



Estimate of Fiscal Impact of Proposition DD

State revenue. Proposition DD increases state tax revenue by up to \$6.5 million in budget year 2019-20 (partial-year impact) and up to \$29.0 million beginning in budget year 2020-21. This revenue is from the tax on casinos' net sports betting proceeds. The measure will also increase licensing fee revenue to the Department of Revenue by up to \$5.0 million every other year, starting in budget year 2019-20. Fee revenue will vary year to year based on a two-year license renewal cycle. The tax revenue is exempt from constitutional spending limits, but the fee revenue is not.

State expenditures. Proposition DD increases state expenditures by \$2.0 million in budget year 2019-20 and by \$2.8 million in budget year 2020-21 for administrative and regulatory costs. Starting in budget year 2020-21, expenditures will also increase each year by a maximum of \$130,000 for gambling addiction services, up to \$1.7 million for distributions from the hold harmless fund, and up to \$27.2 million for water projects. Actual expenditures will vary based on revenue collected.

Taxpayer impacts. Proposition DD places a 10 percent tax on the proceeds generated by casinos that offer sports betting, or their net sports betting proceeds. The state will collect up to \$29.0 million in tax revenue paid by the casinos on approximately \$290 million in net sports betting proceeds beginning the first full budget year.

State Spending and Tax Increases

Article X, Section 20, of the Colorado Constitution requires that the following fiscal information be provided when a tax increase question is on the ballot:

- Estimates or actual amounts of state fiscal year (FY) spending for the current year and each of the past four years with the overall percentage and dollar change; and
- For the first full fiscal year of the proposed tax increase, estimates of the maximum dollar amount of the tax increase and of state fiscal year spending without the increase.

“Fiscal year spending” is a legal term in the Colorado Constitution. It equals the amount of revenue subject to the constitutional spending limit that the state or a district is permitted to keep and either spend or save for a single year. Table 2 shows state fiscal year spending for the current year and each of the past four years.

Table 2
State Fiscal Year Spending

	Actual FY 2015-16	Actual FY 2016-17	Actual FY 2017-18	Actual FY 2018-19	Estimated FY 2019-20
Fiscal Year Spending	\$12.82 billion	\$12.89 billion	\$13.70 billion	\$14.36 billion	\$14.95 billion
Four-Year Dollar Change in State Fiscal Year Spending: \$2.13 billion					
Four-Year Percent Change in State Fiscal Year Spending: 16.6 percent					

Table 3 shows the revenue expected from the sports betting tax increase for FY 2020-21, the first full fiscal year for which the tax increase would be in place, and an estimate of state fiscal year spending without the tax increase.

Table 3
**Estimated State Fiscal Year Spending
and the Proposed Sports Betting Tax Increase**

	FY 2020-21 Estimate
Fiscal Year Spending Without Sports Betting Tax Increase	\$17.70 billion
Revenue From the Sports Betting Tax Increase	\$29.0 million