

News from the System

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Master Lease Back in the Driver's Seat

The biggest customers get the best deals. It's a reality of buying and selling, and one that will benefit Mississippi's institutions of higher learning if the **authority for master lease and purchase is reinstated.**

What is master lease/purchase?

Master lease/purchase is a centralized program maintained by the Board office of the Mississippi Institutions of Higher Learning in which the Universities' essential governmental-use equipment needs are consolidated into, and financed as, one request. This consolidation means the cost of issuance is lower and the institutions collectively receive a better interest rate than they could have received individually.

What types of purchases are affected?

The proposed authority primarily applies to the purchase of major capital investments such as automobiles and other rolling stock, computer hardware, software and related components, technology upgrades, medical/hospital equipment, scientific and research equipment, agricultural implements and similar items of a non-real property nature.

What other advantages does master lease/purchase offer to the state's universities?

- The master lease program allows institutions to buy equipment with life longer than one year and pay for it over the useful life of the equipment.
- Fixed payments aid the institutions in budgetary planning and analysis.
- The institutions own the equipment at the end of the lease term.
- The obligation to make lease payments under the master lease agreement is subject to IHL's annual right of non-appropriation, to the effect that use of the master lease program does not create unconstitutional debt.

What prompted interest in this change?

Actually, this proposal is not a change so much as a reinstatement of previous authority given to IHL to create and maintain a master lease program under Section 37-101-413 of the Mississippi Code, as amended. That authority was eliminated, presumably in error, as a result of legislation enacted during the 2005 session to repeal unnecessary/unused state bond authority. Sections 37-101-401 through Sections 37-101-431 of the Mississippi Code were repealed, which inadvertently repealed IHL's authority to continue its master lease program. The effect of the repealing legislation was to eliminate IHL's authority to issue, pursuant to Section 37-101-401 et seq., approximately \$15 million of general obligation bonds to acquire equipment for the Universities. The Department of Finance and Administration (DFA) is aware of the error and its effect on the existence of the master lease program for the institutions, and supports the restoration of IHL's master lease/purchase authority.

Any questions? Call Commissioner of Higher Education Dr. Thomas Meredith at 601.432.6623 or E-mail: commissioner@ihl.state.ms.us