

Multiple Agency Fiscal Note Summary

Bill Number: 5571 SB	Title: Military benefit zone prg
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Estimated Cash Receipts

Agency Name	2019-21		2021-23		2023-25	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(1,497,000)	(1,500,000)	(2,496,000)	(2,500,000)	(4,493,000)	(4,500,000)
Total \$	(1,497,000)	(1,500,000)	(2,496,000)	(2,500,000)	(4,493,000)	(4,500,000)

Estimated Operating Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Commerce	.9	236,249	236,249	.4	86,064	86,064	.0	0	0
Department of Revenue	1.0	292,300	292,300	1.2	321,600	321,600	1.0	290,700	290,700
Military Department	.0	0	0	.0	0	0	.0	0	0
Total \$	1.9	528,549	528,549	1.6	407,664	407,664	1.0	290,700	290,700

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 Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Commerce	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Military Department	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

NONE

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Prepared by: Gwen Stamey, OFM	Phone: (360) 902-9810	Date Published: Final 2/ 1/2019
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 54051

FNS029 Multi Agency rollup

Individual State Agency Fiscal Note

Bill Number: 5571 SB	Title: Military benefit zone prg	Agency: 103-Department of Commerce
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Part I: Estimates

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No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.5	1.3	0.9	0.4	0.0
Account					
General Fund-State 001-1	74,452	161,797	236,249	86,064	0
Total \$	74,452	161,797	236,249	86,064	0

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.

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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: Kellee Gunn	Phone: 786-7429	Date: 01/24/2019
Agency Preparation: Matthew Ojennus	Phone: 360-725-4047	Date: 01/29/2019
Agency Approval: Joyce Miller	Phone: 360-725-2723	Date: 01/29/2019
OFM Review: Gwen Stamey	Phone: (360) 902-9810	Date: 01/30/2019

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 9 adds a new section requiring the Department of Commerce, (department), to collaborate with the Department of Revenue (DOR) to produce estimates of sales and use tax revenues from estimated taxable activity.

This section also requires the department to develop an application based on Section 9(2), and make awards based on these applications. Must report to Department Of Revenue all approved awards, and provide any information, as necessary to implement the tax authorized.

The department must accept and store ordinances, interlocal agreements, and any notices from taxing districts that elect not to be a participating taxing district. Must notify sponsoring local government of approval or denial of a project award within 60 days of receipt of the application.

Section 14 adds a new section requiring the department must approve demonstration projects within ninety days of submitting the documentation required under subsection (3) that have met the conditions, limitations, and requirements under this chapter.

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 9

ASSUMPTIONS:

0.1 FTE WMS Band 2 in FY20 and .05 FTE in FY21 and FY22 would be needed to provide program oversight and guidance.

The department assumes this new program would be coordinated by a new position, a Commerce Specialist 3. The department assumes 0.25 FTE in FY20 and 1.0 FTE in FY21, and 0.5 FTE in FY22.

1.0 FTE Commerce Specialist 3 provide or build capacity around solicitation, origination, management, and the monitoring of project contracts. Compliance may include site visits and corresponding compliance reports. Assist senior management with drafting legislation, representing the agency, developing policy positions, and coordinating the state's role with respect to the implementation of the program.

A hiring process to secure the Military Benefit Zone program coordinator would require 60 to 90 days. The program is structurally similar to the Local Infrastructure Financing Tool (LIFT), which required nine to twelve months to conduct the stakeholder outreach and program development with DOR necessary to provide technical assistance, and accept and process applications. The department assumes that a business ecosystems program

would require similar outreach and development work as LIFT. For these reasons, the department assumes that applications may not begin to be received until after August 1, 2019.

The department assumes the Military Benefit Zone program coordinator would require a workstation, computer, and dual monitors.

The department assumes that outreach to local governments and a general education campaign would be required to raise awareness and advise the technical aspects of the new program. Local governments would be required to submit annual project reports, and it is assumed the department would create and include format guidance within any outreach.

Salaries and Benefits

FY20 \$ 43,779

FY21 \$ 105,760

FY22 \$ 56,425

Goods and Services

FY20 \$ 23,433

FY21 \$ 55,357

FY22 \$ 29,639

Note: Standard goods and services costs include supplies and materials, employee development and training, Attorney General costs, central services charges and agency administration. Agency administration costs (e.g., payroll, HR, IT) are funded under a federally approved cost allocation plan.

Travel

FY21: \$494

FY22: \$680

Equipment:

FY21:6,746 for a workstation, computer and monitors

Total Costs

FY20 \$ 74,452

FY21 \$161,797

FY22 \$ 86,064

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2020	FY 2021	2019-21	2021-23	2023-25
001-1	General Fund	State	74,452	161,797	236,249	86,064	0
Total \$			74,452	161,797	236,249	86,064	0

III. B - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.5	1.3	0.9	0.4	
A-Salaries and Wages	32,381	77,399	109,780	41,394	
B-Employee Benefits	11,398	28,361	39,759	15,031	
C-Professional Service Contracts					
E-Goods and Other Services	23,433	55,357	78,790	29,639	
G-Travel	494	680	1,174		
J-Capital Outlays	6,746		6,746		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	74,452	161,797	236,249	86,064	0

III. C - Operating FTE 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 2020	FY 2021	2019-21	2021-23	2023-25
Administrative Services-Indirect	69,552	0.1	0.2	0.2	0.1	
Commerce Specialist 3	72,010	0.3	1.0	0.7	0.3	
WMS Band 2	107,777	0.1	0.1	0.1	0.1	
Total FTEs		0.5	1.3	0.9	0.4	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

Bill Number: 5571 SB	Title: Military benefit zone prg	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2020	FY 2021	2019-21	2021-23	2023-25
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	(998,000)	(499,000)	(1,497,000)	(2,496,000)	(4,493,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax	(2,000)	(1,000)	(3,000)	(4,000)	(7,000)
Total \$	(1,000,000)	(500,000)	(1,500,000)	(2,500,000)	(4,500,000)

Estimated Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.9	1.0	1.0	1.2	1.0
Account					
GF-STATE-State 001-1	144,200	148,100	292,300	321,600	290,700
Total \$	144,200	148,100	292,300	321,600	290,700

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: Kellee Gunn	Phone: 786-7429	Date: 01/24/2019
Agency Preparation: Diana Tibbetts	Phone: 360-534-1520	Date: 01/29/2019
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 01/29/2019
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 01/30/2019

Request # 5571-1-1

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 legislation creates a new local military benefit financing program. It authorizes cities and counties to create "military benefit zones" (MBZ) and allows certain increases in local sales and use tax revenues and local property tax allocation revenues generated from within the MBZ, additional funds from other local public sources, and a state contribution for use as payment of bonds issued for financing local public improvements within the MBZ. The new program constitutes a new chapter in Title 39 RCW. The Department of Commerce and the Department of Revenue (Department) administer the new program.

The local government that has created the MBZ must apply to the Department of Commerce and seek a state contribution. This legislation designates one demonstration project for the city of Lakewood that must be approved for \$1 million by the Department of Commerce if it meets the applicable conditions, limitations and requirements. Local government sponsors must submit applications by no later than September 1, 2019.

The state contribution is provided through a new local sales and use tax that is credited against the state's sales and use tax. The rate for the new sales/use tax may be up to 6.5 percent less the rates of existing local sales/use taxes that are credited against the state sales/use tax, anticipated rates of taxes previously approved through the Local Infrastructure Financing Tool (LIFT) program, the Hospital Benefit Zone (HBZ) program and the Local Revitalization Financing (LRF) program, and distributions of state sales/use tax revenues diverted to performance audits. The rate must also be no greater than what is reasonably necessary for the sponsoring local government to receive the full amount of state contribution over ten months. The tax revenue must be used to pay off bonds that finance public improvements. The state contribution must also be matched with funds from local public sources that are dedicated to either paying the bonds or used to pay for public improvements in the revitalization area on a pay as you go basis. The tax can continue for 25 years or until the bonds are paid off, whichever is first. The soonest the new local tax for projects can be imposed is July 1, 2020. A sponsoring military community may have more than one military benefit zone.

The annual statewide contribution is limited to \$5 million per fiscal year plus the additional amounts approved for demonstration projects.

The total amount that a local government can receive in any fiscal year from the state through the MBZ tax is limited to the lesser of: 1) The state contribution, 2) the amount of project award granted by the Department of Commerce, 3) The total amount of revenues from local public sources dedicated or, in the case of carry forward revenues, deemed dedicated in the preceding calendar year, as reported in the required annual report.

Local governments estimate incremental state and local sales/use taxes in the MBZ reported in annual reports to the Department along with additional information. At least once every three years, the local government is required to provide updated estimates of the state benefit. The state benefit is the amount of increases state excise tax allocation revenues anticipated to have been received in the preceding calendar years from the military benefit zone after approval was given. The Department must summarize the information in the annual reports and report to the Legislature by June 1 of each year.

This program does not have an expiration date and is effective 90 days after the legislative session ends if the legislature adopts this proposal.

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

- This proposal is specific to Joint Base Lewis-McCord, it is assumed that demonstration project will proceed in 2020 for a one-time \$1 million award.
- The annual state contribution limit is \$5 million.
- After 2020, one project will be approved for \$500,000 per fiscal year until the \$5 million annual state contribution limit is met.
- Depending on how many projects get approved, the \$5 million cap could be met earlier.

REVENUE ESTIMATES

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2020 -	(\$ 1,000)
FY 2021 -	(\$ 500)
FY 2022 -	(\$ 1,000)
FY 2023 -	(\$ 1,500)
FY 2024 -	(\$ 2,000)
FY 2025 -	(\$ 2,500)

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

FY 2020 -	\$ 1,000
FY 2021 -	\$ 500
FY 2022 -	\$ 1,000
FY 2023 -	\$ 1,500
FY 2024 -	\$ 2,000
FY 2025 -	\$ 2,500

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:

One new Military Benefit Zone will be added each fiscal year.

FIRST YEAR COSTS:

The Department will incur total costs of \$144,200 in Fiscal Year 2020. These costs include:

Labor Costs - Time and effort equates to 0.9 FTE.

- Set up, program and test computer systems for a Military Benefit Zone (MBZ) with new local sales and use tax codes and dedicated fund.
- Update the Graphic Information System for a new MBZ.
- Resolve additional error and out of balance and amended returns, respond to secure messages and correspondence, answer telephone questions, monitor reports and assist taxpayers with reporting and local jurisdictions with inquiries.

Object Costs - \$52,800.

- Contract computer system programming.

SECOND YEAR COSTS:

The Department will incur total costs of \$148,100 in Fiscal Year 2021. These costs include:

Labor Costs - Time and effort equates to 1.0 FTE.

- Create new local sales and use tax codes for a new MBZ.

- Update the Graphic Information System for a new MBZ.

- Resolve additional error and out of balance and amended returns, respond to secure messages and correspondence, answer telephone questions, monitor reports and assist taxpayers with reporting and local jurisdictions with inquiries.

Object Costs - \$52,800.

- Contract computer system programming.

ONGOING COSTS:

Ongoing costs for the 2021-2023 Biennium equal \$321,600 and include similar activities described in the second year costs.

Time and effort equates to 1.1 FTEs in Fiscal Year 2022 and 1.2 FTEs in Fiscal Year 2023.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.9	1.0	1.0	1.2	1.0
A-Salaries and Wages	57,800	63,400	121,200	143,600	123,200
B-Employee Benefits	17,300	19,000	36,300	43,100	36,800
C-Professional Service Contracts	52,800	52,800	105,600	105,600	105,600
E-Goods and Other Services	10,300	10,400	20,700	23,700	20,400
J-Capital Outlays	6,000	2,500	8,500	5,600	4,700
Total \$	\$144,200	\$148,100	\$292,300	\$321,600	\$290,700

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 2020	FY 2021	2019-21	2021-23	2023-25
EXCISE TAX EX 3	56,256	0.1	0.2	0.2	0.4	0.5
FORMS AND RECORDS	54,924	0.1	0.1	0.1	0.1	0.1
ANALYST SUPV						
IT SPEC 4	70,320	0.1	0.1	0.1	0.1	0.1
IT SPEC 5	77,616	0.1	0.1	0.1	0.1	0.1
MGMT ANALYST4	63,684	0.5	0.5	0.5	0.5	0.3
Total FTEs		0.9	1.0	1.0	1.2	1.0

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.

No rule-making required.

Individual State Agency Fiscal Note

Bill Number: 5571 SB	Title: Military benefit zone prg	Agency: 245-Military Department
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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: Kellee Gunn	Phone: 786-7429	Date: 01/24/2019
Agency Preparation: Regan Hesse	Phone: 253-512-8115	Date: 01/31/2019
Agency Approval: Regan Hesse	Phone: 253-512-8115	Date: 01/31/2019
OFM Review: Bryan Way	Phone: (360) 902-0650	Date: 01/31/2019

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 authorizes a local government (defined as any city town, or county within two miles of the boundary of Joint Base Lewis-McChord, Naval Base Kitsap, Naval Station Everett, Fairchild Air Force Base, and Naval Air Station Whidbey Island) to establish a military benefit zone, the purpose of which is to direct state allocation of taxes to that area to fund public improvement projects within that area.

The Military Department is situated in Lakewood, directly adjacent to Joint Base Lewis-McChord (JBLM), and therefore would likely lie within a future military benefit zone. The Readiness Center in Spokane is similarly situated adjacent to Fairchild Air Force Base. If a local government (such as the City of Lakewood, Town of Steilacoom, or Pierce County, or City of Spokane) wanted to increase tax revenues to fund public improvement projects near JBLM or Fairchild AB, this act would permit the local government to designate a military improvement zone within a fixed geographic boundary, and increase the property tax rate or the sales and use tax rate within the military improvement zone. The total taxes paid by the Military Department would remain the same, but the distribution between state and local recipients would change.

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 cash receipts; only local governments are permitted to establish a military benefit zone under this act.

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.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5571 SB	Title: Military benefit zone prg
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☒ Cities: Cities electing to designate a military benefit zone (MBZ); ordinance costs
- ☒ Counties: Same as above
- ☒ Special Districts: Potential ordinance costs
- ☒ Specific jurisdictions only: Cities: Airway Heights; Bremerton; DuPont; Everett; Lakewood; Medical Lake; Oak Harbor; Port Orchard; Poulsbo; Steilacoom; and Yelm. Counties: Kitsap; Island; Pierce; Snohomish; Spokane and Thurston.
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☒ Expenditures represent one-time costs: Establishing or electing to not participate in an MBZ
- ☒ Legislation provides local option: Cities or counties may elected to designate or to not participate MBZs in qualified locations
- ☒ Key variables cannot be estimated with certainty at this time: Number of MBZs; type of projects; length of projects; number of special districts within MBZs

Estimated revenue impacts to:

Indeterminate Impact

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: Allan Johnson	Phone: 360-725-5033	Date: 01/31/2019
Leg. Committee Contact: Kellee Gunn	Phone: 786-7429	Date: 01/24/2019
Agency Approval: Renee Martine-Tebow	Phone: 360-725-5045	Date: 01/31/2019
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 02/01/2019

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 authorize counties and cities to create "military benefit zones" (MBZs) through a new local military benefit financing program, administered by the Department of Commerce (Commerce) and the Department of Revenue (DOR). It would allow certain increases in local sales and use tax revenues generated from within the MBZ to repay bonds sold to build public improvements within the MBZ. The legislation would establish an authorized increment of local property tax revenue to finance construction of local public improvements within the MBZ.

Jurisdictions could establish MBZs in areas located within two miles of the boundary of Joint Base Lewis-McChord, Naval Base Kitsap, Naval Station Everett, Fairchild Air Force Base and Naval Air Station Whidbey Island. A sponsoring military community may have more than one MBZ. Jurisdictions would apply to the Department of Commerce to have an areas designated as a MBZ.

This bill would require the City of Lakewood to be approved for \$1 million by Commerce for one pilot project if it meets the applicable conditions, limitations, and requirements. Local governments would be able to apply to Commerce for a grant. The annual statewide contribution is limited to \$5 million per fiscal year plus the additional amounts approved for demonstration projects.

The state contribution is provided through a new local sales and use tax that is credited against the state's sales and use tax.

Tax revenue must be used to pay off bonds that finance public improvements. The state contribution must also be matched with funds from local public sources that are dedicated to either paying the bonds or used to pay for public improvements in the revitalization area on a pay as you go basis. The tax can continue for 25 years or until the bonds are paid off, whichever is first. The soonest the new local tax for projects can be imposed is July 1, 2020.

The total amount that a local government can receive in any fiscal year from the state through the MBZ tax is limited to the lesser of: 1) the state contribution, 2) the amount of project award granted by Commerce, 3) the total amount of revenues from local public sources dedicated or, in the case of carry forward revenues, deemed dedicated in the preceding calendar year, as reported in the annual report to DOR required under RCW 82.32.765.

Local governments estimate incremental state and local sales/use taxes in the MBZ reported in annual reports to DOR along with additional information. At least once every three years, the local government is required to provide updated estimates of the state benefit. The state benefit is the amount of increases state excise tax allocation revenues anticipated to have been received in the preceding calendar years from the military benefit zone after approval was given.

This program does not have an expiration date and is effective 90 days after the legislative session ends if the legislature adopts this proposal.

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 impact on local government operating and capital improvement expenditures. These expenditures would be incurred after a sponsoring jurisdiction(s) elected to designate a MBZ. Thus, any expenditures would be voluntary for the sponsoring jurisdiction(s).

-- The size and length of specific projects are unknown.

-- Additional expenditures of local resources may be required if revenue generated is not adequate to pay for the debt payments over time.

There would be local government administrative costs for creation of the MBZ; costs for the grant application to the Department of Commerce; and costs for administration over the life of the revenue bond issued, which would require staff time on an annual basis to administer. Each of these costs are indeterminate.

Taxing districts covered wholly or in part by the proposed military benefit zone may opt out of allowing part or all of their property tax levies to be used for financing the newly created taxing area by passing an ordinance. It is unknown how many jurisdictions would choose to do so. Therefore, the costs for ordinances to opt out are indeterminate. For illustrative purposes, the cost of a simple ordinance without hearing is estimated at \$350 per jurisdiction.

ASSUMPTIONS:

This legislation is anticipated to allow 11 cities and six counties the ability to designate an MBZ. The number of impacted special districts

is unknown. Eligible cities include: Airway Heights; Bremerton; DuPont; Everett; Lakewood; Medical Lake; Oak Harbor; Port Orchard; Poulsbo; Steilacoom; and Yelm. Eligible counties include: Kitsap; Island; Pierce; Snohomish; Spokane and Thurston.

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 overall indeterminate impact on local government revenues electing to designate an MBZ.

The amount of revenue cannot be estimated in advanced and will vary based upon: the increase in qualified property tax revenue increments; variances in sales tax revenue; grant allocations from the Commerce and bond financing proceeds. It is unknowable if these revenue sources would be adequate to fully cover the local government's debt payments over time and, in such cases where they do not, jurisdictions may experience a net reduction in revenue where new revenues do not fully offset new debt payments.

Jurisdictions electing to establish MBZs would contribute an indeterminate amount of non-state local revenue including federal and private sources that are dedicated to the payment of bonds for public improvements within the MBZ.

TAX SHIFT:

Local governments not participating in the MBZ but located fully or partially within the boundaries would experience a tax shift. The magnitude of this impact cannot be predicted in advance and is indeterminate.

CITY OF LAKEWOOD:

Commerce would approve the City of Lakewood for \$1 million for a pilot project. The Local Government Fiscal Note Program assumes the city would meet the applicable conditions, limitations, and requirements.

DEPARTMENT OF COMMERCE GRANTS:

DOR assumes one new project will be approved for \$500,000 per fiscal year beginning in 2021. The annual statewide contribution is limited to \$5 million per fiscal year. A total of five MBZs are anticipated by FY 2025 by DOR.

Total Local Government Award

FY 2021 - \$500,000

FY 2022 - \$1 million

FY 2023 - \$1.5 million

FY 2024 - \$2.0 million

FY 2025 - \$2.5 million

It is unknown which local governments would be awarded the monies. While it is likely that cities will be the jurisdictions proposing MBZs, it is possible that counties could also elect to do so. It is also unknown which or how many special districts would elect to not participate in the taxing area. As a result, a distribution of grant revenues by type of jurisdiction is not possible.

SOURCES:

Association of Washington Cities

Department of Commerce

Department of Commerce fiscal note

Department of Revenue fiscal note

Local Government Fiscal Note Program Unit Cost Data (2019)

Local Government fiscal note SB 6272 (2018)

Local Government fiscal note SB 2635 (2018)

Washington Association of County Officials



Multiple Agency Ten-Year Analysis Summary

Bill Number	Title
5571 SB	Military benefit zone prg

This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

Estimated Cash Receipts

Department of Commerce	0	0	0	0	0	0	0	0	0	0	0
Department of Revenue	0	0	0	0	0	0	0	0	0	0	0
Military Department	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0



Ten-Year Analysis

Bill Number 5571 SB	Title Military benefit zone prg	Agency 103 Department of Commerce
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

☒ **No Cash Receipts** ☐ **Partially Indeterminate Cash Receipts** ☐ **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code											
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Agency Preparation: Matthew Ojennus	Phone: 360-725-4047	Date: 1/29/2019 4:54:14 pm
Agency Approval: Joyce Miller	Phone: 360-725-2723	Date: 1/29/2019 4:54:14 pm
OFM Review: Gwen Stamey	Phone: (360) 902-9810	Date: 1/30/2019 2:37:43 pm



Ten-Year Analysis

Bill Number 5571 SB	Title Military benefit zone prg	Agency 140 Department of Revenue
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

<input checked="" type="checkbox"/> No Cash Receipts	<input type="checkbox"/> Partially Indeterminate Cash Receipts	<input type="checkbox"/> Indeterminate Cash Receipts
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Name of Tax or Fee	Acct Code											
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Narrative Explanation (Required for Indeterminate Cash Receipts)

This legislation creates a new local military benefit financing program. It authorizes cities and counties to create "military benefit zones" (MBZ) and allows certain increases in local sales and use tax revenues and local property tax allocation revenues generated from within the MBZ, additional funds from other local public sources, and a state contribution for use as payment of bonds issued for financing local public improvements within the MBZ. The new program constitutes a new chapter in Title 39 RCW. The Department of Commerce and the Department of Revenue (Department) administer the new program.

The local government that has created the MBZ must apply to the Department of Commerce and seek a state contribution. This legislation designates one demonstration project for the city of Lakewood that must be approved for \$1 million by the Department of Commerce if it meets the applicable conditions, limitations and requirements. Local government sponsors must submit applications by no later than September 1, 2019.

The state contribution is provided through a new local sales and use tax that is credited against the state's sales and use tax. The rate for the new sales/use tax may be up to 6.5 percent less the rates of existing local sales/use taxes that are credited against the state sales/use tax, anticipated rates of taxes previously approved through the Local Infrastructure Financing Tool (LIFT) program, the Hospital Benefit Zone (HBZ) program and the Local Revitalization Financing (LRF) program, and distributions of state sales/use tax revenues diverted to performance audits. The rate must also be no greater than what is reasonably necessary for the sponsoring local government to receive the full amount of state contribution over ten months. The tax revenue must be used to pay off bonds that finance public improvements. The state contribution must also be matched with funds from local public sources that are dedicated to either paying the bonds or used to pay for public improvements in the revitalization area on a pay as you go basis. The tax can continue for 25 years or until the bonds are paid off, whichever is first. The soonest the new local tax for projects can be imposed is July 1, 2020. A sponsoring military community may have more than one military benefit zone.

The annual statewide contribution is limited to \$5 million per fiscal year plus the additional amounts approved for demonstration projects.

The total amount that a local government can receive in any fiscal year from the state through the MBZ tax is limited to the lesser of: 1) The state contribution, 2) the amount of project award granted by the Department of Commerce, 3) The total amount of revenues from local public sources dedicated or, in the case of carry forward revenues, deemed dedicated in the preceding calendar year, as reported in the required annual report.



Ten-Year Analysis

Bill Number	Title	Agency
5571 SB	Military benefit zone prg	140 Department of Revenue

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

Local governments estimate incremental state and local sales/use taxes in the MBZ reported in annual reports to the Department along with additional information. At least once every three years, the local government is required to provide updated estimates of the state benefit. The state benefit is the amount of increases state excise tax allocation revenues anticipated to have been received in the preceding calendar years from the military benefit zone after approval was given. The Department must summarize the information in the annual reports and report to the Legislature by June 1 of each year.

This program does not have an expiration date and is effective 90 days after the legislative session ends if the legislature adopts this proposal.

ASSUMPTIONS

- This proposal is specific to Joint Base Lewis-McCord, it is assumed that demonstration project will proceed in 2020 for a one-time \$1 million award.
- The annual state contribution limit is \$5 million.
- After 2020, one project will be approved for \$500,000 per fiscal year until the \$5 million annual state contribution limit is met.
- Depending on how many projects get approved, the \$5 million cap could be met earlier.

REVENUE ESTIMATES

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2020 - (\$ 1,000)
FY 2021 - (\$ 500)
FY 2022 - (\$ 1,000)
FY 2023 - (\$ 1,500)
FY 2024 - (\$ 2,000)
FY 2025 - (\$ 2,500)

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

FY 2020 - \$ 1,000
FY 2021 - \$ 500
FY 2022 - \$ 1,000
FY 2023 - \$ 1,500
FY 2024 - \$ 2,000
FY 2025 - \$ 2,500



Ten-Year Analysis

Bill Number	Title	Agency
5571 SB	Military benefit zone prg	140 Department of Revenue

Agency Preparation: Diana Tibbetts	Phone: 360-534-1520	Date: 1/29/2019 2:31:19 pm
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 1/29/2019 2:31:19 pm
OFM Review: Gwen Stamey	Phone: (360) 902-9810	Date: 1/30/2019 2:37:43 pm



Ten-Year Analysis

Bill Number 5571 SB	Title Military benefit zone prg	Agency 245 Military Department
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

☒ **No Cash Receipts** ☐ **Partially Indeterminate Cash Receipts** ☐ **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code											
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Narrative Explanation (Required for Indeterminate Cash Receipts)

This bill authorizes a local government (defined as any city town, or county within two miles of the boundary of Joint Base Lewis-McChord, Naval Base Kitsap, Naval Station Everett, Fairchild Air Force Base, and Naval Air Station Whidbey Island) to establish a military benefit zone, the purpose of which is to direct state allocation of taxes to that area to fund public improvement projects within that area. The Military Department is not a qualifying local government entity, and therefore would not collect any revenue as a result of this bill.

Agency Preparation: Regan Hesse	Phone: 253-512-8115	Date: 1/31/2019 12:16:41 pm
Agency Approval: Regan Hesse	Phone: 253-512-8115	Date: 1/31/2019 12:16:41 pm
OFM Review: Gwen Stamey	Phone: (360) 902-9810	Date: 1/30/2019 2:37:43 pm