

The Florida Senate
PROFESSIONAL STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

Prepared By: Finance and Tax Committee

BILL: CS/SB 1192

INTRODUCER: Regulated Industries Committee and Senator Fasano

SUBJECT: Cardrooms

DATE: April 16, 2007

REVISED: 4/19/2007

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Sumner</u>	<u>Imhof</u>	<u>RI</u>	<u>Fav/CS</u>
2.	<u>Keating</u>	<u>Johansen</u>	<u>FT</u>	<u>Fav/1 amendment</u>
3.	<u> </u>	<u> </u>	<u>GA</u>	<u> </u>
4.	<u> </u>	<u> </u>	<u> </u>	<u> </u>
5.	<u> </u>	<u> </u>	<u> </u>	<u> </u>
6.	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Please see last section for Summary of Amendments

- Technical amendments were recommended
- Amendments were recommended
- Significant amendments were recommended

I. Summary:

The bill authorizes electronic poker tables at authorized cardrooms.

The bill allows horserace, greyhound race or jai alai permitholders to operate at a cardroom at any pari-mutuel facility on any day from 12 noon to 12 midnight if the permitholder meets the requirements under s. 849.086(5)(b), F.S., which provides for issuance and renewal of cardroom licenses.

This bill substantially amends section 849.086, Florida Statutes.

II. Present Situation:

A cardroom may be operated only at the location specified on the cardroom license issued by the division and such location may be only where the permitholder is authorized to conduct pari-mutuel wagering activities subject to its pari-mutuel permit. Section 849.086(2)(c), F.S., defines "cardroom" to mean a facility where authorized card games are played for money or anything of value and to which the public is invited to participate in such games and charged a fee for participation by the operator of such facility. Authorized games and cardrooms do not constitute casino gaming operations.

Section 849.086(2)(a), F.S., defines an “authorized game” at a cardroom as a game or series of games of poker which are played in a nonbanking manner. Authorized cardroom games or series of games of poker may not exceed a \$2 bet with a maximum of three raises in any round of betting.

A “banking game” is defined in s. 849.086(2)(b), F.S., as “a game in which the house is a participant in the game, taking on players, paying winners, and collecting from losers or in which the cardroom establishes a bank against which participants play.”

Up until 2003, an “authorized game” at a cardroom included “penny-ante games” as defined in s. 849.085, F.S., which include a game or series of games of poker, pinochle, bridge, rummy, canasta, hearts, dominoes, or mah-jongg.¹

A cardroom may operate between the hours of 12 noon and 12 midnight on any day a pari-mutuel event is conducted live as a part of the permitholder’s authorized meet. In addition, any permitholder who holds a valid cardroom license may operate a cardroom 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 that same class of permit within 35 miles is operating a cardroom at such time and if all holders of the same class of permit within the 35 mile area have given written permission to the permitholder to operate the cardroom during the designated period.²

In order to renew a cardroom operator license the applicant must have requested, as part of its pari-mutuel annual license application, to conduct at least 90 percent of the total number of live performances conducted by such permitholder during either the state fiscal year in which its initial cardroom license was issued or the state fiscal year immediately prior to the application. If the application is for a harness permitholder cardroom, the applicant must have requested authorization to conduct a minimum of 140 live performances during the state fiscal year immediately prior to the application. 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.³

Section 849.086(7)(c), F.S., requires that a cardroom operator must employ and provide a nonplaying dealer for each table on which an authorized game is conducted. Under s. 849.086(12), F.S., no electronic or mechanical device, except mechanical card shufflers, may be used to conduct an authorized game.

III. Effect of Proposed Changes:

The bill creates the definition of “authorized game facilitated by electronic equipment” in s. 849.086(2)(b), F.S., and defines it to mean:

¹ Section 849.085, F.S., was amended by ch. 2003-295, L.O.F., to eliminate the games of pinochle, bridge, rummy, canasta, hearts, dominoes, or mah-jongg.

² Section 849.086(7)(b), F.S.

³ Section 849.086(5)(b), F.S.

- an electronic poker table that allows players to play a game electronically without a human dealer and that electronically shuffles, deals, pays pots, and otherwise conducts an authorized game; and
- uses gaming equipment that is certified by an independent testing laboratory approved by the division as a mathematically random process with equal probability for each card.

The bill amends s. 849.086(3), F.S. to provide that authorized games at a licensed cardroom does not include video poker games or any other game or machine that is not otherwise authorized under Florida law or as authorized in a licensed slot machine facility.

It amends s. 849.086(4)(a), F.S., to provide rule authority for the procedures and operation of authorized games facilitated by electronic equipment.

It authorizes the division to approve independent testing laboratories that are authorized to certify the gaming equipment in authorized games facilitated by electronic equipment as a mathematically random process with equal probability for each card in s. 849.086(4)(g), F.S.,

The bill amends s. 849.086(7)(b), F.S., to allow horserace, greyhound or jai alai permitholders to operate at a cardroom at any pari-mutuel facility on any day from 12 noon to 12 midnight as long as they meet the requirements under s. 849.086(5)(b), F.S.

In order to renew a cardroom operator license the applicant must have requested, as part of its pari-mutuel annual license application, to conduct at least 90 percent of the total number of live performances conducted by such permitholder during either the state fiscal year in which its initial cardroom license was issued or the state fiscal year immediately prior to the application. If the application is for a harness permitholder cardroom, the applicant must have requested authorization to conduct a minimum of 140 live performances during the state fiscal year immediately prior to the application. 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.⁴

It deletes language that authorizes cardrooms only when the pari-mutuel facility was accepting wagers on pari-mutuel events during its authorized meet. It deletes all current language referring to hours of operation. It deletes language that provided that any permitholder who holds a valid cardroom license may operate a cardroom 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 that same class of permit within 35 miles is operating a cardroom at such time and if all holders of the same class of permit within the 35 mile area have given written permission to the permitholder to operate the cardroom during the designated period.

It amends s. 849.086(7)(c), F.S., to provide that cardroom operator does not need to employ and provide a nonplaying dealer for authorized games facilitated by electronic equipment.

The bill amends s. 849.086(12)(c), F.S., to provide that authorized games facilitated by electronic gaming equipment are not considered a prohibited activity in an authorized cardroom.

⁴ Section 849.086(5)(b), F.S.

IV. Constitutional Issues:**A. Municipality/County Mandates Restrictions:**

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:**A. Tax/Fee Issues:**

The Revenue Estimating Conference estimates a recurring increase to the General Revenue Fund of \$1.7 million.

B. Private Sector Impact:

The public would have more access to cardrooms. The pari-mutuel permit holders would receive additional income from the operation of the cardrooms year-round.

C. Government Sector Impact:

The division anticipates an increase in workload due to the likelihood that most, if not all, cardrooms will be open longer than the current 12 hours a day maximum, and will likely be open 7 days a week, year round. This would increase the operating days across 18 facilities from 4,043 (FY 2005-06 operating days) to 6,570, a 62 percent increase. It is projected that the Division's workload will increase by: approximately 300 more occupational license applications processed, 125 background investigations; 650 more cardroom inspections conducted, 75 investigative cases from complaints and alleged violations, necessitating the promulgation of rules, and additional direct oversight of cardroom operations needed.

The division estimates that the substantial increase in cardroom operations will require the addition of eight full-time equivalent positions. According to the department, the necessary positions are as follows:

Cardroom Administrator - The number of cardrooms operating at pari-mutuel facilities has increased from 11 to 18 since FY 2000-01, while the division's staffing to support the increase has remained the same. The department requested an additional full-time equivalent position to serve as a cardroom administrator in its FY 2007-08 Amended Legislative Budget Request. The Cardroom Administrator is necessary to coordinate the issuance of occupational licenses, cardroom-related background checks, cardroom internal control approvals, cardroom relocations, required rule development, ensuring that

inspections are conducted regularly, and ensuring that cardroom-related complaints are resolved timely. This need will be exacerbated by the significant increase in cardroom operating days and cannot be handled within the division's existing resources.

Operations Analyst – This position is needed to assist the Cardroom Administrator in rule promulgation, the administration of complaints, and monitoring progress on meeting performance measures/standards.

Administrative Assistant – This position will provide administrative and clerical support to the Cardroom Section.

Investigators - Currently, the Division of Pari-Mutuel Wagering employs 9 investigators who conducted a total of 646 background investigations, 705 inspections, and 1,022 investigations in Fiscal Year 2005-06. Due to the 62 percent potential increase in cardroom operating days, it is estimated that the number of background investigations will increase to 771, inspections to 1,355, and investigations to 1,122 per fiscal year. In order to keep the workload per investigator commensurate with Fiscal Year 2005-06 levels, an additional 4 investigators are needed.

Investigations Supervisor – This position would be needed due to the increased number of investigators. The current supervisor to investigator supervisor will not allow for the absorption of the additional investigative staff.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Summary of Amendments:

Barcode 575548 by Finance and Tax:

The amendment is a delete everything amendment that allows cardroom operators to:

- Conduct tournaments in which each player contributes an equal amount to a prize pool for the opportunity to win a portion of the proceeds;
- Operate a cardroom at a pari-mutuel facility on any day for an accumulative amount of 12 hours per day;
- Award giveaways, jackpots, prizes, or progressives to certain players;
- Conduct games of Texas Hold-em without a betting limit if the required player buy-in is no more than \$100;

In addition, the amendment:

- Provides that the 100% of the admissions tax and gross receipts tax shall be paid to the credit of the Pari-mutuel Wagering Trust Fund, instead of 50%, with 50% going to the General Revenue Fund and provides that funding for the Transition Service Integration Model Project Grant Program;
- Establishes the Transition Service Integration Model Project Grant Program. The purpose of the program is to enable students with developmental disabilities the opportunity to transition seamlessly from school to work or post-secondary education without an interruption in services.
- Provides that for fiscal year 2007-08, seven full-time equivalent positions and 240,542 in associated salary rate are authorized, and the sum of \$401,743 in recurring funds and \$92,589 in nonrecurring funds from the Pari-mutuel Wagering Trust Fund are appropriated to carry out the activities related to the bill. (WITH TITLE AMENDMENT)