H-0492.1

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**HOUSE BILL 1500**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**State of Washington 67th Legislature 2021 Regular Session**

**By** Representatives Sullivan, Ortiz-Self, and Pollet

AN ACT Relating to regular financial audits of school districts; amending RCW 43.09.2856; reenacting and amending RCW 43.09.2856; creating a new section; providing an effective date; and providing an expiration date.

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

NEW SECTION. **Sec.**  The legislature finds that the enrichment levy process has built-in safeguards that prevent the improper expenditure of enrichment funds before they can occur. These safeguards include district submission of enrichment levy plans and review and approval by the office of the superintendent of public instruction. Before the proposed levy is submitted to voters, the office of the superintendent of public instruction must first approve the maximum dollar collection amounts and must mandate that the levy collections are deposited in a separate fund. Changes to the proposed use of enrichment funds must be approved by the office of the superintendent of public instruction, be discussed by the elected school district board of directors in open public meetings, and approved by a vote of the school board. In addition to these safeguards that are implemented at the beginning of the process and the mandatory tracking and accounting procedures that apply to the use of the funds, the state auditor performs regular financial audits of all school district local revenues, including enrichment levy spending plans. These necessary and multiple safeguards prevent and address improper expenditures within the system that has been created to support the appropriate use of enrichment levies.

The legislature further finds that a punitive, backward-looking system would undermine programming decisions made in good faith and could result in funding cuts to vital education programs that serve current K-12 students. The legislature finds that such processes are at odds with the goals for the enrichment levies.

**Sec.**  RCW 43.09.2856 and 2019 c 410 s 4 and 2019 c 387 s 5 are each reenacted and amended to read as follows:

(1) Beginning with the 2019-20 school year, to ensure that school district local revenues are used solely for purposes of enriching the state's statutory program of basic education, the state auditor's regular financial audits of school districts must include a review of the expenditure of school district local revenues for compliance with RCW 28A.150.276, including the spending plan approved by the superintendent of public instruction under RCW 28A.505.240 and its implementation, and any supplemental contracts entered into under RCW 28A.400.200. The audit must also include a review of the expenditure schedule and supporting documentation required by RCW 28A.320.330(1)(c).

(2) ((~~If an audit under subsection (1) of this section results in findings that a school district has failed to comply with these requirements, then within ninety days of completing the audit the auditor must report the findings to the superintendent of public instruction, the office of financial management, and the education and operating budget committees of the legislature. If the superintendent of public instruction receives a report of findings from the state auditor that an expenditure of a school district is out of compliance with the requirements of RCW 28A.150.276, and the finding is not resolved in the subsequent audit, the maximum taxes levied for collection by the school district under RCW 84.52.0531 in the following calendar year shall be reduced by the expenditure amount identified by the state auditor.~~

~~(3)~~)) The use of the state allocation provided for professional learning under RCW 28A.150.415 must be audited as part of the regular financial audits of school districts by the state auditor's office to ensure compliance with the limitations and conditions of RCW 28A.150.415.

((~~(4)~~)) (3)(a) The state auditor must conduct a financial or accountability audit of each school district by June 1, 2020, for the 2018-19 school year to include a review of the following:

(i) Special education revenues and the sources of those revenues, by school district; and

(ii) Special education expenditures and the object of those expenditures, by school district.

(b) Special education data reported for each school district through the audits under this subsection must be compiled and submitted to the education committees of the legislature by December 1, 2020.

**Sec.**  RCW 43.09.2856 and 2019 c 410 s 4 are each amended to read as follows:

(1) Beginning with the 2019-20 school year, to ensure that school district local revenues are used solely for purposes of enriching the state's statutory program of basic education, the state auditor's regular financial audits of school districts must include a review of the expenditure of school district local revenues for compliance with RCW 28A.150.276, including the spending plan approved by the superintendent of public instruction under RCW 28A.505.240 and its implementation, and any supplemental contracts entered into under RCW 28A.400.200. The audit must also include a review of the expenditure schedule and supporting documentation required by RCW 28A.320.330(1)(c).

(2) ((~~If an audit under subsection (1) of this section results in findings that a school district has failed to comply with these requirements, then within ninety days of completing the audit the auditor must report the findings to the superintendent of public instruction, the office of financial management, and the education and operating budget committees of the legislature. If the superintendent of public instruction receives a report of findings from the state auditor that an expenditure of a school district is out of compliance with the requirements of RCW 28A.150.276, and the finding is not resolved in the subsequent audit, the maximum taxes levied for collection by the school district under RCW 84.52.0531 in the following calendar year shall be reduced by the expenditure amount identified by the state auditor.~~

~~(3)~~)) The use of the state allocation provided for professional learning under RCW 28A.150.415 must be audited as part of the regular financial audits of school districts by the state auditor's office to ensure compliance with the limitations and conditions of RCW 28A.150.415.

NEW SECTION. **Sec.**  Section 2 of this act expires December 1, 2021.

NEW SECTION. **Sec.**  Section 3 of this act takes effect December 1, 2021.

**--- END ---**