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SB 20B-006

FISCAL NOTE

Drafting Number: LLS 20B-0010
Prime Sponsors: Sen. Lundeen, Rep. Geitner

Date: November 30, 2020
Bill Status: Senate Finance
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Bill Topic: REMOTE INSTRUCTION FAMILY STIPEND PROGRAM

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, Statutory Public Entity

The bill creates the remote instruction family stipend program in the Department of Revenue. The bill increases state revenue in the current FY 2020-21 and FY 2021-22, and expenditures through FY 2022-23.

Appropriation Summary: The bill requires an appropriation of \$529.2 million in the current FY 2020-21, and \$388,064 in FY 2021-22 from the General Fund to the Department of Revenue.

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

Table 1
State Fiscal Impacts Under SB 20B-006

Table with 5 columns: Category, Fund, FY 2020-21 (current year), FY 2021-22, FY 2022-23. Rows include Revenue, Expenditures, Transfers, and TABOR Refund.

Summary of Legislation

The bill creates the remote instruction family stipend program in the Department of Revenue (DOR). The program provides a stipend to parents of students who participate in remote instruction during the 2020-21 school year due to the COVID-19 pandemic to cover education-related expenses.

Stipend. To be eligible for the stipend, students must be enrolled in kindergarten through twelfth grade at a public or private school, and the parent's income in 2020 must be no more than \$50,000 for a single-income household, or \$68,000 of joint parental income. The one-time stipend is \$1,500 per eligible student, plus an additional \$500 for up to two additional students in the family. Stipends may not exceed \$2,500 per family.

Administration. By January 21, 2021, the department must establish an online portal for parents to apply for a stipend. Applicants must submit an affidavit attesting that they meet eligibility requirements and describing the education-related expenses that have been or will be incurred. The department must issue a stipend to each applying parent.

Audit. No later than December 1, 2021, the department must audit a representative sample of parents who received stipends to verify that program requirements are met. If the audit demonstrates that parents did not comply with program requirements, the department must commence legal action to recover the amount distributed. Parents receiving a stipend must retain receipts for education-related purchases for one year.

Funding. In FY 2020-21, the General Assembly must appropriate General Fund money to fund the program. The program is repealed July 1, 2023.

Data and Assumptions

Remote learning. As of November 1, 2020, the Colorado Department of Education estimates that 604,335 students were participating in either full-time remote learning or hybrid remote and in-person learning. This number is fluid, as school district learning options change; however, the fiscal note assumes that it is a proxy for students that will do remote learning at some point during the 2020-21 school year.

Income eligibility. Based on 2019 American Community Survey data, 48 percent of families with children earn less than \$60,000 per year. Based on this information, the fiscal note assumes that 50 percent of families make up to \$68,000 per year, the income limit specified in the bill.

Family size. According to national PUMS data, 39 percent of families have one child, 39 percent have two children, and 22 percent have 3 or more children. Based on this information, the fiscal note assumes that an additional \$500 will be awarded for about 50 percent of eligible children.

State Revenue

The bill increases General Fund revenue from income taxes by \$12.0 million in FY 2020-21 and FY 2021-22. The fiscal note assumes that stipends paid will be taxable income for the families that receive them. This estimate equals 4.55 percent of the maximum stipend amount of \$528.8 million. The estimates for FY 2020-21 and FY 2021-22 each represent half-year impacts for tax year 2021 on an accrual accounting basis.

To the extent that a family who receives a stipend has sufficient federal or state income tax deductions to offset the additional income, or fewer stipends are distributed, the revenue increase will be less than estimated. State income tax revenue is subject to TABOR, except that the portion transferred to the State Education Fund is TABOR-exempt under Amendment 23.

State Transfers

Because the bill increases state income tax revenue, it also increases the amount transferred from the General Fund to the State Education Fund by \$1.7 million, split equally in FY 2020-21 and FY 2021-22. Under the Colorado Constitution (Amendment 23) and current law, an amount equal to one-third of one percent of taxable income is required to be transferred to the State Education Fund to be used for public school finance. The bill is assumed to increase taxable income, thereby increasing the amount of this transfer. The amount transferred to the State Education Fund is TABOR-exempt under Amendment 23

State Expenditures

The bill increases state General Fund expenditures in the DOR by \$529.2 million in FY 2020-21, \$496,311 in FY 2021-22, and \$108,090 in FY 2022-23. These costs are listed in Table 2 and discussed below.

Table 2
Expenditures Under SB 20B-006

	FY 2020-21 <i>(current year)</i>	FY 2021-22	FY 2022-23
Department of Revenue			
Personal Services	\$134,340	\$260,689	-
Operating Expenses	\$3,780	\$6,885	-
Capital Outlay Costs	\$18,600	\$12,400	-
Legal Services	-	\$106,340	\$106,340
GenTax Programming	\$273,250	\$1,750	\$1,750
Stipends	\$528,793,125	-	-
Centrally Appropriated Costs*	\$53,655	\$108,247	-
FTE – Personal Services	2.5 FTE	5.1 FTE	-
FTE - Legal Services	-	0.6 FTE	0.6 FTE
Total Cost	\$529,276,750	\$496,311	\$108,090
Total FTE	2.5 FTE	5.7 FTE	0.6 FTE

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

Administration. The department requires additional staffing to accommodate a large volume of phone inquiries concerning eligibility and application procedures, and to conduct required audits by December 1, 2020. This amount is estimated at 2.5 FTE in FY 2020-21 and 5.1 FTE in FY 2021-22. The fiscal note assumes that stipends will be available through the end of FY 2021-22 and DOR will not be required to administer stipends in subsequent years.

GenTax. This bill requires expenditures of \$273,250 to program, test, and update database fields in the Department of Revenue's GenTax software system. Programming costs represent 1,020 hours of contract programming at a rate of \$225 per hour. Costs for testing at the department are estimated represent 1,250 hours of contract testing at a rate of \$35 per hour. Expenditures in the Office of Research and Analysis are required for changes in the related GenTax reports so that the department can access and document statistics related to the stipends.

Stipends. The bill requires up to \$528.8 million for stipends to qualified families. This amount is based on stipends being claimed for all 302,168 eligible students, with parents receiving a \$1,500 stipend for all students, and an additional \$500 for half the eligible students. Should the COVID-19 pandemic result in school districts moving to remote learning that have not previously done so during the 2020-21 school year, stipend costs will increase. Should fewer families request stipends, stipend costs will be lower than anticipated.

Legal services. Additional legal services hours in FY 2020-21 can be accommodated within current appropriations. Based on the number of stipends awarded, the Department of Revenue will require up to 1,000 hours of legal services in FY 2021-22 and FY 2022-23 to pursue legal action to recover the amount distributed from recipients who did not meet program qualifications or used the stipend for non-qualified uses. Legal services are provided by the Department of Law at a rate of \$106.34 per hour.

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 estimated to be \$53,655 in FY 2020-21 and \$108,247 in FY 2021-22.

TABOR refunds. Under the September 2020 LCS Economic and Revenue Forecast, the state is not expected to collect revenue above the TABOR limit in either FY 2020-21 or FY 2021-22, and refund obligations are not anticipated for these years. This bill does not change these expectations concerning refunds to taxpayers.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For the current FY 2020-21, the bill requires a General Fund appropriation of \$529,223,095 to the Department of Revenue.

For FY 2021-22, the bill requires a General Fund appropriation of \$388,064 to the Department of Revenue.

State and Local Government Contacts

Education

Law

Revenue