SCHOOL DISTRICTS--FINANCIAL INSOLVENCY

EFFECTIVE DATE: 09/01/12

Passed by the House March 3, 2012
Yeas 96  Nays 0

FRANK CHOPP
Speaker of the House of Representatives

Passed by the Senate February 29, 2012
Yeas 45  Nays 3

BRAD OWEN
President of the Senate

Approved March 29, 2012, 7:20 p.m.

CERTIFICATE

I, Barbara Baker, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is SUBSTITUTE HOUSE BILL 2617 as passed by the House of Representatives and the Senate on the dates hereon set forth.

BARBARA BAKER
Chief Clerk

FILED

March 29, 2012

CHRISTINE GREGOIRE
Governor of the State of Washington

Secretary of State
State of Washington

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

Sec. 1. RCW 28A.315.025 and 2006 c 263 s 505 are each amended to read as follows:

As used in this chapter:

(1) "Change in the organization and extent of school districts" means the formation and establishment of new school districts, the dissolution of existing school districts, the alteration of the boundaries of existing school districts, or all of them.

(2) "Regional committee" means the regional committee on school district organization created by this chapter.
(3) "School district" means the territory under the jurisdiction of a single governing board designated and referred to as the board of directors.

(4) "Educational service district superintendent" means the educational service district superintendent as provided for in RCW 28A.310.170 or his or her designee.

(5) "Financial oversight committee" means a committee convened pursuant to section 8 of this act.

(6) "Financially insolvent district" means a school district that:
(a) Has been on binding conditions pursuant to RCW 28A.505.110 for two consecutive years and is unable to prepare a satisfactory financial plan; or
(b) Is reasonably foreseeable and likely to have a deficit general fund balance within three years and is unable to prepare a satisfactory financial plan.

(7) "Satisfactory financial plan" means a plan approved by the superintendent of public instruction and the educational service district where a school district is located demonstrating the school district will have an adequate fund balance at the end of the plan period relying on:
(a) Currently available revenue streams provided by federal, state, or local resources; or
(b) Other revenue streams determined reasonably reliable by the educational service district where the school district is located.

Sec. 2. RCW 28A.315.065 and 1999 c 315 s 204 are each amended to read as follows:
((4)) Any district boundary changes shall be filed for recording with the county auditor by the educational service district superintendent within thirty days after the changes have been approved in accordance with this chapter. The superintendent shall submit both legal descriptions and maps. District boundary changes shall be effective the date specified in the educational service district superintendent's order.
((2) Any boundary changes submitted to the county auditor after the fourth Monday in June of odd numbered years does not take effect until the following calendar year.)
Sec. 3. RCW 28A.315.095 and 1999 c 315 s 301 are each amended to read as follows:

The powers and duties of each regional committee are to:

(1) Hear and approve or disapprove proposals for changes in the organization and extent of school districts in the educational service districts when a hearing on a proposal has been requested under (RCW 28A.315.195) section 5 of this act;

(2) Make an equitable adjustment of the property and other assets and of the liabilities, including bonded indebtedness and excess tax levies as otherwise authorized under this section, as to the old school districts and the new district or districts, if any, involved in or affected by a proposed change in the organization and extent of the school districts;

(3) Make an equitable adjustment of the bonded indebtedness outstanding against any of the old and new districts whenever in its judgment such adjustment is advisable, as to all of the school districts involved in or affected by any change heretofore or hereafter effected, subject to the requirements in RCW 28A.315.265;

(4) Provide that territory transferred from a school district by a change in the organization and extent of school districts, other than changes required pursuant to RCW 28A.315.225, shall either remain subject to, or be relieved of, any one or more excess tax levies that are authorized for the school district under RCW 84.52.053 before the effective date of the transfer of territory from the school district;

(5) Provide that territory transferred to a school district by a change in the organization and extent of school districts, other than changes required pursuant to RCW 28A.315.225, shall either be made subject to, or be relieved of, any one or more excess tax levies that are authorized for the school district under RCW 84.52.053 before the effective date of the transfer of territory to the school district;

(6)(a) Provide that a school district that is annexing or receiving territory from a financially insolvent school district pursuant to RCW 28A.315.225 may submit to the voters of the entire school district, including the territory to be annexed or transferred, a proposition for a replacement or supplemental levy pursuant to RCW 84.52.053(2)(b);
(b) Provide that, if an election under (a) of this subsection has not occurred or has failed, territory transferred from a financially insolvent school district to another school district or districts pursuant to RCW 28A.315.225 must be relieved of any one or more excess tax levies that are authorized for the financially insolvent school district under RCW 84.52.053 before the effective date of the transfer of territory from the financially insolvent school district;

(c) Provide that, if an election under (a) of this subsection has not occurred or has failed, territory transferred from a financially insolvent school district to another school district or districts pursuant to RCW 28A.315.225 must be made subject to any one or more excess tax levies that are authorized for the receiving school district or districts under RCW 84.52.053 before the effective date of the transfer of territory to the receiving school district or districts;

(7) Establish the date by which a committee-approved transfer of territory shall take effect;

(8) Hold and keep a record of a public hearing or public hearings (a) on every proposal for the formation of a new school district or for the transfer from one existing district to another of any territory in which children of school age reside or for annexation of territory when the conditions set forth in RCW ((28A.315.290 or 28A.315.320)) 28A.315.225 prevail; and (b) on every proposal for adjustment of the assets and of the liabilities of school districts provided for in this chapter. Three members of the regional committee or two members of the committee and the educational service district superintendent may be designated by the committee to hold any public hearing that the committee is required to hold. The regional committee shall cause notice to be given, at least ten days prior to the date appointed for any such hearing, in one or more newspapers of general circulation within the geographical boundaries of the school districts affected by the proposed change or adjustment. In addition notice may be given by radio and television, or either thereof, when in the committee's judgment the public interest will be served thereby; and

(9) Prepare and submit to the superintendent of public instruction from time to time or, upon his or her request, reports and recommendations respecting the urgency of need for school plant facilities, the kind and extent of the facilities required, and the
development of improved local school administrative units and attendance areas in the case of school districts that seek state assistance in providing school plant facilities.

Sec. 4. RCW 28A.315.195 and 2008 c 159 s 1 are each amended to read as follows:

(1) A proposed change in school district organization by transfer of territory from one school district to another may be initiated by a petition in writing presented to the educational service district superintendent:

(a) Signed by at least fifty percent plus one of the active registered voters residing in the territory proposed to be transferred; or

(b) Signed by a majority of the members of the board of directors of one of the districts affected by a proposed transfer of territory and providing documentation that, before signing the petition, the board of directors took the following actions:

(i) Communicated the proposed transfer to the board of directors of the affected district or districts and provided an opportunity for the board of the affected district or districts to respond; and

(ii) Communicated the proposed transfer to the registered voters residing in the territory proposed to be transferred, provided notice of a public hearing regarding the proposal, and provided the voters an opportunity to comment on the proposal at the public hearing.

(2) The petition shall state the name and number of each district affected, describe the boundaries of the territory proposed to be transferred, and state the reasons for desiring the change and the number of children of school age, if any, residing in the territory.

(3) The educational service district superintendent shall not complete any transfer of territory under this section that involves ten percent or more of the common school student population of the entire district from which the transfer is proposed, unless the educational service district superintendent has first called and held a special election of the voters of the entire school district from which the transfer of territory is proposed. The purpose of the election is to afford those voters an opportunity to approve or reject the proposed transfer. A simple majority shall determine approval or rejection.
(4) The superintendent of public instruction may establish rules limiting the frequency of petitions that may be filed pertaining to territory included in whole or in part in a previous petition.

(5) (Upon receipt of the petition, the educational service district superintendent shall notify in writing the affected districts that:

(a) Each school district board of directors, whether or not initiating a proposed transfer of territory, is required to enter into negotiations with the affected district or districts;

(b) In the case of a citizen-initiated petition, the affected districts must negotiate on the entire proposed transfer of territory;

(c) The districts have ninety calendar days in which to agree to the proposed transfer of territory;

(d) The districts may request—and shall be granted—by the educational service district superintendent one thirty-day extension to try to reach agreement; and

(e) Any district involved in the negotiations may at any time during the ninety-day period notify the educational service district superintendent in writing that agreement will not be possible.

(6) If the negotiating school boards cannot come to agreement about the proposed transfer of territory, the educational service district superintendent, if requested by the affected districts, shall appoint a mediator. The mediator has thirty days to work with the affected school districts to see if an agreement can be reached on the proposed transfer of territory.

(7) If the affected school districts cannot come to agreement about the proposed transfer of territory, and the districts do not request the services of a mediator or the mediator was unable to bring the districts to agreement, either district may file with the educational service district superintendent a written request for a hearing by the regional committee.

(8) If the affected school districts cannot come to agreement about the proposed transfer of territory initiated by citizen petition, and the districts do not request the services of a mediator or the mediator was unable to bring the districts to agreement, the district in which the citizens who filed the petition reside shall file with the educational service district superintendent a written request for a
by the regional committee, unless a majority of the citizen petitioners request otherwise.

(9) Upon receipt of a notice under subsection (7) or (8) of this section, the educational service district superintendent shall notify the chair of the regional committee in writing within ten days.

(10) Costs incurred by school districts under this section shall be reimbursed by the state from such funds as are appropriated for this purpose.) A petition to transfer territory must be processed in accordance with section 5 of this act and RCW 28A.315.205.

NEW SECTION. Sec. 5. A new section is added to chapter 28A.315 RCW to read as follows:

(1) Upon receipt of a petition to transfer territory pursuant to RCW 28A.315.195 or to dissolve a financially insolvent school district pursuant to RCW 28A.315.225, the educational service district superintendent shall notify in writing the affected districts that:

(a) Each school district board of directors, whether or not initiating a proposed transfer of territory or dissolution, must enter into negotiations with the affected district or districts;

(b) In the case of a citizen-initiated petition, the affected districts must negotiate on the entire proposed transfer of territory;

(c) The districts have ninety calendar days in which to agree to the proposed transfer of territory or to agree on the annexation of a financially insolvent district;

(d) Districts negotiating an agreement regarding annexation of a dissolving financially insolvent district may not agree to not dissolve a financially insolvent district;

(e) The agreement between at least one contiguous district and a financially insolvent district regarding the annexation of the dissolving district and the distribution of assets and liabilities is subject to approval by the financial oversight committee;

(f) The districts may request and shall be granted by the educational service district superintendent one thirty-day extension to try to reach agreement; and

(g) Any district involved in the negotiations may at any time during the ninety-day period notify the educational service district superintendent in writing that agreement will not be possible.
(2) If the negotiating school boards cannot come to agreement about the proposed transfer of territory, or cannot agree how to annex a financially insolvent district, the educational service district superintendent, if requested by the affected districts, shall appoint a mediator. The mediator has thirty days to work with the affected school districts to see if an agreement can be reached on the proposed transfer of territory.

(3) If the affected school districts cannot come to agreement about the proposed transfer of territory, or cannot agree how to annex a financially insolvent district, and the districts do not request the services of a mediator or the mediator was unable to bring the districts to agreement, any affected district may file with the educational service district superintendent a written request for a hearing by the regional committee.

(4) If the affected school districts cannot come to agreement about the proposed transfer of territory initiated by citizen petition, and the districts do not request the services of a mediator or the mediator was unable to bring the districts to agreement, the district in which the citizens who filed the petition reside must file with the educational service district superintendent a written request for a hearing by the regional committee, unless a majority of the citizen petitioners request otherwise.

(5) Upon receipt of a notice under subsection (3) or (4) of this section, the educational service district superintendent must notify the chair of the regional committee in writing within ten days.

(6) Costs incurred by school districts under this section shall be reimbursed by the state from such funds as are appropriated for this purpose.

Sec. 6. RCW 28A.315.205 and 2008 c 159 s 2 are each amended to read as follows:

(1) The chair of the regional committee shall schedule a hearing on the proposed transfer of territory or dissolution petition at a location in the educational service district within sixty calendar days of being notified under ((RCW 28A.315.195 (7) or (8))) section 5(3) or (4) of this act.

(2) Within thirty calendar days of the hearing under subsection (1) of this section, or final hearing if more than one is held by the
committee, the committee shall issue its written findings and decision to approve or disapprove the proposed transfer of territory or the dissolution and annexation of a financially insolvent district. The educational service district superintendent shall transmit a copy of the committee's decision to the superintendents of the affected school districts within ten calendar days.

(3) In carrying out the purposes of RCW 28A.315.015 and in making decisions as authorized under RCW 28A.315.095(1), the regional committee shall base its judgment upon whether and to the extent the proposed change in school district organization complies with RCW 28A.315.015(2) and rules adopted by the superintendent of public instruction under chapter 34.05 RCW.

(4) The rules under subsection (3) of this section shall provide for giving consideration to all of the following:

(a) Student educational opportunities as measured by the percentage of students performing at each level of the statewide mandated assessments and data regarding student attendance, graduation, and dropout rates;

(b) The safety and welfare of pupils. For the purposes of this subsection, "safety" means freedom or protection from danger, injury, or damage and "welfare" means a positive condition or influence regarding health, character, and well-being;

(c) The history and relationship of the property affected to the students and communities affected, including, for example, the impact of the growth management act and current or proposed urban growth areas, city boundaries, and master planned communities;

(d) Whether or not geographic accessibility warrants a favorable consideration of a recommended change in school district organization, including remoteness or isolation of places of residence and time required to travel to and from school; and

(e) All funding sources of the affected districts, equalization among school districts of the tax burden for general fund and capital purposes through a reduction in disparities in per pupil valuation when all funding sources are considered, improvement in the economies in the administration and operation of schools, and the extent the proposed change would potentially reduce or increase the individual and aggregate transportation costs of the affected school districts.
(5)(a)(i) A petitioner or school district may appeal a decision by
the regional committee to the superintendent of public instruction
based on the claim that the regional committee failed to follow the
applicable statutory and regulatory procedures or acted in an arbitrary
and capricious manner. Any such appeal shall be based on the record
and the appeal must be filed within thirty days of the final decision
of the regional committee. The appeal shall be heard and determined by
an administrative law judge in the office of administrative hearings,
based on the standards in (a)(ii) of this subsection.

(ii) If the administrative law judge finds that all applicable
procedures were not followed or that the regional committee acted in an
arbitrary and capricious manner, the administrative law judge shall
refer the matter back to the regional committee with an explanation of
his or her findings. The regional committee shall rehear the proposal.

(iii) If the administrative law judge finds that all applicable
procedures were followed or that the regional committee did not act in
an arbitrary and capricious manner, depending on the appeal, the
educational service district shall be notified and directed to
implement the changes.

(iv) The administrative law judge shall expedite review and
issuance of a decision on an appeal of a decision approving the
dissolution and annexation of a financially insolvent district.

(b) Any school district or citizen petitioner affected by a final
decision of the regional committee may seek judicial review of the
committee's decision in accordance with RCW 34.05.570. Judicial review
of a regional committee decision approving dissolution and annexation
of a financially insolvent district must be expedited.

Sec. 7. RCW 28A.315.215 and 1999 c 315 s 403 are each amended to
read as follows:

(1) Upon receipt by the educational service district superintendent
of a written agreement by two or more school districts to the transfer
of territory between the affected districts, or an agreement approved
by the financial oversight committee regarding the annexation of a
financially insolvent district, the superintendent shall make an order
establishing all approved changes involving the alteration of the
boundaries of the affected districts. The order shall also establish
all approved terms of the equitable adjustment of assets and
liabilities involving the affected districts, with the effective date of such alterations to the boundaries. For school districts that are dissolved and annexed pursuant to RCW 28A.315.225, the order shall provide that any excess tax levy approved, including previously approved and imposed excess levies by the school district annexing or receiving the transferred territory from the financially insolvent school district and replacement and supplemental levies voted upon by voters of the entire newly established territory before the effective date of the dissolution by the school district receiving the transferred territory from the dissolved school district shall, in the cases of previously approved and imposed excess levies of the annexing or receiving school district, be imposed on the newly annexed, or dissolved territory, and in the case of replacement or supplemental levies, the entire newly established territory, pursuant to RCW 84.09.030. The superintendent shall ((certify)) file his or her action ((to)) with each county auditor, each county treasurer, each county assessor, the office of the secretary of state, the office of the superintendent of public instruction, and the superintendents of all school districts affected by the action.

(2)(a) Upon receipt by the educational service district superintendent of a written ((order)) decision by the regional committee approving the transfer of territory between two or more school districts, or the dissolution and annexation of a financially insolvent school district, the superintendent shall make an order establishing all approved changes involving the alteration of the boundaries of the affected districts, with the effective date of such alterations to the boundaries. The effective date of boundary alterations shall be no later than sixty days prior to the first day candidates may file for office for the next succeeding general or special election.

(b) The order may not be implemented before the period of appeal authorized under RCW 28A.315.205(5)(a)(i) has ended.

(c) The order shall also establish all approved terms of the equitable adjustment of assets and liabilities involving the affected districts.

(d) For school districts that are dissolved and annexed pursuant to RCW 28A.315.225, the order must provide that any excess tax levy approved, including previously approved and imposed excess levies by
the school district annexing or receiving the transferred territory from the financially insolvent school district and replacement and supplemental levies voted upon by voters of the entire newly established territory before the effective date of the dissolution by the school district receiving the transferred territory from the dissolved school district shall, in the cases of previously approved and imposed excess levies of the annexing or receiving school district, be imposed on the newly annexed, or dissolved territory, and in the case of replacement or supplemental levies, the entire newly established territory, pursuant to RCW 84.09.030.

(e) The superintendent shall ((certify)) file his or her action ((to)) with each county auditor, the office of the secretary of state, the office of the superintendent of public instruction, each county treasurer, each county assessor, and the superintendents of all school districts affected by the action.

NEW SECTION. Sec. 8. A new section is added to chapter 28A.315 RCW to read as follows:

(1) The superintendent of public instruction shall convene a financial oversight committee:

(a) At the request of the board of directors of a financially insolvent district;

(b) When the superintendent of public instruction determines a district is financially insolvent, after first consulting with the educational service district where the district is located and notifying the district the committee will be convened; or

(c) When a district has been on binding conditions pursuant to RCW 28A.505.110 for two consecutive years and does not have a satisfactory financial plan.

(2) The financial oversight committee comprises two representatives from the office of the superintendent of public instruction, one representative from an educational service district where a financially insolvent school district is not located, and one nonvoting representative from the educational service district where the financially insolvent school district is located.

(3) The financial oversight committee shall review the financial condition of a financially insolvent school district. In conducting its review, the committee shall hold a public hearing in the
1 financially insolvent school district or educational service district
2 in order to receive public comment on any proposed financial plans. If
3 the financial oversight committee feels that dissolution of the
4 financially insolvent school district is a valid option, it shall
5 receive input at the public hearing on options for dissolving said
6 school district.

(4) After holding a public hearing as provided in subsection (3) of
this section, the financial oversight committee must make a
recommendation to the superintendent of public instruction to either
dissolve a financially insolvent school district or to place a district
under enhanced financial monitoring to reduce the risk of dissolution
due to insolvency. The superintendent of public instruction must
implement financial oversight committee recommendations via enhanced
financial oversight, which will be monitored by the educational service
district.

(5) Enhanced financial oversight may include, but is not limited
to, the following types of actions, which the superintendent of public
instruction is expressly authorized to implement and enforce:

(a) Appointment of a special administrator to oversee and carry out
financial conditions imposed on the district as recommended by the
financial oversight committee;

(b) Review, approval, and limitations on a school district's
authority to enter into contracts;

(c) Review, approval, and limitations on hiring and personnel
actions; and

(d) Liquidation or disposition of fixed assets and contractual
liabilities by any reasonable and documented method provided the
liquidation or disposition of fixed assets and contractual liabilities
is reasonably necessary before filing a dissolution petition.

(6) Any new, amended, or renewed contract entered into by a school
district that is subject to enhanced financial monitoring that has not
been approved by the educational service district or special
administrator, or that is inconsistent with conditions imposed on the
district pursuant to this section, is null and void.

(7) Any action taken by a school district subject to enhanced
financial monitoring that is likely to affect the district's finances
is null and void if the action was not approved by the educational
service district or special administrator or if the action is inconsistent with conditions imposed on the district pursuant to this section.

(8) The superintendent of public instruction shall adopt rules to carry out the provisions in this section, which may include, but are not limited to, identifying the responsibilities and authority of the financial oversight committee, the educational service district, the special administrator, and the school district and the implementation of enhanced financial oversight.

Sec. 9. RCW 28A.315.225 and 1999 c 315 s 501 are each amended to read as follows:

(1) In case any school district has an average enrollment of fewer than five kindergarten through eighth grade pupils during the preceding school year or has not made a reasonable effort to maintain, during the preceding school year at least the minimum term of school required by law, the educational service district superintendent shall report that fact to the regional committee, which committee shall dissolve the school district and annex the territory thereof to some other district or districts. For the purposes of this section, in addition to any other finding, "reasonable effort" shall be deemed to mean the attempt to make up whatever days are short of the legal requirement by conducting of school classes on any days to include available holidays, though not to include Saturdays and Sundays, prior to June 15th of that year. School districts operating an extended school year program, most commonly implemented as a 45-15 plan, shall be deemed to be making a reasonable effort. In the event any school district has suffered any interruption in its normal school calendar due to a strike or other work stoppage or slowdown by any of its employees that district shall not be subject to this section.

(2) A financially insolvent school district may be dissolved and annexed to one or more contiguous districts, in accordance with an agreement between the insolvent district and at least one other contiguous district, that has been approved by the financial oversight committee, or in accordance with the decision of the regional committee. A financially insolvent district may file bankruptcy only if it is recommended by the financial oversight committee.
(3)(a) A petition to dissolve a financially insolvent school district may be filed with the educational service district superintendent by the superintendent of public instruction if, before signing and filing the petition, the financial oversight committee was convened and recommended that the district be dissolved.

(b) A petition for dissolution under this subsection (3) must include the name of the financially insolvent district, the legal boundaries of the district, the names of contiguous school districts, the basis for concluding the district is financially insolvent, a map with legal description of the proposed annexation of the financially insolvent school district to one or more contiguous school districts, and any proposed equitable adjustments of assets and liabilities for the affected districts. The proposed annexation and equitable adjustment of assets and liabilities must be based on the factors in RCW 28A.315.015(2), 28A.315.205(4), and 28A.315.245.

(c) The superintendent of public instruction, at the recommendation of the financial oversight committee, may take the following actions upon filing a petition to dissolve a financially insolvent school district: Authorize liquidation or disposition of fixed assets and contractual liabilities by any reasonable and documented method.

(d) A petition to dissolve a financially insolvent school district shall be processed in accordance with section 5 of this act and RCW 28A.315.205.

(4) The superintendent of public instruction may request an appropriation to address matters associated with the dissolution of a financially insolvent school district.

(5) The superintendent of public instruction may adopt rules governing actions that may be taken to prevent a school district from being dissolved and to assist in the orderly and timely dissolution and annexation of school districts that are unable to avoid financial insolvency.

(6) In case any territory is not a part of any school district, the educational service district superintendent shall present to the regional committee a proposal for the annexation of the territory to some contiguous district or districts.

NEW SECTION. Sec. 10. A new section is added to chapter 28A.315 RCW to read as follows:
(1) As of the effective date of dissolution of a financially insolvent district, all existing employment contracts and collective bargaining agreements of the financially insolvent district shall be extinguished.

(2) School districts that annex or receive territory from a financially insolvent district have full authority to constitute their workforces, and have no duty to bargain with, or observe the former wages and working conditions of, any former employees of a financially insolvent district who may be hired; rather, any employees hired from a financially insolvent district become part of the appropriate bargaining units, if any, of the annexing or receiving district, and their wages and working conditions are defined by the terms of the annexing or receiving district's bargaining agreements or other policies or conditions of employment.

(3) Certificated employees of a district that is dissolved due to financial insolvency have no continuing contract or appeal rights under RCW 28A.405.210 through 28A.405.380 or other law, nor do certificated or classified employees of a district dissolved due to financial insolvency have any resort to grievance or arbitration under a collective bargaining agreement, and any inconsistent provision of any individual contract or collective bargaining agreement is null and void. Sufficient cause for nonrenewal or discharge of such certificated and classified personnel is deemed to exist by sole virtue of the employer district's dissolution for financial insolvency. Notice of nonrenewal or discharge under such circumstances may be given by the educational service district superintendent without regard to date. Any appeal must be addressed to the educational service district board on an expedited basis according to rules established by the superintendent of public instruction, and must be confined to the issue of whether the employer district is dissolved for reasons of financial insolvency. There is no judicial review for the educational service district board's decisions in these matters.

Sec. 11. RCW 28A.315.265 and 1999 c 315 s 703 are each amended to read as follows:

If adjustments of bonded indebtedness are made between or among school districts in connection with the alteration of the boundaries of
the school districts under this chapter, the order of the educational
service district superintendent establishing the terms of adjustment of
bonded indebtedness shall provide and specify:

(1) In every case where bonded indebtedness is transferred from one
school district to another school district:

(a) That such bonded indebtedness is assumed by the school district
to which it is transferred;
(b) That thereafter such bonded indebtedness shall be the
obligation of the school district to which it is transferred;
(c) That, if the terms of adjustment so provide, any bonded
indebtedness thereafter incurred by such transferee school district
through the sale of bonds authorized before the date its boundaries
were altered shall be the obligation of such school district including
the territory added thereto; and
(d) That taxes shall be levied thereafter against the taxable
property located within such school district as it is constituted after
its boundaries were altered, the taxes to be levied at the times and in
the amounts required to pay the principal of and the interest on the
bonded indebtedness assumed or incurred, as the same become due and
payable.

(2) In computing the debt limitation of any school district from
which or to which bonded indebtedness has been transferred, the amount
of transferred bonded indebtedness at any time outstanding:

(a) Shall be an offset against and deducted from the total bonded
indebtedness, if any, of the school district from which the bonded
indebtedness was transferred; and
(b) Shall be deemed to be bonded indebtedness solely of the
transferee school district that assumed the indebtedness.

(3) In every case where adjustments of bonded indebtedness do not
provide for transfer of bonded indebtedness from one school district to
another school district:

(a) That the existing bonded indebtedness of each school district,
the boundaries of which are altered and any bonded indebtedness
incurred by each such school district through the sale of bonds
authorized before the date its boundaries were altered is the
obligation of the school district in its reduced or enlarged form, as
the case may be; and
(b) That taxes shall be levied thereafter against the taxable property located within each such school district in its reduced or enlarged form, as the case may be, at the times and in the amounts required to pay the principal of and interest on such bonded indebtedness as the same become due and payable.

(4) If a change in school district organization approved by the regional committee concerns a proposal to form a new school district or if a change in school district organization includes a proposal for adjustment of voted general obligation bonded indebtedness ((involving an established school district and one or more former school districts now included therein pursuant to a vote of the people concerned)), a special election of the voters residing within the territory of the proposed new district, or of the ((established)) school district involved in a proposal for adjustment of bonded indebtedness as the case may be, shall be held for the purpose of affording those voters an opportunity to approve or reject such proposals as concern or affect them.

(5) In a case involving both the question of the formation of a new school district and the question of adjustment of bonded indebtedness, the questions may be submitted to the voters either in the form of a single proposition or as separate propositions, whichever seems expedient to the educational service district superintendent. When the regional committee has passed appropriate resolutions for the questions to be submitted and the educational service district superintendent has given notice thereof to the county auditor, the special election shall be called and conducted, and the returns canvassed as in regular school district elections.

Sec. 12. RCW 28A.315.285 and 1999 c 315 s 705 are each amended to read as follows:

(1) If a special election is held to vote on a proposal or alternate proposals to form a new school district, the votes cast by the registered voters in each component district shall be tabulated separately. Any such proposition shall be considered approved only if it receives a majority of the votes cast in each separate district voting thereon.

(2) If a special election is held to vote on a proposal for adjustment of bonded indebtedness, the entire vote cast by the
registered voters of the proposed new district or of the established
district as the case may be shall be tabulated. Any such proposition
shall be considered approved if ((sixty percent)) three-fifths or more
of all votes cast thereon are in the affirmative and forty percent of
the voters who voted at the last preceding general election cast a
ballot.

(3) In the event of approval of a proposition or propositions voted
on at a special election, the educational service district
superintendent shall:

(a) Make an order establishing such new school district or such
terms of adjustment of bonded indebtedness or both, as were approved by
the registered voters and shall also order such other terms of
adjustment, if there are any, of property and other assets and of
liabilities other than bonded indebtedness as have been approved by the
state council; and

(b) Certify his or her action to the county and school district
officials specified in RCW 28A.315.215. The educational service
district superintendent may designate, with the approval of the
superintendent of public instruction, a name and number different from
that of any component thereof, but must designate the new district by
name and number different from any other district in existence in the
county.

(4) The educational service district superintendent shall fix as
the effective date of any order or orders he or she is required to make
by this chapter, the date specified in the order of final approval of
any change in the organization and extent of school districts or of any
terms of adjustment of the assets and liabilities of school districts
subject, for taxing purposes, to the redrawing of taxing district
boundaries under RCW 84.09.030, by the regional committee.

(5) Upon receipt of certification under this section, the
superintendent of each school district that is included in the new
district shall deliver to the superintendent of the new school district
those books, papers, documents, records, and other materials pertaining
to the territory transferred.

Sec. 13. RCW 28A.315.305 and 1999 c 315 s 707 are each amended to
read as follows:

(1) Each school district involved in or affected by any change made
in the organization and extent of school districts under this chapter
retains its corporate existence insofar as is necessary for the
purpose, until the bonded indebtedness outstanding against it on and
after the effective date of the change has been paid in full. This
section may not be construed to prevent, after the effective date of
the change, such adjustments of bonded indebtedness as are provided for
in this chapter.

(2) The county legislative authority shall provide, by appropriate
levies on the taxable property of each school district, for the payment
of the bonded indebtedness outstanding against it after any of the
changes or adjustments under this chapter have been effected.

(3) In case any such changes or adjustments involve a joint school
district, the tax levy for the payment of any bonded indebtedness
outstanding against the joint district, after the changes or
adjustments are effected, shall be made and the proceeds thereof shall
be transmitted, credited, and paid out in conformity with the
provisions of law applicable to the payment of the bonded indebtedness
of joint school districts.

(4) In case any such changes or adjustments involve the dissolution
or annexation of a financially insolvent school district pursuant to
RCW 28A.315.225:

(a) The board of directors of a receiving or annexing school
district, or the educational service district superintendent as
identified in RCW 84.52.020 must certify a tax levy by November 30th in
each calendar year that there is outstanding voted bonded indebtedness
to pay the principal of and interest on such outstanding voted bonded
indebtedness for the following calendar year;

(b) The county treasurer in the county in which the financially
insolvent school district is located must collect the levy, the
proceeds of which must be deposited into a debt service fund
established and overseen by the annexing school district as determined
by the financial oversight committee or regional committee to pay the
principal of and interest on the dissolved district's outstanding
bonded indebtedness as it becomes due;

(c) For outstanding voted bonded indebtedness of the financially
insolvent school district, the board of directors of the receiving or
annexing school district may determine that all or any portion of the
voted bonded indebtedness be refunded pursuant to chapter 39.53 RCW, in
which case the board of directors of the annexing or receiving district shall act as the governing body of the financially insolvent school district and is expressly empowered to take all action it deems necessary to accomplish such refunding; and

(d) Any balance in the debt service fund of the financially insolvent school district remaining after all such voted bonded indebtedness is paid must be transferred to the general fund of the receiving or annexing school district.

NEW SECTION. Sec. 14. A new section is added to chapter 28A.315 RCW to read as follows:

All proceedings that have been taken by any school district, educational service district governing body, or commission, or any officers thereof, for the purpose of effecting a dissolution, annexation, consolidation, or transfer of territory from one or more school districts to one or more other school districts, including but not limited to reorganizing boundaries and making an equitable adjustment of the property and other assets and of the liabilities, including bonded indebtedness and excess tax levies, are hereby validated, ratified, approved, and confirmed, notwithstanding any lack of power, other than constitutional, of the school district, educational service district, or the governing body or commission or officers thereof to effect such changes in organization of school districts.

Sec. 15. RCW 28A.315.315 and 1990 c 33 s 305 are each amended to read as follows:

(1) An appeal may be taken, as provided for in RCW 28A.645.010, to the superior court of the county in which a school district or any part thereof is situated on any question of adjustment of property and other assets and of liabilities provided for in this chapter. Judicial appeal must be expedited. If the court finds the terms of the adjustment in question not equitable, the court shall make an adjustment that is equitable.

(2) In the case of any financially insolvent school district that is required to transfer territory pursuant to RCW 28A.315.225, no lawsuit may be maintained challenging the imposition of excess tax levies on the territory transferred or annexed pursuant to an order of
the superintendent of the educational service district under RCW 28A.315.215 unless that lawsuit is served and filed no later than thirty days after the date of the order.

Sec. 16.  RCW 28A.343.040 and 1991 c 288 s 1 are each amended to read as follows:

(1) It is the responsibility of each school district board of directors to prepare for the division or redivision of the district into director districts no later than eight months after any of the following:

((1) (a) Receipt of federal decennial census data from the redistricting commission established in RCW 44.05.030;
((2) (b) Consolidation of two or more districts into one district under RCW (28A.315.270) 28A.315.195;
((3) (c) Transfer of territory to or from the district or dissolution and annexation of a district under RCW (28A.315.280) 28A.315.215; or
((4) (d) Approval by a majority of the registered voters voting on a proposition authorizing the division of the district into director districts pursuant to RCW (28A.315.590) 28A.343.030.

(2) The districting or redistricting plan shall be consistent with the criteria and adopted according to the procedure established under RCW (29A.76.100) 29A.76.010.

Sec. 17.  RCW 84.09.030 and 2008 c 86 s 501 are each amended to read as follows:

(1)(a) Except as provided in (b) and (c) of this subsection (1), for the purposes of property taxation and the levy of property taxes, the boundaries of counties, cities, and all other taxing districts shall be the established official boundaries of such districts existing on the first day of August of the year in which the property tax levy is made.

(b) The boundaries for a newly incorporated port district or regional fire protection service authority shall be established on the first day of October if the boundaries of the newly incorporated port
district or regional fire protection service authority are coterminous with the boundaries of another taxing district or districts, as they existed on the first day of August of that year.

(c) The boundaries of a school district that is required to receive or annex territory due to the dissolution of a financially insolvent school district under RCW 28A.315.225 must be the established official boundaries of such districts existing on the first day of September of the year in which the property tax levy is made.

(2) In any case where any instrument setting forth the official boundaries of any newly established taxing district, or setting forth any change in the boundaries, is required by law to be filed in the office of the county auditor or other county official, the instrument shall be filed in triplicate. The officer with whom the instrument is filed shall transmit two copies of the instrument to the county assessor.

(3) No property tax levy shall be made for any taxing district whose boundaries are not established as of the dates provided in this section.

Sec. 18. RCW 84.52.053 and 2010 c 237 s 4 are each amended to read as follows:

(1) The limitations imposed by RCW 84.52.050 through 84.52.056, and 84.52.043 shall not prevent the levy of taxes by school districts, when authorized so to do by the voters of such school district in the manner and for the purposes and number of years allowable under Article VII, section 2(a) of the Constitution of this state. Elections for such taxes shall be held in the year in which the levy is made or, in the case of propositions authorizing two-year through four-year levies for maintenance and operation support of a school district, authorizing two-year levies for transportation vehicle funds established in RCW 28A.160.130, or authorizing two-year through six-year levies to support the construction, modernization, or remodeling of school facilities, which includes the purposes of RCW 28A.320.330(2) (f) and (g), in the year in which the first annual levy is made.

(2)(a) Once additional tax levies have been authorized for maintenance and operation support of a school district for a two-year through four-year period as provided under subsection (1) of this section, no further additional tax levies for maintenance and operation
support of the district for that period may be authorized, except for additional levies to provide for subsequently enacted increases affecting the district's levy base or maximum levy percentage.

(b) Notwithstanding (a) of this subsection, any school district that is required to annex or receive territory pursuant to a dissolution of a financially insolvent school district pursuant to RCW 28A.315.225 may call either a replacement or supplemental levy election within the school district, including the territory annexed or transferred, as follows:

(i) An election for a proposition authorizing two-year through four-year levies for maintenance and operation support of a school district may be called and held before the effective date of dissolution to replace existing maintenance and operation levies and to provide for increases due to the dissolution.

(ii) An election for a proposition authorizing additional tax levies may be called and held before the effective date of dissolution to provide for increases due to the dissolution.

(iii) In the event a replacement levy election under (b)(i) of this subsection is held but does not pass, the affected school district may subsequently hold a supplemental levy election pursuant to (b)(ii) of this subsection if the supplemental levy election is held before the effective date of dissolution. In the event a supplemental levy election is held under subsection (b)(ii) of this subsection but does not pass, the affected school district may subsequently hold a replacement levy election pursuant to (b)(i) of this subsection if the replacement levy election is held before the effective date of dissolution. Failure of a replacement levy or supplemental levy election does not affect any previously approved and existing maintenance and operation levy within the affected school district or districts.

(c) For the purpose of applying the limitation of this subsection (2), a two-year through six-year levy to support the construction, modernization, or remodeling of school facilities shall not be deemed to be a tax levy for maintenance and operation support of a school district.

(3) A special election may be called and the time therefor fixed by the board of school directors, by giving notice thereof by publication in the manner provided by law for giving notices of general elections,
at which special election the proposition authorizing such excess levy
shall be submitted in such form as to enable the voters favoring the
proposition to vote "yes" and those opposed thereto to vote "no."

Sec. 19. RCW 39.64.040 and 1935 c 143 s 5 are each amended to read
as follows:

Subject to the requirement in RCW 28A.315.225(2), any taxing
district in the state of Washington is hereby authorized to file the
petition mentioned in section 80 of chapter IX of the federal
bankruptcy act.

Sec. 20. RCW 28A.400.300 and 2009 c 47 s 2 are each amended to
read as follows:

(1) Every board of directors, unless otherwise specially provided
by law, shall:

((1)) (a) Except as provided in subsection (3) of this section,
employ for not more than one year, and for sufficient cause discharge
all certificated and classified employees;

((2)) (b) Adopt written policies granting leaves to persons under
contracts of employment with the school district(s) in positions
requiring either certification or classified qualifications, including
but not limited to leaves for attendance at official or private
institutes and conferences and sabbatical leaves for employees in
positions requiring certification qualification, and leaves for
illness, injury, bereavement and, emergencies for both certificated and
classified employees, and with such compensation as the board of
directors prescribe: PROVIDED, That the board of directors shall adopt
written policies granting to such persons annual leave with
compensation for illness, injury and emergencies as follows:

((i)) (i) For such persons under contract with the school
district for a full year, at least ten days;

((ii)) (ii) For such persons under contract with the school
district as part time employees, at least that portion of ten days as
the total number of days contracted for bears to one hundred eighty
days;

((iii)) (iii) For certificated and classified employees, annual
leave with compensation for illness, injury, and emergencies shall be
granted and accrue at a rate not to exceed twelve days per year;
provisions of any contract in force on June 12, 1980, which conflict
with requirements of this subsection shall continue in effect until
contract expiration; after expiration, any new contract executed
between the parties shall be consistent with this subsection;

((iv)) Compensation for leave for illness or injury actually
taken shall be the same as the compensation such person would have
received had such person not taken the leave provided in this proviso;

((v)) Leave provided in this proviso not taken shall
accumulate from year to year up to a maximum of one hundred eighty days
for the purposes of RCW 28A.400.210 and 28A.400.220, and for leave
purposes up to a maximum of the number of contract days agreed to in a
given contract, but not greater than one year. Such accumulated time
may be taken at any time during the school year or up to twelve days
per year may be used for the purpose of payments for unused sick leave;

((vi)) Sick leave heretofore accumulated under section 1,
chapter 195, Laws of 1959 (former RCW 28.58.430) and sick leave
accumulated under administrative practice of school districts prior to
the effective date of section 1, chapter 195, Laws of 1959 (former RCW
28.58.430) is hereby declared valid, and shall be added to leave for
illness or injury accumulated under this proviso;

((vii)) Any leave for injury or illness accumulated up to a
maximum of forty-five days shall be creditable as service rendered for
the purpose of determining the time at which an employee is eligible to
retire, if such leave is taken it may not be compensated under the
provisions of RCW 28A.400.210 and 28A.310.490;

((viii)) Accumulated leave under this proviso shall be
transferred to and from one district to another, the office of
superintendent of public instruction, offices of educational service
district superintendents and boards, the state school for the blind,
the ((school for the deaf)) Washington state center for childhood
deafness and hearing loss, institutions of higher education, and
community and technical colleges, to and from such districts, schools,
ofices, institutions of higher education, and community and technical
colleges;

((ix)) Leave accumulated by a person in a district prior to
leaving said district may, under rules of the board, be granted to such
person when the person returns to the employment of the district.
(2) When any certificated or classified employee leaves one school district within the state and commences employment with another school district within the state, the employee shall retain the same seniority, leave benefits and other benefits that the employee had in his or her previous position: PROVIDED, That classified employees who transfer between districts after July 28, 1985, shall not retain any seniority rights other than longevity when leaving one school district and beginning employment with another. If the school district to which the person transfers has a different system for computing seniority, leave benefits, and other benefits, then the employee shall be granted the same seniority, leave benefits and other benefits as a person in that district who has similar occupational status and total years of service.

(3) Notwithstanding subsection (1)(a) of this section, discharges of certificated and classified employees in school districts that are dissolved due to financial insolvency shall be conducted in accordance with section 10 of this act.

NEW SECTION. Sec. 21. A new section is added to chapter 28A.405 RCW to read as follows:

Notwithstanding the provisions of RCW 28A.405.210 through 28A.405.380, the employment status, the processes for notices of discharge or nonrenewal, and the appeal rights of certificated employees in school districts that are dissolved due to financial insolvency shall be as provided in section 10 of this act.

Sec. 22. RCW 28A.645.010 and 1990 c 33 s 544 are each amended to read as follows:

(1) Any person, or persons, either severally or collectively, aggrieved by any decision or order of any school official or board, within thirty days after the rendition of such decision or order, or of the failure to act upon the same when properly presented, may appeal the same to the superior court of the county in which the school district or part thereof is situated, by filing with the secretary of the school board if the appeal is from board action or failure to act, otherwise with the proper school official, and filing with the clerk of the superior court, a notice of appeal which shall set forth in a clear and concise manner the errors complained of.
Appeals by teachers, principals, supervisors, superintendents, or other certificated employees from the actions of school boards with respect to discharge or other action adversely affecting their contract status, or failure to renew their contracts for the next ensuing term shall be governed by the appeal provisions of chapters 28A.400 and 28A.405 RCW therefor and in all other cases shall be governed by chapter 28A.645 RCW.

(b) Appeals from nonrenewal or discharge by employees of school districts that are dissolved due to financial insolvency shall be as provided in section 10 of this act.

NEW SECTION. Sec. 23. A new section is added to chapter 41.56 RCW to read as follows:

Notwithstanding any other provision of this chapter, employees and bargaining representatives of school districts that are dissolved due to financial insolvency shall have resort to collective bargaining, including grievance arbitration and other processes, only to the extent provided by section 10 of this act.

NEW SECTION. Sec. 24. A new section is added to chapter 41.59 RCW to read as follows:

Notwithstanding any other provision of this chapter, employees and bargaining representatives of school districts that are dissolved due to financial insolvency shall have resort to collective bargaining, including grievance arbitration and other processes, only to the extent provided by section 10 of this act.

NEW SECTION. Sec. 25. A new section is added to chapter 28A.315 RCW to read as follows:

The superintendent of public instruction may adopt rules to implement chapter . . ., Laws of 2012 (this act).

NEW SECTION. Sec. 26. This act takes effect September 1, 2012.

Passed by the House March 3, 2012.
Passed by the Senate February 29, 2012.
Approved by the Governor March 29, 2012.
Filed in Office of Secretary of State March 29, 2012.