



The Bell Policy Center 2019 Ballot Guide



PROPOSITION DD

Authorize & Tax Sports Betting

Summary

This measure would legalize betting on sports in the state of Colorado and levy a tax on the betting operators. The state would be limited to only collecting \$29 million in taxes from sports betting per year. The money from the taxes and fees would go to:

- **Regulation of sports betting:** Some money will be allocated to the Division of Gaming to write rules and regulations and oversee the industry. There will be a \$125,000 license fee assessed every other year for any operators or casinos who wish to provide sports betting. Those license fees do not count against the \$29 million cap on taxes collected. The license fee would fund the ongoing regulation of sports betting in Colorado.
- **Hold harmless fund:** Entities that receive current revenue from gambling taxes — such as casino cities and counties, community colleges, and the State Historical Fund — could apply for revenue from sports betting if they can prove they have lost money due to a decrease in other gambling activity. Six percent of sports betting revenue would be available for this fund.
- **Gambling addiction support:** A set amount of \$130,000 annually is available for gambling addiction support, including a gambling crisis hotline and gambling addiction counselors.
- **Water projects in Colorado:** The remaining amount of money available — projected to be \$15 million for the first five years, but up to \$27 million if the \$29 million cap is reached — will go to funding the Colorado Water Plan, as well as potentially other interstate water compacts as set out in federal law.

If passed, Proposition DD would allow betting on professional, collegiate, international, and Olympic sports. Betting on high school sports and particular individual performances in collegiate sports are prohibited.

The tax would be 10 percent of net sports betting proceeds. The tax would be assessed after deducting winnings and a federal excise tax. Out of a \$100 bet, approximately 47.5 cents would go to the state. The proposition allows the state to collect up to \$29 million annually, with a projection of \$16 million coming to the state per year for the first five years, based on data from the nonpartisan Legislative Council.

If voters in Black Hawk, Central City, and Cripple Creek — where limited stakes gambling is legal in casinos — approve a separate question to allow sports betting at their casinos, then in-person sports betting will be allowed at those casinos. Otherwise, sports betting will only be allowed online or through mobile apps.

Research

In May 2018, the Supreme Court of the United States overturned a federal law prohibiting states from allowing sports betting. In *Murphy v. the National Collegiate Athletic Association (NCAA)*, the Supreme Court held that the Professional and Amateur Sports Protection Act (PASPA) prohibition on states authorizing betting on sports violated the anticommandeering provision of the tenth amendment. That provision says the federal government cannot commandeer a state to regulate according to federal standards. With this decision, states were free to allow sports betting.

Twelve states have already legalized sports betting since the Supreme Court decision: New Jersey, Delaware, Mississippi, West Virginia, New Mexico, Pennsylvania, Oregon, Indiana, Iowa, New York, Arkansas, and Rhode Island. This is in addition to Nevada, whose sports betting was grandfathered in through PASPA. Five other states have legalized sports betting, pending the initiation of regulations: Montana, Illinois, Tennessee, North Carolina, and New Hampshire.

According to the American Gaming Association, Americans gamble approximately \$155 billion per year, with only \$5 billion of that being done legally. Some estimates even put the amount of money wagered legally in the year after *Murphy v. NCAA* at \$8 billion.

Water Projects

The nonpartisan Legislative Council staff project approximately \$14.9 million annually for the first five years after Proposition DD for water projects in Colorado, with a maximum annual amount of \$27.2 million.

In 2015, the Colorado Water Conservation Board — in concert with experts, stakeholders, and residents from across the state — submitted a Colorado Water Plan to Governor Hickenlooper, which aimed to create a sustainable water model that protected land, agriculture, wildlife, and important water dependent industries. It also forged a path for smart water infrastructure to provide clean and safe drinking water throughout the state. This plan was recognized as a blueprint for creating a future that conserved water and allowed for strong water management. It is estimated to fully implement the Colorado Water Plan the state will need to put \$100 million annually towards water projects starting in 2020, with a total of \$3 billion in place by 2050.

Colorado's population is expected to double by 2060 and the current water supply will not be able to keep up going forward. Furthermore, in addition to population growth, drought is a significant concern into the future and this plan will help to protect from drought shocks to help ranchers, farmers, recreation industries, and cities and communities.

Arguments in Favor

- Colorado has significant water needs, only increasing into the future, and we need all the revenue to achieve a sustainable water future for all interested Coloradans. While Proposition DD is not a silver bullet, it is certainly an important part of implementing the Colorado Water Plan.
- Sports betting is already happening throughout the United States. While much of it is on the black market, states are already stepping forward to legalize it. If Colorado does not, then Coloradans who want to bet on sports will go to other states or do it illicitly. We should bring it out of the shadows and tax it, using the revenue for good.

Arguments Against

- Colorado has a water crisis. We need at least \$100 million on an annual basis to prepare for the future. With only 15 percent of that projected from this initiative, Coloradans will expect real results for their money and will be disappointed. Furthermore, there are no specifications on the exact water projects this measure would fund, so there is a possibility this is just a blank check to the state legislature to spend money on any water project, regardless of its efficacy to Colorado's future or help against the effects of climate change.
- "Sin taxes" are, by nature, regressive taxes that hurt low-income families and individuals much more than those at the top of the income ladder. Money to pay for such a critical need for our state, like water, should not come on the backs of our most vulnerable.

The Bell's Recommendation

The Bell recommends a **YES on Proposition DD**. Water is a vitally important resource, especially in Colorado. Considered the largest civic engagement process in Colorado's history, the Colorado Water Plan was a monumental achievement. We need to fund it to make it a reality.

As our state grapples with multiple fiscal challenges due to constitutional constraints like TABOR, we must use revenue from every available source. With sports betting already happening, we can bring it out of the shadows and regulate it while putting a down payment on our water future. This will not solve our water problems, but it is an important and realistic step in the right direction.