



## Fiscal Note

### Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

## HB 25B-1009: ARTIFICIAL INTELLIGENCE SYSTEMS

**Prime Sponsors:**

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**Date:** August 21, 2025

**Fiscal note status:** The fiscal note reflects the introduced bill. Due to time constraints, this fiscal note is preliminary and will be updated if additional information becomes available.

### Summary Information

**Overview.** The bill modifies the definition of consequential decisions used for consumer protections for artificial intelligence systems established in Senate Bill 24-205, narrows the groups to which that bill applies, and moves out the date by which the requirements must be met to August 1, 2027.

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

- State Revenue
- Minimal State Workload
- Local Government

**Appropriations.** No appropriation is required.

**Table 1**  
**State Fiscal Impacts**

Type of Impact	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0	\$0
State Expenditures	\$0	\$0	\$0
Transferred Funds	\$0	\$0	\$0
Change in TABOR Refunds	\$0	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE	0.0 FTE

## Summary of Legislation

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The bill modifies standards and requirements for the development and use of artificial intelligence (AI) systems provided by [Senate Bill 24-205](#). Specifically, the bill:

- limits the definition of consequential decision to only those that have a material legal or similarly significant effect on employment decisions or public safety;
- delays implementation dates from February 1, 2026, to August 1, 2027; and
- exempts local governments with fewer than 100,000 residents and businesses with fewer than 250 employees or less than \$5 million in annual revenue in the prior year from AI system consumer protection requirements.

## Background

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### SB 24-205 and Fiscal Note

SB 24-205 established standards and requirements developers and deployers of AI systems to protect against algorithmic discrimination, beginning February 1, 2026. The [fiscal note for SB 24-205](#) did not include resources for any state agency because, at that time, the bill did not clearly apply to any existing state computer systems. Most existing state systems that make critical decisions on program eligibility, benefit calculations, and similar matters are programmed to generate output and results in accordance with legal requirements programmed by humans into a defined algorithm, rather than using generative AI or similar methods. The fiscal note for SB 24-205 assumed that state agencies would request additional resources through the budget process, as necessary, if they made the decision to deploy AI systems regulated under the bill.

### Additional Developments and Funding

Since passage of SB 24-205, several developments have affected agencies costs and workload related to AI systems. Many consumer and business software products, including those used by state agencies, have incorporated generative AI features into their core products. The Office of Information Technology has worked to catalog these systems, evaluate their risk, and take steps to ensure compliance with SB 24-205 when it takes effect in February 2026. Other agencies outside the purview of OIT have reported similar work. Agencies have differed in their assessments about what systems and practices may or may not trigger requirements under SB 24-205.

In 2025, the Joint Budget Committee allocated 0.5 FTE to the Judicial Department through the FY 2025-26 Long Bill based on the department's interpretation that the SB 24-205 would apply to the Probation Division's case management system, which uses available information to assign a risk score individuals on probation (the Judicial Department had requested 7.0 FTE for this purpose). To date, other agencies have not received dedicated funding to address reporting, risk management, and other requirements under SB 24-205.

## Fiscal Note Baseline Assumptions

The fiscal note uses the FY 2025-26 Long Bill as the baseline funding level for all agencies when evaluating AI legislation at the 2025 special session, under the assumption that funding approved by the General Assembly for FY 2025-26 reflects the amount needed to begin implementation of, and compliance with, SB 24-205 in February 2026. If an agency requires additional resources for FY 2025-26 or any future year related to SB 24-205, funding should be requested through the annual budget process. Fiscal notes for legislation at the 2025 special session will only address the impacts directly attributable to that specific legislation.

## State Revenue

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The bill is expected to minimally reduce state revenue from civil case filing fees. The bill will decrease the number of civil cases filed since it limits the scope of consequential decisions impacted by SB 24-205 to only those related to employment and public safety. Revenue from filing fees is subject to TABOR.

## State Expenditures

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The bill reduces workload and costs in all state agencies that deploy systems covered by SB 24-205, as discussed below.

As described in the Background section above, this analysis does not account for potential costs arising under SB 24-205 for which agencies have not received funding previously. It is assumed this funding, if necessary, must be requested and reviewed through the annual budget process based on changes in AI deployment or new information and assumptions about the applicability of SB 24-205 since its passage. See the Departmental Differences section for more information on agencies estimates of costs arising under SB 24-205 that have not previously been funded.

## Judicial Department

The bill is expected to reduce workload for the Probation Division of the Judicial Department from limiting the scope of SB 24-205 and delaying its implementation. As discussed in the Background section, the department received part-time staff to respond to legislative changes around the use of AI. The fiscal note assumes that this staff will continue under this bill.

## Other State Agencies

Workload for all state agencies, particularly the Department of Law (DOL) and the Office of Information Technology (OIT), will be shifted and reduced as the requirements of SB 24-205 are narrowed in scope and delayed until August 1, 2027.

To the extent that state agency systems are determined to have an impact on employment decisions or public safety, costs may be incurred, even under with the changes under this bill. As discussed previously, it is assumed that these costs are related to implementation SB 24-205, and, even if reduced by this bill, should be requested through the annual budget process.

## Local Government

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The bill reduces workload and costs for municipalities, counties, and special districts with a population of less than 100,000 people that would otherwise have been subject to the requirements related to the use AI systems.

## Effective Date

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

## Departmental Difference

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To implement the bill, the OIT estimates that it will have annual costs of \$5.4 million and 33.0 FTE and the Judicial Department estimates that its annual costs will be \$839,000 and 6.8 FTE. For OIT, this estimate assumes a complete review of statewide IT systems to determine whether they are subject to the SB 24-205 requirements, as modified by this bill. For the Judicial Department, these costs cover modifications to the probation case management system and related processes, as well as new documentation and reporting changes, audits, and handling of appeals of decisions made by artificial intelligence.

In addition, the Department of Regulatory Agencies estimates that \$141,000 and 1.0 FTE Compliance Analyst is required, as decisions made by the department largely impact employment decisions for regulated professions and would still be subject to the requirements of SB24-205.

The fiscal note assumes that these costs are not required by the specific changes in this bill and are instead related to broader compliance with SB 24-205, as outlined in the Background section. Any costs associated with reviewing IT systems for compliance, making system modifications, handling appeals or reporting requirements should be requested through the annual budget process, as they are not directly attributable to this bill.

### **State and Local Government Contacts**

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Information Technology

Law

Judicial

Regulatory Agencies