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Final Fiscal Note

Drafting Number: LLS 24-0532 Date: August 1, 2024
Prime Sponsors: Sen. Fenberg; Marchman Bill Status: Signed into Law
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Bill Topic: MODIFICATION TO COLLEGE KICKSTARTER ACCOUNT PROGRAM

Summary of Fiscal Impact: [X] State Revenue [X] State Transfer [ ] Local Government
[X] State Expenditure [X] TABOR Refund [ ] Statutory Public Entity

The bill expands who may open a college kickstarter account, lengthens the period an eligible child may be claimed for funding, and expands the advisory board. It increases state revenue to the College Kickstarter Master Account and decreases state revenue from income taxes beginning in the current FY 2023-24.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The final fiscal note reflects the enacted bill.

Table 1
State Fiscal Impacts Under SB 24-226

Table with 5 columns: Category, Sub-category, Current Year FY 2023-24, Budget Year FY 2024-25, Out Year FY 2025-26. Rows include Revenue\* (General Fund, College Kickstarter Master Account, Total), Expenditures, Transfers (College Kickstarter Master Account, CollegInvest 529 Accounts, Total), and Other Budget Impacts (TABOR Refund).

## **Summary of Legislation**

The bill expands who may open a College Kickstarter Account to any individual who provides a birth certificate number or order of adoption for an eligible child; however, funding for an eligible child can be claimed only once. The bill also lengthens the period for which kickstarter funding may be claimed for an eligible child from within five years of the child's birth or adoption to eight years. Finally, the bill expands the membership of the Kickstarter Program Advisory Board and makes changes to certain reporting requirements for the program.

## **Background**

House Bill 19-1280 created the College Kickstarter Program in CollegenInvest, a state enterprise within the Department of Higher Education (DHE). The bill provided initial funding in a parent- or guardian-owned CollegenInvest account for the benefit of every child born or adopted in the State of Colorado on or after January 1, 2020. Adoption of any age child and military residence is also honored. In 2020, the kickstarter funding amount was \$100 per eligible child, adjusted each year by inflation in the Denver-Aurora-Lakewood consumer price index. In 2024, the amount is equal to \$115 per child. The parents or guardians have until the child's fifth birthday to claim the award.

House Bill 19-1280 directs CollegenInvest to deposit funds in the Kickstarter Master Account for each eligible child each fiscal year through FY 2044-45. The amounts to be deposited must be sufficient to pay for kickstarter funding transfers to private 529 college savings accounts. These funds are to be taken from CollegenInvest funds that would otherwise be available for scholarships via the Colorado CollegenInvest Scholarship Program, or for grants via the CollegenInvest Matching Grant Program. CollegenInvest is directed to increase available revenue and may not reduce existing levels of scholarship or matching grant funding. CollegenInvest is required to designate kickstarter funding in the master account for each child.

The Department of Public Health and Environment is required to furnish monthly reports to CollegenInvest providing the name of every child born or adopted in Colorado during the prior month, and the date and location of each child's birth or adoption.

On October 5, 2021, CollegenInvest announced it would match contributions for those that open a kickstarter account up to \$1,000 per year for 5 years. This program is beyond the \$100 kickstarter funds required under House Bill 19-1280. This additional incentive is funded through federal dollars and does not use state taxpayer funds, administrative fees, or funds for the College Kickstarter Program.

## **Assumptions**

The [2024 CollegenInvest Kickstarter Report](#) shows, on average, about 3,000 new accounts have been opened and claimed funding each year since 2020. For tax year 2024, the fiscal note assumes the bill will cause an increase of about 10 percent in new accounts (300) created and receiving funding annually as a result of expanding who may open an account, lengthening the period an eligible child may be claimed for kickstarter funding, and additional incentives from

matched contributions. This amount is expected to gradually continue to increase over future years as more taxpayers become aware of the program and the additional incentives.

The report shows, of these new accounts, about 3,000 additional contributions were made, with an average contribution of \$3,292 per account. The fiscal note assumes for each new account created as a result of this bill about two additional contributions will be made, with an average contribution of \$3,500 per account over the next several years.

## **State Revenue**

On net, the bill is expected to decrease state revenue by \$42,000 in the current FY 2023-24 (a half-year impact), by \$55,000 in FY 2024-25, by \$63,000 in FY 2025-26, and by slightly higher amounts grown by inflation and the state birth rate in subsequent years. Revenue impacts are explained below.

**Kickstarter Program Master Account.** CollegenInvest is authorized to seek increased revenue for deposit in the Kickstarter Program Master Account, such that sufficient deposits can be made in the Kickstarter Program Master Account without reducing current levels of funding available for scholarships and grants. CollegenInvest is expected to seek revenue sufficient to offset kickstarter funding claimed, estimated to be \$36,000 in FY 2024-25, \$41,000 in FY 2025-26, and growing by inflation and the state birth rate in subsequent years.

**Income taxes.** The bill increases revenue to private 529 accounts managed by CollegenInvest to the extent that it incentivizes taxpayers who would not otherwise contribute to these accounts to do so. These contributions are omitted from Table 1 because private 529 accounts fall outside the state budget as private accounts for individuals. However, though kickstarter amounts deposited in a 529 account do not qualify for the state income tax deduction for 529 account contributions, additional contribution amounts to the new account will qualify. For example, total contributions by a taxpayer in the amount of \$3,300 will qualify for an income tax deduction equal to this amount, reducing the contributor's state income tax liability by about \$145 based on the 4.40 percent state income tax rate.

General Fund revenue is expected to decrease by \$42,000 in the current FY 2023-24 (half-year impact), \$91,000 in FY 2024-25, \$104,000 in FY 2025-26, and slightly larger amounts in subsequent years because of inflation and the state birth rate. Income tax revenue is subject to TABOR.

**Gifts, grants, and donations.** The bill potentially increases state revenue from gifts, grants, and donations. Gifts, grants, and donations are exempt from the TABOR limit and may be expended without appropriation by the General Assembly.

**State Transfers**

The bill is expected to increase transfers within CollegenInvest, from the College Kickstarter Master Account to private 529 accounts, by \$36,000 in FY 2024-25 and by \$41,000 in FY 2025-26, grown by inflation and the state birth rate in subsequent years.

To the extent that CollegenInvest is unable to raise sufficient gifts, grants, and donations to support the kickstarter program, it is assumed that transfers from the Colorado CollegenInvest Scholarship Trust Fund to the College Kickstarter Master Account would increase correspondingly.

**State Expenditures**

The bill minimally increases the workload for CollegenInvest and the Department of Revenue. It is assumed that this workload increase can be accomplished within existing appropriations.

**Effective Date**

The bill was signed into law by the Governor and took effect on May 31, 2024.

**State and Local Government Contacts**

|                               |                        |          |
|-------------------------------|------------------------|----------|
| Higher Education              | Information Technology | Law      |
| Public Health and Environment | Revenue                | Treasury |

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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](#).