

Multiple Agency Fiscal Note Summary

Bill Number: 2005 E HB	Title: Municipal gen. business lic.
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Estimated Cash Receipts

Agency Name	2017-19		2019-21		2021-23	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	0	334,000	0	1,578,000	0	3,471,000
Total \$	0	334,000	0	1,578,000	0	3,471,000

Estimated Expenditures

Agency Name	2017-19			2019-21			2021-23		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.0	0	0	.0	0	0	19.3	0	3,287,100
Total	0.0	\$0	\$0	0.0	\$0	\$0	19.3	\$0	\$3,287,100

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 Impact

NONE

Prepared by: Kathy Cody, OFM	Phone: (360) 902-9822	Date Published: Final 3/ 8/2017
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

Department of Revenue Fiscal Note

Bill Number: 2005 E HB	Title: Municipal gen. business lic.	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2018	FY 2019	2017-19	2019-21	2021-23
Master License Account-State 02 - Lic., Permits & Fees 99 - Other Licenses Permi		334,000	334,000	1,578,000	3,471,000
Total \$		334,000	334,000	1,578,000	3,471,000

Estimated Expenditures from:

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years					19.3
Account					
Master License Account-State 03N- 1					3,287,100
Total \$					3,287,100

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: Richelle Geiger	Phone: 360-786-7139	Date: 03/03/2017
Agency Preparation: Gerald Sayler	Phone: 360-534-1517	Date: 03/08/2017
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 03/08/2017
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 03/08/2017

Request # 2005-2-1

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 EHB 2005, 2017 Legislative Session.

This act relates to improving the business climate in this state by simplifying the administration of municipal general business licenses.

Section 1 has definitions that apply throughout the bill.

Section 2 requires most cities that impose a general business licensing obligation to partner with the Department of Revenue (Department) to have their general business licenses issued and renewed through the Department's Business Licensing Service (BLS) in accordance with chapter 19.02 RCW.

This section requires the Department to phase in the issuance and renewal of the general business licenses of cities that required a license as of July 1, 2017, and are not already partnering with the Department as follows:

- i) Between January 1, 2018, and December 31, 2021, the Department must partner with at least six cities per year.
- ii) Between January 1, 2022, and December 31, 2027, the Department must partner with the remaining cities.

The exceptions and requirements to this process are discussed in this section. Cities that participate in FileLocal as of July 1, 2018, may decline to partner with the Department. Cities with an estimated population of fewer than 500 as of July 1, 2017, may also decline to participate if partnering would create an undue hardship due to fiscal or technology constraints.

The Department must establish a biennial partnering plan with cities to assume the issuance and renewal of their general business licenses. Beginning January 1, 2018, and January 1st of each even numbered year thereafter, the Department must submit the plan to the Governor; legislative fiscal committees; House Local Government Committee; Senate Agriculture, Water, Trade and Economic Development committee; Senate Local Government Committee; affected cities; Association of Washington Cities; Association of Washington Business; National Federation of Independent Business; and the Washington Retail Association.

The Department must submit progress reports beginning January 1, 2019, and each January 1st thereafter through January 1, 2028, to the legislature.

Section 3 allows partnering cities broad authority to adopt fee structures as provided in RCW 35.22.280, 35.23.440, and 35A.82.020, but it must be within the Department's technical ability to administer. Cities may not require businesses to renew a general business license more than once a year. The business licensing system is not required to accommodate penalties imposed by cities for failing to obtain a general business license. The Department retains the right to refuse to administer any city business license ordinance that is inconsistent with the provisions of sections 1-10 of this bill.

Sections 4, 5, 6, and 7:

- Clarify the Department has no role in administering partnering cities' general business licenses except for issuing or renewing the license or refusing to issue a license due to an incomplete application, nonpayment of fees, or penalties for late renewal;
- Preserve partnering cities' authority to set licensing fees, provide exemptions and thresholds for licenses, approve or deny licenses, and take appropriate administrative action against licensees;
- Prohibit cities from requiring a person to obtain or renew a general business license with the city unless the person engages in business within the city; and
- Require at least 75-days' notice to the Department before certain general business license changes may take effect.

Section 8 requires that cities, through the Association of Washington Cities, form a committee to develop a general business licensing model ordinance. The model ordinance must include a definition of the term "engaging in business within a city" and a uniform minimum licensing threshold under which a person need not to obtain a city's general business license. The committee must adopt a model ordinance on general business licenses by July 1, 2018.

Section 9 requires cities to adopt the mandatory provisions of the model ordinance by January 1, 2019. Cities may not enforce their general business license requirements until the date that the mandatory provisions of the model ordinance take effect within the city.

Section 10 requires cities to coordinate with the Association of Washington Cities to submit a report on the model general business license ordinance by January 1, 2019, to the Governor; legislative fiscal committees; House Local Government Committee; and Senate Agriculture, Water, Trade and Economic Development Committee.

Section 11 establishes a task force comprised of cities, towns, and identified business organizations to recommend changes to simplify the two-factor municipal business and occupation tax apportionment formula provided in RCW 35.102.130. The task force must present its recommendations to the Legislature by October 31, 2018. The Municipal Research and Services Center must serve as the task force chair and must staff the task force.

Section 12 provides that Sections 1 through 10 constitute a new chapter in Title 35 RCW.

This bill has an effective date of 90 days after the final adjournment of the legislative 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.

ASSUMPTIONS

- Only cities not currently using the BLS that require an annual renewal of their general business license are included in this estimate (117).
- Handling fees for new business registrations are not included as these amounts are believed to be minimal and hard to quantify.
- The FileLocal cities are optional participants and are not included in this estimate.
- Revenues will not be recognized until Fiscal Year 2019 due to December 31 expiration dates imposed on city licenses and the January 1, 2018, effective date for onboarding partnering cities under this bill (would not start renewing licenses until late Calendar Year 2018).
- Beginning in Fiscal Year 2019, 6 cities per fiscal year for the first four years and 16 per year thereafter, that require an annual renewal, are to be added until all remaining cities are completely included in the system. The cities will be brought onboard according to the priorities established in the proposal with all cities onboard by December 31, 2027 (Fiscal Year 2028).
- A reduction of 25 percent of the number of business licenses has been made to account for businesses that have state regulatory licenses that are obtained or renewed through the BLS or have mobile businesses that require only one BLS account.
- Registrations will remain constant each year.
- The number of business registrations includes branches and franchises for businesses with multiple locations.
- The annual renewal handling fee is \$11 per license renewal.

DATA SOURCES

- Department of Revenue taxpayer data
- Employment Security Department data

REVENUE ESTIMATES

State revenues will increase by approximately \$334,000; \$1,578,000; and \$3,471,000 in the biennia ending in fiscal years

2019, 2021, and 2023 respectively; if this legislation is enacted.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2018 - \$ 0
FY 2019 - \$ 334
FY 2020 - \$ 610
FY 2021 - \$ 968
FY 2022 - \$ 1,449
FY 2023 - \$ 2,022

Local Government, if applicable (cash basis, \$000): None

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.

ASSUMPTIONS:

- Six cities would be added to the BLS each year between 2018 and 2021. The remaining 136 cities would be added to the BLS between 2022 and 2027. This includes cities that do not require an annual renewal.
- A total of 160 cities will be added to the system.

FIRST YEAR COSTS:

The Department will incur total costs of \$1,698,600 in Fiscal Year 2022. These costs include:

Labor Costs - Time and effort equates to 19.3 FTEs.

- Additional staff to program and test system changes,
- Create teams to work with city councils and help update city ordinances, and
- Create new business rules and train city personnel on new system.

SECOND YEAR COSTS:

The Department will incur total costs of \$1,588,500 in Fiscal Year 2023. These costs include:

Labor Costs - Time and effort equates to 19.3 FTEs.

- Additional staff to continue programming and testing system changes, and
- Teams will continue to work with new cities updating ordinances, business rules, and training city personnel.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years					19.3
A-Salaries and Wages					2,079,200
B-Employee Benefits					623,800
E-Goods and Other Services					418,100
J-Capital Outlays					166,000
Total \$					\$3,287,100

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 2018	FY 2019	2017-19	2019-21	2021-23
CUSTOMER SERV SP2	34,284					4.0
INFO TECH S/A S 6	80,724					0.3
IT SPEC 4	66,264					1.0
IT SPEC 5	73,140					1.0
MGMT ANALYST3	51,756					5.0
MGMT ANALYST4	60,012					8.0
Total FTE's	366,180					19.3

Part IV: Capital Budget Impact

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.

No rule making required.

LOCAL GOVERNMENT FISCAL NOTE

Revised

Department of Commerce

Bill Number: 2005 E HB

Title: Municipal gen. business lic.

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

Legislation Impacts:

☒ Cities: Cities selected to participate with the Department of Revenue in formalizing general business license requirements

☐ Counties:

☐ Special Districts:

☐ Specific jurisdictions only:

☐ Variance occurs due to:

Part II: Estimates

☐ No fiscal impacts.

☒ Expenditures represent one-time costs: Approximately \$2,218 per jurisdiction to adopt the model business licensing ordinance

☐ Legislation provides local option:

☒ Key variables cannot be estimated with certainty at this time: The duration of meetings for the apportionment task force, and the staff time to participate in the model ordinance creations process

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: Heather May	Phone: 360-725-5043	Date: 03/07/2017
Leg. Committee Contact: Richelle Geiger	Phone: 360-786-7139	Date: 03/03/2017
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 03/07/2017
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 03/08/2017

Part IV: Analysis

A. SUMMARY OF BILL

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

DIFFERENCES FROM PREVIOUS BILL VERSION:

The engrossed bill changes the dates from 2017 to 2018 during which a city can participate in the online business license and tax filing portal known as “FileLocal” and therefore be eligible to decline partnership with the Department of Revenue (DOR) for the issue and renewal of business licenses. It changes the reporting requirements from a progress report to the governor, legislative fiscal committee, house local government committee, Association of Washington Cities, Association of Washington Businesses, National Federation of Independent Business, and Washington Retail Association to only the Legislature. Finally, it changes one of the nonvoting representatives and the committee chair on the local business and occupation task force from DOR to Municipal Research and Services Center (MRSC).

SUMMARY OF CURRENT BILL VERSION:

This legislation would create a partnership base between cities, towns, and code cities and the DOR to establish general business license requirements.

Section 2 -- Cities, towns, and code cities must partner with DOR to issue and renew general business licenses. Between January 1, 2018, and December 31, 2021, DOR must partner with at least six cities per year. Between January 1, 2022, and December 31, 2027, DOR must partner with the remaining cities.

Select cities are exempt from collaboration with DOR. They include cities that participate in the FileLocal program, cities with population under 500 that conclude such collaboration would pose undue hardship. Cities of population under 500 that decline to participate must notify DOR in writing 60 days after DOR releases its annual partnering plan.

Section 3 -- Cities may levy a fee structure, but it must be within the technical ability of DOR to administer. In such a situation, the city must work with DOR to adopt a feasible fee structure. DOR may refuse to administer any provision of a city business license ordinance that is inconsistent with this standard.

Section 8 -- Cities working through the Association of Washington Cities (AWC) must work to adopt a model ordinance on general business license requirements by July 1, 2018. Copies of the model ordinance must be published by DOR, AWC, and the MRSC. Definitions in the model ordinance cannot be changed more frequently than every four years.

A city adopting the model ordinance must adopt the mandatory provisions within by January 1, 2019. Mandatory provisions include a definition of "engaging in business within the city" and a uniform minimum licensing threshold.

Section 10 -- Cities must coordinate with AWC to submit a report to the Governor and the Legislature by January 1, 2019.

Section 11 -- Cities must participate in a local business and occupation tax apportionment task force. Three cities that impose a local business and occupation tax, including at least one that performed an audit where apportionment errors were discovered must participate on the task force.

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 legislation would result in an indeterminate, but minor expenditure impact on participating cities (less than \$50,000 annually) and one-time ordinance costs of \$510,000 for the approximately 230 cities with a business licensing requirement.

The proposed legislation requires cities to partner with DOR to establish business licensing requirements, to participate in the creation of a model business licensing requirements ordinance, cities that have a business licensing requirement must adopt the model ordinance by January 1, 2019, and participate in an apportionment task force. This would result in increased expenditures to jurisdictions that currently do not partner with DOR on business licensing requirements, and increased expenditures for the 230 cities that do have business licensing requirements. Additional expenditures include collaboration with DOR on the imposition of new general business license requirements. DOR would select the cities with which it will partner to issue and renew business licenses thru FY 2021 and would be required to partner with all remaining cities from FY 2022 to FY 2027.

MODEL ORDINANCE CREATION COSTS:

Local jurisdictions that would participate with the AWC in the creation of a model ordinance for general business license requirements by July 1, 2018 would experience indeterminate expenditures. The costs to participate in such a working group reflect those to participate or

attend other meetings. Costs for such meetings may also include:

- A per diem (ranges \$51 to \$74 daily depending on location);
- A variable lodging rate (ranges \$91 to \$169 with additional seasonal variance); and
- A variable staff salary cost with an expected salary of \$30 per hour.

MODEL ORDINANCE ADOPTION COSTS:

Upon the creation of the model ordinance, the 230 cities that currently have business licensing requirements must pass this ordinance through each jurisdiction's public process. Local Government Fiscal Note Program staff assume this process would reflect the passage of a moderately complex ordinance. These costs include public hearings and assumes meeting material preparation 50 percent by professional staff and 50 percent by administrative/technical staff, two media publications and two special mailings; meeting attendance by one management, lead professional and one administrative staff. The costs to organize and pass a moderately complex ordinance would be approximately \$2,218 per jurisdiction. The cumulative ordinance adoption costs for the approximately 230 cities with a business licensing requirement are \$510,140.

COSTS TO PARTICIPATE IN THE APPORTIONMENT TASK FORCE:

The local costs to participate in the apportionment task force would reflect the costs to participate in the creation of a model ordinance. However, the proposed legislation established parameters of these meetings to include at least one monthly meeting from effective date of the legislation until January 1, 2019. The assumed effective date of this legislation is July 1, 2017. This would require a minimum of 18 monthly meetings. The relative costs for each local government representative to participate in the apportionment task force for 18 meetings at an assumed three hours each meeting would be \$1,620. The per diem costs, travel costs, and other cost potential for overnight lodging are indeterminate, and would reflect the same rates as provided under model ordinance creation costs.

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 legislation would not result in a local government revenue impact.

SOURCES:

Department of Revenue

FileLocal

City of Everett

Association of Washington Cities