

Blue Book

Amendment 50 Limited Gaming in Central City, Black Hawk, and Cripple Creek

1 **Amendment 50 proposes amending the Colorado Constitution to:**

- 2 ♦ allow residents of Central City, Black Hawk, and Cripple Creek to vote
3 to extend casino hours, approve additional games, and increase the
4 maximum single bet limit;
- 5 ♦ give most of the gaming tax revenue that results from new gaming limits
6 to Colorado community colleges and to the gaming cities and counties;
- 7 ♦ require statewide voter approval for any gaming tax increase if new
8 gaming limits are adopted by any gaming town; and
- 9 ♦ exempt the revenue raised from new gaming limits from state and local
10 revenue and spending limits.

11 **Summary and Analysis**

12 ***Gaming limits in Colorado today and under Amendment 50.*** Since 1991
13 Colorado has permitted limited stakes gaming in Central City and Black Hawk in Gilpin
14 County, and Cripple Creek in Teller County. The state constitution places the
15 following limits on gaming:

- 16 • single bets cannot exceed \$5;
- 17 • only slot machines, blackjack, and poker games are allowed; and
- 18 • casinos must close between 2:00 a.m. and 8:00 a.m.

19 Amendment 50 allows Central City, Black Hawk, and Cripple Creek to vote to
20 change the existing gaming limits. Each town may vote to extend the hours of
21 operation of casinos, to add the games of roulette and/or craps, and to increase the
22 amount that can be wagered on any single bet from \$5 up to a maximum of \$100.
23 The towns may vote on changing any or all of these limits.

24 ***Distribution of state gaming money today and under Amendment 50.***
25 Casinos pay taxes on income from gaming and also pay various fees and fines. Last
26 year, the state collected \$112 million from gaming. After paying to enforce gaming
27 laws, approximately one-quarter of the gaming money goes back to the gaming cities
28 and counties, about one-quarter goes to historic preservation and restoration projects
29 across the state, and half of the revenue is allocated to the state legislature to spend
30 on programs. These programs currently include assistance to local governments for
31 gaming impacts, tourism promotion, economic development programs, energy
32 efficiency and renewable energy projects, and highway projects.

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1 Amendment 50 distributes new money from increased gaming activity differently
 2 than existing law. First, the money is used to pay to enforce gaming laws related to
 3 any changes in the limits. Second, some of the new money provides annual increases
 4 to the programs and local governments that currently get gaming money. The rest is
 5 distributed as follows:

- 6 • 78 percent for financial aid and classroom instruction at Colorado
 7 community, junior, and district colleges based on each school's
 8 number of students;
- 9 • 12 percent to Gilpin and Teller Counties, based on the proportion of
 10 the new money raised within each county, to help address the
 11 impacts of gaming; and
- 12 • 10 percent to Central City, Black Hawk, and Cripple Creek, based
 13 on the proportion of the new money raised within each town, to help
 14 address the impacts of gaming.

15 Table 1 shows how new state gaming money is distributed under Amendment 50
 16 assuming that all three gaming towns approve the maximum limits. The actual
 17 amount of money distributed may be higher or lower than what is shown because of
 18 the difficulty in estimating revenue from current gaming and the amount of new
 19 revenue that would be generated by Amendment 50.

20 **Table 1. Estimated Distribution of New Gaming Money under Amendment 50**
 21 **in Millions of Dollars***

	Year 1	Year 2	Year 3	Year 4	Year 5
22 Additional Money to 23 Current Recipients	\$2	\$3	\$4	\$4	\$5
24 Community Colleges	\$29	\$32	\$46	\$52	\$63
25 Black Hawk, Central 26 City, and Cripple Creek	\$4	\$4	\$6	\$7	\$8
27 Gilpin and Teller 28 Counties	\$4	\$5	\$7	\$8	\$10

29 * Assumes new gaming limits begin July 1, 2009. Also, state gaming revenue received each year is distributed to
 30 recipients for use in the following year. The table shows the amounts to recipients after estimated additional state
 31 administrative costs are paid from the new revenue.

32 **Statewide voter approval for gaming tax increases.** The state Gaming
 33 Commission sets the tax rates on casino income within the parameters in the state
 34 constitution. Currently, the constitution sets the highest allowable tax rate at
 35 40 percent. On July 1, 2008, the highest tax rate actually imposed was 20 percent. If
 36 voters in any of the gaming towns approve new gaming limits, a gaming tax increase
 37 above the July 1, 2008, level must be approved through a statewide vote.

1 **Arguments For**

2 1) Amendment 50 could significantly boost revenue to community colleges
3 without increasing taxes or taking money away from current recipients of gaming
4 revenue. Community colleges are vital to the state's economy and educational system
5 because they provide affordable access to educational and retraining programs.
6 Increasing financial aid helps more Coloradans benefit from the economic
7 opportunities that community colleges can provide. The additional revenue also goes
8 to recruiting and retaining qualified faculty so that Colorado can offer quality education
9 throughout the state.

10 2) The measure gives voters in each gaming community the ability to decide what
11 is best for them. For example, one community may decide to expand casino hours of
12 operation to help manage traffic, while another may choose to attract new visitors by
13 expanding both bet limits and games.

14 3) Amendment 50 makes Colorado more competitive with other gaming states.
15 Colorado has the most restricted gaming in the country. The tourism industries in
16 other gaming states benefit from less restricted gaming, and changing Colorado's
17 gaming limits could result in more tourist spending in the state. Colorado's gaming
18 limits have been in place for seventeen years, and the bet limit of \$5 in 1991 equals
19 about \$3 today.

20 **Arguments Against**

21 1) Amendment 50 could significantly expand gambling in Colorado. It could turn
22 the three historic gaming communities into high-stakes, round-the-clock gambling
23 destinations. Further, Indian casinos that currently operate under the state's gaming
24 limits would likely increase their limits to the maximum allowed by this measure. This
25 expansion could occur even if the voters in Central City, Black Hawk, and Cripple
26 Creek do not choose to change their gaming limits.

27 2) Providing more opportunities to gamble may lead to an increase in the number
28 of compulsive gamblers in the state. The effects of compulsive gambling are costly to
29 families and society. Compulsive gambling can lead to bankruptcy, divorce, child
30 neglect and abuse, domestic violence, suicide, and crime.

31 3) Amendment 50 permanently sets aside state tax money for specific uses,
32 eliminating the ability to evaluate how the new money could be spent most effectively
33 over time. The new money is dedicated to community colleges and the gaming
34 communities each year regardless of how the financial needs of these entities
35 compare to other state programs. As a constitutional measure, Amendment 50 limits
36 the flexibility to use state tax money for the most pressing needs and to respond to
37 changing budget priorities.

1 **Estimate of Fiscal Impact**

2 **State revenue and spending.** State revenue and spending resulting from
3 Amendment 50 will depend upon the extent to which the three gaming towns approve
4 new gaming limits. The following estimates of tax revenue and spending are based on
5 the assumption that all three towns approve the maximum gaming limits.

- 6 • Tax revenue will increase by about \$300 million over the first five years.
7 Table 1 on page __ provides a five-year estimate of the distribution of state
8 gaming revenue under Amendment 50.

- 9 • State regulation costs will increase by \$461,000 in budget year 2009 and
10 \$1.0 million in budget year 2010. These costs will be paid from gaming
11 revenue. The state will also incur a one-time computer programming cost of
12 \$21,000 in budget year 2009 to account for both changes in gaming limits and
13 the approval of roulette and craps by any of the gaming towns. This cost will
14 be paid from other state money.

15 **Local government revenue and spending.** The local governments serving both
16 the gaming communities and surrounding areas could experience increased costs
17 from new gaming limits, such as higher public safety, traffic, and road maintenance
18 costs. The revenue resulting from new gaming limits could help offset any increased
19 costs. Also, the gaming communities could see increased sales tax revenue from an
20 increase in the number of visitors and more property tax revenue if new casinos are
21 built or existing ones are expanded.