

# AGENDA ITEM SUMMARY

## FORT COLLINS CITY COUNCIL

**ITEM NUMBER:** 30

**DATE:** August 19, 2003

**STAFF:** John Fischbach

### SUBJECT:

Resolution 2003-093 Expressing Opposition to a Proposed Amendment to the Colorado Constitution Titled Video Lottery/Tourism Promotion.

### RECOMMENDATION:

No staff recommendation.

### FINANCIAL IMPACT:

The Resolution carries no direct financial impact to the city. Passage of the Amendment at the November election would affect Fort Collins citizens by creating unfunded demands for infrastructure improvements with Larimer County, neighboring cities, the Colorado Department of Transportation, and specifically the area adjacent to the Fort Collins-Loveland Airport.

The creation of casinos regulation by the Lottery Commission would diminish the revenue stream for existing casinos regulated by the Gaming Commission, a portion of which supports historic preservation in Colorado. A resulting drop in Gaming Commission casino revenue would severely damage the historic preservation program that provided 96 grants in Larimer County in the past decade.

### EXECUTIVE SUMMARY:

This Resolution expresses the City Council's opposition to the passage of the Video Lottery/Tourism Promotion amendment to the Colorado Constitution.

### BACKGROUND:

The proposed constitutional amendment:

- requires the Colorado Lottery Commission to implement a state-supervised video lottery program at specific horse and greyhound racetracks and a licensed casinos by November 1, 2004.
- creates a distribution formula for video lottery proceeds that allocates up to \$25 million annually for tourism promotion, provides additional revenue for open space and parks and recreation, potentially provides additional revenue for Great Outdoors Colorado and designates any remaining revenue for public school construction.
- exempts revenue from the video lottery program from state and local spending and revenue limits (TABOR).

Legal gambling in Colorado includes betting on horse and greyhound races, bingo and raffle games, scratch tickets, lotto, multi-state powerball, and limited gaming in the cities of Black Hawk, Central City and Cripple Creek. Limited gaming includes slot machines, blackjack and poker with a maximum single bet of \$5. The proposed constitutional amendment expands gambling by creating a new video lottery program that permits video lottery terminals at racetracks and casinos. After prizes and expenses are paid, video lottery proceeds will be spent on tourism promotion and other existing state programs.

*Video lottery terminals.* A video lottery terminal (VLT) is an electronic device that offers games of chance and awards credits through a printed voucher. The voucher may be redeemed for cash or used to play another VLT. Video lottery terminals can be configured to offer games such as video slots, video poker and blackjack, and electronic bingo and keno.

*Video lottery program.* Under the proposal, the Colorado Lottery Commission would oversee and regulate a video lottery program in order to maximize VLT proceeds. The commission would approve the games to be offered; set any age and bet limits; and control advertising, promotion and security of the program. The proposal permits the initial placement of 2,500 VLTs; including 500 VLTs at the horse racetrack in Aurora and 500 VLTs at each of the greyhound racetracks in Loveland, Commerce City, Colorado Springs and Pueblo. The proposal also permits the placement of VLTs at licensed limited gaming establishments in the cities of Black Hawk, Central City and Cripple Creek. The Colorado Lottery Commission may approve the placement of additional VLTs at these racetracks or at casinos. The program ends on July 1, 2019.

*Distribution of proceeds.* The current distribution of Colorado lottery proceeds after the payment of prizes and expenses is 40% for local parks and recreation; 10% for state parks; and the remaining proceeds to GOCO for open space, parks and recreation, and protection of wildlife and the environment. The maximum distribution to GOCO was capped at \$48.7 million in the 2002-03 budget year. The cap is adjusted annually to account for inflation. State law determines how any revenue above the cap is spent. It is currently used to mitigate health and safety issues in public school buildings.

Legislative Council estimates that in the first full year of operation the VLTs will generate \$150 million. Racetracks would retain nearly \$60 million as a commission and nearly \$14 million would be consumed in administrative costs of the program.

\$78 million in state revenue would be generated for distribution. Of that amount, \$31.3 million would go for local parks and recreation, \$7.8 million for state parks, \$6.1 million for GOCO, \$25 million for tourism promotion and \$8 million for public school construction.

New state revenue from the video lottery program will be distributed in a manner similar to other lottery distributions with two exceptions. First, once the distribution of GOCO reaches its cap, up to \$25 million of video lottery program revenue will be used to promote travel and tourism in Colorado. Second, a one-time license fee of \$500 per machine will go directly for tourism promotion.

## PROS:

- The proposal provides a stable funding source to promote Colorado as a destination for tourists. Colorado competes with other states and destinations for tourism revenue, and this proposal provides a 15-year source of money to market and advertise the state's attractions. A tourism campaign that is well-funded can promote a diverse set of attractions throughout the state, including cultural and historical sites. With a dedicated tourism funding source, the money that the legislature sets aside for tourism promotion would be available for other state programs.
- Providing up to \$25 million per year to promote tourism will boost tourism and the state's economy. Investment in tourism creates jobs, particularly in the retail, lodging, recreation and restaurant industries. The economy is further strengthened because employees spend most of their earnings locally. As a result, government will receive additional sales tax revenue from consumer spending and additional income tax revenue from job growth.
- The video lottery program will enhance the quality of life for Colorado residents and visitors by increasing money for existing lottery-funded programs. The program will add to the lottery money already used to renovate state and local parks and recreation facilities, construct and maintain trails, protect wildlife and the environment, and purchase land for permanent open space. Proceeds from the video lottery program could also provide funding to address health and safety issues in Colorado's public school buildings.
- Video lottery terminals complement the gambling options currently available at racetracks. The video lottery program could help the sports of horse and greyhound racing, and the industries that support them, as well as provide tax revenue from job creation and income growth. In other states, VLTs have increased racetrack attendance and betting, improved the size of winnings, strengthened the racing competition, and invigorated related industries. In those states, several racetracks improved or expanded their racing facilities and added jobs, which resulted in the growth of state and local revenue without raising taxes.

## CONS

- A VLT is so similar to a slot machine that VLT locations should be regulated as casinos rather than as lottery vendors. Classifying a VLT as a lottery game, rather than a slot machine, bypasses the constitutional requirement that local voters approve limited gaming before it can be offered in their community. The voters of Larimer County, Commerce City, Arapahoe County, Colorado Springs and Pueblo will not have the opportunity to decide whether they want casino-like gambling in their communities. Further, the proposal leaves too much discretion to the Colorado Lottery Commission because it does not specify the minimum age required to gamble using VLTs, the maximum number of VLTs at each location, the types of games that qualify for VLT play, or the maximum amount of a bet.
- Racetrack operators will receive more than twice the amount of money that the proposal sets aside for tourism promotion. Racetrack operators will receive nearly \$60 million per year as their commission for providing space for VLTs. This amount will be even greater if the number of VLTs is increased above the minimum. Less than one-third of annual state proceeds will be used for tourism promotion.

- The benefit to GOCO from this program would be minimal, as Great Outdoors Colorado is only about \$6 million from its authorized cap.
- Making at least 2,500 VLTs easily accessible in five communities along the front range may increase the number of compulsive gamblers in the state. The effects of compulsive gambling are costly to families and society. Compulsive gambling can lead to divorce, child neglect and abuse, domestic violence, bankruptcy, suicide and crime. Furthermore, the proposal does not set money aside to address local costs such as police and fire protection, emergency services, traffic control, roads or social services.
- VLTs at racetracks will create a casino-like environment in the major metropolitan areas of the state and will compete directly with private industry and could take business away from Colorado casinos. Funding for the programs currently supported by Gaming Commission regulated casino taxes, such as historic preservation, would diminish. Moreover, the five racetrack properties named in the proposal are not required to be licensed as racetracks in the future or run a single race in order to offer VLTs. Finally, there are already plenty of opportunities available for those who want to gamble without adding VLTs to front range communities.

RESOLUTION 2003-093  
OF THE COUNCIL OF THE CITY OF FORT COLLINS  
EXPRESSING OPPOSITION TO A PROPOSED AMENDMENT TO  
THE COLORADO CONSTITUTION TITLED VIDEO LOTTERY/TOURISM PROMOTION

WHEREAS, a measure is being proposed for the November statewide ballot to place thousands of video lottery terminals into five existing race tracks, including Cloverleaf Kennel Club in Larimer County, as well as tracks in the cities of Aurora, Colorado Springs, Commerce City and Pueblo; and

WHEREAS, none of the local communities or their elected decision-makers, public safety officials, school districts, or economic development offices were consulted, advised or informed by the amendment sponsors as to the placement of casinos in their communities, nor have the sponsors sought counsel as to the negative impacts that such video lottery terminals might have on any of these communities; and

WHEREAS, the amendment removes local control by denying Larimer County citizens the opportunity for a local vote on whether they want a casino in their county, a right granted to Colorado cities and counties in a 1992 statewide voter-approved constitutional amendment; and

WHEREAS, the Council believes that tourism promotion for Colorado is a statewide concern, and that the above stated communities should not be singled out to assume the burden of hosting casinos to generate revenue for the state's tourism promotion fund; and

WHEREAS, contrary to current casino law that requires up to 35% of the gaming tax to be earmarked for reimbursement to city and county local governments to offset gambling impacts, no casino revenue will be set aside for Larimer county or any one of the other four racetrack communities, to compensate them for the public and social expense of having a full-time casino operating in their jurisdictions; and

WHEREAS, the effect of placing thousands of video lottery terminals along the Front Range will diminish consumer demand for the existing mountain casinos, thereby diminishing the local government fund that distributed \$150 million in grants to cities and counties during the past decade for historic preservation, including 96 grants provided in Larimer County since 1992.

NOW, THEREFORE BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF FORT COLLINS opposes the constitutional amendment authorizing video lottery terminals at racetracks and urges the defeat of this measure at the November 4, 2003 coordinated election.

Passed and adopted at a regular meeting of the City Council held this 19th day of August, A.D. 2003.

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Mayor

ATTEST:

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City Clerk