



DD

Proposition DD: Legalization and Taxation of Sports Betting

1 **Proposition DD, if approved, would:**

- 2 • legalize sports betting;
- 3 • authorize a state tax on casinos' net sports betting proceeds; and
- 4 • use sports betting taxes and fees to pay for the regulation of sports
- 5 betting, a hold harmless fund, gambling addiction services, and water
- 6 projects.

7 **What your vote means:**

YES/FOR

A "yes" vote on Proposition DD means sports betting will be legal and taxed in the state.

NO/AGAINST

A "no" vote on Proposition DD means that sports betting will remain illegal in the state.



Proposition DD: Legalization and Taxation of Sports Betting

1 **Summary and Analysis for Proposition DD**

2 **What is sports betting?**

3 Sports betting is placing a bet on the outcome or any portion of a sporting event.
4 Sports betting is currently illegal in Colorado. In May 2018, a U.S. Supreme Court
5 ruling allowed all states to legalize sports betting.

6 **What other types of gambling are legal in Colorado?**

7 In 1991, voters in Colorado legalized limited stakes gambling in casinos located in
8 the cities of Black Hawk, Central City, and Cripple Creek. Gambling bets are
9 limited to \$100. Colorado also permits gambling on horse racing, simulcast horse
10 and dog races, the state lottery, and bingos and raffles sponsored by nonprofit
11 organizations.

12 **What happens if Proposition DD passes?**

- 13 • Placing sports bets of any amount will be legal for people 21 years of age or
14 older who are located in Colorado beginning May 2020.
- 15 • People will be able to place sports bets through online or mobile sports betting
16 platforms operated by Colorado casinos.
- 17 • If voters in Black Hawk, Central City, or Cripple Creek approve a separate
18 ballot question to legalize sports betting in their cities, casinos will also be able
19 to offer in-person sports betting.
- 20 • Sports betting will be taxed and regulated, with the tax revenue distributed to
21 pay for the regulation of sports betting, a hold harmless fund, gambling
22 addiction services, and water projects.

23 **What types of sports betting will be allowed under Proposition DD?**

24 Sports bets will be allowed on professional, collegiate, international, and Olympic
25 sporting events, as well as sanctioned motor sport events. Proposition DD
26 restricts the types of bets allowed on college sporting events by prohibiting bets
27 on individual performance statistics or events during the game. Sports betting will
28 not be allowed on high school sporting events or unsanctioned video game
29 competitions.

30 **How will sports betting be taxed?**

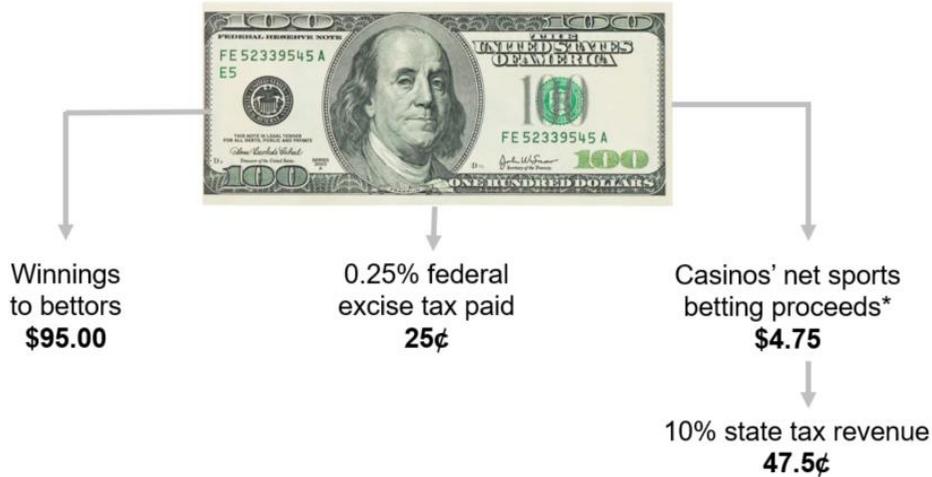
31 This measure will establish a tax of 10 percent on casinos' net sports betting
32 proceeds. Net sports betting proceeds are the amount kept by casinos after
33 deducting payouts to winners and the federal excise tax on sports bets. Figure 1
34 provides an example of how money from sports bets will be disbursed, including
35 tax revenue and winner payouts, if Proposition DD passes.



Proposition DD: Legalization and Taxation of Sports Betting

36
37

Figure 1. Where Does My Money Go if I Place a \$100 Sports Bet Under Proposition DD?



**Casino revenue will vary based on each establishment's operations, as well as the outcomes of sporting events. It is assumed that casinos will keep 5 percent of the total amount bet for illustrative purposes in this figure. The 5 percent pays for all taxes and includes casino profits.*

38 **How will money from sports betting taxes be distributed?**

39 Sports betting could generate up to \$29 million in tax revenue for the state. After
40 paying regulatory costs, this money will be used to pay for the programs shown in
41 Table 1, in the order listed. If tax revenue is lower than \$29 million, the money
42 dedicated to water project funding and the hold harmless fund will be lower.

43 **Table 1. How Is Sports Betting Tax Revenue Distributed?**

Program	How much?	What will it pay for?
Hold harmless fund	6% of tax revenue (up to \$1.7 million)	Entities that receive tax revenue from traditional gambling and horse racing, such as casino cities and counties, community colleges, and the State Historical Fund, may apply for funding from the hold harmless fund if they can prove that they lost money due to a decrease in the amount bet on traditional gambling and horse racing following the legalization of sports betting.
Gambling addiction services	\$130,000	Gambling addiction services, including a gambling crisis hotline and gambling addiction counselors.
Water projects	All remaining revenue (up to \$27.2 million)	Water projects that address the state's water needs and other water-related obligations, including projects related to water storage, conservation, land use, water education, agriculture, and recreation.
Total	Up to \$29.0 million	

44



Proposition DD: Legalization and Taxation of Sports Betting

1 Who will regulate sports betting if Proposition DD passes?

2 The Colorado Division of Gaming and the Colorado Limited Gaming Control
3 Commission, which currently regulate the state's casinos, will be responsible for
4 overseeing sports betting operations. They will develop rules, issue business
5 licenses, and enforce all sports betting regulations. Casinos and online or mobile
6 sports betting providers that apply for a license will have to pay a fee of up to
7 \$125,000 every other year. These license fees, along with enforcement fines, will
8 be used to help cover administrative costs.

For information on those issue committees that support or oppose the
measures on the ballot at the November 5, 2019, election, go to the
Colorado Secretary of State's elections center web site hyperlink for
ballot and initiative information:

<http://www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html>

9 Arguments For Proposition DD

- 10 1) Many Coloradans bet on sporting events now, but because that activity is
11 illegal, they use black market bookies and websites, which are not subject to
12 oversight or regulation. Legalizing sports betting in Colorado will create
13 consumer protections for people who place sports bets, ensuring that they
14 receive their winnings and do not fall victim to fraud or abuse.
- 15 2) Water is a scarce resource in Colorado. The state uses water for agricultural,
16 recreational, and industrial purposes, and Colorado's economy and way of life
17 will suffer if the state cannot meet its water demands. Revenue from taxes on
18 legalized sports betting would provide much needed financial resources for
19 managing water projects across the state.

20 Arguments Against Proposition DD

- 21 1) Proposition DD puts no limits on the amount a person can bet on sports,
22 making it easy to lose a lot of money with just the touch of a button on a
23 smartphone. Of the \$29 million in potential revenue, only \$130,000 is
24 dedicated to gambling addiction services, which may not be enough to help
25 people who are harmed by the legalization of sports betting in Colorado.
- 26 2) Taxes collected on sports betting proceeds will not provide enough money for
27 water-related projects. The state is estimated to need \$100 million each year
28 to cover its part of water project funding. Although Proposition DD lists water
29 projects as the first priority of the tax revenue sports betting generates, in
30 practice, water projects will receive only the money left over after the other
31 costs are covered.



Proposition DD: Legalization and Taxation of Sports Betting

1 **Estimate of Fiscal Impact of Proposition DD**

2 **State revenue.** Proposition DD increases state revenue by up to \$6.5 million in
3 budget year 2019-20 (partial-year impact) and up to \$29 million in budget year
4 2020-21. This revenue is from the tax on casinos' net sports betting proceeds and
5 licensing fees charged by the Division of Gaming. The tax revenue is exempt
6 from constitutional spending limits, but the fee revenue is not.

7 **State expenditures.** Proposition DD increases state expenditures by
8 \$2.0 million in budget year 2019-20 and by \$2.8 million in budget year 2020-21 for
9 administrative and regulatory costs. Starting in budget year 2020-21,
10 expenditures will also increase each year by \$130,000 for gambling addiction
11 services, up to \$1.7 million for distributions from the hold harmless fund, and up to
12 \$27.2 million for water projects.

13 **Taxpayer impacts.** Proposition DD places a 10 percent tax on the proceeds
14 generated by casinos that offer sports betting, or their net sports betting proceeds.
15 The state will collect up to \$29 million in tax revenue paid by the casinos on
16 approximately \$290 million in net sports betting proceeds during the first full
17 budget year.