



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 19-1212

FINAL FISCAL NOTE

Drafting Number: LLS 19-0765
Prime Sponsors: Rep. Titone; Duran
Sen. Fields; Todd

Date: July 19, 2019
Bill Status: Vetoed by Governor
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Bill Topic: RECREATE HOA COMMUNITY MANAGER LICENSING

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, Statutory Public Entity

The bill would have recreated and reenacted the community association managers licensing program in the Division of Real Estate in the Department of Regulatory Agencies. The bill would have increased state revenue and expenditures in FY 2019-20 only.

Appropriation Summary: No appropriation is required. See Technical Note.

Fiscal Note Status: The fiscal note reflects the vetoed bill. This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Table 1
State Fiscal Impacts Under HB 19-1212

Table with 4 columns: Category, Sub-category, FY 2019-20, FY 2020-21. Rows include Revenue, Expenditures, Total, Total FTE, Transfers, and TABOR Refund.

Summary of Legislation

The Community Association Management Practice Act was passed by the General Assembly in 2013. After a 2018 DORA sunset review, the act was not renewed and is scheduled to end on July 1, 2019, following the wind-down period in the current FY 2018-19. The bill recreates and reenacts the Community Association Management Practice Act and program in the Division of Real Estate in the Department of Regulatory Agencies (DORA) through September 1, 2020.

In addition, the bill creates a stakeholder process to gather information, provide feedback, and make recommendations to DORA regarding issues related to the program's administration. The stakeholder group must meet at least four times during the 2019 legislative interim and DORA is required to present any stakeholder group recommendations to the General Assembly at its annual State Measurement for Accountable, Responsive, and Transparent Government (SMART) Act hearing.

Background

The Community Association Management Practice Act program regulates and licenses community association managers, including both individual managers and management companies. DORA can conduct rulemaking, investigate complaints, perform audits, and take enforcement actions. On May 31, 2019, the Governor issued Executive Order 2019-006, which directs DORA to conduct a stakeholder process and review of the effective and efficient regulation of community association managers and homeowners' associations.

Assumptions

The fiscal note assumes that no appropriation will be necessary for FY 2020-21 due to the program's repeal on September 1, 2020.

State Revenue

The bill increases state revenue by \$344,775 in FY 2019-20 to the Division of Real Estate Cash Fund. Fee revenue is subject to TABOR; however under the March 2019 Legislative Council Staff forecast, a TABOR surplus is not expected in FY 2019-20.

Fee impact on community association managers. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Actual fees will be set administratively by DORA based on the cash fund balance, estimated program costs, and the estimated number of individuals subject to the fee. The table below identifies the fee impact of this bill estimated to cover costs, based on current and expected fees.

For informational purposes, the previous fee schedule was:

- \$205.00 for an initial manager license;
- \$218.00 for a manager license renewal;
- \$326.00 for a manager license restatement; and
- \$305.00 for an initial corporation, partnership, or limited liability company license.

**Table 2
Fee Impact on Community Association Managers**

Fiscal Year	Type of Fee	Proposed Fee	Number Affected	Total Fee Impact
	Initial Manager License	\$205.00	300	\$61,500
FY 2019-20	Manager License Renewal	\$215.00	1,275	\$274,125
	Initial Management Company License	\$305.00	30	\$9,150
			FY 2019-20 Total	\$344,775

Fine revenue. To the extent that the Division of Real Estate imposes administrative fines on licensees up to \$2,500 per offense, revenue to the Division of Real Estate Cash Fund will increase. Based on the low number of fines imposed in past years and the assumption that community managers will most likely comply with the bill, the fiscal note estimates that any revenue generated will be minimal.

State Expenditures

The bill will increase expenditures in DORA by \$358,845 and 3.0 FTE in FY 2019-20 from the Division of Real Estate Cash Fund. These costs represent a continuation of the current administrative costs and are shown in Table 3 and explained below.

**Table 3
Expenditures Under HB 19-1212**

	FY 2019-20	FY 2020-21
Department of Regulatory Agencies		
Personal Services	\$331,018	-
Operating Expenses and Capital Outlay Costs	\$229	-
Centrally Appropriated Costs*	\$27,598	-
FTE – Personal Services	3.0 FTE	-
Total Cost	\$358,845	-
Total FTE	3.0 FTE	-

* Centrally appropriated costs are not included in the bill's appropriation.

Department of Regulatory Agencies. DORA requires 3.0 FTE in FY 2019-20 to continue administering the program past the current wind-down period. This amount reflects current staffing levels. In addition, DORA workload will increase to establish the stakeholder group and coordinate the meetings required under the bill. This increase is expected to be accomplished within existing appropriations.

Department of Law. The Department of Law will have an increase in workload in FY 2019-20 to provide counsel to the Division of Real Estate and representation in disciplinary actions. This workload increase in legal services costs will be accounted for through the annual budget process, with the Department of Law billing client agencies based on their historical utilization of legal services.

Department of Personnel and Administration. The bill may increase workload in FY 2019-20 for administrative law judges to conduct hearings. The increase is expected to be accomplished within existing appropriations.

Department of Public Safety. The bill may increase workload for the Colorado Bureau of Investigation in FY 2019-20 in the Department of Public safety to conduct fingerprint criminal history background checks for license applicants and to provide the results to DORA. This workload increase can be accomplished within existing resources and no change in appropriation is required.

Judicial Department. In FY 2019-20, the bill may increase workload for the trial courts to handle violations and increased caseload. The increase is expected to be accomplished within existing appropriations; however, should the department require additional resources, it will request them through the annual budget process.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$27,598 in FY 2019-20.

Effective Date

The bill was vetoed by the Governor on May 31, 2019.

State and Local Government Contacts

Judicial
Public Safety

Law
Regulatory Agencies

Personnel