

Multiple Agency Fiscal Note Summary

Bill Number: 2354 HB	Title: Tax increment 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 Revenue	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total \$	0.0	0	0	0	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 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: Amy Hatfield, OFM	Phone: (360) 280-7584	Date Published: Final 1/23/2024
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Department of Revenue Fiscal Note

Bill Number: 2354 HB	Title: Tax increment areas	Agency: 140-Department of Revenue
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Part I: Estimates

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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:

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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.

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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: 01/21/2024
Agency Preparation: Frank Wilson	Phone: (360) 534-1527	Date: 01/22/2024
Agency Approval: Valerie Torres	Phone: (360) 534-1521	Date: 01/22/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/22/2024

Request # 2354-1-1

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, such as counties, cities, and port districts, or any combination, may create a Local Tax Increment Financing (LTIF) area to fund public improvements using increased revenues from local property taxes generated within the LTIF area.

Generally, each local taxing district within the Local Tax Increment Financing (LTIF) area continues to receive a portion of its regular property taxes based on the rate of tax levied by the taxing district on the tax allocation.

However, the local government creating the LTIF area receives an allocated portion of the regular property taxes levied by each taxing district on the increment value increase within the LTIF area. The allocated revenue repays bonds used to finance the public improvements in the LTIF area for no more than 25 years.

The property tax levies apportioned are typically those subject to the constitutional 1% and \$5.90 aggregate limitations. However, this excludes property taxes levied by a port district or public utility district for the purpose of bond payment and the state school levies from LTIF apportionment.

PROPOSAL:

This bill makes the following changes to the LTIF program:

- Allows taxing districts within an LTIF increment area the option of full or partial participation in an LTIF program.
- Revises LTIF general provisions to specify the allocation of revenues cease before the sunset date if the necessary debt is no longer necessary.
- Removes mitigation requirements of a local government LTIF project analysis when a fire district or regional fire authority (RFA) has at least 20% of assessed value in the increment area.
- Adds emergency medical services to the assessment of any impacts needing mitigation as part of a project analysis.

EFFECTIVE DATE:

The bill takes effect 90 days after the 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 bill requires taxing districts within an LTIF area to approve their full or partial participation in the project by majority vote and ordinance.

REVENUE ESTIMATES:

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

This bill results in additional revenue for the county or city creating the LTIF. The amount of the additional revenue is indeterminate because the local governments that will create an LTIF area are unknown.

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 have minimal costs of approximately \$4,700 for 80 hours of work by a property acquisition specialist to implement this legislation and will absorb in current funding.

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

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 2354 HB

Title: Tax increment areas

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

Legislation Impacts:

- ☒ Cities: increase in property tax revenue by creating a local tax increment financing area
- ☒ Counties: increase in property tax revenue by creating a local tax increment financing area
- ☐ Special Districts:
- ☒ Specific jurisdictions only: cities and counties creating a local tax increment financing area
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☒ Legislation provides local option: cities and counties can create a local tax increment financing area
- ☒ Key variables cannot be estimated with certainty at this time: which cities or counties will create a local tax increment financing area

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: Tammi Alexander	Phone: 360-725-5038	Date: 01/23/2024
Leg. Committee Contact: Elizabeth Allison	Phone: 360-786-7129	Date: 01/21/2024
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/23/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/23/2024

Part IV: Analysis

A. SUMMARY OF BILL

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

This bill would:

- allow for the expiration of a tax increment financing (TIF) increment area prior to the sunset date if tax allocation revenues are no longer necessary or obligated to pay any bonded indebtedness issued solely to fund the public improvement costs
- require a governing body of any taxing district within the increment area to approve the taxing district's partial or full participation in the tax increment project
- exclude the taxing district's property taxes from TIF apportionment if the governing body does not approve its participation

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.

Cities or counties currently have the option to create a local tax increment financing (LTIF) area to generate property tax revenue, which results in costs to the local government establishing the LTIF area. This bill does not create any new additional costs to create the LTIF area.

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.

Cities or counties currently have the option to create a local tax increment financing (LTIF) area to generate property tax revenue. This bill would result in additional revenue for the city or county creating the LTIF area. The amount of the additional revenue is indeterminate because the local governments that will create an LTIF area are unknown.

SOURCES:

Department of Revenue fiscal note, SB 6230 (2024)

Senate Bill Report, SB 6230, Local Government, Land Use and Tribal Affairs Committee (1/23/2024)