

STORAGE NAME: h1525s1.rs

DATE: April 17, 2000

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

BILL #: CS/HB 1525

RELATING TO: Cardrooms

SPONSOR(S): Committee on Regulated Services and Representatives Logan, Sembler & Heyman

TIED BILL(S):

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

- (1) REGULATED SERVICES (CAC) YEAS 9 NAYS 0
- (2) FINANCE AND TAXATION (FRC)
- (3) GENERAL GOVERNMENT APPROPRIATIONS (FRC)
- (4)
- (5)

I. SUMMARY:

This bill revises the conditions under which cardrooms may be operated at pari-mutuel wagering facilities in the state. Specifically, the bill:

- Eliminates the \$10 pot limit and replaces it with a \$2 bet limit with a maximum of three raises per round of betting;
- Increases the hours of operation and allows a cardroom to begin operations two hours before any wagering event begins and to continue business until 2:00 A.M. the following day.
- Allows the cardroom operator to give away prizes to players who hold certain combinations of cards, e.g., a royal flush.
- Decreases the gross receipts tax paid by the cardroom operator to the state from 10% to 2% of monthly gross receipts.
- Increases the amount paid from cardroom receipts as supplemental purses and prize money.
- Requires each permitholder operating at a facility to have applied for a license to conduct a full schedule of live performances in order to receive a renewed cardroom license; and
- Applies the annual cardroom license fee to each facility rather than each permitholder at a facility.

The bill will have an estimated negative impact on state revenue collections of approximately \$195,000 for FY 2000-01.

The bill will take effect on July 1, 2000.

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 checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" 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:

Chapter 96-364, Laws of Florida, authorized wagering on the play of certain card games at pari-mutuel facilities. This act was codified as s. 849.086, F.S.

Only persons with a valid and active pari-mutuel permit are eligible for cardroom licenses and cardrooms may only be operated at a licensed pari-mutuel facility. The cardroom operation may choose to offer any game or combination of games that are authorized under the penny-ante game statute, s. 849.085, F.S. These games are: poker, pinochle, bridge, rummy, canasta, hearts, dominoes, and mah-jongg. The statute prohibits banking games. Banking games are games in which the cardroom operator or their employee is a participant in the game, pays winners, and collects money from losers.

A cardroom operator or employees may not participate in any game, except as a non-playing dealer. Cardroom operators are required to provide dealers for each game conducted at the cardroom which is of the type which normally requires a dealer. No electronic or mechanical devices may be used in playing any game. Only cards or game equipment and chips furnished by the cardroom operator may be used in playing and wagering on such games.

The Department of Business and Professional Regulation's Division of Pari-mutuel Wagering is given the authority and responsibility for licensing and regulating cardroom activities in the state; including the power of suspension, revocation or denial of licenses and permits for violations of this section. Since the operation of a cardroom is conditioned upon the operation of live pari-mutuel events, the division may suspend, revoke or deny a cardroom license if the licensee's pari-mutuel permit or license is suspended or revoked. Criminal penalties are provided for violation of this section.

Cardrooms are authorized to be operated within two hours prior to the post time of the first live event conducted at the facility on which wagers are accepted to within two hours after the conclusion of the last live event on which wagers are accepted. A permitholder can operate a cardroom only on days when it is operating live.

Cardroom operators are required to pay a 10 percent gross receipts tax. If a separate admissions fee is charged for entry to the cardroom, each patron must pay an admission tax equal to 15% of the admission charge or 10 cents, whichever is greater. Total tax is

STORAGE NAME: h1525s1.rs

DATE: April 17, 2000

PAGE 3

payable to the division monthly with one half of the tax revenues deposited into the General Revenue Fund and the other into the Pari-mutuel Wagering Trust Fund. The statute requires 25% of those deposits into the Pari-mutuel Wagering Trust Fund are to be returned to the county in which the cardroom is located. However, if two or more pari-mutuel facilities are located in the same incorporated municipality, the cardroom revenue shall be distributed to the municipality. Greyhound and jai alai permitholders who operate cardrooms are required to use 4% of their gross receipts to supplement greyhound purses and jai alai player prize money. Thoroughbred and harness horse racing permitholders which operate cardrooms are required to distribute 50% of their monthly net proceeds as follows: 47% to supplement purses and 3% to supplement breeders' awards during the permitholders next meet.

Only those persons holding a valid cardroom license issued by the division are authorized to operate a cardroom. Only those persons holding an active pari-mutuel permit are eligible to apply for a cardroom license. After initial issuance of the cardroom license, application for both the pari-mutuel license and cardroom license renewal is to be made at the same time each year. To be eligible for renewal of the cardroom license, the applicant must request to conduct at least 90% of the total number of live performances conducted during the state fiscal year in which its initial cardroom license was issued or in the state fiscal year immediately prior thereto. A majority vote by the county commissioners is required to authorize cardroom operations in any county.

The annual cardroom license fee is \$1,000 for the first table and \$500 for each additional table to be operated in the cardroom. If the need arises, permitholders may add tables during the year upon payment of the \$500 per table license fee. For FY 1998-99, 14 pari-mutuel permitholders operated cardrooms with 227 licensed tables. During the current fiscal year through March 30th the number of cardroom tables has decreased to 188 tables.

Some permitholders, for example Dania Jai Alai and Summersport Jai Alai, operate out of the same facility. Although permitholders may utilize the same facility, they do not necessarily license the same number of tables. For example, of the 227 licensed tables in FY 1998-99, Dania Jai Alai licensed 23 tables and Summersport licensed 10 tables. Therefore, since all 14 permitholders with cardrooms cannot all operate at the same time, there are not 227 tables operating at once in the state.

Cardroom operators are responsible financially and otherwise for the operation of the cardroom and the conduct of its employees. Each applicant for a cardroom license is required to obtain a surety bond payable to the state in the amount of \$50,000 to guarantee the redemption of the chips or tokens. The bond is required to be in force during the term of the license. In lieu of a new bond to specifically cover the cardroom operation, a cardroom license applicant may provide evidence to the division that the applicant's pari-mutuel bond has been expanded to include coverage for the cardroom operation. Cardroom employees are required to hold an occupational license in the same manner that employees of a pari-mutuel facility are required to be licensed.

Players may be charged a fee by the cardroom operator the right to participate in the games. The fee may be either a flat fee or an hourly rate for the use of the seat at the gaming table, similar to the fee charged at pool halls for the use of a pool table, or the fee may be a percentage of the amount wagered in a game. The fee charged by the cardroom for participation in a game is in addition to the pot limit.

No wagers may be made using cash or any other form of negotiable currency. Players may only wager using chips or tokens supplied by the cardroom operator. Play chips must be purchased for money before play begins and will be exchanged for money when play is over. The same pot limit provided in the penny-ante games statute, \$10, is applicable to games conducted at a licensed cardroom.

C. EFFECT OF PROPOSED CHANGES:

Present law provides that only persons with a valid and active pari-mutuel permit are eligible for cardroom licenses and cardrooms may only be operated at a licensed pari-mutuel facility. This bill significantly amends conditions under which cardrooms may operate at pari-mutuel facilities and reduces the gross receipts tax.

The existing \$10 pot limit is replaced with a \$2 bet limit with a maximum of three raises per round. The bill also allows cardroom operators to award giveaways or prizes to players who hold combinations of cards specified by the cardroom operator, e.g., a royal flush.

Instead of two hours prior to a live performance, as is allowed under existing law, this bill provides that a cardroom operator may begin games two hours prior to an intertrack, simulcast, or live wagering event. Further, a cardroom operator may continue to operate until 2:00 A.M. the following day, instead of for two hours after the last live pari-mutuel event.

If more than one permitholder is operating at a pari-mutuel facility, the bill clarifies that each permitholder must have applied for a pari-mutuel license to conduct a full schedule of performances in order to receive a renewed cardroom license. The bill also specifies that the annual cardroom license fee applies to each 'facility' rather than each 'permitholder.' The application of cardroom table license fees to each facility, rather than each permitholder, will decrease revenue to the state by approximately \$20,000 annually.

The division estimates that cardroom gross receipts to the permitholder would generate approximately \$4,394,499 for FY 2000-01. This bill reduces the tax paid to the state from 10 percent to 2 percent of the monthly gross receipts. This reduction of the gross receipts tax paid to the state, the division estimates, will reduce state revenue by approximately \$175,000 annually.

The \$2 bet limit provision will significantly increase the payout to the winning hand and, combined, these provisions will likely generate significant increased cardroom activity. As a result, the Division of Pari-Mutuel Wagering estimates the total cardroom gross receipts to the permitholders would increase from a projected \$4,394,499 to approximately \$13,200,000 during FY 2000-01.

The bill increases the percentage of cardroom gross receipts each greyhound and jai alai permitholder is required to dedicate to supplemental purses and prize money -- from 4 percent to 10 percent of monthly gross receipts. Utilizing the division's estimates, purse and prize money disbursements will increase from \$175,780 to \$1,320,000.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends s. 849.086, Florida Statutes

Subsection (5)(b) provides that if more than one permitholder is operating at a facility, each permitholder must have applied for a pari-mutuel license to conduct a full schedule of performances in order to receive a renewed cardroom license.

Subsection (5)(d) provides that the annual cardroom license fee applies to each facility rather than each permitholder.

Subsection (7)(b) allows cardrooms to be operated during intertrack or simulcast pari-mutuel events, as well as live performances during its meet. The time constraints within which a cardroom may operate is also expanded. Instead of two hours prior to a live performance, a cardroom operator may begin business two hours prior to an intertrack wagering, simulcast, or live wagering event. Further, a cardroom operator may continue business until 2:00 A.M. the following day, instead of two hours after the last live pari-mutuel event.

Creates a new subsection (7)(d) to allow cardroom operators to award giveaways or prizes to players who hold combinations of cards specified by the cardroom operator, e.g., a royal flush.

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 totals.

Subsection (13)(a) reduces the tax paid to the state from 10 percent to 2 percent of the monthly gross receipts.

Subsection (13)(d) increases the percentage each greyhound and jai alai permitholder is required to dedicate to supplemental purses and prize money from 4 percent to 10 percent of monthly gross receipts.

Section 2. Provides that the act will take effect on July 1, 2000.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

This bill will eliminate the \$10 pot limit and provides for a \$2 maximum wager with no more than three raises per round. In addition, cardrooms will be allowed to operate more frequently and for longer periods of time each day. As a result, the Division of Pari-Mutuel Wagering estimates the total cardroom gross receipts to the permitholders would increase from a projected \$4,394,499 to approximately \$13,200,000 during FY 2000-01. However, the reduction of the gross receipts tax [from 10% to 2%] will reduce state revenue by approximately \$175,000 equally divided between the Pari-mutuel Wagering Trust Fund and the General Revenue Fund.

Since one-quarter of cardroom deposits into the Pari-Mutuel Wagering Trust Fund are distributed to the counties or municipalities in which cardrooms are located, disbursements to those entities will be reduced by approximately \$33,000.

Finally, the bill applies the annual cardroom license fee to each facility rather than to each permitholder. Consolidated operations will therefore pay approximately \$20,000 less in license fees. To the extent that the new bet limits and hours of operation increase cardroom play, permitholders may benefit from providing additional tables that could potentially offset any initial decline in license fee revenue.

2. Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

N/A

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The new bet limits and additional hours of operation are expected to generate additional cardroom wagering activity. As a result, the Division of Pari-Mutuel Wagering estimates the total cardroom gross receipts to the permitholders would increase from a projected \$4,394,499 to approximately \$13,200,000 during FY 2000-01.

Increased cardroom wagering activity will also increase the permitholder's disbursements to supplemental purses and prize money. The bill increases the percentage of cardroom gross receipts each greyhound and jai alai permitholder is required to dedicate to supplemental purses and prize money -- from 4 percent to 10 percent of monthly gross receipts. Utilizing the division's estimates, purse and prize money disbursements will increase from \$175,780 to \$1,320,000.

D. FISCAL COMMENTS:

N/A

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.

STORAGE NAME: h1525s1.rs

DATE: April 17, 2000

PAGE 7

B. REDUCTION OF REVENUE RAISING AUTHORITY:

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

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:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

There are two primary differences between the committee substitute and HB 1525, as introduced: bet/pot limits and hours of operation.

- HB 1525 replaced the existing \$10 *pot* limit with a \$10 *bet* limit; the CS/HB 1525 replaces the \$10 pot limit with a \$2 bet limit.
- HB 1525 allowed cardrooms to operate until 3:00 A.M.; the CS/HB 1525 will allow cardrooms to operate until 2:00 A.M.

VII. SIGNATURES:

COMMITTEE ON REGULATED SERVICES:

Prepared by:

Staff Director:

Janet Clark Morris

Paul Liepshutz