

**Amendment #68  
Horse Racetrack Casino Gambling**

1 **Amendment 68 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 68 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, and the games of roulette and craps. Current laws that regulate horse racing  
11 and betting on horse races are unchanged by the measure.

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

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

23       Once approved, each racetrack may have up to 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 or craps. Hours of operation are limited to 8:00 a.m. to 2:00 a.m. the following day,  
27 unless the local government in which the racetrack is located approves extended  
28 hours. Only adults 21 years of age and older may gamble, and no single wager may  
29 exceed \$100.

30       ***K-12 public school funding.*** Once a new horse racetrack casino opens,  
31 Amendment 68 will generate new funding for public schools. In addition to the  
32 one-time \$25 million fee, each racetrack must pay 34 percent of its adjusted gross  
33 proceeds (AGP) to the state. AGP includes all revenue from casino gambling at the  
34 racetrack less the amount paid to winners. New gambling tax revenue, and the  
35 \$25 million one-time fee, are deposited in the newly created K-12 Education Fund and  
36 distributed on a per-pupil basis to public school districts and to a state agency that

1 authorizes public charter schools. Funding from the new gambling tax revenue must  
2 be used to address local education issues and may not replace existing funding for  
3 public schools.

4 Because of its location in the Denver metropolitan area, a new casino at Arapahoe  
5 Park could provide up to \$114.5 million each year for public schools, or about \$133  
6 per student beginning in budget year 2016-17. For the 2014-15 school year, public  
7 schools received about \$7,021 per student. If new racetrack casinos open in Mesa  
8 and Pueblo Counties, public schools could receive additional funding in the future.  
9 State and local tax revenue from casino gambling at horse racetracks is exempt from  
10 constitutional limits on government revenue and spending.

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

16 In 1992, the state's voters approved a referred constitutional amendment requiring  
17 a local vote in favor of gambling in any city, town, or county granted constitutional  
18 authority for gambling in a statewide vote. In 2008, state and local voters approved an  
19 expansion of limited-stakes gambling in Gilpin and Teller counties, including higher bet  
20 limits and extended hours of operation. Amendment 68 authorizes the same type of  
21 expanded gambling at horse racetracks in three counties, without requiring a local  
22 vote to affirm that authority.

23 **State tax revenue from current casino gambling.** Tax revenue from gambling  
24 in Central City, Black Hawk, and Cripple Creek totaled \$92.7 million in state budget  
25 year 2012-13. This revenue is deposited in the Limited Gaming Fund and distributed  
26 each year to community colleges, counties, cities, historic preservation, economic  
27 development programs, and other state purposes. Taxes and license fees paid by  
28 existing casinos cover the cost incurred by the state to regulate gambling in the  
29 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 68 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 68 increases the state's investment  
8 in public education by providing up to \$114.5 million annually to school districts and  
9 charter schools beginning in 2016, and diversifying the sources of funding for public  
10 schools.

11           2) This measure will add jobs and increase economic activity in host communities.  
12 In the short term, improving the Arapahoe Park racetrack will create new construction  
13 jobs. Once a horse racetrack casino is operational, more permanent jobs will put  
14 additional money into the regional economy. For example, the U.S. Census Bureau  
15 reports that the average casino employed about 200 people in 2012. In the longer  
16 run, new gambling opportunities may create additional jobs in other hospitality sectors,  
17 such as hotels and restaurants, and help maximize 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 new limited gaming license. Existing legal gambling in  
23 Black Hawk, Central City, and Cripple Creek depends on customers from the Front  
24 Range metropolitan areas. When mountain communities lose customers to the new  
25 casino in Arapahoe County, these mountain communities lose economic activity and  
26 pay less in gambling taxes. This existing tax revenue helps support historic  
27 preservation, community colleges, tourism promotion, economic development, and  
28 other state and local services. Amendment 68 places this funding at risk.

29           2) Amendment 68 does not give local voters the option to decide if gambling  
30 should be authorized in their communities. In 1992, voters passed a constitutional  
31 requirement that local communities conduct a separate election. Large commercial  
32 attractions such as casino gambling can have negative impacts that increase pressure  
33 on governmental services in both the host and surrounding communities. These  
34 services include law enforcement, court services, traffic control, and road repair. In  
35 addition, voter approval will not be required for the casino to expand its hours of  
36 operation. This measure may burden local communities with negative consequences  
37 without providing those communities the opportunity to decide the issue in a separate  
38 election.

1 **Estimate of Fiscal Impact**

2 **State revenue.** Amendment 68 increases state revenue to the K-12 Education  
 3 Fund by up to \$80 million in budget year 2015-16, and up to \$114.5 million in budget  
 4 year 2016-17, the first full budget year of implementation. The measure requires that  
 5 all new gambling tax revenue be allocated to K-12 public schools. Based on state  
 6 projections of student enrollment, new revenue will equate to about \$94 more funding  
 7 per student for the 2015-16 school year, and about \$133 more funding per student  
 8 beginning with the 2016-17 school year.

9 New gambling tax revenue will be partially offset by reduced revenue from existing  
 10 gambling taxes. Only Arapahoe Park in Arapahoe County can be authorized to  
 11 conduct casino gambling in the next five years. Arapahoe Park is expected to attract  
 12 some gamblers who would otherwise gamble at casinos in Black Hawk, Central City,  
 13 and Cripple Creek. For this reason, gambling tax revenue to the Limited Gaming  
 14 Fund will decrease. Reduced revenue to the fund decreases state allocations to  
 15 community colleges, counties and cities in which gambling is currently authorized,  
 16 historic preservation, economic development programs, and the state General Fund.  
 17 Table 1 shows the estimated maximum net change in tax revenue as a result of  
 18 Amendment 68.

19 **Table 1**  
 20 **Estimated Maximum Tax Revenue Change Under Amendment 68\***

	Budget Year 2015-16	Budget Year 2016-17
<b>K-12 Education Fund</b>	\$80.2 million	\$114.5 million
<b>Limited Gaming Fund</b>	(\$16.4 million)	(\$32.7 million)
<b>Total (Net) State Revenue</b>	<b>\$63.8 million</b>	<b>\$81.8 million</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 68 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 about \$800,000 per year beginning in budget year 2015-16.  
 32 The state's cost to regulate existing casino gambling was about \$11 million in budget  
 33 year 2013-14. The state's cost to regulate casino gambling at horse racetracks could  
 34 be covered with either existing state funds or from new fees imposed on racetrack  
 35 owners by the Limited Gaming Control Commission.

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 spending  
5 limit for the current year and each of the past four years with the overall  
6 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**  
14 **State Spending**

	Actual FY 2010-11*	Actual FY 2011-12	Actual FY 2012-13	Estimated FY 2013-14	Estimated FY 2014-15
State	\$9.42	\$10.27	\$11.11	\$11.48	\$12.08
Four-Year Dollar Change in State Spending: \$2.66 billion					
Four-Year Percent Change in State Spending: 28.2 percent					

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

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.

30 **Table 3**  
31 **Estimated State Fiscal Year Spending**  
32 **and the Proposed Casino Gambling Tax**

	FY 2016-17 Estimate
State Spending Without the New	\$XX.XX billion
Revenue from the New Taxes	\$114.5 million