

Multiple Agency Fiscal Note Summary

Bill Number: 2132 HB	Title: Valuation of motor vehicles
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Estimated Cash Receipts

NONE

Estimated Expenditures

Agency Name	2017-19			2019-21			2021-23		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Licensing	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Total	0.0	\$0	\$0	0.0	\$0	\$0	0.0	\$0	\$0

Local Gov. Courts *									
Loc School dist-SPI									
Local Gov. Other **	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Impact

NONE

Prepared by: Jim Albert, OFM	Phone: (360) 902-0419	Date Published: Final 3/ 3/2017
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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

Revised

Bill Number: 2132 HB	Title: Valuation of motor vehicles	Agency: 240-Department of Licensing
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Part I: Estimates

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No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

Non-zero but indeterminate cost. Please see discussion.

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:

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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: 02/22/2017
Agency Preparation: Don Arlow	Phone: (360) 902-3736	Date: 03/03/2017
Agency Approval: Dan Weeks	Phone: (360) 902-0147	Date: 03/03/2017
OFM Review: Jim Albert	Phone: (360) 902-0419	Date: 03/03/2017

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.

Individual State Agency Fiscal Note

Agency 240 – Department of Licensing

Bill Number: HB 2132

Bill Title: Valuation of motor vehicles

Part 1: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts

NONE

Estimated Expenditures

Non-zero but indeterminate costs. Please see discussion.
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The revenue 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 the fiscal impact is **less than \$50,000** per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I)
- ☒ If fiscal impact is **greater than \$50,000** per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form
- ☐ Capital budget impact, complete Part IV
- ☐ Requires new rule making, complete Part V

Legislative Request: Linda Swanson	Phone: 360-902-0541	Date: 2/22/17
Agency Preparation: Don Arlow	Phone: 360-902-3736	Date: 2/28/17
Agency Approval: Diamatris Winston/Julie Knittle	Phone: 360-902-3644	Date: 03/02/17

Request #	3
Bill #	2132 HB

Part 2 – Explanation

The bill modifies the methodology by which certain motor vehicle excise taxes (MVET) imposed by a Regional Transit Authority (RTA) are determined.

2.A – Brief Description on what the measure does and how it has a fiscal impact

Section 1 amends RCW 81.104.160 to remove the current MVET depreciation model and replace it with values listed in the Kelly Blue Book (KBB) or National Automobile Dealers Association (NADA) publication, whichever is lower.

Section 2 amends RCW 82.44.035 to state that the depreciation schedule in this section does not apply to an MVET imposed by a RTA under RCW 81.104.160(1).

Section 3 establishes a retroactive effective date of July 15, 2015.

2.B - Cash Receipt Impact

This bill is expected to have an impact on cash receipts, however the impact is non-state revenue related. The bill would result in an indeterminate RTA revenue decrease. RTA revenues are not estimated by the Department of Licensing (DOL).

Generally, KBB or NADA valuation is assumed lower than the current valuation based on Manufacturers Suggested Retail Price (MSRP) of a vehicle. In addition, it is not known how many might obtain a refund from a RTA related to the change in valuation, which is retroactive to July 1, 2015 under section 3.

2.C – Expenditures

Expenditure estimates are indeterminate.

This bill will have an impact on expenditures, including modifications to DOL's information technology systems, and costs related to refund processing. All costs would be attributed to the Motor Vehicle Fund, Private/Local (108-7). The volume of workload would not be known until DOL completes systems modifications that include alternate valuation information for purposes of determining RTA assessments, then comparing those new valuations to those determined by current methodology.

Vehicle services programs and accounting services

New workload would be related to customer questions about vehicle valuation, and the likelihood of refund generation. All costs are dependent on the actual number of refunds processed, and the actual refund process implemented, and are therefore indeterminate.

DOL expects additional resource needs in the following areas:

- Call center and self-service channel unit workloads. The self-service channel unit manages customer email queries. These units are primarily staffed with Customer Service Specialist 2 (CSS2) positions.
- Vehicle services program and accounting workload. Program and accounting resources will also be required to manage the refund process. Staffing would include CCS2 and Office Assistant 3 program positions and Fiscal Analyst 1 accounting positions.

Other cost considerations are printing warrants, postage, envelopes, returned mail costs, subscriptions to the vehicle valuation companies specified in the bill, and the amounts refunded.

Information Services

This bill will require modifications to DOL's information technology systems. For discussion purposes DOL has included a breakdown of required work related to implementation of this bill. The agency would use appropriated funds to hire contract programmers to accomplish this work or to support current staff implementing this legislation within the required timeline. Appropriated funds may also be used to hire agency temporary staff to support permanent staff assigned to this legislative effort.

What DOL will implement:

- SFTP (Secured File Transfer Protocol):
 - Create new tables to store the data
 - Communication and testing with trading partners
 - Infrastructure changes (ports or security)
- E-Services:
 - Screen changes to display separate taxes
 - Language and purpose for calculations
 - Online fee estimators
- Vehicle/Vessel (Office) Transactions:
 - Screen changes to display separate taxes
 - Language and purpose for calculations
 - Background data changes
 - Transaction lookup
- E-Permitting:
 - Screen changes to display separate taxes
 - Language and purpose for calculations
 - Background data changes
 - Transaction lookup (leveraging vehicle/vessel transactions and calculations)
- Renewal Notices:
 - Language change
 - Display two separate tax fee amounts
- Electronic Renewal Notices:
 - Language change
 - Display two separate tax fee amounts
- Reports:
 - Report to determine customers who are entitled to a refund
- Interface to Manage Refunds:
 - Initial set-up to get access to the data
 - Obtain retroactive data
 - Compare vehicle type
 - Identify customers who would have paid less based on value
 - Calculate refunds

Cost Category	Description	Rate	2018	2019	2020	2021	2022	2023	Total Cost
TESTER	Test to verify individual components meet requirements; ensure that other business transactions have not been impacted.	18,444	48,000	-	-	-	-	-	48,000
BUSINESS ANALYST	Determine business requirements; translate requirements into what changes are needed to various systems including account codes, inventory codes, testing considerations, etc.	26,448	18,500	-	-	-	-	-	18,500
PROJECT MANAGER	Manage schedule and contracts	27,492	16,500	-	-	-	-	-	16,500
QUALITY ASSURANCE	Plan and carry out activities to assure project deliverables; e.g. preventative defect activities, align quality measures and business objectives.	31,668	38,000	-	-	-	-	-	38,000
SECURITY AND ARCHITECT SERVICES	Create the conceptual model that defines the structure, behavior and framework of a computerized system including a breakdown of the system into components, the component interactions and interfaces (including with the environment, especially the user), and the technologies and resources to be used in the design.	27,144	10,900	-	-	-	-	-	10,900
DEVELOPERS	Modify programming and coding to all major systems	18,444	62,700	-	-	-	-	-	62,700
CONTRACTED FAST DEVELOPER / TESTER	Updates to the DRIVES system will require additional vendor hours outside of the contracted maintenance to make system updates to implement this bill.	39,150	3,900	-	-	-	-	-	3,900
Project Contingency	Office of the Chief Information Officer designated rate of 10%	-	19,900	-	-	-	-	-	19,900
Totals			218,400	-	-	-	-	-	218,400

Support Services

Administrative support would be included at a rate of 12 percent of the direct program costs, captured in object EZ. This percentage is split 7 percent for Management and Support Services (MSS) and 5 percent for Information Services Division (ISD) functions. DOL uses a Fiscal Technician 2 (MSS) and an IT Specialist 4 (ISD) staffing costs as a proxy to determine FTE.

Administrative support funding received covers agency-wide functions such as vendor payments, contract administration, financial management, mail processing, equipment management, help desk support, and technical assistance to DOL employees.

Part 3 – Expenditure Detail

Expenditure estimates for this bill are indeterminate.

3.A – Expenditures by Object or Purpose

Object Name	FY 18	FY 19	17-19 Total	19-21 Total	21-23 Total
FTE Staff Years	0.4	-	0.2	-	-
Goods and Services	244,600	-	244,600	-	-
Total By Object Type	244,600	-	244,600	-	-

3.A.1 – Detail of Expenditures by Sub-Object (Goods and Services Only)

Object E - Description	FY 18	FY 19	17-19 Total	19-21 Total	21-23 Total
ER - Application Programmers	218,400	-	218,400	-	-
EZ - Indirect Costs	26,200	-	26,200	-	-
Total Goods & Services	244,600	-	244,600	-	-

3.B – FTE Detail

Position	Salary	FY 18	FY 19	17-19 Total	19-21 Total	21-23 Total
Indirect FTE		0.4	-	0.2	-	-
Total FTE		0.4	-	0.2	-	-

3.C – Expenditures by Program (Optional)

Program		FY 18	FY 19	17-19 Total	19-21 Total	21-23 Total
100 - Mgmt & Support Services	MSS	15,300	-	15,300	-	-
200 - Information Services	ISD	229,300	-	229,300	-	-
Totals by Program		244,600	-	244,600	-	-

Part 4 – Capital Budget Impact

None.

Part 5 – New Rule Making Required

None.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 2132 HB	Title: Valuation of motor vehicles
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☐ Cities:
- ☐ Counties:
- ☒ Special Districts: Regional transit authorities
- ☒ Specific jurisdictions only: Sound Transit
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☐ Legislation provides local option:
- ☒ Key variables cannot be estimated with certainty at this time: Number of refunds requested, amount of revenue decrease, and costs related to refund processing and volume of workload.

Estimated revenue impacts to:

Indeterminate Impact

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: Renee Martine-Tebow	Phone: 360-725-5045	Date: 03/03/2017
Leg. Committee Contact:	Phone:	Date: 02/22/2017
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 03/03/2017
OFM Review: Jim Albert	Phone: (360) 902-0419	Date: 03/03/2017

Part IV: Analysis

A. SUMMARY OF BILL

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

This bill would modify the methodology by which certain motor vehicle excise taxes (MVET) imposed by a Regional Transit Authority (RTA) are determined.

Sec. 1 removes the current MVET depreciation model and replace it with values listed in the Kelly Blue Book (KBB) or National Automobile Dealers Association (NADA) publication, whichever is lower.

Sec. 2 states the depreciation schedule does not apply to MVETs imposed by RTAs under RCW 81.104.160(1).

Sec. 3 makes the effective date retroactive to July 15, 2015.

BACKGROUND:

Affected RTAs include those within a county that has a population of more than 1.5 million. The only RTA meeting this requirement is Sound Transit.

B. SUMMARY OF EXPENDITURE IMPACTS

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

This bill would have an indeterminate expenditure impact. Sound Transit costs related to refund processing and the volume of workload would be dependent upon the Department of Licensing completing its system modification to include alternate valuation information for purposes of determining RTA assessments.

C. SUMMARY OF REVENUE IMPACTS

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

This bill would have an indeterminate decrease in revenues for Sound Transit. Generally, KBB or NADA valuation is assumed lower than the current valuation based on Manufacturers Suggested Retail Price (MSRP) of a vehicle. In addition, it is not known how many might obtain a refund from Sound Transit related to the change in valuation, which is retroactive to July 1, 2015.

Currently, Sound Transit does not have the Kelley Blue Book and the National Automobile Dealer pricing services necessary to replace the current MVET depreciation model. The publically available Kelley Blue Book is dependent upon a number of criteria that are owner dependent, such as, mileage and condition assessment. These are factors Sound Transit cannot determine.