

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/CS/SB 752

INTRODUCER: Finance and Tax Committee, Regulated Industries Committee and Senate Geller

SUBJECT: Cardrooms

DATE: April 19, 2007

REVISED: _____

	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/CS</u>
3.	_____	_____	<u>GA</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

The bill amends the cardroom hours of operation in s. 849.086(7)(b), F.S., by allowing for operation of the cardroom between the hours of 10 a.m. and 2 a.m. only on days when the facility is authorized to accept wagers on pari-mutuel events except or unless extended by local government. It changes the maximum bet from \$2 to \$10 and authorizes poker tournaments under certain conditions.

The bill 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.

The bill changes the disposition of the gross receipts tax on cardroom operators, from one half being credited to the Pari-mutuel Wagering Trust Fund and one half being credited to the General Revenue Fund, to 100 percent being deposited to the Pari-mutuel Wagering Trust Fund. In addition, the bill changes the amount of cardroom revenues distributed to counties in which the cardrooms are located from one-quarter to one-sixteenth of moneys deposited into the Pari-mutuel Wagering Trust Fund from the gross receipts on cardroom revenues.

The bill requires that one half of the moneys deposited into the Pari-mutuel Wagering Trust Fund from these funds be transferred to the Grants and Donations Trust Fund on or before October 1 of each year for the purpose of funding programs established by the Transition Service Integration Model Project Grant Program. The bill provides appropriations.

This bill substantially amends section 849.086 of the 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 charges 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 non-banking 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(13)(a), F.S., provides that each cardroom operator pay to the state a tax of 10 percent of the cardroom operator’s monthly gross receipts. Section 849.086(13)(c), F.S.,

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.

provides for the disposition of cardroom tax revenues. One half is credited to the Pari-mutuel Wagering Trust Fund (PMWTF) and one half is credited to the General Revenue Fund.

III. Effect of Proposed Changes:

Section 1 of the bill amends s. 849.086(2) F.S., creating a definition of “tournament,” and defines it to mean a series of games that have more than one betting round involving one or more tables, where the winners or others receive a prize or cash award.

The bill amends s. 849.086(7)(b), F.S., to allow horserace, greyhound or jai alai permitholders to operate a cardroom at any pari-mutuel facility between the hours of 10 a.m. and 2 a.m. only on days when the facility is authorized to accept wagers on pari-mutuel events except that the hours of operation may be extended by majority vote of the governing body of the municipality where the facility is located or the governing body of the county if the facility is not located in a municipality.

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 creates s. 849.086(7)(d), F.S., to provide that a cardroom operator may award giveaways, jackpots and prizes to a player or players who hold certain combinations of cards specified by the cardroom operator.

The bill amends s. 849.086(8)(b), F.S., by changing the maximum bet from \$2 to \$10.

The bill creates s. 849.086(8)(c), F.S., to describe tournament play. It provides that:

- It shall consists of a series of games;
- The entry fee, including re-buys, may not exceed the maximum amount that could be wagered by a participant in 10 like-kind, nontournament games;
- Tournaments must be played only with tournament chips;
- Players must receive an equal number of tournament chips for their entry fee;
- Tournament chips have no cash value and represent tournament points only;
- There is no limitation on the number of tournament chips that may be used for a bet except as otherwise determined by the cardroom operator;
- Tournament chips may not be redeemed for cash or any other thing of value;
- The distribution of prizes and cash awards is determined by the cardroom operator before entry fees are accepted.

It creates s. 849.086(8)(d), F.S., to provide that only for tournament play does the term “gross receipts for the tournament” mean the total amount received by the cardroom operator for all

entry fees, player re-buys, and fees for participation in the tournament, less the total amount paid to the winners or others as prizes

The bill amends s. 849.086(13), F.S., changing the disposition of the admission tax and gross receipts tax on cardroom operators, from one half being credited to the PMWTF and one half being credited to the General Revenue Fund, to 100 percent being deposited to the PMWTF. In addition, the bill changes the amount of cardroom revenues distributed to counties in which the cardrooms are located from one-quarter to one-sixteenth of moneys deposited into the PMWTF from the gross receipts on cardroom revenues.

The bill also provides that one half of the moneys deposited into the PMWTF pursuant to s. 849.086(13)(g) is transferred to the Grants and Donation Trust Fund established by s. 215.32(2)(d) on or before October 1 of each year for the purpose of funding programs established by the Transition Service Integration Model Project Grant Program.

Section 2 of the bill establishes the Transition Service Integration Model Project Grant Program (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. The program is established within the Department of Education to provide startup grants to offset the cost of formal service agreements between district school boards and not-for-profit employment services providers. The bill provides that a school district may apply to the Bureau of Exceptional Education and Student Services for a grant. The bill lists eligibility requirements. The bill provides that each grant shall be implemented to the extent funded over a period of 4 years. The program will be directed towards approximately 200 students each year in no more than 10 district pilot sites.

Section 3 of the bill provides for an appropriation. For the fiscal year 2007-2008, 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 provisions of the bill.

Section 4 of the bill provides that if any provision of the bill is held invalid, the invalidity does not affect other provisions of the bill.

Section 5 of the bill provides that the bill shall take effect July 1, 2007.

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 estimated the total increase in cardroom gross receipts tax revenues from the increase in the number of hours that a cardroom may remain open each day to be \$1.7 million. Under current law, the \$1.7 million would accrue to the General Revenue Fund, because all unappropriated funds in excess of \$1.5 million in the PMWTF are deposited into the General Revenue Fund.⁴ The provision in the bill that changes the disposition of the tax on cardroom operator’s gross receipts, from one half being credited to the PMWTF and one half being credited to the General Revenue Fund, to 100 percent being deposited to the PMWTF will negatively impact the General Revenue Fund.

One half of the moneys from the tax on cardroom operator’s gross receipts deposited in the PMWTF will be transferred to the Grants and Donations Trust Fund of the Department of Education for the purpose of funding programs established by the Transition Service Integration Model Project Grant Program, which is created in this bill. In addition, the provision that changes the amount of cardroom revenues distributed to counties in which the cardrooms are located from one-quarter to one-sixteenth, will have a negative impact on counties. The chart below shows the total revenue impact of the bill:

Fiscal Year 2007-2008

Cardroom Gross Receipts Tax	Current Law	New Distribution	Difference	Additional Hours	Total Difference + Add'l Hours
Total Revenue	6.4	6.4	0.0	1.7	1.7
General Revenue	3.2	0.4	(2.8)	0.8	(2.0)
PMWTF	2.4	2.4	0.0	0.0	0.0
Counties	0.8	0.4	(0.4)	0.1	(0.3)
Grants & Donations TF	0.0	3.2	3.2	0.8	4.0

B. Private Sector Impact:

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

Developmentally disabled students participating in the Transition Service Integration Model Project Grant Program will be offered an opportunity to transition smoothly from school to work or post-secondary education without an interruption in services.

⁴ Section 550.135(2), F.S.

C. Government Sector Impact:

The Grants and Donations Trust Fund of the Department of Education will receive an estimated \$4.0 million in fiscal year 2007-08 to pay for the costs associated with the Transition Service Integration Model Project Grant Program.

The Division of Pari-mutuel Wagering will be appropriated \$401,743 in recurring funds and 7 full-time equivalent positions and \$92,589 in non-recurring funds to fund the provisions of the bill.

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 adoption, 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.

This Senate Professional Staff Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

VIII. Summary of Amendments:

None.

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