

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 2354 2S HB	<b>Title:</b> 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
Office of State Treasurer	.0	0	0	250,000	.0	0	0	0	.0	0	0	0
Department of Revenue	.0	0	0	0	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>250,000</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 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	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Breakout

<b>Prepared by:</b> Amy Hatfield, OFM	<b>Phone:</b> (360) 280-7584	<b>Date Published:</b> Final 2/12/2024
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2354 2S HB	<b>Title:</b> Tax increment areas	<b>Agency:</b> 090-Office of State Treasurer
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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
<b>Account</b>					
State Treasurer's Service Account-State 404-1	50,000	200,000	250,000	0	0
<b>Total \$</b>	50,000	200,000	250,000	0	0

### 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: 360-786-7152	Date: 02/05/2024
Agency Preparation: Mandy Kaplan	Phone: (360) 902-8977	Date: 02/09/2024
Agency Approval: Dan Mason	Phone: (360) 902-8990	Date: 02/09/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/12/2024

## 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.

2SHB 2354(5) requires the office of the treasurer to compile a report to the legislature on various metrics related to tax increment financing by June 30, 2025.

### 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.

2SHB 2354(5) requires additional resources.

Assumption: The required additional one-time expenditure authority will be provided by the legislature under the state treasurer's service fund created in RCW 43.08.190.

There are multiple avenues to consider when addressing this task:

(1) additional staff only

(2) consultant(s) only

or

(3) a combination of both additional staff and a consultant(s).

At present, we are unsure of the best avenue to pursue, however regardless of the avenue, our cost estimate is \$250,000.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
404-1	State Treasurer's Service Account	State	50,000	200,000	250,000	0	0
<b>Total \$</b>			50,000	200,000	250,000	0	0

### III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts					
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-Objects A, B, C, E and G	50,000	200,000	250,000		
<b>Total \$</b>	50,000	200,000	250,000	0	0

**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.*

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 2354 2S HB	<b>Title:</b> Tax increment areas	<b>Agency:</b> 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: 02/05/2024
Agency Preparation: Frank Wilson	Phone: 60-534-1527	Date: 02/09/2024
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 02/09/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/12/2024

Request # 2354-3-1

## 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 2SHB 2354, 2024 Legislative Session.

#### COMPARISON OF SECOND SUBSTITUTE BILL WITH SUBSTITUTE BILL:

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

- Removes certain limitations for funding costs for mitigation.
- Revises the criteria when submitting a written notice for an LTIF project analysis.
- Removes the requirement for the State Treasurer to conduct a study and only requires compiling a report that include various aspects of LTIF and requirements to provide additional information.

#### 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 second substitute bill makes the following changes to the LTIF program:

- An LTIF project analysis, in addition to fire services, must consider impacts on EMS and public hospital services.
- Revises the funding for mitigation costs by removing the limitation to impacted districts.
- Revises general LTIF provisions to specify the allocation of revenues cease before the sunset date if the necessary debt is no longer necessary.
- Restores the mitigation requirements between local governments and impacted fire districts, RFAs, and public hospital districts. If mitigation fails, arbitration can occur.
- Requires a local government with an LTIF area to provide written notice to taxing districts located in an increment area at least 90 days before submitting the project analysis to the State Treasurer.
- Requires the State Treasurer to compile a report to the Legislature by June 30, 2025, on the various aspects of LTIF, including the addition of public hospital districts and EMS impacted in tax increment area.
- Requires local governments with an LTIF area to provide the State Treasurer with any requested additional information by March 31, 2025.

**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.*

**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

**Part V: New Rule Making Required**



# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 2354 2S 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: 02/09/2024
Leg. Committee Contact: Tracey Taylor	Phone: 360-786-7152	Date: 02/05/2024
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/09/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/12/2024

## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

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

#### **CHANGES BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:**

This substitute bill makes the following changes to the Local Tax Increment Financing (LTIF) program:

- removes certain limitations for funding costs for mitigation
- revises the criteria when submitting a written notice for an LTIF project analysis
- removes the requirement for the State Treasurer to conduct a study and only requires compiling a report that include various aspects of LTIF and requirements to provide additional information

#### **SUMMARY OF CURRENT BILL:**

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

- requires the project analysis conducted by a local government prior to establishing a tax increment area to assess impacts on local emergency medical services and public hospital services
- provides that a tax increment area expires prior to the sunset date if tax allocations are no longer necessary or obligated to pay any bonded indebtedness to fund public improvement costs
- requires mitigation agreements between local governments and affected public hospital districts
- requires arbitration if mitigation agreements cannot be agreed upon
- requires the Office of the State Treasurer to conduct a study and report to the Legislature on various metrics related to tax increment areas

### **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.*

#### **CHANGES IN EXPENDITURE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:**

The changes in the substitute version do not create any new fiscal impacts to local governments.

#### **EXPENDITURE IMPACTS OF CURRENT BILL:**

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.*

#### **CHANGES IN REVENUE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:**

The changes in the substitute version do not create any new fiscal impacts to local governments.

#### **REVENUE IMPACTS OF CURRENT BILL:**

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, 2SHB 2354 (2024)

House Bill Report, HB 2354, Local Government Committee (1/31/2024)

House Bill Report, HB 2354, Finance Committee (2/05/2024)