



Legislative
Council Staff

Nonpartisan Services for Colorado's Legislature

FISCAL NOTE

Drafting Number: LLS 19-0765
Prime Sponsors: Rep. Titone; Duran

Date: March 7, 2019
Bill Status: House Trans. & Local Govt.
Fiscal Analyst: Katie Ruedebusch | 303-866-3001
Katie.Ruedebusch@state.co.us

Bill Topic: RECREATE HOA COMMUNITY MANAGER LICENSING

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 recreates and reenacts the community association managers licensing program in the Division of Real Estate in the Department of Regulatory Agencies. The bill increases state revenue and expenditures beginning in FY 2019-20.

Appropriation Summary: In FY 2019-20, the bill requires an appropriation of \$194,396 to the Department of Regulatory Agencies.

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

Table 1
State Fiscal Impacts Under HB 19-1212

		FY 2019-20	FY 2020-21
Revenue		\$584,310	\$554,334
Expenditures	Cash Funds	\$194,396	\$194,396
	Centrally Appropriated	\$44,834	\$44,834
	Total	\$239,230	\$239,230
	Total FTE	3.0 FTE	3.0 FTE
Transfers		-	-
TABOR Refund		\$584,310	-

Summary of Legislation

The bill recreates and reenacts the Community Association Management Practice Act and program in the Division of Real Estate in the Department of Regulatory Agencies (DORA). The program regulates and licenses community association managers, including both individual managers and management companies. DORA can conduct rulemaking, investigate complaints, perform audits, and enforce the program. In addition, the bill implements several recommendations from DORA's 2018 sunset review, including allowing certain administrative functions to be delegated to non-licensees and modifying supervision requirements for apprentices. Finally, the bill creates a seven-member advisory committee to provide feedback, recommendation, and advice to the director of the Division of Real Estate regarding the program's administration. The members of the advisory committee serve voluntarily and do not receive compensation.

Background

The Community Association Management Practice Act was passed by the General Assembly in 2013. After a 2018 DORA sunset review, the act was not renewed and is scheduled to end on July 1, 2019 following the wind-down period in the current FY 2018-19.

Assumptions

This fiscal note assumes there are 1,483 licensed managers and apprentices and 919 management companies. It is assumed that all previous licensees under the program will apply for a license if the program is reenacted. Also, it is assumed that licensees will have to reapply for a license in FY 2019-20. Finally, it is assumed that:

- initial manager application and management company licenses will increase by 5 percent each year
- initial apprentice applications will increase by 100 percent each year;
- manager licenses must be renewed every year, while apprentice and management company licenses do not need to be renewed.

State Revenue

The bill increases state revenue by \$584,310 in FY 2019-20 and \$554,334 in FY 2020-21.

Fee impact on community association managers. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Actual fees will be set administratively by DORA based on the cash fund balance, estimated program costs, and the estimated number of individuals subject to the fee. This fiscal note assumes that fees for licenses will remain at the previous rate through FY 2020-21. The table below identifies the fee impact of this bill.

The previous fee schedule was:

- \$205.00 for an initial manager and apprentice license;
- \$218.00 for a manager license renewal;
- \$326.00 for a manager license restatement;

- \$305.00 for an initial corporation, partnership, or limited liability company license; and
- \$10.00 for a license change or transfer.

Table 2
Fee Impact on Community Association Managers

Fiscal Year	Type of Fee	Proposed Fee	Number Affected	Total Fee Impact
FY 2019-20	Initial Manager/Apprentice License	\$205.00	1,483	\$304,015
	Manager License Renewal	\$218.00	-	-
	Initial Management Company License	\$305.00	919	\$280,295
FY 2019-20 Total				\$584,310
FY 2020-21	New Manager/Apprentice License	\$205.00	465	\$95,325
	Manager License Renewal	\$218.00	1,413	\$308,034
	Initial Management Company License	\$305.00	495	\$150,975
FY 2020-21 Total				\$554,334

State Expenditures

The bill will increase expenditures in DORA by \$239,230 and 3.0 FTE in FY 2019-20 and FY 2020-21. These costs are shown in Table 3 and explained below.

Table 3
Expenditures Under HB 19-1212

	FY 2019-20	FY 2020-21
Department of Regulatory Agencies		
Personal Services	\$191,546	\$191,546
Operating Expenses and Capital Outlay Costs	\$2,850	\$2,850
Centrally Appropriated Costs*	\$44,834	\$44,834
FTE – Personal Services	3.0 FTE	3.0 FTE
Total Cost	\$239,230	\$239,230
Total FTE	3.0 FTE	3.0 FTE

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

Department of Regulatory Agencies. DORA requires 3.0 FTE beginning in FY 2019-20 to continue administering the program past the current wind-down period. DORA workload will also increase in order to promulgate rules to implement changes under the bill and coordinate the advisory committee.

Department of Law. The Department of Law will have an increase in workload for rulemaking, advice to the Division of Real Estate, and for representation in disciplinary actions. This workload increase in legal services costs will be accounted for through the annual budget process, with the Department of Law billing client agencies based on their historical utilization of legal services.

Department of Personnel and Administration. The bill may increase workload for administrative law judges to conduct hearings. The increase is expected to be accomplished within existing appropriations; however, should the department require additional resources, it will request them through the annual budget process.

Department of Public Safety. The bill may increase workload for the Colorado Bureau of Investigation in the Department of Public safety to conduct fingerprint criminal history background checks for license applicants and to provide the results to DORA. This workload increase can be accomplished within existing resources and no change in appropriation is required.

Judicial Department. The bill may increase workload for the trial courts to handle violations and increased caseload. The increase is expected to be accomplished within existing appropriations; however, should the department require additional resources, it will request them through the annual budget process.

TABOR refunds. The bill is expected to increase state General Fund obligations for TABOR refunds by \$584,310 in FY 2019-20. Under current law and the December 2018 forecast, the bill will correspondingly increase the amount refunded to taxpayers via sales tax refunds on income tax returns for tax year 2020. The state is not expected to collect a TABOR surplus in FY 2020-21.

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 \$44,834 in FY 2019-20 and \$44,834 in FY 2020-21.

Effective Date

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

State Appropriations

In FY 2019-20, the bill requires an appropriation of \$194,396 from the Division of Real Estate Cash Fund to the Department of Regulatory Agencies, and an allocation of 3.0 FTE.

State and Local Government Contacts

Judicial	Law	Personnel
Public Safety	Regulatory Agencies	