



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number:	LLS 24-0922	Date:	April 12, 2024
Prime Sponsors:	Sen. Rodriguez	Bill Status:	Senate Judiciary
		Fiscal Analyst:	Matt Bishop 303-866-4796 matt.bishop@coleg.gov

Bill Topic: **CONSUMER PROTECTIONS FOR ARTIFICIAL INTELLIGENCE**

Summary of Fiscal Impact:	<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 standards and requirements for the development and use of artificial intelligence systems. It may increase state revenue, state expenditures, and local expenditures beginning in FY 2025-26 on an ongoing basis.

Appropriation Summary: No appropriation is required.

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

Summary of Legislation

The bill establishes standards and requirements for those who develop or deploy artificial intelligence (AI) systems to protect against algorithmic discrimination, beginning July 1, 2025. This includes risk management strategies, impact assessments, and annual reviews. Those who deploy certain AI systems must publish to the public a statement summarizing the types of systems they deploy and how they manage any known risks. Beginning January 1, 2026, the bill specifies technical documentation that any developer of a general purpose AI model must maintain, with some exceptions.

Whenever a consumer interacts with an AI system, the deployer must disclose it unless it would be obvious to a reasonable person that they are interacting with an AI system. Any synthetic digital content produced by an AI system must be marked and detectable in a machine-readable format and in a manner apparent to consumers.

A violation of these provisions constitutes a deceptive trade practice, which is enforced by the Attorney General and district attorneys. Compliance with the bill's requirements provides an affirmative defense for developers and deployers of AI systems, and provides a basis to cure violations through June 30, 2026.

State Revenue

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 may increase expenditures in the Department of Law and the Judicial Department if deceptive trade practice complaints are filed.

Department of Law. 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. Workload will also increase to receive developer disclosures of discrimination risk. This can be accomplished within existing appropriations.

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. It is assumed that developers and deployers will abide by the law and that any violation of the legislation 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.

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 upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

District Attorneys

Information Technology

Law

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](#).