



**Legislative Council Staff**

*Nonpartisan Services for Colorado's Legislature*

**Fiscal Note**

<b>Drafting Number:</b>	LLS 24-0226	<b>Date:</b>	February 26, 2024
<b>Prime Sponsors:</b>	Sen. Hansen; Michaelson Jenet Rep. Lukens	<b>Bill Status:</b>	Senate Business, Labor, & Tech.
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**Bill Topic:** **SOCIAL MEDIA PROTECT JUVENILES DISCLOSURES REPORTS**

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

The bill establishes requirements for social media companies and platforms operating in the state. It increases state expenditures, and may increase state revenue and local workload, starting in FY 2024-25.

**Appropriation Summary:** For FY 2024-25, the bill requires an appropriation of \$202,336 to the Department of Law.

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

**Table 1**  
**State Fiscal Impacts Under SB 24-158**

		<b>Budget Year FY 2024-25</b>	<b>Out Year FY 2025-26</b>	<b>Out Year 2 FY 2026-27</b>
<b>Revenue</b>		-	-	
<b>Expenditures</b>	General Fund	\$202,336	\$346,524	\$173,093
	Centrally Appropriated	\$39,580	\$68,096	\$33,173
	<b>Total Expenditures</b>	<b>\$241,916</b>	<b>\$414,620</b>	<b>\$206,266</b>
	<b>Total FTE</b>	<b>1.7 FTE</b>	<b>3.0 FTE</b>	<b>1.5 FTE</b>
<b>Transfers</b>		-	-	-
<b>Other Budget Impacts</b>	General Fund Reserve	\$30,350	\$51,979	\$25,964

## **Summary of Legislation**

The bill establishes requirements for social media companies that have users in the state, including public disclosure of specific company policies, adoption of juvenile protection practices, enforcement of policy violations, and submission of an annual report to the Attorney General.

**Policy disclosure.** By July 1, 2025, social media companies and associated platforms must publish policies in a clear and timely manner, including:

- contact information for questions related to the policies;
- a process for flagging content, groups, or other users who violate policies;
- a process for the social media company to respond to questions and flags;
- a statement prohibiting the promotion, sale, or advertisement of illicit substances, firearms in violation of state or federal laws, juvenile sex trafficking, and sexually exploitative material;
- a process for the social media company to enforce policies;
- activities that constitute a violation;
- consequences of violating policies; and,
- a statement regarding the involvement of law enforcement upon violation of certain policies.

**Juvenile protection.** The bill requires social media companies to verify and track the age of each platform user and apply protections for juveniles. Specifically, social media companies must develop account settings that protect a juvenile's privacy and safety, and provide these settings to parents or guardians and juveniles. For juvenile accounts, the social media company must automatically apply the most protective level of settings as the default option and warn juveniles of activity and content that may compromise their privacy and safety. Social media companies are prohibited from using algorithms or deceitful practices that present a heightened risk of harm to juveniles or other users.

**Enforcement.** The bill requires social media companies to remove any user who promotes, sells, or advertises illicit substances, firearms in violation of state or federal laws, juvenile sex trafficking, or sexually exploitative material. Social media companies must work with law enforcement investigating policy violations in a timely and discretionary manner.

**Annual report.** By February 1, 2026 and each year thereafter, social media companies must submit a report to the Attorney General that details:

- the current version of published policies and any changes since the previous report;
- description of provisions related to illicit substances, firearms in violation of state or federal laws, juvenile sex trafficking, and sexually exploitative material;
- content moderation practices;
- age verification practices;
- data regarding the amount, type, and actions of flagged content;
- data regarding juvenile use of the social media platform; and,
- data regarding the amount, type, and actions of policy violation referrals to law enforcement.

The bill makes violating these provisions a deceptive trade practice under the Colorado Consumer Protection Act.

## **Background and Assumptions**

As defined in the bill, social media platforms include internet-based services and applications such as social networking sites, image sharing applications, certain messaging applications, discussion forums, dating applications, and gaming platforms, among others. As of February 2024, as few as 100,000 and as many as 800,000 internet-based platforms may fall within the bill's scope, dependent on the user's location and platform attributes. For example, there exists over 200,000 gaming applications and 150,000 lifestyle platforms alone with varying levels of user interaction, public exchange of information, and content sharing. Additionally, international platforms with a single user in Colorado are subject to the bill's requirements. Therefore, the affected population relies on usage in the state, which is not currently regulated or tracked.

The fiscal note assumes that 75 percent of Colorado residents have at least one social media account, and that six platforms make up 80 percent of accounts. Of the remaining social media platforms with users in Colorado, it is assumed that 1,000 will comply with the provisions and submit the required annual report to the Attorney General. Fiscal impacts may change if additional or fewer social media platforms comply.

## **State Revenue**

Starting in FY 2024-25, the bill may increase state revenue from civil penalties and court filing fees by a minimal amount.

**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 increases state expenditures in the Department of Law by about \$242,000 in FY 2024-25, \$415,000 in FY 2025-26, and \$206,000 in FY 2026-27, paid from the General Fund. Workload may also increase in the Judicial Department. Costs are shown in Table 2 and detailed below.

**Table 2**  
**Expenditures Under SB 24-158**

	FY 2024-25	FY 2025-26	FY 2026-27
<b>Department of Law</b>			
Personal Services	\$186,820	\$311,014	\$146,173
Operating Expenses	\$2,176	\$3,840	\$1,920
Capital Outlay Costs	\$13,340	\$6,670	-
Software Licensing	-	\$25,000	\$25,000
Centrally Appropriated Costs <sup>1</sup>	\$39,580	\$68,096	\$33,173
<b>Total Cost</b>	<b>\$241,916</b>	<b>\$414,620</b>	<b>\$206,266</b>
<b>Total FTE</b>	<b>1.7 FTE</b>	<b>3.0 FTE</b>	<b>1.5 FTE</b>

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

**Department of Law.** Starting in FY 2024-25, expenditures in the Department of Law will increase to develop a searchable repository for public use and review annual social media reports—see Technical Note.

- **Staff.** In FY 2024-25 and FY 2025-26, the Department of Law requires 2.0 FTE IT Professional to standardize social media company reporting and develop a searchable repository in the Attorney General's office. On an ongoing basis, the department requires 0.5 FTE to maintain and update the repository. Additionally, the Department of Law requires 1.0 FTE Legal Assistant II starting in FY 2025-26 to review annual reports for compliance. As outlined in the Assumptions section, the fiscal note assumes 1,000 reports filed annually, and that each report requires two hours of work. Staff costs and FTE are prorated in the first year based on the bill's effective date. Salaries reflect the Department of Law pay schedule.
- **Software licensing.** Starting in FY 2025-26, the Department of Law requires \$25,000 for software licensing that social media platforms will use for data reporting input, storage, and ongoing compliance.
- **Complaints.** 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.

**Judicial Department.** 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 violations will result in a 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.

**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.

### **Other Budget Impacts**

**General Fund reserve.** Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

### **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.

### **Technical Note**

The Department of Law requires staff in FY 2024-25, prior to the bill's effective date, to develop information technology systems for social media compliance.

### **Effective Date**

The bill takes effect July 1, 2025, assuming no referendum petition is filed.

### **State Appropriations**

For FY 2024-25, the bill requires a General Fund appropriation of \$202,336 to the Department of Law, and 1.7 FTE.

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

Child Welfare	Early Childhood	Human Services
Information Technology	Judicial	Law
Regulatory Agencies		

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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](#).