

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;
- 4 • use sports betting taxes and fees to pay for the regulation of sports
- 5 betting, a hold harmless fund, and gambling addiction services; and
- 6 • dedicate the remaining tax and fee revenue to water projects and
- 7 water-related obligations.

8 **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.

1 **Summary and Analysis for Proposition DD**

2 **Why is this measure on the ballot?**

3 The state legislature referred this measure to the voters because the Colorado
4 constitution requires the voters to approve new taxes. This measure asks voters
5 to legalize and tax sports betting. The tax and fee revenue from sports betting will
6 pay for the regulation of sports betting and provide a funding source for the
7 Colorado Water Plan and other water-related obligations.

8 **What is sports betting?**

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

12 **What types of gambling are currently legal in Colorado?**

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

18 **What is the Colorado Water Plan and other water obligations?**

19 The Colorado Water Plan, released by the state in 2015, identifies objectives,
20 goals, and actions by which Colorado will address future statewide water needs.
21 State law outlines the types of projects that can be funded, including those
22 addressing: water storage and supply, conservation and land use, engagement
23 and innovation activities, agriculture, environment, and recreation. The Colorado
24 Water Conservation Board is responsible for overseeing the implementation of the
25 plan and approving water project grants. Projects funded with sports betting tax
26 revenue will depend on the amount of money available and the state's needs at
27 the time of funding.

28 In addition to projects funded under the Colorado Water Plan, interstate water
29 compacts and water obligations outlined in federal law may be funded with sports
30 betting tax revenue from Proposition DD.

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

- 32 • Placing sports bets of any amount will be legal for people 21 years of age or
33 older who are located in Colorado beginning May 2020.
- 34 • People will be able to place sports bets through online or mobile sports betting
35 platforms operated by Colorado casinos.
- 36 • If voters in Black Hawk, Central City, or Cripple Creek approve a separate
37 ballot question to legalize sports betting in their cities, casinos will also be able
38 to offer in-person sports betting.
- 39 • Sports betting will be taxed and regulated, with the tax revenue distributed to
40 pay for the regulation of sports betting, a hold harmless fund, gambling
41 addiction services, and water projects and obligations.

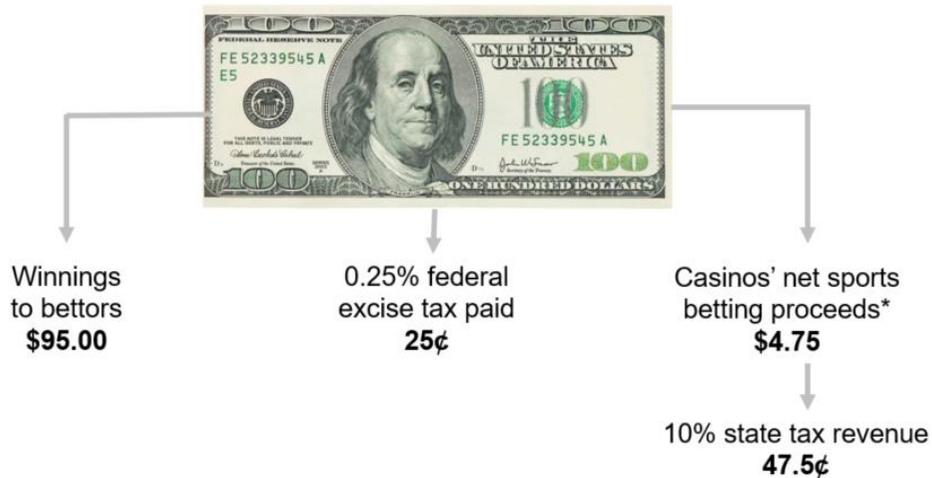
1 **What types of sports betting will be allowed under Proposition DD?**

2 Sports bets will be allowed on professional, collegiate, international, and Olympic
 3 sporting events, as well as sanctioned motor sport events. Proposition DD
 4 restricts the types of bets allowed on college sporting events by prohibiting bets
 5 on individual performance statistics or events during the game. Sports betting will
 6 not be allowed on high school sporting events or unsanctioned video game
 7 competitions.

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

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

14 **Figure 1. Where Does My Money Go if I Place a \$100 Sports Bet**
 15 **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.*

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

2 Proposition DD authorizes the state to collect up to \$29 million per year in sports
 3 betting tax revenue. Tax revenue from sports betting is expected to vary as the
 4 market matures. Based on information from other states’ sports betting markets,
 5 about \$16 million in tax revenue is expected to be collected on average over the
 6 first five years. After paying regulatory costs, this money will be used to pay for
 7 the programs shown in Table 1. The amount of money dedicated to the hold
 8 harmless fund and water projects and obligations will vary depending on the
 9 actual amount collected, as shown in the distribution amounts below.

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

Program and Funding Level	Annual Distribution		What will it pay for?
	Projected*	Maximum	
Gambling addiction services <i>Set amount</i>	\$130,000	\$130,000	Gambling addiction services, including a gambling crisis hotline and gambling addiction counselors.
Hold harmless fund <i>6% of tax revenue</i>	\$960,000	\$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.
Water projects and obligations <i>All remaining revenue</i>	\$14.9 million	\$27.2 million	Water projects and other water-related obligations that address the state’s water needs including projects funded under the Colorado Water Plan and water obligations outlined in interstate water compacts and federal law.
Total	\$16.0 million	\$29.0 million	

11 *Projected amount indicates the average sports betting tax revenue that is expected to be collected and distributed
 12 annually over the first five years.

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

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 millions in potential revenue, only \$130,000 each year is
24 dedicated to gambling addiction services, and this amount does not grow with
25 an increase in sports betting activities. This small amount of money may not
26 be enough to help people who are harmed by the legalization of sports betting
27 in Colorado.
- 28 2) Proposition DD tries to tackle Colorado's water needs without providing
29 enough detail or money. Specific water projects are not identified, and some
30 may have unintended consequences for the environment and some
31 communities. Additionally, Proposition DD will pay for only a portion of the
32 Colorado Water Plan.

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 beginning in
4 budget year 2020-21. This revenue is from the tax on casinos' net sports betting
5 proceeds and licensing fees charged by the Division of Gaming. The tax revenue
6 is exempt 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 a maximum of \$130,000 for gambling
11 addiction services, up to \$1.7 million for distributions from the hold harmless fund,
12 and up to \$27.2 million for water projects. Actual expenditures will vary based on
13 revenue collected.

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