

Sec. 14. Section 478A.7, Code 1989, is amended by adding the following new subsection:
NEW SUBSECTION. 4. Notwithstanding subsection 1, commencing January 1, 1990, a person may sell or offer for sale in this state a decorative gas lamp manufactured after December 31, 1978, if the utilities board within the utilities division of the department of commerce determines, after notice and an opportunity for interested persons to comment at an oral presentation, that the sale or offer for sale of decorative gas lamps does not violate the public interest.

Sec. 15. **PILOT PROJECT — SUMMER FOUR-DAY WORK WEEK.** The director of the department of personnel shall conduct a pilot project during the summer months of 1989 and 1990 wherein state employees in a selected office area or areas shall work four ten-hour days per week rather than five eight-hour days per week. The director of the department of personnel shall report on the results of the pilot project to the governor and the general assembly by January 1, 1991. The report shall include findings on the energy savings which resulted from the pilot project as well as estimates of the energy savings which would result from statewide application of a state employee four ten-hour day work week during summer months. The report shall include the director's findings on the extent in which a state employee four ten-hour day work week could be adopted statewide as well as findings on the effects the four ten-hour day work week had on state employee morale and work efficiency.

Sec. 16. **STUDY — TELECOMMUTING DEMONSTRATION.** The director of the department of personnel shall in a study identify state employees who could telecommute one or more days during the work week. The director of the department of personnel shall report on the results of the study to the governor and the general assembly by January 15, 1990. The report shall identify those positions in state government where the employees could telecommute one or more days during their work week and estimate the resulting energy savings if such a plan were implemented. The report shall also include a statement as to the effects telecommuting would have on state employee morale and work efficiency as well as an estimate of any start-up costs which would be incurred by the state.

As used in this section, "telecommute" means to conduct work at the employee's residence through the use of computer terminals.

Sec. 17. Section 15 of this Act and this section, being deemed of immediate importance, take effect upon enactment.

Approved June 3, 1989

CHAPTER 298

STATE BUDGETARY MATTERS INCLUDING CAPITAL PROJECTS AND EQUIPMENT LEASING

S.F. 546

AN ACT relating to budgetary matters by creating a legislative capital projects committee to review proposed capital projects and requires the governor to establish criteria for evaluating and funding the projects; requiring the use of the most recent estimate of the revenue estimating conference in the budget process; establishing a coordinated leasing program; requiring notification to the department of management and appropriations committees of any request for or loss of federal or nonstate funds; and extending the lottery.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 2.45, Code 1989, is amended by adding the following new subsection:
NEW SUBSECTION. 4. The legislative capital projects committee which shall be composed of ten members appointed as follows:

a. Two senate members of the legislative fiscal committee or the senate committee on appropriations, one to be appointed by the majority leader of the senate and one to be appointed by the minority leader of the senate.

b. Two house members of the legislative fiscal committee or the house committee on appropriations, one to be appointed by the speaker of the house and one to be appointed by the minority leader of the house.

c. The chairpersons of the senate and house committees on appropriations.

d. Four members of the legislative council, one appointed by the speaker of the house, one by the majority leader of the senate, one by the minority leader of the house, and one by the minority leader of the senate.

The chairperson of the legislative council shall designate the chairperson or chairpersons of the legislative capital projects committee.

Sec. 2. Section 2.46, subsection 2, Code 1989, is amended to read as follows:

2. EXAMINATION. Examine the reports and official acts of the executive council and of each officer, board, commission, and department of the state, in respect to the conduct and expenditures thereof and the receipts and disbursements of public funds thereby. All state departments and agencies are required to immediately notify the legislative fiscal committee of the legislative council and the director of the legislative fiscal bureau if any state facilities within their jurisdiction have been cited for violations of any federal, state, or local laws or regulations or have been decertified or notified of the threat of decertification from compliance with any state, federal, or other nationally recognized certification or accreditation agency or organization.

Sec. 3. NEW SECTION. 2.47A POWERS OF LEGISLATIVE CAPITAL PROJECTS COMMITTEE.

1. The legislative capital projects committee shall do all of the following:

a. Receive the recommendations of the governor regarding the funding and priorities of proposed capital projects pursuant to section 8.3A, subsection 2, paragraph "b".

b. Receive the reports of all capital project budgeting requests of all state agencies, with individual state agency priorities noted, pursuant to section 8.6, subsection 13.

c. Receive the five-year capital project priority plan for all state agencies, pursuant to section 8.6, subsection 14.

d. Receive notifications of proposed transfers of excess bond revenues pursuant to section 8.39A.

e. Receive quarterly status reports for all ongoing capital projects of state agencies, pursuant to section 18.12, subsection 15.

**f. Receive the annual report of acquisitions, dispositions, improvements, and construction relating to the inventory of real property and equipment of the state, pursuant to section 18.12A.*

*g. Review the reasons for and the frequency of cost overruns and restarting of capital projects by state agencies.**

h. Examine and evaluate, on a continuing basis, the state's system of contracting and sub-contracting in regard to capital projects.

2. The legislative capital projects committee, subject to the approval of the legislative council, may do all of the following:

a. Gather information relative to capital projects, as defined in section 8.3A, for the purpose of aiding the general assembly to properly appropriate moneys for capital projects.

b. Examine the reports and official acts of the state agencies, as defined in section 8.3A, with regard to capital project planning and budgeting and the receipt and disbursement of capital project funding.

c. Establish advisory bodies to the committee in areas where technical expertise is not otherwise readily available to the committee. Advisory body members may be reimbursed for actual and necessary expenses from funds appropriated pursuant to section 2.12, but only if the reimbursement is approved by the legislative council.

*Item veto; see message at end of the Act

d. Compensate experts from outside state government for the provision of services to the committee from funds appropriated pursuant to section 2.12, but only if the compensation is approved by the legislative council.

e. Make recommendations to the legislative fiscal committee, legislative council, and the general assembly regarding issues relating to the planning, budgeting, and expenditure of capital project funding.

3. The capital projects committee shall determine its own method of procedure and shall keep a record of its proceedings which shall be open to public inspection. The committee shall meet as often as deemed necessary, subject to the approval of the legislative council, and the committee shall inform the legislative council in advance of its meeting dates.

Sec. 4. NEW SECTION. 8.3A CAPITAL PROJECT PLANNING AND BUDGETING — GOVERNOR'S DUTIES.

1. DEFINITIONS. For the purposes of this section:

*a. *"Capital project" means a project funded by state appropriations or bonding authorized by the general assembly with a cost of two hundred fifty thousand dollars or more undertaken by the state or a state agency, which meets one or more of the following descriptions:*

(1) The project involves new construction, the acquisition or lease of land or buildings, the acquisition or lease of original equipment for a new facility, or the replacement, by purchase, lease, or other means, of original equipment for an existing facility.

(2) The project changes the nature or use of a facility.

(3) The project constitutes a major improvement or alteration to a facility, which may include the acquisition, lease, or replacement, by purchase, lease, or other means, of equipment, and the improvement or alteration has at least a fifteen-year life cycle.

*(4) The project involves the improvement, alteration, or major maintenance of land or buildings received as a gift by the state or a state agency.**

"Capital project" does not include highway and right-of-way projects or airport capital projects undertaken by the state department of transportation and financed from dedicated funds or capital projects funded by nonstate grants, gifts, or contracts obtained at or through state universities, if the projects do not require a commitment of additional state resources for maintenance, operations, or staffing.

A capital project shall not be divided into smaller projects in such a manner as to thwart the intent of this section to provide for the evaluation of a capital project whose cost cumulatively equals or exceeds two hundred fifty thousand dollars.

b. "Facility" means a distinct parcel of land or a building used by the state or a state agency for a specific purpose.

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

2. DUTIES. The governor shall:

a. Develop criteria for the evaluation of proposed capital projects which shall include but not be limited to the following:

(1) Fiscal impacts on costs and revenues.

(2) Health and safety effects.

(3) Community economic effects.

(4) Environmental, aesthetic, and social effects.

(5) Amount of disruption and inconvenience caused by the capital project.

(6) Distributional effects.

(7) Feasibility, including public support and project readiness.

(8) Implications of deferring the project.

(9) Amount of uncertainty and risk.

(10) Effects on interjurisdictional relationships.

(11) Advantages accruing from relationships to other capital project proposals.

(12) Private sector contracting for construction, operation, or maintenance.

b. Make recommendations to the general assembly and the legislative capital projects committee regarding the funding and priorities of proposed capital projects.

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- c. Develop maintenance standards and guidelines for capital projects.
- d. Review financing alternatives available to fund capital projects, including the evaluation of the advantages and disadvantages of bonding for all types of capital projects undertaken by all state agencies.
- e. Monitor the debt of the state or a state agency.

Sec. 5. Section 8.6, Code 1989, is amended by adding the following new subsections:

NEW SUBSECTION. 13. CAPITAL PROJECT BUDGETING REQUESTS. To compile annually, no later than October 1, all capital project budgeting requests of all state agencies, as capital project and state agency are defined in section 8.3A, and to consolidate the requests, with individual state agency priorities noted, into a report for submission to the legislative capital projects committee not later than October 1, with any additional information regarding such capital project budgeting requests or priorities to be compiled and submitted in the same manner no later than November 1.

NEW SUBSECTION. 14. CAPITAL PROJECT PRIORITY PLAN. To prepare annually, in cooperation with the department of general services, a five-year capital project priority plan for all state agencies, as capital project and state agency are defined in section 8.3A, to be submitted no later than July 1, beginning in the year 1990, to the legislative capital projects committee. The plan shall include but not be limited to the following:

- a. A detailed list of all proposed capital projects for all state agencies, which the department of management believes should be undertaken or continued for at least the next five fiscal years.
- b. Background information regarding each proposed capital project and the need for the project.
- c. Information regarding the fiscal effect of each capital project on future operating expenses of the affected state agency.
- d. A notation of the priority listing of capital projects for each state agency.
- e. The proposed means of funding each capital project.
- f. A schedule for the planning and implementation or construction of each capital project.
- g. A schedule for the next fiscal year of proposed debt service payments from issues of bonds previously authorized.
- h. A review of capital projects which have recently been implemented or completed or are in the process of implementation or completion.
- i. Recommendations as to the maintenance of physical properties and equipment of state agencies.
- j. Such other information as the department of management deems relevant to the foregoing matters.

NEW SUBSECTION. 15. CAPITAL PROJECT PLANNING AND BUDGETING AUTHORITY. To call upon any state agency, as defined in section 8.3A, for assistance the director may require in performing the director's duties under subsections 13 and 14. All state agencies, upon the request of the director, shall assist the director and are authorized to make available to the director any existing studies, surveys, plans, data, and other materials in the possession of the state agencies which are relevant to the director's duties.

Sec. 6. Section 8.22, subsection 1, Code 1989, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. The governor's program shall include a single budget request for all capital projects, as defined in section 8.3A, proposed by the governor. The request shall include but not be limited to the following:

- a. The purpose and need for each capital project.
- b. A priority listing of capital projects.
- c. The costs of acquisition, lease, construction, renovation, or demolition of each capital project.
- d. The identification of the means and source of funding each capital project.
- e. The estimated operating costs of each capital project after completion.
- f. The estimated maintenance costs of each capital project after completion.
- g. The consequences of delaying or abandoning each capital project.

- h. Alternative approaches to meeting the purpose or need for each capital project.
- i. Alternative financing mechanisms.
- j. A cost-benefit analysis or economic impact of each capital project.

Sec. 7. Section 8.22A, unnumbered paragraph 3, Code 1989, is amended to read as follows: By December 15, 1986 and each succeeding year the conference shall agree to a revenue estimate for the fiscal year beginning the following July 1. ~~That~~ The most recent estimate shall be used without revision by the governor in the preparation and presentation of the budget message under section 8.22 and by the legislature general assembly in the budget process.

**Sec. 8. NEW SECTION. 8.39A TRANSFER OF EXCESS BOND REVENUES.*

1. If excess bond revenues relating to a capital project, as defined in section 8.3A, or relating to a noncapital project with a cost of one hundred thousand dollars or more, are available for transfer and use for purposes other than those designated in the bond sale, or for purposes not designated in the scope of the project, the excess revenues shall not be transferred or used for any other purpose unless the state agency, as defined in section 8.3A, in charge of the capital or noncapital project requests in writing and receives approval from the governor and the director of the department of management to transfer and use the excess revenues for another purpose.

Upon receipt of the written request, the director of the department of management shall notify the members of the legislative capital projects committee of the proposed transfer. The notice shall include information concerning the amount of the proposed transfer, the state agencies affected by the proposed transfer, the proposed use of the revenues to be transferred, and the reasons for the transfer. The members shall be given at least two weeks to review and comment on the proposed transfer before the excess revenues are transferred.

*2. The director shall report any transfer made under this section to the legislative capital projects committee on a monthly basis. The report shall cover each calendar month and shall be due the tenth day of the following month. The report shall contain the following: the amount of each transfer, the date of each transfer, the state agencies affected, a brief explanation of the reason for the transfer, the date of notice to the members of the legislative capital projects committee, and such other information as may be required by the legislative capital projects committee. A summary of all transfers made under this section shall be included in the annual report of the legislative capital projects committee.**

**Sec. 9. NEW SECTION. 12.45 SHORT TITLE.*

*This division shall be known as the "Iowa Leasing Program Act".**

**Sec. 10. NEW SECTION. 12.46 DEFINITIONS.*

As used in this division, unless the context otherwise requires:

1. "Approved lease" means a financing lease involving a state agency which has been reviewed by the treasurer of state pursuant to this division and has been approved as meeting the criteria established by the treasurer of state for financing leases and for compliance with federal and state laws.

2. "Financing lease" means a lease in which the lessee may purchase the property leased at a price which is less than the fair market value of the property at the end of the lease term or a lease of property where the lease term is eighty percent or more of the anticipated economic life of the property, as more fully defined in rules adopted by the treasurer of state pursuant to section 12.48.

3. "Leasing corporation" means a nonprofit corporation organized at the direction of the treasurer of state pursuant to this division to operate and finance a coordinated equipment leasing program for state agencies.

4. "Obligations" means bonds, notes, loan agreements, certificates of participation, commercial paper, and other evidences of indebtedness, including refunding bonds, issued under the provisions of this division.

*5. "State agency" means the state or a state department, division, board, commission, institution, or authority, except it does not include the state board of regents.**

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***Sec. 11. NEW SECTION. 12.47 LEGISLATIVE FINDINGS AND INTENT.**

1. *The general assembly finds the following:*

a. *State agencies are obligating the state by entering into financing leases for equipment and have been doing so without sufficient coordination and review to determine compliance with tax laws for tax-exempt financing.*

b. *There is a need to review and coordinate leasing activities by state agencies to achieve better lease terms and to ensure that the leases are in the best interests of the state.*

c. *It is in the interest and welfare of the citizens of the state for the treasurer of state to review all financing leases entered into by state agencies, to provide a mechanism for a coordinated leasing program therefor, and to achieve cost savings by coordinating the state's leasing activities.*

2. *The leasing program provided for in this division is intended to provide state agencies with better terms for their financing leases and to assure adequate review of financing leases entered into by state agencies for compliance with tax laws for tax-exempt financing.**

***Sec. 12. NEW SECTION. 12.48 LEASE CRITERIA.**

*The treasurer of state shall adopt rules pursuant to chapter 17A setting forth criteria for all financing leases to be executed by state agencies. This criteria may include specific authorized lease terms and procedures for review of financing leases and may include a provision that some or all payments under financing leases are to be made through the office of the treasurer of state.**

***Sec. 13. NEW SECTION. 12.49 FINANCING LEASES.**

*Notwithstanding the provisions of section 18.12, all state agencies are authorized to enter into financing leases in accordance with this division, provided that a financing lease for a prison or prison-related facility shall be subject to the restrictions set forth in section 18.12. All financing leases to be executed by state agencies shall first be reviewed by the treasurer of state for compliance with federal and state laws and for compliance with the criteria established by the treasurer of state for financing leases before being executed. In addition, no state agency shall enter into a financing lease unless the department of management has provided the treasurer of state with written approval for the financing of the property which is the subject of the financing lease.**

***Sec. 14. NEW SECTION. 12.50 LEASING CORPORATIONS.**

*The treasurer of state is authorized to incorporate, and appoint a board of directors for, one or more nonprofit corporations under chapter 504A, which meet and comply with the requirements of this division. These corporations are subject to and have the powers and privileges conferred by this division and those provisions of chapter 504A which are not inconsistent with and to the extent not restricted or limited by this division. A corporation is not incorporated pursuant to and under this division unless incorporated by the treasurer of state and unless its articles of incorporation provide that it is incorporated pursuant to this division. The treasurer of state is authorized to provide staff support to leasing corporations and to charge leasing corporations for its administrative costs in providing a leasing program and costs of providing staff support.**

***Sec. 15. NEW SECTION. 12.51 POWERS.**

Any leasing corporation established pursuant to this division shall, subject to the restrictions and limits herein contained, have the following powers:

1. *To enter into approved leases with state agencies. The leases may include provisions for payment as a part of the lease charges of the administrative charges and costs incurred by the treasurer of state and the leasing corporation.*

2. *To sell interests in approved leases subject to applicable provisions of state and federal law.*

3. *To purchase property for the purpose of leasing it to state agencies pursuant to approved leases.*

4. *To commingle and pledge as security for a series or issue of obligations approved leases for the purpose of funding property purchases. Obligations may be issued in series under one or more resolutions or trust agreements in the discretion of the leasing corporation.*

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5. To borrow working capital funds and other funds as necessary for start-up and continuing operations, provided that the funds are borrowed in the name of the leasing corporation only, and to issue obligations in connection therewith. Borrowings are limited obligations of the character described in section 12.54 and are payable solely from the revenues of the leasing corporation or the proceeds of obligations pledged for that purpose.

6. To establish, maintain, and set aside reserves which it deems necessary in connection with its operations or to enhance the security for its obligations.

7. To authorize its officers, agents, and employees to take any other action and do all things necessary or desirable to carry out the purposes of this division.*

***Sec. 16. NEW SECTION. 12.52 OBLIGATIONS.**

1. A leasing corporation may from time to time issue obligations for the purpose of funding property purchases and the obligations of the leasing corporations are negotiable for all purposes notwithstanding their payment from limited sources and without regard to any other law.

2. Each issue of obligations is payable solely out of the proceeds of the issue; revenues of the leasing corporation from the proceeds of authorized leases to state agencies; proceeds of refunding obligations; and fees, charges, and other revenues of the leasing corporation from the leasing program or otherwise available to the leasing corporation and pledged to the payment of the obligations.

3. Obligations may be issued as serial obligations or as term obligations, or both. Obligations shall be authorized by a bond resolution of the leasing corporation and shall bear dates; mature at times; bear interest at rates which may be fixed or variable as provided in the bond resolution; be payable at times; be in denominations; be in a form, either coupon or fully registered; carry registration and conversion privileges; be payable in such currencies; and be subject to terms of redemption as the bond resolution provides. Obligations shall be executed by the manual or facsimile signatures of officers of the leasing corporation designated by its board of directors. Obligations shall be sold in a manner, at either public or private sale without regard to chapter 75, and at prices as the leasing corporation determines.

4. A bond resolution may contain provisions, which shall be a part of the contract with the holders of the obligations to be authorized, as to all of the following:

a. Pledging or assigning the revenues derived from the financing leases with respect to which the obligations are to be issued.

b. The fees and other amounts to be charged, and the sums to be raised in each year, and the use, investment, and disposition of the sums.

c. The setting aside of property funding deposits, debt service reserves, capitalized interest accounts, cost of insurance accounts, and sinking funds, and their regulation, investment, and disposition.

d. Limitations on the use of the property leased.

e. Limitations on the purpose to which or the investments in which the proceeds of sale of an issue of obligations then or thereafter to be issued may be applied.

f. Limitations on the issuance of additional obligations, the terms upon which additional obligations may be issued and secured, the terms upon which additional obligations may rank on a parity with, or be subordinate or superior to, other obligations.

g. The refunding of outstanding obligations.

h. The procedure, if any, by which the terms of a contract with holders of obligations may be amended or abrogated, the amount of obligations to which the holders must consent to the amendment or abrogation, and the manner in which the consent may be given.

i. Defining the acts or omissions to act which constitute a default in the duties of the leasing corporation to holders of obligations and providing the rights or remedies of holders in the event of a default.

j. Providing for security for the benefit of the holders of the obligations.

k. Any other matters relating to the obligations which the leasing corporation deems desirable.

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5. Neither the board of the leasing corporation nor a person executing the obligations is liable personally on the obligations or subject to personal liability or accountability by reason of their issuance.

6. The leasing corporation may purchase its obligations out of funds available. The leasing corporation may hold, pledge, cancel, or resell obligations subject to and in accordance with agreements with holders of obligations.

7. The leasing corporation may refund any of its obligations. Refunding obligations shall be issued in the same manner as other obligations of the leasing corporation.*

***Sec. 17. NEW SECTION. 12.53 TRUST AGREEMENT TO SECURE OBLIGATIONS.**

In the discretion of the treasurer of state, obligations may be secured by a trust agreement by and between a leasing corporation or the treasurer of state, and a corporate trustee or trustees, which may be a trust company or bank located in or outside of the state of Iowa that has the powers of a trust company. The trust agreement may pledge the revenues to be received by the leasing corporation, may contain provisions for protecting and enforcing the rights and remedies of the holders of obligations as reasonable and proper and not in violation of law, including provisions that have been authorized to be included in any bond resolution of the leasing corporation, and may restrict the individual right of action by holders of obligations. A trust agreement may contain other provisions the treasurer of state deems reasonable and proper for the security of the holders of obligations. Expenses incurred in carrying out the trust agreement may be treated as a part of the cost of the operation of the leasing program.*

***Sec. 18. NEW SECTION. 12.54 PAYMENT OF OBLIGATIONS — NONLIABILITY OF STATE.**

Obligations are obligations of a leasing corporation and not of the state of Iowa. Each obligation shall state that it represents and constitutes a debt of the leasing corporation, but not of the state of Iowa within the meaning of any constitutional or statutory limitation, and that it does not constitute a pledge of the full faith and credit of the state of Iowa. The obligations shall not grant to the owners or holders of the obligations the right to have the state levy taxes or appropriate funds for the payment of the principal or interest on the obligations. The obligations are payable, and shall state that they are payable, solely from the revenues pledged for their payment in accordance with the bond resolution.

This division does not authorize a leasing corporation or the treasurer of state or any department, board, commission, or other agency to create an obligation of the state within the meaning of the constitution or laws of Iowa.*

***Sec. 19. NEW SECTION. 12.55 PLEDGE OF REVENUES.**

A leasing corporation may fix, revise, charge, and collect fees and may contract with any person to do so.

The leasing corporation shall pledge the revenues from authorized leases as security for the issue of obligations relating to the leases. A pledge is valid and binding from the time when the pledge is made, the revenues pledged by the leasing corporation are immediately subject to the lien of the pledge without physical delivery of the pledge or further act, and the lien of the pledge is valid and binding against all parties having claims of any kind in tort, contract, or otherwise against the leasing corporation, irrespective of whether the parties have notice of the lien. The bond resolution or a financing statement, continuation statement, or other instrument by which the leasing corporation's interest in revenues is assigned need not be filed or recorded in public records in order to perfect the lien against third parties except that a copy of it shall be filed in the records of the leasing corporation and with the treasurer of state.*

***Sec. 20. NEW SECTION. 12.56 FUNDS FOR SALES OF OBLIGATIONS AS TRUST FUNDS — APPLICATION OF FUNDS.**

Moneys received by or on behalf of a leasing corporation under this division, whether as proceeds from the sale of obligations or as revenues, are trust funds to be held and applied as provided in this division. An officer with whom or a bank or trust company with which the moneys are deposited shall act as trustee of the moneys and shall hold and apply the moneys

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for the purposes of this division subject to rules that this division and the bond resolution authorizing the obligations of an issue may provide.*

***Sec. 21. NEW SECTION. 12.57 RIGHTS OF HOLDERS OF OBLIGATIONS.**

A holder of obligations or a trustee under a trust agreement entered into pursuant to this division, except to the extent that their rights are restricted by a bond resolution, may, by any suitable form or legal proceedings, protect and enforce rights under the laws of this state or granted by the bond resolution, may enjoin unlawful activities, and if there is a default on the payment of the principal of, premiums, if any, and interest on an obligation or in the performance of a covenant or agreement on the part of the leasing corporation in the bond resolution, may apply to the district court to appoint a receiver to administer and operate the leasing corporation, the revenues of which are pledged to the payment of principal of, premium, if any, and interest on the obligations, with full power to pay, and to provide for payment of principal of, premium, if any, and interest on the obligations, and with powers, subject to the direction of the court, as permitted by law and accorded to receivers, excluding the power to pledge additional revenues of the leasing corporation to the payment of the principal, premium, and interest.*

***Sec. 22. NEW SECTION. 12.58 REFUNDING BONDS — PURPOSE — PROCEEDS — INVESTMENT OF PROCEEDS.**

1. A leasing corporation may issue its obligations for the purpose of refunding obligations then outstanding, including the payment of a redemption premium on the obligations and interest accrued or to accrue to the earliest or a subsequent date of redemption, purchase, or maturity of the obligations.

2. The proceeds of obligations issued for the purpose of refunding outstanding obligations may, in the discretion of the leasing corporation, be applied to the purchase or retirement at maturity or redemption of the outstanding obligations either on their earliest or a subsequent redemption date or upon the purchase or at the maturity of the obligations and may, pending an application, be placed in escrow to be applied to the purchase or retirement at maturity or redemption on a date determined by the leasing corporation.

3. Any escrowed proceeds, pending their use, may be invested and reinvested in direct obligations of the United States of America, maturing at times as appropriate to assure the prompt payment of the principal of and interest and redemption premium, if any, on the outstanding obligations to be refunded. The interest, income, and profits, if any, earned or realized on an investment may also be applied to the payment of the outstanding obligations to be refunded.

4. Refunding obligations are subject to this division in the same manner and to the same extent as other obligations issued pursuant to the division.*

***Sec. 23. NEW SECTION. 12.59 ANNUAL REPORT.**

The treasurer shall annually provide a report to the governor and the members of the general assembly of the volume and nature of financing leases entered into by state agencies under this division.*

***Sec. 24. NEW SECTION. 12.60 OBLIGATIONS AS LEGAL INVESTMENTS.**

Banks, bankers, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, investment companies, and other persons carrying on a banking or investment business, insurance companies and insurance associations, and executors, administrators, guardians, trustees, and other fiduciaries may legally invest sinking funds, moneys, or other funds belonging to them or within their control in obligations of a leasing corporation.*

***Sec. 25. NEW SECTION. 12.61 NOTICE.**

A leasing corporation shall publish a notice of its intention to issue obligations in a newspaper published in and with general circulation in the state. The notice shall include a statement of the maximum amounts of obligations proposed to be issued, and in general terms, what receipts will be pledged to pay bond service charges on the obligations. An action which questions the legality or validity of the obligations or the power of the leasing corporation to issue

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*the obligations or the effectiveness or validity of any proceedings adopted for the authorization or issuance of the obligations shall not be brought after thirty days from the date of publication of the notice.**

***Sec. 26. NEW SECTION. 12.62 LIBERAL CONSTRUCTION OF DIVISION.**

*This division, being necessary for the welfare of the state and its inhabitants, shall be liberally construed to effect its purpose.**

***Sec. 27. NEW SECTION. 12.63 EXERCISE OF POWERS AS ESSENTIAL PUBLIC FUNCTION — EXEMPTION FROM TAXATION.**

*The exercise of the powers granted by this division will be in all respects for the benefit of the people of this state, for the increase of their commerce, welfare, and prosperity, and as the operation and maintenance of a program by the treasurer of state and leasing corporations organized under this division will constitute the performance of an essential public function. Income of a leasing corporation is exempt from all taxation in the state. Property of a leasing corporation, acquired or held for the purposes of this division, is exempt from all taxation and special assessments in the state if the property was exempt for the fiscal year in which the property was first acquired or held and the property shall continue to be exempt for subsequent fiscal years. Property of a leasing corporation, acquired or held for the purpose of this division, is subject to taxation and special assessments in the state if the property was taxable for the fiscal year in which the property was first acquired or held and the property shall continue to be taxable for subsequent fiscal years.**

Sec. 28. Section 18.12, Code 1989, is amended by adding the following new subsections after subsection 14 and renumbering the subsequent subsection:

NEW SUBSECTION. 15. Prepare quarterly status reports for all ongoing capital projects of all state agencies, as capital project and state agency are defined in section 8.3A, and submit the status reports to the legislative capital projects committee.

NEW SUBSECTION. 16. Call upon any state agency, as defined in section 8.3A, for assistance the director may require in performing the director's duties under subsection 15 regarding capital project status reports* and under section 18.12A regarding the inventory of state property*. All state agencies, upon the request of the director and with the approval of the director of the department of management, shall assist the director and are authorized to make available to the director any existing studies, surveys, plans, data, and other materials in the possession of the state agencies which are relevant to the director's duties.

***Sec. 29. NEW SECTION. 18.12A INVENTORY OF STATE PROPERTY.**

1. The director shall prepare and maintain a correct and current inventory of all real property and equipment, the acquisition or lease of which would constitute a capital project, as defined in section 8.3A, which is owned or leased by or held in trust for the state of Iowa or any state agency, as defined in section 8.3A. In addition, the director shall prepare and maintain the status on additional data elements relating to the real property and equipment designated by the department of revenue and finance which are necessary for use by the department of revenue and finance in preparation of the comprehensive annual financial report of the state. The inventory shall be indexed by location and control of the real property. The inventory shall include but not be limited to the following:

- a. The location and legal description of the real property.*
- b. The source of acquisition of the real property.*
- c. Improvements or construction relating to the real property.*
- d. A functional description of the real property.*
- e. The condition and age, expected life cycle, and maintenance needs of buildings on the real property.*
- f. If land or buildings are to be vacated, the current use of the land or buildings, and other possible uses for the land or buildings.*
- g. The continued need for and availability of alternatives to meet the need for the land or buildings.*

*Item veto; see message at end of the Act

h. The state agency in control of the real property.

i. The location, source of acquisition, condition and age, expected life cycle, and maintenance needs of the equipment and the state agency in control of it.

2. The director shall establish procedures requiring each state agency to report all acquisitions of real property, improvements or construction relating to real property, and dispositions of real property and all acquisitions and dispositions of equipment, and the reporting of the additional data elements necessary for the department of revenue and finance to prepare the financial report, in order that the inventory can be promptly corrected and accurately maintained. Except in an emergency due to an act of nature or insurrection, an acquisition or disposition of real property or equipment shall not be made, construction shall not be commenced, funds or valuable consideration shall not be given, and a final document of conveyance of real property shall not be transmitted until the state agency has complied with the procedures required pursuant to this subsection for reporting such an acquisition or disposition of real property or construction or such an acquisition or disposition of equipment and until the director has issued to the state agency a written acknowledgement of the receipt of such report. The director shall issue the written acknowledgement of the receipt of the report within five days of the receipt of the report. Nothing in this subsection requires nor in the procedures established by the director shall require prior notification to the director of the state agency's intent to apply or the state agency's applying for federal, private or non-state funds for a capital project.

*3. The director shall prepare and submit annually to the governor, the department of revenue and finance, and the legislative capital projects committee a report of the acquisitions and dispositions of real property and equipment and improvements and construction relating to real property subject to this section.**

Sec. 30. NOTIFICATION OF RECEIPT OF NONSTATE FUNDS. All constitutional and statutory offices, administrative departments, and independent agencies, except those institutions governed by chapter 262, shall notify the department of management, the chairpersons, vice chairpersons, and ranking members of the senate and house of representatives' committees on appropriations and of the appropriate joint appropriations subcommittees, and the legislative fiscal bureau of any request for, approval of, or an award of federal or other non-state funds, or of the loss of federal or other nonstate funds during the fiscal period beginning October 1, 1988, and ending September 30, 1989. The notification shall be made no later than December 15, 1989, and shall include the name of the grantor and of the funding grant, the estimated amount of funds, and the planned expenditures for the funds. Institutions governed by chapter 262 shall provide this notification only for those awards of funds which specifically require a commitment of additional state resources.

Sec. 31. 1985 Iowa Acts, chapter 33, section 129, is repealed.

Approved June 3, 1989, except those items which I hereby disapprove and which are designated as section 7 in its entirety; section 3, subsections d and g; that portion of section 4 which I have bracketed in ink and is initialed by me; section 8 in its entirety; sections 9 through 27, in their entirety; section 3, subsection f; that portion of section 28 which I have bracketed in ink and is initialed by me; and section 29 in its entirety. My reasons for vetoing these items are delineated in the item veto message pertaining to this Act to the secretary of state this same date a copy of which is attached hereto.

TERRY E. BRANSTAD, Governor

*Item veto; see message at end of the Act

Dear Madam Secretary:

I hereby transmit Senate File 546, an Act relating to budgetary matters by creating a legislative capital projects committee to review proposed capital projects and requires the Governor to establish criteria for evaluating and funding the projects; requiring the use of the most recent estimate of the Revenue Estimating Conference in the budget process; establishing a coordinated leasing program; requiring notification to the Department of Management and appropriations committees of any request for or loss of federal or nonstate funds; and extending the lottery.

Senate File 546 is, therefore, approved on this date with the following exceptions which I hereby disapprove.

I am unable to approve the item designated as Section 7, in its entirety. By requiring the Governor to use the most recent estimate of the Revenue Estimating Conference "without revision", this provision would prevent me from presenting a budget which reflects proposed changes in current revenue streams. If the Governor had no ability to propose changes in revenue from that forecast by the Revenue Estimating Conference, it would be impossible to propose tax cuts or adjustments in revenues should such appear necessary. Clearly, the law now requires the Governor to base the budget on the Revenue Estimating Conference's projections and that will continue to be done. But explicit adjustments in those projections based on proposed revenues must be permitted.

I am unable to approve the item designated as Section 3, subsections d and g; the designated portion of Section 4, referring to the definition of "capital project"; and Section 8, in its entirety. While the concept of coordinated capital project planning and budgeting is important, these provisions relating to the evaluation and review of proposed capital projects would impose an inappropriate intrusion on executive branch administrative responsibilities.

I am unable to approve the items designated as Sections 9 through 27, in their entirety. These items would establish the Iowa Leasing Program Act and grant the State Treasurer coordination and oversight responsibilities of leasing arrangements in the executive branch. The creation of the Leasing Program would reduce the current powers of the Department of General Services to coordinate lease arrangements through its procurement responsibilities. The added bureaucracy created by this program would confuse the administration of this increasingly critical area.

Further, the Treasurer's Office was established as a separate elected position to assure its independence in the investment of state funds. Extending the Treasurer's role in the fundamental purchasing and procurement decisions of the executive branch would destroy that independence.

I am unable to approve the item designated as Section 3, subsection f; the designated portion of Section 28; and the item designated as Section 29, in its entirety. These provisions require the Department of General Services to maintain a statewide inventory of property, to receive reports from all state agencies regarding any addition or deletion from that inventory, and to report that inventory to the legislature. The legislature did not provide any resources for the Department of General Services to assume the significant responsibilities created by this item. Each agency now is required to maintain separate inventories of property in a manner adequate to be incorporated in the Comprehensive Annual Financial Report of the State. Until adequate resources are provided to consolidate this function in the Department of General Services, each agency will have to continue to undertake this responsibility.

For the above reasons, I hereby respectfully disapprove these items in accordance with Amendment IV of the Amendments of 1968 to the Constitution of the State of Iowa. All other items in Senate File 546 are hereby approved as of this date.

Sincerely,
TERRY E. BRANSTAD, *Governor*