



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

Drafting Number: LLS 22-0446 Date: August 24, 2022
Prime Sponsors: Sen. Kolker; Priola Bill Status: Signed into Law
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Bill Topic: BUSINESS FILING ADDRESS & NAME FRAUD

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

The bill creates a complaint and remediation process for a person whose business identity or personal identifying information has been used fraudulently in business filings. It increases state expenditures on an ongoing basis beginning in FY 2022-23.

Appropriation Summary: No appropriation is required. See State Appropriations section for additional detail.

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

Table 1
State Fiscal Impacts Under SB 22-034

Table with 4 columns: Category, Budget Year FY 2022-23, Out Year FY 2023-24, and a sub-column for Cash Funds. Rows include Revenue, Expenditures (Cash Funds, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts.

## Summary of Legislation

Under current law, a business entity submits documents that concern the creation, organization, and operations of the entity to the Secretary of State to be filed online. The bill creates a complaint process for a person whose business identity or personal identifying information has been used in the filing of these documents without authority or for fraudulent activity. If a complaint is submitted, starting February 1, 2023, the Secretary of State may forward it to the Attorney General for further investigation, who may then prosecute the complaint before an Administrative Law Judge. The bill establishes the process for resolving the complaint, and establishes that the prohibited behavior constitutes a deceptive trade practice.

The bill creates a working group to study measure to counteract fraudulent filings in the online business filing system. The group must convene by September 15, 2022, and report to the General Assembly on potential legislative provisions by January 31, 2023. Members of the working group serve without compensation.

## State Expenditures

The bill increases state cash fund expenditures in several departments by \$34,956 in FY 2022-23 and \$65,829 in FY 2023-24 from various cash funds. Expenditures are shown in Table 2 and detailed below.

**Table 2**  
**Expenditures Under SB 22-034**

<b>Cost Components</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>
<b>Department of Law</b>		
Personal Services	\$21,009	\$44,427
Operating Expenses	-	\$1,386
Capital Outlay Costs	\$6,200	-
Centrally Appropriated Costs <sup>1</sup>	\$7,747	\$14,806
FTE – Personal Services	0.3 FTE	0.6 FTE
<b>Dept. of Law Subtotal</b>	<b>\$34,956</b>	<b>\$60,619</b>
<b>Department of State</b>		
Personal Services	-	\$3,863
Centrally Appropriated Costs <sup>1</sup>	-	\$1,347
FTE – Personal Services	-	0.1 FTE
<b>Dept. of State Subtotal</b>	<b>\$0</b>	<b>\$5,210</b>
<b>Total</b>	<b>\$34,956</b>	<b>\$65,829</b>
<b>Total FTE</b>	<b>0.3 FTE</b>	<b>0.7 FTE</b>

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

**Department of Law.** Workload will increase by an estimated three hours per complaint to communicate with alleged fraudulent entities and with the Secretary of State's office. This is estimated to require 0.6 FTE in the Department of Law, which is prorated in FY 2022-23 for the bill's effective date. Standard operating and capital outlay costs are included. Expenditures are paid from the Consumer Protection Custodial Fund.

Workload may also increase to the extent that enforcement of a deceptive trade practice is required. 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.

**Department of State.** Workload will likewise increase in the Secretary of State's office to respond to and evaluate complaints, and to update online business registration database as necessary. This is expected to require 0.1 FTE annually, and is absorbable in FY 2022-23 due to the bill's effective date. Standard operating and capital outlay costs are included. Expenditures are paid from the Department of State Cash Fund.

**Department Personnel and Administration.** Expenditures may increase in the department's Integrated Document Solutions Group, which handles centralized mailing services for state agencies. The volume of potential mail generated by this bill is expected to be absorbable within existing appropriations. The bill may also increase the number of cases heard by the Office of Administrative Courts. A small additional caseload can be absorbed within existing appropriations. Should a large number of cases be referred to the office, the department will request additional resources through the annual budget process.

**Working group.** Workload will increase in various state agencies to participate in the working group. This includes the Department of State, the Department of Law, and the Department of Public Safety. The Governor's Office of Boards and Commissions will have a minimal workload increase to make the required appointments under the bill. This work can be accomplished within existing appropriations.

**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 was signed into law by the Governor on June 2, 2022, and takes effect February 1, 2023, assuming no referendum petition is filed. It applies to complaints and offenses submitted on or after this date.

## **State Appropriations**

For FY 2022-23, expenditures for the Department of Law are paid from the Consumer Protection Custodial Fund. As a custodial fund, it is not subject to appropriation.

**State and Local Government Contacts**

Information Technology  
Personnel

Law  
Secretary of State