
HOUSE BILL 2588

State of Washington

66th Legislature

2020 Regular Session

By Representatives Pollet, Leavitt, Valdez, Senn, Duerr, Ryu, Frame, Boehnke, Hudgins, and Kraft

Read first time 01/15/20. Referred to Committee on Local Government.

1 AN ACT Relating to improving openness, accountability, and
2 transparency of special purpose districts; amending RCW 36.96.010,
3 36.96.020, 36.96.030, 36.96.040, 36.96.050, and 36.96.900; adding new
4 sections to chapter 36.96 RCW; and repealing RCW 42.17A.010.

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

6 **Sec. 1.** RCW 36.96.010 and 1999 c 153 s 50 are each amended to
7 read as follows:

8 As used in this chapter, unless the context requires otherwise:

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

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

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

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

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

20 **Sec. 2.** RCW 36.96.020 and 2009 c 337 s 12 are each amended to
21 read as follows:

22 ~~((On or before June 1st of 1980, and on or before))~~ (1) Before
23 June 1st of every year ((thereafter)), each county auditor shall
24 search available records and notify the county legislative authority
25 if any special purpose districts located wholly or partially within
26 the county appear to be inactive. If the territory of any special
27 purpose district is located within more than one county, the
28 legislative authorities of all other counties within whose boundaries
29 such a special purpose district lies shall also be notified by the
30 county auditor. However, the authority to dissolve such a special
31 purpose district as provided by this chapter shall rest solely with
32 the legislative authority of the county which contains the greatest
33 geographic portion of such special purpose district.

34 (2) On or before June 1, 2021, and on or before June 1st of every
35 year thereafter, the state auditor shall search available records and
36 notify the county legislative authority if any special purpose
37 districts located wholly or partially within the county have been
38 deemed to be unauditable or have failed to file a required annual
39 financial statement for the most recent fiscal year or any other

1 fiscal years since the special purpose district's last audit. If the
2 territory of any special purpose district is located within more than
3 one county, the legislative authorities of all other counties within
4 whose boundaries such a special purpose district lies shall also be
5 notified by the state auditor.

6 NEW SECTION. **Sec. 3.** A new section is added to chapter 36.96
7 RCW to read as follows:

8 (1) The state auditor shall transmit the results of an audit
9 conducted on a special purpose district, including, when applicable,
10 a finding that the special purpose district is unauditabile, to the
11 special purpose district which is the subject of the audit and to
12 each county within which funds for operations of the special purpose
13 district are assessed or authorized to be spent.

14 (2) (a) If a county has been notified by the state auditor that a
15 special purpose district failed to file a financial statement with
16 the state auditor for the most recent completed fiscal year, the
17 county legislative authority may direct the county treasurer, clerk,
18 or assessor, as applicable, to withhold the transmission of funds to,
19 or not to expend funds on behalf of, the special purpose district
20 until the county receives notice from the state auditor that the
21 district has filed any such past due financial statements.

22 (b) If the county has been notified by the state auditor that a
23 special purpose district is unauditabile, the county treasurer, clerk,
24 or assessor shall not transmit funds to, or expend funds on behalf
25 of, any special purpose district until the county treasurer, clerk,
26 assessor, or legislative authority has received notice from the state
27 auditor that the district: (i) Has filed the most recent financial
28 statement which is due to the state auditor; (ii) has filed any past
29 due annual financial statements required by the state auditor for the
30 special purpose district to be certified as being auditabile; and
31 (iii) is auditabile.

32 (c) If a county is notified by the state auditor that a special
33 purpose district has not filed annual financial statements or is
34 unauditabile and funds assessed on behalf of the special purpose
35 district are withheld pursuant to (a) or (b) of this subsection (2),
36 the legislative authority may authorize the use of the funds
37 collected by the county on behalf of the special purpose district to
38 carry out the purposes for which assessments were collected within

1 the boundaries of the special purpose district and which lie within
2 the boundary of the county holding the funds.

3 **Sec. 4.** RCW 36.96.030 and 1979 ex.s. c 5 s 3 are each amended to
4 read as follows:

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

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

1 of such hearings, and that all interested persons may appear and be
2 heard.

3 **Sec. 5.** RCW 36.96.040 and 2001 c 299 s 12 are each amended to
4 read as follows:

5 After (~~such~~) holding hearings as provided in RCW 36.96.030, the
6 county legislative authority shall make written findings whether each
7 of the special purpose districts that was a subject of the hearings
8 meets each of the criteria of being "inactive" or "unauditable,"
9 utilizing criteria set by the state auditor to determine if a
10 district is unauditale.((")) Whenever a special purpose district
11 other than a public utility district has been found to meet a
12 criterion of being inactive or unauditale, or a public utility
13 district has been found to meet both criteria of being inactive, the
14 county legislative authority shall adopt an ordinance dissolving the
15 special purpose district if it also makes additional written findings
16 detailing why it is in the public interest that the special purpose
17 district be dissolved, and shall provide a copy of the ordinance to
18 the county treasurer. The county legislative authority may continue
19 to carry out the functions of an unauditale special purpose
20 district, including collection of assessments and fees, if it also
21 makes additional written findings detailing why it is in the public
22 interest that the special purpose district continue operations.
23 Except for the purpose of winding up its affairs as provided by this
24 chapter, a special purpose district that is so dissolved shall cease
25 to exist and the authority and obligation to carry out the purposes
26 for which it was created shall cease thirty-one days after adoption
27 of the dissolution ordinance.

28 **Sec. 6.** RCW 36.96.050 and 1979 ex.s. c 5 s 5 are each amended to
29 read as follows:

30 The action of the county legislative authority dissolving a
31 special purpose district pursuant to RCW 36.96.040 shall be final and
32 conclusive unless within thirty days of the adoption of the ordinance
33 an interested party makes application to a court of competent
34 jurisdiction for a writ of prohibition or writ of mandamus. At the
35 hearing upon such a writ, the applicant shall have the full burden of
36 demonstrating that the particular special purpose district, other
37 than a public utility district, does not meet either of the criteria
38 of being inactive or unauditale or that it is not in the public

1 interest that the special purpose district be dissolved: PROVIDED,
2 That where the particular special purpose district subject to the
3 dissolution proceedings is a public utility district, the applicant
4 shall have the full burden of demonstrating that the public utility
5 district either does not meet both the criteria of being inactive or
6 that it is not in the public interest to dissolve the public utility
7 district.

8 **Sec. 7.** RCW 36.96.900 and 1979 ex.s. c 5 s 10 are each amended
9 to read as follows:

10 The provisions of this chapter to dissolve inactive and
11 unauditable special purpose districts shall not be exclusive, and
12 shall be in addition to any other method or methods provided by law
13 to dissolve a special purpose district.

14 NEW SECTION. **Sec. 8.** A new section is added to chapter 36.96
15 RCW to read as follows:

16 All special purpose districts must publish online the annual
17 budget approved by its governing body, minutes of meetings for the
18 prior two years, and annual auditable financial statements submitted
19 to the state auditor. All special purpose districts shall comply with
20 the provisions of the open public meetings act, chapter 42.30 RCW,
21 and shall make the agenda of each regular meeting of the governing
22 body available online no later than twenty-four hours in advance of
23 the published start time of the meeting, notwithstanding any
24 provision of RCW 42.30.077. The state auditor shall review the status
25 of compliance with these publication provisions when performing
26 accountability audits of special purpose districts. Special purpose
27 districts may utilize interlocal agreements to have each county
28 within which the special purpose district collects fees or
29 assessments, or with another special purpose district with which the
30 district shares constituents or adjoins, to maintain a web site for
31 purposes of publishing annual budgets, financial statements, meeting
32 notices, and agendas, complying with the open public meetings act,
33 chapter 42.30 RCW, and other communications with the public.

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

36 The county treasurer of the county which contains the greatest
37 geographic portion of such special purpose district must act as the

1 ex officio treasurer of the special purpose district. The special
2 purpose district must submit its approved annual budget and a list of
3 those with signature authority to the ex officio treasurer by January
4 31st of each year.

5 NEW SECTION. **Sec. 10.** RCW 42.17A.010 (Conservation district
6 exception) and 2002 c 43 s 4 are each repealed.

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