

**SB 73 STAFF MEASURE SUMMARY**

**Senate Committee On Business and General Government**

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**Meeting Dates:** 1/22

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**WHAT THE MEASURE DOES:**

Exempts Department of Administrative Services (DAS) from specified borrowing requirements when entering into lease purchase or installment purchase agreements over \$100,000 when agreement contains nonrecourse provision.

**ISSUES DISCUSSED:**

**EFFECT OF AMENDMENT:**

No amendment.

**BACKGROUND:**

The Department of Administrative Services (DAS) supports the operation of state government by providing a wide range of services to state agencies, including accounting, technology, human resources, facilities, fleet and parking, payroll, and procurement. DAS' Enterprise Management division oversees a portfolio of 547 private sector and 99 public sector leases, closing 250-300 transactions per year.

Current statute requires lease purchase or installment purchase agreements over \$100,000 to comply with public bonding requirements. A lease purchase agreement is a traditional rental agreement with an option to later purchase. A portion of the rent is applied to the purchase price, and the renter typically has the right of first refusal to purchase at a specified time in the contract. A nonrecourse provision is an agreement that the lender use the agreed collateral as security and not hold the borrower personally liable. In a lease purchase agreement, the collateral would most likely be the portion of the rent applied to the purchase price.

The agency believes that it can save money on future real estate transactions utilizing lease purchase agreements and that the public bonding requirements are unnecessarily onerous for that type of transaction. The measure exempts DAS from the public bonding requirements for lease purchase agreements over \$100,000 if the finance agreement includes a nonrecourse provision.