Multiple Agency Fiscal Note Summary

Bill Number: 1189 S HB	**Title:** Tax increment financing

Estimated Cash Receipts

NONE

Agency Name	2021-23		2023-25		2025-27	
	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	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	.1	37,000	37,000	37,000	.0	0	0	0	.0	0	0	0
Total $	**0.1**	**37,000**	**37,000**	**37,000**	**0.0**	**0**	**0**	**0**	**0.0**	**0**	**0**	**0**

Agency Name	2021-23			2023-25			2025-27		
	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	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
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	2021-23			2023-25			2025-27		
	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

NONE

FNPID: 62566

FNS029 Multi Agency rollup

Prepared by: Ramona Nabors, OFM	**Phone:** (360) 902-0547	**Date Published:** Final 2/28/2021

Department of Revenue Fiscal Note

Bill Number: 1189 S HB	Title: Tax increment financing	Agency: 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.3		0.1		
Account					
GF-STATE-State 001-1	37,000		37,000		
Total $	37,000		37,000		

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:	Rachelle Harris	Phone: 360-786-7137	Date: 02/19/2021
Agency Preparation:	Frank Wilson	Phone: 360-534-1527	Date: 02/24/2021
Agency Approval:	Don Gutmann	Phone: 360-534-1510	Date: 02/24/2021
OFM Review:	Ramona Nabors	Phone: (360) 902-0547	Date: 02/28/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Note: This fiscal note reflects language in SHB 1189, 2021 Legislative Session.

COMPARISON OF SUBSTITUTE BILL WITH ORIGINAL:
- Clarifies that regular property taxes do not include excess property taxes, including those levied by local school districts.
- Requires that an increment area takes effect on June 1st of the year following the adoption of the ordinance.
- Includes which administrative expenses incurred by a county assessor and treasurer to the public improvement costs may be paid for with TIF funds-
- Requires local governments to submit a project plan to the State Treasurer's Office for review prior to adopting of an ordinance to create an increment area.
- Clarifies exclusion of state levies, port, and public utility districts from repaying debt from TIF apportionment.
- Requires local government to negotiate a mitigation plan with local fire districts if analysis concludes it will affect more than 20% of the assessed value in a fire district.
- Clarifies add-on increment value in relation to 1% growth limit.

PROPOSED LAW:
Authorizes local governments to finance public improvements using TIF.

Prior to establishing an increment area, local governments must complete a project analysis that includes a statement of objectives, the property the local government intends to obtain, the duration of the TIF area, and the estimated value of the project.

Public improvements that are financed with TIF may be funded by other revenue sources.

In the calendar year following the passing of the ordinance, the county treasurer shall distribute receipts from regular taxes imposed on real property in the increment area.

Adds increase in assessed value within a TIF area to add-ons affecting levy limit.

- Clarifies that regular property taxes do not include excess property taxes, including those levied by local school districts.
- Requires that an increment area takes effect on June 1st of the year following the adoption of the ordinance.
- Includes which administrative expenses incurred by a county assessor and treasurer to the public improvement costs may be paid for with TIF funds-
- Requires local governments to submit a project plan to the State Treasurer's Office for review prior to adopting of an ordinance to create an increment area.
- Clarifies exclusion of state levies, port, and public utility districts from repaying debt from TIF apportionment.
- Requires local government to negotiate a mitigation plan with local fire districts if analysis concludes it will affect more than 20% of the assessed value in a fire district.
- Clarifies add-on increment value in relation to 1% growth limit.

EFFECTIVE DATE:
The bill takes effect 90 days after final adjournment of the session in which it is enacted.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

This legislation results in no revenue impact to the state property tax levy.

It is unknown which local jurisdictions would create Tax Infrastructure Financing (TIF) areas. Therefore, the revenue impact to local property taxes is indeterminate.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

FIRST YEAR COSTS:
The Department of Revenue (Department) will incur total costs of $37,000 in Fiscal Year 2022. These costs include:

Labor Costs – Time and effort equates to 0.28 FTEs.
- Amend ten administrative rules.

ONGOING COSTS:
There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.3		0.1		
A-Salaries and Wages	23,100		23,100		
B-Employee Benefits	8,300		8,300		
E-Goods and Other Services	3,600		3,600		
J-Capital Outlays	2,000		2,000		
Total $	$37,000		$37,000		

III. B - 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 2022	FY 2023	2021-23	2023-25	2025-27
EMS BAND 4	119,061	0.0		0.0		
MGMT ANALYST4	70,956	0.1		0.0		
TAX POLICY SP 2	72,756	0.0		0.0		
TAX POLICY SP 3	82,344	0.2		0.1		
TAX POLICY SP 4	88,644	0.0		0.0		
WMS BAND 3	101,257	0.0		0.0		
Total FTEs		0.3		0.2		

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

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and dexcribe potential financing methods

NONE

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the Department will use the expedited process to amend WAC 458-19-050, titled: "Definitions", WAC 458-19-020, titled: "Levy limit - method of calculation", WAC 458-19-025, titled: "Restoration of regular levy", WAC 458-19-030, titled: "Levy limit - consolidation of districts", WAC 458-19-035, titled: "Levy limit - annexation", WAC 458-19-05001, titled: "Port district levies for industrial development district purposes", WAC 458-19-060, titled: "Emergency medical service levy", WAC 458-19-065, titled: Levy limit - protection of future levy capacity", WAC 458-19-085, titled: "Refunds - procedures - applicable limits", and WAC 458-19-550, titled: "State levy - apportionment between counties".

Persons affected by this rule-making would include local governments financing public improvements through the creation of increment areas, using increment financing.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1189 S HB	**Title:** Tax increment financing

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

Legislation Impacts:

[X] Cities: increase in property tax revenue for cities that establish an increment area, pass an ordinance, and fund projects with tax increment financing

[X] Counties: increase in property tax revenue for counties that establish an increment area, pass an ordinance, and fund projects with tax increment financing

[X] Special Districts: increase in property tax revenue for port districts that establish an increment area, pass an ordinance, and fund projects with tax increment financing

[ ] Specific jurisdictions only:

[ ] Variance occurs due to:

Part II: Estimates

[ ] No fiscal impacts.

[X] Expenditures represent one-time costs: costs associated with adopting an ordinance, developing a project plan, negotiating a mitigstion plan

[X] Legislation provides local option: local governments could establish an increment area and pass an ordinance to fund projects with tax increment financing

[X] Key variables cannot be estimated with certainty at this time: which local governments would establish increment areas, property tax revenue increase gained from increased property values

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: Tammi Alexander	Phone: 360-725-5038	Date: 02/25/2021
Leg. Committee Contact: Rachelle Harris	Phone: 360-786-7137	Date: 02/19/2021
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/25/2021
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/28/2021

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

CHANGES IN THIS SUBSTITUTE VERSION:
The substitute bill requires local governments to submit a project plan to the Office of the State Treasurer for review prior to adoption of an ordinance to create an increment area.

It requires local governments to negotiate a mitigation plan with a fire district prior to implementing the increment area if the project analysis indicates that an increment area will impact at least 20 percent of the assessed value in a fire district.

It clarifies the authority to issue revenue bonds as supplementary to any authority existing in statute, and limits that authority to 25 years. It also clarifies the exclusion of state levies, port, and public utility districts from repaying debt from TIF apportionment.

SUMMARY OF ORIGINAL BILL VERSION:
The original bill would amend RCW 84.55.010 and add a new chapter to Title 39 RCW and would authorize cities, towns, counties, port districts, or any combination of those to finance public improvements using tax increment financing. Prior to establishing an increment area, local governments must complete a project analysis that includes a statement of objectives, the property the local government intends to obtain, the duration of the TIF area, and the estimated value of the project. Once the increment area is determined, the local government must adopt an ordinance designating the increment area within its boundaries and specifying the public improvements proposed to be financed in whole or in part with tax increment financing.

Public improvements that are financed with TIF may be funded by other revenue sources.

In the calendar year following the passing of the ordinance, the county treasurer shall distribute receipts from regular taxes imposed on real property in the increment area, with instruction. The local government that created the increment area shall
receive an additional portion of the regular property taxes levied by or for each taxing district upon the increment value within the increment area.

The bill takes effect 90 days after final adjournment of the session in which it is enacted.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

This substitute bill would have an indeterminate impact on local government expenditures for those that choose this local option. Local governments choosing to establish increment areas must submit a project plan to the State Treasurer's Office, negotiate a mitigation plan with the local fire district if applicable, and adopt an ordinance. All representing one-time costs. It is unknown which local governments would utilize this option.

According to the Local Government Fiscal Note Program unit cost data, the typical cost to adopt an ordinance per jurisdiction ranges from $555 for a simple ordinance to $5,458 for a complex ordinance. These costs include costs for draft ordinances, advisory commission meeting and recommendation, finalized ordinance, publication of ordinance, and general public information. The required project plan and mitigation plan would require additional administrative costs, likely minimal.

Note: These cost estimates are for only one meeting or staff report, more complex ordinances would likely require more meetings and potentially more staff reports. There would be further costs associated with enforcing or executing the ordinance.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

This substitute bill would have an indeterminate impact on local government revenues. There would be an increase in property tax revenue for the local governments that choose to establish increment areas for the purpose of using tax increment financing for improvements. It is unknown what local governments would participate in tax increment financing or the amount that property assessed values would increase based on the improvements, therefore, the additional tax revenue cannot be calculated.

Sources:
Department of Revenue fiscal note, 1189 S HB (2021)
House Bill Report, HB 1189, Finance Committee (02/18/2021)
Local Government Fiscal Note Program, Unit Cost Data 2021