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Fiscal Note

Drafting Number: LLS 23-0541 Date: February 9, 2023
Prime Sponsors: Rep. Joseph; Ortiz Bill Status: House Judiciary
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Bill Topic: EVICTION PROTECTIONS FOR RESIDENTIAL TENANTS

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

The bill requires mediation in eviction proceedings when the tenant qualifies for certain types of financial assistance. The bill will increase state expenditures and local workload beginning in FY 2023-24.

Appropriation Summary: For FY 2023-24, the bill requires an appropriation of \$306,995 to the Judicial Department.

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

Table 1
State Fiscal Impacts Under HB 23-1120

Table with 4 columns: Category, Budget Year FY 2023-24, Out Year FY 2024-25, and values for Revenue, Expenditures, Transfers, and Other Budget Impacts.

Summary of Legislation

The bill requires mediation between a landlord and a residential tenant in an eviction proceeding if the tenant receives supplemental security income, federal social security disability insurance, or financial assistance from the Colorado Works program. Mediation is not required if the tenant does not disclose that they receive the financial assistance to the landlord. Failure to comply with mandatory mediation in these eviction proceedings is an affirmative defense. Lease agreements must contain a notice that qualified individuals are entitled to mediation and must not contain a waiver of mandatory mediation under the provisions of the bill. Writ of restitutions, where the landlord retains possession of a property after an eviction, cannot be served for 30 days after judgement if the tenant is entitled to mandatory mediation under the provisions of the bill.

Background and Assumptions

Office of Dispute Resolution. The Office of Dispute Resolution (ODR) in the Judicial Department provides mediation services to willing parties. In mediation cases involving a landlord and an indigent tenant, the landlord would pay \$75 per hour, the indigent tenant would pay \$15 per hour, and the state would pay \$40 per hour. In total, the ODR handles approximately 6,000 to 8,000 cases per year among approximately 80 contract mediators.

Eviction data. Based on the number of eviction cases filed with Colorado courts in FY 2018-19, this fiscal note assumes there are 38,560 evictions per year.

Number of qualifying individuals. According to monthly data produced by the federal government, approximately 87,507 Coloradans receive Social Security Disability Insurance (SSDI) benefits per month, which is 1.5 percent of the state's population, and 66,926 Coloradans received Supplemental Security Income, approximately 1 percent of the state's population. According to the Department of Human Services, 11,669 Coloradans received Colorado Works benefits in 2021.

This fiscal note assumes that some individuals qualify for multiple types of financial assistance as covered under the bill, but the amount of overlap between the groups cannot be determined. This fiscal note estimates that 2,912 individuals will qualify for mandatory mediation proceedings annually, as a result of the bill. This estimate accounts for the overall number of evictions per year and the percentage of Colorado's population that account for these types of financial assistance, while considering that those who are under eviction proceedings are more likely to receive financial assistance from federal and state governments. Since the population affected by this policy change is evictees, this fiscal note assumes all will be indigent.

State Expenditures

The bill increases state expenditures in the Office of Dispute Resolution in the Judicial Department by \$323,092 and 0.9 FTE in FY 2023-24 and \$324,087 and 1.0 FTE in FY 2024-25, paid from the General Fund. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under HB 23-1120

	FY 2023-24	FY 2024-25
Office of Dispute Resolution		
Personal Services	\$66,015	\$72,016
Operating Expenses	\$950	\$950
Capital Outlay Costs	\$7,070	\$400
State Subsidies for Indigent Mediation Fees	\$232,960	\$232,960
Centrally Appropriated Costs ¹	\$16,097	\$17,761
Total	\$323,092	\$324,087
Total FTE	0.9 FTE	1.0 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Office of Dispute Resolution. Starting in FY 2023-24, the ODR requires 1.0 FTE Program Analyst to manage additional mediation scheduling. Standard operating and capital outlay costs are included, and first-year costs are prorated for the General Fund pay date shift.

Mediation fees. The bill will increase General Fund expenditures by \$232,960 per year to allow indigent parties to pay a reduced mediation rate. The fiscal note assumes that all tenants will be indigent, and that the state will be required to pay up to \$40 per hour in each eviction proceeding case. Cases are estimated to take two hours, on average.

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.

Effective Date

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

State Appropriations

For FY 2023-24, the bill requires a General Fund appropriation of \$306,995 to the Judicial Department, and 0.9 FTE.

State and Local Government Contacts

Judicial

Regulatory Agencies