

# MEMORANDUM

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**TO:** House Appropriations Committee

**FROM:** Kevin Neimond, Joint Budget Committee Staff, 303-866-4958

**SUBJECT:** Revised Limited Gaming Tax Revenue Distributions

**DATE:** June 20, 2011

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Per constitutional authority (Article XVIII, Section 9), the Limited Gaming Control Commission annually establishes the tax rate applied to a gaming establishment's adjusted gross proceeds (total amount of all wagers made by players less all payments to players). The constitution dictates that "up to a maximum of forty percent of the adjusted gross proceeds of limited gaming shall be paid by each licensee."

Per statute (12-47.1-601, C.R.S.), the Commission takes into consideration the following factors when annually establishing the tax rate applied to a gaming establishment's adjusted gross proceeds:

- Need to provide moneys to the cities of Central, Black Hawk, and Cripple Creek for historic restoration and preservation;
- Impact on the communities and any state agency including, but not limited to, infrastructure, law enforcement, environment, public health and safety, education requirements, human services, and other components due to limited gaming;
- Impact on licensees and the profitability of their operations;
- Profitability of the other "for-profit" forms of gambling in this state;
- Profitability of similar forms of gambling in other states; and
- Expenses of the commission and the Division of Gaming for their administration and operation.

The Commission took action in May of 2011 to adjust the gaming tax rates. Effective July 1, 2011, the rates will be decreased by five percent. The table below illustrates the existing tax rates as of June 20, 2011 and the tax rates adopted by the Commission and effective on July 1, 2011.

| Gaming Tax Rate By Tier |                   |                             |
|-------------------------|-------------------|-----------------------------|
| Tier                    | Existing Tax Rate | Tax Rate as of July 1, 2011 |
| \$2,000,000             | 0.2500%           | 0.2375%                     |
| \$5,000,000             | 2.0000%           | 1.9000%                     |
| \$8,000,000             | 9.0000%           | 8.5500%                     |

| <b>Gaming Tax Rate By Tier</b> |                          |                                    |
|--------------------------------|--------------------------|------------------------------------|
| <b>Tier</b>                    | <b>Existing Tax Rate</b> | <b>Tax Rate as of July 1, 2011</b> |
| \$10,000,000                   | 11.0000%                 | 10.4500%                           |
| \$13,000,000                   | 16.0000%                 | 15.2000%                           |
| \$13,000,001+                  | 20.0000%                 | 19.0000%                           |

Based on Legislative Council Staff's June 2011 Economic and Revenue Forecast, the five percent reduction in tax rates will result in an overall decrease of \$5.3 million of limited gaming tax revenue collected during FY 2011-12 and an overall decrease of \$5.4 million collected during FY 2012-13.

The following tables illustrate the revised distributions of limited gaming tax revenue to statutory programs based on Legislative Council Staff's June 2011 Economic and Revenue Forecast. Note, the FY 2010-11 projections do not incorporate the Commission's five percent tax rate decrease because it is not implemented until the beginning of FY 2011-12.

| <b>Limited Gaming Tax Revenue Distributions to Statutory Programs<br/>FY 2010-11 (for appropriation in FY 2011-12)</b> |                        |
|--|------------------------|
| <b>Recipient Fund</b>  | <b>Transfer Amount</b> |
| General Fund   | \$19,200,000           |
| General Fund from Repealed Programs  | 1,434,968              |
| Travel and Tourism Promotion   | 14,349,676             |
| Bioscience Discovery   | 5,165,883              |
| Local Gov't Limited Gaming Impact  | 4,304,903              |
| Innovative Higher Ed Research  | 2,008,955              |
| Council on Creative Industries   | 1,147,974              |
| Film Incentives  | 286,994                |
| New Jobs Incentives*   | 0                      |
| <b>Total</b>   | <b>\$47,899,353</b>    |

*\*Statute indicates that the New Jobs Incentives program was discontinued as of January 1, 2011.*

**Limited Gaming Tax Revenue Distributions to Statutory Programs  
FY 2011-12 (for appropriation in FY 2012-13)**

| <b>Recipient Fund</b>               | <b>Transfer Amount<br/>w/Commission Action</b> | <b>Transfer Amount w/o<br/>Commission Action</b> | <b>Difference</b>    |
|-------------------------------------|--|--|----------------------|
| General Fund                        | \$19,200,000                                   | \$19,200,000                                     | \$0                  |
| General Fund from Repealed Programs | 1,351,144                                      | 1,465,000  | (113,856)            |
| General Fund from Excess Revenue    | 0  | 117,842  | (117,842)            |
| Travel and Tourism Promotion        | 13,511,437                                     | 14,650,000                                       | (1,138,563)          |
| Bioscience Discovery                | 4,864,117                                      | 5,274,000  | (409,883)            |
| Local Gov't Limited Gaming Impact   | 4,053,431                                      | 4,395,000  | (341,569)            |
| Innovative Higher Ed Research       | 1,891,601                                      | 2,051,000  | (159,399)            |
| Council on Creative Industries      | 1,080,915                                      | 1,172,000  | (91,085)             |
| Film Incentives                     | 270,229  | 293,000  | (22,771)             |
| New Jobs Incentives                 | 0  | 0  | 0                    |
| <b>Total</b>                        | <b>\$46,222,874</b>                            | <b>\$48,617,842</b>                              | <b>(\$2,394,968)</b> |

**Limited Gaming Tax Revenue Distributions to Statutory Programs  
FY 2012-13 (for appropriation in FY 2013-14)**

| <b>Recipient Fund</b>               | <b>Transfer Amount<br/>w/Commission Action</b> | <b>Transfer Amount w/o<br/>Commission Action</b> | <b>Difference</b>    |
|-------------------------------------|--|--|----------------------|
| General Fund                        | \$19,200,000                                   | \$19,200,000                                     | \$0                  |
| General Fund from Repealed Programs | 1,408,922                                      | 1,465,000  | (56,078)             |
| General Fund from Excess Revenue    | 0  | 1,333,288  | (1,333,288)          |
| Travel and Tourism Promotion        | 14,089,223                                     | 14,650,000                                       | (560,777)            |
| Bioscience Discovery                | 5,072,120                                      | 5,274,000  | (201,880)            |
| Local Gov't Limited Gaming Impact   | 4,226,767                                      | 4,395,000  | (168,233)            |
| Innovative Higher Ed Research       | 1,972,491                                      | 2,051,000  | (78,509)             |
| Council on Creative Industries      | 1,127,138                                      | 1,172,000  | (44,862)             |
| Film Incentives                     | 281,784  | 293,000  | (11,216)             |
| New Jobs Incentives                 | 0  | 0  | 0                    |
| <b>Total</b>                        | <b>\$47,378,445</b>                            | <b>\$49,833,288</b>                              | <b>(\$2,454,843)</b> |