CERTIFICATION OF ENROLLMENT

**ENGROSSED SUBSTITUTE HOUSE BILL 2588**

Chapter 179, Laws of 2020

66th Legislature

2020 Regular Session

SPECIAL PURPOSE DISTRICTS--AUDITS

EFFECTIVE DATE: June 11, 2020

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| Passed by the House March 7, 2020  Yeas 90 Nays 7  LAURIE JINKINS  **Speaker of the House of Representatives**  Passed by the Senate March 5, 2020  Yeas 46 Nays 2  CYRUS HABIB  **President of the Senate** | 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.  BERNARD DEAN  Chief Clerk |
| Approved March 27, 2020 2:21 PM | March 27, 2020 |
| JAY INSLEE  **Governor of the State of Washington** | **Secretary of State**  **State of Washington** |

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**ENGROSSED SUBSTITUTE HOUSE BILL 2588**

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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)

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

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

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

(1) As used in this section:

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

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

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

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

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

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

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

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

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

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

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

(B) For emergency or public health purposes; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) Notice of such public hearings shall be given by publication at least once each week for not less than three successive weeks in a newspaper that is in general circulation within the boundaries of the special purpose district or districts. Notice of such hearings shall also be mailed to each member of the governing authority of such special purpose districts, if such members are known, and to all persons known to have claims against any of the special purpose districts. Notice of such public hearings shall be posted in at least three conspicuous places within the boundaries of each special purpose district that is a subject of such hearings. Whenever a county legislative authority that is conducting such a public hearing on the dissolution of one or more of a particular kind of special purpose district is aware of the existence of an association of such special purpose districts, it shall also mail notice of the hearing to the association. In addition, whenever a special purpose district that lies in more than one county is a subject of such a public hearing, notice shall also be mailed to the legislative authorities of all other counties within whose boundaries the special purpose district lies. All notices shall state the purpose, time, and place of such hearings, and that all interested persons may appear and be heard.

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

Any moneys or funds of the dissolved special purpose district and any moneys or funds received by the board of trustees from the sale or other disposition of any property of the dissolved special purpose district shall be used, to the extent necessary, for the payment or settlement of any outstanding obligations of the dissolved special purpose district. Any remaining moneys or funds shall be used to pay the county legislative authority for all costs and expenses incurred in the dissolution and liquidation of the dissolved special purpose district. Thereafter, any remaining moneys, funds, or property shall become that of the county in which the dissolved special purpose district was located. However, if the territory of the dissolved special purpose district was located within more than one county, the remaining moneys, funds, and personal property shall be apportioned and distributed to each county in the proportion that the geographical area of the dissolved special purpose district within the county bears to the total geographical area of the dissolved special purpose district, and any remaining real property or improvements to real property shall be transferred to the county within whose boundaries it lies. A county to which real property or improvements to real property are transferred under this section may, but does not have an obligation to, use the property or improvements for the purposes for which the dissolved special purpose district used the property or improvements and the county does not assume the obligations or liabilities of the dissolved special purpose district as a result of the transfer unless the county expressly assumes such obligations or liabilities through the adoption of a resolution.

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

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

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

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

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

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

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

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

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

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

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Passed by the House March 7, 2020.

Passed by the Senate March 5, 2020.

Approved by the Governor March 27, 2020.

Filed in Office of Secretary of State March 27, 2020.