



# 2008 ANNUAL REPORT

**COLORADO DIVISION OF GAMING  
LIMITED GAMING CONTROL COMMISSION**

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## 2008 ANNUAL REPORT

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*Visit our website at: [www.colorado.gov/revenue/gaming](http://www.colorado.gov/revenue/gaming)*

# OVERVIEW

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.

On Nov. 4, 2008, voters statewide approved Amendment 50, which allowed local voters in Black Hawk, Central City and Cripple Creek to determine whether to raise the bet limit to \$100, offer 24-hour gaming, and add the games of craps and roulette in casinos in their respective communities.

Prior to that, seven initiatives to expand gaming to other locales and venues have appeared on ballots since 1992. Each of those had 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 17-year mark on October 1, 2008, a total of 41 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 \$76.5 million in July 2007.

During the first 17 years, casinos paid \$1.2 billion in gaming tax revenues to the state on \$9.4 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 REPORT

The year 2008 was punctuated by both a contraction in the limited gaming industry and sense of optimism concerning its future.

Limited gaming in Colorado mirrored the national economic downturn with a decline in revenues in 2008. Adding to uncertainty in the industry was the implementation of the smoking ban and a dramatic increase in fuel costs. Gaming tax revenues decreased 3.4 percent for fiscal year 2008, and were down 12.3 percent for calendar year 2008 from calendar year 2007.

In May of 2008, the Commission amended the gaming tax structure for the first time since 1999. Tax liabilities for casinos are based on their gross revenues on a graduated scale from 0.25 percent to 20 percent, depending upon the amount of revenues generated throughout the fiscal year. The Commission, in a split vote, adjusted the middle tiers of this graduated structure to give tax relief to casinos making between \$4.0 million and \$15.0 million a year.

On Nov. 4, 2008, the statewide electorate approved Amendment 50, placing the onus upon the voters in the towns of Black Hawk, Central City and Cripple Creek to decide whether to increase the maximum bet limit to \$100, allow 24-hour gaming, and add the games of craps and roulette for the casinos in their communities. While Amendment 50 certainly provides opportunities for increased revenues, it also presents numerous challenges. Most notable of these challenges is the interpretation of the constitutional language of the amendment by the legislature, the Commission and the Division of Gaming. For the regulatory changes required by Amendment 50, the Commission will rely in large part on the Division to draft new rules and amend existing rules to ensure a smooth transition on July 2, when Amendment 50 changes will go into effect.

Looking ahead to 2009, there is cause to be hopeful that both national economic circumstances and local business environments will see a significant rebound. Limited gaming in Colorado should gradually reap the benefits of Amendment 50 as that rebound occurs.

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## COMMISSIONERS

### **Patty Imhoff**

Chair, Business Member,  
Greenwood Village

### **James Alderden**

Vice Chair, Law Enforcement  
Member, Fort Collins

### **Florence Hunt**

Citizen Member, Pueblo

### **Meyer Saltzman**

CPA Member, Denver

### **Larry Gaddis**

Attorney Member,  
Colorado Springs

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—PATTY IMHOFF

*Chair, Colorado Limited Gaming Control Commission*

## DIVISION REPORT

The word “challenge” is often overused in annual reports, but looking back at 2008 and forward to 2009, it cannot be avoided.

The year 2008 was full of challenges for the Colorado Division of Gaming. The first was the inclusion of Colorado casinos in the statewide smoking ban starting Jan. 1. Although we made it clear to the casino industry and the public that we, as a state agency, were not responsible for being the “smoking police” to enforce the ban, we could not avoid the clamor to enforce it when a casino in Black Hawk claimed “cigar bar” exemption from day one and three Cripple Creek casinos followed suit a few months later. The city of Cripple Creek ended up citing the casinos and the courts determined that the casinos did not meet the cigar bar exemption, but not until after much debate over who was responsible for enforcing the smoking ban.

The next challenge was implementing the Gambling Payment Intercept Act, passed in 2007, but effective July 1, 2008. The Division, the Department of Revenue (DOR) and the Department of Human Services (CDHS) were tasked with putting together a system whereby casinos and racetracks could access the CDHS child support database to determine if winners of large cash jackpots were delinquent in the payment of child support payments. The agencies worked with Colorado Interactive, also known as colorado.gov, to develop an online system that would not only allow casinos and tracks to interface with the CDHS database, but provide the means for them to transmit intercepted funds into the CDHS coffers to offset these delinquencies. Developing the system was not the only challenge in implementing the program. The Division, as a DOR Agency, had to work with DOR to draft rules to implement the act. This process brought forth many “what if” scenarios from the industry that we addressed through the rulemaking process and through meetings with the industry. After early growing pains, the program is running smoothly. During the first six months of the program, casinos and racetracks conducted nearly 47,000 searches, intercepting 210 jackpots resulting in more than \$300,000 in collections for delinquent child support payments.

The biggest challenge, however, is yet to come in 2009. Voter approval of Amendment 50 has paved the way for bet limits to increase to \$100, casinos to operate 24 hours a day, and casinos to offer the games of craps and roulette on July 2, 2009. The Division must ensure that it is actually staffed to meet the challenges, especially the need to add an additional shift of enforcement officers to cover 24-hour gaming. Increased bet limits and the games of craps and roulette present a challenge because of the potential for increased attempts to cheat and steal, as well as the number of potential casino patron complaints associated with a complicated game like craps. All of this will require extensive training of staff, both old and new, prior to July 2.

I believe that we are up to the challenges ahead, not only the implementation of Amendment, but any other challenges that may present themselves as the result of the sagging economy and any unforeseen circumstances. The Division has met all challenges in the past and will accept all challenges in the future.

—RON KAMMERZELL  
*Director, Colorado Division of Gaming*

# GAMING TAX

On May 22, 2008, the Colorado Limited Gaming Control Commission amended the gaming tax structure for the first time since 1999. Under the amended tax structure, 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 \$5 million, 9 percent from \$5 million to \$8 million, 11 percent from \$8 million to \$10 million, 16 percent from \$10 million to \$13 million and 20 percent above \$13 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. Under Amendment 50, the Commission cannot raise the tax rates above the current rates without statewide voter approval.

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 2008**

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

## **July 2008 - June 2009**

0.25%	\$0 - \$2 million
2%	\$2 million - \$5 million
9%	\$5 million - \$8 million
11%	\$8 million - \$10 million
16%	\$10 million - \$13 million
20%	Above \$13 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)
- 50%** to the General Fund, from which the following amounts are designated:
  - **13%** to the Local Government Limited Gaming Impact Fund,
  - **\$19 million** to the Colorado Travel & Tourism Promotion Fund (adjusted annually by rate of inflation),
  - an annually determined amount to the Colorado Department of Transportation,
  - **\$3 million** to the New Jobs Incentives Cash Fund (adjusted annually by rate of inflation),
  - **\$1.5 million** to the State Council on the Arts Cash Fund (adjusted annually by rate of inflation),
  - **\$600,000** to the Film Incentives Cash Fund (adjusted annually by rate of inflation), and
  - Remaining portion to the Clean Energy Fund.

# GAMING FUND DISTRIBUTION

## FISCAL YEAR 2008

<b>LIMITED GAMING REVENUES .....</b>	<b>\$ 112,074,885</b>
<i>plus</i> Previous year's escrow .....	\$ 954,559
<i>minus</i> Division and Commission expenditures .....	\$ 10,318,449
<i>minus</i> Current year's escrow .....	\$ 2,119,297
<b>TOTAL AMOUNT DISTRIBUTED .....</b>	<b>\$ 100,591,698</b>
Colorado Department of Transportation .....	\$ 14,292,757
Local Government Limited Gaming Impact Fund .....	\$ 6,538,460
Tourism Promotion Fund .....	\$ 20,107,662
State Council on the Arts Cash Fund .....	\$ 1,587,447
Film Incentives Cash Fund .....	\$ 634,979
New Jobs Incentive Cash Fund .....	\$ 3,174,894
Clean Energy Fund .....	\$ 3,959,650
State Historical Society .....	\$ 28,165,675
Gilpin County .....	\$ 9,773,892
Teller County .....	\$ 2,297,112
Black Hawk .....	\$ 7,172,188
Central City .....	\$ 972,722
Cripple Creek .....	\$ 1,914,260
<b>TOTAL AMOUNT DISTRIBUTED .....</b>	<b>\$ 100,591,698</b>



# COMBINED STATEMENT

## Colorado Division of Gaming Combined Statement of Revenues, Expenditures, and Changes in Fund Balance—June 30, 2008

(Audited)

REVENUES	
Gaming taxes	\$ 108,185,631
License and application fees	522,571
Background investigations	372,198
Fines and other	52,622
Interest income	1,959,854
Net increase in fair value of investments	<u>982,009</u>
Total revenues	<u>112,074,885</u>
Expenditures	
Salaries and benefits	5,410,664
State agency services	3,861,265
Materials, supplies, and services	298,246
Travel and automobiles	198,977
Computer services	106,446
Professional services	65,713
Other	46,186
Telephone	60,561
Background investigation	64,177
Leased space	147,896
Capital outlay	<u>58,318</u>
Total expenditures	<u>10,318,449</u>
Excess of revenues over expenditures	101,756,436
Gaming distribution	<u>100,591,698</u>
Net change in fund balance	1,164,738
Fund balance, beginning of year	<u>954,559</u>
Fund balance, end of year	\$ <u><u>2,199,297</u></u>