



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

Drafting Number: LLS 24-0506 Date: June 10, 2024
Prime Sponsors: Rep. Titone; Ricks Bill Status: Deemed Lost
Fiscal Analyst: Clayton Mayfield | 303-866-5851
clayton.mayfield@coleg.gov

Bill Topic: REGULATION OF COMMUNITY ASSOCIATION MANAGERS

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

The bill would have created a licensure program for entities that operate as community association managers. Starting in FY 2024-25, the bill would have increased state revenue and expenditures on an ongoing basis.

Appropriation Summary: For FY 2024-25, the bill would have required appropriations totaling \$158,182 to multiple agencies.

Fiscal Note Status: The final fiscal note reflects the introduced bill. This bill was deemed lost in the House Appropriations Committee on May 9, 2024; therefore, the impacts identified in this analysis do not take effect.

Table 1
State Fiscal Impacts Under HB 24-1078

Table with 4 columns: Category, Sub-category, Budget Year FY 2024-25, and Out Year FY 2025-26. Rows include Revenue (Cash Funds, Total Revenue), Expenditures (Cash Funds, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (TABOR Refunds).

Summary of Legislation

The bill requires that community association managers (CAMs), defined as businesses that perform certain functions for home owners' associations (HOAs), be licensed by the Division of Real Estate in the Department of Regulatory Agencies (DORA) by July 1, 2025. Applicants for licensure must pay a fee and comply with other requirements, including having adequate insurance coverage and having no past, adverse credentialing actions. A controlling manager and any employees performing community association management must submit to a fingerprint-based background check.

Licenses are valid for up to two years, with the fee amount and expiration schedule established by the department. DORA must also publish a list of licensed community association managers on its website, along with an assessment of disciplinary actions. DORA may promulgate rules to enforce license requirements, conduct audits or investigations, and seek a court order to remedy a violation. Violations are subject to penalties which may include a fine, censure, probation, or revocation of a license. A CAM who operates without a license commits a class 2 misdemeanor.

The licensure program repeals September 1, 2029, following a sunset review by DORA.

Background

DORA licensed and regulated CAMs from 2013 until 2019. The former program underwent a sunset review in 2018 and was not renewed. The following year, the legislature passed House Bill 19-1212, which would have recreated the program for one year before it expired at the end of FY 2018-19. However, the Governor vetoed the bill and the regulatory program ended.

This bill regulates a different population than the former program did, resulting in different overall revenue and expenditures compared to House Bill 19-1212.

Comparable Crime Analysis

Legislative Council Staff is required to include certain information in the fiscal note for any bill that creates a new crime, changes the classification of an existing crime, or creates a new factual basis for an existing crime. The following section outlines crimes that are comparable to the offense in this bill and discusses assumptions on future rates of criminal convictions resulting from the bill.

Prior conviction data and assumptions. This bill creates the new offense of practicing as a CAM without a license, a class 2 misdemeanor. To form an estimate on the prevalence of this new crime, the fiscal note analyzed the existing offense of practicing as an appraisal management company without a license as a comparable crime. From FY 2020-21 to FY 2022-23, zero offenders have been sentenced and convicted for this existing offense; therefore, the fiscal note assumes that there will be minimal or no additional case filings or convictions for the new offense under the bill. Because the bill is not expected to have a tangible

impact on criminal justice-related expenditures or revenue at the state or local levels, these potential impacts are not discussed further in this fiscal note.

State Revenue

The bill increases state cash fund revenue to DORA and the DPS by about \$660,000 in FY 2024-25, primarily to the Division of Real Estate Cash Fund in DORA. Fee revenue is subject to TABOR. Revenue to DORA will continue every two years in the future, while ongoing revenue to the DPS will be minimal. These impacts are shown in Table 2 and described in more detail below.

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. As mentioned above, this bill increases fees paid by community association managers to DORA for licensing fees and to the DPS for background check fees.

**Table 2
Fee Impact on CAMs**

| Fiscal Year | Type of Fee | Proposed Fee | Number Affected | Total Fee Impact |
|-------------------------|---------------------|---------------------|------------------------|-------------------------|
| FY 2024-25 | Initial License Fee | \$915 | 655 | \$599,325 |
| | Background Check | \$39.50 | 1,700 | \$67,150 |
| FY 2024-25 Total | | | | \$666,475 |

- **Licensing fees - DORA.** The bill proposes a tiered fee based on the size of company to be licensed. Because the adoption of such a fee structure will be determined by rule, Table 2 shows the estimated average license application fee. It is assumed license applications will begin and fee revenue received in FY 2024-25 prior to the July 1, 2025 deadline for CAMs to be licensed. Actual fees will be set administratively by DORA based on cash fund balance, program costs, and the number of licenses subject to the fee. As licenses are valid for two years, renewal fees will be collected beginning in FY 2026-27, and are not shown in the table. The number of license applicants is estimated based on the number of management companies licensed under the former licensure program.

Additionally, the bill requires controlling managers to take an exam and all employees to complete education requirements approved by DORA, both of which require paying fees. This fiscal note assumes that most employees will already meet these requirements due to the previous regulation of CAMs, and that any fee or revenue impact from exams and education courses will be minimal.

- **Fingerprint-based background checks—CDPS.** This bill increases state cash fund revenue from fingerprint-based criminal history background checks to the CBI Identification Unit Cash Fund in the DPS by about \$67,150 in FY 2024-25. This assumes 1,700 checks will be conducted in the year prior to the start of licensing on July 1, 2025. The current fee for

background checks is \$39.50, which includes \$11.25 for a Federal Bureau of Investigation (FBI) fingerprint-based check, which is passed on to that federal agency. The federal portion of this fee is excluded from the state TABOR limit.

Background checks on CAM controlling managers and employees are required only upon initial licensure and are not required for renewal. In future years, new employees obtaining a background check who are added to the roster of employees for a regulated business will increase fee revenue by a minimal amount.

- **Fine revenue.** To the extent that the Division of Real Estate imposes administrative fines on licensees up to \$5,000 per offense, revenue to the Division of Real Estate Cash Fund will increase. Based on the low numbers of fines imposed under the former program and the assumption that community association managers will generally comply with the bill, the fiscal note estimates that any fine revenue will be minimal.

State Expenditures

The bill increases state cash fund expenditures by about \$164,000 in FY 2024-25, and by about \$255,000 in FY 2025-26 and future years. First-year costs are in DORA and the DPS, while ongoing costs are only estimated for DORA. Expenditures are shown in Table 3 and detailed below.

Table 3
Expenditures Under HB 24-1078

| | FY 2024-25 | FY 2025-26 |
|---|------------------|------------------|
| Department of Regulatory Agencies | | |
| Personal Services | - | \$136,676 |
| Operating Expenses | - | \$2,560 |
| Capital Outlay Costs | - | \$13,340 |
| Legal Services | \$25,604 | \$60,169 |
| Licensing System | \$67,850 | \$5,000 |
| Examination Development | \$10,000 | - |
| Centrally Appropriated Costs ¹ | - | \$36,786 |
| FTE – Personal Services | - | 2.0 FTE |
| FTE – Legal Services | 0.1 FTE | 0.3 FTE |
| DORA Subtotal | \$103,454 | \$254,532 |

**Table 3
Expenditures Under HB 24-1078 (Cont.)**

| | FY 2024-25 | FY 2025-26 |
|---|------------------|------------------|
| Department of Public Safety | | |
| Personal Services | \$18,031 | - |
| Operating Expenses | - | - |
| Capital Outlay Costs | - | - |
| FBI Pass-Through Fee | \$19,125 | - |
| Processing Costs | \$17,572 | - |
| Centrally Appropriated Costs ¹ | \$5,667 | - |
| FTE – Personal Services | 0.3 FTE | - |
| CDPS Subtotal | \$60,395 | - |
| Total | \$163,849 | \$254,532 |
| Total FTE | 0.4 FTE | 2.3 FTE |

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

DORA. The new licensure program requires 2.0 FTE to respond to complaints, conduct investigations, and conduct audits on community association managers, beginning in FY 2025-26. Standard operating and capital outlay costs are included. Workload in the first year to handle applications for licensure does not require additional appropriations.

- **Legal services.** DORA will require 200 hours of legal services in FY 2024-25 to conduct rulemaking and 470 hours in subsequent years to address violations. Legal services are provided by the Department of Law at a rate of \$128.02 per hour.
- **Licensing system.** The bill requires new license credentials and posting of licensed entities on DORA's website. Costs are estimated at \$67,850 in FY 2024-25 for updates to the Division of Real Estate's licensing system and to the website, and ongoing maintenance costs of \$5,000 are required in subsequent years. DORA will pay its contracted licensing system vendor for these updates.
- **Examination development.** DORA will contract with a vendor to create examinations for CAM controlling managers and employees to meet education requirements established by rule. Contract costs are estimated at \$10,000 in FY 2024-25.

Department of Public Safety. This bill increases overall expenditures from the CBI Identification Unit Cash Fund in DPS by about \$60,000 and 0.3 FTE in FY 2024-25 only. Any ongoing workload increase in future years will be minimal.

- **Personal services.** In FY 2024-25, DPS will require 0.2 FTE Fingerprint Examiner II and 0.1 FTE Technician II to process the 1,700 fingerprint background applications that the fiscal note

assumes the bill will generate from CAM license applicants. A Fingerprint Examiner II can process 8,250 requests per year, and a Technician II 16,500. Training costs for these staff is included.

- **Federal Bureau of Investigation pass-through.** The DPS passes \$11.25 of every application on to the federal government. For 1,700 applications, this equates to \$19,125.
- **Processing costs.** There are the following costs associated with each background check application: \$6.10 dedicated to equipment maintenance; \$1.55 for print digitization; \$0.88 to access the Colorado Crime Information Center for information pertinent to the background check; and \$0.63 printing and postage costs.

Department of Personnel and Administration. To the extent that cases involving violations are referred to the Office of Administrative Courts, workload will increase. The fiscal note assumes that this workload can be accomplished within existing appropriations. If caseload increases substantially, the Department of Personnel and Administration will seek additional resources through the annual budget process and billings to client agencies such as DORA will be adjusted.

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 3.

Other Budget Impacts

TABOR refunds. The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the December 2023 LCS revenue forecast. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2024-25, the bill requires the following appropriations

- \$103,454 from the Division of Real Estate Cash Fund to the Department of Regulatory Agencies, of which \$25,604 is reappropriated to the Department of Law with an additional 0.1 FTE.

- \$54,728 from the CBI Identification Unit Cash Fund to the Department of Public Safety and 0.3 FTE.

State and Local Government Contacts

Information Technology
Personnel

Judicial
Public Safety

Law
Regulatory Agencies

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).