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Fiscal Note

Drafting Number: LLS 23-0848
Prime Sponsors: Rep. Brown; Mabrey
Date: April 5, 2023
Bill Status: House Trans. & Local Govt.
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Bill Topic: HABITABILITY OF RESIDENTIAL PREMISES

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

The bill creates habitability standards for rental units following environmental events. It increases state expenditures beginning in FY 2023-24.

Appropriation Summary: For FY 2023-24, the bill requires an appropriation of \$10.4 million to the Department of Public Health and Environment.

Fiscal Note Status: The fiscal note reflects the introduced bill. This fiscal note is preliminary and will be updated following further review and any additional information received.

Table 1
State Fiscal Impacts Under HB 23-1254

Table with 4 columns: Category, Sub-category, Budget Year FY 2023-24, and Out Year FY 2024-25. Rows include Revenue, Expenditures (General Fund, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (General Fund Reserve).

Summary of Legislation

A landlord violates the warranty of habitability if any environmental contaminants are at unsafe levels, as determined by an industrial hygienist. The bill updates the methods a tenant may use to notify their landlord of an unsafe condition and requires the landlord to remediate any habitability issues. If a habitability issue is caused by a natural or environmental event, the landlord must provide testing by an industrial hygienist at the tenant’s request. A tenant may cancel the lease if they have notified the landlord of a habitability issue, the landlord fails to remediate the issue or provide adequate alternative housing during the remediation, and the tenant obtains a doctor’s opinion that the issue materially affects the tenant’s life, health, or safety.

The Department of Public Health and Environment (CDPHE) must adopt rules establishing health and safety standards for residential habitability by January 1, 2026.

State Expenditures

The bill increases state expenditures in CDPHE by \$10.5 million in FY 2023-24 and \$0.9 million in FY 2024-25 and future fiscal years, paid from the General Fund. Expenditures are shown in Table 2 and detailed below.

**Table 2
 Expenditures Under HB 23-1254**

	FY 2023-24	FY 2024-25
Department of Public Health and Environment		
Personal Services	\$317,326	\$640,361
Operating Expenses	\$5,400	\$10,935
Capital Outlay Costs	\$26,680	\$26,680
Contractor	\$10,000,000	-
Legal Services	\$42,296	\$42,296
Stakeholder Meetings	\$9,045	\$9,045
Centrally Appropriated Costs ¹	\$71,589	\$147,016
FTE – Personal Services	3.8 FTE	7.9 FTE
FTE – Legal Services	0.2 FTE	0.2 FTE
Total Cost	\$10,472,336	\$876,333
Total FTE	4.0 FTE	8.1 FTE

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

Department of Public Health and Environment. CDPHE's expenditures increase to engage with stakeholders, establish safety standards, and adopt rules, as described below.

- **Staff.** CDPHE requires 4.0 FTE in FY 2023-24, increasing to 8.1 FTE in FY 2024-25, to engage with stakeholders, develop health and safety standards for various environmental contaminants, and adopt rules for industrial hygienists. Standard operating and capital outlay costs are included, and costs account for the General Fund pay date shift.
- **Contractor.** CDPHE requires contracting services to provide technical expertise to its divisions in establishing health and safety standards on an expedited timeline. This includes establishing baseline standards for homes, identifying contaminants, identifying exposure limits for certain at-risk individuals, and developing thresholds for environmental events for which no equivalent standards currently exist in this or other states. Contractor costs are calculated at \$250 per hour for 10,000 hours in FY 2023-24.
- **Legal services.** CDPHE requires 400 hours of legal services annually for rulemaking and general counsel across multiple divisions. Legal services are provided by the Department of Law at a rate of \$105.74 per hour.
- **Stakeholder meetings.** Expenditures, including travel and meeting-related costs, increase to engage with stakeholders as part of the rulemaking 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 shown in Table 2.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2023-24, the bill requires a General Fund appropriation of \$10,400,747 to the Department of Public Health and Environment, and 3.8 FTE. Of this amount, \$42,296 is reappropriated to the Department of Law, with an additional 0.2 FTE.

State and Local Government Contacts

Information Technology
Local Affairs

Judicial
Public Health and Environment

Law