



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1263: CONVERSATIONAL AI SERVICE OPERATOR REQUIREMENTS

Prime Sponsors:

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Fiscal note status: This revised fiscal note reflects the reengrossed bill.

Summary Information

Overview. The bill requires operators of conversational AI services to establish certain protections and provide specific information to users.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- Minimal State Revenue
- Minimal State Workload
- Local Government

Appropriations. No appropriation is required.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$0	\$0
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE

Summary of Legislation

Beginning January 1, 2027, the bill establishes requirements for operators of conversational artificial intelligence (AI) services related to minor account holders or users, consumer disclosures, suicide protocols, false representation, and annual reporting.

Minor Protections

The bill requires conversational AI service operators to use commercially reasonable methods or generally accepted methods to estimate or obtain the age or age range of a user and to perform certain actions related to minors. Specifically, an operator must:

- persistently, repetitively, or responsively disclose that a minor is interacting with AI;
- not incentivize minors to increase engagement with an AI service;
- implement measures to prevent the generation or communication of sexually explicit content to minors;
- implement measures to prevent the generation or communication of emotional dependence between an AI service and minors, or isolation from real-world supports;
- protect a minor's privacy and data; and
- offer privacy and account management tools to minors or their parents.

Additional Provisions

Furthermore, the bill requires operators to:

- repetitively and responsively disclose that a user is interacting with AI;
- implement a protocol for user prompts regarding suicidal ideation or self-harm that refers a user to a crisis service provider; and
- submit an annual report to the Department of Law beginning July 1, 2027, that contains specific information, which the department must publish on its website.

Operators are also prohibited from knowingly or recklessly advertising or representing an AI service as a licensed health care, legal, mental health, or dietary professional. The bill makes a violation of these provisions a deceptive trade practice, and subject to a civil penalty of \$5,000.

State Revenue

Starting in FY 2026-27, the bill may increase state revenue from civil penalties and court filing fees by a minimal amount.

Civil Penalties

Under the bill, a person committing a deceptive trade practice may be subject to a civil penalty of up to \$5,000 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.

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

Beginning in FY 2026-27, the bill minimally increases workload in the Department of Law, the Judicial Department, and the Office of Information Technology, as discussed below.

Department of Law

Workload in the Department of Law will minimally increase to collect annual reports and publish them after review, which can be accomplished within existing appropriations. Workload will also 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.

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 and additional civil cases as a result of the bill's provisions. It is assumed that operators will abide by the law and that any violation 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.

Governor's Office—Office of Information Technology

Workload in the Office of Information Technology will increase to update internal policies and provide technical guidance related to AI services used by state agencies. Given the limited number of agency platforms using this functionality, the fiscal note assumes that any workload will be minimal and absorbable within existing appropriations.

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 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

Early Childhood	Law
Education	Local Affairs
Information Technology	Regulatory Agencies
Judicial	

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).