

Multiple Agency Fiscal Note Summary

Bill Number: 1585 HB	Title: Local infra. project areas
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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 Commerce	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Revenue	.1	38,100	38,100	38,100	.0	0	0	0	.0	0	0	0
Total \$	0.1	38,100	38,100	38,100	0.0	0	0	0	0.0	0	0	0

Estimated Capital Budget Expenditures

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

Estimated Capital Budget Breakout

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Revised 2/ 9/2023
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Individual State Agency Fiscal Note

Bill Number: 1585 HB	Title: Local infra. project areas	Agency: 103-Department of Commerce
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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: Elizabeth Allison	Phone: 360-786-7129	Date: 02/06/2023
Agency Preparation: Buck Lucas	Phone: 360-725-3180	Date: 02/06/2023
Agency Approval: Jason Davidson	Phone: 360-725-5080	Date: 02/06/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/06/2023

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 amends RCW 39.108.120 requiring sponsoring cities that are adopting ordinances and creating one or more local infrastructure projects, to incentivize affordable housing or other infrastructure improvement, to adopt the Department of Commerce (department) transfer of development rights interlocal terms and conditions in WAC 12 365-198-040 and 365-198-060.

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.

There is no impact to the department. The activities stated in HB 1585 are already part of the normal operating procedures within the Local Government Division.

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.

Department of Revenue Fiscal Note

Bill Number: 1585 HB	Title: Local infra. project areas	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	0.3		0.1		
Account					
GF-STATE-State 001-1	38,100		38,100		
Total \$	38,100		38,100		

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: 02/06/2023
Agency Preparation: Frank Wilson	Phone: 60-534-1527	Date: 02/09/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 02/09/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/09/2023

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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.

Note: This fiscal note reflects a revision to the revenue impact and replaces fiscal note number 1585-1.

CURRENT LAW:

The Local Infrastructure Project Area (LIPA) financing program enables local governments to finance infrastructure investments and incentivize development rights in the Central Puget Sound. The program authorizes a city (sponsoring city) to create areas to allow certain increases in local property tax revenues generated from within the area to be used as payment of bonds issued for financing local public improvements within the area.

Eligible cities are in King, Snohomish, and Pierce counties. To sponsor an area under this program, the city must have established programs for the transfer of development rights. The city must also be incorporated with a population plus employment equal to 22,500 or greater.

Participation in the sharing of incremental local property taxes is mandatory for both the sponsoring city and county unless specifically excluded through an interlocal agreement.

Current law limits the annual growth in property tax levies, often referred to as the “101% levy limit” or the “1% growth limit.” Generally, this limit allows the highest lawful levy amount in prior years to be multiplied by 101%, or the lesser of 101% and 100% plus inflation. Then the maximum levy amount is further increased by additional amounts often referred to as “add-ons” because of increases in assessed value resulting from:

- New construction;
- Construction of wind turbine, solar, biomass, and geothermal facilities;
- Improvements to property;
- Increased value of state-assessed property; and
- Increases in real property value within a local tax increment finance area designated by a local government.

When a taxing district is restoring a levy, annexing an area, or consolidating with another taxing district, similar levy limit calculations are used to calculate the maximum levies that can be levied in the first year after restoration, annexation or consolidation.

PROPOSAL:

Requires a sponsoring city of a newly formed LIPA to adopt the Department of Commerce’s interlocal terms and conditions, specified in the Washington Administrative Code (WAC). If required by an eligible county a superseding interlocal agreement must be adopted prior to the use of any incremental local property taxes after the effective date of the bill.

Revises the definitions for purposes of a LIPA, by:

- Adding “affordable housing” as an infrastructure improvement; and
- Specifying that “regular property taxes” do not include any other regular property tax levy made for any purpose other than use in the county’s current expense fund.

Allows city and county taxing districts to increase their levy capacity under the 1% growth limit for any increase in assessed value within a LIPA, if not included elsewhere as an add-on.

Revises existing provisions for calculating local levies when restoring, annexing, or consolidating a property tax levy by

Request # 1585-2-2

allowing city and county taxing districts to increase their levy capacity for any increase in assessed value within a LIPA (if not included elsewhere as an add-on).

EFFECTIVE DATE:

The bill takes effect 90 days after final adjournment of the session.

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 estimate includes the one LIPA program in King County. The establishment of additional LIPA programs in King, Pierce, or Snohomish counties is unknown. If additional LIPA programs are established, the local revenue impacts may be larger.

DATA SOURCES

- Economic and Revenue Forecast Council, 2022 forecast of income growth
- King county, 2022 codes and levies, King county taxing districts report
- King county, Property Tax Rolls

REVENUE ESTIMATES:

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

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

FY 2024 -	\$ 800
FY 2025 -	\$ 1,500
FY 2026 -	\$ 1,500
FY 2027 -	\$ 1,500
FY 2028 -	\$ 1,500
FY 2029 -	\$ 1,500

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

Local Government, Impact on Revenues (\$000)

CY 2024 -	\$ 1,500
CY 2025 -	\$ 1,500
CY 2026 -	\$ 1,500
CY 2027 -	\$ 1,400
CY 2028 -	\$ 1,500
CY 2029 -	\$ 1,500

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 of Revenue (department) will incur total costs of \$38,100 in fiscal year 2024. These costs include:

- Labor Costs - Time and effort equate to 0.28 FTE.
- Amend 10 administrative rules.

SECOND YEAR COSTS:

The department will not incur 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	0.3		0.1		
A-Salaries and Wages	23,900		23,900		
B-Employee Benefits	7,900		7,900		
E-Goods and Other Services	4,300		4,300		
J-Capital Outlays	2,000		2,000		
Total \$	\$38,100		\$38,100		

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	0.1		0.0		
TAX POLICY SP 2	75,120	0.0		0.0		
TAX POLICY SP 3	85,020	0.2		0.1		
TAX POLICY SP 4	91,524	0.0		0.0		
WMS BAND 3	107,685	0.0		0.0		
Total FTEs		0.3		0.2		

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 process to amend the following rules:

WAC 458-19-005, 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."
WAC 458-19-550, titled: "State levy - apportionment between counties."

Persons affected by this rulemaking 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: 1585 HB

Title: Local infra. project areas

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

Legislation Impacts:

- Cities: indeterminate revenue increase
- Counties: indeterminate revenue increase
- Special Districts: indeterminate revenue increase
- Specific jurisdictions only:
- Variance occurs due to:

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option: Requirements of a sponsoring city are optional, as it is an option to be a sponsoring city, option to increase levy capacity.
- Key variables cannot be estimated with certainty at this time: What local governments with LIPAs will opt to increase levy capacity within a LIPA

Estimated revenue impacts to:

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

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 02/06/2023
Leg. Committee Contact: Elizabeth Allison	Phone: 360-786-7129	Date: 02/06/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/06/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/07/2023

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

This bill:

- Requires a sponsoring city of a newly formed LIPA to adopt the Department of Commerce's interlocal terms and conditions. If required by an eligible county a superseding interlocal agreement must be adopted before any incremental local property taxes may be used.
- Adds a definitions for "affordable housing" and alters the definition of "regular property taxes" to exclude any other regular property tax levy made for any purpose other than use in the county's current expense fund.
- Allows city and county taxing districts to increase their levy capacity under the 1% growth limit for any increase in assessed value within a LIPA, if not included elsewhere as an add-on.
- Revises existing provisions for calculating local levies when restoring, annexing, or consolidating a property tax levy by allowing city and county taxing districts to increase their levy capacity for any increase in assessed value within a LIPA (if not included elsewhere as an add-on).

The bill takes effect 90 days after final adjournment of the session.

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.

It is a local option for a sponsoring city to form a new LIPA. This bill would create requirements for certain sponsoring cities: to adopt an interlocal agreement under certain conditions. However, this requirement has no impact due to the local option to be a sponsoring city.

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.

This bill will indeterminately increase local government revenues for taxing districts that opt to increase levy capacity within a LIPA. It is unknown which (and how many) local governments will opt to increase levy capacity within a LIPA.

SOURCES

Dept. of Revenue fiscal note