

CERTIFICATION OF ENROLLMENT

SUBSTITUTE SENATE BILL 5984

Chapter 4, Laws of 2012

62nd Legislature
2012 Regular Session

LOCAL GOVERNMENTS--FINANCIAL SOUNDNESS

EFFECTIVE DATE: 06/07/12 - Except sections 5 and 6, which become effective 03/01/12.

Passed by the Senate February 9, 2012
YEAS 32 NAYS 14

BRAD OWEN

President of the Senate

Passed by the House February 29, 2012
YEAS 62 NAYS 36

FRANK CHOPP

Speaker of the House of Representatives

Approved March 1, 2012, 9:40 a.m.

CHRISTINE GREGOIRE

Governor of the State of Washington

CERTIFICATE

I, Thomas Hoemann, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SUBSTITUTE SENATE BILL 5984** as passed by the Senate and the House of Representatives on the dates hereon set forth.

THOMAS HOEMANN

Secretary

FILED

March 1, 2012

**Secretary of State
State of Washington**

SUBSTITUTE SENATE BILL 5984

Passed Legislature - 2012 Regular Session

State of Washington 62nd Legislature 2012 Regular Session

By Senate Ways & Means (originally sponsored by Senators Murray, Zarelli, Parlette, Kilmer, Fraser, Harper, Kohl-Welles, and Chase)

READ FIRST TIME 02/07/12.

1 AN ACT Relating to local government financial soundness; amending
2 RCW 82.14.048; adding new sections to chapter 35.57 RCW; adding new
3 sections to chapter 36.100 RCW; creating a new section; and declaring
4 an emergency.

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

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 35.57 RCW
7 to read as follows:

8 (1) An independent financial feasibility review under this section
9 is required to be performed prior to any of the following events:

10 (a) The formation of a public facilities district under this
11 chapter;

12 (b) The issuance of any indebtedness, excluding the issuance of
13 obligations to refund or replace such indebtedness, by a public
14 facilities district under this chapter; or

15 (c) The long-term lease, purchase, or development of a facility
16 under RCW 35.57.020.

17 (2) The independent financial feasibility review required by this
18 section must be conducted by the department of commerce through the
19 municipal research and services center under RCW 43.110.030 or under a

1 contract with another entity under the authority of RCW 43.110.080.
2 The review must examine the potential costs to be incurred by the
3 public facility district and the adequacy of revenues or expected
4 revenues to meet those costs. The cost of the independent financial
5 feasibility review must be borne by the public facility district or the
6 local government proposing to form a public facility district.

7 (3) The independent financial feasibility review, upon completion,
8 must be a public document and must be submitted to the governor, the
9 state treasurer, the state auditor, the public facility district and
10 participating local political subdivisions, and appropriate committees
11 of the legislature.

12 NEW SECTION. **Sec. 2.** A new section is added to chapter 36.100 RCW
13 to read as follows:

14 (1) An independent financial feasibility review under this section
15 is required to be performed prior to any of the following events:

16 (a) The formation of a public facilities district under this
17 chapter;

18 (b) The issuance of any indebtedness, excluding the issuance of
19 obligations to refund or replace such indebtedness, by a public
20 facilities district under this chapter; or

21 (c) The long-term lease, purchase, or development of a facility
22 under this chapter.

23 (2) The independent financial feasibility review required by this
24 section must be conducted by the department of commerce through the
25 municipal research and services center under RCW 43.110.030 or under a
26 contract with another entity under the authority of RCW 43.110.080.
27 The review must examine the potential costs to be incurred by the
28 public facility district and the adequacy of revenues or expected
29 revenues to meet those costs. The cost of the independent financial
30 feasibility review must be borne by the public facility district or the
31 local government proposing to form a public facility district.

32 (3) The independent financial feasibility review, upon completion,
33 must be a public document and must be submitted to the governor, the
34 state treasurer, the state auditor, the public facility district and
35 participating local political subdivisions, and appropriate committees
36 of the legislature.

1 NEW SECTION. **Sec. 3.** A new section is added to chapter 35.57 RCW
2 to read as follows:

3 After the effective date of this section, the statutorily
4 authorized taxing authority of a public facility district may not be
5 restricted in any manner by the forming jurisdiction or jurisdictions
6 or by any action of the public facility district.

7 NEW SECTION. **Sec. 4.** A new section is added to chapter 36.100 RCW
8 to read as follows:

9 After the effective date of this section, the statutorily
10 authorized taxing authority of a public facility district may not be
11 restricted in any manner by the forming jurisdiction or jurisdictions
12 or by any action of the public facility district.

13 NEW SECTION. **Sec. 5.** In enacting section 6 of this act, the
14 legislature finds that providing local tools to enable solutions for
15 public facilities districts that are in default on bond anticipation
16 notes or bonds is in the best interest of the state, its
17 municipalities, and its citizens as a whole. The legislature further
18 finds it is necessary to act swiftly to provide the tools necessary to
19 address any defaults on debt issued by public facilities districts.

20 **Sec. 6.** RCW 82.14.048 and 2009 c 533 s 3 are each amended to read
21 as follows:

22 (1) The following definitions apply throughout this section unless
23 the context clearly requires otherwise.

24 (a) "Distressed public facilities district" means a public
25 facilities district that has defaulted on bond anticipation notes or
26 bonds in excess of forty million dollars on or before April 1, 2012;
27 and

28 (b) "Anchor jurisdiction" means a city that has entered into an
29 agreement to form a public facilities district under RCW
30 35.57.010(1)(c) that constitutes a distressed public facilities
31 district under this chapter and in which the largest asset of such
32 public facilities district is located.

33 (2)(a) The governing board of a public facilities district under
34 chapter 36.100 or 35.57 RCW may submit an authorizing proposition to

1 the voters of the district, and if the proposition is approved by a
2 majority of persons voting, impose a sales and use tax in accordance
3 with the terms of this chapter.

4 ~~((2))~~ (b) In addition to the tax authorized pursuant to (a) of
5 this subsection and in addition to any other authority conferred by
6 law, the legislative authority of an anchor jurisdiction may impose a
7 sales and use tax within the geographical boundaries of the anchor
8 jurisdiction in accordance with the terms of this chapter without
9 submitting an authorizing proposition to the voters of the anchor
10 jurisdiction or the distressed public facilities district.

11 (3) The tax authorized in this section (~~shall be~~) is in addition
12 to any other taxes authorized by law and (~~shall~~) must be collected
13 from those persons who are taxable by the state under chapters 82.08
14 and 82.12 RCW upon the occurrence of any taxable event within the
15 public facilities district. The rate of tax (~~shall~~) may not exceed
16 two-tenths of one percent of the selling price in the case of a sales
17 tax, or value of the article used, in the case of a use tax. A public
18 facilities district formed under RCW 35.57.010(1)(e) may not impose the
19 tax authorized under this (~~subsection~~) section at a rate that exceeds
20 two-tenths of one percent minus the rate of the highest tax authorized
21 by this (~~subsection~~) section that is imposed by any other public
22 facilities district within its boundaries. An anchor jurisdiction may
23 impose the tax authorized by subsection (2)(b) of this section at a
24 rate not to exceed two-tenths of one percent, regardless of whether any
25 other public facilities district (including a distressed public
26 facilities district) within its boundaries imposes the tax authorized
27 by this section or the rate of such tax imposed by the public
28 facilities district. If a public facilities district formed under RCW
29 35.57.010(1)(e) has imposed a tax under this (~~subsection~~) section and
30 issued or incurred obligations pledging that tax, so long as those
31 obligations are outstanding no other public facilities district within
32 its boundaries may thereafter impose a tax under this (~~subsection~~)
33 section at a rate that would reduce the rate of the tax that was
34 pledged to the repayment of those obligations. A public facilities
35 district that imposes a tax under this (~~subsection~~) section is
36 responsible for the payment of any costs incurred for the purpose of
37 administering the provisions of this (~~subsection~~) section, RCW
38 35.57.010(1)(e), and 35.57.020(1)(b), including any administrative

1 costs associated with the imposition of ((a)) the tax under this
2 ((~~subsection~~)) section incurred by either the department of revenue or
3 local government, or both.

4 ((~~3~~)) (4)(a) Moneys received by a public facilities district from
5 any tax imposed by the public facilities district under the authority
6 of this section ((~~shall~~)) must be used for the purpose of providing
7 funds for the costs associated with the financing, refinancing, design,
8 acquisition, construction, equipping, operating, maintaining,
9 remodeling, repairing, and reequipping of its public facilities.

10 (b) Moneys received by an anchor jurisdiction from any tax imposed
11 by the anchor jurisdiction under the authority of this section must be
12 used for the purpose of providing funds for the costs associated with
13 the _ financing, _ refinancing, _ design, _ acquisition, _ construction,
14 equipping, _ operating, _ maintaining, _ remodeling, _ repairing, _ and
15 reequipping _ of _ the _ public _ facilities _ of _ the _ distressed _ public
16 facilities district, and for all litigation, investigation, and related
17 costs and expenses incurred by the anchor jurisdiction toward resolving
18 matters related to the defaults of the distressed public facilities
19 district. To the extent the distressed public facilities district owes
20 money to an anchor jurisdiction, the anchor jurisdiction may apply
21 money from the sales tax imposed under this section to any such
22 obligations. Any sales tax imposed by an anchor jurisdiction under
23 this section must terminate no later than thirty years after it is
24 first imposed.

25 NEW SECTION. Sec. 7. If any provision of this act or its
26 application to any person or circumstance is held invalid, the
27 remainder of the act or the application of the provision to other
28 persons or circumstances is not affected.

29 NEW SECTION. Sec. 8. Sections 5 and 6 of this act are necessary
30 for the immediate preservation of the public peace, health, or safety,
31 or support of the state government and its existing public
32 institutions, and take effect immediately.

Passed by the Senate February 9, 2012.
Passed by the House February 29, 2012.
Approved by the Governor March 1, 2012.
Filed in Office of Secretary of State March 1, 2012.