

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1446 HB	<b>Title:</b> Law enf. officers/increase
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## Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	(430,800,000)	(430,800,000)	(430,800,000)	(525,800,000)	(525,800,000)	(525,800,000)	(575,400,000)	(575,400,000)	(575,400,000)
<b>Total \$</b>	<b>(430,800,000)</b>	<b>(430,800,000)</b>	<b>(430,800,000)</b>	<b>(525,800,000)</b>	<b>(525,800,000)</b>	<b>(525,800,000)</b>	<b>(575,400,000)</b>	<b>(575,400,000)</b>	<b>(575,400,000)</b>

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		430,800,000		525,800,000		575,400,000
Local Gov. Other	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.					
Local Gov. Total		430,800,000		525,800,000		575,400,000

## 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	1.6	437,900	437,900	437,900	.8	172,300	172,300	172,300	.1	18,800	18,800	18,800
Criminal Justice Training Commission	Fiscal note not available											
<b>Total \$</b>	<b>1.6</b>	<b>437,900</b>	<b>437,900</b>	<b>437,900</b>	<b>0.8</b>	<b>172,300</b>	<b>172,300</b>	<b>172,300</b>	<b>0.1</b>	<b>18,800</b>	<b>18,800</b>	<b>18,800</b>

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			5,298,000			5,336,000			5,336,000
Local Gov. Total			5,298,000			5,336,000			5,336,000

## 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
Criminal Justice Training Commission	Fiscal note not available								
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

# Estimated Capital Budget Breakout

<b>Prepared by:</b> Cynthia Hollimon, OFM	<b>Phone:</b> (360) 810-1979	<b>Date Published:</b> Preliminary 2/14/2023
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# Department of Revenue Fiscal Note

<b>Bill Number:</b> 1446 HB	<b>Title:</b> Law enf. officers/increase	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	(180,800,000)	(250,000,000)	(430,800,000)	(525,800,000)	(575,400,000)
<b>Total \$</b>	(180,800,000)	(250,000,000)	(430,800,000)	(525,800,000)	(575,400,000)

### Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.7	1.5	1.6	0.8	0.1
GF-STATE-State 001-1	275,000	162,900	437,900	172,300	18,800
<b>Total \$</b>	275,000	162,900	437,900	172,300	18,800

### 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: Elizabeth Allison	Phone: 60-786-7129	Date: 02/11/2023
Agency Preparation: Diana Tibbetts	Phone: 60-534-1520	Date: 02/13/2023
Agency Approval: Marianne McIntosh	Phone: 60-534-1505	Date: 02/13/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/13/2023

Request # 1446-1-1

## 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:

Local governments can levy several local taxes designated for certain uses. The Department of Revenue (department) collects most local sales and use taxes and distributes them monthly to local jurisdictions.

#### PROPOSAL:

This legislation allows local governments to levy a new state-shared 0.10% local sales and use tax used solely for employing additional commissioned law enforcement officers.

If the local commissioned rate per 1,000 population is greater than the national commissioned rate per 1,000 population, the city or county may use tax revenues received in the current calendar year for criminal justice purposes. The local and national commissioned rate per 1,000 population is determined using law enforcement employment data and jurisdictional population data provided to the Federal Uniform Crime Program, as of October of the prior calendar year.

The bill also reenacts and amends the law enforcement statute (RCW 43.101.200) to add that beginning in fiscal year 2024, the commission must provide up to 25 basic law enforcement training classes each fiscal year. The commission may adjust class size to manage demand but may not institute a wait list until after offering 25 classes. The Legislature must appropriate sufficient funding to the commission for this purpose.

#### 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:

- The state-shared tax credits the 0.10% local tax against the 6.5% state sales and use tax.
- All local jurisdictions will levy this new state-shared tax.
- Growth mirrors the Economic and Revenue Forecast Council's (ERFC) statewide taxable retail sales and the historical average is 5%.
- The performance audits of government account receives a 0.16% share of retail sales and use tax collections. The new state-shared local tax amounts exclude the amount the performance audits of government account receives.
- Currently, tribes with compacts receive a share of state sales and use tax and certain business and occupation taxes (RCW 43.06.523). Under this proposal the amount of revenue shared with tribes does not change.
- This legislation passes effective July 21, 2023, and the department implements the state-shared tax beginning September 1, 2023. This leads to nine months of impacted cash collections in fiscal year 2024.

#### DATA SOURCES:

- Department of Revenue excise tax data
- Economic and Revenue Forecast Council, November 2022 Forecast

#### REVENUE ESTIMATES:

This bill decreases state revenues by an estimated \$180.8 million in the nine months of impacted collections in fiscal year 2024, and by \$250 million in fiscal year 2025, the first full year of impacted collections.

This bill also increases local revenues by an estimated \$180.8 million in the nine months of impacted collections in fiscal year 2024, and by \$250 million in fiscal year 2025, the first full year of impacted collections.

**TOTAL REVENUE IMPACT:**

**State Government (cash basis, \$000):**

FY 2024 - (\$ 180,800)  
FY 2025 - (\$ 250,000)  
FY 2026 - (\$ 258,500)  
FY 2027 - (\$ 267,300)  
FY 2028 - (\$ 280,700)  
FY 2029 - (\$ 294,700)

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

FY 2024 - \$ 180,800  
FY 2025 - \$ 250,000  
FY 2026 - \$ 258,500  
FY 2027 - \$ 267,300  
FY 2028 - \$ 280,700  
FY 2029 - \$ 294,700

**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.*

**ASSUMPTIONS:**

This legislation will affect all jurisdictions.

**FIRST YEAR COSTS:**

The department will incur total costs of \$275,000 in fiscal year 2024. These costs include:

- Labor Costs – Time and effort equate to 1.7 FTEs.
- Set up and program computer system changes.
  - Computer system testing, verifying, monitoring and maintenance.

Object Costs - \$70,400.

- Contract computer system programming.

**SECOND YEAR COSTS:**

The department will incur total costs of \$162,900 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 1.5 FTEs.

- Continued computer system testing, monitoring, and maintenance.
  - Process returns, payments, and all associated work items, including issuing assessments for return errors and underpayments.
  - Assist taxpayers with reporting questions and respond to inquiries via email, web message, and paper correspondence.
  - Examine accounts and make corrections as necessary.

**ONGOING COSTS:**

Ongoing costs for the 2025-27 biennium equal \$172,300 and include similar activities described in the second-year costs. Time

and effort equate to 1.4 FTEs in fiscal year 2026 and 0.2 FTEs in fiscal year 2027.

### Part III: Expenditure Detail

#### III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.7	1.5	1.6	0.8	0.1
A-Salaries and Wages	125,300	106,700	232,000	112,800	12,400
B-Employee Benefits	41,300	35,200	76,500	37,200	4,000
C-Professional Service Contracts	70,400		70,400		
E-Goods and Other Services	26,100	16,300	42,400	17,400	1,800
J-Capital Outlays	11,900	4,700	16,600	4,900	600
<b>Total \$</b>	<b>\$275,000</b>	<b>\$162,900</b>	<b>\$437,900</b>	<b>\$172,300</b>	<b>\$18,800</b>

**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
EXCISE TAX EX 3	61,632	0.1	0.1	0.1	0.1	0.1
EXCISE TAX EX 4	68,076	0.4	0.4	0.4	0.2	
IT SYS ADM-JOURNEY	92,844	0.2		0.1		
MGMT ANALYST4	73,260	1.0	1.0	1.0	0.5	
<b>Total FTEs</b>		<b>1.7</b>	<b>1.5</b>	<b>1.6</b>	<b>0.8</b>	<b>0.1</b>

#### 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

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

<b>Bill Number:</b> 1446 HB	<b>Title:</b> Law enf. officers/increase
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**Part I: Jurisdiction**-Location, type or status of political subdivision defines range of fiscal impacts.

**Legislation Impacts:**

- Cities: Potential sales tax revenue increase, future savings on law enforcement training
- Counties: Potential sales tax revenue increase, future savings on law enforcement training
- Special Districts: Potential sales 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: Cities and counties may impose an additional sales and use tax
- Key variables cannot be estimated with certainty at this time: It is unknown which cities or counties would impose the tax, how many employees would receive basic law enforcement academy training

**Estimated revenue impacts to:**

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
City	53,847,879	74,457,797	128,305,676	156,599,638	171,372,065
County	66,193,040	91,527,987	157,721,027	192,501,663	210,660,815
Special District	60,759,081	84,014,216	144,773,297	176,698,699	193,367,120
<b>TOTAL \$</b>	180,800,000	250,000,000	430,800,000	525,800,000	575,400,000
<b>GRAND TOTAL \$</b>					1,532,000,000

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

**Estimated expenditure impacts to:**

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
City	1,735,800	1,760,880	3,496,680	3,521,760	3,521,760
County	894,200	907,120	1,801,320	1,814,240	1,814,240
<b>TOTAL \$</b>	2,630,000	2,668,000	5,298,000	5,336,000	5,336,000
<b>GRAND TOTAL \$</b>					15,970,000

**Part III: Preparation and Approval**

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 02/13/2023
Leg. Committee Contact: Elizabeth Allison	Phone: 360-786-7129	Date: 02/11/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/13/2023
OFM Review: Cynthia Hollimon	Phone: (360) 810-1979	Date: 02/14/2023

## Part IV: Analysis

### A. SUMMARY OF BILL

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

This bill would:

- allow cities and counties to impose a sales and use tax of .1% of the selling price, if the county in which the city is located also imposes the tax, the city sales and use tax must be credited against the county tax for the sole purpose of employing additional commissioned law enforcement officers or "criminal justice purposes" if certain criteria outlined in the bill are met
- remove the requirement for cities and counties to reimburse the Criminal Justice Training Commission (CJTC) 25% of the cost of training city/county personnel
- require the CJTC to provide up to 25 basic law enforcement training classes each fiscal year with funding appropriated by the legislature

### 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 bill would remove the requirement for cities and counties to reimburse the Criminal Justice Training Commission (CJTC) 25% of the cost of training city/county for law enforcement personnel training, decreasing operational costs.

According to the Criminal Justice Training Commission, the CJTC assumes the effective date of the cost share elimination is July 1, 2023. There would be a reduction of revenue from the 25% local cost share of \$2,630,000 in fiscal year 2024 and \$2,668,000 in fiscal year 2025 and each year after, 66% paid by cities and 34% by 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.*

This bill creates a local option for cities and counties to impose a .10% sales and use tax. Since it is unknown which cities or counties would impose this tax, tax revenue cannot be calculated and total revenue impacts are indeterminate.

#### OPTIONAL SALES AND USE TAX

Cities and counties may impose an additional sales and use tax of .1% of the selling price. If the county in which the city is located also imposes the tax, the city sales and use tax must be credited against the county tax. The bill requires the Department of Revenue to collect and remit the sales and use tax on behalf of the jurisdiction at no cost.

According to the Department of Revenue (DOR) this bill would increase local revenues by an estimated \$180.8 million in the nine months of impacted collections in fiscal year 2024, and by \$250 million in fiscal year 2025, the first full year of impacted collections. It assumes all local jurisdictions will levy this new state-shared tax. Please see the DOR fiscal note for their complete list of assumptions and data sources.

#### LOCAL GOVERNMENT REVENUE INCREASE BREAKDOWN

Counties:

FY 2024	\$66,193,040
FY 2025	\$91,527,987
FY 2026	\$94,639,939
FY 2027	\$97,861,724
FY 2028	\$102,767,624
FY 2029	\$107,893,191



Cities:

FY 2024	\$53,847,879
FY 2025	\$74,457,796
FY 2026	\$76,989,362
FY 2027	\$79,610,277
FY 2028	\$83,601,214
FY 2029	\$87,770,851

Special Districts:

FY 2024	\$60,759,081
FY 2025	\$84,014,216
FY 2026	\$86,870,699
FY 2027	\$89,828,000
FY 2028	\$94,331,162
FY 2029	\$99,035,958

METHODOLOGY:

The distributions in this note for cities, counties, and special districts are based on DOR data for local sales and use tax distributions from Calendar Year 2021. Mitigation payments and distributions to hospital benefit zones are not factored into this distribution. The result is a distribution of 36.61 percent to counties, 29.78 percent to cities, and 33.61 percent to special districts.

No fee has been deducted for DOR administration as directed by the bill.

It is unknown what the actual distribution rates would be to the local governments if portions were not shared with the special districts.

SOURCES:

- Association of Washington Cities
- Criminal Justice Training Commission
- Criminal Justice Training Commission fiscal note, SB 5361 (2023)
- Department of Revenue fiscal note, HB 1446 (2023)
- Local Government fiscal note, SB 5841 (2022)
- Local Government Fiscal Note program, Local Sales Tax model 2023
- Local Government Fiscal Note program, Sales and Use Tax Distribution model 2023