



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

Drafting Number: LLS 24-1001 Date: August 8, 2024
Prime Sponsors: Rep. McCluskie; Catlin Bill Status: Signed into Law
Sen. Roberts; Simpson Fiscal Analyst: Amanda Liddle | 303-866-5834
amanda.liddle@coleg.gov

Bill Topic: SPORTS BETTING TAX REVENUE VOTER APPROVAL

Summary of Fiscal Impact:
State Revenue [ ] State Transfer [x] Local Government [ ]
State Expenditure [x] TABOR Refund [x] Statutory Public Entity [ ]

The bill refers a ballot measure to voters at the November 2024 election. Conditional on voter approval, the bill allows the state to retain and spend all sports betting tax revenue rather than refunding the amount collected in excess of \$29 million annually to taxpayers who paid the tax.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The final fiscal note reflects the enacted bill.

Table 1
Conditional State Fiscal Impacts Under HB 24-1436

Table with 5 columns: Category, Current Year FY 2023-24, Budget Year FY 2024-25, Out Year FY 2025-26, Out Year FY 2026-27. Rows include Revenue, Expenditures (Cash Fund, Total Expenditures), Transfers (Cash Funds, Cash Fund, Net Transfers), and Other Budget Impacts (TABOR Refunds).

## Summary of Legislation

The bill refers a ballot issue to the voters at the November 2024 statewide election to allow the state to keep and spend all revenue from the existing sports betting tax, including revenue in excess of the \$29 million annual authorization in Proposition DD (2019).

If voters approve the ballot measure, revenue in excess of \$29 million annually is to be transferred to the Water Plan Implementation Cash Fund to be used for water conservation and protection projects. The bill also sets the distribution of revenue to the Wagering Revenue Recipients Hold Harmless Fund—the fund used to offset losses to other wagering revenue recipients—equal to 6 percent of full fiscal year sports betting tax revenue or 6 percent of \$29 million, whichever is less.

If voters reject the ballot measure, the tax revenue collected in excess of \$29 million annually will be refunded to the licensed sports betting operations that paid the sports betting tax in a manner determined by the Department of Revenue. The bill establishes a Sports Betting Tax Refund Cash Fund to receive sports betting tax revenue in excess of \$29 million if voters do not approve the ballot measure.

## Background

**Sports betting** was legalized in Colorado after the passage of House Bill 19-1327 and voter approval of Proposition DD during the November 2019 election. Sports betting became legal in May 2020, both onsite at casinos in Colorado’s three gaming towns and online through licensed operators.

Sports betting is taxed at a rate of 10 percent on casinos’ net sports betting proceeds. Sports betting revenue is distributed to pay for the following in the order listed below:

- all sports betting administrative costs incurred by DOR’s Division of Gaming first;
- 6 percent to a hold harmless fund to reimburse recipients of current casino gaming tax revenue for any potential loss in revenue due to the legalization of sports betting; and
- the remaining amount to the Water Plan Implementation Cash Fund to fund water projects under the State Water Plan.

Actual and forecasted sports betting tax revenues are shown in Table 2 below and are from the March 2024 Legislative Council Staff (LCS) forecast.

**Table 2**  
**March 2024 LCS Sports Betting Tax Revenue Forecast**  
Dollars in Millions

	Actual FY 2021-22	Actual FY 2022-23	Forecast FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26
<b>Tax Revenue</b>	\$12.5	\$26.0	\$31.8	\$34.2	\$36.2
<b>Exempt Revenue in Excess of \$29 million</b>	\$0	\$0	\$2.8	\$5.2	\$7.2

By passing Proposition DD, voters permitted the state to retain and spend \$29 million per year as a voter-approved revenue change. This authorization exempts the revenue from the state TABOR limit. The authorization does not permit the state to spend annual revenue collections that exceed the \$29 million amount. To date, sports betting tax revenue has not exceeded this amount, though the March 2024 LCS forecast anticipates that this will occur for the current FY 2023-24.

**Water Plan Implementation Cash Fund.** The Colorado Water Conservation Board (CWCB) is a Governor-appointed board that supports the Department of Natural Resource's mission to conserve, develop, protect, and manage Colorado's water. The General Assembly directed the CWCB to adopt and update the Colorado Water Plan (the Water Plan) to determine state policy regarding the optimal conservation and development of Colorado's water resources. Subject to appropriation, the Water Plan Implementation Cash Fund supports water plan grants authorized by CWCB and a grants team.

**Timeline.** Sports betting tax revenue has a lagged timeline for revenue collection, distribution, and spending. Revenue is earned over the course of one fiscal year, distributed to beneficiaries including the Water Plan Implementation Cash Fund in September of the following fiscal year, and appropriated by the General Assembly in March of that fiscal year to be available in the third fiscal year for Water Plan Grant funding via the annual CWCB Projects Bill, contingent on CWCB action and available revenue.

## State Transfers

If voters approve the ballot measure, the bill makes yearly transfers from sports betting cash funds to the Water Plan Implementation Cash Fund. The amount transferred is dependent on the total revenue collected above \$29 million annually.

If voters approve the ballot measure, it is estimated that \$2.8 million would be transferred in FY 2024-25 for revenue that was collected in FY 2023-24, \$5.2 million would be transferred in FY 2025-26 for revenue that was collected in FY 2024-25, and \$7.2 million would be transferred in FY 2026-27 for revenue that was collected in FY 2025-26.

## State Expenditures

If voters approve the ballot measure, expenditures on water projects paid from the Water Plan Implementation Cash Fund would increase up to the amount of annual sports betting tax revenue in excess of \$29 million. Expenditures are lagged from when revenue is collected and distributed. Estimated expenditure amounts are \$2.8 million in FY 2025-26, \$5.2 million in FY 2026-27, and \$7.2 million in FY 2027-28, as shown in Table 1. Funds in the Water Plan Implementation Cash Fund are appropriated during the annual budget process through CWCB's Projects Bill.

## Other Budget Impacts

**TABOR refunds.** If voters approve the ballot measure, the amount of TABOR refunds required to be paid back to casinos and licensed sports betting operators would be reduced by the amounts estimated in Table 1. If the ballot measure in the bill fails, the bill directs the Department of Revenue to determine a reasonable method to distribute refunds to these taxpayers.

## Effective Date

The bill was signed into law by the Governor and took effect on May 20, 2024. The fiscal impacts under the measure are conditional upon voter approval of the referred question.

## State and Local Government Contacts

Natural Resources  
Personnel

Public Health and Environment  
Information Technology

Revenue

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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](#).