

Multiple Agency Fiscal Note Summary

Bill Number: 1965 HB	Title: Support and services levies
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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		13,500,000		54,600,000		61,300,000
Local Gov. Total		13,500,000		54,600,000		61,300,000

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
Department of Revenue	.0	3,500	3,500	3,500	.0	0	0	0	.0	0	0	0
Total \$	0.0	3,500	3,500	3,500	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 Expenditures

Agency Name	2021-23			2023-25			2025-27		
	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

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: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Final 1/25/2022
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Department of Revenue Fiscal Note

Bill Number: 1965 HB	Title: Support and services levies	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		0.1	0.0		
Account					
GF-STATE-State 001-1		3,500	3,500		
Total \$		3,500	3,500		

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: Kyle Raymond	Phone: 360-786-7190	Date: 01/18/2022
Agency Preparation: Mark Studer	Phone: 360-534-1507	Date: 01/25/2022
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 01/25/2022
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/25/2022

Request # 1965-1-1

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.

CURRENT LAW:

A portion of a county's general property levy must be allocated to Developmental disabilities or mental health services. The rate is 2.5 cents per \$1,000 of assessed value. The rate may be increased or decreased at the same percentage as the increase or decrease in county general property tax levy from the prior year.

A portion of a county's general property tax levy must be allocated to a Veterans Assistance Fund. The rate must be between 1.125 cents and 27 cents per \$1,000 of assessed value. The rate may be increased or decreased at the same percentage as the increase or decrease in county general property tax levy from the prior year.

Current law allows for a county to decrease the amount allocated to the Veterans Assistance Fund if the balance in the fund exceeds the amount that would be received from the levy for the year.

PROPOSAL:

Counties must levy a property tax of 2.5 cents per \$1,000 of assessed value for Developmental disabilities or mental health services as:

- A separated levy; or
- As part of the county's general levy.

Removes the provision to increase or decrease the amount of developmental disabilities or mental health services property tax levy by the same percentage increase or decrease of the county general property tax levy.

Allows counties to either levy the Veterans Assistance Fund as a separate property tax levy or as part of the county's general property tax levy.

If the Veterans Assistance Fund is levied as a separate property tax, the levy is :

- Removed from the \$5.90 levy limit;
- Subject to the Constitutional 1% levy limit;

Established in the priority should prorationing occur under the Constitutional 1% limit; and

- Limited to the growth rate of the levy at the greater of 101%, or 100 plus inflation to a maximum rate of 27 cents per \$1,000.

EFFECTIVE DATE:

This bill takes effect beginning with property taxes collected in Calendar Year 2023.

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 bill separated the veteran's assistance fund and the mental health fund from the county general levy. By removing these funds;
 - enables counties to spend the funds previously dedicated to veteran's assistance and mental health on other expenses.
 - the counties will take all of the additional available funds.
 - the prior year's veterans' assistance fund levy becomes the levy base for calendar year 2023.

- The mental health rate is set at 2.5 cents per \$1,000 of assessed value.
- Veteran Assistance Levy and the Mental Health levy are not subject to the \$5.90 limit and are right behind the county in the prorationing order for constitutional 1% limit.

DATA SOURCES

- Economic and Revenue Forecast Council November 2021 forecasts
- Department of Revenue, State Property Tax Model
- Department of Revenue, State Levy Calculations of Property Taxes Due in 2022
- County assessor data
- Census Bureau, American Community Survey 2015-2019 5-year dataset

REVENUE ESTIMATES

This legislation results in no revenue impact to the state property tax levy.

This bill increases local revenues by an estimated \$13.5 million in the 6 months of impacted collections in Fiscal Year 2023, and by \$26.5 million in Fiscal Year 2024, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000): None

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

FY 2022 -	\$ 0
FY 2023 -	\$ 13,500
FY 2024 -	\$ 26,500
FY 2025 -	\$ 28,100
FY 2026 -	\$ 29,800
FY 2027 -	\$ 31,500

If counties chose to remove the Veteran Assistance fund and the Mental Health fund from the county general levy and create separate levies prorationing may occur. Based on the forecast, if counties created separate a Veteran Assistance levy and a Mental Health levy without reducing the county general levy, prorationing will occur in a few hospital and Library districts. These districts will lose approximately \$800,000 in calendar year 2023, with losses decreasing in future years. Based on the forecast, the losses will occur mostly in Chelan, Columbia, Douglas, Ferry, Grant, Okanogan, and Whitman Counties.

DETAIL OF REVENUE IMPACT FOR PROPERTY TAX BILLS, Calendar Year Basis

State Government, Impact on Revenues (\$000): None

State Government, (\$000), Shift of Tax Burden None

Local Government, Impact on Revenues (\$000)

CY 2022 -	\$ 0
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CY 2023 - \$ 25,700
 CY 2024 - \$ 27,300
 CY 2025 - \$ 28,900
 CY 2026 - \$ 30,600
 CY 2027 - \$ 32,400

Local Government, (\$000), Shift of Tax Burden 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

FIRST YEAR COSTS:

The Department of Revenue (Department) will not incur costs in Fiscal Year 2022.

SECOND YEAR COSTS:

The Department will incur total costs of \$3,500 in Fiscal Year 2023. These costs include :

Labor Costs – Time and effort equates to .07 FTEs.
 - Amend one administrative rule.

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		0.1	0.0		
A-Salaries and Wages		2,300	2,300		
B-Employee Benefits		800	800		
E-Goods and Other Services		200	200		
J-Capital Outlays		200	200		
Total \$		\$3,500	\$3,500		

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	122,633		0.0	0.0		
MGMT ANALYST4	70,956		0.0	0.0		
TAX POLICY SP 2	72,756		0.0	0.0		
TAX POLICY SP 3	82,344		0.0	0.0		
TAX POLICY SP 4	88,644		0.0	0.0		
WMS BAND 3	104,295		0.0	0.0		
Total FTEs			0.1	0.1		

III. C - Expenditures By Program (optional)

NONE

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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 dexcribe 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 458-19-055, titled: "Levy limit - Proration of earmarked funds."

Persons affected by this rule-making would include county governments.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1965 HB **Title:** Support and services levies

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☒ Cities: Property tax revenue increase
- ☒ Counties: Property tax revenue increase
- ☒ Special Districts: Property tax revenue increase
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☒ Legislation provides local option: Counties can levy the Veterans Assistance Fund as a separate property tax levy or as part of the county's general property tax levy
- ☒ Key variables cannot be estimated with certainty at this time: Which counties would opt to levy the Veterans Assistance Fund as a separate property tax levy or as part of the county's general property tax levy, costs to implement separate tax levies

Estimated revenue impacts to:

Jurisdiction	FY 2022	FY 2023	2021-23	2023-25	2025-27
City		3,714,717	3,714,717	15,023,967	16,867,567
County		4,582,358	4,582,358	18,533,094	20,807,302
Special District		5,202,925	5,202,925	21,042,939	23,625,131
TOTAL \$		13,500,000	13,500,000	54,600,000	61,300,000
GRAND TOTAL \$					129,400,000

Estimated expenditure impacts to:

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

Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 01/25/2022
Leg. Committee Contact: Kyle Raymond	Phone: 360-786-7190	Date: 01/18/2022
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/25/2022
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/25/2022

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:

- require counties to levy a property tax of 2.5 cents per \$1,000 of assessed value for Developmental disabilities or mental health services as a separated levy or as part of the county's general levy
- remove the provision to adjust the amount of the developmental disabilities or mental health services property tax levy to match adjustments made to the general property tax levy
- allow counties to levy the Veterans Assistance Fund as either a separate property tax levy or as part of the county's general property tax levy; if levied separately, the \$5.90 levy limit is removed and would be subject to the Constitutional 1 % levy limit

This bill takes effect beginning with property taxes collected in Calendar Year 2023 .

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 legislation would have an indeterminate expenditure impact on local governments . Counties are likely to incur an increase in operational costs to implement the tax levy separations required by this bill .

According to Thurston and Skagit County, adding a new tax may increase software cost, cause the levy worksheet to be revised, require training, and may cause the Treasurer's tax invoice forms to need a second page or other revisions . These costs would vary, but could reach up to \$25,000 for some counties.

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.

According to the Department of Revenue (DOR) this bill would increase local government tax revenue .

DOR ASSUMPTIONS

- This bill separated the veteran's assistance fund and the mental health fund from the county general levy . By removing these funds;
 - enables counties to spend the funds previously dedicated to veteran's assistance and mental health on other expenses .
 - the counties will take all of the additional available funds .
 - the prior year's veterans' assistance fund levy becomes the levy base for calendar year 2023 .
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BREAKDOWN OF REVENUE CHANGE:

COUNTIES

FY 2022	\$0
FY 2023	\$4,582,358
FY 2024	\$8,995,000
FY 2025	\$9,538,094
FY 2026	\$10,115,132
FY 2027	\$10,692,170

CITIES

FY 2022	\$0
FY 2023	\$3,714,717
FY 2024	\$7,291,852
FY 2025	\$7,732,115
FY 2026	\$8,199,894
FY 2027	\$8,667,673

SPECIAL DISTRICTS

FY 2022	\$0
FY 2023	\$5,202,925
FY 2024	\$10,213,148
FY 2025	\$10,829,791
FY 2026	\$11,484,974
FY 2027	\$12,140,157

Sources:

Department of Revenue fiscal note, HB 195 (2022)
Department of Revenue Property Tax Statistics 2020
Local Government Fiscal Note “Tax Shift and Revenue Loss Model” (2022)
Skagit County Treasurer
Thurston County Assessor