowa communications network fund.

4 Sec. 3. NEW SECTION. 12.28 CENTRALIZED FINANCING FOR  
5 STATE AGENCY PURCHASE OF REAL AND PERSONAL PROPERTY.

6 1. As used in this section, unless the context otherwise  
7 requires:

8 a. "Financing agreement" means any lease, lease-purchase  
9 agreement, or installment acquisition contract in which the  
10 lessee may purchase the leased property at a price which is  
11 less than the fair market value of the property at the end of  
12 the lease term, or any lease, agreement, or transaction which  
13 would be considered under criteria established by the Internal  
14 Revenue Service to be a conditional sale agreement for tax  
15 purposes.

16 b. "State agency" means a board, commission, bureau,  
17 division, office, department, or branch of state government.  
18 However, state agency does not mean the state board of  
19 regents, institutions governed by the board of regents, or  
20 authorities created under chapter 16, 16A, 175, 257C, 261A, or  
21 327I.

22 2. The treasurer of state shall have sole authority to  
23 enter into financing agreements on behalf of state agencies.  
24 The treasurer of state may enter into financing agreements,  
25 including master lease-purchase agreements, for the purpose of  
26 funding state agency requests for the financing of real or  
27 personal property, wherever located within the state,  
28 including equipment, buildings, facilities, and structures, or  
29 additions or improvements to existing buildings, facilities,  
30 and structures. Subject to the selection procedures of  
31 section 12.30, the treasurer may employ financial consultants,  
32 banks, trustees, insurers, underwriters, accountants,  
33 attorneys, and other advisors or consultants as necessary to  
34 implement the provisions of this section. The costs of  
35 professional services and any other costs of entering into the

1 financing agreements may be included in the financing  
2 agreement as a cost of the property being financed.

3 3. The financing agreement may provide for ultimate  
4 ownership of the property by the state. Title to all property  
5 acquired in this manner shall be taken and held in the name of  
6 the state. The state shall be the lessee or contracting party  
7 under all financing agreements entered into pursuant to this  
8 section. The financing agreements may contain provisions  
9 pertaining, but not limited to, interest, term, prepayment,  
10 and the state's obligation to make payments on the financing  
11 agreement beyond the current budget year subject to  
12 availability of appropriations. All projects financed under  
13 this section shall be deemed to be for an essential  
14 governmental purpose.

15 4. The treasurer of state may contract for additional  
16 security or liquidity for a financing agreement and may enter  
17 into agreements for letters of credit, lines of credit,  
18 insurance, or other forms of security with respect to rental  
19 and other payments due under a financing agreement. Fees for  
20 the costs of additional security or liquidity are a cost of  
21 entering into the financing agreement and may be paid from  
22 funds annually appropriated by the general assembly to the  
23 state agency for which the property is being obtained, from  
24 other funds legally available, or from proceeds of the  
25 financing agreement. The provision of a financing agreement  
26 which provides that a portion of the periodic rental or lease  
27 payment be applied as interest is subject to chapter 74A.  
28 Other laws relating to interest rates do not apply. Chapter  
29 75 does not apply to financing agreements entered into  
30 pursuant to this section.

31 5. Payments and other costs due under financing agreements  
32 entered into pursuant to this section shall be payable from  
33 funds annually appropriated by the general assembly to the  
34 state agency for which the property is being obtained or from  
35 other funds legally available. Funds to meet payments due

1 under financing agreements shall be transferred to the  
2 treasurer of state at least three days prior to the date the  
3 payment is due to be deposited into a financing agreement  
4 payment fund hereby created in the office of the treasurer of  
5 state. The treasurer of state shall make the payment owing  
6 under the financing agreements according to the payment  
7 schedule included in the financing agreements.

8 6. The maximum principal amount of financing agreements  
9 which the treasurer of state can enter into shall be one  
10 million dollars per state agency in a fiscal year, subject to  
11 the requirements of section 8.46. For the fiscal year, the  
12 treasurer of state shall not enter into more than one million  
13 dollars of financing agreements per state agency, not  
14 considering interest expense. However, the treasurer of state  
15 may enter into financing agreements in excess of the one  
16 million dollar per agency per fiscal year limit if a  
17 constitutional majority of each house of the general assembly,  
18 or the legislative council if the general assembly is not in  
19 session, and the governor, authorize the treasurer of state to  
20 enter into additional financing agreements above the one  
21 million dollar authorization contained in this section. The  
22 treasurer of state shall not enter into a financing agreement  
23 for real or personal property which is to be constructed for  
24 use as a prison or prison-related facility without prior  
25 authorization by a constitutional majority of each house of  
26 the general assembly and approval by the governor of the use,  
27 location, and maximum cost, not including interest expense, of  
28 the real or personal property to be financed.

29 7. The treasurer of state shall decide upon the most  
30 economical method of financing a state agency's request for  
31 funds. The treasurer of state may utilize master lease-  
32 purchase agreements, issue certificates of participation in  
33 lease-purchase agreements, or use any other financing method  
34 or method of sale which the treasurer believes will provide  
35 savings to the state in issuance or interest costs.

1 8. A financing agreement to which the state is a party is  
2 an obligation of a state for purposes of chapters 502 and 636,  
3 and is a lawful investment for banks, trust companies,  
4 building and loan associations, savings and loan associations,  
5 investments companies, insurance companies, insurance  
6 associations, executors, guardians, trustees, and other  
7 fiduciaries responsible for the investment of funds.

8 9. Publication of any notice, whether under section 73A.12  
9 or otherwise, and other or further proceedings with respect to  
10 the financing agreements referred to in this section are not  
11 required except as set forth in this section, notwithstanding  
12 any provisions of other statutes of the state to the contrary.

13 Sec. 4. Section 18.12, subsection 10, Code Supplement  
14 1995, is amended to read as follows:

15 10. ~~On-behalf-of-the-department,-enter-into-lease-purchase~~  
16 ~~contracts-for-real-or-personal-property,-wherever-located~~  
17 ~~within-the-state,-to-be-used-for-buildings,-facilities,-and~~  
18 ~~structures,-or-for-additions-or-improvements-to-existing~~  
19 ~~buildings,-facilities,-and-structures,-to-carry-out-the~~  
20 ~~provisions-of-this-section-or-for-the-proper-use-and-benefit~~  
21 ~~of-the-state-and-its-state-agencies-on-the-following-terms-and~~  
22 ~~conditions:~~

23 a. ~~The~~ Unless otherwise provided by law, the director  
24 shall coordinate the location, design, plans and  
25 specifications, construction, and ultimate use of the real or  
26 personal property ~~lease-purchased-with-the~~ to be purchased by  
27 a state agency for whose benefit and use the property is being  
28 ~~obtained and-the-terms-and-conditions-of-the-lease-purchase~~  
29 ~~contract-with-both-the-state-agency-for-whose-benefit-and-use~~  
30 ~~the-property-is-being-obtained-and-the-treasurer-of-state.~~ If  
31 the purchase of real or personal property is to be financed  
32 pursuant to section 12.28, the department shall cooperate with  
33 the treasurer of state in providing the information necessary  
34 to complete the financing of the property. Upon awarding the  
35 contract for construction of a building or for site

1 development, the director shall have sole authority to  
2 administer the contract.

3 ~~b.---The lease purchase contract may provide for ultimate  
4 ownership of the property by the state.---Title to all property  
5 acquired in this manner shall be taken and held in the name of  
6 the state.---The state shall be the lessee or contracting party  
7 under all lease purchase contracts entered into pursuant to  
8 this section.---The lease purchase contract may contain  
9 provisions similar to provisions customarily found in lease  
10 purchase contracts between private persons, including, but not  
11 limited to, provisions prohibiting the acquisition or use by  
12 the lessee of competing property or property in substitution  
13 for the lease purchased property, obligating the lessee to pay  
14 costs of operation, maintenance, insurance, and taxes relating  
15 to the property, and permitting the lessor to retain a  
16 security interest in the property lease purchased, until title  
17 passes to the state, which may be assigned or pledged by the  
18 lessor.---The director may contract for additional security or  
19 liquidity for a lease purchase contract and may enter into  
20 agreements for letters of credit, lines of credit, insurance,  
21 or other forms of security with respect to rental and other  
22 payments due under a lease purchase contract.---Fees for the  
23 costs of additional security or liquidity are a cost of  
24 entering into the lease purchase contract and may be paid from  
25 funds annually appropriated by the general assembly to the  
26 state agency for which the property is being obtained or from  
27 other funds legally available.---The lease purchase contract  
28 may include the costs of entering into the lease purchase  
29 contract as a cost of the lease purchased property.---The  
30 provision of a lease purchase contract which provides that a  
31 portion of the periodic rental payment be applied as interest  
32 is subject to chapter 74A.---Other laws relating to interest  
33 rates do not apply.---Chapter 75 does not apply to lease  
34 purchase contracts entered into pursuant to this section.  
35 Rental and other costs due under lease purchase contracts~~

1 entered-into-pursuant-to-this-section-shall-be-payable-from  
2 funds-annually-appropriated-by-the-general-assembly-to-the  
3 state-agency-for-which-the-property-is-being-obtained-or-from  
4 other-funds-legally-available.

5 c.--A-lease-purchase-contract-to-which-the-state-is-a-party  
6 is-an-obligation-of-a-state-for-purposes-of-chapters-502-and  
7 6367-and-is-a-lawful-investment-for-banks7-trust-companies7  
8 building-and-loan-associations7-savings-and-loan-associations7  
9 investment-companies7-insurance-companies7-insurance  
10 associations7-executors7-guardians7-trustees7-and-other  
11 fiduciaries-responsible-for-the-investment-of-funds.

12 d.--The-director-shall-not-enter-into-lease-purchase  
13 contracts-pursuant-to-this-section-without-prior-authorization  
14 by-a-constitutional-majority-of-each-house-of-the-general  
15 assembly-and-approval-by-the-governor-of-the-use7-location7  
16 and-maximum-cost7-not-including-interest-expense7-of-the-real  
17 or-personal-property-to-be-lease-purchased.--However7-the  
18 director-shall-not-enter-into-a-lease-purchase-contract-for  
19 real-or-personal-property-which-is-to-be-constructed-for-use  
20 as-a-prison-or-prison-related-facility-without-prior  
21 authorization-by-a-constitutional-majority-of-each-house-of  
22 the-general-assembly-and-approval-by-the-governor-of-the-use7  
23 location7-and-maximum-cost7-not-including-interest-expense7-of  
24 the-real-or-personal-property-to-be-lease-purchased-and-with  
25 the-construction-in-accordance-with-space-needs-as-established  
26 by-an-independent-study-of-space-needs-authorized-by-the  
27 general-assembly.

28 e. A contract for acquisition, construction, erection,  
29 demolition, alteration, or repair by a private person of real  
30 or personal property to be lease-purchased by the director  
31 treasurer of state pursuant to this section 12.28 is exempt  
32 from section 18.6, subsections 1 and 9, unless the lease-  
33 purchase contract is funded in advance by a deposit of the  
34 lessor's moneys to be administered by the director treasurer  
35 of state under a lease-purchase contract which requires rent

1 payments to commence upon delivery of the lessor's moneys to  
2 the lessee.

3 ~~This subsection provides an alternative and independent  
4 method for carrying out projects under this chapter and for  
5 entering into lease purchase contracts in connection with the  
6 projects, without reference to any other statute, and is not  
7 an amendment of or subject to the provision of any other law.  
8 No publication of any notice, whether under section 73A.12 or  
9 otherwise, and no other or further proceedings with respect to  
10 the lease purchase contracts referred to in this section are  
11 required except as set forth in this section, any provisions  
12 of other statutes of the state to the contrary  
13 notwithstanding.~~

14 For purposes of this subsection and subsection 12, "state  
15 agency" means a board, commission, bureau, division, office,  
16 department, or branch of state government.

17 Sec. 5. REPEAL. Section 18.23, Code 1995, is repealed.

18 EXPLANATION

19 This bill creates new section 12.28 which provides sole  
20 authority for the treasurer of state to enter into lease-  
21 purchase agreements or financing agreements for the financing  
22 of real or personal property to be purchased by a state  
23 agency. The bill removes language from section 18.12,  
24 subsection 10, which authorizes the director of the department  
25 of general services to enter into lease-purchase agreements  
26 for the financing of real or personal property on behalf of  
27 state agencies, and reinserts similar language in chapter 12  
28 authorizing the treasurer of state to serve as the sole state  
29 official authorized to enter into financing agreements  
30 allowing the purchase of real or personal property for state  
31 agencies. The bill provides, however, that a state agency  
32 does not include the state board of regents and its  
33 institutions, the Iowa finance authority, the economic  
34 protective and investment authority, the agricultural  
35 development authority, the Iowa advance funding authority, the

1 higher education loan authority, and the railway finance  
2 authority.

3 The bill provides for establishing a financing agreement  
4 payment fund in the treasurer of state's office into which  
5 state agencies would transfer the required payments. State  
6 agencies would transfer moneys to the fund three days prior to  
7 the due date so the treasurer can ensure that payments are  
8 made on time.

9 The bill further provides that the treasurer of state would  
10 be prohibited from entering into more than \$1 million of  
11 financing agreements per state agency per fiscal year.  
12 However, the treasurer of state could enter into financing  
13 agreements above the \$1 million limit if the general assembly,  
14 or the legislative council if the general assembly is not in  
15 session, and the governor authorized the additional amount for  
16 a state agency.

17 The treasurer of state would have the discretion to  
18 determine the most economical method of financing a state  
19 agency's request for funds, and would be permitted to use  
20 master lease-purchase agreements, issue certificates of  
21 participation, or use any other financing method or method of  
22 sale which the treasurer believes will provide savings to the  
23 state in issuance or interest costs.

24 Section 18.23 authorizing the lease-purchase of  
25 improvements to the state capitol building is repealed.

26 The bill amends section 8D.11 to provide that financing  
27 agreements for the purchase of real or personal property  
28 associated with the Iowa communications network by the Iowa  
29 technology and telecommunications commission or a state agency  
30 would also be subject to the provisions of this bill.

31 The bill amends section 8.46 to provide for legislative  
32 council or general assembly approval, in addition to approval  
33 by the governor, for state agencies seeking financing in  
34 excess of \$50,000 if the legislative fiscal committee  
35 recommends, within 30 days of receiving notice of the proposed



1 financing, that the financing be rejected.

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## SENATE FILE 2366

AN ACT  
RELATING TO LEASE-PURCHASE AGREEMENTS.

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

Section 1. Section 8D.11, subsection 1, Code 1995, is amended to read as follows:

1. The commission may purchase, ~~lease-purchase~~, lease, and improve property, equipment, and services for telecommunications for public and private agencies and may dispose of property and equipment when not necessary for its purposes. However, the commission shall not enter into a contract for the purchase, ~~lease-purchase~~, lease, or improvement of property, equipment, or services for telecommunications pursuant to this subsection in an amount greater than ~~five-hundred-thousand~~ one million dollars without prior authorization by a constitutional majority of each house of the general assembly, or approval by the legislative council if the general assembly is not in session. The commission shall not issue any bonding or other long-term financing arrangements as defined in section 12.30, subsection 1, paragraph "b". Real or personal property to be purchased by the commission through the use of a financing agreement shall be done in accordance with the provisions of section 12.28, provided, however, that the commission shall not purchase property, equipment, or services for telecommunications pursuant to this subsection in an amount greater than one million dollars without prior authorization by a constitutional majority of each house of the general assembly, or approval by the legislative council if the general assembly is not in session.

1A. The commission also shall not provide or resell communications services to entities other than public and private agencies. The public or private agency shall not

provide communication services of the network to another entity unless otherwise authorized pursuant to this chapter. The commission may arrange for joint use of available services and facilities, and may enter into leases and agreements with private and public agencies with respect to the Iowa communications network, and public agencies are authorized to enter into leases and agreements with respect to the network for their use and operation. Rentals and other amounts due under the agreements or leases entered into pursuant to this section by a state agency are payable from funds annually appropriated by the general assembly or from other funds legally available. Other public agencies may pay the rental costs and other amounts due under an agreement or lease from their annual budgeted funds or other funds legally available or to become available.

1B. This section comprises a complete and independent authorization and procedure for a public agency, with the approval of the commission, to enter into a lease or agreement ~~and-related-security-enhancement-arrangements~~ and this section is not a qualification of any other powers which a public agency may possess and the authorizations and powers granted under this section are not subject to the terms, requirements, or limitations of any other provisions of law, except that the commission must comply with the provisions of section 12.28 when entering into financing agreements for the purchase of real or personal property. All moneys received by the commission from agreements and leases entered into pursuant to this section with private and public agencies shall be deposited in the Iowa communications network fund.

Sec. 2. NEW SECTION. 12.28 CENTRALIZED FINANCING FOR STATE AGENCY PURCHASE OF REAL AND PERSONAL PROPERTY.

1. As used in this section, unless the context otherwise requires:

a. "Financing agreement" means any lease, lease-purchase agreement, or installment acquisition contract in which the lessee may purchase the leased property at a price which is

less than the fair market value of the property at the end of the lease term, or any lease, agreement, or transaction which would be considered under criteria established by the Internal Revenue Service to be a conditional sale agreement for tax purposes.

b. "State agency" means a board, commission, bureau, division, office, department, or branch of state government. However, state agency does not mean the state board of regents, institutions governed by the board of regents, or authorities created under chapter 16, 16A, 175, 257C, 261A, or 327I.

2. The treasurer of state shall have sole authority to enter into financing agreements on behalf of state agencies. The treasurer of state may enter into financing agreements, including master lease-purchase agreements, for the purpose of funding state agency requests for the financing of real or personal property, wherever located within the state, including equipment, buildings, facilities, and structures, or additions or improvements to existing buildings, facilities, and structures. Subject to the selection procedures of section 12.30, the treasurer may employ financial consultants, banks, trustees, insurers, underwriters, accountants, attorneys, and other advisors or consultants as necessary to implement the provisions of this section. The costs of professional services and any other costs of entering into the financing agreements may be included in the financing agreement as a cost of the property being financed.

3. The financing agreement may provide for ultimate ownership of the property by the state. Title to all property acquired in this manner shall be taken and held in the name of the state. The state shall be the lessee or contracting party under all financing agreements entered into pursuant to this section. The financing agreements may contain provisions pertaining, but not limited to, interest, term, prepayment, and the state's obligation to make payments on the financing agreement beyond the current budget year subject to

availability of appropriations. All projects financed under this section shall be deemed to be for an essential governmental purpose.

4. The treasurer of state may contract for additional security or liquidity for a financing agreement and may enter into agreements for letters of credit, lines of credit, insurance, or other forms of security with respect to rental and other payments due under a financing agreement. Fees for the costs of additional security or liquidity are a cost of entering into the financing agreement and may be paid from funds annually appropriated by the general assembly to the state agency for which the property is being obtained, from other funds legally available, or from proceeds of the financing agreement. The provision of a financing agreement which provides that a portion of the periodic rental or lease payment be applied as interest is subject to chapter 74A. Other laws relating to interest rates do not apply. Chapter 75 does not apply to financing agreements entered into pursuant to this section.

5. Payments and other costs due under financing agreements entered into pursuant to this section shall be payable from funds annually appropriated by the general assembly to the state agency for which the property is being obtained or from other funds legally available. The treasurer of state, in cooperation with the department of revenue and finance, shall implement procedures to ensure that state agencies are timely in making payments due under the financing agreements.

6. The maximum principal amount of financing agreements which the treasurer of state can enter into shall be one million dollars per state agency in a fiscal year, subject to the requirements of section 8.46. For the fiscal year, the treasurer of state shall not enter into more than one million dollars of financing agreements per state agency, not considering interest expense. However, the treasurer of state may enter into financing agreements in excess of the one million dollar per agency per fiscal year limit if a

constitutional majority of each house of the general assembly, or the legislative council if the general assembly is not in session, and the governor, authorize the treasurer of state to enter into additional financing agreements above the one million dollar authorization contained in this section. The treasurer of state shall not enter into a financing agreement for real or personal property which is to be constructed for use as a prison or prison-related facility without prior authorization by a constitutional majority of each house of the general assembly and approval by the governor of the use, location, and maximum cost, not including interest expense, of the real or personal property to be financed. However, financing agreements for an energy conservation measure, as defined in section 7D.34, are exempt from the provisions of this subsection, but are subject to the requirements of section 7D.34 or 473.20A. In addition, financing agreements funded through the materials and equipment revolving fund established in section 307.47 are exempt from the provisions of this subsection.

7. The treasurer of state shall decide upon the most economical method of financing a state agency's request for funds. The treasurer of state may utilize master lease-purchase agreements, issue certificates of participation in lease-purchase agreements, or use any other financing method or method of sale which the treasurer believes will provide savings to the state in issuance or interest costs.

8. A financing agreement to which the state is a party is an obligation of the state for purposes of chapters 502 and 636, and is a lawful investment for banks, trust companies, building and loan associations, savings and loan associations, investments companies, insurance companies, insurance associations, executors, guardians, trustees, and other fiduciaries responsible for the investment of funds.

9. Publication of any notice, whether under section 73A.12 or otherwise, and other or further proceedings with respect to the financing agreements referred to in this section are not

required except as set forth in this section, notwithstanding any provisions of other statutes of the state to the contrary.

Sec. 3. Section 18.12, subsection 10, Code Supplement 1995, is amended to read as follows:

~~10. On-behalf-of-the-department, enter-into-lease-purchase contracts-for-real-or-personal-property, wherever-located within-the-state, to-be-used-for-buildings, facilities, and structures, or-for-additions-or-improvements-to-existing buildings, facilities, and-structures, to-carry-out-the provisions-of-this-section-or-for-the-proper-use-and-benefit of-the-state-and-its-state-agencies-on-the-following-terms-and conditions:~~

~~a. The~~ Unless otherwise provided by law, the director shall coordinate the location, design, plans and specifications, construction, and ultimate use of the real or personal property lease-purchased-with-the to be purchased by a state agency for whose benefit and use the property is being obtained ~~and-the-terms-and-conditions-of-the-lease-purchase contract-with-both-the-state-agency-for-whose-benefit-and-use the-property-is-being-obtained-and-the-treasurer-of-state.~~ If the purchase of real or personal property is to be financed pursuant to section 12.28, the department shall cooperate with the treasurer of state in providing the information necessary to complete the financing of the property. Upon awarding the contract for construction of a building or for site development, the director shall have sole authority to administer the contract.

~~b. The-lease-purchase-contract-may-provide-for-ultimate ownership-of-the-property-by-the-state. Title-to-all-property acquired-in-this-manner-shall-be-taken-and-held-in-the-name-of the-state. The-state-shall-be-the-lessee-or-contracting-party under-all-lease-purchase-contracts-entered-into-pursuant-to this-section. The-lease-purchase-contract-may-contain provisions-similar-to-provisions-customarily-found-in-lease-purchase-contracts-between-private-persons, including, but-not limited-to, provisions-prohibiting-the-acquisition-or-use-by~~

the lessee of competing property or property in substitution for the lease-purchased property, obligating the lessee to pay costs of operation, maintenance, insurance, and taxes relating to the property, and permitting the lessor to retain a security interest in the property lease-purchased, until title passes to the state, which may be assigned or pledged by the lessor. The director may contract for additional security or liquidity for a lease-purchase contract and may enter into agreements for letters of credit, lines of credit, insurance, or other forms of security with respect to rental and other payments due under a lease-purchase contract. Fees for the costs of additional security or liquidity are a cost of entering into the lease-purchase contract and may be paid from funds annually appropriated by the general assembly to the state agency for which the property is being obtained or from other funds legally available. The lease-purchase contract may include the costs of entering into the lease-purchase contract as a cost of the lease-purchased property. The provision of a lease-purchase contract which provides that a portion of the periodic rental payment be apportioned as interest is subject to chapter 74A. Other laws relating to interest rates do not apply. Chapter 75 does not apply to lease-purchase contracts entered into pursuant to this section. Rental and other costs due under lease-purchase contracts entered into pursuant to this section shall be payable from funds annually appropriated by the general assembly to the state agency for which the property is being obtained or from other funds legally available.

c. A lease-purchase contract to which the state is a party is an obligation of a state for purposes of chapters 502 and 636, and is a lawful investment for banks, trust companies, building and loan associations, savings and loan associations, investment companies, insurance companies, insurance associations, executors, guardians, trustees, and other fiduciaries responsible for the investment of funds.

d. The director shall not enter into lease-purchase contracts pursuant to this section without prior authorization by a constitutional majority of each house of the general assembly and approval by the governor of the use, location, and maximum cost, not including interest expense, of the real or personal property to be lease-purchased. However, the director shall not enter into a lease-purchase contract for real or personal property which is to be constructed for use as a prison or prison-related facility without prior authorization by a constitutional majority of each house of the general assembly and approval by the governor of the use, location, and maximum cost, not including interest expense, of the real or personal property to be lease-purchased and with the construction in accordance with space needs as established by an independent study of space needs authorized by the general assembly.

e. A contract for acquisition, construction, erection, demolition, alteration, or repair by a private person of real or personal property to be lease-purchased by the director treasurer of state pursuant to this section 12.28 is exempt from section 18.6, subsections 1 and 9, unless the lease-purchase contract is funded in advance by a deposit of the lessor's moneys to be administered by the director treasurer of state under a lease-purchase contract which requires rent payments to commence upon delivery of the lessor's moneys to the lessee.

This subsection provides an alternative and independent method for carrying out projects under this chapter and for entering into lease-purchase contracts in connection with the projects, without reference to any other statute, and is not an amendment of or subject to the provision of any other law. No publication of any notice, whether under section 73A:12 or otherwise, and no other or further proceedings with respect to the lease-purchase contracts referred to in this section are required except as set forth in this section, any provisions of other statutes of the state to the contrary notwithstanding.

~~For~~ Unless the context otherwise requires, for purposes of this subsection and subsection 12, "state agency" means a board, commission, bureau, division, office, department, or branch of state government.

Sec. 4. REPEAL. Section 18.23, Code 1995, is repealed.

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LEONARD L. BOSWELL  
President of the Senate

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RON J. CORBETT  
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2366, Seventy-sixth General Assembly.

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JOHN F. DWYER  
Secretary of the Senate

Approved 4/30, 1996

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TERRY E. BRANSTAD  
Governor

**SF 2366**