

Colorado Legislative Council Staff Fiscal Note

**STATE
FISCAL IMPACT**

Drafting Number: LLS 15-1006 **Date:** April 15, 2015
Prime Sponsor(s): Rep. Williams **Bill Status:** House Business, Affairs & Labor
 Sen. Todd; Balmer **Fiscal Analyst:** Erin Reynolds (303-866-4146)

BILL TOPIC: STREAMLINE HOA MANAGER LICENSING REQUIREMENTS

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue	(\$0)	
<i>State Transfers</i>		
Cash Funds (Division of Real Estate)	about \$40,000	
Cash Funds (CAM Licensing)	(about \$40,000)	
State Expenditures	\$47,250	\$8,000
Cash Funds	47,250	8,000
FTE Position Change		
Appropriation Required: \$47,250 - Department of Regulatory Agencies (FY 2015-16).		

* This summary shows changes from current law under the bill for each fiscal year. Transfers result in no net change to state revenue. Parentheses indicates a decrease in funds.

Summary of Legislation

Under current law, anyone who works as a community association manager (CAM) for a homeowner's association (HOA) must be licensed by the Division of Real Estate (division) in the Department of Regulatory Agencies (DORA) by July 1, 2015. The bill makes several modifications to the CAM licensing program, including:

- amending the definition of CAM practices;
- exempting chief executives who employ or supervise a CAM, independent contractors not engaged in CAM performance, and apprentices from CAM licensure requirements;
- defining and setting limits on CAM apprentices, and requiring them to hold a separate license (as determined by the division director);
- defining designated manager and providing that an entity may obtain a license by designating a CAM licensee to perform and supervise the entity's CAM practices;
- modifying the examination requirement so that licensees who hold a Certified Manager of Community Associations (CMCA) designation are no longer required to pass the general portion of the exam;
- requiring a credentialed applicant from another state to complete only the Colorado law portion of the exam;
- providing for a provisional license, to expire December 31, 2015, for those applicants who have not yet met examination requirements; and
- repealing the Community Association Manager Licensing Cash Fund and transferring those funds to the Division of Real Estate Cash Fund on July 1, 2015.

Background

House Bill 13-1277 created a licensing program for CAMs. Individuals or business entities paid to manage HOAs are required to obtain a license from the division beginning July 1, 2015. The division director has authority to charge a fee to applicants and, following licensure, may conduct audits of the business records of a licensee, conduct administrative hearings, investigate complaints, impose fines, and take other disciplinary actions. The division set fees for CAM licensure at \$205 for an initial individual CAM licensee and at \$175 for an initial business entity license, with renewals for each category at \$125. The program is scheduled for repeal on July 1, 2018, following a sunset review.

Under current law, a licensed CAM manager must:

- be at least 18 years old with either a high school diploma or the equivalent general education development certification;
- have a professional community management credential;
- pass a competency examination;
- obtain a state and national fingerprint-based criminal history background check conducted by the Colorado Bureau of Investigation (CBI) in the Department of Public Safety; and
- maintain a professional malpractice insurance policy in an amount and under terms and conditions specified by rule.

State Revenue

The bill is expected to have a neutral impact on state cash fund revenue to DORA due to its inclusion of a new pool of apprentice and provisional license applicants and its exclusion from licensing requirements executives who manage CAMs and others excluded from licensing requirements through the redefinition of CAM practices.

Assumptions. The fiscal note assumes that 25 individuals will apply for the apprentice license annually, and that these applicants will pay a license fee equivalent to the initial individual CAM licenses. However, this additional revenue will likely be offset by an equal amount through the reduction of CAM licensees who will be excluded by the redefinition of CAM practices and the exemption from licensing executives who manage CAMs.

Fee impact on individuals and business. 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. The table below identifies the fee impact of this bill on CAM apprentices.

Type of Fee	Current Fee	Proposed Fee	Fee Change	Number Affected	Total Fee Impact
CAM Apprentice License	\$0	\$205	\$205	25	\$5,125
TOTAL					\$5,125

State Transfers. The bill repeals the CAM Licensing Cash Fund and transfers its balance to the Division of Real Estate Cash Fund on July 1, 2015. Its fund balance is estimated to be about \$40,000 on that date.

State Expenditures

The bill will increase state cash fund expenditures by **\$47,250 in FY 2015-16**, and by **\$8,000 in FY 2016-17 and each year thereafter** from the Division of Real Estate Cash Fund. Because the bill modifies the examination requirement so that licensees who hold a CMCA designation prior to July 1, 2015, are no longer required to pass the general portion of the exam, the division will create a stand-alone interface with the testing provider that administers the CMCA designation examination. This is expected to cost \$47,250 in FY 2015-16, and require ongoing maintenance at a rate of \$8,000 per year beginning in FY 2016-17. DORA will also have additional workload to issue provisional and apprentice licenses, update rules, and conduct outreach with CAM professionals.

Effective Date

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

State Appropriations

In FY 2015-16, the Division of Real Estate in the Department of Regulatory Agencies requires a cash fund appropriation of \$47,250 from the Division of Real Estate Cash Fund.

State and Local Government Contacts

Regulatory Agencies