

Multiple Agency Fiscal Note Summary

Bill Number: 1022 HB	Title: Support & services levies
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Estimated Cash Receipts

NONE

Agency Name	2023-25		2025-27		2027-29	
	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	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	.1	15,300	15,300	15,300	.0	0	0	0	.0	0	0	0
Total \$	0.1	15,300	15,300	15,300	0.0	0	0	0	0.0	0	0	0

Agency Name	2023-25			2025-27			2027-29		
	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	2023-25			2025-27			2027-29		
	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	2023-25			2025-27			2027-29		
	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

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Revised
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Department of Revenue Fiscal Note

Bill Number: 1022 HB	Title: Support & 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 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.1		
Account					
GF-STATE-State 001-1	15,300		15,300		
Total \$	15,300		15,300		

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: Elizabeth Allison	Phone: 60-786-7129	Date: 01/13/2023
Agency Preparation: Mark Studer	Phone: 60-534-1507	Date: 01/17/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/17/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/17/2023

Request # 1022-1-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

CURRENT LAW:

The law requires counties to allocate a portion of a county's general property tax levy to developmental disabilities or mental health services. The rate is 2.5 cents per \$1,000 of assessed value. The rate may increase or decrease at the same percentage as the increase or decrease in the county's general property tax levy from the prior year.

The law requires counties to allocate a portion of a county's general property tax levy 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 increase or decrease at the same percentage as the increase or decrease in the county's general property tax levy from the prior year.

The law allows for a county to decrease the amount allocated to the veterans' assistance fund if the balance in the fund exceeds the amount the county would receive 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.

This bill 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's general property tax levy.

This bill 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 county levies the veterans' assistance fund as a separate property tax levy then the bill:

- removes the levy from the \$5.90 levy limit.
- makes the levy subject to the constitutional 1% levy limit.

This bill establishes a priority for the veterans' assistance fund levy, should prorationing occur under the constitutional 1% limitation.

This bill limits the growth rate of the veterans' assistance fund levy to the greater of 101%, or 100 plus inflation to a maximum rate of 27 cents per \$1,000 of assessed value.

EFFECTIVE DATE:

This bill takes effect beginning with property taxes collected for Calendar Year 2024.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished 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 the bill:
 - enables counties to spend the funds previously dedicated to veteran's assistance and mental health on other expenses.

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- enables counties to levy for these additional available funds.
- allows the prior year's veterans' assistance fund levy to become the base for the levy in calendar year 2024.
- sets the mental health rate at 2.5 cents per \$1,000 of assessed value.
- removes the veterans' assistance levy and the mental health levy from the \$5.90 limit and places these levies right behind the county in the prorating order for the constitutional 1% limit.

DATA SOURCES:

- Economic and Revenue Forecast Council, November 2022 forecast
- Department of Revenue, State Property Tax Model
- Department of Revenue, State Levy Calculations for Property Taxes Due in 2023
- County assessor data
- Census Bureau, American Community Survey 2016-2020 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 \$15.7 million in the 6 months of impacted collections in Fiscal Year 2024, and by \$31.0 million in Fiscal Year 2025, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

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

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

FY 2024 -	\$ 15,700
FY 2025 -	\$ 31,000
FY 2026 -	\$ 32,900
FY 2027 -	\$ 34,800
FY 2028 -	\$ 36,800
FY 2029 -	\$ 38,800

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 2024 -	\$ 29,900
CY 2025 -	\$ 31,900
CY 2026 -	\$ 33,800
CY 2027 -	\$ 35,700
CY 2028 -	\$ 37,700
CY 2009 -	\$ 39,800

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

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

FIRST YEAR COSTS:

The department will incur total costs of \$15,300 in fiscal year 2024. These costs include:

- Labor Costs - Time and effort equate to .13 FTE.
- Amend four administrative rules.

SECOND YEAR COSTS:

The department will not incur any costs in fiscal year 2025.

ONGOING COSTS:

There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.1		
A-Salaries and Wages	9,600		9,600		
B-Employee Benefits	3,200		3,200		
E-Goods and Other Services	1,700		1,700		
J-Capital Outlays	800		800		
Total \$	\$15,300		\$15,300		

III. B - Detail: FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
EMS BAND 4	126,619	0.0		0.0		
MGMT ANALYST4	73,260	0.0		0.0		
TAX POLICY SP 2	75,120	0.0		0.0		
TAX POLICY SP 3	85,020	0.1		0.0		
TAX POLICY SP 4	91,524	0.0		0.0		
WMS BAND 3	107,685	0.0		0.0		
Total FTEs		0.1		0.1		

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

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

Part V: New Rule Making Required

Provisions of the bill 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 rule-making process to amend WAC 458-19-005, titled: "Definitions", WAC 458-19-055, titled: "Levy limit - Proration of earmarked funds", WAC 458-19-070, titled: "\$5.90 statutory aggregate dollar rate limit calculation", and WAC 458-19-075, titled: "Constitutional 1% limit calculation." Persons affected by this rulemaking would include county assessors and taxing districts.

LOCAL GOVERNMENT FISCAL NOTE

Revised

Department of Commerce

Bill Number: 1022 HB

Title: Support & 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: Same as above.

Special Districts: Same as above.

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:

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: 02/01/2023
Leg. Committee Contact: Elizabeth Allison	Phone: 360-786-7129	Date: 01/13/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/01/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/01/2023

Part IV: Analysis

A. SUMMARY OF BILL

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 2024.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated 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

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

According to the Department of Revenue fiscal note, this bill would increase local government tax revenue.

This bill increases local revenues by an estimated \$15.7 million in the first 6 months of impacted collections, and by \$31 million in the following year of impacted collections. It is unknown how these revenues will distribute amongst counties, cities, and special districts. Therefore, numbers are not listed in the table above.

Local Government:

FY 2024 -	\$ 15,700,000
FY 2025 -	\$ 31,000,000
FY 2026 -	\$ 32,900,000
FY 2027 -	\$ 34,800,000
FY 2028 -	\$ 36,800,000
FY 2029 -	\$ 38,800,000

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 2024, 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.

Sources:

Department of Revenue fiscal note

Local Government Fiscal Note, HB 1965 (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