

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 160
SPONSOR: Finance and Taxation Committee and Senator Wasserman Schultz
SUBJECT: Greyhound Adoption
DATE: February 13, 2001 REVISED: _____

| | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|----|----------------|-----------------|-----------|------------------------|
| 1. | <u>Vaccaro</u> | <u>Caldwell</u> | <u>RI</u> | <u>Fav/1 amendment</u> |
| 2. | <u>Keating</u> | <u>Johansen</u> | <u>FT</u> | <u>Favorable/CS</u> |
| 3. | _____ | _____ | _____ | _____ |
| 4. | _____ | _____ | _____ | _____ |
| 5. | _____ | _____ | _____ | _____ |
| 6. | _____ | _____ | _____ | _____ |

I. Summary:

The bill requires and specifies the criteria by which greyhound-racing permit holders are to provide information at each dogracing facility concerning the adoption of a greyhound. The bill requires that the racing program contain adoption information and identify greyhounds in a race that will become available for adoption. The permit holder is authorized to hold an additional charity day, designated as "Greyhound Adopt-A-Pet Day," and use the profits from the charity day to fund activities promoting greyhound adoptions. The bill clarifies the term "bona fide organization that promotes or encourages the adoption of greyhounds" and requires that such organization provide sterilization of greyhounds by a licensed veterinarian before relinquishing custody of the greyhound to the adopter.

The bill revises the conditions under which card rooms may be operated at pari-mutuel wagering facilities in the state. The bill authorizes thoroughbred racing permit holders to operate card rooms during both live racing and simulcast. 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. The bill increases the hours of operation by allowing a card room to begin operations two hours before any pari-mutuel event begins and to continue business until 2:00 a.m. the following day. Card room operators may give away prizes to players who hold certain combinations of cards. The gross receipts tax paid by the card room operator to the state is decreased from 10% to 2% of monthly gross receipts. The amount paid from card room receipts as supplemental purses and prize money is increased. Each permit holder operating at a facility is required to have applied for a license to conduct a full schedule of live performances in order to receive a renewed card room license. Finally, the annual card room license fee applies to each facility rather than each permit holder at a facility.

This bill creates an unnumbered section of the Florida Statutes and amends ss. 550.1647, 550.5251 and 849.086 of the Florida Statutes.

I. Present Situation:

Section 550.1647, F.S., requires each permit holder to pay from any sources, including the proceeds from performances for charity racing days outlined in s. 550.0351, F.S., an amount not less than ten percent of the amount of the tax credit provided under s. 550.1647, F.S., for any unclaimed, uncashed or abandoned pari-mutuel ticket for a period of one year after the date the ticket was issued to any bona fide organization that promotes or encourages the adoption of greyhounds. This provision took effect July 1, 2000.

The Greyhound Pets of America (GPA) is a nationwide organization of volunteers that finds responsible, loving homes for professional racing greyhounds that no longer qualify to compete at the racetrack. The GPA has six chapters in Florida including Central Florida, Daytona Beach, Southeast Coast, Largo, Greater Orlando, and Emerald Coast.

Section 550.0351, F.S., provides for charity racing days. The Division of Pari-mutuel Wagering (division) may authorize each horseracing, dogracing, and jai alai permit holder up to five charity racing or scholarship days in addition to the regular racing days authorized by law. The proceeds of charity performances shall be paid to qualified beneficiaries selected by the permit holder from an authorized list of charities on file with the department. The total profits derived from the conduct of charity day performances must include all revenues derived from the conduct of that racing performance, including all state taxes that would otherwise be due to the state, except that the daily license fee as provided in s. 550.0951(1), F.S., and the breaks for the promotional trust funds as provided in s. 550.2625(3), (4), (5), (7), and (8), F.S., shall be paid to the division.

In 1996, wagering on the play of certain card games at pari-mutuel facilities was authorized. A card room operator or employee may not participate in any game, except as a non-playing dealer. Card room operators are required to provide dealers for each game conducted at the card room that is of the type that normally requires a dealer. No electronic mechanical devices may be used in playing any game. Only cards or game equipment and chips furnished by the card room operator may be used in playing and wagering on such games. Banking games, where the card room operator or their employee is a participant in the game, plays winners, and collects money from losers are prohibited. The card room 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. Section 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 in which winnings of any player in a single round, hand, or game do not exceed \$10 in value.

Card rooms may only operate 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 permit holder can operate a card room only on days when it is conducting live events. A player is limited to winning in a single round, hand, or game a maximum of \$10.

Section 550.5251, F.S., requires thoroughbred racing permit holders to chose between either operating a card room or engaging in simulcasting after 7 pm.

The Department of Business and Professional Regulation's Division of Pari-mutuel Wagering (division) is authorized and responsible for licensing and regulating card room activities in the state. The division may suspend, revoke, or deny licenses or permits for violations of the statute. Since the operation of a card room is conditioned upon the operation of live pari-mutuel events, the division may suspend, revoke, or deny a card room license if the licensee's pari-mutuel permit or license is suspended or revoked. Certain violations carry criminal penalties.

Each local government is required to pass an ordinance authorizing card room activity in their respective county before such operation can occur in that county.

Section 849.086, F.S., authorizes card rooms. Specifically, card room operators are required to pay a 10 percent gross receipts tax. If a separate admissions fee is charged for entry to the card room, each patron must pay an admission tax equal to 15 percent of the admission charge or 10 cents, whichever is greater. Total tax is 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. Twenty-five percent of these deposits into the Pari-mutuel Wagering Trust Fund are required to be returned to the county in which the card room is located. If two or more pari-mutuel facilities are located in the same incorporated municipality, the card room revenue shall be distributed to the municipality. Greyhound and jai alai permit holders who operate card rooms are required to use 4 percent of their gross receipts to supplement greyhound purses and jai alai player prize money. Thoroughbred and harness horse racing permit holders that operate card rooms are required to distribute 50 percent of their monthly net proceeds as follows: 47 percent to supplement purses and 3 percent to supplement breeders' awards during the permit holders next meet.

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

The annual card room license fee is \$1,000 for the first table and \$500 for each additional table to be operated in the card room. If the need arises, permit holders may add tables during the year upon payment of the \$500 per table license fee. For FY 1998-99, 14 pari-mutuel permit holders operated card rooms with 227 licensed tables. For fiscal year 2000-01, 11 pari-mutuel permit holders operated card rooms with 180 licensed tables.

Card room operators are responsible financially and otherwise for the operation of the card room and the conduct of its employees. Each applicant for a card room 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 card room operation, a card room license applicant may provide evidence to the division that the applicant's pari-mutuel bond has been expanded to include coverage for the card room operation. Card room employees are required to hold an occupational license in the same manner that employees of a pari-mutuel facility are required.

Players may be charged a fee by the card room operator for 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 card room 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 card room 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 card room.

In FY 1997-98, the first full year of card room operations, 15 card rooms were licensed and card room tax revenue totaled \$652,593. In FY1998-99, card rooms numbered 14 and card room revenue totaled \$559,851. During FY 1999-2000, card room revenue fell to \$475,821 and in FY 2000-01, revenues totaled \$391,052.

II. Effect of Proposed Changes:

The bill requires each permit holder operating a dogracing facility to provide for a greyhound-adoption booth to be located at the facility. The booth must be operated on weekends and must be operated by personnel or volunteers from a bona fide organization that promotes or encourages the adoption of greyhounds pursuant to s. 550.1647, F.S. The term "weekends" includes the hours during which live greyhound racing is conducted on Friday, Saturday, or Sunday. The bill requires that information pamphlets and adoption applications be provided to the public upon request. The bill further requires kennel operators and greyhound owners to provide to the permit holders information that a greyhound is available for adoption and that the racing program contain specific adoption information. Permit holders are required to post adoption information at conspicuous locations throughout the dogracing facility and must allow greyhounds to be walked through the facility to publicize greyhound adoption.

In addition to the charity days authorized under section 550.0351, F.S., a greyhound permit holder may fund the greyhound-adoption program by holding a charity racing day designated as "Greyhound Adopt-A-Pet Day." The profits must be used to fund activities at the facility that promote adoption of greyhounds. The division is authorized to adopt rules for administering the fund. The bill specifies that the proceeds for the charity day may not be used as a source for the purposes set forth in s. 550.1647, F.S. Upon violation of these provisions by a permit holder or licensee, the division may impose a penalty as provided in s. 550.0251(10), F.S. A penalty imposed under this subsection does not exclude a prosecution for cruelty to animals for any other criminal act.

The bill amends s. 550.1647, F.S., clarifying that the term “bona fide organization that promotes or encourages the adoption of greyhounds” means any organization that provides evidence of compliance with ch. 496, F.S., and possesses a valid exemption from federal income tax issued by the Internal Revenue Service. The bill also amends s. 550.1647, F.S., to require that such organization provide sterilization of greyhounds by a licensed veterinarian before relinquishing custody of the greyhound to the adopter. The fee for sterilization may be included in the cost of the adoption.

The bill amends s. 550.5251, F.S., authorizing thoroughbred racing permit holders to operate card rooms during both live racing and simulcast.

The bill amends several subsections of s. 849.086, F.S. Subsection (2)(a) defines an “authorized game” to mean a game or series of games of poker, pinochle, bridge, rummy, canasta, hearts, dominoes, or mah-jongg, eliminating the requirement that the winnings of any player in a single round, hand, or game may not exceed \$10 in value.

Subsection (5)(b) provides that if more than one permit holder is operating at a facility, each permit holder must have applied for a pari-mutuel license to conduct a full schedule of live racing in order to receive a renewed card room license. Permit holders that operated a card room in the two previous fiscal year but did not renew its request may amend its annual application to include card room operations. Harness racing permit holders may apply for a card room license if it conducted a minimum of 140 live performances during the state fiscal year immediately prior to its application. If more than one permit holder is operating at a facility, each permit holder must have applied for a license to conduct a full schedule of live racing.

Subsection (5)(d) provides that the annual card room license fee applies to each facility rather than each permit holder.

Subsection (7)(a) provides that a card room may only be operated at the location specified on the card room license and the location may only be the location at which the pari-mutuel permit holder is authorized to conduct pari-mutuel wagering activities pursuant to its valid pari-mutuel permit or is otherwise authorized by law.

Subsection (7)(b) allows card rooms to be operated during intertrack or simulcast pari-mutuel events, as well as live performances. The time constraint within which a card room may operate is also expanded. Instead of two hours prior to a live performance, a card room operator may begin business two hours prior to an intertrack wagering, simulcast, or live wagering event. Further, a card room 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 card room operators to award giveaways or prizes to players who hold combinations of cards specified by the card room 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 can not included in the calculation of the bet size limit.

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 permit holder is required to dedicate to supplemental purses and prize money from 4 percent to 10 percent of monthly gross receipts.

The bill takes effect July 1, 2002.

III. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

IV. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

According to the Division of Pari-mutuel Wagering, if each permit holder maintains their scheduled number of regular and charity performances, and simply provides for one additional greyhound adoption charity performance, there will be no fiscal impact. However, if each permit holder were to reduce one scheduled regular performance in order to accommodate an additional greyhound adoption charity day, the estimated fiscal impact would be a maximum reduction in revenues to the General Revenue Fund of one day's receipts, which would equal approximately \$150,000.

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, the card room will be allowed to operate more frequently and for longer periods of time each day. Elimination of the \$10 cap on winnings could cause pot sizes to be three or four times larger than the \$10 cap, and potentially pot sizes could grow to a maximum of \$200, depending on the type of card game and the number of rounds of play. The division estimates the total card room gross receipts to the permit holders may increase from a projected \$3,100,000 to approximately \$10,500,000 during FY 2002-03. However, due to the reduction of the gross receipts tax percentage from 10 percent to 2 percent, state revenues would decline by approximately \$100,000. That equates to a \$50,000 reduction in Pari-mutuel Trust Fund receipts and a \$50,000 reduction in General Revenue receipts. Because one quarter of the Pari-mutuel Trust Fund receipts is distributed to the counties, they also will realize a negative aggregate impact of approximately \$12,500.

The bill will no longer require annual card room license fees for each permit holder, but rather for each facility operating a card room. Because many permit holders authorized to operate card rooms conduct operations at the same facilities, the division would expect a decline of \$13,000 in table fees.

The new bet limits and additional hours of operation are expected to generate additional card room wagering activity. As a result, the division estimates the total card room gross receipts to the permit holders would increase from a projected \$3,100,000 to approximately \$10,500,000 during FY 2002-03.

B. Private Sector Impact:

Permit holders will incur costs associated with the setup and operation of the greyhound adoption booths. The division estimates, however, that proceeds from the “Greyhound Adopt-A-Pet-Day” will defray such costs.

Increased card room wagering activity will also increase the permit holder’s disbursements to supplemental purses and prize money. The bill increases the percentage of card room gross receipts each greyhound and jai alai permit holder 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 \$140,000 to \$1,050,000.

C. Government Sector Impact:

To the extent that the proposed legislation increases wagering activity in the card rooms, permit holders may benefit from providing additional tables that could offset any initial decline in table fee or tax revenue. Card room gross receipts would need to increase to \$15,500,000 from the current \$3,100,000 gross receipts estimate to offset the proposed 8% decrease in the gross receipts tax rate. Also, 26 additional tables would be required to offset the decrease in table license fees

V. Technical Deficiencies:

None.

VI. Related Issues:

None.

VII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
