



**Legislative
Council Staff**

Nonpartisan Services for Colorado's Legislature

HB 19-1322

FISCAL NOTE

Drafting Number:	LLS 19-1081	Date:	April 16, 2019
Prime Sponsors:	Rep. Roberts; Will Sen. Moreno; Coram	Bill Status:	House Finance
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Bill Topic: EXPAND SUPPLY AFFORDABLE HOUSING

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input checked="" type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill requires that up to \$40 million be transferred from the Unclaimed Property Trust Fund to the Housing Development Grant Fund to fund affordable housing throughout the state from FY 2019-20 through FY 2025-26. It increases state expenditures beginning in FY 2020-21.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note represents the introduced bill.

**Table 1
State Fiscal Impacts Under HB 19-1322**

		FY 2019-20	FY 2020-21
Revenue		-	-
Expenditures	Housing Development Grant Fund	-	\$40 million
	Centrally Appropriated	-	\$139,517
	Total	-	\$40.1 million
	Total FTE	-	8.0 FTE
Transfers	Unclaimed Property Trust Fund	(\$40.0 million)	(\$40.0 million)
	Housing Development Grant Fund	\$40.0 million	\$40.0 million
	Total	\$0	\$0
TABOR Refund		-	-

Summary of Legislation

This bill requires that the lesser of \$40 million or 50 percent of the balance of funds from the Unclaimed Property Trust Fund be transferred to the Housing Development Grant Fund in June starting in FY 2019-20, with the last transfer in FY 2025-26. 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 Legislative Council Staff's (LCS) June revenue forecast. If the total amount of revenue forecast exceeds the Referendum C cap for the current year plus the Senior and Disabled Veteran Property Tax Exemption amount for the following year, then no 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 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 the Department of Local Affairs. 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 marijuana sales tax revenue (\$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 the lesser of \$40 million or up to 50 percent of the balance of 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 adding the forecast Referendum C cap for the current year and the forecast Senior and Veteran Property Tax Exemption for the following year. The \$40 million transfer will occur if state revenue subject to TABOR is expected to fall short of the transfer cutoff amount. If it is less than \$40 million, the transfer will reflect the difference. Table 2 shows projections for the state revenue forecasts and transfers based on Legislative Council Staff's March 2019 forecast.

Table 2
Estimated Transfers from the Unclaimed Property Trust Fund
In millions

	FY 2019-20	FY 2020-21
Available Unclaimed Property Trust Fund Balance*	\$116.2	\$123.6
Referendum C Cap	\$14,948.8	\$15,502.0
Property Tax Exemptions for the following year	\$149.5	\$149.5
Total Transfer Cutoff Amount	\$15,098.3	\$15,651.5
Total March 2019 Revenue Forecast	\$14,879.4	\$15,244.0
Transfer Cutoff Amount Excess	\$218.9	\$407.5
Transfer to Housing Development Grant Fund	\$40.0	\$40.0

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

State Expenditures

State expenditures will increase by \$40.1 million and 8.0 FTE in FY 2020-21, with similar ongoing expenditure impacts in subsequent years. To the extent that revenue differs from these expectations, state expenditures could be higher or lower. 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 2019-20	FY 2020-21
Department of Local Affairs		
Personal Services	-	\$562,414
Operating Expenses and Capital Outlay Costs	-	\$45,224
Mileage	-	\$4,680
Cell Phone	-	\$3,120
Computer System Modernization	-	\$67,120
Local Consultants	-	\$350,000
Centrally Appropriated Costs*	-	\$139,517
FTE – Personal Services	-	8.0 FTE
Total Cost	-	\$1,172,075
Total FTE	-	8.0 FTE

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

Department of Local Affairs. This bill will require 8.0 FTE in FY 2020-21 through FY 2026-27, 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 8.0 FTE, 3.0 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 2,800 hours of contract work at \$125 per hour for a total of \$350,000 to cover all eight regions, or \$43,750 per region. 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 \$67,120 during FY 2020-21, and will decrease to \$34,650 in ongoing years for the licensing fees.

DOLA's expenditures will total the amount of the transfer for the year. In FY 2020-21, \$1.0 million will be expended on administrative costs, while the remaining balance, \$39.0 million, will be spent on affordable housing projects.

Legislative Council Staff. Beginning in FY 2019-20, 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 \$139,517 in FY 2020-21.

Local Government

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

Effective Date

The bill takes effect August 2, 2019, if the General Assembly adjourns on May 3, 2019, as scheduled, and no referendum petition is filed. Section 1 of this bill only takes effect if Senate Bill 19-088 does not become law. Section 2 of this bill only takes effect if Senate Bill 19-088 becomes law, in which case it takes effect July 1, 2020.

State and Local Government Contacts

Counties
Municipalities

LCS Economists
Treasury

Local Affairs