

2000  
GAMING

COLORADO DIVISION OF GAMING  
ANNUAL REPORT  
LIMITED GAMING CONTROL COMMISSION

**M. Michael Cooke**  
Executive Director  
Department of Revenue

**Mark L. Wilson**  
Division Director  
Division of Gaming

**Don Burmania**  
Communications Director

**Janet Ford**  
Controller

**Vickie Floyd**  
Accountant

## 2003 ANNUAL REPORT

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](http://www.gaming.state.co.us)*

The basic framework of limited gaming in the State of Colorado is outlined in a Constitutional amendment approved by voters in the state on November 6, 1990. Limited 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 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. Seven initiatives to expand gaming to other locales and venues have appeared on ballots since 1992, including an initiative in 2003 that would have allowed video lottery terminals at the five horse and dog tracks in the state. Each of those has been defeated by at least a 2-to-1 margin, with the VLT initiative in 2003 failing 81 percent to 19 percent.



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 12-year mark on October 1, 2002, a total of 44 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 \$65.8 million in August 2003.

During the first 12 years, casinos paid \$736.7 million in gaming tax revenues to the state on \$5.6 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.

Gaming in Colorado has met a lot of challenges over its first 12 years. The year 2003 was no exception.

The biggest challenge from the industry's perspective was the prospect of Amendment 33. This ballot initiative would have placed video lottery terminals at the five race tracks across the State, which the casino industry feared the impacts on their revenues while creating an uneven playing field. The Commission did not take a position on the initiative, but was interested in the outcome. The initiative failed by a wide margin, but served as a reminder to the industry, and everyone associated with it, that you cannot take anything for granted, including the relative "monopoly" that the casinos in Colorado enjoy, and that casino owners still assume a lot of "risk" when it comes to their businesses.

In spite of this, or maybe in recognition of it, the casino industry did not ask the Commission to help offset this risk with lower tax rates during our annual tax setting hearings. Each year we must balance the fiscal needs of the government entities impacted by gaming with the need to maintain profitability so casinos that make sound business decisions can stay in business, and in turn continue to generate tax dollars for the governmental needs. We have not changed tax rates since 1999, in large part because of growth in the industry and assurances from local governments that the tax structure produced the revenues needed to meet their concerns. Although that growth stagnated in 2003, we are confident that our decision to retain the tax rates again in 2003 was a wise one for the State, local governments and the casino industry.

We also maintain our confidence in the Division of Gaming, which ably met the challenge of management changes in 2003, with the introduction of a new director, Mark Wilson, and a new chief of investigations, David Dechant. Mark, David and the rest of the Division staff have continued the Division's well-earned reputation as being innovative, customer service oriented and fair. Over the years the Division has developed a culture of excellence that does not change as employees change. I expect that excellence to forge ahead under Mark's leadership. The same applies to the Commission. In 2003, the second term of Marilyn Wheeler expired. She was replaced as the CPA representative by Barbara Jenkins. I lauded Marilyn in last year's report and want to again thank her for her eight years of dedicated service. I also welcome Barbara, whose unique perspective and skills will be of benefit to the Commission for years to come.

I expect we will face new challenges in 2004, and as a Commission, we are poised to meet those challenges. Even after more than a dozen years, this industry continually reinforces the old adage that the only constant is change. I expect 2004 will be no different.

—NATALIE MEYER  
*Chair, Colorado Limited Gaming Control Commission*

---

### COMMISSIONERS

**Natalie Meyer** (Chair)  
Business Member, Denver

**Phil Walter** (Vice Chair)  
Law Enforcement Member,  
Glenwood Springs

**Shirley O. Harris**  
Citizen Member, Denver

**Rob Millman**  
Attorney Member,  
Colorado Springs

**Barbara Jenkins**  
CPA Member, Lakewood

---



I am pleased to present my first annual report as director of the Colorado Division of Gaming. Although I am new to the Division, I am not new to the gaming industry. I have been the Division director since September 2003, but I have been involved with the regulation of the gaming industry since its inception. In 1991 when gaming started in Colorado, I worked for the Colorado Bureau of Investigation and assisted in the development of the background investigations process that the Division uses today. In 1995, I was promoted to Agent-in-Charge and supervised the Colorado Bureau of Investigation Gaming Unit, which conducts investigations of gaming-related cases.

In my 26 years of law enforcement and regulatory experience I have learned to strike a balance between fairness and enforcement of laws and regulations as written, and between demanding integrity from a regulated industry and regulators themselves. In these first months as director, I have learned that Division employees share my values. The Division has strived over the years to maintain integrity in the industry, achieve fairness and establish a cooperative professional and honest relationship with the gaming industry.

In 2003 the Division implemented several improvements to accomplish these values. Two new online tracking systems—one to track casino employees and another to monitor the movement of slot machines were created that greatly improved regulatory timeliness and accuracy.

The Division streamlined its licensing practices by obtaining equipment to transmit fingerprints directly to the CBI via the “live scan” process. This technology once again improved our timeliness in the processing of new licensees and the background check that is required of us.

The Division also worked with the industry to revise the Internal Control Minimum Procedures that casinos rely upon to ensure regulatory compliance. The goal of these revisions was to eliminate unneeded regulatory demands and make adjustments and additions that would work in the real-world casino environment. The revisions met those goals.

In 2004 we look forward to implementing yet another online system. This one will allow casinos to file their annual financial statement information online, which will increase the speed and accuracy in the reporting of this valuable information used by the Gaming Commission in its annual tax setting hearings. We also look forward to meeting the never-ending challenge of staying on top of new emerging technologies in the industry by reallocating resources to develop an emerging technologies section within the Division that will provide the technical expertise that we need.

As you can tell, I am excited about the past, present and future of the Division of Gaming. I would be remiss not to acknowledge the key role that the Colorado Limited Gaming Control Commission plays in the success of the Division and the industry. The Commission's professionalism, wisdom and guidance are highly appreciated by the Division, the industry and myself. The Commission's example flows through the Division staff. I cannot say enough about their consistent commitment to excellence and their service to the citizens of Colorado. With their professionalism as a foundation, I look forward to whatever challenges the future has to offer.

—MARK L. WILSON  
*Director, Colorado Division of Gaming*

On June 19, 2003, the Colorado Limited Gaming Control Commission retained the tax structure in which casinos pay, on an annual basis starting July 1, 0.25 percent on the first \$2 million in adjusted gross proceeds (AGP), 2 percent from \$2 million to \$4 million, 4 percent from \$4 million to \$5 million, 11 percent from \$5 million to \$10 million, 16 percent from \$10 million to \$15 million and 20 percent above \$15 million. AGP is most easily defined as the amount of money wagered minus the amount paid out in prizes. The Commission is required by the constitutional amendment to set the gaming tax rate on an annual basis. The gaming tax is paid on a monthly basis, with casinos required to file returns by the 15th of the following month.

Below are the historical tax rates:

### October 1991- September 1992

4%	\$0 - \$440,000
8%	\$440,000 - \$1.2 million
15%	Above \$1.2 million

### October 1992 - September 1993

2%	\$0 - \$1 million
20%	Above \$1 million

### October 1993 - September 1994

2%	\$0 - \$1 million
8%	\$1 million - \$2 million
15%	\$2 million - \$3 million
18%	Above \$3 million

### October 1994 - September 1996

2%	\$0 - \$2 million
8%	\$2 million - \$4 million
15%	\$4 million - \$5 million
18%	Above \$5 million

### October 1996 - June 1999

2%	\$0 - \$2 million
4%	\$2 million - \$4 million
14%	\$4 million - \$5 million
18%	\$5 million - \$10 million
20%	Above \$10 million

### July 1999 - June 2003

0.25%	\$0 - \$2 million
2%	\$2 million - \$4 million
4%	\$4 million - \$5 million
11%	\$5 million - \$10 million
16%	\$10 million - \$15 million
20%	Above \$15 million

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, 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
  - 20% (of the 28%) distributed by the State Historical Society to the governing bodies of Cripple Creek, Central City and Black Hawk (in proportion to the revenues generated in the respective cities)
  - 80% (of the 28%) used for historic preservation and restoration throughout the state
- 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)
- 50.0%** to the General Fund, of which the following are designated:
  - An amount to be determined annually to the Colorado Department of Transportation
  - At least 13% to the Local Government Gaming Impact Fund

## GAMING FUND DISTRIBUTION

### FISCAL YEAR 2003

<b>LIMITED GAMING REVENUES .....</b>	<b>\$ 100,802,060</b>
<i>plus</i> previous year's escrow .....	\$ 3,404,416
<i>minus</i> Division and Commission expenditures .....	\$ 8,980,719
<i>minus</i> Two months' escrow .....	\$ 4,243,642
<b>TOTAL AMOUNT DISTRIBUTED .....</b>	<b>\$ 90,982,115</b>
General Fund .....	\$ 38,385,255
Local Government Limited Gaming Impact Fund .....	\$ 5,913,838
Colorado Dept. of Transportation .....	\$ 1,010,000
Travel & Tourism Promotion Fund .....	\$ 181,964
State Historical Society .....	\$ 25,474,992
Counties Total .....	\$ 10,917,854
Gilpin County .....	8,715,286
Teller County .....	2,202,568
Cities Total .....	\$ 9,098,212
Black Hawk .....	6,599,843
Central City .....	662,896
Cripple Creek .....	1,835,473
<b>TOTAL AMOUNT DISTRIBUTED .....</b>	<b>\$ 90,982,115</b>



# COMBINED STATEMENT

## Colorado Division of Gaming Combined Statement of Revenues, Expenditures, and Changes in Fund Balance—June 30, 2003

(Audited)

REVENUES	
Gaming Taxes	\$ 97,456,448
License and Application Fees	558,962
Background Investigations	199,267
Fines & Other	9,017
Interest Revenue, Net	1,782,691
Investment Income	795,675
TOTAL REVENUES	<u>100,802,060</u>
EXPENDITURES	
Personal Services	4,886,172
Operating	740,453
Legal Services	112,924
Leased Space	47,160
EXPENDITURES—SUBTOTAL	<u>5,786,709</u>
Payments to Other State Agencies	3,164,216
TOTAL DIVISION EXPENDITURES	<u>8,950,925</u>
Background Expenditures	29,794
TOTAL EXPENDITURES	<u>8,980,719</u>
EXCESS OF REVENUES OVER EXPENDITURES	91,821,341
FUND BALANCE AT JULY 1, 2002	<u>3,404,416</u>
Distribution Out	<u>(90,982,115)</u>
FUND BALANCE AT JUNE 30, 2003	<u>\$ 4,243,642</u>