

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 2321 E S HB	<b>Title:</b> Middle housing requirements
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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	.2	212,602	212,602	212,602	.0	0	0	0	.0	0	0	0
Department of Ecology	.0	0	0	0	.0	0	0	0	.0	0	0	0
Environmental and Land Use Hearings Office	.0	0	0	0	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>0.2</b>	<b>212,602</b>	<b>212,602</b>	<b>212,602</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>

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 Ecology	.0	0	0	.0	0	0	.0	0	0
Environmental and Land Use Hearings Office	.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>

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

<b>Prepared by:</b> Cheri Keller, OFM	<b>Phone:</b> (360) 584-2207	<b>Date Published:</b> Final 2/16/2024
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2321 E S HB	<b>Title:</b> Middle housing requirements	<b>Agency:</b> 103-Department of Commerce
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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
FTE Staff Years	0.0	0.4	0.2	0.0	0.0
<b>Account</b>					
General Fund-State      001-1	0	212,602	212,602	0	0
<b>Total \$</b>	0	212,602	212,602	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: Melissa Van Gorkom	Phone: 360-786-7491	Date: 02/12/2024
Agency Preparation: Buck Lucas	Phone: 360-725-3180	Date: 02/13/2024
Agency Approval: Pouth Ing	Phone: 360-725-2715	Date: 02/13/2024
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/13/2024

## 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.*

Differences between the engrossed substitute and the first substitute bill:

- Moves the addition of bus stops under construction from section 2 to Section 1 under definitions.
- Requires parcels and tracts with critical areas or their buffers, in addition to lots, to be included in the 25% of lots exempt from minimum residential density requirements if a city chooses to implement the alternative density requirements.

The differences between the engrossed and first substitute bills would not change the fiscal impact to the Department of Commerce (department).

Bill Summary:

Sections 1 amends RCW 36.70A.030 to clarify the definition of transit stop to include bus rapid transit stops under construction.

Section 2 amends RCW 36.70A.635 to modify middle housing density requirements to clarify protections for critical areas.

### 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.*

Assumptions – Local Government Division:

- The department assumes that the updates to Growth Management Act (GMA), under Sections 1-2, will include revisions to current published model ordinances, middle housing guidance, and accessory dwelling unit (ADU) guidance.
- The department assumes the proposed legislation will also require technical assistance to the 77 cities subject to the middle housing requirements.
- Updates to GMA housing planning and guidance documents will require an additional professional services contract with a consultant with expertise to update this technical guidance.
- The department assumes it will provide technical assistance for the implementation of Middle Housing Densities, which is part of the Growth Management Services existing responsibilities and can be accomplished with minimal additional staff time, including coordination with the consultant and rulemaking.

0.2 FTE Commerce Specialist 3 (418 hours) in FY25, to review and provide initial technical assistance, model ordinance, and guidance updates with the contract consultant, including outreach with stakeholders, under the GMA technical assistance authority for the department.

0.1 FTE Management Analyst 4 (208 hours) in FY25, to provide coordination and support for rulemaking and guidance updates, outreach and administrative support.

Salaries and Benefits:

FY25: \$35,177

Professional Services Contract:

The department will resource a contract consultant to assist in the production of middle housing guidance. This includes approximately 750 hours at \$200 per billable hour, or \$150,000, in FY25.

FY25: \$150,000

Goods and Services:

The department assumes Assistant Attorney General consultation for guidance and rulemaking development for the new program of \$10,500 in FY25, will be required to complete rulemaking, based on an estimate of 50 hours at \$210 per hour.

FY25: \$13,377

Travel Costs:

Includes outreach to communities across the state to provide technical assistance for the housing guidance updates. Annual travel will consist of 10 days of outreach and engagement, with half of them requiring lodging due to outreach and engagement to Eastern Washington communities, which includes additional travel in support of community consultation during the rulemaking and program development process.

FY25: \$2,475

Intra-agency Reimbursements:

FY25: \$11,573

Note: Standard goods and services costs include supplies and materials, employee development and training, Attorney General costs, central services charges and agency administration. Intra-agency-agency administration costs (e.g. payroll, HR, IT) are funded under a federally approved cost allocation plan.

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Total Costs:

FY25: \$212,602

**Part III: Expenditure Detail**

**III. A - Operating Budget Expenditures**

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	0	212,602	212,602	0	0
<b>Total \$</b>			0	212,602	212,602	0	0

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		0.4	0.2		
A-Salaries and Wages		25,783	25,783		
B-Employee Benefits		9,394	9,394		
C-Professional Service Contracts		150,000	150,000		
E-Goods and Other Services		13,377	13,377		
G-Travel		2,475	2,475		
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements		11,573	11,573		
9-					
<b>Total \$</b>	0	212,602	212,602	0	0

**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
Administrative Services - Indirect	111,168		0.1	0.1		
Commerce Specialist 3	84,518		0.2	0.1		
Management Analyst 4	88,794		0.1	0.1		
<b>Total FTEs</b>			0.4	0.2		0.0

**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.*

Amend Chapter 365-196 WAC, modifying existing guidance and likely creating a new sections for implementation and guidance outlined under this legislation.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2321 E S HB	<b>Title:</b> Middle housing requirements	<b>Agency:</b> 461-Department of Ecology
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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: Melissa Van Gorkom	Phone: 360-786-7491	Date: 02/12/2024
Agency Preparation: Jessica Moore	Phone: 360-529-7583	Date: 02/13/2024
Agency Approval: Erik Fairchild	Phone: 360-407-7005	Date: 02/13/2024
OFM Review: Lisa Borkowski	Phone: (360) 742-2239	Date: 02/13/2024

## 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.*

Compared to HB 2321, SHB 2321 removes sections 3 and 4, and ESHB 2321 clarifies the definition of a major transit stop.

This does not result in any change in fiscal impact for Ecology.

Under current law, Ecology works in partnership with local governments to implement chapter 90.58 RCW (Shoreline Management Act) to promote public access, encourage water-dependent uses, protect shoreline resources, and develop, adopt, and administer shoreline master programs. Department of Commerce (Commerce) is the lead agency for rule-making and technical assistance to local governments under the Growth Management Act (GMA), chapter 36.70A RCW.

This bill would amend chapter 36.70A RCW, the Growth Management Act (GMA), to modify several definitions and clarify the exemptions to the minimum densities that larger cities are required to adopt. Ecology would not have a role, therefore, there would be no fiscal impact to Ecology as a result of this bill.

### 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.*

## 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

<b>Bill Number:</b> 2321 E S HB	<b>Title:</b> Middle housing requirements	<b>Agency:</b> 468-Environmental and Land Use Hearings Office
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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: Melissa Van Gorkom	Phone: 360-786-7491	Date: 02/12/2024
Agency Preparation: Dominga Soliz	Phone: 3606649173	Date: 02/13/2024
Agency Approval: Dominga Soliz	Phone: 3606649173	Date: 02/13/2024
OFM Review: Lisa Borkowski	Phone: (360) 742-2239	Date: 02/16/2024

## 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.*

Sections 2 and 3 of this bill provide definitions, make minor amendments, and further enact the 2023 middle housing bill.

ELUHO anticipates no impacts to the Growth Management Hearings Board (GMHB) as a result of this bill.

### 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.*

None

## 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

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.*

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 2321 E S HB

Title: Middle housing requirements

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

### Legislation Impacts:

Cities: Certain cities would be required to incorporate middle housing development regulations. There would be minor, but indeterminate, cost to incorporate the new definition of major transit stop into the analysis for the middle housing ordinance.

Counties:

Special Districts:

Specific jurisdictions only: The middle housing development and zoning regulations only apply to 77 cities.

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 cities with major transit stops that are under construction and the number of major transit stops that are under construction.

### 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: 02/13/2024
Leg. Committee Contact: Melissa Van Gorkom	Phone: 360-786-7491	Date: 02/12/2024
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/13/2024
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/13/2024

## **Part IV: Analysis**

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

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

This fiscal note reflects language in engrossed substitute version of HB 2321, 2024 legislative session. This engrossed substitute act would largely eliminate costs associated for cities and remove mandatory county impacts from the original version of the bill.

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

This proposed engrossed substitute would amend the definition of a, “major transit stop” in Sec. 1 to include stops on bus rapid transit routes, including those stops that are under construction.

Section 2 would exempt lots, parcels, and tracts designated with critical areas from the alternative middle housing density requirements of RCW 36.70A.635. The prior amended definition of a “major transit stop” is removed from Sec. 2, which included future stops that are funded and projected for construction within an applicable six-year transit plan.

This act also removes Sec. 3 and Sec. 4 found in the original version of this act.

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

This legislation would refine provisions of the Growth Management Act for middle housing that are related to minimum residential density, the definition of major transit stop that that are funded and projected for construction within an applicable six-year transportation plan, and to provide exemptions for the middle housing density requirements for certain types of a lots based on lot division or the presence of critical areas.

Sec. 1 amends the definition of “courtyard apartments” and “major transit stop” in RCW 36.70A.030.

Sec. 2 amends RCW 36.70A.635 with clarifications about middle housing types required to achieve density requirements for cities with at least 25,000 residents and off-street parking requirements for middle housing lots no greater than 6,000 square feet.

New exemptions from middle housing density requirements are provided for cities with single-family zoned lots, parcels, or tracts that meet critical aquifer recharge area requirements and those lots that were created the splitting single residential lot.

Until June 30, 2026, if the cities affected by this act need to increase residential capacity because of lots, parcels, or tracts that have critical areas or their buffer zones, these actions would not contradict the growth plans or targets that are set by RCW 36.70A.210

The bill takes effect 90 days after adjournment of the session in which the bill 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.*

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

The amendments to this proposed engrossed substitute bill would reduce the costs associated with the city expenditure impact of the prior bill. Removing Sec. 3 and Sec. 4 eliminates the county impact from the prior bill.

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

This engrossed substitute legislation would have indeterminate but minor costs for the cities that are required to incorporate middle housing and increased residential density into their development regulations and other official controls within six months of the completion of their next comprehensive plan update. According to the Department of Commerce,

there are 77 such cities that are required to conduct these measures between 2025 and 2027.

The types of work involved for the 77 cities impacted by the middle housing clarifications in this bill include:

--Researching existing transit stops to determine whether a transit stop qualifies as a “major transit stop” as well as any stops that would be under construction at time implementation of the middle housing ordinance. The areas surrounding the major transit stop would be required to meet the minimum residential densities prescribed by this act. The number of impacted cities and the number of stops under construction would vary by city.

--If a city is choosing the alternative density option provided in RCW 36.70A.635, the city would need to determine lots, parcels, or tracts where critical areas and/or critical aquifer recharge areas are present and removing these lots from the middle housing density requirements. The alternative to the density requirements of the middle housing density are a local option.

### **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 amendments to this proposed engrossed substitute bill would not change the revenue impact of the prior bill.

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

This legislation would have no fiscal impact by itself. However, city and county revenues may increase for certain jurisdictions if they receive grant funding for the purposes of this act. Jurisdictions that are affected by the middle housing requirements of this act are eligible for planning and implementation grants to defray the costs of updating development regulations and comprehensive plans. Other jurisdictions that choose to plan for middle housing and increased residential density could apply for financial assistance as a local option.

In 2023, the Washington State Legislature passed E2SHB 1110 (HB 1110), which substantially changes the way many cities in Washington are to plan for housing. HB 1110 requires cities of certain sizes and locations to allow multiple dwelling units per lot in a middle housing type of form. As part of the requirements for HB 1110, the Department of Commerce offers a statewide competitive grant program for the 2023-2025 biennium to help jurisdictions implement the bill’s requirements.

As of January 2024, approximately \$3.0 million dollars has been awarded under this grant program to 54 cities that took up middle housing development and zoning regulations. There would be another \$1.5 million to be distributed in the next year for impacted jurisdictions. The number of cities and counties that would apply, and successfully receive financial assistance is not currently known.

#### **SOURCES:**

Department of Commerce, “Middle Housing in Washington: Fact Sheet for Implementing E2S HB 1110” (July 2023)

Engrossed Substitute Senate Bill Report (Orig.), ES HB 2321 (2024)

House Bill Analysis, HB 2321 (2024)

Local Government Fiscal Note Program, FN E2S HB 1110 (2023)