

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1059 Pari-Mutuel Wagering; cardrooms
SPONSOR(S): Representative Robaina
TIED BILLS: None **IDEN./SIM. BILLS:** SB 1490; SB 98

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Gaming & Pari-Mutuel Subcommittee</u>	<u>8 Y, 0 N</u>	<u>Morris</u>	<u>Liepshutz</u>
2) <u>Business Regulation</u>	_____	_____	_____
3) _____	_____	_____	_____
4) _____	_____	_____	_____
5) _____	_____	_____	_____

SUMMARY ANALYSIS

This bill revises the conditions under which cardrooms may be operated at pari-mutuel wagering facilities in the state. Among those revisions, the bill replaces the \$10 pot limit with a \$2 bet limit, with a maximum of three raises per round of betting. The bill deletes a provision of law that prevents thoroughbred tracks from both operating a cardroom and receiving out-of-state broadcasts after 7:00 PM. The bill also creates an opportunity for three same-class permitholders, located within a 35 mile radius of each other, to enter into an agreement wherein one of the permitholders may operate a cardroom when the others are conducting live racing.

The bill expands the opportunities for Florida-bred thoroughbred horses to become eligible to receive special breeders' awards when competing with horses bred in other states. It also expands the eligibility requirements for Florida-bred thoroughbred horses that participate in specified races.

The bill is anticipated to generate approximately \$870,000 in additional revenue for FY 2003-04.

The bill provides an effective date of July 1, 2003.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|------------------------------|-----------------------------|---|
| 1. Reduce government? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. Lower taxes? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families? | 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. EFFECT OF PROPOSED CHANGES:

Breeders' and Owners' Awards

The bill amends ss. 550.26165 and 550.2625, F.S., to allow for special thoroughbred racing awards. According to the Florida Thoroughbred Breeders and Owners Association, who currently administer the breeders' awards, stallion owner awards, and the stakes awards incentive program, this language will allow for an increase in purses for special races involving competition between Florida-breds and horses bred in other states. The bill provides that before the Association can spend funds on these special races, an agreement between the breeders, the permitholder, and the horsemen must be executed. This allows Florida breeders some flexibility in promoting their industry by investing in special races agreed upon by the remainder of the thoroughbred stakeholders.

Operation of Cardrooms

This bill amends s. 550.5251(4), F.S., which allows thoroughbred racing permitholders to receive and rebroadcast out-of-state races after the hour of 7:00 PM on any day during which the permitholder conducts live races. Language requiring the permitholder to choose between operating a cardroom or receiving out-of-state races after 7:00 PM is deleted.

Wagering on the play of certain penny-ante card games¹ at pari-mutuel facilities was authorized by the Legislature in 1996.² The Department of Business and Professional Regulation's Division of Pari-mutuel Wagering [division] is responsible for licensing and regulating cardroom activities in the state and operation of a cardroom is conditioned upon the operation of live pari-mutuel events.

This bill amends several provisions of the cardroom statute, s. 849.086, F.S.

Subsection (2)(a) is amended to allow only games of poker to be played in licensed cardrooms.

Subsection (5)(b) is amended to allow permitholders who have operated a cardroom during the previous three fiscal years but, who fail to include a license renewal request for its cardroom operation, to amend its application for a license to include operation of a cardroom. If the application of a cardroom license is for a harness permitholder, the permitholder must have requested authorization to conduct a minimum of 140 live performances during the fiscal year immediately prior to application. In addition, if more than one permitholder operates at a shared cardroom facility, each permitholder must apply for a license to conduct a full schedule of live

¹ s. 849.085(2), F.S., defines a "penny-ante" game to mean a game or series of games of poker, pinochle, bridge, rummy, canasta, hearts, dominoes, or mah-jongg.

² ch. 96-364, LOF

racing.

Subsection (5)(d) is amended to provide that the annual cardroom license fee, which is based on the number of tables, applies to each "facility" rather than each permit holder; some pari-mutuel facilities have more than one permit operating from that one physical facility, e.g., Dania Jai Alai and Summersport Jai Alai both operate from one facility.

Subsection (7)(a) is amended to include the provision "or as otherwise authorized by law" regarding when a cardroom may be operated. The current law states that the cardroom may be operated only at the location specified on the cardroom license and, that this location must be where the pari-mutuel permit holder is conducting pari-mutuel activities under the pari-mutuel permit. This change in conjunction with the amendment to subsection (7)(b) will allow for cardrooms to operate in facilities where live pari-mutuel activities do not take place.

Subsection (7)(b) allows a permit holder to operate between the hours of 12 noon and 12 midnight on any day that live racing of the same class of permit is occurring within 35 miles of its facility if no other holder of the same class within 35 miles is operating a cardroom at the same time *and* if all holders of the same class of permit within the 35 mile area have given their permission in writing to that permit holder to operate a cardroom.

Subsection (7)(b) also expands the hours of operation for cardrooms by allowing operation between the hours of 12 noon and 12 midnight on any day a pari-mutuel event is conducted *live* as a part of its authorized meet. Cardrooms could not operate on days the track is dark, i.e., not operating. Cardroom applications must be made to the division as part of the annual license application.

Subsection (8)(b) eliminates the \$10 pot limit and provides, instead, for a \$2 maximum wager with a maximum of three raises in any round of betting. The fee for playing the game is not included in the calculation of the bet amount. According to the division this would mean that for a game like *7-Card Stud* with seven participants, the maximum pot value could reach \$200 due to the number of raises and rounds played. Although some games would not reach this dollar amount, pot sizes would generally be higher, providing a greater incentive to potential participants and for cardroom operators to increase their number of tables.

The gross receipts tax remains unchanged at 10 percent.

C. SECTION DIRECTORY:

Section 1. Amends subsections (1) and (2) of s. 550.26165, F.S., to provide for special racing awards.

Section 2. Amends subsection (3) of s. 550.2625, F.S., to include special racing awards within the types of awards payable out of the 0.955 percent from interstate simulcasts taken pursuant to s. 550.3551, F.S. and making other conforming amendments.

Section 3. Amends subsection (4) of s. 550.5251, F.S., to allow a thoroughbred permit holder to operate a cardroom while conducting live racing and while receiving and rebroadcasting out-of-state races after 7:00 PM.

Section 4. Amends subsections (2)(a), (5), (7), (8) and (13)(a) and (b) of s. 849.086, F.S., making numerous revisions to the cardroom statute.

Section 5. Provides that the act will take effect July 1, 2003.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The Division of Pari-mutuel Wagering estimates that the provisions of this legislation will generate approximately \$859,074 in additional cardroom tax revenue to the state and an additional \$20,000 in table fee revenue, for a total of increased revenue to the state of approximately \$879,074.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None to counties as a whole; however, the division estimates that approximately \$107,384 would be available for transfer to specific counties/municipalities pursuant to the distribution established in s. 849.086(13)(h), F.S.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

This bill will create an incentive for the three inactive cardroom permitholders to reactivate their licenses and for thoroughbred permitholders to operate cardrooms. However, the division estimates that cardroom gross receipts could increase from a projected \$2,610,496 to approximately \$10,900,736 during fiscal year 2002/03.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not require counties or cities to spend funds or take an action requiring the expenditure of funds; does not reduce the authority that cities or counties have to raise revenues in the aggregate; and does not reduce the percentage of a state tax shared with cities or counties.

2. Other:

None noted.

B. RULE-MAKING AUTHORITY:

The Division of Pari-mutuel Wagering will be required to modify their existing rules concerning the operation of cardrooms. The Division indicates that the bill provides adequate rule-making authority.

C. DRAFTING ISSUES OR OTHER COMMENTS:

The proposed amendment [on page 6, lines 286-289] to s. 849.086(5)(b), F.S., reads, "*If more than one permitholder is operating at a facility, each permitholder must have applied for a license to conduct a*

full schedule of live racing.” Since this requirement only includes races and does not include the term “*games,*” it could be interpreted that this requirement does not apply to jai alai permitholders.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES