Brief Description: Concerning local government financial soundness.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Murray, Zarelli, Parlette, Kilmer, Fraser, Harper, Kohl-Welles and Chase).

Senate Committee on Ways & Means
House Committee on Ways & Means

Background: A public facilities district (PFD) is a municipal corporation with independent taxing authority. A PFD may be created by a county, city, group of cities, or a group of cities and a county. A PFD is governed by an appointed board of directors. PFDs are authorized to acquire, build, own, and operate sports facilities, entertainment facilities, convention facilities, or recreational facilities. PFDs may impose a variety of taxes to fund the facility, including lodging, admissions, parking, and sales taxes. These tax revenues, together with revenues generated by the facility, may be used to secure general obligation bonds issued by the PFD.

In December 2011 the Greater Wenatchee Regional Events Center Public Facilities District in Chelan County defaulted on $42 million of bond anticipation notes that had been issued by the PFD.

Summary: An independent financial review of a PFD is required prior to the formation of a PFD, the issuance of debt by a PFD, or the lease, purchase, or development of a facility by a PFD. The independent financial review must be conducted by the Department of Commerce through the Municipal Research and Services Center. The independent financial review must analyze the potential costs and the adequacy of the revenues for the proposed action by the PFD. The costs of the independent financial review must be borne by the PFD or the local government proposing the formation of the PFD. Upon completion, the independent financial review must be submitted to the State Treasurer, State Auditor, the PFD, participating local governments, and appropriate committees of the Legislature. The independent financial review of debt issuances by a PFD is not required if the PFD is refinancing existing debt.

If a PFD has defaulted on debt, the jurisdiction in which the public facility is located – the anchor jurisdiction – may impose a councilmanic sales tax of two-tenths of 1 percent for the purposes of refinancing the debt. This is in addition to any sales tax imposed by the PFD.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.
After the effective date of the act, a PFD may not agree to restrict its taxing authority. This provision is prospective, not retroactive.

**Votes on Final Passage:**

- Senate: 32 14
- House: 62 36

**Effective:** March 1, 2012 (Sections 5 and 6)
June 7, 2012