



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado’s Legislature

SB 26-117: PERMISSIBLE METHODS OF SELLING LOTTERY TICKETS

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Fiscal note status: The fiscal note reflects the introduced bill.

Summary Information

Overview. The bill prohibits the online sale of lottery tickets and prohibits the use of credit cards to purchase lottery tickets.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Revenue
- State Expenditures
- Local Government
- School Districts

Appropriations. The bill reduces spending on programs supported by lottery revenue and largely paid from continuously appropriated funds. No change in appropriations is required.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	-\$28.1 million	-\$40.5 million
State Expenditures	-\$28.1 million	-\$40.5 million
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE

**Table 1A
State Revenue**

Fund	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$0	\$0
Cash Funds (Colorado Lottery)	-\$28.1 million	-\$40.5 million
Total Revenue	-\$28.1 million	-\$40.5 million

By reducing revenue to the Colorado Lottery, the bill reduces distributions to the funds listed in Table 1B below.

**Table 1B
State Expenditures**

Cash Fund	Budget Year FY 2026-27	Out Year FY 2027-28
Conservation Trust Fund	-\$11.2 million	-\$16.2 million
Division of Parks and Outdoor Recreation	-\$2.8 million	-\$4.0 million
Great Outdoors Colorado	\$0	\$0
Outdoor Equity Cash Fund	-\$2.1 million	-\$4.2 million
BEST Fund	-\$7.5 million	-\$9.9 million
Outdoor Recreation Economic Development Cash Fund	-\$0.8 million	-\$1.4 million
Wildlife Cash Fund	-\$1.8 million	-\$2.1 million
Parks and Outdoor Recreation Cash Fund	-\$1.8 million	-\$2.1 million
Strategic Outdoor Recreation Management Cash Fund	-\$0 million	-\$0.7 million
Total Expenditures	-\$28.1 million	-\$40.5 million

Summary of Legislation

The bill prohibits the use of credit cards to purchase lottery tickets and requires that all lottery tickets be purchased with cash, including checks, money orders, and debit cards. The bill also prohibits online sales of lottery tickets.

Background

Lottery Sales Current Practices

Regulation and oversight of the Colorado Lottery is governed by state statute and by rules established by the Colorado Lottery Commission. [House Bill 22-1402](#) removed the statutory requirement that instant scratch-off lottery tickets be purchased with cash. In practice, all lottery

product purchases were still required to be made with cash due to rules promulgated by the Colorado Lottery Commission, until the rules were changed by the commission in November 2025. In November, the commission voted to amend the rules to allow lottery products to be purchased with credit cards.

Additionally, prior to November 2025, rules did not permit the Colorado Lottery to offer online sales of lottery products directly to consumers. However, certain third-party couriers were allowed to sell lottery products online under the rules. The Colorado Lottery Commission adopted rules in November of 2025 to allow direct online sales of lottery tickets, in addition to third-party couriers, with online sales expected to begin by 2027.

Distribution of Lottery Proceeds

Proceeds from the lottery are distributed in accordance with constitutional and statutory requirements. Lottery sales are not subject to sales tax, and revenues from lottery sales are exempt from TABOR. The Colorado Constitution requires that net lottery proceeds (after subtracting administrative expenses and payouts) be distributed as follows:

- 40 percent to the Conservation Trust Fund;
- 10 percent to the Division of Parks and Outdoor Recreation; and
- 50 percent to the Great Outdoors Colorado (GOCO) Trust Fund, up to the “GOCO cap” (the GOCO cap is \$90,003,453 for FY 2026-27, and is adjusted for inflation each year).

If the GOCO cap is less than 50 percent of revenue, the additional revenue is distributed according to a statutory formula established in [House Bill 25-1215](#). Additional revenue is distributed such that the first \$4.0 million goes to the Outdoor Equity Cash Fund, the next \$3.0 million goes to the Building Excellent Schools Today (BEST) Fund, and the next \$750,000 goes to the Outdoor Recreation Economic Development Cash Fund. Any remaining revenue is distributed to a variety of cash funds via a distribution formula that depends on how much revenue is left over.

Data and Assumptions

The fiscal note assumes that under current law, online sales of lottery products and credit card purchases would be allowed beginning January 2027. The fiscal note evaluated revenue data from Kentucky, Michigan, and New Hampshire, all of which offer online sales of lottery tickets. The proportion of total lottery revenue collected from online sales varies significantly by state, ranging from about 4 percent to 37 percent. The fiscal note assumes that allowing direct online sales will increase lottery revenue and proceeds by 7 percent per year. Additionally, the fiscal note assumes that allowing credit card purchases would increase lottery proceeds by an

estimated 5 percent, based on the reported share of cashless lottery ticket sales in Ohio. To the extent that online sales and credit card purchases would have increased lottery proceeds by more or less than these assumptions, the revenue impact of the bill may be more or less than what is estimated here.

The bill also prohibits the sale of online lottery tickets by third-party couriers, which are allowed under current law and predate the November 2025 rule changes. Based on data from the Department of Revenue, sales from third-party couriers have increased lottery proceeds by an average of \$16 million per year in recent fiscal years. Online sales by third-party couriers are assumed to stop in July 2026 under the bill. Due to the bill's safety clause, if these sales cease earlier, the bill will have limited impacts on state revenue and expenditures during the current FY 2025-26.

State Revenue

The bill is expected to reduce net lottery proceeds by \$28.1 million in FY 2026-27, \$40.5 million in FY 2027-28, and increasing amounts in future years. The reduction in revenue for FY 2026-27 represents a half-year impact for the prohibition of credit card sales and direct online sales, assuming that credit card and online sales would have begun on January 1, 2027, absent the bill. It also includes a full-year impact for eliminating online sales from third-party couriers. Revenue impacts to the Colorado Lottery are shown in Table 2 below. The Colorado Lottery is an enterprise, and its revenue is not subject to TABOR.

Table 2
State Revenue

Cash Fund	Budget Year FY 2026-27	Out Year FY 2027-28
Prohibit Online Sales from Third-Party Couriers	-\$16.0 million	-\$16.0 million
Prohibit Direct Online Sales	-\$7.1 million	-\$14.3 million
Prohibit Credit Card Purchases	-\$5.0 million	-\$10.2 million
Total Revenue	-\$28.1 million	-\$40.5 million

State Expenditures

The bill reduces spending on programs supported by lottery revenue by \$28.1 million in FY 2026-27 and \$40.5 million in FY 2027-28 and future years. It also increases workload for the Lottery Commission in the DOR. These impacts are described below.

Reduced Spending of Lottery Distributions

Based on the revenue reduction described above, the bill correspondingly reduces distributions to, and expenditures from, eight state cash funds receiving lottery proceeds. This spending reduction primarily affects parks and outdoor related programs, as well as money for school capital construction projects through the BEST Program. Revenue is projected to be above the GOCO cap both under current law and under the bill, resulting in no net change to the GOCO distribution. Expenditure reductions for each fund are shown in Table 1B above.

Colorado Lottery Commission Workload

The bill will increase workload for the DOR’s Lottery Commission to update rules for the sale of lottery games to only allow cash, check, money transfer, and debit card transactions. These updates to commission rules will be minimal and can be accomplished within existing appropriations.

Local Governments and School Districts

Based on the reduction in revenues detailed above, school districts that currently receive funding from the Outdoor Equity Cash Fund and money for capital construction from the BEST Fund may see reduced distributions for outdoor enrichment activities for students as well as reduced money for capital construction. Additionally, local governments that currently apply for funds from the Outdoor Recreation Economic Development Cash Fund may have reduced revenues in future years.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Education

Revenue

Natural Resources

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).