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FINAL FISCAL NOTE

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| Drafting Number: | LLS 20-0522 | Date: | August 19, 2020 |
| Prime Sponsors: | Rep. Garnett; Williams D. Sen. Story | Bill Status: | Signed into Law |
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Bill Topic: **SUNSET REGULATION OF FANTASY SPORTS**

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|--------------------------------------|---|--|
| Summary of Fiscal Impact: | <input checked="" type="checkbox"/> State Revenue <input checked="" type="checkbox"/> State Expenditure <input type="checkbox"/> State Transfer | <input type="checkbox"/> TABOR Refund <input type="checkbox"/> Local Government <input type="checkbox"/> Statutory Public Entity |
|--------------------------------------|---|--|

Sunset bill. HB 20-1286 continues the regulation of fantasy contest operators, which is scheduled to repeal September 1, 2020. The program is continued indefinitely and moved from the Department of Regulatory Agencies to the Department of Revenue. The bill results in no net change to state revenue and expenditures.

Appropriation Summary: For FY 2021-22, the bill reduces appropriations to the Department of Regulatory Agencies by \$11,252. No appropriation is required for the Department of Revenue, as the Sports Betting Cash Fund is continuously appropriated.

Fiscal Note Status: This fiscal note reflects the enacted bill.

Table 1
State Fiscal Impacts Under HB 20-1286

| | | FY 2020-21 | FY 2021-22 |
|---------------------|---------------------------------------|-------------------|-------------------|
| Revenue | Professions and Occupations Cash Fund | (\$11,252) | (\$11,252) |
| | Sports Betting Cash Fund | \$11,252 | \$11,252 |
| | Total | \$0 | \$0 |
| Expenditures | Professions and Occupations Cash Fund | (\$11,252) | (\$11,252) |
| | Sports Betting Cash Fund | \$11,252 | \$11,252 |
| | Total | \$0 | \$0 |
| | Total FTE | - | - |
| Transfers | | - | - |
| TABOR Refund | General Fund | - | - |

* Table 1 reflects the impact of moving the program from DORA to DOR, including 0.2 FTE. The revenue and expenditure amounts represent a continuation of the current revenue and expenditures to regulate fantasy contest operators.

Summary of Legislation

The bill continues the regulation of fantasy contests operators indefinitely, and implements the recommendations in the sunset report. Specifically, the bill:

- transfers regulatory authority from the Division of Professions and Occupations in the Department of Regulatory Agencies (DORA) to the Division of Gaming in the Department of Revenue (DOR); and
- requires small fantasy contest operators complete annual audits by an independent third party and submit the results to the DOR.

The bill also makes technical changes to allow the DOR to regulate the program, including providing fee authority, clarifying disciplinary actions and licensing, and requiring that the DOR license any entity licensed under DORA on August 20, 2020. The bill also allows for fantasy contests related to college sports.

Background

Fantasy contest operators have been regulated by DORA since FY 2016-17. Large fantasy contest operators with more than 7,500 active players in Colorado must obtain a license, and small fantasy contest operators with less than 7,500 active players must apply for a registration. In FY 2018-19, there were 2 licensed large fantasy contest operators and 33 registered small fantasy contest operators. In FY 2018-19, DORA had revenue and expenditures of \$11,252, and administered the program with approximately 0.2 FTE. There have not been any complaints or disciplinary actions since the program's inception.

New and Continuing Revenue and Expenditure Impact

Based on actual FY 2018-19 data, DORA currently has revenue and expenditures of \$11,252 to regulate of fantasy contest operators, and utilizes 0.2 FTE to administer the program. The bill continues current revenue and expenditure levels, but shifts them from DORA's Professions and Occupations Cash Fund to the DOR's Sports Betting Cash Fund. As a result, the bill reduces revenue and expenditures in DORA and increases revenue and expenditures in the DOR beginning in FY 2020-21. The DOR may modify the license and registration fees in order to cover actual costs, and there may be an additional workload increase for the DOR to answer questions from operators and collect the new annual audits from small contest operators.

The fiscal note does not identify a change to TABOR refunds because the revenue is already accounted for in the LCS revenue forecast.

Effective Date

The bill was signed into law by the Governor and took effect on July 10, 2020.

State Appropriations

For FY 2020-21, the bill requires and includes a reduction in appropriations of \$11,252 and 0.2 FTE from the Professions and Occupations Cash Fund in the Department of Regulatory Agencies. No appropriation is required for the Department of Revenue, as the Sports Betting Cash Fund is continuously appropriated.

State and Local Government Contacts

Information Technology
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Judicial
Revenue

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