


Colorado Legislative Council Staff
STATE and LOCAL
FISCAL IMPACT
No State General Fund Impact

Drafting Number: LLS 05-0404
Prime Sponsor(s): Rep. Solano
 Sen. Williams

Date: January 16, 2005
Bill Status: House Education
Fiscal Analyst: Harry Zeid (303-866-4753)

TITLE: CONCERNING CREATION OF THE DROPOUT PREVENTION ACTIVITY GRANT PROGRAM FOR THE REDUCTION OF THE STUDENT DROPOUT RATE, AND, IN CONNECTION THEREWITH, ADDING A LINE TO COLORADO STATE INDIVIDUAL INCOME TAX RETURN FORMS WHEREBY INDIVIDUAL TAXPAYERS MAY MAKE VOLUNTARY CONTRIBUTIONS TO THE DROPOUT PREVENTION ACTIVITY GRANT FUND.

Fiscal Impact Summary	FY 2005/2006	FY 2006/2007
State Revenues		
General Fund	Checkoff	Checkoff
Cash Fund Exempt - Dropout Prevention Activity Grant Fund	Contributions	Contributions
State Expenditures		
General Fund		
Cash Fund Exempt - Dropout Prevention Activity Grant Fund	\$66,354*	
FTE Position Change	0.7 FTE	0.0 FTE
Other State Impact: None		
Effective Date: August 10, 2005, unless a referendum petition is filed.		
Appropriation Summary for FY 2005/2006:		
Department of Revenue - \$66,354 and 0.7 FTE - Cash Fund Exempt		
Local Government Impact: Schools may apply to the State Board of Education for grants to provide arts-based or vocational activity programs for students in grades 6 through 12.		

**The General Assembly shall appropriate annually from the Dropout Prevention Activity Grant Fund to the Department of Revenue to recover its costs associated with administering moneys designated as contributions to the fund. In the event that moneys in the fund are insufficient to cover these costs, the fiscal note assumes that the state General Fund will offset the amount of any deficiency. Any amounts "loaned" to the fund will be reimbursed to the state General Fund when available. Additionally, this amount contains computer programing resources that may be included in the Long Bill appropriation. If these resources are included, no further appropriation will be necessary.*

Summary of Legislation

This bill creates the Dropout Prevention Activity Grant Program in the Department of Education to fund before-and after-school arts-based and vocational activity programs for students enrolled in grades 6 through 12. Qualified schools may apply to the Department of Education to receive grant moneys to be used for authorized purposes. The bill requires the State Board of Education to promulgate rules for the implementation of the grant program, and requires school district boards of education to adopt policies concerning grant request procedures.

For income tax years commencing on or after January 1, 2005, but prior to January 1, 2008, a voluntary contribution designation line for the Dropout Prevention Activity Grant Program would appear on state individual income tax return forms. The General Assembly would annually appropriate moneys from the fund to the Department of Revenue for its costs of administering moneys designated as contributions to the fund. After subtracting these costs, moneys in the fund would be used for the purposes specified in the grant program. In addition to moneys donated to the Dropout Prevention Activity Grant Fund through the income tax checkoff, the Department of Education is authorized to seek and accept gifts, grants, or donations from private or public sources for the implementation of the grant program. The bill authorizes the Department of Education to expend up to 2.0 percent of the moneys annually appropriated from the fund to offset the direct and indirect costs incurred in implementing the program.

The bill contains a repealer clause for the Dropout Prevention Activity Programs Voluntary Contribution, effective January 1, 2009, unless the voluntary contribution to the grant fund is continued or reestablished by the General Assembly acting by bill.

State Revenues

Eleven income tax checkoffs appear on the 2004 individual income tax return for returns filed in 2005. These include: Colorado Nongame and Endangered Wildlife Fund; Colorado Domestic Abuse Fund; Colorado Homeless Prevention Activities Fund; Pet Overpopulation Fund; Special Olympics Colorado Fund; Colorado Watershed Protection Fund; Family Resource Centers Fund; Western Colorado State Veterans Cemetery Fund; Court-Appointed Special Advocates Fund; United States Olympic Committee Fund; and the Colorado Child Care Improvement Fund. The number and value of contributions that would be made to benefit the Dropout Prevention Activity Grant Program is unknown. Furthermore, the impact of adding an additional checkoff on the level of donations for the current list of 11 checkoff programs is unknown.

Table 1 identifies the number of income tax returns, the total donation and the average donation that was recorded for the eleven voluntary checkoffs that were provided on income tax returns filed in 2004.

Table 1. Value of Individual Income Tax Checkoffs Filed During 2004

Tax Checkoff Name	Number of Returns	Total Donation	Average Donation
Colorado Nongame and Endangered Wildlife	31,025	\$308,804	\$9.95
Colorado Domestic Abuse	26,656	252,911	9.49
Colorado Homeless Prevention Activities	21,488	186,211	8.67
Pet Overpopulation	20,741	187,298	9.03
Special Olympics Colorado	20,283	184,092	9.08
Colorado Watershed Protection	14,012	96,800	6.91
Family Resource Centers Fund	11,606	80,316	6.92
Western Colorado State Veterans Cemetery	10,302	60,705	5.89
Court-Appointed Special Advocates	9,834	77,378	7.87
United States Olympic Committee	7,916	39,753	5.02
Colorado Child Care Improvement	893	8,701	9.74
Total	174,756	\$1,482,969	\$8.49

State Expenditures

Dropout Prevention Activity Grant Fund. After subtracting the costs of the Department of Revenue for administering contributions to the fund, the remaining balance each year would be available to the Department of Education for grants for before- and after-school arts-based and vocational activity programs for students enrolled in grades 6 through 12. The Department of Education is authorized to retain up to 2.0 percent of the moneys annually appropriated from the fund to offset the direct and indirect costs incurred in implementing the grant program.

Department of Revenue. The addition of the new income tax checkoff will require a new line on the individual income tax return for 2005 that will be filed by taxpayers in 2006. An additional “key” will also have to be added to the income tax return system in order to track the checkoff contributions. This will require a total of 1,450 hours of computer programming (1,028 hours to program the new line and key on the department’s main frame computer, 228 hours for the Netfile system, 114 hours for the FSEF system, and 80 hours for modifications to the 2D Barcode). Based on the job rate of \$45.52 per hour for an IT Pro II, \$66,004 in one-time personal services will be required. Additional one-time operating expenses are estimated to be \$350. Total expenditures are projected to be \$66,354 and 0.7 FTE in FY 2005-06. The bill specifies that these costs are to be paid by annual appropriation from the Dropout Prevention Activity Grant Fund. In the event that moneys in the fund are insufficient to cover these costs, this fiscal note assumes that the state General Fund will offset the amount of any deficiency. Any amounts “loaned” to the fund will be reimbursed to the state General Fund when available. Computer programming resources identified in this fiscal note may also be included in the FY 2005-06 Long Bill appropriation for the Department of Revenue. If

these resources are provided in the Long Bill, no further appropriation will be necessary to implement the bill.

It should be noted that Section 39-22-1001(6), C.R.S. states that no more than twelve voluntary contributions shall appear on Colorado income tax returns in any income tax year. Currently, 11 voluntary contribution checkoffs appear on the income tax form. Additionally the Department of Revenue may need to increase the size of the income tax booklet or utilize a separate schedule in order to accommodate an increase in the number of checkoffs. If this occurs, a one-time cost of approximately \$92,000 in personal services costs for computer programming may be necessary.

School District Impact

Schools may apply to the State Board of Education for grants to provide arts-based or vocational activity programs for students in grades 6 through 12. Each school district board of education will be required to adopt policies concerning the procedure for a grant request.

State Appropriations

The fiscal note implies that the Department of Revenue will require an appropriation in the amount of \$66,354 CFE and 0.7 FTE from the Dropout Prevention Activity Grant Fund (CFE) in FY 2005-06 in order to implement the provisions of the bill. However, if the department's FY 2005-06 budget request for ongoing computer programming resources is approved, no additional appropriation would be required in the bill.

Departments Contacted

Revenue Education State Treasury