



Legislative
Council Staff

Nonpartisan Services for Colorado's Legislature

Initiative # 274

INITIAL FISCAL IMPACT STATEMENT

Date: March 2, 2020

Fiscal Analyst: Greg Sobetski (303-866-4105)

LCS TITLE: VOTER APPROVAL REQUIREMENT FOR CREATION OF CERTAIN FEE-BASED ENTERPRISES

***Disclaimer.** This initial fiscal impact statement has been prepared for the Title Board. If the initiative is placed on the ballot, Legislative Council Staff may revise this estimate for the ballot information booklet (Blue Book) if new information becomes available.*

Summary of Measure

Beginning in 2021, the measure requires that voter approval be obtained in order for new programs to be created as state enterprises for the purpose of Article X, Section 20, of the Colorado Constitution (TABOR), and in order for existing state programs that are not enterprises to qualify as enterprises. The voter approval requirement applies if the program's projected or actual revenue exceeds \$100 million over the first five years for which the program will operate as an enterprise. For the purpose of making this determination, projected or actual revenue from enterprises created in the five preceding fiscal years and serving primarily the same purpose are added to the projected or actual revenue of the created or qualifying enterprise.

The measure also includes required language to be used in ballot titles for elections required under the measure.

Background

An enterprise is a government-owned business authorized to issue its own revenue bonds and receiving less than 10 percent of its revenue in grants from the state government and local government sources, combined. Examples of enterprises owned by the state government include public colleges and universities, the Colorado Lottery, and the Division of Parks and Wildlife.

Subsection (7) of TABOR limits the amount that a district, meaning the state government or a local government, may spend or save each year. Revenue collected in excess of the TABOR limit must be refunded to taxpayers unless voters approve a measure allowing the government to retain the excess. Because enterprises are excluded from the definition of a district, revenue collected by an enterprise may be spent or saved without affecting the amount available for the rest of the government.

The measure requires that the state government receive voter approval in order to create or qualify an enterprise that exceeds a certain revenue threshold. Under current law, enterprises may be created or designated by the General Assembly without voter approval, provided that they satisfy the other requirements. Programs designated as enterprises in state law may qualify or be disqualified from year to year if the revenue they receive from the state government and local governments combined fluctuates above and below 10 percent of total revenue to the enterprise.

State Revenue

The measure has no direct impact on state revenue. To the extent that the measure stops the creation or qualification of state enterprises, it may reduce the total amount of revenue collected in service charges paid to government-owned businesses.

State Expenditures

The measure increases workload for estimation of revenue to be collected by proposed enterprises and has no other direct impact on state expenditures. Workload in Legislative Council Staff will increase to estimate five-year revenue impacts for proposed enterprises rather than the two-year impacts usually estimated under current practice; this workload can be accomplished within existing appropriations.

To the extent that the measure results in the submission of more ballot questions to the state's voters, it will increase election-related workload in Legislative Council Staff, the Office of Legislative Legal Services, and the Department of State.

To the extent that the measure stops the creation or qualification of state enterprises, it may either reduce the total amount of state expenditures in policy areas that are unknown at this time and/or increase future General Fund obligations for TABOR refunds to taxpayers.

Local Government Impact

The measure does not affect the ability of local governments to create enterprises. To the extent that it results in the submission of more ballot questions to the state's voters, it will increase election-related workload for county clerks.

Economic Impact

The measure has no direct economic impact. To the extent that it causes policymakers to create fewer state enterprises, it will decrease state government services, potentially shifting a portion of economic activity from the public sector to the private sector.

Effective Date

If approved by voters at the 2020 general election, this measure takes effect upon proclamation of the Governor, no later than 30 days after the official canvass of the vote is completed.

State and Local Government Contacts

Legislative Council Staff Economics Section

Abstract of Initiative 274: VOTER APPROVAL REQUIREMENT FOR CREATION OF CERTAIN FEE-BASED ENTERPRISES

The abstract includes estimates of the fiscal impact of the proposed initiative. If this initiative is to be placed on the ballot, Legislative Council Staff will prepare new estimates as part of a fiscal impact statement, which includes an abstract of that information. All fiscal impact statements are available at www.ColoradoBlueBook.com and the abstract will be included in the ballot information booklet that is prepared for the initiative.

This initial fiscal estimate, prepared by the nonpartisan Director of Research of the Legislative Council as of March 2020, identifies the following impacts:

State revenue. The measure has no direct impact on state revenue.

State expenditures. The measure increases workload for estimation of revenue to be collected by proposed enterprises and has no other direct impact on state expenditures.

Local government impact. The measure has no direct impact on local governments.

Economic impacts. The measure has no direct economic impact. To the extent that it causes policymakers to create fewer state enterprises, it will decrease state government services, potentially shifting a portion of economic activity from the public sector to the private sector.