

March 7, 2014

Mike Mauer, Director
Colorado Legislative Counsel Staff
Room 029
State Capitol Building
Denver, Colorado 80203

Re: An Initiative Proposal to Increase K-12 Education Funding From New Revenues Generated by the Expansion of Licensed Limited Gaming at Class B Horse Racetracks

Dear Mr. Mauer:

Attached please find the text of the proposed initiative. The following individuals are the proponents and designated representatives for all matters relating to the proposed initiative.

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Thank you very much for your time and attention.

/s/ Vickie L. Armstrong
/s/ Bob Hagedorn



Be it Enacted by the People of the State of Colorado:

SECTION 1. In the constitution of the state of Colorado, **add** section 17 to article XVIII as follows:

Section 17. K-12 education fund. (1) IN ORDER TO IMPROVE THE EDUCATION OF CHILDREN IN COLORADO PUBLIC SCHOOLS BY PROVIDING ADDITIONAL REVENUE TO ADDRESS LOCAL NEEDS INCLUDING REDUCING CLASS SIZES, ACQUIRING TECHNOLOGY FOR TEACHERS AND STUDENTS, ENHANCING SCHOOL SAFETY AND SECURITY, AND IMPROVING SCHOOL FACILITIES, THERE IS HEREBY ESTABLISHED IN THE STATE TREASURY THE K-12 EDUCATION FUND AND NOTWITHSTANDING ANY OTHER LAW OR CONSTITUTIONAL PROVISIONS TO THE CONTRARY, THE COMMISSION IS DIRECTED TO EXPAND LIMITED GAMING IN THE STATE OF COLORADO BY IMPLEMENTING HORSE RACETRACK LIMITED GAMING, AS SET FORTH IN THIS SECTION.

(2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(a) "ADJUSTED GROSS PROCEEDS" MEANS THE DEFINITION OF ADJUSTED GROSS PROCEEDS IN SECTION 9 OF THIS ARTICLE, AS IT IS APPLIED TO LIMITED GAMING ESTABLISHMENTS LICENSED UNDER SECTION 9 OF THIS ARTICLE IN CALCULATING THE PAYMENTS OWED BY THE LICENSEES FOR THE RIGHT TO CONDUCT LIMITED GAMING.

(b) "COMMISSION" MEANS THE COLORADO LIMITED GAMING CONTROL COMMISSION, AS DESCRIBED IN SUBSECTION (2) OF SECTION 9 OF THIS ARTICLE.

(c) "HORSE RACETRACK" MEANS A LICENSED CLASS B HORSE RACETRACK THAT HAS BEEN CONTINUOUSLY OPERATED AND THAT THE COLORADO RACING COMMISSION, OR SUCCESSOR AGENCY, HAS LICENSED AS A CLASS B HORSE RACETRACK, AS ESTABLISHED IN SECTION 12-60-301, COLORADO REVISED STATUTES, TO CONDUCT LIVE RACE MEETS IN THE STATE OF COLORADO AND TO CONDUCT PARI-MUTUEL WAGERING ON HORSE RACES, FOR A PERIOD OF NO LESS THAN FIVE YEARS AS OF JANUARY 1, 2014, OR FOR FIVE YEARS IMMEDIATELY PRECEDING THE CLASS B HORSE RACETRACK'S APPLICATION FOR A LICENSE TO CONDUCT HORSE RACETRACK LIMITED GAMING.

(d) "HORSE RACETRACK LIMITED GAMING" MEANS THE SAME LIMITED GAMING THAT CAN BE CONDUCTED BY LIMITED GAMING LICENSEES UNDER SECTION 9 OF THIS ARTICLE, BUT, AT A MINIMUM, INCLUDES THE USE AT THE HORSE RACETRACK OF SLOT MACHINES, THE CARD GAMES OF BLACKJACK AND POKER, AND THE GAMES OF ROULETTE AND CRAPS, EACH GAME HAVING UP TO A MAXIMUM SINGLE BET OF ONE HUNDRED DOLLARS. ALL WAGERS ON GAMES MUST BE PLACED IN PERSON ON THE LICENSED PREMISE OF A HORSE RACETRACK'S PHYSICAL PLACE OF BUSINESS.

(e) "HOST COMMUNITY" MEANS THE SINGLE LOCAL JURISDICTION THAT ISSUES THE PERMITS AND APPROVALS NECESSARY FOR THE OPERATIONS OF A HORSE RACETRACK CONDUCTING HORSE RACETRACK LIMITED GAMING.

(f) "SLOT MACHINE" MEANS ANY MECHANICAL, ELECTRICAL, VIDEO, ELECTRONIC, OR OTHER DEVICE, CONTRIVANCE, OR MACHINE WHICH, AFTER INSERTION OF CASH IN THE FORM OF A COIN OR BILL; A TOKEN OR SIMILAR OBJECT; OR UPON PAYMENT BY ANY MEDIUM, INCLUDING ELECTRONIC CREDITS, OF ANY REQUIRED CONSIDERATION BY A PLAYER, IS AVAILABLE TO BE PLAYED OR OPERATED, AND THAT, WHETHER BY REASON OF THE SKILL OF THE PLAYER OR

APPLICATION OF THE ELEMENT OF CHANCE, OR BOTH, MAY DELIVER OR ENTITLE THE PLAYER OPERATING THE MACHINE TO RECEIVE CASH PRIZES, MERCHANDISE, TOKENS REDEEMABLE FOR CASH, GAME CREDITS IN ELECTRONIC FORM OR OTHERWISE REDEEMABLE FOR CASH, OR ANY OTHER THING OF VALUE OTHER THAN UNREDEEMABLE FREE GAMES, WHETHER THE PAYOFF IS MADE AUTOMATICALLY FROM THE MACHINES OR IN ANY OTHER MANNER.

(3) THE ADMINISTRATION AND REGULATION OF THIS SECTION ARE SUBJECT TO THE AUTHORITY OF THE COMMISSION. NO LATER THAN JULY 1, 2015, THE COMMISSION SHALL PROMULGATE ALL NECESSARY RULES TO REGULATE HORSE RACETRACK LIMITED GAMING IN ACCORDANCE WITH THIS SECTION AND WITH GENERALLY ACCEPTED INDUSTRY STANDARDS. THE RULES SHALL MAXIMIZE THE PROCEEDS AVAILABLE FOR DISTRIBUTION UNDER THIS SECTION TO THE K-12 EDUCATION FUND FOR THE FISCAL YEAR COMMENCING ON JULY 1, 2015, AND EACH SUCCEEDING FISCAL YEAR THEREAFTER. THE COMMISSION SHALL NOT UNREASONABLY WITHHOLD A LICENSE, AND SHALL NOT IMPOSE LICENSE REQUIREMENTS FOR HORSE RACETRACK LIMITED GAMING THAT ARE STRICTER THAN THOSE IMPLEMENTED FOR LIMITED GAMING LICENSES UNDER SECTION 9 OF THIS ARTICLE.

(4) HORSE RACETRACK LIMITED GAMING IS SUBJECT TO THE FOLLOWING:

(a) HORSE RACETRACK LIMITED GAMING MAY TAKE PLACE ONLY IN THE COUNTIES OF ARAPAHOE, MESA, AND PUEBLO. ONLY ONE HORSE RACETRACK IN EACH OF THE SPECIFIED THREE COUNTIES MAY BE LICENSED TO CONDUCT HORSE RACETRACK LIMITED GAMING.

(b) HORSE RACETRACKS LICENSED TO CONDUCT HORSE RACETRACK LIMITED GAMING ARE AUTHORIZED TO HAVE THE GREATER OF TWO THOUSAND FIVE HUNDRED SLOT MACHINES OR SUCH OTHER NUMBER OF SLOT MACHINES AS REQUESTED BY THE HORSE RACETRACK AND AS DETERMINED BY THE COMMISSION TO MAXIMIZE REVENUE TO THE K-12 EDUCATION FUND.

(c) HORSE RACETRACK LIMITED GAMING IS RESTRICTED TO PERSONS TWENTY-ONE YEARS OF AGE OR OLDER.

(d) HORSE RACETRACK LIMITED GAMING OPERATIONS ARE PROHIBITED BETWEEN THE HOURS OF 2 A.M. AND 8 A.M., UNLESS THE HOURS ARE EXPANDED BY THE APPLICABLE HOST COMMUNITY OF A HORSE RACETRACK. EACH HOST COMMUNITY IN WHICH HORSE RACETRACK LIMITED GAMING OCCURS IS AUTHORIZED TO EXTEND THE HOURS OF HORSE RACETRACK LIMITED GAMING OPERATION UP TO TWENTY-FOUR HOURS PER DAY, SEVEN DAYS PER WEEK.

(e) ALCOHOLIC BEVERAGES MAY, SUBJECT TO LICENSURE BY THE STATE AND LOCAL LIQUOR LICENSING AUTHORITIES, BE SOLD AT HORSE RACETRACKS IN WHICH HORSE RACETRACK LIMITED GAMING TAKES PLACE.

(5)(a) IN ORDER TO CONDUCT HORSE RACETRACK LIMITED GAMING, IN ADDITION TO ANY APPLICABLE LICENSE FEES, A HORSE RACETRACK LICENSED TO CONDUCT LIMITED GAMING MUST:

(I) UPON COMMENCING HORSE RACETRACK LIMITED GAMING, MAKE A ONE-TIME PAYMENT OF TEN MILLION DOLLARS AS A FEE TO THE HOST COMMUNITY OF THE HORSE RACETRACK; AND

(II) UPON COMMENCING HORSE RACETRACK LIMITED GAMING, MAKE A ONE-TIME PAYMENT OF TWENTY-FIVE MILLION DOLLARS TO THE STATE TREASURER FOR DEPOSIT INTO THE K-12 EDUCATION FUND.

(b) BEGINNING WITH THE FIRST STATE FISCAL YEAR IN WHICH A HORSE RACETRACK THAT IS AUTHORIZED TO CONDUCT HORSE RACETRACK LIMITED GAMING GENERATES ADJUSTED GROSS PROCEEDS, THE HORSE RACETRACK MUST PAY:

(I) TO THE STATE TREASURER, THIRTY-FOUR PERCENT OF THE HORSE RACETRACK'S ADJUSTED GROSS PROCEEDS OF HORSE RACETRACK LIMITED GAMING GENERATED EACH YEAR FOR DEPOSIT INTO THE K-12 EDUCATION FUND; AND

(II) TO THE HOST COMMUNITY, TWO PERCENT OF THE HORSE RACETRACK'S ADJUSTED GROSS PROCEEDS OF HORSE RACETRACK LIMITED GAMING GENERATED EACH YEAR.

(c) HORSE RACETRACKS MAY RETAIN THE BALANCE OF THEIR ADJUSTED GROSS PROCEEDS FROM HORSE RACETRACK LIMITED GAMING NOT PAID PURSUANT TO THIS SUBSECTION (5).

(6)(a) THE K-12 EDUCATION FUND CONSISTS OF THE MONEYS PROVIDED IN SUBSECTION (5) OF THIS SECTION. ALL INTEREST AND INCOME DERIVED FROM THE DEPOSIT AND INVESTMENT OF MONEYS IN THE K-12 EDUCATION FUND SHALL BE CREDITED TO THE K-12 EDUCATION FUND.

(b) THE STATE TREASURER SHALL PAY FROM THE MONEYS IN THE K-12 EDUCATION FUND ALL NECESSARY EXPENSES OF THE COMMISSION INCURRED IN CONNECTION WITH THE ADMINISTRATION OF THIS SECTION. THE STATE TREASURER SHALL MAKE THE PAYMENT UPON PROPER PRESENTATION OF A VOUCHER PREPARED BY THE COMMISSION IN ACCORDANCE WITH STATUTES GOVERNING PAYMENTS OF LIABILITIES INCURRED ON BEHALF OF THE STATE. THE PAYMENT WILL NOT BE CONDITIONED ON ANY APPROPRIATION BY THE GENERAL ASSEMBLY.

(c) THE STATE TREASURER SHALL ANNUALLY DISTRIBUTE ON A PER PUPIL BASIS TO EACH SCHOOL DISTRICT AND THE STATE CHARTER SCHOOL INSTITUTE, OR SUCCESSOR AGENCY, A SHARE OF THE TOTAL BALANCE REMAINING IN THE K-12 EDUCATION FUND. THE PER PUPIL AMOUNT IS DETERMINED BY DIVIDING THE TOTAL AMOUNT TO BE DISTRIBUTED BY THE STATEWIDE PUBLIC SCHOOL ENROLLMENT. THE AMOUNT DISTRIBUTED TO EACH SCHOOL DISTRICT IS THE PER PUPIL AMOUNT MULTIPLIED BY THE SCHOOL DISTRICT'S PUPIL ENROLLMENT, AND THE AMOUNT DISTRIBUTED TO THE STATE CHARTER SCHOOL INSTITUTE, OR SUCCESSOR AGENCY, IS THE PER PUPIL AMOUNT MULTIPLIED BY THE NUMBER OF PUPILS ENROLLED AT THE INSTITUTE CHARTER SCHOOLS.

(d) MONEYS DISTRIBUTED TO THE SCHOOL DISTRICTS AND THE STATE CHARTER SCHOOL INSTITUTE, OR SUCCESSOR AGENCY, UNDER THIS SUBSECTION (6) ARE IN ADDITION TO ANY OTHER MONEYS APPROPRIATED FOR DISTRIBUTION TO SCHOOL DISTRICTS OR THE CHARTER SCHOOL INSTITUTE OR OTHERWISE ALLOCATED TO SCHOOL DISTRICTS OR THE CHARTER SCHOOL INSTITUTE. NO SCHOOL DISTRICT OR INSTITUTE CHARTER SCHOOL IS REQUIRED TO USE MONEY DISTRIBUTED UNDER THIS SUBSECTION (6) AS A CONTRIBUTION TO ANY FUNDING FORMULA CONTAINED IN LAW.

(e) EACH SCHOOL DISTRICT AND EACH INSTITUTE CHARTER SCHOOL HAS THE DISCRETION TO USE THE MONEYS RECEIVED FROM THE K-12 EDUCATION FUND TO IMPROVE THE EDUCATION OF CHILDREN IN THE COLORADO PUBLIC SCHOOLS BY METHODS INCLUDING REDUCING CLASS SIZES, ACQUIRING TECHNOLOGY FOR TEACHERS AND STUDENTS, ENHANCING SCHOOL SAFETY AND SECURITY, AND IMPROVING SCHOOL FACILITIES.

(7) THE STATE AUDITOR SHALL AUDIT OR DIRECT AN AUDIT OF THE K-12 EDUCATION FUND AT LEAST ANNUALLY, AND SHALL SUBMIT A REPORT OF THE AUDIT TO THE LEGISLATIVE AUDIT COMMITTEE. EACH HORSE RACETRACK SHALL KEEP A COMPLETE SET OF RECORDS, AND COMPLY WITH THE SAME INSPECTION, EXAMINATION, AND AUDIT REQUIREMENTS APPLICABLE TO LIMITED GAMING LICENSEES UNDER SECTION 9 OF THIS ARTICLE AS PRESCRIBED IN SECTION 12-47.1-529, COLORADO REVISED STATUTES, OR SUCCESSOR STATUTE.

(8) THE STATE AND LOCAL GOVERNMENTS SHALL COLLECT, DISTRIBUTE, AND SPEND ALL TAX AND FEE REVENUES PAID PURSUANT TO SUBSECTION (5) OF THIS SECTION AS VOTER-APPROVED REVENUE CHANGES WITHOUT REGARD TO ANY LIMITATION CONTAINED IN SECTION 20 OF ARTICLE X OF THIS CONSTITUTION OR ANY OTHER LAW.

(9) IF ANY PROVISION OF THIS SECTION IS HELD INVALID, THE REMAINDER OF THIS SECTION REMAINS UNIMPAIRED.