
SENATE BILL 5690

State of Washington

63rd Legislature

2013 Regular Session

By Senators Hatfield, Fraser, Ericksen, and Honeyford; by request of State Treasurer

Read first time 02/08/13. Referred to Committee on Ways & Means.

1 AN ACT Relating to the fiscal conditions of local government; and
2 adding a new chapter to Title 43 RCW.

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

4 NEW SECTION. **Sec. 1.** The legislature finds that a small but
5 potentially growing number of local governmental entities are showing
6 signs of declining financial health. The legislature also finds that
7 state government must improve its ability to analyze and appropriately
8 act upon information about the fiscal condition of its local
9 governments. The legislature also finds that increasing the awareness
10 of the nature and extent of challenges facing local governments can
11 help communities and the state work together to identify and resolve
12 issues sooner, at lower cost, and with less risk. The legislature
13 further finds that it respects the independence and importance of local
14 governmental entities and their locally elected leaders and governing
15 bodies as they work to respond to the needs and expectations of their
16 citizens.

17 Therefore, the legislature intends to create a fiscal health review
18 and response capability in which state and local governments work

1 collaboratively to identify and respond to financial problems
2 encountered by local governments.

3 NEW SECTION. **Sec. 2.** The definitions in this section apply
4 throughout this chapter unless the context clearly requires otherwise.

5 (1) "Commission" means the local government fiscal health
6 commission.

7 (2) "Local government" means cities, towns, counties, special
8 purpose districts, political subdivisions, and any other municipal
9 corporations or quasi-municipal corporations in the state except school
10 districts.

11 NEW SECTION. **Sec. 3.** (1) The local government fiscal health
12 commission is hereby created and consists of nine members as follows:
13 The state treasurer, the state auditor, one elected local government
14 member appointed by the chair of the commission from among three
15 candidates provided by a statewide association representing cities, one
16 elected local government member appointed by the chair of the
17 commission from among three candidates provided by a statewide
18 association representing counties, one member appointed by the chair of
19 the commission from among three candidates provided by a statewide
20 association representing city and county managers, the executive
21 director of the municipal research and services center, and three
22 members appointed by the governor. The governor shall seek to provide
23 geographic balance and special expertise in local government finance
24 and management. The governor shall appoint one of the members as
25 chair. The chair must consult with the state treasurer and state
26 auditor when making commission appointments.

27 (2) The commission may select from its membership such other
28 officers as it deems appropriate. A majority of the voting members of
29 the commission constitutes a quorum.

30 (3) The term of appointment of the local government members is four
31 years from the date of appointment.

32 If an appointed member leaves elected office during their term, the
33 appointing entity shall make another appointment within thirty days.

34 (4) Any state official serving in an ex officio capacity may
35 designate an employee of their respective department to act on their

1 behalf in all respects with regard to any matter to come before the
2 commission. Such a designation shall be made in writing.

3 (5) The members of the commission serve without compensation but
4 are entitled to reimbursement under RCW 43.03.050 and 43.03.060, solely
5 from the funds of the commission, for expenses incurred in the
6 discharge of their duties under this chapter.

7 (6) Staff support for the commission must be provided by the state
8 auditor's office and the office of the state treasurer. In addition,
9 the commission may hire its own staff or contract for the provision of
10 services as it deems necessary and appropriate to carry out its duties
11 under this chapter.

12 NEW SECTION. **Sec. 4.** The commission may:

13 (1) Make and execute contracts and all other instruments necessary
14 or convenient for the exercise of its purposes or powers;

15 (2) Make expenditures as are appropriate for paying the
16 administrative costs of the commission and for carrying out the
17 provisions of this chapter;

18 (3) Receive contributions or grants from any source unless
19 otherwise prohibited;

20 (4) Delegate any of its powers and duties, except rule making, if
21 consistent with the purposes of this chapter; and

22 (5) Exercise any other power, including rule making, reasonably
23 required to implement the purposes of this chapter.

24 NEW SECTION. **Sec. 5.** The commission must monitor, track, and
25 research factors that can cause fiscal stress in local governments.
26 If, based on this monitoring, the commission identifies that a local
27 government is more likely than not to experience financial stress in
28 the near term, the commission may:

29 (1) Offer resources and support to the local government;

30 (2) Enter into an agreement that allows the commission to engage
31 experienced professionals to provide guidance and assistance to the
32 local government;

33 (3) Work with the local government to create a financial and
34 management plan; or

35 (4) Exercise any other duty necessary to carry out the intent of
36 this section.

1 NEW SECTION. **Sec. 6.** (1) The governing body or chief executive of
2 a local government may request a preliminary review under this chapter.
3 The request must identify the existing or emerging financial conditions
4 that make the request necessary. The commission has the discretion to
5 determine:

6 (a) Whether it will provide the requested assistance;

7 (b) Under what terms and conditions it will provide the service;
8 and

9 (c) The scope of assistance to be provided.

10 (2) When the commission conducts a preliminary review under this
11 section, it must inform the local government of the results of its
12 review no more than fifteen days after concluding the review.

13 (3) The commission must provide copies of any reports or
14 recommendations made as a result of the preliminary review to the
15 governing body of the local government and provide the local government
16 an opportunity to comment prior to any report of the commission
17 becoming final.

18 (4) The commission may delegate to a subcommittee of the commission
19 or to commission staff the task of conducting the preliminary review.

20 NEW SECTION. **Sec. 7.** (1) If after conducting a preliminary
21 review, the commission and the local government determines that one or
22 more factors exist that support a finding of financial stress, the
23 commission may appoint a three-person committee, made up of government
24 officials with the requisite finance experience, to conduct a thorough
25 review of the financial condition of the local government.

26 (2) In conducting its review, the committee has the following
27 powers:

28 (a) To examine the books and records of the local government; and

29 (b) To review any other documents deemed relevant to the financial
30 condition of the local government, including but not limited to
31 contracts or other documentation evidencing a debt or obligation of the
32 local government.

33 (3) If requested by the commission or on its own initiative, the
34 commission may:

35 (a) Utilize the services of other governmental entities or
36 employees; and

1 (b) Enter into contracts with experts in the required field to
2 assist in the review of the books and records.

3 NEW SECTION. **Sec. 8.** Prior to any formal review being conducted
4 under section 7 of this act, the commission and the local government
5 must enter into an interlocal agreement pursuant to chapter 39.34 RCW
6 to set forth the scope of the review. A formal review may not be
7 conducted without the consent of the local government.

8 NEW SECTION. **Sec. 9.** The state, the commission, and any
9 individual or group of individuals taking action under this chapter are
10 not liable for any obligation or claim against a local government
11 resulting from actions taken in accordance with this chapter.

12 NEW SECTION. **Sec. 10.** Insofar as the provisions of this chapter
13 are inconsistent with the provisions of any general or special law, or
14 parts thereof, the provisions of this chapter are controlling.

15 NEW SECTION. **Sec. 11.** If any provision of this act or its
16 application to any person or circumstance is held invalid, the
17 remainder of the act or the application of the provision to other
18 persons or circumstances is not affected.

19 NEW SECTION. **Sec. 12.** Sections 1 through 10 of this act
20 constitute a new chapter in Title 43 RCW.

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