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**Final Fiscal Note**

<b>Drafting Number:</b>	LLS 24-0817	<b>Date:</b>	July 31, 2024
<b>Prime Sponsors:</b>	Sen. Rich	<b>Bill Status:</b>	Postponed Indefinitely
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**Bill Topic: INCOME TAX CREDIT FOR PARENTAL SCHOOL ENGAGEMENT**

<b>Summary of Fiscal Impact:</b>	<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> State Transfer	<input checked="" type="checkbox"/> School District
	<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> TABOR Refund	<input type="checkbox"/> Statutory Public Entity

For tax years 2025 through 2029, the 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 2024-25 through FY 2030-31.

**Appropriation Summary:** For FY 2024-25, the bill would have required an appropriation of \$51,741 to multiple departments.

**Fiscal Note Status:** The final fiscal note reflects the introduced bill. The bill was postponed indefinitely by the Senate Finance Committee on February 22, 2024; therefore, the impacts identified in this analysis do not take effect.

**Table 1**  
**State Fiscal Impacts Under SB 24-114**

		<b>Budget Year FY 2024-25</b>	<b>Out Year FY 2025-26</b>
<b>Revenue</b>	General Fund	(\$21,216,000)	(\$42,672,000)
	<b>Total Revenue</b>	<b>(\$21,216,000)</b>	<b>(\$42,672,000)</b>
<b>Expenditures</b>	General Fund	\$51,741	\$1,002,845
	Centrally Appropriated	-	\$226,317
	<b>Total Expenditures</b>	<b>\$51,741</b>	<b>\$1,229,162</b>
	<b>Total FTE</b>	<b>-</b>	<b>13.3 FTE</b>
<b>Transfers</b>		-	-
<b>Other Budget Impacts</b>	TABOR Refunds	(\$21,216,000)	(\$42,672,000)
	General Fund Reserve	\$7,761	\$150,427

## **Summary of Legislation**

For tax years 2025 through 2029, the 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 \$20 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 at which the percentage of students receiving free or reduced-cost lunch is at least 40 percent. 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.

To claim the credit, a taxpayer who volunteers is required to submit a credit certificate, issued by an eligible school, with the taxpayer's income tax return. 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, 2026, the bill requires the State Advisory Council for Parental Involvement in Education (SACPIE) within the Department of Education (CDE) to solicit and collect parental feedback to measure parental engagement 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 sessions 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 2029-30 school year, eligible schools are required to collect parental feedback concerning the parent's volunteer experience and report findings to the school district before July 1, 2026 and each July 1 thereafter through July 1, 2030. By February 15, 2027, and each February 15 thereafter through February 15, 2031, school districts are required to report the information from the parental engagement surveys to the Department of Education, the State Auditor, and the General Assembly.

## **Assumptions**

Data from the CDE indicate that 54.8 percent of public-school K-12 students are attending schools where at least 40 percent of students receive free or reduced-cost lunch in the 2023-24 school year. Applying the State Demographer's Office projection of 1.8 children under age 18 per household in 2023, an estimated 257,500 households are assumed to have children in school districts meeting the bill's free and reduced-cost lunch threshold. Of these, an estimated 41 percent are assumed to volunteer at their child's school, using data from the latest report on

volunteerism from the US Bureau of Labor Statistics (2015), leaving an estimated 15 percent of households with children undertaking volunteer activities in schools that would qualify for the new tax credit under the bill. This share was applied to taxpayer data from the Department of Revenue indicating 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, adjusted by the State Demographer’s Office projections for growth in households with children. The fiscal note assumes 88,400 taxpayers will claim the credit in tax year 2025, growing to about 92,500 taxpayers in tax year 2029. Of these, the fiscal note assumes that about 90 percent will claim 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 \$21.2 million in FY 2024-25 (half-year impact), \$42.7 million in FY 2025-26, and by increasing amounts up to \$44.2 million in FY 2028-29, until the final half-year impact of \$22.2 million in FY 2029-30, when the credit is repealed. The bill reduces individual income tax revenue, which is subject to TABOR.

### **State Expenditures**

The bill increases state expenditures by \$51,741 in FY 2024-25, \$1,229,162 in FY 2025-26, and smaller amounts in later years, paid from the General Fund. These costs, which are incurred in the CDE and the Department of Revenue (DOR), are shown in Table 2 and detailed below.

**Table 2**  
**Expenditures Under SB 24-114**

	<b>FY 2024-25</b>	<b>FY 2025-26</b>
<b>Department of Education</b>		
Survey Development and Maintenance	\$25,000	\$20,000
Marketing Materials Development	\$2,500	-
Course Development and Training	\$5,000	\$20,800
<b>CDE Subtotal</b>	<b>\$32,500</b>	<b>\$40,800</b>

**Table 2  
Expenditures Under SB 24-114 (Cont.)**

<b>Department of Revenue</b>		
Personal Services	-	\$765,506
Operating Expenses	-	\$17,024
Capital Outlay Costs	-	\$133,400
Computer Programming and Testing	-	\$30,927
Research and Analysis	-	\$7,392
Document Management	\$19,241	\$7,796
Centrally Appropriated Costs <sup>1</sup>	-	\$226,317
FTE – Personal Services	-	13.3 FTE
<b>DOR Subtotal</b>	<b>\$19,241</b>	<b>\$1,188,362</b>
<b>Total</b>	<b>\$51,741</b>	<b>\$1,229,162</b>
<b>Total FTE</b>	<b>-</b>	<b>13.3 FTE</b>

<sup>1</sup> Centrally appropriated costs are not included in the bill's appropriation.

**Department of Education.** The CDE will develop and maintain the parental engagement survey and conduct trainings for schools.

- **Survey development and maintenance.** The CDE will contract with a vendor to develop and maintain the survey. Costs assume \$25,000 for survey development and \$10,000 for survey maintenance, and \$10,000 for analysis to inform the annual report. This cost estimate is based on CDE's costs to develop the Teaching and Learning Conditions Survey.
- **Marketing materials and development.** The SACPIE will advise on the content of marketing materials, which CDE will contract with a vendor to develop at an estimated one-time cost of \$2,500.
- **Course development and training.** Costs assume creation of an online course and 8 regionally based in-person trainings. Course development costs are estimated at \$5,000, \$2,000 per day for a contract facilitator, and \$600 per in-person training for venue costs.
- **Annual report.** The annual report is estimated to require 40 hours of work, and can be accomplished within existing CDE appropriations.

**Department of Revenue.** The DOR will implement the new tax credit and process and review returns claiming the new tax credit as follows:

- **Staff.** The DOR will require an additional 13.3 FTE for tax examiners starting in FY 2025-26, 10.5 FTE for FY 2026-27 and subsequent years, through FY 2030-31. Standard operating and capital outlay costs are included, and account for the bill's effective date. The tax examiners are necessary to process and review additional returns claiming the new tax credit and to resolve errors in returns. The workload demand is significant due to the approximately 90,000 credit claims expected annually, and because the department is expected to need to coordinate with hundreds of schools issuing tax credit certificates.
- **Computer programming and testing.** For FY 2025-26 only, the DOR will have one-time costs of \$30,927 for computer programming and testing. Programming costs are estimated at \$23,175 representing 100 hours of contract programming at a rate of \$231.75 per hour. Costs for testing to ensure that programming changes are functioning properly are estimated at \$7,752, representing 152 hours for the Innovation, Strategy, and Delivery section in the Executive Director's Office at \$35 per hour, and 76 hours of user acceptance testing at a rate of \$32 per hour.
- **Research and analysis.** The Office of Research and Analysis within DOR will expend \$7,392 in FY 2025-26 and \$7,328 in FY 2026-27 and ongoing to collect and report data on the new tax credit.
- **Document management and tax form changes.** The bill requires \$19,241 in expenditures in FY 2024-25, \$7,796 in FY 2025-26, and \$7,892 in FY 2026-27 and ongoing through FY 2028-29 to implement tax form changes and document management. These expenditures will take place in the Department of Personnel and Administration using reappropriated funds from the DOR.

**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.

## 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. This estimate assumes the December 2023 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. 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. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

## 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.

## Technical Note

The Office of the State Auditor (OSA) is required to conduct recurring evaluations of each state tax expenditure according to metrics established when the tax expenditure is created or extended. The bill includes metrics to evaluate the performance of the tax expenditure; however, data may not be available in the future to evaluate the performance of this expenditure using these metrics. If data are unavailable, the OSA will evaluate the performance of the tax expenditure based on data available at the time.

## 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 2024-25, the bill requires the following General Fund appropriations:

- \$32,500 to the Department of Education; and
- \$19,241 to the Department of Revenue, which is fully reappropriated to the Department of Personnel and Administration.

## State and Local Government Contacts

Education  
Revenue

Human Services  
State Auditor

Personnel

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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](#).