



10 Years of Colorado Gaming

1991-2001

ANNUAL REPORT
Colorado Division of Gaming
Colorado Limited Gaming Control Commission

2001 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

Overview	2
Commission's Report	3
Director's Report	4
Gaming Tax	5
Limited Gaming Fund	6
Gaming Fund Distribution	7
Combined Statement	8

Visit our Website at: www.gaming.state.co.us

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 ten-year mark on October 1, 2001, 43 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 \$62.2 million in July 2001.

After just over ten years of gaming (through December 2001), casinos had paid \$567.7 million in gaming tax revenues to the state on \$4.3 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

In 2001 the Colorado gaming industry celebrated its 10th anniversary. Anyone who saw the following statistics in a crystal ball back in 1991 would not have believed they could be true:

- \$4.18 billion in adjusted gross proceeds (AGP) generated by casinos statewide. AGP is most simply defined as the amount wagered minus payouts from casinos.
- \$543 million in gaming tax revenues to the State.
- 7,000 people directly employed in casinos and countless more indirectly employed as a result of the industry.
- \$499 million distributed through the Limited Gaming Fund, including \$197 million directly to the General Fund.
- \$140 million to the State Historical Fund, making it the largest pool of historical funds for any state in the nation.
- Black Hawk Casino by Hyatt, the largest in the state, opened in December 2001 with 1,350 devices. During the first month of operation in October 1991, Colorado had 11 casinos with a total of 1,920 devices.

These are rather impressive numbers for “limited” gaming, but I have been most impressed with the people involved in gaming. My fellow commissioners exude professionalism and integrity. The Division of Gaming daily not only ensures “honesty and integrity” in the gaming industry, it lives by the same principles. The staff is tremendous to work with and goes out of its way to give us all the information and support that we need. Most of the people we meet from the industry are business people of the highest order. I had the privilege after the September 11 terrorist attacks to announce at our meetings that several casinos had given generously to victim assistance programs. I commended them then and I do it again now.

Our duties require us to deal with the less than positive aspects of regulation. We have had to take disciplinary action against casinos, manufacturers and employees when they have failed to live by the rules.

Overall, however, the first decade of gaming has been positive for the State of Colorado. As a Commission, we look forward to the opportunities and challenges ahead as we start the second decade of casino gaming in the State. Who knows what the crystal ball will show when we look back 10 years from now, but I imagine it will continue to paint a positive picture.

—NATALIE MEYER
Chair, Colorado Limited Gaming Control Commission

COMMISSIONERS

Natalie Meyer
Chair/Business Member,
Denver

Phil Walter
Vice Chair, Law
Enforcement Member,
Glenwood Springs

Marilyn Wheeler
CPA Member,
Boulder

Shirley O. Harris
Citizen Member,
Littleton

Rob Millman
Attorney Member,
Colorado Springs

After 10 years of limited gaming in Colorado, the casino industry in our state can look back at the previous decade and celebrate a period of growth and accomplishment and I am proud to say staff from the Division of Gaming can do the same.

From the inception of the Division to today, our mission has been to ensure honesty and integrity in Colorado gaming and I believe we have achieved this goal. This would not have been possible without the ongoing direction provided by the Colorado Limited Gaming Control Commission, the cooperation of gaming licensees and a strong foundation provided in the Limited Gaming Act passed by the General Assembly in 1991. Safeguarding the integrity of this industry is a never-ending task however, and we continue to strive to provide innovative services to the gaming industry and Colorado citizens that allow strict regulation while being mindful of the strains of a competitive industry.

The Division continues to address its concern about providing services in a convenient manner. The state finalized the purchase of the Clark Annex in Central City where the local Division staff is able to serve clients in a centrally located office. This past year the Division instituted the acceptance of credit cards in this office, as well as the Cripple Creek and Lakewood offices. Gaming license applicants can now pay fees by this method if it is more convenient.

Division staff, in conjunction with Information Technology staff from the Department of Revenue, developed a new means for filing gaming tax returns over the Internet. This initiative allows casino operators the ability to file and update gaming tax records online. The result is a greater efficiency for all involved and an enhanced ability to provide statistical information to the gaming industry. We continue to utilize our excellent web site to provide such useful information to the gaming public and state citizens. If you haven't yet had the opportunity to review the material offered online by the Division, I encourage you log onto www.gaming.state.co.us, I'm sure you'll be impressed by what you find.

Even though we have been able to use technology to enhance our service, the development of electronic communication has created some negative issues. The Commission and Division are concerned with the proliferation of Internet gaming and "800" number gambling sites. As watchdogs over a legal gaming industry, it is disconcerting to hear broadcast advertisements touting these illegal sites as legitimate, putting them on par with the highly regulated, legitimate businesses in Colorado. The Commission and Attorney General's office agree and have worked to encourage Colorado broadcasters to cease carrying these ads and the response to date has been positive.

As the gaming industry enters its second decade, the Division is moving ahead with an ambitious training effort. In order to effectively regulate and serve the industry we have to work closely to provide the industry an understanding of state laws and the rules and regulations that govern Colorado gaming. Division staff is committed to working closely with the gaming licensees to ensure voluntary compliance, a better understanding of gaming laws and regulations, and open lines of communication.

—TOM KITTS
Director, Colorado Division of Gaming

On June 21, 2001, 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, 2002. 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, 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:

- 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)
- 0.2%** to the Colorado Travel and 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

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 2001

LIMITED GAMING REVENUES	\$ 93,816,459
<i>plus</i> Carryover Escrow from 2000	761,378
<i>minus</i> Division & Commission Expenses	7,878,741
<i>minus</i> Two Months' Escrow	2,515,250
TOTAL AMOUNT DISTRIBUTED	\$ 84,183,846
General Fund	\$ 31,362,605
Local Government Ltd. Gaming Impact Fund	\$ 4,630,112
Municipal Impact Fund	\$ 841,839
Woodland Park	631,379
Victor	210,460
Colorado Dept. of Transportation	\$ 5,089,000
Travel & Tourism Promotion Fund	\$ 168,368
State Historical Society	\$ 23,571,477
Cities	\$ 8,418,384
Black Hawk	5,871,402
Central City	781,731
Cripple Creek	1,765,251
Counties	\$ 10,102,061
Teller County	2,118,301
Gilpin County	7,983,760
TOTAL AMOUNT DISTRIBUTED	\$ 84,183,846



Combined Statement

COLORADO DIVISION OF GAMING
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE—JUNE 30, 2001
(AUDITED)

REVENUES	
Gaming Taxes	\$ 88,814,394
License and Application Fees	685,551
Background Investigations	182,966
Fines & Other	147,547
Interest Revenue, Net	2,173,265
Investment Income	1,812,737
TOTAL REVENUES	<u>93,816,460</u>
EXPENDITURES	
Personal Services	4,357,560
Operating	779,255
Legal Services	108,484
Leased Space	78,000
Capital Outlay	51,896
EXPENDITURES—SUBTOTAL	<u>5,375,195</u>
Payments to Other State Agencies	2,466,825
TOTAL DIVISION EXPENDITURES	<u>7,842,020</u>
Background Expenditures	36,721
TOTAL EXPENDITURES	<u>7,878,741</u>
EXCESS OF REVENUES OVER EXPENDITURES	85,937,719
FUND BALANCE AT JULY 1, 2000	<u>761,377</u>
Distribution Out	<u>(84,183,846)</u>
FUND BALANCE AT JUNE 30, 2001	<u>\$ 2,515,250</u>