

**WAC 210-03-010 Authorization.** Chapter 39.94 RCW provides for financing of both real and personal property by state agencies and other agencies through the use of financing contracts. The state finance committee must approve all financing contracts issued on behalf of the state of Washington. Transactions may be financed with certificates of participation (COPs). Certificates of participation represent ownership interests, or participation, in the future stream of lease payments. Certificates of participation are issued on behalf of the state pursuant to a lease of financed assets that provide collateral to the lender. The state finance committee has delegated administrative responsibility for the lease/purchase program to the office of the state treasurer. The office of the state treasurer may pool financing requests in the name of the state of Washington to access municipal securities markets with lower, tax-exempt interest rates.

The office of the state treasurer classifies financing transactions as operating leases (true leases) or financing contracts based upon the criteria established by the Governmental Accounting Standards Board (based upon FASB 13). If any one of the following criteria is met, the lease is considered a financing contract subject to chapter 39.94 RCW:

- (1) Present value of lease payments > 90% of fair market value.
- (2) Lease term > 75% of useful life.
- (3) Lease includes a bargain purchase option.
- (4) Lease provides for transfer of ownership.

If a lease satisfies any one of the above criteria, it is a financing contract subject to chapter 39.94 RCW.

[Statutory Authority: RCW 39.94.040. WSR 01-11-062, § 210-03-010, filed 5/11/01, effective 6/11/01.]