



Legislative Council Staff
 Nonpartisan Services for Colorado's Legislature

Initiative 25

Fiscal Impact Statement

Date: May 5, 2021

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LCS TITLE: LEARNING ENRICHMENT AND ACADEMIC PROGRESS PROGRAM

Fiscal Impact Summary		FY 2021-22	FY 2022-23
Revenue	General Fund	\$34,831,641	\$87,127,123
	Permanent Fund	(\$1,100,000)	(\$2,255,000)
	Total	\$33,731,641	\$84,872,123
Expenditures	LEAP Program Fund	\$55,831,641	\$109,127,123
	Total	\$55,831,641	\$109,127,123
Transfers/ Diversions	General Fund	(\$55,831,641)	(\$109,127,123)
	LEAP Program Fund	\$55,831,641	\$109,127,123
	Permanent Fund	(\$21,000,000)	(\$22,000,000)
	Public School Fund	\$21,000,000	\$22,000,000
	Total	\$0	\$0

Disclaimer. This initial fiscal impact statement has been prepared for an initiative approved for petition circulation by the Secretary of State. If the initiative is placed on the ballot, Legislative Council Staff may revise this estimate for the ballot information booklet (Blue Book) if new information becomes available.

Summary of Measure

The initiative creates the Learning Enrichment and Academic Progress (LEAP) Program. The initiative funds the LEAP Program by increasing the tax on retail marijuana sales and transferring General Fund money to the LEAP Cash Fund. Finally, the bill diverts money from the Permanent Fund to the State Public School Fund. More detail can be found below.

LEAP Program. The bill creates the LEAP Program to provide learning opportunities to eligible children. Learning opportunities include tutoring or supplemental academic instruction in core subject areas, support for children with learning disabilities, English and foreign language acquisitions, career and technical education training, other programs that provide academic opportunities, and reasonable necessary materials and supplies to participate in learning opportunities. The program will be administered by the LEAP Authority and overseen by the LEAP board of directors and as described below.

The initiative creates the LEAP Authority to administer the program. The authority is established as an independent agency under the Colorado Department of Education (CDE). Specific duties include but are not limited to selecting learning opportunity providers; establishing how funds will be distributed; overseeing financial aid to parents and eligible children; and evaluating the impacts of learning opportunities.

The initiative establishes a nine-member board of directors, with four nonvoting members, within the authority to oversee the authority. Members are appointed by the Governor and confirmed by the Senate and no more than five members can be from the same political party. The board of directors must hire an executive director and establish a Learning Opportunities Parent Advisory Council and a Learning Opportunities Provider Advisory Council to provide input about the LEAP Program, and provide recommendations for appointments to the board.

Funding the LEAP Program. The bill creates the LEAP Program Cash Fund to fund the program. Money to the fund is not subject to the state’s TABOR revenue limits and is continuously appropriated to the LEAP Authority. The fund contains revenue to the LEAP Authority, including gifts, grants, and donations, loans of funds, property, or other government funds. In addition, the initiative requires that money be transferred from the General Fund to the LEAP Program Cash Fund each year, with the transfer equal to the amount of money transferred to the State Public School Fund (as described below) and the amount of revenue collected from the increase in retail marijuana tax under the measure.

Retail marijuana tax. The bill phases in a 5 percent rate increase on retail marijuana tax rates from January 1, 2022, through January 1, 2024, at which point the maximum total tax rate is 20 percent. Table 1 shows the increase in retail marijuana tax rates. Revenue from the increase in taxes must be transferred from the General Fund to the LEAP Fund.

Table 1
Tax Increase Under Initiative 25

	Beginning January 1, 2022	Beginning January 1, 2023	Beginning January 1, 2024
Increase from current rate (15%)	3%	4%	5%
New Tax Rate	18%	19%	20%

Diversions to the State Public School Fund. For the third and fourth quarters of FY 2021-22, the initiative diverts state land board revenue that would be deposited in the Permanent School Fund to the State Public School Fund. Starting in FY 2022-23, the initiative diverts any state land board revenue to the Permanent Fund in excess of \$20 million to the State Public School Fund.

State Revenue

The initiative will increase state revenue by increasing the state retail marijuana sales tax and will decrease revenue from the lost interest to the Permanent Fund, as described below. On net, these changes will decrease state revenue by \$33.7 million in FY 2021-22 and \$84.9 million in FY 2022-23.

Retail marijuana tax increase. The initiative increases state retail marijuana sales tax revenue as shown in Table 2. The initiative's tax increases are fully phased in by FY 2024-25. These estimates are based on the March 2021 state revenue forecast produced by Legislative Council Staff, actual amounts will vary depending on future retail marijuana sales. The increased revenue generated by this initiative is not subject to the state's TABOR revenue limit.

Table 2
Estimated Revenue Impacts of Initiative #25
Dollars in Millions

	FY 2021-22¹	FY2022-23	FY2023-24	FY2024-25
General Fund	\$34.8 million	\$87.1 million	\$118.1 million	\$137.7million

¹Represents a half-year impact.

Lost interest. By diverting an estimated \$22.0 million per year from the Permanent Fund, the initiative will decrease interest revenue within the fund by an estimated \$70.5 million over a 10-year period. This amount assumes a 5 percent rate of return per year. This lost interest will start at lower levels each year (about \$1.1 million in the first year and \$2.2 million in the second), and then grow to larger amounts annually as the reduction in principal and interest prevents the compounding of interest over time. In year 10, the amount of lost interest will be about \$13.8 million.

State Transfers & Diversions

The bill makes a number of transfers and diversions, as shown in Table 3 and described below.

Diversion to State Public School Fund. The initiative will divert an estimated \$21.0 million in FY 2021-22 and \$22.0 million beginning in FY 2022-23 in state land board revenue from the Permanent Fund to the State Public School Fund. This assumes that state land board revenue to the Permanent Fund averages about \$42 million per year.

General Fund transfer to LEAP Cash Fund. Based on the estimated diversion to the State Public School Fund, the initiative will transfer \$21.0 million in FY 2021-22 and \$22.0 million starting in FY 2022-23 from the General Fund to the newly created LEAP Cash Fund. The money transferred is not subject to state constitutional spending limits.

Marijuana retail tax transfer to LEAP Cash Fund. Based on the revenue estimates above, the initiative will transfer revenue from the retail marijuana tax increase estimated at \$34.8 million in FY 2021-22 and \$87.1 million in FY 2022-23 from the General Fund to the LEAP Program Cash Fund.

Table 3
Transfer and Diversions Under Initiative 25

Fund Source	FY 2021-22	FY 2022-23
Diversion: Permanent Fund to State Public School Fund		
Permanent Fund	(\$21,000,000)	(\$22,000,000)
State Public School Fund	\$21,000,000	\$22,000,000
Net Diversion	\$0	\$0
Transfer: General Fund to LEAP Cash Fund		
General Fund (Equal to Diversion from Permanent Fund)	(\$21,000,000)	(\$22,000,000)
General Fund (Retail Marijuana Tax)	(\$34,831,641)	(\$87,127,123)
LEAP Program Cash Fund	\$55,831,641	\$109,127,123
Net Transfer	\$0	\$0

State Expenditures

The initiative will increase state expenditures in the newly created LEAP Cash Fund by an estimated \$55.8 million in FY 2021-22 and \$109.1 million in FY 2022-23 and in future years, as described below.

Table 4
Expenditures Under Initiative #25

	FY 2021-22	FY 2022-23
LEAP Authority		
Administration of Program	\$5,583,164	\$10,912,712
Grants to LEAP Providers	\$50,248,477	\$98,214,411
Total Cost	\$55,831,641	\$109,127,123

Administration of LEAP Program. Starting in FY 2021-22, expenditures in the LEAP Authority will increase to administer the LEAP Program. Administration costs will likely include, personnel, lease payments, IT systems, and reimbursement for board directors. The fiscal note assumes that administration costs will represent 10 percent of total expenditures.

Grants and financial aid. Starting in FY 2022-23, expenditures in the LEAP Authority will increase to provide grants to education opportunity providers and financial aid to students and parents for learning opportunities. The fiscal note estimates that 90 percent of revenue the LEAP Authority receives will be used for grants and financial aid.

Taxpayer Impact

Initiative 25 is expected to increase taxes paid by an average adult by about \$30 per Colorado adult in state budget year 2024-25, the first fiscal year with the full tax increase; however, the direct tax impact applies only to people who consume recreation marijuana. If the percentage of marijuana users remains constant at 25.94 percent, the measure is expected to increase the taxes paid by marijuana users by an average of about \$155 in state budget year 2024-25. The average taxpayer increase will be less from FY 2021-22 through FY 2023-24 as the recreational tax phases in.

Effective Date

If approved by voters at the 2021 general election, this measure takes effect upon proclamation of the Governor, no later than 30 days after the official canvass of the vote is completed.

State and Local Government Contacts

Education Natural Resources Revenue