

## 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 is authorized to have 2,500 slot machines, or more  
24 if approved 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  
6 \$132 per student beginning in budget year 2016-17. For the 2014-15 school year,  
7 public schools received about \$7,021 per student. If new racetrack casinos open in  
8 Mesa and Pueblo counties, public schools could receive additional funding in the  
9 future. State and local tax revenue from casino gambling at horse racetracks is  
10 exempt from 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.  
14 In 1990, voters statewide approved limited-stakes gambling in Central City and  
15 Black 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, after administrative expenses are  
25 paid, totaled \$93.9 million in state budget year 2013-14. This revenue is deposited in  
26 the Limited Gaming Fund and distributed each year to community colleges, counties,  
27 cities, historic preservation, economic development programs, and other state  
28 purposes. Taxes and license fees paid by existing casinos cover the cost incurred by  
29 the state to regulate gambling in 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 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 \$81.9 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 amendment requires  
 5 that 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 \$96 more funding  
 7 per student for the 2015-16 school year, and about \$132 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>	\$81.9 million	\$114.5 million
<b>Limited Gaming Fund</b>	(\$14.6 million)	(\$29.5 million)
<b>Total (Net) State Revenue</b>	<b>\$67.2 million</b>	<b>\$85.0 million</b>

26 \* This summary shows changes from current law under the measure for each budget year.  
 27 Parentheses 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 will be  
 34 covered either with new fees imposed on racetrack owners by the Limited Gaming  
 35 Control Commission or from other state funds.

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 Spending	\$9.42 billion	\$10.27 billion	\$11.11 billion	\$11.48 billion	\$12.08 billion
Four-Year Dollar Change in State Spending: \$2.66 billion					
Four-Year Percent Change in State Spending: 28.2 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 new tax, and state fiscal year  
28 spending without the tax for FY 2016-17, the first full fiscal year for which the increase  
29 would be in place.

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 Tax	\$XX.XX billion
Revenue from the New Tax	\$114.5 million

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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  
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12 some gamblers who would otherwise gamble at casinos in Black Hawk, Central City,  
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14 Fund will decrease. Reduced revenue to the fund decreases state allocations to  
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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>

21  
22  
23  
24  
25  
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.

# Last Draft as Mailed to Interested Parties

## 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					

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.

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

# Last Draft Comments from Interested Parties

## Amendment 68 Horse Racetrack Casino Gambling

### **Katy Atkinson, representing Don't Turn Racetracks into Casinos:**

All,

Please forgive my tardiness in getting this note to you about the final draft of the Amendment 68 analysis in the 2014 Voter Guide. As you probably assumed, Don't Turn Racetracks Into Casinos, the opposition issue committee, has no suggested changes. We sincerely appreciate the effort you've put into developing a fair analysis. Naturally, we would have written it a little differently, but we think the final draft is balanced and will be helpful to voters.

Thanks again for your patience and hard work.

Best,

Katy Atkinson

### **Dick Brown, representing himself:**

I do not have any comments or suggestions for this draft.

Dick Brown

### **David Blake, representing the Colorado Department of Law**

Hi Juanita

Just a couple of quick comments. If I get anything else I will send it along. At lines 33-35, the analysis states, "The state's cost to regulate casino gambling at horse racetracks could be covered with either existing state funds or from new fees imposed on racetrack owners by the Limited Gaming Control Commission." It is not clear that the existing state funds are General Funds. The estimated cost of regulating the racetrack casino is \$800,000 and we don't think it is likely (or even reasonable) to assume the Gaming Commission could or would impose a license fee on one entity that could cover that amount, so the only realistic source of funds is the General Fund. Existing state funds does not clearly reflect that point.

At lines 23-25, the analysis states, "Once approved, each racetrack may have up to 2,500 slot machines, or more if allowed by the Limited Gaming Control Commission." What the initiative actually says is that the track is authorized to have the greater of 2,500 slot machines or a number requested by the track and determined by the Gaming Commission to maximize revenues to the K-12 fund. So that is essentially an unlimited number subject to approval or really a minimum of 2,500. Thus the language may have up to 2,500 I don't think conveys what the language actually says.

David C. Blake

Deputy Attorney General For Legal Policy and Government Relations

# Last Draft Comments from Interested Parties

## **Shannon Haltiwanger, representing History Colorado:**

See Attachment A

## **David Porter, representing the Colorado Department of Revenue:**

Hello,

Thanks for the work you have done preparing the blue book analysis, it does a great job communicating the amendment and it's implications. Thank you also for including the Department in identifying the impact and reviewing your narrative. Although the Department does not have any concerns about the language, there were two minor considerations that came up in our final review of the document:

Page 1, lines 23-25: The current draft may lead the reader to think that the 2,500 limit is a fairly firm cap. The ballot language discusses additional machines being authorized "to maximize revenue to the K-12 education fund." Operationally, this may be a fairly easy target to reach - the racetrack will ask for more machines if they anticipate greater revenue - resulting in casinos that are larger than the reader anticipates. The following modification helps the reader understand the approval criteria:

Once approved, each racetrack may have up to 2,500 slot machines, or more if requested by the racetrack and determined to maximize K-12 Education fund revenue by the Limited Gaming Control Commission.

Page 4, line 34: The state spending is identified as being either "... existing state funds or from new fees..." To keep the reader from misinterpreting that there is already funding set aside for this purpose, we request removal of the word "existing."

Feel free to contact me if you would like to discuss these further.

## **Greg Romberg, representing Arapaho County Commissioners:**

Thank you for the opportunity to comment on the 3rd draft of the Blue Book on Amendment 68. I am submitting these comments and suggestions on behalf of the Board of County Commissioners for Arapahoe County. If Amendment 68 passes, the only horse racetrack which can take advantage of the provisions of Amendment 68 for the first five years after passage is in unincorporated Arapahoe County. For that reason, the Commissioners are especially aware of the specific provisions concerning impact fees and respectfully requests that the following amendment to the 3rd draft be incorporated into the final draft of the Blue Book.

Page 2, after line 22, insert the following:

"Similarly, under current law, local governments are authorized to assess impact fees on businesses to cover costs. Amendment 68 requires the impact fee be negotiated between the local jurisdiction and the horse racetrack."

# Last Draft Comments from Interested Parties

Page 3, after line 36, insert the following

", including being required to subsidize the cost to localities if sufficient impact fees are not successfully negotiated,"

**Greg Romberg, representing Arapaho County Commissioners (cont):**

Thank you for your consideration of this amendment.

The Commissioners also offer an amendment to lines 21 and 22 of page 2 that they believe simplifies the text. The suggestion is to change the clause that currently reads "without requiring a local vote to affirm that authority." to "without a local vote."

Thank you. If I can answer any questions or provide any additional information, please let me know.

August 12, 2014

Mr. Mike Mauer  
Director of Research  
Colorado Legislative Council  
200 East Colfax Avenue  
Denver, Colorado 80203

RE: Preparation of the Ballot Information Booklet

Dear Mr. Mauer:

Thank you for including History Colorado in the public process of the ballot information booklet regarding Amendment 68. We are requesting the following be changed in the Blue Book descriptions.

**Overview of Effects on History Colorado and the State Historical Fund**

The estimated limiting gaming revenue to the state in FY2013-14 is \$107.1 million. Of this amount, the State Historical Fund received \$23.3 million to fund educational programs, grants, and to offset Certificate of Participation (COP) payments for the History Colorado Center. If approved, Amendment 68 will dilute limited gaming in existing markets, the effect of which will directly reduce the redistribution of revenue to the current gaming cities and revenue available to meet the operations of History Colorado and others. For History Colorado, the impact of a 10% decline in available funds would equate to approximately an \$1,800,000 reduction in gaming tax revenue. This funding supports History Colorado's operations throughout the state, new History Colorado Center's COP (debt) bond commitments, and the statewide preservation grant program. Without a supplemental appropriation from other state resources to make up for any shortfall resulting from the passage of Amendment 68, a reduction of this magnitude would cause significant cuts to its statewide operations of museums, which affects the economies of eight small communities that have state monuments and the entire state in terms of the historic preservation grant program. Amendment 68 would affect History Colorado's business model, its museums, and the diversity of services it provides to the public. Although History Colorado's long term business model seeks to expand its revenue diversity, this will take several years to accomplish. Until then, the agency relies primarily on gaming tax revenue and Amendment 68 is a serious threat to its sustainability. This has an economic impact to all Colorado counties, and rural communities will be affected disproportionately, since funding in these locations generally comprises a greater percentage of their limited annual resources.

If Amendment 68 is approved, it will not only affect History Colorado's operations, but will also dilute a huge opportunity for economic development in all 64 counties. For example, currently:

- More than \$24 million from the State Historical Fund is directed towards active projects in rural communities in Colorado. These projects have served as an economic lifeline for many of these communities by employing local contractors, architects, engineers, and suppliers to complete the rehabilitation of historic buildings. The loss of this grant money will negatively impact these small struggling communities.

- State Historical Fund grant money is often used to rehabilitate historic buildings for reuse. Their new purposes fill voids in communities and spur economic activity that didn't formerly exist. The loss of limited gaming funds will eliminate a tool that Colorado communities utilize for economic development.
- Limited gaming revenue is not only a lifeline for rural Colorado communities but is also a benefit to all of Colorado's cities and towns regardless of size. Urban areas such as Denver and Pueblo have had tremendous opportunities through leveraging funds to match State Historical Fund grants.

### **History of Limited Gaming Funds in Colorado**

Gaming revenue in Colorado has not proven to be a stable source of annual funds. Depending on economic recession or growth, gaming revenues come into the state at varying levels. For example, according to the June 2009 Colorado Legislative Council revenue forecast, limited gaming revenues declined by 3.6% in FY2007-08 and an additional decrease of 13.7% occurred in FY2008-09. The passage of Amendment 68 and further expansion of gaming in Colorado will result in a decrease of current limited gaming funds allocated to Amendment 50 recipients.

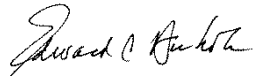
Amendment 50 distributions to community colleges and the State Historical Fund failed to meet predicted funding models upon which the initiative was based. Gross gaming tax revenue collected in the Limited Gaming Fund during the fiscal year ending June 30, 2014 increased slightly; however, the net final distribution continues to trend lower than distributions in prior years. Administrative costs that are imposed prior to distribution of gaming revenue continue to increase, eroding net funding available to History Colorado and other recipients.

### **Conclusion**

The passage of Amendment 68 will destabilize the existing market, greatly impacting Colorado's current gaming destination communities. Further, it will reduce support to those communities, and erodes the original intent of the Constitutional Amendment to support stewardship of the state's rich cultural heritage. The gaming industry has struggled to rebound since the 2008 recession and the smoking ban in casinos enacted by the General Assembly. It further faltered in the fall of 2013 as floods impacted mountain communities and road access to casinos in Gilpin County. In the future, it will likely be impacted by other market changes as well.

We appreciate you taking the time to research both sides of Amendment 68 for the ballot information booklet, and the opportunity to illustrate how the creation of a new gaming revenue fund could jeopardize the critical state programs that are already using the existing gaming revenues and that benefit all of Colorado.

Sincerely,



Edward C. Nichols  
President and CEO

CC: Steve W. Turner, AIA, Vice President of Preservation  
Joseph Bell, Vice President of Finance

**AMENDMENT 68**  
**HORSE RACETRACK CASINO GAMBLING**  
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**AMENDMENT 68**  
**HORSE RACETRACK CASINO GAMBLING**  
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**AMENDMENT 68**  
**HORSE RACETRACK CASINO GAMBLING**  
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**Amendment 68**  
**Horse Racetrack Casino Gambling**

1 **Ballot Title:** SHALL STATE TAXES BE INCREASED \$114,500,000 ANNUALLY IN THE FIRST FULL FISCAL YEAR, AND  
2 BY SUCH AMOUNTS THAT ARE RAISED THEREAFTER, BY IMPOSING A NEW TAX ON AUTHORIZED HORSE  
3 RACETRACKS' ADJUSTED GROSS PROCEEDS FROM LIMITED GAMING TO INCREASE STATEWIDE FUNDING FOR K-12  
4 EDUCATION, AND, IN CONNECTION THEREWITH, AMENDING THE COLORADO CONSTITUTION TO PERMIT LIMITED  
5 GAMING IN ADDITION TO PRE-EXISTING PARI-MUTUEL WAGERING AT ONE QUALIFIED HORSE RACETRACK IN EACH OF  
6 THE COUNTIES OF ARAPAHOE, MESA, AND PUEBLO; AUTHORIZING HOST COMMUNITIES TO IMPOSE IMPACT FEES ON  
7 HORSE RACETRACKS AUTHORIZED TO CONDUCT LIMITED GAMING; ALLOWING ALL RESULTING REVENUE TO BE  
8 COLLECTED AND SPENT NOTWITHSTANDING ANY LIMITATIONS PROVIDED BY LAW; AND ALLOCATING THE RESULTING  
9 TAX REVENUES TO A FUND TO BE DISTRIBUTED TO SCHOOL DISTRICTS AND THE CHARTER SCHOOL INSTITUTE FOR  
10 K-12 EDUCATION?

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

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

13 **Section 17. K-12 education fund.** (1) THE K-12 EDUCATION FUND IS HEREBY ESTABLISHED TO  
14 IMPROVE THE EDUCATION OF CHILDREN IN COLORADO PUBLIC SCHOOLS BY PROVIDING ADDITIONAL REVENUE TO  
15 ADDRESS LOCAL NEEDS, INCLUDING REDUCING CLASS SIZES, ACQUIRING TECHNOLOGY FOR TEACHERS AND  
16 STUDENTS, ENHANCING SCHOOL SAFETY AND SECURITY, AND IMPROVING SCHOOL FACILITIES.

17 (2)(a) THE K-12 EDUCATION FUND CONSISTS OF THE MONEYS AS PROVIDED IN SUBSECTION (3) OF THIS  
18 SECTION. THE STATE TREASURER SHALL CREDIT TO THE K-12 EDUCATION FUND ALL INTEREST AND INCOME  
19 DERIVED FROM THE DEPOSIT AND INVESTMENT OF MONEYS IN THE K-12 EDUCATION FUND.

20 (b) THE STATE TREASURER SHALL ANNUALLY DISTRIBUTE THE MONEYS IN THE K-12 EDUCATION FUND ON  
21 A PER-PUPIL BASIS TO EACH SCHOOL DISTRICT AND THE STATE CHARTER SCHOOL INSTITUTE, OR SUCCESSOR  
22 AGENCY. THE PER-PUPIL AMOUNT IS DETERMINED BY DIVIDING THE TOTAL AMOUNT TO BE DISTRIBUTED BY THE  
23 STATEWIDE PUBLIC SCHOOL ENROLLMENT. THE AMOUNT DISTRIBUTED TO EACH SCHOOL DISTRICT IS THE  
24 PER-PUPIL AMOUNT MULTIPLIED BY THE SCHOOL DISTRICT'S PUPIL ENROLLMENT, AND THE AMOUNT DISTRIBUTED  
25 TO THE STATE CHARTER SCHOOL INSTITUTE, OR SUCCESSOR AGENCY, IS THE PER-PUPIL AMOUNT MULTIPLIED BY  
26 THE NUMBER OF PUPILS ENROLLED AT INSTITUTE CHARTER SCHOOLS.

27 (c) MONEYS DISTRIBUTED TO THE SCHOOL DISTRICTS AND THE STATE CHARTER SCHOOL INSTITUTE, OR  
28 SUCCESSOR AGENCY, UNDER THIS SUBSECTION (2) ARE IN ADDITION TO ANY OTHER MONEYS APPROPRIATED FOR  
29 DISTRIBUTION TO SCHOOL DISTRICTS OR THE CHARTER SCHOOL INSTITUTE OR OTHERWISE ALLOCATED TO SCHOOL  
30 DISTRICTS OR THE CHARTER SCHOOL INSTITUTE. NO SCHOOL DISTRICT OR INSTITUTE CHARTER SCHOOL IS  
31 REQUIRED TO USE MONEY DISTRIBUTED UNDER THIS SUBSECTION (2) AS A CONTRIBUTION TO ANY FUNDING  
32 FORMULA CONTAINED IN LAW.

33 (d) EACH SCHOOL DISTRICT AND EACH INSTITUTE CHARTER SCHOOL SHALL USE THE MONEYS RECEIVED  
34 FROM THE K-12 EDUCATION FUND TO IMPROVE THE EDUCATION OF CHILDREN IN COLORADO PUBLIC SCHOOLS BY  
35 ADDRESSING LOCAL NEEDS, INCLUDING REDUCING CLASS SIZES, ACQUIRING TECHNOLOGY FOR TEACHERS AND  
36 STUDENTS, ENHANCING SCHOOL SAFETY AND SECURITY, AND IMPROVING SCHOOL FACILITIES.

37 (e) THE STATE AUDITOR SHALL CONDUCT OR DIRECT A FINANCIAL AUDIT OF THE K-12 EDUCATION FUND  
38 AT LEAST ANNUALLY, AND SHALL SUBMIT A REPORT OF THE FINANCIAL AUDIT TO THE LEGISLATIVE AUDIT

1 COMMITTEE.

2 (3)(a) NOTWITHSTANDING ANY OTHER LAW OR CONSTITUTIONAL PROVISIONS TO THE CONTRARY, THE  
3 COMMISSION SHALL EXPAND LIMITED GAMING IN THE STATE OF COLORADO BY IMPLEMENTING HORSE RACETRACK  
4 LIMITED GAMING, AS SET FORTH IN THIS SECTION.

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

7 (I) WITHIN THE FIRST THIRTY DAYS OF OPERATING HORSE RACETRACK LIMITED GAMING, MAKE A SINGLE  
8 PAYMENT OF TWENTY-FIVE MILLION DOLLARS TO THE STATE TREASURER FOR DEPOSIT INTO THE K-12 EDUCATION  
9 FUND; AND

10 (II) BEGINNING WITH THE FIRST STATE FISCAL YEAR IN WHICH A HORSE RACETRACK THAT IS AUTHORIZED  
11 TO CONDUCT HORSE RACETRACK LIMITED GAMING GENERATES ADJUSTED GROSS PROCEEDS FROM HORSE  
12 RACETRACK LIMITED GAMING, PAY TO THE STATE TREASURER THIRTY-FOUR PERCENT OF THE HORSE RACETRACK'S  
13 ADJUSTED GROSS PROCEEDS OF HORSE RACETRACK LIMITED GAMING GENERATED EACH YEAR FOR DEPOSIT INTO  
14 THE K-12 EDUCATION FUND.

15 (c) EXCEPT AS PROVIDED IN SUBSECTION (4) OF THIS SECTION, HORSE RACETRACKS SHALL RETAIN THE  
16 BALANCE OF THEIR ADJUSTED GROSS PROCEEDS FROM HORSE RACETRACK LIMITED GAMING NOT PAID PURSUANT  
17 TO THIS SUBSECTION (3).

18 (d) ALL MONEYS IN THE K-12 EDUCATION FUND SHALL BE SET ASIDE, ALLOCATED, ALLOTTED, AND  
19 CONTINUOUSLY APPROPRIATED FOR DISTRIBUTION IN ACCORDANCE WITH THIS SECTION.

20 (4) A HOST COMMUNITY MAY IMPOSE ON A HORSE RACETRACK LICENSED TO CONDUCT LIMITED GAMING IN  
21 THE HOST COMMUNITY A ONE-TIME INITIAL IMPACT FEE AND ANNUAL IMPACT FEES THAT ARE REASONABLY RELATED  
22 TO THE HOST COMMUNITY'S COSTS RESULTING FROM HORSE RACETRACK LIMITED GAMING. THE AMOUNT OF THE  
23 IMPACT FEES WILL BE ESTABLISHED THROUGH NEGOTIATIONS BETWEEN A HORSE RACETRACK AND THE HOST  
24 COMMUNITY.

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

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

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

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

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

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

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

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

13 (8) EACH HORSE RACETRACK LICENSED TO CONDUCT LIMITED GAMING SHALL KEEP A COMPLETE AND  
14 ACCURATE SET OF BOOKS AND RECORDS, AND COMPLY WITH THE SAME INSPECTION, EXAMINATION, AND AUDIT  
15 REQUIREMENTS APPLICABLE TO LIMITED GAMING LICENSEES UNDER SECTION 9 OF THIS ARTICLE AS PRESCRIBED IN  
16 SECTION 12-47.1-529, COLORADO REVISED STATUTES, OR SUCCESSOR STATUTE.

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

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

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

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

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

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

38 (f) "SLOT MACHINE" MEANS ANY MECHANICAL, ELECTRICAL, VIDEO, ELECTRONIC, OR OTHER DEVICE,  
39 CONTRIVANCE, OR MACHINE THAT, AFTER INSERTION OF CASH IN THE FORM OF A COIN OR BILL; A TOKEN OR

1 SIMILAR OBJECT; OR UPON PAYMENT BY ANY MEDIUM, INCLUDING ELECTRONIC CREDITS, OF ANY REQUIRED  
2 CONSIDERATION BY A PLAYER, IS AVAILABLE TO BE PLAYED OR OPERATED, AND THAT, WHETHER BY REASON OF  
3 THE SKILL OF THE PLAYER OR APPLICATION OF THE ELEMENT OF CHANCE, OR BOTH, MAY DELIVER OR ENTITLE THE  
4 PLAYER OPERATING THE MACHINE TO RECEIVE CASH PRIZES, MERCHANDISE, TOKENS REDEEMABLE FOR CASH,  
5 GAME CREDITS IN ELECTRONIC FORM OR OTHERWISE REDEEMABLE FOR CASH, OR ANY OTHER THING OF VALUE  
6 OTHER THAN UNREDEEMABLE FREE GAMES, WHETHER THE PAYOFF IS MADE AUTOMATICALLY FROM THE MACHINES  
7 OR IN ANY OTHER MANNER.

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