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TO: ALL DEPARTMENT AND AGENCY HEADS

FROM: John F. Cape 

SUBJECT: Installment-Purchase Financing of Equipment for Fiscal Year 2005-06

This Bulletin identifies the requirements for Division of the Budget (DOB) approval of new requests for essential installment purchases of equipment for all State agencies, departments, the State University of New York, and the City University of New York in fiscal year 2005-2006. The term "installment purchase" includes all equipment purchases financed with State-supported bonds, vendor financing, and the Statewide Lease-Purchase Agreement (SLPA). It is expected that all agency final requests will be at or below amounts recommended with the Executive Budget.

To accurately assess all agency equipment needs for which State-supported bonds, vendor financing, or SLPA financing may be required, agencies must review all the financing requests they submitted to their DOB Examination Unit for purposes of preparing the 2005-06 Executive Budget. Agencies should then follow the instructions outlined below to submit their final requests to their DOB Examination Unit for approval by **October 7, 2005**.

DOB expects that agencies will use the most cost effective means for financing equipment purchases, which, based on past experience, has generally been through the use of State-supported bonds. DOB will notify agencies that submit requests for vendor or SLPA financing if it is more cost effective to finance their equipment purchases with State-supported bonds, provided sufficient bond authorization is available. The timely submission of agency requests is essential to plan for the issuance of State-supported Personal Income Tax Revenue bonds in November 2005 and to ensure that equipment purchases are financed in the most cost effective manner possible.

Please note that all of the requirements and procedures for the issuance of COPs as identified in Budget Policy and Reporting Manual Item H-101 will still apply to the State-supported bond sale (e.g., definition of equipment costs eligible for financing, criteria for installment purchases, agency lease payments to the Office of General Services) and that requests for State-supported bond financing by agencies with past due payments to OGS for equipment previously financed will not be approved.

Instructions for Submitting Equipment Financing Requests

For all installment purchase requests for equipment, agencies must:

- Submit final requests for all equipment installment purchase obligations anticipated for fiscal year 2005-06 to your Budget Examination Unit by October 7, 2005. (Agencies are directed to Budget Policy and Reporting Manual Item H-101, which was revised and reissued in July 2005, for instructions on how to prepare the request.) Agencies must complete the H-101, H-101B and H-101C forms identified in Item H-101 of the Budget Policy and Reporting Manual. Please note that these forms have been revised and outdated forms will not be accepted. The new forms are available electronically through the Division of the Budget Homepage (<http://www.budget.state.ny.us>), Budget Policy and Reporting Manual, Item H-101.
- Secure prior DOB approval, through the H-101 process, for all anticipated installment-purchase financing of equipment, regardless of whether the equipment is financed through State-supported bonds, an equipment vendor, or a financing company. This includes purchases that will be financed through the Statewide Lease Purchase Agreement.
- Submit final H-101 requests only for essential equipment that is critical to the delivery of services or agency operations and for which sufficient spending authority is available to make lease payments.
- Exclude annual fees or costs for vendor maintenance, training, stand-alone consulting services or upgrade of computer software and/or hardware from the H-101 requests for State-supported bond or vendor financing because these items are not eligible for such financing. Consulting services may be included if the services are part of a package and the hardware and/or software component of the package meets the \$250,000 minimum threshold.
- Obtain DOB H-101 approval before refinancing any outstanding installment- and lease-purchase obligations.
- Limit installment purchases to procurements with a minimum outright purchase price of \$250,000.

- Assume an interest rate of 3 percent to calculate anticipated installment payments if requesting a financing term of three years. If a request is made for a financing term greater than three years, agencies should contact Sean Fitzgerald in the Division of the Budget's Expenditure/Debt Unit (518-402-2277) for guidance on the applicable interest rate.
- For all computer related procurements, obtain appropriate review and approval from the State Office for Technology.

Agencies planning to solicit financing quotes from equipment vendors or financing companies must review the guidelines provided in the Budget Policy and Reporting Manual Item H-101 prior to issuing a Request for Proposal or a mini-bid through the Statewide Lease Purchase Agreement.

Questions concerning this Bulletin should be directed to Sean Fitzgerald (518-402-2277) in DOB's Expenditure/Debt Unit. Questions concerning agency H-101 requests should be directed to your Budget Examiner.