



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1292: SCHOLARSHIP GRANTING ORGANIZATIONS

Prime Sponsors:

Rep. Goldstein
Sen. Kipp; Marchman

Fiscal Analyst:

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Bill Outcome: Postponed Indefinitely**Drafting number:** LLS 26-0798**Version:** Final Fiscal Note**Date:** May 28, 2026

Fiscal note status: The final fiscal note reflects the introduced bill. This bill was postponed indefinitely by the House Education Committee on April 30, 2026; therefore, the impacts identified in this analysis do not take effect.

Summary Information

Overview. The bill would have required all scholarship granting organizations be included on the list the state provides to the federal government for the purposes of a newly created tax credit, and prohibited any school that enrolls a student whose education-related expenses are paid through a scholarship granting organization from discriminating against students and their families.

Types of impacts. The bill would have affected the following areas on an ongoing basis:

- State Revenue
- State Expenditures
- School Districts

Appropriations. For FY 2026-27, the bill would have required an appropriation of \$124,834 to the Colorado Department of Education.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$149,524	\$271,047
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	1.0 FTE	2.0 FTE

Table 1A
State Expenditures

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$124,834	\$221,667
Cash Funds	\$0	\$0
Federal Funds	\$0	\$0
Centrally Appropriated	\$24,690	\$49,380
Total Expenditures	\$149,524	\$271,047
Total FTE	1.0 FTE	2.0 FTE

Summary of Legislation

The federal One Big Beautiful Bill Act, or HR1, created the Education Freedom Tax Credit, which provides a tax credit of up to \$1,700 per taxpayer for donations to scholarship granting organizations (SGOs) that provide scholarships to students for education-related expenses. Each state must determine whether to opt into the credit and provide a list of eligible SGOs to the federal Department of Treasury by January 1 of each year. The credit begins in tax year 2027.

Nondiscrimination Requirements

The bill prohibits any school that enrolls a student whose education-related expenses are paid by an SGO (participating schools) from discriminating on the basis of any student, parent, or family member's disability, race, ethnicity, religion, color, sex, sexual orientation, gender identity, family composition, age, national origin, language proficiency, or socioeconomic status. The bill does not prohibit a non-public school from maintaining its religious mission.

The bill requires that participating schools comply with state and federal laws concerning students with disabilities, and may not charge additional tuition and fees to a student who requires accommodation for a disability. Participating schools must publish the prohibition on its website, application, and enrollment materials.

If a participating school violates the bill's requirements, an injured party or an SGO that distributed money to the school may file an action in court, and the State Board of Education may suspend the school's eligibility to receive SGO funds for enrolled students for up to five years.

List of Scholarship Granting Organizations

If the state elects to participate in the program, the bill requires that the state include all SGOs that meet federal requirements on the list submitted to the federal government.

Assumptions

The fiscal note assumes that Colorado is participating in the credit.

As of publication of this fiscal note, the federal Internal Revenue Services and Treasury Department has issued initial guidance on state opt-in procedures, but has not adopted rules or guidance on the implementation of the credit by states, schools, and SGOs. Guidance is expected to be issued in 2026, prior to the credit beginning in 2027, and may impact the exact costs required for CDE to implement the bill. As a result, the fiscal note includes a preliminary estimate of the costs that may be revised by CDE through the annual budget process.

State Revenue

The bill may minimally increase revenue to the Judicial Department from an increase in filing fees from civil case filings. Revenue from filing fees is subject to TABOR.

State Expenditures

The bill increases state expenditures in CDE by about \$150,000 in FY 2026-27, and by about \$271,00 in FY 2027-28. These costs, paid from the General Fund, represent preliminary estimates and will be updated if more federal guidance becomes available. New costs are summarized in Table 2 and discussed below. The bill also affects workload in the Department of Law.

Table 2
State Expenditures
Department of Education

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28
Personal Services	\$109,554	\$219,107
Operating Expenses	\$1,280	\$2,560
Capital Outlay Costs	\$14,000	\$0
Centrally Appropriated Costs	\$24,690	\$49,380
Total Costs	\$149,524	\$271,047
Total FTE	1.0 FTE	2.0 FTE

Department of Education

The department will have staff and legal services costs beginning in FY 2026-27 to implement the bill. CDE requires 2.0 FTE to enforce the bill's requirements, of which 1.5 FTE is for investigation and enforcement staff to handle complaints and 0.5 FTE is to support the State Board of Education in considering disciplinary action. First-year costs assume a January 2027 start date to align with the start of the federal credit.

As noted in the State Assumptions section, this fiscal note represents a preliminary estimate, as actual costs will depend on federal guidance and rules, and legal interpretations of both the credit and the bill. CDE may request additional appropriations through the budget process.

Department of Law

The Department of Law will have additional workload and costs to provide legal support to CDE to implement the bill. There may also be costs to handle legal challenges related to the enforcement of state and federal laws on private schools and the free exercise of religion. Initially, it is assumed that any legal costs can be handled through CDE's existing appropriations for legal services; however, it is likely that additional appropriations will be required and requested through the annual budget process based actual litigation, how any cases proceed through the courts, and the amount of legal support required.

Judicial Department

Trial courts in the Judicial Department may experience a minimal increase in workload to the extent additional civil cases are filed under the bill. No change in appropriations for the trial courts is required.

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, indirect cost assessments, and other costs, are shown in Table 2 above.

School District

The bill may increase workload and legal costs for school districts if complaints alleging violations occur. The fiscal note assumes that any impacts will be minimal, as public schools and school districts provide free education, must comply with federal and state laws, and are already subject to anti-discrimination requirements.

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 2026-27, the bill requires a General Fund appropriation of \$124,834 to the Colorado Department of Education, and 1.0 FTE.

State and Local Government Contacts

Education	Personnel
Judicial	Regulatory Agencies
Law	

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](#).