Fiscal Note

Drafting Number: LLS 22-0746  
Prime Sponsors: Sen. Lee  
              Rep. Bird  
Date: January 25, 2022  
Bill Status: Senate Business  
Fiscal Analyst: Christina Van Winkle | 303-866-6289  
                Christina.VanWinkle@state.co.us

Bill Topic: MODIFICATIONS TO CO PUBLIC BENEFIT CORPORATION ACT

Summary of Fiscal Impact: ☒ State Revenue  ☐ TABOR Refund  
                          ☒ State Expenditure  ☐ Local Government  
                          ☐ State Transfer  ☐ Statutory Public Entity

The bill modifies certain provisions of the Public Benefit Corporation Act, including requirements for conversion to or from a public benefit corporation and clarifications of director duties. The bill may decrease state revenue and workload by a minimal amount.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Summary of Legislation

The bill modifies the Public Benefit Corporation Act. Specifically, it:

- eliminates the requirement that two-thirds of the outstanding shares approve the conversion of a corporation to a public benefit corporation (PBC) or a PBC into a non-PBC, thus the majority vote requirement is applicable;
- eliminates the appraisal rights of shareholders objecting to a conversion;
- clarifies that a nonprofit corporation cannot be a constituent entity in connection with any merger with or conversion into a PBC;
- clarifies that a director’s ownership of PBC stock does not inherently create a conflict of interest; and;
- clarifies the requirements for actions to enforce the requirements of directors to the balance interests of shareholders, those affected by the corporation’s conduct, and the public benefit of the PBC.
State Revenue and Expenditures

Beginning in FY 2022-23, to the extent that this bill results in fewer civil actions brought against PBCs, there may be a reduction in revenue from court filings fees, and a corresponding reduction in workload of the trial courts in the Judicial Department. These reductions in revenue and workload are anticipated to be negligible.

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

<table>
<thead>
<tr>
<th>Information Technology</th>
<th>Judicial</th>
<th>Secretary of State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law</td>
<td>Regulatory Agencies</td>
<td></td>
</tr>
</tbody>
</table>

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: leg.colorado.gov/fiscalnotes.