



**Legislative Council Staff**  
*Nonpartisan Services for Colorado's Legislature*

**Fiscal Note**

<b>Drafting Number:</b>	LLS 24-0796	<b>Date:</b>	February 6, 2024
<b>Prime Sponsors:</b>	Rep. Mauro; Taggart	<b>Bill Status:</b>	House Business & Labor
		<b>Fiscal Analyst:</b>	Hamza Syed   303-866-4976 hamza.syed@coleg.gov

**Bill Topic:** **IMPLEMENT FRAUDULENT FILINGS GROUP RECOMMENDATIONS**

<b>Summary of Fiscal Impact:</b>	<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Local Government
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> TABOR Refund	<input type="checkbox"/> Statutory Public Entity

The bill makes changes to the business filing practices based on recommendations from the Fraudulent Filings Working Group. The bill increases state expenditures and may increase state revenue beginning FY 2024-25.

**Appropriation Summary:** For FY 2024-25, the bill requires an appropriation of \$464,310 to the Department of State.

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

**Table 1**  
**State Fiscal Impacts Under HB 24-1137**

		<b>Budget Year FY 2024-25</b>	<b>Out Year FY 2025-26</b>
<b>Revenue</b>		-	-
<b>Expenditures</b>	Cash Fund	\$464,310	\$228,342
	Centrally Appropriated	\$31,934	\$71,102
	<b>Total Expenditures</b>	<b>\$496,244</b>	<b>\$299,444</b>
	<b>Total FTE</b>	<b>2.0 FTE</b>	<b>4.5 FTE</b>

## Summary of Legislation

The bill implements some of the recommendations of the Fraudulent Filings Working Group in the Department of State (DOS), from the workgroup's [February 2023 final report](#). Notable among its many changes, the bill:

- requires that a registered agent of a business have a valid Colorado license or state identification;
- authorizes the DOS to change the status of a delinquent business immediately after a ruling by an administrative law judge;
- allows law enforcement officials to make a complaint against filings by businesses they believe are fraudulent;
- restricts businesses that have a delinquent status for at least 5 years from refiling;
- restricts businesses that have been dissolved for at least 2 years from refiling, and;
- clarifies the perjury statement affirmed by filers when submitting a document to the DOS.

## Background

[Senate Bill 22-034](#) created the Fraudulent Filings Business Working Group to make recommendations to counteract fraudulent filings in the DOS's online business filing system. The working group highlighted a number of legislative solutions to the fraudulent filings in its [final report](#). The bill implements several of those recommendations.

## State Revenue

On net, the bill may increase fee revenue collected by the DOS to cover the costs of implementing this bill, after accounting for reductions in certain filings, as described below.

**Reduced business filings.** Fees paid to the Department of State Cash Fund may be reduced if the filing restrictions on dissolved and delinquent businesses result in fewer business registrations. Overall, this impact is assumed to be minimal and has not been estimated.

**Fee impact on businesses and professions.** Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Under current law, the DOS is authorized to adjust fees so that the revenue generated approximates its direct and indirect costs. The DOS is primarily funded through business filing fees. To cover the costs described in the State Expenditures section below, fees may need to be raised to cover all or some of the costs of this bill. The fees affected and the actual amount of fee charges will be set administratively by the DOS based on cash fund balance, total program costs, and the estimated number of professional activities subject to fees. This revenue is subject to TABOR.

**State Expenditures**

This bill will increase state expenditures in DOS by \$496,244 and 2.0 FTE in FY 2024-25 and \$299,444 and 4.5 FTE in FY 2025-26. These costs, paid from the Department of State Cash Fund, are displayed in Table 2 and described below

**Table 2  
Expenditures Under HB 24-1137**

	FY 2024-25	FY 2025-26
<b>Department of State</b>		
Personal Services	\$93,580	\$202,572
Operating Expenses	\$2,560	\$5,760
Capital Outlay Costs	\$20,010	\$20,010
Computer Programming	\$348,160	-
Centrally Appropriated Costs <sup>1</sup>	\$31,934	\$71,102
FTE – Personal Services	2.0 FTE	4.5 FTE
<b>Total Cost</b>	<b>\$496,234</b>	<b>\$299,444</b>
<b>Total FTE</b>	<b>2.0 FTE</b>	<b>4.5 FTE</b>

<sup>1</sup> Centrally appropriated costs are not included in the bill's appropriation.

**Personal Services.** This bill changes the process and content of business filings with the DOS. For FY 2024-25, DOS will require 0.5 FTE Analyst to create new systems and policies, and 1.5 FTE Technicians to implement and develop system changes, process additional fraud complaints, provide customer support, and process cure of delinquency and reinstatement documents. For FY 2025-26, workload increases to 3.0 FTE Technicians for additional customer support and to administer the anticipated increase in complaints of fraudulent filings submitted by law enforcement.

**Computer Programming.** The IT Division of DOS must modify the Business Filing application and allow additional content submitted in an application such as proof of identification. This is estimated to require 2,720 hours of time at a rate of \$123 per hour.

**Centrally appropriated costs.** Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

**Effective Date**

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed, except that Section 4 of the bill concerning registered agents takes effect on July 1, 2025.

## **State Appropriations**

For FY 2024-25, the bill requires an appropriation of \$464,310 from the Department of State Cash Fund to the Department of State, and 2.0 FTE.

## **State and Local Government Contacts**

Law                      Personnel                      Secretary of State

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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](#).