

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 09-0416
Prime Sponsor(s): Sen. Lundberg
 Rep. Lambert

Date: February 20, 2009
Bill Status: Senate SVMA
Fiscal Analyst: Marc Carey (303-866-4102)

TITLE: CONCERNING THE CREATION OF A PILOT PROPERTY TAX CREDIT TO SUPPORT EDUCATION IN THE STATE.

Fiscal Impact Summary	FY 2009-2010	FY 2010-2011
State Revenue		
State Expenditures		
General Fund	\$14.2 million	\$25.4 million
Cash Funds		
State Education Fund	(13.1 million)	(23.3 million)
FTE Position Change	0.0 FTE	0.0 FTE
Effective Date: 90 days after adjournment (August 4, 2009 if adjournment is May 6, 2009) unless a referendum petition is filed.		
Appropriation Summary for FY 2009-2010: See State Appropriations section.		
Local Government Impact: See Local Government Impact section.		

** This savings is from the State Education Fund. While the General Assembly has the authority to fund the base per pupil funding from either the General Fund or the State Education Fund, in FY 2008-09 this item was funded from the State Education Fund.*

Summary of Legislation

For 2009 through 2013, this bill creates a pilot property tax credit for tuition payments or other educational expenses to an independent or parochial school. The credit may be claimed by the parents of a qualified student, defined in the bill as a student who attends an independent, parochial or home school, and who was enrolled in a public school during the prior fiscal year. The bill establishes the credit at \$1,000 and \$500 for students who were enrolled in a public school full- and part-time, respectively.

During the specified 4-year period, parents remain eligible for the credit as long as the students remain enrolled in the independent or parochial school. However, the bill prohibits the credit from being refunded or carried forward to a subsequent property tax year. The bill establishes a procedure for parents to claim the credit. It also specifies that the credit may be transferred or sold, and establishes transfer procedures.

Finally, the bill establishes a mechanism for counties to be reimbursed for the credits by the state from the General Fund. The bill also specifies that credits claimed will not reduce the amount of property tax revenue that individual school districts receive for purposes of the Public School Finance Act of 1994.

State Expenditures

State Treasury. The bill requires the state treasurer to reimburse county treasurers for revenue lost to all local governments as a result of the property tax credit. In FY 2009-10 and FY 2010-11, the state treasurer would reimburse a total of \$14.2 and \$25.4 million in tax credits, respectively.

In FY 2007-08, it is estimated that 68,049 Colorado students were enrolled in private schools or were home schooled. PK-12 enrollment in private schools has increased at an average annual rate of 1.1 percent since 2000. Over the same period, home school enrollment decreased by an average of 2.9 percent annually. In order to project property tax credit claims, this fiscal note assumes:

- enrollment in private schools will continue to increase at a slightly faster rate over the next 2 years due to the tax credit;
- home school enrollment will continue to decrease at a slightly slower rate over the next 2 years due to the tax credit;
- all those eligible for a tax credit would apply for and receive one, whether or not their enrollment decision was influenced by the credit;
- 13 percent of private school enrollments were enrolled in a public school in the previous year;
- 15 percent of new private school enrollments would directly result from the tax credit;
- 10 percent of new home school enrollments would directly result from the tax credit;
- 90 percent of these new credit-induced enrollments in private and home schools were full-time students and 10 percent were part-time in public school; and
- 70 percent of the children enrolled in a private school and 90 percent of those enrolled in a home school as a result of the credit will remain in their new school, meaning their families will remain eligible for the credit.

School Finance Impact. In FY 2009-10 and FY 2010-11, the state will see a reduction of \$13.1 million and \$23.3 million in total program funding through the school finance act as a result of this bill. This fiscal note assumes that in FY 2009-10, 1,219 private school students and 685 home school students will decide to enroll in their new school solely because of the implementation of the bill's property tax credit. In FY 2008-09, the statewide average per-pupil funding through the school finance act is \$6,908. The reduction in the state's school finance obligation is this amount times the number of students who left public school solely because of the tax credit offered in this bill. Table 1 details the estimated number of children for which the tax credit determined enrollment the next two fiscal years.

**Table 1: Number of Applicants Who Will Leave Public School
 Solely Because of the Property Tax Credit in FY 2009-10 and FY 2010-11**

	FY 2009-10	FY 2010-11
<u>Previously Enrolled Full-time</u>		
Private School	1,097	1,882
Home School	616	1,156
<u>Previously Enrolled Part-time</u>		
Private School	122	209
Home School	69	128

Local Government Impact

Though local governments would be reimbursed for any property tax revenue not received as a result of the credits, county treasurer offices would likely incur administrative costs associated with the program including processing claims and remitting information to the Department of the Treasury for reimbursement. School district expenditures and FTE would decrease as a result of reduced enrollment.

State Appropriations

For FY 2009-10, the Department of Treasury will require a General Fund appropriation of \$14,225,945 to cover the cost of local reimbursement of property tax credits and administrative costs. In addition, the Department of Education will require a cash funds appropriation reduction of \$13,152,832 from the State Education Fund due to the reduction in base per pupil funding.

Departments Contacted

Education
 Legislative Council Staff

Local Affairs

Treasury