



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
(803)734-0640 • RFA.SC.GOV/IMPACTS

Bill Number: H. 3886 Introduced on March 2, 2017
Author: Crawford
Subject: Homeowners Associations
Requestor: House Labor, Commerce, and Industry
RFA Analyst(s): Stein and Heineman
Impact Date: March 29, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	\$162,640	\$158,640
Other and Federal	\$111,238	\$103,838
Full-Time Equivalent Position(s)	4.00	0.00
State Revenue		
General Fund	\$0	\$0
Other and Federal	\$111,238	\$103,838
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill is expected to have an expenditure impact on the General Fund in the amount of \$162,640 beginning in FY 2017-18 and \$158,640 each year thereafter. This bill is expected to have an expenditure impact on Other Funds of \$111,238 in FY 2017-18 and \$103,838 each year thereafter. Other Funds revenue will increase by a corresponding amount, as the Department of Labor, Licensing and Regulation is required to adjust fees biennially to ensure that fee revenue is sufficient to cover expenses of each respective board.

Explanation of Fiscal Impact

Introduced March 2, 2017

State Expenditure

This bill requires owners of property subject to a homeowners association (HOA) to disclose governing documents to prospective owners upon request, and requires HOAs to provide homeowners with printed or electronic copies of financial information and governing documents at no cost. The bill requires HOAs to notify homeowners at least forty-eight hours before any association meeting scheduled to take action on a proposed fee increase.

The bill requires the Real Estate Commission, administered by the Department of Labor, Licensing and Regulation, to offer at no charge to the public an online course covering the basics of HOA management, rights, and responsibilities. The bill provides curriculum guidelines and requires the commission to post online an annually updated list of certified persons and the year they passed the course.

The bill grants magistrates concurrent civil jurisdiction in certain specified actions between HOAs and homeowners.

The bill creates the Office of Homeowners Association Ombudsman in the Department of Consumer Affairs and provides for its qualifications, powers and duties. The bill amends the Residential Property Condition Disclosure Act, which requires owners of real property to furnish a purchaser with a written disclosure statement indicating whether the property is subject to governance by a homeowners association, specifying any rights and obligations that may limit the use of the property and/or involve financial cost. The seller must also declare in this statement that the buyer is entitled to receive copies of all HOA governing documents at no charge. Disclosure forms are available for downloading from the Real Estate Commission's website.

Department of Labor, Licensing and Regulation. This bill requires the Department of Labor, Licensing and Regulation to offer at no charge to the public an online course covering the basics of HOA management, rights, and responsibilities. The department reports that the development, maintenance and on-going support of an online course would require a program coordinator and an administrative assistant. Salaries and employer contributions are estimated at \$81,598. Operating costs for third-party course development and maintenance are estimated at \$22,240. A one-time expenditure of \$7,400 in the first year is needed for office and information technology equipment. Therefore, first year Other Funds expenditures are estimated at \$111,238 and annual recurring expenditures are estimated at \$103,838. However, the department also indicates that these estimates do not include accurate figures for travel since the number of committee meetings associated with the development of the online course is unknown at this time. The figure used for course administration and maintenance may also be underestimated since these cost are highly dependent upon course utilization which cannot be predicted. However, Other Funds revenues collected from real estate license applicants will offset all expenses associated with this new requirement. The impact is based on an assumption of wide participation in this course. If participation is much lower than expected, then the fiscal impact would be reduced.

Department of Consumer Affairs. The department indicates there will be a recurring expenditure impact on the General Fund of \$158,640. This includes salaries and employer contributions for an ombudsman and a paralegal (\$134,640) and operating expenses (\$24,000). A one-time cost of \$4,000 is estimated for office equipment and information technology. Since the ombudsman would have access to staff in other department divisions, including investigators and public information and education staff, any additional workload related to complaints can be handled with existing staff and with no additional expenditures.

State Revenue

The Department of Labor, Licensing and Regulation is required, pursuant to Section 40-1-50(D) to adjust fees biennially to ensure that fee revenue is sufficient, but not excessive, to cover expenses of each respective board. Therefore, the expenditure estimates of \$111,238 in the first year of operation, and \$103,838 each year thereafter will be offset by subsequent fee adjustments made to cover any shortfalls in revenue collections from real estate license fees.

Local Expenditure

The Revenue and Fiscal Affairs Office (RFA) contacted twenty-three county governments and the Municipal Association of South Carolina (MASC) regarding the expenditure impact of this bill. Lancaster County indicates magistrate courts could be impacted depending on the number of cases related to HOAs and homeowners, but costs are expected to be minimal. Clarendon and Florence counties, as well as the MASC, indicate there will be no expenditure impact. Based on the responses received, this bill is not expected to have an expenditure impact on local governments.

Local Revenue

N/A



Frank A. Rainwater, Executive Director