

Multiple Agency Fiscal Note Summary

Bill Number: 2354 S 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	Fiscal note not available					
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
Office of State Treasurer	Fiscal note not available											
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

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	Fiscal note not available								
Local Gov. Total									

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	Fiscal note not available								
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

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Total									
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Fiscal note not available								

Estimated Capital Budget Breakout

NONE

This preliminary package is incomplete and may not reflect the total fiscal impact. Other agencies' fiscal notes will be distributed as soon as possible.

Prepared by: Amy Hatfield, OFM	Phone: (360) 280-7584	Date Published: Preliminary 2/ 1/2024
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Department of Revenue Fiscal Note

Bill Number: 2354 S HB	Title: Tax increment areas	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: Tracey Taylor	Phone: 60-786-7152	Date: 02/01/2024
Agency Preparation: Frank Wilson	Phone: 60-534-1527	Date: 02/01/2024
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 02/01/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/01/2024

Request # 2354-2-1

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 SHB 2354, 2024 Legislative Session.

COMPARISON OF SUBSTITUTE BILL WITH ORIGINAL BILL:

The substitute bill makes the following revisions to the Local Tax Increment Financing (LTIF) program for local governments and taxing districts:

- Requires an LTIF project analysis to consider the impact to public hospital services.
- Restores the mitigation requirements between local governments and impacted fire and public hospital districts. If mitigation fails, arbitration can occur.
- Requires the State Treasurer to conduct a study and report to the Legislature by June 30, 2025, on the various aspects of LTIF.
- Removes the option for taxing districts to opt out of a tax increment financing area.

CURRENT LAW:

Local governments, such as counties, cities, and port districts, or any combination, may create an 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 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.

Also, if local government LTIF project analysis shows the increment area will impact at least 20% percent of the assessed value of a fire protection district or a regional fire protection service authority (RFA) then the local government must negotiate a mitigation plan with the first district.

PROPOSAL:

This substitute bill makes the following changes to the LTIF program:

- An LTIF project analysis, in addition to fire services, must consider emergency medical services (EMS) and public hospital services.
- Restores from the original bill, the mitigation requirements between local governments and impacted fire districts, RFAs, and public hospital districts. If mitigation fails, arbitration can occur.
- Revises general LTIF provisions to specify the allocation of revenues cease before the sunset date if the necessary debt is no longer necessary.
- Requires the State Treasurer to conduct a study and report to the Legislature by June 30, 2025, on the various aspects of LTIF.
- Removes from the original bill, the option for taxing districts to fully or partially participate in an LTIF.

EFFECTIVE DATE:

Request # 2354-2-1

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.

REVENUE ESTIMATES:

The Economic and Revenue Forecast Council predicts the state property tax levy remains below the \$3.60 limit throughout the 2027-29 biennium. This legislation has no revenue impact on the state property tax levy and no shift occurs between taxpayers of the state property tax levy.

This bill generates additional revenue for the county or city creating the LTIF. The amount of the additional revenue is indeterminate because the local governments creating 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

None.

Part V: New Rule Making Required