

February 21, 2014

Mike Mauer, Director  
Colorado Legislative Counsel Staff  
Room 029  
State Capitol Building  
Denver, Colorado 80203

VIA FAX: 303-866-3855  
5 Pages

Re: An Initiative Proposal to Increase K-12 Education Funding From New Revenues Generated by the Use of Video Lottery Terminals at Qualified Class B Colorado Horse Racetracks and at Licensed Limited Gaming Establishments

Dear Mr. Mauer:

Attached please find the text of the proposed initiative. The following individuals are the proponents and designated representatives for all matters relating to the proposed initiative.

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Submitted this 21<sup>st</sup> day of February, 2014. Please redact the phone numbers and email addresses from any public document. This information is provided to you in order to facilitate communications with the proponents.

Thank you very much for your time and attention.



/s/ Vickie L. Armstrong  
/s/ Bob Hagedorn

**An Initiative Proposal to Increase K-12 Education Funding From New Revenues Generated by the Use of Video Lottery Terminals at Qualified Class B Colorado Horse Racetracks and at Licensed Limited Gaming Establishments.**

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

**AN AMENDMENT TO THE CONSTITUTION OF THE STATE OF COLORADO, AMENDING ARTICLE XVIII, ADDING A NEW SECTION TO READ:**

**SECTION 17. K-12 EDUCATION FUND.** (1) IN ORDER TO IMPROVE THE EDUCATION OF CHILDREN IN COLORADO PUBLIC SCHOOLS BY PROVIDING ADDITIONAL REVENUE TO ADDRESS LOCAL NEEDS, INCLUDING, BUT NOT LIMITED TO, REDUCING CLASS SIZES, ACQUIRING TECHNOLOGY FOR TEACHERS AND STUDENTS, ENHANCING SCHOOL SAFETY AND SECURITY, AND IMPROVING SCHOOL FACILITIES, THERE IS HEREBY ESTABLISHED A K-12 EDUCATION FUND, AND NOTWITHSTANDING ANY PROVISIONS OF THIS CONSTITUTION OR OTHER LAW TO THE CONTRARY, THE COLORADO LOTTERY COMMISSION AND STATE LOTTERY DIVISION ARE DIRECTED TO IMPLEMENT THE USE OF VIDEO LOTTERY TERMINALS AT EXCLUSIVE LOCATIONS, AS SET FORTH IN THIS SECTION.

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

(A) "COMMISSION" MEANS THE COLORADO LOTTERY COMMISSION, OR SUCCESSOR AGENCY, AS ESTABLISHED IN SECTION 24-35-207, C.R.S., OR SUCCESSOR STATUTE.

(B) "DIRECTOR" MEANS THE DIRECTOR OF THE STATE LOTTERY DIVISION, OR SUCCESSOR AGENCY, AS ESTABLISHED IN SECTION 24-35-204, C.R.S., OR SUCCESSOR STATUTE.

(C) "DIVISION" MEANS THE STATE LOTTERY DIVISION, OR SUCCESSOR AGENCY, AS ESTABLISHED IN SECTION 24-35-202, C.R.S., OR SUCCESSOR STATUTE.

(D) "EXCLUSIVE LOCATIONS" MEANS THE FOLLOWING LOCATIONS:

(I) ONE LICENSED CLASS B HORSE RACETRACK LOCATED IN EACH OF THE COLORADO COUNTIES OF ARAPAHOE, MESA, AND PUEBLO THAT HAS BEEN CONTINUOUSLY OPERATED AND HAS BEEN LICENSED BY THE COLORADO RACING COMMISSION, OR SUCCESSOR AGENCY, TO CONDUCT LIVE HORSE RACE MEETS AND TO CONDUCT PARI-MUTUEL WAGERING ON HORSE RACES FOR A PERIOD OF NOT LESS THAN FIVE YEARS AS OF JANUARY 1, 2014, OR FOR FIVE YEARS IMMEDIATELY PRECEDING THE CLASS B HORSE RACETRACK'S APPLICATION FOR A LICENSE TO OPERATE VIDEO LOTTERY TERMINALS; AND

(II) THE LICENSED LIMITED GAMING ESTABLISHMENTS IN THE CITY OF BLACKHAWK, CENTRAL CITY, AND THE CITY OF CRIPPLE CREEK QUALIFIED UNDER SECTION 9 OF THIS ARTICLE.

(E) "HOST COMMUNITY" MEANS THE SINGLE LOCAL JURISDICTION THAT ISSUES THE PERMITS AND APPROVALS NECESSARY FOR AN EXCLUSIVE LOCATION TO OPERATE VIDEO LOTTERY TERMINALS.

(F) "NET VLT PROCEEDS" MEANS THE TOTAL AMOUNT OF CURRENCY AND CURRENCY EQUIVALENTS (I.E., ITEMS REDEEMABLE FOR CURRENCY) WAGERED IN VIDEO LOTTERY TERMINALS LESS THE TOTAL AMOUNT OF CURRENCY AND CURRENCY EQUIVALENTS WON BY PLAYERS.

(G) "VIDEO LOTTERY TERMINAL" OR "TERMINAL" MEANS AN ELECTRONIC GAME MACHINE THAT:

(I) IS CONNECTED TO A CENTRAL MONITORING SYSTEM OPERATED, MONITORED, CONTROLLED, AND AUDITED BY THE DIVISION;

(II) UPON THE INSERTION OF CURRENCY OR ELECTRONIC CREDITS (VIA A VOUCHER, TICKET, OR OTHERWISE) IS AVAILABLE TO PLAY A VIDEO GAME AUTHORIZED BY THE DIVISION IN WHICH THE OUTCOME IS DETERMINED PREDOMINANTLY BY CHANCE, INCLUDING VIRTUAL SLOT MACHINE GAMES AND VIRTUAL TABLE GAMES INCLUDING POKER, BLACKJACK, ROULETTE, AND CRAPS.

(III) USES MICROPROCESSORS TO AWARD TO WINNING PLAYERS FREE GAMES OR ELECTRONIC CREDITS REDEEMABLE FOR CURRENCY, WHICH ELECTRONIC CREDITS MAY BE CREDITED TO A CARD, PRINTED PAY VOUCHER, OR OTHER MEDIUM THAT STORES ELECTRONIC DATA; AND

(IV) SHOWS THE OUTCOME OF GAMES USING VIDEO DISPLAYS OR MECHANICAL SPINNING REELS, OR BOTH.

(3) (A) THE COMMISSION AND DIVISION SHALL APPROVE THE USE OF VIDEO LOTTERY TERMINALS TO COMMENCE NO LATER THAN NOVEMBER 1, 2015.

(B) THE COMMISSION SHALL PROMULGATE ALL NECESSARY RULES TO REGULATE THE USE OF VIDEO LOTTERY TERMINALS IN ACCORDANCE WITH THIS SECTION NO LATER THAN JULY 1, 2015.

(I) THE RULES OF THE COMMISSION SHALL MAXIMIZE THE NET VLT PROCEEDS AVAILABLE FOR DISTRIBUTION TO THE K-12 EDUCATION FUND.

(II) THE RULES OF THE COMMISSION SHALL BE CONSISTENT WITH THIS SECTION AND, TO THE EXTENT PRACTICABLE, THE ACCEPTED STANDARDS FOR REGULATION OF VIDEO LOTTERY TERMINALS AND RETAILERS IN OTHER STATES.

(III) THE RULES OF THE COMMISSION SHALL PROVIDE FOR LICENSING REQUIREMENTS FOR EXCLUSIVE LOCATIONS THAT ARE NO MORE RESTRICTIVE THAN THOSE APPLICABLE TO LICENSING OF VIDEO LOTTERY RETAILERS IN OTHER STATES, AND APPROVAL OF A LICENSE SHALL NOT BE UNREASONABLY WITHHELD.

(C) THE DIVISION AND DIRECTOR MAY TAKE SUCH REASONABLE MEASURES AS NECESSARY TO ESTABLISH, OPERATE AND SUPERVISE THE USE OF VIDEO LOTTERY TERMINALS IN ACCORDANCE WITH THIS SECTION, AND THE RULES ADOPTED BY THE COMMISSION PURSUANT TO THIS SECTION.

(4) (A) UPON THE APPROVAL OF THE LICENSE APPLICATION OF THE EXCLUSIVE LOCATION LISTED IN SUBSECTION (2)(D)(I) OF THIS SECTION, THE DIVISION SHALL APPROVE THE USE OF THE GREATER OF TWO THOUSAND FIVE HUNDRED VIDEO LOTTERY TERMINALS OR SUCH OTHER NUMBER AS REQUESTED BY THE OPERATOR OF A LICENSED EXCLUSIVE LOCATION AND AS DETERMINED BY THE DIVISION TO MAXIMIZE REVENUE TO THE K-12 EDUCATION FUND.

(B) UPON THE APPROVAL OF THE LICENSE APPLICATION OF A LICENSED LIMITED GAMING ESTABLISHMENT LISTED IN SUBSECTION (2)(D)(II) OF THIS SECTION, THE DIVISION SHALL APPROVE THE USE OF VIDEO LOTTERY TERMINALS AT THE EXCLUSIVE LOCATION REFERENCED IN THE APPLICATION IN A NUMBER THAT THE DIVISION DEEMS TO BE ECONOMICALLY FEASIBLE AS DETERMINED BY THE DIVISION.

(C) NO ADDITIONAL TERMINALS SHALL BE PERMITTED AT ANY EXCLUSIVE LOCATION WITHOUT PRIOR APPROVAL BY THE DIVISION.

(D) THE COMMISSION AND DIVISION SHALL NOT AUTHORIZE THE OPERATION OF VIDEO LOTTERY TERMINALS EXCEPT AT EXCLUSIVE LOCATIONS.

(5) THE OPERATION OF VIDEO LOTTERY TERMINALS AT EXCLUSIVE LOCATIONS SHALL BE SUBJECT TO THE FOLLOWING:

(A) THE OPERATION OF VIDEO LOTTERY TERMINALS AT EACH EXCLUSIVE LOCATION SHALL BE PROHIBITED BETWEEN THE HOURS OF 2 A.M. AND 8 A.M., UNLESS THE HOURS ARE EXPANDED BY THE APPLICABLE HOST COMMUNITY OF SUCH EXCLUSIVE LOCATION. EACH HOST COMMUNITY IN WHICH VIDEO LOTTERY TERMINALS ARE OPERATED IS AUTHORIZED TO EXTEND THE HOURS OF OPERATION UP TO TWENTY-FOUR HOURS PER DAY, SEVEN DAYS PER WEEK.

(B) SUBJECT TO LICENSURE, ALCOHOLIC BEVERAGES MAY BE SOLD AT EXCLUSIVE LOCATIONS THAT OPERATE VIDEO LOTTERY TERMINALS.

(C) ACCESS TO AND USE OF VIDEO LOTTERY TERMINALS SHALL BE RESTRICTED TO PERSONS TWENTY-ONE YEARS OF AGE OR OLDER.

(D) VIDEO LOTTERY TERMINALS SHALL ACCEPT A WAGER UP TO A MAXIMUM OF ONE HUNDRED DOLLARS PER PLAY.

(E) ALL WAGERS ON GAMES MUST BE PLACED IN PERSON ON THE LICENSED PREMISES OF AN EXCLUSIVE LOCATION'S PHYSICAL PLACE OF BUSINESS.

(6) NOTWITHSTANDING 24-35-204.5(1)(a), C.R.S., SUCCESSOR STATUTE, OR OTHER LAW, THE OPERATOR OF AN EXCLUSIVE LOCATION MAY ACQUIRE VIDEO LOTTERY TERMINALS BY PURCHASE, LEASE OR OTHER ASSIGNMENT FROM MANUFACTURERS OR SUPPLIERS APPROVED BY THE DIRECTOR.

(7) FOR THE PRIVILEGE OF OPERATING VIDEO LOTTERY TERMINALS, IN ADDITION TO ANY APPLICABLE LICENSE FEES, EACH LICENSED EXCLUSIVE LOCATION SHALL:

(A) UPON COMMENCEMENT OF OPERATIONS OF VIDEO LOTTERY TERMINALS, MAKE A ONE-TIME PAYMENT IN THE AMOUNT OF TEN MILLION DOLLARS AS A FEE TO THE HOST COMMUNITY OF SUCH EXCLUSIVE LOCATION.

(B) UPON THE COMMENCEMENT OF OPERATIONS OF VIDEO LOTTERY TERMINALS, MAKE A ONE-TIME PAYMENT IN THE AMOUNT OF TWENTY-FIVE MILLION DOLLARS TO THE STATE TREASURER FOR DEPOSIT IN THE K-12 EDUCATION FUND.

(8) (A) BEGINNING WITH THE FIRST STATE FISCAL YEAR IN WHICH VIDEO LOTTERY TERMINALS GENERATE NET VLT PROCEEDS, EACH EXCLUSIVE LOCATION OPERATING VIDEO LOTTERY TERMINALS SHALL PAY TO THE STATE TREASURER:

(I) THIRTY-SEVEN PERCENT OF NET VLT PROCEEDS GENERATED PER YEAR FOR DEPOSIT INTO THE K-12 EDUCATION FUND; AND

(II) TWO PERCENT OF NET VLT PROCEEDS GENERATED PER YEAR FOR DISTRIBUTION TO THE HOST COMMUNITY.

(B) EACH EXCLUSIVE LOCATION SHALL RETAIN THE BALANCE OF NET VLT PROCEEDS NOT PAID TO THE STATE TREASURER PURSUANT TO THIS SUBSECTION 8.

(C) NET VLT PROCEEDS SHALL BE SET ASIDE, ALLOCATED, ALLOTTED, AND CONTINUOUSLY APPROPRIATED FOR DISTRIBUTION IN ACCORDANCE WITH THIS SECTION, NOTWITHSTANDING THE PROVISIONS OF ARTICLE XVIII, SECTION 2 OF THE STATE CONSTITUTION, ARTICLE XXVII OF THE STATE CONSTITUTION, SECTIONS 22-43.7-104(2)(b)(III) AND 24-35-203, C.R.S., SUCCESSOR STATUTES, OR OTHER LAW.

(9) (A) THE K-12 EDUCATION FUND SHALL CONSIST OF SUCH MONEYS AS PROVIDED IN SUBSECTIONS 7(B) AND (8)(A)(I) OF THIS SECTION. THE STATE TREASURER SHALL INVEST MONEYS IN THE FUND, AND ANY INTEREST EARNED ON SUCH INVESTMENTS SHALL BE DEPOSITED IN THE FUND.

(B) THE STATE TREASURER SHALL PAY FROM THE MONEYS IN THE K-12 EDUCATION FUND ALL NECESSARY EXPENSES OF THE COMMISSION AND THE DIVISION RELATED TO THE ADMINISTRATION OF THE USE OF VIDEO LOTTERY TERMINALS. SUCH PAYMENT SHALL BE MADE BY THE STATE TREASURER UPON PROPER PRESENTATION OF A VOUCHER PREPARED IN ACCORDANCE WITH STATUTES GOVERNING PAYMENTS OF LIABILITIES INCURRED ON BEHALF OF THE STATE. SUCH PAYMENTS SHALL NOT BE CONDITIONED ON ANY APPROPRIATION BY THE GENERAL ASSEMBLY.

(C) THE STATE TREASURER SHALL DISTRIBUTE TO EACH SCHOOL DISTRICT AND THE STATE CHARTER SCHOOL INSTITUTE, ON A PER PUPIL BASIS, A SHARE OF THE TOTAL BALANCE REMAINING IN THE K-12 EDUCATION FUND. THE PER PUPIL AMOUNT SHALL BE DETERMINED BY DIVIDING THE TOTAL AMOUNT TO BE DISTRIBUTED BY THE STATEWIDE PUBLIC SCHOOL ENROLLMENT. THE AMOUNT DISTRIBUTED TO EACH SCHOOL DISTRICT AND THE STATE CHARTER SCHOOL INSTITUTE SHALL BE THE PER PUPIL AMOUNT MULTIPLIED BY EACH DISTRICTS' OR THE INSTITUTE'S PUPIL ENROLLMENT.

(D) MONEYS DISTRIBUTED TO SCHOOL DISTRICTS AND THE STATE CHARTER SCHOOL INSTITUTE UNDER THIS SUBSECTION (9) SHALL BE IN ADDITION TO ANY OTHER MONEYS APPROPRIATED FOR DISTRIBUTION TO SCHOOL DISTRICTS OR OTHERWISE ALLOCATED TO SCHOOL DISTRICTS. NO SCHOOL DISTRICT OR INSTITUTE CHARTER SCHOOL SHALL BE REQUIRED TO USE MONEY DISTRIBUTED UNDER THIS SUBSECTION (9) AS A CONTRIBUTION TO ANY FUNDING FORMULA CONTAINED IN LAW, NOR SHALL ANY SCHOOL DISTRICT BE REQUIRED TO OFFSET DISTRIBUTIONS FROM THE FUND WITH LOCAL PROPERTY TAX REVENUE.

(E) EACH SCHOOL DISTRICT AND EACH INSTITUTE CHARTER SCHOOL SHALL HAVE THE DISCRETION TO USE THE MONEYS RECEIVED FROM THE K-12 EDUCATION FUND TO ADDRESS LOCAL NEEDS TO IMPROVE THE EDUCATION OF CHILDREN IN COLORADO PUBLIC SCHOOLS, INCLUDING, BUT NOT LIMITED TO, REDUCING CLASS SIZE, ACQUIRING TECHNOLOGY FOR TEACHERS AND STUDENTS, ENHANCING SCHOOL SAFETY AND SECURITY, AND IMPROVING SCHOOL FACILITIES.

(F) THE K-12 EDUCATION FUND SHALL BE AUDITED AT LEAST ANNUALLY BY OR UNDER THE DIRECTION OF THE STATE AUDITOR, WHO SHALL SUBMIT A REPORT OF THE AUDIT TO THE LEGISLATIVE AUDIT COMMITTEE. EACH LICENSED EXCLUSIVE LOCATION SHALL KEEP A COMPLETE AND ACCURATE SET OF BOOKS AND RECORDS, AND COMPLY WITH ALL INSPECTION, EXAMINATION, AND AUDITING REQUIREMENTS AS REQUIRED BY RULE.

(10) ALL TAX AND FEE REVENUES ATTRIBUTABLE TO THE OPERATION OF VIDEO LOTTERY TERMINALS UNDER THIS SECTION 17 SHALL BE COLLECTED, DISTRIBUTED, AND SPENT BY STATE AND LOCAL GOVERNMENTS AS VOTER-APPROVED REVENUE CHANGES WITHOUT REGARD TO ANY LIMITATION CONTAINED IN ARTICLE X, SECTION 20 OF THIS CONSTITUTION OR ANY OTHER LAW.

(11) IF ANY PROVISION OF THIS SECTION (17) IS HELD INVALID, THE REMAINDER OF THIS SECTION (17) SHALL REMAIN UNIMPAIRED.

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