



## STATE ENTERPRISES

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This *issue brief* provides information on state enterprises, a special category of government entities created in the Colorado Constitution. The Taxpayer's Bill of Rights (TABOR) specifically defines an "enterprise" as:

...a government-owned business authorized to issue its own revenue bonds and receiving under 10 percent of annual revenue in grants from all Colorado state and local governments combined.

*Colo. Const. art. X, § 20 (2) (d).*

An enterprise is a self-supporting, or largely self-supporting, government-owned business that receives its revenue in return for the provision of a good or service. Because the share of revenue that an enterprise may receive from state and local government sources is capped at 10 percent, enterprises are largely financially independent of core government agencies. Enterprises cannot levy taxes. They must be able to support themselves much like private businesses, by providing goods or services in exchange for monetary compensation.

TABOR limits the amount of money that can be collected by the state government and all local governments within the state. However, revenue collected by enterprises is not subject to these constraints. Because enterprise programs are primarily user-funded, they can increase fee revenue over time at rates sufficient to pay for expenses without contributing to the state's TABOR surplus and thereby affecting the General Fund budget. For information on the TABOR limit and refunds, see Issue Brief 14-03A, "Colorado's Constitutional Spending Limit."

**Enterprises by type.** A broad array of entities satisfy the constitutional criteria to qualify as an enterprise, including:

- most public colleges and universities;
- college finance programs, including College Assist and Collegenvest;
- the state unemployment insurance program;
- the state lottery;
- the state parks and wildlife system;
- the correctional industries program, which employs inmates at state prisons; and
- state nursing homes.

Entities lose enterprise status if they cease to satisfy the constitutional criteria; likewise, entities can be redesignated as enterprises if and when they meet the criteria. When an entity becomes an enterprise, its revenue is exempted from the state TABOR limit, and a corresponding downward adjustment is made to the level at which the TABOR limit is set. When an entity loses enterprise status, its revenue becomes subject to the state TABOR limit, and a corresponding upward adjustment is made to the TABOR limit.

The largest segment of enterprise revenue is attributable to institutions of higher education and the higher education finance enterprises. For FY 2013-14, the higher education enterprises collected approximately \$9.0 billion, or about 84 percent of state enterprise revenue. The next largest shares were attributable to the state unemployment insurance program, which collected \$0.8 billion, and the state lottery, which collected \$0.5 billion.

**Enterprise revenue over time.** Taken in the aggregate, enterprises have grown more quickly than state government since the adoption of TABOR in 1992. For FY 1993-94, the first year in which TABOR limited state spending, revenue to enterprises totaled \$742.3 million, or approximately 8.3 percent of total state revenue. Nearly half of this revenue was collected by institutions of higher education, and an additional 40 percent was attributable to the state lottery.

For FY 2013-14, revenue to enterprises totaled \$10.7 billion. Revenue to enterprises grew at a compound average annual growth rate of 14.3 percent over the 20-year span between FY 1993-94 and FY 2013-14. By contrast, state TABOR revenue grew at an average of 4.0 percent annually, and non-enterprise TABOR-exempt revenue grew at an average of 6.0 percent. Figure 1 illustrates the change in the composition of state revenue by source.

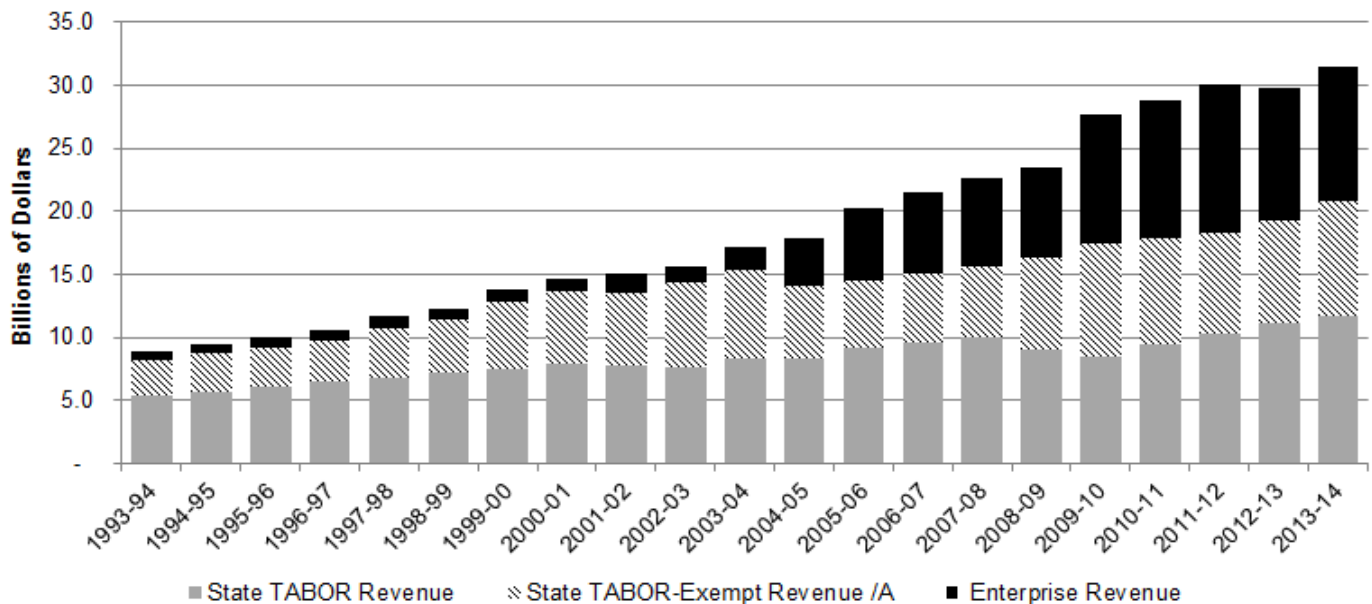
A list of current state enterprises organized by the fiscal year in which they first received revenue as an enterprise is compiled in Table 1.

**Table 1. Current State Enterprises**

Year	Enterprise
1994	Higher Education Enterprises (various dates)
1994	State Lottery
1994	College Assist (Student Loan Program)
1994	Correctional Industries
1994	State Nursing Homes
2001	CollegelInvest (Student Bond Authority)
2002	Parks and Wildlife (Division of Wildlife)
2003	Clean Screen Authority
2005	Brand Board
2005	Capitol Parking Authority
2006	Petroleum Storage Tank Fund
2009	High-Performance Transportation Enterprise
2010	Unemployment Insurance
2010	Statewide Bridge Enterprise

Source: Office of the State Controller.

**Figure 1. State and Enterprise Revenue by TABOR Status, FY 1993-94 to FY 2013-14**  
Nominal Dollars in Billions



Source: Office of the State Controller, TABOR Schedules of Computations.  
/A Includes federal funds, property sales, gifts, damage awards, and voter-approved revenue changes. Does not include revenue retained under Referendum C, which is subject to the Referendum C cap and is included in state TABOR revenue.