SB 23-080

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

Drafting Number:	LLS 23-0763	**Date:**	August 24, 2023
Prime Sponsors:	Sen. Lundeen	**Bill Status:**	Postponed Indefinitely
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Bill Topic: **TAX CREDIT PARENTAL ENGAGEMENT IN SCHOOLS**

Summary of Fiscal Impact:

☒ State Revenue
☒ State Expenditure
☐ State Transfer
☒ TABOR Refund
☐ Local Government
☐ School District

For tax years 2024 through 2028, this bill would have created a state income tax credit for a taxpayer who volunteers at an eligible school. The bill would have decreased state revenue, increased state expenditures, and affected school district workload and costs beginning in FY 2023-24 through FY 2028-29.

Appropriation Summary: For FY 2023-24, this bill would have required a General Fund appropriation of $32,500 to the Department of Education.

Fiscal Note Status: The fiscal note reflects the introduced bill. The bill was postponed indefinitely by the House Education Committee on February 14, 2023; therefore, the impacts identified in this analysis do not take effect.

Table 1
State Fiscal Impacts Under SB 23-080

		Budget Year FY 2023-24	Out Year FY 2024-25	Out Year FY 2025-26
Revenue	General Fund	($97.8 million)	($112.5 million)	($134.9 million)
	Total Revenue	**($97.8 million)**	**($112.5 million)**	**($134.9 million)**
Expenditures	General Fund	$32,500	$1,163,613	$1,632,782
	Centrally Appropriated	-	$294,247	$440,372
	Total Expenditures	**$32,500**	**$1,457,860**	**$2,073,154**
	Total FTE	**-**	**18.0 FTE**	**27.0 FTE**
Transfers		-	-	-
Other Budget Impacts	TABOR Refund	($97.8 million)	($112.5 million)	Not estimated
	General Fund Reserve	$4,875	$174,542	$244,917

Summary of Legislation

For tax years 2024 through 2028, this bill creates a state income tax credit for a parent, guardian, or legal custodian of a child who volunteers at their child's school. The amount of the credit is twenty dollars for each volunteer hour, up to $500 per tax year for a parent who volunteers for 25 hours or more. The tax credit is refundable, meaning if the amount exceeds the taxpayer's state income tax liability, the balance is refunded to the taxpayer. An eligible school is defined as a public school, district charter school, an institute charter school or a board of cooperative services. To qualify, the taxpayer must volunteer during school or after school hours. Qualifying activities include placement in:

- the classroom of a taxpayer's child;
- the central school office;
- the cafeteria to support school lunch duties: or
- any other way an eligible school identifies to support student academic achievement.

Eligible schools are encouraged to promote the state income tax credit to parents and provide volunteer opportunities throughout the year to accommodate parent schedules and interests.

On or before May 1, 2025, the bill requires the State Advisory Council for Parental Involvement in Education (SACPIE) within the Department of Education to solicit and collect parental feedback to measure parental engagement participation and to determine whether parental engagement provides support to schools. SACPIE is required to develop marketing materials to promote the income tax credits to parents and conduct training session to instruct eligible schools on how to implement, operate and manage a volunteer program and the administration of the credit certificates.

At the end of each school year through the 2028-29 school year, eligible schools are required to collect parental feedback concerning the parent's volunteer experience and report its findings to their school districts before July 1, 2025 and each July 1 thereafter through July 1, 2029. School districts are required to report the information from the parental engagement surveys to the Department of Education before October 1, 2025, and each October 1 thereafter through October 1, 2029. Finally, the bill requires the Department of Education to submit a report regarding the data from the parental engagement surveys to the state auditor and the education and finance committees of the House of Representatives and the Senate.

Assumptions

Taxpayer information from the Department of Revenue shows 545,313 returns (both single and joint) reported at least one dependent between the ages of 3 and 17 in tax year 2019, the latest data available. The US Bureau of Labor Statistics collects and provides a report on volunteerism, and the latest report (2015) shows about 41 percent of men and women with children under 18 volunteered at an educational or youth service organization.

The fiscal note utilizes the 2019 DOR tax return data as the starting point for number of taxpayers that may claim the refundable state income tax credit. The number of taxpayers was adjusted by the state demographer's household growth projections to obtain estimates for the period the income tax credit is available. The estimated volunteerism rate was applied and is assumed to increase through the period the credit as available. The fiscal note assumes that about 204,000 taxpayers will claim the credit in tax year 2024, growing to about 346,000 taxpayers tax year 2028. Of these, the fiscal note assumes, on average, about 90 percent will clam the full $500 credit, with the remaining 10 percent claiming at least $300.

State Revenue

The bill is expected to decrease General Fund revenue by $97.8 million in FY 2023-24 (half-year impact) and $112.5 million in FY 2024-25. Full-year revenue reductions of up to almost $200 million will continue each year through FY 2027-28, with a half-year impact in FY 2028-29, when the credit is repealed. The bill reduces individual income tax revenue, which is subject to TABOR.

State Expenditures

The bill will increase General Fund expenditures by $32,500 and in FY 2023-24, by $1,457,860 and 18.0 FTE in FY 2024-25, and by $2,073,154 and 27.0 FTE annually from FY 2025-26 through FY 2028-29. These costs, which are incurred in the Department of Revenue and the Department of Education, are summarized in Table 2 and described below.

Table 2
Expenditures Under SB 23-080

	FY 2023-24	FY 2024-25	FY 2025-26
Department of Revenue			
Personal Services	-	$1,024,618	$1,526,282
Operating Expenses	-	$27,405	$36,450
Computer Programming and Testing	-	$42,116	-
Date Reporting	-	$7,392	$7,328
Document Management	-	$22,082	$22,722
Centrally Appropriated Costs[1]	-	$294,247	$440,372
FTE – Personal Services	-	18.0 FTE	27.0 FTE
DOR Subtotal	**-**	**$1,417,860**	**$2,033,154**
Department of Education			
Survey Development and Maintenance	$32,500	$10,000	$10,000
Survey Review	-	$10,000	$10,000
Trainings for Schools	-	$20,000	$20,000
CDE Subtotal	**$32,500**	**$40,000**	**$40,000**
Total	**$32,500**	**$1,457,860**	**$2,073,154**
Total FTE	**-**	**18.0 FTE**	**27.0 FTE**

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

Department of Revenue. Expenditures in the Tax Division within the DOR will increase to administer the tax credit, to update the GenTax system, and make form changes

- **Personal services.** The Department of Revenue will require 18.0 FTE in FY 2024-25 and 27.0 FTE in FY 2025-26 to administer the tax credit based on current DOR staff levels. The majority of the personal services expenditure increase is attributable to staffing in the Taxpayer Service Division to review tax credits claimed, identify and address taxpayer errors, and manage call and correspondence volume associated with the new tax credit. In general, refundable income tax credits have a higher rate of fraud and require additional documentation and review. Since there is not a third-party verification process to certify if the taxpayer has completed the required volunteer activity, expenditures assume that 100 percent of claimed credits will be reviewed, consistent with current department policy. Approximately 204,000 to 415,000 taxpayers are expected to claim the bill's tax credits each year the credit is available. Standard operating and capital outlay costs are included for new staff. For FY 2023-24, estimated personnel costs assume an October 1, 2023, start date to administer tax credits claimed on 2023 tax forms and are prorated for the General Fund pay date shift.

- **Computer programming and testing.** For FY 2024-25 only, the bill will require changes to DOR's GenTax software system and additional testing. Changes are programmed by a contractor at a cost of $225 per hour. Approximately 100 hours of computer programming will be required to implement this bill, totaling $22,500. Additional computer and user acceptance testing are required to ensure programming changes are tested and functioning properly, resulting in an additional $19,616 in expenditures by the department.

- **Data reporting.** Beginning in FY 2023-24, the Office of Research and Analysis (ORA) within DOR will have costs of $7,392 to collect and report data on the new tax credit.

- **Document management and tax form changes.** In FY 2024-25, the bill requires changes to one tax form and computer testing for paper filings at a cost of $8,144. Expenditures for form changes occur in the Department of Personnel and Administration using reappropriated funds.

Department of Education. Expenditures in the Department of Education will increase to develop and maintain the parental engagement survey and conduct trainings for schools.

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.

School Districts

School districts will have additional workload and costs under the bill to screen additional school volunteers as required under current law, to coordinate volunteer opportunities for interested parents and guardians, and to survey volunteers and report data annually to the CDE. To the extent that the use of volunteers reduces the amount of staff time required for certain activities, school districts may have cost savings or cost avoidance.

Other Budget Impacts

TABOR refunds. The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above for FY 2022-23, FY 2023-24, and FY 2024-25. This estimate assumes the December 2022 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2024-25. Because TABOR refunds are paid from the General Fund, decreased General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save.

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 beginning in FY 2022-23. Based on this fiscal note, the bill is expected to decrease the amount of General Fund held in reserve by the amounts shown in Table 1, which will increase 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.

State Appropriations

For FY 2023-24, this bill requires a General Fund appropriation of $32,500 to the Department of Education.

State and Local Government Contacts

Education	Information Technology	Personnel
Revenue		