

STORAGE NAME: h3353.rs

DATE: March 5, 1998

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
REGULATED SERVICES
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: HB 3353

RELATING TO: Pari-Mutuel Wagering; Greyhound Racing

SPONSOR(S): Representative Mackey

COMPANION BILL(S):

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

- (1) REGULATED SERVICES
 - (2) FINANCE & TAXATION
 - (3) GENERAL GOVERNMENT APPROPRIATIONS
 - (4)
 - (5)
-

SUMMARY:

This bill postpones the repeal of the tax reductions provided by the 1996 legislation for ITW on the rebroadcasts of simulcast horserace signals and for greyhound and jai alai permitholders conducting intertrack wagering within their market areas until July 1, 2000.

The bill requires that additional purse payments are made weekly; that guest greyhound permitholders pay purses on ITW and simulcast races taken on dark days within their meets; that host greyhound permitholders pay live purse rates on all wagers accepted at a dark guest track within its market area; that permitholders submit weekly reports relating to purse payments; that permitholders make purse payments directly to greyhound owners; that the division provide to greyhound owners and kennel operators copies of weekly reports submitted by greyhound permitholders; and that a portion of the guest track commission received on non-thoroughbred wagering by a guest greyhound permitholder be paid as purses at the greyhound track.

This bill has a projected annual negative fiscal impact on state revenues of \$2.9 million.

The act would take effect upon becoming a law.

I. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

During the 1996 legislative session, the Legislature passed an omnibus pari-mutuel bill, the Committee Substitute for House Bill 337 (Chapter 96-364, Laws of Florida). Among the changes included in the legislation were tax reductions for the rebroadcast of simulcast horse signals and for inter-market-area greyhound & jai alai intertrack wagering (ITW) and purse payment requirements for greyhound permitholders.

More specifically, the changes to section 550.0951, Florida Statutes, reduced the tax rate for ITW on the rebroadcast of simulcast horserace signals from 3.3 percent to 2.4 percent. The tax rate for greyhound and jai alai intertrack wagering was reduced from 7.6 percent and 7.1 percent, respectively, to 6 percent and 6.1 percent respectively for facilities located in the Jacksonville, Tampa Bay, or South Florida areas when conducting ITW within those market areas. Further, when the tax payments of such jai alai permitholders exceed the total tax paid on ITW handle during the 1992-1993 state fiscal year, the tax rate on such ITW activity is reduced to 2.3 percent of the handle.

That 1996 legislation placed a repeal of these tax reductions scheduled for July 1, 1998.

The 1996 legislation set minimum purse payments for greyhound permitholders at a percentage not less than that paid during the 1993-1994 state fiscal year for live, ITW, and simulcast greyhound races. That legislation also provided greyhound permitholders with tax relief and required that a portion of that relief be paid as additional purse payments. Initially, that additional purse payment was equal to 75 percent of the permitholder's tax credit realized during the 1996-1997 FY. Since July 1, 1997, that additional purse payment is equal to 75 percent of the daily license fees paid by each permitholder during the 1994-1995 FY. The two greyhound permitholders located in the same South Florida county pay 75% of the aggregate amount of daily license fees paid by the two permitholders in the 1994-1995 fiscal year.

B. EFFECT OF PROPOSED CHANGES:

This bill postpones the repeal of the tax reductions provided by the 1996 legislation for ITW on the rebroadcasts of simulcast horserace signals and for greyhound and jai alai permitholders conducting intertrack wagering within their market areas until July 1, 2000.

Further, the bill requires that additional purse payments are made weekly; that guest greyhound permitholders pay purses on ITW and simulcast races taken on dark days within their meets; that host greyhound permitholders pay live purse rates on all wagers accepted at a dark guest track within its market area; that permitholders submit weekly reports relating to purse payments; that permitholders make purse payments directly to greyhound owners; that the division provide to greyhound owners and kennel operators copies of weekly reports submitted by greyhound permitholders; and that a portion of the guest track commission received on non-thoroughbred wagering by a guest greyhound permitholder be paid as purses at the greyhound track.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

N/A

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

N/A

(3) any entitlement to a government service or benefit?

N/A

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

N/A

b. Does the bill require or authorize an increase in any fees?

N/A

- c. Does the bill reduce total taxes, both rates and revenues?

N/A

- d. Does the bill reduce total fees, both rates and revenues?

N/A

- e. Does the bill authorize any fee or tax increase by any local government?

N/A

3. Personal Responsibility:

- a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

- (1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Sections 550.0951, 550.09514, and 550.6305, F.S.

E. SECTION-BY-SECTION RESEARCH:

Section 1. Postpones until July 1, 2000, a repeal on the tax reductions provided in 1996 relating to the tax rate for rebroadcast of simulcast horseraces and reduced tax rates for market area ITW for greyhound and jai alai permitholders reverts to that in effect prior to the passage of the 1996 reductions. Amends s. 550.0951(3)(c), F.S.

Section 2. Specifies that additional purse payments required by this subsection are to be disbursed weekly and provides the distribution formula. The purse supplement payment is determined by dividing the purse supplement by the number of performances requested for the current race meet and multiplied by the number of performances conducted each week. Amends s. 550.09514(2)(b)2., F.S.

Specifies that greyhound guest permitholders pay purses on ITW and simulcast greyhound races received by the permitholder at the same rate as for live racing when conducting *at least three live performances during any week*. Requires a greyhound host permitholder to pay purses at the same rate as it pays for live on all greyhound wagers accepted at a dark guest track located within the same market area of the host. Amends s. 550.09514(2)(c), F.S.

Requires greyhound permitholders to supply to kennel operators a weekly report which shows the purses paid on live, ITW, and simulcast races for both guest and host permitholders. The report would include the handle or commission figures on which purses were paid. Creates s. 550.09514(2)(e), F.S.

Requires greyhound permitholders to pay purses directly to greyhound owners based on agreements reached between kennel operators and greyhound owners. Creates s. 550.09514(2)(f), F.S.

Section 3. Requires the division to design and distribute weekly purse information sheets to greyhound permitholders. Such sheets must be filled out by permitholders and provided to the division, greyhound owners, and kennel operators weekly. Specifies that the purse sheets would include the method of payment and the percentage on each category of races conducted by the permitholder during the week as well as other information required by the division. Creates unspecified section of Florida Statutes.

Section 4. Requires purse payments for non-greyhound ITW and provides purse distributions for such wagers. Provides that a greyhound permitholder which accepts non-greyhound ITW during its race meet must pay one-fifth of the guest track commission provided in this subsection as purses during the current race meet. Provides that a dark greyhound permitholder which accepts non-greyhound ITW must pay one-fifth of the guest track commission as purses during its next race meet.

Section 5. Effective date - upon becoming a law.

II. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

Tax reductions provided in 1996 legislation are scheduled to expire on July 1, 1998. This bill would postpone the expiration of the tax reductions in s. 550.0951, F.S., which reduced the tax rate for ITW on the rebroadcast of simulcast horserace signals from 3.3 percent to 2.4 percent. The tax rate for greyhound and jai alai intertrack wagering was reduced from 7.6 percent and 7.1 percent, respectively, to 6 percent and 6.1 percent respectively for facilities located in the Jacksonville, Tampa Bay, or South Florida areas when conducting ITW within those market areas. Further, when the tax payments of such jai alai permitholders exceed the total tax paid on ITW handle during the 1992-1993 state fiscal year, the tax rate on such ITW activity is reduced to 2.3 percent of the handle.

The Division of Pari-Mutuel Wagering of the Department of Business and Professional Regulation estimates that this bill will have a recurring negative fiscal impact of approximately \$2,922,049 per year. This estimate compares the projected tax collections with the higher tax rates which would occur without the postponement of the expirations on the tax reductions until July 1, 2000. Continuation of such tax reductions will provide annual tax savings of \$1,433,983 for the greyhound industry; \$142,374 for the harness industry; and \$1,345,692 for the thoroughbred industry when compared to the higher tax rates. Such tax rates would continue until they increase on July 1, 2000 pursuant to the expiration of the reductions.

3. Long Run Effects Other Than Normal Growth:

N/A

4. Total Revenues and Expenditures:

This bill has a projected negative fiscal impact of \$2.9 million to the state per year.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

N/A

2. Direct Private Sector Benefits:

N/A

3. Effects on Competition, Private Enterprise and Employment Markets:

N/A

D. FISCAL COMMENTS:

N/A

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

A. APPLICABILITY OF THE MANDATES PROVISION:

N/A

B. REDUCTION OF REVENUE RAISING AUTHORITY:

N/A

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

N/A

IV. COMMENTS:

The division has raised concerns regarding their lack of authority to make the rules necessary for the administration of this act. They point out that a lack of specific rulemaking authority may be challenged as an unlawful delegation of legislative authority.

STORAGE NAME: h3353.rs

DATE: March 5, 1998

PAGE 9

V. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VI. SIGNATURES:

COMMITTEE ON REGULATED SERVICES:

Prepared by:

Legislative Research Director:

J Paul Whitfield Jr

Paul Liepshutz