



## **HB19-1327**

**SHORT TITLE:** Authorize and Tax Sports Betting Refer Under Taxpayers' Bill of Rights

**LONG TITLE:** Concerning sports betting, and, in connection therewith, submitting to the registered electors of the state of Colorado a ballot measure authorizing the collection of a tax on the net proceeds of sports betting through licensed casinos and directing the revenues generated through collection of the sports betting tax to specified public purposes, including the state water plan through creation of the water plan implementation cash fund.

**SPONSORS:** Reps. Garnett and Neville/Senators Donovan and Cooke

**COMMITTEES:** House Finance Committee

**PURPOSE OF THE BILL:** To authorize sports betting in Colorado, to establish a regulatory structure to govern sports betting, to implement a tax on the net proceeds derived from sports betting, and to direct the expenditure of those tax revenues.

**PROponents OF THE BILL:** Coalition of interests including some water providers.

**POTENTIAL STAKEHOLDERS:** State of Colorado, Dept. Natural Resources, Dept. of Revenue, towns of Central City, Cripple Creek, and Black Hawk, state Historical Fund, Dept. of Natural Resources, water users, racetracks, other groups and programs that benefit from existing gambling.

**BACKGROUND:** Until recently, federal law prohibited states from establishing programs that allow betting on sporting events. A U.S. Supreme Court opinion has overturned that prohibition. This bill refers to the voters whether sports betting should be allowed in Colorado subject to restrictions and requirements established in the bill.

**Is this bill necessary this year?** No.

**How does the bill change current law?** The bill refers a measure to the voters in November 2019 asking them to whether authorize sports betting in Colorado subject to the regulatory system set forth in HB 1327. In order to implement in the three towns where gambling is allowed, those municipalities must hold concurrent elections at which local voters must approve the measure for local sports betting to occur

**Does the bill affect the prior appropriations system?** No.

**How is the bill implemented?** If the legislature approves HB 1327, a question would be referred to the voters in November 2019 asking whether to allow sports betting in Colorado. The three towns where gambling is allowed would also put the measure on local ballots. The bill establishes a regulatory framework whereby the Dept. of Revenue would issue licenses and regulate sports betting through the Division of Gaming. A tax of ten percent of the net proceeds derived from the betting would be placed in a fund in the state Treasurer's Office. From that fund, all expenses of the Gaming Commission and all expenses of the Attorney General's office related to sports betting will be paid, as well as repayment to

the General Fund for any money appropriated for start-up costs of the program. After expenses are paid, two percent of the full fiscal year sports betting tax revenues will be paid to the state historical fund and colleges designated in statute under a formula. \$130,000 annually will be paid from the fund to the Office of Behavioral Health in the Dept. of Human Services for gambling addiction programs. All remaining unexpended and unencumbered money in the fund will be transferred to the Water Plan Implementation Fund for grants and expenditures to insure compliance with interstate water allocation compacts, equitable apportionment decrees, international treaties, and federal laws relating to interstate storage and release, apportionment, and allocation of water including to support projects and processes that may include compensation to water users for temporary and voluntary reductions in consumptive use as well as expenditures necessary for the administration of these grants and expenditures programs. Amendments were added to provide a hold harmless fund to distribute six percent of total sports betting tax revenue to entities that see revenue losses due to the impact of sports betting on their existing gambling revenue streams to their programs.

**Practical considerations:** How much money will be required for start-up and administration of the program? How long will it take for the sports betting to generate significant tax revenues? Will generation of the tax revenues be subject to TABOR limits? How much money will actually go to the water plan after other distributions? Will there be additional need for direction in future legislation to provide guidance on the administration of the water funds?

**Fiscal Impact As set forth in the Fiscal Note:** “This bill is expected to increase state revenue by between \$6.3 million and \$6.5 million in FY 2019-20 (part-year impact) and by between \$9.7 million and \$11.2 million in FY 2020-21. As the sports betting market matures in the state, revenue is expected to grow around 10 percent in FY 2021-22 to between \$13.5 million to \$15.2 million. Revenue in FY 2019-20 and FY 2021-22 include licensing fees for the initial license and biannual renewal, respectively, for the majority of licensees. Tax revenue generated by this bill results from a voter-approved revenue change and is exempt from TABOR. Fee revenue generated by this bill does not result from a voter-approved revenue change and is subject to TABOR. No TABOR refund is currently expected in FY 2019-20 and FY 2020-21.”