



## Fiscal Note

### Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

## HB 25-1123: HOA ALTERNATIVE DISPUTE RESOLUTION

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**Prime Sponsors:**

Rep. Ricks; Joseph

**Fiscal Analyst:**

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**Published for:** House Judiciary

**Drafting number:** LLS 25-0200

**Version:** Initial Fiscal Note

**Date:** February 11, 2025

**Fiscal note status:** The fiscal note reflects the introduced bill.

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### Summary Information

**Overview.** The bill requires certain dispute resolution procedures for homeowner associations.

**Types of impacts.** The bill is projected to minimally affect the following areas on an ongoing basis:

- State Revenue
- State Expenditures

**Appropriations.** No appropriation is required.

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**Table 1**  
**State Fiscal Impacts**

| <b>Type of Impact</b>   | <b>Budget Year<br/>FY 2025-26</b> | <b>Out Year<br/>FY 2026-27</b> |
|-------------------------|-----------------------------------|--------------------------------|
| State Revenue           | \$0                               | \$0                            |
| State Expenditures      | \$0                               | \$0                            |
| Transferred Funds       | \$0                               | \$0                            |
| Change in TABOR Refunds | \$0                               | \$0                            |
| Change in State FTE     | 0.0 FTE                           | 0.0 FTE                        |

## Summary of Legislation

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The bill requires disputes between a unit owner and a homeowners association (HOA) to go through internal dispute resolution and, if necessary, mediation before a legal proceeding is initiated by either party. Certain procedures must be followed, including proper notice requirements, selection of mediators, and cost sharing for mediations. If parties do not reach an agreement after an internal dispute resolution, they must proceed to a mediation. Only if mediation is unsuccessful may parties begin legal proceedings.

The party initiating a legal proceeding must file a certificate of compliance that indicates mediation was undertaken but unsuccessful. Certain types of disputes are exempt from the bill's requirements, including violations of local, state, or federal law.

## State Revenue

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Starting in FY 2025-26, the bill may impact revenue to the Judicial Department from filing fees. If fewer civil cases are filed by HOAs or unit owners as a result of the bill's requirements for alternative dispute resolution, revenue will decrease. Conversely, if failure to comply with the bill's requirements results in additional filings, revenue will increase. Overall, it is assumed that impacts to revenue will be minimal. Revenue from filing fees is subject to TABOR.

## State Expenditures

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The bill minimally impacts workload in the Judicial Department and the Department of Regulatory Agencies (DORA) beginning in FY 2025-26, as described below.

### Judicial Department

The trial courts in the Judicial Department may experience a decrease in workload to the extent fewer civil cases are filed as a result of the bill's dispute resolution requirements. This decrease may be offset to the extent the bill increases workload from civil cases filed after unsuccessful alternative dispute resolution, which may increase workload from additional filings, required findings, and potentially longer hearings in these cases. Additionally, workload in the Office of Dispute Resolution may increase to the extent unit owners or HOAs choose to utilize the office's services. The fiscal note assumes that any workload impact will be minimal and no change in appropriations is required.

## Department of Regulatory Agencies

The HOA Information and Resource Center in DORA serves as a resource for consumers to understand rights and responsibilities under current law. The center also registers common interest communities like HOAs and other housing cooperatives, and tracks complaints. Workload may increase to ensure the bill's requirements are reflected in the current operation of the HOA Information and Resource Center. This increase is expected to be minimal, and no change in appropriations is required.

## Effective Date

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

## State and Local Government Contacts

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Judicial

Regulatory Agencies

Local Affairs