

**JBC STAFF FISCAL ANALYSIS
HOUSE APPROPRIATIONS COMMITTEE**

CONCERNING AN INCOME TAX CREDIT FOR CERTAIN EARLY CHILDHOOD EDUCATORS.

Prime Sponsors: Reps. Buckner and Wilson
Sens. Todd and Priola

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Fiscal Impact of Bill as Amended to Date

The most recent Legislative Council Staff Fiscal Note (attached) reflects the fiscal impact of the bill as of 01/18/19.

XXX	No Change: Attached LCS Fiscal Note accurately reflects the fiscal impact of the bill
	Update: Fiscal impact has changed due to <i>new information or technical issues</i>
	Update: Fiscal impact has changed due to <i>amendment adopted</i> after LCS Fiscal Note was prepared
	Non-Concurrence: JBC Staff and Legislative Council Staff disagree about the fiscal impact of the bill

Amendments in This Packet for Consideration by Appropriations Committee

Amendment	Description
J.001	Staff-prepared appropriation amendment
L.008	Bill Sponsor amendment - changes fiscal impact <i>and</i> the appropriation

Current Appropriations Clause in Bill

The bill requires but does not contain an appropriation clause.

Description of Amendments in This Packet

J.001 Staff has prepared amendment **J.001** (attached) to add a provision appropriating a total of \$79,780 General Fund to the Department of Revenue for FY 2019-20. This provision also states that the appropriation is based on the assumption that the Department will require an additional 1.2 FTE.

L.008 Bill Sponsor amendment **L.008** (attached) includes the following changes:

- Adds a means test that an educator must earn less than \$75,000 for a single filer and \$85,000 for a joint filer;
- Shifts the availability of the credit to tax years 2020-2024 from 2019-2023;
- Reduces the tax credit as follows:
 - \$500 for an Early Childhood Professional (ECP) I from \$1,000;
 - \$750 for an ECP II from \$1,500;

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- \$1,000 for an ECP III from \$2,000; and
- \$500 for an ECP IV, ECP V, and ECP VI from \$2,000;
- Adds reporting from the Department of Human Services to the Department of Revenue; and
- Clarifies the requirements for eligible programs and clarifies that only one credit is allowed per tax year.

As identified on page 2 of the Legislative Council Staff Fiscal Note Memorandum, dated April 16, 2019 (attached), amendment L.008 eliminates the appropriation necessary in FY 2019-20 (shifting the expenditures to FY 2020-21); eliminates the General Fund revenue reduction in FY 2018-19; reduces the General Fund revenue reduction in FY 2019-20 to \$2.6 million; and reduces the General Fund revenue reduction in FY 2020-21 to \$5.3 million, with similar reductions through FY 2023-24 and a half-year impact in FY 2024-25.

If the Committee adopts L.008, then J.001 should not be adopted.

Points to Consider

General Fund Impact

The Joint Budget Committee has proposed a budget package for FY 2019-20 based on the March 2019 Legislative Council Staff revenue forecast. The budget package leaves approximately \$47.9 million General Fund unallocated. Thus, the General Assembly could appropriate up to \$44.7 million General Fund to fund 2019 legislation and maintain a 7.25 percent General Fund reserve. This bill requires a General Fund appropriation of \$79,780 for FY 2019-20, and is anticipated to reduce General Fund revenues by \$5,579,025 in FY 2018-19 and by \$11,531,402 in FY 2019-20, reducing the excess General Fund reserve by \$17,195,991.

Additionally, the bill requires appropriations of \$150,851 General Fund and 2.2 FTE in FY 2020-21 through FY 2023-24 and is anticipated to reduce General Fund revenues by \$45.9 million from FY 2020-21 through FY 2023-24.

If amendment L.008 is adopted, the bill is anticipated to reduce General Fund revenues by \$2.6 million in FY 2019-20, reducing the excess General Fund reserve by the same amount, and reduces General Fund revenues by \$24.9 million from FY 2020-21 through FY 2024-25. Although this bill would not require a General Fund appropriation for FY 2019-20, it is projected to require General Fund appropriations of \$101,837 in FY 2020-21 and \$150,851 in FY 2021-22 through FY 2024-25.