

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: Regulated Industries Committee

BILL: CS/SB 752

INTRODUCER: Regulated Industries Committee and Senator Geller

SUBJECT: Cardrooms

DATE: April 10, 2007

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Sumner	Imhof	RI	Fav/CS
2.			FT	
3.			GA	
4.				
5.				
6.				

I. Summary:

The bill authorizes electronic poker tables at authorized cardrooms. It amends the cardroom hours of operation in s. 849.086(7)(b), F.S., by allowing for operation of the cardroom between 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.

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

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:

- 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.

It creates the 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.

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.

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

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

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:

None.

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.

C. Government Sector Impact:

The division estimates revenue to the state would increase by \$1,687,490 annually. Of that amount, \$15,000 would be from additional occupational license fees, and \$1,672,490 from gross receipts tax. One half of the payments received from cardrooms is deposited into the General Revenue Fund, and one half in the Pari-Mutuel Wagering Trust Fund.⁴ The division must distribute one fourth of the one half deposited into the Pari-Mutuel Wagering Trust Fund to the counties or municipalities where the cardrooms are located. The division anticipates an increase of \$209,060 in the amount distributed to counties or municipalities.

⁴ Section 849.086(13)(c), F.S.

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.

Other - Four motor vehicles and fuel expenses will be needed for the Investigation Specialist II positions. The Cardroom Administrator, Investigator Specialist II's and the

Investigations Supervisor would need travel expenses for cardroom inspections, meetings, and training that would require overnight stays.

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.

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