

2006

2005

**colorado division of gaming
limited gaming control commission**



**2004
annual report**

2003

2002

2001

2000

M. Michael Cooke
Executive Director
Department of Revenue

David F. Dechant
Senior Director
DOR Enforcement

Mark L. Wilson
Division Director
Division of Gaming

Don Burmania
Communications Director

Janet Ford
Controller

Vickie Floyd
Accountant

2004 annual report

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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. 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 13-year mark on October 1, 2004, a total of 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 \$67.3 million in July 2004.

During the first 13 years, casinos paid \$822.3 million in gaming tax revenues to the state on \$6.1 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.

The year 2004 will be remembered as a period of time in which pathways changed.

The biggest pathway change was the opening of the Central City Parkway in November. This new highway, which was built and is now owned and operated by the City of Central, provides a direct link between I-70 and the gaming community. Prior to the opening of the new road, the primary access to Central City was through Black Hawk, giving Black Hawk casinos the advantage of location, location, location. It is too early to determine what impact the new pathway will have on the economy of Central City—and Black Hawk, which should also benefit from having more than one access point to its casinos—but at minimum the new road will give casino patrons a safe alternative to the Black Hawk-Central City area that before they did not have.

The Gaming Commission also went down a new path in 2004 with the departure of two longtime Commissioners, Shirley Harris and Phil Walter. Shirley completed her second four-year term as the Commission's citizen member. She was then gracious to continue to serve until November because no replacement had been named. I have known Shirley for years, having served together as State leaders, and have always been impressed by her sound judgment, compassion and grace. All of us will miss her on the Commission and wish her well in her retirement.

Phil Walter was one year from completing his second term when he resigned in June for personal reasons. As a retired FBI agent, Phil provided valuable insight as the Commission's law enforcement member. Phil was a rock of stability, not only for the Commission but for his family as well. We, too, miss Phil and wish him and his family all the best.

Phil was replaced late in the year by Jim Alderden, the sheriff of Larimer County. Jim has a background in gaming, having served briefly with the Colorado Bureau of Investigation gaming unit. I look forward to working with Jim and whoever is appointed to replace Shirley.

As the Commission travels down the path that will be 2005, we are confident that we will continue to move straight on the path of honesty and integrity that we have built during the first 13-plus years of gaming in this state, and will be able to maneuver any unexpected twists in the road that we may encounter on the way.

—NATALIE MEYER
Chair, Colorado Limited Gaming Control Commission

commissioners

Natalie Meyer (Chair)
Business Member, Denver

Rob Millman (Vice Chair)
Attorney Member,
Colorado Springs

Barbara Jenkins
CPA Member, Lakewood

James Alderden
Law Enforcement Member,
Fort Collins

vacant
Citizen Member

Growth in the Colorado casino industry in 2004 presented challenges for the Colorado Division of Gaming. After a down year in 2003 in which annual casino revenues statewide dropped for the first time in Colorado gaming industry history, casinos rebounded with a 4 percent growth in revenues in 2004.

Many reasons exist for this turnaround. The first is the Central City Parkway. In December, the first full month the new road was in operation, revenues at Central City casinos rose 39 percent over the same month in 2003. How long this dramatic upturn in Central City will continue is yet to be seen, but having a new access point to the Central City and Black Hawk markets can only help bring more people to the area and benefit casinos in both cities.

Meanwhile, Cripple Creek casinos, which bucked the statewide downturn in 2003 by posting revenue gains that year, continued their 13-year streak of annual revenue growth in 2004.

A second reason for the turnaround in 2004 is the advancement of casino technology. Casino patrons have responded to ticketing systems which replace bills, coins and tokens with printed tickets that can be inserted in slot machines and redeemed at the end of the day without the mess and bulk of traditional coin buckets. New game themes, video graphic enhancements and multi-line smaller denomination machines are also drawing and keeping customers.

A third reason is the increase in popularity of table games. In 2004 table game revenues grew at a rate more than three times higher than slot machine revenues. The popularity of televised poker has translated in more casinos adding more poker tables and more people playing them.

The Division of Gaming has adapted to this growth in the industry. In 2004 we completed the organization of a newly-formed emerging technologies section to keep up with the advancements in casino technology mentioned above. We accomplished this by reallocating existing staff with specialized skills and knowledge.

The Division also has always been on the cutting edge of using web technology to provide information and services. In the past, the Division has developed online systems to report gaming taxes, casino employment and device movement. In 2004 we implemented an online filing system for casino financial statements.

The Division also updated its web site in 2004 as part of a Department of Revenue initiative to standardize and improve its web presence. This effort was recognized when the Division won the 2004 Gaming Voice Award for best web site produced by a supplier/vendor, agency or association presented by the American Gaming Association.

The Division of Gaming looks forward to another year of industry growth and change in 2005. New proposed casinos, a full year of the new Central City Parkway and never ending new innovations in technology should equate to growth in the Colorado casino industry in 2005—and should present new regulatory challenges to the Division of Gaming. I know that with the professional staff we have developed at the Division and with the continued support and guidance from the Colorado Limited Gaming Control Commission, we will be able to face those challenges and continue to adapt and evolve as a regulatory body in 2005.

—MARK L. WILSON
Director, Colorado Division of Gaming

On June 17, 2004, 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

► 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, 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)
- 49.8%** 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
- 0.2%** to the Colorado Travel and Tourism Promotion Fund*

*By statute, was not included in fiscal year 2004 distribution.

► gaming fund distribution

fiscal year 2004

LIMITED GAMING REVENUES	\$ 98,486,017
<i>plus</i> Previous year's escrow	\$ 4,243,642
<i>minus</i> Division and Commission expenditures	\$ 8,469,063
<i>minus</i> Two months' escrow	\$ 1,859,108
TOTAL AMOUNT DISTRIBUTED	\$ 92,401,488

General Fund	\$ 40,194,647
Local Government Limited Gaming Impact Fund	\$ 6,006,097
State Historical Society	\$ 25,872,416
Counties Total	\$ 11,088,179
Gilpin County	8,825,969
Teller County	2,262,210
Cities Total	\$ 9,240,149
Black Hawk	6,710,104
Central City	644,870
Cripple Creek	1,885,175
TOTAL AMOUNT DISTRIBUTED	\$ 92,401,488

**Colorado Division of Gaming
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balance—June 30, 2004**

(Audited)

REVENUES	
Gaming Taxes	\$ 98,564,379
License and Application Fees	569,394
Background Investigations	148,043
Fines & Other	136,929
Interest Revenue, Net	1,311,461
Investment Income	<u>(2,244,189)</u>
TOTAL REVENUES	<u>98,486,017</u>
EXPENDITURES	
Personal Services	4,485,439
Operating	631,225
Legal Services	101,900
Leased Space	<u>54,384</u>
EXPENDITURES—SUBTOTAL	5,272,948
Payments to Other State Agencies	<u>3,173,226</u>
TOTAL DIVISION EXPENDITURES	<u>8,446,174</u>
Background Expenditures	<u>22,889</u>
TOTAL EXPENDITURES	<u>8,469,063</u>
EXCESS OF REVENUES OVER EXPENDITURES	90,016,954
FUND BALANCE AT JULY 1, 2003	<u>4,243,642</u>
Distribution Out	<u>(92,401,488)</u>
FUND BALANCE AT JUNE 30, 2004	<u>\$ 1,859,108</u>