

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1377
SPONSOR(S): Holloway
TIED BILLS:

Cardrooms

IDEN./SIM. BILLS: SB 752

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Committee on Business Regulation</u>	<u>7 Y, 2 N</u>	<u>Livingston</u>	<u>Liepshutz</u>
2) <u>Jobs & Entrepreneurship Council</u>	<u></u>	<u>Livingston</u>	<u>Thorn</u>
3) <u>Policy & Budget Council</u>	<u></u>	<u></u>	<u></u>
4) <u></u>	<u></u>	<u></u>	<u></u>
5) <u></u>	<u></u>	<u></u>	<u></u>

SUMMARY ANALYSIS

“Cardrooms” are currently authorized to be operated at licensed pari-mutuel facilities in the state. The Division of Pari-mutuel Wagering (division) of the Department of Business and Professional Regulation (DBPR) is responsible for licensing and regulating cardroom activities. The operation of a cardroom is conditioned upon the operation of live pari-mutuel events.

“Cardroom” is defined to mean a facility where authorized card games [poker] 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. There is a \$2 bet limit and a maximum of three raises in any round of betting. A cardroom may operate between the hours of 12:00 noon and 12:00 midnight on any day a live event is scheduled.

The bill amends s. 849.086(7)(b), F.S., to allow the operation of a cardroom at a pari-mutuel facility on any day between the hours of 10 a.m. and 2 a.m. when the permitholder is authorized to accept wagers on pari-mutuel events. The bill also authorizes continuous cardroom play from Friday at 10 a.m. until Monday at 2 a.m.

The bill allows a cardroom operator to award giveaways, jackpots, prizes, or progressives to players who hold certain specified combinations of cards.

The bill allows a cardroom operator to conduct tournaments in which each player contributes an equal amount to a prize pool for the opportunity to win a portion of the aggregate proceeds. The division is authorized to adopt rules relating to the tournaments.

Fiscal

According to the Department of Business and Professional Regulation, the state would see an annual increase in revenues of approximately \$1.7 million. The increase would be comprised of an additional \$15,000 in occupational license fees and over a million and a half dollars in gross receipts tax. The department also anticipates a nonrecurring effect of approximately \$97,000 in the first year and a recurring cost of almost \$500,000 annually. These costs are largely associated with an increase of 8 full-time equivalent (FTE) positions, which will include one Cardroom Administrator, an Operations Analyst, four Investigators, an Investigations Supervisor, and an Administrative Assistant. The department states it cannot absorb any additional workload within existing staffing levels or resources.

See III. D. of this analysis: STATEMENT OF THE SPONSOR

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

STORAGE NAME: h1377b.JEC.doc
DATE: 4/10/2007

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Safeguard individual liberty - The bill provides individuals with additional gaming options.

B. EFFECT OF PROPOSED CHANGES:

Present situation

Section 849.086, F.S., authorizes the operation of cardrooms at licensed pari-mutuel facilities in the state. The division within the DBPR is responsible for licensing and regulating cardroom activities and the operation of a cardroom is conditioned upon the operation of live pari-mutuel events.

As originally enacted in 1996, the cardroom statute defined authorized games to be those games set out in s. 849.085(2)(a), F.S., the penny-ante games statute. The cardroom statute also provided that the winnings of any player in a single round, hand, or game could not exceed \$10. Section 849.085(2)(a), F.S. defined penny-ante games as "poker, pinochle, bridge, rummy, canasta, hearts, dominoes, or mah-jongg." [emphasis added]

The cardroom statute was amended in 2003 to delete the reference to the penny-ante game statute and instead authorize only the game of poker in cardroom facilities. Consequently, poker is the only game that can be conducted in cardrooms. At that time, the statute was also amended to replace the \$10 pot limit with a maximum bet of \$2 and no more than three raises in any round of betting.

The cardroom statute requires games of poker to be played in a non-banking manner; that is, the "house" [licensee/operator] is prohibited from being a participant in the game. As such, the statute requires the cardroom operator to provide a nonplaying dealer for each authorized card table at the cardroom. The dealer may not have any participatory interest in the game and provision of a dealer does not make it a banking game.

Players are not allowed to make wagers with cash. Section 849.086(8), F.S., requires a wagering system to be used at cardrooms whereby the house converts a players' money to tokens or chips which are used for wagering purposes.

Cardroom operators are allowed to charge a fee for the right to participate in games conducted at the cardroom. The fee may be either a flat fee or hourly rate for the use of a seat at the table or a rake subject to the posted maximum amount but may not be based on the amount won by players. These participation fees comprise the gross receipts from cardroom operations from which the state collects a 10 percent tax. For FY 2005-2006 the cardroom gross receipts tax generated approximately \$4.5 million.

Effect of proposed changes

The bill amends s. 849.086(7)(b), F.S., to permit a horserace, greyhound or jai alai permitholder to operate a cardroom at the pari-mutuel facility on any day between the hours of 10 a.m. and 2 a.m. when the permitholder is authorized to accept wagers on pari-mutuel events. The bill also authorizes continuous cardroom play from Friday at 10 a.m. until Monday at 2 a.m.

The bill deletes the provisions that:

- Provide for the operation of cardrooms at a pari-mutuel facility that is authorized to accept wagers on pari-mutuel events only during its authorized meet;

- Allow the operation of a cardroom between the hours of 12 noon and 12 midnight when live racing or games are being conducted as part of the permit holder's authorized meet;
- Allow the operation of cardrooms 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 their permission in writing to the permit holder to operate the cardroom during the designated period. (This provision is applicable to the Jacksonville area permit holders and Tampa Greyhound Track and St. Petersburg Kennel Club.)

The bill allows a cardroom operator to award giveaways, jackpots, prizes, or progressives to players who hold certain specified combinations of cards.

The bill allows a cardroom operator to conduct tournaments in which each player contributes an equal amount to a prize pool for the opportunity to win a portion of the aggregate proceeds. The division is authorized to adopt rules relating to the tournaments.

C. SECTION DIRECTORY:

Section 1. Amends s. 849.086, F.S., to specify when a cardroom may be open, provides for additional awards, and for tournaments.

Section 2. Effective date - July 1, 2007.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The department anticipates the following revenues:

REVENUE			
	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
License Fees:	\$15,000	\$15,000	\$15,000
Taxes:-Section 849.075(13)(c), F.S.	\$1,672,490	\$1,672,490	\$1,672,490
Other (identify):			
TOTAL:	\$1,687,490	\$1,687,490	\$1,687,490

Expenditures:

The department anticipates the following nonrecurring and recurring expenditures:

EXPENDITURES – FUNDING SOURCE (TRUST FUND)			
Non-Recurring Effects	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
Operating Capital Outlay	\$10,400	0	0
Other Personal Services	0	0	0
Expenses	\$26,915	0	0
Acquisition of Motor Vehicles	\$60,000	0	0
Subtotal	\$97,315	None	None

EXPENDITURES – FUNDING SOURCE (TRUST FUND)			
Recurring Effects	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
Salaries/Benefits # of 8 FTE's	\$386,641	\$386,641	\$386,641
Expenses	\$79,493	\$79,493	\$79,493
Operation of Motor Vehicles	\$12,000	\$12,000	\$12,000
Transfer to DMS – HR Services	\$3,208	\$3,208	\$3,208
Subtotal	\$481,342	\$481,342	\$481,342

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

Local governments receive disbursements related to the cardroom operations and will see an estimated increase of \$208,290 annually.

2. Expenditures:

Any costs are indeterminate but likely minimal.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Permitholders are likely to see an increase in total revenue. Employment markets where cardrooms are located could also see an increase.

D. FISCAL COMMENTS:

According to the department, this legislation could create an additional \$1,687,490 in recurring revenues to the state. The increased cardroom activity is expected to carry an annual cost of \$481,342 and will require the addition of 8 FTE positions. The department states it cannot support the demands of the legislation within existing staffing levels or resources.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

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

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The division is authorized to adopt rules relating to cardroom tournaments.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None noted.

D. STATEMENT OF THE SPONSOR

The bill will help promote economic development, tourism, jobs, and allow the existing parimutuels to complete on a more level playing field than the unregulated gaming. The Bill will also increase tax revenue for card rooms.

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

On March 22, 2007, the Committee on Business Regulation adopted a strike all amendment, as amended, and passed the bill out of committee.

The amendment [as amended]

- Allows operations during any cumulative 12 hours a day rather than only from 12 noon to 12 midnight;
- Allows a cardroom to operate on any day if an agreement with state associations representing horsemen, dogmen, or jai alai players has been filed with the division thus allowing a possible expansion to 365 days per year verses only operating when live pari-mutuel events are being conducted;
- Provides a definition of tournament, increases the betting limit from \$2 to \$5, allows the game of no bet limit Texas Hold-em with a maximum allowed buy-in of \$100, and allows cardroom to give winners special prizes for "rare" hands, such as 4 of a kind or a straight flush.