

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

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

Prepared By: The Professional Staff of the Governmental Oversight and Accountability Committee

BILL: CS/CS/SB 666

INTRODUCER: Governmental Oversight and Accountability Committee, Regulated Industries Committee, and Senator Ring

SUBJECT: Governmental Reorganization/Gaming

DATE: March 24, 2011 **REVISED:** _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Harrington	Imhof	RI	Fav/CS
2.	McKay	Roberts	GO	Fav/CS
3.			BC	
4.				
5.				
6.				

Please see Section VIII. for Additional Information:

- | | | |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes |
| B. AMENDMENTS..... | <input type="checkbox"/> | Technical amendments were recommended |
| | <input type="checkbox"/> | Amendments were recommended |
| | <input type="checkbox"/> | Significant amendments were recommended |

I. Summary:

The bill creates the Department of Gaming Control using a type two transfer as defined in s. 20.06(2), F.S. The CS transfers and reassigns all statutory powers, duties and functions, records, personnel, property, and unexpended balances of appropriations, allocations, or other funds for the administration of ch. 550, F.S., concerning pari-mutuel wagering, ch. 551, F.S., concerning slot machine gaming, and s. 849.086, F.S., concerning cardroom operations from the Division of Pari-mutuel Wagering of the Department of Business and Professional Regulation to the Department of Gaming Control. The Department of Gaming Control is headed by the gaming commission, which is composed of the Governor and Cabinet.

The bill requires the Department of Gaming Control to issue advisory opinions when requested by any law enforcement official, state attorney, or entity licensed by the department relating to the application of state gaming laws.

The bill moves the game promotions or sweepstakes registration from the Department of Agriculture and Consumer Services to the Department of Gaming Control.

This bill substantially amends ss. 11.905, 20.165, 120.80, 212.12, 285.710, 455.116, 550.002, 550.0115, 550.01215, 550.0235, 550.0251, 550.0351, 550.054, 550.0555, 550.0651, 550.0745, 550.0951, 550.09511, 550.09512, 550.09514, 550.09515, 550.105, 550.1155, 550.0125, 550.135, 550.155, 550.1648, 550.175, 550.1815, 550.24055, 550.2415, 550.2614, 550.26165, 550.2625, 550.26352, 550.2704, 550.334, 550.3345, 550.3355, 550.3551, 550.3615, 550.375, 550.495, 550.505, 550.5251, 550.625, 550.6305, 550.6308, 550.70, 550.902, 550.907, 551.102, 551.103, 551.104, 551.1045, 551.105, 551.106, 551.107, 551.108, 551.109, 551.112, 551.114, 551.117, 551.118, 551.121, 551.122, 551.123, 565.02, 616.09, 616.241, 817.37, 849.086, 849.0915, 849.094, 849.12, and 849.48, F.S.

This bill creates s. 20.318, F.S.

II. Present Situation:

Gaming Regulation

Currently, gaming is regulated by multiple state agencies. Although gambling is generally illegal,¹ certain gaming activities are authorized. The Department of Business and Professional Regulation (DBPR) oversees the regulation of pari-mutuel wagering, cardrooms, and slot machine gaming. DBPR is also the state compliance agency charged with the oversight of the Seminole Indian Compact. The Department of Lottery conducts all legal lottery gaming. The Department of Agriculture and Consumer Services (DACS) registers and regulates certain game promotions. All other gaming activity is enforced by state attorneys and local law enforcement agencies.

Division of Pari-mutuel Wagering

From 1932 to 1969 Florida's pari-mutuel industry was regulated by the State Racing Commission. In 1970, the commission became the Division of Pari-mutuel Wagering (division) within the Department of Business Regulation.² In 1993, the Department of Business Regulation merged with the Department of Professional Regulation and became the Department of Business and Professional Regulation.³ The mission of the division is the efficient, effective and fair regulation of authorized gaming at pari-mutuel facilities in Florida.⁴

The division's primary responsibilities include:

- Ensuring that races and games are conducted fairly and accurately;
- Ensuring the safety and welfare of racing animals;
- Collecting state revenue accurately and timely;
- Issuing occupational and permissholder operating licenses;
- Regulating pari-mutuel, cardroom, and slot machine operations;
- Ensuring that permissholders, licensees, and businesses related to the industries comply with state law; and

¹ Section 849.08, F.S.

² Chapter 69-106, L.O.F.

³ Chapter 93-220, L.O.F.

⁴ <http://www.myflorida.com/dbpr/pmw/index.html> (last visited February 28, 2011).

- Serving as the State Compliance Agency for the Compact between the Seminole Tribe of Florida and the State of Florida.

The division is funded by the Pari-mutuel Wagering Trust Fund and has a \$13.8 million operating budget for fiscal year 2010-2011:

- \$9.1 million for the regulation of pari-mutuel wagering and cardrooms; and,
- \$4.7 million for the regulation of slot operations (Approximately \$400,000 is transferred to the Florida Department of Law Enforcement).

The division has 118 full time positions:

- 66 full time positions for the regulation of pari-mutuel wagering and cardrooms;
- 48 full time positions for the regulation of slot machine gaming; and,
- 4 full time positions for the State Compliance Agency for the Gaming Compact.

The division is divided into six functional areas:

- The Director's Office – Provides general oversight and administration of the division and oversees the division's budget and safeguards state revenues.
- The Office of Auditing - Conducts audits of permitholders to ensure integrity of wagering activity.
- The Office of Investigations – Examines possible rule, statute, or criminal violations and conducts criminal history and background checks on applicants.
- The Office of Operations - Issues operating licenses to permitholders and issues occupational licenses to businesses and individuals as well as serves as the primary regulator of pari-mutuel operations at pari-mutuel facilities.
- The Office of Slot Operations – Serves as the primary regulator of slot machine operations at pari-mutuel wagering facilities.
- State Compliance Agency - Ensures compliance with the Gaming Compact between the Seminole Tribe of Florida and the State of Florida.

The division collects revenue from the following:

- Taxes and fees from the operation of pari-mutuel events;
- Occupational license fees from businesses and individuals associated with a facility;
- Cardroom license fee of \$1,000 per table;
- 10 percent tax on cardroom gross receipts;
- \$2.5 million annual slot machine operating license fee from each slot facility for fiscal year 2010-2011 (\$2 million each fiscal year thereafter);
- 35 percent tax on net slot machine revenue; and,
- \$250,000 compulsive and addictive gambling prevention program fee paid annually by each slot facility.⁵

The division provides oversight to:

⁵ Section 551.118(2), Florida Statutes, require the Division of Pari-mutuel Wagering to contract with a vendor for the prevention of compulsive and addictive gambling. The division currently has a contract with the Florida Council on Compulsive and Addictive Gambling. The division does not have any employees dedicated to the implementation of this program.

- 35 permitholders operating at 28 facilities:
 - 16 Greyhound;
 - 3 Thoroughbred;
 - 1 Harness;
 - 6 Jai-Alai;
 - 1 track offering limited intertrack wagering and horse sales; and,
 - 1 Quarter Horse.
- 23 Cardrooms operating at pari-mutuel facilities; and,
- 6 Slot facilities located in Broward and Miami-Dade County pari-mutuel facilities.

Greyhound racing was authorized in Florida in 1931.⁶ Betting is permitted on the outcome of the races around an oval track. The greyhounds typically chase a “lure,” which is usually a mechanical hare or rabbit. Racing greyhounds are those which are bred, raised, or trained to be used in racing at a pari-mutuel facility and are registered with the National Greyhound Association.⁷

Horse Racing, like greyhound racing, was also authorized in the State of Florida in 1931. Currently, the state authorizes three forms of horse racing classes for betting: thoroughbred, harness, and quarter horse racing. Florida currently has approximately 500 horse farms throughout the state which generate an estimated direct economic impact of approximately \$2 billion.⁸

Thoroughbred racing involves only horses specially bred and registered by certain bloodlines. The thoroughbred industry is highly regulated and specifically overseen by national and international governing bodies. Thoroughbred horses are defined as “a purebred horse whose ancestry can be traced back to one of three foundation sires and whose pedigree is registered in the American Stud Book or in a foreign stud book that is recognized by the Jockey Club and the International Stud Book Committee.”⁹ Pari-mutuel betting is allowed on the outcome of the race which runs typically from one mile to one and one-quarter mile.¹⁰

Harness racing in the State of Florida is currently only permitted at the Pompano Park facility. Harness racing uses standardbred horses, which are a “pacing or trotting horse ... that has been registered as a standardbred by the United States Trotting Association” (USTA) or by a foreign registry whose stud book is recognized by the USTA.¹¹

Quarter horse racing is currently only conducted at the Hialeah Park facility located in Miami-Dade County.¹² In addition to Hialeah Park, there are 12 additional quarter horse racing permits issued by DBPR but not licensed to conduct racing.¹³ Quarter horses are defined as those

⁶ *Deregulation of Intertrack and Simulcast Wagering at Florida's Pari-Mutuel Facilities*, Interim Report No. 2006-145, Florida Senate Committee on Regulated Industries, September 2005.

⁷ Section 550.002(29), F.S.

⁸ <http://www.floridahorse.com/> (last visited on March 2, 2011).

⁹ Section 550.002(35), F.S.

¹⁰ Anything over 870 yards is considered a thoroughbred racing distance.

¹¹ Section 550.002(33), F.S.

¹² As of February 28, 2011.

¹³ *Id.*

developed in the western United States which are capable of high speed for a short distance.¹⁴ They are registered with the American Quarter Horse Association. Quarter horse racing is over a much shorter distance than either the thoroughbred or harness race classes with races only permitted at less than 870 yards.

Jai Alai is a game originating from the Basque region in Spain played in a fronton¹⁵ in which a ball is hurled through the court and points are assessed based on legal throws and catches. Jai Alai was first permitted in 1935. Florida is now the only state where Jai Alai is currently played.

Slot Machines - During the 2004 General Election, the electors approved Amendment 4 to the State Constitution, codified as s. 23, Art. X, Florida Constitution, which authorized slot machines at existing pari-mutuel facilities in Miami-Dade and Broward Counties upon an affirmative vote of the electors in those counties. Both Miami-Dade and Broward Counties held referenda elections on March 8, 2005. The electors approved slot machines at the pari-mutuel facilities in Broward County, but the measure was defeated in Miami-Dade County. Under the provisions of the amendment, four pari-mutuel facilities are eligible to conduct slot machine gaming in Broward County: Gulfstream Park Racing Association (a thoroughbred permitholder), The Isle Casino and Racing at Pompano Park (a harness racing permitholder), Dania Jai Alai (a jai alai permitholder), and Mardi Gras Race Track and Gaming Center (a greyhound permitholder). Legislation was passed during the 2005 Special Session B, HB 1B, ch. 2005-362, L.O.F., that implemented Amendment 4 pursuant to the provisions of the constitutional amendment. The division is charged with regulating the operation of slot machines in the affected counties. Of the four eligible in Broward County, three are operating slot machines.¹⁶

On January 29, 2008, another referendum was held under the provisions of Amendment 4, in which the slot machines in Miami-Dade County were approved. Three additional pari-mutuel facilities are eligible to conduct slot machine gaming in Miami-Dade County: Miami Jai-Alai (a jai-alai permitholder), Flagler Greyhound Track (a greyhound permitholder), and Calder Race Course (a thoroughbred permitholder). Calder and Flagler are currently operating slot machines.

In addition to the seven locations authorized for slot machines under the Florida Constitution, on July 1, 2010, a statutory amendment expanded the locations that were authorized slot machine gaming to include pari-mutuel facilities located in a charter county or a county that has a referendum approving slots that was approved by law or the Constitution, provided that such facility has conducted live racing for two calendar years preceding its application and complies with other requirements for slot machine licensure.¹⁷ Currently, only existing pari-mutuel facilities in Miami-Dade County qualify for slot machine authorization. Under the statutory provision, one additional facility became eligible for slot machine gaming: Hialeah Park (a quarter horse facility). Hialeah Park has applied for a license to conduct slot machine gaming but is not currently operating slot machine gaming.

¹⁴ Section 550.002(28), F.S.

¹⁵ "A building or enclosure that contains a playing court with three walls designed and constructed for playing the sport of Jai Alai or pelota." Section 550.002(10), F.S.

¹⁶ Dania Jai Alai has not applied for a license to operate slot machine gaming.

¹⁷ See, ch. 2010-29, L.O.F. and s 551.102(4), F.S.

Slot machine licensees are required to pay a licensure fee of \$2.5 million for fiscal year 2010-2011. The annual slot machine licensure fee is reduced in fiscal year 2011-2012 to \$2 million.¹⁸ In addition to the license fees, the tax rate on slot machine revenues at each facility is 35 percent.¹⁹ If, during any state fiscal year, the aggregate amount of tax paid to the state by all slot machine licensees in Broward and Miami-Dade counties is less than the aggregate amount of tax paid to the state by all slot machine licensees in the 2008-2009 fiscal year, each slot machine licensee shall pay to the state within 45 days after the end of the state fiscal year a surcharge equal to its pro rata share of an amount equal to the difference between the aggregate amount of tax paid to the state by all slot machine licensees in the 2008-2009 fiscal year and the amount of tax paid during the fiscal year.²⁰

Section 551.114(5), F.S., requires a slot machine licensee to provide adequate office space at no cost to the division and the Department of Law Enforcement for the oversight of slot machine operations. The division must adopt rules establishing the criteria for adequate space, configuration, and location and needed electronic and technological requirements for office space required by this subsection.

Public Fairs and Expositions

Twenty-five or more persons who are residents and qualified electors of a county where a public fair is to be located and who wish to form a not-for-profit association for the purpose of conducting and operating public fairs or expositions, may become incorporated by submitting a proposed charter to the Department of Agriculture and Consumer Services (DACS) for review and approval and then presenting the proposal to the judge of the circuit court for the county in which the principal office of the association is to be located.²¹ Prior to conducting any fair, the association must apply for and receive a permit from DACS.²² Fair associations are not authorized to permit any gambling, betting, lottery, or similar act on fair grounds.²³ Any association who commits such a violation is subject to forfeiture of its charter. The Department of Legal Affairs is charged with prosecuting the fair association for such a violation in such a proceeding to annul the association's charter.²⁴ In addition, any violation of illegal gambling is enforced by local boards and authorities.²⁵

¹⁸ Chapter 551.106(1), F.S. Prior to the effective date of 2010-29, L.O.F., the license fee was \$3 million.

¹⁹ Chapter 551.106(1), F.S. Prior to the effective date of 2010-29, L.O.F., the tax rate was 50 percent.

²⁰ Chapter 551.106(2), F.S. The 2008-2009 tax paid on slot machine revenue was \$103,895,349. It does not appear that this provision will be triggered because of the additional facilities beginning slot operations. Calder began slot operations in January 2010 and Flagler began operations in October 2009. Miami Jai Alai and Dania Jai Alai have not begun slot operations.

²¹ Section 616.01, F.S.

²² Section 616.15(1), F.S.

²³ Section 616.09, F.S.

²⁴ *Id.*

²⁵ Section 616.241(9), F.S.

Game Promotions

In 1971, the Legislature enacted s. 849.094, F.S., which authorizes game promotions (also known as sweepstakes) in connection with the sale of consumer products. Section 849.094(1)(a), F.S., defines “game promotion” as:

- a contest, game of chance, or gift enterprise, conducted within or throughout;
- the state or other states in connection with the sale of consumer products; or
- or services, and in which the elements of chance and prize are present.

This provision is intended to allow companies to promote their products or services with a game promotion. For the purposes of this section, a game promoter, or “operator,” cannot be a charitable, nonprofit organization.

The law prohibits operators from manipulating their sweepstakes so that all or part of the winning game pieces are allocated to certain franchisees, agents, or lessees, or to certain geographic areas of the state. Operators may not:

- Arbitrarily remove, disqualify, disallow, or reject any entry;
- Fail to award the prizes advertised;
- Publish false or misleading advertising about the game promotion;
- Require an entry fee, payment, or proof of purchase as a condition of entering the game promotion; or
- Force a lessee, agent, or franchisee to participate in a game promotion.²⁶

There is no licensure requirement to conduct game promotions. Instead, operators of a game promotion with an announced total prize value of greater than \$5,000 must register the game promotion with DACS²⁷ and comply with the following requirements:

- File with DACS at least seven days before the commencement of a game promotion a copy of the rules and regulations of the game promotion and a list of all prizes and prize categories offered. A \$100 non-refundable fee to DACS to must accompany each filing.²⁸
- Conspicuously post the rules and regulations of the game promotion in each retail outlet or place where the game is played or participated in by the public.²⁹
- Legibly publish the rules and regulations in all advertising copy about the game promotion. If the advertisements include a website, a toll-free telephone number, or a mailing address where the full rules and regulations may be viewed, heard, or obtained for the duration of the promotion, the advertising copy only has to include the material terms of the rules and regulations.³⁰
- Financially back the prize pool with either a trust account or a surety bond.³¹
 - The trust account must be in a national or state-chartered financial institution, with a balance sufficient to pay or purchase the total value of all prizes offered. On a DACS-supplied form, an officer of the financial institution holding the trust account shall report

²⁶ Sections 849.094(2) and (7), F.S.

²⁷ Section 849.094(3), F.S.

²⁸ *Id.*

²⁹ Section 849.094(3), F.S.

³⁰ *Id.*

³¹ Section 849.094(4), F.S.

- the amount of money in the account, who established the trust account, and the name of the game promotion for which the account was established. The form must be filed within seven days of the game promotion.
- In lieu of the trust account, the operator may demonstrate to DACS that it has obtained a surety bond equal to the total amount of prizes offered.
 - DACS may waive this requirement if the operator has conducted game promotions in Florida for at least five consecutive years and has not had any criminal, civil, or administrative actions filed against him by the state related to s. 849.094, F.S.
 - Furnish DACS with a certified list of the names and addresses of all persons who won prizes valued at \$25 or more, and the dates on which they won. This list must be provided to DACS within 60 days of the winners being determined. DACS must retain this list for at least six months before disposing of it.³²

The Department of Agriculture and Consumer Services has the authority to adopt rules to enforce the game-promotion statute. Also, DACS and the Department of Legal Affairs have the authority to bring action in circuit court against any operator that they have reason to believe is in violation of s. 849.094, F.S.

Violators of the provisions in s. 849.094, F.S., or the rules adopted by DACS, are guilty of a second-degree misdemeanor, punishable by a maximum 60 days in jail and a \$500 fine.³³ Also, DACS may pursue civil penalties against violators of up to \$1,000 per violation.³⁴

Exempted from the provisions of s. 849.094, F.S., are activities regulated by the Department of Business and Professional Regulation, the activities of nonprofit organizations, and any organization engaged in activities that do not involve the sale of consumer products or services. Also, the registration and oversight provisions do not apply to television or radio broadcasting companies licensed by the Federal Communications Commission.

When s. 849.094, F.S., was created in 1971, the Internet as we know it today did not exist, nor were computers or machines routinely used in connection with game promotions. Utilizing electronic machines as game promotions in so-called “Internet cafes” is a relatively new occurrence in Florida.

In 2006, DACS received a game promotion filing from a company to put free-standing game promotion machines in truck stops.³⁵ The machines would dispense phone cards for \$5, and award the consumer a certain number of credits or game points which would have no cash value, but could be used to play a video game. The games resembled traditional slot machines, including three rows of three symbols that appear to spin, and depending on the final configuration revealed as a result of the predetermined game promotion entry, the consumer could earn prize credits which could be redeemed for cash. This company filed 20 separate game

³² Section 849.094(5), F.S.

³³ Section 849.094(9), F.S.

³⁴ Violations may include failing to post the game promotion rules or failing to maintain a surety bond in the amount of the total prize pot.

³⁵ *Review of Electronic Gaming Exceptions for Adult Arcades and Game Promotions*, Interim Report No. 2009-123, Florida Senate Committee on Regulated Industries, November 2008. A copy of the report is available at: http://archive.flsenate.gov/data/Publications/2009/Senate/reports/interim_reports/pdf/2009-123ri.pdf.

promotions in February 2007, and DACS treated each machine as a separate game promotion. Also in that same month, DACS began to see an influx of similar game promotions in different regions of the state.

As of November 6, 2008, there were at least 61 electronic game promotions registered with DACS. As of January 25, 2011, there are 15,586 registered game promotions.³⁶

Although there are no official numbers, several representatives of the larger sweepstakes software and Internet café operations estimate there are about 1,000 locations in Florida where electronic game promotion machines are used. According to those representatives, about half are state law compliant, meaning they provide game promotion entries in conjunction with the sale of a consumer product, register their game promotion with DACS when applicable, and operate a true game promotion with a finite number of winning entries that are paid out to the winners.

Type Two Transfers

Section 20.06(2), F.S., provides for a type-two transfer:

A type two transfer is the merging into another agency or department of an existing agency or department or a program, activity, or function thereof or, if certain identifiable units or subunits, programs, activities, or functions are removed from the existing agency or department, or are abolished, it is the merging into an agency or department of the existing agency or department with the certain identifiable units or subunits, programs, activities, or functions removed therefrom or abolished.

(a) Any agency or department or a program, activity, or function thereof transferred by a type two transfer has all its statutory powers, duties, and functions, and its records, personnel, property, and unexpended balances of appropriations, allocations, or other funds, except those transferred elsewhere or abolished, transferred to the agency or department to which it is transferred, unless otherwise provided by law. The transfer of segregated funds must be made in such a manner that the relation between program and revenue source as provided by law is retained.

(b) Unless otherwise provided by law, the head of the agency or department to which an existing agency or department or a program, activity, or function thereof is transferred is authorized to establish units or subunits to which the agency or department is assigned, and to assign administrative authority for identifiable programs, activities, or functions, to the extent authorized in this chapter.

(c) Unless otherwise provided by law, the administrative rules of any agency or department involved in the transfer which are in effect immediately before the transfer remain in effect until specifically changed in the manner provided by law.

³⁶ According to the numbers provided by DACS. The number of registered game promotions changes daily as new game promotions begin and old game promotions end.

III. Effect of Proposed Changes:

The CS creates the Department of Gaming Control, which will have oversight authority over pari-mutuel wagering, cardrooms, slot machine gaming, and game promotions.

Section 1. Transfers the administration of chs. 550, 551, and 849, F.S., of the Division of Pari-mutuel Wagering of the Department of Business and Professional Regulation to the Department of Gaming Control by a type two transfer. This section also transfers the Pari-mutuel Wagering and Racing Scholarship Trust Funds from the Division of Pari-mutuel Wagering of the Department of Business and Professional Regulation to the Department of Gaming Control.

Section 2. Amends s. 11.905, F.S., requiring a review of the Department of Gaming Control by July 1, 2022.

Section 3. Amends s. 20.165, F.S., removing the Division of Pari-mutuel Wagering from the Department of Business and Professional Regulation.

Section 4. Creates the Department of Gaming Control (department) and the Gaming Commission (commission). The CS provides that the commission shall be composed of the Governor and Cabinet and shall serve as agency head for the department. The commission shall be responsible for appointing and removing the executive director and general counsel for the department.

This section creates five divisions within the department, including a division of licensing, revenue and audits, investigation, law enforcement, and prosecution. The department is required to submit an annual budget to the Legislature and adopt rules to administer the laws under its authority. In addition, the commission is authorized to issue subpoenas and to exclude persons from gaming establishments within its jurisdiction.

This section requires the department to provide advisory opinions when requested by any law enforcement official, state attorney, or entity licensed by the department relating to the application of state gaming laws with respect to whether a particular act or device constitutes legal or illegal gambling under state laws and administrative rules. The CS provides that any person acting in good faith upon an advisory opinion that such person requested is not subject to any criminal penalty for illegal gambling. This section provides that the department may employ sworn law enforcement officers. The section provides that the department must work with the Department of Revenue to ensure that licensees are in compliance with child support laws concerning support orders, subpoenas, orders to show cause, or written agreements with the Department of Revenue. In addition, this section provides that the department must close licenses after two year of providing notice of any deficiency to the applicant and must approve licenses that meet all statutory and rule requirements for licensure.

The bill requires the Department of Gaming Control to contract with the Department of Revenue to perform tax collection and audit services for Ch. 550, 551, 849 taxes.

Section 5. Amends s. 120.80, F.S., deleting the exemption for hearing and notice requirements that applied to the Division of Pari-mutuel Wagering of the Department of Business and

Professional Regulation. The section creates the same exemptions for the activities of the Department of Gaming Control.

Section 6. amends s. 212.12, F.S., to specify data that must be included in returns for coin-operated amusement machines, and requires the Department of Revenue to report quarterly to the Department of Gaming Control on who is operating coin-operated amusement machines

Section 7. Amends 285.710, F.S., to provide that the Department of Gaming Control is the state compliance agency having the authority to carry out the state's oversight responsibilities under the Seminole Indian Compact and removes the reference to the Division of Pari-mutuel Wagering of the Department of Business and Professional Regulation.

Section 8. Removes the Pari-mutuel Wagering Trust Fund from the Department of Business and Professional Regulation.

Sections 9 - 70. Delete references to the Division of Pari-mutuel Wagering and replaces them with Department of Gaming Control. These sections require annual reports to be sent to the President of the Senate and Speaker of the House of Representatives instead of the Governor. These sections correct cross references and remove expired terms. In addition, these sections amend language to conform to current bill drafting conventions.

Section 71. Amends s. 616.09, F.S., to provide that the Department of Gaming Control as well as the Department of Legal Affairs shall be responsible for instituting and prosecuting cases against fairs, for purposes of annulling the fair charter, alleging that the association was organized for or is being used as a cover to evade any of the laws of Florida against crime.

Section 72. Amends s. 616.241, F.S., providing that enforcement of illegal gaming violations at public fairs and expositions is the responsibility of the Department of Gaming Control, local boards, and authorities.

Section 73. Amends s. 817.37, F.S., removing references to the Division of Pari-mutuel Wagering and replacing them with the Department of Gaming Control.

Section 74. Amends s. 849.086, F.S., pertaining to cardrooms. The section removes references to the Division of Pari-mutuel wagering and replaces them with the Department of Gaming Control. In addition, this section also allows cardrooms to utilize mechanical card shufflers.

Section 75. Amends s. 849.0915, F.S., to change a reference from DACS to the Department of Gaming Control, in a provision that authorizes certain types of legal actions.

Section 76. Amends s. 849.094, F.S., pertaining to game promotions. The section provides that the oversight of the game promotion regulations shall be the responsibility of the Department of Gaming Control instead of the Department of Agriculture and Consumer Services. The section strikes reference to charitable nonprofit organizations clarifying that those organizations must comply with the game promotion requirements when conducting a game promotion.

Section 77. Amends s. 849.12, F.S., to permit the Department of Gaming Control to initiate certain types of legal proceedings.

Section 78. Creates s. 849.48, F.S., to provide a license program for gambling businesses.

Section 79. Provides that the act shall take effect on October 1, 2011.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. Other Constitutional Issues:

A “department” is the basic building block of government activity and is the structure through which authority is exercised and to which money and positions are appropriated. Its principal subcomponent is a “division.” Units below that level may be created by departments; above that level they are created by statute. Since the governmental reorganization of 1969, a variety of structures have entered into the ch. 20, F.S., taxonomy. The most common of these are “offices” or “agencies” which are hybrids of departments and divisions but operating below the departmental level. Some of these were created to execute a matrix form of operations in which considerable autonomy was delegated to division-like units outside of the headquarters location. Chief among these has been the Department of Children and Family Services; the Department of Corrections; the Department of Financial Services; the Department of Revenue; and, the Department of Transportation.

Article IV of the State Constitution limits executive departments to twenty-five in number, excluding those authorized or created in that document. Using that benchmark, the following count is obtained:

- Constitutionally created or authorized (5): State Board of Administration, Department of Veterans’ Affairs; Florida Fish & Wildlife Conservation Commission; Department of Elderly Affairs; Board of Governors; and, Parole Commission.
- Authorized by statute (21): Department of State; Department of Legal Affairs; Department of Financial Services; Department of Agriculture and Consumer Services; Department of Education; Department of Business and Professional Regulation, Department of Community Affairs; Department of Children & Family

Services; Florida Department of Law Enforcement; Department of Revenue; Department Management Services; Department of Transportation; Department of Highway Safety and Motor Vehicles; Department of Environmental Protection; Department of Military Affairs; Department of Citrus; Department of Corrections; Department of Juvenile Justice; Department of the Lottery; Agency for Health Care Administration; and, Department of Health.

- Functional equivalent to department (1): Executive Office of the Governor.
- Department-like but statutorily proclaimed as subordinate (3): Agency for Persons With Disabilities; Agency for Workforce Innovation (DMS); and, Agency for Enterprise Information Technology (EOG).
- Total influenced by constitutional limitation: 22.

Unaffected by the limitation are a number of divisions with powers independent of the nominal department head. Examples of these are the Division of Emergency Management (DCA); the Division of Bond Finance (SBA), and the Division of Administrative Hearings (DMS). The Public Service Commission is excluded from the limitation since it is, by statute, a legislative branch agency.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

A type-two transfer assumes that the positions and budget will be transferred and remain the same; however, with the new structuring and creation of a new agency, workload and positions may differ. This fiscal impact is indeterminate at this time.

For DBPR, the impact of removing the division on workload and staffing is indeterminate.

According to the division, the CS does not transfer the personnel and functions of the division's legal section within DBPR's Office of the General Counsel. The legal section includes four attorneys, two administrative assistants, and a law clerk position that currently provide direct legal support to the division.

Additionally, the CS authorizes the Department of Gaming Control to employ sworn law enforcement officers and establishes a Division of Law Enforcement. Currently, the division does not employ sworn law enforcement officers. Consequently, additional full

time employees, including law enforcement officers and support staff, may also be needed. It is unclear if there will be a fiscal impact for the provision that establishes law enforcement personnel within the new department.

The division indicated that it utilizes a system called LicenseEase for the issuance of pari-mutuel, cardroom, and slot machine operating licenses; occupational licenses; and administrative complaints. Other entities within DBPR utilize this system. In addition, the division utilizes a revenue system called the Central Management System. This system is made specifically for the division and is only used by the division. If the CS is passed, the Department of Gaming Control may need to develop a new licensing system. In addition, the contract for the revenue system is between DBPR and ESI. A new contract may need to be negotiated or a new revenue system may need to be developed as a result of this transition. Additionally, DBPR has electronic images and workflow automation in an OnBase Document Management System that will require conversion to the new agency.

The division noted that the entirety of the division's technology systems will need to be separated from DBPR's systems. This involves building extract files to pull data from the Single Licensing System, the OnBase Document Management System and the Central Management System. The Department of Business and Professional Regulation will need to contract with the product vendors for these systems to create these extract routines that will compile division specific data from these systems and provide that information to the new department to allow for the continuation of the licensing and compliance functions. This work effort is estimated to be a non-recurring contracted services expense of \$168,000.

After the new agency is formed, DBPR pointed out that it will need to receive the requirements for the extract file formats needed to load data into the data systems established by the Department of Gaming Control. The Division of Technology cannot begin work until these requirements have been defined.

The Department of Agriculture and Consumer Services estimates that the transfer of game promotion regulations to the new agency will result in a loss of \$499,817 in revenue and \$250,140 in employee salary and related expenses in authority from the General Inspection Trust Fund within DACS. The net costs to DACS is estimated to be \$314,508.

VI. Technical Deficiencies:

None.

VII. Related Issues:

The rulemaking authority in section 4 of the bill should be consolidated for clarity, and made consistent with other rulemaking grants throughout the bill.

Revenue sharing with the Seminole Indian Compact relies on continued exclusivity of casino style and Class III gaming. Games legal as of February 1, 2010 have no impact on payments

from the Tribe. This CS merges the regulation of pari-mutuel wagering, cardrooms, slot machines, and the regulation of game promotions into one agency. The CS creates an agency for the purpose of issuing advisory opinions on the issues of permitted gaming in the state. The CS does not authorize any new Class III or casino-style game. Instead, the CS only combines multiple regulatory agencies into one agency. As a result, the CS should have no effect on the revenue sharing payments with the Tribe.

VIII. Additional Information:

- A. **Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Governmental Oversight and Accountability on March 30, 2011:

The committee substitute:

- Requires the Department of Gaming Control to contract with the Department of Revenue to perform tax collection and audit services for Ch. 550, 551, 849 taxes;
- Specifies data that must be included in returns for coin-operated amusement machines, and requires the Department of Revenue to report quarterly to the Department of Gaming Control on who is operating coin-operated amusement machines;
- Conforms reference to new department; allows department to file civil suits in certain circumstances; and,
- Requires the department to issue gambling licenses to applicants.

CS by Regulated Industries on March 9, 2011:

The CS makes technical changes to the bill to correct references in the bill from commission and board to Department of Gaming Control. The CS expands the powers and duties of the new department to include the ability to create rules, issue subpoenas, and to exclude certain persons from gaming establishments within the jurisdiction of the department. The CS authorizes both the Department of Legal Affairs and the Department of Gaming Control to prosecute public fair association charters to terminate the association's charter for violation of gaming provisions. The CS restores the current criminal penalties for game promotion violations and restores registration thresholds to \$5,000. The CS removes all references to arcade amusement games and machines. The CS removes the contingency from the effective date that linked the bill with SB 668 as a trust fund bill is no longer necessary upon the removal of the amusement arcade taxation. In addition, the CS changes the effective date of the bill to October 1, 2011.

- B. **Amendments:**

None.