

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE HOUSE BILL 2588

66th Legislature
2020 Regular Session

Passed by the House March 7, 2020
Yeas 90 Nays 7

**Speaker of the House of
Representatives**

Passed by the Senate March 5, 2020
Yeas 46 Nays 2

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE HOUSE BILL 2588** as passed by the House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

FILED

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE HOUSE BILL 2588

AS AMENDED BY THE SENATE

Passed Legislature - 2020 Regular Session

State of Washington 66th Legislature 2020 Regular Session

By House Local Government (originally sponsored by Representatives Pollet, Leavitt, Valdez, Senn, Duerr, Ryu, Frame, Boehnke, Hudgins, and Kraft)

READ FIRST TIME 01/28/20.

1 AN ACT Relating to improving openness, accountability, and
2 transparency of special purpose districts; amending RCW 43.09.230,
3 36.96.010, 36.96.030, and 36.96.070; adding a new section to chapter
4 36.96 RCW; and adding a new section to chapter 84.55 RCW.

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

6 **Sec. 1.** RCW 43.09.230 and 1995 c 301 s 12 are each amended to
7 read as follows:

8 (1) As used in this section:

9 (a) "Special purpose district" means every municipal and quasi-
10 municipal corporation other than counties, cities, and towns. Such
11 special purpose districts include, but are not limited to, water-
12 sewer districts, fire protection districts, port districts, public
13 utility districts, special districts as defined in RCW 85.38.010,
14 lake and beach management districts, conservation districts, and
15 irrigation districts.

16 (b) "Unauditable" means a special purpose district that the state
17 auditor has determined to be incapable of being audited because the
18 special purpose district has improperly maintained, failed to
19 maintain, or failed to submit adequate accounts, records, files, or
20 reports for an audit to be completed.

1 (2) The state auditor shall require from every local government
2 financial reports covering the full period of each fiscal year, in
3 accordance with the forms and methods prescribed by the state
4 auditor, which shall be uniform for all accounts of the same class.

5 Such reports shall be prepared, certified, and filed with the
6 state auditor within one hundred fifty days after the close of each
7 fiscal year.

8 The reports shall contain accurate statements, in summarized
9 form, of all collections made, or receipts received, by the officers
10 from all sources; all accounts due the public treasury, but not
11 collected; and all expenditures for every purpose, and by what
12 authority authorized; and also: ~~((+1))~~ (a) A statement of all costs
13 of ownership and operation, and of all income, of each and every
14 public service industry owned and operated by a local government;
15 ~~((+2))~~ (b) a statement of the entire public debt of every local
16 government, to which power has been delegated by the state to create
17 a public debt, showing the purpose for which each item of the debt
18 was created, and the provisions made for the payment thereof; ~~((+3))~~
19 (c) a classified statement of all receipts and expenditures by any
20 public institution; and ~~((+4))~~ (d) a statement of all expenditures
21 for labor relations consultants, with the identification of each
22 consultant, compensation, and the terms and conditions of each
23 agreement or arrangement; together with such other information as may
24 be required by the state auditor.

25 The reports shall be certified as to their correctness by the
26 state auditor, the state auditor's deputies, or other person legally
27 authorized to make such certification.

28 Their substance shall be published in an annual volume of
29 comparative statistics at the expense of the state as a public
30 document.

31 (3) (a) (i) On or before December 31, 2020, and on or before
32 December 31st of each year thereafter, the state auditor must search
33 available records and notify the legislative authority of a county if
34 any special purpose districts, located wholly or partially within the
35 county, have been determined to be unauditale. If the boundaries of
36 the special purpose district are located within more than one county,
37 the state auditor must notify all legislative authorities of the
38 counties within which the boundaries of the special purpose district
39 lie.

1 (ii) If a county has been notified as provided in (a)(i) of this
2 subsection (3), the special purpose district and the county auditor,
3 acting on behalf of the special purpose district, are prohibited from
4 issuing any warrants against the funds of the special purpose
5 district until the district has had its report certified by the state
6 auditor.

7 (iii) Notwithstanding (a)(ii) of this subsection (3), a county
8 may authorize the special purpose district and the county auditor to
9 issue warrants against the funds of the special purpose district:

10 (A) In order to prevent the discontinuation or interruption of
11 any district services;

12 (B) For emergency or public health purposes; or

13 (C) To allow the district to carry out any district duties or
14 responsibilities.

15 (b)(i) On or before December 31, 2020, and on or before December
16 31st of each year thereafter, the state auditor must search available
17 records and notify the state treasurer if any special purpose
18 districts have been determined to be unauditale.

19 (ii) If the state treasurer has been notified as provided in
20 (b)(i) of this subsection (3), the state treasurer may not distribute
21 any local sales and use taxes imposed by a special purpose district
22 to the district until the district has had its report certified by
23 the state auditor.

24 **Sec. 2.** RCW 36.96.010 and 1999 c 153 s 50 are each amended to
25 read as follows:

26 ((As used in this chapter,)) The definitions in this section
27 apply throughout this chapter unless the context requires otherwise:

28 (1) "Special purpose district" means every municipal and quasi-
29 municipal corporation other than counties, cities, and towns. Such
30 special purpose districts shall include, but are not limited to,
31 water-sewer districts, fire protection districts, port districts,
32 public utility districts, county park and recreation service areas,
33 flood control zone districts, diking districts, drainage improvement
34 districts, and solid waste collection districts, but shall not
35 include industrial development districts created by port districts,
36 and shall not include local improvement districts, utility local
37 improvement districts, and road improvement districts;

38 (2) "Governing authority" means the commission, council, or other
39 body which directs the affairs of a special purpose district;

1 (3) "Inactive" means that a special purpose district (~~(, other~~
2 ~~than a public utility district,~~) is characterized by (~~(either)~~) any
3 of the following criteria:

4 (a) Has not carried out any of the special purposes or functions
5 for which it was formed within the preceding consecutive five-year
6 period; (~~(or)~~)

7 (b) No election has been held for the purpose of electing a
8 member of the governing body within the preceding consecutive seven-
9 year period or, in those instances where members of the governing
10 body are appointed and not elected, where no member of the governing
11 body has been appointed within the preceding seven-year period; or

12 (c) The special purpose district has been determined to be
13 unauditable by the state auditor;

14 (4) "Unauditable" means a special purpose district that the state
15 auditor has determined to be incapable of being audited because the
16 special purpose district has improperly maintained, failed to
17 maintain, or failed to submit adequate accounts, records, files, or
18 reports for an audit to be completed.

19 (~~(A public utility district is inactive when it is characterized~~
20 ~~by both criteria (a) and (b) of this subsection.)~~)

21 **Sec. 3.** RCW 36.96.030 and 1979 ex.s. c 5 s 3 are each amended to
22 read as follows:

23 (1) Upon receipt of notice from the county auditor as provided in
24 RCW 36.96.020, the county legislative authority within whose
25 boundaries all or the greatest portion of such special purpose
26 district lies shall hold one or more public hearings on or before
27 September 1st of the same year to determine whether or not such
28 special purpose district or districts meet (~~(either)~~) any of the
29 criteria for being "inactive" as provided in RCW 36.96.010 (~~(=~~
30 ~~PROVIDED, That if such a special purpose district is a public utility~~
31 ~~district, the county legislative authority shall determine whether or~~
32 ~~not the public utility district meets both criteria of being~~
33 ~~"inactive" as provided in RCW 36.96.010)~~). In addition, at any time a
34 county legislative authority may hold hearings on the dissolution of
35 any special purpose district that appears to meet the criteria of
36 being "inactive" and dissolve such a district pursuant to the
37 proceedings provided for in RCW 36.96.030 through 36.96.080.

38 (2) Notice of such public hearings shall be given by publication
39 at least once each week for not less than three successive weeks in a

1 newspaper that is in general circulation within the boundaries of the
2 special purpose district or districts. Notice of such hearings shall
3 also be mailed to each member of the governing authority of such
4 special purpose districts, if such members are known, and to all
5 persons known to have claims against any of the special purpose
6 districts. Notice of such public hearings shall be posted in at least
7 three conspicuous places within the boundaries of each special
8 purpose district that is a subject of such hearings. Whenever a
9 county legislative authority that is conducting such a public hearing
10 on the dissolution of one or more of a particular kind of special
11 purpose district is aware of the existence of an association of such
12 special purpose districts, it shall also mail notice of the hearing
13 to the association. In addition, whenever a special purpose district
14 that lies in more than one county is a subject of such a public
15 hearing, notice shall also be mailed to the legislative authorities
16 of all other counties within whose boundaries the special purpose
17 district lies. All notices shall state the purpose, time, and place
18 of such hearings, and that all interested persons may appear and be
19 heard.

20 **Sec. 4.** RCW 36.96.070 and 2001 c 299 s 13 are each amended to
21 read as follows:

22 Any moneys or funds of the dissolved special purpose district and
23 any moneys or funds received by the board of trustees from the sale
24 or other disposition of any property of the dissolved special purpose
25 district shall be used, to the extent necessary, for the payment or
26 settlement of any outstanding obligations of the dissolved special
27 purpose district. Any remaining moneys or funds shall be used to pay
28 the county legislative authority for all costs and expenses incurred
29 in the dissolution and liquidation of the dissolved special purpose
30 district. Thereafter, any remaining moneys, funds, or property shall
31 become that of the county in which the dissolved special purpose
32 district was located. However, if the territory of the dissolved
33 special purpose district was located within more than one county, the
34 remaining moneys, funds, and personal property shall be apportioned
35 and distributed to each county in the proportion that the
36 geographical area of the dissolved special purpose district within
37 the county bears to the total geographical area of the dissolved
38 special purpose district, and any remaining real property or
39 improvements to real property shall be transferred to the county

1 within whose boundaries it lies. A county to which real property or
2 improvements to real property are transferred under this section may,
3 but does not have an obligation to, use the property or improvements
4 for the purposes for which the dissolved special purpose district
5 used the property or improvements and the county does not assume the
6 obligations or liabilities of the dissolved special purpose district
7 as a result of the transfer unless the county expressly assumes such
8 obligations or liabilities through the adoption of a resolution.

9 NEW SECTION. **Sec. 5.** A new section is added to chapter 36.96
10 RCW to read as follows:

11 A county that dissolves a special purpose district under this
12 chapter may impose a separate regular property tax levy or a special
13 assessment as provided in section 6 of this act if that county
14 assumes responsibility of the services previously provided by the
15 special purpose district.

16 NEW SECTION. **Sec. 6.** A new section is added to chapter 84.55
17 RCW to read as follows:

18 (1) Except as provided in subsection (2) of this section, if a
19 county dissolves a special purpose district under chapter 36.96 RCW,
20 the county may impose a separate property tax levy or special
21 assessment on the property lying within the former boundaries of the
22 dissolved special purpose district beginning in the first calendar
23 year following dissolution if:

24 (a) The county assumes responsibility of the services previously
25 provided by the special purpose district; and

26 (b) The property tax levy or special assessment does not exceed
27 any legally authorized property tax levy rate or special assessment
28 for the dissolved special purpose district.

29 (2) If a county discontinues providing the services of a
30 dissolved special purpose district for which the county imposed a
31 separate property tax levy or special assessment as provided in
32 subsection (1) of this section, the county must cease imposing that
33 property tax levy or special assessment beginning in the first
34 calendar year after the discontinuation of the provision of services
35 by the county.

36 (3) For purposes of RCW 84.52.010 and 84.52.043, a property tax
37 levy authorized by a county under this section is subject to the same
38 provisions as the county's general property tax levy.

1 (4) The limitation in RCW 84.55.010 does not apply to the first
2 property tax levy imposed under this section.

3 (5) For purposes of this section, "special assessment" means any
4 special assessment, benefit assessment, or rates and charges imposed
5 by a special purpose district.

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