



Fiscal Note
Legislative Council Staff
Nonpartisan Services for Colorado’s Legislature

SB 25-318: ARTIFICIAL INTELLIGENCE CONSUMER PROTECTIONS

Prime Sponsors:

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Fiscal note status: The fiscal note reflects the introduced bill. It has been updated to reflect new information.

Summary Information

Overview. The bill updates consumer protections related to artificial intelligence.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- Minimal State Workload
- Local Government

Appropriations. For FY 2025-26, the bill requires a reduction in appropriations of \$60,661 from the Judicial Department.

Table 1
State Fiscal Impacts

Type of Impact ¹	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	\$0	\$0
State Expenditures	-\$71,834	-\$65,164
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	-0.5 FTE	-0.5 FTE

¹ Fund sources for these impacts are shown in the table below.

Table 1A
State Expenditures

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	\$0	\$0
Cash Funds	-\$60,661	-\$53,991
Federal Funds	\$0	\$0
Centrally Appropriated	-\$11,173	-\$11,173
Total Expenditures	-\$71,834	-\$65,164
Total FTE	-0.5 FTE	-0.5 FTE

Summary of Legislation

The bill modifies the consumer protections established by [Senate Bill 24-205](#), which created requirements for developers and deployers of artificial intelligence systems. It prohibits algorithmic discrimination from using artificial intelligence systems to make consequential decisions, such as educational, employment, or financial opportunities, or for health care, insurance, legal, or government services. Changes under SB 25-318 are outlined below.

Definition of Algorithmic Discrimination

The bill updates the definition of algorithmic discrimination. Instead of specifying what constitutes this type of discrimination, it applies to violations of applicable local, state, or federal anti-discrimination laws, including:

- the Colorado Anti-Discrimination Act;
- the Civil Rights Act of 1964;
- the Americans with Disabilities Act of 1990;
- the Age Discrimination in Employment Act of 1967;
- the Genetic Information Nondiscrimination Act of 2008; and
- the Pregnant Workers Fairness Act.

Regulatory and Disclosure Requirements

The bill delays most regulatory requirements by about a year, to January 1, 2027. Under current law, a developer must publish certain information about the types of systems it developed and how it manages risk. The bill reduces developers' disclosure requirements, and documentation and disclosure requirements are postponed further for some small systems, depending on how many consequential decisions they make in a calendar year. In addition, the bill repeals the requirement that a deployer who discovers that their system has caused algorithmic discrimination report it the Department of Law.

Exemptions and Liability

The bill exempts certain uses of artificial intelligence from the regulatory framework of SB 24-205, including document sorting, spellchecking, and cybersecurity measures. Developers can also be exempt from liability if their systems are offered in the public domain or on certain public licenses. If a developer states that the artificial intelligence system is not designed to enable consequential decisions, deployers cannot use it to make consequential decisions. Any liability for making consequential decisions falls on the deployer, and any modifications to the system may override the liability exemption.

Impact Assessments

Under current law, impact assessments must be completed before deployment, at least annually, and within 90 days of a substantial modification. The bill repeals the 90-day assessment requirement. The bill expands the assessment requirements to include the risk of limiting accessibility for individuals who are pregnant, breastfeeding, disabled; the risk of committing an unfair trade practice; and the risk of a violation of state or federal labor laws or the Colorado Privacy Act.

Disclosures to Consumers

The bill expands the information that must be disclosed to a consumer who is the subject of a consequential decision and delays the disclosure requirements from February 1, 2026, to May 1, 2026. Disclosures to the consumer must include information on whether and how the consumer can exercise their rights to correct any incorrect personal data involved. The disclosure and appeal requirements are postponed further for some small deployers, depending on how many employees they have, and the bill increases the minimum employee threshold for ongoing exemption. This does not apply to uses of artificial intelligence in hiring for some companies.

Violations

Under current law, violations are a deceptive trade practice. The bill limits affirmative defenses to cases where the violation was inadvertent, affected fewer than 1,000 customers, and was not due to the developer's or deployer's negligence. The bill specifies that these regulations neither create a new private right of action nor restrict any existing rights or remedies of consumers.

State Expenditures

The bill decreases state expenditures in the Judicial Department by about \$70,000 in FY 2025-26 and \$65,000 in future years. These costs, paid from the Offender Services Fund, are summarized in Table 2 and discussed below. The bill also minimally affects workload in other state agencies.

Table 2
State Expenditures
Judicial Department

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Personal Services	-\$53,351	-\$53,351
Operating Expenses	-\$640	-\$640
Capital Outlay Costs	-\$6,670	\$0
Centrally Appropriated Costs	-\$11,173	-\$11,173
Total Costs	-\$71,834	-\$65,164
Total FTE	-0.5 FTE	-0.5 FTE

Judicial Department

The department received an appropriation in the FY 2025-26 Long Bill to implement the requirements in SB 24-205. The modifications in this bill clarify that the computer systems used by the Division of Probation Services are not “high-risk” systems; therefore, the appropriation is no longer required. This reduces expenditures by \$53,991 in FY 2025-26 and future years, and 0.5 FTE.

In addition, by clarifying that the bill does not create a private right of action, workload may minimally decrease for the trial courts in the Judicial Department.

Other Agency Impacts

Workload will be minimally reduced in the Department of Law from delaying the implementation schedule in FY 2025-26 only. On an ongoing basis, limiting discrimination reporting requirements and modifying the applicability of the deceptive trade practice will also minimally reduce the departments’ workload.

The bill may minimally impact workload for state agencies that develop or deploy artificial information systems for making consequential decisions. Overall, the changes to the regulatory requirements will be adopted into the workflow of the Office of Information Technology and other state agencies, and any changes to state expenditures will be addressed through the annual budget process.

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 may include employee insurance, supplemental employee retirement payments, leased space, and indirect cost assessments, are shown in the expenditure table above.

Local Government

Similar to the state, workload may be minimally reduced for district attorneys regarding enforcement of deceptive trade practices. Local government agencies that develop or deploy information systems for making consequential decisions will have increased workload to ensure compliance with the bill.

Effective Date

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

State Appropriations

For FY 2025-26, the bill requires a reduction in appropriations of \$60,661 from the Offender Services Fund to the Judicial Department, and a reduction of 0.5 FTE.

State and Local Government Contacts

All State Agencies