

SENATE BILL REPORT

ESB 5657

As Passed Senate, March 18, 1997

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: Ways & Means: 3/4/97, 3/7/97 [DP].
Passed Senate, 3/18/97, 45-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Brown, Fraser, Hochstatter, Kohl, Long, McDonald, Rossi, Schow, Snyder, Spanel, Swecker, Thibaudeau, Winsley and Zarelli.

Staff: Maura Sullivan (786-7431)

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. The director of GA may enter into a long-term lease greater than ten 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.

As a result of a budget proviso in 1996, GA established an OFM approved policy on five to ten 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: Longer term leases may save the state money. If lease rates increase then longer term leases may be more cost effective. Owners may be willing to decrease rents if the longer term leases provide financial stability. Also, the Treasurer's Office is concerned about the issuance of securities using lease payments as the underlying guarantee.

Testimony Against: None.

Testified: PRO: Pat Rants, Government Building Owners and Lessors Association; Tim Kerr, Office of the State Treasurer.