

REVENUE ESTIMATING CONFERENCE

TAX: Various

ISSUE: Destination Resorts with Gambling Facilities

BILL NUMBER(S): SB 710

SPONSOR(S): Bogdanoff

MONTH/YEAR COLLECTION IMPACT BEGINS: Bill has an overall effective date of July 1, 2012; collections would be delayed beyond this date.

DATE OF ANALYSIS: November 10, 2011

SECTION 1: NARRATIVE

- a. **Current Law:** On April 7, 2010, the Governor and the Seminole Tribe of Florida executed a Compact agreement that was subsequently ratified by the Legislature (Chapter 2010-29, Laws of Florida) and approved by the United States Secretary of the Interior. The Compact allows the play of covered games in seven Seminole tribal gaming facilities. The covered games include slot machines at all seven facilities and banked card games at five of the seven facilities. Expressly excluded are roulette, craps, roulette-style games and craps-style games. The Tribe is granted exclusive rights to offer the covered games while recognizing the current authorization for slots at the pari-mutuel-based facilities in Miami-Dade and Broward counties. The Compact has a life of 20 years, with the exception of the authorization for banked card games which only lasts five years (until FY 2015-16). Revenues are deposited in the General Revenue Fund.

Chapter 2005-362, Laws of Florida, provided for the regulation of slot machines at pari-mutuel facilities located in Broward and Miami-Dade counties. Today, five facilities operate slots: Gulfstream Park, Mardi Gras Gaming Center, Isle Casino at Pompano, Flagler Magic City, and Calder Casino. Each of these facilities runs a cardroom in addition to the slots facilities. Miami Jai-Alai is anticipated to begin operations on January 1, 2012, and Hialeah is expected to commence operations on January 1, 2013. The current tax rate on slot machine revenues is 35%. Tax collections are deposited in the Educational Enhancement Trust Fund.

- b. **Proposed Change:** The proposed legislation would create a mechanism to authorize the operation of no more than three destination resorts that contain gambling facilities. See attached documents for the provisions of the bill that affect state and local revenues.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

Revenue Estimating Conference Forecast for Slot Machine Revenues, September 2011

Revenue Estimating Conference Forecast for Indian Gaming Revenues, September 2011

Department of Revenue data for Just Values (commercial) - 2011 NAL

Casino City's Indian Gaming Industry Report ~ 2011 Edition

Compact Agreement between the Governor and Seminole Tribe of Florida, April 7, 2010

Multiple editions of the Southwest Contractor, Top Projects Nevada (2004, 2005, 2006, 2007, 2008 and 2009)

TM Davis & Associates web-based documents

2003: PKF Consulting, Guide to Cost Allocations for Developers

Various reports and documents on Massachusetts' proposals for Destination Resort Casinos (2008 through 2011)

Bernstein Research note dated October 24, 2011

Commodity-by-industry input-output matrix obtained from the Bureau of Economic Analysis (2002)

Percent Distribution of Value Put in Place Each Month from Start to Completion for State and Local Construction table, obtained from U.S. Census Bureau

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

The proposed legislation gives some discretion and rule-making authority to the new State Gaming Commission, as well as authorizes an Invitation-To-Negotiate process. For these reasons, it is challenging to estimate precisely the composition of the destination resorts in terms of offerings, where they will be located, when they will open, what types of games they will offer, how large their gaming facilities will be, and what their construction schedule will be. The estimates developed on the attached worksheets and totaled below should be viewed as conservative projections, assuming implementation progresses as envisioned.

The only revenues *benefiting* the General Revenue Fund come from the proposed Gross Receipts Tax, and those will come with a one-year lag after the imposition of the Gross receipts Tax. The Gross Receipts Tax is not anticipated to be imposed until the beginning of the 2015-16 fiscal year. In contrast, the *losses* to General Revenue and the Educational Enhancement Trust Fund would begin as soon as the new gaming operations commence. The numbers below reflect the revenue impact for FY 2015-16, assuming the gambling component is in operation for the full year.

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SECTION 4: PROPOSED FISCAL IMPACT

Total Impact: (State Trust, GR and Local Trust)	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
High	155.0		29.1	19.9	102.2
Middle	154.0		29.1	19.9	46.3
Low	153.0		17.6	24.5	4.2

<i>Component 1 of Total State Trust Impact:</i>	<i>FY 2012-13 Cash</i>	<i>FY 2012-13 Annualized</i>	<i>FY 2013-14 Cash</i>	<i>FY 2014-15 Cash</i>	<i>FY 2015-16 Cash</i>
<i>High</i>	<i>155.0</i>		<i>6.0</i>	<i>6.0</i>	<i>194.8</i>
<i>Middle</i>	<i>154.0</i>		<i>6.0</i>	<i>6.0</i>	<i>141.6</i>
<i>Low</i>	<i>153.0</i>		<i>6.0</i>	<i>6.0</i>	<i>94.6</i>

<i>Component 2 of Total Local Impact:</i>	<i>FY 2012-13 Cash</i>	<i>FY 2012-13 Annualized</i>	<i>FY 2013-14 Cash</i>	<i>FY 2014-15 Cash</i>	<i>FY 2015-16 Cash</i>
<i>High</i>	<i>0.0</i>		<i>2.6</i>	<i>1.6</i>	<i>(-2.2)</i>
<i>Middle</i>	<i>0.0</i>		<i>2.6</i>	<i>1.6</i>	<i>(-2.5)</i>
<i>Low</i>	<i>0.0</i>		<i>1.3</i>	<i>2.1</i>	<i>(-2.0)</i>

<i>Component 3 of Total General Revenue Impact:</i>	<i>FY 2012-13 Cash</i>	<i>FY 2012-13 Annualized</i>	<i>FY 2013-14 Cash</i>	<i>FY 2014-15 Cash</i>	<i>FY 2015-16 Cash</i>
<i>High</i>	<i>0.0</i>		<i>20.5</i>	<i>12.3</i>	<i>(-90.4)</i>
<i>Middle</i>	<i>0.0</i>		<i>20.5</i>	<i>12.3</i>	<i>(-92.8)</i>
<i>Low</i>	<i>0.0</i>		<i>10.2</i>	<i>16.4</i>	<i>(-88.4)</i>

SECTION 5: CONSENSUS ESTIMATE (ADOPTED)

	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
State Impact					
Local Impact					
Total Impact					