



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Revised Fiscal Note

(replaces fiscal note dated April 12, 2024)

Table with drafting number, prime sponsors, date, bill status, and fiscal analyst information.

Bill Topic: CONSUMER PROTECTIONS FOR ARTIFICIAL INTELLIGENCE

Summary of Fiscal Impact table with checkboxes for State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, and Statutory Public Entity.

The bill establishes standards and requirements for the development and use of artificial intelligence systems. It may increase state revenue, state expenditures, and local expenditures beginning in FY 2024-25 on an ongoing basis.

Appropriation Summary: No appropriation is required.

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

Summary of Legislation

The bill establishes standards and requirements for those who develop or deploy artificial intelligence (AI) systems to protect against algorithmic discrimination, beginning February 1, 2026. This includes risk management strategies, impact assessments, and annual reviews. Those who deploy certain AI systems must publish to the public a statement summarizing the types of systems they deploy and how they manage any known risks, and they must notify consumers when AI is used for certain decisions including in employment, finance, or healthcare. The bill specifies technical documentation that any developer of a general purpose AI model must maintain, with some exceptions.

A violation of these provisions constitutes a deceptive trade practice, which is enforced by the Attorney General and district attorneys, and the bill establishes an affirmative defense for violations. Developers must disclose to the Attorney General any credible reports of algorithmic discrimination, and the Attorney General may request additional documentation in certain circumstances and adopt rules for compliance with the bill.

State Revenue

Civil penalties. Under the Colorado Consumer Protection Act, a person committing a deceptive trade practice may be subject to a civil penalty of up to \$20,000 for each violation. Additional penalties may be imposed for subsequent violations of a court order or injunction. This revenue is classified as a damage award and not subject to TABOR. Given the uncertainty about the

number of cases that may be pursued by the Attorney General and district attorneys, as well as the wide range in potential penalty amounts, the fiscal note cannot estimate the potential impact of these civil penalties.

Filing fees. The bill may increase revenue to the Judicial Department from an increase in civil case filings. Revenue from filing fees is subject to TABOR.

State Expenditures

The bill may increase expenditures in the Department of Law and the Judicial Department if deceptive trade practice complaints are filed. It may also increase workload and costs in the Office of Information Technology.

Department of Law. Workload in the Department of Law will minimally increase to the extent that deceptive trade practice complaints are filed. The department will review complaints under the bill and prioritize investigations as necessary within the overall number of deceptive trade practice complaints and available resources. Workload will also increase to receive developer disclosures of discrimination risk. This can be accomplished within existing appropriations.

Judicial Department. The trial courts in the Judicial Department may have an increase in cases filed under the Colorado Consumer Protection Act from the addition of a new deceptive trade practice. It is assumed that developers and deployers will abide by the law and that any violation of the legislation will result in minimal number of new cases. The fiscal note assumes that this can be accomplished within existing resources and that no change in appropriations is required.

The Office of Information Technology and other state agencies. As state agencies develop or deploy artificial intelligence systems, expenditures will increase to comply with the bill's requirements for documentation, testing, and appeals, as applicable. Workload may increase in FY 2024-25 for agencies to evaluate existing technology systems. Any necessary resources will be requested in future years through the annual budget process.

Local Government

Similar to the state, to the extent district attorneys receive deceptive trade practice complaints related to the new deceptive trade practice under the bill, workload will increase to investigate complaints and seek relief when appropriate. It is assumed most such cases will be handled at the state level by the Attorney General.

Effective Date

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

State and Local Government Contacts

District Attorneys
Law

Information Technology

Judicial