

# Proposition JJ: Retain Additional Sports Betting Tax Revenue

Placed on the ballot by the legislature • Passes with a majority vote

## 1 **Proposition JJ, if approved, would:**

- 2 • allow the state to keep sports betting tax revenue above the amount previously  
3 approved by voters, and use this money for water projects, rather than refunding  
4 it to casinos and sports betting operators.

## 5 **What Your Vote Means**

### 6 **YES**

7 A “yes” vote on Proposition JJ allows the  
8 state to keep and spend more money for  
9 water projects when sports betting tax  
10 revenue is collected above the amount  
11 previously approved by voters.

### 12 **NO**

13 A “no” vote on Proposition JJ means the  
14 state will pay refunds to casinos and  
15 sports betting operators when sports  
16 betting tax revenue is greater than the  
17 amount previously approved by voters.

## 18 **Summary and Analysis of Proposition JJ**

### 19 **Why is Proposition JJ on the ballot?**

20 In 2019, voters approved Proposition DD, which legalized sports betting in Colorado and  
21 authorized the state to collect up to \$29 million per year in tax revenue from sports betting.  
22 Proposition JJ proposes allowing the state to keep sports betting tax revenue above  
23 \$29 million per year.

### 24 **How is sports betting currently taxed in Colorado?**

25 Sports betting is legal at casinos in Colorado’s three gaming towns and online through  
26 licensed sports betting operators. Sports betting is taxed at a rate of 10 percent of net sports  
27 betting proceeds, which is the amount kept by sports betting operators after paying winning  
28 bets and federal taxes. Table 1 shows a history and forecast of sports betting tax revenue  
29 and the amount expected to be collected over the \$29 million annual cap. Revenue  
30 exceeded the cap in the most recent state budget year and is projected to exceed the cap in  
31 future years. The state will refund revenue collected over the cap to casinos and sports  
32 betting operators if Proposition JJ does not pass. If Proposition JJ passes, the amount  
33 collected over \$29 million annually will not be refunded and instead be spent on water  
34 projects.

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**Table 1**  
**Colorado Sports Betting Tax Revenue**

|                          | <b>Budget Year<br/>2022-23<br/>(actual)</b> | <b>Budget Year<br/>2023-24<br/>(preliminary)</b> | <b>Budget Year<br/>2024-25<br/>(forecast)</b> | <b>Budget Year<br/>2025-26<br/>(forecast)</b> |
|--------------------------|---|--|---|---|
| Tax Revenue              | \$25.6 million                              | \$29.9 million                                   | \$30.2 million                                | \$31.5 million                                |
| Current Cap              | \$29.0 million                              | \$29.0 million                                   | \$29.0 million                                | \$29.0 million                                |
| <b>Revenue Above Cap</b> | <b>-</b>                                    | <b>\$0.9 million</b>                             | <b>\$1.2 million</b>                          | <b>\$2.5 million</b>                          |

### 3 **How is sports betting tax revenue used to pay for water projects?**

4 Most sports betting tax revenue is used to fund water projects in Colorado, after paying  
5 administrative and other expenses each year. These types of projects are outlined in the  
6 Colorado Water Plan, which identifies goals and actions to address future statewide water  
7 needs. Types of water projects that are eligible for funding include:

- 8 • environmental and recreation, such as watershed health or recreation projects;
- 9 • water storage and supply, such as reservoirs and water storage in aquifers;
- 10 • conservation and land use, such as water conservation and drought planning activities;
- 11 • agricultural, such as technical assistance or water efficiency improvements; and
- 12 • engagement and innovation, such as water education and outreach efforts.

13 More information about state-funded water projects can be found at the Colorado Water  
14 Plan website at <https://cwcb.colorado.gov/colorado-water-plan>. Of the \$87 million allocated  
15 for Colorado Water Plan grants between state budget years 2017-18 and 2024-25, about  
16 \$43 million has come from sports betting tax revenue.

For information on those issue committees that support or oppose the measures on the ballot at the November 5, 2024, election, go to the Colorado Secretary of State's elections center web site hyperlink for ballot and initiative information:

<https://coloradosos.gov/pubs/elections/Initiatives/InitiativesHome.html>

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### Argument For Proposition JJ

- 1) Proposition JJ allows the state to retain additional sports betting tax revenue already being collected under the current tax rate to support much needed water projects, rather than making refunds to casinos and sports betting operators. Water is scarce in Colorado, and demand will continue to increase as the state's population grows. Colorado's economy and way of life will suffer if the state cannot meet its water demands. Retaining all of the collected tax revenue from sports betting will strengthen financial support for water conservation and protection projects in Colorado.

### Argument Against Proposition JJ

- 1) Proposition JJ is effectively a tax increase because it eliminates sports betting tax refunds that the state would otherwise be required to pay. When the state collects more revenue than voters approved, it should provide refunds rather than expand a government program. State water projects already receive the full amount of money approved with Proposition DD. If the state refers a ballot question with a limited amount of new taxes, it should stay within that limit.

### Fiscal Impact of Proposition JJ

**Taxpayer impacts.** Under Proposition JJ, all sports betting tax revenue that the state collects will be retained, including any money collected above the current cap of \$29.0 million per year. Retaining this revenue is expected to eliminate refunds to casinos and licensed sports betting operators of \$0.9 million in state budget year 2023-24, \$1.2 million in state budget year 2024-25, \$2.5 million in state budget year 2025-26, and increasing amounts in future years that would otherwise be required to be refunded back to casinos and licensed sports betting operators.

**State transfers and spending.** By retaining all sports betting tax revenue, Proposition JJ will result in additional transfers from sports betting cash funds to the Colorado Water Plan Implementation Cash Fund, making these funds available for the Colorado Water Plan. Transfers occur in the year after revenue is collected and are estimated at \$0.9 million in state budget year 2024-25, \$1.2 million in state budget year 2025-26, \$2.5 million in state budget year 2026-27, and increasing amounts in future years. This money will be spent on water projects, as allocated by the state legislature and the Colorado Water Conservation Board.