



## HOUSE PRINCIPLES

Members are encouraged to evaluate proposed legislation in light of the following guiding principles of the House of Representatives

- Balance the state budget.
- Create a legal and regulatory environment that fosters economic growth and job creation.
- Lower the tax burden on families and businesses.
- Reverse or restrain the growth of government.
- Promote public safety.
- Promote educational accountability, excellence, and choice.
- Foster respect for the family and for innocent human life.
- Protect Florida's natural beauty.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

During an extension of the 2009 Regular Session, the Legislature enacted CS/CS/SB 788 (Ch. 2009-170, Laws of Florida), which authorized the Governor to negotiate a model gaming compact with the Seminole Tribe of Florida. In addition to compact provisions, the bill also contained pari-mutuel provisions intended to enhance the ability of pari-mutuel permitholders to compete in the gaming market. The legislation, compiled in the Laws of Florida as Chapter 2009-170, contained a contingent effective date; that is, the pari-mutuel provisions were linked with the compact provisions so that they would go into effect only if three pre-conditions were met: 1) the Governor and an authorized representative of the Tribe executed a compact pursuant to the Indian Gaming Regulatory Act of 1988 and the requirements contained in the legislation; 2) the compact was thereafter ratified by the Legislature; and, 3) the compact was then approved or deemed approved by the Department of the Interior. Once those three contingent pre-conditions were met, the pari-mutuel provisions were slated to take effect on the date that the legislatively-ratified and federally-approved compact was published in the Federal Register.

The pari-mutuel provisions which are the subject of this bill are already law. They became law on June 15, 2009 when the Governor signed CS/CS/SB 788; however, they have not yet taken effect, because certain contingent events to which they are tied have not occurred yet. This bill amends the effective date section of Chapter 2009-170 of the Laws of Florida (CS/CS/SB 788) to delete the three pre-conditions that would have to occur in order for the pari-mutuel provisions in the legislation to take effect and, instead, makes them effective on July 1, 2010. In essence, the pari-mutuel provisions would no longer be tied to the compact and contingent upon its legislative ratification or approval at the federal level.

The pari-mutuel provisions that would take effect July 1, 2010 by virtue of this bill affect the 28 *licensed* pari-mutuel facilities located throughout 19 counties of the state, including 16 greyhound racing tracks, 3 thoroughbred racing tracks, 1 harness racing track, 6 jai alai frontons, 1 facility permitted to conduct limited intertrack wagering (Ocala Breeders Sales), and 1 quarter horse track (Hialeah Park).<sup>2</sup> Twenty-two of the pari-mutuel facilities have cardrooms and four facilities have slot machine gaming. For pari-mutuel activities, the State maintains a permit-license structure. At this time, there are 9 quarter horse permitholders, only one of

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<sup>2</sup> See Division of Pari-mutuel Wagering licensed facilities' site map online at <http://www.myfloridalicense.com/dbpr/pmw/documents/FACILITIESMAP.pdf> : last visited 1/5/10

whom holds a license to race quarter horses (Hialeah Park). The major pari-mutuel provisions contained in Chapter 2009-170 of the Laws of Florida enacted in the 2009 Extended Regular Session that this bill would make effective on July 1, 2010 include:

- Reducing the tax rate on slot machine revenue from 50% to 35% but requiring the payment of tax revenue in an amount no less than the amount collected in FY 2008-2009;
- Gradually reducing the slot machine annual license fee from \$3 million to \$2 million;
- Allowing for slot machines to be linked using a progressive system;
- Providing that the payout percentage of a slot machine facility shall be no less than 85%;
- Authorizing Class III slot machines in a county that has had a referendum approving slots or has a referendum approving slots that was approved by law or the Constitution provided that such facility has conducted 2 years of racing and complies with other requirements for slot licensure;
- Providing that an initial cardroom license shall not be issued unless the permit holder has a facility and has begun racing;
- Allowing for the conduct of no limit poker in cardrooms;
- Extending the hours of cardroom operation from 12 hours per day to 18 hours per day Monday through Friday and 24 hours per day Saturday and Sunday.
- Gradually increasing the number of performances that comprise a full schedule of live racing for quarter horses;
- Allowing quarter horse permit holders to run thoroughbred races up to 50% of the time;
- Authorizing a quarter horse permit to convert to a limited thoroughbred permit;
- Restricting quarter horse permit holders to a 35-mile lease restriction;
- Authorizing a jai alai permit to convert to a greyhound permit if certain requirements are satisfied;
- Streamlining regulatory procedures for the pari-mutuel industry by:
  - changing the term “year” to fiscal year instead of calendar year;
  - requiring monthly payment of taxes instead of weekly payments beginning on July 1, 2012;
  - providing a consistent definition of the term “conviction” for purposes of licensure;
  - providing flexibility for occupational license renewal and fees;
  - providing enhanced fingerprint regulations;
  - expanding the current cruelty to animal prohibitions; and,
  - providing for greater flexibility in the payment of breeders’ and stallion awards.

#### B. SECTION DIRECTORY:

Section 1. Amends section 26 of Chapter 2009-170, Laws of Florida, to delete the requirement that certain contingencies related to the Seminole tribal gaming compact must occur before the pari-mutuel provisions contained in Sections 4 through 25 of the same law can become effective. Instead makes the latter provisions effective July 1, 2010.

Section 2. Effective date upon becoming law. The effective date changes made by this bill to the effective date provisions in Section 26 of Chapter 2009-170, would become effective upon this bill becoming law.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

### A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues: The data contained in the following three tables are the results of an impact conference conducted by the Revenue Estimating Conference (REC) on the pari-mutuel provisions contained in CS/CS/ SB 788 (2009-170 LOF) following its enactment during the 2009 Extended Regular Session; the data have been updated through June 15, 2009. The REC generally assumed the pari-mutuel provisions in question would take effect in October of 2009 after legislative ratification and final federal approval of a Seminole gaming compact. Since the pari-mutuel provisions, although law, have not yet taken effect, their fiscal impact will have to be re-analyzed to reflect a different effective date of July 1, 2010, the start of the next fiscal year.

Table #1: Fiscal Year 2009-10: assumes the pari-mutuel provisions would have taken effect after legislative ratification and federal approval in October 2009 for three-quarters of the remaining fiscal year.

Tax Source and Issue	2009-10 (Millions)					
	General Revenue		State Trust		Total	
	Cash	Recurr	Cash	Recurr	Cash	Recurr
<b>Pari-mutuel tax -</b> Cardrooms additional hours	1.7	2.3	0.0	0.0	1.7	2.3
<b>Pari-mutuel tax -</b> Cardrooms increasing betting limits	3.5	4.7	0.0	0.0	3.5	4.7
<b>Pari-mutuel tax -</b> Jai-alai permitholder conversion to greyhound permitholder	0.0	0.7	0.0	0.0	0.0	0.7
<b>Pari-mutuel tax -</b> Payment frequency from weekly to monthly beginning 7/1/2012	0.0	0.0	0.0	0.0	0.0	0.0
<b>Pari-mutuel tax -</b> Quarter horse permit, substitute 50% of races for thoroughbred, includes Hialeah	0.4	0.1	0.0	0.0	0.4	0.1
<b>Slot Machines License -</b> \$3.0 million initial and annual to \$2.5 then \$2.0 initial and annual	0.0	(6.0)	0.0	0.0	0.0	(6.0)
<b>Slot Machines License -</b> Slots operating at Hialeah Park	0.0	2.3	0.0	0.0	0.0	2.3
<b>Slot Machines Tax -</b> Payment frequency from weekly to monthly beginning 7/1/2012	0.0	0.0	0.0	0.0	0.0	0.0
<b>Slot Machines Tax -</b> Progressive games, prize payout percentage	0.0	0.0	**	**	**	**

<b>Slot Machines Tax -</b> Reduction in tax rate to 35% with floor equal to 2008-09 collections	0.0	0.0	(15.0)	0.0	(15.0)	0.0
<b>Slot Machines Tax -</b> Slots operating at Hialeah Park	0.0	0.0	0.0	**	0.0	**
<b>TOTALS</b>	<b>5.6</b>	<b>4.1</b>	<b>-15</b>	<b>0</b>	<b>-9.4</b>	<b>4.1</b>

\*\* Indeterminate

Table #2: Fiscal Year 2010-11

Tax Source and Issue	2010-11 (Millions)					
	General Revenue		State Trust		Total	
	Cash	Recurr	Cash	Recurr	Cash	Recurr
<b>Pari-mutuel tax -</b> Cardrooms additional hours	2.3	2.3	0.0	0.0	2.3	2.3
<b>Pari-mutuel tax -</b> Cardrooms increasing betting limits	4.7	4.7	0.0	0.0	4.7	4.7
<b>Pari-mutuel tax -</b> Jai-alai permitholder conversion to greyhound permitholder	0.7	0.7	0.0	0.0	0.7	0.7
<b>Pari-mutuel tax -</b> Payment frequency from weekly to monthly beginning 7/1/2012	0.0	0.0	0.0	0.0	0.0	0.0
<b>Pari-mutuel tax -</b> Quarter horse permit, substitute 50% of races for thoroughbred, includes Hialeah	0.4	0.4	0.0	0.0	0.4	0.4
<b>Slot Machines License -</b> \$3.0 million initial and annual to \$2.5 then \$2.0 initial and annual	(3.0)	(6.0)	0.0	0.0	(3.0)	(6.0)
<b>Slot Machines License -</b> Slots operating at Hialeah Park	0.0	2.3	0.0	0.0	0.0	2.3
<b>Slot Machines Tax -</b> Payment frequency from weekly to monthly beginning 7/1/2012	0.0	0.0	0.0	0.0	0.0	0.0
<b>Slot Machines Tax -</b> Progressive games, prize payout percentage	0.0	0.0	**	**	**	**
<b>Slot Machines Tax -</b> Reduction in tax rate to 35% with floor equal to 2008-09 collections	0.0	0.0	(13.4)	0.0	(13.4)	0.0
<b>Slot Machines Tax -</b> Slots operating at Hialeah Park	0.0	0.0	0.0	**	0.0	**
<b>TOTALS</b>	<b>5.1</b>	<b>4.4</b>	<b>-13.4</b>	<b>0</b>	<b>-8.3</b>	<b>4.4</b>

\*\* Indeterminate

Table #3: Fiscal Year 2011-12

Tax Source and Issue	2011-12 (Millions)					
	General Revenue		State Trust		Total	
	Cash	Recurr	Cash	Recurr	Cash	Recurr
<b>Pari-mutuel tax -</b> Cardrooms additional hours	2.3	2.3	0.0	0.0	2.3	2.3
<b>Pari-mutuel tax -</b> Cardrooms increasing betting limits	4.7	4.7	0.0	0.0	4.7	4.7
<b>Pari-mutuel tax -</b> Jai-alai permitholder conversion to greyhound permitholder	0.7	0.7	0.0	0.0	0.7	0.7
<b>Pari-mutuel tax -</b> Payment frequency from weekly to monthly beginning 7/1/2012	0.0	0.0	0.0	0.0	0.0	0.0
<b>Pari-mutuel tax -</b> Quarter horse permit, substitute 50% of races for thoroughbred, includes Hialeah	0.4	0.4	0.0	0.0	0.4	0.4
<b>Slot Machines License -</b> \$3.0 million initial and annual to \$2.5 then \$2.0 initial and annual	(6.0)	(6.0)	0.0	0.0	(6.0)	(6.0)
<b>Slot Machines License -</b> Slots operating at Hialeah Park	2.3	2.3	0.0	0.0	2.3	2.3
<b>Slot Machines Tax -</b> Payment frequency from weekly to monthly beginning 7/1/2012	0.0	0.0	0.0	0.0	0.0	0.0
<b>Slot Machines Tax -</b> Progressive games, prize payout percentage	0.0	0.0	**	**	**	**
<b>Slot Machines Tax -</b> Reduction in tax rate to 35% with floor equal to 2008-09 collections	0.0	0.0	(8.2)	0.0	(8.2)	0.0
<b>Slot Machines Tax -</b> Slots operating at Hialeah Park	0.0	0.0	**	**	**	**
<b>TOTALS</b>	<b>4.4</b>	<b>4.4</b>	<b>-8.2</b>	<b>0</b>	<b>-3.8</b>	<b>4.4</b>

\*\* Indeterminate

2. Expenditures:

None anticipated

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The bill has no direct impact on local government revenues.

2. Expenditures:

The bill has no direct impact on local government expenditures.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The pari-mutuel provisions taking effect July 1, 2010, by virtue of the change this bill makes to the effective date of Chapter 2009-170, will provide additional gaming opportunities that could generate additional revenue for pari-mutuel facilities. According to testimony before the Select Committee on Seminole Indian Gaming Compact Review, lowering the tax rate on pari-mutuel slot machine gaming revenues, eliminating poker betting limits, and expanding cardroom operating hours at pari-mutuel facilities will have a beneficial impact on the pari-mutuel industry and increase its ability to be competitive

D. FISCAL COMMENTS:

None

### III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not appear to require counties or municipalities to take an action requiring the expenditure to funds, reduce the authority that counties or municipalities have to raise revenue in the aggregate, nor reduce the percentage of state tax shared with counties or municipalities.

2. Other:

B. RULE-MAKING AUTHORITY:

None

C. DRAFTING ISSUES OR OTHER COMMENTS:

None

### IV. AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES