

## Estimate of Fiscal Impact for Proposition EE

**State revenue.** Proposition EE will increase state revenue from cigarette, tobacco product, and nicotine product taxes by \$87 million in state budget year 2020-21 and \$176 million in state budget year 2021-22, the first full year under the measure. The amount of new revenue will increase as the measure is phased in, with \$276 million expected to be generated in state budget year 2027-28.

In addition, the measure will also increase state revenue from sales taxes by \$0.8 million in state budget year 2020-21 and by \$1.5 million in state budget year 2021-22, the first full year under the measure. The amount of additional sales tax revenue will decline as the measure is phased in, with no new sales tax revenue expected in state budget year 2027-28.

**State spending.** Proposition EE will increase state spending by \$87 million in state budget year 2020-21 and by \$177 million in state budget year 2021-22. As the measure is phased in, state spending will increase, with \$276 million expected to be spent in state budget year 2027-28. Spending includes the amounts shown in Figure 1 for education, housing, preschool, tobacco and nicotine education and cessation programs and other programs, as well as costs for administrative and auditing purposes.

**Taxpayer impacts.** Proposition EE is expected to increase taxes paid by an average of \$38 per Colorado adult in state budget year 2021-22, and \$53 per Colorado adult in budget year 2027-28; however, the direct tax impact applies only to people who consume cigarette, tobacco products, and/or nicotine products. If the percentage of adult smokers remains constant at 14.5 percent, the measure is expected to increase the taxes paid by cigarette smokers by an average of \$222 in state budget year 2021-22 and by \$291 in state budget year 2027-28.

## State Spending and Tax Increases

Article X, Section 20, of the Colorado Constitution requires that the following fiscal information be provided when a tax increase question is on the ballot:

- Estimates or actual amounts of state fiscal year (FY) spending for the current year and each of the past four years with the overall percentage and dollar change; and
- For the first full fiscal year of the proposed tax increase, estimates of the maximum dollar amount of the tax increase and of state fiscal year spending without the increase.

“Fiscal year spending” is a legal term in the Colorado Constitution. It equals the amount of revenue subject to the constitutional spending limit that the state or a district is permitted to keep and either spend or save for a single year. Table 2 shows state fiscal year spending for the current year and each of the past four years.



**Table 2**  
**State Fiscal Year Spending**

	<b>Actual FY 2016-17</b>	<b>Actual FY 2017-18</b>	<b>Actual FY 2018-19</b>	<b>Actual FY 2019-20</b>	<b>Estimated FY 2020-21</b>
Fiscal Year Spending	\$12.89 billion	\$13.70 billion	\$14.36 billion	\$14.87 billion	\$12.70 billion
Four-Year Dollar Change in State Fiscal Year Spending: -\$0.19 billion					
Four-Year Percent Change in State Fiscal Year Spending: -1.5 percent					

Table 3 shows the revenue expected from the cigarette, tobacco product, and nicotine product tax increase for FY 2021-22, the first full fiscal year for which the tax increase would be in place, and an estimate of state fiscal year spending without the tax increase. The estimate in Table 3 differs from the amount in the ballot question for Proposition EE because it reflects a different fiscal year, FY 2021-22 rather than FY 2027-28.

**Table 3**  
**Estimated State Fiscal Year Spending**  
**and the Proposed Cigarette, Tobacco Product, and Nicotine Product Tax Increase**

	<b>FY 2021-22 Estimate</b>
Fiscal Year Spending Without the Tax Increase	\$16.46 billion
Revenue from the Tax Increase	\$186.5 million