

Multiple Agency Fiscal Note Summary

Bill Number: 5906 SB	Title: RTA low-income rebates
-----------------------------	--------------------------------------

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 4/ 5/2017
-------------------------------------	---------------------------------	---

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

** See local government fiscal note

Individual State Agency Fiscal Note

Bill Number: 5906 SB	Title: RTA low-income rebates	Agency: 240-Department of Licensing
-----------------------------	--------------------------------------	--

Part I: Estimates

☐

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:

☒

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: Hayley Gamble	Phone: 3607867452	Date: 03/23/2017
Agency Preparation: Don Arlow	Phone: (360) 902-3736	Date: 03/28/2017
Agency Approval: Dan Weeks	Phone: (360) 902-0147	Date: 03/28/2017
OFM Review: Jim Albert	Phone: (360) 902-0419	Date: 03/28/2017

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: SB 5906

Bill Title: RTA low-income rebates

Part 1: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts

None

Estimated Expenditures:

Non-zero but indeterminate expenditure impacts. Please see discussion.
--

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: Hayley Gamble	Phone: 360-786-7452	Date: 3/23/17
Agency Preparation: Don Arlow	Phone: 360-902-3736	Date: 3/24/17
Agency Approval: Diamatris Winston/Julie Knittle	Phone: 360-902-3644	Date: 3/24/17

Request #	1
Bill #	5906 SB

Part 2 – Explanation

This bill authorizes Sound Transit to establish a rebate program for low-income persons.

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

Section 2 is a new section in chapter 81.112 RCW that authorizes Sound Transit to create a rebate program for up to 40 percent of the motor vehicle excise tax (MVET), or property tax, or both, paid by a low-income individual. Low-income is defined as “a single person, family, or unrelated persons living together whose income is at or below 80 percent of the median income, adjusted for family size, for the county in which they reside.”

Sound Transit is responsible for development of the program, but is required to work with the Department of Licensing (DOL) regarding administration, functions, and costs associated with the rebate program. Sound Transit must submit a report to legislature two years after establishing a rebate program.

Section 3 is an emergency clause.

2.B - Cash Receipt Impact

There are no cash receipts impacts on DOL associated with the provisions of this bill.

2.C – Expenditures

The expenditure impacts are indeterminate at this time.

At the time of this documentation, DOL does not have sufficient information available to determine how Sound Transit will implement the potential rebate program.

Cost estimates would be dependent upon how the agreed upon rebate program would be implemented between DOL and Sound Transit. Costs will vary based on the level of involvement required of DOL.

DOL assumes any expenditure impacts would be included in an appropriation from the Motor Vehicle Fund-Private / Local (108-7).

Part 3 – Expenditure Detail

Expenditure estimates for this bill are indeterminate.

Part 4 – Capital Budget Impact

None.

Part 5 – New Rule Making Required

None.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5906 SB	Title: RTA low-income rebates
-----------------------------	--------------------------------------

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: Permits Sound Transit to offer a program to low-income individuals up to a 40 percent rebate on motor vehicle excise tax and property tax.
- ☒ Key variables cannot be estimated with certainty at this time: Whether or not Sound Transit would offer a rebate program and what taxes and rebate rates it would use, the number of people who would qualify for a rebate, the number of people who would apply for a rebate, the number of rebates that would be issued, the cost-per-rebate for administering the program, the total amount of the rebate, and the total downstream fiscal impact of the rebate.

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: Larry Leveen	Phone: 360-725-5030	Date: 04/05/2017
Leg. Committee Contact: Hayley Gamble	Phone: 3607867452	Date: 03/23/2017
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 04/05/2017
OFM Review: Jim Albert	Phone: (360) 902-0419	Date: 04/05/2017

Part IV: Analysis

A. SUMMARY OF BILL

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

The bill enables a regional transit authority (RTA) to establish a rebate program to provide up to a 40 percent rebate on Motor Vehicle Excise Tax (MVET) and/or property taxes paid by low-income taxpayers.

The bill would also require an RTA establishing such a rebate program to report to the Legislature on various metrics of the program two years after it takes effect.

BACKGROUND:

The only RTA that would be affected by the bill is Sound Transit. A low-income individual is defined in the bill as a person, family, or group of people living together whose income is at or below 80 percent of the median income, adjusted for family size, for the county in which they reside.

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.

The bill would have indeterminate effects on Sound Transit's expenses. The bill permits the agency to establish a rebate program involving MVET and/or property tax. A rebate program would entail costs of start up, ongoing administration, and the rebates themselves. Start-up costs are unknown but potential administration and rebate costs for each type of tax are covered below. Additionally, the bill specifies that if Sound Transit does establish a rebate program, it would also have to report to the Legislature about the program two years after its inception.

ADMINISTRATION OF MVET REBATE:

The cost to administer an MVET rebate program is unknown. The City of Seattle's Vehicle License Fee (VLF) Rebate Program for low-income individuals might offer a relevant example of potential administrative costs. Despite the differences in income thresholds, and the potential number of qualifying clients between the two programs, the respective processes entail similar activities: creating and promoting a rebate program, processing applications, verifying eligibility, and issuing rebates. Despite the city's active promotion of the program, through various means, in 2016 Seattle only issued approximately 5,000 rebates, out of an estimated 51,000 vehicles whose owners were expected to qualify for the VLF rebate. The likelihood of participation in a Sound Transit program cannot be determined. However, it is reasonable to assume that the higher the potential rebate, the more likely it would be for people to apply, assuming that the application process was no more onerous than Seattle's. Seattle's program offered a \$20 rebate on an \$80 VLF, a rate of 25 percent.

Seattle estimated that the cost to operate their program was between \$100-120 per rebate, not including the \$20 rebate itself. Sound Transit estimated that 8-9 percent of the 1,143,436 households in its district might qualify for a rebate program (91,475-102,909 households). If Sound Transit incurs costs similar to Seattle's program, it could result in a potential administrative expense in the range of \$9.14 million to \$12.35 million. With each household owning 1.82 cars (according to data from the American Community Survey), administrative cost figures could be even higher if MVET rebates cannot be grouped by household, instead of handling them individually with one vehicle per application.

COST OF MVET REBATE:

Sound Transit provided two potential scenarios with different MVET rebate percentages. Each scenario's loss was put into a financial model that shows the downstream impact of a rebate. Sound Transit assumes that in order to complete its capital program, additional bonds would have to be sold, which would entail greater debt service, and a larger fiscal impact.

Scenario 1, a 40 percent rebate to households whose income is at or below 80 percent of the median income, adjusted for family size, for the county in which they reside: the expense through 2028 would be approximately \$60 million with a fiscal impact (including additional debt service) of approximately \$180 million.

Scenario 2, a 25 percent rebate to low-income households by reducing MVET to the lower 2006 schedule: an expense through 2028 of approximately \$40 million and a fiscal impact (including additional debt service) of \$100 million.

ADMINISTRATION OF PROPERTY TAX REBATE:

The Department of Revenue confirmed that a property tax rebate could operate under RCW 84.36.381, which allows an exemption for seniors, people retired due to disability, veterans with a service-connected disability, or under certain conditions, a surviving spouse or domestic partner of any of the aforementioned people. However, in order to be eligible for a property tax rebate, one would have to be both a member of one of those groups and also a low income individual. The Snohomish County Assessor estimated that such a program

might require an additional Exemption Coordinator Assistant on their staff (\$52,000 in salary, plus \$28,000 in benefits) to administer rebates involving property tax. Costs are expected to be similar for King and Pierce County as well. Therefore, administrative costs for the assessor-oriented portion of a property tax rebate would be approximately \$240,000. Additional costs might be incurred by involving the county treasurers' offices. Sound Transit's contracts with other governmental entities, such as the Department of Licensing, have entailed reimbursement for actual costs. Therefore, it is assumed that Sound Transit would incur the full costs of administering a property tax rebate, although the bill did not specify this.

COST OF PROPERTY TAX REBATES:

Sound Transit had no estimates regarding including a property tax in a low-income rebate program. However, through 2028, the life of Sound Transit 3 (ST3), the agency projects that it will collect \$1.7 billion in property tax. It is unknown how much of this sum would be paid by people who would qualify for a low-income rebate that meets both the bill's requirements and that of RCW 84.36.381. Therefore, the cost of a property tax rebate itself cannot be calculated. A maximum possible cost can be roughly estimated by taking the average ST3 household property tax (\$1,487) and multiplying it by the estimated number of low-income households in Sound Transit's district, and factoring in a 40 percent rebate (the maximum the bill would allow). This yields a rebate of between \$54.4 million and \$61.2 million. It is likely that low-income households pay significantly less property tax than high-income households, so these figures are likely overstated. However, the figures do not include the fiscal impact multiplier of Sound Transit's financial model, which increases downstream costs (based on their assumption that more bonds would have to be sold).

COST OF REPORTING TO LEGISLATURE:

Sound Transit's estimate for an annual process for tracking, evaluating, and reporting the performance of a program to rebate motor vehicle excise taxes to low-income vehicle owners is between \$5,000 to \$10,000 per year. This would include estimating the extent to which residents in the Sound Transit district who are eligible to participate in the rebate program actually do benefit from it, broken out by geographic location and/or other relevant factors. The range in the cost estimate depends on whether readily available external data sources exist or if significant work would be required to create estimates from multiple data sources or sample data, and assumes the work is performed in-house by agency staff. If performed by outside consultants, an independent cost estimate to complete the work would be 50 percent higher, or \$7,500 to \$15,000 per reporting period.

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.

The bill would have no effect on Sound Transit's revenues. A rebate program entails collection of the full tax amount and then refunding a portion of it to those who apply and qualify for a rebate. It is therefore considered an expense in this analysis and not a loss of revenue.

SOURCES:

Sound Transit
City of Seattle
Snohomish County Assessor
Washington State Department of Revenue
United States Census Bureau