

Multiple Agency Fiscal Note Summary

Bill Number: 1964 HB	Title: Prorate & fuel tax collect.
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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 Licensing	0	0	0	0	0	15,762,000	0	0	16,060,000
Total \$	0	0	0	0	0	15,762,000	0	0	16,060,000

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
Administrative Office of the Courts	.2	70,386	70,386	70,386	.0	0	0	0	.0	0	0	0
Department of Revenue	.0	0	0	0	.0	0	0	0	.0	0	0	0
Washington State Patrol	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Licensing	3.5	0	0	1,564,000	7.0	0	0	2,240,000	7.0	0	0	2,240,000
Total \$	3.7	70,386	70,386	1,634,386	7.0	0	0	2,240,000	7.0	0	0	2,240,000

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Administrative Office of the Courts	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Washington State Patrol	.0	0	0	.0	0	0	.0	0	0
Department of Licensing	.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: Kyle Sieferring, OFM

Phone:
(360) 995-3825

Date Published:
Final 1/29/2024

Judicial Impact Fiscal Note

Bill Number: 1964 HB	Title: Prorate & fuel tax collect.	Agency: 055-Administrative Office of the Courts
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

STATE	FY 2024	FY 2025	2023-25	2025-27	2027-29
State FTE Staff Years		.3	.2		
Account					
General Fund-State 001-1		70,386	70,386		
State Subtotal \$		70,386	70,386		
COUNTY	FY 2024	FY 2025	2023-25	2025-27	2027-29
County FTE Staff Years					
Account					
Local - Counties					
Counties Subtotal \$					
CITY	FY 2024	FY 2025	2023-25	2025-27	2027-29
City FTE Staff Years					
Account					
Local - Cities					
Cities Subtotal \$					

Estimated Capital Budget Impact:

NONE

The revenue and expenditure estimates on this page represent the most likely fiscal impact. Responsibility for expenditures may be subject to the provisions of RCW 43.135.060.

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 for 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.

Legislative Contact: Michael Hirsch	Phone: 360-786-7195	Date: 12/29/2023
Agency Preparation: Jackie Bailey-Johnson	Phone: 360-704-5545	Date: 01/29/2024
Agency Approval: Chris Stanley	Phone: 360-357-2406	Date: 01/29/2024
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 01/29/2024

191,270.00

Request # 011-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact on the Courts

This bill relates to enhancing prorate and fuel tax collections by improving taxpayer compliance, providing additional enforcement mechanisms, and protecting confidential taxpayer information.

II. B - Cash Receipts Impact

None

II. C - Expenditures

ADMINISTRATIVE OFFICE OF THE COURTS

Impacts to AOC:

- System changes
- New civil cause of action and event/docket codes will be required
- New case management security type will be required to comply with the sealing provision in the bill
- Required changes to caseload reporting

System change estimates are 505-680 hours for preparing requirements, system development and configurations, quality assurance testing, manual updates, and business process documentation. These are the systems that would be affected:

- Judicial Information System (JIS)
- Superior Court Management Information System (SCOMIS)
- Superior Court Enterprise Justice (SC-EJ)
- Enterprise Data Repository (EDR)
- Data Reporting

The estimate included in the judicial impact note is \$70,386 based on 680 staff hours at an average of approximately \$104 per hour across multiple job classifications needed to complete the interface (Business Analyst, System Integrator, Senior System Integrator, IT Supervisor, and Manager).

AOC STAFF IMPACTS INCLUDE STANDARD COSTS

Explanation of standard costs by object:

Salary estimates are current biennium actual rates at Step L.

Benefits are the agency average of 31.89% of salaries.

Goods and Services are the agency average of \$3,800 per direct program FTE.

Travel is the agency average of \$2,500 per direct program FTE.

One-time IT Equipment is \$4,800 for the first fiscal year per direct program FTE. Ongoing Equipment is the agency average of \$1,600 per direct program FTE.

Agency Indirect is calculated at a rate of 24.73% of direct program salaries and benefits.

SUPERIOR COURT IMPACT

Sections 15 and 20 of the bill would allow the Department of Licensing to apply for a court order authorizing a subpoena of relevant information. The bill defines and establishes a subpoena application process and requires the entire file to be sealed and prohibits inspection by any person without a court order. Existing court business processes would be used to file subpoena application in a new civil cause of action.

Civil case filings would increase, but the impact is indeterminate.

Part III: Expenditure Detail

191,270.00

Form FN (Rev 1/00)

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Request # 011-1

Bill # 1964 HB

Part III: Expenditure Detail

III. A - Expenditure By Object or Purpose (State)

<i>State</i>	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		.3	.2		
Salaries and Wages		41,358	41,358		
Employee Benefits		12,651	12,651		
Professional Service Contracts					
Goods and Other Services		1,172	1,172		
Travel		652	652		
Capital Outlays		586	586		
Inter Agency/Fund Transfers					
Grants, Benefits & Client Services					
Debt Service					
Interagency Reimbursements					
Intra-Agency Reimbursements		13,967	13,967		
Total \$		70,386	70,386		

III. B - Expenditure By Object or Purpose (County)

NONE

III. C - Expenditure By Object or Purpose (City)

NONE

III. D - FTE Detail

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Business Analyst/Integrator/IT	70,386		0.3	0.2		
Supervisor/Manager						
Total FTEs			0.3	0.2		0.0

III. E - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B1 - Expenditures by Object Or Purpose (State)

NONE

IV. B2 - Expenditures by Object Or Purpose (County)

NONE

IV. B3 - Expenditures by Object Or Purpose (City)

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

191,270.00

Form FN (Rev 1/00)

Department of Revenue Fiscal Note

Bill Number: 1964 HB	Title: Prorate & fuel tax collect.	Agency: 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: Michael Hirsch	Phone: 60-786-7195	Date: 12/29/2023
Agency Preparation: Erika Ferrara	Phone: 60-534-1517	Date: 01/09/2024
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/09/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/10/2024

Request # 1964-1-1

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 Department of Licensing (DOL) does not currently have enforcement functions in place for the proportional registration program, the fuel tax act, or aircraft fuel tax.

PROPOSAL:

This legislation provides DOL with enforcement authority for the motor vehicle proportional registration program, the fuel tax act, and aircraft fuel tax.

Enforcement functions for motor vehicle proportional registration include adding a formal hearing process, providing an appeal period, and allowing delinquency notices to be served electronically.

This legislation also adds enforcement functions for the fuel tax act including the ability to make estimated assessments, allowing DOL to inspect special fuel and bulk storage devices, and increased or additional penalties. DOL may also request assistance from law enforcement to assist with enforcement of these functions. A prorate and fuel tax discovery team is established to detect and investigate violations of this act.

Enforcement functions for aircraft fuel tax include a formal hearing process, providing an appeal period, and the ability to apply for subpoenas.

This legislation also provides definitions for "deny," "refuse," "revoke," and "suspend."

EFFECTIVE DATE:

This bill takes effect on July 1, 2024.

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 of Revenue (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

Bill Number: 1964 HB	Title: Prorate & fuel tax collect.	Agency: 225-Washington State Patrol
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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: Michael Hirsch	Phone: 360-786-7195	Date: 12/29/2023
Agency Preparation: Shawn Eckhart	Phone: 360-596-4083	Date: 01/03/2024
Agency Approval: Mario Buono	Phone: (360) 596-4046	Date: 01/03/2024
OFM Review: Tiffany West	Phone: (360) 890-2653	Date: 01/03/2024

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 does not have a fiscal impact to the Washington State Patrol (WSP). We have had a relationship with the Department of Licensing (DOL) wherein DOL reimburses us for any enforcement actions that we undertake regarding fuel tax evasion. We assume that that will continue.

Section 13 requires the DOL to establish a prorate and fuel tax discovery team to detect and investigate civil fuel tax violations. There are several technical corrections throughout the proposed legislation, including the empowerment of the DOL to perform civil investigations of prorate and fuel excise tax evasion.

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.

None.

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 workload impact to us from this proposed legislation. We plan to continue to be reimbursed by the DOL through an interagency reimbursement contract to provide enforcement actions related to fuel tax evasion.

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.

Individual State Agency Fiscal Note

Bill Number: 1964 HB	Title: Prorate & fuel tax collect.	Agency: 240-Department of Licensing
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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
Motor Vehicle Account-State 108-1				14,167,000	14,434,000
Transportation 2003 Account (Nickel Account)-State 550-1				1,595,000	1,626,000
Total \$				15,762,000	16,060,000

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	7.0	3.5	7.0	7.0
Account					
Motor Vehicle Account-State 108-1	0	1,564,000	1,564,000	2,240,000	2,240,000
Total \$	0	1,564,000	1,564,000	2,240,000	2,240,000

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: Michael Hirsch	Phone: 360-786-7195	Date: 12/29/2023
Agency Preparation: Gina Rogers	Phone: 360-634-5036	Date: 01/08/2024
Agency Approval: Collin Ashley	Phone: (564) 669-9190	Date: 01/08/2024
OFM Review: Kyle Siefering	Phone: (360) 995-3825	Date: 01/08/2024

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 proposal modifies prorate and fuel tax statutes to enhance DOL's civil investigative authority, enact new violations to fill in current regulatory gaps, and clarify the civil penalty enforcement and appeals processes. This proposal also authorizes DOL to create a fuel tax discovery team, delegated to act as limited agents of the Director, and charged with the investigation of civil violations of IRP, fuel tax, or aircraft fuel tax requirements.

Section 1. Amends RCW 46.87.020

- Adds new definitions for “deny,” “refuse,” “revoke,” and “suspend,” to enhance consistency with fuel tax statutes and clarify appeals and enforcement procedures.

Section 2. Amends RCW 46.87.080

- Clarifies that Departmental denials, suspensions, or revocations of credentials may be immediately issued as a notice of adverse action with appeal rights as established in the section.
- Clarifies the review process by establishing an appeal timeline of 30 days for an agency action.

Section 3. Amends RCW 46.87.350

- Authorizes the Department to collect amounts owed using electronic service.

Section 4. Amends RCW 82.38.020

- Adds new definitions for “deny,” “refuse,” “revoke,” and “suspend,” to enhance consistency with fuel tax statutes and clarify appeals and enforcement procedures.

Section 5. Amends RCW 82.38.072

- Allows the penalty calculation for unlawfully dyed special fuel storage to be made based on the capacity of a bulk storage container. This capacity-based penalty calculation is presumptive unless contradicting evidence is supplied.
- Exempts actions taken in this section from the corrective notice requirements under RCW 43.05.110.
- Adds a civil penalty multiplier: civil penalties under the section are multiplied by the number of violations previously assessed in the last ten years plus one.

Section 6. Amends RCW 82.38.120

- Clarifies that refusals, suspensions, and revocations become final 30 days after notice has been served to a licensee or applicant.
- Clarifies the pathway for decision reviews to appeal a Departmental action.

Section 7. Amends RCW 82.38.140

- Establishes that a person's failure to submit periodic reports as required may subject them to civil and criminal penalties.

Section 8. Amends RCW 82.38.170

- Adds civil penalty language for a periodic reporter's failure to report, consistent with existing language for licensee reporting failures.
- Includes periodic reporters as potential violators for several violation types.
- Clarifies that a revoked fuel license may only be reinstated after resolving all outstanding violations, non-compliance items, and debts owed under RCW 82.38, RCW 46.87, or RCW 82.42.
- Adds additional penalty for unlicensed activity.
- Exempts actions taken in this section from the corrective notice requirements under RCW 43.05.110.

Section 9. Amends RCW 82.38.220

- Permits the Department to use electronic service when issuing a notice and order to withhold and deliver.

Section 10. Amends RCW 82.38.260

- Clarifies the Department of Licensing Director's authority in fuel tax enforcement; authorizes the Director to call on state patrol or other law enforcement officers to aid in the enforcement of the chapter.

Section 11. Amends RCW 82.38.270

- Adds new violations related to IFTA decal display, unlicensed activity, and tax avoidance.

Section 12. Amends RCW 82.38.380

- Authorizes the Department to consult with the Washington State Patrol to file affidavits in support of search warrants pursuant to the investigation of unlawful fuel tax activities.

Section 13. New Section in Chapter 82.38 RCW

- Establishes a fuel tax discovery team to detect and investigate fuel tax violations under RCW 46.87, RCW 82.38, and RCW 82.42.
- Fuel tax discovery agents may seek search warrants, issue subpoenas, perform inspections, and investigate and assess alleged civil violations of RCW 46.87, RCW 82.38, and RCW 82.42.
- Requires rulemaking by the Department of Licensing.

Section 14. New Section in Chapter 82.38 RCW

- Establishes the confidentiality of taxpayer information reported to the Department.

Section 15. New Section in Chapter 82.38 RCW

- Authorizes the Department to seek subpoenas to aid its enforcement activities.

Section 16. Amends RCW 82.42.118

- Clarifies that a revoked fuel license may only be reinstated after resolving all outstanding violations, non-compliance items, and debts owed under RCW 82.38, RCW 46.87, or RCW 82.42.

Section 17. Amends RCW 82.42.010

- Adds new definitions for “deny,” “refuse,” “revoke,” and “suspend,” to enhance consistency with fuel tax statutes and clarify appeals and enforcement procedures.

Section 18. Amends RCW 82.42.210

- Clarifies that refusals, suspensions, and revocations become final 30 days after notice has been served to a licensee or applicant.
- Clarifies the pathway for review to appeal a Departmental action.

Section 19. New Section in Chapter 82.42 RCW

- Establishes the confidentiality of taxpayer information reported to the Department.

Section 20. New Section in Chapter 82.42 RCW

- Authorizes the Department to seek subpoenas to aid its enforcement activities.

Section 21. New Section

- Severability clause.

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.

See attached fiscal note.

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.

See attached fiscal note.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
108-1	Motor Vehicle Account	State	0	1,564,000	1,564,000	2,240,000	2,240,000
Total \$			0	1,564,000	1,564,000	2,240,000	2,240,000

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		7.0	3.5	7.0	7.0
A-Salaries and Wages		573,000	573,000	1,146,000	1,146,000
B-Employee Benefits		201,000	201,000	402,000	402,000
C-Professional Service Contracts					
E-Goods and Other Services		760,000	760,000	682,000	682,000
G-Travel		5,000	5,000	10,000	10,000
J-Capital Outlays		25,000	25,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	1,564,000	1,564,000	2,240,000	2,240,000

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
Investigator 3	82,515		5.0	2.5	5.0	5.0
Office Assistant 3	46,919		1.0	0.5	1.0	1.0
WMS	99,300		1.0	0.5	1.0	1.0
Total FTEs			7.0	3.5	7.0	7.0

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.

Rulemaking is required during the establishment of the fuel tax discovery team under Section 13. No additional funding is required for this effort.

Individual State Agency Fiscal Note

Agency 240 – Department of Licensing

Bill Number: HB 1964 Bill Title: Prorate and Fuel Tax Collection

Part 1: Estimates

No Fiscal Impact

Estimated Cash Receipts:

Revenue	Fund	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
Motor Vehicle	108	-	-	-	14,167,000	14,434,000
Transportation 2003 Account (Nickel Acc)	550	-	-	-	1,595,000	1,626,000
Account Totals		-	-	-	15,762,000	16,060,000

Estimated Expenditures:

	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
FTE Staff Years	-	7.0	3.5	7.0	7.0

Operating Expenditures	Fund	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
Motor Vehicle	108	-	1,564,000	1,564,000	2,240,000	2,240,000
Account Totals		-	1,564,000	1,564,000	2,240,000	2,240,000

The revenue 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 the fiscal impact is **less than \$50,000** per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- 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.
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Michael Hirsch	Phone: (360) 786-7195	Date:
Agency Preparation: Gina Rogers	Phone: (360) 634-5036	Date: 1/2/24
Agency Approval: Collin Ashley	Phone: (360) 634-5384	Date: 1/5/24

Request #	1
Bill #	1964

Part 2 – Explanation

This proposal modifies prorate and fuel tax statutes to enhance DOL’s civil investigative authority, enact new violations to fill in current regulatory gaps, and clarify the civil penalty enforcement and appeals processes. This proposal also authorizes DOL to create a fuel tax discovery team, delegated to act as limited agents of the Director, and charged with the investigation of civil violations of IRP, fuel tax, or aircraft fuel tax requirements.

Section 1. Amends RCW 46.87.020

- Adds new definitions for “deny,” “refuse,” “revoke,” and “suspend,” to enhance consistency with fuel tax statutes and clarify appeals and enforcement procedures.

Section 2. Amends RCW 46.87.080

- Clarifies that Departmental denials, suspensions, or revocations of credentials may be immediately issued as a notice of adverse action with appeal rights as established in the section.
- Clarifies the review process by establishing an appeal timeline of 30 days for an agency action.

Section 3. Amends RCW 46.87.350

- Authorizes the Department to collect amounts owed using electronic service.

Section 4. Amends RCW 82.38.020

- Adds new definitions for “deny,” “refuse,” “revoke,” and “suspend,” to enhance consistency with fuel tax statutes and clarify appeals and enforcement procedures.

Section 5. Amends RCW 82.38.072

- Allows the penalty calculation for unlawfully dyed special fuel storage to be made based on the capacity of a bulk storage container. This capacity-based penalty calculation is presumptive unless contradicting evidence is supplied.
- Exempts actions taken in this section from the corrective notice requirements under RCW 43.05.110.
- Adds a civil penalty multiplier: civil penalties under the section are multiplied by the number of violations previously assessed in the last ten years plus one.

Section 6. Amends RCW 82.38.120

- Clarifies that refusals, suspensions, and revocations become final 30 days after notice has been served to a licensee or applicant.
- Clarifies the pathway for decision reviews to appeal a Departmental action.

Section 7. Amends RCW 82.38.140

- Establishes that a person’s failure to submit periodic reports as required may subject them to civil and criminal penalties.

Section 8. Amends RCW 82.38.170

- Adds civil penalty language for a periodic reporter's failure to report, consistent with existing language for licensee reporting failures.
- Includes periodic reporters as potential violators for several violation types.
- Clarifies that a revoked fuel license may only be reinstated after resolving all outstanding violations, non-compliance items, and debts owed under RCW 82.38, RCW 46.87, or RCW 82.42.
- Adds additional penalty for unlicensed activity.
- Exempts actions taken in this section from the corrective notice requirements under RCW 43.05.110.

Section 9. Amends RCW 82.38.220

- Permits the Department to use electronic service when issuing a notice and order to withhold and deliver.

Section 10. Amends RCW 82.38.260

- Clarifies the Department of Licensing Director's authority in fuel tax enforcement; authorizes the Director to call on state patrol or other law enforcement officers to aid in the enforcement of the chapter.

Section 11. Amends RCW 82.38.270

- Adds new violations related to IFTA decal display, unlicensed activity, and tax avoidance.

Section 12. Amends RCW 82.38.380

- Authorizes the Department to consult with the Washington State Patrol to file affidavits in support of search warrants pursuant to the investigation of unlawful fuel tax activities.

Section 13. New Section in Chapter 82.38 RCW

- Establishes a fuel tax discovery team to detect and investigate fuel tax violations under RCW 46.87, RCW 82.38, and RCW 82.42.
- Fuel tax discovery agents may seek search warrants, issue subpoenas, perform inspections, and investigate and assess alleged civil violations of RCW 46.87, RCW 82.38, and RCW 82.42.
- Requires rulemaking by the Department of Licensing.

Section 14. New Section in Chapter 82.38 RCW

- Establishes the confidentiality of taxpayer information reported to the Department.

Section 15. New Section in Chapter 82.38 RCW

- Authorizes the Department to seek subpoenas to aid its enforcement activities.

Section 16. Amends RCW 82.42.118

- Clarifies that a revoked fuel license may only be reinstated after resolving all outstanding violations, non-compliance items, and debts owed under RCW 82.38, RCW 46.87, or RCW 82.42.

Section 17. Amends RCW 82.42.010

- Adds new definitions for “deny,” “refuse,” “revoke,” and “suspend,” to enhance consistency with fuel tax statutes and clarify appeals and enforcement procedures.

Section 18. Amends RCW 82.42.210

- Clarifies that refusals, suspensions, and revocations become final 30 days after notice has been served to a licensee or applicant.
- Clarifies the pathway for review to appeal a Departmental action.

Section 19. New Section in Chapter 82.42 RCW

- Establishes the confidentiality of taxpayer information reported to the Department.

Section 20. New Section in Chapter 82.42 RCW

- Authorizes the Department to seek subpoenas to aid its enforcement activities.

Section 21. New Section

- Severability clause.

Section 22. New Section

- Effective date July 1, 2024.

2.A - Cash receipts Impact

Revenue	Fund	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
Motor Vehicle	108	-	-	-	14,167,000	14,434,000
Transportation 2003 Account (Nickel Acc	550	-	-	-	1,595,000	1,626,000
Account Totals		-	-	-	15,762,000	16,060,000

This proposal provides additional investigative tools to DOL to detect and remediate unlicensed activity, unreported activity, or other fuel tax violations. Through increased civil investigations and assessments, as well as increased taxpayer education, this proposal is estimated to increase revenue by \$15,762,000 in the 25-27 biennium. The cash receipts associated with this proposal represent collectible amounts of off-books fuel tax activity that the current compliance system fails to detect or address.

Estimated cash receipts are calculated as 0.5% of the current taxable gallons. The 0.5% figure is based on recent voluntary disclosure of fuel tax violations by unlicensed actors, non-criminal referrals from the Washington State Patrol, pending civil assessments based on existing authority, and general industry information. This amount reflects the likely collectible amount and is not an estimate of the total amount of unreported or underreported activity.

This estimate is based on following assumptions:

- This proposal passed legislative session in FY2024 and implemented in FY2025.
- Additional revenue of estimated 0.5% current taxable gallons of gasoline and diesel fuel (dyed diesel and aircraft fuel are excluded from this estimate) as a result of this proposal's implementation started to be collected in FY2026.
- June 2023 forecast for taxable gallons of gasoline and diesel fuel for Biennium 2025-27 is roughly 6.4 billion gallons.
- Tax rate remains \$0.494/gallon.

For the purposes of this cash receipts estimate, the estimated revenues only include the statutory tax liability arising from an unreported activity. Civil penalties or similar receipts are excluded from the estimate. Additionally, the cash receipts estimate only captures gasoline and diesel fuel statutory tax liabilities, with dyed diesel and aircraft fuel tax excluded. Estimated revenues are also assumed to be ongoing from the point of discovery, as the unlicensed or underreported activity will become reported fuel tax collections in the future.

2.B – Expenditures

This proposal will create a fuel tax discovery (investigations) team within DOL tasked with identifying, investigating, and assessing unreported or underreported fuel tax collections. This new team and process will require additional staff support, increased legal services as well as IS programming to build the new tax discovery module within our operating system.

Additional Staff:

5 Investigator 3s: Ongoing

These positions will primarily be tasked with performing direct investigative work. Duties will include identifying leads for review, performing a detailed review of records available to the department, requesting subpoenas for additional records and supporting documents during the course of their investigation, performing interviews and other fact-finding activities, and preparing assessments for review and submission. Each investigator is projected to complete at least four investigations annually.

1 WMS1: Ongoing

This position will be a first-line supervisor providing oversight for the Investigator 3 positions. This position will be a reviewer of workloads, including distribution of leads to the Investigator 3 positions, will provide decision-making authority on application of policy, and act as a final review point prior to the issuance of any assessment. This position will be responsible for ensuring the safety of the Investigator 3 positions, and for ensuring investigations remain within the scope of the fuel tax discovery mandate, including referral to law enforcement for any potential criminal activities identified.

1 Office Assistant 3: Ongoing

This position will assist the other positions in this package by scanning incoming documents, assisting with mailing and supplies, and organizing resources requested by the team. This position will also prepare and provide reports to the team and agency leaders and assist with correspondence and organization of records.

Legal Services: Ongoing

This proposal is estimated to incur an additional \$24,000 in DOL legal costs each year. Additional legal support will be necessary to support the new civil investigation work as well as for review, advice, and agency rulemaking. Estimated legal costs for this proposal are based on DOL's historical experience in adjudicating fuel tax disputes and information gained from interstate partners regarding the enactment of a similar program in Colorado.

Information Services:

1. Tax discovery Module will meet their needs
 - a. Data Warehouse
 - a. Extract, Transform, and Load (ETL) tool to load, format, and store external data. This data can come from flat files from external agencies, like federal tax return information, or data already within the application. Data purification rules and calculations can be applied to transform and cleanse the data.
 2. Discovery
 - a. The discovery subsystem is a tool to help identify, categorize, prioritize, and manage the process of bringing individuals, businesses, or organizations into compliance. The main function is to use data to find under-reporters and non-filers.
 3. Leads

A lead is a specific set of information about a taxpayer and is the final product of the Discovery process. They can either be created automatically through a discovery or added manually.

Leads can be tracked using stages, assignments, and actions. Possible actions include, but are not limited to, adding an indicator to an account, creating a case, sending a letter, or ceasing a customer. These actions can be triggered manually by a user or automatically through lead flow logic. It is recommended to handle these actions manually at first to ensure the lead creation is behaving as expected.

2. Investigation Case / assessment
 - a. Link the associated accounts to the investigation case
 - b. Investigations may incorporate multiple periods for adjustments.
 - c. Can assess/adjust for each customer
 - d. Escalation workflow
3. Banner / Indicator
4. Upload documentation

- a. Within TAP / password and sign-on required
 - b. Through LX
5. Create new accounts for non-licensed customers
6. New Letters, for example;
 - a. Subpoena
 - b. Notification investigations
 - c. Assessment
 - d. Request for records
 - e. Hearing
 - f. Appeal
7. New reports, for example
 - a. Investigation tracking/stage
 - b. Work by Investigator
 - c. Assessment Reporting
 - d. Revenue accounting relating to the assessments resulting from an investigation.

Ongoing

- Annual maintenance

The agency will use appropriated funds to hire contract programmers to accomplish this work or to support current staff implementing this legislation within the required timeline. Appropriated funds may also be used to hire agency temporary staff to support permanent staff assigned to this legislative effort.

Any change requires a process to ensure changes are correctly applied to the system. This involves Project Managers that manage the team that completes the update, business analyst that documents and reviews the system changes, architect services that analyzes how the update could have an effect on other systems or DOL processes, developers who create the change, and testers and quality assurance teams that ensure the update is working correctly.

Cost Category	Description	Rate	2024	2025	2026	2027	2028	2029	Total Cost
TESTER	Test to verify individual components meet requirements; ensure that other business transactions have not been impacted.	\$ 22,620	-	115,400	-	-	-	-	115,400
BUSINESS ANALYST	Determine business requirements; translate requirements into what changes are needed to various systems including account codes, inventory codes, testing considerations, etc.	\$ 16,530	-	23,100	-	-	-	-	23,100
PROJECT MANAGER	Manage schedule and contracts	\$ 28,710	-	31,600	-	-	-	-	31,600
SECURITY AND ARCHITECT SERVICES	Create the conceptual model that defines the structure, behavior and framework of a computerized system including a breakdown of the system into components, the component interactions and interfaces (including with the environment, especially the user), and the technologies and resources to be used in the design.	\$ 16,530	-	11,600	-	-	-	-	11,600
SERVER & NETWORK SUPPORT	Services such as network infrastructure, cloud infrastructure, firewall and load balancing. Installations, maintenance, troubleshooting of server systems, and management of Windows-based systems to ensure reliability for clients.	\$ 16,530	-	-	1,700	1,700	1,700	1,700	6,800
DEVELOPERS	Modify programming and coding to all major systems	\$ 19,140	-	-	3,800	3,800	3,800	3,800	15,200
CONTRACTED FAST DEVELOPER / TESTER	Updates to the DRIVES system will require additional vendor hours outside of the contracted maintenance to make system updates to implement this bill.	\$ 37,236	-	204,800	-	-	-	-	204,800
Project Contingency	Office of the Chief Information Officer designated rate of 10%	\$ 25,474	-	38,700	600	600	600	600	41,100
Totals			-	425,200	6,100	6,100	6,100	6,100	449,600

Support Services:

Agency Administrative Overhead is included at a rate of 23.4 percent of the direct program costs. This funding received covers agency-wide functions such as vendor payments, contract administration, financial management, mail processing, equipment management, help desk support, and technical assistance to DOL employees.

Part 3 – Expenditure Detail

3.A – Operating Budget Expenditures

Operating Expenditures	Fund	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
Motor Vehicle	108	-	1,564,000	1,564,000	2,240,000	2,240,000
Account Totals		-	1,564,000	1,564,000	2,240,000	2,240,000

3.B – Expenditures by Object or Purpose

Object of Expenditure	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
FTE Staff Years	0.0	7.0	3.5	7.0	7.0
Salaries and Wages	-	573,000	573,000	1,146,000	1,146,000
Employee Benefits	-	201,000	201,000	402,000	402,000
Personal Service Contracts	-	-	-	-	-
Goods and Services	-	760,000	760,000	682,000	682,000
Travel	-	5,000	5,000	10,000	10,000
Equipment	-	25,000	25,000	-	-
Grants/Benefits and Client Services	-	-	-	-	-
Total By Object Type	-	1,564,000	1,564,000	2,240,000	2,240,000

3.C – FTE Detail

Staffing	Salary	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
Investigator 3	80,109	0.0	5.0	2.5	5.0	5.0
Office Assistant 3	45,552	0.0	1.0	0.5	1.0	1.0
WMS1	90,000	0.0	1.0	0.5	1.0	1.0
Total FTE		0.0	7.0	3.5	7.0	7.0

Part 4 – Capital Budget Impact

None.

Part 5 – New Rule Making Required

Rulemaking is required during the establishment of the fuel tax discovery team under Section 13. No additional funding is required for this effort.