

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5496 S SB	<b>Title:</b> Covenant homeownership prg.
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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
Office of State Treasurer	Non-zero but indeterminate cost and/or savings. Please see discussion.								
<b>Total \$</b>	0	0	0	0	0	0	0	0	0

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		1,500,000		2,000,000		2,000,000
Local Gov. Other	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.					
<b>Local Gov. Total</b>		1,500,000		2,000,000		2,000,000

## 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
Office of State Treasurer	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Commerce	Fiscal note not available											
Department of Revenue	.0	0	0	0	.0	0	0	0	.0	0	0	0
Housing Finance Commission	.0	480,000	480,000	480,000	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	0.0	480,000	480,000	480,000	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.								
<b>Local Gov. Total</b>									

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Department of Commerce	Fiscal note not available								
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Housing Finance Commission	.0	0	0	.0	0	0	.0	0	0
<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>

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

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<b>Prepared by:</b> Gwen Stamey, OFM	<b>Phone:</b> (360) 790-1166	<b>Date Published:</b> Preliminary 2/23/2023
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5496 S SB	<b>Title:</b> Covenant homeownership prg.	<b>Agency:</b> 090-Office of State Treasurer
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## Part I: Estimates

No Fiscal Impact

**Estimated Cash Receipts to:**

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

**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: Tianyi Lan	Phone: 360-786-7432	Date: 02/16/2023
Agency Preparation: Dan Mason	Phone: (360) 902-8990	Date: 02/22/2023
Agency Approval: Dan Mason	Phone: (360) 902-8990	Date: 02/22/2023
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/22/2023

## 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.*

SSB 5496 creates the covenant homeownership account and allows the account to retain its earnings from investments.

### 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.*

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

### 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.*

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5496 S SB	<b>Title:</b> Covenant homeownership prg.	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated 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: Tianyi Lan	Phone: 60-786-7432	Date: 02/16/2023
Agency Preparation: Kari Kenall	Phone: 60-534-1508	Date: 02/16/2023
Agency Approval: Marianne McIntosh	Phone: 60-534-1505	Date: 02/16/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/17/2023

Request # 5496-2-1

## 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.*

Note: This fiscal note reflects language in SSB 5496, 2023 Legislative Session.

This fiscal note only addresses section 2 that impacts the Department of Revenue (department).

#### COMPARISON OF THE SUBSTITUTE BILL WITH THE ORIGINAL:

This substitute bill changes the name of the assessment collected by the county auditors from covenant homeownership program assessment to covenant homeownership assessment.

#### CURRENT LAW:

County auditors collect applicable fees and surcharges required by law to record documents.

#### PROPOSED LAW:

This bill requires county auditors to collect a \$100 covenant homeownership assessment for each document recorded. This assessment is in addition to current charges required by law. Documents exempt from this assessment are:

- Assignments or substitutions of previously recorded deeds of trust.
- Documents recording a birth, marriage, divorce, or death.
- Documents otherwise exempted from a recording fee or additional assessments under state law.
- Marriage licenses issued by the county auditor.
- Documents recording a federal, state, county, city, or water-sewer district, or wage lien or satisfaction of lien.

This Department of Commerce in partnership with Washington State Housing Finance Commission use this assessment to help marginalized communities obtain access to credit and homeownership.

The department is exempt from paying county auditors the additional assessment required by this bill to record state liens and satisfaction of liens.

#### 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.*

This legislation results in no revenue impact to taxes administered by the department.

### 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.*

The department will not incur any costs with the implementation of this legislation.

## Part III: Expenditure Detail

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

NONE

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

NONE

**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**



# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5496 S SB	<b>Title:</b> Covenant homeownership prg.	<b>Agency:</b> 148-Housing Finance Commission
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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
<b>Account</b>					
General Fund-State 001-1	480,000	0	480,000	0	0
<b>Total \$</b>	480,000	0	480,000	0	0

### 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: Tianyi Lan	Phone: 360-786-7432	Date: 02/16/2023
Agency Preparation: Fenice Taylor	Phone: 206-287-4432	Date: 02/17/2023
Agency Approval: Fenice Taylor	Phone: 206-287-4432	Date: 02/17/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/20/2023

## 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.

Requires the Housing Finance Commission to contract with the Department of Commerce to design, develop, and implement one or more special purpose credit programs. The programs would be funded by a new \$100 document recording fee collected by county auditors and deposited with the State Treasurer's Office. Up to 1% of the funds appropriated from those fees is allowed per the statute to cover the Commission's cost to administer the program. In addition, the substitute bill states if the covenant homeownership program is held invalid, in whole or in part, the legislature may appropriate moneys in the covenant homeownership account to the department of commerce to contract with the Washington state housing finance commission for one or more other programs that support homeownership for first-time homebuyers. We anticipate the program administration activities would necessitate up to two additional FTEs, however as a non-appropriated, non-allocated agency for operating expenses, those would be covered by the 1% allowed. Additionally, the measure requires the Commission to conduct an initial covenant homeownership program study prior to the implementation of the documentation recording fee. Given the delay between when the study must be completed and any potential receipts under the measure for administration, and the possibility for the delay or cancellation of collection of the recording fees, unless it's fully covered by the appropriation, we would seek an appropriation in the budget to cover the anticipated costs for the study. We estimate those costs to be \$480,000.

### 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

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	480,000	0	480,000	0	0
<b>Total \$</b>			480,000	0	480,000	0	0

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts	480,000		480,000		
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	480,000	0	480,000	0	0

**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.*

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5496 S SB

Title: Covenant homeownership prg.

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

### Legislation Impacts:

- Cities:
- Counties: Auditors would collect an indeterminate amount of new recording fees and would keep 1% for administration
- Special Districts:
- Specific jurisdictions only:
- Variance occurs due to:

## Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time: Number of documents subject to the new recording fee

### Estimated revenue impacts to:

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
County	500,000	1,000,000	1,500,000	2,000,000	2,000,000
<b>TOTAL \$</b>	500,000	1,000,000	1,500,000	2,000,000	2,000,000
<b>GRAND TOTAL \$</b>					5,500,000

In addition to the estimates above, there are additional indeterminate costs 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: Allan Johnson	Phone: 360-725-5033	Date: 02/21/2023
Leg. Committee Contact: Tianyi Lan	Phone: 360-786-7432	Date: 02/16/2023
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 02/21/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/23/2023

## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

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

#### **CHANGES FROM ORIGINAL BILL:**

No changes affect the original analysis.

#### **SUMMARY OF CURRENT BILL:**

This legislation would establish a new covenant homeownership program that would conduct a study on historical discrimination in housing and then establish down payment and closing cost assistance for qualified first-time homebuyers to help remedy historic discrimination.

County auditors would be required to collect a \$100 covenant homeownership program assessment for each document recorded. This assessment is in addition to current charges required by law. Documents exempt from this assessment are:

- Assignments or substitutions of previously recorded deeds of trust.
- Documents recording a birth, marriage, divorce, or death.
- Documents otherwise exempted from a recording fee or additional assessments under state law.
- Marriage licenses issued by the county auditor.
- Documents recording a federal, state, county, city, or water-sewer district, or wage lien or satisfaction of lien.

County auditors would be able to retain one percent of the recording fee assessment.

The Department of Revenue would be exempt from paying county auditors the additional assessment required by this bill to record state liens and satisfaction of liens.

### **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.*

#### **CHANGES FROM ORIGINAL BILL:**

No changes affect the original analysis.

#### **SUMMARY OF CURRENT BILL:**

County auditors would experience an indeterminate change in workload to administer the new recording fee. It is unknown whether new revenues would be sufficient to match the change in workload. The provisions exempting the county auditors from fees to record state liens and satisfaction of liens contribute to the indeterminate impact of this legislation on expenditures. Therefore, the fiscal impact of this legislation on county auditor expenditures is indeterminate

### **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.*

#### **CHANGES FROM ORIGINAL BILL:**

No changes affect the original analysis.

#### **SUMMARY OF CURRENT BILL:**

County auditors would retain one percent of all new recording fees. Based upon the fiscal note prepared by the

Department of Commerce, it is estimated that at least 1,000,000 documents would be subject to the new recording fee annually. As a result, it is anticipated that this legislation would result in at least \$1,000,000 in revenue to County Auditors (1,000,000 documents x \$100 recording fee = \$100,000,000; \$100,000,000 x 0.01 = \$1,000,000). Collection of this revenue would start January 1, 2024.

While the base level of revenue can be estimated, it is likely that there would be indeterminate revenue in excess of this amount in at least some years. This additional revenue amount cannot be identified with certainty. Primarily this is because the volume of recorded documents is highly volatile and varies substantially from year to year. As a result, the total volume of new fees in excess of 1,000,000 annually cannot be predicted in advance.

Additional uncertainty exists because the legislation contains multiple circumstances under which the fee would not be collected. Finally, information from county auditors indicate that the size of the new recording fee may impact the number of documents that are recorded. For example, there may be an indeterminate drop in documents that are recorded to correct minor errors.

Sources:

Washington Association of County Officials

Department of Commerce FN 5496 (2023)

Department of Revenue FN 5496 (2023)