



**Legislative
Council Staff**
Nonpartisan Services for Colorado's Legislature

HB 19-1212

**REVISED
FISCAL NOTE**

(replaces fiscal note dated April 18, 2019)

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

Date: April 30, 2019
Bill Status: Senate Finance
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Bill Topic: RECREATE HOA COMMUNITY MANAGER LICENSING

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 type="checkbox"/> Statutory Public Entity

The bill recreates and reenacts the community association managers licensing program in the Division of Real Estate in the Department of Regulatory Agencies. The bill increases state revenue and expenditures beginning in FY 2019-20.

Appropriation Summary: In FY 2019-20, the bill requires an appropriation of \$62,026 to the Department of Regulatory Agencies. See Technical Note.

Fiscal Note Status: The revised fiscal note reflects the reengrossed bill.

**Table 1
State Fiscal Impacts Under HB 19-1212**

		FY 2019-20	FY 2020-21
Revenue	Cash Funds	\$344,775	\$368,275
Expenditures	Cash Funds	\$393,273	\$388,570
	Centrally Appropriated	\$41,862	\$41,862
	Total	\$435,135	\$430,432
	Total FTE	4.0 FTE	4.0 FTE
Transfers		-	-
TABOR Refund		-	-

Summary of Legislation

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). The 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. The bill requires that DORA give notice to licensees of complaints and prohibits administrative fines for violations not contained in the notice. DORA may act against a licensee for a specified list of actions as listed in the bill and the bill outlines cease-and-desist procedures against licensees.

In addition, the bill implements several recommendations from DORA's 2018 sunset review, including allowing certain administrative functions to be delegated to non-licensees and modifying supervision requirements for apprentices. The bill also creates a seven-member advisory committee to provide feedback, recommendations, and advice to the director of the Division of Real Estate regarding the program's administration. The members of the advisory committee serve voluntarily and do not receive compensation. Finally, on June 30, 2019, the bill automatically renews the licenses of managers who are not subject to a pending revocation proceeding until DORA adopts rules addressing the treatment of licenses issued before or during the wind-up period.

The program is scheduled to repeal on September 1, 2025, following a sunset review.

Background

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.

Assumptions

This fiscal note assumes there are 1,275 licensed managers and 493 management companies. In addition, it is assumed that manager licenses will be renewed every year similar to the previous program and that manager licensees that have been granted a one-year renewal on June 30, 2019, under the bill will be required to pay a manager license renewal fee; see Technical Note. Management company licenses do not need to be renewed.

State Revenue

The bill increases state revenue by \$344,775 in FY 2019-20 and \$368,275 in FY 2020-21 to the Division of Real Estate Cash Fund. Fee and fine revenue is subject to TABOR; however under the March 2019 Legislative Council Staff forecast, a TABOR surplus is not expected in FY 2019-20 or FY 2020-21.

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.

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
FY 2019-20	Initial Manager License	\$205.00	300	\$61,500
	Manager License Renewal	\$215.00	1,275	\$274,125
	Initial Management Company License	\$305.00	30	\$9,150
			FY 2019-20 Total	\$344,775
FY 2020-21	New Manager License	\$205.00	100	\$20,500
	Manager License Renewal	\$215.00	1,575	\$338,625
	Initial Management Company License	\$300.00	30	\$9,150
			FY 2020-21 Total	\$368,275

Fine revenue. To the extent that the Division of Real Estate imposes administrative fines on licensees on a sliding scale of 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 \$435,135 and 4.0 FTE in FY 2019-20 and \$430,432 and 4.0 FTE in FY 2020-21 from the Division of Real Estate Cash Fund. These costs 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	\$387,391	\$387,391
Operating Expenses and Capital Outlay Costs	\$5,882	\$1,179
Centrally Appropriated Costs*	\$41,862	\$41,862
FTE – Personal Services	4.0 FTE	4.0 FTE
Total Cost	\$435,135	\$430,432
Total FTE	4.0 FTE	4.0 FTE

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

Department of Regulatory Agencies. DORA requires 3.0 FTE beginning in FY 2019-20 to continue administering the program past the current wind-down period. This amount reflects current staffing levels. In addition, DORA requires a new compliance investigator to handle approximately 330 complaints and notice of violations at a rate of 10 hours per complaint. Complaints are currently handled by a program assistant and DORA does not currently provide an enumerated list of potential violations in a notice to a licensee, only a copy of the actual complaint. DORA workload will also increase in order to promulgate rules to implement changes under the bill and coordinate the advisory committee.

Department of Law. The Department of Law will have an increase in workload for rulemaking, advice to the Division of Real Estate, representation in disciplinary actions, and assistance with cease-and-desist orders. 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 for administrative law judges to conduct hearings. 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.

Department of Public Safety. The bill may increase workload for the Colorado Bureau of Investigation 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. 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 \$41,862 in FY 2019-20 and FY 2020-21.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, except Section 3 takes effect October 1, 2019 if House Bill 19-1172 becomes law.

Technical Note

Funding for the program was included and appropriated in the Long Bill, therefore no appropriation is required for the current 3.0 FTE. However, the bill requires additional departmental resources to handle complaints and notices of violations. This results in an appropriation of \$62,026 and 1.0 FTE.

In addition, it is unclear whether managers with licenses that are automatically renewed for one year are required to pay a renewal fee. This fiscal note assumes that manager licensees that have been granted a one-year renewal will be required to pay a manager license renewal fee; however if licensees are not required to pay fees, DORA may raise fees to cover the costs of the program and seek a supplemental appropriation.

State Appropriation

In FY 2019-20, the bill requires an appropriation of \$62,026 to the Department of Regulatory Agencies from the Division of Real Estate Cash Fund, and an allocation of 1.0 FTE.

State and Local Government Contacts

Judicial
Public Safety

Law
Regulatory Agencies

Personnel