

STORAGE NAME: h1179.rs

DATE: March 13, 2000

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
REGULATED SERVICES
ANALYSIS**

BILL #: HB 1179

RELATING TO: Pari-Mutuel Wagering; leasing of jai alai facilities; escheats

SPONSOR(S): Representative Rubio

TIED BILL(S): None

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) REGULATED SERVICES
 - (2) FINANCE AND TAXATION
 - (3) EDUCATION APPROPRIATIONS
 - (4)
 - (5)
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I. SUMMARY:

This bill has two components:

First, the bill directs the escheats [unclaimed winning tickets] from live jai alai games to be paid to the National Association of Jai Alai Frontons, rather than to the state, to be used for promotional purposes.

Second, the bill allows jai alai permitholders to lease their facilities to other jai alai permitholders, located within a 35 mile radius, for purposes of conducting jai alai games.

The bill is estimated to have a negative fiscal impact of approximately \$430,000 annually.

The act takes effect upon becoming a law.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Escheats

Sections 550.3551 and 550.6325, F.S., provide that all permitholders retain the winnings represented by escheated tickets or outs [unclaimed, uncashed or abandoned winning tickets] purchased on simulcast or ITW games, paying to the state only the winnings represented by uncashed tickets on live games. Notwithstanding those provisions, s. 550.2633, F.S., allows thoroughbred permitholders to retain the escheats from live races and directs the escheats from harness and quarter horse races to specific breeding and promotional associations.

Section 550.1645, F.S., provides that receipts from escheated tickets are to be deposited into the State School Fund in the Department of Education to be used to support and maintain public schools. The Department of Business and Professional Regulation reports that in FY 1998-1999 escheats from jai alai games generated approximately \$517,996 for the State School Fund. The most recent Revenue Estimating Conference [November 1999] estimated that escheated jai alai tickets would generate approximately \$430,000 for FY 2000-2001.

Leasing of Pari-Mutuel Facilities

Section 550.475, F.S., grants authority for holders of valid greyhound, thoroughbred and standardbred racing permits to lease any or all of their facility to a same-class permitholder which is located within a 35 mile radius for purposes of conducting a race meet. This option is not presently available to jai alai permitholders.

C. EFFECT OF PROPOSED CHANGES:

Escheats

This bill amends s. 550.2633, F.S., to provide that the escheats or outs [unclaimed winning tickets] from live jai alai games be paid by the permitholder to the National Association of Jai Alai Frontons. For FY 2000-2001, the November 1999 Revenue Estimating Conference estimates that escheats from jai alai performances will generate \$430,000.

The bill requires the funds received from the escheated tickets to be used for the general promotion of the sport, including amateur jai alai youth programs. This bill also requires the association to submit an annual report to the Governor, the President of the Senate and Speaker of the House, detailing expenditures.

Leasing of Facilities

This bill amends s. 550.475, F.S., to authorize jai alai permitholders to lease any or all of their facility to other jai alai permitholders located within a 35 mile radius for purposes of conducting jai alai games. The lease arrangement may involve two or more permits. The lessee facility will then be entitled to a permit and license to operate its jai alai games at the leased facility. The statute is somewhat vague thereafter, and it remains unclear if there is sufficient statutory authority for the lessee fronton to send its live signal back to its dark fronton. [See COMMENTS section.]

Due to the sparsity of jai alai permitholders, it appears that only four, two in Broward County and two in Dade County, will be able to take advantage of this legislation. Two jai alai permits presently operate out of the facility in Broward [Dania Jai Alai and Summersport] and two jai alai permits operate out of the Dade facility [Miami Jai Alai and Summer Jai Alai].

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Creates a new s. 550.2633(2)(e), F.S., to require the escheats [outs] from live jai alai games be paid to the National Association of Jai Alai Frontons to be used to promote the sport, including the promotion of amateur youth programs. Requires the association to submit an annual report.

Section 2. Amends s. 550.475, F.S., to authorize jai alai permitholders to lease any and all of their facilities to other jai alai permitholders which are located within a 35 mile radius in order for the lessee facility to operate from the leased fronton.

Section 3. Provides that the act will take effect upon becoming a law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

Revenue receipts from escheated tickets on jai alai performances has been a decreasing source of revenue for several years. According to the Department of Business and Professional Regulation, escheated tickets on greyhound and jai alai performances generated \$2.37 million in FY 1998-1999. The department estimates that \$518,000 of that amount was generated from jai alai escheats.

The November 1999 Revenue Estimating Conference estimated that escheated tickets from jai alai performances would generate approximately \$430,000 for FY 2000-2001, Passage of this legislation will, therefore, reduce deposits to the State School Fund, Department of Education, by approximately \$430,000 for FY 2000-2001.

2. Expenditures:

The Department of Business and Professional Regulation reports that passage of this legislation will have no impact on department expenditures except that they will no longer be required to audit revenue generated by escheated tickets from jai alai permitholders. No estimate on a potential reduction in audit expenses was provided.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Escheats from live jai alai games will generate approximately \$430,000 during FY 2000-2001. The bill's redirection of this money into promotional activities may generate increased interest in the sport which, in turn, may generate increased attendance at and wagers on jai alai games.

Additionally, pari-mutuel permitholders have reported that while data for escheated tickets is computerized, the department's audit process is labor intensive. Jai alai permitholders will therefore benefit to the extent the state audit process will be eliminated.

Finally, the ability of a jai alai permitholder to lease their facility to another jai alai permitholder is anticipated to have a positive fiscal impact on all involved.

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take any action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

The provisions of s. 550.475, F.S., are somewhat vague in that the statute does not clearly state whether a lessee permitholder, operating live from another permitholder's facility, may send its live signal back to its dark track, or whether the dark track is prohibited from receiving the signal.

In actual practice, the three greyhound tracks in the Jacksonville circuit operate live out of two facilities, with Bayard Raceways, Inc. leasing Jacksonville Kennel Club and Orange Park Kennel Club for its live meet. When Bayard operates live out of Jacksonville Kennel Club, it sends its live signal not only to Orange Park, but also to the dark Bayard track. Likewise, when Bayard operates live from the Orange Park facility, it sends its signal to both Jacksonville Kennel Club and also back to the dark Bayard facility.

Committee members may wish to consider clarifying the legislative intent of this section.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

Since the substance of the amendment to s. 550.475, F.S., extends an opportunity for jai alai permitholders to lease another jai alai permitholder's fronton for the purpose of operating the lessee's games, the committee may also wish to consider a purely technical, clarifying amendment which will add "or jai alai games" on page 4, line 3, following the phrase, "...is entitled to a permit and license to operate its race meet".

VII. SIGNATURES:

COMMITTEE ON REGULATED SERVICES:

Prepared by:

Staff Director:

Janet Clark Morris

Paul Liepshutz