

**Initiative #121
Limited Gaming in Central City, Black Hawk, and Cripple Creek**

1 **Amendment ? 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 new gaming tax revenue that results from expanded
6 gaming limits to Colorado community colleges and to the gaming cities
7 and counties;
- 8 ♦ require statewide voter approval for any gaming tax increase if
9 expanded gaming limits are adopted by any gaming town; and
- 10 ♦ exempt the new revenue raised from expanded gaming limits from state
11 and local revenue and spending limits.

12 **Summary and Analysis**

13 **Limited gaming in Colorado.** Since 1991 Colorado has permitted limited stakes
14 gaming in Central City and Black Hawk in Gilpin County, and Cripple Creek in Teller
15 County. The state constitution places the 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 **Distribution of the state gaming money.** Casinos pay taxes on income from
20 gaming and also pay various fees and fines. Last year, the state collected
21 \$116 million in total gaming revenue. After paying for the regulation of gaming, the
22 revenue is distributed as follows:

- 23 • 12 percent to Gilpin and Teller Counties;
- 24 • 10 percent to the cities of Central City, Black Hawk, and Cripple
25 Creek;
- 26 • 28 percent for historic preservation and restoration projects; and
- 27 • 50 percent for programs designated by the state legislature, which
28 currently include assistance to local governments for gaming
29 impacts, tourism promotion, economic development programs,
30 energy efficiency and renewable energy projects, and highway
31 projects.

1 **Statewide voter approval for gaming tax increases.** The state Gaming
2 Commission sets the tax rates on casino income. Currently, the state constitution sets
3 the highest allowable tax rate at 40 percent. On July 1, 2008, the highest tax rate
4 actually imposed was 20 percent. If voters in any of the gaming towns approve
5 expanding any limits, a gaming tax increase above the July 1, 2008, level must be
6 approved through a statewide vote.

7 **Arguments For**

8 1) Amendment ? could significantly boost revenue to community colleges without
9 increasing taxes or taking money away from current recipients of gaming revenue.
10 Community colleges are vital to the state's economy and educational system because
11 they provide affordable access to educational and retraining opportunities. Increasing
12 financial aid will help more Coloradans take advantage of the programs at community
13 colleges. The additional revenue will also help to recruit and retain qualified faculty so
14 that Colorado can offer quality education throughout the state.

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

19 3) Amendment ? makes Colorado more competitive with other gaming states.
20 Colorado has the most restricted gaming in the country. The tourism industries in
21 other gaming states benefit from less restricted gaming, and an expansion of gaming
22 limits could help attract more tourist spending to Colorado. Colorado's gaming limits
23 have been in place for seventeen years, and the bet limit of \$5 in 1991 equals about
24 \$3 today.

25 **Arguments Against**

26 1) Amendment ? could significantly expand gaming in Colorado. It could turn the
27 three historic gaming communities into high-stakes, round-the-clock gaming
28 destinations, and damage the historic character of these communities. Further, Indian
29 casinos that currently mirror the state's gaming limits would likely expand their limits.
30 This expansion could occur even if voters in Central City, Black Hawk, and Cripple
31 Creek do not choose to expand their gaming limits.

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

1 3) Gaming revenue is an unstable source of funding for community colleges.
2 Because gamblers typically use extra money to play casino games, less money is
3 spent on gaming during economic slumps. Gaming revenue is already in decline due
4 to the current economic slowdown. Relying on gaming money for basic operating
5 purposes, like financial aid and instruction, could result in program cuts when casino
6 revenue is down or requests for the state to make up any funding losses.

7 **Estimate of Fiscal Impact**

8 **Revenue from an expansion of gaming.** Amendment ? is expected to increase
9 gaming tax revenue by about \$300 million over the first five years, assuming all three
10 gaming towns approve the maximum expansions. Less revenue would be collected if
11 the three gaming communities approve new limits that are less than the maximum.
12 Table 1 provides a five-year estimate of the distribution of state gaming revenue under
13 Amendment ?.

14 **State spending.** The expansion of gaming limits will increase state regulation
15 costs. The state's costs are paid from gaming revenue. Assuming all three gaming
16 towns approve the maximum expansions allowed, the state is expected to spend an
17 additional \$? in budget year 2010 for the regulation of gaming. These costs are likely
18 to increase over time as the full impact of expanded limits is realized. The costs of
19 regulating the additional gaming would be less if limits less than the maximum are
20 approved.

21 **Local government impact.** The local governments serving both the gaming
22 communities and surrounding areas could experience increased costs from expanded
23 gaming, such as higher public safety, traffic, and road maintenance costs. The new
24 revenue resulting from expanded gaming limits could help offset any increased costs.
25 Also, the gaming communities could see increased sales tax revenue from an
26 increase in the number of visitors due to expanded gaming and more property tax
27 revenue if additional casinos are built.