COMMON SENSE INSTITUTE

COLORADO 2026 BALLOT GUIDE

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THE ECONOMIC AND FISCAL IMPACTS OF PROPOSITION NN

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INTRODUCTION

Colorado's recent legislative actions and in some cases its floor arguments display an increasing desire to reconsider many of the Taxpayer's Bill of Rights (TABOR) restrictions. Though a reliable undercurrent of Colorado politics for decades, the protracted struggle over TABOR may be approaching its climax: constrained by TABOR's strict limits, rising state spending—some fortified at first by lapsed relief funding from the federal government—has generated widely publicized revenue shortfalls over the last two fiscal years. Now, with inflated spending obligations still chafing against their statutory fetters, lawmakers turn to this November's statewide ballot in hope that voters, persuaded by ostensibly tax-free education funding, will forfeit their TABOR refunds for the foreseeable future and spare the state another cycle of spending cuts.

Proposition NN, the name given the 2026 ballot measure referred by SB26-135, would permanently raise the state's spending limit by billions of dollars in return for a permanent end to TABOR refunds at current tax rates. **Over its first 10 years, when there would be excess revenue under current law, the new law would apportion some of the difference to K–12 education and the rest to other programs for children; afterwards, the state government could budget that remainder freely.** This study evaluates the economic impacts of Proposition NN and discusses the effects of increasing state education funding.

KEY FINDINGS

- Excluding reclassified property-tax reimbursements, Proposition NN would raise state spending by $329.9 million in FY27 and $314.9 million in FY28. $241.5 million and $234 million of these amounts, respectively, would fund K–12 education.
- To achieve these spending increases, Proposition NN would eliminate TABOR refunds for the foreseeable future. Taxpayers and local governments would lose a total of $850.9 million in refunds through FY28.
    - Individual filers who earn $50,000 per year would lose $60, those earning $100,000 would lose $96, and those earning $500,000 would lose $341.
- By allowing the government to retain $850.9 million more over the next two budgets rather than refunding it, Proposition NN would cause the following total economic impacts:
- A total-employment loss between 46 and 2,227 jobs
    - A private-employment loss between 460 and 2,056 jobs
    - Between $12 million and $120 million of lost GDP
    - A loss of economic output between $34 million and $244 million
    - An impact on personal income of between -$376 million and $473 million
- Available data do not support the claim that boosting education funding would improve student achievement. Since 2013, real school-district spending per pupil has risen by 21% while test scores have fallen at benchmark elementary-school, middle-school, and high-school grade levels.

FISCAL AND ECONOMIC IMPACTS

If passed, Proposition NN would establish a new state-spending limit above the current TABOR cap.[i] Any revenue below this cap that previously would have been refunded to taxpayers would instead be retained by the state. This amount would be used first to compensate local governments for property-tax revenue lost to statewide exemptions then spent on K–12 education, programs for children (*e.g.*, childcare and full-day preschool and partially funded by HB26-1419) for the first 10 years, general state obligations after 10 years, and administration. In years when revenue falls short of the current limit, the state reimburses local governments for lost property taxes from other funding sources; this would not change under Proposition NN.[ii]

TABLE 1.

New State Spending under Proposition NN[1]		
	FY27	FY28
Property tax reimbursements for local governments	-	$206,100,000
K–12 Education	$241,500,000	$234,000,000
Other programs for children	$241,500,000	$234,000,000
Administration	-	$20,000
HB26-1419 adjustment[2]	-$153,100,000	-$153,100,000
Total (lost TABOR refunds)	**$329,900,000**	**$521,000,000**

The proposed new cap exceeds state revenue in every year since the current limit came into effect. It would have been hundreds of millions of dollars more than actual collections even in fiscal years 2022 and 2023, the years of TABOR's all-time highest refunds.

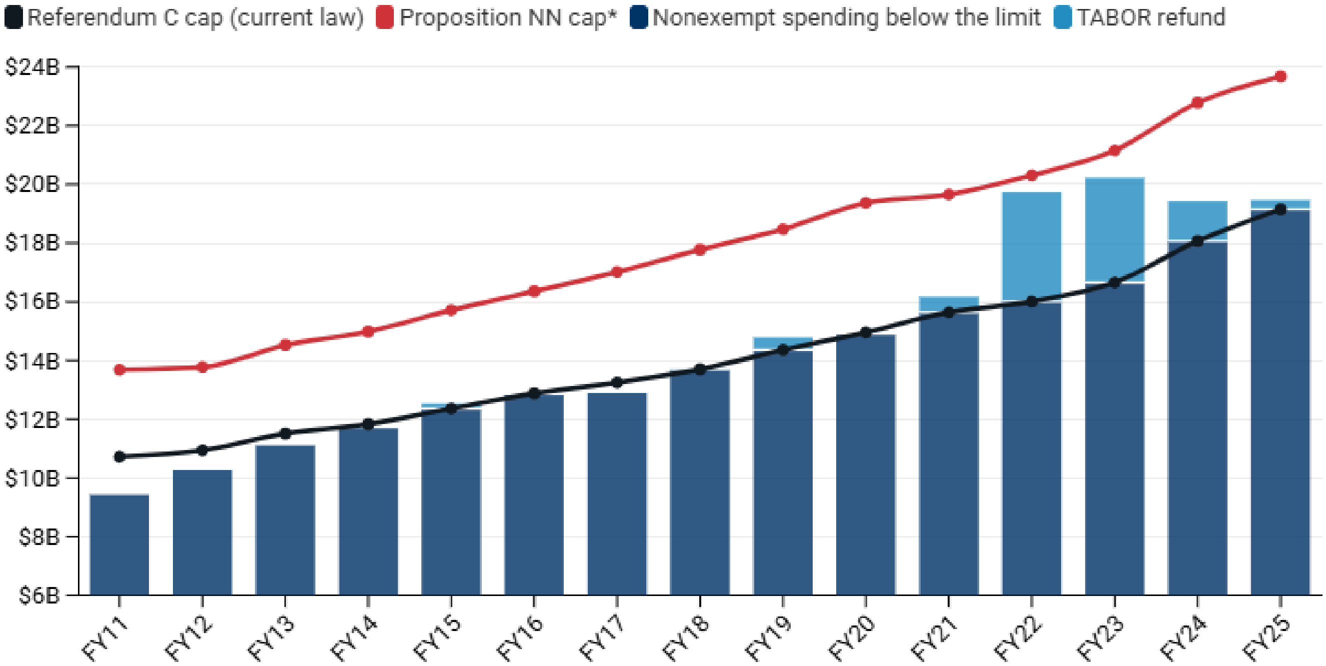
[1] Some numbers are corrections of those published in the second Blue Book draft and provided directly by state analysts, upon request.

[2] Over-refund from the FY25 fiscal year redirected to "other programs for children" under Proposition NN

FIGURE 1.

Revenue Subject to TABOR and TABOR Caps under Current and Proposed Law

From FY11 through FY25, Colorado paid $10.1 billion in cumulative TABOR refunds. Had Proposition NN's cap been in place during these years, there would never have been any refunds.



Sources: Colorado General Assembly, JBC staff, LCS, CSI estimates
* Approximations based on historical education spending in the general fund

Besides raising the revenue cap, Proposition NN would accelerate its growth over time. As TABOR stands now, it permits state revenue to grow by annual rates equal to the sum of inflation and the rate of population change. Because the new allowable rate of increase would parallel K–12 spending growth, it is likely each year to surpass population-growth-plus-inflation, as the measure's latest Blue Book draft affirms.

Past CSI studies have associated negative long-term economic impacts with TABOR-refund retention.[iii][iv] According to simulations in the REMI Tax-PI economic model, forecasting increased education spending alongside higher effective tax rates, Proposition NN would likewise cause mild to moderate contraction in Colorado's economy. CSI proposes two scenarios to outline a range of possible impacts: one in which new state spending generates direct investment in and monetary transfers to employees within public education/social services and another whereby none of that spending fortifies employment and compensation. Because only some of the money reallocated by the measure would directly fund higher pay and new jobs, the true impacts would likely fall somewhere between the extremes.

TABLE 2.

Economic Impacts of Proposition NN[3]		
	2027	2028
Scenario 1: State-government Output with Employment and Compensation		
Total employment	141	-46
Private employment	-352	-460
GDP	$7,000,000	-$19,000,000
Output	$5,000,000	-$39,000,000
Personal Income	$250,000,000	$223,000,000
Scenario 2: State-government Output without Employment and Compensation		
Total employment	-1,799	-2,227
Private employment	-1,697	-2,056
GDP	-$19,000,000	-$101,000,000
Output	-$51,000,000	-$193,000,000
Personal income	-$154,000,000	-$222,000,000

The state's economic forecasts currently project TABOR revenue surpluses through only FY28.[v] Should Proposition NN pass, its impact in years beyond that will register in proportion to each year's excess revenue under current law. Other measures on the 2026 statewide ballot, including proposals to raise and cut income-tax rates, could inflate or diminish these amounts accordingly. In years when the state collects less revenue than the current-law cap allows, Proposition NN would have no fiscal nor economic impact.

[3] TABOR refunds are normally paid one year after the occurrence of a revenue excess. Because Proposition NN's changes to the revenue limit are permanent, this table simply renders the economic impacts of future refund distributions alongside those of same-year revenue retention for the sake of ease and comprehensiveness. The FY28 property-tax rebate is excluded from both simulations because it would take identical effect under current law, albeit by a subtly different fiscal mechanism.

EDUCATION FUNDING

In theory, Proposition NN could designate billions of dollars per year to public education and children's programs; in practice, the amounts would be much lower. The measure proposes to raise the state's spending limit by an amount equal to current nonexempt education funding plus an annual adjustment (totaling $4.6 billion in its first year), but state revenue is unlikely to grow by that much until effective tax rates rise substantially. As the previous section of this report describes, total state spending is expected to grow by $329.9 million in FY27 and $521 million in FY28 if Proposition NN passes, of which $241.5 million and $234 million, respectively, will fund public schools.

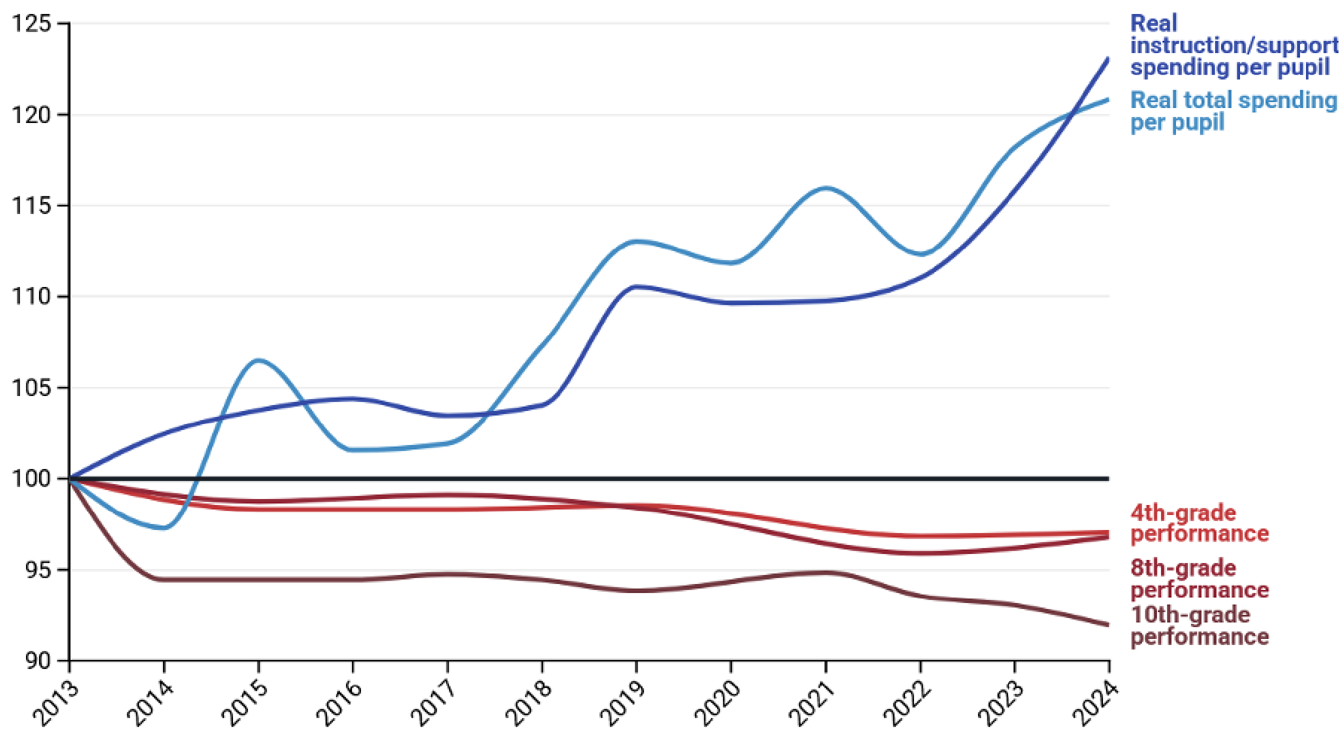
Proposition NN's main goal is to grow the state budget, but its secondary purpose is to boost K–12 education spending under the premise that public schools in Colorado are underfunded. Colorado's per-pupil spending level is, in fact, well below the national average.[vi] If the triumph of adequate education funding is better student outcomes, however, financial data make it increasingly difficult to argue that Colorado's problem is one of underfunding.

It's possible that pandemic-related learning loss and other, more intractable, societal trends are suppressing K–12 student performance through little fault of schools themselves. Still, historical data (regardless of indexing year) do not seem to support a claim that increased funding improves measurable academic outcomes in Colorado. It's unlikely a problem of administrative overspending; CSI has previously raised the issue of administrative excess in public-school districts, but spending on non-administrative functions has grown at roughly the same pace.[vii] It may be that districts, in general, are not spending prudently from their revenue growth, that education funding in Colorado has surpassed the point of diminishing return, or simply that more responsibility lies with students, parents, and teachers than with district administrators.

FIGURE 2.

Statewide K–12 Spending per Pupil and Student Performance since 2013

All values are indexed (2013=100)



Sources: CDE, NAEP, BLS, Colorado General Assembly, CSI calculations • The 10th-grade student performance series harmonizes CSAP, TCAP, and PSAT results over time. Missing values, like for 2020, represent lapsed assessment years.

CONCLUSION

Voters and leaders will have to weigh Proposition NN's promises of new education spending against the loss of future TABOR refunds and the projected economic costs of its passage. Proposition NN would make a consequential, permanent change to Colorado's fiscal structure at a time when the state's finances are less robust and its economic outlook is less sanguine than throughout the previous decade. It would allow the state of Colorado to keep $851 million through fiscal year 2028 that would otherwise have been returned to taxpayers and local governments. This shift would entail costs including fewer private-sector jobs alongside lost GDP and economic output.

Coloradans should also carefully consider the current state of K–12 education spending. As previously detailed in CSI research, per-pupil K-12 spending in Colorado has risen substantially since 2013 but not produced measurable gains in academic performance in standardized testing. As voters consider the ballot measure, it is crucial that they understand not only Proposition NN's economic consequences but the disconnection between public-school funding and student outcomes.

SOURCES

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