

The Florida Senate
COMMITTEE MEETING EXPANDED AGENDA

GAMING
Senator Richter, Chair
Senator Sachs, Vice Chair

MEETING DATE: Monday, January 14, 2013
TIME: 4:00 —6:00 p.m.
PLACE: *Toni Jennings Committee Room*, 110 Senate Office Building

MEMBERS: Senator Richter, Chair; Senator Sachs, Vice Chair; Senators Benacquisto, Braynon, Clemens, Dean, Galvano, Gardiner, Latvala, Lee, Margolis, Montford, and Thrasher

TAB	BILL NO. and INTRODUCER	BILL DESCRIPTION and SENATE COMMITTEE ACTIONS	COMMITTEE ACTION
	Introduction of Committee Members and Staff		Presented
	Overview of the Committee's Jurisdiction		Presented
	Gaming: An Economic Overview Amy Baker, Coordinator, Office of Economic and Demographic Research		Presented
	Pari-Mutuel Gaming, Regulation and Revenues, A Historic Overview Ken Lawson, Secretary, Department of Business and Professional Regulation		Presented
	The Florida Lottery After 25 Years Cynthia F. O'Connell, Secretary, Department of the Lottery		Presented
	Staff Presentation on the Gaming Compact Between the Seminole Tribe of Florida and the State of Florida		Presented
	Other Related Meeting Documents		

Gaming: An Economic Overview

January 14, 2013

Presented by:



The Florida Legislature
Office of Economic and
Demographic Research
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<http://edr.state.fl.us>

Early Gaming Economy

- The first gambling establishments (although they were illegal) were introduced by Henry M. Flagler as he built railroads and hotels along the east coast of Florida in the late 1890's. Two of the most famous were the Bacchus Club in St. Augustine and the Beach Club in Palm Beach.
- Starting in the 1920's, Florida began to see the development of more organized gaming:
 - Early in the decade, floating gambling barges appeared off the Florida coast, anchoring in international waters.
 - In 1921, one of the nation's first greyhound tracks opened in Hialeah.
 - In 1924, Jai-Alai was introduced in Florida as a legal sport in Hialeah, but not as a legal betting event.
 - In 1925, Hialeah Park opened for horse racing.
- **Florida legalized horse and dog racing in 1931, and jai-alai in 1935. This was an effort to raise revenue during the Great Depression, as well as to legalize and regulate what in practice was proving difficult to stop.**
- **In 1931, about 7,000 persons worked in the racing industry. They were mostly spread among the three horse tracks and six dog tracks that held performances in the 1931-32 fiscal year, although a total of 14 permits had been issued. The state raised \$737,301 in revenue from a pari-mutuel handle of \$17,365,424.**

Milestones Continued...

- During the early 1930's, the illegal numbers game Bolita gained popularity, especially in the Tampa area.
- **Slot machines were made legal during the 1935 to 1937 period, and the state collected more than \$2 million in taxes.**
- By the 1940's, illegal casinos "flourished in the southern part of Florida," especially in Key West which had gaming establishments dating back to the early 1900's. Casinos had been part of Miami Beach since the 1920's, as well as other South Florida locations.
- The 1950's saw a major crackdown on illegal gaming activities, and open gaming essentially came to an end as US Senator Estes Kefauver led an investigation into widespread corruption and linkages to organized crime.
- In 1970, Miami Beach held an advisory referendum or straw ballot where voters rejected casinos by a 9,265 to 7,343 count.
- **In 1971, Florida legalized bingo halls with limited jackpots.**

Milestones Continued...

- In 1978, the first constitutional amendment to legalize casinos in Florida failed (27% to 73%).
- By 1977-78, about 35,000 persons worked in the racing industry. They were mostly spread among the eight horse tracks, eighteen dog tracks and ten jai-alai tracks that held performances that year, although a total of 37 permits had been issued. According to official records, the state raised **\$58.5 million** (plus an unknown amount from unclaimed winning tickets benefitting the State School Trust Fund) in revenue from this activity, although some informal sources report numbers as high as \$91.2 million.
- In 1979, the Seminole Tribe opened a bingo hall that offered a high-stakes game which did not conform to the state's requirements for prize limitations. This act was ultimately the subject a landmark lawsuit. A federal court of appeals ruled that Indian tribes can operate—without regulation—all forms of gambling on their tribal lands when the state otherwise allows the games.
- In 1984, organized “cruises to nowhere” were introduced, but largely under the authority of federal law. A different form of gambling ship previously existed.
- In 1986, the second constitutional campaign to legalize casinos in Florida failed (33% to 67%), but the **approval for a state lottery passed by a two to one margin.**

Milestones Continued...

- In 1988, legalized casino gaming existed only in Nevada (since 1931) and New Jersey (since 1976); however the passage of the Indian Gaming Regulatory Act in this year became a gaming turning point among states.
- In 1994, the third constitutional campaign to legalize casinos in Florida failed with less than 40% in favor. The cost of the pro-campaign was over \$16 million—reportedly “the most money spent on any ballot proposition in U.S. history up to that date.”
- **In 1997, authorization was provided for low limit Poker games at qualifying Pari-Mutuel facilities.**
- **In 2004, a limited constitutional amendment to legalize slot machines in certain pari-mutuel facilities in Miami-Dade and Broward counties was successful.**
- **In 2010, the *Gaming Compact between the Seminole Tribe of Florida and the State of Florida* was executed by the Governor on April 7, 2010, and ratified by the US Department of the Interior on July 7, 2010.**

Authorized Gaming Producing Direct State Revenue...

- Today, there are **30 pari-mutuel locations** where wagering is authorized for horse racing, harness horse racing, quarter horse racing, greyhound racing, or jai alai games.
- **Cardroom poker games** are authorized at 25 pari-mutuel facilities; along with **slot machine gaming** at 7 pari-mutuel facilities in Broward and Miami-Dade Counties.
- The **Lottery** is operated by the State of Florida.
- The **Gaming Compact** *between the Seminole Tribe of Florida and the State of Florida* is in its third year of existence. Authorization for card games expires in FY 2015-16.

Indian Casinos and Pari-Mutuel Facilities



Additional Gaming Options

- **Bingo Games** are authorized to be conducted by charitable, nonprofit, or veterans' organizations --- as well as condominium associations, cooperative associations, certain homeowners' associations, mobile home owners associations and certain groups of residents.
- **“Cruises to Nowhere”** operate without direct state taxation of their gambling revenue. They conduct their gambling activities three miles or more off the east coast of Florida (international waters) or nine miles or more off the west coast of Florida (federal waters).
- **Internet Cafes** have proliferated in Florida in recent years. According to a briefing paper from the Office of Attorney General:

“Questions have been raised regarding the legality of such operations. Opponents to such “Internet cafes” believe that the operation of these establishments violates the state's gambling laws which prohibit games of chance in which consideration and a prize are present unless the game is expressly authorized by law. Owners of such establishments, however, claim that section 849.094, Florida Statutes, which provides for game promotions in connection with the sale of consumer products or services, permits such operations.”

Major Types of Gambling Revenue

- **Taxes** are compulsory exactions or payments demanded by government to finance public goods and services. They are usually of general benefit, but revenues from some gambling sources (Lottery, Slots, Unclaimed Winning Tickets from certain Pari-Mutuel activity) have been primarily dedicated to education.
 - They can flow to General Revenue, be earmarked for a specific fund, or be redirected from another fund.
- **Fees** are assessed for a particular – or special - service or benefit and are usually collected to defray expenses associated with that service or benefit.
 - “Regulatory fees” are assessed to those obtaining a license, permit or other privilege under regulatory laws enacted to protect public health, welfare and safety. The money is frequently used to cover the cost of regulation.

Basic Tax Base --- Simplistic Form

Handle - **Prizes** = **Net Win**

The total sum wagered or bet by participating gamblers on any particular race or game is known as the handle. This is the initial source of all non-investment revenue.

The amount returned to the class of participating gamblers in the form of winnings.

The amount initially retained by the gambling provider. Represents the loss to the entire class of gamblers and is sometimes called the "hold."



Taxes can also be levied more directly against patrons in the form of admissions taxes.

Taxes, Expenses (which can include licenses) and Profits usually come out of Net Win, although taxes may be calculated against the handle. Cardroom gross receipts are a special case.

Florida & Nevada Gaming Comparison

FY 11-12		(Amount in millions)	
Florida		State Revenues	Net Win
Lottery Transfers to EETF		\$ 1,373.33	\$ 1,657.43
Pari-Mutuels		\$ 13.80	\$ 195.58
Slots		\$ 157.96	\$ 411.32
Cardroom		\$ 13.90	\$ 131.45
Tribal Casinos		\$ 146.20	\$ 1,853.90
Total		\$ 1,705.19	\$ 4,249.68
Total Per Capita (18+)		\$ 11.32	\$ 29.70

FY 11-12		(Amount in millions)	
Nevada		State Revenues	Net Win
Table Games		\$ 9.17	\$ 3,807.19
Card Games			\$ 128.86
Slots	Restricted and NonRestricted	\$ 67.73	\$ 6,769.78
Percentage Fees Related to the Above		\$ 653.54	\$ 10,705.83
Pari-Mutuels			\$ 57.96
Sports Betting			\$ 160.36
Total		\$ 730.45	\$ 21,629.98
Total Per Capita (18+)		\$ 35.47	\$ 1,105.33

Florida to Nevada Ratio (Totals)	2.334	0.196
Florida to Nevada Ratio (Per Capita)	0.319	0.027

Underlying Economic Premises...

- The money for gambling expenditures comes from somewhere; it is not created:
 - *Recreational budget from discretionary income that could be spent on other items.*
 - *Savings or other investments.*
 - *For problem gamblers, dollars essential to subsistence.*
 - Some or all of the jobs, wages and tax revenues attributed to gambling enterprises may be simply transferred from elsewhere. In other words, if the money was spent elsewhere in Florida, it would also generate jobs, wages and potential tax revenues from that expenditure.
 - *Moving activity from one place to another is simply churn without overall statewide gain.*
 - *For jobs, a statewide increase only exists to the extent that the individuals are otherwise unemployable or they are moving in from outside the state to take the jobs*
 - In terms of the economy, there are different economic effects based on the type of gambler. Generally:
 - *Residents in the normal course of daily activity—displacement (-) or neutral (=).*
 - *Tourists who would have come to Florida regardless—displacement (-) or neutral (=).*
 - *Residents who would have otherwise left the state to gamble—removal of a leakage (+).*
 - *Tourists coming into the state to gamble who otherwise would not have—new revenue (+).*
- The various gaming alternatives will have different mixes of gamblers.

Secondary Premises...

- A local economic gain doesn't necessarily translate into a statewide gain. Activity may be pulled from another area of the state.
- It makes a difference where equipment and supplies are purchased (in-state or out-of-state).
- It matters where the profits go (in-state or out-of-state).
- Financed capital investment for infrastructure is initially positive as the dollars are infused, but later becomes a drain as repayments of the principal and interest remove dollars.

Key Economic Terms...

- Cannibalization—creating demand for one product at the expense of another; substitution of one purchase for another. It can be detected through:
 - The shifting among state revenue sources when the gambling product is a substitute purchase replacing the purchase of another good which would have been taxed in a different manner. (+ or – depending on the difference in tax rates)
 - The shifting among gambling products that are substitutes for each other. (+ or - depending on the difference in tax rates)
 - The shifting between a nontaxable purchase to a taxed gambling product. (+)

More Economic Terms...

- Rates of Taxation—the perspective matters: gamblers or the operators.
 - Pari-Mutuels...complex structure, but totaled approximately 1.58% of the handle in FY 2011-12.
 - Cardrooms...totaled approximately 10.63% of gross receipts (amount received for participation in authorized games) in FY 2011-12.
 - Slots...35% of slot machine revenues (essentially, the amount remaining after prizes), plus various licenses.
 - Compact...tiered scale linked to increments of net win from 12% to 25%.
 - The Florida Lottery is a special case since the state is also the operator.

Fiscal Year 2012-13 Lottery Distribution...

Prizes	Retained	Unclaimed	Total
62.9%	36.4%	0.7%	100.0%
3,014.2	1,743.1	35.1	4,792.3

Of Total...			
	62.9%	Prizes	3014.2
	0.7%	Unc to EETF	35.1
36.4% from player's perspective	5.6%	Retailers	268.4
	1.6%	Vendors	78.8
	1.6%	Admin	75.3
	27.6%	Req EETF	1320.6
	<u>100.0%</u>		<u>4792.3</u>

→

75.8% of net win (1320.6 / 1743.1)

27.6% to the state of each ticket sale (1320.6 / 4,792.3)

More Economic Terms...

- Incidence—who pays (legal) or bears the burden (economic); as it relates to gaming, economic incidence depends on a variety of factors like accessibility, convenience, and required knowledge or specialized skills:
 - **Regressive**...a tax that takes a smaller percentage of one's income as one's income level increases; proportion of income allocated to the tax is greater for the poor than for the rich.
 - **Proportional**...a tax for which individuals pay the same percentage of their income in taxes, regardless of income level.
 - **Progressive**...a tax that requires those with higher taxable incomes to pay a larger percentage of their incomes than those with lower taxable incomes.
- Competition—Gambling enterprises attempt to garner entertainment or discretionary dollars from local businesses and other communities of the state, but also from alternative forms of gambling products.

More Economic Terms...

- Competitive Advantage—a benefit leading to higher profits than rivals will experience.

Example: Seminole Tribe's tax advantage... Although sales tax applies to spending by patrons at the nongaming Seminole-operated facilities such as restaurants, retail, lodging and entertainment, tribal immunity prevents the enforcement of the collection and remittance of sales tax. The Seminole Tribe not only effectively sells items free from the burden of collecting sales tax, the Tribe and any of its solely owned entities purchase on a sales tax-exempt basis as well.

- Negative Externalities—costs that arise which do not accrue to the entity carrying out the activity such as problems associated with compulsive gambling behavior or criminal behavior.

THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

1-14-2013
Meeting Date

Topic Economics of GAMING

Bill Number _____
(if applicable)

Name Amy J. Baker

Amendment Barcode _____
(if applicable)

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Speaking: For Against Information

Representing the Legislature

Appearing at request of Chair: Yes No

Lobbyist registered with Legislature: Yes No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.



License efficiently. Regulate fairly.

Division of Pari-Mutuel Wagering Overview

**Ken Lawson
Secretary**

Gaming Terminology

- **“Pari-mutuel”** is a system of betting on races/games in which the winners divide the total amount bet, after deducting management expenses and taxes, in proportions to the sums they have wagered individually and with regard to the odds assigned to particular outcomes.
- **“Banked Games”** means a game in which the house is a participant in the game, taking on players, paying winners, and collecting from losers or in which the cardroom establishes a bank against which participants play.
- **“Handle”** is the aggregate wagering contribution to pari-mutuel pools.
 - **Live** - live Florida race/game.
 - **Simulcast** - Signal of live race/game transmitted into or out of Florida.
 - **Intertrack** - live Florida race/game transmitted to another Florida facility.
 - **Intertrack Simulcast Handle**- Interstate signal of live race/game transmitted into Florida and rebroadcast to another in-state facility.
- **“Permitholder”** is the entity licensed to conduct pari-mutuel wagering.

Historical Overview

1931 - Pari-Mutuel Wagering was authorized

1990 - Intertrack & Simulcast wagering authorized

1991-1993 - Chapter 550 sunset and re-enacted resulting in:

- Deletion of the Pari-Mutuel Commission
- Deregulation of permitholder take-out rates and racing dates

1996 - Cardrooms authorized at Pari-Mutuel Facilities (\$10 “pot” limits)

2000 – Tax rate reduction resulting in a loss of \$22 million in state revenue

2003 – Cardroom “pot” limits replaced with \$2.00 bet limits with no more than 5 raises

2004 – Constitutional Amendment passed allowing Slot Gaming

- Limited to Broward and Miami-Dade Counties
- Required county referendums to begin slot gaming

2005 – Slot Machine Legislation signed into law

2007 - Cardroom bet limits were increased to \$5 for regular play and replaced with a \$100 buy-in cap for tournament play

Historical Overview

2010 - The Legislature approved the Seminole Gaming Compact and provided for effective date of SB 788 that included the following provisions:

- Cardrooms
 - Extended cardroom operating hours to a cumulative 18 hours per day Monday through Friday, and 24 hours per day on Saturday, Sunday, and specified state holidays.
 - Removed all wagering limits and tournaments buy-in caps.
- Slots
 - Reduced the tax rate from 50% to 35%.
 - Reduced the nonrefundable annual license fee from \$3 million to \$2.5 million in Fiscal Year 2010-11, and \$2 million annually thereafter.
 - Slightly amended the definition of “eligible facility”.
- Pari-Mutuel
 - Required quarterhorse permit applications be evaluated under the same as other permit applicants under Section 550.054, F.S
 - Provided the division with rulemaking authority to prohibit certain practices and acts resulting in gross negligence and/or intentional infliction of pain and suffering onto racing animals.

PMW Roles & Responsibilities

Under Chapter 550, 551, and Section 849.086, F.S., the Division is provided with regulatory oversight of pari-mutuel events, cardroom activity, and slot activity, at authorized pari-mutuel permitholder facilities. The Division's general responsibilities include:

- Adopting rules for the control, supervision, and direction of all applicants, permitholders, and licensees for the conduct of pari-mutuel events, cardrooms, and slot machine activity at pari-mutuel facilities in the state
- Issuing permits and annual operating licenses to pari-mutuel facilities, cardrooms, and slot machine facilities.
- Issuing occupational licenses upon satisfactory fingerprint and background checks to pari-mutuel, cardroom, and slot employees who work at a racetrack, fronton, cardroom, slot facility, and to those who have access to money rooms, restricted areas, and/or the racing animals.
- Conducting investigations of alleged violations and inspections of gaming operations to ensure compliance with Chapter 61-D, F.A.C., Chapters 550, 551, and Section 849.086, F.S.
- Testing dog/horse blood and urine samples for impermissible substances at the accredited racing lab located at the University of Florida.
- Conducting various types of onsite inspections and audits of gaming operations.

PMW Roles & Responsibilities cont'd

- Collecting taxes and fees on pari-mutuel, cardroom, and slot operations, as well as ensuring compliance with financial reporting requirements.
- Accounting for and safeguarding over \$300 million annually in state revenue.
- Ensuring the health, safety, and welfare of racing animals, players, and patrons.
- Ensuring that underage patrons are prohibited from participating in wagering and gaming.
- Verify that software in every slot machine has been pre-approved and tested by a licensed independent testing lab
- Ensure each slot machine meets or exceeds the minimum 85% payout at the time of initial installation and quarterly thereafter.
- Approve all shipments of slot machines and slot components into and out of the state of Florida to authorized pari-mutuel facilities, manufacturer warehouses and educational facilities.
- Section 285.710, F.S., designates the Division of Pari-Mutuel Wagering as the State Compliance Agency (SCA).

Integrity

- Effective regulation provides integrity to the gaming industry
- Ensures the public that games are conducted fairly and consistently for all participants.
- Lack of strong and effective regulatory oversight will erode consumer confidence in the gaming activities, which may:
 - Decrease wagering activity at facilities throughout Florida;
 - Increase fraudulent and/or criminal activity at gaming facilities;
 - Jeopardize the health, safety, and welfare of racing animals, players, and patrons;
 - Deter national gaming and wagering events from choosing Florida to host events; and
 - Decrease tax revenue to the State

Permit Types

- “Pari-Mutuel Facility” means a racetrack, fronton, or other facility used by a permit holder for the conduct of pari-mutuel wagering.
- “Jai Alai” means a ball game of Spanish origin played on a court with three walls
- “Racing Greyhound” means a greyhound that is or was used, or is being bred, raised, or trained to be used in racing at a pari-mutuel facility and is registered with the National Greyhound Association.
- “Horserace permit holder” means any thoroughbred, harness, or quarterhorse entity permitted under Chapter 550 to conduct wagering meets.
 - “Thoroughbred” is a purebred horse whose ancestry can be traced back to one of three foundation sires and whose pedigree is registered in the American Stud Book or in a foreign stud book that is recognized by the Jockey Club and the International Stud Book Committee.
 - “Harness Racing” is a type of horseracing which is limited to standardbred horses using a pacing or trotting gait in which each horse pulls a two-wheeled cart called a sulky guided by a driver.
 - “Quarterhorse” is a breed of horse developed in the western United States which is capable of high speed for a short distance and used in quarterhorse racing registered with the American Quarterhorse Association.

Permits & Operating Licenses

Pari-Mutuel Permit

Each permit issued for a specific type of event such as greyhound racing, thoroughbred racing, harness racing, quarterhorse racing, or jai alai games.

Generally, the issuance of new pari-mutuel permits is uncommon due to the mileage restrictions in 550.054 which state that an application may not be issued within 100 miles of an existing pari-mutuel facility, or for jai alai within 50 miles of an existing pari-mutuel facility.

At a minimum, the county in which the proposed pari-mutuel property site is located must approve the pari-mutuel wagering activity within the county by way of referendum. In most cases, each specific permit must be ratified by referendum in the county.

Annual Operating Dates License

A valid pari-mutuel permit holder may annually apply to the Division for an operating license to conduct live racing or live games on the dates specified in the application.

Annual Cardroom License

Once a valid pari-mutuel permit and annual operating license are obtained, a permit holder may seek an application to obtain an annual license to operate a cardroom at the permitted pari-mutuel facility under the requirements established in Section 849.086, F.S.

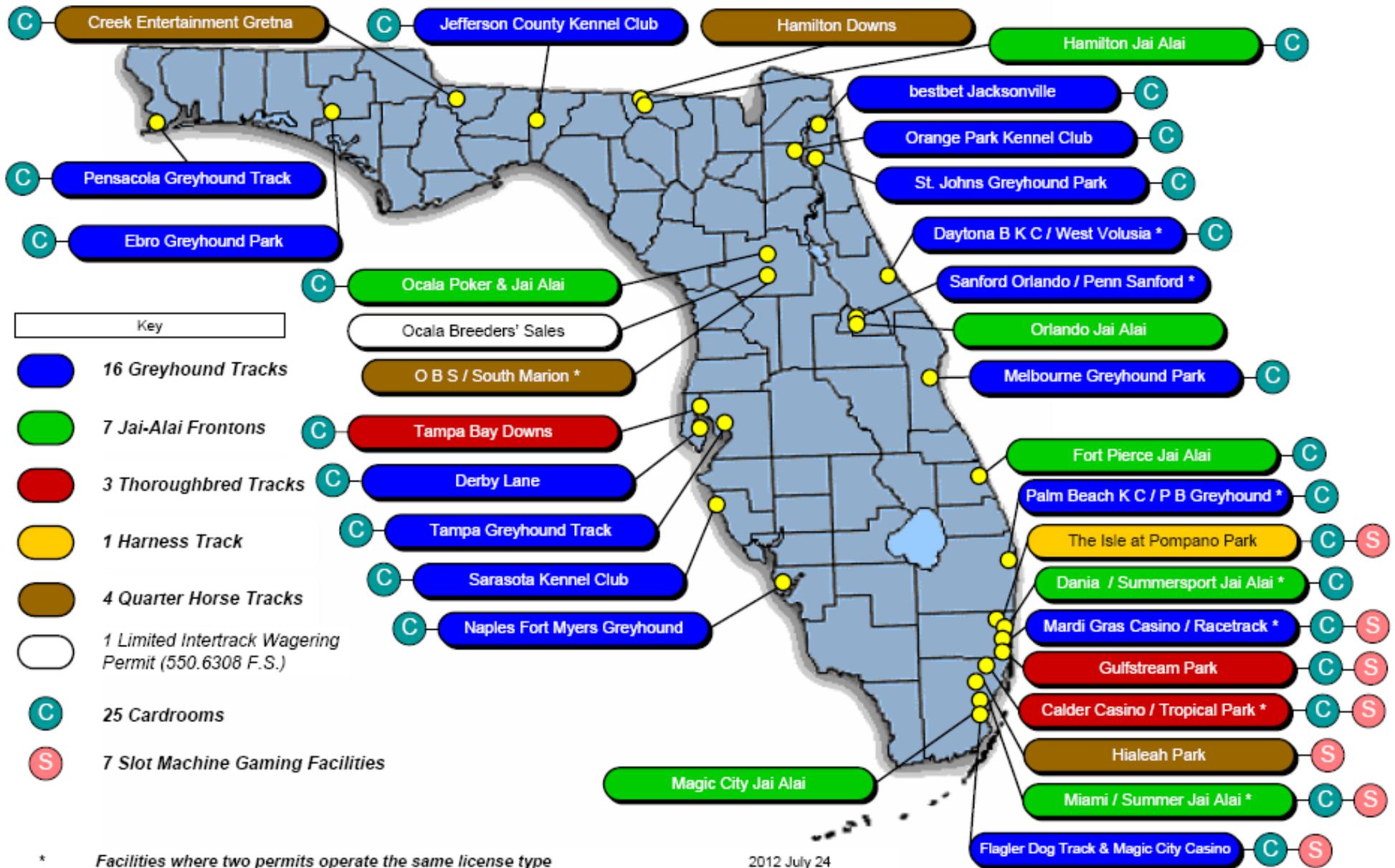
The Division may not issue an initial cardroom license without proof that the local government where the applicant for such license desires to conduct cardroom gaming has voted to approve such activity by a majority vote of the governing body of the municipality or the governing body of the county if the facility is not located in a municipality.

Annual Slot License

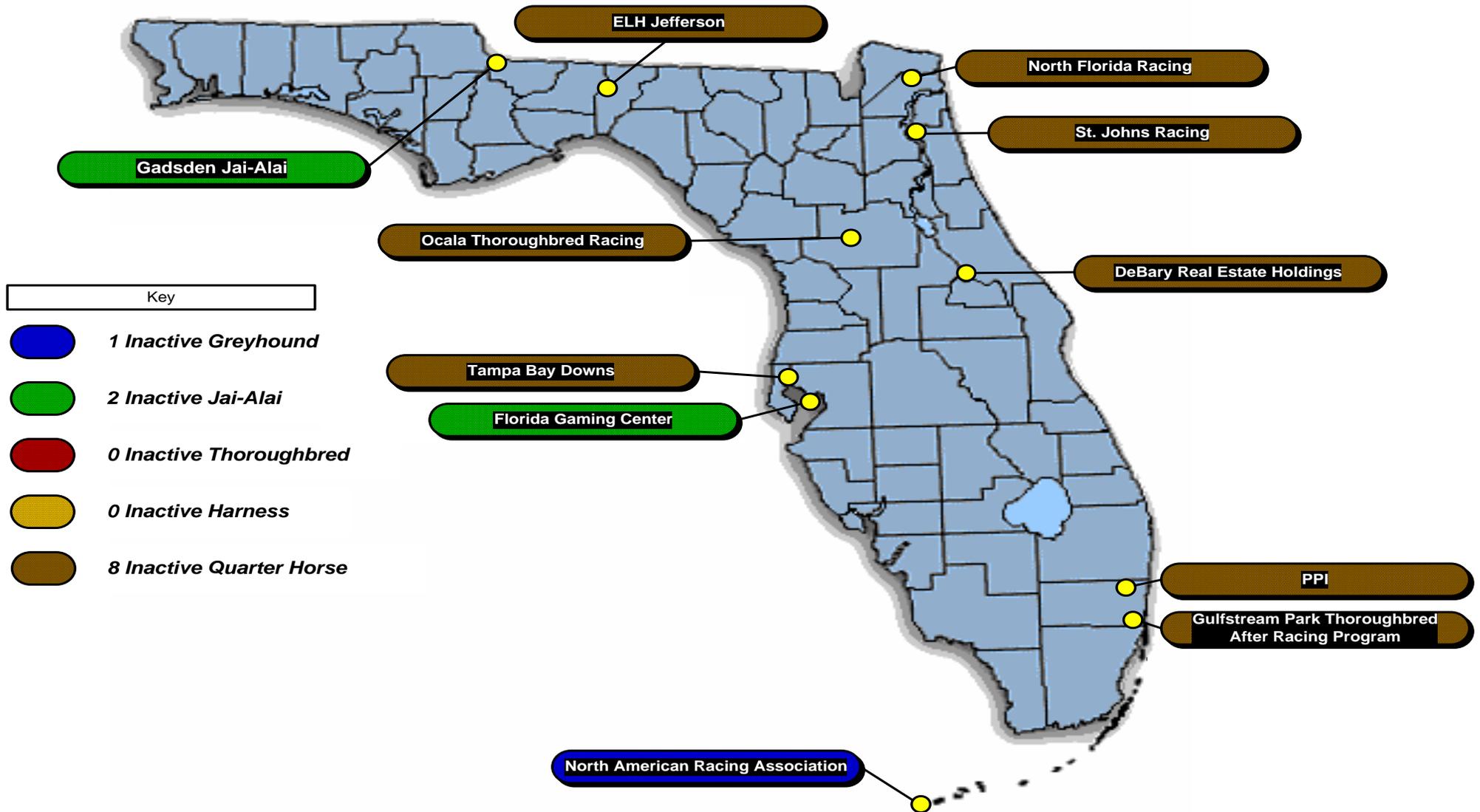
Once a valid pari-mutuel permit and annual operating license are obtained, an "eligible facility" may submit an application to obtain an annual license to operate slot machines at the permitted pari-mutuel facility under the requirements established in Chapter 551, F.S.

The Division may not issue an initial slot license without proof that electors of the county where the applicant for such license desires to conduct slot gaming has voted to approve such activity by a majority vote of the county and meets the other provisions outlined in Chapter 551, F.S.

Fiscal Year 2012-13 Operating Pari-Mutuel Permits

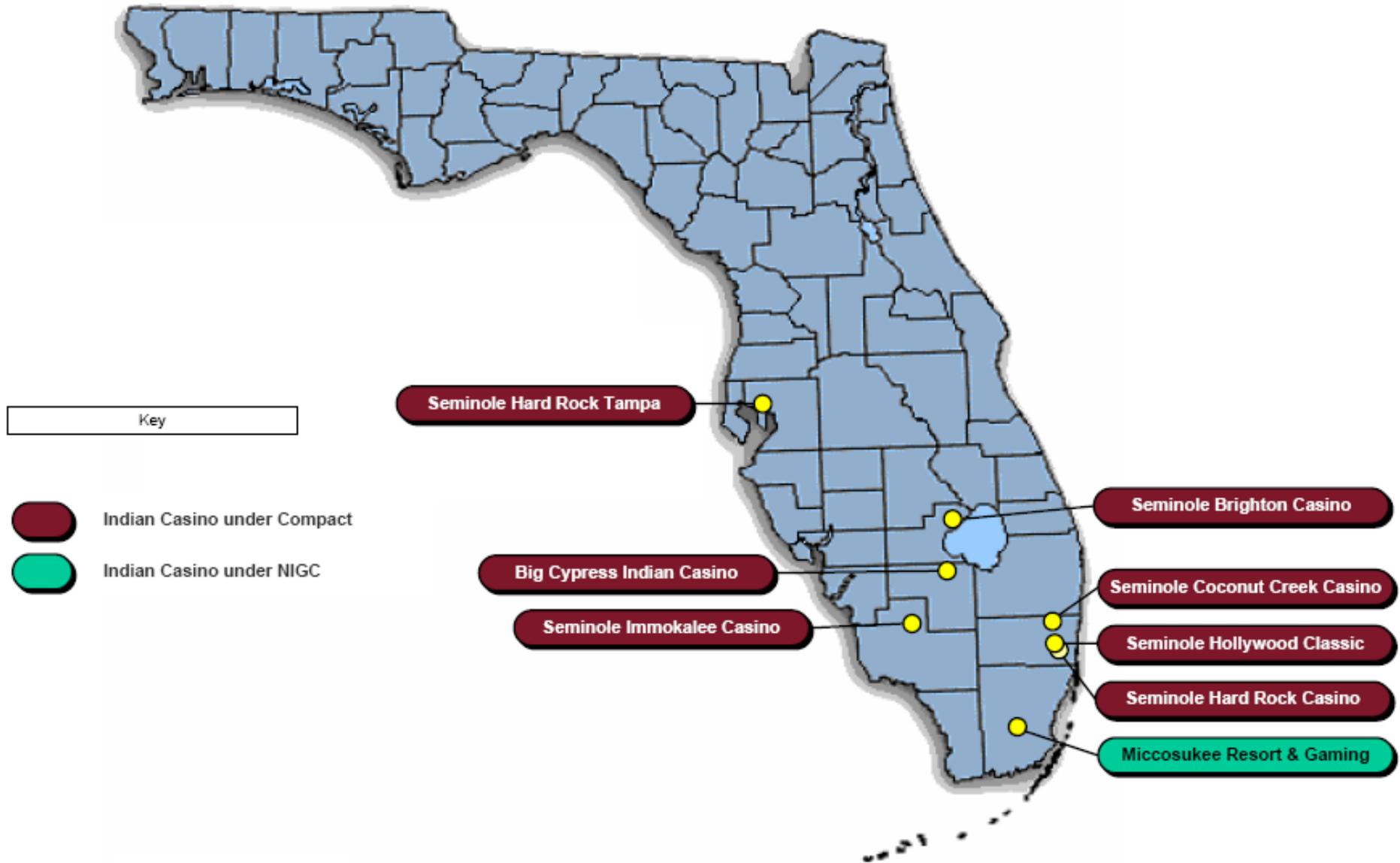


Fiscal Year 2012-13 Non-Operating Permits



2012 June 29

Fiscal Year 2012-13 Indian Gaming Facilities



2013 January 11

State Compliance Agency (SCA)

- Section 285.710, F.S., designates the Division of Pari-Mutuel Wagering as the State Compliance Agency (SCA).
- The Compact limits the Division to more of an oversight role than a traditional regulatory role which typically includes licensing and enforcement tools such as fine, suspension, and/or revocation.
- **Compact authorizes:**
 - One inspection per month per facility not to last more than 10 hours over two consecutive days.
 - An annual limit of 1,200 hours for all random inspections and audit reviews.
- **Oversight includes:**
 - Ensuring compliance guidelines established by the Tribe's Internal Controls and any other procedures adopted by the National Indian Gaming Commission.
 - Ensuring all tribal Facilities and Covered Games are operated in compliance with standards that meet or exceed those set forth in the National Indian Gaming Commission's Minimum Internal Control Standards.
 - Ensuring all documents are retained in compliance with requirements set forth in the Tribes Record Retention Policies and Procedures.
 - Ensuring adequate measures exist to prevent underage patrons from participating in covered games.

SCA Roles & Responsibilities cont'd

- Verifying that all revenue paid to the State of Florida is in compliance with Section XI of the Compact.
- Verifying that the Tribe has paid an annual \$250,000 per facility donation to the Florida Council on Compulsive Gambling.
- Ensuring the average minimum pay-out of all slot machines in each facility is not less than 85 percent.
- Ensuring that facility employees are licensed in accordance with the Seminole Tribal Gaming Code.
- Determining the distribution to each eligible county or municipality as outlined in Section 285.710, F.S.
- Ensuring that the summaries of rules for playing covered games and promotional contests are visibly displayed and made available to patrons.
- Ensuring the Tribe engages in and maintains proactive approaches to prevent improper alcohol sales, underage drinking, and drunk driving.
- Ensuring the Tribe continues to maintain a program to combat problem gambling.

Animal Welfare

- Ensure pre-race examination of all animals by a licensed veterinarian.
- Perform random kennel and stable inspections.
- Investigate allegations of animal abuse.
- Ensure that required greyhound adoption programs and proceeds disbursement requirements are followed accordingly.
- Collect blood and urine samples from animals competing in races in Florida to detect impermissible substances.
- Ensure all racing animals are current on required inoculations.



Fiscal Year 2011/12 Operating Overview

Number of Occupational Licensees: 30,124

Total Pari-Mutuel Races And Games: 60,894

Total Number of Investigations: 408

Total Blood/Urine Samples Collected: 86,206

Fiscal Year State Revenue Breakdown:

- Pari-Mutuel Performances - \$13.8 million
- Cardroom Operations - \$14.3 million
- Slot Machine Operations - \$158 million
- Seminole Compact - \$150 million

Samples Identified with Prohibited Drugs: 323

Total Revenue - \$ 336.1 million

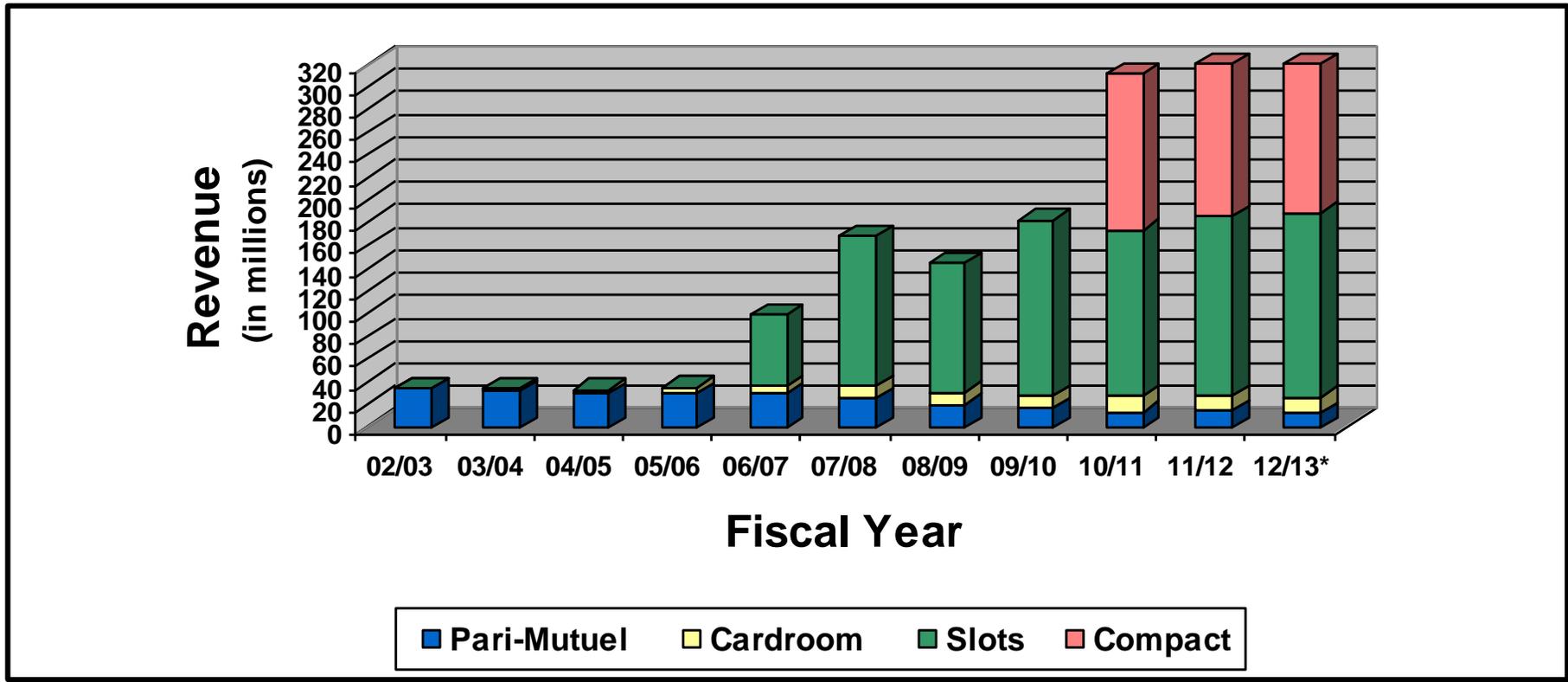
Division Staff:

- 65 Pari-Mutuel/Cardroom FTE
- 46 Slots FTE
- 4 Compact Oversight FTE
- Approximately 100 OPS

Budget Appropriation:

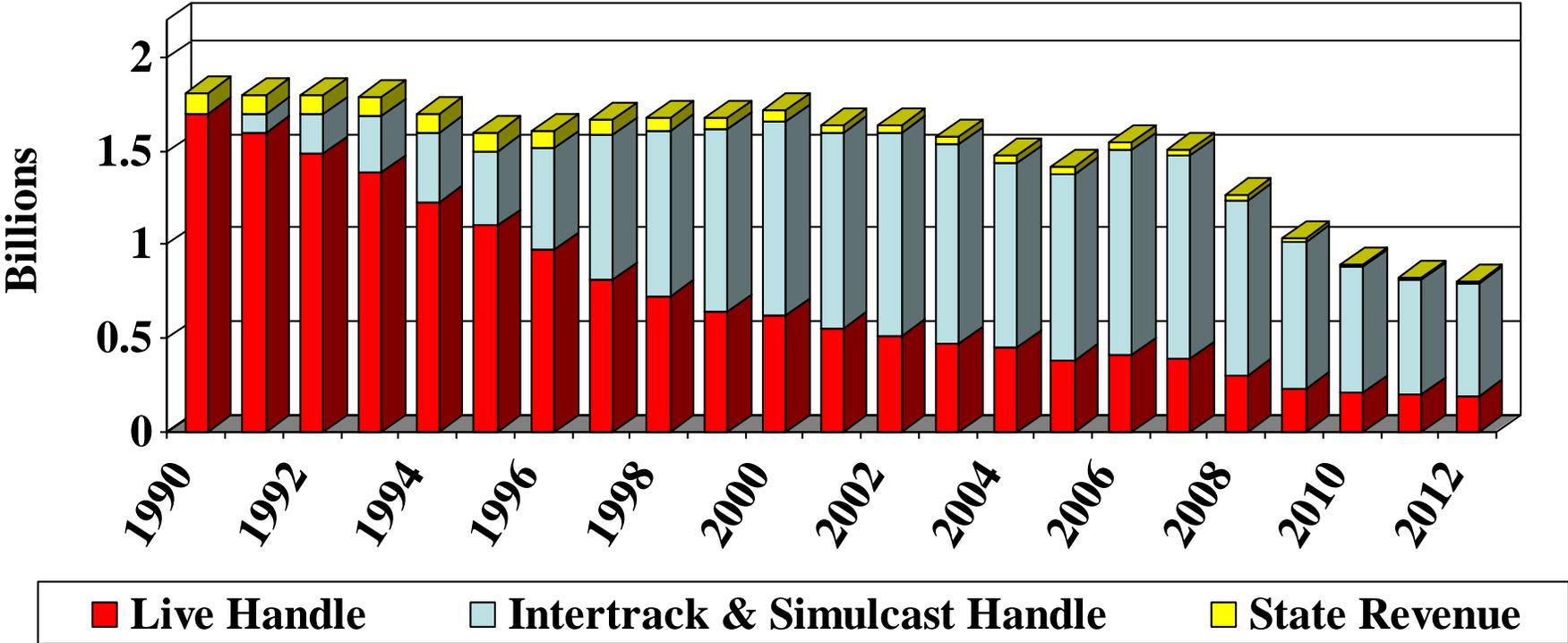
Pari-Mutuel/Cardroom	\$ 9.0 million
Slots	\$ 3.7 million
Compact Oversight	\$ 0.26 million
Total	\$12.96 million

State Revenue Trend



*Fiscal Year 12-13 estimate from Revenue Estimating Conference

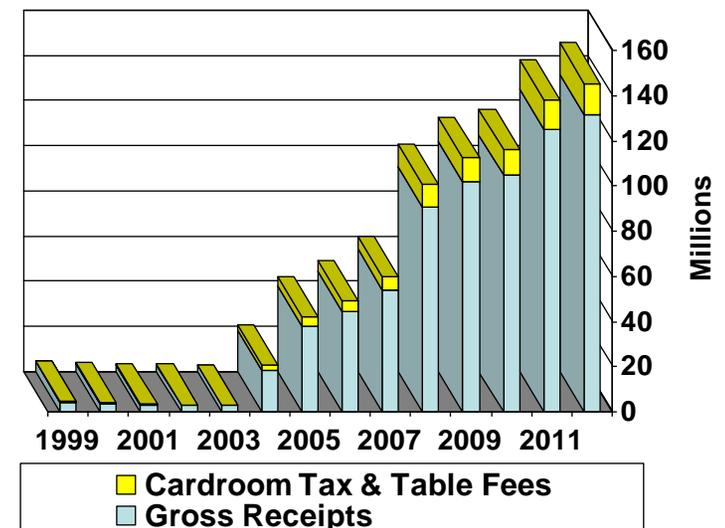
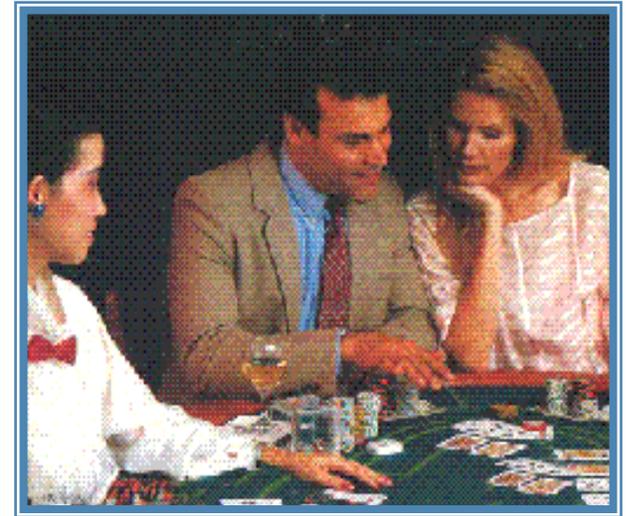
Trends in Pari-Mutuel Wagering



Note: Intertrack & Simulcast Handle includes wagers on signals originating from both out-of-state and in-state facilities

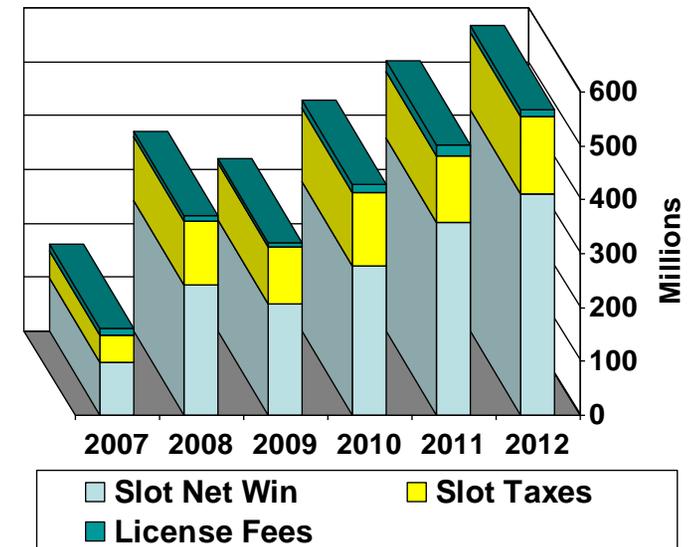
Cardrooms

- Requires approval from majority vote of the governing body of the municipality or county depending on where the pari-mutuel facility is located.
- Cardroom may only be operated at the location where the permitholder is authorized to conduct pari-mutuel wagering.
- Minimum participation is 18 years of age.
- May operate 18 hours a day on weekdays and 24 hours a day on weekends and holidays
- Games are limited to games of poker in a non-banking manner.
- Wagering limits are established by the individual cardroom operators
- Tax rate of 10% of gross receipts.
- Annual license fee of \$1,000 per table
- Over 775 tables licensed for Fiscal Year 12-13, representing an 8% increase from the previous year.

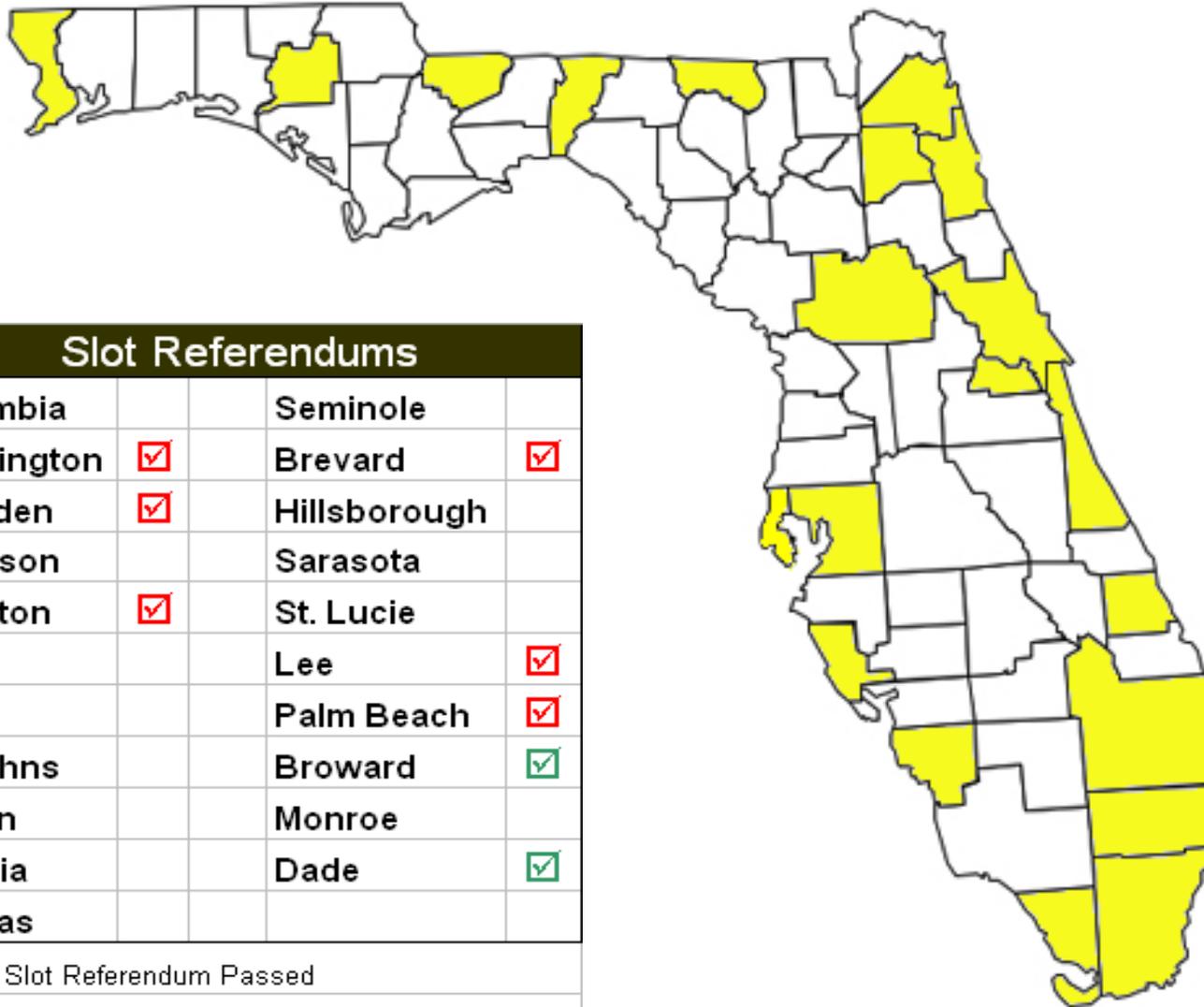


Slots

- Slot machine licensees may offer up to 2,000 slot machines for play within each facility.
- Annual slot license fee of \$2 million per facility.
- Annual fee of \$250,000 to fund the compulsive and addictive gambling prevention program.
- Minimum participation is 21 years of age.
- May operate 18 hours per day on weekdays and 24 hours per day on weekends and holidays.
- Approximately 6,400 slot machines currently being offered for play at pari-mutuel facilities.
- Slot tax rate is 35% of slot machine revenue.
- Requires payout percentage of at least 85% to slot machine players.
- All slots machines must be certified by independent testing laboratory to comply with Florida law.
- During Fiscal Year 11-12, seven pari-mutuel facilities in Miami-Dade and Broward Counties obtained slot licenses (six currently operating with the seventh expected to open later in 2013).



Pari-Mutuel Permits by County



Slot Referendums			
Escambia		Seminole	
Washington	☑	Brevard	☑
Gadsden	☑	Hillsborough	
Jefferson		Sarasota	
Hamilton	☑	St. Lucie	
Duval		Lee	☑
Clay		Palm Beach	☑
St. Johns		Broward	☑
Marion		Monroe	
Volusia		Dade	☑
Pinellas			
☑	= Slot Referendum Passed		
☑	= Constitutionally authorized Slot Referendum		

Questions



THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

01/14/2013

Meeting Date

Topic Pari-Mutuel Overview

Bill Number _____
(if applicable)

Name Ken Lawson

Amendment Barcode _____
(if applicable)

Job Title Secretary, DBPR

Address 1940 North Monroe Street

Phone 850-413-0755

Street

Tallahassee

Florida

32399

E-mail Ken.Lawson@dbpr.state.fl.us

City

State

Zip

Speaking: For Against Information

Representing The Department of Business and Professional Regulation

Appearing at request of Chair: Yes No

Lobbyist registered with Legislature: Yes No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

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S-001 (10/20/11)

THE FLORIDA SENATE
APPEARANCE RECORD

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1/14/13

Meeting Date

Topic PARI-MUTUEL INFORMATION Bill Number _____
(if applicable)

Name LEON M. BIEGALSKI Amendment Barcode _____
(if applicable)

Job Title DIRECTOR, DIVISION OF PARI-MUTUEL WAGERING

Address 1940 N. MONROE STREET Phone (850) 488-9130
Street

TALLAHASSEE FL 32399
City State Zip

E-mail leon.biegalski@dbpr.state.fl.us

Speaking: For Against Information

Representing DBPR

Appearing at request of Chair: Yes No

Lobbyist registered with Legislature: Yes No

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The Florida Lottery After 25 Years

Cynthia F. O'Connell, Secretary

Senate Gaming Committee

Monday, January 14, 2013



Just Imagine™

Purpose

“...to operate the state lottery...so as to maximize revenues [for the Educational Enhancement Trust Fund] in a manner consonant with the dignity of the state and the welfare of its citizens.”

Intent

“That the lottery games be operated by a department of state government that functions as much as possible in the manner of an entrepreneurial business enterprise.”



The Games of the Florida Lottery



The Lottery Dollar

Since inception

Ticket Vendor Fees: 1.5%

Prizes: 62.1%

Over **\$37.7 billion**
in player prizes LTD.

Education (EETF): 29.5%

Over **\$24 billion** to
Florida Education LTD.



Operations: 1.3%

The Florida Lottery remains one of the
most efficient lotteries in the nation.

*Operations include advertising, staff and all office
operations. As of 6/30/2012.

Retailer Commissions: 5.6%

Over **\$3.8 billion** to
Florida businesses LTD.

98% of Lottery Revenues are returned to the Florida economy in the form of prizes, commissions and vendor payments.



District Office Operations

Lottery Headquarters

Tallahassee

- 236 Staff

Nine District Offices

Statewide

- 113 Sales Representatives
Servicing over 13,000 retail locations.
- 74 Office Support Staff
Selling tickets and paying prizes to players up to \$250,000



Business Cycle





Benefiting Florida's Economy Through Business Partnerships

The Florida Lottery contracts with over 13,000 Florida businesses to sell its products.

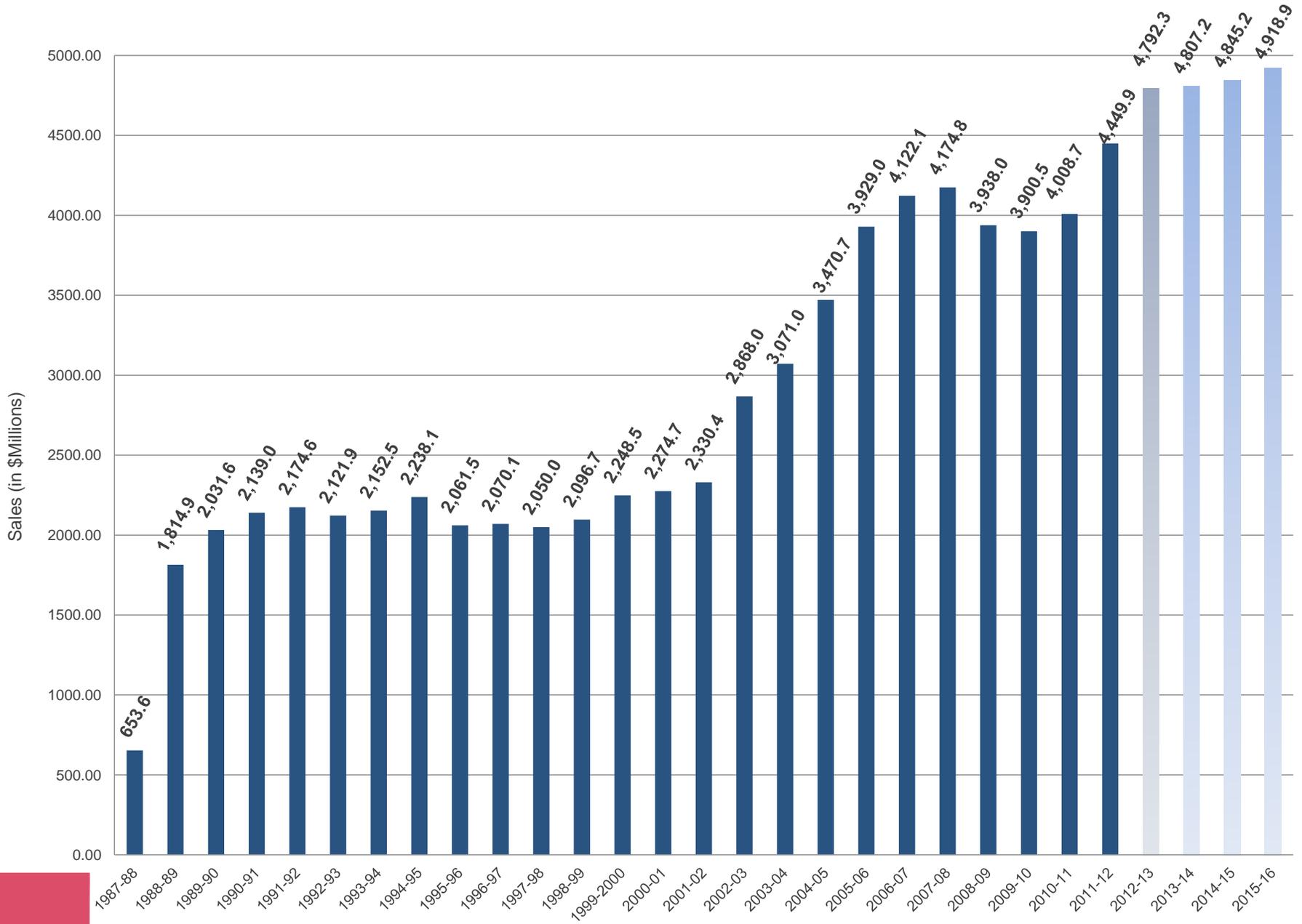
These partnerships provide provisions covering the selling and redeeming of Lottery tickets.*

The Florida Lottery has also partnered with other State entities, most recently the Florida Department of State to promote the historical importance of our state. This partnership is seen in our ticket "Florida Treasure Hunt".

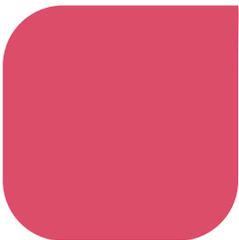
The Florida Lottery has generated over \$3.5 billion to its retailers across the state in commissions and cash bonuses since 1988.

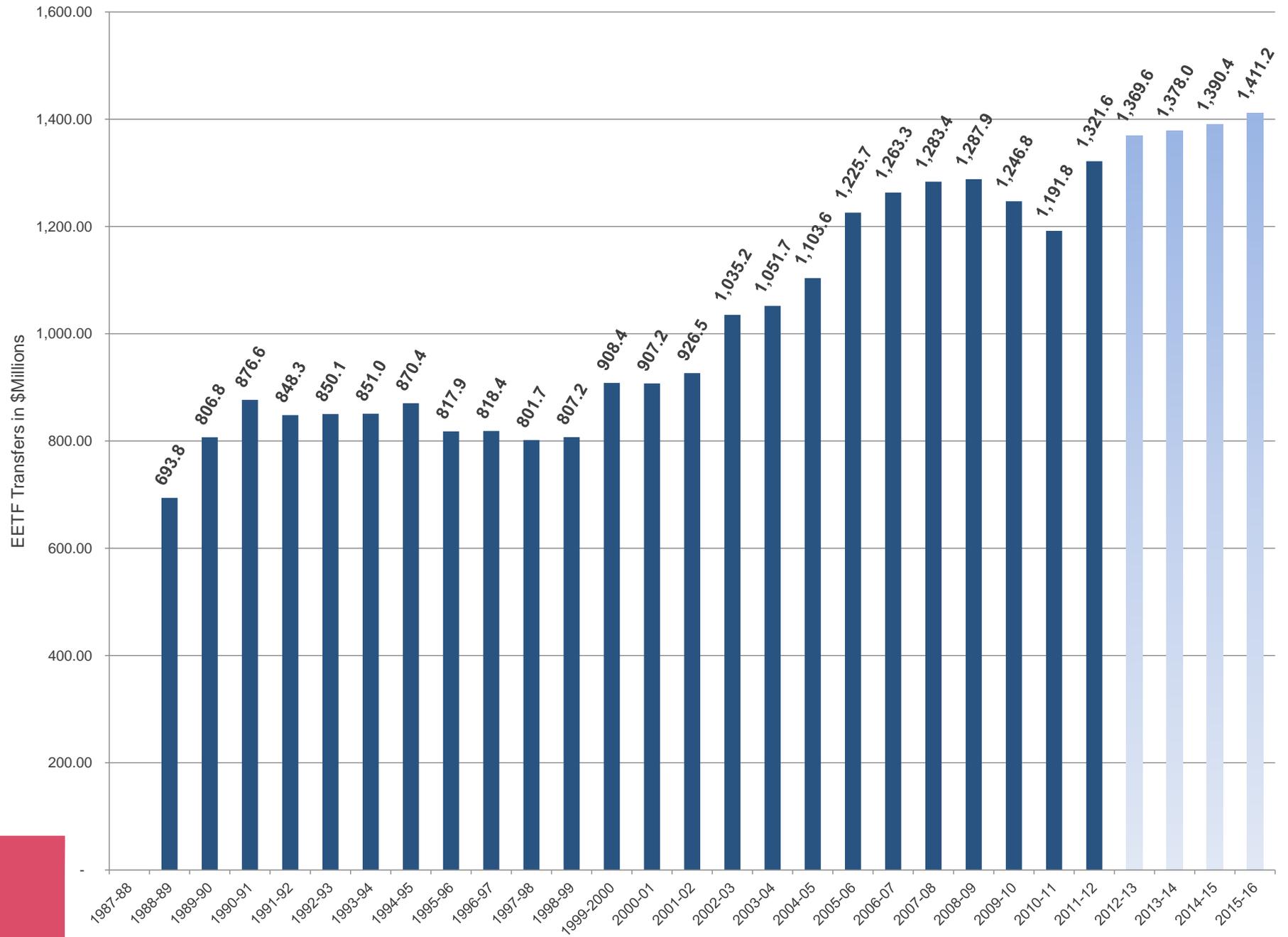
Analysis shows that nearly all of Lottery revenues stay within Florida.

Lottery retailers can only redeem winning tickets valued at less than \$600.



Florida Lottery Total Sales (in Millions)





Lottery's Educational Enhancement Trust Fund Transfers

Variable Prize Payout Authority

In July 2002, 2002-227, Laws of Florida took effect, allowing variable prize payouts for instant tickets.

This allowed the Lottery to offer higher prizes for its instant ticket games.

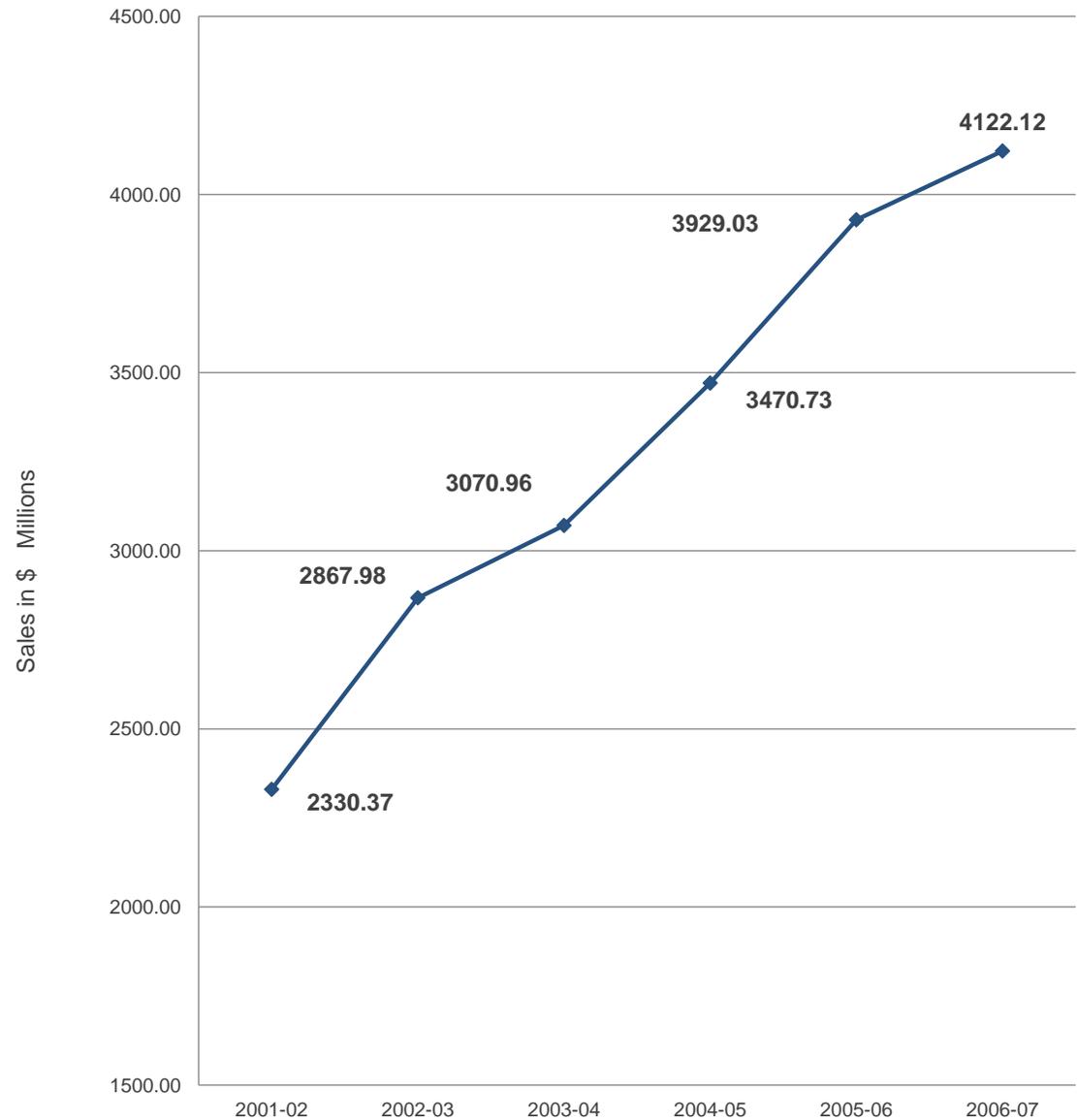
Scratch-off game sales increased 62% in the first fiscal year that these new games were permitted and more than tripled by FY 2007-08.

Over that same 6-year period annual education funding from scratch-offs rose by \$219 million.

In July 2005, 2005-84, Laws of Florida took effect, allowing variable prize payouts for all tickets, including terminal tickets.

Sales increased 13% in the first fiscal year after the variable prize payments were permitted.

Total Lottery Sales



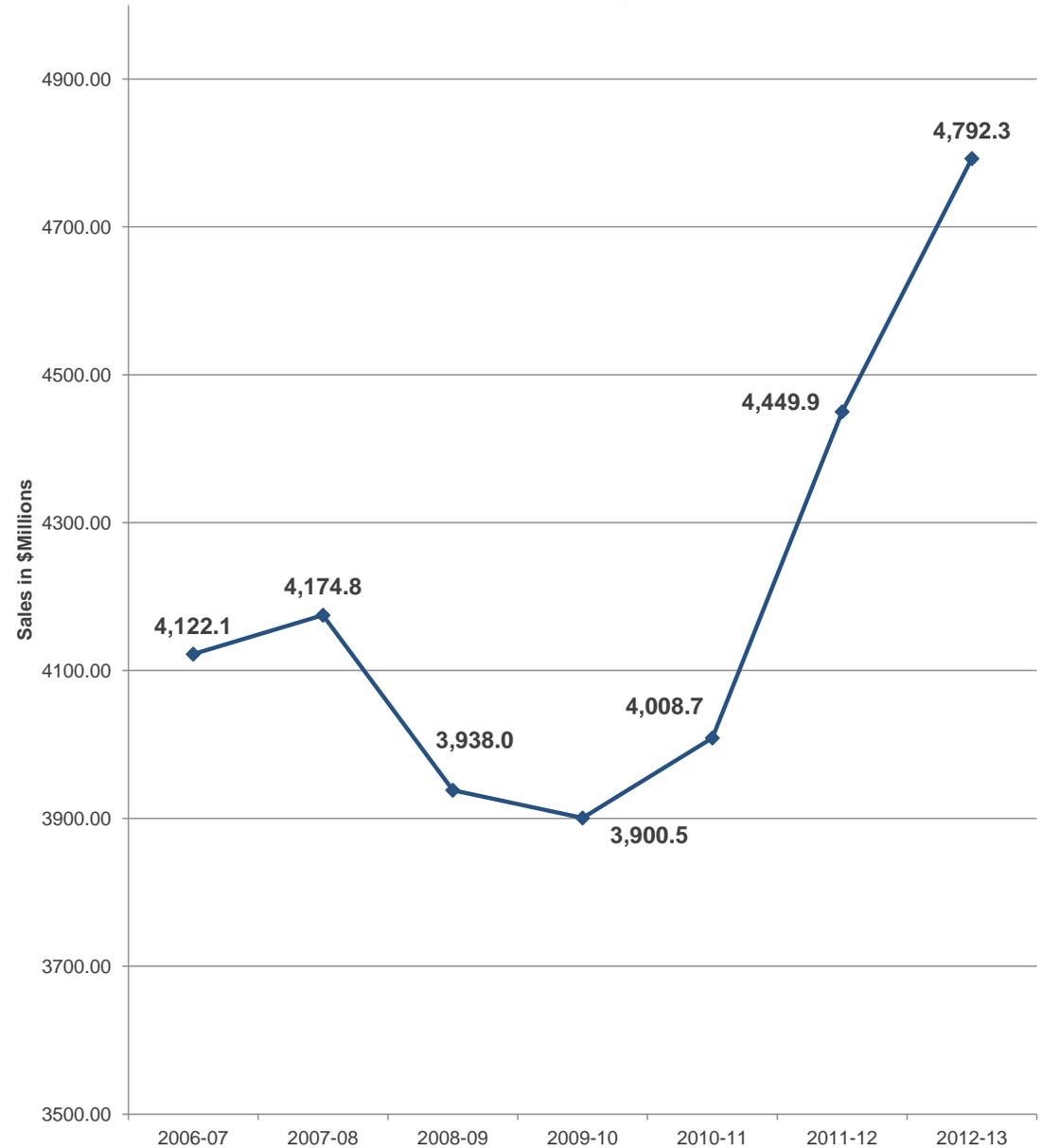
Effects of the “Great Recession”

In the fall of 2008 with the economic climate in decline, the Lottery also recognized a decrease in player participation in lottery games.

In FY 2008-09 the Lottery’s sales decreased 6% from the year before and declined slightly more in FY 2009-10.

Beginning in FY 2010-2011, the Lottery sales began increasing again, and by FY 2011-12, sales had surpassed pre-recession levels, setting a new all time Florida record.

Total Lottery Sales





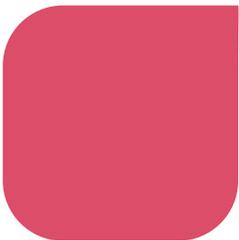
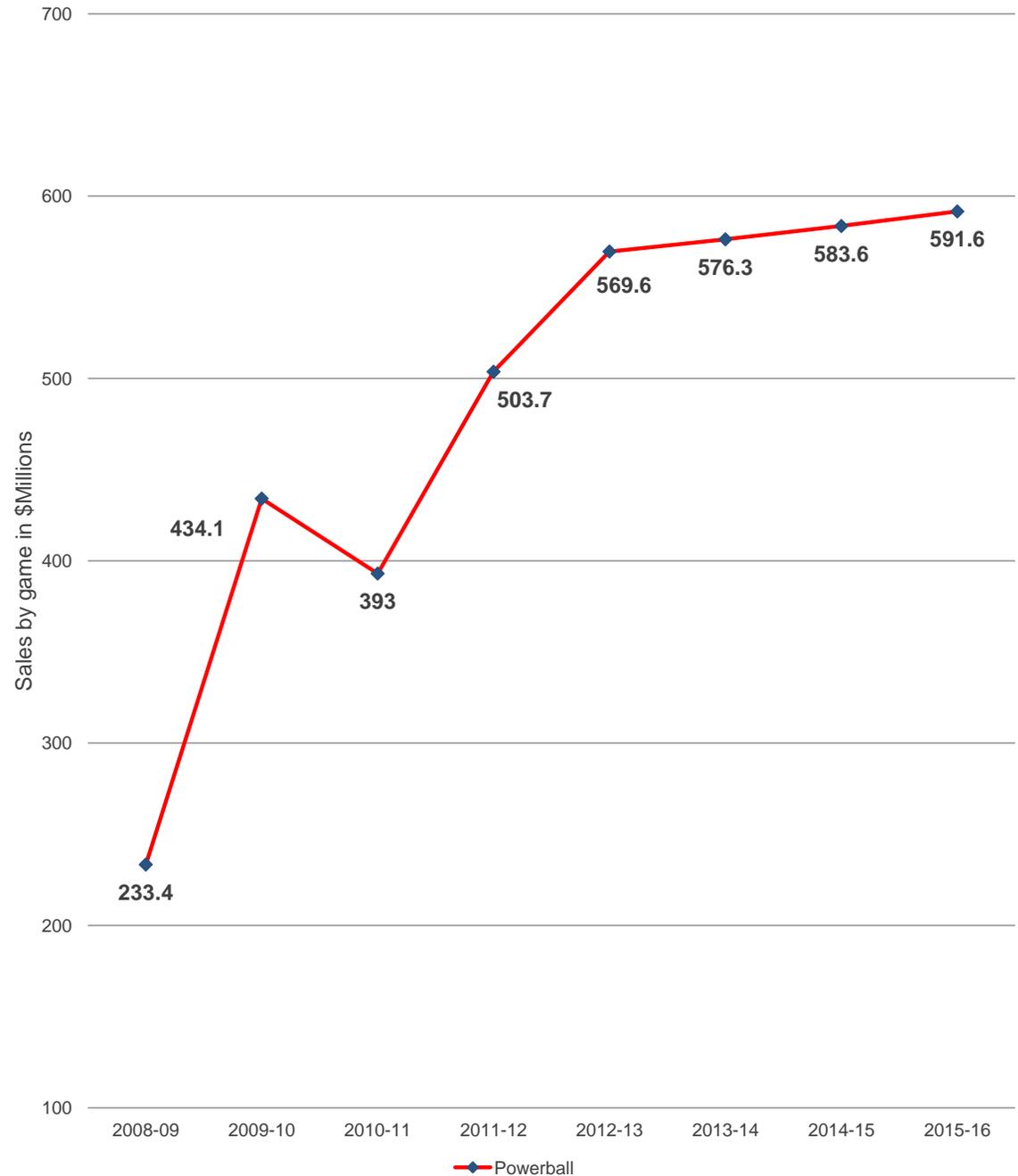
Introduction of Powerball

In January 2009, the Florida Lottery first offered the POWERBALL game.

Though overall lottery sales were low during the initial years due to the “Great Recession,” POWERBALL quickly became a popular game.

Since its introduction, sales of POWERBALL have rivaled and now surpass the Lottery’s flagship game, FLORIDA LOTTO.

In January 2012, POWERBALL became a \$2 terminal game, total POWERBALL and Lotto sales increased by a net 5% in the first year.



Lottery Vending Machines

The Lottery's first 1,000 Instant Ticket Vending Machines (ITVM's) were introduced in late summer of 2009.

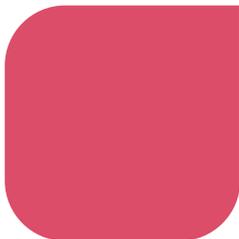
In FY 2010-11, the Lottery received funding for 500 additional ITVM's

500 Full Service Vending Machines were introduced beginning in September of 2012.

On July 1, 2012, 2012-130, Florida Law took effect, permitting the sale of all types of lottery tickets through full service vending machines.

These machines have increased sales in their placement locations, and the sales growth for these machines is 3.4% more than statewide non-ITVM growth. They have generated an estimated \$4.8 million in additional sales revenue since installation.

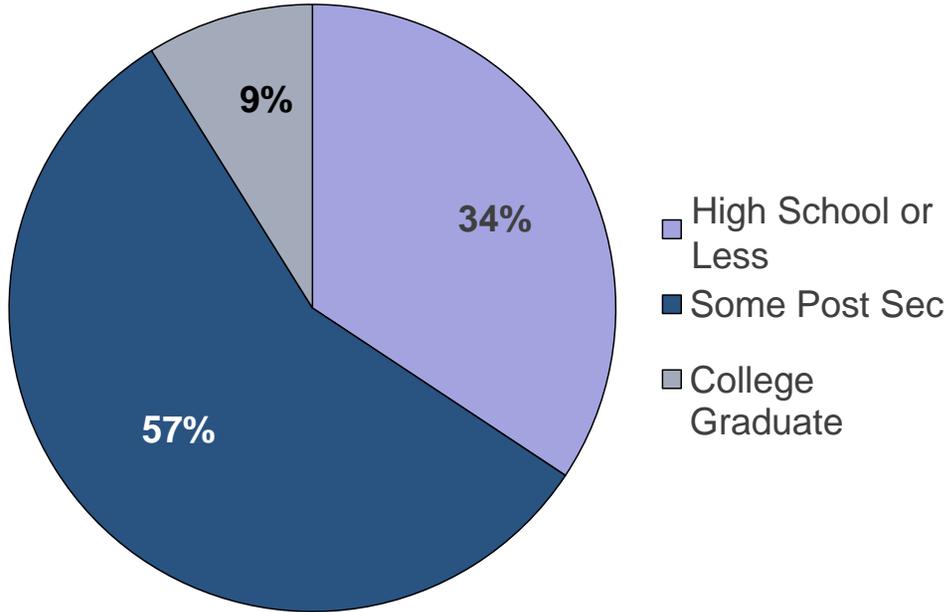
Wk in Analysis	# Units	Pre-Inst.	Post-Inst.	% Growth	% Over SW Avg.
13	272	\$ 6,444,338	\$ 7,524,729	16.76%	3.35%
12	45	969,624	1,184,230	22.13%	8.56%
11	56	1,207,244	1,399,456	15.92%	2.53%
10	49	1,022,608	1,218,451	19.15%	3.53%
9	59	1,234,065	1,462,631	18.52%	2.45%
8	8	146,207	162,428	11.09%	-3.42%



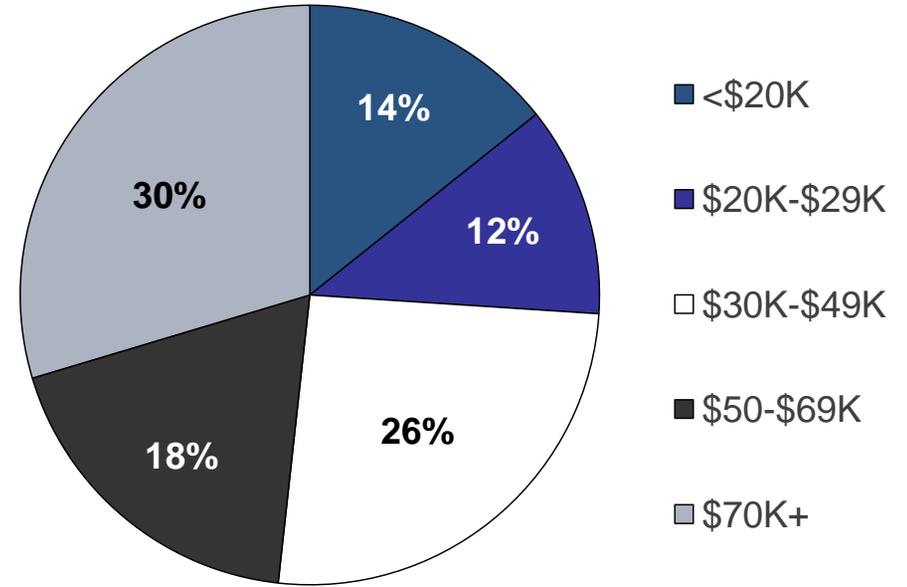
Florida Lottery Player Demographics



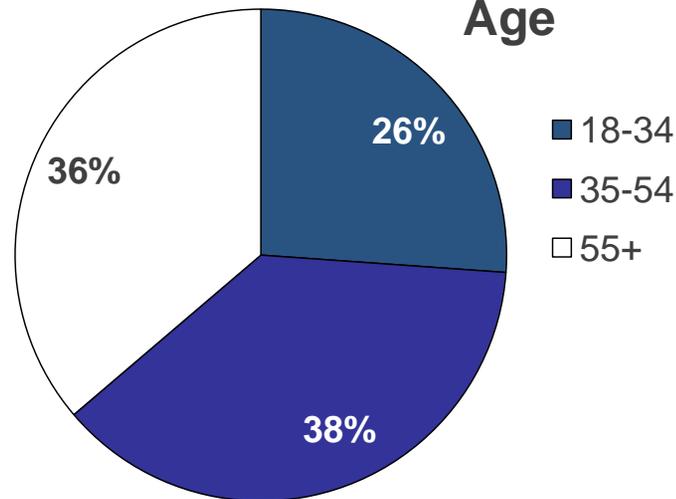
Education



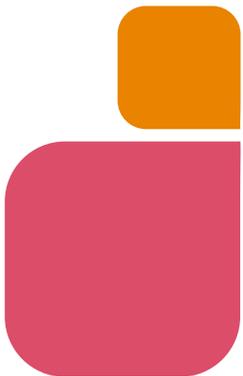
Annual Household Income



Age



Based on Fiscal Year 2011-12 Florida Lottery Monthly Online Tracking Survey. The Lottery's marketing research firm, Ipsos-Reid, Inc., conducted Internet-based interviews with a total of 6000 Florida adults.



Changes in Florida Market Segments

Lottery spending has become more dispersed among player segments:

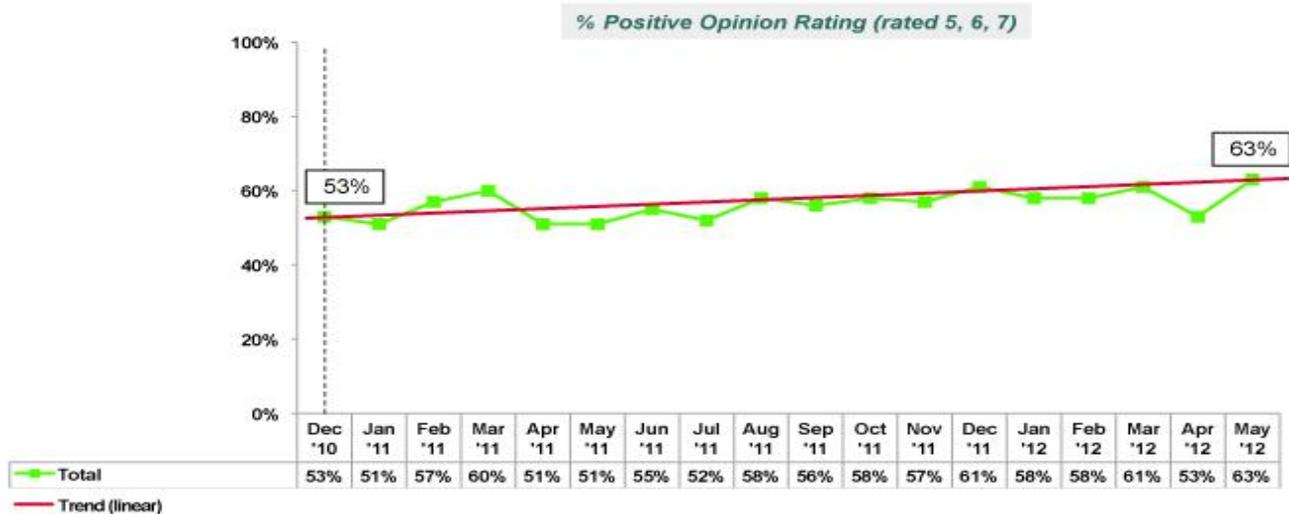
2006: 94% of sales from 49% of the population

2012: 85% of sales from 64% of the population

There is growing diversity in Lottery players and positive public perception of Lottery games



Overall Opinion of the Florida Lottery Among Those Aware/Not Aware of Benefits Advertising

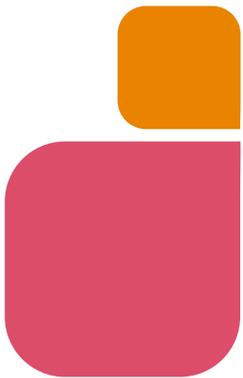


*Change in methodology from telephone to online in January 2011

Base: All respondents; aware of Benefits advertising; not aware of Benefits advertising

C2. How would you describe your overall opinion of the Florida Lottery on a scale from 1 to 7, where '1' means your opinion is 'very negative' and '7' means your opinion is 'very positive'?





THE FLORIDA SENATE
APPEARANCE RECORD

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1/14

Meeting Date

Topic LOTTERY PRESENTATION

Bill Number N/A
(if applicable)

Name SEN. CYNTHIA O'CONNELL

Amendment Barcode _____
(if applicable)

Job Title SECRETARY

Address 250 MARLIOTT DR.

Phone 487-7728

Street

TALLAHASSEE,

FL

32301

E-mail _____

City

State

Zip

Speaking: For Against Information

Representing FL. LOTTERY

Appearing at request of Chair: Yes No

Lobbyist registered with Legislature: Yes No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

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S-001 (10/20/11)

THE FLORIDA SENATE
APPEARANCE RECORD

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1/14

Meeting Date

Topic LOTTERY PRESENTATION

Bill Number N/A
(if applicable)

Name DENNIS HARMON

Amendment Barcode _____
(if applicable)

Job Title DEPUTY SECRETARY

Address 250 MARIOTT DR.

Phone 487-7777

Street

TALLAHASSEE

E-mail _____

City

State

Zip

Speaking: For Against Information

Representing DOL

Appearing at request of Chair: Yes No

Lobbyist registered with Legislature: Yes No

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Gaming Compact Between the Seminole Tribe and the State of Florida

**Staff Presentation
Monday, January 14, 2012**



The Florida Senate
Committee on Gaming
Senator Richter, Chair
Senator Sachs, Vice Chair

Ratification and Approval

Executed by Governor and Tribe on April 7, 2010.

Ratified by Legislature (Chapter 2010-29, Laws of Florida, effective April 28, 2010).

Approved by U.S. Secretary of the Interior (pursuant to the Indian Gaming Regulatory Act of 1988) on June 24, 2010.

Published in Federal Register and became effective on July 6, 2010.

Term

20 years beginning August 1, 2010.

Expires July 31, 2030, unless renewed, except authorization to conduct banked card games (e.g., blackjack, baccarat, and chemin de fer) expires July 31, 2015, unless renewed.

Covered Games

- Slot machines.
- Banked card games – blackjack, baccarat, chemin de fer (not authorized for Brighton or Big Cypress).
- Poker, conducted in compliance with Florida law; except for 6 celebrity/charity tournaments.
- Games or devices authorized for use by the State Lottery.
- Excludes roulette, craps or similarly styled games
- Any new game authorized by law for any person for any purpose.

Seven Seminole Casinos on Tribe's Indian Lands

1. Seminole Hard Rock Hotel & Casino – Hollywood (Broward County)
2. Seminole Indian Casino – Coconut Creek (Broward County)
3. Seminole Indian Casino – Hollywood (Broward County)
4. Seminole Hard Rock Hotel & Casino – Tampa (Hillsborough County)
5. Seminole Indian Casino – Immokalee (Collier County)
6. Seminole Indian Casino – Brighton (Glades County)*
7. Seminole Indian Casino – Big Cypress (Hendry County)*

* Banked card games not authorized

Revenue Sharing

As consideration for exclusivity (i.e., exclusive authority to offer banked card games at 5 facilities and slot machines outside Miami-Dade and Broward Counties), Tribe pays a portion of its revenues from covered games.

Revenue Sharing: Guaranteed Minimums (first 5 years)

Five year total: \$1 billion:

- Initial 2 years: \$150 million per year.
- Years 3 and 4: \$233 million per year.
- Year 5: \$234 million.

Guaranteed minimum payments are waived if:

- Legislature authorizes new Class III or other casino-style games in Broward or Miami-Dade County; OR
- Legislature authorizes Internet gaming AND net win declines by 5% or more.

Revenue Sharing: Percentage of Net Win (years 3-20)

Annual Net Win		Percentage Shared with State
Greater than:	Up to and including:	
\$0	\$2 billion	12%
\$2 billion	\$3 billion	15%
\$3 billion	\$3.5 billion	17.5%
\$3.5 billion	\$4 billion	20%
\$4 billion	\$4.5 billion	22.5%
\$4.5 billion		25%

Revenue Sharing: Percentage of Net Win (years 6-20)

IF authorization for banked card games not extended beyond 5 years...

THEN net win calculations used for revenue sharing will exclude amounts from Tribe's facilities in Broward County.

Revenue Sharing: Discontinued if...

- Legislature authorizes new Class III games or other casino-style (random number) games, excluding:
 - Gaming authorized by compacts with other federally recognized tribes.
 - Specified State Lottery games, state-licensed pari-mutuel wagering, and state-licensed card rooms.
 - Games authorized pursuant to ch. 849, F.S., as of February 1, 2010 (e.g., charitable bingo, card rooms).
 - Slot machines at 8 existing pari-mutuel facilities in Broward and Miami-Dade Counties (see next slide for additional Broward and Miami-Dade exceptions).
 - Specified historic racing machines outside Broward and Miami-Dade Counties.

Revenue Sharing: Reduced if...

- Legislature authorizes new Class III or other casino-style games in Broward or Miami-Dade County.
 - Guaranteed minimum payments (for first five years) are waived.
 - If new gaming is at 8 existing state-licensed pari-mutuel facilities, Tribe's revenue sharing percentage is reduced by 50% of any decline in net win from its 3 Broward casinos.
 - If new gaming is elsewhere in Broward or Miami-Dade County, the Tribe's revenue sharing no longer will include net win from its 3 Broward casinos.

Revenue Sharing: Placed in escrow if...

- Expansion of Class III games or other casino-style games is the result of a court decision or agency decision.

... If Legislature then fails to reverse such decision before the end of its next session, escrow released to the Tribe and future revenue sharing discontinued.

Miscellaneous Provisions

- More favorable terms in any subsequent compact are deemed amendments to this compact unless the state objects and follows dispute procedures.
- Annual average minimum pay-out of slot machines in each Facility shall not be less than 85%.
- The Tribe will maintain non-smoking ventilated card tables and a non-smoking areas for slots.
- The Tribe will maintain: compulsive gambling programs (and voluntarily excluded patrons); proactive approaches to prevent improper alcohol sales, DUI, and underage gambling; and responsible gaming messages in advertisements.

CourtSmart Tag Report

Room: EL 110

Caption: Senate Gaming Committee

Case:

Judge:

Type:

Started: 1/14/2013 4:01:13 PM

Ends: 1/14/2013 5:53:17 PM

Length: 01:52:05

4:01:38 PM Senator Richter with opening remarks
4:05:49 PM Member introductions
4:09:12 PM Introduction of staff
4:10:42 PM Jurisdiction of commiitee
4:14:32 PM Amy Baker, OPPAGA with presentation
4:49:56 PM Secretay Ken Lawson, DBPR
4:59:13 PM Question from Sen. Margolis
5:00:10 PM Senator Latvala introducing himself
5:00:51 PM Sen Latvala with question
5:01:01 PM Leon Biegalski with answer to Sen. Latvala's question re: Micosukee Indian
5:01:39 PM Sen. Latvala with follow up
5:02:26 PM Senator Lee
5:02:41 PM Senator Richter with comments
5:03:03 PM Senator Galvano with comments
5:04:18 PM Sen Richter with comments
5:04:47 PM Senator Latvala with question
5:05:27 PM Senator Richter with comments
5:05:39 PM DBPR clarifying question
5:06:05 PM Senator Margolis with comments
5:06:28 PM Senator Richter introduces Secretary Cynthia O'Connell
5:06:58 PM Chairman with comments
5:07:38 PM Secretary O'Connell with presentation
5:22:44 PM Senator Richter with question
5:23:50 PM Secretary O'Connell responding
5:24:30 PM Dennis Harmon, Deputy Secreatry, responding to question
5:25:16 PM Senator Richter with followup
5:25:26 PM Lottery Responding
5:25:31 PM Lottery Responding
5:26:05 PM Lottery Responding
5:26:05 PM Senator Margolis with question
5:26:39 PM Secretary O'Connell
5:26:49 PM Senator Margolis with followup
5:27:01 PM Secretary responding
5:27:09 PM Sen. Margolis wants information
5:27:27 PM Senator Montford with question
5:27:44 PM Secretary O'Connell responding
5:28:19 PM Senator Montford with comments re: work
5:28:32 PM Senator Montford with additional question
5:28:52 PM Secretary responding
5:29:24 PM Senator Latvala with question
5:29:56 PM Secretart O'Connell responding
5:30:15 PM Sen Latvala with followup
5:30:35 PM Sen. Richter with comments regarding next committee meeting
5:31:56 PM John Guthrie, Staff Director, Presentation
5:45:18 PM Senator Latvala with question
5:45:33 PM John Guthrie responding
5:46:41 PM Senator Latvala with question
5:46:53 PM John Guthrie responding
5:47:52 PM John Guthrie continuing presentation
5:50:57 PM Senator Richter with closing comments
5:52:44 PM adjourn