



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

FINAL FISCAL NOTE

Drafting Number: LLS 19-1081 **Date:** August 5, 2019
Prime Sponsors: Rep. Roberts; Will **Bill Status:** Signed into Law
 Sen. Moreno; Coram **Fiscal Analyst:** Meredith Moon | 303-866-2633
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Bill Topic: EXPAND SUPPLY AFFORDABLE HOUSING

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

If certain conditions are met, this bill requires that up to \$30 million be transferred from the Unclaimed Property Trust Fund to the Housing Development Grant Fund to fund affordable housing throughout the state from FY 2020-21 through FY 2022-23. It conditionally increases state expenditures beginning in FY 2021-20.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The final fiscal note represents the enacted bill.

Table 1
State Fiscal Impacts Under HB 19-1322*

		FY 2020-21	FY 2021-22
Revenue		-	-
Expenditures	Housing Development Grant Fund	-	up to \$30 million
	Total	-	up to \$30.0 million
	Total FTE	-	7.0 FTE
Transfers	Unclaimed Property Trust Fund	(up to \$30 million)	(up to \$30 million)
	Housing Development Grant Fund	up to \$30 million	up to \$30 million
	Total	\$0	\$0
TABOR Refund		-	-

* Expenditures and transfers are contingent upon annual June Legislative Council Staff revenue forecasts and the balance of the Unclaimed Property Trust Fund as of June 1 each year.

Summary of Legislation

This bill requires that up to \$30 million from the Unclaimed Property Trust Fund be transferred to the Housing Development Grant Fund each June for three years starting in FY 2020-21 through FY 2022-23. Transfers are limited to three fiscal years. The amount transferred will be based on the balance in the Unclaimed Property Trust Fund as of June 1 each fiscal year, as well as the Legislative Council Staff (LCS) June revenue forecast. If the amount of revenue forecast exceeds the Referendum C cap for the current year minus \$30 million dollars, the transfer will be made.

In addition to existing statutory mandates, the funds transferred to the Housing Development Grant Fund may be spent for the following purposes:

- grants and loans for housing in non-urban areas for purchasers with up to 120 percent of the area median household income;
- down payment assistance programs for households with up to 100 percent of the area median household income in conjunction with public and private organizations;
- programs for home rehabilitation;
- repair, replacement, and disposal of mobile homes, in conjunction with local organizations;
- grants and loans for land acquisition and infrastructure costs for the provision of utilities for affordable housing developments;
- grants and loans for affordable housing targeted at specific area or income levels; and
- rental assistance programs targeting homeless families, Medicaid clients in nursing homes, family unification, veterans, households below 60 percent of the area's median income, and survivors of domestic violence.

The Division of Housing in the Department of Local Affairs (DOLA) is required to consult with stakeholders from urban and rural communities in order to determine how to meet the needs of local communities, serve populations with the greatest unmet need, and optimize the funds allocated.

Background

Unclaimed Property Trust Fund. The Unclaimed Property Division of the Treasury Department holds, in perpetuity or until claimed, lost or forgotten assets of individuals and businesses in Colorado. The Unclaimed Property Trust Fund consists of all moneys collected under the Unclaimed Property Act, and interest earned on the account. State law transfers an annual amount sufficient to fund the Adult Dental Fund in the Department of Health Care Policy and Financing, an estimated \$17.4 million in FY 2018-19. The Unclaimed Property Trust Fund is TABOR-exempt; however, transfers out of the fund are generally subject to TABOR.

Housing Development Grant Fund. Under current law, the Housing Development Grant Fund consists of moneys appropriated by the General Assembly to acquire, rehabilitate, and construct affordable housing projects through a competitive grant process. The fund also covers the cost of acquiring economic data used to advise the State Housing Board on local housing conditions. The fund was created pursuant to House Bill 09-1213 and is administered by the Division of Housing in DOLA. In FY 2017-18, the Housing Development Grant Fund received a total of \$23.3 million from both the General Fund (\$8.0 million) and from the Marijuana Tax Cash Fund (\$15.3 million). In FY 2017-18, the Division of Housing granted 37 awards averaging \$636,000 each.

State Transfers

This bill requires the state treasurer to transfer of up to \$30 million from the Unclaimed Property Trust Fund, after all other obligations have been met, to the Housing Development Grant Fund. The transfer amount will be determined by the balance in the Unclaimed Property Trust Fund and expectations for current year revenue relative to the transfer cutoff amount. The transfer cutoff amount is determined by subtracting \$30 million from the forecast Referendum C cap for the current year. The \$30 million transfer will occur if state revenue subject to TABOR is expected to fall short of the transfer cutoff amount. Table 2 shows projections for the state revenue forecasts and transfers based on Legislative Council Staff's March 2019 forecast. A forecast is not available for FY 2021-22 or FY 2022-23.

Table 2
Estimated Transfers from the Unclaimed Property Trust Fund

	FY 2020-21
Available Unclaimed Property Trust Fund Balance*	\$116.2 million
Referendum C Cap	\$15,502 million
Total March 2019 Revenue Forecast	\$15,244 million
Amount Above/(Below)Transfer Cutoff	(\$258 million)
Transfer to Housing Development Grant Fund	\$30 million

* The available balance in the Unclaimed Property Trust Fund is based off of the most recent 5-year average.

State Expenditures

Contingent upon the transfers made in FY 2020-21, state expenditures will increase by up to \$30.0 million and 7.0 FTE in FY 2021-22, with similar ongoing expenditure impacts in subsequent years. The Department of Local Affairs will require funding for administrative costs to support additional housing projects, as explained below. Legislative Council Staff economists' workload will increase from the reporting requirements under this bill.

**Table 3
Expenditures Under HB 19-1322**

	FY 2020-21	FY 2021-22
Department of Local Affairs		
Personal Services	\$492,875	\$492,875
Operating Expenses and Capital Outlay Costs	\$39,571	\$39,571
Mileage	\$4,680	\$4,680
Cell Phone	\$2,340	\$2,340
Computer System Modernization	\$66,580	\$33,750
Local Consultants	\$162,500	\$200,000
Centrally Appropriated Costs*	\$124,081	\$124,081
FTE – Personal Services	7.0 FTE	7.0 FTE
Subtotal (DOLA)	\$892,627	\$897,297
Grants		
Housing Development Grant Fund	up to \$29.1 million	up to \$29.1 million
Subtotal (Grants)	up to \$29.1 million	up to \$29.1 million
Total Cost	up to \$30.0 million	up to \$30.0 million
Total FTE	7.0 FTE	7.0 FTE

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

Department of Local Affairs. Assuming the maximum \$30 million transfer is made in FY 2020-21, this bill will require 7.0 FTE in FY 2020-21 through FY 2022-23, to manage the additional revenue allocated to the Housing Development Grant Fund. There is a one fiscal year delay between the allocation of the funds and the FTE requirements, since the transfers will be made in June. These personnel will provide technical assistance to local communities to help determine applicant need and evaluate projects for funding. Additionally, these personnel will manage grant and loan contracts, as well as ensure regulatory and contractual compliance.

To create efficiencies, DOLA will allocate larger buckets of funding per project with this revenue, thus reducing the need to onboard a greater number of personnel. Of the 7.0 FTE, 3.0 FTE are expected to be located outside of the Front Range to assess and manage affordable housing needs in more rural areas. Additional funding is required to modernize DOLA's software system to handle the larger workload, as well as to cover travel and cell phone expenses.

DOLA will contract with consultants in each of the state's eight regions in order to determine how best to meet the local needs in each region. This will require 1,300 hours of contract work at \$125 per hour for a total of \$162,500 to cover all eight regions. These consultants will provide technical assistance regarding stakeholder convening, guidance with local regulations, funding structuring, and application assistance. These consultants would be contracted during the first two years of the transfers only.

The transfer required by this bill for allocation to the Housing Development Grant Fund managed by DOLA more than doubles the funding the department currently manages, which totaled \$36 million in FY 2017-18. A team of 20.5 FTE manages the program under current law.

Additional funding is required by DOLA to fund mileage costs for staff that travel to sites in the administration of the funds. It is estimated that a total of 9,000 miles will be traveled, for a total of \$4,680. Agency-issued cell phones are used when out of the office as well, and an additional four phones are required for this bill. The Division of Housing requires a new grant and loan management system in order to more efficiently administer this large influx of funding. The licensing, customization, and data migration charges total \$66,580 during FY 2021-22, and will decrease to \$33,750 in ongoing years for the licensing fees.

DOLA's expenditures will total the amount of the transfer for the year, and has continuous spending authority from the Housing Development Grant Fund for administrative costs. In FY 2021-22, \$892,627 will be expended on administrative costs, while the remaining balance, \$29.1 million, will be spent on affordable housing projects.

Legislative Council Staff. Beginning in FY 2020-21, workload will increase for the Legislative Council Staff economist staff to estimate the transfer cutoff amount and determine the transfer amount. This workload increase is minimal and can be accomplished within existing appropriations.

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 \$124,081 in FY 2019-20.

Local Government

Local governments that receive funding under the bill will have an increase in administrative and construction-related expenditures.

Technical Note

Unclaimed property consists of tangible and intangible property, including stocks, bonds, corporate paper, un-cashed checks, and cash. Unclaimed property in the Unclaimed Property Trust Fund is held in trust indefinitely and returned to individuals who claim their property. To the extent that the transfers under this bill reduce available moneys in the fund below the amount needed to return property to claimants, this bill may create a liability for the state of Colorado.

Effective Date

The bill was signed into law by the Governor on May 17, 2019, and took effect August 2, 2019.

State and Local Government Contacts

Counties	LCS Economists	Local Affairs
Municipalities	Treasury	