

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

Date: April 7, 1998

Revised: 4/15/97 _____

Subject: Pari-Mutuel Wagering

	<u>Analyst</u>	<u>Staff Director</u>	<u>Reference</u>	<u>Action</u>
1.	<u>Rodriguez</u>	<u>Guthrie</u>	<u>RI</u>	<u>Fav/1 amendment</u>
2.	<u>Keating</u>	<u>Smith</u>	<u>WM</u>	<u>Fav/3 amendments</u>
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

The bill amends a provision in the Laws of Florida that will repeal existing provisions relating to thoroughbred purses, taxes on live handle on harness horse permitholders and jai alai permitholders, and taxes on intertrack wagering. The bill allows a stallion standing in the state during a specified period of each year to be eligible for stallion awards. The bill requires greyhound purses to be prorated and dispersed weekly during a permitholder's live meet. The bill has an estimated recurring negative fiscal impact to the state General Revenue Fund of \$5.4 million for FY 1998-1999.

This bill substantially amends the following sections of the Florida Statutes: 550.2625, 550.09512 and 550.09514.

II. Present Situation:

Pursuant to chapter 91-197, Laws of Florida, portions of chapters 550 and 551, Florida Statutes, were set to repeal on July 1, 1992. The Legislature intended to set up an orderly and timely review of pari-mutuel laws, eliminate duplication, and provide greater uniformity. Instead, what occurred was the repeal of virtually all pari-mutuel laws.

The division adopted emergency rules to provide temporary regulation of the industry until December of 1992, when ch. 92-348, L.O.F., was enacted. Chapter 92-348, L.O.F., provides much of today's regulatory scheme. The law reestablished the division's enforcement authority and condensed, clarified and modernized Florida's pari-mutuel wagering laws.

Section 550.0951, F.S., established a uniform tax rate for all permitholders conducting thoroughbred horse racing, harness horse racing and quarter horse racing. The established tax rate for those industries was 3.3%.

The Legislature recognized that there are identifiable differences between harness horse permitholders and other horse racing permitholders in their ability to operate under such a tax system. Chapter 93-288, L.O.F., was enacted to reduce the live handle tax rate for harness horse race permitholders from 3.3% to 1%. The operative section, s. 550.09512, F.S., is scheduled to repeal on July 1, 1998, which will have the effect of increasing the tax on live and simulcast handle for harness horse race permitholders from 1% to 3.3%.

Section 550.09512, F.S., also provides that a permit shall become void and escheat to the state, if a permitholder fails to operate or pay tax for two consecutive state fiscal years and that a qualified applicant may pursue a permit that has escheated to the state, provided that the harness horse race facility is located in the same county as the previous permit.

In 1996, the Legislature enacted ch. 96-364, L.O.F. (hereinafter referred to as the "act"). The act provided increased opportunities for full-card simulcasting and intertrack wagering. It also provided tax credits and exemptions, established minimum purse requirements to benefit greyhound and horse breeders, and authorized card rooms at pari-mutuel facilities. The act enabled like-kind facilities in the South Florida market area to trade signals without unanimous consent from all permitholders in the area.

For greyhound tracks, the act granted annual tax savings of up to \$500,000 each for permitholders in the Panhandle and \$360,000 each for all others. It also eliminated the "breaks tax" for greyhound permitholders, provided a tax credit equal to daily license fees paid the prior year, and reduced the tax on handle for intertrack wagering in Jacksonville, Tampa, and South Florida. The act set minimum purse requirements for greyhound permitholders based on purses paid in FY 1993-94, plus an additional amount equal to 75% of the daily license fees paid for FY 1994-95.

The act enabled like-kind facilities in the South Florida market area to trade signals without unanimous consent from all permitholders in the area; reduced the live, intertrack, and simulcast tax rates for thoroughbred permitholders; and provided additional purses for thoroughbred breeders. It also removed the 20% limit on simulcasting of out-of-state races and clarified that the daily license fee applies to simulcast races, with a maximum of \$500 per performance.

The act lowered tax rates on live handle for all jai alai permitholders and on ITW handle for jai alai permitholders in South Florida. It also authorized additional charity days to benefit retired jai alai players.

The act also provided that 8.5% of the purse account generated through intertrack wagering and interstate simulcasting be used by the Florida Owners' Awards and exempted from this

requirement, any thoroughbred permitholder whose average daily purse distribution was in excess of \$225,000.

Section 26 of the act provided, effective July 1, 1998, that the tax rates for thoroughbred permitholders, jai alai permitholders, and all permitholders conducting intertrack wagering would revert to those in place before the act became law (i.e., June 1, 1996). Purses for thoroughbreds also would be decreased.

Section 550.09514, F.S., requires greyhound permitholders to pay as purses an amount equal to 75 percent of the daily license fees paid for the 1994-1995 fiscal year in addition to minimum purse payments established by law. This section also provides that the two greyhound permitholders located in the same county in South Florida shall pay 75 percent of the aggregate amount of daily license fees paid by such permitholders in the 1994-1995 fiscal year and shall be jointly and severally liable for such purse payments.

Section 550.2625, F.S., provides that in order for an owner of a sire of a thoroughbred horse to receive a stallion award, the stallion must be registered with the Florida Thoroughbred Breeders' Association, the breeding must have occurred in Florida, and the stallion must be standing permanently in this state or, if the stallion is dead, must have stood permanently in the state for not less than a year prior to its death. The removal of a stallion from the state for any reason other than for prescribed medical treatment renders the owner of the horse ineligible to receive a stallion award.

III. Effect of Proposed Changes:

Section 1 amends s. 550.2625, to create a specified period during which a stallion must be in the state in order for an owner to be eligible for a stallion award. It requires a stallion be permanently standing between February 1 and June 15 of each year or if the stallion is dead to have stood permanently in the state for a period of no less than 1 year. It also provides that the removal of a horse between February 1 and June 15, for any reason other than for prescribed medical treatment as approved by the Florida Thoroughbred Breeders' Association, renders the owner of the horse ineligible to receive a stallion award.

Section 2 deletes subsection (5) of s. 550.09512, F.S., which repeals this section in its entirety on July 1, 1998. Section 550.09512, F.S., relating to harness horse racetracks, is thereby preserved. By deleting the repealer provision the tax rate on live and simulcast handle for harness horse tracks will remain at 1.0%. This section also contains provisions regarding permits that become void and escheat to the state.

Section 3 amends subsection (2) of s. 550.09514, F.S., to require that purse supplements shall be prorated and dispersed weekly during a permitholder's live meet.

Section 4 amends section 26 of ch. 96-364, L.O.F., which will repeal existing provisions relating to thoroughbred purses, taxes on live handle on harness horse permitholders and jai alai

permitholders, and taxes on intertrack wagering, effective July 1, 1998. Specifically, the bill deletes from section 26 of ch. 96-364, L.O.F., language that otherwise would provide for the repeal of subsection (3) of s. 550.0951, F.S., relating to intertrack wagering, subsections (2) and (3) of s. 550.09511, F.S., relating to tax rates on live and simulcast handle on jai alai performances, and paragraph (e) of subsection (2) of s. 560.2625, F.S., relating to Florida Owners' Awards.

The tax rate on live handle for jai alai will remain at 3.85% for those permitholders restricted from year-round operation and at 4.25% for all other jai alai permitholders. If these provisions are repealed, those rates would be increased to 5.0%. The tax on live handle in excess of taxes paid for fiscal year 1991-92 will remain at 2.55%. If repealed these rates would rise to 3.3%.

For intertrack wagering between jai alai permitholders in the same designated market area the tax rates will remain at 6.1% and if the handle is in excess of the taxes paid for simulcast handle in fiscal year 1992-93 the lowered rates will remain at 2.3%. This is in contrast to the 7.1% paid for simulcast intertrack wagers by all other jai alai permitholders. Because jai alai permitholders in the same market area have not shared ITW signals in the past, these changes are inconsequential.

The other intertrack wager provisions that are reenacted include a lower intertrack wagering tax rate of 2.4% of handle (instead of 3.3%) for the rebroadcasts of simulcast horse races and harness horse races, and a lower intertrack wagering tax rate of 6.0% of handle (instead of 7.6%) on any races that are rebroadcast from one greyhound permitholder to another greyhound permitholder in areas specified in s. 550.615.

The bill also reestablishes the Florida Owners' Awards to provide that 8.5% of the purse account generated through intertrack wagering and interstate simulcasting be used by the Florida Owners' Awards and exempts, from this requirement, any thoroughbred permitholder whose average daily purse distribution exceeds \$225,000, excluding sponsorship, entry fees and nominations.

Section 5 provides an effective date upon becoming law unless otherwise provided in this act.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

The bill reenacts certain provisions that will preserve lower tax rates. Due to an error, the current base revenue estimate for the General Revenue Fund assumed that the tax rate reduction provisions of chapter 96-364, L.O.F., would continue. Therefore, while the fiscal estimate below reflects the actual revenue impact of this bill, the reduction should not effect moneys available for appropriation.

Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year \$	Recurring \$	1st Year \$	Recurring \$	1st Year \$	Recurring \$	1st Year \$	Recurring \$
Repeal of the Repeal of Pari-mutuel Tax Rates								
1. Greyhound/ITW within Market Area	(1.4)	(1.4)	0.0	0.0	0.0	0.0	(1.4)	(1.4)
2. Jai Alai/Live Handle	(0.6)	(0.6)	0.0	0.0	0.0	0.0	(0.6)	(0.6)
3. Harness/ Live Handle	(1.7)	(1.7)	0.0	0.0	0.0	0.0	(1.7)	(1.7)
4. Harness/ITW Simulcast	(0.2)	(0.2)	0.0	0.0	0.0	0.0	(0.2)	(0.2)
5. Thoroughbred/ITW Simulcast	<u>(1.6)</u>	<u>(1.6)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>(1.6)</u>	<u>(1.6)</u>
Total	\$ (5.5)	\$ (5.5)	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ (5.5)	\$ (5.5)

* Insignificant

** Indeterminate

B. Private Sector Impact:

The bill defeats the scheduled return to higher tax rates and may help sustain the economic viability of certain pari-mutuel facilities.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

The bill provides adequate and appropriate standards and guidelines to direct the agency's implementation of the proposed legislation.

The Committee on Regulated Industries introduced separate bills to address the scheduled repeal of provisions of ch. 96-364, L.O.F., relating to harness racing taxes (SB 436), intertrack wagering and jai alai taxes (SB 438) and thoroughbred racing taxes, dates and purses (SB 440).

VIII. Amendments:

#1 by Regulated Industries:

- Like the bill, amendment #1 provides that the "purse supplement" (equal to 75% of the daily license fees paid in FY 1994-95) be prorated and disbursed weekly. Unlike the bill, it provides a formula for prorating the purse supplement.
- Current law requires each greyhound permitholder to document "purses paid on live racing and *greyhound* intertrack and simulcast broadcasts to assure that the annual purse percentage rates paid by each permitholder on the intertrack or simulcast broadcasts are not reduced below those paid during the 1993-94 state fiscal year." The amendment removes the word "greyhound" from this provision, which may create ambiguity about whether the law directs the division to require documentation of purses paid on non-greyhound intertrack and simulcast broadcasts.
- In addition to the minimum purse requirements already provided by law, the amendment would require a greyhound track — when conducting at least 3 live performances during a given week — to make purse payments on intertrack and simulcast wagers placed at the track.
- The amendment sets additional minimum purse requirements for host tracks in connection with greyhound intertrack and simulcast broadcasts. At least 25% of the host track's "net proceeds" from simulcast and at least 0.75% of the guest track's handle on intertrack wagering must be paid as purses at the host track.
- The amendment would require a greyhound permitholder during its race meet to provide the division and kennel operators a weekly report showing purses paid, together with handle or commission calculations, on live races and greyhound intertrack and simulcast broadcasts. The amendment provides for direct purse payments to greyhound owners under certain conditions. (WITH TITLE AMENDMENT)

#1 by Ways and Means:

This amendment is a substitute amendment for amendment #1 by Regulated Industries. The amendment:

- Amends s. 550.09514, F.S., to provide, like the bill, that the "purse supplement" (equal to 75% of the daily license fees paid in FY 1994-95) be prorated and disbursed weekly. Unlike the bill, it provides a formula whereby the purse supplement is prorated (based on each greyhound permitholder's entire annual meet).

- In addition to the minimum purse requirements already provided by law, requires a greyhound track — when conducting at least 3 live performances during any given week — to make purse payments on intertrack and simulcast wagers placed at the track. It also would require a greyhound track — when conducting at least 3 live performances during any given week — to pay purses at the live rate on any wagers placed at a dark track located in its market area.
- Sets additional minimum purse requirements for host tracks in connection with greyhound intertrack and simulcast broadcasts. At least 25% of the host track’s “net proceeds” from simulcast and at least 0.75% of the guest track’s handle on intertrack wagering must be paid as purses at the host track.
- Creates a new paragraph (d) of s. 550.09514(2), F.S., to direct the division to require documentation of purses paid on *live racing only* to assure that the annual purse percentage rates paid by each permitholder on *live racing* are not reduced below those paid during the 1993-94 state fiscal year. It separately directs the division to require sufficient documentation to assure that the minimum purses are paid on the greyhound intertrack and simulcast broadcasts.
- Requires a greyhound permitholder during its race meet to provide the division and kennel operators a weekly report showing purses paid, together with handle or commission calculations, on live races and on *greyhound* intertrack and simulcast broadcasts. The amendment provides for direct purse payments to greyhound owners under certain conditions. (WITH TITLE AMENDMENT)

#2 by Ways and Means:

Amends s. 550.09514, F.S., creating a provision that would require a greyhound track, at the request of a majority of kennel operators at the track, to automatically deduct not less than 1% from the purses paid to each kennel operator who specifically requests such deduction and to make a direct payment of such deductions to the local kennel operator association. (WITH TITLE AMENDMENT)

#3 by Ways and Means:

Creates s. 550.6308, F.S., to allow a currently licensed facility that conducts public horse sales and meets certain qualifications to apply for a license to conduct intertrack wagering on thoroughbred horse racing during specified periods. (WITH TITLE AMENDMENT)

Fiscal Impact: Currently, Ocala Breeder’s Association is licensed to operate under this type of licensure but a recent court case on appeal may cause them to stop taking intertrack wagers and would result in a loss of \$400,000 in state revenues.