

Multiple Agency Fiscal Note Summary

Bill Number: 5030 SB	Title: Hog fuel/tax exemption
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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	(1,817,000)	(1,817,000)	(1,820,000)	(3,454,000)	(3,454,000)	(3,460,000)	(3,244,000)	(3,244,000)	(3,250,000)
Total \$	(1,817,000)	(1,817,000)	(1,820,000)	(3,454,000)	(3,454,000)	(3,460,000)	(3,244,000)	(3,244,000)	(3,250,000)

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
Joint Legislative Audit and Review Committee	.1	0	0	19,800	.0	0	0	4,400	.0	0	0	6,700
Department of Revenue	.1	14,200	14,200	14,200	.0	0	0	0	.0	0	0	0
Total \$	0.2	14,200	14,200	34,000	0.0	0	0	4,400	0.0	0	0	6,700

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.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 3/ 9/2023
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Individual State Agency Fiscal Note

Revised

Bill Number: 5030 SB	Title: Hog fuel/tax exemption	Agency: 014-Joint Legislative Audit and Review Committee
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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	0.1	0.0	0.1	0.0	0.0
Account					
Performance Audits of Government Account-State 553-1	17,600	2,200	19,800	4,400	6,700
Total \$	17,600	2,200	19,800	4,400	6,700

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: Jeffrey Mitchell	Phone: 360-786-7438	Date: 01/09/2023
Agency Preparation: Dana Lynn	Phone: 360-786-5177	Date: 03/02/2023
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 03/02/2023
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 03/09/2023

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.

This bill extends the expiration date for current tax preferences for hog fuel used to produce electricity, steam, heat, or biofuel.

TAX PERFORMANCE STATEMENT DETAILS

Section 5 is a new section providing a tax preference performance statement that categorizes the preferences as intended to induce certain designated behavior by taxpayers, as indicated under RCW 82.32.808(2)(a).

The specific public policy objective is stated to extend the expiration date of the tax preferences to increase the ability of beneficiary facilities to provide at least 75% of their employees with medical and dental insurance and a retirement plan.

JLARC is to refer to the annual tax performance report beneficiaries are required to file per RCW 82.32.605 and employment data from the Employment Security Department.

TAX PREFERENCE DETAILS

SECTION 1 states the Legislature's intent to retain and grow family wage jobs in rural, economically distressed areas, promote healthy forests, and use Washington's natural resources to promote diversified renewable energy use in the state.

SECTIONS 2 and 3 amend RCW 82.08.956 and 82.12.956 to extend the expiration date for the current sales and use tax exemptions for sales and use of hog fuel from June 30, 2024, to June 30, 2034.

SECTIONS 4 amends RCW 82.32.605, requiring all taxpayers claiming this preference to file an annual tax performance report with the Department of Revenue (DOR). The bill extends the expiration date for this statute from 2024 to June 30, 2034.

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.

Immediately after the 2023 legislative session, JLARC staff would contact the Department of Revenue to ensure that details necessary for a future study, including taxpayers' provision of medical, health, and retirement benefits, are added to the annual tax preference performance report filed by beneficiaries of the preference. JLARC staff would also contact the Employment Security Department to determine if data necessary for future analysis is collected by and could be obtained from the agency.

The expenditure detail noted reflects work conducted to prepare for the future review, which is assumed to be completed in 2032.

This tax preference review may require additional resources. The audit will be conducted and presented to JLARC consistent with the processes used for other tax preference reviews. Based on all tax preference legislation that is passed,

JLARC may subsequently determine that it can absorb the costs for this proposed bill in its base budget, if the workload of other enacted tax preference legislation does not exceed current staffing. JLARC will assess all of the tax preference reviews mandated in the 2023 legislative session.

This audit will require an estimated 1 audit month.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst's time for a month, together with related administrative, support, and goods/services costs. JLARC's anticipated 2023-25 costs are calculated at approximately \$22,100 per audit month.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
553-1	Performance Audits of Government Account	State	17,600	2,200	19,800	4,400	6,700
Total \$			17,600	2,200	19,800	4,400	6,700

III. B - 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	11,400	1,400	12,800	2,800	4,300
B-Employee Benefits	3,600	500	4,100	1,000	1,400
C-Professional Service Contracts					
E-Goods and Other Services	2,400	300	2,700	600	900
G-Travel	200		200		100
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	17,600	2,200	19,800	4,400	6,700

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
Research Analyst	126,694	0.1		0.1		
Support staff	89,671					
Total FTEs		0.1		0.1		0.0

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: 5030 SB	Title: Hog fuel/tax exemption	Agency: 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		(1,817,000)	(1,817,000)	(3,454,000)	(3,244,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax		(3,000)	(3,000)	(6,000)	(6,000)
Total \$		(1,820,000)	(1,820,000)	(3,460,000)	(3,250,000)

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		0.1	0.1		
GF-STATE-State 001-1	2,200	12,000	14,200		
Total \$	2,200	12,000	14,200		

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: Jeffrey Mitchell	Phone: 60-786-7438	Date: 01/09/2023
Agency Preparation: Alex Merk-Dyes	Phone: 60-534-1601	Date: 01/10/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/10/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/10/2023

Request # 5030-1-1

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 provides a sales and use tax exemption on purchases of hog fuel used to produce electricity, steam, heat, or biofuel.

Buyers must provide the seller with an exemption certificate as well as complete an annual tax performance report for each facility owned or operated in Washington.

The exemption and annual reporting requirement expire June 30, 2024.

PROPOSAL:

The bill extends the expiration to June 30, 2034, for the exemption and annual reporting requirement.

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:

- Hog fuel exemption future growth declines 3.2% annually, based on the annual tax savings reported the past seven years.
- This legislation passes effective July 21, 2023. There is no impact in fiscal year 2024 because the exemption currently is effective through June 30, 2024.

DATA SOURCES:

- Department of Revenue, Annual tax performance reports

REVENUE ESTIMATES:

This bill decreases state revenues by an estimated \$2 million in the 12 months of impacted collections in fiscal year 2025.

This bill also decreases local revenues by an estimated \$550,000 in the 12 months of impacted collections in fiscal year 2025.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	\$ 0
FY 2025 -	(\$ 1,820)
FY 2026 -	(\$ 1,760)
FY 2027 -	(\$ 1,700)
FY 2028 -	(\$ 1,650)
FY 2029 -	(\$ 1,600)

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

FY 2024 -	\$ 0
FY 2025 -	(\$ 530)

FY 2026 - (\$ 510)
 FY 2027 - (\$ 490)
 FY 2028 - (\$ 480)
 FY 2029 - (\$ 530)

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 12 taxpayers claiming the exemption.

FIRST YEAR COSTS:

The department will incur total costs of \$2,200 in fiscal year 2024. These costs include:

- Object Costs - \$2,200.
- Contract computer system programming to update systems for the exemption extension.

SECOND YEAR COSTS:

The department will incur total costs of \$12,000 in fiscal year 2025. These costs include:

- Labor Costs - Time and effort equate to 0.1 FTE.
- Test and verify computer system changes.

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		7,300	7,300		
B-Employee Benefits		2,400	2,400		
C-Professional Service Contracts	2,200		2,200		
E-Goods and Other Services		1,600	1,600		
J-Capital Outlays		700	700		
Total \$	\$2,200	\$12,000	\$14,200		

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
MGMT ANALYST4	73,260		0.1	0.1		
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