

November 2001

STATE AGENCY EQUIPMENT LEASES

North Dakota Century Code Section 54-44.1-06 requires that budget data prepared by the Office of Management and Budget must include a list of every individual asset or service and every group of assets and services with a value of \$50,000 or more acquired through a capital or operating lease or a debt financing arrangement. The list must include assets and services acquired during the current biennium and anticipated assets and services to be acquired in the next biennium.

Pursuant to this section, the Office of Management and Budget has established policies for the reporting of lease agreements entered into by state agencies.

OFFICE OF MANAGEMENT AND BUDGET POLICIES

Office of Management and Budget fiscal and administrative policy No. 312 provides that any state agency or institution that **acquires an asset, excluding real estate, through a lease agreement** must prepare a written analysis documenting the decision to acquire the asset. The analysis must be made available to auditors for review during the audit for the fiscal period during which the decision was made to lease the asset. The following information should be included in the analysis:

1. The lessor's name.
2. The inception date of the lease.
3. The term of the lease.
4. The monthly or annual payment amount.
5. The amount of executory costs (i.e. insurance, maintenance contract, and taxes) included in the lease payment.
6. The estimated purchase price of the leased property at the inception of the lease.
7. The purchase price at the termination of the lease.
8. A statement from the vendor indicating whether or not the lease transfers ownership of the leased property to the state at the end of the lease term.
9. The estimated economic life of the lease property.
10. The interest rate, if applicable, used by the lessor to determine the rental payments.

In order to assist agencies in completing a cost-benefit analysis of any proposed lease, the Office of Management and Budget has developed a *Lease vs. Purchase Cost/Benefit Analysis* form for use by agencies. The form is available to agencies via the Office of Management and Budget web site. A copy of the form is attached as Appendix A.

STATE INTEGRATED BUDGET AND REPORTING (SIBR) SYSTEM INFORMATION

In addition to the *Lease vs. Purchase Cost/Benefit Analysis* form to be used by agencies to determine if it is more feasible to lease or purchase an asset, SIBR user guidelines issued by the Office of Management and Budget direct agencies to complete a SIBR lease purchase agreement form to provide a written analysis documenting an agency's decision to acquire an asset through a lease arrangement. Instructions to agencies indicate that the on-line SIBR form should be completed for all leases entered into during the current biennium and any anticipated leases included in the agency's budget request for the next biennium. Consequently, this form is part of the agency budget request for every agency that has an existing lease or is requesting funding to enter into a lease agreement during the subsequent biennium. Appendix B is pages 5-40 through 5-42 of the SIBR users manual, which includes an example of the lease purchase agreement screen as seen by SIBR users and the accompanying instructions issued to agency budget personnel.

Appendix C is a summary of all lease purchase agreement forms completed by state agencies as part of 2001-03 biennium budget requests. The leases listed include existing and proposed leases at the time the budget requests were submitted. Additional leases may have been entered into since that time; conversely, proposed leases included on the list may not have been entered into by the agency due to a change in circumstances or a difference between the funding requested and the amount actually appropriated.

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