

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 2603 HB	<b>Title:</b> Small businesses/compliance
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## Estimated Cash Receipts

Agency Name	2009-11		2011-13		2013-15	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Financial Institutions	Non-zero but indeterminate cost. Please see discussion."					
Washington State Gambling Commission	Non-zero but indeterminate cost. Please see discussion."					
Department of Revenue	(1,928,000)	(1,928,000)	(3,929,000)	(3,929,000)	(4,031,000)	(4,031,000)
Department of Licensing	Non-zero but indeterminate cost. Please see discussion."					
Employment Security Department	0	(1,202,450)	0	(2,404,900)	0	(2,404,900)
<b>Total \$</b>	<b>(1,928,000)</b>	<b>(3,130,450)</b>	<b>(3,929,000)</b>	<b>(6,333,900)</b>	<b>(4,031,000)</b>	<b>(6,435,900)</b>

Local Gov. Courts *						
Local Gov. Other **	Fiscal note not available					
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 Financial Institutions	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Washington State Gambling Commission	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	13.0	2,229,400	2,229,400	19.0	2,953,600	2,953,600	17.4	2,669,200	2,669,200
Liquor Control Board	Fiscal note not available								
Department of Labor and Industries	Fiscal note not available								
Department of Licensing	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Department of Health	Fiscal note not available								
Department of Ecology	.0	0	0	.0	0	0	.0	0	0
Department of Fish and Wildlife	.0	0	0	.0	0	0	.0	0	0
Department of Agriculture	.0	0	0	.0	0	0	.0	0	0
Employment Security Department	.5	0	604,000	.4	0	64,000	.3	0	44,000
<b>Total</b>	<b>13.5</b>	<b>\$2,229,400</b>	<b>\$2,833,400</b>	<b>19.4</b>	<b>\$2,953,600</b>	<b>\$3,017,600</b>	<b>17.7</b>	<b>\$2,669,200</b>	<b>\$2,713,200</b>

Local Gov. Courts *									
Local Gov. Other **	Fiscal note not available								
Local Gov. Total									

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

\*\* See local government fiscal note

FNPID 25183

FNS029 Multi Agency rollup

Estimated Capital Budget Impact

Agency Name	2009-11		2011-13		2013-15	
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Department of Agriculture						
Acquisition	0	0	0	0	0	0
Construction	0	0	0	0	0	0
Other	0	0	0	0	0	0
Department of Fish and Wildlife						
Acquisition	0	0	0	0	0	0
Construction	0	0	0	0	0	0
Other	0	0	0	0	0	0
Department of Licensing						
Acquisition	0	0	0	0	0	0
Construction	0	0	0	0	0	0
Other	0	0	0	0	0	0
Employment Security Department						
Acquisition	0	0	0	0	0	0
Construction	0	0	0	0	0	0
Other	0	0	0	0	0	0
Washington State Gambling Commission						
Acquisition	0	0	0	0	0	0
Construction	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total \$	\$0	\$0	\$0	\$0	\$0	\$0

This preliminary fiscal note does not yet include impact statements from some agencies.

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

\*\* See local government fiscal note

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2603 HB	<b>Title:</b> Small businesses/compliance	<b>Agency:</b> 102-Dept of Financial Institutions
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## Part I: Estimates

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No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.
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Estimated Expenditures from:

Non-zero but indeterminate cost. Please see discussion.
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Estimated Capital Budget Impact:

<b>Total \$</b>						

*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: 01/15/2010
Agency Preparation: Michael Schmidlkofer	Phone: 902-8792	Date: 01/20/2010
Agency Approval: Gloria Papiez	Phone: (360) 902-8820	Date: 01/20/2010
OFM Review: Chris Stanley	Phone: (360) 902-9810	Date: 01/20/2010

Request # -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.*

HB 2603 allows small businesses a forty-eight hour opportunity to correct a violation of a state law or agency rule before an agency may impose any fines, civil penalties, or administrative actions.

The fiscal impact is indeterminate because the number of violations can not be predicted and because some of the violations may fall within the exceptions listed in Section 2 of the bill. It is also unclear whether, in Section 1(2)(a) the exception of "causes serious harm to the public interest" would cover situations that have the "potential" to cause serious harm.

### 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.*

### 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.*

## Part III: Expenditure Detail

## 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.*

# Individual State Agency Fiscal Note

Revised

<b>Bill Number:</b> 2603 HB	<b>Title:</b> Small businesses/compliance	<b>Agency:</b> 117-Washington State Gambling Comm
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.

### Estimated Expenditures from:

	FY 2010	FY 2011	2009-11	2011-13	2013-15
<b>Account</b>					
<b>Total \$</b>					

### Estimated Capital Budget Impact:

	2009-11		2011-13		2013-15	
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Acquisition	0	0	0	0	0	0
Construction	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Total \$</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*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: 01/15/2010
Agency Preparation: Judy Pittelkau	Phone: 360-486-3449	Date: 01/21/2010
Agency Approval: Dave Trujillo	Phone: (360) 486-3512	Date: 01/21/2010
OFM Review: Ryan Black	Phone: 360-902-0417	Date: 01/21/2010

Request # 117-02-10-5

## 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.*

Section 1, subsection 1, prevents agencies from imposing fines, civil penalties, or administrative sanctions, without first giving small businesses a copy of the state law or agency rule violated, and 48 hours to correct the violations.

Gambling Commission Special Agents issue Notices of Violation and Settlement (NOVAS) to licensees that violate gambling laws and rules. The NOVAS have a small fine attached. Section 1, subsection 1, would impact no more than \$20,000 of these NOVAS fines.

### 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.*

Section 1, subsection 1, prevents agencies from imposing fines, civil penalties, or administrative sanctions, without first giving small businesses a copy of the state law or agency rule violated, and 48 hours to correct the violations.

Gambling Commission Special Agents issue Notices of Violation and Settlement (NOVAS) to licensees that violate gambling laws and rules. The NOVAS have a small fine attached. Although the exact cash receipts impact cannot be determined, we would expect it to be no more than \$20,000 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 functions.*

Section 1, subsection 1, requires the agency to provide copies to small businesses, of state laws or agency rules that they are violating. We expect the costs of this requirement to be minimal.

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Personal Service Contracts					
E-Goods and Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total:</b>	\$0	\$0	\$0	\$0	\$0

**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.*

None.

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 2603 HB	<b>Title:</b> Small businesses/compliance	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Account	FY 2010	FY 2011	2009-11	2011-13	2013-15
GF-State-State 01 - Taxes 75 - Penalties and Intrst		(1,928,000)	(1,928,000)	(3,929,000)	(4,031,000)
<b>Total \$</b>		(1,928,000)	(1,928,000)	(3,929,000)	(4,031,000)

### Estimated Expenditures from:

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years	1.5	24.4	13.0	19.0	17.4
<b>Account</b>					
GF-STATE-State 001-1	146,800	2,082,600	2,229,400	2,953,600	2,669,200
<b>Total \$</b>	146,800	2,082,600	2,229,400	2,953,600	2,669,200

*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: 01/15/2010
Agency Preparation: Gerald Sayler	Phone: 360-570-6088	Date: 01/21/2010
Agency Approval: Don Gutmann	Phone: 360-570-6073	Date: 01/21/2010
OFM Review: Ryan Black	Phone: 360-902-0417	Date: 01/21/2010

Request # 2603-1-1



## 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.*

Section 1 of this legislation creates a new section to chapter 34.05 RCW.

It requires that state agencies provide to a small business a copy of the state law or agency rule that the small business is violating and a forty-eight hour opportunity to correct the violation before the agency may impose any fines, civil penalties, or administrative sanctions for a violation of a state law or agency rule by a small business.

Certain exceptions exist for the forty-eight hour requirement, such as, a business knowingly or willfully engages in felonious conduct, the business has previously violated the law or rule, the owner violated the law while operating a different business, presents a direct danger to public health, or conflicts with federal law.

A small business is defined as having 250 or fewer employees.

Section 2 of this act creates a new section to chapter 82.32.RCW.

It provides that the Department of Revenue (Department) may satisfy the requirements of Section 1 of this act with notice of an impending violation of law or rule to a small business forty-eight hours before the date the violation would occur.

This act would take effect 90 days after adjournment.

### 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 revenue loss would be interest and penalties on assessments made to taxpayers with whom the Department has had no prior contact. This would be, for example, first time audit/examination assessments, balance due notices on first time late payments, first time compliance assessments, etc. These would be on businesses with 250 or fewer worldwide employees.

The Department will still be able to assess any unpaid tax.

Correction of violation means payment of tax due.

Forty-eight (48) hours means two (2) business days.

The Department has conservatively assumed that only 20 percent of qualified taxpayers assessed penalties and interest will take advantage of this legislation. This is due to taxpayer financial constraints, ambivalence, or choosing to appeal.

#### REVENUE ESTIMATES

If this legislation is enacted, state revenues will be reduced by approximately \$1,928,000 in Fiscal Year 2011. State revenues will be further reduced by approximately \$3,929,000 and \$4,031,000 in the biennia ending in Fiscal Years 2013 and 2015, respectively.

## TOTAL REVENUE IMPACT:

### State Government (cash basis, \$000):

FY 2010 -	\$ 0
FY 2011 -	\$ (1,928)
FY 2012 -	\$ (1,952)
FY 2013 -	\$ (1,977)
FY 2014 -	\$ (2,003)
FY 2015 -	\$ (2,028)

Local Government, if applicable (cash basis, \$000): None

## 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*

### Assumptions:

1. Small business means 250 or fewer employees worldwide.
2. Qualifying businesses will have forty-eight business hours to correct violation. It will take five days to deliver notice to a business and five days to receive correction. With the forty-eight hours notice total time before the Department will receive any corrections will be twelve business days.
3. Correction means full payment of the tax owed.
4. Eighty to eighty-five percent of businesses qualify as small business. That would be over 300,000 businesses.
5. All small businesses would qualify when bill becomes law regardless of prior activity or notification.
6. Effective date is 90 days after session ends.

To implement this legislation, the Department will incur costs of approximately \$146,800 during Fiscal Year 2010. These are programming costs to set up, test, and verify new systems to handle notifications and nonpayment of interest and penalties, and send out notices to businesses. New indicators will be created in the system to flag businesses that qualify and track when a first time violation has occurred. There could be a few businesses that would receive a first time violation notice in Fiscal Year 2010 since this legislation would be effective June 10, 2010. Time and effort spent equates to 1.5 FTE's.

Fiscal Year 2011 costs are approximately \$2,082,600. These are ongoing costs to maintain and update the programming of the new tracking system, additional audit time spent on audits to verify first time violations and notify businesses, tracking and notifying businesses when errors occur on returns, notifying businesses when errors are found through tax discovery, and mailing costs including printing and postage. Labor costs for this are high due to the extra effort to identify a qualifying business and the additional time to investigate the current violation. This bill would allow the forty-eight hour notice for more than one first time violation if the second violation was "substantially" different from the first. Hence, a business could be tracked as qualifying but all accounts with a violation will need to be manually investigated to determine if a second violation is substantially different from the previous. This process could not be automated, therefore the labor costs to implement this legislation are high. There would be a onetime costs to change one administrative rule. Time and effort spent equates to 24.4 FTE's.

The Department will incur estimated costs of \$2,953,600 in the 2011-2013 Biennium. These are the ongoing costs noted above. Time and effort spent equates to 18.9 FTE's.

The Department will incur estimated costs of \$2,669,200 in the 2013-2015 Biennium. These are the ongoing costs noted above. The drop in costs results from a reduction in first time violations. Time and effort spent equates to 17.3 FTE's.

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years	1.5	24.4	13.0	19.0	17.4
A-Salaries and Wages	89,300	1,108,300	1,197,600	1,742,500	1,600,000
B-Employee Benefits	22,400	277,000	299,400	435,400	399,800
E-Goods and Services	25,500	522,900	548,400	708,600	605,600
G-Travel		14,500	14,500	29,000	29,000
J-Capital Outlays	9,600	159,900	169,500	38,100	34,800
<b>Total \$</b>	<b>\$146,800</b>	<b>\$2,082,600</b>	<b>\$2,229,400</b>	<b>\$2,953,600</b>	<b>\$2,669,200</b>

**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 2	42,583		16.0	8.0	11.6	10.2
EXCISE TAX EX 3	50,563	0.3	2.9	1.6	2.1	1.9
EXCISE TAX EX 4	55,839	0.2		0.1		
HEARINGS SCHEDULER	32,688		0.0	0.0		
IT SPEC 4	63,195	1.0	0.6	0.8	0.6	0.6
OFF ASST 3	29,780		0.5	0.3	0.4	0.3
REVENUE AGENT 2	47,014		0.4	0.2	0.4	0.4
REVENUE AUDITOR 2	48,164		2.0	1.0	2.0	2.0
REVENUE AUDITOR 3	54,505		2.0	1.0	2.0	2.0
TAX POLICY SP 2	61,628		0.0	0.0		
TAX POLICY SP 3	69,756		0.1	0.0		
WMS BAND 3	88,546		0.0	0.0		
<b>Total FTE's</b>	<b>644,261</b>	<b>1.5</b>	<b>24.4</b>	<b>13.0</b>	<b>19.0</b>	<b>17.4</b>

## 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.*

Should this legislation become law, the Department will use the standard process to amend WAC 458-20-228>Returns, payments, penalties, extensions, interest, stay of collection. Persons affected by this rule-making would include any small business operating in Washington.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2603 HB	<b>Title:</b> Small businesses/compliance	<b>Agency:</b> 240-Department of Licensing
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## Part I: Estimates

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No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.

Estimated Expenditures from:

Non-zero but indeterminate cost. Please see discussion.

Estimated Capital Budget Impact:

	2009-11		2011-13		2013-15	
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Acquisition	0	0	0	0	0	0
Construction	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Total \$</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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:

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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: 01/15/2010
Agency Preparation: Christeen Leeper	Phone: (360) 664-1454	Date: 01/21/2010
Agency Approval: Sam Knutson	Phone: (360) 902-3644	Date: 01/21/2010
OFM Review: Alyson Cummings	Phone: 360-902-0576	Date: 01/21/2010

Request # 2603 HB-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.*

**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.*

**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.*

**Part III: Expenditure Detail**

**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.*

## **Part II: Explanation**

This bill adds a new section to chapter 34.05 RCW and 82.32 RCW related to violations of state law or agency rule by small businesses of less than 250 employees. Before an agency governed by the Administrative Procedure Act can impose a sanction on a small business it must (a) provide the business with a copy of the allegedly violated rule or law, and (b) allow the business at least 48 hours to correct the alleged violation before imposing a sanction.

### **II. A – Brief Description of What the Measure Does that Has Fiscal Impact**

The degree of fiscal impact of this bill is indeterminate. It is uncertain as to how it will impact the administration of statutes including the disciplinary process that apply to the Businesses and Professions regulated by the department. Specifically, it is unclear as to how it will impact small businesses of less than 250 employees.

This bill does not contain an effective date and is assumed to be effective 90 days after session ends.

### **II. B – Cash Receipt Impact**

The impact of this bill on revenue is indeterminate.

### **II. C – Expenditures**

The cost for implementing this bill is unclear therefore indeterminate.

## **Part IV: Capital Budget Impact**

None.

## **Part V: New Rule Making Required**

None.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2603 HB	<b>Title:</b> Small businesses/compliance	<b>Agency:</b> 461-Department of Ecology
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## Part I: Estimates

☒ No Fiscal Impact

*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.*

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- ☐ 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: 01/15/2010
Agency Preparation: Bari Schreiner	Phone: 360-407-6998	Date: 01/19/2010
Agency Approval: Patricia McLain	Phone: 360-407-7005	Date: 01/19/2010
OFM Review: Linda Steinmann	Phone: 360-902-0573	Date: 01/19/2010

Request # 10-037-1

## 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.*

Currently, it is agency practice to provide a regulated entity with the opportunity to correct a violation before an administrative sanction or penalty is issued. The timeframe to make the correction is at least 48 hours. This is currently done through inspection reports, warning letters, notices of correction, notices of violation, or other tools.

Section 1(1) of this bill would require agencies to give small businesses a forty-eight hour opportunity to correct a violation, unless the violation meets one of the exceptions included in the bill. If the business fails to correct the violation then the agency may impose a fine, civil penalty, or administrative sanction. Ecology's understanding is that an administrative sanction would be formal enforcement that can be appealed (like an administrative order or a license revocation). Small business is defined as 250 employees or fewer (97% of the businesses in the state). The agency must provide a copy of the law or rule that the business is violating.

Section 1(2) would allow for exceptions to the requirements of section 1(1). Currently, there are some situations where it is necessary for Ecology to issue an administrative sanction or penalty immediately when we identify a violation. The exceptions included in Section 1(2) would continue to allow us to do this. Examples of situations when we may need to use the exceptions include:

1(2)(a): When "The agency head determines that the effect of the violation ....poses a potentially significant threat to human health or the environment...". Examples of when Ecology would use this exception may include when the violation involves burning tires in an outdoor fire, an oil spill to water, or an emergency situation when a dam is in imminent danger of failing.

1(2)(c): When "The waiver is in conflict with federal law or program requirements..." It is possible the agency would use this exception for agency programs that are delegated or authorized by the Environmental Protection Agency and there is a conflict with the federal requirements.

Ecology's current practices already meet the requirements in this bill so there would be no fiscal impact.

### 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.*

### 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.*

## Part III: Expenditure Detail

## 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.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2603 HB	<b>Title:</b> Small businesses/compliance	<b>Agency:</b> 477-Department of Fish and Wildlife
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## Part I: Estimates

☒ No Fiscal Impact

*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: 01/15/2010
Agency Preparation: Lori Anthonson	Phone: (360) 902-2529	Date: 01/19/2010
Agency Approval: David Giglio	Phone: (360) 902-8128	Date: 01/19/2010
OFM Review: Chris Stanley	Phone: (360) 902-9810	Date: 01/19/2010

Request # 10-FN017-1

## 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.*

Section 1 would add new language to RCW 34.05 (Administrative procedure act) that would require agencies to provide small businesses a copy of the state law or agency rule that the small business is violating and a forty-eight hour opportunity to correct the violation before the agency imposes a fine, civil penalty or administrative sanction for the violation, with some exceptions.

Section 2 would add new language to RCW 82.32 (General administrative provisions) that would allow agencies to satisfy the requirements of section 1 by providing a taxpayer with notice of an impending violation of state law or agency rule at least forty-eight hours before the date on which such violation would occur.

This new language has no fiscal impact on the Department of Fish & Wildlife. The Department issues citations to the general public for violations to fish and wildlife regulations, such as poaching, or exceeding limits on harvest, to name a few. It does not, however, impose fines, civil penalties, or administrative sanctions as described in this bill to small businesses.

### 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.*

NA

### 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.*

NA

## Part III: Expenditure Detail

## Part IV: Capital Budget Impact

NA

## 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.*

NA

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2603 HB	<b>Title:</b> Small businesses/compliance	<b>Agency:</b> 495-Department of Agriculture
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## Part I: Estimates

☒ No Fiscal Impact

*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: 01/15/2010
Agency Preparation: Dannie McQueen	Phone: 360-902-1809	Date: 01/20/2010
Agency Approval: Mark Johnson	Phone: 360-902-1986	Date: 01/20/2010
OFM Review: Chris Stanley	Phone: (360) 902-9810	Date: 01/20/2010

Request # 15-1

## 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.*

House Bill 2603 adds new sections to RCWs 34.05 and 82.32.

New Section 1 (RCW 34.05) requires state agencies, in certain instances, to provide to a small business that is in violation of a state law or agency rule, a copy of that state law or agency rule and an opportunity to correct the violation before the agency imposes any fines, civil penalties, or administrative sanctions for the violation. A small business means a business with 250 or fewer employees.

New Section 2 (RCW 82.32) allows the Department of Revenue to satisfy the requirements of section one by providing a taxpayer with notice of impending violation of state law or agency rule at least 48 hours before the date on which such violations would occur.

### 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.*

None

### 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.*

WSDA does not anticipate any additional workload as a result of this proposal.

## Part III: Expenditure Detail

## 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.*

None

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2603 HB	<b>Title:</b> Small businesses/compliance	<b>Agency:</b> 540-Employment Security Department
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## Part I: Estimates



No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2010	FY 2011	2009-11	2011-13	2013-15
Administrative Contingency Account-State 120-1		(1,202,450)	(1,202,450)	(2,404,900)	(2,404,900)
<b>Total \$</b>		(1,202,450)	(1,202,450)	(2,404,900)	(2,404,900)

### Estimated Expenditures from:

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years	0.5	0.5	0.5	0.4	0.3
<b>Account</b>					
Unemployment Compensation Administration Account-Federal 119-2	0	500,000	500,000	0	0
Employment Service Administrative Account-State 134-1	62,000	42,000	104,000	64,000	44,000
<b>Total \$</b>	62,000	542,000	604,000	64,000	44,000

### Estimated Capital Budget Impact:

	2009-11		2011-13		2013-15	
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Acquisition	0	0	0	0	0	0
Construction	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Total \$</b>	\$0	\$0	\$0	\$0	\$0	\$0

Request # 021-UI-1

*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: 01/15/2010
Agency Preparation: Candria Rauser	Phone: 360-902-9564	Date: 01/21/2010
Agency Approval: Randi Warick	Phone: 360-902-9423	Date: 01/21/2010
OFM Review: Sandi Triggs	Phone: (360) 902-0553	Date: 01/21/2010

Request # 021-UI-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.*

Section 1 adds a section to RCW 34.05, the Administrative Procedures Act. Agencies must provide a small business of 250 or less employees a copy of a state law or rule that the business is violating and 48 hours to correct the violation before the agency may impose any fines, civil penalties, or administrative sanctions. There are exceptions for direct danger to public health, loss to employees, threat to human health or the environment, serious harm to the public interest, knowing or willful conduct that may result in a felony, conflict with federal requirements (specifically including requirements for the eligibility of employers for federal unemployment tax (FUTA) credits), and prior violations by the same business or related business.

In section 2 the Department of Revenue may satisfy section 1 by giving 48 hours notice of an impending violation.

### 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.*

HB 2603 has the potential for unintended consequences, including providing incentives for employers to remain “underground” and not register with ESD or eliminating penalties for fraud. Some employers may be encouraged to remain “underground” and not register. Virtually all such employers would have less than 250 employees and be first time violators. Even when discovered, they would pay no penalties or interest if they paid within 48 hours. Similarly, assuming that the fraud did not rise to the level of a felony, an employer could “knowingly misrepresent” payroll under RCW 50.12.220(3). Some of the incentives against doing so are the current penalties of up to ten times taxes owed and having to pay for the costs of an audit. Under this bill, an employer with less than 250 employees would never have to fear the penalties, knowing that it could simply pay within 48 hours and eliminate all penalties.

This bill impacts most penalties under RCW 50.12.220 and WAC 192-310-030, including penalties and interest for late reports and late taxes. In addition this bill impacts audits that result in penalties and interest.

For this fiscal note, Employment Security Department (ESD) is assuming that the delinquent rate would not be considered an “administrative sanction” and therefore, ESD has not included any cost related to delinquent rate. ESD also assumes no impact for the incomplete reports and incorrect format reports penalties, because a warning letter is already given for the first violation regardless of employer size, thus, any penalized violator is a repeat violator.

This bill would reduce penalty and interest revenue in the administrative contingency fund (penalties & interest account, P&I). ESD would not be able to assess penalty and interest the first time a payment or a report is late.

The penalty for misrepresentation under RCW 50.12.220(3) is up to ten times taxes due. ESD currently has had minimal collection under this penalty. ESD assumes most of these violators are not going to pay within 48 hours.

There would also be revenue loss from penalties for failure to keep records under RCW 50.12.070(3). This is an expanded penalty from a new law in 2009 and ESD has not collected anything from this penalty yet, so the revenue loss



is indeterminate.

In 2009, ESD reviewed 62,894 accounts where the employer's taxable wages appeared to be incorrectly reported by the employer. Of those accounts ESD staff adjusted 27,947 employer accounts. Only 12% or 3,354 accounts were assessed a penalty. Approximately 80% of these employers or 2,683 employers have 250 or less employees. Of these 2,683 employers, approximately 50% or 1,341 are expected to be first time offenders. ESD assumes 75% (approximately 1,006) of the first time offenders will resolve their errors in 48 hours. On an average, ESD collects \$1,015 of penalty and interest per employer account. Therefore, the ESD will lost an estimated of \$1,021,538 in penalty and interest revenue from incorrect reports.

ESD conducts approximately 4,200 employer audits per year. Approximately 50 percent (2,100 audits) of these audits result in a change to their account. Approximately 85% (1,785 audits) of the change audits result in an amount owed to ESD (debit change audit). ESD estimates 99 percent (1,767 audits) of these audits are small business employers. Approximately 50% or 884 are first time offenders. ESD assumes 75% of first time offenders (approximately 663) will pay the taxes due in 48 hours to avoid the penalty and interest. ESD estimates approximately \$516,891 in tax due based on an average amount of tax collected of \$780 on each debit change audit. Penalties are estimated at 20% the tax due resulting in penalty lost of \$103,378. Interest is estimated using 15 months at one percent resulting in interest lost of \$77,534. The total estimated lost penalty and interest revenue is \$180,912 per year.

The total loss in revenue to the P&I Account is estimated at \$1,202,450 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 functions.*

### **IMPLEMENTATION COSTS**

#### **One-time start up costs:**

In order to minimize the implementation costs and meet the 90 day implementation deadline, the department will implement the system changes only in Next Generation Tax System (NGTS), ESD's new tax information system which is under development, and make minimal changes to Taxes Information System (TAXIS), ESD's current tax information system. The new processes and workflows in NGTS system would be developed and tested in Fiscal Year 2011, but the functionality would not be available until the NGTS system is fully operational in FY 2013.

To comply with the 90 day implementation deadline of this bill ESD will develop a manual work-around until the changes could be made in NGTS. ESD would notify small employers that a penalty is being imposed and offer a waiver to those that qualify. Small employers will need to contact the department within 48 hours to receive a waiver of penalties and interest.

The implementation costs to change the tax information systems are estimated to be 206 staff hours of an ITS 5 (approximately 0.1 FTE) for changes to TAXIS and an estimated \$500,000 change order for NGTS, for a total system change cost of \$13,000 in FY2010 and \$500,000 in FY2011. The \$500,000 change order for NGTS must be funded by Reed Act funds.

The implement the change order in NGTS the department would require funding from the State Unemployment Insurance Trust Fund under provisions of the “Reed Act” (Title IX of the federal Social Security Act). In order to satisfy the federal requirements for an appropriation of Reed Act funds to the Employment Security Department, any appropriation of Reed Act funds in the appropriation bill should include proviso language such as:

“\$500,000 “of the Unemployment Compensation Administration Account-Federal appropriation is provided from amounts made available to the state by section 903 (f) of the Social Security Act, to implement changes in the Next Generation Tax System associated with HB 2603.”

Implementation efforts would include updates to policies, manuals, and creating a penalty warning letter with attached laws and rules. Minor rule making has been included as well as training for staff. This effort is estimated at a total of 650 hours (approximately 0.37 FTE) of work at a Washington Management Services 2 staff level in Fiscal Year 2010.

#### On-going costs:

ESD would have to send copies of the laws and rules to violators. The additional costs of printing and mailing employers a copy of the laws and rules for 1,669 employers each year is estimated at \$739 per year.

ESD estimates a total of 1,006 incorrect reports and 663 debit change audits will require adjustments. ESD staff will need to research and waive penalties on each account. Prior to implementation of NGTS (FY 2011-FY 2012), each adjustment is estimated to take 30 minutes at a Tax Specialist 4 level. This on-going cost is estimated at 834 hours or approximately 0.47 FTE.

Once NGTS is implemented, (FY 2013 on), each adjustment is estimated to take 15 minutes at a Tax Specialist 4 level. This on-going cost is estimated at 417 hours or approximately 0.24 FTE.

In addition to the direct costs estimated, ESD assesses an indirect rate to cover agency-wide administrative costs. The United States Department of Labor (USDOL) is designated by the Office of Management and Budget to negotiate and maintain indirect cost rates and cost-allocation plans for organizations that receive a preponderance of funds from USDOL, which includes Washington State's Employment Security Department.

#### Indirect Administrative Costs:

	FY2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Indirect cost (in thousands)	\$8	\$5	\$5	\$3	\$3	\$3

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years	0.5	0.5	0.5	0.4	0.3
A-Salaries and Wages	42,000	27,000	69,000	41,000	28,000
B-Employee Benefits	13,000	8,000	21,000	12,000	8,000
C-Personal Service Contracts		500,000	500,000		
E-Goods and Services	7,000	7,000	14,000	11,000	8,000
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total:</b>	\$62,000	\$542,000	\$604,000	\$64,000	\$44,000

**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
ITS5	78,900	0.1		0.1		
TS4	51,864		0.5	0.3	0.4	0.3
WMS2	80,000	0.4		0.2		
<b>Total FTE's</b>	210,764	0.5	0.5	0.5	0.4	0.3

## Part IV: Capital Budget Impact

This bill does not impact the capital budget.

## 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.

Section 1 would require revising WAC 192-310-030.