

Multiple Agency Fiscal Note Summary

Bill Number: 1389 HB	Title: Residential rent increases
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Estimated Cash Receipts

NONE

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
Office of Attorney General	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Commerce	5.5	2,298,325	2,298,325	2,298,325	7.4	3,379,214	3,379,214	3,379,214	7.4	3,379,214	3,379,214	3,379,214
Total \$	5.5	2,298,325	2,298,325	2,298,325	7.4	3,379,214	3,379,214	3,379,214	7.4	3,379,214	3,379,214	3,379,214

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of Attorney General	.0	0	0	.0	0	0	.0	0	0
Department of Commerce	.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

Prepared by: Gwen Stamey, OFM	Phone: (360) 790-1166	Date Published: Final 2/ 9/2023
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Individual State Agency Fiscal Note

Bill Number: 1389 HB	Title: Residential rent increases	Agency: 100-Office of Attorney General
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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: Audrey Vasek	Phone: 360-786-7383	Date: 01/20/2023
Agency Preparation: Chad Standifer	Phone: 3605863650	Date: 01/23/2023
Agency Approval: Merdan Bazarov	Phone: 360-586-9346	Date: 01/23/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/23/2023

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.

The AGO Consumer Protection Division has reviewed this bill and determined it will not significantly increase or decrease the division's workload. New legal services are nominal and costs are not included in this request.

The AGO Agriculture and Health Division (AHD) has reviewed this bill and determined it will not significantly increase or decrease the division's workload in representing the Department of Commerce. AHD assumes there would be some advice related to rulemaking under Section 3. Any advice or new legal services related to the enactment of this bill are nominal and costs are not included in this request.

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.

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.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals 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

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

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

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.

Individual State Agency Fiscal Note

Bill Number: 1389 HB	Title: Residential rent increases	Agency: 103-Department of Commerce
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	3.6	7.4	5.5	7.4	7.4
Account					
General Fund-State 001-1	597,318	1,701,007	2,298,325	3,379,214	3,379,214
Total \$	597,318	1,701,007	2,298,325	3,379,214	3,379,214

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: Audrey Vasek	Phone: 360-786-7383	Date: 01/20/2023
Agency Preparation: Tedd Kelleher	Phone: 360-725-2930	Date: 02/08/2023
Agency Approval: Jason Davidson	Phone: 360-725-5080	Date: 02/08/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/09/2023

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.

Section 1 defines the terms used in the bill for department, inflation, and rent increase.

Section 2(1) would limit how often rent on a tenancy can be increased to once every 12 months; and to no more than 3% or the rate of inflation - whichever is higher.

Section 2(2) defines the notice a landlord must provide if rent is increased above the amount allowed in Section 1(2).

Section 2(3) would grant tenants a cause of action and defines penalties against a landlord if rent was increased beyond what is allowed under this proposal.

Section 3(1-2) would allow landlords to increase rent in an amount greater than allowed under Section 1 when 1) building has been occupied for less than 10 years, or 2) building is owned or operated by a public housing authority or funded by a state subsidized housing program.

Section 3(3) would allow landlords to increase rent in an amount greater than allowed under Section 1 when improvements were made attributable to the unit cost more than four months of rent.

Section 3(4) would allow a landlord to request from the department an exemption to the rent increase limit due to significant hardship and grants the department the authority to adopt rules governing the exception process.

Section 4 would require the Department of Commerce (Department) to calculate the allowable rent increase as defined in Sections 2 and 6 and publish the rent increase limit in a press release and on the department's website.

Section 5 would allow landlords who choose not to increase rent to bank 3% each year, by complying with a rent banking process defined through rulemaking by the Department. It is assumed the process defined by the Department would not include submission of any information to the Department, instead relying on a detailed documentation process shared with the impacted tenant.

Section 6 would limit rent increases on month-to-month tenancies under the same framework as described in Section 2.

Section 7 would limit rent increases for manufactured housing as defined by RCW 59.20 under the same framework as described in Section 2.

Section 8 would require notices of rent increases and banked rent for manufactured housing under the requirements in Section 2.

Section 9 would make the proposal take effect immediately.

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.

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.

Section 3(4) would allow a landlord to request from the department an exemption to the rent increase limit due to significant hardship.

Assumptions:

The fiscal note assumes the process to request and grant exceptions to the rent limit would be similar to that used in British Columbia, Canada. The definition of "significant hardship" would be narrowly and clearly defined by the Department of Commerce (Department) during the rules making process, resulting in about 1,000 exemption requests per year (from the 1.1 million rental units in Washington State), and making adjudication of the requests less complex. It is not possible to accurately predict how many hardship exemption requests would be filed with the Department each year, and as a result the number of staff needed to adjudicate requests could be an order of magnitude larger than described below, requiring the Department to adjust staffing count and types based on actual experience implementing the proposal. During implementation the Department may choose to contract for accounting and other support for the adjudicating process to increase the available skillsets or capacity to process claims, in place of or to supplement the staff described below.

Exemption requests would be adjudicated by an individual adjudicator (not a board), and in almost all cases the decision by the adjudicator would not be appealed to a court. Adjudicating a hardship request would take an average of seven hours by Department staff, including reviewing the claim, requesting additional information as needed, notifying the landlord and tenant of the hearing, conducting the hearing, and documenting the final judgement (less for most, with a higher number of hours for more complex and contentious claims). Each claim would be reviewed by a Certified Public Accountant, averaging two hours of review per claim. Adjudication hearings would in almost all cases be conducted via online meetings. Hiring the initial staff necessary staff would take at least three months, and developing the rules and associated processes, forms, and training would take 15 months. The volume of claims would be low enough that standard tools would be used to collect exemptions requests (such as email, secure file transfer, commonly available web form interfaces customizable by staff without special skills, standard mail, etc.) so that no specialized information technology would need to be developed and maintained.

SFY 2024:

Staff necessary for SFY 2024 include 1.0 FTE WMS Band 2 Managing Director to lead the work unit responsible for adjudicating exemption requests, supported by 1.0 FTE Commerce Specialist 2, and 1.0 FTE WMS band 2 exemption request adjudicator (preferably an attorney with experience adjudicating administrative matters). These positions would develop the initial rules, processes and supporting written materials in consultation with stakeholders, and in accordance with the rule making process.

SFY 2025, and each year thereafter:

In SFY 2025 and going forward an additional 3.0 WMS band 2 would be needed to adjudicate hardship requests (preferably attorneys with experience adjudicating administrative matters). The financial statements would be reviewed by contracted certified public accountants, averaging two hours per request at \$200 per hour (1,000 requests x \$200 an hour = \$400,000). The Managing Director described above would annually revise the program through the rules making process, participate in advisory processes, collect and publish data on the significant hardship exception effort, supervise the work unit staff, and manage the unit budget. The Commerce Specialist 2 described above would coordinate assignment of exemption requests and related communications and provide administrative support to the hearings process.

Section 4 would require the department to calculate the allowable rent increase as defined in Sections 2 and 6 and publish the rent increase limit in a press release and on the department's website. These duties would take about 20 hours per year

and would be carried out by the 1.0 FTE WMS Band 2 Managing Director described in the previous section.

Section 5 would require rule making to define the process to bank unused rent increases. The rulemaking would be done concurrently with the rulemaking in Section 3(4) and done by the staff performing rulemaking in that section.

Cost Narrative

2.0 FTE WMS Band 2 (4,176 hours) for FY 24, 5.0 FTE (10,440 hours) for FY25-FY29 to lead the work unit responsible for adjudicating exemption requests and develop the initial rules, processes and supporting written materials in consultation with stakeholders, and in accordance with the rule making process.

1.0 FTE Commerce Specialist 3 (2,088 hours) for FY 24-FY29 to support the WMS managing director and coordinate assignment of exemption requests and related communications and provide administrative support to the hearings process.

Salaries and Benefits:

FY24: \$416,404

FY25-FY29: \$923,996

Professional Service Contracts:

FY25-FY29: \$400,000

Goods and Other Services:

FY24: \$28,917

FY25-FY29: \$58,016

Equipment and Capital Outlays:

FY24: \$15,000

FY25: \$15,000

FY27: \$7,200

FY28: \$7,200

Intra-agency Reimbursements:

FY24: \$136,997

FY25-FY29: \$303,995

Note: Standard goods and services costs include supplies and materials, employee development and training. Attorney General costs, and agency administration. Intra-agency administration Reimbursement-Agency administrations costs (e.g., payroll, HR, IT are funded under a federally approved cost allocation plan.

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Summary of Total Costs:

FY24: \$597,318

FY25: \$1,701,007

FY26: \$1,686,007

FY27-FY28: \$1,693,207 per year

FY29: \$1,686,007

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	597,318	1,701,007	2,298,325	3,379,214	3,379,214
Total \$			597,318	1,701,007	2,298,325	3,379,214	3,379,214

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	3.6	7.4	5.5	7.4	7.4
A-Salaries and Wages	316,481	705,554	1,022,035	1,411,108	1,411,108
B-Employee Benefits	99,923	218,442	318,365	436,884	436,884
C-Professional Service Contracts		400,000	400,000	800,000	800,000
E-Goods and Other Services	28,917	58,016	86,933	116,032	116,032
G-Travel					
J-Capital Outlays	15,000	15,000	30,000	7,200	7,200
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	136,997	303,995	440,992	607,990	607,990
9-					
Total \$	597,318	1,701,007	2,298,325	3,379,214	3,379,214

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 2024	FY 2025	2023-25	2025-27	2027-29
Administrative Services-Indirect		0.6	1.4	1.0	1.4	1.4
Commerce Specialist 2		1.0	1.0	1.0	1.0	1.0
WMS Band 2		2.0	5.0	3.5	5.0	5.0
Total FTEs		3.6	7.4	5.5	7.4	7.4

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

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

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

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.

Sections 3(4) would require rule making to define the hardship exception request process.

Section 5 would require rule making to define the process banking unused rent increases.