



## Legislative Council Staff

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# Fiscal Note

**Drafting Number:** LLS 22-0869  
**Prime Sponsors:** Rep. Herod

**Date:** April 25, 2022  
**Bill Status:** House Business  
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**Bill Topic:** FINANCIAL LITERACY EXCHANGE PROGRAM

**Summary of Fiscal Impact:**

- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

The bill creates the Colorado Financial Literacy and Equity Exchange Program (FLEX) in the Division of Housing in the Department of Local Affairs (DOLA) to provide individuals receiving housing assistance an escrow-like savings account and receive financial mentoring, life skills, and asset management training. The bill increases state expenditures beginning FY 2022-23.

**Appropriation Summary:** For FY 2022-23, the bill requires an appropriation of \$111,703 to the FLEX Cash Fund, which is continuously appropriated to the Department of Local Affairs.

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

**Table 1**  
**State Fiscal Impacts Under HB 22-1389**

		Budget Year FY 2022-23	Out Year FY 2023-24
<b>Revenue</b>		-	-
<b>Expenditures</b>	Cash Funds	\$103,355	\$300,581
	Centrally Appropriated	\$19,462	\$31,500
	<b>Total Expenditures</b>	\$122,817	\$332,081
	<b>Total FTE</b>	<b>0.5 FTE</b>	<b>1.0 FTE</b>
<b>Transfers<sup>1</sup></b>	General Fund	(\$122,817)	(\$332,081)
	Cash Funds	\$122,817	\$332,081
	<b>Net Transfer</b>	<b>\$0</b>	<b>\$0</b>
<b>Other Budget Impacts</b>	General Fund Reserve	\$18,422	\$49,812

<sup>1</sup>The fiscal note assumes that funding for the program will be transferred to the program cash fund each year via an appropriation from the General Fund.

## **Summary of Legislation**

The bill creates the Colorado Financial Literacy and Equity Exchange Program (FLEX) in the Division of Housing in the Department of Local Affairs (DOLA). The voluntary program allows individuals receiving housing assistance from the division to have an escrow-like savings account established, and receive access to service provides for financial mentoring, life skills training, and asset management. The division must adopt rules for the program, including eligibility criteria, an application process and elements of the user agreement, eligible FLEX account expenses, and criteria that result in a participant's forfeiture of the account.

The bill creates the FLEX Fund in the Treasury to consist of any money the General Assembly appropriates and gifts, grants, or private donations. The fund is continuously appropriated to the division for both direct and indirect costs of implementing the program. The division must submit an annual report on the program to the General Assembly.

## **Background**

The Division of Housing voucher programs are funded with a combination of Marijuana Tax Cash Fund and General Fund and allow eligible households to access rental assistance and other program services. Voucher participants pay 30 percent of their adjusted income directly to the property owner, and the division pays the difference of the fair market rental rate for rental units in the community. According to DOLA's 2021 SMART Act report, 1,202 households were served with state housing vouchers at a total cost of about \$11.6 million in FY 2020-21.

The division also participates in the federal HUD Family Self Sufficiency Demonstration Program, which establishes escrow accounts for eligible youth. In that program, the participant's income and rent are used as a baseline, and any increase in wages that increases the tenant's rent portion is matched and deposited into the participant's escrow account. As of March 2022, 97 households participate with active escrow accounts averaging \$17,000 per month in contributions, and account balances ranging from \$0 to \$25,000. The division administers the federal program with a combination of federal and grant funding. Average matching funds were about \$200 per month for each participating household.

## **State Transfers**

Based on the costs in the State Expenditures section, the fiscal note estimates that \$122,817 in FY 2022-23, and \$322,081 in FY 2023-24, must be transferred to the FLEX Cash Fund. It is assumed this transfer is made via an appropriation from the General Fund.

## **State Revenue**

The bill potentially increases state revenue to the FLEX Fund from gifts, grants, or donations; however, no sources have been identified at this time. Gifts, grants, and donations are exempt from TABOR revenue limits.

**State Expenditures**

The bill creates a cash fund but does not appropriate or transfer money to the fund, and no amount is specified in the bill for implementing the program or funding FLEX accounts. Total funding is at the discretion of the General Assembly.

The DOLA will have fixed administrative staff costs beginning FY 2022-23 to adopt program rules and provide participant services. The DOLA will develop rules and market the program beginning after the bill’s effective date of January 1, 2023. In the first six months of implementation, if 50 households establish accounts and state matching funds from the program are \$200 per household per month, FLEX deposits in FY 2022-23 are \$60,000. Assuming that participating households increase to 100 in the following FY 2023-24, FLEX deposits are \$240,000.

Using these assumptions, the bill increases state expenditures in DOLA by \$122,817 and 0.5 FTE in FY 2022-23, and by \$332,081 and 1.0 FTE in FY 2023-24 from the FLEX Cash Fund. Total costs are shown in Table 2.

**Table 2  
 Expenditures Under HB 22-1389**

	FY 2022-23	FY 2023-24
<b>Department of Local Affairs</b>		
Personal Services	\$36,480	\$59,231
Operating Expenses	\$675	\$1,350
Capital Outlay Costs	\$6,200	-
FLEX Account Deposits	\$60,000	\$240,000
Centrally Appropriated Costs	\$19,462	\$31,500
<b>Total Cost</b>	<b>\$122,817</b>	<b>\$332,081</b>
<b>Total FTE</b>	<b>0.5 FTE</b>	<b>1.0 FTE</b>

**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 beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve in FY 2022-23 and FY 2023-24 by the amounts shown in Table 1, which will decrease the amount of General Fund available for other purposes.

**Effective Date**

The bill takes effect January 1, 2023, assuming no referendum petition is filed.

## **State Appropriations**

For FY 2022-23, the bill requires a General Fund appropriation of \$122,817 to the FLEX Cash Fund, and 0.5 FTE. The FLEX fund is continuously appropriated to the Department of Local Affairs.

## **State and Local Government Contacts**

Law

Local Affairs