

Multiple Agency Fiscal Note Summary

Bill Number: 6424 SB	Title: Local excise tax authorities
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Estimated Cash Receipts

Agency Name	2009-11		2011-13		2013-15	
	GF- State	Total	GF- State	Total	GF- State	Total
Total \$						

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

Estimated Expenditures

Agency Name	2009-11			2011-13			2013-15		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.3	314,300	314,300	.1	12,800	12,800	.2	216,300	216,300
Total	0.3	\$314,300	\$314,300	0.1	\$12,800	\$12,800	0.2	\$216,300	\$216,300

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

Estimated Capital Budget Impact

Agency Name						
Total \$						

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Prepared by: Ryan Black, OFM	Phone: 360-902-0417	Date Published: Final
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID 25013

FNS029 Multi Agency rollup

Department of Revenue Fiscal Note

Bill Number: 6424 SB	Title: Local excise tax authorities	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Account					
Total \$					

Estimated Expenditures from:

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years		0.6	0.3	0.1	0.2
Account					
GF-STATE-State 001-1		314,300	314,300	12,800	216,300
Total \$		314,300	314,300	12,800	216,300

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:	Edward Redmond	Phone: 360-786-7471	Date: 01/14/2010
Agency Preparation:	Matthew Bryan	Phone: 360-570-6074	Date: 01/19/2010
Agency Approval:	Kim Davis	Phone: 360-570-6087	Date: 01/19/2010
OFM Review:	Ryan Black	Phone: 360-902-0417	Date: 01/19/2010

Request # 6424-1-1

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.

RCW 82.14.450 allows county legislative authorities to submit a proposal to the voters to impose a sales and use tax not to exceed 0.3 percent. At least one-third of the tax receipts must be devoted to criminal justice programs, including funding of additional police officers and the relief of congested court systems and overcrowded correctional facilities. The levying county is to retain 60 percent of the receipts, and the remaining 40 percent will be distributed to cities within the county on a per capita basis. The receipts may not be used to replace (supplant) existing funds for such programs. Sales of motor vehicles are not subject to this local tax.

This bill would allow a county to impose this local sales and use tax without voter approval. The tax could be imposed until December 31, 2014. The continuation or imposition of the tax after December 31, 2014, must be approved by voters.

The bill would also remove non-supplanting language from this and two other local sales and use taxes: mental health/chemical dependency (RCW 82.14.460), and criminal justice (RCW 82.14.340). The non-supplanting language restricts the way funds may be used.

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

Since no part of this bill deals with state tax revenues, it has no revenue impact to the state.

This legislation would be effective 90 days after the legislative session adjourns.

Removal of the non-supplanting language would have no effect on local government revenues. It only changes the way certain tax revenues may be used.

The other changes to RCW 82.14.450 may have a revenue effect on local government, but that effect is indeterminate. Since the bill allows a county to impose the sales and use tax without voter approval, the actual impact will depend on which counties choose to do this. Also, the impact after December 31, 2014, will depend on the result of voter willingness to extend the tax.

REVENUE ESTIMATES

This bill would have no revenue effect to state government.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

No impact

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

The actual impact on local government will depend on which counties choose to impose the public safety sales and use tax. Currently, five counties impose the local 0.3 percent tax. The maximum amount that could be derived if the remaining 34

counties imposed the tax would be approximately \$286 million per year.

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

Assumption: Due to the removal of the voter approval it is estimated that up to 25 additional counties would impose the tax. Most changes would occur in Fiscal Year 2011.

To implement this legislation, the Department of Revenue (Department) will incur costs of approximately \$314,300 during Fiscal Year 2011. These are programming costs to set up, test, and verify rate changes, answer taxpayer questions about rate changes, handle out-of-balance returns, and printing and postage to mail rate change notices to affected businesses. Time and effort spent would equal 0.5 FTE.

The Department will incur estimated costs of \$12,800 in the 2011-2013 Biennium. These costs are for answering questions regarding the tax. Time and effort spent would equal 0.1 FTE.

The Department will incur estimated costs of \$216,300 during the 2013-2015 Biennium. These costs are for answering questions regarding the tax and printing and postage to mail rate change notices. Time and effort spent would equal 0.2 FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years		0.6	0.3	0.1	0.2
A-Salaries and Wages		29,900	29,900	7,800	20,000
B-Employee Benefits		7,500	7,500	2,000	5,100
E-Goods and Services		273,300	273,300	2,800	190,800
J-Capital Outlays		3,600	3,600	200	400
Total \$		\$314,300	\$314,300	\$12,800	\$216,300

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 2010	FY 2011	2009-11	2011-13	2013-15
EXCISE TAX EX 3	50,563		0.2	0.1		0.1
EXCISE TAX EX 4	55,839		0.1	0.1		0.1
IT SPEC 5	69,756		0.1	0.1		
TAX INFO SPEC 1	36,757		0.1	0.1	0.1	0.1
Total FTE's	212,915		0.6	0.3	0.1	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.

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 6424 SB	Title: Local excise tax authorities
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☒ Cities: Increased revenue from Public Safety Sales and Use Tax revenue through CY 2014
- ☒ Counties: Increased revenue from Public Safety Sales and Use Tax revenue through CY 2014; election costs
- ☐ Special Districts:
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☒ Expenditures represent one-time costs: Election costs to retain the Public Safety Sales and Use Tax
- ☒ Legislation provides local option: Counties may submit a proposition to the voters to retain the tax after CY 2014
- ☒ Key variables cannot be estimated with certainty at this time: Counties that will impose the tax before 2014; voter approval

Estimated revenue impacts to:

Indeterminate Impact

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: Cezanne Murphy-Levesque	Phone: 360/725-5036	Date: 01/19/2010
Leg. Committee Contact: Edward Redmond	Phone: 360-786-7471	Date: 01/14/2010
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 01/19/2010
OFM Review: Ryan Black	Phone: 360-902-0417	Date: 01/19/2010

Part IV: Analysis

A. SUMMARY OF BILL

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

Sections 1 & 2

Allows a county to impose Public Safety Sales and Use Tax without voter approval. The tax could be imposed until December 31, 2014. The continuation or imposition of the tax after December 31, 2014, must be approved by voters. These sections also remove the non-supplanting requirements for these funds.

Sections 3 - 5

The bill would also remove non-supplanting language from this and two other local sales and use taxes: Mental Health/Chemical Dependency Sales and Use Tax and Criminal Justice Sales and Use Tax. The non-supplanting language restricts the way funds may be used.

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.

Counties may incur minor to over \$1 million for election costs to retain the Public Safety Sales and Use Tax. Removal of the non-supplant language throughout the bill would not require any additional local government expenditures.

ELECTION COSTS

This bill would likely lead to many primary or general election ballot measures in counties to retain the Public Safety Sales and Use Tax. The Department of Revenue (DOR) fiscal note estimates an additional 25 counties may impose this tax as a result of the bill. As a result, approximately 30 counties may submit a proposition to the voters to retain the tax after December 2014. Election costs for local tax elections are borne by each county. It is assumed that these counties would be impacted by added election costs incurred for running the additional ballot measure during 2014.

Election costs could range from under \$50,000 to more than \$1 million if all ballots in the taxing counties required a second page. 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 that point significant additional costs would 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 and state 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. Maximum expense estimates were calculated by assuming 30 counties could contain approximately 77 percent of the state's 3.5 million voters or 2.7 million voters. One additional ballot per voter at \$0.38 per ballot would total \$1,026,000.

NON-SUPPLANT LANGUAGE

Removal of the non-supplanting language would give cities and counties more flexibility by broadening the types of expenditures certain tax revenues may be used for. These provisions would not require any additional expenditures.

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.

This bill would allow counties to impose the Public Safety Sales and Use Tax without voter approval. This revenue is shared between the county and the cities. The actual impact would depend on which counties choose to do this. Currently, five counties impose the local 0.3 percent tax. The maximum amount that could be derived if the remaining 34 counties imposed the tax would be approximately \$286 million per year (DOR fiscal note). The impact after December 31, 2014, will depend on the result of voter willingness to extend the tax.

NON-SUPPLANT LANGUAGE

The removal of the non-supplanting language in this bill affects the use of revenue from several tax sources but does not affect the level of revenue coming in from those sources.

DOR ASSUMPTIONS

Due to the removal of the voter approval it is estimated that up to 25 additional counties would impose the tax. Most changes would occur in

Fiscal Year 2011.

SOURCES CITED

Department of Revenue fiscal note
Association of Washington Counties