

Colorado Legislative Council Staff Fiscal Note

STATE
REVISED FISCAL IMPACT

(replaces fiscal note dated April 22, 2013)

Drafting Number: LLS 13-0399

Date: April 25, 2013

Prime Sponsor(s): Rep. Lee
Sen. Kefalas

Bill Status: Senate Second Reading

Fiscal Analyst: Bill Zepernick (303-866-4777)

TITLE: CONCERNING BENEFIT CORPORATIONS.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
Cash Funds		
Department of State Cash Fund	<\$500	<\$250
State Expenditures		
Cash Funds		
Department of State Cash Fund	\$91,760	
FTE Position Change		
Effective Date: January 1, 2014, assuming no referendum petition is filed.		
Appropriation Summary for FY 2013-2014: See State Appropriations section.		
Local Government Impact: None.		

The fiscal note has been revised to reflect additional information from the Department of State on the impact of amendments adopted by the Senate Business, Labor, and Technology Committee.

Summary of Legislation

The *reengrossed bill, as amended*, establishes the requirements for a corporation to be created as, or elect to become, a public benefit corporation. A public benefit corporation is a for-profit corporation that is intended to produce one or more public benefits and to operate in a responsible and sustainable manner. Public benefit corporations must identify the public benefits to be promoted in their articles of incorporation. Public benefits may include positive effects or the reduction of negative effects on categories of people, entities, communities, or interests other than the shareholders of the public benefit corporation. Public benefit corporation must use the words "Public Benefit Corporation" or the abbreviation "PBC" in its name.

When a public benefit corporation is formed as a new business, it must state that it is a benefit corporation in its articles of incorporation. An existing business can elect to become a benefit corporation by amending its articles of incorporation with two-thirds votes by each class of shareholders. A shareholder is entitled to dissent and obtain payment of the fair market value of the shareholder's shares in the event of a corporation merger or election to become, or cease to be, a

benefit corporation. Public benefit corporations are required to prepare an annual report that discusses the ways in which the corporation has promoted its specified public benefits and that assesses its overall social and environmental performance against a third-party standard. The assessment does not need to be performed, audited, or certified by a third party.

State Revenue

This bill is expected to increase revenue by less than \$500 in FY 2013-14, and less than \$250 in FY 2014-15, to the Department of State Cash Fund. The revenue is from existing corporations converting to benefit corporations. The current fee to amend articles of incorporation is \$25. As of 2012, there were ten corporations in Colorado that are already certified as benefit corporations by an independent organization. The fiscal note assumes that each of these corporations will amend their articles of incorporation to convert to a benefit corporation under Colorado law, resulting in \$250 in revenue in FY 2013-14. Other corporations may also elect to become benefit corporations, but this number is unknown and assumed to generate less than \$250 in new revenue in FY 2013-14 and FY 2014-15.

The fiscal note assumes that new organizations that incorporate as benefit corporations will incorporate regardless of this legislation, so no other increase in revenue is expected.

State Expenditures

The Department of State must modify its computer system to accommodate the requirements of benefit corporations. This effort is expected to cost **\$91,760 in FY 2013-14** for 1,240 hours of computer programming time at a rate of \$74 per hour. These costs are paid from the Department of State Cash Fund.

State Appropriations

The Department of State requires a cash funds appropriation of \$91,760 for FY 2013-14 from the Department of State Cash Fund.

Departments Contacted

State