

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1269 Pari-mutuel Wagering

SPONSOR(S): Daley

TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Regulatory Reform Subcommittee	16 Y, 1 N	Thompson	Anstead
2) State Administration & Technology Appropriations Subcommittee	14 Y, 1 N	Helpling	Topp
3) Commerce Committee			

SUMMARY ANALYSIS

Pari-mutuel wagering is authorized in Florida for certain permitholders. These activities are overseen and regulated by the Division of Pari-Mutuel Wagering (Division) with the Department of Business and Professional Regulation (DBPR). However, the Florida Gaming Control Commission (Commission), established within the Department of Legal Affairs, Office of the Attorney General, in 2021, was given responsibility over the state's gambling laws, including pari-mutuel wagering, beginning July 1, 2022.

A license to offer pari-mutuel wagering, slot machine gambling, or a cardroom at a pari-mutuel facility is a privilege granted by the state. Currently, pari-mutuel permitholders' authority to conduct certain live racing or games is limited as follows:

- A greyhound permitholder may not conduct live racing.
- A jai alai permitholder, harness horse racing permitholder, or quarter horse racing permitholder may elect not to conduct live racing or games.
- A thoroughbred permitholder must conduct live racing.

Permitholders that do not conduct live racing or games that retain their permit are considered a pari-mutuel facility.

The bill amends Florida's pari-mutuel wagering laws, as follows:

- Authorizes a greyhound permitholder, jai alai permitholder, thoroughbred permitholder, or quarter horse racing permitholder that held such permit during the 2020-2021 operating year to conduct live harness horse racing.
- Authorizes a permitholder who elects to conduct live harness horse racing to conduct live harness horse racing as long as they qualify for the permit they held during the 2020-2021 operating year.
- Authorizes a greyhound permitholder, jai alai permitholder, thoroughbred permitholder, or quarter horse racing permitholder who elects to conduct live harness horse racing to make a request to conduct such racing and that such request must be received by the Division by October 1, 2022.
- Specifies that conducting live harness horse racing is an additional benefit, and not considered a conversion of a permit or a new or additional permit. A permitholder who elects to conduct live harness horse racing is not entitled to receive any additional or other types of pari-mutuel permits.

The bill may have an indeterminate negative fiscal impact on state government. See Fiscal Analysis & Economic Impact Statement.

The effective date of the bill is July 1, 2022.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

General Overview of Gaming in Florida

Gambling is generally prohibited in Florida, unless specifically authorized. Section 7, Art. X, of the Florida Constitution prohibits lotteries, other than pari-mutuel pools, from being conducted in Florida. Chapter 849, F.S., includes prohibitions against slot machines, keeping a gambling house and running a lottery. However, a constitutional amendment approved by voters in 1986 authorized state-operated lotteries, and a constitutional amendment in 2004 authorized slot machines in Miami-Dade and Broward Counties.

The following gaming activities are also authorized by law and regulated by the state:

- Pari-mutuel¹ wagering;²
- Gaming on tribal reservations in accordance with the Indian Gaming and Regulatory Act and the 2010 Gaming Compact with the Seminole Tribe of Florida;
- Slot machine gaming at certain licensed pari-mutuel locations in Miami-Dade County and Broward County;³ and
- Cardrooms⁴ at certain pari-mutuel facilities.⁵

Chapter 849, F.S., also authorizes, under specific and limited conditions, the conduct of penny-ante games,⁶ bingo,⁷ charitable drawings,⁸ game promotions (sweepstakes),⁹ bowling tournaments,¹⁰ and skill-based amusement games and machines at specified locations.¹¹

In 2013, the legislature clarified that Internet café style gambling machines were illegal in the state. The legislation clarified existing sections of law regarding slot machines, charitable drawings, game promotions, and amusement machines and created a rebuttable presumption that machines used to simulate casino-style games in schemes involving consideration and prizes are prohibited slot machines.¹²

In 2015, the legislature determined that the regulation of the operation of skill-based amusement games and machines would ensure compliance with Florida's limitations on gambling and prevent the expansion of casino-style gambling. The legislature clarified regulations related to the operation and

¹ "Pari-mutuel" is defined in Florida law as "a system of betting on races or games in which the winners divide the total amount bet, after deducting management expenses and taxes, in proportion to the sums they have wagered individually and with regard to the odds assigned to particular outcomes. See s. 550.002(22), F.S.

² See ch. 550, F.S., relating to the regulation of pari-mutuel activities.

³ See FLA. CONST., art. X, s. 23, and ch. 551, F.S.

⁴ S. 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."

⁵ The Department of Business and Professional Regulation (DBPR) has issued licenses to permitholders with 2021-2022 Operating Licenses to operate 27 cardrooms. See <http://www.myfloridalicense.com/DBPR/pari-mutuel-wagering/permitholder-operating-licenses-2021-2022/> (last visited Jan. 23, 2022).

⁶ S. 849.085, F.S.

⁷ S. 849.0931, F.S.

⁸ S. 849.0935, F.S.

⁹ S. 849.094, F.S., authorizes game promotions in connection with the sale of consumer products or services.

¹⁰ S. 849.141, F.S.

¹¹ S. 546.10, F.S.

¹² Florida House of Representatives Select Committee on Gaming, Final Bill Analysis of 2013 CS/HB 155, p. 1 (Apr. 19, 2013).

use of amusement games or machines to ensure that regulations would not be interpreted as creating an exception to the state's general prohibitions against gambling.¹³

Amendment to Florida Constitution Prohibiting Racing of and Wagering on Greyhounds or Other Dogs

During the 2018 General Election, the voters approved an initiative constitutional amendment, Amendment 13, Prohibition on Racing of and Wagering on Greyhounds or Other Dogs, which has been codified in the State Constitution as Article X, Section 32.¹⁴

Article X, Section 32 states:

Prohibition on racing of and wagering on greyhounds or other dogs.—The humane treatment of animals is a fundamental value of the people of the State of Florida. After December 31, 2020, a person authorized to conduct gaming or pari-mutuel operations may not race greyhounds or any member of the *Canis Familiaris* subspecies in connection with any wager for money or any other thing of value in this state, and persons in this state may not wager money or any other thing of value on the outcome of a live dog race occurring in this state. The failure to conduct greyhound racing or wagering on greyhound racing after December 31, 2018, does not constitute grounds to revoke or deny renewal of other related gaming licenses held by a person who is a licensed greyhound permitholder on January 1, 2018, and does not affect the eligibility of such permitholder, or such permitholder's facility, to conduct other pari-mutuel activities authorized by general law. By general law, the legislature shall specify civil or criminal penalties for violations of this section and for activities that aid or abet violations of this section.

As of January 1, 2021, wagering on live greyhound racing in Florida is completely prohibited. However, cardroom and slot machine facilities by such permitholders may continue to operate after the closure of racing activities.

Regulation of Pari-mutuel Wagering¹⁵

Oversight

Since approximately 1931, pari-mutuel wagering has been authorized in Florida for jai alai, greyhound racing, and horseracing. These activities have been overseen and regulated¹⁶ by the Division of Pari-Mutuel Wagering (Division) with the Department of Business and Professional Regulation (DBPR).¹⁷ However, the Legislature established the Florida Gaming Control Commission within the Department of Legal Affairs, Office of the Attorney General, in 2021. The commission is tasked with exercising all regulatory and executive powers of the state on all forms of gambling authorized by the State Constitution or law including pari-mutuel wagering, card rooms, slot machine facilities, and the oversight of gaming compacts under the federal Indian Gaming Regulatory Act but excluding state lottery games authorized by the State Constitution.

Effective July 1, 2022, all powers, duties, functions, records, offices, personnel, associated administrative support positions, property, pending issues, existing contracts, administrative authority,

¹³ S. 546.10, F.S.

¹⁴ See the text of Amendment 13, now codified as art. X, s. 32, at <http://www.leg.state.fl.us/Statutes/index.cfm?Mode=Constitution&Submenu=3&Tab=statutes#A10S32> (last visited Jan. 23, 2022).

¹⁵ Section 550.002(22), F.S., defines "Pari-mutuel" or "pari-mutuel wagering" as "a system of betting on races or games in which the winners divide the total amount bet, after deducting management expenses and taxes, in proportion to the sums they have wagered individually and with regard to the odds assigned to particular outcomes."

¹⁶ From 1932 to 1969, Florida's pari-mutuel industry was regulated by the State Racing Commission. In 1970, the commission became a division within the Department of Business Regulation, which, in 1993, became DBPR.

¹⁷ Department of Business and Professional Regulation, *Pari-mutuel Wagering – Permitholder Operating Licenses 2021-2022*, <http://www.myfloridalicense.com/DBPR/pari-mutuel-wagering/permitholder-operating-licenses-2021-2022/> (last visited Jan. 23, 2022).

administrative rules, and unexpended balances of appropriations, allocations, and other funds in DBPR related to the oversight responsibilities by the state compliance agency for authorized gaming compacts under s. 285.710, F.S., the regulation of pari-mutuel wagering under ch. 550, F.S., the regulation of slot machines and slot machine gaming under ch. 551, F.S., and the regulation of cardrooms under s. 849.086, F.S., are transferred by a type two transfer, as defined in s. 20.06(2), F.S., to the Florida Gaming Control Commission.¹⁸

Licensure

A license to offer pari-mutuel wagering, slot machine gaming, or a cardroom at a pari-mutuel facility is a privilege granted by the state.¹⁹

Chapter 550, F.S., provides specific permitting and licensing requirements, taxation provisions, and regulations for the conduct of the pari-mutuel industry. Pari-mutuel wagering activities are limited to operators who have received a permit from the Division, which is then subject to ratification by county referendum.

Permitholders apply for an operating license annually to conduct pari-mutuel wagering activities.²⁰ Certain permitholders are also authorized to operate cardrooms²¹ and slot machines at their facility.²²

According to the Division's Annual Report, in Fiscal Year 2019-20, there were 38 pari-mutuel permitholders licensed to operate, in addition to one thoroughbred sales facility that holds a limited license to conduct intertrack wagering. There are eight pari-mutuel facilities that have been licensed to operate slot machines. Several locations have multiple permits that operate at a single facility.

According to the Division's Annual Report, in Fiscal Year 2019-2020, the following types of permits were licensed to operate:

- Nineteen Greyhound Racing permits
- Five Thoroughbred Horse Racing permits
- One Harness Horse Racing permit
- Five Quarter Horse Racing permits
- Eight Jai-Alai permits

According to the Division, ten permitholders were not issued operating licenses for Fiscal Year 2020-2021: two greyhound permitholders,²³ two jai alai permitholders,²⁴ one limited thoroughbred permitholder,²⁵ and five quarter horse permitholders.²⁶ There were eight license suspensions, and \$19,075 in fines assessed for violations of all pari-mutuel statutes and administrative rules in Fiscal Year 2019-2020.²⁷

¹⁸ Ch. 2021-269, Laws of Fla.

¹⁹ *Solimena v. State*, 402 So.2d 1240, 1247 (Fla. 3d DCA 1981), review denied, 412 So.2d 470, states "Florida courts have consistently emphasized the special nature of legalized racing, describing it as a privilege rather than as a vested right," citing *State ex rel. Mason v. Rose*, 122 Fla. 413, 165 So. 347 (1936). See s. 550.1625(1), F.S., "...legalized pari-mutuel betting at dog tracks is a privilege and is an operation that requires strict supervision and regulation in the best interests of the state."

²⁰ S. 550.0115, F.S.

²¹ S. 849.086, F.S.

²² S. 551.104, F.S.

²³ Jefferson County Kennel Club (Monticello) and North American Racing Association (Key West).

²⁴ Gadsden Jai-alai (Chattahoochee) and Tampa Jai Alai.

²⁵ Under s. 550.3345, F.S., during Fiscal Year 2010-2011 only, holders of quarter horse racing permits were allowed to convert their permits to a thoroughbred racing permit, conditioned upon specific use of racing revenues for enhancement of thoroughbred purses and awards, promotion of the thoroughbred horse industry, and the care of retired thoroughbred horses. Two conversions occurred, Gulfstream Park Thoroughbred After Racing Program (GPTARP) (Hallandale, Broward County), which was licensed to operate in 2019-2020, and Ocala Thoroughbred Racing (Marion County), which was not licensed to operate.

²⁶ ELH Jefferson (Jefferson County), DeBary Real Estate Holdings (Volusia County), North Florida Racing (Jacksonville), Pompano Park Racing (Pompano Beach), and St. Johns Racing (St. Johns County). See

http://www.myfloridalicense.com/dbpr/pmw/documents/PermitholdersList_2020-2021.pdf (last visited Jan. 23 2022).

²⁷ Department of Business and Professional Regulation Division of Pari-mutuel Wagering, *89th Annual Report for Fiscal Year 2019-2020*, [AnnualReport-2019-2020--89th--20210224.pdf](#) pg. 5, (last visited Jan. 23, 2022).

Issuance of and Revocation of Pari-mutuel Permits and Annual Licenses

In 2021, a law became effective that prohibits the issuance, relocation, or conversion of any licenses, and prohibits a pari-mutuel permitholder from being issued an operating license for the conduct of pari-mutuel wagering, slot machine gaming, or the operation of a cardroom if the permitholder did not hold an operating license for the conduct of pari-mutuel wagering for Fiscal Year 2020-2021, but exempts converted thoroughbred permits under s. 550.3345, F.S. It also allows, for Fiscal Year 2021-2022 only, the Division to approve changes to a permitholder's operating dates if the request is received before October 1, 2021.

Currently, a permit for the operation of a pari-mutuel facility, cardroom, or slot machine facility may only be held by facilities with permits on January 1, 2021. No pari-mutuel wagering permit may be converted to another class of permit.

The Division may revoke or suspend any permit or license upon the willful violation by the permitholder or licensee of any provision of ch. 550, F.S., or any administrative rule adopted by the Division, and may impose a civil penalty against the permitholder or licensee up to \$1,000 for each offense.²⁸

Pari-Mutuel Wagering, Slot Machine and Cardroom State Revenue

License fees and taxes collected by pari-mutuel wagering permitholders, including slot machine and cardroom permitholders, are deposited with the Chief Financial Officer, to the credit of the Pari-mutuel Wagering Trust Fund. Slot machine tax revenue is transferred from the Pari-mutuel Wagering Trust Fund to the Educational Enhancement Trust Fund to supplement public education funding statewide. Taxes collected by cardrooms are split between the Pari-mutuel Wagering Trust Fund and the General Revenue Fund.

Live Performance Requirements

A license to offer pari-mutuel wagering, slot machine gambling, or a cardroom at a pari-mutuel facility is a privilege granted by the state.²⁹ Currently, the State only requires thoroughbred permitholders to conduct live racing;³⁰ a greyhound permitholder may not conduct live racing; and a jai alai permitholder, harness horse racing permitholder, or quarter horse racing permitholder may elect not to conduct live racing or games.

A greyhound permitholder, jai alai permitholder, harness horse racing permitholder, or quarter horse racing permitholder that does not conduct live racing or games:³¹

- Retains its permit;
- Is a pari-mutuel facility as defined in s. 550.002(23), F.S.;
- Is eligible, but not required, to be a guest track, and if the permitholder is a harness horse racing permitholder, is eligible to be a host track for purposes of intertrack wagering and simulcasting pursuant to ss. 550.3551, 550.615, 550.625, and 550.6305, F.S.; and
- Remains eligible for a cardroom license.

A permitholder or licensee may not conduct live greyhound racing or dogracing in connection with any wager for money or any other thing of value in the state. The Division is authorized to deny, suspend, or revoke any permit or license in ch. 550, F.S., for conducting live greyhound racing or dogracing in violation of this provision. In addition to, or in lieu of, denial, suspension, or revocation of such permit or license, the Division is authorized to impose a civil penalty of up to \$5,000. All penalties imposed and

²⁸ S. 550.054(9)(b), F.S.

²⁹ See s. 550.1625(1), F.S., (legalized pari-mutuel betting at dog tracks "is a privilege and is an operation that requires strict supervision and regulation in the best interests of the state").

³⁰ S. 550.01215(1)(b)1., F.S.

³¹ *Id.*

collected must be deposited with the Chief Financial Officer to the credit of the General Revenue Fund.³²

During the period between December 14 and January 4, permitholders are required to annually file in writing with DBPR, its application for an operating license for a pari-mutuel facility for the conduct of pari-mutuel wagering during the next state fiscal year, including intertrack and simulcast race wagering.³³ Permitholders are authorized to amend their applications through February 28.³⁴

Notwithstanding any other provision of law, other than a permitholder issued a permit pursuant to s. 550.3345, F.S., which is the conversion of quarter horse permit to a limited thoroughbred permit, a pari-mutuel permitholder may not be issued an operating license for the conduct of pari-mutuel wagering, slot machine gaming, or the operation of a cardroom if the permitholder did not hold an operating license for the conduct of pari-mutuel wagering for Fiscal Year 2020-2021.³⁵

After the first license has been issued to a permitholder, all subsequent annual applications for a license must be accompanied by proof, in such form as the Division may by rule require, that the permitholder continues to possess the qualifications prescribed by this chapter, and that the permit has not been disapproved at a later election.³⁶

The Division is required to issue each license no later than March 15, and each permitholder is required to operate all performances at the date and time specified on its license.³⁷

Effect of the Bill

The bill authorizes greyhound permitholders, jai alai permitholders, thoroughbred permitholders, or quarter horse racing permitholders that held such permit during the 2020-2021 operating year to elect to conduct live harness horse racing.

The bill specifies that the authorization to conduct harness horse racing pursuant to ch. 550, F.S., may only be granted to a permitholder that held an operating license to conduct pari-mutuel wagering for Fiscal Year 2020-2021, or that holds a permit issued pursuant to s. 550.3345, F.S., which is a permitholder that converted a quarter horse permit to a limited thoroughbred permit.

However, such election to conduct harness horse racing does not entitle such permitholder to receive an additional, or other type of, permit.

The bill specifies that live harness horse racing may only be conducted pursuant to ch. 550, F.S., if such permitholder qualifies to retain the greyhound permit, jai alai permit, thoroughbred permit, or quarter horse racing permit held during the 2020-2021 operating year.

The bill specifies that the authorization granted to conduct harness horse racing to a permitholder other than a harness horse racing permitholder is not considered the granting or issuance of a permit or license, or a conversion of such permit, but is merely considered an additional benefit of holding a greyhound permit, jai alai permit, thoroughbred permit, or quarter horse racing permit issued pursuant to s. 550.3345, F.S.

The bill extends the timeframe for which the Division is authorized to approve changes in operating dates for a jai alai permitholder, harness horse racing permitholder, or quarter horse racing permitholder from Fiscal Year 2021-2022 to 2022-2023 only.

³² S. 550.01215(1)(b)2., F.S.

³³ S. 550.01215(1), F.S.

³⁴ S. 550.01215(1)(c), F.S.

³⁵ S. 550.01215(1)(d), F.S.

³⁶ S. 550.01215(2), F.S.

³⁷ S. 550.01215(3), F.S.

The bill requires greyhound permitholders, jai alai permitholders, thoroughbred permitholders, or quarter horse racing permitholders who elect to conduct live harness racing to make a request to conduct such racing, and must have their request received by the Division by October 1, 2022.

B. SECTION DIRECTORY:

Section 1: Amends s. 550.01215, F.S., relating to license application; periods of operation; license fees; bond.

Section 2: Provides an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

The bill will have an indeterminate negative fiscal impact to the Division. The amount of resources that will be required to provide statutorily required oversight of harness racing will depend on how many permitholders elect to have harness racing. The Division will be able to request funding through the Legislative Budget Request process if current resources are insufficient.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill may have a positive fiscal impact on pari-mutuel facilities that elect to have harness racing.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not Applicable. This bill does not appear to affect county or municipal governments.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

State agencies associated with the provisions in the bill may need to revise their rules to the extent the rules are inconsistent with the authority to conduct live harness horse racing.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES