# Initiative #121 Limited Gaming in Central City, Black Hawk, and Cripple Creek

## 1 Amendment ? proposes amending the Colorado Constitution to:

- allow residents of Central City, Black Hawk, and Cripple Creek to vote to extend casino hours, approve additional games, and increase the maximum single bet limit;
- give most of the new gaming tax revenue that results from expanded
   gaming limits to Colorado community colleges and to the gaming cities
   and counties;
  - require statewide voter approval for any gaming tax increase if expanded gaming limits are adopted by any gaming town; and
- exempt the new revenue raised from expanded gaming limits from state
   and local revenue and spending limits.

# 12 Summary and Analysis

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Limited gaming in Colorado. Since 1991 Colorado has permitted limited stakes
 gaming in Central City and Black Hawk in Gilpin County, and Cripple Creek in Teller
 County. The state constitution places the following limits on gaming:

- single bets cannot exceed \$5;
  - only slot machines, blackjack, and poker games are allowed; and
  - casinos must close between 2:00 a.m. and 8:00 a.m.

**Distribution of the state gaming money.** Casinos pay taxes on income from gaming and also pay various fees and fines. Last year, the state collected \$116 million in total gaming revenue. After paying for the regulation of gaming, the revenue is distributed as follows:

- 12 percent to Gilpin and Teller Counties;
- 10 percent to the cities of Central City, Black Hawk, and Cripple Creek;
- 28 percent for historic preservation and restoration projects; and
- 50 percent for programs designated by the state legislature, which currently include assistance to local governments for gaming impacts, tourism promotion, economic development programs, energy efficiency and renewable energy projects, and highway projects.

**Expansion of gaming.** This measure allows Central City, Black Hawk, and Cripple Creek to vote to expand gaming limits. Each town may vote to extend the hours of operation of casinos, to add the games of roulette and/or craps, and to increase the amount that can be wagered on any single bet from \$5 up to a maximum of \$100. The towns may vote on expanding any or all of these limits.

**Distribution of new money.** Amendment ? distributes new money from increased gaming activity differently than existing law. First, the money is used to pay to regulate gaming related to the expansion of the limits. Second, some of the new money will provide annual increases to the programs and local governments that currently get gaming revenue. The rest is distributed as follows:

- 78 percent for financial aid and classroom instruction at state community colleges, based on each school's number of students;
- 12 percent to Gilpin and Teller Counties, based on the proportion of the new money raised within each county, to help address the impacts of gaming; and
- 10 percent to Central City, Black Hawk, and Cripple Creek, based on the proportion of the new money raised within each town, to help address the impacts of gaming.

Table 1 estimates how new state gaming revenue is distributed under Amendment?, and assumes that all three gaming towns approve expansions up to the maximum. The actual amount of money distributed may be higher or lower than what is shown in the table because it is difficult to estimate future state gaming revenue and the amount of new revenue that would be generated from expanding gaming limits.

Table 1. Estimated Distribution of New Gaming Revenue under Amendment ?
in Millions of Dollars

	Year 1*	Year 2	Year 3	Year 4	Year 5
Additional \$ to Current Recipients	\$2	\$3	\$4	\$5	\$5
Community Colleges	\$27	\$30	\$44	\$50	\$61
Black Hawk, Central City, and Cripple Creek	\$4	\$4	\$6	\$6	\$8
Gilpin and Teller Counties	\$4	\$5	\$7	\$8	\$9

<sup>\*</sup> Assumes expansions of gaming limits begin July 1, 2009. Also, state gaming revenue received each year is distributed to recipients for use in the following year. The table shows the amounts to recipients after estimated additional state administrative costs are paid from the new revenue.

Statewide voter approval for gaming tax increases. The state Gaming Commission sets the tax rates on casino income. Currently, the state constitution sets the highest allowable tax rate at 40 percent. On July 1, 2008, the highest tax rate actually imposed was 20 percent. If voters in any of the gaming towns approve expanding any limits, a gaming tax increase above the July 1, 2008, level must be approved through a statewide vote.

## 7 Arguments For

- 1) Amendment? could significantly boost revenue to community colleges without increasing taxes or taking money away from current recipients of gaming revenue. Community colleges are vital to the state's economy and educational system because they provide affordable access to educational and retraining opportunities. Increasing financial aid will help more Coloradans take advantage of the programs at community colleges. The additional revenue will also help to recruit and retain qualified faculty so that Colorado can offer quality education throughout the state.
- 2) The measure gives voters in each gaming community the ability to decide what is best for them. For example, one community may decide to expand casino hours of operation to help manage traffic, while another may choose to attract new visitors by expanding both bet limits and games.
- 3) Amendment ? makes Colorado more competitive with other gaming states. Colorado has the most restricted gaming in the country. The tourism industries in other gaming states benefit from less restricted gaming, and an expansion of gaming limits could help attract more tourist spending to Colorado. Colorado's gaming limits have been in place for seventeen years, and the bet limit of \$5 in 1991 equals about \$3 today.

#### **Arguments Against**

- 1) Amendment? could significantly expand gaming in Colorado. It could turn the three historic gaming communities into high-stakes, round-the-clock gaming destinations, and damage the historic character of these communities. Further, Indian casinos that currently mirror the state's gaming limits would likely expand their limits. This expansion could occur even if voters in Central City, Black Hawk, and Cripple Creek do not choose to expand their gaming limits.
- 2) Providing more opportunities to gamble may lead to an increase in the number of compulsive gamblers in the state. The effects of compulsive gambling are costly to families and society. Compulsive gambling can lead to divorce, child neglect and abuse, domestic violence, bankruptcy, suicide, and crime.

3) Gaming revenue is an unstable source of funding for community colleges. Because gamblers typically use extra money to play casino games, less money is spent on gaming during economic slumps. Gaming revenue is already in decline due to the current economic slowdown. Relying on gaming money for basic operating purposes, like financial aid and instruction, could result in program cuts when casino revenue is down or requests for the state to make up any funding losses.

### Estimate of Fiscal Impact

**Revenue from an expansion of gaming**. Amendment? is expected to increase gaming tax revenue by about \$300 million over the first five years, assuming all three gaming towns approve the maximum expansions. Less revenue would be collected if the three gaming communities approve new limits that are less than the maximum. Table 1 provides a five-year estimate of the distribution of state gaming revenue under Amendment?.

**State spending**. The expansion of gaming limits will increase state regulation costs. The state's costs are paid from gaming revenue. Assuming all three gaming towns approve the maximum expansions allowed, the state is expected to spend an additional \$? in budget year 2010 for the regulation of gaming. These costs are likely to increase over time as the full impact of expanded limits is realized. The costs of regulating the additional gaming would be less if limits less than the maximum are approved.

Local government impact. The local governments serving both the gaming communities and surrounding areas could experience increased costs from expanded gaming, such as higher public safety, traffic, and road maintenance costs. The new revenue resulting from expanded gaming limits could help offset any increased costs. Also, the gaming communities could see increased sales tax revenue from an increase in the number of visitors due to expanded gaming and more property tax revenue if additional casinos are built.