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SNAPSHOT OF FEES IN COLORADO: 2025 UPDATE

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ABOUT THE AUTHORS



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ABOUT COMMON SENSE INSTITUTE

Common Sense Institute is a non-partisan research organization dedicated to the protection and promotion of Colorado's economy. CSI is at the forefront of important discussions concerning the future of free enterprise and aims to have an impact on the issues that matter most to Coloradans. CSI's mission is to examine the fiscal impacts of policies, initiatives, and proposed laws so that Coloradans are educated and informed on issues impacting their lives. CSI employs rigorous research techniques and dynamic modeling to evaluate the potential impact of these measures on the economy and individual opportunity.

TEAMS & FELLOWS STATEMENT

CSI is committed to independent, in-depth research that examines the impacts of policies, initiatives, and proposed laws so that Coloradans are educated and informed on issues impacting their lives. CSI's commitment to institutional independence is rooted in the individual independence of our researchers, economists, and fellows. At the core of CSI's mission is a belief in the power of the free enterprise system. Our work explores ideas that protect and promote jobs and the economy, and the CSI team and fellows take part in this pursuit with academic freedom. Our team's work is informed by data-driven research and evidence. The views and opinions of fellows do not reflect the institutional views of CSI. CSI operates independently of any political party and does not take positions.

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KEY FINDINGS

- In TABOR's first year of effect (FY94), fee-based enterprises generated \$742 million. By 2024, their revenue had **increased by almost 3,400% to \$25.8 billion while the state's population growth plus inflation totaled 196% over the same time.**
- In 1996, only 46% of total state spending was TABOR-exempt—\$5,264 per Coloradan in 2024 dollars. In 2024, 74% of state spending was exempt, amounting to \$9,265 per Coloradan.
- Proposition 117, which requires new enterprises projected to generate revenue above a threshold to receive voter approval, passed in 2020. Since then, the legislature has directly established ten new enterprises and expanded a preexisting one, costing Coloradans a total of \$124.3 million in FY24.
- **If all Colorado's fee enterprises, minus higher education, were instead funded by the state income tax, the income tax rate would increase to 5.98%, 41% more than the current rate of 4.25%.**
- Since 2018, voters have approved three income tax cuts worth a combined reduction of .38 of a percentage point. Over the same period, fee-based revenue to non-higher education enterprises has increased by an amount equivalent to a 1.5 percentage-point increase in the state income tax.
- In 2000, enterprises collected \$225 and the General Fund received \$1,209 per Coloradan. By 2024, these amounts had grown to \$4,322 and \$2,614, respectively—for every \$1 increase in General Fund revenue per Coloradan since 2008, total fee collections per Coloradan rose by \$2.69.

INTRODUCTION

TABOR (Taxpayers’ Bill of Rights) was approved by Colorado voters to provide taxpayer protections against the growth of government spending; lawmakers must secure voter consent to retain tax revenue above its limit.ⁱ Governments can still raise new money through fees, however, and have done so liberally in recent years.

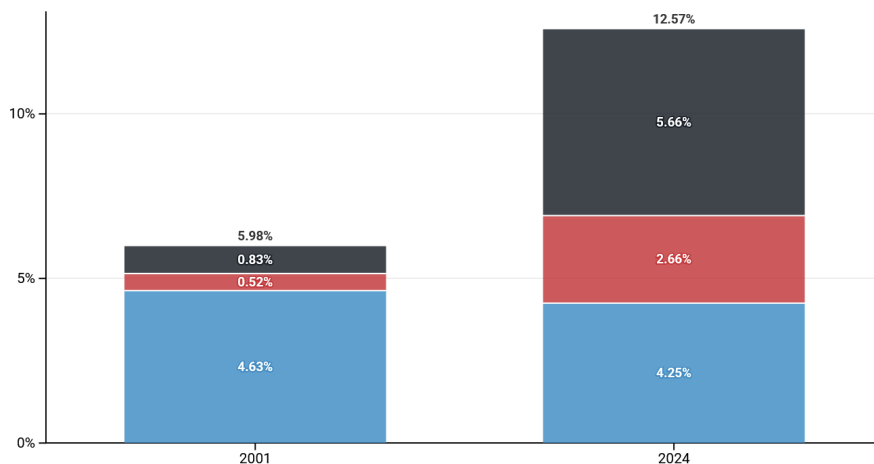
Fees have driven Coloradans’ effective tax burdens ever higher. Over most of the last two decades, fee revenue has grown faster than the state’s General Fund. Per Coloradan, it has more than tripled since 2008 to \$4,322 in 2024. There is no reason to expect this trend to abate in the future.

Colorado’s income tax rate is among the lowest in the country, but that fact belies the state’s substantial reliance on fee revenue. If all Colorado’s fee enterprises were instead funded by the state income tax, it would have to rise to 12.57% to accommodate 2024 collections. With higher education enterprises excluded, the state income tax would still need to increase to 5.98%, 41% more than the current rate of 4.25%. **Since 2018, voters have approved three income tax cuts for a combined .38 percentage-point reduction. Over the same period, fee-based revenue to non-higher education enterprises has increased by an amount equivalent to a 1.5 percentage-point increase in the state income tax.**

Trading Fees for a Tax Increase

How high would Colorado's income tax rate be if fee enterprises were funded by income taxes?

■ Actual Income Tax Rate ■ Rate Increase Required to Pay for All Non-Higher Education Fees ■ Rate Increase Required to Pay for All Fees



HISTORY OF FEES IN COLORADO

Since the adoption of TABOR in 1992, voters have approved only a handful of statewide tax revenue increases, the majority of which have been “sin taxes” imposed on products such as tobacco and gambling. Although many local governments have received voter approval to retain revenues above the TABOR spending limit, a large share of state revenue and spending is still subject to the limit.

As tax rates have been kept lower by TABOR’s growth limitations, the Colorado legislature has shifted more of the state’s revenue dependence to fee-based enterprises. By 2020, lawmakers had created 24 such enterprises which, together, collected \$20.9 billion of revenue in that year. In just four years since then, the total increased to over \$25.8 billion. **Even since the 2020 passage of Proposition 117, a direct rebuke of rapid fee growth, the legislature has established ten new enterprises and expanded a preexisting one, costing Coloradans a total of \$124.3 million in FY24, some of which is not TABOR-exempt.**

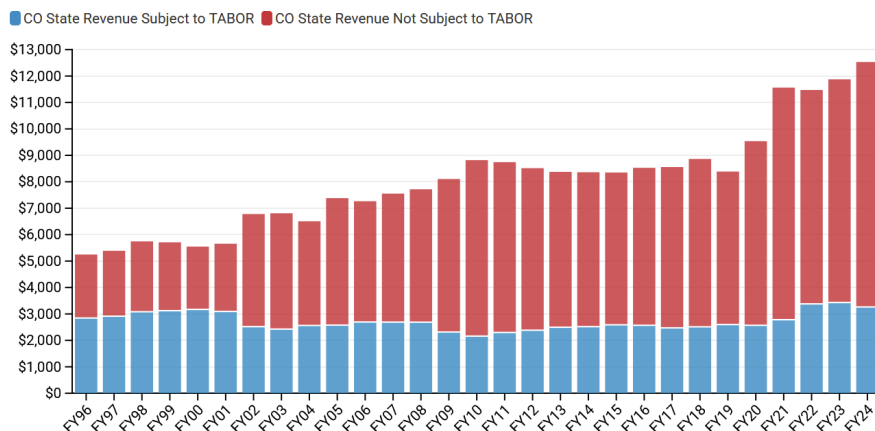
Why Does the Difference between Taxes and Fees Matter?

TABOR’s provisions apply to state taxes; most fees and all federal revenues, however, are exempt. The Colorado government collected fees prior to the enactment of TABOR in 1992, but the proportion of the Colorado state budget comprised of fees increased following its passage, a trend which has continued to the present day. In 1996, only 46% of total state spending was TABOR-exempt—\$5,264 per Coloradan in 2024 dollars. In 2024, 74% was exempt, amounting to \$9,265 per Coloradan.

How Is Fee Revenue Collected?

Users of public services, like parks, toll roads, and waste-disposal facilities, pay fees to the state-government enterprises responsible for them. These enterprises are government-owned entities that fund their operations with the fees they collect and must receive less than 10% of their funding from government grants.ⁱⁱ Some fee enterprises, including several that were established after 2020, provide no direct services to their payers and behave instead as means of generating revenue for government projects and/or disincentivizing adverse behaviors.

Colorado Revenue Subject to TABOR and Exempt from TABOR per Colorado Resident
The growth of TABOR-exempt revenue has dramatically outpaced that of revenue subject to TABOR



Proposition 117

As public consciousness of increasing fee revenue rose, appeals for relief did as well. The loudest of these was Proposition 117, a citizen-led initiative that appeared on the 2020 statewide ballot. Proposition 117 proposed requiring voter approval for the creation of any new state enterprise projected to generate more than \$100 million in revenue over its first five years. The proposition passed and became law in 2021. Because Colorado voters have historically rejected most tax increases, Prop 117 was expected to slow the growth in state fee revenue collection.

Colorado Fee Enterprise Revenue

Revenue generated from enterprise fees has grown from \$742 million in FY94, the first full year of TABOR, to \$25.8 billion in FY24. That is a growth rate of 3,369% during a period of just 65% population growth.

	FY94	FY20	FY24
Higher Education Enterprises	\$359,400,000	\$10,047,500,000	\$15,576,937,313
CHASE*	\$0	\$3,531,700,000	\$5,007,458,068
Unemployment Compensation Section	\$0	\$4,767,300,000	\$742,911,974
Collegelvest	\$0	\$926,200,000	\$1,322,985,583
State Lottery	\$288,300,000	\$655,000,000	\$899,495,062
College Assist	\$0	\$554,300,000	\$612,776,560
Parks and Wildlife	\$0	\$208,900,000	\$350,112,461
Health Insurance Affordability Enterprise	\$0	\$0	\$473,083,955
Family and Medical Leave Insurance	\$0	\$0	\$418,582,724
Correctional Industries	\$19,500,000	\$56,500,000	\$40,408,546
State Nursing Homes	\$13,100,000	\$46,500,000	\$53,823,530
Statewide Transportation Enterprise	\$0	\$23,600,000	\$87,501,950
Bridge and Tunnel Enterprise	\$0	\$14,700,000	\$70,369,993
Petroleum Storage Tank Fund	\$0	\$35,300,000	\$29,507,854
Student Loan Program	\$62,000,000	\$0	\$0
988 Crisis Hotline	\$0	\$0	\$15,040,378
Workforce Development Enterprise	\$0	\$0	\$13,597,839
Electronic Recording Technology Fund	\$0	\$4,300,000	\$4,868,181
Brand Board	\$0	\$3,000,000	\$6,070,258
Community Access Enterprise	\$0	\$0	\$8,254,071
Clean Screen Authority	\$0	\$3,600,000	\$4,171,573
Front Range Waste Diversion Enterprise	\$0	\$100,000	\$6,774,700
Capitol Parking Authority	\$0	\$1,200,000	\$1,700,487
Clean Motor Vehicle Fleet Enterprise	\$0	\$0	\$1,366,444
Air Quality Enterprise	\$0	\$0	\$369,920
Orphaned Wells Enterprise	\$0	\$0	\$262,630
Air Pollution Mitigation Enterprise	\$0	\$0	\$36,756
Clean Transit Enterprise	\$0	\$0	\$22,462
Natural Disaster Mitigation	\$0	\$0	\$16,395
Fuels Impact Enterprise	\$0	\$0	\$53

* Colorado Healthcare Affordability and Sustainability Enterprise

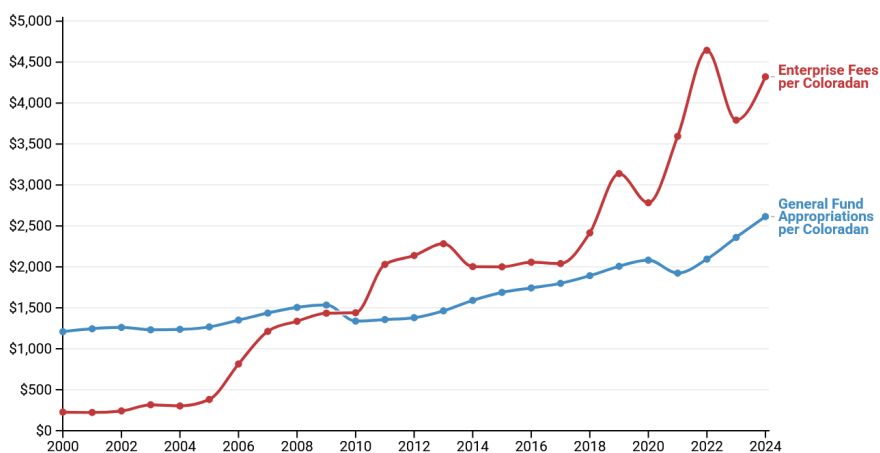
WHERE DO FEES STAND NOW?

Data from the three years following the enactment of Proposition 117 demonstrate that fee revenue growth has not declined as expected; instead, it has grown even more rapidly. **In FY24, the \$25.8 billion collected by fee enterprises accounted for more than half of the state budget.**

Between 2008 and 2024, the total amount of TABOR-exempt revenue collected by enterprises per Colorado resident more than tripled and fee revenue grew substantially faster than General Fund revenue.

In 2000, enterprises collected \$225 and the General Fund received \$1,209 per Coloradan. By 2024, these amounts had grown to \$4,322 and \$2,614, respectively—for every \$1 increase in General Fund revenue per Coloradan since 2008, total fee collections per Coloradan rose by \$2.69.

TABOR-exempt Enterprise Fees and General Fund Revenue per Coloradan since 2000



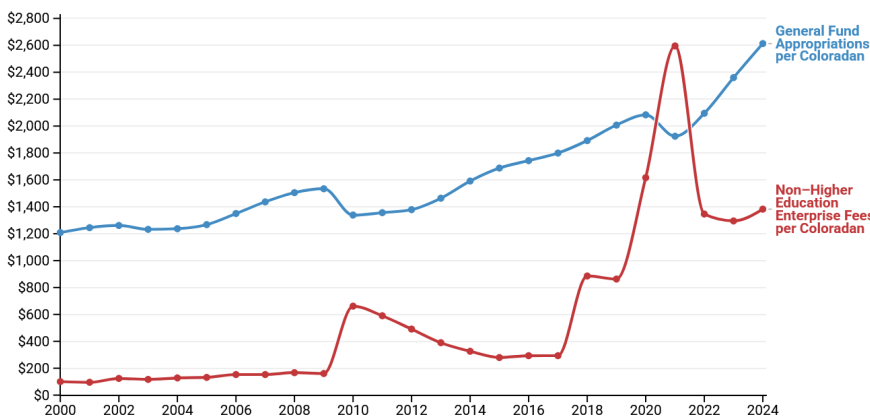
Why Has Fee Revenue Continued to Grow?

Most importantly, though the passage of Proposition 117 required voter approval for the creation of large new enterprises, it did not restrict the growth of existing enterprises. Revenue collected by almost every enterprise active in 2020 has continued to grow unimpeded.

Additionally, the Colorado General Assembly has exempted several revenue sources from the TABOR cap by designating them as state enterprises. The largest of these is public university tuition and fees, which was reclassified in 2005. Even this, however, is not primarily responsible for the long-term growth of fee revenue—excluding higher education fees, total enterprise revenue grew from \$101 per Coloradan in 2000 to \$1,382 in 2024.

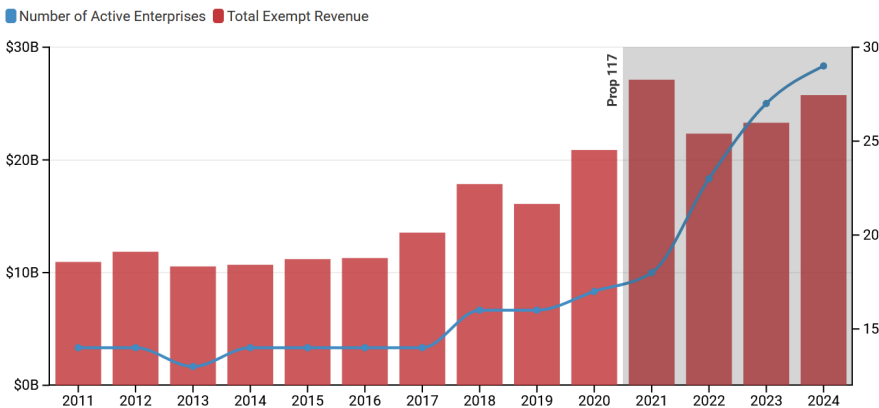
Lastly, the proliferation of new enterprises since the passage of Proposition 117 appears to be accelerating fee revenue growth. Ten new enterprises have been constituted since Proposition 117 became law, which is far more than have historically been established over similar periods of time. Fees under one preexisting enterprise, the Bridge and Tunnel Enterprise, have been substantially increased as well.

General Fund and TABOR-exempt Fee Enterprise Revenue (Excluding Higher Education Enterprises) per Coloradan since 2000



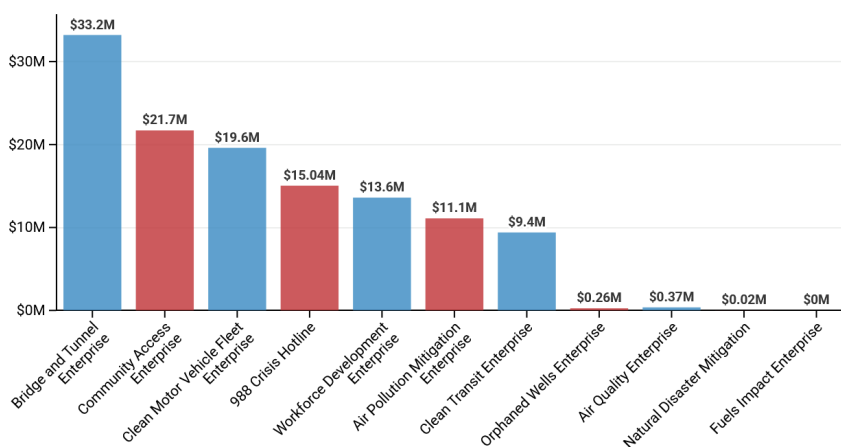
New Enterprises and Proposition 117

The number of active enterprises and their cumulative TABOR-exempt revenue have both increased since the passage of Proposition 117



Of the ten new enterprises, all were established by the state legislature without being referred to the ballot to assess their popularity with voters.¹ The collections of these ten are comparable to those of many established funds. The largest new enterprise collected \$21.7 million in 2024 and the ten together collected a total of \$91 million, most of which came from non-TABOR-exempt fees imposed by a single bill (SB21-260).ⁱⁱⁱ

Revenue Collected in FY24 from Fees Approved after the Passage of Proposition 117
The rapid year-over-year increase in fee revenue collected is a trend likely to continue into future years



Note: These values include both exempt and non-exempt revenue from fees. The Bridge and Tunnel Enterprise predates Proposition 117, but its fee revenue rose under SB21-260.

Future Increases

Two major pieces of fee-related legislation were passed into law during the 2024 legislative session and will take effect in the coming years. SB24-184 imposes a fee on vehicle rentals to create the Transportation Enterprise Special Revenue Fund, with a projected revenue of \$58.2 million next year.^{iv} SB24-230 establishes fees on oil and gas production in the estimated amount of \$175.3 million next year to benefit two existing enterprises: the Clean Transit Enterprise and the Colorado Parks and Wildlife Enterprise.^v In the 2025 session, two similar bills were approved: SB25-270, which diverts \$65.1 million of non-exempt revenue per year into the Healthcare Affordability and Sustainability Enterprise, and SB25-320, which raises \$13.5 million worth of fees for the Bridge and Tunnel Enterprise.^{viii}

¹ The Family Medical Leave Insurance Enterprise, not counted among the 10, was approved on the 2020 ballot alongside Proposition 117.

CONCLUSION

The more that fee increases assume the character of tax increases, especially in the aftermath of Proposition 117, the more appropriate it becomes to characterize them as such. The comparative difficulty of enacting tax increases in Colorado has for decades encouraged lawmakers to instead use fees as means of generating new revenue for the state; the evidence of the years since 2020 suggests that Proposition 117 drove them only to change tactic, not to change course. Fee revenue growth, therefore, is still driving Coloradans' effective tax burdens ever higher without giving them a say in the process—far beyond levels that they'd likely approve on a ballot.

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- ii https://www.sos.state.co.us/pubs/info_center/laws/COConstitution/ArticleXSection20.html
- iii https://leg.colorado.gov/sites/default/files/documents/2021A/bills/fn/2021a_sb260_f1.pdf
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