

## Florida Casino Gaming – “By the Numbers” – Summary

Currently there are 5 commercial casinos operating in Miami-Dade & Broward Counties at racetracks w/ class III slots. These include Isle Casino at Pompano Park, Mardi Gras Casino at Hollywood Dog Track, Magic City Casino at Flagler Dog Track, Calder Casino and Race Course, and Gulfstream Casino and Race Course. Three more are legal and approved, which include Dania Jai Alai (currently owned by Boyd Gaming but under contract to be sold), Hialeah Quarter Horse Track and Miami Jai Alai (which has its casino under construction).

There are also 7 class III tribal casinos in the state, all owned by the Seminole tribe of Florida. Four of these casinos have table games (Hollywood, Coconut Creek, Immokalee and Tampa).

These existing casinos currently generate approximately \$393 million in annual revenues to the state of Florida, approx. \$342 million of which is guaranteed, as follows:

<u>Commercial Casinos –</u>	Slot taxes (Trailing Twelve Mos 9/11)	\$129.5 million
	Annual License fees to the State	\$ 10.0 million
	Poker taxes (Trailing Twelve Mos 9/11)	<u>\$ 3.5 million</u>
	Annual slot tax & fee revenues paid to State	\$143 million

These annual tax revenues from the commercial casinos continue to grow and of this amount \$108 million is a guaranteed minimum annually to the state by statute.

Seminole Tribal Casinos – Slot revenue share (approx. TTM estimate) \$250.0 million

Estimate calculated based on 2009 publicly reported tribal gaming revenues of approximately \$2 billion multiplied times the 12.5% revenue share as per the compact with the State (\$2 billion x 12.5% = \$250 million. Of this amount the compact guarantees between \$233 – 234 million for fiscal years 2012-13, 2013-14 and 2014-15.

The proposed bill would allow a resort casino to be developed in any county that passes a local referendum, thus any county in Florida is eligible by its own choosing. Based on this, one must assume that a county outside of Miami-Dade and Broward will likely get a resort casino thereby nullifying 100% of the annual tribal payments to the state.

Also, the bill as proposed puts the existing commercial casinos at a severe competitive disadvantage to both the new resort casinos and the existing tribal casinos by keeping the commercial casinos at a 35% slot tax rate compared to 10% for the resort casinos and what

would become 0% for the tribal casinos. Additionally, under the proposed bill the commercial casinos will not be allowed to have table games, placing them at an even greater competitive disadvantage. Lastly, the commercial casinos will still be subject to a minimum annual tax guarantee of \$108 million, while the tribal guarantee will be eliminated and the resort casinos are not being required to make any guarantee of annual slot tax payments to the state.

Unfortunately, the commercial casinos will likely be squeezed out of business by these larger competitors who will enjoy significant tax and gaming product advantages. As commercial casinos' revenues decline their effective tax rate will actually increase because of the \$108 million minimum guarantee against a decreasing revenue base. Based on these severe competitive disadvantages and guaranteed tax payments, the commercial casinos will not be able to remain in business causing the state to also lose those annual tax revenues of approx. \$143 million.

Thus, the total annual tax revenues that the state will lose based on the legislation as proposed is approximately \$393 million. In order to make the state whole, based on a 10% gaming revenue tax as proposed in the bill, the resort casinos will have to generate a minimum of \$3.93 Billion in incremental gaming revenue in the State so that they will pay in at least \$393 million to the state.

Assuming the tribe's revenue level remains flat at \$2 billion and the commercial casinos are fully cannibalized out of business, the total state wide gaming revenues will have to increase from approx. \$2.4 Billion to approx. \$5.9 Billion which is more than the entire Las Vegas strip did in 2010 (\$5.8 Billion).

Can three new resort casinos in Florida realistically generate \$3.9 Billion in annual incremental gaming revenues above the tribes already existing \$2.0 Billion in annual gaming revenues. Use the Las Vegas Strip as a reality check.

The Las Vegas Strip has 36 casinos, 9 of which would qualify as the type of mega resort casino being proposed in the Florida resort casino bill. These 36 casinos have a combined 95,000 hotel rooms and over 3.1 million square feet of gaming space with more the 72,000 gaming positions, an average of 2,000 gaming position per casino. The entire Las Vegas Strip generated \$5.8 Billion in gaming revenues during calendar 2010. This is approx. \$80,555 per gaming position. These figures are being generated by people going to Las Vegas for one primary reason, to gamble.

Assuming the resort casinos in Florida are each three times bigger than the average Las Vegas Strip casino, thus 6,000 gaming positions each. That would be 18,000 new gaming positions in the state. In order to generate \$3.9 Billion in annual gaming revenue these resort casinos would need to generate approx. \$216,667 per gaming position. That is almost three times the

Las Vegas Strip and this is supposed to be coming from customers who are primarily coming to Florida for conventions and meetings. Realistically, even if the resort casinos in Florida can generate the same average win per position as the Las Vegas Strip casinos and they are actually each three times the size of the average Las Vegas Strip casino the incremental gaming revenue the state can realistically expect is likely to be approx. \$1.45 Billion. At a 10% tax rate this will only offset the \$393 million tax revenue loss to the state by \$145 million, thus leaving a negative state revenues impact of approx. \$248 million.

Additional points of interest comparing the Florida / Miami casino market to Las Vegas:

Las Vegas Annual Visitors = 37 million

Greater Miami Area Annual Visitors = 12 million

Las Vegas Annual Airport (De-planements) = 20 million

Miami Annual Airport (De-planements) = 8.5 million

Las Vegas is a few hours drive from California which has a population base of more than double that of Florida's. California population is approx. 37 million; Florida's population is approx. 18 million.