

First Regular Session  
Sixty-eighth General Assembly  
STATE OF COLORADO

INTRODUCED

LLS NO. 11-0977.01 Sharon Eubanks

SENATE BILL 11-233

---

SENATE SPONSORSHIP

Hodge and Tochtrop,

HOUSE SPONSORSHIP

(None),

---

Senate Committees  
Business, Labor and Technology

House Committees

---

A BILL FOR AN ACT

101 CONCERNING REGULATION OF THE STATE LOTTERY BY THE STATE  
102 LOTTERY DIVISION IN THE DEPARTMENT OF REVENUE, AND, IN  
103 CONNECTION THEREWITH, AUTHORIZING THE INSTALLATION OF  
104 VIDEO LOTTERY TERMINALS UNDER THE CONTROL OF THE  
105 DIVISION.

---

Bill Summary

*(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)*

The Colorado lottery commission (commission) is given

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.  
*Capital letters indicate new material to be added to existing statute.*  
*Dashes through the words indicate deletions from existing statute.*

discretionary authority to license no more than 2 lottery retailers to install and operate video lottery terminals (VLTs). Qualifications to be a lottery retailer are established in the bill. A lottery retailer is prohibited from installing or operating a VLT unless certain conditions are satisfied. VLTs may be installed and operated by a single lottery retailer at a limited number of sites within Colorado. The bill specifies that VLTs shall not be installed or operated at more than 2 sites within Colorado.

The commission is given rule-making authority to implement the bill and to monitor and regulate the operation of VLTs. Each VLT is subject to approval by the commission in accordance with its rules and must meet certain requirements. Lottery retailers are required to be responsible for all expenses necessary to purchase or lease, install, maintain, and operate VLTs. Lottery retailers are entitled to receive a specified percentage of net machine income from VLTs. The remainder of the proceeds from the operation of VLTs, net of expenses and prizes, is required to be distributed in accordance with section 3 (1) (b) (III) of article XXVII of the state constitution.

The Colorado lottery higher education fund (fund) is established by the bill. Moneys in the fund are to be used to provide postsecondary education financial assistance. All revenues that would otherwise be allocated to the general fund pursuant to section 3 (1) (b) (III) of article XXVII of the state constitution are to be credited to the fund except for a portion of the moneys to be credited to the public school capital construction assistance fund up to a specified amount and a portion of the moneys to be allocated to Colorado community colleges in certain circumstances.

---

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** 24-35-201, Colorado Revised Statutes, is amended  
3 BY THE ADDITION OF THE FOLLOWING NEW SUBSECTIONS to  
4 read:

5 **24-35-201. Definitions.** As used in this part 2, unless the context  
6 otherwise requires:

7 (1.3) "CASH VALUE" MEANS THE VALUE OF ALL CURRENCY PLUS  
8 THE VALUE OF ALL PRINTED PAY VOUCHERS REDEEMABLE FOR CURRENCY.

9 (4.5) "LICENSED TRACK" MEANS A CLASS B TRACK, AS DEFINED IN  
10 SECTION 12-60-102 (4) (a) (I), C.R.S., AT WHICH A RACE MEET OF HORSES,

1 CONSISTING OF THIRTY OR MORE RACE DAYS, WAS CONDUCTED DURING  
2 THE PREVIOUS CALENDAR YEAR AND IS SCHEDULED TO CONDUCT A RACE  
3 MEET OF HORSES, CONSISTING OF THIRTY OR MORE RACE DAYS, IN THE  
4 CURRENT CALENDAR YEAR.

5 (5.5) "LOTTERY RETAILER" MEANS A LOTTERY SALES AGENT  
6 LICENSED PURSUANT TO SECTIONS 24-35-206 AND 24-35-208.5.

7 (6.5) "NET MACHINE INCOME" MEANS THE CASH VALUE PLACED  
8 INTO A VIDEO LOTTERY TERMINAL MINUS THE VALUE OF ALL FREE GAMES  
9 AWARDED AND ALL PAY VOUCHERS ISSUED BY SUCH TERMINAL.

10 (7.5) "PARI-MUTUEL LICENSEE" MEANS A LICENSEE, AS DEFINED IN  
11 SECTION 12-60-102 (17), C.R.S., THAT OWNS OR CONTROLS A LICENSED  
12 TRACK AND THAT IS IN COMPLIANCE WITH ALL STATUTES AND RULES  
13 REGARDING THE CONDUCT OF A RACE MEET OF HORSES AT, AND THE  
14 OPERATION OF, THE LICENSED TRACK.

15 (9) (a) "VIDEO LOTTERY TERMINAL" MEANS AN ELECTRONIC  
16 COMPUTERIZED GAME MACHINE THAT:

17 (I) IS NETWORKED AND CAN BE MONITORED AND AUDITED BY A  
18 CENTRAL TECHNOLOGY SYSTEM;

19 (II) UPON INSERTION OF CASH VALUE, IS AVAILABLE TO PLAY A  
20 VIDEO GAME OF CHANCE AUTHORIZED BY THE DIVISION; AND

21 (III) USES MICROPROCESSORS TO AWARD TO A PLAYER, ON THE  
22 BASIS OF CHANCE, FREE GAMES OR CREDITS EVIDENCED BY A PRINTED PAY  
23 VOUCHER REDEEMABLE FOR CURRENCY.

24 (b) "VIDEO LOTTERY TERMINAL" DOES NOT INCLUDE:

25 (I) A MACHINE OR DEVICE THAT DIRECTLY DISBURSES COINS, CASH,  
26 TOKENS, OR ANY ITEM OF VALUE OTHER THAN A PRINTED PAY VOUCHER;

27 OR

1 (II) A MACHINE OR DEVICE DEFINED AS A SLOT MACHINE IN  
2 SECTION 9 OF ARTICLE XVIII OF THE STATE CONSTITUTION.

3 **SECTION 2.** Part 2 of article 35 of title 24, Colorado Revised  
4 Statutes, is amended BY THE ADDITION OF A NEW SECTION to  
5 read:

6 **24-35-208.5. Commission - video lottery terminals -**  
7 **authorization - requirements - rules.** (1) THE COMMISSION MAY  
8 AUTHORIZE THE INSTALLATION AND OPERATION OF VIDEO LOTTERY  
9 TERMINALS BY NO MORE THAN TWO LOTTERY RETAILERS WHO MEET ALL  
10 QUALIFICATIONS SET FORTH IN THIS SECTION AND SECTION 24-35-206.  
11 SUCH AUTHORIZATION SHALL BE EVIDENCED BY AN ADDITIONAL LICENSE  
12 ISSUED BY THE COMMISSION.

13 (2) (a) A LOTTERY RETAILER SHALL NOT INSTALL OR OPERATE A  
14 VIDEO LOTTERY TERMINAL UNLESS THE LOTTERY RETAILER IS A  
15 PARI-MUTUEL LICENSEE AND THE VIDEO LOTTERY TERMINAL IS TO BE  
16 LOCATED IN AN AGE-CONTROLLED AREA, AS DEFINED BY RULE OF THE  
17 COMMISSION, ON PREMISES THAT ARE OWNED OR CONTROLLED BY THE  
18 LOTTERY RETAILER.

19 (b) A LOTTERY RETAILER MAY INSTALL OR OPERATE VIDEO  
20 LOTTERY TERMINALS ON PREMISES LOCATED AT NO MORE THAN TWO  
21 DIFFERENT SITES WITHIN COLORADO, ONE OF WHICH MAY BE A LICENSED  
22 TRACK.

23 (3) THE COMMISSION SHALL DETERMINE THE NUMBER OF VIDEO  
24 LOTTERY TERMINALS THAT MAY BE PLACED ON THE PREMISES OF A  
25 LOTTERY RETAILER AT ONE SITE; EXCEPT THAT THE COMMISSION SHALL  
26 NOT APPROVE MORE THAN TWO THOUSAND FIVE HUNDRED VIDEO LOTTERY  
27 TERMINALS ON THE PREMISES OF A LOTTERY RETAILER AT ONE SITE.

1           (4) VIDEO LOTTERY TERMINALS SHALL NOT BE INSTALLED OR  
2 OPERATED ON PREMISES LOCATED AT MORE THAN TWO DIFFERENT SITES  
3 WITHIN COLORADO.

4           (5) THE COMMISSION IS AUTHORIZED TO PROMULGATE RULES AS  
5 NECESSARY TO IMPLEMENT THIS SECTION AND TO MONITOR AND REGULATE  
6 THE OPERATION OF VIDEO LOTTERY TERMINALS AND IS SPECIFICALLY  
7 AUTHORIZED TO FINE, ADMONISH, OR SUSPEND OR REVOKE THE LICENSE OF  
8 ANY LOTTERY RETAILER FOUND BY THE COMMISSION TO HAVE ALLOWED  
9 AN UNDERAGE PERSON TO ENTER THE AGE-CONTROLLED AREA, AS DEFINED  
10 BY RULE OF THE COMMISSION, OF ANY PREMISES FOR THE PURPOSE OF  
11 USING A VIDEO LOTTERY TERMINAL.

12           (6) THE DIRECTOR AND THE COMMISSION SHALL MANAGE AND  
13 REGULATE THE OPERATION OF VIDEO LOTTERY TERMINALS IN  
14 ACCORDANCE WITH THIS SECTION AND THEIR POWERS AND DUTIES AS SET  
15 FORTH IN SECTIONS 24-35-204 AND 24-35-208, RESPECTIVELY.

16           (7) EACH VIDEO LOTTERY TERMINAL IS SUBJECT TO APPROVAL BY  
17 THE COMMISSION IN ACCORDANCE WITH RULES PROMULGATED BY THE  
18 COMMISSION.

19           (8) IN ADDITION TO ANY OTHER REQUIREMENTS SET FORTH IN THIS  
20 SECTION, EACH VIDEO LOTTERY TERMINAL APPROVED UNDER THIS SECTION  
21 SHALL:

22           (a) OFFER ONLY GAMES LICENSED AND AUTHORIZED BY THE  
23 COMMISSION; AND

24           (b) NOT HAVE ANY MEANS OF MANIPULATION BY A PLAYER OR  
25 OTHER UNAUTHORIZED PERSON THAT WOULD AFFECT THE PROBABILITY OF  
26 WINNING A GAME.

27           (9) ALL EXPENSES NECESSARY TO PURCHASE OR LEASE, INSTALL,

1 MAINTAIN, AND OPERATE VIDEO LOTTERY TERMINALS SHALL BE BORNE BY  
2 LOTTERY RETAILERS. MARKETING AND ADVERTISING RELATED TO VIDEO  
3 LOTTERY TERMINALS ARE SUBJECT TO APPROVAL BY THE COMMISSION.  
4 NOTHING IN THIS SUBSECTION (9) PRECLUDES THE COMMISSION FROM  
5 ADVERTISING OR MARKETING VIDEO LOTTERY TERMINALS.

6 (10) COMPENSATION TO BE PAID TO LOTTERY RETAILERS SHALL BE  
7 SEVENTY PERCENT OF NET MACHINE INCOME.

8 (11) OF THE PROCEEDS RECEIVED FROM THE OPERATION OF VIDEO  
9 LOTTERY TERMINALS, THE DIVISION SHALL FIRST REMIT TO LOTTERY  
10 RETAILERS THE COMPENSATION SET FORTH IN SUBSECTION (10) OF THIS  
11 SECTION. THE BALANCE OF SUCH PROCEEDS, NET OF PRIZES AND  
12 EXPENSES, SHALL BE DISTRIBUTED IN ACCORDANCE WITH SECTION 3 (1) (b)  
13 OF ARTICLE XXVII OF THE STATE CONSTITUTION.

14 **SECTION 3.** Article 5 of title 23, Colorado Revised Statutes, is  
15 amended BY THE ADDITION OF A NEW SECTION to read:

16 **23-5-141. Colorado lottery higher education fund - creation.**

17 (1) THERE IS HEREBY CREATED IN THE STATE TREASURY THE COLORADO  
18 LOTTERY HIGHER EDUCATION FUND, REFERRED TO IN THIS SECTION AS THE  
19 "FUND". THE FUND SHALL CONSIST OF MONEYS TRANSFERRED TO THE  
20 FUND PURSUANT TO SUBSECTION (2) OF THIS SECTION. THE MONEYS IN  
21 THE FUND SHALL BE SUBJECT TO ANNUAL APPROPRIATION BY THE GENERAL  
22 ASSEMBLY TO PROVIDE POSTSECONDARY EDUCATION FINANCIAL  
23 ASSISTANCE. ANY MONEYS IN THE FUND NOT EXPENDED OR OTHERWISE  
24 ENCUMBERED MAY BE INVESTED BY THE STATE TREASURER AS PROVIDED  
25 BY LAW. ALL INTEREST AND INCOME DERIVED FROM THE INVESTMENT  
26 AND DEPOSIT OF MONEYS IN THE FUND SHALL BE CREDITED TO THE FUND.  
27 ANY UNEXPENDED AND UNENCUMBERED MONEYS REMAINING IN THE FUND

1 AT THE END OF A FISCAL YEAR SHALL REMAIN IN THE FUND AND SHALL NOT  
2 BE CREDITED OR TRANSFERRED TO THE GENERAL FUND OR ANOTHER FUND.

3 (2) ALL REVENUES THAT WOULD OTHERWISE BE ALLOCATED TO  
4 THE GENERAL FUND PURSUANT TO SECTION 3 (1) (b) (III) OF ARTICLE  
5 XXVII OF THE STATE CONSTITUTION, EXCEPT FOR THE PORTION OF SUCH  
6 REVENUES REQUIRED TO BE DISTRIBUTED PURSUANT TO SECTION  
7 12-47.1-701.5 (3.5), C.R.S., AND REQUIRED TO BE TRANSFERRED TO THE  
8 PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND PURSUANT TO  
9 SECTION 22-43.7-104 (2) (b) (III), C.R.S., SHALL BE TRANSFERRED TO THE  
10 FUND.

11 **SECTION 4.** 12-47.1-701.5, Colorado Revised Statutes, is  
12 amended BY THE ADDITION OF A NEW SUBSECTION to read:

13 **12-47.1-701.5. Revenues attributable to local revisions to**  
14 **gaming limits - extended limited gaming fund - identification -**  
15 **separate administration - distribution - definitions.** (3.5) (a) IN EACH  
16 FISCAL YEAR THAT COMMENCES ON JULY 1 OF A GIVEN YEAR AND THAT  
17 COMMENCES AFTER THE END OF THE FIRST FISCAL YEAR DURING WHICH  
18 VIDEO LOTTERY TERMINALS WERE OPERATED IN ACCORDANCE WITH  
19 SECTION 24-35-208.5, C.R.S., DURING THE ENTIRE FISCAL YEAR, IF THE  
20 AGGREGATE AMOUNT OF REVENUE IN THE EXTENDED LIMITED GAMING  
21 FUND TO BE DISTRIBUTED IN THAT YEAR IN ACCORDANCE WITH  
22 SUBPARAGRAPH (I) OF PARAGRAPH (c) OF SUBSECTION (3) OF THIS SECTION  
23 IS LESS THAN SIX MILLION TWENTY-NINE THOUSAND ONE HUNDRED  
24 DOLLARS, ADJUSTED ANNUALLY FOR INFLATION, THE STATE TREASURER  
25 SHALL DISTRIBUTE MONEYS THAT WOULD OTHERWISE BE ALLOCATED TO  
26 THE GENERAL FUND PURSUANT TO SECTION 3 (1) (b) (III) OF ARTICLE  
27 XXVII OF THE STATE CONSTITUTION IN THE SAME MANNER AS MONEYS IN

1 THE EXTENDED LIMITED GAMING FUND ARE DISTRIBUTED IN ACCORDANCE  
2 WITH SUBPARAGRAPH (I) OF PARAGRAPH (c) OF SUBSECTION (3) OF THIS  
3 SECTION SO THAT THE AGGREGATE AMOUNT TO BE DISTRIBUTED IN ANY  
4 GIVEN YEAR IN ACCORDANCE WITH THIS PARAGRAPH (a) AND  
5 SUBPARAGRAPH (I) OF PARAGRAPH (c) OF SUBSECTION (3) OF THIS SECTION  
6 EQUALS SIX MILLION TWENTY-NINE THOUSAND ONE HUNDRED DOLLARS,  
7 ADJUSTED ANNUALLY FOR INFLATION.

8 (b) FOR PURPOSES OF THIS SUBSECTION (3.5), "INFLATION" MEANS  
9 THE PERCENTAGE CHANGE IN THE UNITED STATES DEPARTMENT OF LABOR,  
10 BUREAU OF LABOR STATISTICS, CONSUMER PRICE INDEX FOR  
11 DENVER-BOULDER-GREELEY, ALL ITEMS, ALL URBAN CONSUMERS, OR ITS  
12 SUCCESSOR INDEX.

13 **SECTION 5.** 22-43.7-104 (2) (b) (III), Colorado Revised Statutes,  
14 is amended to read:

15 **22-43.7-104. Public school capital construction assistance fund**  
16 **- creation - crediting of moneys to fund - use of fund - emergency**  
17 **reserve - creation.** (2) (b) For each fiscal year commencing on or after  
18 July 1, 2008, the following moneys shall be credited to the assistance  
19 fund:

20 (III) All moneys that would otherwise be transferred to the general  
21 fund pursuant to section 3 (1) (b) (III) of article XXVII of the state  
22 constitution; EXCEPT THAT THE AGGREGATE AMOUNT SO TRANSFERRED TO  
23 THE ASSISTANCE FUND IN ANY FISCAL YEAR SHALL NOT EXCEED FIVE  
24 MILLION FIVE HUNDRED THOUSAND DOLLARS. The moneys credited to the  
25 assistance fund pursuant to this subparagraph (III) and any income and  
26 interest derived from the deposit and investment of such moneys shall be  
27 exempt from any restriction on spending, revenue, or appropriations,



1 including, without limitation, the restrictions of section 20 of article X of  
2 the state constitution.

3           **SECTION 6. Safety clause.** The general assembly hereby finds,  
4 determines, and declares that this act is necessary for the immediate  
5 preservation of the public peace, health, and safety.