

# 2000

New Millenium ■ New Challenges ■ New Opportunities

**ANNUAL REPORT ■ Colorado Division of Gaming  
■ Colorado Limited Gaming Control Commission**

# 2000 Annual Report

**Fred Fisher**  
Executive Director  
Department of Revenue

**Tom Kitts**  
Division Director  
Division of Gaming

**Don Burmania**  
Communications Director

**Maren Rubino**  
Public Affairs Specialist

**Janet Ford**  
Controller

**Vickie Floyd**  
Accountant

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## ■ Overview

The basic framework of limited stakes gaming in the State of Colorado is outlined in a Constitutional amendment approved by voters in the state on November 6, 1990. Limited stakes gaming is allowed only in the mountain towns of Black Hawk, Central City and Cripple Creek. Gaming was approved as a means of revitalizing these three communities.

“Limited stakes gaming” is defined as a maximum single bet of \$5 on slot machines and live blackjack and poker games. Slot machines by definition include video poker, blackjack and keno machines.

To change the location of gaming in Colorado, to increase the betting limits or to change the types of games allowed would require a change in the Constitutional amendment through a statewide vote of the people. Six initiatives to expand gaming to other locales have appeared on the ballots since 1992. Each of those has been defeated by at least a 2-to-1 margin.



Gaming started in Colorado on October 1, 1991, with a total of 11 casinos statewide. It has grown to as many as 75 casinos operating statewide at one time in September 1992. At the nine-year mark on October 1, 2000, 45 gaming establishments in Colorado were open.

Gross revenues generated by casinos on a monthly basis have increased from nearly \$8.4 million during the first month of operation to more than \$60.0 million in July 2000.

After just over nine years of gaming (through December 2000), casinos had paid \$557.7 million in gaming tax revenues to the state on \$3.6 billion in adjusted gross revenues. That money has been used to fund state historical restoration projects, the impacts to state and local governments caused by gaming, and the on-going regulation of the gaming industry.

## ■ Commission's Report

*Changes, challenges and opportunities call for responsibility*—Change seems to be a constant in our world; and is once more reflected in the changing challenges of limited gaming in Colorado and the opportunities to face it responsibly.

*Change in Commission organization*—Marilyn Wheeler chose to step down as Commission Chairman, resulting in my election as Chairman and the election of Phil Walter as Vice Chairman. Fortunately the steadying hand of Marilyn stays with us on the Commission, and her thoughtful and insightful questions and advice have been very helpful in making responsible decisions. In addition, Shirley Harris was “wisely” appointed to another term by Governor Owens. Her historical and personal reflections are tremendous reminders of our responsibilities. Our newest member, Rob Millman, continues to offer pertinent advice.

*Opportunities for change*—The annual review of the state of gaming and evaluation of necessary and fair gaming taxes has been completed. There was no request for a change in the taxing structure from the previous year and no testimony was received to compel a change, so no change was made. This structure continued to fairly tax the industry; allowing both the casinos and the state's revenues to increase. The small and medium casinos continued with the lower tax rate put in place in 1999.

*Changes of office space*—There is an opportunity to permanently locate our Central City-Black Hawk office in a building in Central City. A request has been submitted to the Capitol Development Committee of the State Legislature to purchase this building. This will allow us to better coordinate our staff personnel, to create a more usable working environment and to allow us a meeting space for the Commission meetings, plus staff training space. This also allows for office space for of Highway Patrol gaming officers and CBI personnel.

*Training challenges*—The Commission renewed its emphasis on training of casino employees to prevent needless infractions of the rules. This has been very successful and has been received well in all of the cities, and has resulted in early detection of errors.

*Challenges of new games*—As we allow new games and machines in the casinos, new rules are implemented. In this vein, studies of the possibility of Internet gaming are beginning. This presents a definite challenge to Colorado.

*Responsibilities of cooperation*—We continue to work with and respect the advice of the Colorado Bureau of Investigation. Their regular reports on major efforts to stay ahead of criminal activity in the gaming community and their cooperation with our experienced and well-trained investigators is truly an example of responsible agencies working together.

In summary, the Commission works to handle changes and challenges which fall within our scope of responsibility and are careful not to exceed our scope; even though we are often asked to exceed our authority. Thus our Commission's guide will continue to be as Madison's Federalist No. 63 states:

“Responsibility, in order to be reasonable, must be limited to objects within the power of the responsible party, and in order to be effectual, must relate to operations of the power.”

—NATALIE MEYER

*Chair, Colorado Limited Gaming Control Commission*

### ■ COMMISSIONERS

#### **Natalie Meyer**

Chair/Business Member,  
Denver

#### **Marilyn Wheeler**

Vice Chair/CPA Member,  
Boulder

#### **Shirley O. Harris**

Citizen Member, Denver

#### **Phil Walter**

Law Enforcement Member,  
Glenwood Springs

#### **Rob Millman**

Attorney Member,  
Colorado Springs

## ■ Director's Report

The Division of Gaming continued its tradition of accomplishment and innovation during the year 2000.

As always, the Division, with support and guidance from the Colorado Limited Gaming Control Commission, looked for ways to “reasonably regulate” the limited gaming industry. During the annual tax setting process, the Commission considered testimony and decided to maintain the stable tax structure for the state’s casinos. This structure, which incorporates a lowered tax rate for small and medium casinos, still resulted in record adjusted gross proceeds for the industry and record tax receipts for the state and the many recipients who benefit from the Limited Gaming Fund.

The Division advocated a reduction in individual license fees, and the Commission concurred. The result was a significant decrease in the fees charged for new and renewal support applicants. This fee reduction was a result of efficiencies achieved by Division staff utilizing new processes. One of the innovations that the Division is most proud of is its licensing/imaging system. This system cuts the time to process applications and changes the workflow to allow the Division to be more efficient. In fact, Division staff who conceived, implemented and operate this system were honored by winning the Governor’s Productivity Award in 2000.

The gaming industry and Division of Gaming worked on a number of collaborative projects during the year. Our custom is to involve the industry in any major regulation changes, and the Division attempts to comprehensively review regulations twice a year. In addition, the Division’s Audit Section continually accepts industry input in updating internal control procedures that ensure all gaming funds are properly handled and accounted for by casinos.

We continue to support the Colorado gaming industry and their proactive position on compulsive gambling. The ongoing employee training programs and efforts to spotlight the issues are necessary to address a problem that, while not pervasive, has the potential to be devastating to Colorado families.

Accomplishments by the Division of Gaming and the state’s gaming industry are too numerous to outline in this space. The future challenge is to maintain the level of achievement we have attained and build upon that for the year ahead.

—TOM KITTS  
*Director, Colorado Division of Gaming*

## ■ Gaming Tax

On June 15, 2000, the Colorado Limited Gaming Control Commission retained the tax structure adopted in June 1999 on Adjusted Gross Proceeds (AGP) for the period July 1, 2000 to June 30, 2001. The current tax structure is 0.25% on the first \$2 million in AGP accumulated during the gaming tax year, 2% from \$2 million to \$4 million, 4% from \$4 million to \$5 million, 11% from \$5 million to \$10 million, 16% from \$10 million to \$15 million and 20% above \$15 million. The gaming tax is paid on a monthly basis, with casinos required to file returns by the 15th of the following month. AGP is most easily defined as the amount of money wagered minus the amount paid out in prizes.

During the first year of gaming, casinos operated under a three-tier tax system in which they paid 4% on the first \$440,000 in AGP, 8% from \$440,000 to \$1.2 million, and 15% above \$1.2 million in AGP. During the second gaming year, Oct. 1, 1992 to Sept. 30, 1993, casinos paid 2% on the first \$1 million in AGP and 20% on any amount above \$1 million. In the third year, Oct. 1, 1993 to Sept. 30, 1994, casinos paid 2% on the first \$1 million in AGP, 8% from \$1 million to \$2 million, 15% from \$2 million to \$3 million, and 18% above \$3 million. During the fourth year and fifth years, Oct. 1, 1994 to Sept. 30, 1996, casinos paid 2% on the first \$2 million in AGP, 8% from \$2 million to \$4 million, 15% from \$4 million to \$5 million, and 18% above \$5 million. The six and seventh years, casinos paid 2% on the first \$2 million in AGP accumulated during the gaming year, 4% from \$2 million to \$4 million, 14% from \$4 million to \$5 million, 18% from \$5 million to \$10 million, and 20% above \$10 million. During the eighth year of gaming, July 1, 1999 through June 30, 2000, the tax rates were reduced to the current structure.

The Gaming Commission is required by the Constitutional Amendment to set the gaming tax rate on an annual basis.

## ■ Limited Gaming Fund

The Division of Gaming is a cash-funded organization, meaning no general tax dollars are used for its operation or expenses. The Division operates on the revenues generated from the gaming tax, device fees, application and license fees, any fines levied by the Division and other miscellaneous revenues.

Before any monies are distributed via the Limited Gaming Fund, the expenses of running the Commission and the Division of Gaming must be paid and two months of operating expenses for the Division must be placed in escrow. After these obligations are met, the remaining money is distributed according to the following formula:

- 0.2%** to the Colorado Tourism Promotion Fund
- 49.8%** to the General Fund, of which the following are designated:
  - 2% (of 50%) to the Municipal Impact Fund (Woodland Park & Victor);
  - At least 11% (of 50%) to the Local Government Gaming Impact Fund;
  - An amount to be determined annually to the Colorado Department of Transportation
- 28%** to the State Historical Society
- 12%** to Gilpin and Teller counties (in proportion to the gaming revenues generated in the respective counties)
- 10%** to the towns of Cripple Creek, Central City and Black Hawk (in proportion to the respective gaming revenues)

### Local Government Impact Fund

The Local Government Limited Gaming Impact Fund was created by the Colorado legislature during its 1997 session to replace the Contiguous County Impact Fund that had been in inception since gaming started in 1991. The new fund was implemented at the end of FY 1998. The Local Government Impact Fund allocates at least 11% of the general fund share of the Limited Gaming Fund to help the two host counties, the eight counties surrounding those two counties, and three counties in southwestern Colorado near tribal gaming facilities, along with the municipalities and emergency service districts in those counties, offset financial impacts associated with increased highway traffic, higher law enforcement incidents, increased demands on social services caused by gaming and other demands on county and city resources. The money is distributed to those political entities based solely on applications to the Department of Local Affairs.

## ■ Gaming Fund Distribution

### FISCAL YEAR 2000

<b>LIMITED GAMING REVENUES .....</b>	<b>\$ 79,467,550</b>
<i>plus</i> Carryover Escrow from 1999 .....	1,469,667
<i>minus</i> Division & Commission Expenses .....	8,576,046
<i>minus</i> Two Months' Escrow .....	761,377
<b>TOTAL AMOUNT DISTRIBUTED .....</b>	<b>\$ 71,599,794</b>
General Fund .....	\$ 28,750,711
Local Government Ltd. Gaming Impact Fund .....	\$ 3,937,989
Municipal Impact Fund .....	\$ 715,998
Woodland Park .....	536,998
Victor .....	179,000
Colorado Dept. of Transportation .....	\$ 2,252,000
Tourism Promotion Fund .....	\$ 143,200
State Historical Society .....	\$ 20,047,942
Cities .....	\$ 7,159,979
Black Hawk .....	4,745,778
Central City .....	839,794
Cripple Creek .....	1,574,407
Counties .....	\$ 8,591,975
Teller County .....	1,889,289
Gilpin County .....	6,702,686
<b>TOTAL AMOUNT DISTRIBUTED .....</b>	<b>\$ 71,599,794</b>



## ■ Combined Statement

**COLORADO DIVISION OF GAMING  
COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE—JUNE 30, 2000  
(AUDITED)**

REVENUES	
Gaming Taxes	\$ 76,491,252
License and Application Fees	881,225
Device Fees	0
Background Investigations	275,149
Fines & Other	269,743
Interest Revenue, Net	2,079,222
Investment Income	(529,041)
TOTAL REVENUES	<u>79,467,550</u>
EXPENDITURES	
Salaries and Benefits	4,611,890
Operating	839,990
Legal Services	103,930
Leased Space	75,830
Capital Outlay	<u>173,137</u>
EXPENDITURES—SUBTOTAL	5,804,777
Payments to Other State Agencies	<u>2,690,208</u>
TOTAL DIVISION EXPENDITURES	<u>8,494,985</u>
Background Expenditures	<u>81,061</u>
TOTAL EXPENDITURES	<u>8,576,046</u>
EXCESS OF REVENUES OVER EXPENDITURES	70,891,504
FUND BALANCE AT JULY 1, 1999	<u>1,469,667</u>
Distribution Out	<u>71,599,794</u>
FUND BALANCE AT JUNE 30, 2000	<u>\$ 761,377</u>