



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado’s Legislature

SB 26-131: SPORTS BETTING PROTECTIONS

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Fiscal note status: The fiscal note reflects the introduced bill.

Summary Information

Overview. The bill places restrictions on sports betting operators and requires additional data collection by the Department of Revenue.

Types of impacts. The bill is projected to affect the following areas beginning in FY 2026-27:

- State Revenue
- State Expenditures
- State Transfers

Appropriations. For FY 2026-27, the bill requires an appropriation of \$212,363 to the Department of Revenue.

**Table 1
State Fiscal Impacts**

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
State Revenue	-\$2,429,452	-\$2,641,984	-\$2,774,083
State Expenditures	\$231,378	\$993,317	\$249,317
Transferred Funds	\$0	-\$2,660,830	-\$3,635,301
Change in TABOR Refunds	\$0	\$0	\$0
Change in State FTE	1.3 FTE	1.5 FTE	1.5 FTE

Fund sources for these impacts are shown in the tables below.

**Table 1A
 State Revenue**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
General Fund	\$0	\$0	\$0
Cash Funds – Sports Betting Fund	-\$2,429,452	-\$2,641,984	-\$2,774,083
Total Revenue	-\$2,429,452	-\$2,641,984	-\$2,774,083

**Table 1B
 State Expenditures**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
General Fund	\$0	\$0	\$0
Cash Funds – Sports Betting Fund	\$212,363	\$969,549	\$225,549
Federal Funds	\$0	\$0	\$0
Centrally Appropriated	\$19,015	\$23,769	\$23,769
Total Expenditures	\$231,378	\$993,317	\$249,317
Total FTE	1.3 FTE	1.5 FTE	1.5 FTE

The reduction in spending from the Water Plan Implementation Cash Fund is not reflected in this table. It is assumed this spending will be adjusted through the annual Colorado Water Conservation Board Projects Bill.

**Table 1C
 State Transfers**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
Sports Betting Fund	\$0	\$2,660,830	\$3,635,301
Water Plan Implementation Cash Fund	\$0	-\$2,660,830	-\$3,635,301
Total Revenue	\$0	\$0	\$0

The bill decreases the FY 2027-28 Sports Betting Fund transfer to the Water Implementation Cash Fund by \$2.7 million, which is equal to the FY 2026-27 revenue impact and the FY 2026-27 expenditure impact. In FY 2028-29, the decrease is equal to the FY 2027-28 revenue and the FY 2027-28 expenditure impact.

Summary of Legislation

The bill places restrictions on sports betting operators, restricts permissible advertisements related to sports betting, requires additional data collection by the Department of Revenue (DOR), and clarifies the revenue distribution of the Sports Betting Fund.

Internet Sports Betting Operators

The bill prohibits internet sports betting operators from:

- accepting more than five separate deposits in a day;
- limiting the size or frequency of deposits due to the individual placing the bet receiving a financial benefit;
- limiting the size or frequency of deposits due to the individuals' betting activities, unless that person's activities indicate they may have a gambling disorder; and
- sending text messages or push notifications to individuals who place bets.

In addition, the bill makes it unlawful for an internet sports betting operator to accept proposition bets or accept deposits using a credit card in connection with a sports bet, a class 2 misdemeanor, also subject to a fine up to \$25,000 and license suspension or revocation.

Sports Betting Advertisements

Advertisements or promotions for sports betting operations may not:

- include a statement in any advertisement that includes the words "bonus," "no sweat," "bonus bet," or a similar phrase;
- include information on how to place a sports bet in an advertisement; and
- broadcast an advertisement for a sports betting operation between 8:00 a.m. and 10:00 p.m., or during a live broadcast of an athletic competition.

Sports betting operators and internet sports betting operators must not enter into an agreement with a third-party to advertise sports betting where the compensation for the third-party depends on the number of people who sign up or the outcome of bets places.

Data Collection

By February 1, 2028, and each year thereafter, internet sports betting operators must provide to the Division of Gaming (division) in the DOR all transactional data related to their operation from the prior year. These data must be redacted to protect users' individually identifiable information, and are exempt from the Colorado Open Records Act. Beginning January 1, 2029, and annually thereafter, the division must publish a report on its website compiling these data.

Revenue Distribution

Under current law, after paying for administrative and other expenses, proceeds from the Sports Betting Fund are distributed to the Water Plan Implementation Cash Fund. The bill specifies that the amount distributed to the Water Plan Implementation Cash Fund after accounting for other expenses must be no less than the amount distributed in the previous fiscal year, to the extent permissible.

Background

Under current law, a 10 percent tax is imposed on the net sports betting proceeds of sports betting operators. Net sports betting proceeds are defined as wagers minus payments to players, federal taxes, and limited free bets. Sports betting tax revenue is exempt from TABOR and is distributed as follows after paying for administrative costs:

- 6 percent of the first \$29 million in sports betting revenue to the Wagering Recipients' Hold Harmless Fund; and
- the remaining revenue to the Water Plan Implementation Cash Fund.

Sports betting revenue allocated to the Water Plan Implementation Cash Fund is annually appropriated to the Colorado Water Conservation Board (CWCB) within the Department of Natural Resources (DNR) through the annual CWCB Projects Bill. The CWCB uses the appropriation for water project grants, and any unspent appropriations remain in the Water Plan Implementation Cash Fund for future use.

While some sports betting operators currently allow bets to be placed using a credit card, DraftKings banned credit card use in August 2025, and FanDuel banned credit card use in early March 2026. These two operators account for over two-thirds of the sports betting market.

Comparable Crime Analysis

Legislative Council Staff is required to include certain analysis in the fiscal note for any bill that creates a new crime, or that either reclassifies or creates a new factual basis for an existing crime. This section identifies comparable crimes and discusses assumptions on future conviction rates resulting from the bill.

Prior Conviction Data and Assumptions

This bill creates a new factual bases for the existing offense of unlawful acts in gaming, a class 2 misdemeanor, by adding additional prohibited behaviors to internet sports betting operators. From FY 2022-23 to FY 2024-25, 2 people have been convicted and sentenced for this offense. Of the persons convicted, both were White males.

The fiscal note assumes that there will continue to be minimal or no additional criminal case filings or convictions for this offense under the bill. Because the bill is not expected to have a tangible impact on criminal justice related revenue or expenditures at the state or local levels, these potential impacts are not discussed further in this fiscal note. Visit the [Fiscal Notes website](#) for more information about criminal justice costs in fiscal notes.

State Revenue

The bill decreases revenue to the Sports Betting Fund by an estimated \$2.4 million in FY 2026-27, \$2.6 million in FY 2027-28, and \$2.8 million in FY 2028-29 with similar amounts in future years, as shown in Table 2. Revenue to the Sports Betting Fund is exempt from TABOR. Because the fiscal impact of the bill will depend on consumer responses to the sports betting regulations in the bill, the revenue estimate is uncertain and assessed as having significant bidirectional risk, tilted to the downside, as outlined in the revenue assumptions below.

Table 2
Sports Betting Tax Revenue Forecast Comparison

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
Current Law Revenue	\$67,202,265	\$74,413,250	\$78,133,912
Current Law Expenditures	\$2,984,095	\$3,043,777	\$3,043,777
Current Law Funds Available for Distribution	\$64,218,170	\$71,369,473	\$75,090,135
Revenue Under Bill	\$64,772,813	\$71,771,266	\$75,359,830
Expenditures Under Bill	\$3,215,473	\$4,037,094	\$3,293,094
Funds Available for Distribution Under Bill	\$61,557,340	\$67,734,172	\$72,066,735
Net Impact on Revenue to the Fund	-\$2,429,452	-\$2,641,984	-\$2,774,083
Net Impact on Expenditures from the Fund	-\$231,378	-\$993,317	-\$249,317
Net Impact to Funds Available for Distribution	-\$2,660,830	-\$3,635,301	-\$3,023,400

Revenue Assumptions

The fiscal note identifies four mechanisms for which the bill may decrease sports betting tax revenue, which are further described below:

- limitations on advertisements;
- prohibitions on proposition bets and credit card use in sports betting;
- prohibition of, and limiting the size or frequency of deposits due to, the individual placing the bet receiving a financial benefit; and
- prohibition of proposition bets.

Limitations on Advertisements

While the bill places limitations on broadcasted sports betting advertisements in the state during televised competitions, it is assumed that a majority of sports betting advertisements are broadcasted on national stations and therefore would not be impacted by the bill. Therefore, the limitations on advertisements are expected to have a minimal impact on sports betting tax revenue.

Prohibition of Credit Card Use in Sports Betting

Because the use of credit cards in sports betting is already banned for the majority of the sports betting market as discussed in the Background section, the fiscal note assumes the ban will only result in less wagers by individuals with a gambling problem, which are assumed to account for 1 percent of wagers based on market research. The decrease in wagers is expected to proportionally decrease the amount of payments to players and to revenue collected by the Division of Gaming.

Prohibition of Limiting the Size or Frequency of Deposits

The bill disallows sports betting operators from limiting bets from gamblers that are receiving a financial benefit from their sports betting. The fiscal note assumes this will increase wagers from professional gamblers, who have higher win percentages and profits than the average gambler. Professional gamblers are assumed to be a small fraction of the total gambling population, especially since they are likely being limited by sports betting operators under current law. The fiscal note assumes this change will result in a 1 percent increase in wagers but a 1.12 percent increase in payments, based on market research estimating a 55 percent win percentage for professional gamblers and a win percentage under 50 percent for the average gambler.

The decrease in revenue as a result of this prohibition could be greater to the extent that wagers by professional gamblers are more than assumed or payments to professional gamblers are higher than assumed.

Prohibition of Proposition Bets

Estimates for the percent of sports betting wagers on proposition bets vary greatly by source, from 2 percent to 50 percent. The fiscal note assumes that 25 percent of sports betting wagers are on proposition bets. Of that amount, it is assumed that 10 percent of individuals placing proposition bets will no longer sports bet, resulting in a 2.5 percent decrease in total wagers and a proportional decrease in payments to players. If the prohibition on proposition bets results in more or less than 10 percent of proposition bettors leaving the market, it will result in a state revenue impact that is correspondingly lower or higher than assumed in the fiscal note.

Generally, it is assumed that proposition bets have a higher win percentage than parlays but a lower win percentage than other types of bets. For the 90 percent of proposition bets that are assumed to be substituted with a different type of bet, the resulting change in payments to players will depend on the type of bet that the proposition bet is substituted for. The fiscal note assumes that this substitution will result in no net change to payments to players. If proposition bets are replaced by riskier bets with lower win percentages, it will result in less payments to players and an increase in taxable sports betting revenue. If proposition bets are replaced by less risky bets with higher win percentages, it will result in more payments to players and a decrease in taxable sports betting revenue.

State Transfers

On September 30 of each year, revenue to the Sports Betting Fund received in the prior year is transferred to the Water Plan Implementation Cash Fund, after accounting for administrative costs and the transfers to the Wagering Recipients' Hold Harmless Fund. Based on the projected revenue decrease and expenditure increase, the bill results in no changes in transfers to the Wagering Recipients' Hold Harmless Fund, and will decrease the transfer to the Water Plan Implementation Cash Fund by \$2,660,830 in FY 2027-28 and \$3,635,301 in FY 2028-29.

State Expenditures

The bill increases state expenditures in the DOR by about \$231,000 in FY 2026-27, \$993,000 in FY 2027-28, and \$249,000 in FY 2028-29 and ongoing, paid from the Sports Betting Fund. Based on the revenue reduction and expenditure increase, the bill is additionally expected to reduce expenditures in DNR beginning in FY 2028-29, as discussed below.

Department of Natural Resources

Sports betting revenue becomes available for spending on a lagged basis, such that FY 2026-27 sports betting revenue will be transferred to the Water Plan Implementation in FY 2027-28 and appropriated for spending in FY 2028-29. Accordingly, the bill is estimated to reduce DNR expenditures by \$2,660,830 in FY 2028-29 and by \$3,635,301 in FY 2028-29 and by \$3,023,400 in FY 2029-30, with similar amounts in future years.

The fiscal note estimates a reduction in DNR expenditures from the Water Plan Implementation Cash Fund in the same amounts; however, actual expenditures are determined through the annual CWCB projects bill and are subject to annual appropriations, as noted in the Background section.

Department of Revenue

The DOR requires staff, database, and legal services costs to implement the bill. Costs are discussed below and outlined in Table 3.

Staff

The DOR will require 1.0 FTE Statistical Analyst to implement the bill. This position will collect, analyze, and report transactional data on wagers placed by sports betting operators. First-year costs are prorated to assume a September 2026 start date and standard capital outlay and operating expenses are included.

Legal Services

DOR requires approximately 990 hours of legal services annually, or 0.5 FTE, for additional hearings and case defense related to sports betting and compliance disputes between operators and the gaming commission. Legal services hours are provided by the Department of Law at a rate of \$138.47 per hour.

Database Development Costs

In FY 2027-28 only, the DOR will develop a new database to begin accepting transactional data from sports betting operators to complete required reporting. Total programming costs are estimated at \$744,000, reappropriated to the Governor's Office of Information Technology. This estimate is based on the cost to develop the database that holds wager data by sport, and assumes that transactional level data will require a new database with approximately double the costs of the wager database, due to the size and scope of the additional data collection.

Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in Table 3 below.

Table 3
State Expenditures
Department of Revenue

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
Personal Services	\$79,716	\$99,646	\$99,646
Operating Expenses	\$1,024	\$1,280	\$1,280
Capital Outlay Costs	\$7,000	\$0	\$0
Legal Services	\$124,623	\$124,623	\$124,623
Database Development Costs	\$0	\$744,000	\$0
Centrally Appropriated Costs	\$19,015	\$23,769	\$23,769
FTE – Personal Services	0.8 FTE	1.0 FTE	1.0 FTE
FTE – Legal Services	0.5 FTE	0.5 FTE	0.5 FTE
Total Costs	\$231,378	\$993,317	\$249,317
Total FTE	1.3 FTE	1.5 FTE	1.5 FTE

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed, and applies to all sports betting conduct and agreements afterwards.

State Appropriations

For FY 2026-27, the bill requires an appropriation of \$212,363 from the Sports Betting Fund to the Department of Revenue, and 0.8 FTE. Of this amount, \$124,623 is reappropriated to the Department of Law, with an additional 0.5 FTE.

State and Local Government Contacts

Information Technology	Office of Economic Development
Law	Revenue
Local Affairs	

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).