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Fiscal Note

Drafting Number: LLS 24-0270 Date: February 19, 2024
Prime Sponsors: Rep. Vigil; Mabrey Bill Status: House Business & Labor
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Bill Topic: PROTECTIONS FOR DELIVERY NETWORK COMPANY DRIVERS

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

The bill requires delivery network companies to develop driver deactivation policies and make various disclosures to drivers and customers. It increases state expenditures and may increase state revenue on an ongoing basis.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of \$376,724 to the Department of Labor and Employment.

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

Table 1
State Fiscal Impacts Under HB 24-1129

Table with 4 columns: Category, Sub-category, Budget Year FY 2024-25, and Out Year FY 2025-26. Rows include Revenue, Expenditures (General Fund, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (General Fund Reserve).

Summary of Legislation

The bill requires delivery network companies (DNC) to develop deactivation policies and make various disclosures to drivers and customers, as outlined below.

Transparency requirements. A DNC must electronically disclose certain information to the driver and consumer at the time of offering a delivery task, including money paid by the consumer, the amount the driver will receive, and the amount retained by the DNC

Semiannual disclosures. On a semiannual basis, a DNC is required to disclose various information on the previous six months of the DNC's operations to the Division of Labor Standards and Statistics (DLSS) in the Department of Labor and Employment (CDLE), including detailed information on driver payments and deactivations, and delivery tasks for which the DNC dispatches a driver. The DLSS will make these disclosures public record except for drivers' identities.

Contracts. A DNC must allow at least 30 days for a driver or merchant to review a contract and must provide the contract in the dominant language of the driver or merchant.

Deactivation policies. A DNC must develop a deactivation policy that clearly establishes the procedures for deactivating a driver from the platform. The DNC is required to disclose the deactivation policy to its drivers and the DLSS, which will post the policy on its website for at least 30 days before the policy becomes enforceable.

Deactivated drivers may request a reconsideration meeting with the DNC for at least 30 days after receiving their notice of deactivation.

Task acceptance time. A DNC must ensure each driver receives at least 120 seconds after being offered a task to decide whether to accept the offer.

Penalties and enforcement. The DLSS must establish procedures for drivers and consumers to submit complaints regarding DNC violations of the bill's requirements. A DNC may be subject to monetary damages of up to \$1,000 to be paid to a consumer or driver affected by a violation, and fines of up to \$100 per violation.

State Revenue

The bill may increase state revenue to the General Fund from fines collected from DNCs. Overall, any revenue is expected to be minimal, as the Colorado Wage Act encourages the DLSS to waive most fines assessed against employers if the employer complies with the law. Any revenue from court filing fees is also expected to be minimal, and any new revenue is subject to TABOR.

State Expenditures

The bill increases state expenditures in the CDLE by about \$421,000 in FY 2024-25 and \$208,000 in FY 2025-26, paid from the General Fund. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under HB 24-1129

	FY 2024-25	FY 2025-26
Department of Labor and Employment		
Personal Services	\$192,855	\$120,621
Operating Expenses	\$2,816	\$1,920
Capital Outlay Costs	\$13,340	-
Software Licenses	\$6,602	\$6,602
Database Costs	\$161,111	\$50,150
Centrally Appropriated Costs ¹	\$43,826	\$28,862
Total Cost	\$420,550	\$208,155
Total FTE	2.2 FTE	1.5 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Department of Labor and Employment. The bill increases costs in the Division of Labor Standards and Statistics in the CDLE starting in FY 2024-25 to implement the program and database required by the bill.

- **Staff.** The CDLE requires 2.2 FTE in FY 2024-25 and 1.5 FTE in ongoing years for staff to implement and enforce the provisions of the bill. This includes 1.0 FTE of a policy advisor in FY 2024-25 and 0.3 FTE in subsequent years to conduct rulemaking, develop the program, publish external guidance, and consult with businesses on how to comply with the bill's requirements. The CDLE also requires 1.0 FTE annually for compliance investigation staff to develop a complaint process by April 2025 and investigate complaints submitted by consumers, and 0.2 FTE annually for a program assistant to help with processing complaints and rulemaking. Standard operating, capital outlay, and software costs are included.
- **Database creation and management.** The CDLE requires programming costs of \$161,111 in FY 2024-25 and \$50,150 the following year to develop the public database of DNC data required by the bill. In FY 2024-25, costs include 780 hours of programming and development work at various rates for a total of \$110,950, and hosting, licensing, and security costs of about \$50,161. In FY 2025-26 and ongoing years, CDLE requires continued costs for licensing and hosting. Programming costs are reappropriated to the Office of Information Technology.

Judicial Department. The bill may increase the number of new case filings related to driver deactivations, increasing workload for the trial courts in the Judicial Department. This fiscal note assumes that companies will adhere to the bill's requirements and will not deactivate drivers outside of the policy, and any increase in filings is expected to be minimal and absorbable within the existing resources.

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.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed. It applies to contracts executed or renewed on or after that date.

State Appropriations

For FY 2024-25, the bill requires a General Fund appropriation of \$376,724 to the Department of Labor and Employment, and 2.2 FTE. Of this amount, \$161,111 is reappropriated to the Office of Information Technology.

State and Local Government Contacts

District Attorneys
Labor

Information Technology
Law

Judicial
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](#).