

Proposition DD
Legalization and Taxation of Sports Betting

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

- 2 ♦ legalize sports betting;
- 3 ♦ authorize a state tax on sports betting; and
- 4 ♦ use sports betting taxes and fees to pay for the regulation of sports betting, gambling
- 5 addiction services, and water projects.

6 **Summary and Analysis**

7 **What is sports betting?** Sports betting is placing a bet on a sporting event or any portion of

8 a sporting event. Sports betting is currently illegal in Colorado. In May 2018, a

9 U.S. Supreme Court ruling allowed all states to legalize sports betting.

10 **What other types of gambling are legal in Colorado?** In 1991, voters in Colorado legalized

11 limited stakes gambling in casinos located in Black Hawk, Central City, and Cripple Creek.

12 Bets are limited to \$100. Other types of legal gaming statewide include betting on horse

13 races or simulcast dog races, the lottery, bingo, and raffles.

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

- 15 • Sports betting will be legal for people 21 years of age or older.
- 16 • People located in the state will be able to place sports bets of any amount online through
- 17 Colorado casinos.
- 18 • If voters in Black Hawk, Central City, or Cripple Creek approve a ballot question to
- 19 legalize sports betting in their city, casinos will be able to offer in-person sports betting.
- 20 • Sports betting will be taxed, with the money distributed to pay for the regulation of
- 21 sports betting, gambling addiction services, and water projects.

22 **What types of sports betting will be allowed under Proposition DD?** Sports bets will be

23 allowed on professional, collegiate, international, and Olympic sporting events, as well as

24 sanctioned motor sport events. For collegiate sporting events only, proposition bets will not

25 be allowed. Proposition bets are bets placed on individual performance statistics or other

26 events during a game. Examples of proposition bets include the outcome of a coin flip,

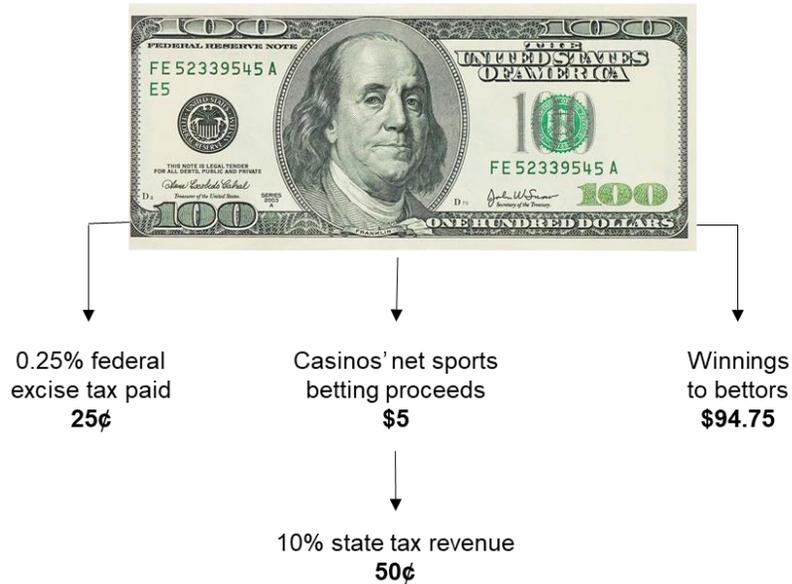
27 which team or player will score first in a game, and the number of touchdowns an

28 individual player will score. Sports betting will not be allowed on high school sporting

29 events or unsanctioned video game competitions.

1 **How will sports betting be taxed?** This measure would establish a tax of 10 percent on
 2 casinos’ net sports betting proceeds. Net sports betting proceeds are the amount kept by
 3 casinos after deducting payouts to winners and the federal excise tax. Figure 1 provides an
 4 example of how much tax revenue would be collected on \$100 in sports bets if Proposition
 5 DD passes. For purposes of this example, net sports betting proceeds are assumed to be
 6 5 percent of the total amount bet, which may vary.

7 **Figure 1. Example of Tax Revenue from \$100 in Sports Bets**
 8 **Under Proposition DD**



9 **How will the tax money from sports betting be spent?** Sports betting could generate up to
 10 \$29 million in tax revenue for the state. This money will be used to pay for the programs
 11 shown in Figure 2, in the order listed. If tax revenue is lower than \$29 million, the money
 12 dedicated to water project funding and the hold harmless fund will be lower.

13 **Figure 2. Example of Annual Sports Betting Tax Revenue Distribution**

Program	How much?	What will it pay for?
Hold harmless fund	6% of tax revenue (up to \$1.7 million)	Reimburses entities that currently receive a portion of tax revenue from gambling activities that may lose money if sports betting is legalized.
Gambling addiction services	\$130,000	Gambling addiction services, including a gambling crisis hotline.
Water projects	All remaining revenue (up to \$27.2 million)	Water projects that address the state’s water needs and other water-related obligations. Projects may include those related to water storage, conservation, land use, water education, agriculture, and recreation.
Total	Up to \$29.0 million	

1 **Who will regulate sports betting if Proposition DD passes?** The Division of Gaming and
2 the Limited Gaming Control Commission within the Colorado Department of Revenue,
3 which currently regulate the state’s casinos, will be responsible for overseeing sports betting
4 operations. The department will develop rules, issue business licenses, and enforce all
5 sports betting regulations. Casinos or sports betting operators that apply for a license will
6 have to pay a \$125,000 license fee every other year. These license fees will be used to cover
7 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>

8 **Argument For**

9 1) Many Coloradans already place bets on sporting events through the black market, often
10 online. However, by participating in illegal sports betting, Coloradans are vulnerable to
11 being taken advantage of by seemingly reputable websites. By legalizing, regulating,
12 and taxing sports betting, the state will be able to provide consumer protections and
13 devote tax revenue to important state priorities, including needed water projects across
14 the state.

15 **Argument Against**

16 1) Proposition DD may not live up to its promises. Gambling addiction may increase,
17 particularly because of online access to sports betting, yet the measure only puts
18 \$130,000 toward gambling addiction services. Additionally, the money dedicated to
19 water projects could end up being quite modest relative to state need.

20 **Estimate of Fiscal Impact**

21 [An estimate of fiscal impact will be included in the second draft of this ballot analysis.]