

Multiple Agency Fiscal Note Summary

Bill Number: 5761 SB SB 5761 AMH TED HUGH 057	Title: Industrial/manu. facilities
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Estimated Cash Receipts

NONE

Estimated Expenditures

Agency Name	2015-17			2017-19			2019-21		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Administrative Office of the Courts	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Department of Commerce	.1	22,274	22,274	.1	22,274	22,274	.1	22,274	22,274
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total	0.1	\$22,274	\$22,274	0.1	\$22,274	\$22,274	0.1	\$22,274	\$22,274

Local Gov. Courts *	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Loc School dist-SPI									
Local Gov. Other **	Fiscal note not available								
Local Gov. Total									

Estimated Capital Budget Impact

NONE

Prepared by: Kathy Cody, OFM	Phone: (360) 902-9822	Date Published: Preliminary 4/ 2/2015
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

Judicial Impact Fiscal Note

Bill Number: 5761 SB SB 5761 AMH TED HUGH 057	Title: Industrial/manu. facilities	Agency: 055-Admin Office of the Courts
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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
Counties					
Cities					
Total \$					

Estimated Expenditures from:

Non-zero but indeterminate cost. Please see discussion.

The revenue and expenditure estimates on this page represent the most likely fiscal impact. Responsibility for expenditures may be subject to the provisions of RCW 43.135.060.

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.

Legislative Contact: Kirsten Lee	Phone: 360-786-7133	Date: 03/25/2015
Agency Preparation: Kitty Hjelm	Phone: 360-704-5528	Date: 03/27/2015
Agency Approval: Ramsey Radwan	Phone: 360-357-2406	Date: 03/27/2015
OFM Review: Cheri Keller	Phone: 360-902-0563	Date: 03/27/2015

Request # 5761 SB AM-1

Part II: Narrative Explanation

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

This bill would add a new chapter to RCW 84 to provide property tax exemption for the value of new construction of industrial/manufacturing facilities in targeted urban areas.

Section 11(6) would allow an owner to appeal a denied certificate of tax exemption in superior court.

Section 13(4) would allow an owner to appeal a terminated certificate of tax exemption in superior court.

II. B - Cash Receipts Impact

II. C - Expenditures

There is no judicial data available to determine how many appeals might be filed with the superior court. For illustrative purposes, there would need to be more than 44 appeals per year to exceed \$50,000 in annual superior court expenditures. This is based on average court costs for these types of appeals.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

Individual State Agency Fiscal Note

Bill Number: 5761 SB SB 5761 AMH TED HUGH 057	Title: Industrial/manu. facilities	Agency: 103-Department of Commerce
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	0.1	0.1	0.1	0.1	0.1
Account					
General Fund-State 001-1	11,137	11,137	22,274	22,274	22,274
Total \$	11,137	11,137	22,274	22,274	22,274

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.

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: Kirsten Lee	Phone: 360-786-7133	Date: 03/25/2015
Agency Preparation: Karen McArthur	Phone: 360-725-4027	Date: 03/30/2015
Agency Approval: Mary Trimarco	Phone: 206-256-6146	Date: 03/30/2015
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 03/30/2015

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.

There are no differences between the bill as amended by the House committee and the original bill that affect the fiscal impact to the Department of Commerce.

Summary of the bill as amended by the House committee:

Section 12(2) requires that, if cities or counties issue a certificate of tax exemption under this bill, they must report to Commerce by December 31 of each year, beginning in 2013: (a) the number of exemption certificates granted; (b) the total number and type of new manufacturing or industrial facilities constructed; (c) the number of family living wage jobs resulting from the new manufacturing or industrial facilities; (d) the value of the tax exemption for each project receiving a tax exemption; and (e) the total value of tax exemptions granted by that jurisdiction in that year.

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.

Section 12

FTE Salaries and Benefits:

Commerce estimates 0.1 FTE Commerce Specialist 2 in FY16-21 to coordinate with participating cities and counties to process and review the reports submitted by those jurisdictions.

FY16-21: \$7,675 each fiscal year

Goods and Other Services:

FY16-21: \$3,462 each fiscal year

--standard G&S \$2,883

--space and utilities \$579

Note: Standard goods and services costs include supplies and materials, employee development and training, mandatory state seat of government and Department of Personnel charges, and Commerce agency administration. Commerce administration provides general standard governmental services including, but not limited to: budgeting, accounting, payroll, and purchasing services; personnel and employee services; internal information technology systems, desktop and network support services; facilities management services; public affairs services; policy and risk management services; and other support services.

Summary of the Estimated Costs:

FY16-21: \$11,137 each fiscal year.

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	0.1	0.1	0.1	0.1
A-Salaries and Wages	5,584	5,584	11,168	11,168	11,168
B-Employee Benefits	2,091	2,091	4,182	4,182	4,182
C-Professional Service Contracts					
E-Goods and Other Services	3,462	3,462	6,924	6,924	6,924
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-					
Total:	\$11,137	\$11,137	\$22,274	\$22,274	\$22,274

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
Commerce Specialist 2	55,836	0.1	0.1	0.1	0.1	0.1
Various Administrative Services	72,800	0.0	0.0	0.0	0.0	0.0
Total FTE's	128,636	0.1	0.1	0.1	0.1	0.1

III. C - Expenditures By Program (optional)

Program	FY 2016	FY 2017	2015-17	2017-19	2019-21
Agency Administration (Indirect) (100)	2,686	2,686	5,372	5,372	5,372
Business Services Division (7A0)	8,451	8,451	16,902	16,902	16,902
Total \$	11,137	11,137	22,274	22,274	22,274

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

Bill Number: 5761 SB SB 5761 AMH TED HUGH 057	Title: Industrial/manu. facilities	Agency: 140-Department of Revenue
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Part I: Estimates

☒ **No Fiscal Impact**

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.

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: Kirsten Lee	Phone: 360-786-7133	Date: 03/25/2015
Agency Preparation: Stephen Cleverdon	Phone: 360-534-1507	Date: 04/02/2015
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 04/02/2015
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 04/02/2015

Request # 5761-4-1

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.

Note: This fiscal note reflects language in AMH TED HUGH 057 on SB 5761, 2015 Legislative Session.

County property tax levies remain unaffected by default, but may choose to allow this exemption. In counties planning under the growth management act, cities with a population of 18,000 or larger, or the largest city or town if there is no city or town with a population of at least 18,000 will be able to offer a ten-year exemption on the value of new construction of industrial or manufacturing facilities that are 10,000 square feet or larger, representing at least \$800,000 in improvement value. This exemption does not apply to the value of land, unrelated improvements, non-qualifying portions of buildings and land, or increases in assessed value made by the county, Department of Revenue (Department), or county Board of Equalization. At the conclusion of the ten-year period, exempted values added to the rolls are considered new construction for use in imposing property taxes.

New construction intended to qualify for this exemption must have an application made before December 31, 2022, and may be subject to a fee to cover the cost of administering the program. Applicants must enter into a contract with the city approving the application. The application must include information supporting the requested exemption, location and site plan, the expected number of family wage jobs created (at least 25), a statement that the applicant is aware of the potential tax liability, and other information as requested by the governing authority. "Family living wage jobs" refers to jobs with an average wage of \$18/hour or more, working 2,080 hours per year on the subject site.

The governing authority must approve or deny applications within 90 days of receipt. A denied application must state its reasons for the decision and be sent to the applicant's last known address within 10 days of denial. Applicants may appeal within 30 days after receipt and have burden of proof to show that there was no substantial evidence to support the decision.

Approved applicants will receive a conditional certificate of acceptance of tax exemption. Completion of new construction must occur within three years of approval of the application. Appropriate conditions may allow an extension of the construction period up to 24 months. New construction must be located in a designated target area located on undeveloped or underutilized land zoned as of December 31, 2014, for an industrial or manufacturing use that is located within or contiguous to an innovation partnership zone, foreign trade zone, or EB-5 regional center.

Underutilized property is property that meets one of the following criteria:

- An improvement formerly used for manufacturing is on the property. The manufacturing activity must have last occurred more than sixty months prior to an application under this bill, and the property must have been zoned for manufacturing at the time of use.
- The property is a designated brownfield.
- New construction of industrial or manufacturing facilities increases the total assessed value of a property (land and improvement) by at least fifty percent.

Corrections to property tax rolls will follow the procedure used to make corrections for omitted property (RCW 84.40.080).

This bill applies to property taxes levied for collection in 2016 and after.

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

- Qualifying new construction will be exempt for a ten year period.
- New construction in targeted areas will begin affecting property taxes due in Calendar Year 2016.
- The exemption does not apply to the state school levy.
- "County levies" refers to county current expense, conservation futures, and county road funds. County levies will not participate in providing an exemption.
- A survey of counties suggests qualifying new construction on "undeveloped" property could equal approximately one percent of new construction statewide in a calendar year. Undeveloped property is property without improvements.
- A multi-year analysis of selected county tax rolls identified manufacturing/industrial construction on "underutilized" property that may qualify for this exemption. The increase of the improvement assessed value represented a 50 percent or more increase in the total assessed value (including land) of these properties, and was valued at least \$800,000. The aggregate assessed value of these properties is approximately 1 percent of new construction in those counties.
- This bill exempts 2 percent of new construction (1 percent on "undeveloped" and 1 percent on "underdeveloped").

DATA SOURCES

- Economic and Revenue Forecast Council November 2014 forecast
- County property tax rolls

REVENUE ESTIMATES

There is no impact to the state school levy.

There is a revenue loss to local regular taxing districts because exempted value is removed from new construction and assessed value tax rolls. Increases in new construction allow regular taxing districts (e.g. cities, hospitals, fire districts) to increase their budgets by the value of new construction multiplied by their rate from the previous year.

The Department of Revenue has determined that this legislation would result in a shift of property taxes from owners of exempt property to all other owners of properties located in the same taxing district as the exempt property. The shift would occur for excess levies and levies for bonds.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000): None

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

FY 2016 -	(\$ 446)
FY 2017 -	(\$ 846)
FY 2018 -	(\$ 1,278)
FY 2019 -	(\$ 2,148)
FY 2020 -	(\$ 3,103)
FY 2021 -	(\$ 4,128)

Local Government, Impact on Revenues (\$000)

CY 2016 -	(\$ 854)
CY 2017 -	(\$ 838)
CY 2018 -	(\$ 1,680)

CY 2019 - (\$ 2,576)
CY 2020 - (\$ 3,584)
CY 2021 - (\$ 4,626)

Local Government, (\$000), Shift of Tax Burden

CY 2016 - (\$ 1,208)
CY 2017 - (\$ 2,452)
CY 2018 - (\$ 3,807)
CY 2019 - (\$ 5,365)
CY 2020 - (\$ 7,013)
CY 2021 - (\$ 8,797)

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.

The Department will not incur any costs with the implementation of this legislation.

Part III: Expenditure Detail

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.

No rule-making required.