

ESHB 2588 - S COMM AMD
By Committee on Local Government

ADOPTED 03/05/2020

1 Strike everything after the enacting clause and insert the
2 following:

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

5 (1) As used in this section:

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

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

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

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

25 The reports shall contain accurate statements, in summarized
26 form, of all collections made, or receipts received, by the officers
27 from all sources; all accounts due the public treasury, but not
28 collected; and all expenditures for every purpose, and by what
29 authority authorized; and also: ((+1)) (a) A statement of all costs
30 of ownership and operation, and of all income, of each and every
31 public service industry owned and operated by a local government;

1 (~~(2)~~) (b) a statement of the entire public debt of every local
2 government, to which power has been delegated by the state to create
3 a public debt, showing the purpose for which each item of the debt
4 was created, and the provisions made for the payment thereof; (~~(3)~~)
5 (c) a classified statement of all receipts and expenditures by any
6 public institution; and (~~(4)~~) (d) a statement of all expenditures
7 for labor relations consultants, with the identification of each
8 consultant, compensation, and the terms and conditions of each
9 agreement or arrangement; together with such other information as may
10 be required by the state auditor.

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

14 Their substance shall be published in an annual volume of
15 comparative statistics at the expense of the state as a public
16 document.

17 (3) (a) (i) On or before December 31, 2020, and on or before
18 December 31st of each year thereafter, the state auditor must search
19 available records and notify the legislative authority of a county if
20 any special purpose districts, located wholly or partially within the
21 county, have been determined to be unauditible. If the boundaries of
22 the special purpose district are located within more than one county,
23 the state auditor must notify all legislative authorities of the
24 counties within which the boundaries of the special purpose district
25 lie.

26 (ii) If a county has been notified as provided in (a) (i) of this
27 subsection (3), the special purpose district and the county auditor,
28 acting on behalf of the special purpose district, are prohibited from
29 issuing any warrants against the funds of the special purpose
30 district until the district has had its report certified by the state
31 auditor.

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

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

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

38 (C) To allow the district to carry out any district duties or
39 responsibilities.

1 (b) (i) On or before December 31, 2020, and on or before December
2 31st of each year thereafter, the state auditor must search available
3 records and notify the state treasurer if any special purpose
4 districts have been determined to be unauditabile.

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

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

12 ~~((As used in this chapter,))~~ The definitions in this section
13 apply throughout this chapter unless the context requires otherwise:

14 (1) "Special purpose district" means every municipal and quasi-
15 municipal corporation other than counties, cities, and towns. Such
16 special purpose districts shall include, but are not limited to,
17 water-sewer districts, fire protection districts, port districts,
18 public utility districts, county park and recreation service areas,
19 flood control zone districts, diking districts, drainage improvement
20 districts, and solid waste collection districts, but shall not
21 include industrial development districts created by port districts,
22 and shall not include local improvement districts, utility local
23 improvement districts, and road improvement districts;

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

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

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

32 (b) No election has been held for the purpose of electing a
33 member of the governing body within the preceding consecutive seven-
34 year period or, in those instances where members of the governing
35 body are appointed and not elected, where no member of the governing
36 body has been appointed within the preceding seven-year period; or

37 (c) The special purpose district has been determined to be
38 unauditabile by the state auditor;

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

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

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

10 (1) Upon receipt of notice from the county auditor as provided in
11 RCW 36.96.020, the county legislative authority within whose
12 boundaries all or the greatest portion of such special purpose
13 district lies shall hold one or more public hearings on or before
14 September 1st of the same year to determine whether or not such
15 special purpose district or districts meet ~~((either))~~ any of the
16 criteria for being "inactive" as provided in RCW 36.96.010~~((~~
17 ~~PROVIDED, That if such a special purpose district is a public utility~~
18 ~~district, the county legislative authority shall determine whether or~~
19 ~~not the public utility district meets both criteria of being~~
20 ~~"inactive" as provided in RCW 36.96.010))~~). In addition, at any time a
21 county legislative authority may hold hearings on the dissolution of
22 any special purpose district that appears to meet the criteria of
23 being "inactive" and dissolve such a district pursuant to the
24 proceedings provided for in RCW 36.96.030 through 36.96.080.

25 (2) Notice of such public hearings shall be given by publication
26 at least once each week for not less than three successive weeks in a
27 newspaper that is in general circulation within the boundaries of the
28 special purpose district or districts. Notice of such hearings shall
29 also be mailed to each member of the governing authority of such
30 special purpose districts, if such members are known, and to all
31 persons known to have claims against any of the special purpose
32 districts. Notice of such public hearings shall be posted in at least
33 three conspicuous places within the boundaries of each special
34 purpose district that is a subject of such hearings. Whenever a
35 county legislative authority that is conducting such a public hearing
36 on the dissolution of one or more of a particular kind of special
37 purpose district is aware of the existence of an association of such
38 special purpose districts, it shall also mail notice of the hearing
39 to the association. In addition, whenever a special purpose district

1 that lies in more than one county is a subject of such a public
2 hearing, notice shall also be mailed to the legislative authorities
3 of all other counties within whose boundaries the special purpose
4 district lies. All notices shall state the purpose, time, and place
5 of such hearings, and that all interested persons may appear and be
6 heard.

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

9 Any moneys or funds of the dissolved special purpose district and
10 any moneys or funds received by the board of trustees from the sale
11 or other disposition of any property of the dissolved special purpose
12 district shall be used, to the extent necessary, for the payment or
13 settlement of any outstanding obligations of the dissolved special
14 purpose district. Any remaining moneys or funds shall be used to pay
15 the county legislative authority for all costs and expenses incurred
16 in the dissolution and liquidation of the dissolved special purpose
17 district. Thereafter, any remaining moneys, funds, or property shall
18 become that of the county in which the dissolved special purpose
19 district was located. However, if the territory of the dissolved
20 special purpose district was located within more than one county, the
21 remaining moneys, funds, and personal property shall be apportioned
22 and distributed to each county in the proportion that the
23 geographical area of the dissolved special purpose district within
24 the county bears to the total geographical area of the dissolved
25 special purpose district, and any remaining real property or
26 improvements to real property shall be transferred to the county
27 within whose boundaries it lies. A county to which real property or
28 improvements to real property are transferred under this section may,
29 but does not have an obligation to, use the property or improvements
30 for the purposes for which the dissolved special purpose district
31 used the property or improvements and the county does not assume the
32 obligations or liabilities of the dissolved special purpose district
33 as a result of the transfer unless the county expressly assumes such
34 obligations or liabilities through the adoption of a resolution.

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

37 A county that dissolves a special purpose district under this
38 chapter may impose a separate regular property tax levy or a special

1 assessment as provided in section 6 of this act if that county
2 assumes responsibility of the services previously provided by the
3 special purpose district.

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

6 (1) Except as provided in subsection (2) of this section, if a
7 county dissolves a special purpose district under chapter 36.96 RCW,
8 the county may impose a separate property tax levy or special
9 assessment on the property lying within the former boundaries of the
10 dissolved special purpose district beginning in the first calendar
11 year following dissolution if:

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

14 (b) The property tax levy or special assessment does not exceed
15 any legally authorized property tax levy rate or special assessment
16 for the dissolved special purpose district.

17 (2) If a county discontinues providing the services of a
18 dissolved special purpose district for which the county imposed a
19 separate property tax levy or special assessment as provided in
20 subsection (1) of this section, the county must cease imposing that
21 property tax levy or special assessment beginning in the first
22 calendar year after the discontinuation of the provision of services
23 by the county.

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

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

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

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32 On page 1, line 2 of the title, after "districts;" strike the
33 remainder of the title and insert "amending RCW 43.09.230, 36.96.010,

1 36.96.030, and 36.96.070; adding a new section to chapter 36.96 RCW;
2 and adding a new section to chapter 84.55 RCW."

EFFECT: Removes the intent section. Amends the definition of "unauditable" to remove the requirement that the district be incapable of being audited for three years. Requires the state auditor to only notify counties if a district has been determined to be unauditable. Removes the requirement that the state auditor transmit the results of all audits of special purpose districts to the districts and the county. Removes the authorization that a county may withhold funds if the district has failed to file a financial statement for the most recent completed fiscal year. Allows a county or special purpose district to issue warrants in cases of emergency, to prevent interruption of services, or to allow the district to carry out any district duties or responsibilities. Removes the public utility district exemption from the district dissolution provisions. Allows a county to impose a separate regular property tax levy or a special assessment if the county assumes responsibility for services previously provided by the district. Removes the district publication and notice requirements for budgets and agendas. Removes provisions relating to removing the authority of an unauditable district to utilize its own treasurer. Removes the repeal of the conservation district exemptions related to public disclosure and campaign finance.

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