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FISCAL NOTE

Drafting Number: LLS 20-0365 Date: February 17, 2020
Prime Sponsors: Rep. Baisley Bill Status: House Judiciary
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Bill Topic: AUTHORIZE PROTECTED SERIES OF LIMITED LIABILITY COMPANY

- Summary of Fiscal Impact:
[x] State Revenue [x] TABOR Refund
[x] State Expenditure [] Local Government
[] State Transfer [] Statutory Public Entity

This bill enacts the Uniform Protected Series Act. It will increase state expenditures in FY 2020-21 only and impact state revenue on an ongoing basis.

Appropriation Summary: For FY 2020-21, the bill requires an appropriation of \$457,303 to the Department of State.

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

Table 1
State Fiscal Impacts Under HB 20-1096

Table with 3 columns: Category, FY 2020-21, FY 2021-22. Rows include Revenue, Expenditures (Cash Funds, Centrally Appropriated, Total, Total FTE), Transfers, and TABOR Refund.

Summary of Legislation

This bill enacts the Uniform Protected Series Act (UPSA) effective January 1, 2021. It authorizes the creation of a new type of limited liability company (LLC), called a series LLC. A series LLC is an LLC composed of at least one "protected series." If the UPSA's requirements are satisfied, the assets of a protected series in a series LLC cannot be used to satisfy a creditor claims against any other protected series in the series LLC or the series LLC itself. The bill outlines general provisions on establishing a protected series; record-keeping requirements; membership criteria; limitations on liability and enforcement of claims; types of liability shields; dissolution and transition processes; and transactional restrictions.

State Revenue

The bill will impact state cash fund revenue to the Department of State Cash Fund. Any series LLC filing would increase revenue; however, revenue may be reduced to the extent that a series LLC is no longer required to file separate periodic reporting for each LLC that belongs to a protected series. For informational purposes, the current fee to form an additional LLC is \$50 and the periodic report filing fee is \$10. Because the fiscal note identifies a significant expenditure relative to the department's budget, it is anticipated that fees will be adjusted through the department's normal process to bring in revenue to cover the costs under the bill.

State Expenditures

The bill will increase state cash fund expenditures from the Department of State Cash Fund by \$460,239 and 0.2 FTE in FY 2020-21 only, as shown in Table 2 and discussed below.

Table 2
Expenditures Under HB 20-1096

	FY 2020-21	FY 2021-22
Department of State		
Personal Services	\$9,303	-
Computer Programming	\$448,000	-
Centrally Appropriated Costs*	\$2,936	-
Total Cost	\$460,239	-
Total FTE	0.2 FTE	-

* Centrally appropriated costs are not included in the bill's appropriation.

Department of State. The department requires 4,000 hours of computer programming at the developer rate of \$112 to create an estimated 21 new business forms. The department will also require 0.2 FTE Analyst to draft forms, conduct testing, update the department's website, and train staff.

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 estimated to be \$2,936 in FY 2020-21.

TABOR refund. Any increase in fee revenue will increase state General Fund obligations for TABOR refunds, when applicable. A revenue increase has not been estimated.

Technical Note

The effective date of January 1, 2021, does not allow the department sufficient time to accomplish computer programming changes required under the bill. The fiscal note has shown the costs to implement the bill assuming a July 1, 2020, effective date and a July 1, 2021, program implementation date.

Effective Date

The bill takes effect January 1, 2021, if no referendum petition is filed.

State Appropriations

The bill requires an appropriation of \$457,303 and 0.2 FTE from the Department of State Cash Fund to the Department of State.

State and Local Government Contacts

Judicial

Law

Regulatory Agencies

Secretary of State