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Final Fiscal Note

Drafting Number:	LLS 24-0891	Date:	June 12, 2024
Prime Sponsors:	Sen. Kirkmeyer	Bill Status:	Postponed Indefinitely
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Bill Topic: EMPOWERMENT SCHOLARSHIP ACCOUNTS

Summary of Fiscal Impact:	<input type="checkbox"/> State Revenue	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Local Government
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> TABOR Refund	<input checked="" type="checkbox"/> School District

The bill would have created the Empowerment Scholarship Program in the Colorado Department of Education (CDE) to provide funds for educational opportunities for eligible students. The bill would have increased state appropriations in FY 2024-25 and on net reduces state expenditures in subsequent years.

Appropriation Summary: For FY 2024-25, the bill would have required an appropriation of \$21,700 to the Colorado Department of Education.

Fiscal Note Status: The final fiscal note reflects the introduced bill. This bill was postponed indefinitely by the Senate Education Committee on February 28, 2024; therefore, the impacts identified in this analysis do not take effect.

Table 1
State Fiscal Impacts Under SB 24-122

		Budget Year FY 2024-25	Out Year FY 2025-26
Revenue		-	-
Expenditures	School Finance ¹	-	(\$136,067,526)
	State Education Fund	\$21,700	\$120,408,505
	Total Expenditures	\$21,700	(\$15,659,021)
Transfers		-	-
Other Budget Impacts		-	-

¹ The state share of school finance is paid from a combination of the General Fund, State Education Fund, and State Public School Fund.

Summary of Legislation

The bill creates the Empowerment Scholarship Program in the Colorado Department of Education (CDE) to provide funds for educational opportunities for eligible students.

Administration. No later than January 31, 2025, CDE must contract with an organization to administer the program. The organization must establish an application process, accounting and payment procedures, and submit an annual program audit to CDE beginning October 31, 2025.

To participate in the program, the parent of an eligible student must apply to the program and agree to provide an education for the student at a non-public school or home-based education program. The administering organization will create an account for the student and transfer an amount equal to 80 percent of the statewide average district per pupil funding for the prior year into that account.

Money in the account must be used for costs and fees related to:

- a non-public school or costs incurred in providing home-based education;
- special education services and therapies
- tutoring services, standard national exams, and preparatory courses for those exams;
- acquisition of industry-recognized credentials; and
- before-, after-, or summer school programs.

Eligibility. To qualify for the program, a student must be eligible to enroll in kindergarten through twelfth grade at a public school, withdraw from public school once a program account has been created for the student, and meet one of the following criteria:

- require special education services due to certain disabilities or impairments;
- have an individualized education plan;
- reside on a federally recognized American Indian reservation;
- be currently or previously placed in foster care; or
- be the sibling of a student who has participated in the program.

Funding. The organization may retain up to five percent of the amount it receives for each student for administrative costs. The General Assembly must appropriate necessary to fund the program from the State Education Fund.

Assumptions

The fiscal note is based on the following assumptions:

- the program will begin in the FY 2025-26 school year;
- the statewide average per pupil funding is estimated at \$11,403 in FY 2024-25, resulting in \$9,122 (80 percent) being paid to the administering entity for each participating student;
- of that amount, \$456 per student, or 5 percent, will be retained for administrative costs;

- an estimated 13,199 students will participate in FY 2025-26, based on the assumption that 75 percent of eligible private and home school students will participate, and the participation rate among eligible students in public schools will vary based on eligibility category. Participation is assumed to grow in subsequent years.

State Expenditures

In FY 2024-25, the bill increases state expenditures in CDE by \$21,700, paid from the State Education Fund. Beginning in FY 2025-26, the bill decreases net state expenditures by an estimated \$15.7 million, which reflects a \$120.4 million increase in expenditures for the Empowerment Scholarship program and a \$136.1 million decrease in the state share of school finance.

**Table 2
Expenditures Under SB 24-122**

	FY 2024-25	FY 2025-26
Department of Education		
Payments to Administering Entity	-	\$120,408,505
State Share of School Finance	-	(\$136,067,526)
RFP Costs	\$21,700	-
Total Cost	\$21,700	(\$15,659,021)

Payments to administering entity. CDE will transfer an estimated \$120.4 million to the administering entity in FY 2025-26, which represents \$9,122 per student for an estimated 13,199 participating students. Of this amount, \$6.0 million will be retained by the administering entity for administrative costs (\$456 per student) and the remaining \$114.4 million will be deposited into student accounts to be used for eligible expenses.

State share of school finance. The bill reduces the state share of school finance by an estimated \$136.1 million, beginning in FY 2025-26. The fiscal note assumes the estimated statewide average per pupil funding for FY 2025-26 (\$11,802), and 11,529 students currently enrolled in public schools and who will withdraw due to participation in the program. As a result, the state will not pay for those students through the school finance formula and the state share will be reduced. The actual school finance impact will depend on the school districts in which participating students are currently enrolled.

The state share of school finance is paid from a combination of the General Fund, State Education Fund, and State Public School Fund.

Request for proposals. CDE requires \$21,700 in FY 2024-25 only to conduct the request for proposal process to hire the administering entity. This cost is based on the standard 350 hours, at a rate of \$62 per hour. These costs will reoccur every five years for the duration of the program.

School District

The bill reduces school district revenue and expenditures, as discussed below.

Revenue. As discussed above, the bill reduces the state share of school finance by an estimated \$136.1 million in FY 2025-26 and subsequent years. Any student who would be enrolled in a school district and decides to participate in the program must withdraw from the school district and thus, will not be funded through the school finance formula. The amount of the state share reduction for any given district will depend on how many students from the district choose to participate in the program, and the actual per pupil funding amount for that district.

Expenditures. The bill reduces expenditures for school districts that have students withdraw and instead enroll in the program, as the districts will no longer serve that students. Actual expenditure changes will depend on the number of students from the district who participate in the program and the costs associated with educating those students.

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 an appropriation of \$21,700 from the State Education Fund to the Colorado Department of Education.

State and Local Government Contacts

Education

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](#).