



Legislative Council Staff

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Fiscal Note

Drafting Number:	LLS 21-0553	Date:	April 06, 2021
Prime Sponsors:	Rep. Titone; Ricks Sen. Fields	Bill Status:	House Business
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Bill Topic: HOA GOVERNANCE FUNDING RECORD KEEPING

Summary of Fiscal Impact:	<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input checked="" type="checkbox"/> Statutory Public Entity

The bill changes the information and disclosure requirements of home owners' associations in common interest communities. It increases state revenue and expenditures on an ongoing basis.

Appropriation Summary: For FY 2021-22, the bill requires an appropriation of \$283,408 to the Department of Regulatory Agencies.

Fiscal Note Status: The fiscal note reflects the introduced bill.

**Table 1
State Fiscal Impacts Under HB 21-1229**

		Budget Year FY 2021-22	Out Year FY 2022-23
Revenue	Cash Funds	\$374,969	\$574,418
Expenditures	Cash Funds	\$283,408	\$388,136
	Centrally Appropriated	\$91,561	\$186,282
	Total Expenditures	\$374,969	\$574,418
	Total FTE	3.0 FTE	7.0 FTE
Transfers		-	-
TABOR Refund		-	-

Summary of Legislation

The bill changes the information and disclosures that home owners' associations (HOA) in common interest communities are required to make to unit owners and specifies limitations and other modifications to the contents of HOA bylaws. Among these changes, the bill requires that the HOA Information and Resource Center (center) in the Department of Regulatory Agencies (DORA) host and maintain websites on behalf of HOAs, store and make available declarations and associated plat and maps on its website, and provide HOA board members with a free, online basic knowledge course.

The bill also requires that any HOA governing documents provided by a unit seller to a buyer include an assessment of anticipated losses due to damage to common elements and allows a buyer to recover any losses incurred by error or omission in these documents in court.

State Revenue

The bill increases cash fund revenue by \$374,969 in FY 2021-22 and \$574,418 starting in FY 2022-23.

Fee impact on HOAs. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. These fee amounts are estimates only, actual fees will be set administratively by the Department of Regulatory Agencies based on cash fund balance, estimated program costs, and the estimated number of HOAs subject to the fee. The table below identifies the fee impact of this bill.

Table 2
Fee Impact on HOAs

Fiscal Year	Type of Fee	Current Fee	Proposed Fee	Number Affected	Total Fee Impact
FY 2021-22	Registration Renewal Fee	\$33.00	\$81.11	7,794	\$374,969
FY 2022-23	Registration Renewal Fee	\$33.00	\$106.70	7,794	\$574,418

The HOA Information and Resource Center is funded from HOA registration fees, which are paid annually to the Division of Real Estate Cash Fund. Based on existing HOA registrations, the Department of Regulatory Agencies will have to increase the HOA registration renewal fees from \$33.00 to \$81.11 in FY 2021-22 and to \$106.70 in FY 2022-23. HOA Registration fee revenue is subject to TABOR.

Additionally, the bill permits individuals to file civil cases in certain circumstances. To the extent that cases are filed, filing fee revenue will increase in the Judicial Department. As the number of cases is expected to be minimal, this increased revenue is expected to be minimal. Filing fee revenue is subject to TABOR.

State Expenditures

The bill increases cash fund expenditures by \$374,969 and 3.0 FTE in FY 2021-22 and \$574,418 and 7.0 FTE in FY 2022-23 in the Division of Real Estate in DORA. In addition, the bill will increase workload in the Judicial Department beginning in FY 2021-22. This is summarized in Table 2 and discussed below.

**Table 3
 Expenditures Under HB 21-1229**

	FY 2021-22	FY 2022-23
Department of Regulatory Agencies		
Personal Services	\$163,988	\$367,036
Operating Expenses	\$4,050	\$9,450
Capital Outlay Costs	\$37,200	\$6,200
Computer Programming	\$41,170	-
Database Interface and Storage	\$37,000	\$5,450
Centrally Appropriated Costs ¹	\$91,561	\$186,282
Total Cost	\$374,969	\$574,418
Total FTE	3.0 FTE	7.0 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Department of Regulatory Agencies. The HOA Information and Resource Center provides resources and responds to requests from HOA board members and unit owners.

Administrative support. The center currently responds to 5,500 correspondences annually from the approximately 10,500 HOAs in Colorado. As the bill increases the documentation that the center must process and publish, the center requires 2.0 FTE administrative assistant to manage the additional workload, starting in January 2021 and phased in over two years.

Website development. The bill requires the center to maintain websites on behalf of HOAs. The fiscal note assumes that ten percent of HOAs may require such a website, and estimates that 5.0 FTE marketing and communications staff could, working with these HOAs, complete approximately 250 websites each year.

Computer programming. The department will incur approximately 350 hours of computer programming costs to develop online registration documentation, HOA fee documentation, reporting, public credential for board members, and to perform testing and deployment. The cost is estimated to be \$41,170.

Database interface. The department will incur a one-time cost of \$35,000 to procure an import interface to process the board education requirements and HOA documentation, and ongoing costs related to interface maintenance (\$3,450 annually beginning in FY 2021-22) and data storage (\$2,000 annually beginning in FY 2020-21).

Judicial Department. To the extent that cases are filed, workload will increase in the Judicial Department. As the number of cases is expected to be minimal, no change in appropriations is required.

TABOR refunds. The bill increases state revenue subject to TABOR. For FY 2022-23, the March 2021 LCS forecast projects revenue to fall short of the TABOR limit by \$28.6 million, or 0.2 percent of the limit. If actual revenue exceeds the limit, the bill will increase the amount required to be refunded to taxpayers from the General Fund in FY 2023-24.

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 \$91,561 in FY 2021-22 and \$186,282 in FY 2022-23.

Statutory Public Entity

Workload will increase for the Statewide Internet Portal Authority to coordinate with DORA to host websites on behalf of HOAs.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed, and applies to insurance claims and conduct occurring on or after its effective date.

State Appropriations

For FY 2021-22, the bill require an appropriation of \$283,408 to the Department of Regulatory Agencies from the Division of Real Estate Cash Fund.

State and Local Government Contacts

Counties	Information Technology	Judicial
Local Affairs	Municipalities	Personnel
Regulatory Agencies		