

**Initiative #135
Horse Racetrack Casino Gambling**

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

- 2 ♦ permit casino gambling at horse racetracks in Arapahoe, Mesa, and
3 Pueblo counties, limited to one racetrack in each county; and
- 4 ♦ distribute new casino gambling tax revenue to public schools.

5 **Summary and Analysis**

6 ***Horse racetrack casino gambling.*** Amendment ? expands legal gambling in the
7 state by permitting limited-stakes casino gambling at racetracks in Arapahoe, Mesa,
8 and Pueblo counties. One racetrack in each county may offer casino gambling, which
9 may include slot machines, card games, and other games of chance. Current laws
10 that regulate horse racing and betting on horse races are unchanged by the measure.

11 Before obtaining a limited gaming license, each racetrack must host 30 or more
12 live horse race days per year for at least five consecutive years and pay a \$25 million
13 one-time fee to the state. A local community may also assess a one-time impact fee
14 and ongoing annual impact fees on a racetrack; however, the fees must be
15 reasonably related to the local community's expenses that occur as a result of allowing
16 casino gambling at the racetrack. The local community and the racetrack must
17 negotiate the fee amounts.

18 Arapahoe County has one existing horse racetrack, Arapahoe Park, which could
19 be licensed for casino gambling in 2015. Because Mesa and Pueblo counties do not
20 currently have an operational horse racetrack, casino gambling in those counties
21 could not begin until at least 2019.

22 Once approved, each racetrack may have up to 2,500 slot machines, or more if
23 allowed by the Limited Gaming Control Commission in the Colorado Department of
24 Revenue. No restrictions are placed on the number of tables for card games or other
25 games of chance. Hours of operation are limited to 8:00 a.m. to 2:00 a.m. the
26 following day, unless the local community in which the racetrack is located approves
27 extended hours. Only adults 21 years of age and older may gamble, and no single
28 wager may exceed \$100.

29 ***Public school funding.*** Amendment ? will generate new funding for public
30 schools. In addition to the one-time \$25 million fee, each racetrack must pay
31 34 percent of its adjusted gross proceeds (AGP). AGP includes all revenue from
32 casino gambling at the racetrack less the amount paid to winners. Casino tax revenue
33 and the \$25 million one-time fee are deposited in the newly created K-12 Education
34 Fund, and distributed on a per-pupil basis to public schools. Funding from the
35 measure must be used by schools to address local concerns and may not replace
36 existing funding for schools.

1 Assuming that the new casino at Arapahoe Park operates with the maximum
2 number of slot machines, new gambling taxes could provide up to \$XXX million each
3 year in tax revenue for public education, or about \$XXX more per pupil each year than
4 is provided under current law. For the 2014-15 academic year, the statewide average
5 per pupil funding amount is about \$7,021. State and local tax revenue from casino
6 gambling at horse racetracks is exempt from constitutional limits on government
7 revenue and spending.

8 **Current casino gambling in Colorado.** Since 1991, Colorado has permitted
9 limited-stakes casino gambling only in Central City and Black Hawk in Gilpin County,
10 and Cripple Creek in Teller County. Additional casinos operate on the Ute Mountain
11 and Southern Ute Indian Reservations in La Plata and Montezuma counties; however,
12 casinos on Indian reservations are not regulated by the state.

13 Gambling in Colorado may only take place in areas that have received
14 constitutional authority through a statewide vote. In 1990, voters statewide approved
15 limited gaming in Central City, Black Hawk, and Cripple Creek. In 1992, the state's
16 voters approved a referred amendment to the constitution requiring a local vote in
17 favor of limited gaming in any city, town, or county granted constitutional authority for
18 limited gaming in a statewide vote. Amendment ? exempts itself from this
19 constitutional provision; the amendment authorizes gambling at horse racetracks in
20 three counties, but does not require another local vote to affirm that authority.

21 **State tax revenue from casino gambling.** Tax revenue from gambling in
22 Central City, Black Hawk, and Cripple Creek totaled \$92.7 million in state budget year
23 2012-13. This revenue is distributed each year to community colleges, counties,
24 cities, the state historical fund, economic development programs, and other state
25 purposes.

*For information on those issue committees that support or oppose the
measures on the ballot at the November 4, 2014, election, go to the
Colorado Secretary of State's elections center web site hyperlink for ballot
and initiative information:*

<http://www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html>

26 **Arguments For**

27 1) Amendment ? provides additional money for public schools without raising
28 income, property, or sales taxes on individuals or businesses. Investing in public
29 education is one way to ensure a strong Colorado economy capable of competing in
30 today's global marketplace. The recent recession required public schools to reduce
31 programs and cut budgets, and most public schools received less state funding than
32 had been available in previous years. Casino gambling tax revenue from horse

1 racetracks increases the state's investment in public education, provides up to
2 \$XXX million annually to school districts and charter schools, and diversifies the
3 sources of funding for public schools.

4 2) Expanding gambling opportunities will increase economic activity in host
5 communities. Colorado's 38 existing casinos employed about 5,000 people in 2013
6 and generated about \$740 million in proceeds. In the short term, improving the
7 Arapahoe Park racetrack will create new construction jobs. Once gambling begins,
8 more permanent jobs will put additional money into the regional economy. New
9 business development may also create additional employment in other hospitality
10 sectors, such as hotels and restaurants.

11 **Arguments Against**

12 1) Amendment ? does not give local voters the option to decide if gambling should
13 be authorized in their communities. It exempts itself from a constitutional requirement
14 approved by voters in 1992 that local communities conduct a separate election.
15 Casino gambling can have negative impacts on the quality of life and increased
16 pressure on governmental services in host communities, such as increased costs for
17 law enforcement, court services, traffic control, and road repair. This measure ignores
18 local control and may burden local communities with negative consequences without
19 providing those communities the opportunity to support the measure in a separate
20 election.

21 2) The measure directly benefits only a single commercial interest for the next
22 five years and may undermine the economies in existing communities. Until 2019,
23 only Arapahoe Park can receive a limited gaming license. Legal gambling in
24 Black Hawk, Central City, and Cripple Creek depends on customers from the Front
25 Range metropolitan areas. When mountain communities lose customers to the new
26 casino in Arapahoe County, those communities lose economic activity. Gambling tax
27 revenue from these communities help support existing government programs. As
28 such, the state's financial support for historic preservation, community colleges,
29 tourism, economic development, and other state and local services may also be
30 reduced.

31 **Estimate of Fiscal Impact**

32 *(Please Note: A summary of the fiscal impact will be included in this space in the*
33 *second draft of the analysis, and an official fiscal note will be prepared and placed on*
34 *the web when the final blue book is sent to voters.)*