

Multiple Agency Fiscal Note Summary

Bill Number: 1189 E S HB AMS ENGF S0239.E	Title: Tax increment financing
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Estimated Cash Receipts

NONE

Agency Name	2021-23		2023-25		2025-27	
	GF- State	Total	GF- State	Total	GF- State	Total
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	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of State Treasurer	.0	500,000	500,000	500,000	.0	500,000	500,000	500,000	.0	500,000	500,000	500,000
Department of Revenue	.1	37,000	37,000	37,000	.0	0	0	0	.0	0	0	0
Total \$	0.1	537,000	537,000	537,000	0.0	500,000	500,000	500,000	0.0	500,000	500,000	500,000

Agency Name	2021-23			2023-25			2025-27		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
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	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
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

Agency Name	2021-23			2023-25			2025-27		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
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 Breakout

NONE

Prepared by: Ramona Nabors, OFM	Phone: (360) 902-0547	Date Published: Final 4/21/2021
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Individual State Agency Fiscal Note

Bill Number: 1189 E S HB AMS ENGR S0239.E	Title: Tax increment financing	Agency: 090-Office of State Treasurer
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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
Account					
General Fund-State 001-1	250,000	250,000	500,000	500,000	500,000
Total \$	250,000	250,000	500,000	500,000	500,000

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: 04/12/2021
Agency Preparation: Dan Mason	Phone: (360) 902-8990	Date: 04/14/2021
Agency Approval: Dan Mason	Phone: (360) 902-8990	Date: 04/14/2021
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 04/14/2021

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.

ESHB 1189 AMS ENGR S0239.E relates to tax increment financing, authorizing local governments to designate an increment area and use the tax allocation revenues to fund public improvements.

Prior to adoption of an ordinance authorizing creation of an increment area, the local government must submit the project analysis to the office of the treasurer for review. The treasurer must complete the review within 90 days of receipt of the project analysis and may consult with other agencies and outside experts as necessary. Any comments from the treasurer regarding suggested revisions or enhancements are for the local government’s consideration.

Assumptions:

- 1. Under section 2(7)(b) the office of the treasurer is the office of the state treasurer (OST).
- 2. The legislature will provide OST with general fund expenditure authority (appropriations) in the 21-23 biennium operating budget to complete all reviews. If it is determined that increased expenditure authority is required, the legislature will provide additional authority during the 21-23 biennium supplemental budget process.
- 3. Expenditure authority will continue beyond the 21-23 biennium.

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.

OST conversed with the Association of Washington Cities and concluded:

- 1. The estimated cost for outside experts is \$500,000 per biennium.
- 2. The general fund expenditure authority is to hire outside experts.

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	250,000	250,000	500,000	500,000	500,000
Total \$			250,000	250,000	500,000	500,000	500,000

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts	250,000	250,000	500,000	500,000	500,000
E-Goods and Other Services					
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 \$	250,000	250,000	500,000	500,000	500,000

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*

NONE

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: 1189 E S HB AM: ENGR S0239.E	Title: Tax increment financing	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.3		0.1		
Account					
GF-STATE-State 001-1	37,000		37,000		
Total \$	37,000		37,000		

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: 04/12/2021
Agency Preparation: Frank Wilson	Phone: 360-534-1527	Date: 04/15/2021
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 04/15/2021
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 04/15/2021

Request # 1189-4-1

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 Senate amendment AMS ENGR S0239.E to ESHB 1189, 2021 Legislative Session.

COMPARISON OF ADOPTED AND ENGROSSED SUBSTITUTE BILL WITH ENGROSSED SUBSTITUTE BILL :
No major legislative changes.

PROPOSED LAW:

Authorizes local governments to finance public improvements using Tax Increment Financing (TIF).

Prior to establishing an increment area, local governments must complete a project analysis that includes a statement of objectives, the property the local government intends to obtain, the duration of the TIF area, and the estimated value of the project.

Public improvements that are financed with TIF may be funded by other revenue sources.

In the calendar year following the passing of the ordinance, the county treasurer shall distribute receipts from regular taxes imposed on real property in the increment area.

Adds increase in assessed value within a TIF area to add-ons affecting levy limit.

- Clarifies that regular property taxes do not include excess property taxes, including those levied by local school districts.
- Requires that an increment area takes effect on June 1st of the year following the adoption of the ordinance.
- Includes which administrative expenses incurred by a county assessor and treasurer to the public improvement costs may be paid for with TIF funds.
- Requires local governments to submit a project plan to the State Treasurer's Office for review prior to adopting of an ordinance to create an increment area.
- Clarifies exclusion of state levies, port, and public utility districts from repaying debt from TIF apportionment.
- Requires local government to negotiate a mitigation plan with local fire districts if analysis concludes it will affect more than 20% of the assessed value in a fire district.
- Clarifies add-on increment value in relation to 1% growth limit.
- Clarifies that a local government must prepare a project analysis instead of consider.

Adds that prior to the adoption of an ordinance a local government must :

- Hold at least two public briefings for the community solely on the tax increment project that includes description, public improvements proposed to be financed with tax allocation revenues, detailed estimate of tax revenues for the participating local governments and taxing districts.
- The briefings must be announced at least two weeks prior to the date being held in a legal newspaper, local government website and all government social media sites.
- Upon the completion of the review, the treasurer must promptly provide to the local government any comments regarding suggested revisions or enhancements to the project analysis based upon the requirements stated in the section.

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 the state property tax levy.

It is unknown which local jurisdictions would create Tax Infrastructure Financing (TIF) areas. Therefore, the revenue impact to local property taxes is indeterminate.

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

FIRST YEAR COSTS:

The Department of Revenue (Department) will incur total costs of \$37,000 in Fiscal Year 2022. These costs include :

- Labor Costs – Time and effort equates to 0.28 FTEs.
- Amend ten administrative rules.

ONGOING COSTS:

There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.3		0.1		
A-Salaries and Wages	23,100		23,100		
B-Employee Benefits	8,300		8,300		
E-Goods and Other Services	3,600		3,600		
J-Capital Outlays	2,000		2,000		
Total \$	\$37,000		\$37,000		

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
EMS BAND 4	119,061	0.0		0.0		
MGMT ANALYST4	70,956	0.1		0.0		
TAX POLICY SP 2	72,756	0.0		0.0		
TAX POLICY SP 3	82,344	0.2		0.1		
TAX POLICY SP 4	88,644	0.0		0.0		
WMS BAND 3	101,257	0.0		0.0		
Total FTEs		0.3		0.2		

III. C - Expenditures By Program (optional)

NONE

Request # 1189-4-1

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

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules .

Should this legislation become law, the Department will use the expedited process to amend WAC 458-19-050, titled: "Definitions", WAC 458-19-020, titled: "Levy limit - method of calculation ", WAC 458-19-025, titled: "Restoration of regular levy", WAC 458-19-030, titled: "Levy limit - consolidation of districts ", WAC 458-19-035, titled: "Levy limit - annexation ", WAC 458-19-05001, titled: "Port district levies for industrial development district purposes ", WAC 458-19-060, titled: "Emergency medical service levy", WAC 458-19-065, titled: Levy limit - protection of future levy capacity ", WAC 458-19-085, titled: "Refunds - procedures - applicable limits ", and WAC 458-19-550, titled: "State levy - apportionment between counties".

Persons affected by this rule-making would include local governments financing public improvements through the creation of increment areas, using increment financing.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1189 E S HB AMS ENGR S0239.E	Title: Tax increment financing
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☒ Cities: increase in property tax revenue for cities that establish an increment area , pass an ordinance, and fund projects with tax increment financing
- ☒ Counties: increase in property tax revenue for counties that establish an increment area , pass an ordinance, and fund projects with tax increment financing
- ☒ Special Districts: increase in property tax revenue for port districts that establish an increment area , pass an ordinance, and fund projects with tax increment financing
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☒ Expenditures represent one-time costs: costs associated with adopting an ordinance , holding two public briefings, developing a project plan, negotiating a mitigation plan
- ☒ Legislation provides local option: local governments could establish an increment area and pass an ordinance to fund projects with tax increment financing
- ☒ Key variables cannot be estimated with certainty at this time: which local governments would establish an increment area , number of increment areas a jurisdiction will establish, property tax revenue increase gained from increased property values

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: 04/19/2021
Leg. Committee Contact:	Phone:	Date: 04/12/2021
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 04/19/2021
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 04/21/2021

Part IV: Analysis

A. SUMMARY OF BILL

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

CHANGES IN THIS BILL VERSION:

- adds increment value detail: cannot be less than zero
 - includes port district detail in the definition of ordinance
 - removes street and road maintenance from the definition of public improvements
 - clarifies detail in definition of regular property taxes with regard to payments of principal and interest on general obligation debt
 - sets a limitation for the increment area's total assessed value: the increment area may not have an assessed valuation of more than \$200,000,000 or more than 20 percent of the sponsoring jurisdiction's total assessed valuation , whichever is less
 - changes the limitation on the number of increment areas a sponsoring jurisdiction may create no more than three to no more than two
 - once an ordinance is adopted additional public improvements cannot be added , expanded, or altered and boundaries cannot be changed .
- The ordinance must include a deadline for commencement of construction that is at least 5 years into the future .
- adds detail to the need for a mitigation plan due to fire district impacts , should they occur
 - adds a local government that designated an increment area shall receive no more than the costs directly associated with the public improvement

SUMMARY OF CURRENT BILL VERSION:

This bill would amend RCW 84.55.010 and add a new chapter to Title 39 RCW and would authorize local governments to finance public improvements using tax increment financing . Prior to establishing an increment area, local governments must complete a project analysis that includes a statement of objectives, the property the local government intends to obtain , the duration of the TIF area, and the estimated value of the project.

Public improvements that are financed with TIF may be funded by other revenue sources .

- Requires local governments to submit a project plan to the State Treasurer's Office for review prior to adopting of an ordinance to create an increment area.
- Upon the completion of the review, the treasurer must promptly provide to the local government any comments regarding suggested revisions or enhancements to the project analysis based upon the requirements stated in the section .
- Requires local government to negotiate a mitigation plan with local fire districts if analysis concludes it will affect more than 20 % of the assessed value in a fire district.

Adds that prior to the adoption of an ordinance a local government must:

- Hold at least two public briefings for the community solely on the tax increment project that includes description , public improvements proposed to be financed with tax allocation revenues , detailed estimate of tax revenues for the participating local governments and taxing districts.

- The briefings must be announced at least two weeks prior to the date being held in a legal newspaper , local government website and all government social media sites.

In the calendar year following the passing of the ordinance , the county treasurer shall distribute receipts from regular taxes imposed on real property in the increment area. Adds increase in assessed value within a TIF area to add-ons affecting levy limit .

- regular property taxes do not include excess property taxes , including those levied by local school districts .
- an increment area takes effect on June 1st of the year following the adoption of the ordinance .
- Details which administrative expenses incurred by a county assessor and treasurer to the public improvement costs may be paid for with TIF funds.
- Clarifies exclusion of state levies , port, and public utility districts from repaying debt from TIF apportionment .
- Clarifies add-on increment value in relation to 1 % growth limit.

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

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.

Changes in this bill version do not alter the previous analysis of expenditure impacts .

This bill would have an indeterminate impact on local government expenditures for those that choose this local option . Local governments choosing to establish increment areas must submit a project plan to the State Treasurer's Office , negotiate a mitigation plan with the local fire district if applicable, hold two public briefings, and adopt an ordinance. All representing one-time costs. It is unknown which local governments would utilize this option.

According to the Local Government Fiscal Note Program unit cost data , the typical cost to adopt an ordinance per jurisdiction ranges from

\$555 for a simple ordinance to \$5,458 for a complex ordinance. These costs include costs for draft ordinances, advisory commission meeting and recommendation, finalized ordinance, publication of ordinance, and general public information. The required project plan and mitigation plan would require additional administrative costs, likely minimal.

Note: These cost estimates are for only one meeting or staff report, more complex ordinances would likely require more meetings and potentially more staff reports. There would be further costs associated with enforcing or executing the ordinance.

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.

Changes in this bill version do not alter the previous analysis of revenue impacts.

This bill would have an indeterminate impact on local government revenues. There would be an increase in property tax revenue for the local governments that choose to establish increment areas for the purpose of using tax increment financing for improvements. It is unknown what local governments would participate in tax increment financing or the amount that property assessed values would increase based on the improvements, therefore, the additional tax revenue cannot be calculated.

SOURCES:

House Bill Report, ESHB 1189 (03/03/2021)

Local Government Fiscal Note Program, Unit Cost Data 2021

Senate Bill Report, ESHB 1189 (03/08/2021)