MAR 0 9 2018

SENATE RESOLUTION

URGING THE DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES TO IMPLEMENT THE LEASE BUYBACK PROGRAM AND ADOPT ADMINISTRATIVE RULES FOR THE PROGRAM PURSUANT TO ACT 177, SESSION LAWS OF HAWAII 2015.

WHEREAS, a lease buyback, also known as a sale-leaseback, is an arrangement where the seller of an asset leases back the same asset from the purchaser; and

WHEREAS, under the right set of circumstances, a lease buyback program can provide a number of benefits to the seller; and

WHEREAS, a major benefit of the lease buyback transaction is the one-time revenue from the sale of the assets; and

WHEREAS, in the case of the State doing a lease buyback transaction, proceeds from the sale can retire the bonds associated with the buildings and also be used to supplement the State's general fund to pay for services and unfunded liabilities: and

WHEREAS, lease buyback agreements also transfer the State's costs and risk of owning the buildings to a different owner; and

WHEREAS, this body passed Act 177, Session Laws of Hawaii 2015 (Act 177), codified in part in section 26-6, Hawaii Revised Statutes, to require the Department of Accounting and General Services to establish, coordinate, and manage a program to facilitate facility agreements between the State and private investors for the sale of facilities, excluding facilities managed or controlled by the Department of Transportation, to private investors; and

WHEREAS, Act 177 also appropriated \$250,000 to the Department of Accounting and General Services to conduct an inventory of all leases of property between state agencies and private entities; and

 WHEREAS, the inventory of all leases of property between state agencies and private entities was needed to understand state facilities' needs; and

WHEREAS, Act 177 also required the Department of Accounting and General Services to submit a report of findings and recommendations resulting from the inventory of leases of property between state agencies and private entities, including any proposed legislation, to the Legislature no later than twenty days prior to the convening of the Regular Session of 2016; and

WHEREAS, the report found that the State has underutilized and dilapidated state buildings that need modernization to accommodate agencies; and

WHEREAS, other states have passed similar legislation to sell then lease back state-owned office properties from private entities; now, therefore,

BE IT RESOLVED by the Senate of the Twenty-ninth Legislature of the State of Hawaii, Regular Session of 2018, that the Department of Accounting and General Services is urged to implement the lease buyback program and adopt administrative rules for the program pursuant to Act 177, Session Laws of Hawaii 2015; and

BE IT FURTHER RESOLVED that a certified copy of this Resolution be transmitted to the Comptroller.

OFFERED BY:

D.