

Multiple Agency Fiscal Note Summary

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|----------------------------------|--------------------------------------|
| Bill Number: 3096 S HB PL | Title: State route number 520 |
|----------------------------------|--------------------------------------|

Estimated Cash Receipts

| Agency Name | 2007-09 | | 2009-11 | | 2011-13 | |
|-----------------------|-----------|-----------|--------------|--------------|--------------|--------------|
| | GF- State | Total | GF- State | Total | GF- State | Total |
| Department of Revenue | (251,000) | (251,000) | (14,963,000) | (14,987,000) | (23,189,000) | (23,226,000) |
| Total \$ | (251,000) | (251,000) | (14,963,000) | (14,987,000) | (23,189,000) | (23,226,000) |

| | | | | | | |
|---------------------|--|----------|--|-------------|--|-------------|
| Local Gov. Courts * | | | | | | |
| Local Gov. Other ** | | (93,000) | | (5,530,000) | | (8,570,000) |
| Local Gov. Total | | (93,000) | | (5,530,000) | | (8,570,000) |

Estimated Expenditures

| Agency Name | 2007-09 | | | 2009-11 | | | 2011-13 | | |
|------------------------------|---------|----------|-----------|---------|----------|-------|---------|----------|-------|
| | FTEs | GF-State | Total | FTEs | GF-State | Total | FTEs | GF-State | Total |
| Department of Revenue | .2 | 40,200 | 40,200 | .0 | 0 | 0 | .0 | 0 | 0 |
| Department of Transportation | .0 | 0 | 700,000 | .0 | 0 | 0 | .0 | 0 | 0 |
| Total | 0.2 | \$40,200 | \$740,200 | 0.0 | \$0 | \$0 | 0.0 | \$0 | \$0 |

| | | | | | | | | | |
|---------------------|---|--|--|--|--|--|--|--|--|
| Local Gov. Courts * | | | | | | | | | |
| Local Gov. Other ** | Non-zero but indeterminate cost. Please see discussion. | | | | | | | | |
| Local Gov. Total | | | | | | | | | |

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|---|-------------------------------|---|
| Prepared by: Geri Beardsley, OFM | Phone: 360-902-9822 | Date Published: Final 3/12/2008 |
|---|-------------------------------|---|

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 20708

Department of Revenue Fiscal Note

| | | |
|----------------------------------|--------------------------------------|--|
| Bill Number: 3096 S HB PL | Title: State route number 520 | Agency: 140-Department of Revenue |
|----------------------------------|--------------------------------------|--|

Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

| FUND | FY 2008 | FY 2009 | 2007-09 | 2009-11 | 2011-13 |
|---|---------|-----------|-----------|--------------|--------------|
| GF-STATE-State 01 - Taxes 01 - Retail Sales Tax | | (251,000) | (251,000) | (14,963,000) | (23,189,000) |
| Performance Audit Account-State 01 - Taxes 01 - Retail Sales Tax | | | | (24,000) | (37,000) |
| Total \$ | | (251,000) | (251,000) | (14,987,000) | (23,226,000) |

Estimated Expenditures from:

| | FY 2008 | FY 2009 | 2007-09 | 2009-11 | 2011-13 |
|----------------------|---------|---------|---------|---------|---------|
| FTE Staff Years | 0.4 | | 0.2 | | |
| Fund | | | | | |
| GF-STATE-State 001-1 | 40,200 | | 40,200 | | |
| Total \$ | 40,200 | | 40,200 | | |

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

| | | |
|------------------------------------|---------------------|------------------|
| Legislative Contact: | Phone: | Date: 03/10/2008 |
| Agency Preparation: Skeets Johnson | Phone: 360-570-6075 | Date: 03/11/2008 |
| Agency Approval: Don Gutmann | Phone: 360-570-6073 | Date: 03/11/2008 |
| OFM Review: Ryan Black | Phone: 360-902-0417 | Date: 03/11/2008 |

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Note: This fiscal note reflects the bill as adopted by the Legislature. This fiscal note only reflects the impacts related to the Department of Revenue.

This bill concerns the financing of the State Route 520 (SR 520) bridge replacement project. The fiscal impact shown in this fiscal note is from the sales and use tax deferral provided in the bill. The deferral applies to state and local sales and use taxes related to much of the project, including the site preparation, construction, machinery and equipment, and rental of equipment for use in the project. The deferred taxes would be repaid over a ten year period beginning in the fifth year following the year in which the bridge project is completed and opened to traffic.

The bill would become effective 90 days after close of session.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS/DATA SOURCES

The estimates in this fiscal note are based on Washington State Department of Transportation (WSDOT) estimates. The WSDOT estimates the sales taxable cost of the SR 520 bridge replacement project to be \$3 billion over 14 years. Repayment of the deferral would begin beyond the forecast horizon of this fiscal note.

REVENUE ESTIMATES

The estimated state revenue reduction from the tax deferral in Fiscal Year 2009 is \$251,000. Cumulatively, the estimated reduction in state revenue is \$38,464,000 through Fiscal Year 2013.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

| | |
|-----------|-------------|
| FY 2008 - | \$ |
| FY 2009 - | \$ (251) |
| FY 2010 - | \$ (2,729) |
| FY 2011 - | \$ (12,258) |
| FY 2012 - | \$ (15,160) |
| FY 2013 - | \$ (8,066) |

Local Government, if applicable (cash basis, \$000):

| | |
|-----------|------------|
| FY 2008 - | \$ 0 |
| FY 2009 - | \$ (93) |
| FY 2010 - | \$ (1,007) |
| FY 2011 - | \$ (4,523) |
| FY 2012 - | \$ (5,594) |
| FY 2013 - | \$ (2,976) |

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

To implement this legislation the Department of Revenue will incur costs of \$40,200 in Fiscal Year 2008. These costs are for programming to set up, test, and verify the computer systems necessary to administer the new deferral. Time and effort would equal 0.4 FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

| | FY 2008 | FY 2009 | 2007-09 | 2009-11 | 2011-13 |
|-----------------|----------|---------|----------|---------|---------|
| FTE Staff Years | 0.4 | | 0.2 | | |
| A- | 27,500 | | 27,500 | | |
| B- | 6,900 | | 6,900 | | |
| E- | 3,000 | | 3,000 | | |
| J- | 2,800 | | 2,800 | | |
| Total \$ | \$40,200 | | \$40,200 | | |

III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

| Job Classification | Salary | FY 2008 | FY 2009 | 2007-09 | 2009-11 | 2011-13 |
|--------------------|--------|---------|---------|---------|---------|---------|
| IT SPEC 4 | 63,195 | 0.4 | | 0.2 | | |
| Total FTE's | | 0.4 | | 0.2 | | |

Part IV: Capital Budget Impact

NONE.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

No rule-making required.

Individual State Agency Fiscal Note

| | | |
|----------------------------------|--------------------------------------|---|
| Bill Number: 3096 S HB PL | Title: State route number 520 | Agency: 405-Department of Transportation |
|----------------------------------|--------------------------------------|---|

Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

| FUND | | | | | |
|----------|--|--|--|--|--|
| | | | | | |
| Total \$ | | | | | |

Estimated Expenditures from:

| | FY 2008 | FY 2009 | 2007-09 | 2009-11 | 2011-13 |
|--|---------|---------|---------|---------|---------|
| Fund | | | | | |
| Transportation Partnership Account-State 09H-1 | 300,000 | 300,000 | 600,000 | 0 | 0 |
| Multimodal Transportation Account-Federal 218-2 | 0 | 100,000 | 100,000 | 0 | 0 |
| Total \$ | 300,000 | 400,000 | 700,000 | 0 | 0 |

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

| | | |
|--|---------------------|------------------|
| Legislative Contact: | Phone: | Date: 03/10/2008 |
| Agency Preparation: Helena Kennedy Smith | Phone: 206-464-1206 | Date: 03/10/2008 |
| Agency Approval: Doug Vaughn | Phone: 306-705-7500 | Date: 03/12/2008 |
| OFM Review: Geri Beardsley | Phone: 360-902-9822 | Date: 03/12/2008 |

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

SHB 3096 requires a finance plan to replace SR 520 and establishes a tolling committee with tasks that include a report to the Governor and legislature by January 2009. After submitting the report, the department would be authorized to request tolls be implemented on the SR 520 existing or replacement bridge.

Two sections of the bill have a fiscal impact to the department.

Section 6 of this legislation establishes a SR 520 tolling implementation committee staffed by the department and consisting of three members, one each from the Puget Sound Regional Council, WSDOT, and the Transportation Commission. The Committee would be required to evaluate various issues relating to the SR 520 bridge replacement project, including traffic diversion, tolling technology, and partnership opportunities. The bill also requires a citizen survey and a report to the Governor and legislature by January 2009.

Section 3 requires an updated finance plan, the cost of which can be significant since these plans require extensive and detailed traffic and revenue modeling, project controls, and expert communication.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

See fiscal note prepared by Department of Revenue for cash receipt impact of sales tax deferral.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Expenditures are assumed to be incurred for supporting the tolling implementation committee, including room rentals (\$5,000), travel expenditures (\$5,000), outreach/advertising (\$5,000), and printing (\$5,000). A consultant would be needed to develop the report to the Governor and the legislature (\$75,000) and funding would be needed to print the report (\$5,000). Funding is assumed to be from the federal grants for the urban partnership program and value pricing.

Section 3 finance planning costs are estimated at \$600,000 and assumed to be from the Transportation Partnership Account based on the actual cost of producing the 2007 finance plan and associated technical report.

The department assumes the work with FHWA on the steps needed to toll the I-90 bridge would be accomplished within current resources.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

| | FY 2008 | FY 2009 | 2007-09 | 2009-11 | 2011-13 |
|--------------------------------------|-----------|-----------|-----------|---------|---------|
| FTE Staff Years | | | | | |
| A-Salaries and Wages | | | | | |
| B-Employee Benefits | | | | | |
| C-Personal Service Contracts | | 75,000 | 75,000 | | |
| E-Goods and Services | | 25,000 | 25,000 | | |
| G-Travel | | | | | |
| J-Capital Outlays | 300,000 | 300,000 | 600,000 | | |
| M-Inter Agency/Fund Transfers | | | | | |
| N-Grants, Benefits & Client Services | | | | | |
| P-Debt Service | | | | | |
| S-Interagency Reimbursements | | | | | |
| T-Intra-Agency Reimbursements | | | | | |
| Total: | \$300,000 | \$400,000 | \$700,000 | \$0 | \$0 |

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 3096 S HB PL

Title: State route number 520

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☒ Cities: Mitigation to be identified for cities in I-90 and SR 520 bridge corridors and for traffic diversion. Tax deferral impacts for cities impacted by construction purchases and machinery and equipment purchases for the job.
- ☒ Counties: King County and counties impacted by machinery and equipment purchases for the job related to sales tax deferral. All counties if statewide election is required on tolls.
- ☒ Special Districts: Puget Sound Regional Council, Sound Transit and overlapping special districts with sales tax authority impacted by project purchases including Sound Transit.
- ☒ Specific jurisdictions only: See above
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☒ Expenditures represent one-time costs: Deferral of local sales tax is not ongoing but will occur over an assumed 14-year construction period, plus five years after project completion.
- ☐ Legislation provides local option:
- ☒ Key variables cannot be estimated with certainty at this time: The total amount of project costs that qualify for deferral and the amount in any given year over an assumed 14-year period is unknown.

Estimated revenue impacts to:

| Jurisdiction | FY 2008 | FY 2009 | 2007-09 | 2009-11 | 2011-13 |
|-----------------------|---------|----------|----------|-------------|--------------|
| City | | (32,755) | (32,755) | (1,947,666) | (3,018,354) |
| County | | (36,010) | (36,010) | (2,141,216) | (3,318,304) |
| Special District | | (24,235) | (24,235) | (1,441,118) | (2,233,342) |
| TOTAL \$ | | (93,000) | (93,000) | (5,530,000) | (8,570,000) |
| GRAND TOTAL \$ | | | | | (14,193,000) |

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

| | | |
|---------------------------------|-----------------------|------------------|
| Fiscal Note Analyst: Anne Pflug | Phone: 425 785 8557 | Date: 03/10/2008 |
| Leg. Committee Contact: | Phone: | Date: 03/10/2008 |
| Agency Approval: Steve Salmi | Phone: (360) 725 5034 | Date: 03/11/2008 |
| OFM Review: Geri Beardsley | Phone: 360-902-9822 | Date: 03/11/2008 |

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

SUMMARY

Defines scope and financing plan, including tolling and local sales tax deferral for the SR 520 bridge construction project. Local sales tax deferral is for the period of construction plus five years after the project is completed. Repayment is over 10 years without interest. Establishes a toll implementation committee that includes the executive director of the Puget Sound Regional Council to report to the Legislature on mitigation including local government road/street system mitigation related to traffic diversion and tolling implementation.

SECTIONS WITH POTENTIAL LOCAL GOVERNMENT IMPACT

Section 1 -- Intent. Describes the need to replace the SR 520 Bridge.

Section 2 -- Defines general scope of the SR 520 bridge replacement project including Sound Transit connections.

Section 3 -- Defines the general financing plan for the project, including \$1.5 to \$2 B in tolling to begin as early as late 2009; early construction of surface street components in Bellevue and along east Lake Washington; and deferral of local and state sales taxes.

Section 4 -- Provides toll authority, including early tolling for the SR 520 bridge as approved by the Legislature and Transportation Commission.

Section 5 -- Directs the exploration of approvals needed to toll the I-90 bridge.

Section 6 -- Establishes a tolling implementation committee made up of the Executive Director of the Puget Sound Regional Council and two state officials. Provide a report to the Governor and Legislature by January 1, 2009 staffed by the Department of Transportation that includes:

- Mitigation related to traffic diversion on local and state roadways.
- Traffic management technology that could be applied to state and other facilities.
- Requires the committee to confer with local government officials in the SR 520, SR 522 and I-90 bridge corridors regarding impacts and mitigation related to traffic diversion and the implementation of tolling.

Section 7 -- Provides a local and state sales tax deferral for any person involved in the construction of the SR 520 bridge replacement and HOV project. The deferral may apply on the site preparation for, the construction of, the acquisition of any related machinery and equipment that will become a part of, and the rental of equipment for use in, the project. A person granted a tax deferral under this section shall begin paying the deferred taxes in the fifth year after the date certified by the department of revenue as the date on which the project is operationally complete. The project is operationally complete when the replacement bridge is constructed and opened to traffic. The first payment is due on December 31st of the fifth calendar year after the certified date, with subsequent annual payments due on December 31st of the following nine years. Each payment shall equal ten percent of the deferred tax. Interest shall not be charged on any taxes deferred under this section for the period of deferral, although all other penalties and interest applicable to delinquent excise taxes may be assessed and imposed for delinquent payments. The debt for deferred taxes is not extinguished by insolvency or other failure of any private entity granted a deferral under this section. For purposes of this section, "person" has the same meaning as in RCW 82.04.030 and also includes the department of transportation.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

SUMMARY

This bill could have a significant (greater than \$1 M) although indeterminate impact on local government expenditures. The primary direct impact may be on county election costs if tolls set by the state are subject to voter approval under Initiative 960. Tax deferrals and tolling are implemented by the state. Participation of the Puget Sound Regional Council in tolling implementation (Section 6) may have a minor cost impact (less than \$50,000 per year). Indirect costs of traffic diversion and tolling implementation on local roads may be fully or partially offset by mitigation if implemented by the state.

RANGE OF ELECTION COST IMPACTS

Section 4 may require a statewide ballot measure at a general election when state tolls are set if it is determined that Initiative 960 applies to state tolling authority. Counties may be impacted by added election costs incurred for running an additional state ballot measure. These costs range from minor (less than \$50,000) to over \$1.25 M if all ballots required a second page and were mailed. The state reimburses counties on a pro-rata basis for election costs only in odd-numbered years.

Estimating the cost of an additional measure is difficult. The incremental cost increase resulting from one additional ballot measure is

minimal to the counties (typesetting the question, proofreading, system programming and ballot inspection) except when it causes each county to print an additional ballot page. At this point significant additional costs will be incurred for printing, handling, and postage. The need for an additional ballot page occurs at a different point in each county depending on how full the ballot is with local items and the length and width of that county's physical ballot page.

The four major county voting systems in Washington each have differently-sized ballots. An average cost of \$0.38 per voter for each additional ballot page with postage was developed by sampling the different systems in King, Thurston, and Snohomish counties. There are approximately 3.3M voters statewide.

IMPACTS OF TOLLING IMPLEMENTATION AND SR 520 BRIDGE REPLACEMENT ON LOCAL ROAD/STREET AND TRANSIT SYSTEMS

Sound Transit -- Some light rail route options considered by Sound Transit included a light rail connection across Lake Washington in the SR 520 corridor. It is assumed that Section 2 of the bill excludes that option and rail connection to the eastside would be over the I-90 bridge. See below for mitigation impacts.

Local street/road system -- There will likely be expenditure impacts to cities, counties and transit districts. The bill provides that the tolling implementation committee consult with city officials about the impacts and mitigation of the bridge replacement project, traffic diversion and tolling implementation. Section 3 also provides for the early construction of components of the project that tie into local streets at the east end of the bridge. There is not anticipated to be any fiscal impact from the early construction on cities. Fiscal impacts on local governments, including King and Snohomish County and transit agencies, of diverted traffic or implementation of tolling will depend on proposed and funded mitigation. It is unknown at this time what mitigation will be funded by the state. The bill does not call for consultation with transit agencies or counties on mitigation.

IMPACTS OF SALES TAX DEFERRALS

There is no impact on local government expenditures from the implementation of the tax deferral. Local sales taxes are collected and deferrals are administered by the State of Washington. Sales taxes are used primarily by cities and counties to support public safety programs. Sales taxes are used by special districts primarily to support transit and light rail services and repayment of bonds for public facility district capital projects.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

SUMMARY

This bill could have a substantial negative impact (greater than \$1 M and less than \$100M) on local government sales tax revenue. While the bill is a tax deferral, the deferral pay back over 10 years without interest begins five years after the project is operational following an estimated 14-year construction period, which may create, in effect, a projected revenue loss for some local governments. Total local government sales tax deferrals on \$3 B dollars in qualifying costs would be \$72 M.

DISCUSSION

DOR's fiscal note estimates the amount of local sales tax revenue lost per year based on stated assumptions. The total projected deferrals are range from \$93,000 to local governments in the first year (2009) to \$5.6 M in the peak year of 2012 for a total of \$72 M. This bill would defer local sales taxes due to cities, counties and special districts with taxing authority for purchases related to the construction project. Since equipment and machinery are also tax deferred, some of the purchases/leases may impact local governments outside of King County. It is assumed that the revenue loss is distributed among cities, counties and special districts in rough proportion to total sales tax revenue distributions statewide. Distribution statewide is based on 2007 tax receipts and does not reflect the implementation of streamlined sales tax statutes. The most impacted special districts would be transit and public facility districts.

SOURCES

Department of Revenue fiscal note

Department of Revenue tax statistics

Department of Transportation

City of Bellevue

Local Government Fiscal Note Program election cost survey

Sound Transit