

Amendment 50

Colorado Legislative Council Staff
FISCAL IMPACT STATEMENT

Date: September 2, 2008

Fiscal Analyst: Jason Schrock
303-866-4720

BALLOT TITLE: LIMITED GAMING IN CENTRAL CITY, BLACK HAWK, AND CRIPPLE CREEK

Fiscal Impact Summary	FY 2008-2009	FY 2009-2010	FY 2010-2011
State Revenue			
Cash Funds			
Limited Gaming Fund		\$40 million	\$44 million
State Transfers or Diversions			
Transfer from the Limited Gaming Fund to Various Cash Funds/Programs*		(\$39 million)	(\$43 million)
State Expenditures			
General Fund	\$21,000		
Cash Funds			
Limited Gaming Fund	\$461,000	\$1 million	\$1 million
Various Cash Funds/Programs**		(\$360,000)	\$31 million
FTE Position Change	13.5 FTE	15.0 FTE	15.0 FTE
Local Government Impact: See Local Government Impact Section			

* See the State Revenue and Transfers section for more information.

** See the State Expenditures section for more information. Currently, the gaming revenue received each year is generally distributed to recipients for use in the following year. Thus, it is assumed the amounts provided to the programs and entities from the Limited Gaming Fund under this measure will be spent in the following budget year. The amount shown represent spending on programs administered by the state only; it excludes distributions of gaming money directly to local governments.

Summary of Measure

Amendment 50 allows Central City, Black Hawk, and Cripple Creek to vote to extend the hours of operation of casinos, to add the games of roulette and/or craps, and to increase the amount of money that can be wagered on any single bet from \$5 up to a maximum of \$100. Most of the new revenue the state receives from new gaming limits will be used for financial aid and classroom instruction at the state's community colleges and distributed to the gaming communities. Amendment 50 exempts the revenue raised from new gaming limits from state and local revenue and spending limits. If voters in any of the gaming towns approve new gaming limits authorized by the measure, a gaming tax increase above the July 1, 2008, level must be approved through a statewide vote.

Background. Currently, the state constitution places the following limits on gaming:

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

Casinos pay taxes on income from gaming and also pay various fees and fines. In budget year 2008, the state collected \$112 million from gaming. After paying for the state administrative expenses of gaming, revenue is distributed according to the following formula:

- 12 percent to Gilpin and Teller Counties;
- 10 percent to the cities of Central City, Black Hawk, and Cripple Creek;
- 28 percent for historic preservation and restoration projects; and
- 50 percent for various programs designated by the state legislature. Currently, this money is used to provide assistance to local governments for gaming impacts, and for tourism promotion, economic development programs, energy efficiency and renewable energy projects, and highway projects.

Distribution of new gaming revenue. Amendment 50 distributes the additional gaming revenue the state receives from new gaming limits differently than existing law. First, the money is used to pay to enforce gaming laws related to any changes in the limits. Second, some of the new money provides annual increases to the programs and local governments that currently receive gaming money. The rest is distributed as follows:

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

State Revenue and Transfers

New gaming revenue resulting from Amendment 50 will depend upon the extent to which the three gaming towns approve new gaming limits. Assuming that all three gaming towns approve the maximum limits, state gaming revenue is expected to increase by about \$300 million over the first five years. New gaming revenue will be less if limits are not raised to the maximum amount allowed and/or if all three gaming towns do not change their limits.

After paying for the costs to enforce gaming laws related to any changes in the limits, the new revenue will be transferred or distributed to various funds or programs. Table 1 shows the estimates for the amount of new state gaming revenue distributed under Amendment 50 to the various programs. The actual amount of money distributed may be higher or lower than what is shown because of the difficulty in estimating revenue from current gaming and the amount of new revenue that would be generated by Amendment 50.

Table 1. Estimated Distribution of New Gaming Money under Amendment 50 in Millions of Dollars*					
	Year 1	Year 2	Year 3	Year 4	Year 5
Additional \$ to Current Recipients	\$2	\$3	\$4	\$4	\$5
Community Colleges	\$29	\$32	\$46	\$52	\$63
Black Hawk, Central City, and Cripple Creek	\$4	\$4	\$6	\$7	\$8
Gilpin and Teller Counties	\$4	\$5	\$7	\$8	\$10

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

State Expenditures

Changing the existing limits on gaming will result in more costs to regulate gaming and enforce gaming laws for the state's Division of Gaming within the Department of Revenue. Also, Colorado's community, junior, and district colleges will receive money to spend on financial aid and classroom instruction. Finally, current state recipients of gaming money will receive additional money to spend. However, current recipients will receive a one-time reduction in money to spend in budget year 2010 due to the new costs to regulate the increase in gaming limits in budget year 2009 that will be funded from the existing stream of gaming revenue. **Total state spending as a result of Amendment 50 is estimated at \$482,000 in budget year 2009, \$640,000 in budget year 2010, and \$32 million in budget year 2011.**

As with the impact on state revenue, spending resulting from Amendment 50 will depend upon the extent to which the three gaming towns approve new gaming limits. The following estimates of spending are based on the assumption that Amendment 50 is approved, all three towns approve the maximum gaming limits soon after the measure's approval, and that new limits will go into effect July 1, 2009.

Department of Revenue, Division of Gaming — \$482,000 in budget year 2009 and \$1 million in budget years 2010 and 2011. The Division of Gaming will incur additional costs to regulate gaming and enforce the state's gaming laws due to the longer hours of casinos' operations, an increase in money wagered, new types of games, and overall increase in gaming activity as a result of new gaming limits. It is assumed that the new limits will result in the equivalent of 10 new casinos within the first three years that increased limits go into effect. Except for a small one-time computer programming cost, all new costs will be paid from the revenue the state receives as a result of new gaming limits.

Staff costs. Since it is assumed that new limits will go into effect July 1, 2009, the division is expected to hire staff in the 2009 budget year to allow time for training and preparing for the increase in gaming activity. Though some of the additional workload associated with the increase in gaming activity can be handled with existing resources, the Division of Gaming is estimated to need a total of 13.5 FTE in budget year 2009, costing \$363,000, and a total of 15.0 FTE in both budget years 2010 and 2011, costing around \$950,000, as a result of Amendment 50. New staff is needed for the following functions:

- auditing casino revenue and financial records;
- processing applications and background investigations for additional casino employees and business licenses for additional casinos;
- inspecting a larger number of slot machines;
- upgrading and monitoring casino database and reporting systems; and
- investigating potential criminal activity surrounding gaming.

Operating costs. New staff will require new equipment, such as computers, furniture, and vehicles. Also, the additional criminal investigators hired, who hold peace officer status, will require police supplies. All of this equipment is expected to cost around \$98,000 in budget year 2009 and \$64,000 annually thereafter. In addition, the Division of Gaming may need more lease space as a result of the increase in staff. However, any lease costs are unknown at this time.

Computer programming costs. The Department of Revenue will also incur a one-time computer programming cost of \$21,000 in budget year 2009 to account for both changes in gaming limits and the approval of roulette and craps by any of the gaming towns. This cost will not be paid with new gaming revenue, but from the state's General Fund.

Department of Higher Education, community, junior, and district colleges — \$29 million in budget year 2011. Amendment 50 will provide community, junior, and district colleges additional funding to be spent on financial aid and classroom instruction. The estimated amounts available to be spent by the schools each year are shown in Table 1. Since gaming revenue received each year is generally given to programs and entities for use in the following year, it is assumed that the new money will be spent in the year after it is received by the state. The Department of Higher Education is not expected to incur any significant additional administrative costs to implement the measure since the money it will receive will be used to supplement existing programs.

Other state programs — \$360,000 reduction in budget year 2010 and \$2 million increase in budget year 2011. The Division of Gaming's additional \$461,000 in spending for the regulation of gaming in budget year 2009 will be funded from existing gaming revenue before any new gaming limits are approved, not from new gaming revenue received by the state. Thus, since current recipients receive the remaining amount of gaming revenue after the Division of Gaming's costs (see "Background" section), the state programs that currently receive gaming revenue will have \$360,000 less to spend in budget year 2010; the local gaming communities will see the remaining amount of the \$461,000 reduction.

Amendment 50 will provide the current programs that receive gaming money additional amounts from the new gaming limits to spend. It is estimated that the current programs will have an additional \$2 million in budget year 2011. Since all the current recipients will divide up this amount, the additional money each individual program can spend is expected to be relatively minimal.

Local Government Impact

As indicated above, the gaming communities will receive about \$100,000 less in revenue in budget year 2010 due to the Division of Gaming's increased costs in budget year 2009 that will be funded with the existing stream of gaming revenue. In addition, the local governments serving both the gaming communities and surrounding areas could experience increased costs from new gaming limits, such as higher public safety, traffic, and road maintenance costs. Revenue resulting from new gaming limits could help offset any increased costs. The additional revenue that the gaming communities are estimated to receive is shown in Table 1 on page 3. In addition to the specific amounts shown, they will also receive a portion of the new money allocated to current recipients in budget year 2011. The gaming communities could also see increased sales tax revenue from an increase in the number of visitors and more property tax revenue if new casinos are built or existing ones are expanded.

Departments/Entities Contacted

Legislative Council Staff
Revenue/Gaming
Gaming Communities

Higher Education
Public Safety