



COLORADO

Governor Jared Polis

May 31, 2019

The Honorable Colorado State House of Representatives
Colorado State Capitol
200 East Colfax Avenue
Denver, CO, 80203

Dear Honorable Members of the Colorado State House of Representatives:

Today I vetoed House Bill 19-1212, "Concerning the recreation of the community association manager licensing program" at 3:30 PM, May 31st, 2019.

House Bill 19-1212 ("HB 19-1212") recreates and reenacts the community association managers licensing program in the Department of Regulatory Agencies ("DORA" or "department") for one year.

Before any unregulated occupation is to be regulated, or any regulated occupation is to be continued, the state should complete its due diligence to ensure that regulation will, in fact, ensure consumer safety in a cost-efficient manner. This bill does not meet that threshold.

As we have previously noted, occupational licensing is not always superior to other forms of consumer protection. Too often it is used to protect existing professionals within an occupation against competition from newcomers entering that occupation. Meanwhile, according to the 2019 Current Population Survey, 24 percent of the national workforce is licensed, up from below five percent in the 1950s. Licensing in the United States over the years has at times prevented minorities and the economically disadvantaged from having the ability to access occupations. When the supply of professionals is restricted, the cost of services increases and the poorest among us lose the ability to access these services.

As a general matter, skill certification is best done by guilds, unions, and professional associations. That being said, we do not categorically rule out allowing any regulation of a previously unregulated occupation or continuing the regulation of a regulated occupation, during my time as Governor. We will consider cases that are compelling for consumer safety and economic reasons. However, we encourage the



General Assembly to consider removing existing outdated or counterproductive licenses when considering new or the continuation of occupational licenses. Our hope is that this will allow more people to work, to access various services, and to make sure that licenses protect consumers from harm – not industry insiders from competition.

With regard to this matter, our administration also has additional concerns. DORA in 2017 issued a sunset report for community association managers that recommended the program should be continued until 2023. This report also included other recommendations, for example allowing the division to establish renewal fees, changing definitions, and repealing references to private or professional credential requirements. Unfortunately, none of these recommendations were included in HB 19-1212.

Additionally, while HB 19-1212 only continues the licensing program for another year while the department completes a stakeholder process on how best to proceed, its scope is limited only to the community manager licensing program. While I commend the sponsors and stakeholders for agreeing to engage in the longer stakeholder process articulated in the legislation, I believe this narrow approach will not achieve the best policy outcomes when there are broader issues with regard to Homeowners' Associations ("HOAs") that should be examined to save homeowners money.

Since the initial sunrise for this program and its implementation, we have seen very few instances where licensure has helped to protect consumers. In fact, to date, the data we have reviewed does not demonstrate that regulating community association managers has had the intended effect of reducing harm to consumers. On the other hand, the costs associated with licensure are generally passed along to homeowners in the form of higher HOA fees at a time when concerns about the high cost of housing remains a top concern of our administration. This begs the question of whether or not state resources are of value to regulate this very narrowly defined occupation.

Instead, the real concerns that we feel should be addressed are within community and homeowner associations broadly. Coloradans are faced every day with real concerns about how to afford homeownership. And for those who do, they are faced with high HOA costs and a lack of transparency that make home ownership challenging. Coloradans should feel protected from these harmful impositions.

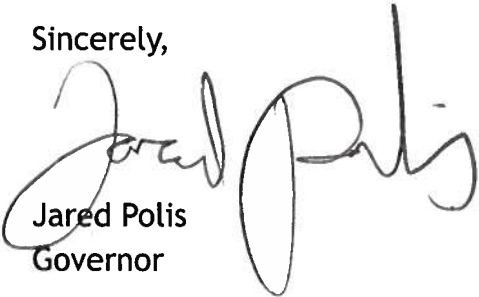
Today, I am issuing an executive order that will direct the Executive Director of DORA, and the Director of the Division of Real Estate, to conduct a comprehensive review of how to better protect consumers, community, and HOAs. In so doing, I wish to honor the work of the General Assembly in establishing a stakeholder process but do so in a manner that tackles challenges with HOAs and homeownership more broadly.

Executive Order D 2019 006 will direct the department to consider, develop, and make recommendations on matters including the following: 1) the licensure of community association managers, considering recommendations from the 2017 DORA sunset report, and whether licensure needed to protect consumer safety is cost-effective; 2) approaches that improve transparency among HOAs; 3) methods to reduce costs and improve the transparency of homeowner association fees and fee schedules; and 4) strategies to promote homeowner rights and consumer protections through an evaluation of the Colorado Common Interest Ownership Act and other related acts or rules. These recommendations should be completed and returned to me by January 1, 2020.

We appreciate the sponsors work on HB 19-1212. Unfortunately, the bill does not meet what we believe is the threshold to properly and effectively protect consumer safety in Colorado.

Therefore, HB 19-1212 is disapproved and vetoed.

Sincerely,



Jared Polis
Governor