

**STATE
FISCAL IMPACT**

Drafting Number: LLS 10-0782

Date: February 23, 2010

Prime Sponsor(s): Rep. Ryden
Sen. Carroll M.

Bill Status: House Business Affairs and Labor
Fiscal Analyst: Harry Zeid (303-866-4753)

TITLE: CONCERNING THE CREATION OF AN OMBUDSMAN FOR MATTERS ARISING UNDER THE "COLORADO COMMON INTEREST OWNERSHIP ACT".

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue		
Cash Funds		
HOA Ombudsman Cash Fund	\$239,400	\$171,360
State Expenditures		
Cash Funds		
HOA Ombudsman Cash Fund	\$187,677	\$118,827
FTE Position Change	2.0 FTE	2.0 FTE
Effective Date: August 11, 2010, assuming the General Assembly adjourns May 12, 2010, as scheduled and no referendum petition is filed.		
Appropriation Summary for FY 2010-2011: See the State Appropriations section.		
Local Government Impact: None.		

Summary of Legislation

Current law authorizes the creation of common interest communities to be governed by unit owners' or homeowners' associations (HOAs). The bill creates the office of the HOA ombudsman in the Division of Real Estate, Department of Regulatory Agencies. The ombudsman is required to advocate for the rights of unit owners in the governance of unit owners' associations, offer to mediate disputes, act as a clearinghouse for information, and report suspected violations of rules to the division.

The Secretary of State is required to collect a surcharge on filing fees paid by unit owners' associations to cover the direct and indirect costs of the ombudsman office. A sunset review is required by September, 1 2010.

State Revenue

The Division of Real Estate is required to establish a surcharge on corporate filings by unit owners' associations to cover the direct and indirect costs of operating the office of the HOA ombudsman. The surcharge will be collected by the Secretary of State. To cover anticipated costs, the surcharge is estimated to be \$239,400 in FY 2010-11, and \$171,360 in FY 2011-12.

Fee Impact on Homeowners' Associations. Section 2-2-322, C.R.S., requires legislative service agency review of measures which create or increase any fee collected by a state agency. There are approximately 12,000 HOAs in Colorado. The surcharge fee necessary to cover the direct and indirect costs is \$19.95 per HOA in FY 2010-11, and \$14.28 in FY 2011-12. Table 1 identifies the fee impact of the bill.

Table 1. Fee Impact on Homeowners' Associations					
HOA Ombudsman Surcharge	Current Fee	Proposed Fee	Fee Change	Number Affected	Total Fee Impact
FY 2010-11	\$0	\$19.95	\$19.95	12,000	\$239,400
FY 2011-12	\$0	\$14.28	\$14.28	12,000	\$171,360

State Expenditures

As shown in Table 2, direct state expenditures necessary to implement HB10-1278 are \$187,677 and 2.0 FTE in FY 2010-11, and \$118,827 and 2.0 FTE in FY 2011-12.

Table 2. Expenditures Under HB10-1278		
Cost Components	FY 2010-11	FY 2011-12
Personal Services	\$103,359	\$103,359
FTE	2.0 FTE	2.0 FTE
Operating Expenses	1,900	1,900
Capital Outlay	9,650	0
Legal Services - 180 hours @ \$75.38 per hour	13,568	13,568
Department of State Computer Programming	59,200	0
TOTAL	\$187,677	\$118,827

Department of Regulatory Agencies. The office of the HOA ombudsman will incur cash fund expenditures of **\$187,677 and 2.0 FTE in FY 2010-11, and \$118,827 and 2.0 FTE in FY 2011-12.** The HOA ombudsman shall be appointed by the executive director of the department, and shall advocate for the rights of unit owners, act as a clearinghouse for information, and report suspected violations of law to the appropriate authorities.

Secretary of State. The department will incur a one-time expenditure of \$59,200 in FY 2010-11 to provide modifications to its electronic document filing system for 800 hours of computer programming modifications at the rate of \$74 per hour.

Expenditures Not Included

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. The centrally appropriated costs subject to this policy are summarized in Table 3. Although these expenditures do not require an appropriation through the bill, they are included in the total cost estimate of the bill for purposes of determining the fee that will be assessed against the corporate filings of unit owners' associations.

Table 3. Expenditures Not Included Under HB10-1278*		
Cost Components	FY 2010-11	FY 2011-12
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$14,344	\$14,344
Supplemental Employee Retirement Payments	3,844	4,677
Indirect Costs	24,582	24,582
Workers' Compensation and Risk Management	536	536
Leased Space	8,400	8,400
TOTAL	\$51,706	\$52,539

**More information is available at: <http://www.colorado.gov/cs/Satellite/CGA-LegislativeCouncil/CLC/1200536133924>*

State Appropriations

For FY 2010-11, \$187,677 and 2.0 FTE are required for the Department of Regulatory Agencies from the HOA Ombudsman Cash Fund. Of this amount, the Department of Law requires \$13,568 in reappropriated funds and the Department of State requires \$59,200 in reappropriated funds.

Departments Contacted

Regulatory Agencies

Secretary of State

Law

State Treasury