

HOUSE BILL REPORT

ESB 5657

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: Senator Strannigan.

Brief History:

Committee Activity:

Capital Budget: 4/3/97, 4/4/97 [DP].

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 11 members: Representatives Sehlin, Chairman; Honeyford, Vice Chairman; Ogden, Ranking Minority Member; Sullivan, Assistant Ranking Minority Member; Costa; Hankins; Koster; Lantz; Mitchell; D. Sommers and H. Sommers.

Staff: Bill Robinson (786-7140).

Background: The Department of General Administration (GA) provides lease procurement services to most state agencies. The director of GA is currently authorized to enter into leases 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.

As a result of a budget proviso in 1996, GA established an OFM approved policy on five to 10 year leases. The policy addresses specific items, including an assurance of occupancy, space utilization, cost savings, and risk analysis, among others. Documentation on these items must be provided to OFM for lease approval.

Summary of Bill: The director of GA is authorized to enter into leases of up to ten years without OFM's approval. No state agency lease may be used as collateral for a publically offered security. No state agency lease may be used as collateral for a

private placement without the prior written approval of the state treasurer. The state treasurer must adopt rules which specify criteria necessary for approval. The treasurer may recommend that the Governor terminate a lease that violates these provisions.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Long-term leases will reduce the cost of state operations and reduce the cost to building owners by lowering lease renewal and financing costs. The recently developed policy will ensure that long-term leases will comply with state cost and space standards. The restriction on the use of a state lease as security for private financing will protect the reputation of the state and stop any misrepresentation or confusion in the securities marketplace.

Testimony Against: None.

Testified: Pat Rants and Mark Gjurasic, GBOLA (pro); Tim Kerr, State Treasurer's Office (pro); and Bob Bippert, Department of General Administration (neutral).