Proposition NN: Keep and Spend Money for Education and Other Purposes

Placed on the ballot by the legislature • Passes with a majority vote

Proposition NN proposes amending the Colorado statutes to

- allow the state to keep some or all of the revenue that the state's constitutional revenue limit, also known as the Taxpayer's Bill of Rights (TABOR), would otherwise require to be refunded to taxpayers, up to the amount the state spends on public education; and
- spend the retained revenue to increase funding for K-12 education and programs that support children, and, after ten years, K-12 education and any other purposes to be determined by the state legislature.

What Your Vote Means

YES

A “yes” vote on Proposition NN allows the state to keep some or all of the revenue that otherwise would be refunded to taxpayers under TABOR. The retained revenue must be spent on K-12 education, programs that support children, and any other purposes.

NO

A “no” vote on Proposition NN maintains current TABOR refunds and funding levels for K-12 education, programs that support children, and other state purposes.

Summary and Analysis of Proposition NN

What does Proposition NN do?

Proposition NN allows the state to keep and spend revenue that would otherwise be refunded to taxpayers under TABOR, up to a newly established limit. The new limit is higher than the current limit and is based on the amount the state government spends on public education.

In the first ten years, this revenue must be spent on K-12 education and programs that support children. After ten years, the retained revenue must be spent on K-12 education and other purposes to be determined by the state legislature. The measure dedicates the K-12 education spending to teacher pay and retention, smaller class sizes, career and technical courses, school services, disability services, and more instructional hours, as described below. The retained revenue also must be spent to reimburse local governments for property tax exemptions, as required under current law.

The measure includes requirements for the state auditor and school districts to report on how the retained money is spent.

What is the TABOR limit and what are TABOR refunds?

The Colorado Constitution limits the amount of revenue the state government can collect each year. The limit is equal to the prior year's limit, adjusted for inflation plus population growth. This is known as the TABOR limit. Voters may give the state permission to keep and spend additional revenue above the TABOR limit.

If the amount of revenue the state collects in any year is above the TABOR limit, the excess amount must be refunded to taxpayers. These are called TABOR refunds, and they are distributed to taxpayers in several ways. For more information, see the Legislative Council Staff memorandum titled, "A Brief Overview of the TABOR Revenue Limit."[1]

TABOR refunds are often distributed when people file their taxes, but they are different from tax refunds that are owed when people overpay their taxes. Tax refunds are not affected by this measure.

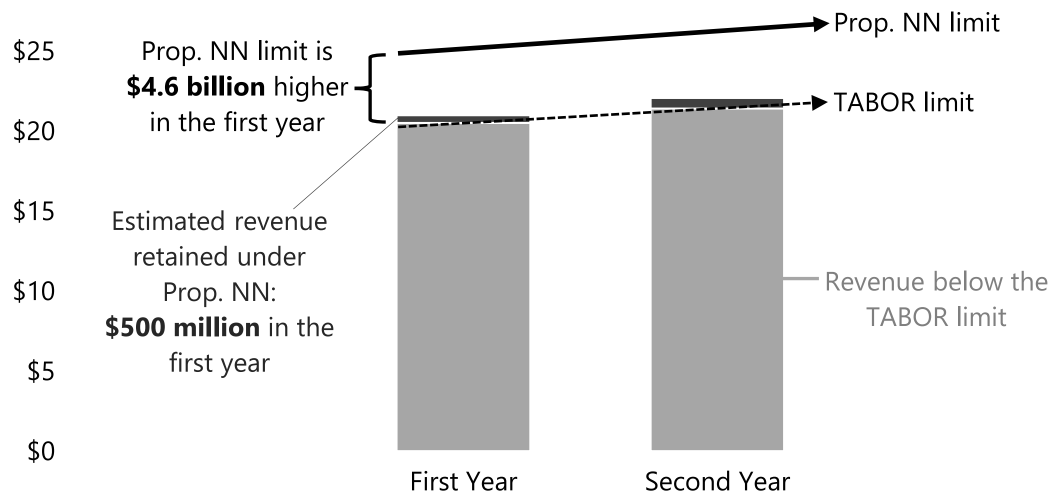
How much revenue will the state keep and spend under Proposition NN?

Under Proposition NN, the maximum amount the state may keep is equal to the current TABOR limit, plus the highest amount the state has spent on K-12 education from certain funding sources in previous years. This is referred to as the Proposition NN limit in this analysis.

The actual amount the state will keep depends on how much revenue it collects. For example, in the first year, the measure allows the state to keep up to $4.6 billion above the current TABOR limit. However, the state is estimated to actually keep about $500 million, which is the amount of revenue the state is expected to collect above the TABOR limit. This is shown in Figure 1 below.

[1] Online at: leg.colorado.gov/bluebook

Figure 1
State Revenue Limits Under Proposition NN
Budget Years 2026-27 and 2027-28
Dollars in Billions



The Proposition NN limit continues indefinitely. Any revenue above the new Proposition NN limit must be refunded to taxpayers.

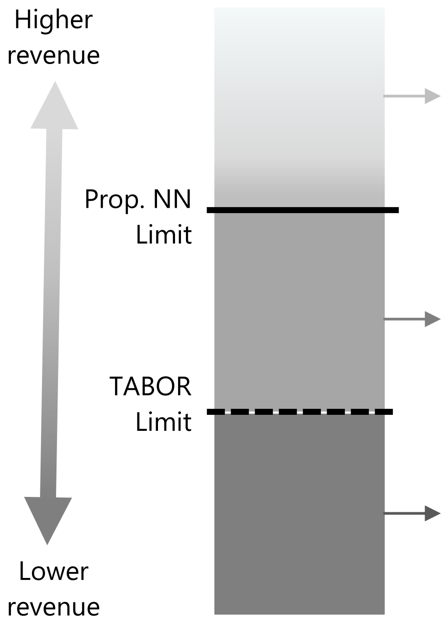
In later years, the Proposition NN limit is expected to grow faster than the current TABOR limit based on the amount the state legislature allocates for K-12 education. State revenue is expected to continue to be well below the Proposition NN limit in the next several years, and is not expected to exceed the Proposition NN limit for at least the next five to ten years. Long-term projections beyond that period are uncertain.

How does Proposition NN impact TABOR refunds?

Proposition NN's impact on TABOR refunds depends on how much money the state collects above the current TABOR limit in a given year, and how much the state spent on public education in prior years. Figure 2 shows the range of possible TABOR refund impacts, which will vary from year to year.

Under current estimates, revenue in the next several years is expected to exceed the current TABOR limit but not the new Proposition NN limit, which would eliminate TABOR refunds in these years, as described in Scenario 2 in the figure below.

Figure 2
Scenarios for TABOR Refund Changes



Scenario 1 – Revenue exceeds the Prop. NN limit
In years when state revenue exceeds the new Prop. NN limit, **Prop. NN reduces TABOR refunds**. Revenue is not likely to exceed the Prop. NN limit in the first several years, but this scenario becomes more likely over time.

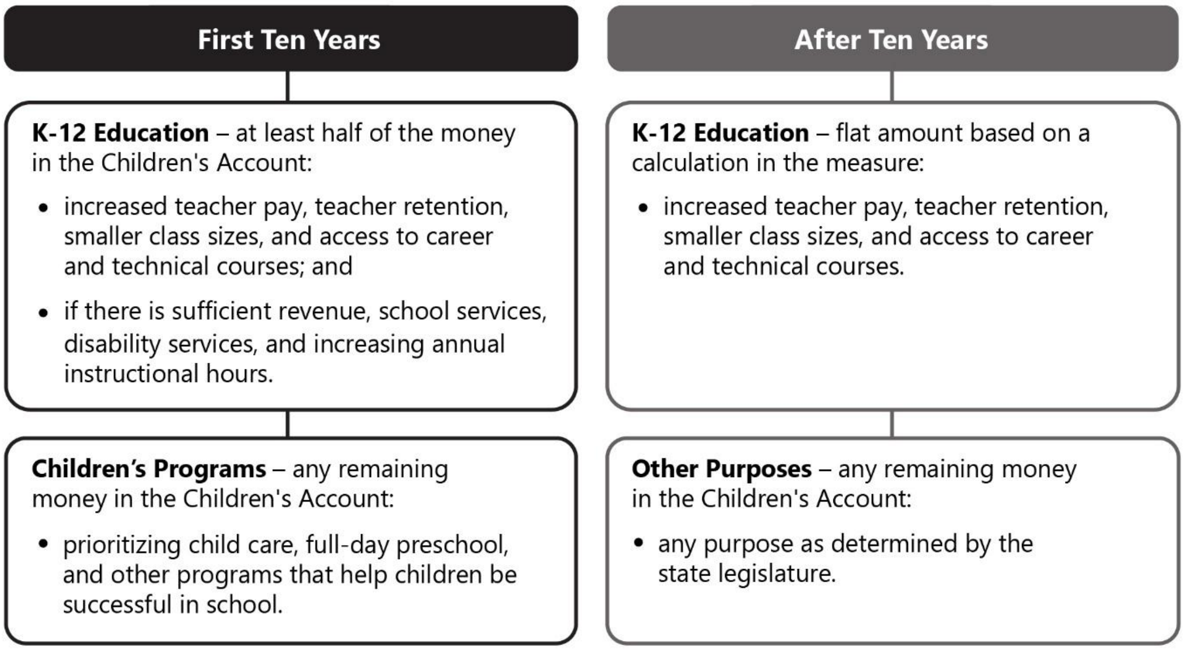
Scenario 2 – Revenue exceeds the TABOR limit, but not the Prop. NN limit
In years when state revenue exceeds the current TABOR limit and is less than the new Prop. NN limit, **Prop. NN eliminates TABOR refunds**. This is the most likely scenario for the next several years, unless there is a recession.

Scenario 3 – Revenue falls below the TABOR limit
In years when state revenue falls below the current TABOR limit, which may happen during a recession, **Prop. NN has no impact on TABOR refunds**, as refunds would not be made under current law.

How will the retained revenue be spent?

Proposition NN specifies how revenue retained above the current TABOR limit must be spent. The revenue must first be used to reimburse local governments for the lost tax revenue from property tax exemptions for seniors, veterans with a disability, and Gold Star surviving spouses, as is already required as a TABOR refund mechanism under current law. All remaining revenue is deposited into the newly created Children’s Account. Figure 3 shows new spending requirements under Proposition NN.

Figure 3
New Spending Requirements Under Proposition NN



How will the K-12 funding be used?

Money in the Children's Account must first be used for increased teacher pay and retention, access to career and technical courses, and smaller class sizes. This money will be distributed to school districts and charter schools that then decide how to spend this money within allowable uses. They must post downloadable, sortable information online about how they spent the money.

The amount required to be spent for these purposes will grow each year for ten years, and then remain flat in later years. The amount is expected to be about $110 million in the first year, $220 million in the second year, and may grow to between $1 billion and $2 billion per year by the end of ten years. These amounts are only paid if enough revenue is retained.

For the first ten years, if the amount spent on teacher pay and retention, career and technical courses, and smaller class sizes is less than half the amount in the account, then the measure requires additional spending on disability services, school services, and increasing instructional hours, such that at least half the amount in the account is spent on K-12 education overall. Funding for disability services, school services, and increasing instructional hours is estimated at about $130 million in the first year and $20 million in the second year. The state legislature will determine how to allocate these funds to schools and districts.

How will the money for children's programs be used?

In the first ten years, any money remaining in the account after K-12 spending must be spent on programs that support children, prioritizing full-day preschool, child care, and other programs that help children be successful in school. The state legislature will determine how to spend this money, which is estimated to be about $240 million in the first year and $230 million in the second year.

How will funding allocations change after the first ten years?

After ten years, the measure requires that a flat amount be dedicated to K-12 education each year for increased teacher pay and retention, access to career and technical education, and smaller class sizes. Any remaining money in the Children's Account may be spent on any purpose as determined by the state legislature.

How does Proposition NN interact with other measures?

Proposition 137 reduces the amount of revenue the state collects that is subject to the TABOR limit. This measure will not affect the Proposition NN limit. However, if the measure passes, the amount of money the state will actually keep and spend under Proposition NN may be reduced or eliminated.

Arguments For Proposition NN

1) Proposition NN raises teacher pay, reduces class sizes, and improves career and technical education, benefitting every school district in the state. A state study found that Colorado's schools face a funding shortfall of $3.5 billion, or about $4,000 per pupil. Proposition NN redirects money the state already collects to Colorado's kids and classrooms, keeping experienced teachers in the classroom and expanding course options and support. The measure pairs the investment schools need with the accountability taxpayers deserve.
2) Proposition NN frees up funds that should already be supporting Colorado's children. The price of educating and caring for a child grows year after year, and the current revenue limit does not keep pace. As a result, the state is falling behind on the services that families depend on most. Permanent relief from this limit is long overdue. Proposition NN uses existing revenue to address the real and rising costs of child care, universal preschool, and other early childhood needs.

Arguments Against Proposition NN

1) Proposition NN is essentially a tax increase, permanently eliminating or reducing TABOR refunds. TABOR refunds are a taxpayer right. Eliminating or sharply reducing those refunds means that government will keep more of the money that families earn. For households already stretched thin, losing TABOR refunds is a significant financial hit. TABOR was enshrined in the state constitution to protect taxpayers against unchecked government growth.
2) Proposition NN eventually hands the state over $5 billion per year at the expense of Colorado families. Funding for Colorado schools has increased 25 percent over the last five years, while enrollment continues to decline. Before reaching deeper into taxpayers' pockets,

the government should demonstrate it has exhausted every avenue to reduce wasteful spending, eliminate redundant programs, and deliver existing services more efficiently.

Information about the organizations supporting and opposing this measure is available on the Colorado Secretary of State's website:

www.coloradosos.gov/pubs/elections/Initiatives/ballot/contacts/2026.html

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Fiscal Impact of Proposition NN

Taxpayer Impacts

Proposition NN is expected to reduce the amount refunded to taxpayers by $329.9 million in the current 2026-27 budget year, $521.0 million in the 2027-28 budget year, and by varying amounts in future years. This eliminates TABOR refunds for budget years 2026-27 and 2027-28. Table 1 shows estimated TABOR refunds under Proposition NN for certain income levels.

Table 1
Estimated TABOR Refunds for Certain Income Levels

Adjusted Gross Income	2027 Refund Current Law: Single Filers	2027 Refund Current Law: Joint Filers	2027 Refund Prop. NN: All Filers	2028 Refund Current Law: Single Filers	2028 Refund Current Law: Joint Filers	2028 Refund Prop. NN: All Filers
$50,000	$21	$42	**$0**	$39	$58	**$0**
$75,000	$28	$56	**$0**	$58	$86	**$0**
$100,000	$28	$56	**$0**	$68	$96	**$0**
$200,000	$38	$76	**$0**	$121	$162	**$0**
$500,000	$65	$130	**$0**	$276	$352	**$0**

Note: This table assumes that taxpayers claim the standard deduction and no other deductions. This table shows TABOR refunds for individual taxpayers, not corporations. Corporations are not expected to receive TABOR refunds in 2027, and are expected to receive smaller TABOR refunds than individuals at the same income level in 2028.

A forecast of state revenue subject to TABOR is not available beyond budget year 2027-28. The impact of Proposition NN on TABOR refunds will vary significantly across different years, such that it could have no impact on TABOR refunds in some years and reduce them by over $1,000 per taxpayer in other years. The actual amount that the measure reduces TABOR refunds will depend on how much money the state collects above the current TABOR limit in future years.

State Spending

The measure increases state spending by an estimated $329.9 million in budget year 2026-27 and $521.0 million in budget year 2027-28 on net, and by varying amounts in future years. Changes in state spending are shown in Table 2.

Table 2
Changes in State Spending Under Proposition NN

Use	Current Year 2026-27	Budget Year 2027-28
Property Tax Reimbursements	$0	$206.1 million
K-12 Education	$241.5 million	$234.0 million
Programs That Support Children	$241.5 million	$234.0 million
General Government Purposes	-$153.1 million	-$153.1 million
Office of State Auditor	$0	$20,000
Total Change in Spending	**$329.9 million**	**$521.0 million**

As shown in Table 2, $153.1 million that would be available for the general state budget under current law is instead deposited in the Children's Account for budget years 2026-27 and 2027-28 only. This reduces General Fund spending in each of these two years.

Long-term spending. After ten years, there is no longer a requirement for half of the money in the account to be spent on K-12 education and half on children's programs. Beginning in the 2036-37 budget year, the measure increases state spending for property tax reimbursements and funding for teacher pay and retention, smaller class sizes, and career and technical education. Any remaining funds may be used for any purposes as determined by the state legislature.

School Districts

Proposition NN increases state funding for school districts by an estimated $241.5 million in budget year 2026-27 and $234.0 million in budget year 2027-28. Funding for teacher pay and retention, smaller class sizes, and career and technical education will be distributed based on each school district's percentage of statewide school finance funding under the state's new school finance formula. Funding for school services, disability services, and increasing annual instructional hours will be distributed in a manner determined by the state legislature.