The Economic Impact of Colorado's Commercial Casinos

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Colorado's Commercial Casinos by the Numbers

This report sought to examine the effect the commercial casino industry has on the Colorado economy. All information in the report came from publically available data sources. The core analytical tool of the report is Input/Output analysis, the standard by which economic impact analysis is done. Input/Output analysis was developed by Wassily Leontief. Leontief was awarded the Nobel Prize in Economics in 1973 for the development of Input/Output analysis. Highlights of the analysis are summarized below.

1. The Colorado Constitution states that limited stakes gaming can take place in the towns of Black Hawk, Central City and Cripple Creek. No other tourism industries are empowered in the Constitution.

2. Colorado commercial casinos directly and indirectly employ over 27,000 people in Colorado.

3. Commercial casinos contribute over $2 Billion a year to Colorado GDP. The average yearly GDP per employee is $73,189.

4. In addition to income tax, Colorado commercial casinos pay a gaming tax to the State of Colorado. The gaming tax is a percentage of a casino adjusted gross proceeds. Through 2010, the Colorado gaming industry has paid approximately $1.4 billion in gaming taxes to the state. The average annual gaming tax paid to the state over the last 5 fiscal years is $100 Million per year.

5. In addition to income taxes, Colorado commercial casinos pay additional annual taxes to state and local governments. The estimated annual amount of such taxes is $170 million per year.

6. As of 2009, direct market value of Colorado commercial casinos was over $870 million, 0.92 percent of all commercial property in Colorado. Commercial casinos have a disproportionately high share of property value in Colorado, especially when their investment is considered in light of the industry's 0.39 percent direct share of employment in Colorado.

7. On a per employee basis, the Colorado gaming industry sectors are extremely efficient generators of economic benefit to Colorado when compared to other tourism sectors in Colorado. Commercial casinos without hotels ranked 1st. Commercial casinos with hotels ranked 5th.

8. Colorado gaming taxes are the primary funding source for tourism in the state, providing over $75 million through 2010, presently averaging about $15 million per year for tourism marketing.

9. Colorado gaming taxes are the primary funding source for the Colorado Historical Society, delivering over $350 Million in funding since inception. Annual funding for heritage tourism is approximately $20 Million to $25 Million.

10. Colorado gaming taxes contributed $6.2 million in 2010 to Colorado's community colleges and four-year colleges with two-year missions.

11. Expanding the indoor smoking ban to include commercial casinos reduced gaming fund taxes which commercial casinos paid by more than $15.5 million in 2008. An additional $15.6 million in indirect business taxes went uncollected due to economic multiplier effects of the reduced gaming activity. Together, the loss was $31.1 million in 2008. Allowing for a conservative growth of 6.63 percent (2/3rds of the past average for the industry), the cumulative loss in gaming and indirect business taxes is $1.3 billion through 2028.

12. Urban and regional economics indicates restricting commercial casinos to the mountain communities of Black Hawk, Central City and Cripple Creek led to greater efficiencies for the industry through economies of scale and agglomeration. Additional locations throughout Colorado would lead to market fragmentation, economic inefficiencies and atrophy/failure of the commercial casino industry. Hindsight indicates the decision to restrict limited stakes gambling to the three mountain communities made sound economic sense.

The next section of this report provides more detailed measures of the economic effect Colorado's commercial casinos have had on the Colorado economy.

Economic Multipliers

Colorado's commercial casinos cast a significant economic influence. Often, the first measure of economic effect is the economic multiplier. The multipliers for employment, income and indirect business taxes generated by the aggregate commercial casino industry are:

Colorado Commercial Casino Multipliers: 2008

	Direct	Indirect	Induced	Total	Multiplier
Employment	9,073	4,214	14,099	27,386	3.02
Income	$309,618,720	$264,920,050	$730,154,262	$1,304,693,032	4.21
Indirect Business Taxes	$83,287,596	$22,701,294	$81,244,251	$187,233,141	2.25

Commercial Casino GDP

The aggregate measure of value added output by an industry is its Gross Domestic Product (GDP). The commercial casino industry's GDP components and values are:

Commercial Casino Industry GDP: 2008

	Gaming	Indirect/ Induced	Total
Employee Compensation	$268,237,936	$790,562,275	$1,058,800,211
Proprietor Income	$22,936,933	$145,235,974	$168,172,907
Other Property Income	$176,806,852	$413,329,998	$590,136,850
IBT	$83,287,596	$103,945,546	$187,233,142
GDP	**$551,269,317**	**$1,453,073,793**	**$2,004,343,110**
Employees	9,073	18,313	27,386
GDP per employee	$60,759	$79,347	$73,189

Gaming Fund Taxes

Colorado's commercial casino industry has paid $1,391,134,301 in gaming taxes on its Adjusted Gross Proceeds since beginning operations. The cumulative distribution of those proceeds is:

Distribution of Gaming Funds: 1992 through 6/2010

Funds	Amount	Percent of Distributed Funds
Tourism		
Colorado Historical Society	$353,343,640	28.00%
Colorado Tourism Promotion Fund	$75,879,746	6.01%
Gaming Communities		
City of Black Hawk	$83,118,611	6.59%
City of Central City	$16,078,111	1.27%
City of Cripple Creek	$26,997,437	2.14%
City of Victor	$1,384,183	0.11%
City of Woodland Park	$4,152,426	0.33%
Gilpin County	$119,036,430	9.43%
Teller County	$32,396,559	2.57%
Gaming Communities Total		
General Fund	$377,026,301	29.88%
Other	$172,528,173	13.67%
Total Distributed	$1,261,941,615	100.00%
Division of Gaming Operations	$129,192,686	
Total	$1,391,134,301	

Business Investment by the Commercial Casino Industry

Colorado's commercial casinos have made significant investments in their land, buildings and personal property. This is especially noteworthy when the industry's investment is indexed relative to its share of total employment in Colorado. The commercial casino industry has invested 2.37 times as much in its assets as would be expected based on its share of total employment in Colorado. The investment made by commercial casinos is:

Commercial Casino Investments in Colorado: 2008

	Commercial Casinos	Colorado	Casino Share of Colorado Total	Investment to Employment Ratio
Real and Personal Property Investment	$870,373,155	$94,324,774,876	0.92%	2.37

Commercial Casino Taxes

Commercial casinos pay significant taxes/fees in addition to gaming taxes on adjusted gross proceeds. The estimated taxes/fees paid in 2008 are:

Estimated Taxes for Commercial Casino Industry: 2008

Approximate annual employee license fees	$600,000
Device fees	$16,217,761
Gaming taxes	$97,445,021
Miscellaneous	$10,757,708
Motor vehicle	$492,534
Personal property tax	$1,421,224
Property taxes	$7,645,435
Sales/Use tax generated	$33,601,028
Total	$168,180,711

Smoking Ban Effects

Colorado's indoor smoking ban was extended to include commercial casinos in 2008. Projected through 2028, the cumulative loss in uncollected taxes will be $1,319,764,149. This analysis is limited to the effect the indoor smoking ban had on the commercial casino industry. It is not an estimate of the aggregate industry's effect on the Colorado economy. The effects of the smoking ban in 2008 are:

Smoking Ban Effects on Colorado's Commercial Casino Industry

Category	Direct Effect	Indirect Effect	Induced Effect	Total Effect	Multiplier
Employment	-716	-307	-1,077	-2,100	2.93
Labor Income	-$23,083,489	-$18,080,378	-$52,456,220	-$93,620,088	4.06
Average Income Lost per Job	-$32,222	-$58,990	-$48,706	-$44,583	na
Indirect Business Taxes	-$5,653,269	-$1,300,528	-$5,149,729	-$12,103,526	2.14

The balance of this report provides additional detail about the economic impact the commercial casinos have on Colorado's economy.

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Introduction

On November 6, 1990, Colorado voters voted to change the state's constitution to permit limited stakes gambling with a vote of 574,620 in favor to 428,096 opposed. Limited stakes gambling was restricted to the towns of Black Hawk, Central City and Cripple Creek. Between 1990 and 2008, 7 additional gambling propositions were put forward to Colorado's voters. The proposals included requests to allow gambling in Manitou Springs and slot machines at racetracks. All proposals were defeated until Amendment 50 appeared on the ballot on November 4, 2008. Amendment 50 was approved with a vote of 1,330,566 in favor and 936,254 opposed. Amendment 50 permits Colorado's commercial casinos to operate 24 hours a day. Commercial casinos were also permitted to raise stakes to $100 and allow roulette and craps.

Voters appear to have sent a message. They support limited gambling in select heritage mining communities. They want to see tax revenues from gaming used to promote general tourism and heritage tourism and preservation. The passage of Amendment 50 indicates voters are in favor of providing commercial casinos with the means to grow and use additional gaming taxes to fund community college programs in Colorado.

From 1992 through 2009, $1,391,134,301 in gaming taxes have been collected by the Colorado Division of Gaming's assessment on the Adjusted Gross Proceeds (AGP) of Colorado's commercial casinos. After administrative overhead and required escrow balances, the Division of Gaming distributed $1,261,941.615. The State Historical Society received $353,343,640. General tourism received $75,879,746. The towns of Black Hawk, Central City and Cripple Creek along with Gilpin and Teller Counties received $283,163,756. This is 56.5 percent of all gaming taxes. Allocations of incremental AGP from Amendment 50 were not made through June 2010.[1] Gaming revenues declined sharply in 2008 with the introduction of the smoking ban in commercial casinos that took effect on January 1, 2008. As a result, allocations of gaming fund taxes for tourism and heritage preservation were decreased.

This report will examine the economic effect limited stakes gaming has had on Colorado's economy. First, this report will summarize how limited stakes gaming affected employment, income, investment and taxes in Colorado. The analysis will be done using publicly available data from the Colorado Departments of Labor and Revenue, assessors' data from Gilpin and Teller Counties, Comprehensive Annual Financial Reports for Gilpin and Teller Counties, Black Hawk, Central City and Cripple Creek. Economic multipliers will be estimated with Implan's Input/Output model.[2] Second, this report will summarize the economic effect the Colorado Indoor Clean Air Act had on casino AGP since being implemented on January 1, 2008.[3]

[1] The first distribution under Amendment 50 was done in August 2010. Approximately $5.4 million was allocated to community colleges. This was not included in the analysis because it fell outside the study period through June 2010.

[2] MIG, Inc. was founded in 1993 by Scott Lindall and Doug Olson as an outgrowth of their work at the University of Minnesota that began in 1984. This developmental work closely involved the U.S. Forest Service's Land Management Planning Unit in Fort Collins, and Dr. Wilbur Maki at the University of Minnesota. MIG, Inc. is a leader in economic impact software and economic data, especially Input/Output modeling.

[3] A comprehensive treatment of the analysis can be found in *Review of Colorado's Commercial Casino Industry*.

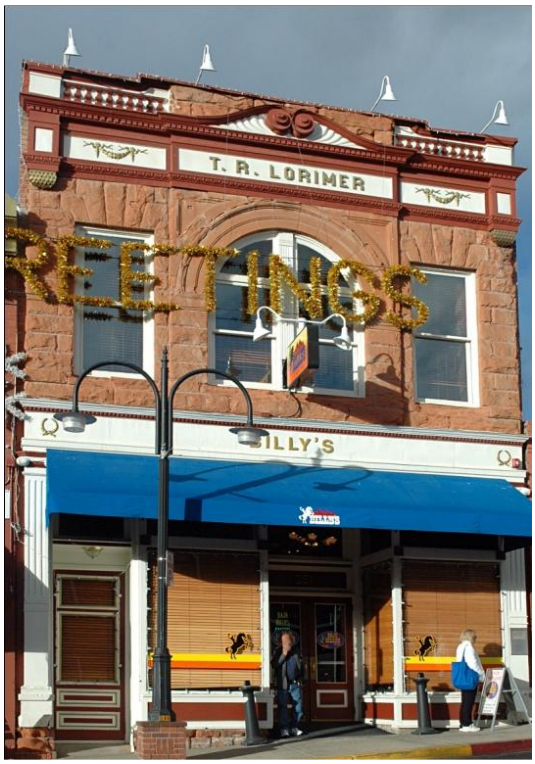
Economic Multipliers

Employment related to an industry is equal to the number of people working for the firms in the industry (direct) plus the number of people working for the industry's suppliers (indirect) plus the number of people working for local businesses that sell goods and services to the direct and indirect employees (induced). The total workers are divided by the direct number of workers to get the employment multiplier. This was also done for compensation and indirect business taxes (IBT).[4] Implan's Input/Output software was used to estimate the economic multipliers.

Economic Multipliers for Colorado's Commercial Casino Industry

	Employment	Income	Indirect Business Taxes
Casinos without a hotel	3.25	4.63	2.37
Casinos with a hotel	2.53	3.33	1.98
Total casino sector[5]	3.02	4.21	2.25

An employment multiplier of 3.02 means each casino job creates 2.02 additional jobs in other Colorado industries. Therefore, the 9,073 casino jobs in 2008 created another 18,313 jobs in other industries in Colorado. The multiplier effect indicates total employment would be approximately 27,386. Direct commercial casino employment was 0.39 percent of Colorado's 2,310,868 workers in 2008.[6] The multiplier effect increased the influence of commercial casinos to 1.19 percent of all jobs in Colorado.



Implan's estimate for total commercial casino employee income was $309,618,720. The income multiplier of 4.21 means Colorado's commercial casinos generated approximately $1,304,693,032 total income for employees working for direct, indirect or induced industries as a result of the casinos. This is 1.21 percent of all wage income in Colorado in 2008 ($107,718,558,578).[7]

[4] IBT includes estimates for taxes on sales, property and production, but it excludes employer contributions for social security insurance and taxes on income.
[5] Total casino sector multipliers were obtained by taking a weighted average of the respective multipliers. Employment proportions between casinos and casinos with hotels were used to determine the weights.
[6] See *Colorado Quarterly Census of Employment and Wages*, 2008.
[7] See *Colorado Quarterly Census of Employment and Wages*, 2008.

Indirect business taxes for casinos were also estimated through Implan's Input/Output model. The model indicated that casino activity generated $83,287,596 in indirect business taxes. The multiplier effect expanded this to $187,233,596. Based on Implan's estimates, the casino industry is directly responsible for 0.39 percent of all IBT in Colorado ($21,212,523,573). The multiplier effect increases the influence of commercial casinos to 0.88 percent of all IBT in Colorado.

Commercial Casino Investment in Colorado

Since 1991, commercial casinos have invested significant amounts of money to purchase land, buildings and equipment. The number of commercial casinos in Colorado peaked at 76 in September 1992. Since then, several went bankrupt. Others consolidated operations through acquisitions. The Division of Gaming reports there are 40 active commercial casinos at this time.

The Division of Gaming provided physical addresses of the casinos. The addresses were used to obtain estimated market values of the facilities from the assessors' offices in Gilpin and Teller Counties.

The estimated market value from the historical data in the assessors' offices does not include investments made by bankrupt casinos. The estimate also allows for depreciated values. Accumulated depreciation values and historical investments are not known. These omissions lead to an underestimated investment made by the casino industry. Based on data from the assessors' offices, the operating casinos have an estimated commercial property value of $870,373,155. The Colorado Division of Property Taxation reported total commercial property assessed value of $27,354,184,714 in 2009.[8] After correcting the statewide-assessed value to market value, direct investment by the commercial casino industry is 0.92 percent of all commercial property in Colorado.[9] This is 2.36 times the proportional expectation based on the commercial casino industry's share of total employment in Colorado. The commercial casino industry invested $95,930 in assets per employee. By comparison, the average investment in assets per employee for all industries in Colorado is $40,818.

[8] State of Colorado, *2009 Thirty-Ninth Annual Report to the Governor and the General Assembly*, Department of Local Affairs, Division of Property Taxation.

[9] $27,354,184,714 ÷ 0.29 = $94,324,774,876. This was divided into the $870,373,155 to get 0.92%.

Tourism

Gambling is considered a tourist activity. The University of Michigan provided a reasonably comprehensive definition of readily identifiable tourist activities:[10]

- Motel, hotel, cabin or B&B
- Camping
- Restaurants and bars
- Groceries, take-out food and drinks
- Gas and oil
- Other vehicle expenses
- Airlines, bus, rail, taxi or ferry
- Admissions and fees
- Clothing
- Sporting goods
- Gambling
- Souvenirs and other expenses
- Retail trade
- Wholesale trade

Since 1992, gaming taxes on commercial casino AGP have generated $75,879,746 for the Colorado Tourism Promotion Fund. The Colorado Tourism Promotion Fund is used for general, and some specific, tourism promotion efforts to attract tourists to Colorado. Success is often measured by how many tourists visit Colorado.

An alternative measure of success is an economic impact the tourism sectors have in Colorado. Implan's Input/Output model for Colorado (2008 data) was used to examine the respective economic impacts of the above tourist activities. Gambling was divided into casinos without hotels and casinos with hotels. The analysis examined wages, taxes generated, value added and output for each industry. Due to the large number of sectors and measurement criteria, the results were standardized on a per employee basis. Per capita values were ranked to determine

[10] See https://www.msu.edu/course/prr/840/econimpact/michigan/ecimpadjavarural.html.

which of the tourism sectors generated the greatest economic impact per employee in Colorado.[11] The results of the ranks are summarized below.[12]

Ranks of Employee Output Measures for Tourism Industries

Industry	Average Wage per Employee	Total Taxes to Output	Average Value Added per Employee	Average Output per Employee	Overall Rank
Air transportation	1	14	1	1	2
Amusement parks, arcades, and *gambling industries*	**5**	**1**	**3**	**2**	**1**
Automotive repair and maintenance, except car washes	6	7	7	6	6
Food services and drinking places	14	10	14	13	14
Hotels and motels, including *casino hotels*	**7**	**9**	**5**	**4**	**5**
Community colleges, colleges, universities, and professional schools	11	16	12	11	13
Museums, historical sites, zoos, and parks	4	13	9	7	10
Other accommodations	10	12	6	3	9
Performing arts companies	16	11	16	16	16
Retail - Clothing and clothing accessories	12	5	11	12	11
Retail - Food and beverage	8	2	10	10	8
Retail - Gasoline stations	9	4	4	5	4
Retail - Miscellaneous	15	3	15	15	12
Scenic and sightseeing transportation and support activities for transportation	2	6	2	8	3
Spectator sports	3	8	8	9	7
Transit and ground passenger transportation	13	15	13	14	15

The ranks of the standardized results indicate the gaming industry operating without hotels is the overall best generator of per employee economic activity among tourism industries in defined by

[11] As can be seen from the industry definitions in the Implan data, some sectors overlap with each other. This is a limitation of the industry definitions in the North American Free Trade Act and the implementation of the sector definitions by the Bureau of Economic Analysis. Implan's data set is derived from these and other externally determined measures.

[12] Community colleges were included as part of the analysis to estimate the likely effects of Amendment 50.

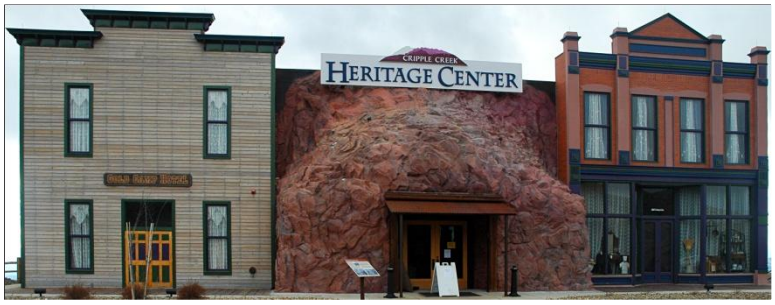
the University of Michigan. Gaming operations with hotels ranked fifth best. The ranks of the commercial casino sectors indicate they are high contributors to Colorado's economy and are efficient generators of tax revenue. This suggests legislation that promotes economic activity in the gaming industry would provide Colorado with economic value in the private sector and generate significant tax revenues. This is especially important in Colorado where the Taxpayer's Bill of Rights (TABOR) constrains the fiscal environment. Since limited stakes gambling is the only voter endorsed constitutional tourism activity, it would seem logical to pass legislation to enhance business development for the commercial casinos.

Heritage Tourism

The Colorado Historical Society and the State Historical Fund are direct beneficiaries of the gaming taxes levied on commercial casino AGP. Since 1992, $353,343,640 of the total gaming tax revenues was allocated to the Colorado Historical Society for the acquisition and preservation of heritage tourism related projects.

In July 2005, Clarion Associates released a study for the Colorado Historical Society in which it reported that each dollar used in heritage tourism projects usually had matching grants associated with the funds.[13] Clarion reported that Colorado's heritage tourism funding projects generated a 5.78 "grant multiplier." Assuming the Colorado Historical Society has continued to partner with other heritage grant making agencies, $2,042,326,237 has been raised to fund heritage tourism projects through taxes on the commercial casino industry.

Clarion Associates conducted an economic impact analysis for the Colorado Historical Society in 2005. Specifically, multipliers were identified for expenditures, employment, income and taxes. Through 2004, the following economic effects were estimated from heritage tourism funded projects in Colorado.



	Direct*	Indirect/ Induced*	Total*	Multiplier
Expenditures (000,000)	$918.4	$1,175.5	$2,093.9	2.28
Employment	12,842	16,124	28,966	2.26
Household Income (000,000)	$353.0	$357.2	$709.9	2.01
Local taxes (000,000)	na	na	$72.7-$75.6	na

*Amounts are in millions

Longwoods International prepared a report in 2005 for the Colorado Tourism Council in which it examined heritage tourism in Colorado during 2003.[14] Longwoods concluded there were 21.25 million tourist trips in Colorado in 2003. Approximately 5.1 million tourist trips included at least one historic area. The most popular attractions and the proportions of heritage and non-heritage tourists visiting the destinations were:

[13]Clarion Associates, *The Economic Benefits of Historic Preservation in Colorado, 2005 Update*, July 2005.
[14] Longwoods International, *Colorado Heritage Tourism Travel Year 2003*.

Destination	Heritage Tourists	Non-Heritage Tourists
Colorado State Capital	14%	5%
Durango & Silverton Railroad	11%	4%
Mesa Verde National Park	10%	4%
Red Rocks Amphitheater	10%	4%
Georgetown	9%	3%

Heritage tourists differ from non-heritage tourists in several ways. Longwoods International noted the following:

Characteristic	Heritage Tourists	Non-Heritage Tourists
Income 50K and above	59%	55%
Education college or higher	53%	48%
Professional occupation	60%	56%
Tourism spending per person	$322	$274
Average length of stay	7.5 nights	5.8 nights

In total, heritage tourists spent an estimated $1.5 billion. This multiplied through the economy to an estimated $3.4 billion in expenditures. Heritage tourist expenditures contributed to $1.1 billion in household income and supported 60,964 jobs.

Taxes

Like most businesses in Colorado, commercial casinos are subject to a number of taxes. Some of the tax information is proprietary. Other tax information is readily available from public documents.[15] Total taxes/fees paid directly by the commercial casino industry in 2009 were:

Gaming taxes	$97,445,021
Approximate annual license fees on approximately 7,800 employees	$600,000
Device fees	16,217,761
Property taxes	7,645,435
Personal property tax	1,421,224
Sales/Use Tax*	33,601,028
Motor vehicle*	492,534
Miscellaneous*	10,757,708
Total	$168,180,171

*Estimates provided by Implan. Implan estimates are actually for 2008.

The smoking ban in Colorado's commercial casinos was found to have decreased AGP by approximately 12 percent.[16] Assuming the decrease is linearly related to the above taxes, it means there could be as much as $20,181,685 a year less in direct tax collections from the commercial casino industry. This tax loss would compound and be a recurring annual amount as long as the smoking ban remains in effect.

[15] Gaming taxes were obtained from the Colorado Division of Gaming. Property taxes and personal property taxes were obtained from the assessors' offices for Gilpin and Teller Counties. Property taxes were obtained for each currently operating commercial casino by address provided by the Division of Gaming. Personal property tax information is considered confidential. This information was estimated from a summary value for the casinos by the assessors' offices. All information is for 2009. Implan estimated data were used for taxes that could not be readily identified. These estimates are for 2008.

[16] See section on Smoking Ban.

Smoking Ban

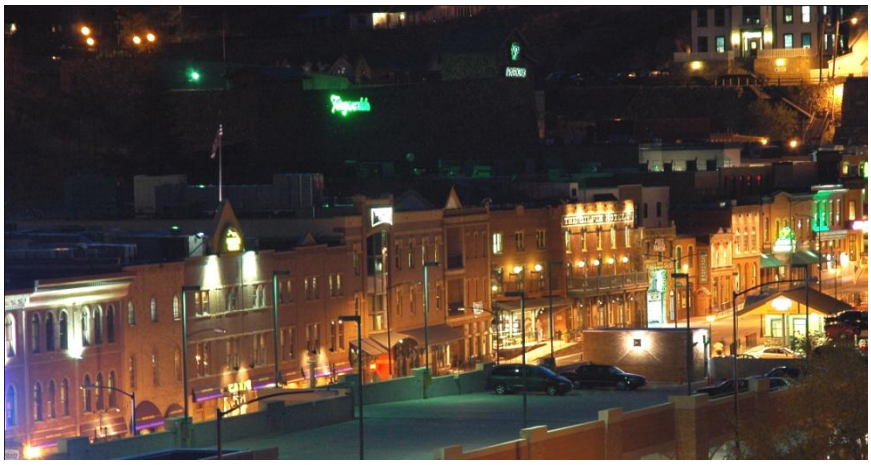
The Colorado Indoor Clean Air Act went into effect on July 1, 2006. Commercial casinos were initially exempted from the ban. HB 07-1269 repealed the exemption status. The smoking ban went into effect for commercial casinos on January 1, 2008. Patrons of the casinos who wanted to smoke a cigarette were no longer permitted to smoke a cigarette inside the casino. Research on the effect of the smoking ban found that the ban reduced AGP in the commercial casinos by $86,156,280 in 2008.[17] This reduced gaming taxes by $15,508,130 in 2008.

The decline in AGP was examined through Implan's Input/Output software model to estimate the effects a loss of $86,156,280 a year in AGP would have on the economy. The results are summarized below.

Smoking Ban Effects on Colorado's Commercial Casino Industry[18]

Category	Direct Effect	Indirect Effect	Induced Effect	Total Effect	Multiplier
Employment	-716	-307	-1,077	-2,100	2.93
Labor Income	-$23,083,489	-$18,080,378	-$52,456,220	-$93,620,088	4.06
Average Income Lost per Job	-$32,222	-$58,990	-$48,706	-$44,583	na
Indirect Business Taxes	-$5,653,269	-$1,300,528	-$5,149,729	-$12,103,526	2.14

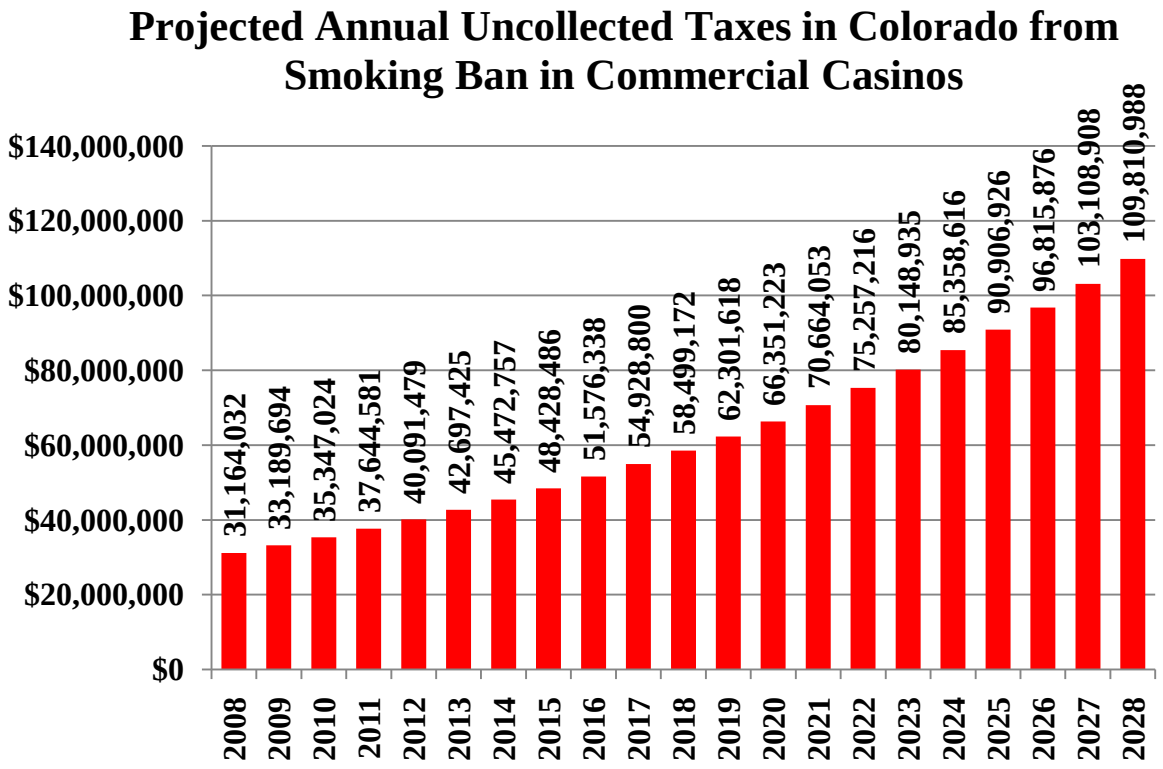
A permanent smoking ban in the commercial casinos is expected to reduce total compensation by $93,620,088 at an average annual income of $44,585. Employment will decrease by 2,100 jobs. Indirect business taxes will decline by $12,103,526. If household and business income taxes to Colorado are considered, the total loss in tax collections is expected to be about $31,164,032 per year.



The annual lost tax revenues would grow over time. This would reflect the business the commercial casinos are not generating. Historically,

[17] See Chapter 2 of the companion report *A Comprehensive Review of Colorado's Commercial Casino Industry* by Crowley's Consulting, Inc. January 2011.
[18] Values are estimates from Implan. They do not include all taxes and fees included on page 10 in the Taxes discussion.

casino revenues have averaged 9.95 percent growth per year. Research for this report suggests the growth rate will be lower.[19] For this reason, it was assumed future growth would be 6.63 percent a year. The cumulative lost taxes to the Colorado economy will be $1,319,764,149 through 2028. The projected annual amounts are shown below.



[19] See Chapter 2 of the companion report *A Comprehensive Review of Colorado's Commercial Casino Industry* by Crowley's Consulting, Inc. January 2011

Summary

Since commercial casinos began operations in October 1991, they have proven to be valuable corporate citizens in Colorado. Gaming taxes on casino AGP have raised $1,391,134,301 through 2009. After administration costs and escrow balances, the Colorado Division of Gaming allocated $1,261,941,615 for tourism, the host communities, economic development and the Colorado General Fund.

As of 2008, the industry employed 9,073 people. This multiplied through the Colorado economy to generate an additional 18,313 jobs. The average compensation of the 27,386 workers was $44,585. According to the assessors' offices in Gilpin and Teller Counties, the casinos have invested $870,373,155 in their land, buildings and personal property. By comparison, all commercial property in Colorado was valued at $94,324,774,875 in 2009. Commercial casinos employ 0.39 percent of all workers in Colorado while their aggregate investments in commercial casino facilities represent 0.92 percent of all commercial property In Colorado. This is 2.36 times the proportional expectation in commercial property that one would expect if investment were generalized from employment.

Since 1992, gaming taxes generated $75,879,746 in funds for the Colorado Tourism Promotion Fund. An Input/Output analysis of all tourism industries in Colorado found that commercial casinos without hotels are the most productive tourism activities when standardized on a per employee basis. Casinos with hotels ranked fifth for overall productivity among 15 tourism categories and Colorado's community colleges.

The Colorado Historical Society received $353,343,640 from the gaming fund since 1992. Research by Clarion Associates indicates the money was likely leveraged to $2,042,326,237 in funds for historical preservation and acquisition projects. Clarion Associates estimated the heritage funded projects created 28,966 jobs that earned $709.9 million while generating expenditures of $2,093.9 million and approximately $74 million in state and local taxes through 2004. Longwoods International used data through 2003 to research tourist characteristics in Colorado. Longwoods International concluded that heritage tourists vacationed longer in Colorado and spent more money than non-heritage tourists spent.

Commercial casinos are taxed extensively. Approximately 23.5 percent of their aggregate 2008 AGP was used to pay their annual tax and fee charges. In 2009, taxes/fees totaled $168,180,171. Gaming taxes on AGP came to $97,445,021 (57.9% of the $168,180,171 in taxes/fees).

A smoking ban in casinos took effect on January 1, 2008. An econometric analysis of monthly AGP from October 1991 through June 2010 found that the smoking ban reduced casino business by approximately 12 percent. The effects of the smoking ban were found to be statistically significant at the 0.0001 level of confidence. This is well beyond the normal standard for statistical significance. This is consistent with academic research on the subject. The business recession of December 2007 through June 2009 also had a negative effect on casino business.

However, it was not found to be statistically reliable at any acceptable confidence measure in statistics.

The smoking ban reduced AGP by $86,156,280 in 2008. Gaming taxes were reduced by $15,508,130 because of the decline in casino business after the smoking ban. Projected to year 2028, the smoking ban is expected to reduce gaming taxes by a cumulative $1,319,764,149. This will have a significant negative effect on funding for tourism and heritage preservation. It will also decrease employment, compensation, property taxes and investments in property and equipment by the commercial casino industry. It would be reasonable to assume all affected areas of the Colorado economy will experience a 12 percent decline, the same as the commercial casino industry. The recession effects were temporary whereas the smoking ban is potentially permanent.

Advocates of the smoking ban have an understandable position. Smokers who would like to visit the casinos also have an understandable position. The question seems to be this. Is it possible to permit indoor smoking in casinos while preventing second hand smoke from reaching non-smokers? Colorado permits indoor smoking in a number of places ranging from 4 smoking lounges in Denver International Airport to retail tobacco businesses to 25 percent of hotel rooms to private rooms in public nursing home/assisted care facilities. Technology can be applied to the problem in a similar way many businesses control air temperature between two areas. The use of an air wall might be the means to safeguard the rights of smokers and non-smokers in a commercial casino. If this can be implemented to the satisfaction of all parties, it would have the potential to restore lost AGP and gaming taxes on the revenues. In turn, this would continue to provide funding for both tourism and Colorado's general fund. This might prove to be very important in a TABOR constrained environment.[20]

[20] Legal issues affecting the commercial casino industry are discussed separately in the companion paper *Legislative Issues Facing Colorado's Commercial Casinos.*