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Fiscal Note

Drafting Number: LLS 24-0749 Date: March 20, 2024
Prime Sponsors: Rep. Hartsook; Lukens Bill Status: House Trans., Hous. & Local Govt.
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Bill Topic: MORE UNIFORM LOCAL MASSAGE FACILITIES REGULATION

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

The bill requires local governments to establish certain regulations of massage facilities, including background check requirements. Starting in FY 2024-25, the bill increases state and local government revenue and expenditures.

Appropriation Summary: No appropriation is required.

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

Table 1
State Fiscal Impacts Under HB 24-1371

Table with 4 columns: Category, Sub-category, Budget Year FY 2024-25, and Out Year FY 2025-26. Rows include Revenue (Cash Funds), Expenditures (Cash Funds), Transfers, and Other Budget Impacts (TABOR Refund).

Summary of Legislation

Under current law, massage facilities may be regulated by local governments if the local government adopts a resolution or ordinance. By July 1, 2025, the bill requires counties, municipalities, and city and counties (local governments) to adopt a resolution or ordinance designating a local licensing authority for the licensure and regulation of massage facilities. This requirement does not apply to a local government that does not have any massage facilities within its jurisdiction. In addition to any other licensure requirements prescribed by state law, resolutions and ordinances must contain requirements for owner and employee background checks, which must be conducted by October 1, 2025, and licensure disqualification based on the results of background checks.

Background

[House Bill 22-1300](#) allowed local governments to establish massage facility licensure and requirements consistent with that bill. According to the [Colorado Coalition of Massage Therapists](#), six municipalities and two counties currently have a massage facility licensure program.

Assumptions

The primary state impact from the bill is the requirement for background checks, which are required for owners and employees, excluding licensed massage therapists, and are processed by the Department of Public Safety (CDPS). There is no available data identifying this specific population. To determine how many additional background checks will occur as a result of the bill, this fiscal note makes the following assumptions:

- local governments with existing massage facility regulations already incorporate background checks and criminal history considerations;
- based on the most recent available North American Industry Classification System (NAICS) data, there are a total of 889 businesses that could be massage facilities in local government jurisdictions that do not currently regulate massage businesses;
- about 10 percent, or 89 businesses, are massage facilities;
- that each business will have one owner and three other employees that are not licensed massage therapists; and
- considering the above, there will be about 356 individuals that will be required to submit a background check as a result of this bill.

To the extent that the actual number of background checks differs from this estimate, state revenue and expenditures will also be higher or lower than estimated.

State Revenue

This bill increases state cash fund revenue to the CBI Identification Unit Cash Fund in CDPS by \$14,062 in FY 2025-26. This assumes 356 fingerprint-based criminal history background checks

will be conducted. The current fee for background checks is \$39.50, which includes \$11.25 for a Federal Bureau of Investigation (FBI) fingerprint-based check, which is passed on to that federal agency. The federal portion of this fee, or about \$4,005, is excluded from the state TABOR limit.

State Expenditures

The bill increases state expenditures by \$7,266 in FY 2025-26 in CDPS, as well as workload in the Department of Regulatory Agencies (DORA), as discussed below.

Department of Public Safety. The bill increases cash fund expenditures for fingerprint-based criminal history background checks by \$7,266 in FY 2025-26 from the CBI Identification Unit Cash Fund in DPS. This covers the costs of conducting additional background checks and includes the pass through costs of the FBI component of the background check. These costs are based on an estimated 356 checks in FY 2025-26.

Department of Regulatory Agencies. DORA may be required to conduct outreach and education regarding the bill. Overall, this workload increase is expected to be minimal and no change in appropriations is required.

Other Budget Impacts

TABOR refunds. The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the March 2024 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

Local Government

Revenue and expenditures will increase for local governments that are required to adopt resolutions and ordinances consistent with the bill. Because it is not known how many governmental entities will be required to create new regulations, these impacts have not been estimated. Workload may also increase for district attorneys to prosecute violations.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

Counties	Denver County Courts	District Attorneys	Judicial
Local Affairs	Municipalities	Public Safety	Regulatory Agencies

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](#).