

SENATE BILL REPORT

SB 5746

As Reported by Senate Committee On:
Governmental Operations, February 18, 2013

Title: An act relating to dissolution of public hospital districts.

Brief Description: Providing a method for dissolution of a public hospital district.

Sponsors: Senator Roach.

Brief History:

Committee Activity: Governmental Operations: 2/18/13 [DP, DNP].

SENATE COMMITTEE ON GOVERNMENTAL OPERATIONS

Majority Report: Do pass.

Signed by Senators Roach, Chair; Benton, Vice Chair; Braun and Rivers.

Minority Report: Do not pass.

Signed by Senators Hasegawa, Ranking Member; Conway and Fraser.

Staff: Sam Thompson (786-7413)

Background: Public hospital districts are local government entities that may be created to provide health care facilities and services. Voters must approve a local ballot proposition to create a public hospital district. Since 1945, when they were authorized in state law, more than 50 public hospital districts have been created in Washington. Many provide facilities and services in rural areas. To finance operations, districts may levy property taxes, issue bonds, and charge user fees.

State law provides several methods to dissolve various types of local government entities. Public hospital districts may be dissolved in a superior court proceeding initiated by a district's governing body. The court may dissolve the district if it finds that the best interest of all persons concerned will be served. If the district is solvent, assets may be sold, with proceeds credited to school districts in which the district is situated. If the district is insolvent, the court may levy assessments against property in the district to retire the district's debt. Other types of local government entities, including fire protection districts, certain public utility districts, and cultural arts, stadium and convention districts, may be dissolved in

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procedures initiated by the governing body or by petition of voters, with final approval by voters.

Summary of Bill: A public hospital district with a population over 285,000, as determined by Office of Financial Management estimates, may be dissolved if a majority of district voters voting on a ballot proposition to dissolve the district approve the proposition.

The ballot proposition must be submitted to district voters if the district's board of commissioners adopts a resolution proposing dissolution of the district, or if district voters submit a petition proposing dissolution of the district. The petition must be signed by at least 10 percent of qualified voters in the district, and submitted to the county auditor to certify sufficient valid signatures. The ballot proposition may only be voted upon at a general election occurring at least 60 days after adoption of a resolution or submission of a petition to the auditor.

If the ballot proposition is approved, the county legislative authority must commence winding down the district's operations, including specifying the manner in which the district's assets will be liquidated and outstanding debt will be paid. If proceeds of the sale of assets and other district funds are:

- sufficient to pay outstanding debt and costs of liquidating assets, excess funds must be disbursed to the county; or
- insufficient to pay outstanding debt and costs of liquidating assets, the county legislative authority must levy taxes in the district to pay the outstanding debt and costs of liquidating assets.

The district will be dissolved after final payment of the district's debt and any costs of liquidating assets.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: Taxpayers pay substantial taxes to fund King County Public Hospital District #1 operations, regardless of whether they use the district's facilities or services. Individual members of the district's board of commissioners support this bill; the board has not yet taken an official stance. The district is no longer necessary to provide health care facilities and services in an urban area with several private hospitals. Voters in the area overwhelmingly opposed a proposed annexation of territory into the district. This is a good government reform measure, appropriately granting discretion. The district's facilities and services were necessary and useful when it was created more than 60 years ago, but are no longer necessary; there is not a lack of hospitals in the area.

OTHER: This bill makes a fundamental change in public hospital district law. The Association of Washington Public Hospital Districts has not yet taken a position on the bill.

Persons Testifying: PRO: Senator Roach, prime sponsor; Anthony Hemstad, Paul Joos, King County Public Hospital District #1 – Valley Medical Center; James Grossnickle, citizen.

OTHER: Jeff Mero, Assn. of WA Public Hospital Districts.