

HOUSE BILL REPORT

HB 2760

As Reported By House Committee On:
Capital Budget

Title: An act relating to long-term leases of real estate on behalf of state agencies.

Brief Description: Authorizing the director of general administration to enter into leases of up to ten years without a review by the office of financial management.

Sponsors: Representatives Koster, Stevens, D. Sommers, L. Thomas, Goldsmith and Silver.

Brief History:

Committee Activity:

Capital Budget: 2/1/96 [DP];

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 15 members: Representatives Sehlin, Chairman; Honeyford, Vice Chairman; Ogden, Ranking Minority Member; Chopp, Assistant Ranking Minority Member; Costa; Hankins; Koster; Mitchell; Pennington; Regala; Romero; Silver; D. Sommers; L. Thomas and Valle.

Staff: Jenny Galvin (786-7349).

Background: The state of Washington utilizes a wide variety of facilities to deliver programs and conduct business. The state obtains facilities through purchase, construction, or leasing from private owners. Most state leases run for five-year terms.

The Department of General Administration (GA) provides leasing procurement services to all state agencies except the state universities, including the Evergreen State College, the Liquor Control Board for stores and warehouses, the natural resource agencies for non-office or warehouse facilities, the Department of Transportation, and other agencies to which GA has delegated leasing authority.

Legislation was passed in 1994 to change the procedures used when acquiring state-owned and leased facilities and in accounting for the cost of those facilities. The director of GA is now authorized to enter into leases for a period longer than five

years, subject to approval by the director of the Office of Financial Management (OFM). Approval is contingent upon a determination that the longer term leases provide a more favorable rate, the facility is necessary for the full length of the lease term, and the facility meets GA's standards for facility efficiency. The director of GA may enter into a long-term lease greater than 10 years if analysis shows that the life-cycle cost of leasing the facility is less than the life-cycle cost of purchasing or constructing a facility.

Summary of Bill: The director of GA is authorized to enter into leases of up to 10 years without OFM approval.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: The state will not lose security and may enjoy beneficial new lease opportunities. The state will be able to take advantage of market rates and flexibility in lease arrangements.

Testimony Against: None.

Testified: Grant Fredericks, Department of General Administration (neutral); John Fricke, Office of Financial Management (neutral); and Mark Gjurasic, Government Building Owners & Lessor Association (pro).