

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5927 SB	<b>Title:</b> School construction taxes
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## Estimated Cash Receipts

Agency Name	2015-17		2017-19		2019-21	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(63,597,000)	(63,699,000)	(169,592,000)	(169,864,000)	(169,592,000)	(169,864,000)
<b>Total \$</b>	<b>(63,597,000)</b>	<b>(63,699,000)</b>	<b>(169,592,000)</b>	<b>(169,864,000)</b>	<b>(169,592,000)</b>	<b>(169,864,000)</b>

Local Gov. Courts *						
Loc School dist-SPI		63,699,000		169,864,000		169,864,000
Local Gov. Other **						
Local Gov. Total						

## Estimated Expenditures

Agency Name	2015-17			2017-19			2019-21		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of State Auditor	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	1.2	189,800	189,800	3.2	464,100	464,100	3.2	459,200	459,200
Superintendent of Public Instruction	.0	0	0	.0	0	0	.0	0	0
<b>Total</b>	<b>1.2</b>	<b>\$189,800</b>	<b>\$189,800</b>	<b>3.2</b>	<b>\$464,100</b>	<b>\$464,100</b>	<b>3.2</b>	<b>\$459,200</b>	<b>\$459,200</b>

## Estimated Capital Budget Impact

Agency Name	2015-17		2017-19		2019-21	
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
School District Fiscal Note - SPI						
Acquisition	0	(26,353,311)	(46,544,192)	(45,592,034)	(44,653,765)	(43,695,420)
Construction	0	0	0	0	0	0
Other	0	0	0	0	0	0
Superintendent of Public Instruction						
Acquisition	0	0	0	0	0	0
Construction	0	0	0	0	0	0
Other	0	(37,345,689)	(38,387,808)	(39,339,966)	(40,278,235)	(41,236,580)
<b>Total \$</b>	<b>\$0</b>	<b>\$(63,699,000)</b>	<b>\$(84,932,000)</b>	<b>\$(84,932,000)</b>	<b>\$(84,932,000)</b>	<b>\$(84,932,000)</b>

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

\*\* See local government fiscal note

ENPID: 40203

FNS029 Multi Agency rollout

<b>Prepared by:</b> Kathy Cody, OFM	<b>Phone:</b> (360) 902-9822	<b>Date Published:</b> Final 2/24/2015
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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

FNPID: 40203

FNS029 Multi Agency rollup

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5927 SB	<b>Title:</b> School construction taxes	<b>Agency:</b> 095-Office of State Auditor
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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: Juliana Roe	Phone: (360) 786-7438	Date: 02/10/2015
Agency Preparation: Janel Roper	Phone: 360-725-5600	Date: 02/18/2015
Agency Approval: Janel Roper	Phone: 360-725-5600	Date: 02/18/2015
OFM Review: Chris Stanley	Phone: (360) 902-9810	Date: 02/18/2015

*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.*

*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.*

*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 IV: Capital Budget Impact**

NONE

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5927 SB	<b>Title:</b> School construction taxes	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Account	FY 2016	FY 2017	2015-17	2017-19	2019-21
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax		(63,597,000)	(63,597,000)	(169,592,000)	(169,592,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax		(102,000)	(102,000)	(272,000)	(272,000)
<b>Total \$</b>		(63,699,000)	(63,699,000)	(169,864,000)	(169,864,000)

### Estimated Expenditures from:

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	0.1	2.4	1.2	3.2	3.2
<b>Account</b>					
GF-STATE-State 001-1	2,900	186,900	189,800	464,100	459,200
<b>Total \$</b>	2,900	186,900	189,800	464,100	459,200

### Estimated Capital Budget Impact:

NONE

*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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- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Juliana Roe	Phone: (360) 786-7438	Date: 02/10/2015
Agency Preparation: Shane Morgan	Phone: 360-534-1525	Date: 02/15/2015
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 02/15/2015
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 02/16/2015

Request # 5927-1-1

## 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.*

This bill provides a sales and use tax exemption for labor and materials used in school construction. The exemption will be in the form of a remittance payment to qualifying districts occurring in the quarter following the quarter when the construction activity took place. Districts are required to submit an application to receive the remittance.

### 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:

- No growth in school construction for the period of this fiscal note,
- Nine months of impacted cash collections for the first year, assuming that the first remittances for projects commenced on or after July 1, 2016 are made during the second quarter (October - December) of Fiscal Year 2017,
- 100 percent of the labor and materials described in the bill are currently taxable,
- 100 percent of the allowable remittances will be made to the districts,

#### DATA SOURCES:

- Washington State Office of Superintendent of Public Instruction.

#### POTENTIAL LITIGATION:

Legislation creating new exemptions and deferrals for construction projects present a significant legal risk that the federal government or federal contractors will seek to re-litigate Washington v. United States.

If a legal challenge to a deferral or exemption were successful, in addition to lost future revenues, refunds potentially would be owed under the statutory period for excise tax refunds (current year plus four years back). Each year about \$89 million is collected on federal government contracting. If refunds were included as part of a potential court decision, the revenue impact could reach \$486 million.

#### REVENUE ESTIMATES:

There are 9 months of cash collections for the first year, and 12 months of cash collections for all years thereafter. This bill decreases state revenues by an estimated \$63.7 million in Fiscal Year 2017 and by \$84.9 million in Fiscal Year 2018.

#### TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2017 -	(\$ 63,699)
FY 2018 -	(\$ 84,932)
FY 2019 -	(\$ 84,932)
FY 2020 -	(\$ 84,932)
FY 2021 -	(\$ 84,932)

## 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.*

### ASSUMPTIONS:

- This bill affects 300 school districts,
- The Department of Revenue (Department) does not audit school districts,
- Auditing of school districts are done by the State Auditor,
- This bill creates a new tax preference. New tax preferences can have additional reporting requirements. These expenditures include the costs to implement the new tax preference.
- The Department may disclose the amount claimed by a taxpayer under this new tax preference after 24 months (RCW 82.32.808).

### FIRST YEAR COSTS:

The Department will incur total costs of \$2,900 in Fiscal Year 2016. These costs include:

- Labor Costs – Time and effort equates to 0.07 FTEs.
- Amending one administrative rule.

### SECOND YEAR COSTS:

The Department will incur total costs of \$186,900 in Fiscal Year 2017. These costs include:

- Labor Costs – Time and effort equates to 2.4 FTEs.
- Developing, programming, testing and set up of system changes,
  - Resolving additional error and out of balance returns, preparing refunds and assessments, and responding to telephone questions, and
  - Conducting desk audits, monitoring reports, and assisting taxpayers with reporting.

### ONGOING COSTS:

Ongoing costs for the 2017-2019 Biennium equal \$464,100 and include similar activities described in the second year costs. Time and effort equates to 3.2 FTEs.

## Part III: Expenditure Detail

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

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	0.1	2.4	1.2	3.2	3.2
A-Salaries and Wages	1,900	108,600	110,500	290,000	290,000
B-Employee Benefits	600	32,600	33,200	87,000	87,000
E-Goods and Other Services	200	30,100	30,300	73,000	72,000
J-Capital Outlays	200	15,600	15,800	14,100	10,200
<b>Total \$</b>	<b>\$2,900</b>	<b>\$186,900</b>	<b>\$189,800</b>	<b>\$464,100</b>	<b>\$459,200</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 2016	FY 2017	2015-17	2017-19	2019-21
ADM ASST 5	47,014	0.0		0.0		
EMS BAND 4	103,896	0.0		0.0		
EXCISE TAX EX 2	42,583		1.6	0.8	2.1	2.1
EXCISE TAX EX 3	50,563		0.8	0.4	1.1	1.1
HEARINGS SCHEDULER	32,688	0.0		0.0		
TAX POLICY SP 2	61,628	0.0		0.0		
TAX POLICY SP 3	69,756	0.0		0.0		
TAX POLICY SP 4	75,080	0.0		0.0		
<b>Total FTE's</b>	<b>483,208</b>	<b>0.1</b>	<b>2.4</b>	<b>1.3</b>	<b>3.2</b>	<b>3.2</b>

## Part IV: Capital Budget Impact

*Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods*

NONE

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 one (1) expedited rule-making process to amend existing rule WAC 458-20-167, titled: "Educational institutions, school districts, student organizations, and private schools". Persons affected by this rulemaking would include school districts involved with school construction in WA state. Assume a tax preference that expires in ten years.



# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5927 SB	<b>Title:</b> School construction taxes	<b>Agency:</b> 350-Supt of Public Instruction
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

NONE

### Estimated Expenditures from:

NONE

### Estimated Capital Budget Impact:

	2015-17		2017-19		2019-21	
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Acquisition	0	0	0	0	0	0
Construction	0	0	0	0	0	0
Other	0	(37,345,689)	(38,387,808)	(39,339,966)	(40,278,235)	(41,236,580)
<b>Total \$</b>	<b>\$0</b>	<b>\$(37,345,689)</b>	<b>\$(38,387,808)</b>	<b>\$(39,339,966)</b>	<b>\$(40,278,235)</b>	<b>\$(41,236,580)</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.*

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- ☒ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Juliana Roe	Phone: (360) 786-7438	Date: 02/10/2015
Agency Preparation: Randy Newman	Phone: 360 725-6267	Date: 02/24/2015
Agency Approval: Randy Newman	Phone: 360 725-6267	Date: 02/24/2015
OFM Review: Gene Emmans	Phone: (360) 902-3068	Date: 02/24/2015

## 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 provide a sales tax exemption for labor and materials used in school construction. The exemption will be in the form of a remittance payment to qualifying districts occurring in the quarter following the quarter when the construction activity took place. Districts are required to submit an application to receive the remittance.

Section 2 would provide a use tax exemption for labor and materials used in school construction. The exemption will be in the form of a remittance payment. The definitions and requirements of section 1 would apply to this section.

### 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.*

No impact to cash receipts.

### 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.*

No operating budget impact.

## Part III: Expenditure Detail

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

NONE

## Part IV: Capital Budget Impact

*Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods*

Construction Estimate	FY 2016	FY 2017	2015-17	2017-19	2019-21
Acquisition					
Construction					
Other		(37,345,689)	(37,345,689)	(77,727,774)	(81,514,815)
<b>Total \$</b>		(37,345,689)	(37,345,689)	(77,727,774)	(81,514,815)

Section 1 and 2 would provide a sales and use tax exemption for labor and materials used in school construction. The exemption will be in the form of a remittance payment to qualifying school districts occurring in the quarter following the quarter when the construction activity took place. School districts would be required to submit an application to the Department of Revenue to receive the remittance.

Currently, the School Construction Assistance Program (SCAP) provides matching funds for sales and use taxes. In this fiscal note, OSPI assumes all school districts receiving SCAP funding would seek remittance of all sales and use taxes incurred. The estimated savings to SCAP are based on the five year average of total project costs from 2010 to 2014 and applying the average state share of sales and use taxes as a percentage of total project costs. See Attachment 1 for calculation detail.

The estimated savings to SCAP are as follows:

FY 2016 \$0 - No Fiscal Impact

FY 2017 \$37.3 Million (\$666.9 Million Estimated SCAP Project Costs X 5.6% Estimated SCAP Share of Sales and Use Taxes)

FY 2018 \$38.4 Million (\$685.5 Million Estimated SCAP Project Costs X 5.6% Estimated SCAP Share of Sales and Use Taxes)

FY 2019 \$39.3 Million (\$702.5 Million Estimated SCAP Project Costs X 5.6% Estimated SCAP Share of Sales and Use Taxes)

FY 2020 \$40.3 Million (\$719.3 Million Estimated SCAP Project Costs X 5.6% Estimated SCAP Share of Sales and Use Taxes)

FY 2021 \$41.2 Million (\$736.4 Million Estimated SCAP Project Costs X 5.6% Estimated SCAP Share of Sales and Use Taxes)

## **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 required rule making.

Office of Superintendent of Public Instruction

SB 5927 - Attachment 1

Summary of Project Costs 2009 - 2014 Releases

Assumptions:

School Construction Assistance Program (SCAP) - Project costs represent contract bid data and does not reflect the total project costs.

SCAP Cost Categories represent costs eligible for state funding assistance.

	2013-15 Biennium				2011-13 Biennium				2009-11 Biennium			
SCAP Cost Category	2014 Release		2013 Release		2012 Release		2011 Release		2010 Release		5 Year Average	
Construction Costs	\$ 459,085,674	80.9%	\$ 434,105,253	81.8%	\$ 415,205,960	80.4%	\$ 691,919,638	80.4%	\$ 522,575,616	79.4%	\$ 504,578,428	80.5%
Sales Tax (State Share)	\$ 32,135,997	5.7%	\$ 30,387,368	5.7%	\$ 29,064,417	5.6%	\$ 48,434,375	5.6%	\$ 36,580,293	5.6%	\$ 35,320,490	5.6%
Excess Sales Tax (Local Project Cost)	\$ 7,410,602	1.3%	\$ 7,453,677	1.4%	\$ 6,621,905	1.3%	\$ 12,224,291	1.4%	\$ 9,561,922	1.5%	\$ 8,654,479	1.4%
A/E Fees	\$ 42,733,477	7.5%	\$ 37,089,601	7.0%	\$ 38,891,492	7.5%	\$ 66,090,428	7.7%	\$ 59,356,934	9.0%	\$ 48,832,386	7.8%
Construction Management	\$ 11,587,244	2.0%	\$ 8,444,922	1.6%	\$ 12,026,517	2.3%	\$ 18,231,026	2.1%	\$ 12,699,428	1.9%	\$ 12,597,827	2.0%
Educational Specifications	\$ 539,806	0.1%	\$ 598,414	0.1%	\$ 530,206	0.1%	\$ 819,169	0.1%	\$ 1,134,180	0.2%	\$ 724,355	0.1%
Value Engineering	\$ 846,025	0.1%	\$ 738,748	0.1%	\$ 746,005	0.1%	\$ 1,170,931	0.1%	\$ 863,999	0.1%	\$ 873,141	0.1%
Constructability Review	\$ 864,446	0.2%	\$ 781,580	0.1%	\$ 816,089	0.2%	\$ 1,411,605	0.2%	\$ 1,029,406	0.2%	\$ 980,625	0.2%
Building Commissioning	\$ 1,232,938	0.2%	\$ 1,237,506	0.2%	\$ 1,358,668	0.3%	\$ 2,113,239	0.2%	\$ 1,801,931	0.3%	\$ 1,548,856	0.2%
Energy Report	\$ 250,000	0.0%	\$ 273,160	0.1%	\$ 331,109	0.1%	\$ 551,389	0.1%	\$ 536,242	0.1%	\$ 388,380	0.1%
Inspection and Testing	\$ 2,138,149	0.4%	\$ 2,133,217	0.4%	\$ 1,822,454	0.4%	\$ 2,961,386	0.3%	\$ 2,529,022	0.4%	\$ 2,316,846	0.4%
FF&E	\$ 8,643,086	1.5%	\$ 7,619,866	1.4%	\$ 9,259,229	1.8%	\$ 14,471,905	1.7%	\$ 9,661,771	1.5%	\$ 9,931,171	1.6%
Total	\$ 567,467,444	100.0%	\$ 530,863,311	100.0%	\$ 516,674,050	100.0%	\$ 860,399,381	100.0%	\$ 658,330,745	100.0%	\$ 626,746,986	100.0%

Sales Tax Calculation

	FY 2016		FY 2017		FY 2018		FY 2019		FY 2020		FY 2021	
	2015 Release		2016 Release		2017 Release		2018 Release		2019 Release		2020 Release	
SCAP Estimated Project Costs Before Inflation (5 Year Average)	\$ 626,746,986		\$ 646,637,171		\$666,887,308		\$ 685,496,571		\$ 702,499,401		\$ 719,254,190	
Estimated Construction Inflation	103.17%		103.13%		102.79%		102.48%		102.39%		102.38%	
Estimated SCAP Project Costs (with Inflation)	\$ 646,637,171		\$ 666,887,308		\$685,496,571		\$ 702,499,401		\$ 719,254,190		\$ 736,367,507	
Estimated State Share of Sales Tax (5 Year Average)	5.6%		5.6%		5.6%		5.6%		5.6%		5.6%	
Estimated Sales Tax Funded by SCAP	\$ 36,211,682		\$ 37,345,689		\$ 38,387,808		\$ 39,339,966		\$ 40,278,235		\$ 41,236,580	
Estimated SCAP Grant Savings	\$ -		\$ 37,345,689		\$ 38,387,808		\$ 39,339,966		\$ 40,278,235		\$ 41,236,580	

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5927 SB	<b>Title:</b> School construction taxes	<b>Agency:</b> SDF-School District Fiscal Note - SPI
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2016	FY 2017	2015-17	2017-19	2019-21
Local School Districts-Private/Local New-7		63,699,000	63,699,000	169,864,000	169,864,000
<b>Total \$</b>		63,699,000	63,699,000	169,864,000	169,864,000

### Estimated Expenditures from:

NONE

### Estimated Capital Budget Impact:

	2015-17		2017-19		2019-21	
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Acquisition	0	(26,353,311)	(46,544,192)	(45,592,034)	(44,653,765)	(43,695,420)
Construction	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Total \$</b>	<b>\$0</b>	<b>\$(26,353,311)</b>	<b>\$(46,544,192)</b>	<b>\$(45,592,034)</b>	<b>\$(44,653,765)</b>	<b>\$(43,695,420)</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.*

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- ☐ Requires new rule making, complete Part V.

Legislative Contact: Juliana Roe	Phone: (360) 786-7438	Date: 02/10/2015
Agency Preparation: Randy Newman	Phone: 360 725-6267	Date: 02/23/2015
Agency Approval: Randy Newman	Phone: 360 725-6267	Date: 02/23/2015
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 02/24/2015

## 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 provide a sales tax exemption for labor and materials used in school construction. The exemption will be in the form of a remittance payment to qualifying districts occurring in the quarter following the quarter when the construction activity took place. Districts are required to submit an application to receive the remittance.

Section 2 would provide a use tax exemption for labor and materials used in school construction. The exemption will be in the form of a remittance payment. The definitions and requirements of section 1 would apply to this section.

### 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.*

This bill provides a sales and use tax exemption for labor and materials used in school construction and the exemption will be in the form of a remittance payment to qualifying districts occurring in the quarter following the quarter when the construction activity took place. School districts would be required to submit an application to the Department of Revenue to receive the remittance.

The fiscal impact of cash receipts is indeterminate because it's not known how many school construction projects will be started and completed by school districts and the total amount of project costs subject to sales and use tax is unknown. The cash receipts estimates shown were prepared by the Department of Revenue with the following assumptions:

- No growth in school construction for the period of this fiscal note,
- Nine months of impacted cash collections for the first year, assuming that the first remittances for projects commenced on or after July 1, 2016 are made during the second quarter (October - December) of Fiscal Year 2017,
- 100 percent of the labor and materials described in the bill are currently taxable,
- 100 percent of the allowable remittances will be made to the districts
- 9 months of cash collections for the first year (FY 2017) and twelve months of cash collections for all years thereafter.

#### Estimated Cash Receipts

FY 2017	\$63.7 million
FY 2018	\$84.9 million
FY 2019	\$84.9 million
FY 2020	\$84.9 million
FY 2021	\$84.9 million

### 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.*

No fiscal impact.

### **Part III: Expenditure Detail**

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

NONE

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

School districts construction expenditures will be decrease if they submit an application to the Department of Revenue to receive remittance for the amount of sales and use tax paid. Details of the fiscal impact to school is shown on Attachment 1.

### **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 required rule making.

Office of Superintendent of Public Instruction

SB 5927 - Attachment 1

Summary of Project Costs 2009 - 2014 Releases

Assumptions:

School Construction Assistance Program (SCAP) - Project costs represent contract bid data and does not reflect the total project costs.

SCAP Cost Categories represent costs eligible for state funding assistance.

SCAP Cost Category	2013-15 Biennium				2011-13 Biennium				2009-11 Biennium		5 Year Average	
	2014 Release		2013 Release		2012 Release		2011 Release		2010 Release			
Construction Costs	\$ 459,085,674	80.9%	\$ 434,105,253	81.8%	\$ 415,205,960	80.4%	\$ 691,919,638	80.4%	\$ 522,575,616	79.4%	\$ 504,578,428	80.5%
Sales Tax (State Share)	\$ 32,135,997	5.7%	\$ 30,387,368	5.7%	\$ 29,064,417	5.6%	\$ 48,434,375	5.6%	\$ 36,580,293	5.6%	\$ 35,320,490	5.6%
Excess Sales Tax (Local Project Cost)	\$ 7,410,602	1.3%	\$ 7,453,677	1.4%	\$ 6,621,905	1.3%	\$ 12,224,291	1.4%	\$ 9,561,922	1.5%	\$ 8,654,479	1.4%
A/E Fees	\$ 42,733,477	7.5%	\$ 37,089,601	7.0%	\$ 38,891,492	7.5%	\$ 66,090,428	7.7%	\$ 59,356,934	9.0%	\$ 48,832,386	7.8%
Construction Management	\$ 11,587,244	2.0%	\$ 8,444,922	1.6%	\$ 12,026,517	2.3%	\$ 18,231,026	2.1%	\$ 12,699,428	1.9%	\$ 12,597,827	2.0%
Educational Specifications	\$ 539,806	0.1%	\$ 598,414	0.1%	\$ 530,206	0.1%	\$ 819,169	0.1%	\$ 1,134,180	0.2%	\$ 724,355	0.1%
Value Engineering	\$ 846,025	0.1%	\$ 738,748	0.1%	\$ 746,005	0.1%	\$ 1,170,931	0.1%	\$ 863,999	0.1%	\$ 873,141	0.1%
Constructability Review	\$ 864,446	0.2%	\$ 781,580	0.1%	\$ 816,089	0.2%	\$ 1,411,605	0.2%	\$ 1,029,406	0.2%	\$ 980,625	0.2%
Building Commissioning	\$ 1,232,938	0.2%	\$ 1,237,506	0.2%	\$ 1,358,668	0.3%	\$ 2,113,239	0.2%	\$ 1,801,931	0.3%	\$ 1,548,856	0.2%
Energy Report	\$ 250,000	0.0%	\$ 273,160	0.1%	\$ 331,109	0.1%	\$ 551,389	0.1%	\$ 536,242	0.1%	\$ 388,380	0.1%
Inspection and Testing	\$ 2,138,149	0.4%	\$ 2,133,217	0.4%	\$ 1,822,454	0.4%	\$ 2,961,386	0.3%	\$ 2,529,022	0.4%	\$ 2,316,846	0.4%
FF&E	\$ 8,643,086	1.5%	\$ 7,619,866	1.4%	\$ 9,259,229	1.8%	\$ 14,471,905	1.7%	\$ 9,661,771	1.5%	\$ 9,931,171	1.6%
Total	\$ 567,467,444	100.0%	\$ 530,863,311	100.0%	\$ 516,674,050	100.0%	\$ 860,399,381	100.0%	\$ 658,330,745	100.0%	\$ 626,746,986	100.0%

Fiscal Impact Calculation

	FY 2016		FY 2017		FY 2018		FY 2019		FY 2020		FY 2021	
	2015 Release		2016 Release		2017 Release		2018 Release		2019 Release		2020 Release	
SCAP Estimated Project Costs Before Inflation (5 Year Average)	\$ 626,746,986		\$ 646,637,171		\$666,887,308		\$ 685,496,571		\$ 702,499,401		\$ 719,254,190	
Estimated Construction Inflation	103.17%		103.13%		102.79%		102.48%		102.39%		102.38%	
Estimated SCAP Project Costs (with Inflation)	\$ 646,637,171		\$666,887,308		\$685,496,571		\$ 702,499,401		\$ 719,254,190		\$ 736,367,507	
Estimated State Share of Sales Tax (5 Year Average)	5.6%		5.6%		5.6%		5.6%		5.6%		5.6%	
Estimated Sales and Use Tax Funded by SCAP	\$ 36,211,682		\$ 37,345,689		\$ 38,387,808		\$ 39,339,966		\$ 40,278,235		\$ 41,236,580	
Remittance from Department of Revenue to Local School Districts			\$ 63,699,000		\$ 84,932,000		\$ 84,932,000		\$ 84,932,000		\$ 84,932,000	
Local School District Estimated Sales Tax Expenditure Impact	\$ -		\$ 26,353,311		\$ 46,544,192		\$ 45,592,034		\$ 44,653,765		\$ 43,695,420	