

**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 K-12 public schools.

5 **Summary and Analysis**

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

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

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

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

30       ***K-12 public school funding.*** Amendment ? will generate new funding for  
31 public schools. In addition to the one-time \$25 million fee, each racetrack must pay  
32 34 percent of its adjusted gross proceeds (AGP). AGP includes all revenue from  
33 casino gambling at the racetrack less the amount paid to winners. New gambling tax  
34 revenue, and the \$25 million one-time fee, are deposited in the newly created K-12  
35 Education Fund and distributed on a per-pupil basis to public school districts and to a  
36 statewide agency that authorizes public charter schools. Funding from the new

1 gambling tax revenue must be used to address local education issues and may not  
2 replace existing funding for public schools.

3 Assuming that the new casino at Arapahoe Park begins operations in 2016  
4 with 2,500 slot machines, new gambling taxes could provide up to \$114 million each  
5 year for public schools, or about \$133 per pupil. For the 2014-15 school year, public  
6 schools received about \$7,021 per student. If new racetracks are authorized in Mesa  
7 and Pueblo Counties beginning in 2019, public schools could receive additional  
8 funding. State and local tax revenue from casino gambling at horse racetracks is  
9 exempt from constitutional limits on government revenue and spending.

10 **Current casino gambling in Colorado.** Gambling in Colorado may only take  
11 place in areas that have received constitutional authority through a statewide vote,  
12 except for casinos on Indian reservations, which are not regulated by the state. In  
13 1990, voters statewide approved limited-stakes gambling in Central City and Black  
14 Hawk in Gilpin County, and Cripple Creek in Teller County.

15 In 1992, the state's voters approved a referred constitutional amendment  
16 requiring a local vote in favor of gambling in any city, town, or county granted  
17 constitutional authority for gambling in a statewide vote. In 2008, state and local  
18 voters approved an expansion of limited-stakes gambling in Gilpin and Teller counties,  
19 including higher bet limits and extended hours of operation. Amendment ? authorizes  
20 the same type of expanded gambling at horse racetracks in three counties, without  
21 requiring a local vote to affirm that authority.

22 **State tax revenue from current casino gambling.** Tax revenue from  
23 gambling in Central City, Black Hawk, and Cripple Creek totaled \$92.7 million in state  
24 budget year 2012-13. This revenue is deposited in the Limited Gaming Fund and  
25 distributed each year to community colleges, counties, cities, historic preservation,  
26 economic development programs, and other state purposes. Taxes and license fees  
27 paid by existing casinos cover the cost incurred by the state to regulate gambling in  
28 the mountain communities.

*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>

1 **Arguments For**

2 1) Amendment ? provides additional money for public schools without raising  
3 income, property, or sales taxes on individuals or businesses. Investing in public  
4 education is an important way to ensure a strong Colorado economy capable of  
5 competing in today's global marketplace. The recent recession required public  
6 schools to reduce programs and cut budgets, and most public schools received less  
7 state funding than in previous years. Amendment ? increases the state's investment  
8 in public education by providing \$114 million annually to school districts and charter  
9 schools beginning in 2016, and diversifying the sources of funding for public schools.

10 2) Expanding gambling opportunities will increase economic activity in host  
11 communities. Colorado's 38 existing casinos employed about 5,000 people in 2013  
12 and generated about \$740 million in adjusted gross proceeds. In the short term,  
13 improving the Arapahoe Park racetrack will create new construction jobs. Once  
14 gambling begins, more permanent jobs will put additional money into the regional  
15 economy. In the longer run, new gambling opportunities may also create additional  
16 jobs in other hospitality sectors, such as hotels and restaurants, and help maximize  
17 tourism spending in the state.

18 **Arguments Against**

19 1) The measure directly benefits only a single commercial interest for the next  
20 five years, undermines the economies in existing gambling communities, and puts  
21 dedicated tax revenue for important state programs in jeopardy. Until 2019, only  
22 Arapahoe Park can receive a limited gaming license. Legal gambling in Black Hawk,  
23 Central City, and Cripple Creek depends on customers from the Front Range  
24 metropolitan areas. When mountain communities lose customers to the new casino in  
25 Arapahoe County, those mountain communities lose economic activity. As economic  
26 activity decreases, the amount of gambling tax revenue paid to the state from existing  
27 casinos is also reduced. This revenue helps support historic preservation, community  
28 colleges, tourism promotion, economic development, and other state and local  
29 services. Amendment ? places this funding at risk.

30 2) Amendment ? does not give local voters the option to decide if gambling  
31 should be authorized in their communities. In 1992, voters passed a constitutional  
32 requirement that local communities conduct a separate election. Casino gambling can  
33 have negative impacts that increase pressure on governmental services in host  
34 communities, including law enforcement, court services, traffic control, and road  
35 repair. In addition, voter approval will not be required for the casino to expand its  
36 hours of operation. This measure ignores local control and may burden local  
37 communities with negative consequences without providing those communities the  
38 opportunity to decide the issue in a separate election.

1 **Estimate of Fiscal Impact**

2 **State revenue.** Amendment ? increases state revenue to the K-12 Education  
 3 Fund by about \$80 million in budget year 2015-16, and by \$114 million per year  
 4 beginning in budget year 2016-17, the first full budget year of implementation. The  
 5 measure requires that all new gambling tax revenue be allocated to K-12 public  
 6 schools. Based on state projections of student enrollment, new revenue will equate to  
 7 about \$94 more funding per student for the 2015-16 school year, and about \$133  
 8 more funding per student beginning with the 2016-17 school year.  
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10 New gambling tax revenue will be partially offset by reduced revenue from  
 11 existing gambling taxes. Only Arapahoe Park in Arapahoe County can be authorized  
 12 to conduct casino gambling in the next five years. Arapahoe Park is expected to  
 13 attract some gamblers who would otherwise gamble at casinos in Black Hawk,  
 14 Central City, and Cripple Creek. For this reason, gambling tax revenue to the Limited  
 15 Gaming Fund will decrease. Reduced revenue to the fund decreases state allocations  
 16 to community colleges, counties and cities in which gambling is currently authorized,  
 17 historic preservation, economic development programs, and the state General Fund.  
 18 Table 1 shows the net change in tax revenue as a result of Amendment ?.

19 **Table 1. Changes to Tax Revenue under Amendment ?\***

	Budget Year 2015-16	Budget Year 2016-17 (and beyond)
<b>K-12 Education Fund</b>	\$80,195,725	\$114,000,000
<b>Limited Gaming Fund</b>	(\$16,353,110)	(\$32,706,220)
<b>Total (Net) State Revenue</b>	<b>\$63,842,615</b>	<b>\$81,293,780</b>

26 \* This summary shows changes from current law under the measure for each budget year. Parentheses  
 27 indicate a decrease in funds.

28 **State spending.** In addition to allocating new gambling tax revenue to public  
 29 schools, Amendment ? also increases state spending to regulate gambling at  
 30 Arapahoe Park, and to perform audits of the K-12 Education Fund. Increased state  
 31 spending is estimated at \$778,360 in budget year 2015-16 and \$793,114 in  
 32 budget year 2016-17. The state's cost to regulate casino gambling at horse  
 33 racetracks could be covered with either existing state funds or from new fees imposed  
 34 on racetrack owners by the Limited Gaming Control Commission.

35 For additional information on the fiscal impacts of the measure, see the Legislative  
 36 Council fiscal note for Amendment ? on our website at:

37 **{*hyperlink*}**

1 **State Spending and Tax Increases**

2 The state constitution requires that the following fiscal information be provided  
3 when a tax increase question is on the ballot:

- 4 ♦ the estimated or actual state spending under the constitutional  
5 spending limit for the current year and each of the past four years  
6 with the overall percentage and dollar change; and
- 7 ♦ for the first full year of the proposed tax increase, an estimate of the  
8 maximum dollar amount of the tax increase and of the amount of  
9 revenue the state may keep under the constitutional spending limit  
10 without the increase.

11 Table 2 shows the dollar amount of state spending under the constitutional  
12 spending limit.

13 **Table 2. State Spending**

	Actual FY 2010-11*	Actual FY 2011-12	Actual FY 2012-13	Estimated FY 2013-14	Estimated FY 2014-15
State Spending	\$X.XX billion	\$X.XX billion	\$XX.XX billion	\$XX.XX billion	\$XX.XX billion
Four-Year Dollar Change in State Spending: \$X.XX billion					
Four-Year Percent Change in State Spending: XX.X percent					

20 \*FY = fiscal year. The state's fiscal (or budget) year runs from July through June.

21 The numbers in Table 2 show state spending from 2010 through 2014 for  
22 programs that were subject to the constitutional spending limit during those years.  
23 However, the constitution allows a program that operates similarly to a private  
24 business to be exempt from the limit if it meets certain conditions. Because the  
25 exempt status of some programs has changed during the last five years, the numbers  
26 in Table 2 are not directly comparable to each other.

27 Table 3 shows the revenue expected from the increased income tax rate; state  
28 fiscal year spending without these taxes for FY 2016-17, the first full fiscal year for  
29 which the increase would be in place; and the sum of the two.

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**Table 3. Estimated State Fiscal Year Spending  
and the Proposed Casino Gambling Tax**

	<b>FY 2016-17 Estimate</b>
State Spending Without the New Taxes	\$XX.XX billion
Revenue from the New Taxes	\$X.XX billion
State Spending Plus the New Taxes	\$XX.XX billion