

Judicial Impact Fiscal Note

Bill Number: 1390 E 2S HB S-2695.4 Striking amendment	Title: Legal financial obligations	Agency: 055-Admin Office of the Courts
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2016	FY 2017	2015-17	2017-19	2019-21
General Fund-State 001-1	(9,866)	(61,134)	(71,000)	(369,189)	(706,797)
Judicial Information Systems Account-State 543-1	(9,866)	(61,134)	(71,000)	(369,189)	(706,797)
Counties	(19,733)	(122,269)	(142,002)	(738,377)	(1,413,594)
Cities					
Total \$	(39,465)	(244,537)	(284,002)	(1,476,755)	(2,827,188)

Estimated Expenditures from:

STATE	FY 2016	FY 2017	2015-17	2017-19	2019-21
State FTE Staff Years					
Account					
General Fund-State 001-1	247,510	153,170	400,680		
State Subtotal \$	247,510	153,170	400,680		
COUNTY	FY 2016	FY 2017	2015-17	2017-19	2019-21
County FTE Staff Years					
Account					
Local - Counties					
Counties Subtotal \$					
CITY	FY 2016	FY 2017	2015-17	2017-19	2019-21
City FTE Staff Years					
Account					
Local - Cities					
Cities Subtotal \$					
Local Subtotal \$					
Total Estimated Expenditures \$	247,510	153,170	400,680		

The revenue and expenditure estimates on this page represent the most likely fiscal impact. Responsibility for expenditures may be subject to the provisions of RCW 43.135.060.

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.

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Part II: Narrative Explanation

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

1390 E2SHB S-2695.4 compared to 1390 2SHB:

The interest accrual on the non-restitution portion of an offender's legal financial obligation (LFO) imposed in superior court or courts of limited jurisdiction would be at the rate of 2 percent, instead of 12 percent, as of the effective date of the act. 1390 2SHB would have eliminated interest accrual on the non-restitution portion of an offender's LFO as of the effective date of the act.

The provisions dealing with imposing costs at the time of sentencing for indigent defendants are removed.

The provisions regarding sanctioning proceedings and standards for finding an un-willful failure to pay LFOs are removed.

The option of converting unpaid fines or costs to community service hours is removed.

1390 E2SHB S-2695.4:

Section 1 would amend RCW 10.82.090 to set the interest accrual rate at 2% for non-restitution LFOs imposed in a judgment as of the effective date of the act.

Section 2 would amend RCW 3.50.100 to set the interest accrual rate at 2% for non-restitution LFOs imposed in municipal court criminal proceedings as of the effective date of the act.

Section 3 would amend RCW 3.62.020 to set the interest accrual rate at 2% for non-restitution LFOs imposed in district court criminal proceedings as of the effective date of the act.

Section 4 would amend RCW 3.62.040 to set the interest accrual rate at 2% for non-restitution LFOs imposed in district court criminal proceedings as of the effective date of the act.

Section 5 would amend RCW 35.20.220 to set the interest accrual rate at 2% for non-restitution LFOs imposed in municipal court criminal proceedings as of the effective date of the act.

Section 6 would amend RCW 10.01.170 to mandate that monthly payments are applied to the principal on restitution prior to payment of any other monetary obligations.

Section 9 would amend RCW 9.94A.760 to mandate that superior court monthly LFO payments are applied to the principal on restitution prior to payment of any other monetary obligations.

Section 10 would amend 43.43.7541 to exempt sentences imposed for crimes specified in RCW 43.43.754 from the \$100 DNA database fee if the state has previously collected the offender's DNA as a result of a prior conviction.

Section 11 would prevent the courts from having to refund or reimburse amounts previously paid towards LFOs or interest on LFOs.

II. B - Cash Receipts Impact

Section 1 would amend RCW 10.82.090 to set the interest accrual rate at 2% for non-restitution LFOs imposed in a judgment as of the effective date of the act.

Judicial Information System (JIS) data shows that the average interest per year that was received on non-restitution LFOs from 2009 through 2014 was \$1,996,606.

To illustrate the decline in interest revenue, the same data and calculations that were used if interest was eliminated, are used to illustrate the change from 12% interest accrual to 2% interest accrual. Since the change from 12% interest to 2% interest reflects an 83% change, the revenue loss amounts are 83% of what they would be if no interest accrued.

If no interest were accrued:

The current average interest received in the year the LFO was established is \$17,309. This amount, along with the interest that would

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have accrued and been paid on each of the previous years LFOs, is used to estimate the decline in revenue until the full amount of interest revenue currently being received is recognized in full as the loss in revenue (around fiscal year 2030).

The average revenue received on the interest accrual for the previous year would begin in FY 2017 and continue. The average revenue received on the interest accrual for 2016 that would have been received in 2017 is \$88,315. This would be added to the new \$17,309 that would not be collected in FY 2017 for a total of \$105,624 loss of revenue. The average revenue received on the interest accrual for FY 2016 during the third year (FY 2018) is \$126,890. This would be added to \$17,309 and \$105,624 for a total of \$232,514 revenue lost in FY 2018. The same logic was used for subsequent years. The estimated annual revenue lost would be approximately \$2 million in FY 2030 in no interest accrued.

The change from 12% interest to 2% interest reflects an 83% change so the revenue loss amounts are 83% of what it would be if no interest accrued.

Revenue Losses by year from 2016 to 2021:

2016 = \$17,309 x 83% = \$14,366
2017 = \$105,624 x 83% = \$87,668
2018 = \$232,514 x 83% = \$192,986
2019 = \$374,909 x 83% = \$311,174
2020 = \$517,666 x 83% = \$429,662
2021 = \$658,387 x 83% = \$546,461

The revenue loss is allocated according to RCW 10.82.090:

- 25% to state general fund
- 25% to the judicial information system account
- 50% to the county current expense fund

The amendments in Sections 2, 3, 4, and 5 would set the interest accrual rate at 2% on LFOs for criminal proceedings in district and municipal courts as of the effective date of this bill. Interest on district and municipal court cases does not accrue until the LFOs are sent to a collection agency.

JIS data shows that in 2013 & 2014 the average interest per year received by district and municipal courts from collection agencies was \$10,499,997. JIS data also shows that out of the 648,341 cases sent to collection agencies in 2014, 36% (235,917) were criminal cases. 36% of \$10,499,997 is \$3,779,998.

There is insufficient data from collection agencies to calculate the revenue decline as was done for Section 1 above.

To illustrate the revenue decline that would occur for this section, the percentages of the decline of the total estimated revenue loss in Section 1 was applied to the total estimated revenue loss for this section. Eventually the estimated revenue loss each year would reach \$3,779,998 if no interest accrued.

The change from 12% interest to 2% interest is an 83% change so the revenue loss amounts are 83% of what they would be if no interest accrued.

Revenue Losses by year from 2016 to 2021:

2016 = \$30,240 (.0008 x \$3,779,998) x 83% = \$25,099
2017 = \$188,999 (.05 x \$3,779,998) x 83% = \$156,869
2018 = \$453,600 (.12 x \$3,779,998) x 83% = \$376,488
2019 = \$718,199 (.19 x \$3,779,998) x 83% = \$596,105
2020 = \$982,799 (.26 x \$3,779,998) x 83% = \$815,723
2021 = \$1,247,399 (.33 x \$3,779,998) x 83% = \$1,035,341

The revenue loss is allocated according to RCW 10.82.090:

- 25% to state general fund
- 25% to the judicial information system account
- 50% to the county current expense fund

Section 6 would amend RCW 10.01.170 to mandate that monthly payments are applied to the principal on restitution prior to payment of any other monetary obligations until restitution is paid in full.

Section 9 would amend RCW 9.94A.760 to mandate that superior court monthly LFO payments are applied to the principal on restitution prior to payment of any other monetary obligations until restitution is paid in full.

The amendments in sections 6 & 9 may change how payments are applied and state and local jurisdictions may see a delay in receipt of their portions of LFOs.

Section 10 would amend 43.43.7541 to exempt sentences imposed for crimes specified in RCW 43.43.754 from the \$100 DNA database fee if the state has previously collected the offender's DNA as a result of a prior conviction.

There is no JIS summary data to estimate how many future offenders would have previous DNA samples and would not be subject to the assessment of this fee.

II. C - Expenditures

Section 1 would amend RCW 10.82.090 to set the interest accrual rate at 2% for non-restitution LFOs imposed in a judgment as of the effective date of the act.

The amendments in Sections 2, 3, 4, and 5 would set the interest accrual rate at 2% on LFOs for criminal proceedings in district and municipal courts as of the effective date of this bill.

These amendments would require modifications to the JIS system to change the monthly interest accrual rate on non-restitution LFOs from 12% to 2%. The modifications are estimated to take up to 1780 hours of AOC staff time for programming, screen changes, documentation, report changes and training. This equates to a one-time cost of \$94,340. The modifications would take at least 6 months to a year to complete.

Sections 6 and 9 would mandate that monthly payments are applied to restitution principal prior to any other monetary obligations until paid in full.

The amendments in these sections would require modifications to the JIS to prevent applying payments to other portions of the LFO before the restitution principal. The modifications are estimated to take up to 5,780 hours of AOC staff time for programming, screen changes, documentation, report changes and training. This equates to a one-time cost of \$306,340. The modifications could take 2 years to complete.

All of these modifications would have to be made to the pieces of the JIS that are currently in the process of being replaced.

Part III: Expenditure Detail

III. A - Expenditure By Object or Purpose (State)

<i>State</i>	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years					
Salaries and Wages					
Employee Benefits					
Professional Service Contracts					
Goods and Other Services					
Travel					
Capital Outlays					
Inter Agency/Fund Transfers					
Grants, Benefits & Client Services					
Debt Service					
Interagency Reimbursements					
Intra-Agency Reimbursements					
Total \$					

III. B - Expenditure By Object or Purpose (County)

<i>County</i>	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years					
Salaries and Benefits					
Capital					
Other					
Total \$					

III. C - Expenditure By Object or Purpose (City)

<i>City</i>	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years					
Salaries and Benefits					
Capital					
Other					
Total \$					

Part IV: Capital Budget Impact