

Proposition NN: Keep and Spend Money for Education and Public 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 would otherwise be refunded to taxpayers under the Taxpayer's Bill of Rights (TABOR); and
- spend the retained revenue to increase funding for K-12 education, programs that support children, and, after ten years, any other purposes as determined by the state legislature.

What Your Vote Means

YES

A "yes" vote on Proposition NN permanently 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, after ten years, any purpose.

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 programs.

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, up to a newly established limit. The new limit is based on the amount the state government spends on public education.

In the first ten years, this revenue is spent on K-12 education, programs that support children, and local government property tax reimbursements. After ten years, the retained revenue is spent on K-12 education, local government property tax reimbursements, and any other purpose as determined by the state legislature. The measure dedicates K-12 education spending to teacher pay and retention, smaller class sizes, career and technical courses, school services, disability services, and more instruction hours, as described below.

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

What is the TABOR limit and what are TABOR refunds?

The Colorado Constitution includes a section called the “The Taxpayer’s Bill of Rights,” also known as TABOR. TABOR 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 by:

- reducing property taxes for seniors, veterans with a disability, and Gold Star surviving spouses, and reimbursing local governments for the lost tax revenue;
- lowering the income tax rate;
- lowering the state sales tax rate; and/or
- refunding revenue collected from the state sales tax to individuals based on their income.

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?

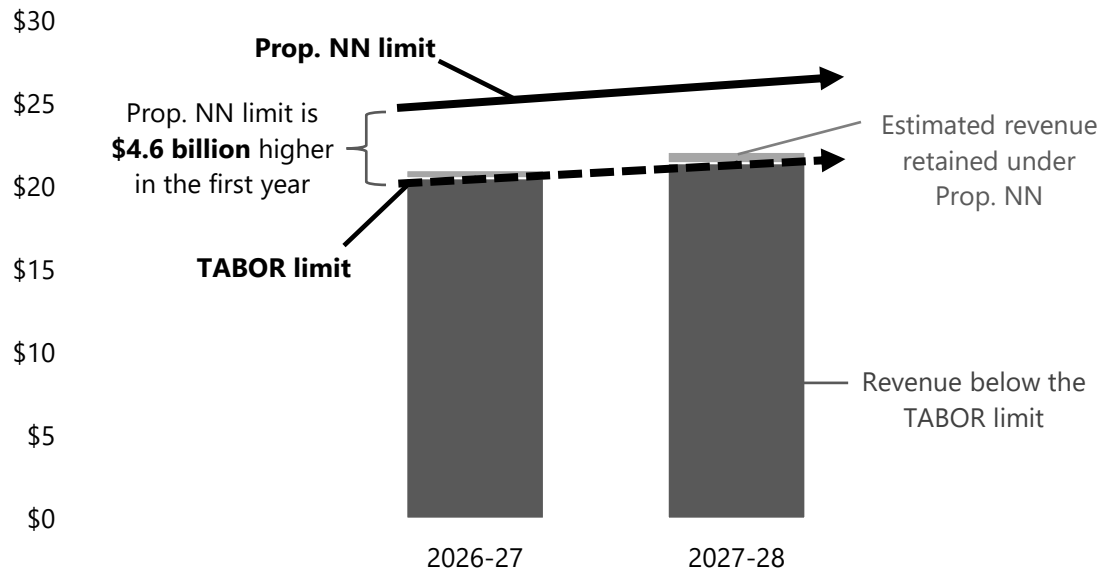
Proposition NN allows the state to keep and spend revenue above the current TABOR limit, up to a newly created limit. However, the actual amount the state keeps will depend on how much revenue it collects. For example, the state is expected to keep about \$500 million in the first year, because the state is expected to collect \$500 million above the TABOR limit.

The most the state may keep under Proposition NN is equal to the highest amount the state has spent on K-12 education from certain funding sources in previous years. The current TABOR limit plus this additional amount is referred to as the Proposition NN limit in this analysis. The Proposition NN limit continues indefinitely.

The Proposition NN limit is \$4.6 billion higher than the current TABOR limit in budget year 2026-27. This means that the state would be allowed to keep no more than \$4.6 billion above the TABOR limit, and must refund any revenue above that amount to taxpayers. However, state revenue is expected to be well below the Proposition NN limit in the first year. This is shown in Figure 1 below.

In later years, the Proposition NN limit is expected to grow faster than the current TABOR limit. The actual increase in the limit will be 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.

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

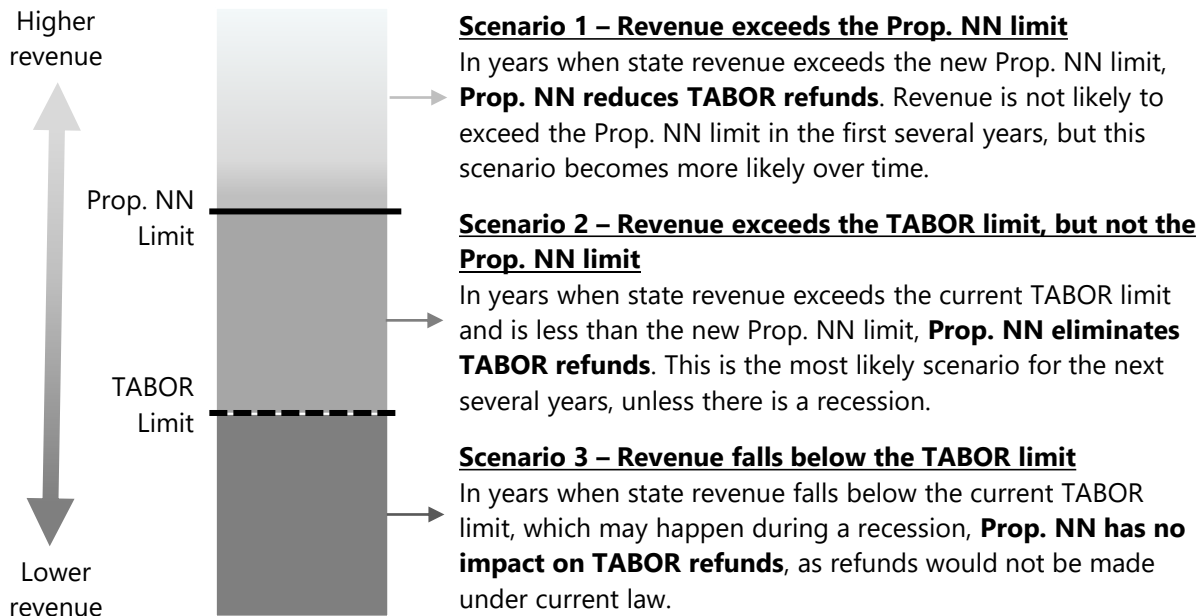


How does Proposition NN impact TABOR refunds?

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. State revenue collections are mostly driven by economic activity and changes to state or federal laws, like reducing tax rates or collecting new fees. State spending on public education depends on student counts, inflation, property tax collections, and funding decisions made by the state legislature. Figure 2 shows the range of possible TABOR refund impacts.

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, as described in Scenario 2 in Figure 2 below.

Figure 2
Scenarios for TABOR Refund Changes

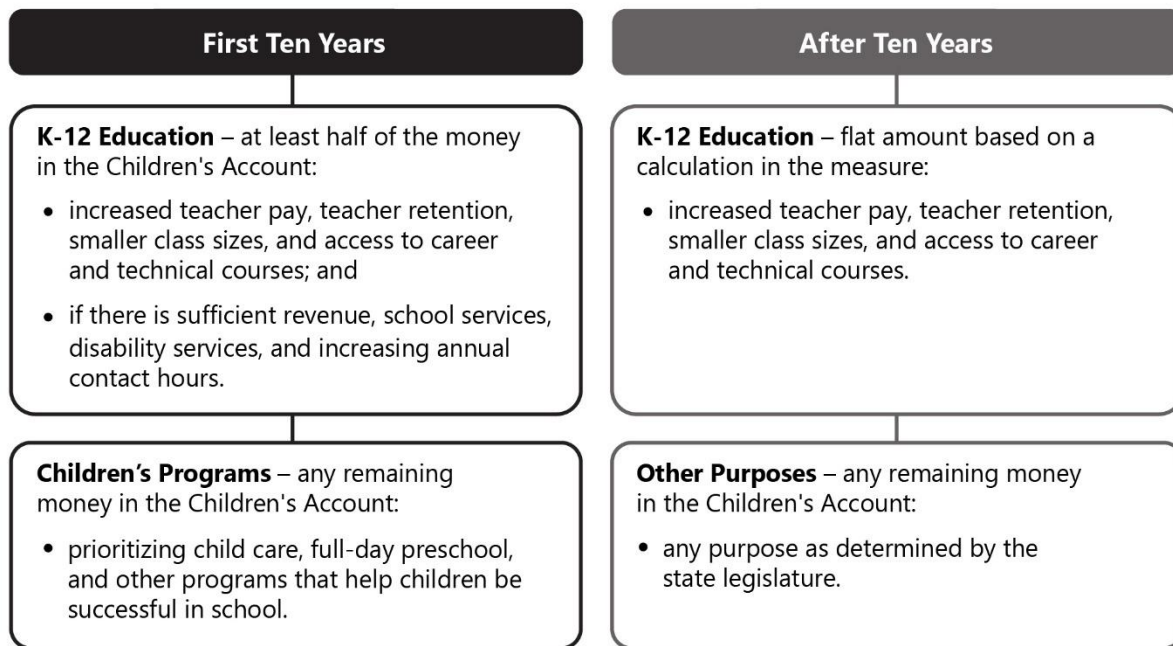


How will the retained revenue be spent?

For years in which the state keeps revenue above the current TABOR limit, Proposition NN specifies how this revenue 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 under current law.

All remaining revenue is deposited into the newly created Children's Account. For the first ten years, money in the Children's Account must be spent on public K-12 education and children's programs, based on a calculation described in the measure. After ten years, money must be spent on K-12 education, and the state legislature will determine how to spend any remaining retained money. Figure 3 shows new spending requirements under Proposition NN.

Figure 3
New Spending Requirements Under Proposition NN



How does Proposition NN interact with other measures?

Initiatives 175 and 308 both reduce the amount of revenue the state collects that is subject to the TABOR limit. These measures will not affect the Proposition NN limit. However, if one or both of these measures pass, the amount of money the state will actually keep and spend under Proposition NN may be reduced or eliminated.

Arguments For Proposition NN

- Proposition NN raises teacher pay, reduces class sizes, and improves career and technical education in every school district in the state. A state study found that Colorado's schools face a funding shortfall of at least \$3.5 billion, a deficit reflected in overcrowded classrooms, outdated infrastructure, and teachers working second jobs or leaving the profession entirely. Proposition NN redirects money the state already collects to Colorado's kids and classrooms, addressing these shortfalls without raising taxes.
- TABOR has quietly dismantled Colorado's capacity to keep pace with the real and rising cost of serving its citizens. The price of educating and caring for a child grows year after year, and TABOR's current limit does not keep pace. The result is a government that is falling behind on the services that families depend on most. Proposition NN modernizes an outdated limit to reflect the actual cost of governing. For Colorado's children, permanent relief from this cap is long overdue.

Arguments Against Proposition NN

- 1) Proposition NN is essentially a tax increase, eliminating TABOR refunds for years to come. 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 government growth.
- 2) The measure eventually hands the state over \$5 billion in additional revenue 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

Fiscal Impact of Proposition NN

Taxpayer Impacts

Proposition NN is expected to reduce the amount refunded to taxpayers by \$329.9 million in the 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. A forecast of state revenue subject to TABOR is not available beyond 2027-28.

Figure 4 shows estimated changes in TABOR refunds under Proposition NN for certain income levels. 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.

Figure 4
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.

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 for the purposes listed below.

- Property tax reimbursements to local governments.** Under current law, the cost of property tax reimbursements, estimated at \$205.3 million, is paid as a TABOR refund mechanism in budget year 2027-28. Under Proposition NN, these reimbursements are paid from retained revenue instead.
- K-12 education.** In budget year 2026-27, the measure increases state funding for education by an estimated \$241.5 million, of which \$107.4 million will be distributed to all school districts for teacher pay, retention, smaller class sizes, and career and technical education and \$134.1 million is for school services, disability services, and increasing annual contact hours. In budget year 2027-28, additional K-12 funding is estimated to be \$234.4 million, of which \$218.8 million is for teacher pay and retention, smaller class sizes, and career and technical education, and \$15.6 million is for school services, disability services, and increasing annual contact hours. The amount of funding for these purposes is based on a calculation in the measure and will depend on actual state school finance spending and the total amount of money retained in the Children's Account.
- Children's programs.** Any retained money remaining after paying the required amounts for property tax reimbursements and K-12 education must be spent on programs that support children. This amount is estimated at \$241.5 million in budget year 2026-27 and \$234.4 million in budget year 2027-28.
- General Fund.** Due to House Bill 26-1419, \$153.0 million that would be available for the general state budget under current law is instead deposited in the Children's Account and spent as described above for budget years 2026-27 and 2027-28 only.

- 1 • **Long-term spending.** The requirement for retained money to be spent on children's
2 programs, school services, disability services, and increasing contact hours ends after the
3 2034-35 budget year. Beginning in the 2035-36 budget year, state spending will increase to
4 continue to pay property tax reimbursements and the requirements for teacher pay and
5 retention, smaller class sizes, and career and technical education will continue at a constant
6 level, assuming that sufficient revenue is retained.
- 7 • **Administrative costs.** Proposition NN will increase costs for the Office of the State Auditor
8 by \$20,000 beginning in 2027-28 to conduct the required audit. It will also increase workload
9 for the Office of the State Controller, Department of Education, and agencies in the
10 Legislative Department.

11 **School Districts**

12 Proposition NN increases state funding for school districts by an estimated \$241.5 million in
13 budget year 2026-27 and \$234.4 million in budget year 2027-28, with funding used for different
14 purposes as discussed in the State Spending section above. Funding for teacher pay and
15 retention, smaller class sizes, and career and technical education will be distributed based on
16 each school district's percentage of statewide school finance funding under the state's new
17 school finance formula. Funding for school services, disability services, and increasing annual
18 contact hours will be distributed in a manner determined by the state legislature.

19 Lastly, districts will have minimal workload increase to post online how they spend the funding
20 for teacher pay and retention, smaller class sizes, and career and technical education.