

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 1145 Greyhound Racing

SPONSOR(S): Business & Consumer Affairs Subcommittee, Young and others

TIED BILLS: **IDEN./SIM. BILLS:** CS/SB 1594

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Business & Consumer Affairs Subcommittee	14 Y, 1 N, As CS	Morton	Creamer
2) Finance & Tax Committee			
3) Economic Affairs Committee			

SUMMARY ANALYSIS

The CS removes the requirement for greyhound permitholders to conduct live greyhound races. It also removes live racing as a prerequisite to intertrack wager, cardroom and slot machine licensure and amends tax rates on greyhound permitholders.

The CS is expected to have a negative fiscal impact on general revenue. See Fiscal Analysis.

The CS has an effective date of July 1, 2011.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Current Situation

'Pari-mutuel wagering' refers to a method of wagering in which winners divide the total amount bet in proportion to the sums they have wagered individually and with regard to the odds assigned to particular outcomes.¹ In Florida, pari-mutuel wagering is authorized for jai alai, greyhound racing and various forms of horseracing.

Pari-mutuel activities are limited to operators who have received a permit from the Division of Pari-mutuel Wagering (Division) within the Department of Business and Professional Regulation, which authorizes them to conduct the type of activity listed (i.e. greyhound racing) at the location listed.² Permitholders apply for licenses annually to conduct pari-mutuel activities,³ cardrooms⁴ and slot machines.⁵

Greyhound racing was authorized in Florida in 1931. Greyhounds race around an oval track, typically chasing a lure, which is usually a mechanical hare or rabbit. There are 21 pari-mutuel wagering permits authorizing greyhound racing. Of these, one (in Key West) is inactive, having not run live racing since 1991. The permitholders run races at 16 greyhound tracks located throughout the state.⁶ There are currently 14 cardrooms operated by greyhound permitholders, two of which offer have slot machines.

Greyhound permitholders apply annually for a license to conduct live performances. A performance consists of at least 8 live races. A full schedule of live racing is at least 100 live performances.⁷

Certain greyhound permitholders can run their live races at a leased facility and use their prelease facility to operate intertrack wagering and cardrooms.⁸ Currently, four greyhound permitholders are conducting their live race meet at leased facilities.⁹

Florida is considered the nation's leader in greyhound racing. However, over the last ten years, the state's pari-mutuel wagering industry in general has experienced a 43.6 percent decline in handle, and total state revenue has decreased 54.6 percent; along with a 9.3 percent decrease in the number of racing days.¹⁰ For greyhound racing in particular:

	FY 1999/2000	FY 2009/2010
Total Handle	\$633,230,507	\$291,794,434
Total State Revenue	\$40,179,142	\$5,206,187
Live Performances	4,239	3,857
Racing Days	3,058	2,974

¹ Section 550.002(22), F.S.

² Section 550.054, F.S.

³ Section 550.0115, F.S.

⁴ Section 849.086, F.S.

⁵ Section 551.104, F.S.

⁶ Visit <http://www.myfloridalicense.com/dbpr/pmw/documents/FACILITIESMAP.pdf> for a map of the facilities.

⁷ Section 550.002(11), F.S.

⁸ Section 550.475, F.S., authorizes leasing at facilities operating under the same class of permit within 35 miles.

⁹ Tampa Greyhound leases the track at Derby Lane (St. Petersburg); St. Johns Kennel Club leases the track at Orange Park Kennel Club; Palm Beach Greyhound Racing (formerly Palm Beach Jai Alai) leases the track at Palm Beach Kennel Club; and West Volusia Racing (formerly Volusia Jai Alai) leases the track at Daytona Beach Kennel Club.

¹⁰ Annual Reports of the Division of Pari-mutuel Wagering, available at <http://www.myfloridalicense.com/dbpr/pmw/PMW-Publications.html>.

Other Gambling Activities

Gambling is generally prohibited in Florida, but exceptions exist for pari-mutuel wagering permitholders who conduct full schedules of live racing and meet other requirements.

Wagering on races hosted at remote tracks is called intertrack (when both tracks are in Florida) or simulcast (when one track is out of state) wagering. In-state 'host tracks' conduct live or receive broadcasts of simulcast races that are then broadcast to 'guest tracks,' which accept wagers. To conduct intertrack or simulcast wagering, permitholders must conduct a full schedule of live racing and meet other requirements.¹¹

Cardrooms were authorized at pari-mutuel facilities in 1996.¹² Cardrooms can only be offered at a location the permitholder is authorized to conduct pari-mutuel activities (which includes wagering on intertrack, simulcast or live performances). To be eligible for a cardroom license, permitholders must conduct at least 90% of the performances conducted the year they applied for the initial cardroom license or the prior year, if the permitholder ran a full schedule of live performances. There are cardrooms at 14 greyhound facilities.¹³

Greyhound Facilities	Initial Year Licensed	Min. Performances
Bayard Raceways ¹⁴	03/04	100
Bet Miami (H& T Gaming) ¹⁴	96/97	100
Daytona Beach Kennel Club ¹⁴	96/97	100
Jacksonville Kennel Club ¹⁴	08/09	100
Jefferson County Kennel Club	03/04	217
Mardi Gras ¹⁴	96/97	100
Melbourne Greyhound Park	04/05	93
Naples-Ft Myers Greyhound	97/98	394
Orange Park Kennel Club ¹⁴	07/08	100
Palm Beach Kennel Club ¹⁴	96/97	100
Palm Beach Racing ¹⁴	10/11	100
Pensacola Greyhound	09/10	160
Sarasota Kennel Club	06/07	188
St. Petersburg Kennel Club ¹⁴	96/97	100
Tampa Greyhound ¹⁴	96/97	100
Washington Co. Kennel Club	96/97	167
West Flagler	96/97	163
West Volusia ¹⁴	10/11	100

Slot machines were authorized at certain Miami-Dade and Broward pari-mutuel facilities by constitutional amendment in 2004 and statute in 2010.¹⁵ For initial licensure to conduct slot machines, permitholders must have conducted a full schedule of live racing for two consecutive calendar years immediately preceding its application.¹⁶ To continue to offer slot machines, permitholders must conduct a full schedule of live racing.¹⁷ Slot machines are offered at two greyhound facilities.¹⁸

¹¹ See s. 550.615, F.S.

¹² Section 20, Chapter 96-364, L.O.F.

¹³ Daytona Beach Kennel Club, Derby Lane (St. Petersburg), Ebro Greyhound Park, Flagler Greyhound Track (Miami), Jefferson County Kennel Club, Mardi Gras Racetrack (Hollywood), Melbourne Greyhound Park, Naples/Ft. Myers Greyhound Track, Orange Park Kennel Club, Palm Beach Kennel Club, Pensacola Greyhound Track, Sarasota Kennel Club, St. Johns Kennel Club, and Tampa Greyhound Track.

¹⁴ Permitholder is one of several permits operating at a facility, so is only required to operate a full schedule of live racing (100) for each permit. See 849.086(5)(b), F.S.

¹⁵ Section 23, Art. X, Fla. Const.; s. 551.102(4).

¹⁶ Section 551.102, F.S.

¹⁷ Section 551.104(1)(c), F.S.

¹⁸ Flagler Greyhound Track (Miami) and Mardi Gras Racetrack (Hollywood).

Purses

Purse awards, a race's cash prizes, are paid directly to dog owners. Greyhound permitholders are required to pay minimum purse payments.¹⁹ They must also supplement purses with 75 percent of the daily license fees paid during the 1994-1995 fiscal year. Those conducting at least three live performances during a week must pay purses on wagers they accept as guest tracks on intertrack and simulcast greyhound races. Greyhound permitholders also pay one-third of any tax reduction on live and simulcast handle as purses.

In addition to paying purses on pari-mutuel activity, greyhound permitholders operating cardrooms must pay 4 percent of the cardroom's monthly gross receipts to supplement greyhound purses.²⁰

Taxation

Greyhound permitholders pay an \$80 daily license fee on each live and simulcast race, capped at \$500 per day. They also pay taxes on admissions, live, simulcast, intertrack, and intertrack simulcast races.

Each greyhound permitholder that conducts a full schedule of live races is eligible for various annual tax credits and exemptions:

Tax credit	\$360,000 except for Washington County Kennel Club, Pensacola Greyhound and Jefferson County Kennel Club, which receive \$500,000
Daily license fee credit	Number of live races times the \$80 daily license fee per race
Escheated ticket credit	100% of actual amount remitted to the state in the previous year

Unused tax credits, with the exception of the escheated ticket credits, are transferrable once per state fiscal year to other permitholders which act as host tracks.

Proposed Changes

The CS removes the requirement to perform live greyhound racing in order to qualify for other licenses, including those authorizing intertrack wagering, cardrooms and slot machines. It also allows all permitholders to amend their license application until August 31, 2011.

Intertrack Wagering

The CS adds two classes of greyhound permitholder to those eligible to conduct intertrack wagering:

- Those who have conducted live racing in each of the immediately preceding 10 years.
- Those who have converted jai alai permits.

The CS removes restrictions on greyhound permitholders conducting intertrack wagering, to:

- Allow such a permitholder to accept wagers on live greyhound signals without written consent of any operating greyhound permitholder within its market area.
- Allow such a permitholder operating in a county where there are only two permits, one for dogracing and one for jai alai, to accept wagers during times when the permitholder is not conducting live races or games without written consent of the other permitholder who is conducting live races or games.
- Allows any such permitholder, instead of only those in certain areas, who leases the facility of another to conduct its race meet to conduct intertrack wagering at its prelease facility.

¹⁹ Section 550.09514, F.S.

²⁰ Section 849.086(13)(d)1., F.S.

Cardrooms

The CS requires the Division issue a cardroom license to a greyhound permitholder who has conducted live racing during each of the 10 years immediately preceding application or a greyhound permitholder with a permit converted from a jai alai permit under s. 550.054(14), without regard to whether the permitholder is licensed to conduct live racing or has conducted live racing.

The CS removes any requirement for a greyhound permitholder to have a pari-mutuel license or minimum number of requested or conducted live performances in order to maintain or renew a cardroom license.

Purses

The CS removes the requirement for greyhound permitholders to pay purses if they do not offer live racing. If greyhound permitholders not offering live racing offer intertrack wagering, they would have to pay 3% of the intertrack handle to the host track for purses at the host track.

Taxes

The CS allows for the transfer of tax credits at any time, instead of once each fiscal year. However, the \$360,000 or \$500,000 tax credit is not transferrable if the greyhound permitholder did not conduct 100 live performances of at least 8 races.

The CS also amends taxes on greyhound permitholders as follows:

Taxed Activity	Current Tax Rate	Proposed Tax Rate
Live/On-track or Simulcast	5.5% tax on handle	3.45% tax on handle
Intertrack/Intertrack simulcast	5.5% tax on intertrack & simulcast handle	3.45% tax on handle
	0.5% of intertrack/simulcast handle if guest located outside market area of host and within market area of thoroughbred track conducting live meet	1.5% tax on handle if host & guest tracks are greyhound permitholders
	3.9% of intertrack/simulcast handle for permitholder located in an area where there are only 3 permitholders in 3 contiguous counties	3.45% tax on handle
	3.9% of intertrack/simulcast handle for permitholders located in the same market area specified in 550.615(9)	
7.6% of intertrack handle from charity performance at guest track within host's market area	No Change	

B. SECTION DIRECTORY:

- Section 1 amends s. 550.022, F.S., to amend the definition of "full schedule of live racing or games."
- Section 2 amends s. 550.01215(1), F.S., to allow an amendment for the 2011-12 fiscal year to be filed by August 31, 2011.
- Section 3 amends Sect. 550.054(14), F.S., to remove the requirement that a permit converted from jai alai to greyhound conduct a full schedule of live racing.
- Section 4 amends s. 550.0951, F.S., to amend taxes and the transfer of tax credits.
- Section 5 amends s. 550.09514, F.S., to amend purse requirements.
- Section 6 amends s. 550.26165, F.S., to correct a cross reference.

Section 7 amends s. 550.615, F.S., to allow greyhound permitholder that do not conduct a full schedule of live racing to receive intertrack wagering broadcasts.

Section 8 amends s. 550.6305, F.S., to incorporate changes.

Section 9 amends s. 551.104, F.S., to remove live racing as a prerequisite to slot machine licenses.

Section 10 amends s. 551.114, F.S., to incorporate changes.

Section 11 amends s. 849.086, F.S., to remove live racing as a prerequisite for cardroom licenses.

Section 12 provides an effective date of July 1, 2011.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The Revenue Estimating Conference analyzed SB 1594, the Senate companion to the CS. The bills are similar, except that the CS applies a 1.5% tax on intertrack and simulcast handle if the guest track is located outside of the host's market area and within the market area of a thoroughbred track conducting a live meet, while SB 1594 applies a 3.45% tax on such handle.

The REC's estimate is based on the percent of live handle lost due to the elimination of live racing, 60 percent of which is recaptured through intertrack wagering.

	FY 2011-12 Cash	FY 2012-13 Cash	FY 2013-14 Cash	FY 2014-15 Cash
General Revenue	(1.4 million)	(1.3 million)	(1.3 million)	(1.3 million)
Total Impact	(1.4 million)	(1.3 million)	(1.3 million)	(1.3 million)

The Division reports:

As part of December 2010, Revenue Estimating Conference, the division had projected \$5.2 million in revenue in Fiscal Year 2011-12, resulting from the conduct of greyhound racing under the current law. The bill basically contains two variables that will decrease projected revenue. 1.) The change in greyhound tax rates. 2.) The elimination of minimum live performances in order to conduct other gaming options.

Simply applying the new tax rates to pari-mutuel wagering projections results in approximately a \$3 million reduction in tax revenue. This forms the bottom of the loss range.

The top of the loss range contemplates that multiple greyhound permitholders would reduce or eliminate live racing altogether. Fewer performances equates to less wagering, thus eroding the source where tax rates are applied. Therefore, the potential is that the entire \$5.2 million would be lost.

2. Expenditures:

The Division reports:

To ensure that integrity of the racing and protect the welfare of the greyhounds, the Division collects specimens from a sample of the contestants. The specimens are subsequently sent to the Racing Lab at the University of Florida to test for impermissible substances. This workload requirement is directly dependent on the amount of live racing being conducted. To the extent that greyhound tracks reduce or eliminate live greyhound racing, the Division would realize a corresponding decrease in the need for OPS funds necessary to employ staff to collect such specimens. The amount is indeterminate at this time and would not likely be realized until Fiscal Year 2011-12 when the full impact on greyhound racing can be certain.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Greyhound permitholders would no longer be required to conduct live racing. The reduction or elimination of live racing could reduce overhead costs.

To the extent that live racing is decreased or eliminated, greyhound breeders, owners and trainers could see a decrease in demand for racing greyhounds and an associated decrease in revenues.

D. FISCAL COMMENTS:

The CS is expected to have a negative fiscal impact on general revenue.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. The bill does not appear to require counties or municipalities to spend funds or take an action requiring the expenditure of funds; reduce the authority that the counties or municipalities have to raise revenue in the aggregate; or reduce the percentage of a state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On March 22, 2011, the Business & Consumer Affairs Subcommittee adopted one amendment to the bill and reported the bill favorably as a Committee Substitute. The amendment required a greyhound permitholder to either have conducted live racing in each of the ten preceding fiscal years or to have converted the permit from a jai alai permit in order to qualify for intertrack wagering without being licensed to conduct live racing.