FY 2027-28 Budget Briefing Summary

Tobacco Revenue

Colorado receives TABOR-exempt tobacco revenue from three sources:

1. Tobacco Master Settlement Agreement (MSA): a 1998 legal settlement between tobacco manufacturers and states that sued manufacturers to recover Medicaid and health-related costs from treating smoking-related illnesses.
2. Amendment 35 (A35): a 2004 constitutional amendment that created tobacco and cigarette taxes.
3. Proposition EE: a tobacco, cigarette, and nicotine product tax approved by voters in November 2020.

The briefing document includes a high-level summary followed by a detailed discussion of each of these three revenue sources.

Issues Presented

This is a summary of the briefing issues presented to the Joint Budget Committee by their dedicated non-partisan staff.

MSA Budget Reduction Options: This issue brief includes two budget reduction options related to the tobacco MSA. MSA fund distribution is dictated solely in statute, making it the most flexible of the three tobacco revenue sources described in this document.

Statewide R7 Shift Proposition EE Transfers: The request includes a one-time statutory change to increase the Proposition EE distribution to the General Fund by $5.0 million, and reduce the distribution to the Tobacco Education Programs Fund by $5.0 million. Programmatic impacts will be discussed further during the Department of Public Health and Environment's briefing on December 11, 2026.

Statewide R13 New Funding for Preschool and Childcare: This informational request proposes two ballot measures for November 2027 that would provide additional revenue for childcare and preschool programs by: (1) increasing nicotine, cigarette, and tobacco taxes, and (2) increasing and exempting gaming taxes from TABOR. This brief provides background on the tobacco tax portion of the request, with additional details to be discussed during the briefing for the Department of Early Childhood on November 19, 2026.

For More Information

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To read the entire briefing: Go to content.leg.colorado.gov/content/budget#budget-documents-section to use the budget document search tool. Select this topic's name under Department/Topic, "Briefing" under Type, and select a Start date and End date to show documents released in November and December of 2026.