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Final Fiscal Note

Drafting Number: LLS 22-0499
Prime Sponsors: Sen. Lundeen

Date: September 21, 2022
Bill Status: Postponed Indefinitely
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Bill Topic: GRANTS TO INCENTIVIZE HOME USE FOR RENTERS

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

This bill would have created a three-year pilot program within the Department of Local Affairs to provide one-time grants to retirement age homeowners who make space available in their homes for a long-term rental unit. The bill created a one-time state transfer in FY 2022-23, and would have increased state and local expenditures and potentially state revenue from FY 2022-23 to FY 2025-26. The bill was postponed indefinitely, so the impacts identified in this final fiscal note do not take effect.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$2,000,000 to a cash fund, which is continuously appropriated to the Department of Local Affairs. See State Appropriations section.

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

Table 1
State Fiscal Impacts Under SB 22-072

Table with 4 columns: Category, Sub-category, Budget Year FY 2022-23, Budget Year FY 2023-24. Rows include Revenue, Expenditures (Cash Funds, Centrally Appropriated, Total Expenditures, Total FTE), Transfers (General Fund, Cash Funds, Net Transfer), and Other Budget Impacts (General Fund Reserve).

1 Transfers identified in the fiscal note are appropriated from the General Fund to the Grants to Homeowners to Make Residential Space Available to Renters Grant Program Fund. The fiscal note anticipates the General Fund transfer in the first year will be spent from the continuously appropriated cash fund over the life of the program.

Summary of Legislation

This bill creates the Grants to Homeowners to Make Residential Space Available to Renters Grant Program and Fund. The program is a three-year pilot program administered by the Division of Housing in the Department of Local Affairs (DOLA) that provides one-time \$500 grants to owners aged 55 or older who make space available within their owner-occupied homes to long-term renters (greater than 180 days). County treasurers are responsible for providing information about the program in certain property tax notices.

The division must operate the pilot program from FY 2023-24 through FY 2025-26. By March 1, 2023, the division must establish program policies and procedures, as outlined in the bill. By November 1, 2024, and annually thereafter, DOLA must provide reporting on the program.

The division is authorized to seek and accept gifts, grants, or donations for the program. The bill limits the amount of state spending on the program to \$2.0 million and limits the administrative costs to 5 percent of the fund balance.

State Revenue

The bill potentially increases state revenue to the new grant program fund from gifts, grants, or donations; however, no sources have been identified. Gifts, grants, and donations are exempt from TABOR revenue limits.

State Transfers

Based on the expenditures required under the bill, \$2.0 million will be transferred to the Grants to Homeowners to Make Residential Space Available to Renters Grant Program Fund in FY 2022-23. It is assumed that this transfer will be made via an appropriation from the General Fund to the cash fund.

State Expenditures

This bill increases expenditures by DOLA by \$1,639,112 in FY 2022-23, including the total amount of grant funds to be expended over the lifetime of the grant program. In subsequent years, expenditures by DOLA to implement the program will be \$125,082 in FY 2023-24, and \$117,903 in FY 2024-25 and FY 2025-26. Expenditures are shown in detail in Table 2 and discussed below.

**Table 2
Expenditures Under SB 22-072**

Cost Components	FY 2022-23	FY 2023-24
Department of Local Affairs		
Personal Services	\$18,298	\$81,596
Operating Expenses	-	\$1,755
Capital Outlay Costs	-	\$6,200
Online Application Development	\$5,300	-
System Licenses	\$450	\$900
Grant Funds ¹	\$1,606,618	-
Centrally Appropriated Costs	\$8,446	\$34,631
Total	\$1,639,112	\$125,082
Total FTE	0.3 FTE	1.3 FTE

¹ Grant funds shown in FY 2022-23 will be spent throughout the lifetime of the program.

Department of Local Affairs. In FY 2022-23, DOLA will require 0.3 FTE to develop the grant application and procedures before March 1, 2023. Costs also include the online application development and software licenses. Beginning in FY 2023-24, DOLA will require an additional 1.0 FTE to prepare educational and outreach materials, review applications, process payments, and produce the necessary reports. This administrative support exceeds the cap in the bill; see Technical Note.

Grants. Based on a recent DOLA program with a similar scope, the fiscal note assumes that approximately 3,494 households are eligible for the grant program. Each household can receive one grant during the three years between FY 2023-24 and FY 2025-26. The fiscal note assumes that the number of grant applications received, reviewed, and approved will be consistent throughout the three-year grant program. Based on the \$2.0 million funding cap, the amount available for grants after administrative costs is \$1,606,618, which would fully fund 3,213 grant applications. The actual amount of valid grant applications may vary.

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 beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by \$300,000 in FY 2022-23, which will decrease the amount of General Fund available for other purposes.

Local Government

Costs will minimally increase for county treasurers to provide information about the program in certain property tax notices.

Technical Note

The bill currently requires that no more than 5 percent of the grant fund balance be spent on administration at any one time. The fiscal note estimates that approximately 19.7 percent of the total grant program budget, which is limited to \$2.0 million total aggregate spending, will be necessary to administer the grant program as introduced.

Effective Date

The bill was postponed indefinitely by the Senate Local Government Committee on March 8, 2022.

State Appropriations

For FY 2022-23, the bill requires a General Fund appropriation of \$2.0 million to the newly established Grants to Homeowners to Make Residential Space Available to Renters Grant Program Fund.

The cash fund is continuously appropriated to the Department of Local Affairs to administer the grant program.

State and Local Government Contacts

Counties	Information Technology	Law
Local Affairs	Treasury	