

STATE OF VERMONT  
AGENCY OF ADMINISTRATION

BULLETIN NO. 7.14

TO: All State Agencies and Departments

FROM: Thomas P. Menson, Secretary of  
Administration

DATE: October 1, 1988

SUBJECT: Equipment Revolving Fund

A. PURPOSE

This bulletin promulgates the policies and procedures governing the Equipment Revolving Fund.

B. BACKGROUND

The 1988 session of the general assembly amended the statutes to establish an Equipment Revolving Fund to be administered by the Commissioner of General Services. This fund is intended to be used for internal lease purchase of equipment for State agencies under criteria established by the Secretary of Administration. Cost of the equipment will be repaid to the fund according to schedules established by the Commissioner of Finance & Management (Sec 903(e) of Title 29 of the Vermont Statutes Annotated).

The Equipment Revolving Fund may be used for purchase of equipment, which might otherwise be approved by the Secretary of Administration for vendor financed lease purchase. The fund will also be available to meet the needs of departments that experience unanticipated equipment needs due to extraordinary circumstances. However, the fund is in no way intended to serve as a substitute for proper planning and budgeting for equipment purchases.

C. POLICY

The following policies will govern the use of the Equipment Revolving Fund:

1. Minimum cost of an equipment purchased will be \$5,000. Exceptions will be considered in the case of small organizations where this minimum represents a significant portion of the operating expense. Individual items of equipment will not be lumped together to achieve the minimum unless the

components are intended to be installed or otherwise linked together and to function as a system.

2. Repayment schedules will include administrative costs. Buy-out of existing leases will be considered on a case-by-case basis.

3. All purchases must be approved by the Secretary of Administration.

4. Standard purchasing procedures will be used.

5. Purchase of copiers through the equipment revolving fund will not generally be allowed. These are available through the General Services Department on a per copy charge.

6. The fund will be used to purchase only essential equipment. Equipment normally replaced on a regularly scheduled basis (e.g., vehicles) will be included in departmental budgets and not be purchased through the Equipment Revolving Fund. Funds budgeted for purchase of equipment will not be transferred to other expenditure line items in order to use the Equipment Revolving Fund. This fund will not be used to replace or circumvent the annual budgeting process. Generally, it is expected that the fund will be used only ~or emergencies or for critical equipment needs originating after initiation of the budget process. All items that can be anticipated should be included in the annual budget process. All requests to purchase equipment through this fund will require an explanation as to why it was/will not be included in the department's budget request. Any funds currently budgeted for the particular equipment or for other equipment that is not essential, will be transferred to the Equipment Revolving Fund. All funds budgeted for equipment procurement will be examined by the review committee and may be subject to reallocation or transfer.

7. The amortization period shall be established by the Commissioner of Finance and Management. The length of period may vary, depending on the department and/or equipment, but will not exceed five years. The balance on obsolete equipment must be paid before purchasing replacements. Should equipment be replaced using sources of funds outside the Equipment Revolving Fund, the department will nonetheless be expected to discharge its debt to the Equipment Revolving Fund. If appropriations are insufficient to meet the payment schedule, the equipment will be transferred to Surplus Property for disposition. Insufficiency of appropriations will be determined by the Secretary of Administration.

8. Equipment will not be insured through the Equipment Revolving Fund. Should insurance be required beyond the limits of the existing State policies, the using agency will be responsible for such insurance. Should equipment be destroyed or otherwise lost agencies will remain liable for reimbursing the Equipment Revolving Fund according to the payment schedule.

9. Programs currently funded by revolving funds are not eligible to use the Equipment Revolving Fund.

10. Programs funded by federal funds may utilize the Equipment Revolving Fund if such use is not prohibited by federal regulations. If payments to the Equipment Revolving Fund are not made, the equipment may be transferred to surplus property for disposition.

11. Agencies will remain liable for payments on equipment specified by that agency for purchase and then rejected upon delivery or subsequently returned as being inadequate for the job.

#### D. PROCEDURES

On or about September 1 annually, a committee chaired by the Commissioner of Finance and Management (or a designated representative) with representation from the General Services Department and the Department of Finance and Management will recommend a limit (cap) on total equipment purchases for the fiscal year. This limit will be coordinated with the State Treasurer.

Agencies and departments wishing to use the Equipment Revolving Fund under the policies outlined above may forward requests to the Secretary of Administration including (but not limited to) the following:

1. Complete description of the equipment
2. Cost of the equipment
3. Intended use
4. Need for the equipment (justification)
5. Cost to the state if the equipment is not purchased

Each request will be reviewed by the General Services Department and the Department of Finance and Management and recommendations for approval or disapproval forwarded to the Secretary of Administration. Should the proposed purchase exceed the annual limit the reviews will address the urgency of need and the recommendations will include a statement on whether the limit should be exceeded. If purchase through the Equipment Revolving Fund is approved, the Commissioner of Finance and Management will establish an amortization schedule (using available funds to reduce the

amount being amortized) and forward the request to the General Services Department for purchasing action.

The General Services Department will purchase the equipment through normal purchasing channels and initiate payment from the Equipment Revolving Fund. The General Services Department will draft a letter of agreement with the receiving department concerning the terms of payback, early buy-out, and other items of understanding, which will be executed by both parties prior to delivery of the equipment. When the equipment is delivered, currently available funds in the accounts of the receiving department will be transferred to the Equipment Revolving Fund. Repayment in subsequent years will be accomplished by a single transfer annually to the Equipment Revolving Fund not later than October 31st.

Upon delivery and acceptance of the equipment by the requesting agency or department, the equipment becomes the property of that agency or department.

**APPROVAL OF EQUIPMENT REVOLVING FUND REQUESTS**

In accordance with 29 V.S.A. Section 903 9(e), the use of Equipment Revolving Fund is hereby authorized for the following purposes:

NOTE: Just a reminder that you need to request this form from the Secretary of Administration's Office and that it should be routed to them FIRST before the process below (Step#1 etc...) begins.

Department:

Equipment:

Purpose:

Cost of Equipment Approved through ERF: \$

General Services Administrative Cost (@.003) \$

Total \$

Year of Payback: Annual Payback\$

Beginning in Fiscal Year:

Additional Funding Required in Future Years:

NO  YES

If yes, Explain:

Other Conditions:

**PLEASE FOLLOW THESE STEPS IN ORDER TO PROCESS THIS ERF REQUEST, THANKS.**

(To check the status of this request, please call the Secretary of Administration's Office @ 828-3322)

**STEP #1**

**STEP #1.a (IF IT APPLIES)**

**RECOMMENDATION:**

**RECOMMENDATION :(Info Systems Related Only)**

Yes  NO

Yes  NO

\_\_\_\_\_  
General Services Dept.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Dept of Information  
& Innovation

\_\_\_\_\_  
Date

**STEP #2**

**RECOMMENDATION:**

YES  NO

\_\_\_\_\_  
Finance & Management

\_\_\_\_\_  
Date

**STEP #3**

**APPROVAL**

YES  NO

\_\_\_\_\_  
Sect.Of Admin.

\_\_\_\_\_  
Date