

Multiple Agency Fiscal Note Summary

Bill Number: 6285 SB	Title: Use of impact fees
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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 Commerce	.0	0	0	0	.0	0	0	0	.0	0	0	0
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	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Commerce	.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

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

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Final 2/ 6/2024
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Individual State Agency Fiscal Note

Bill Number: 6285 SB	Title: Use of impact fees	Agency: 103-Department of Commerce
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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: Jeffrey Mitchell	Phone: 360-786-7438	Date: 01/29/2024
Agency Preparation: Buck Lucas	Phone: 360-725-3180	Date: 01/31/2024
Agency Approval: Pouth Ing	Phone: 360-725-2715	Date: 01/31/2024
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/31/2024

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.

Section 1 amends RCW 82.02.050, adding a provision that local government collected impact fees may not provide more than 50 percent of the financing for system improvements.

Section 2 amends RCW 82.02.070, adding provisions that require, after July 1, 2024, separate accounts for impact fees collected and by the type of public facility for which the fee was collected. Additionally, it requires, after July 1, 2024, that a local government must expend or encumber impact fees for a permissible use within five years instead of ten years. Additional provisions are added to outline impact fee requirements.

Section 3 amends RCW 82.02.080, modifying the section to require that a local government must refund impact fees if it fails to expend or encumber the impact fees within the time periods outlines in Section 2.

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.

There is no impact to the department. The department will revise local government technical guidance to be consistent with the changes under the proposed legislation, and within the department's existing responsibilities with minimal additional staff time.

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.

Minor amendments to chapter 365-196 WAC to revise existing guidance consistent with this bill.

Department of Revenue Fiscal Note

Bill Number: 6285 SB	Title: Use of impact fees	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: Jeffrey Mitchell	Phone: 60-786-7438	Date: 01/29/2024
Agency Preparation: Kari Kenall	Phone: 60-534-1508	Date: 01/31/2024
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/31/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/01/2024

Request # 6285-1-1

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:

An impact fee is a payment imposed upon development as a condition of development approval to pay for public facilities needed to serve new growth and development, that is reasonably related to the new development that creates additional demand and need for public facilities. It is a proportionate share of the cost of the public facilities that a county, city, or town uses for facilities reasonably benefiting the new development. An impact fee excludes a reasonable permit or application fee.

Some counties, cities, and towns are required to and some choose to participate in coordinated and planned efforts for the development of lands within their boundaries.

A county, city, or town participating in a coordinated and planned development effort may impose impact fees on development activity as part of the financing for public facilities. However, the county, city, or town must finance the system improvement with impact fees and other sources of public funds and cannot rely solely on impact fees. There is no specific restriction for a county, city, or town on the balance of impact fees and other sources of funding used to finance a system improvement.

Counties, cities, and towns establish separate accounts for each type of public facility for which they collect impact fees. The county, city, or town must use collected impact fees within ten years.

PROPOSAL:

This bill restricts the use of impact fees to not more than 50% of the financing for system improvements.

After July 1, 2024, a county, city, or town must use collected impact fees within five years or refund the fees.

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.

This legislation results in no revenue impact on taxes or fees 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

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 6285 SB

Title: Use of impact fees

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

Legislation Impacts:

- Cities: There are 101 cities that impose impact fees that must change how they plan and report the funding for any capital facility project where more than half of the projects costs is covered by impact fee revenues.
- Counties: Same impact as above for six counties that impose impact fees.
- Special Districts:
- Specific jurisdictions only: Only impacts counties and cities that fully plan under the Growth Management Act that impose development impact fees.
- 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: The number of jurisdictions with capital facility project where more than half of the projects costs is covered by impact fee revenues is not currently known.

Estimated revenue impacts to:

Non-zero but indeterminate cost 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: Jordan Laramie	Phone: 360-725-5044	Date: 02/06/2024
Leg. Committee Contact: Jeffrey Mitchell	Phone: 360-786-7438	Date: 01/29/2024
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/06/2024
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/06/2024

Part IV: Analysis

A. SUMMARY OF BILL

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

This legislation would modify how impact fees could be used to finance local government public facilities projects and puts limits on how long these fees could be held if not spent or programmed for use. The duration of the hold would be determined based on the collection date of the receipt, which is before or after July 1, 2024.

Local governments that fully plan under the Growth Management Act and impose impact fees would be prohibited from financing a project using 50% or more of the system improvement's cost with impact fees. Impact fees collected before July 1, 2024 must be spent or programmed for future use within ten years, while impact fees collected afterwards must be spent or programmed for future use within five years. However, an extension may be granted for these time periods if approved by the local legislative authority. This act would also require that a jurisdiction must refund the current property owner of a property where an impact fee was paid, if the impact fees are not spent on public facility improvements within these established time periods.

Sec. 1 would amend chapter 82.02.050 RCW such that impact fee cannot be the primary source of public funds used to finance new public facilities. Impact fees must not make up more than 50% of the financing for any individual system improvement.

Sec. 2 would amend chapter 82.02.070 RCW such that impact fees that were collected prior to July 1, 2024, and those that were collected after July 1, 2024, are maintained in separate accounts, which are divided into accounts for each type of public facility that the impact fees are collected for. Impact fees collected before July 1, 2024 must be spent within the years of their collection, while impact fees collected after this date must be spent within five years of their collection. An extension may be granted for a compelling reason identified by a local governing body.

Sec. 3 would amend chapter 82.02.080 RCW such that a jurisdiction must refund the current property owner of a property where an impact fee was paid, if the fees are not spent on public facilities within the time periods established by Sec. 2.

This act would take effect 90 days after the adjournment of the session in which it is passed.

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.

This proposed legislation would have an indeterminate expenditure impact on local government's capital facilities planning that may require the coordination of various local government departments, as well as a number of local legislative authority meetings to impose the impact fee funding limit (impact fee cap). There are six counties and 101 cities that plan under the Growth Management Act (GMA) that this act would affect.

REVIEW COSTS FOR ALL IMPACTED JURISDICTIONS:

Each of these jurisdictions would have review and analysis costs that range from de minimis to more substantive, as all cities and counties would have to assess capital facilities projects and determine which projects are funded in excess of the 50% impact fee cap. The number of jurisdictions with projects that exceed the impact fee cap is not currently known, but the number of projects affected by the cap is likely non-zero. This is because a jurisdiction's six-year capital facilities plan may have more than hundred projects that can include capital debt, facility, park, transportation, sewer, storm & surface water, water, and future capital projects and impact fee revenue could be used to finance any number of these projects.

Illustrative Example:

As an example of potential costs, the Local Government Fiscal Note program estimates that the review of existing

six-year capital facilities plans may have costs for financial analysts or senior level accountants that would include few hours of work for smaller jurisdictions with a limited number of capital projects to more than 40 hours of work for similar staff at larger jurisdictions with more expansive capital project lists.

According to the LGFN Unit Cost Model and the Association of Washington Cities' Salary Survey, this work may cost cities approximately \$11,150 and \$151,000 and counties approximately \$16,600 (see calculations below). These calculations assume one half of the affected cities (50) would require minimal review and the remaining half (51) would need extensive review. All affected counties (6) would require extensive review.

Cities: \$223 (\$47/hr x 1.58 benefits multiplier x 3 hours) and \$2,968 (\$47/hr x 1.58 benefits multiplier x 40 hours)
\$223 x 50 cities = \$11,150
\$2,968 x 51 cities = \$151,368

Counties: \$2,766 (\$44/hr x 1.58 benefits multiplier x 40 hours)
\$2,766 x 6 counties = \$16,596

DELIBERATION AND BUDGETARY REALLOCATION FOR CAPITAL PROJECTS:

Some jurisdictions may incur additional costs that are more significant as there would be a necessary review of each project that exceeds the impact fee cap to determine how to reallocate local government resources to finance capital facility projects. This would take deliberation between a jurisdiction's finance department and any effected local department (public works, transportation, parks, etc.). The deliberation would include a review of the justification involved with each project, how to assess future operations and maintenance of the project, and the project's timing and priority considerations, which can include any starting and stopping requirements or alignment with other projects. The consultation would lead to a draft revised capital financing plan that would be brought before a jurisdiction's general government committees, its planning commission, and the local legislative authority for comment, workshops, and eventual approval.

The local government costs for this work may start at \$10,000 to \$20,000 for each city and county that would require new financing options for capital facilities projects. These estimates are based on the LGFN Unit Cost Model for adopting new complex ordinances with hearings of the same complexity as well as estimates related to the development of plans that would require intradepartmental coordination found in HB 1799 (2022).

AMENDING CAPITAL FACILITIES PLANS AND CAPTIAL FACILITIES ELEMENTS:

As a result of this proposed legislation, the Local Government Fiscal Note program assumes that a non-zero number of affected cities and counties would be required to amend existing six-year capital facilities plans. Additionally, if the impact fee cap results in deficiencies to level of service (LOS) standards for capital facilities and public services that the jurisdiction has determined are necessary for development then a fully planning jurisdiction would be required to amend comprehensive plan element. Local governments can establish concurrency mechanisms for facilities necessary for development. However, they do not have to establish concurrency for facilities other than transportation. Some facilities may be necessary for development but not subject to concurrency. These types of decisions should be identified and included in the jurisdiction's capital facilities element. It is not possible to predict the number of jurisdictions that would have LOS standards drop below the standards established in a jurisdiction's capital facilities element.

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.

This legislation would have indeterminate impacts to local government revenue for six counties and 101 cities that fully plan under the Growth Management Act (GMA) that impose impact fees. The Department of Revenue (DOR) issued a fiscal note for this bill that found there would be no revenue impact related to taxes or fees administered by DOR. Please see DOR's fiscal note for more information.

As a condition of this act, these fully planning cities and counties would be required to expend the impact fees that are

collected within five years of receipt, starting for those fees collected after July 1, 2024. Additionally, these jurisdictions could not use impact fee revenue to pay for more than 50% a capital project's cost (impact fee cap). The number of cities and counties that may be required to find new revenue streams or reallocate existing funds to pay for necessary capital facilities project is not currently known.

Under existing law, the GMA mandates that impact fees be expended within ten years of receipt, unless there is an extraordinary reason for holding them longer as determined by local legislative authority. This ten-year usage requirement for impact fees helps to align the projects that are in county and city six-year capital facilities plans' as they typically have project timelines established over three biennia.

The impact fee cap as well as the shorter timeline to expend fee revenue may complicate the financial planning of long-term capital facilities projects. The expedited use of the impact fees compared to existing statute may require cities and counties to seek alternative funding mechanisms to ensure that projects are completed on-time, such as using other public funds, adjusting the project scope, or exploring more grant opportunities.

SOURCES:

Association of Washington Cities, Salary Survey (2023)

City of Bothell

City of Kirkland

City of Olympia, Capital Facilities Plan 2024-2029 Preliminary Financing Plan

City of Spokane, DRAFT 2023-2028 Citywide Capital Improvement Program

City of Yakima

Department of Commerce, Buildable Lands Guidelines (2018)

Department of Commerce, Capital Facilities Plan Guidebook (2014)

Department of Revenue, FN SB 6285 (2024)

Joint Legislative Audit and Review Council, Impact Fee Deferral Report (2021)

Local Government Fiscal Note Program, FN HB 1799 (2022)

Local Government Fiscal Note Program, Unit Cost Model (2024)

Municipal Research and Services Center, Impact Fees

Municipal Research and Services Center, Concurrency

Washington State Legislature, Senate Ways and Means Committee Hearing, February 1, 2024