

Multiple Agency Fiscal Note Summary

Bill Number: 1928 HB	Title: Equine industry support
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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	(6,000,000)	(6,000,000)	0	(12,000,000)	(12,000,000)	0	(12,000,000)	(12,000,000)	0
Total \$	(6,000,000)	(6,000,000)	0	(12,000,000)	(12,000,000)	0	(12,000,000)	(12,000,000)	0

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	0	0	0	.0	0	0	0	.0	0	0	0
Department of Revenue	.3	66,100	66,100	66,100	.3	74,800	74,800	74,800	.3	74,800	74,800	74,800
Horse Racing Commission	.0	0	0	11,600,000	.0	0	0	11,600,000	.0	0	0	11,600,000
Total \$	0.3	66,100	66,100	11,666,100	0.3	74,800	74,800	11,674,800	0.3	74,800	74,800	11,674,800

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
Horse Racing Commission	.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: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Final 2/ 8/2022
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Individual State Agency Fiscal Note

Bill Number: 1928 HB	Title: Equine industry support	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:

NONE

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: Charlie Gavigan	Phone: 360-786-7340	Date: 01/27/2022
Agency Preparation: Dan Mason	Phone: (360) 902-8990	Date: 02/01/2022
Agency Approval: Dan Mason	Phone: (360) 902-8990	Date: 02/01/2022
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/01/2022

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 .

HB 1928 creates the Washington equine industry reinvestment account, coupled with the general fund as the recipient of the earnings from investments under RCW 43.84.092 (4).

Under section 1, the state treasurer is directed to transfer into the Washington equine industry reinvestment account an amount determined by the department of revenue.

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 .

The department of revenue included the transfer estimates in their fiscal note.

Projected cash flows are currently unavailable; therefore, estimated earnings from investments are indeterminable.

There may be an impact on the debt service limitation calculation. Any change to the earnings credited to the general fund will change, by an equal amount, general state revenues.

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.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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: 1928 HB	Title: Equine industry support	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 01 - Retail Sales Tax		(6,000,000)	(6,000,000)	(12,000,000)	(12,000,000)
NEW-State 01 - Taxes 01 - Retail Sales Tax		6,000,000	6,000,000	12,000,000	12,000,000
Total \$					

Estimated Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		0.5	0.3	0.3	0.3
Account					
GF-STATE-State 001-1		66,100	66,100	74,800	74,800
Total \$		66,100	66,100	74,800	74,800

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: Charlie Gavigan	Phone: 603-786-7340	Date: 01/27/2022
Agency Preparation: Diana Tibbetts	Phone: 603-534-1520	Date: 01/30/2022
Agency Approval: Valerie Torres	Phone: 603-534-1521	Date: 01/30/2022
OFM Review: Cheri Keller	Phone: (603) 584-2207	Date: 01/30/2022

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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:

The State retail sales and use tax rate is 6.5 percent on taxable items. The tax applies to the selling price or use of tangible personal property and certain services, including horse-related items and services. With certain exceptions, the revenue is deposited into the general fund.

PROPOSED LAW:

This legislation creates the Washington Equine Industry Reinvestment account.

Beginning July 1, 2022, and by July 1st of each year thereafter, the State Treasurer must transfer an amount not to exceed \$6 million per fiscal year from revenues deposited into the general fund for the previous fiscal year derived from the imposition of state sales and use taxes on certain equine-related products.

The following products are specifically listed:

- Equines;
- Equine feed;
- Prescription drugs, over-the-counter drugs, or dietary supplements dispensed or to be dispensed to equines;
- Equine tack which includes, but is not limited to, equipment used to ride or care for an equine such as saddles, driving harnesses, girths, cinches, bridles, martingales, halters, lead ropes, whips, long reins, wraps, and other items used in handling and caring for equines;
- Horse bedding and grooming supplies; and
- Other taxable sales directly related to equine ownership, riding, or boarding.

"Equine" and "equines" have the same meaning as in RCW 4.24.530(1).

EFFECTIVE DATE:

This bill contains an emergency clause and takes effect immediately upon the Governor's approval.

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

- Washington state residents own around 250,000 horses.
- Average annual cost to own a horse is \$4,000 with an estimated 80% being subject to retail sales tax.
- Horse expenses include feed (hay and grain), pasture maintenance, veterinary care and medicines, farrier services, bedding, building maintenance, training, tack and other miscellaneous expenses.
- 2017 U.S. Agriculture shows that there were 204 horse sales in Washington State with a value of \$92,000.
- Purchases of horses are not considered in this estimate since most sales are not by a registered and reporting business but simply between two private parties.
- Horse and non-horse purchases will be difficult to differentiate.
- The \$6 million cap amount will be reached each fiscal year.
- Under RCW 82.08.020(5), the performance audits of government account created in RCW 43.09.475 receives a 0.16% share of the state sales tax. These amounts are excluded from the transfer from the general fund to the new account.
- Currently, tribes with compacts under SHB 2803 (2020) receive a share of state sales tax from compact-covered areas. Under this proposal, it is assumed that compacting tribes will continue receiving the full distribution amounts as described in

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their revenue sharing compacts.

DATA SOURCES

- Horse populations by state (http://www.humanesociety.org/sites/default/files/archive/assets/pdfs/hsp/soaiv_07_ch10.pdf)
- Average annual cost to own a horse (<https://equinehelper.com/what-does-it-cost-to-own-a-horse/> and <https://www.moneycrashers.com/cost-owning-horse-alternatives-buying/>) Used 80% of \$4000 per year for the estimate.

REVENUE ESTIMATES

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000): Net Impact of zero.

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

ASSUMPTIONS:

The Department of Revenue (Department) will work with interested parties to determine an agreed upon process to estimate the state sales tax collections occurring within the equine industry.

FIRST YEAR COSTS:

The Department will not incur costs in Fiscal Year 2022.

SECOND YEAR COSTS:

The Department will incur total costs of \$66,100 in Fiscal Year 2023. These costs include :

Labor Costs – Time and effort equates to 0.5 FTEs.

- Work with interested parties to determine an agreed upon process to estimate the state sales tax collections within the equine industry.
- Estimate the yearly impact on state retail sales tax collections occurring within the equine industry.

ONGOING COSTS:

Ongoing costs for the 2023-2025 Biennium equal \$74,800 and include similar activities described in the second year costs. Time and effort equates to 0.3 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		0.5	0.3	0.3	0.3
A-Salaries and Wages		41,200	41,200	49,400	49,400
B-Employee Benefits		14,800	14,800	17,800	17,800
E-Goods and Other Services		6,600	6,600	6,800	6,800
J-Capital Outlays		3,500	3,500	800	800
Total \$		\$66,100	\$66,100	\$74,800	\$74,800

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
TAX POLICY SP 3	82,344		0.5	0.3	0.3	0.3
Total FTEs			0.5	0.3	0.3	0.3

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 dexcribe potential financing methods
NONE

None.

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 1928 HB	Title: Equine industry support	Agency: 185-Horse Racing Commission
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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					
Horse Racing Commission Operating Account-Non-Appropriated 169-6	250,000	250,000	500,000	500,000	500,000
Horse Racing Commission Washington Bred Owners Bonus Fund and Breeder Awards-Non-Appropriated 485-6	450,000	450,000	900,000	900,000	900,000
WA Equine Industry Reinvestment Account-State NEW-1	5,100,000	5,100,000	10,200,000	10,200,000	10,200,000
Total \$	5,800,000	5,800,000	11,600,000	11,600,000	11,600,000

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: Charlie Gavigan	Phone: 360-786-7340	Date: 01/27/2022
Agency Preparation: Seth Flory	Phone: (360) 407-8165	Date: 02/02/2022
Agency Approval: Seth Flory	Phone: (360) 407-8165	Date: 02/02/2022
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/02/2022

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.

Senate Bill 5364 would provide the Washington Horse Racing Commission (WHRC) a share of equine-related Sales and Use taxes for the benefit of the State's equine industry.

Section 1 of the bill redirects up to \$6 million each fiscal of Sales and Use taxes for equine-related products to the "Washington equine industry reinvestment account" created in Section 2.

Section 2 of the legislation creates the "Washington equine industry reinvestment account) and stipulates the balance will be distributed annually as follows:

- 7.5% to the Horse Racing Commission Operating Account (169) to cover operating and overhead costs.
- 7.5% to the Horse Racing Commission Washington Bred Owners Bonus Fund and Breeder Awards (485) to expand the Owners & Breeders Award program.
- 85% to the Horse Racing Commission Operating Account (169) to be used for specific purposes detailed in subsection (c).

DOR analysis indicates that the maximal amount of \$6 million would be transferred each year. \$200,000 would cover an existing deficit between agency revenues and expenditures. The remaining \$5.8 million would be directed toward new spending for operating overhead, regulatory activities, and industry grants.

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.

DOR has indicated that the maximum amount of \$6 million would be transferred each fiscal year.

7.5%, \$450,000, would go to the Operating Account (169) for agency operations. WHRC would utilize the funds in following roughly estimated ways:

- \$200,000/year would be used to cover the existing deficit between the agency's revenue and expenditures.
- \$205,000/year would be used to cover the wages and benefits for 2.5 to 3 FTE worth of seasonal part-time workers. This would be a mix of Veterinarians, Vet. Assistants, Investigators, Race Stewards, and Race Officials. The exact mix of new staffers will ultimately depend on which tracks are certified for live-racing and how many racing days are approved for each track.
- \$30,000/year would be used for sample testing. A major component of regulating horse racing events is the testing of race animals for stimulants, steroids, and narcotics.
- \$15,000/year would be used for overhead costs, principally central services and equipment. With more employees on staff the agency's state provided central services would increase in cost. Similarly, additional staff creates a greater need for work gear and personal protective equipment.

A further 7.5%, \$450,000, would be transferred to the Bred Owners Bonus Fund and Breeder Awards account (485). Growing this fund would increase payouts to participants in official horse racing events. These payouts are classified as Object N (Grants, Benefits, & Client Services).

The remaining 85%, \$5.1 million, would be made available in the new Washington Equine Industry Reinvestment Account for grants. These grants would not only support horse racing, but the State's other equine industries as stipulated in Section 2 (c):

- \$500,000 shall be granted as support for non-profit race meets.
- \$750,000 shall be granted as support for equine activities as defined in RCW 4.24.530 (2).
- \$2,700,000 shall be granted to Class 1 racing associations for reward purses.
- \$900,000 shall be granted to Class 1 racing associations for equine health & safety programs, research initiatives, and facility investments.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
169-6	Horse Racing Commission Operating Account	Non-Appropriated	250,000	250,000	500,000	500,000	500,000
485-6	Horse Racing Commission Washington Bred Owners Bonus Fund and Breeder Awards	Non-Appropriated	450,000	450,000	900,000	900,000	900,000
NEW-1	WA Equine Industry Reinvestment Account	State	5,100,000	5,100,000	10,200,000	10,200,000	10,200,000
Total \$			5,800,000	5,800,000	11,600,000	11,600,000	11,600,000

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years					
A-Salaries and Wages	147,000	147,000	294,000	294,000	294,000
B-Employee Benefits	58,000	58,000	116,000	116,000	116,000
C-Professional Service Contracts					
E-Goods and Other Services	45,000	45,000	90,000	90,000	90,000
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services	5,550,000	5,550,000	11,100,000	11,100,000	11,100,000
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	5,800,000	5,800,000	11,600,000	11,600,000	11,600,000

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