



**Legislative  
Council Staff**  
*Nonpartisan Services for Colorado's Legislature*

**HB 19-1212**

**REVISED  
FISCAL NOTE**

(replaces fiscal note dated March 7, 2019)

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

**Date:** April 4, 2019  
**Bill Status:** House Finance  
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**Bill Topic:** RECREATE HOA COMMUNITY MANAGER LICENSING

**Summary of Fiscal Impact:**

<input checked="" type="checkbox"/> State Revenue	<input 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, as amended by the House Transportation and Local Government Committee.

**Table 1  
State Fiscal Impacts Under HB 19-1212**

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

## 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 take enforcement actions. DORA may act against a licensee for a specified list of actions as listed in the bill and outlines cease-and-desist procedures against licensees.

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, recommendations, 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. The program is scheduled to repeal on September 1, 2025, following a sunset review.

## 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 and that all 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 to the Division of Real Estate Cash Fund. Fee and fine revenue is subject to TABOR; however under the March 2019 Legislative Council Staff forecast, a TABOR surplus is not expected in FY 2019-20 or 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**

<b>Fiscal Year</b>	<b>Type of Fee</b>	<b>Proposed Fee</b>	<b>Number Affected</b>	<b>Total Fee Impact</b>
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
			<b>FY 2019-20 Total</b>	<b>\$584,310</b>
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
			<b>FY 2020-21 Total</b>	<b>\$554,334</b>

**Fine revenue.** To the extent that the Division of Real Estate imposes administrative fines on licensees of up to \$2,500 per offense, state cash fund revenue will increase. Based on the low number of fines imposed in past years and the assumption that community managers will most likely comply with the bill, the fiscal note estimates that any revenue generated will be minimal.

**State Expenditures**

The bill will increase expenditures in DORA by \$239,230 and 3.0 FTE in FY 2019-20 and FY 2020-21 from the Division of Real Estate Cash Fund. These costs are shown in Table 3 and explained below.

**Table 3  
 Expenditures Under HB 19-1212**

	<b>FY 2019-20</b>	<b>FY 2020-21</b>
<b>Department of Regulatory Agencies</b>		
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
<b>Total Cost</b>	<b>\$239,230</b>	<b>\$239,230</b>
<b>Total FTE</b>	<b>3.0 FTE</b>	<b>3.0 FTE</b>

\* 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. This amount reflects current staffing levels. 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, representation in disciplinary actions, and assistance with cease-and-desist orders. 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.

**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, except Section 3 takes effect October 1, 2019 if House Bill 19-1172 becomes law.

## 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  
Public Safety

Law  
Regulatory Agencies

Personnel