HB 24-1029

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number:	LLS 24-0597	**Date:**	February 7, 2024
Prime Sponsors:	Rep. Bradley	**Bill Status:**	House State Affairs
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Bill Topic: **PROHIBIT FOREIGN OWNERSHIP OF AGRICULTURE AND NATURAL RESOURCES**

Summary of Fiscal Impact:

☒ State Revenue ☐ State Transfer ☒ Local Government
☒ State Expenditure ☐ TABOR Refund ☐ Statutory Public Entity

The bill prohibits covered foreign persons from owning certain property interests in Colorado and requires that persons obtaining property ownership register with the Secretary of State. The Attorney General may take civil action for any violations. The bill increases state expenditures and workload on an ongoing basis and may increase state and local revenue.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of $194,156 to the Department of State.

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

Table 1
State Fiscal Impacts Under HB 24-1029

		Budget Year FY 2024-25	Out Year FY 2025-26
Revenue		-	-
Expenditures	Cash Funds	$194,156	$23,869
	Centrally Appropriated	$10,616	$5,676
	Total Expenditures	**$204,772**	**$29,545**
	Total FTE	**0.6 FTE**	**0.3 FTE**
Transfers		-	-
Other Budget Impacts		-	-

Summary of Legislation

The bill prohibits nonresident foreign citizens, entities, or governments (covered foreign persons) of the People's Republic of China, the Russian Federation, or any country that is on the U.S. Department of State's list of state sponsors of terrorism, from acquiring a controlling ownership share (more than 50 percent) of agricultural land, mineral rights, or water rights.

Any covered foreign person that acquires the controlling ownership share in a property interest before January 1, 2025, may retain the property interest, but is prohibited from acquiring any additional controlling ownership in a property interest after this date. If a controlling ownership interest is acquired, it must be sold or otherwise disposed within two years.

Registration requirement. No later than March 1, 2025, or 60 days after acquiring any ownership of a property interest, a covered foreign person with an ownership share must register with the Secretary of State (SOS). The SOS may create rules to implement the registration requirements. If a covered foreign person fails to register with the SOS, they are subject to a penalty of up to $2,000, credited to the General Fund.

Civil action and fines. The Attorney General must take civil action in the district court where the obtained property interest is located against any covered foreign person that is reasonably believed to violate the prohibition or not comply with the registration requirement. If the property interest is found to be acquired in violation of the law, the property interest reverts to the state. The State Treasurer must sell the property, with proceeds from the sale, minus any costs incurred by the state, returned to the covered foreign person, and any surplus transferred to the treasurer of the county, or counties, where the property interest is located.

State Revenue

The bill may increase state revenue from fines to the General Fund and fees to the Department of State Cash Fund, which are subject to TABOR.

Fine revenue. The bill creates a penalty for failure to register with the SOS of up to $2,000, credited to the General Fund. This analysis assumes a high level of compliance and that any fine revenue increase will be minimal.

Fee revenue. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Under current law, the SOS is authorized to adjust fees so that the revenue generated approximates its direct and indirect program costs. The SOS is primarily funded through business filing fees. To cover the costs described in the State Expenditures section below, fees may need to be raised to cover all or some of the costs of this bill. The fees affected and the actual amount of fee charges will be set administratively by the SOS based on cash fund balance, total program costs, and the estimated number of professional activities subject to fees. This revenue is subject to TABOR.

State Expenditures

The bill increases expenditures in SOS by approximately $205,000 in FY 2024-25 and approximately $30,000 in future years, paid from the Department of State Cash Fund. The bill may also increase expenditures in the Department of Law (DOL) and the Department of the Treasury (Treasury). Costs are shown in Table 2 and detailed below.

Table 2
Expenditures Under HB 24-1029

	FY 2024-25	FY 2025-26
Secretary of State		
Personal Services	$39,118	$23,485
Operating Expenses	$768	$384
Capital Outlay Costs	$6,670	-
Computer Programming	$147,600	-
Centrally Appropriated Costs[1]	$10,616	$5,676
Total Cost	**$204,772**	**$29,545**
Total FTE	**0.6 FTE**	**0.3 FTE**

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

Secretary of State. The SOS will incur costs to create and administer a new application procedure to capture and store registration information. This registration system requires 0.3 FTE in the Business and Licensing Division in FY 2024-25 only, and an ongoing addition of 0.3 FTE in the Information Technology (IT) Division beginning in FY 2024-25. The work will include drafting forms, research for rulemaking, training SOS staff, and participating in the development and testing of the registration system. IT costs to develop and maintain the registration system are estimated at 1,200 hours at $123 per hour in FY 2024-25 only.

Department of Law. The DOL may have an increase in expenditures to investigate and prosecute civil actions against property ownership violations. Any increase is not expected until FY 2025-26. The number of future cases of unlawful ownership is unknown and the expenditure impact on DOL, if any, will be addressed during the budget process. The department may also be required to assist in the promulgation of rules for the program.

Treasury Department. Beginning FY 2025-26, if the DOL brings civil action against a property owner that results in property reverting to the state, Treasury must have a process to sell or dispose of that property and distribute proceeds to the covered foreign person. Treasury may retain a portion of sales to cover costs. Because this is a new responsibility for the department, the cost likely includes new staff; however, since the number of unlawful ownership cases is unknown, any increase in expenditures will be addressed during the 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 include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Local Government

In cases where the state is required to sell property acquired from a covered foreign person, counties may receive an increase in revenue from the sale of property if any proceeds of a sale remain.

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 2024-25, the bill requires an appropriation of $194,156 from the Department of State Cash Fund to the Department of State, and 0.6 FTE.

State and Local Government Contacts

Agriculture	Information Technology	Judicial
Law	Local Affairs	Personnel
Secretary of State	Treasury	Natural Resources

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.