

Multiple Agency Fiscal Note Summary

Bill Number: 2723 E S HB PL	Title: Off-raod vehicle enforcement
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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 Licensing	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Total \$	0	0	0	0	0	0

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	.2	30,700	30,700	.5	92,200	92,200	.5	91,200	91,200
Department of Licensing	.1	0	77,000	.0	0	30,000	.0	0	30,000
Total \$	0.3	30,700	107,700	0.5	92,200	122,200	0.5	91,200	121,200

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
Department of Licensing	.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

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Prepared by: Veronica Jarvis, OFM	Phone: (360) 902-0649	Date Published: Final 5/18/2020
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Department of Revenue Fiscal Note

Bill Number: 2723 E S HB PL	Title: Off-raod vehicle enforcement	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years		0.3	0.2	0.5	0.5
Account					
GF-STATE-State 001-1		30,700	30,700	92,200	91,200
Total \$		30,700	30,700	92,200	91,200

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:	Phone:	Date: 05/01/2020
Agency Preparation: Marianne McIntosh	Phone: 360-534-1505	Date: 05/15/2020
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 05/15/2020
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 05/18/2020

Request # 2723-3-1

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 ESHB 2723 as passed in the 2020 Legislative Session.

CURRENT LAW:

ORVs and snowmobiles owned by a resident of another state with a valid ORV permit or registration are exempt from Washington ORV registration and decals when using the ORV in the state. This exemption is granted only to the extent that the other state has a similar exemption or privilege.

Every February beginning in 2018, motorsports vehicle manufacturers must report to the Department of Licensing (Licensing) a listing of all motorsports vehicles warranties for ORVs and snowmobiles sold to Washington residents. Licensing must review the list and verify the vehicles are properly registered. Residents who did not register their vehicle will receive via certified mail and return receipt, notification of their obligations from Licensing.

COMPARISON OF ENGROSSED SUBSTITUTE BILL WITH THE SUBSTITUTE BILL:

The engrossed substitute allows a resident of another state to register their ORV in Washington without paying a fee if the person presents an unexpired driver's license and a current ORV registration in their state.

PROPOSAL:

This bill requires a resident of a state that borders Washington and that does not impose a retail sales and use tax on the sales or use of off-road vehicles (ORV) to register their off-road vehicle in Washington state. The fee is waived if the resident presents an unexpired driver's license and a current ORV registration in their state. A fine is imposed for Washington residents who knowingly register their ORV or snowmobile in another state to avoid retail sales and use tax.

This bill requires Department of Revenue (Department) to work with Licensing to notify residents of their ORV and snowmobile registration obligations. Licensing must also prepare a report by December 15, 2021, for the governor and the transportation committees of the legislature on the effectiveness of this proposal and improving compliance with state laws relating to the registration of ORVs and snowmobiles.

EFFECTIVE DATE:

The bill takes effect 90 days after final adjournment of the session in which it is enacted.

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.

This legislation results in no revenue impact to taxes administered by the Department of Revenue.

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:

- This bill affects 1,200 individuals that purchased an ORV.
- All fees will be collected by Licensing.
- Fifty percent of those receiving a notice will require further follow-up and fifty percent of those will receive an assessment.

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FIRST YEAR COSTS:

The Department will incur total costs of \$30,700 in Fiscal Year 2021. These costs include:

Labor Costs - Time and effort equates to 0.3 FTEs.

- Review information received from Licensing and contact and assess those ORV owners who do not respond to the certified letter.

Object Costs - \$3,700.

- Sending certified letters to those ORV owners that Licensing has determined have not properly registered an ORV.

SECOND YEAR COSTS:

The Department will incur total costs of \$45,600 in Fiscal Year 2022. These costs include:

Labor Costs - Time and effort equates to 0.5 FTEs.

- Review information received from Licensing and contact and assess those ORV owners who do not respond to the certified letter.

Object Costs - \$3,700.

- Sending certified letters to those ORV owners that Licensing has determined have not properly registered an ORV.

ONGOING COSTS:

Ongoing costs for the 2023 equal \$45,600 and include similar activities described in the second year costs. Time and effort equates to 0.5 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		0.3	0.2	0.5	0.5
A-Salaries and Wages		16,200	16,200	54,000	54,000
B-Employee Benefits		4,900	4,900	16,200	16,200
E-Goods and Other Services		7,300	7,300	18,000	17,800
G-Travel		300	300	1,000	1,000
J-Capital Outlays		2,000	2,000	3,000	2,200
Total \$		\$30,700	\$30,700	\$92,200	\$91,200

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
REVENUE AGENT 2	53,904		0.3	0.2	0.5	0.5
Total FTEs			0.3	0.2	0.5	0.5

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

Request # 2723-3-1

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

Individual State Agency Fiscal Note

Revised

Bill Number: 2723 E S HB PL	Title: Off-raod vehicle enforcement	Agency: 240-Department of Licensing
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

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

Estimated Operating Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.0	0.2	0.1	0.0	0.0
Account					
Motor Vehicle Account-State 108-1	0	77,000	77,000	30,000	30,000
Total \$	0	77,000	77,000	30,000	30,000

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:	Phone:	Date: 05/01/2020
Agency Preparation: Merdan Bazarov	Phone: 360-902-3795	Date: 05/06/2020
Agency Approval: Kristin Bettridge	Phone: 360-902-3644	Date: 05/06/2020
OFM Review: Veronica Jarvis	Phone: (360) 902-0649	Date: 05/07/2020

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 modifies the requirements of the Department of Licensing (DOL) in notifying off-road vehicle (ORV) and snowmobile owners that have purchased the vehicle outside of the state, changes the reciprocity of use permits and registrations from other states, and creates new penalties.

Additionally, it adds a requirement for DOL to report to the governor and the transportation committees on the effectiveness of this act in improving compliance with state laws.

Section 1(4)(b) amends RCW 46.09.420 to create an exemption for reciprocity of a use permit or vehicle registration. This exemption does not apply to an off-road vehicle owned by a resident of a state that borders Washington and that does not impose a retail sales and use tax on the sales or use of ORV.

Section 2(3)(b) amends RCW 46.09.400 to require DOL to issue decals at no cost for ORVs that are registered or permitted in another state to a resident of that state at the time of application for an original WA ORV registration or renewal, if the resident presents an unexpired driver license and the current registration or permit for the ORV.

Section 3(1)(b) amends RCW 46.09.410 to create an exemption for paying the fee for an application for an original ORV registration, if the vehicle is properly registered or permitted in another state to a resident of the state, if the resident presents an unexpired driver license and the current registration or permit for the ORV.

Section 4(6)(a) amends RCW 46.09.442 to create an exemption for reciprocity of a use permit or vehicle registration. This exemption does not apply to a wheeled all-terrain vehicle owned by a resident of a state that borders Washington and that does not impose a retail sales and use tax on the sales or use of off-road vehicles.

Section 4(7)(a) creates an exemption for paying the fee for an application for an original ORV registration, if the vehicle is properly registered or permitted in another state to a resident of the state, if the resident presents an unexpired driver license and the current registration or permit for the ORV.

Section 4(7)(b) requires the department to issue a metal tag and either the off-road tab, on-road tab or both to these off-road vehicles.

Section 5(2) amends RCW 46.93.210:

- Adds a requirement for the Department of Licensing (DOL) to transmit the results of the ORV sales/use tax verification to the Department of Revenue (DOR).
- Adds a requirement that DOL and DOR must jointly notify by certified mail the vehicle owners that have not properly registered their ORV and snowmobiles.

Section 6(1)(b) amends RCW 46.09.495 to create a new penalty to any persons who knowingly fail to register their ORV in another state to avoid retail sales and use taxes sales or use tax.

Section 6(2) states that for a second or subsequent offense, the person convicted is also subject to a fine equal to four times the amount of avoided taxes and fees, which may not be suspended, except as provided in RCW 10.05.180.

Section 7(1)(b) amends RCW 46.10.505 to create a new penalty to any persons who knowingly fail to register their snowmobile in another state to avoid retail sales and use taxes sales or use tax.

Section 7(2) states that for a second or subsequent offense, the person convicted is also subject to a fine equal to four times the amount of avoided taxes and fees, which may not be suspended, except as provided in RCW 10.05.180.

Section 8(1) creates a new section that by December 15, 2021, DOL must report to the Governor and the transportation committees of the legislature on the effectiveness of this act in improving compliance with state laws relating to the registration of off-road vehicles and snowmobiles. DOL may collaborate with the DOR and the Department of Natural Resources in its analysis and findings.

Section 8(2) creates the expirations date of this section on June 30, 2023.

This bill is effective 90 days Sine Die.

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.

It is uncertain how many off-road vehicles or snowmobiles may be registered out-of-state thereby avoiding sales and use taxes from the State of Washington. The revenue impact related to this proposed legislation would be positive if owners comply and register their vehicles in Washington State paying applicable fees, as well as sales and use taxes. However, it is not known how many owners of these vehicles might comply, therefore the revenue impact is indeterminate.

Additionally, it is not known how many non-resident vehicle owners will take advantage of the “no fee” decal option in Section 3 and 4 of the bill, which could result in a revenue loss of sales of temporary ORV permits.

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 fiscal impact is related to the mailing costs of approximately 1605 notifications per year and the information technology system changes.

Mail cost analysis:

Please see attachment 1.

Previous funding history:

During the 2017 Legislative session, DOL received funding related to the ESSB 5338, concerning registration enforcement for off-road vehicles and snowmobiles (Chapter 218, Laws of 2017). The DOL's fiscal note of \$111,900 was funded in the 2017-19 transportation budget (ESB 5096, Sec. 208 (16)). \$15,800 of the fiscal note was dedicated for certified mail, with the balance primarily dedicated to information technology systems modifications. The full amount of the 2017-19 appropriation was removed from DOL's 2019-21 budget during

the carry-forward development, including dollars for certified mail.

Information Services:

DOL will implement the following changes to DRIVES:

1. Logic and screen changes to issue a no fee off road vehicle registration, including collect that a customer qualifies for free decal for an off road vehicle registered in another state. Includes, collecting the data elements for the proof provided and logic for inventory issuance.
2. New metal tag inventory for out of state off-road vehicles.
3. New fee exemption for off-road vehicles that qualify for no fee registrations.
4. New reports.

The agency will 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.

Any change requires a process to ensure changes are correctly applied to the system. This involves Project Managers that manage the team that completes the update, business analyst that documents and reviews the system changes, architect services that analyzes how the update could have an effect on other systems or DOL processes, developers who create the change, and testers and quality assurance teams that ensure the update is working correctly.

Please see attachment 2.

Support Services:

Agency Administrative Overhead is included at a rate of 26 percent of the direct program costs. This 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 III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2020	FY 2021	2019-21	2021-23	2023-25
108-1	Motor Vehicle Account	State	0	77,000	77,000	30,000	30,000
Total \$			0	77,000	77,000	30,000	30,000

III. B - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years		0.2	0.1		
A-Salaries and Wages		10,000	10,000	4,000	4,000
B-Employee Benefits		4,000	4,000	2,000	2,000
C-Professional Service Contracts					
E-Goods and Other Services		63,000	63,000	24,000	24,000
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 \$	0	77,000	77,000	30,000	30,000

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
Indirect ISD IT Cust. Support - Journey	7,033		0.1	0.1		
Indirect MSS Fiscal Analyst 2	4,509		0.1	0.1		
Total FTEs			0.2	0.1		0.0

III. D - Expenditures By Program (optional)

Program	FY 2020	FY 2021	2019-21	2021-23	2023-25
Mgmt & Support Services (100)		21,000	21,000	28,000	28,000
Information Services (200)		56,000	56,000	2,000	2,000
Customer Relations (300)					
Programs & Services (600)					
Business and Professions (700)					
Total \$		77,000	77,000	30,000	30,000

Part IV: Capital Budget Impact**IV. A - Capital Budget Expenditures**

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB

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

2723 ESHB.PL Mail Cost Analysis

CMS Cost	Postage Cost	Certified Mail Cost	Electronic Receipt Cost	Total Cost	Annual Mail Notifications	Total Annual Cost
\$1.48	\$0.47	\$3.45	\$1.65	\$7.05	1,605	\$11,315

2723 ESHB.PL Information Services

Cost Category	Description	Rate	2020	2021	2022	2023	2024	2025	Total Cost
TESTER	Test to verify individual components meet requirements; ensure that other business transactions have not been impacted.	\$ 18,444	-	11,100	-	-	-	-	11,100
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	-	5,300	-	-	-	-	5,300
PROJECT MANAGER	Manage schedule and contracts	\$ 27,492	-	5,500	-	-	-	-	5,500
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	-	2,700	-	-	-	-	2,700
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.	\$ 34,800	-	20,900	-	-	-	-	20,900
Project Contingency	Office of the Chief Information Officer designated rate of 10%	\$ -	-	4,600	-	-	-	-	4,600
Totals			-	50,100	-	-	-	-	50,100