

Multiple Agency Fiscal Note Summary

Bill Number: 2354 E 2S 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	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	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

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

Estimated Capital Budget Breakout

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

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Date Published:
Preliminary 2/26/2024

Department of Revenue Fiscal Note

Bill Number: 2354 E 2S 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: Alia Kennedy	Phone: 60-786-7405	Date: 02/22/2024
Agency Preparation: Frank Wilson	Phone: 60-534-1527	Date: 02/26/2024
Agency Approval: Marianne McIntosh	Phone: 60-534-1505	Date: 02/26/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/26/2024

Request # 2354-4-1

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 E2SHB 2354, 2024 Legislative Session.

COMPARISON OF THE ENGROSSED SECOND SUBSTITUTE BILL WITH SECOND SUBSTITUTE BILL:

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

- Removes clarifying language about the early expiration of a tax increment area allocation revenues.
- Removes any study provisions to be conducted by the State Treasurer.
- Requires a local government with an LTIF project to provide a project analysis to taxing districts impacted within at least 90 days of the adoption of the LTIF ordinance.

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 apportioned property tax levies 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 engrossed second substitute bill makes the following changes to the LTIF program:

- Requires an LTIF project analysis, in addition to fire services, to consider impacts on EMS and public hospital services.
- Requires a local government with an LTIF project to provide mitigation plans between the local government and impacted fire districts, RFAs, or public hospital districts under certain circumstances. If mitigation fails, arbitration can occur.
- Adds to the definition of “public improvement costs” to allow funding for mitigation between the local government and impacted fire districts, RFAs, or public hospital districts.
- Requires a local government with an LTIF area to provide project analysis to the taxing districts located in an increment area and State Treasurer no less than 90 days before public briefing requirements and adoption of an ordinance.

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 of Revenue 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

Request # 2354-4-1

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 2354 E 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: 02/26/2024
Leg. Committee Contact: Alia Kennedy	Phone: 360-786-7405	Date: 02/22/2024
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/26/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/26/2024

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 clarifying language about the early expiration of a tax increment area allocation revenues
- requires a local government with an LTIF project to provide a project analysis to taxing districts impacted within at least 90 days of the adoption of the LTIF ordinance
- 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 an LTIF project analysis, in addition to fire services, to consider impacts on EMS and public hospital services
- requires a local government with an LTIF project to provide mitigation plans between the local government and impacted fire districts, RFAs, or public hospital districts under certain circumstances. If mitigation fails, arbitration can occur
- adds to the definition of “public improvement costs” to allow funding for mitigation between the local government and impacted fire districts, RFAs, or public hospital districts
- requires a local government with an LTIF area to provide project analysis to the taxing districts located in an increment area and State Treasurer no less than 90 days before public briefing requirements and adoption of an ordinance

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 this engrossed second substitute version do not create any new fiscal impacts to local governments expenditures, new costs to establish a tax increment area cannot be estimated.

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, only changes the written notice requirement.

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 this engrossed second substitute version do not create any new fiscal impacts to local government revenue.

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, E2SHB 2354 (2024)

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

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