

CERTIFICATION OF ENROLLMENT

SUBSTITUTE HOUSE BILL 1577

Chapter 153, Laws of 2023

68th Legislature
2023 Regular Session

MUNICIPAL OFFICERS—BENEFICIAL INTEREST IN CONTRACTS

EFFECTIVE DATE: July 23, 2023

Passed by the House March 2, 2023
Yeas 96 Nays 0

LAURIE JINKINS

**Speaker of the House of
Representatives**

Passed by the Senate April 7, 2023
Yeas 46 Nays 0

DENNY HECK

President of the Senate

Approved April 20, 2023 2:52 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 **SUBSTITUTE HOUSE BILL 1577** as passed by the House of Representatives and the Senate on the dates hereon set forth.

BERNARD DEAN

Chief Clerk

FILED

April 21, 2023

**Secretary of State
State of Washington**

SUBSTITUTE HOUSE BILL 1577

Passed Legislature - 2023 Regular Session

State of Washington **68th Legislature** **2023 Regular Session**

By House Local Government (originally sponsored by Representative Schmick)

READ FIRST TIME 02/17/23.

1 AN ACT Relating to municipal officers' beneficial interest in
2 contracts; and amending RCW 42.23.030.

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

4 **Sec. 1.** RCW 42.23.030 and 2020 c 69 s 1 are each amended to read
5 as follows:

6 No municipal officer shall be beneficially interested, directly
7 or indirectly, in any contract which may be made by, through or under
8 the supervision of such officer, in whole or in part, or which may be
9 made for the benefit of his or her office, or accept, directly or
10 indirectly, any compensation, gratuity or reward in connection with
11 such contract from any other person beneficially interested therein.

12 This section shall not apply in the following cases:

13 (1) The furnishing of electrical, water or other utility services
14 by a municipality engaged in the business of furnishing such
15 services, at the same rates and on the same terms as are available to
16 the public generally;

17 (2) The designation of public depositaries for municipal funds;

18 (3) The publication of legal notices required by law to be
19 published by any municipality, upon competitive bidding or at rates
20 not higher than prescribed by law for members of the general public;

1 (4) The designation of a school director as clerk or as both
2 clerk and purchasing agent of a school district;

3 (5) The employment of any person by a municipality for unskilled
4 day labor at wages not exceeding (~~one thousand dollars~~) \$1,000 in
5 any calendar month. The exception provided in this subsection does
6 not apply to a county with a population of (~~one hundred twenty-five~~
7 ~~thousand~~) 125,000 or more, a city with a population of more than
8 (~~one thousand five hundred~~) 1,500, an irrigation district
9 encompassing more than (~~fifty thousand~~) 50,000 acres, or a first-
10 class school district;

11 (6)(a) The letting of any other contract in which the total
12 amount received under the contract or contracts by the municipal
13 officer or the municipal officer's business does not exceed (~~one~~
14 ~~thousand five hundred dollars~~) \$3,000 in any calendar month.

15 (b) However, in the case of a particular officer of a second-
16 class city or town, or a noncharter optional code city, or a member
17 of any county fair board in a county which has not established a
18 county purchasing department pursuant to RCW 36.32.240, the total
19 amount of such contract or contracts authorized in this subsection
20 (6) may exceed (~~one thousand five hundred dollars~~) \$3,000 in any
21 calendar month but shall not exceed (~~eighteen thousand dollars~~)
22 \$36,000 in any calendar year.

23 (c)(i) In the case of a particular officer of a rural public
24 hospital district, as defined in RCW 70.44.460, the total amount of
25 such contract or contracts authorized in this subsection (6) may
26 exceed (~~one thousand five hundred dollars~~) \$1,500 in any calendar
27 month, but shall not exceed (~~twenty-four thousand dollars~~) \$24,000
28 in any calendar year.

29 (ii) At the beginning of each calendar year, beginning with the
30 2006 calendar year, the legislative authority of the rural public
31 hospital district shall increase the calendar year limitation
32 described in this subsection (6)(c) by an amount equal to the dollar
33 amount for the previous calendar year multiplied by the change in the
34 consumer price index as of the close of the (~~twelve~~) 12-month
35 period ending December 31st of that previous calendar year. If the
36 new dollar amount established under this subsection is not a multiple
37 of (~~ten dollars~~) \$10, the increase shall be rounded to the next
38 lowest multiple of (~~ten dollars~~) \$10. As used in this subsection,
39 "consumer price index" means the consumer price index compiled by the
40 bureau of labor statistics, United States department of labor for the

1 state of Washington. If the bureau of labor statistics develops more
2 than one consumer price index for areas within the state, the index
3 covering the greatest number of people, covering areas exclusively
4 within the boundaries of the state, and including all items shall be
5 used.

6 (d) The exceptions provided in this subsection (6) do not apply
7 to:

8 (i) A sale or lease by the municipality as the seller or lessor;

9 (ii) The letting of any contract by a county with a population of
10 (~~one hundred twenty-five thousand~~) 125,000 or more, a city with a
11 population of (~~ten thousand~~) 5,000 or more, or an irrigation
12 district encompassing more than (~~fifty thousand~~) 50,000 acres; or

13 (iii) Contracts for legal services, except for reimbursement of
14 expenditures.

15 (e) The municipality shall maintain a list of all contracts that
16 are awarded under this subsection (6). The list must be made
17 available for public inspection and copying;

18 (7) The leasing by a port district as lessor of port district
19 property to a municipal officer or to a contracting party in which a
20 municipal officer may be beneficially interested, if in addition to
21 all other legal requirements, a board of three disinterested
22 appraisers and the superior court in the county where the property is
23 situated finds that all terms and conditions of such lease are fair
24 to the port district and are in the public interest. The appraisers
25 must be appointed from members of the American Institute of Real
26 Estate Appraisers by the presiding judge of the superior court;

27 (8) The letting of any employment contract for the driving of a
28 school bus in a second-class school district if the terms of such
29 contract are commensurate with the pay plan or collective bargaining
30 agreement operating in the district;

31 (9) The letting of an employment contract as a substitute teacher
32 or substitute educational aide to an officer of a second-class school
33 district that has (~~three hundred~~) 300 or fewer full-time equivalent
34 students, if the terms of the contract are commensurate with the pay
35 plan or collective bargaining agreement operating in the district and
36 the board of directors has found, consistent with the written policy
37 under RCW 28A.330.240, that there is a shortage of substitute
38 teachers in the school district;

39 (10) The letting of any employment contract to the spouse of an
40 officer of a school district, when such contract is solely for

1 employment as a substitute teacher for the school district. This
2 exception applies only if the terms of the contract are commensurate
3 with the pay plan or collective bargaining agreement applicable to
4 all district employees and the board of directors has found,
5 consistent with the written policy under RCW 28A.330.240, that there
6 is a shortage of substitute teachers in the school district;

7 (11) The letting of any employment contract to the spouse of an
8 officer of a school district if the spouse was under contract as a
9 certificated or classified employee with the school district before
10 the date in which the officer assumes office and the terms of the
11 contract are commensurate with the pay plan or collective bargaining
12 agreement operating in the district. However, in a second-class
13 school district that has less than (~~two hundred~~) 200 full-time
14 equivalent students enrolled at the start of the school year as
15 defined in RCW 28A.150.203, the spouse is not required to be under
16 contract as a certificated or classified employee before the date on
17 which the officer assumes office;

18 (12) The authorization, approval, or ratification of any
19 employment contract with the spouse of a public hospital district
20 commissioner if: (a) The spouse was employed by the public hospital
21 district before the date the commissioner was initially elected; (b)
22 the terms of the contract are commensurate with the pay plan or
23 collective bargaining agreement operating in the district for similar
24 employees; (c) the interest of the commissioner is disclosed to the
25 board of commissioners and noted in the official minutes or similar
26 records of the public hospital district prior to the letting or
27 continuation of the contract; and (d) and the commissioner does not
28 vote on the authorization, approval, or ratification of the contract
29 or any conditions in the contract.

30 A municipal officer may not vote in the authorization, approval,
31 or ratification of a contract in which he or she is beneficially
32 interested even though one of the exemptions allowing the awarding of
33 such a contract applies. The interest of the municipal officer must
34 be disclosed to the governing body of the municipality and noted in
35 the official minutes or similar records of the municipality before
36 the formation of the contract.

Passed by the House March 2, 2023.
Passed by the Senate April 7, 2023.
Approved by the Governor April 20, 2023.

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