

Multiple Agency Fiscal Note Summary

Bill Number: 6328 SB	Title: Local infra. investment 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	(1,000,000)	(1,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Total \$	(1,000,000)	(1,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)

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 Operating Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.4	181,000	181,000	.3	45,300	45,300	.1	17,200	17,200
Total \$	0.4	181,000	181,000	0.3	45,300	45,300	0.1	17,200	17,200

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

Estimated Capital Budget Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.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

Prepared by: Ramona Nabors, OFM	Phone: (360) 902-0547	Date Published: Final 1/28/2020
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Department of Revenue Fiscal Note

Bill Number: 6328 SB	Title: Local infra. investment 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		(1,000,000)	(1,000,000)	(2,000,000)	(2,000,000)
Total \$		(1,000,000)	(1,000,000)	(2,000,000)	(2,000,000)

Estimated Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.4	0.3	0.4	0.3	0.1
Account					
GF-STATE-State 001-1	152,600	28,400	181,000	45,300	17,200
Total \$	152,600	28,400	181,000	45,300	17,200

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

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: Jeff Olsen	Phone: 360-786-7428	Date: 01/16/2020
Agency Preparation: Diana Tibbetts	Phone: 360-534-1520	Date: 01/23/2020
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 01/23/2020
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 01/28/2020

Request # 6328-1-1

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.

An ACT Relating to creating a local infrastructure investment program to support the development of affordable housing, workforce housing, and revitalization efforts.

This legislation allows participating local jurisdictions that build approved local infrastructure to support the development of affordable housing, workforce housing, or support revitalization efforts within a revitalization district to get a one-time 4.37 percent remittance for sales tax paid on such projects. The remittance comes from the state portion of the sales tax. The state sales tax rate is currently 6.5 percent.

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

- Local jurisdictions can receive a remittance of 4.37 percent on the construction of affordable housing or workforce housing.
- 80 percent of project cost is for construction.
- Effective 90 days after the end of the Legislative Session.

This estimate is based on 10 affordable housing projects will be built in each fiscal year with an average cost of \$3 million per project. Depending on the number and cost of the affordable housing projects built, the revenue impact could increase significantly.

DATA SOURCES

- Affordable Housing Advisory Board Update January 2019.

REVENUE ESTIMATES

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

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

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

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

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.

FIRST YEAR COSTS:

The Department of Revenue will incur total costs of \$152,600 in Fiscal Year 2020. These costs include:

- Labor Costs - Time and effort equates to 0.4 FTEs.
- Prepare refunds and assessments.
- Respond to additional telephone questions, email and written correspondence.
- Create Special Notice.
- Set up, program and test computer system changes.

Object Costs - \$110,000.

- Set up, program and test computer system changes.

SECOND YEAR COSTS:

The Department of Revenue will incur total costs of \$28,400 in Fiscal Year 2021. These costs include:

- Labor Costs - Time and effort equates to 0.3 FTEs.
- Prepare refunds and assessments.
- Respond to additional telephone questions, email and written correspondence.

ONGOING COSTS:

Ongoing costs for the 2021-2023 Biennium equal \$45,300 and include similar activities described in the second year costs. Time and effort equates to 0.25 FTEs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.4	0.3	0.4	0.3	0.1
A-Salaries and Wages	27,200	18,500	45,700	30,100	11,600
B-Employee Benefits	8,200	5,500	13,700	9,000	3,400
C-Professional Service Contracts	110,000		110,000		
E-Goods and Other Services	4,500	3,300	7,800	5,200	1,800
J-Capital Outlays	2,700	1,100	3,800	1,000	400
Total \$	\$152,600	\$28,400	\$181,000	\$45,300	\$17,200

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	57,948	0.1	0.2	0.2	0.2	0.1
IT QA-JOURNEY	83,148	0.1		0.1		
MGMT ANALYST4	68,892	0.1	0.1	0.1	0.1	
TAX INFO SPEC 4	62,460	0.1		0.1		
Total FTEs		0.4	0.3	0.4	0.3	0.1

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

NONE

None.

Part V: New Rule Making Required

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 6328 SB	Title: Local infra. investment prg
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☒ Cities: Cities commencing the program would have one-time costs and would receive dedicated revenue on a per project basis
- ☒ Counties: Same as above
- ☐ Special Districts:
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☒ Expenditures represent one-time costs: Associated with program start-up (adopting an ordinance, holding a public hearing and providing public notice)
- ☒ Legislation provides local option: Cities and counties may initiate local infrastructure investment program
- ☒ Key variables cannot be estimated with certainty at this time: Which jurisdictions will adopt programs, how many projects per jurisdiction will be eligible.

Estimated revenue impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated expenditure impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 01/20/2020
Leg. Committee Contact: Jeff Olsen	Phone: 360-786-7428	Date: 01/16/2020
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 01/20/2020
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 01/28/2020

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 create a new local infrastructure investment program to support the development of affordable housing, workforce housing, and revitalization efforts.

Section 2 allows local jurisdictions to receive a one-time remittance per project that is the equivalent of 4.37 percent sales and use tax for the development of affordable housing, workforce housing, or to support revitalization efforts within a revitalization district. The remittance will be credited against the sales and use tax due to the state.

Section 3 requires local governments commencing the program to adopt an ordinance outlining thresholds, requirements, definitions and boundaries, and hold a public hearing.

Section 4 requires a local government commencing the program to provide public notice (at least; one local news publication, notice in six public places, and a mailer to property owners).

Section 5 requires local governments to notify and provide information to the State Dept. of Revenue.

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 result in an indeterminate expenditure increase for local governments who choose to commence the program.

The predicted costs associated with initiating the program (adopting an ordinance, holding a public hearing and providing public notice) per average jurisdiction is \$8,721 according to the Local Government Fiscal Note Program Unit Costs Model. There will be additional administrative costs that include reporting information to the Washington State Dept. of Revenue.

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 result in an indeterminate revenue increase for those jurisdictions who choose to administer the program. For illustrative purposes, the Local Government Fiscal Note Program estimates a potential revenue increase of between \$875,000 and \$4,000,000 per year per local government who adopts the local infrastructure investment program. The resulting revenue would be dedicated toward the development of affordable housing, workforce housing, and revitalization efforts.

It is unknown which cities and counties would commence the program and the number of eligible projects per jurisdiction may vary. The city of Tumwater estimates they would have two eligible projects per year. The city of Wenatchee estimates they would have one eligible project per year.

This program would allow a one-time remittance (equivalent of 4.37 percent sales and use tax) per project on the development of affordable housing, workforce housing, or to support revitalization efforts. The remittance will be credited against the sales and use tax due to the state. For example, the City of Wenatchee estimates an eligible project's value to be between \$20,000,000 and \$50,000,000 and thus a 4.37 percent remittance rate would range between \$875,000 and \$2,000,000.

Therefore, a potential range of revenue per year per jurisdiction could be \$875,000 (if there was one lower-range, eligible project) to \$4,000,000 (if there were two upper-range, eligible projects).

SOURCES

City of Wenatchee

City of Tumwater

Local Government Fiscal Note Program Unit Costs Model

Washington State Dept. of Revenue