

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

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**

Approved March 27, 2020 2:21 PM

JAY INSLEE

**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.

BERNARD DEAN

**Chief Clerk**

FILED

March 27, 2020

**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)

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 unauditabile.

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 (~~(or~~  
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.

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.

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