



Legislative
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FISCAL NOTE

Drafting Number: LLS 20-0573
Prime Sponsors: Rep. Titone

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Bill Status: House Trans. & Local Govt.
Fiscal Analyst: Matt Bishop | 303-866-4796
Matt.Bishop@state.co.us

Bill Topic: HOA TRANSPARENCY RESPONSIBILITY COMPETENCY

Summary of Fiscal Impact:

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

The bill increases disclosure and transparency requirements of home owners' associations (HOAs) in common interest communities. It increases state revenue and expenditures on an ongoing basis.

Appropriation Summary: For FY 2020-21, the bill requires an appropriation of \$103,493 to the Department of Regulatory Agencies.

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

Table 1
State Fiscal Impacts Under HB 20-1333

		FY 2020-21	FY 2021-22
Revenue	Cash Funds	\$120,067	\$63,683
	Total	\$120,067	\$63,683
Expenditures	Cash Funds	\$103,493	\$45,844
	Centrally Appropriated	\$16,574	\$17,839
	Total	\$120,067	\$63,683
	Total FTE	0.5 FTE	1.0 FTE
TABOR Refund	General Fund	\$120,067	\$63,683

Summary of Legislation

The bill increases disclosure and transparency requirements of home owners' associations (HOAs) in common interest communities. Specifically it requires that:

- HOAs' declarations, plats, and maps be transmitted to the HOA Information and Resource Center (center) in the Department of Regulatory Agencies to be posted on the center's website;
- the center provide a "Buying a Home in an HOA" education guide on its website;
- HOA board members complete an online basic knowledge course offered, free of charge, by the center, or an approved alternative course;
- HOAs document the current fees associated with the purchase or sale of a unit and transmit the fees to the center for publication;
- HOAs post their contact information, along with other information currently required to be disclosed, on a webpage;
- HOA boards conduct a study of reserves on a regular basis and adjust their financial plans accordingly;
- HOAs' books and records be subject to annual audits;
- HOAs offer to send electronic notice of meetings to members at least annually;
- actions taken in meetings by HOAs can only be taken by secret or written ballot at the request of 20 percent of meeting participants;
- HOA boards solicit multiple bids for contracts for goods or services valued above a certain threshold;
- HOAs provide access to records to a unit owner in a timely fashion, or pay damages; and
- any HOA governing documents provided by a unit seller to a buyer be certified, as defined by the bill.

In addition, a unit owner may record the proceedings of HOA meetings, given certain conditions specified in the bill.

Finally, current law permits HOA declarations to provide a period of declarant control of the HOA. The bill alters the length of time before declarant control of the HOA terminates.

State Revenue

The bill increases cash fund revenue by \$120,067 in FY 2020-21 and \$63,683 starting in FY 2021-22.

Fee impact on HOAs. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. These fee amounts are estimates only, actual fees will be set administratively by the Department of Regulatory Agencies based on cash fund balance, estimated program costs, and the estimated number of HOAs subject to the fee. The table below identifies the fee impact of this bill.

**Table 2
 Fee Impact on HOAs**

Fiscal Year	Type of Fee	Current Fee	Proposed Fee	Number Affected	Total Fee Impact
FY 2020-21	Registration Fee	\$33.00	\$48.24	7,881	\$120,067
FY 2020-21 Total					\$120,067
FY 2021-22	Registration Fee	\$33.00	\$41.08	7,881	\$63,683
FY 2021-22 Total					\$63,683

The HOA Information and Resource Center is funded from HOA registration fees, which are paid annually to the Division of Real Estate Cash Fund. Based on existing HOA registrations, the Department of Regulatory Agencies will have to increase the HOA registration renewal fees from \$33.00 to \$48.24 in FY 2020-21 and \$41.08 in FY 2021-22. The fiscal note assumes that the bill will not affect the number of HOAs which are registered. Fee revenue is subject to TABOR.

Additionally, the bill permits individuals to file civil cases if HOAs willfully refuse to produce records or if unit sellers does not certify HOA documents during a sale. To the extent that cases are filed, filing fee revenue will increase in the Judicial Department. As the number of cases is expected to be minimal, this increased revenue is expected to be minimal. Filing fee revenue is subject to TABOR.

State Expenditures

The bill will increase cash fund expenditures by \$120,067 in FY 2020-21, and \$63,683 in FY 2021-22, in the Department of Regulatory Agencies. In addition, the bill will increase workload in the Judicial Department beginning in FY 2020-21. These impacts are described below.

**Table 3
 Expenditures Under HB 20-1333**

	FY 2020-21	FY 2021-22
Department of Regulatory Agencies		
Personal Services	\$19,522	\$39,044
Operating Expenses	\$675	\$1,350
Capital Outlay Costs	\$6,200	-
Computer Programming	\$40,096	-
Database Interface and Storage	\$37,000	\$5,450
Centrally Appropriated Costs*	\$16,574	\$17,839
FTE – Personal Services	0.5 FTE	1.0 FTE
Total Cost	\$120,067	\$63,683
Total FTE	0.5 FTE	1.0 FTE

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

Department of Regulatory Agencies. The HOA Information and Resource Center provides resources and responds to requests from HOA board members and unit owners. The center currently responds to 5,500 correspondences annually from the approximately 10,300 HOAs in Colorado. As the bill increases the documentation that the center must process and publish, the center requires 1.0 FTE administrative assistant to manage the additional workload, starting in January 2021. In addition, the department will take on the following costs:

- *Computer programming.* The department will incur approximately 350 hours of computer programming costs to develop online registration documentation, HOA fee documentation, reporting, public credential for board members, and to perform testing and deployment. The cost is estimated to be \$40,096.
- *Database interface.* The department will incur a one-time cost of \$35,000 to procure an import interface to process the board education requirements and HOA documentation, and ongoing costs related to interface maintenance (\$3,450 annually beginning in FY 2021-22) and data storage (\$2,000 annually beginning in FY 2020-21).

Judicial Department. To the extent that cases are filed, workload will increase in the Judicial Department. As the number of cases is expected to be minimal, no change in appropriations is required.

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 \$16,574 in FY 2020-21 and \$17,839 in FY 2021-22.

TABOR refund. The bill is expected to increase state General Fund obligations for TABOR refunds by \$120,067 in FY 2020-21 and \$63,683 in FY 2021-22. Under current law and the December 2019 Legislative Council Staff forecast, the bill will correspondingly increase the amount refunded to taxpayers via sales tax refunds made available on income tax returns for tax years 2021 and 2022, respectively. A forecast of state revenue subject to TABOR is not available beyond FY 2021-22.

Effective Date

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed. It applies to conduct occurring on or after the bill's effective date.

State Appropriations

In FY 2020-21, the bill requires a cash fund appropriation of \$103,493 and 0.5 FTE to the Department of Regulatory Agencies from the Division of Real Estate Cash Fund.

State and Local Government Contacts

Counties
Local Affairs
Regulatory Agencies

Information Technology
Municipalities

Judicial
Personnel