

Multiple Agency Fiscal Note Summary

Bill Number: 1015 S HB	Title: Equitable access to credit
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Estimated Cash Receipts

Agency Name	2021-23			2023-25			2025-27		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	(19,000,000)	(19,000,000)	(19,000,000)	(16,000,000)	(16,000,000)	(16,000,000)	(16,000,000)	(16,000,000)	(16,000,000)
Total \$	(19,000,000)	(19,000,000)	(19,000,000)	(16,000,000)	(16,000,000)	(16,000,000)	(16,000,000)	(16,000,000)	(16,000,000)

Estimated Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Joint Legislative Audit and Review Committee	.2	44,600	44,600	44,600	.0	16,200	16,200	16,200	.0	16,200	16,200	16,200
Department of Commerce	Fiscal note not available											
Department of Revenue	.6	204,300	204,300	204,300	.2	40,600	40,600	40,600	.2	40,600	40,600	40,600
Total \$	0.8	248,900	248,900	248,900	0.2	56,800	56,800	56,800	0.2	56,800	56,800	56,800

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
Department of Commerce	Fiscal note not available								
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: Preliminary 1/31/2021
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Individual State Agency Fiscal Note

Bill Number: 1015 S HB	Title: Equitable access to credit	Agency: 014-Joint Legislative Audit and Review Committee
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.3	0.0	0.2	0.0	0.0
Account					
General Fund-State 001-1	36,500	8,100	44,600	16,200	16,200
Total \$	36,500	8,100	44,600	16,200	16,200

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: Tracey OBrien	Phone: 360-786-7152	Date: 01/26/2021
Agency Preparation: Eric Whitaker	Phone: 3607865171	Date: 01/29/2021
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 01/29/2021
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 01/31/2021

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 directs the Department of Commerce (Commerce) to create and administer the Equitable Access to Credit Program (EACP). The purpose of the program is to provide access to credit for historically underserved communities via grants awarded to qualified lending institutions.

Section 1 identifies the bill as the Washington Equitable Access to Credit Act.

Section 2 creates a credit against the business and occupation (B&O) tax for contributions made to the EACP, describes the operation and administration of the program, and sets a July 1, 2031 expiration date. Total credits claimed may not exceed \$8 million in any calendar year and amount of credit claimed by any one taxpayer may not exceed \$1 million in the tax reporting period.

Section 3 provides direction regarding the creation of the EACP and describes criteria for identifying qualified lending institutions, sets forth provisions to govern the program and allocation of funds, and directs Commerce to develop guidelines and rules.

Subsection 8 requires qualified lending institutions to submit an anonymized report to Commerce detailing the various information:

- a) Loan/investment origination date.
- b) Loan/investment amount.
- c) Total cost of the project.
- d) Interest rate and type.
- e) Loan term.
- f) Projected permanent full-time equivalent jobs to be created.
- g) Whether the loan/investment included a guarantee program.
- h) North American Industry Classification System (NAICS) code.
- i) Characteristics of the borrowing entity.

Section 4 directs the State Treasurer to create the EACP account.

Section 5 is the tax preference performance statement. The program is intended to create or retain jobs and encourage community and economic development in communities that have historically lacked access to capital. The public policy objective of the program is to encourage community and economic development by investing in small, underserved businesses. The measure of effectiveness for the tax credit program is changes in access to credit in target communities.

Subsection 4 identifies six metrics that JLARC should consider:

- a) The number and aggregate amount of loans and investments originated under the program.
- b) The overall match invested by grant recipients.
- c) The balance sheet growth of community development financial institutions (CDFIs) qualifying to receive grants from the program.
- d) Whether participants achieved balance sheet growth while participating in the program.
- e) The percent of CDFIs that received funding from the program.
- f) The level of ongoing demand for funding from the program.

The Legislature intends to extend the expiration date if the review finds a net positive impact in: (1) communities

historically underserved by credit and (2) state and local tax revenues.

Section 6 provides a July 1, 2031 expiration date for the chapter.

Section 7 identifies Sections 1, 3, 4, and 6 as a new chapter in Title 43 RCW.

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.

The bill requires JLARC staff to assess whether the program has had a net positive impact on investment. It outlines several measures for this assessment.

JLARC staff would contact and work with the Departments of Commerce and Revenue immediately after passage of the bill to ensure project contacts are established and any other necessary data for JLARC staff's future evaluation needs are identified and collected.

The evaluation would likely take place in 2029, two years before the expiration date included in the bill. Most of this work would occur outside the fiscal note period. The fiscal note details reflect planning and data collection in preparation for the evaluation.

This tax preference review may require additional resources. The audit will be conducted and presented to JLARC consistent with the processes used for other tax preference reviews. Based on all tax preference legislation that is passed, JLARC may subsequently determine that it can absorb the costs for this proposed bill in its base budget, if the workload of other enacted tax preference legislation does not exceed current staffing. JLARC will assess all tax preference reviews mandated in the 2021 legislative session.

This audit will require an estimated 4 audit months.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst's time for a month, together with related administrative, support, and goods/services costs. JLARC's anticipated 2021-23 costs are calculated at approximately \$20,300 per audit month.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	36,500	8,100	44,600	16,200	16,200
Total \$			36,500	8,100	44,600	16,200	16,200

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.3		0.2		
A-Salaries and Wages	22,900	5,100	28,000	10,200	10,200
B-Employee Benefits	7,200	1,600	8,800	3,200	3,200
C-Professional Service Contracts					
E-Goods and Other Services	5,900	1,300	7,200	2,600	2,600
G-Travel	500	100	600	200	200
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 \$	36,500	8,100	44,600	16,200	16,200

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 2022	FY 2023	2021-23	2023-25	2025-27
Research Analyst	113,827	0.2		0.1		
Support staff	77,705	0.1		0.1		
Total FTEs		0.3		0.2		0.0

III. D - Expenditures By Program (optional)

NONE

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

Department of Revenue Fiscal Note

Bill Number: 1015 S HB	Title: Equitable access to credit	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2022	FY 2023	2021-23	2023-25	2025-27
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	(11,000,000)	(8,000,000)	(19,000,000)	(16,000,000)	(16,000,000)
Total \$	(11,000,000)	(8,000,000)	(19,000,000)	(16,000,000)	(16,000,000)

Estimated Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.9	0.3	0.6	0.2	0.2
Account					
GF-STATE-State 001-1	173,100	31,200	204,300	40,600	40,600
Total \$	173,100	31,200	204,300	40,600	40,600

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: Tracey OBrien	Phone: 360-786-7152	Date: 01/26/2021
Agency Preparation: Tyler McLeod	Phone: 360-534-1531	Date: 01/26/2021
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 01/26/2021
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 01/31/2021

Request # 1015-2-1

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 House amendment SHB 1015 (H-0511.1), 2021 Legislative Session.

COMPARISON OF HB 1015 (H-0004.1) WITH SHB 1015 (H-0511.1):

SHB 1015 (H-0511.1) adds that small business representatives who have experience working with community development financial institutions or in rural development should be included in the review committee referenced in section 3.

PROPOSAL:

This proposal creates a business and occupation (B&O) tax credit for amounts contributed to the equitable access to credit program.

No taxpayer may claim more than \$1 million in a calendar year and the amount of credit claimed cannot exceed the amount of B&O tax due. No refunds may be granted for unused credits. However, credits may be carried over indefinitely, until used.

Total credits claimed per calendar year may not exceed \$8 million.

This section expires July 1, 2031.

EFFECTIVE DATE:

This bill takes effect on July 1, 2021.

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 effective July 1, 2021, impacting 11 months of collections in Fiscal Year 2022.
- The annual \$8 million cap is met each year.

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$11 million in the 11 months of impacted collections in Fiscal Year 2022, and by \$8 million in Fiscal Year 2023, the first full year of impacted collections. This bill also does not impact local revenues.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2022 -	(\$ 11,000)
FY 2023 -	(\$ 8,000)
FY 2024 -	(\$ 8,000)
FY 2025 -	(\$ 8,000)
FY 2026 -	(\$ 8,000)
FY 2027 -	(\$ 8,000)

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

ASSUMPTIONS:

This bill affects less than 50 taxpayers.

FIRST YEAR COSTS:

The Department of Revenue will incur total costs of \$173,100 in Fiscal Year 2022. These costs include:

Labor Costs – Time and effort equates to 0.9 FTEs.

- Test system changes.
- Create an electronic special notice for affected taxpayers and update information on the Department of Revenue's website.
- Respond to additional taxpayer questions, work with difficult tax issues, and review and prepare refunds and assessments.
- Create taxpayer training program, reports, and maintain system changes.

Object Costs - \$70,400.

- Contracted system changes.

SECOND YEAR COSTS:

The Department of Revenue will incur total costs of \$31,200 in Fiscal Year 2023. These costs include:

Labor Costs – Time and effort equates to 0.3 FTEs.

- Respond to additional taxpayer questions, work with difficult tax issues, and review and prepare refunds and assessments.
- Maintain system changes.

ONGOING COSTS:

Ongoing costs for the 2023-25 Biennium equal \$40,600 and include similar activities described in the second year costs. Time and effort equates to 0.2 FTEs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.9	0.3	0.6	0.2	0.2
A-Salaries and Wages	62,300	20,200	82,500	26,200	26,200
B-Employee Benefits	22,400	7,300	29,700	9,400	9,400
C-Professional Service Contracts	70,400		70,400		
E-Goods and Other Services	11,700	3,300	15,000	4,600	4,600
J-Capital Outlays	6,300	400	6,700	400	400
Total \$	\$173,100	\$31,200	\$204,300	\$40,600	\$40,600

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 2022	FY 2023	2021-23	2023-25	2025-27
EXCISE TAX EX 3	59,688	0.1	0.1	0.1	0.1	0.1
IT QA-JOURNEY	85,644	0.1		0.1		
MGMT ANALYST4	70,956	0.4	0.2	0.3	0.1	0.1
TAX INFO SPEC 4	64,332	0.3		0.2		
Total FTEs		0.9	0.3	0.6	0.2	0.2

III. C - Expenditures By Program (optional)

NONE

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

None.

Part V: New Rule Making Required