SB 22-159

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Revised Fiscal Note

(replaces fiscal note dated April 1, 2022)

Drafting Number:	LLS 22-0808	**Date:**	April 26, 2022
Prime Sponsors:	Sen. Bridges; Zenzinger Rep. Ortiz; Will	**Bill Status:**	House Finance
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Bill Topic: **REVOLVING LOAN FUND INVEST AFFORDABLE HOUSING**

Summary of Fiscal Impact:

☒ State Revenue
☒ State Expenditure
☒ State Transfer
☒ TABOR Refund
☒ Local Government
☐ Statutory Public Entity

The bill creates a revolving loan program to support affordable housing. It increases state revenue and state expenditures, and may increase local expenditures beginning in FY 2022-23.

Appropriation Summary: For FY 2022-23, the bill requires a reappropriation of $379,081 to the Office of Information Technology. Funding for the Department of Local Affairs is continuously appropriated from the Transformational Affordable Housing Revolving Loan Fund.

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

Table 1
State Fiscal Impacts Under SB 22-159

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue	Cash Funds	$1.8 million	$10.5 million
	Total Revenue	**$1.8 million**	**$10.6 million**
Expenditures	Cash Fund	$24.8 million	$46.8 million
	Centrally Appropriated	$0.8 million	$0.8 million
	Total Expenditures	**$25.7 million**	**$47.5 million**
	Total FTE	**23.3 FTE**	**19.0 FTE**
Transfers	Cash Fund[1]	($150.0 million)	-
	Transformational Affordable Housing Revolving Loan Fund	$150.0 million	-
	Net Transfer	**$0**	-
Other Budget Impacts	TABOR Refunds	$0.3 million	$1.5 million

[1] *Funding will be transferred from the Affordable Housing and Home Ownership Cash Fund, consisting of money that originates in the General Fund.*

Summary of Legislation

The bill creates the Transformational Affordable Housing Revolving Loan Program in the Division of Housing (DOH) in the Department of Local Affairs (DOLA) to provide flexible, low-interest, and below-market-rate loan funding to make investments in transformational affordable housing.

Transformational Affordable Housing Revolving Loan Program. DOLA is required to establish policies and processes for the revolving loan program, including eligibility requirements, loan parameters, and reporting requirements. Eligible recipients include local governments, community partners, for-profit developers, and political subdivisions of the state. Eligible projects are those that support the development of infrastructure related to affordable housing development, new construction of affordable housing, or the preservation of existing affordable housing, with priority for projects located in communities impacted by the pandemic, facing barriers to accessing capital, or that are otherwise underserved. DOLA may consult with the Colorado Energy Office in developing criteria for energy efficient projects. DOLA is required to classify each county as "urban," "rural," or "rural resort" by September 1, 2022.

The program must be developed with the goal of generating enough return to replenish the program for future allocations. In addition, DOLA is required to work with the Minority Business Office, small business development centers, community development financial institutions, and stakeholder partners to develop and conduct a marketing initiative in the top spoken languages of targeted communities, including underserved and rural communities. DOLA may administer the loan program or may contract out full or partial administration using a competitive process.

Transformational Affordable Housing Revolving Loan Fund. The bill creates the Transformational Affordable Housing Revolving Loan Fund and transfers $150 million to the fund on July 1, 2022. The fund is continuously appropriated to DOLA, and up to 5 percent of the fund may be spent on administration costs. The department may also seek and expend gifts, grants, and donations for the program, credited to the fund.

Reporting. The bill requires DOLA to detail the use of the funds appropriated in this bill in its mandatory annual report to the General Assembly.

Assumptions

This fiscal note assumes that $22.5 million in loans will be originated in FY 2022-23, starting January 1, 2023, and $45.0 million in loans originated annually on July 1 in subsequent fiscal years, at an interest rate of 2 percent, for an average term of 7 years. Origination fees are assumed to be 0.5 percent of loans deployed annually.

State Revenue

The bill is expected to increase state cash fund revenue from origination fees, loan repayment, and interest by $1.8 million beginning in FY 2022-23, and by increasing amounts in future years, as shown in Table 2. Actual loan repayment terms and amounts may differ from these estimates. Revenue from repayment of the loan principal is not subject to TABOR; however, any earnings such as fees and interest are subject to TABOR.

Table 2
State Revenue Impact of SB 22-159

	FY 2022-23	FY 2023-24	FY 2024-25
Origination Fees	$112,500	$225,000	$225,000
Principal Repayment	$1,500,000	$9,100,000	$15,340,000
Interest Revenue	$220,000	$1,240,000	$1,900,000
Total	**$1,832,500**	**$10,565,000**	**$17,465,000**

The bill also potentially increases state revenue to the new Transformational Affordable Housing Revolving Loan Fund from gifts, grants, or donations; however, no sources have been identified. Gifts, grants, and donations are exempt from TABOR revenue limits.

State Transfers

In FY 2022-23, the bill transfers $150 million from the Affordable Housing and Home Ownership Cash Fund, from money that originates in the General Fund, to the new Transformational Affordable Housing Revolving Loan Fund.

State Expenditures

The bill increases state expenditures in DOLA and the Office of Information Technology (OIT) by $25.7 million in FY 2022-23 and $47.5 million in FY 2023-24 from the Transformational Affordable Housing Revolving Loan Fund. Expenditures are shown in Table 3 and detailed below. Expenditures are assumed to continue in future years.

Table 3
Expenditures Under SB 22-159

Cost Components	FY 2022-23	FY 2023-24
Department of Local Affairs		
Personal Services	$1,442,161	$1,485,427
Operating Expenses	$54,111	$37,961
Capital Outlay Costs	$126,564	$8,764
Loans	$22,500,000	$45,000,000
Consultants and Data Purchases	$250,000	$50,000
Software Licenses	$88,269	$98,269
Centrally Appropriated Costs[1]	$756,632	$769,868
FTE – Personal Services	19.0 FTE	19.0 FTE
DOLA Subtotal	**$25,217,737**	**$47,450,289**
Office of Information Technology		
Personal Services	$348,476	-
Operating Expenses	$5,805	-
Capital Outlay Costs	$24,800	-
Centrally Appropriated Costs[1]	$74,346	-
FTE – Personal Services	4.3 FTE	-
OIT Subtotal	**$453,427**	**-**
Total	**$25,671,164**	**$47,450,289**
Total FTE	**23.3 FTE**	**19.0 FTE**

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

Department of Local Affairs. Costs will increase in the Division of Housing to establish the new loan program, including setting loan policies, underwriting loans, reviewing applications, monitoring loans, publicizing the program, and reporting on the program.

- *Administrative costs.* Administrative costs in DOLA are estimated at $2.0 million and 19.0 FTE beginning in FY 2022-23. Positions include asset managers, loan servicing specialists, underwriters, a data manager, data analyst, policy analyst, ambassador, program assistant, and program manager. Operating and capital outlay costs include standard costs for new staff, vehicle mileage, and cell phone service. Specialized software licenses for loan management and the purchase of data for county classification are also included. DOLA requires consultants to provide technical assistance in integrating the loan program into an enterprise data warehouse to evaluate and analyze the program. Administrative expenses are assumed to continue into future years.

- *Loans.* The fiscal note assumes that $45.0 million in loans will be originated annually on a permanent basis. The amount of money loaned each fiscal year will depend on the size and number of loans made, as determined by DOLA. The first-year loan amount is prorated by half, assuming the program begins issues loans mid-year.

Office of Information Technology. The office requires 4.3 FTE in FY 2022-23 only to modify existing systems to support the loan programs. Costs have been estimated assuming that the same system enhancements will also support the programs created by House Bill 22-1304 and Senate Bill 22-160, resulting in some cost savings. The costs shown in Table 3 reflect one-third of the required costs for all three bills; should either of those bills not pass, IT development costs for this bill may increase. Standard operating and capital outlay costs are included. Costs are paid from the cash funds via a reappropriation from DOLA.

Personnel. Workload in the Department of Personnel and Administration will increase for the administration of the new cash fund created by the bill. The increased workload can be accomplished within existing appropriations, however, the cost of all cash funds created may require additional resources, which will be requested 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 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 $0.3 million in FY 2022-23 and $1.5 million in FY 2023-24 from interest payments and loan origination fees. This estimate assumes the March 2022 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2023-24. 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.

Local Government

Local governments that receive loans under the bill will have an increase in administrative and construction-related expenditures to use the loan revenue, and will be required to pay interest on any loans received.

Technical Note

The bill limits administrative costs to five percent of money appropriated or transferred into or repaid from the Transformational Affordable Housing Revolving Loan Fund. The fiscal note estimates that administrative costs exceed this threshold after about 2.5 years, based on the initial allocation of funds. Using five percent of revenue to the revolving fund from loan repayments for administration may add additional time that DOLA remains within the threshold, but not indefinitely.

Effective Date

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

State Appropriations

The Transformational Affordable Housing Revolving Loan Fund is continuously appropriated to DOLA, so no further appropriation is required.

For FY 2022-23, the bill requires a reappropriation of $379,081 from the Department of Local Affairs to the Office of Information Technology, with 4.3 FTE.

State and Local Government Contacts

Colorado Energy Office	Counties	Information Technology
Local Affairs	Municipalities	Personnel
Treasury		