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COLORADO'S FREE SCHOOL LUNCH PROGRAM IS GETTING MORE EXPENSIVE

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ABOUT THE AUTHORS



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ABOUT COMMON SENSE INSTITUTE

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TEAMS & FELLOWS STATEMENT

CSI is committed to independent, in-depth research that examines the impacts of policies, initiatives, and proposed laws so that Coloradans are educated and informed on issues impacting their lives. CSI's commitment to institutional independence is rooted in the individual independence of our researchers, economists, and fellows. At the core of CSI's mission is a belief in the power of the free enterprise system. Our work explores ideas that protect and promote jobs and the economy, and the CSI team and fellows take part in this pursuit of academic freedom. Our team's work is informed by data-driven research and evidence. The views and opinions of fellows do not reflect the institutional views of CSI. CSI operates independently of any political party and does not take positions.

TABLE OF CONTENTS

About the Authors	1
About Common Sense Institute.....	2
Teams & Fellows Statement.....	2
Introduction	4
Key Findings	5
Background	6
About the Ballot Measures.....	7
Costs of Healthy Meals for All.....	8
The Bottom Line	10

INTRODUCTION

There are two ballot measures on the upcoming 2025 statewide ballot, Proposition MM and Proposition LL, that would effectively raise taxes for the Healthy School Meals for All program. Previous Common Sense Institute research and the state's own analysis found that the Healthy School Meals program spends more than projected and, as a result, has run over budget.

Neither ballot measure addresses the program's spending levels. As such, there are two likely outcomes for the program's future should both propositions pass: either the state will continue to overspend on the program and solicit more tax increases in the future, or the ballot measures will produce a surplus that the state will direct towards the Supplemental Nutrition Assistance Program (SNAP).ⁱ

KEY FINDINGS

- The ballot measures raise revenue for the Healthy School Meals for All program without addressing its high costs.
- If Proposition LL passes, taxpayers will not be refunded \$12.4 million in FY26.
- If Proposition MM passes, Coloradans who earn \$300,000 or more will incur average tax increases of \$377 for single filers and \$560 for joint filers.
 - In total, Proposition MM would raise \$95 million per year for the Healthy Meals program.
- If both propositions pass, the program could produce large surpluses in the future that can be spent on programs unrelated to Healthy School Meals for All. Proposition MM was revised during the 2025 special legislative session to allow some of that potential surplus to fund SNAP (food stamps).

BACKGROUND

In 2022, voters approved Proposition FF to create the Healthy School Meals for All program, which provides all K–12 students access to free breakfast and lunch regardless of their families' ability to pay.ⁱⁱ The proposition also increased wages for school food workers and subsidized the use of food produced in Colorado. The program is funded by limiting tax deductions for taxpayers with adjusted gross income of \$300,000 or more (approximately 4.4% of all taxpayers).

The Healthy School Meals for All program has been faced with budgetary issues since its inception. In 2024, the program raised more than \$100 million but ran a \$56 million deficit for which the state made up.ⁱⁱⁱ CSI estimated in 2022 that the program ran the risk of underfunding as early as 2024 and that the deficit could grow to \$72.4 million by 2033.

ABOUT THE BALLOT MEASURES

To address the funding shortfall, lawmakers have proposed to increase taxes related to the program by \$95 million and expand how revenue can be used. HB25-1274, “Healthy School Meals for All Program,” referred two ballot measures to the November 2025 statewide ballot: Proposition LL, which would allow the state to retain 2024 revenue it collected in excess of the original fiscal note’s projection, and Proposition MM, which would raise taxes and change how the program allocates its surpluses.^{iv} SB25B-003, from the special legislative session in August, amends Proposition MM to allow excess money collected beyond what is necessary to fully implement the healthy meals program to be used by SNAP.^v

Approval of Proposition LL, the retention measure, means that retained revenue will be spent on the Healthy School Meals for All program. If voters do not approve it, \$12.4 million will be refunded to taxpayers in FY26. If approved, expenditures for the program may increase by up to \$19.2 million in FY26 and up to \$13.8 million in FY27, according to its latest fiscal note, because of how the measure affects tax deductions for filers with adjusted gross income over \$300,000.^{vi}

The expansion measure, Proposition MM, would reduce the amounts that taxpayers with adjusted gross income above \$300,000 can deduct from their state taxes from \$12,000 to \$1,000 for single filers and from \$16,000 to \$2,000 for joint filers.^{vii} This change would increase taxable income and income-tax revenue credited to the Healthy School Meals for All Cash Fund. The average tax increases would be \$377 for single filers and \$560 for taxpayers filing jointly.^{viii}

Approving the expansion measure would increase revenue to the program by an estimated \$95 million in FY26 (a half-year impact for tax year 2026 on an accrual accounting basis), an estimated \$106.5 million in FY27, and by similar amounts in subsequent years. The additional collections would be exempt from TABOR as voter-approved revenue change.

COSTS OF HEALTHY MEALS FOR ALL

The ballot measures fail to address the underlying financial problem of the Healthy School Meals for All program. According to Greg Sobetski, Chief Economist for the Colorado Legislative Council, “a lot of the budgetary issues related to the Healthy Meals program are on the expenditure side, not the revenue side. The greatest difference from initial estimates is how much the program cost rather than how much revenue is being collected.”^{ix} Provisions of Proposition FF like technical assistance grants, local food grants, and wage increases for food workers aren’t necessary for sustaining the Healthy Meals program but drive its costs up. Despite this fact, legislators have focused on raising taxes instead of reducing spending. Instead of giving the public a choice about spending, voters’ only two options will be to either raise their own taxes or let the program continue on its path toward insolvency.

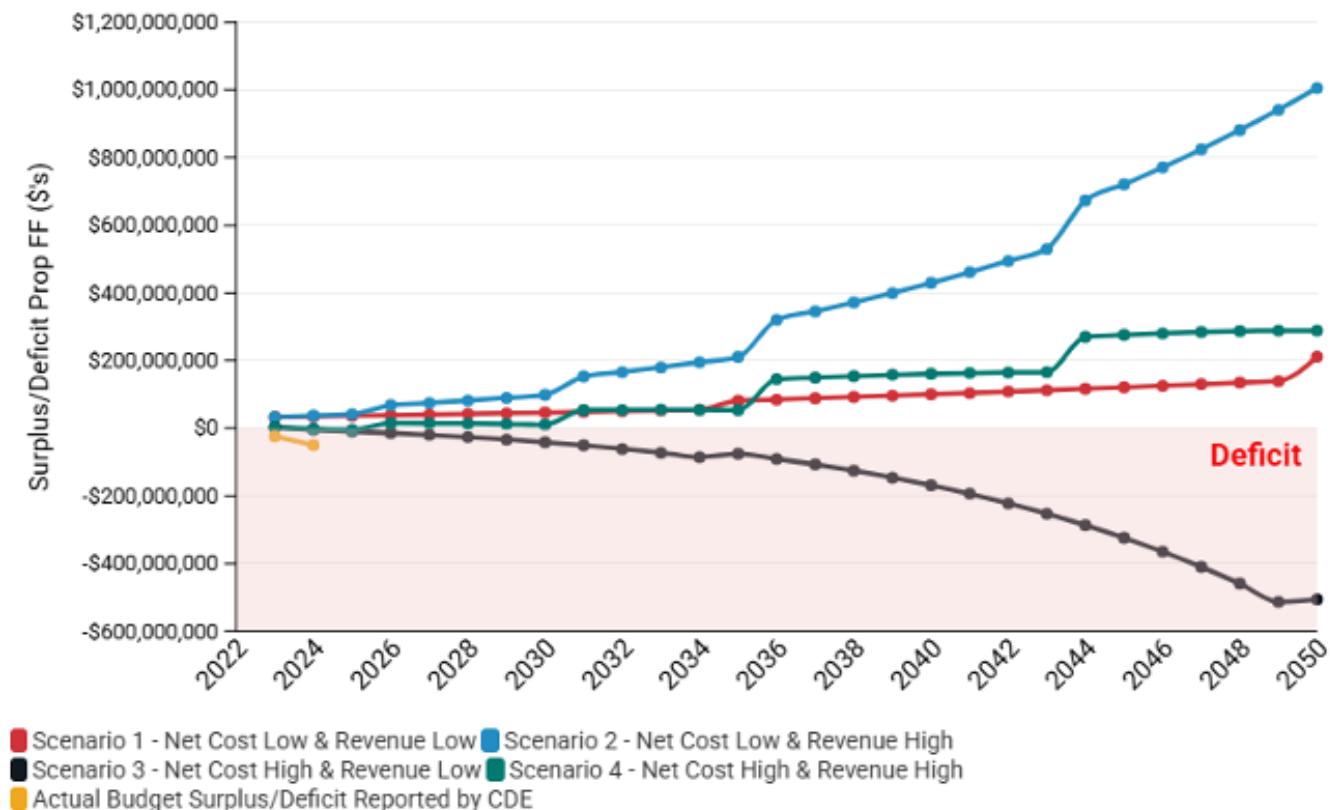
In 2022, CSI forecasted the fiscal impacts of Proposition FF under four conservative scenarios based on high and low cost and revenue assumptions:

- **Scenario 1** – net cost low and revenue low
- **Scenario 2** – net costs low and revenue high
- **Scenario 3** – net cost high and revenue low
- **Scenario 4** – net cost high and revenue high

State deficits/surpluses resulting under these scenarios are shown in Figure 1. Scenario 3, high costs and low revenue, estimated that the program would go into deficit starting in 2023 and remain in deficit thereafter. The deficits reported by Colorado Department of Education for fiscal years 2023 and 2024 far exceed CSI’s estimated deficits in the worst-case Scenario 3 by \$26.8 million and \$54.2 million, respectively.

Budget Projection 2023 -2050 for Colorado's Healthy School Meals for All Program

Previous CSI report can be found at <https://commonsenseinstitute.co.org/proposition-ff-healthy-school-meals/>



Without consideration of the costs of the program and the possibility of revenue shortfalls, the program could easily run into more budget deficits requiring the state to ask for more money from taxpayers in the future. This interaction is what prompted Proposition MM. Had the state's original cost and revenue estimates proven more reliable, the 2025 legislature would not have felt the need to put forth a corrective tax increase.

Alternatively, if costs are managed better, increased revenues from Proposition MM could result in large future surpluses, leaving voters with the option of transferring the funds to programs for which they were not intended.



THE BOTTOM LINE

By running Propositions MM and LL together, the state appears to be trying to prepare itself for every financial possibility that could befall the Healthy Meals program: if cost continues to exceed revenue, MM sets a precedent for incremental tax hikes; if revenue exceeds expectation, LL releases the government from any obligation to refund taxpayers.

If voters approve the ballot measures and the state does not take steps to better manage program costs, Healthy School Meals for All could run deficits in the future that would require transfers from the general fund and occasion more tax hikes in the future. On the other hand, expanding the program's tax base and retaining revenue excesses could result in large budget surpluses if the state keeps costs under better control.

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