



Select Committee on Gaming Meeting Packet

Wednesday, October 9, 2013
12:30 PM
MORRIS HALL (17 HOB)



The Florida House of Representatives

Select Committee on Gaming

Will Weatherford
Speaker

Robert Schenck
Chair

AGENDA

October 9, 2013
Morris Hall (17 HOB)
12:30 PM – 3:30 PM

- I. Call to Order and Roll Call
- II. Presentation of Spectrum Gaming Report

Michael J. Pollock
Managing Director, Spectrum Gaming Group

Joseph S. Weinert
Executive Vice President, Spectrum Gaming Group

Shawn K. McCloud
Vice President of Analysis, Spectrum Gaming Group

Michael Diamond
Associate Vice President of Research, Spectrum Gaming Group

Rod Motamedi
Senior Economic Associate, Regional Economic Models, Inc.

Douglas Walker
Ph.D., Professor of Economics, College of Charleston

- III. Adjournment

Committee Meeting Notice

HOUSE OF REPRESENTATIVES

Select Committee on Gaming

Start Date and Time: Wednesday, October 09, 2013 12:30 pm
End Date and Time: Wednesday, October 09, 2013 03:30 pm
Location: Morris Hall (17 HOB)
Duration: 3.00 hrs

Presentation of Spectrum Gaming Report

NOTICE FINALIZED on 10/02/2013 15:27 by Hodgins.Sandra



Key Findings and Conclusions from Reports 1A, 1B and 2

Prepared for State of Florida Senate and House

October 7-9, 2013

CORE CONCLUSIONS

- Spectrum performed three different modeling exercises. The gravity model and forecasts based on previous econometric results produced similar findings: The expansion of casino gambling, whether on a small scale or very large scale, would have a moderately positive impact on the state economy – because it is relative to the entire Florida economy. A third, more complex modeling exercise is being completed by project partner REMI, and we believe it, too, will show a positive impact on the state economy.
 - There would certainly be a net increase in state tax receipts, to the extent that additional gambling opportunities increase tourism and casino taxes are set above sales tax rates.
 - There are likely to be only mild positive impacts on local and statewide employment and wages, however. This is because casinos would not represent a large expansion of their local economies (at least, in larger Florida counties, which we assume would be the most likely sites for any future casino expansion).
- The expansion scenarios being considered, from minimal to maximal, probably will not have as diverse or as robust an impact as they could within a less-gambling-exposed jurisdiction.
- Evidence suggests that social costs would not change dramatically with the expansion of gambling.
 - Florida is already exposed to a considerable array of gambling opportunities and access. The scientific literature suggests that gambling expansion will not automatically translate into an enduring set of expanded gambling problems for mature gambling jurisdictions. This is especially true for areas that already have a meaningful amount of gambling opportunities available to its residents – such as Florida.

- There are social costs of gambling, mostly attributable to problem gamblers. Monetary estimates of social costs are particularly unreliable.
- The following table breaks down the estimated social costs:

Gross Annual Social Cost Estimates for Florida Past-Year Prevalence Estimates			
Definition	Pathological Gamblers	Problem Gamblers	Total Estimated Cost
Economics	\$172,351,000	\$ 86,156,000	\$258,507,000
Economics + transfers	\$390,717,000	\$195,397,000	\$586,114,000
Economics + transfers + internalized costs	\$548,754,000	\$274,309,000	\$823,063,000
Gross Annual Social Cost Estimates for Florida Lifetime Prevalence Estimates			
Economics	\$287,252,000	\$ 86,156,000	\$ 373,408,000
Economics + transfers	\$651,195,000	\$195,397,000	\$ 846,592,000
Economics + transfers + internalized costs	\$914,494,000	\$274,309,000	\$1,188,803,000

Source: Spectrum Gaming Group summary. All amounts are rounded to the nearest \$1,000.

EXPANSION SCENARIOS

- Spectrum analyzed baseline (i.e., status quo) and 12 expansion scenarios.
- Current casino landscape, as of end of FY 2013:
 - 20,973 slot machines and 344 table games (and 23,037 gaming positions) at the 14 casinos throughout Florida (excluding cardroom poker tables).
 - 27.8 percent of the state’s gaming positions were at the six existing pari-mutuels in Broward and Miami-Dade counties
 - 72.2 percent of state total were at the eight Native American casinos
 - Six of the 67 counties had at least one casino:
 - Broward and Miami-Dade counties had 67.1 percent of the state’s gaming positions
 - Hillsborough County had 24.8 percent of the total
 - GGR from Florida’s 14 casinos was estimated \$2.57 billion.

- The six pari-mutuels with slots had \$501.3 million of gross slot revenue, with net slot revenue of \$435.8 million, resulting in revenue due to the State of \$152.5 million (i.e., 35 percent of net slot revenue).
 - We estimate the eight Native American casinos had \$2.07 billion of combined slot and table games revenue during this period (or 80 percent of statewide GGR).
- **Expansion Scenario L:** The most robust expansion scenario; authorizing a limited number (six) of casino resort complexes throughout the state and authorizing all pari-mutuel facilities to offer both slots and table games
 - Overall GGR at Florida’s casinos could more than double to \$5.4 billion in GGR annually (in current dollars).
 - Of 42 possible casinos, 33 would be economically viable; spread over 19 counties (Baseline scenario: 16 casinos in 6 counties)
 - The number of gaming positions would nearly triple from the Baseline, approaching 68,000 statewide.
- **Expansion Scenarios A and B:** The least robust expansion scenarios; renewal of the Seminole Tribe’s exclusive authorization to conduct banked card games on Indian lands/granting the Seminole Tribe exclusive authorization to offer table games on Indian lands
 - Overall GGR at Florida’s casinos could increase by 8.7 percent to 11 percent, to \$2.7 billion in GGR annually.
 - 16 casinos in 6 counties.

ECONOMIC/FISCAL IMPACTS

- The expansion scenarios generally result in positive economic and fiscal impacts including jobs, gross state product, and net revenues to the state. Our revisions are pointing to only a couple of scenarios where the economic and fiscal effects would be less than the baseline forecast.
- These positive effects hold even when accounting for the reallocation of consumer spending of Floridians away from other activity to gaming. This is especially true for state revenues as the tax rate on GGR is much higher than that on sales.
- REMI analyses are conducted at the state level and do not necessarily speak to the economic and fiscal impacts at the level of any one county or city. It is conceivable that there will be winners and losers at the local level even with the net effect on the state being positive.

- Looking at Florida's gaming industry as-is, Spectrum found that Florida's gambling industry directly employed 15,748 and supported an additional 10,063 jobs. Its impact on induced jobs was 4,983; when factoring in the estimated number of additional jobs created by retailers selling lottery tickets, Spectrum found that Florida's gambling industry was responsible for 55,648 direct jobs, 14,269 indirect jobs and 19,025 induced jobs.

Following are the economic and fiscal impacts by gambling sector:

2012	Direct Employment	Indirect Employment	Induced Employment	State Tax Revenues (FY 2013) (M)
Pari-mutuel	4,953	1,659	1,309	\$206.6
Lottery	408	2,267	-111	\$1,882.0
Retail Lottery	39,900	4,206	14,042	\$123.7
Native American Casinos	10,387	6,137	3,785	\$293.3
Floridians' Out-of-State Gaming Spending	0	693	3,143	\$15.4
2012-2060 Slow Growth	Average Annual Direct Employment	Average Annual Indirect Employment	Average Annual Induced Employment	Average Annual State Tax Revenues (FY2013-2060) (M)
Pari-mutuel	5,449	1,757	-1,298	\$587
Lottery	449	5,295	969	\$3,452
Retail Lottery	39,099	10,148	28,918	\$581
Native American Casinos	10,933	6,246	769	\$401
Floridians' Out-of-State Gaming Spending	0	488	2,334	\$28.6
2012 Normal Growth	Average Annual Direct Employment	Average Annual Indirect Employment	Average Annual Induced Employment	Average Annual State Tax Revenues (FY 2013-2060) (M)
Pari-mutuel	5,449	1,607	-1,939	\$581
Lottery	449	5,288	-1,106	\$3,561
Retail Lottery	39,099	9,775	27,674	\$590
Native American Casinos	10,933	5,660	-473	\$374
Floridians' Out-of-State Gaming Spending	0	455	2,239	\$27
2012 Strong Growth	Average Annual Direct Employment	Average Annual Indirect Employment	Average Annual Induced Employment	Average Annual State Tax Revenues (FY 2013- 2060) (M)
Pari-mutuel	5,449	1,478	-2,506	\$575
Lottery	449	5,256	-1,239	\$3,645
Retail Lottery	39,099	9,418	26,330	\$551
Native American Casinos	10,933	5,145	-1,605	\$364
Floridians' Out-of-State Gaming Spending	0	428	2,157	\$25

Source: Regional Economic Models Inc., Spectrum Gaming Group

COUNTY-LEVEL IMPACTS

- The literature suggests that casinos have a positive impact on county-level employment and wages. However, the magnitude of these effects is inversely related to the county size/population.
- Based on our county-level analysis, the introduction of a casino in Florida is expected to modestly increase employment, average weekly wages, and the number of establishments operating in the county. The estimated effects are modest because the counties considered (Broward, Hillsborough, Miami-Dade, and Orange) are relatively large.

PARI-MUTUEL IMPACTS

- Most pari-mutuel facilities lose money on their pari-mutuel operations and need cardroom and/or casino revenue to subsidize those losses.
- Thoroughbred sector dominates pari-mutuel activity, in FY 2012 accounting for two-thirds of purses/player awards, 46 percent of live handle and 61 percent of occupational licenses processed. Figures are all the more remarkable in that it accounted for less than 10 percent of live performances.
 - The three thoroughbred tracks performed financially as a group much better than other sectors. They generated a combined operating profit of \$13 million for FY 2012. Much of the profit, \$7.4 million, came from pari-mutuel operations.
- Jai alai licensees sustained an operating loss of \$14 million from pari-mutuel operations.
 - Of all pari-mutuel sectors, jai alai has sustained the steepest cuts in attendance and popularity. Since 1990, total handle has fallen 91 percent, live handle 96 percent, player awards 63 percent and performances, 63 percent.
 - In 1990, 3.9 million people paid to watch the sport. In 2012, total paid attendance was 9,068. From pari-mutuel operations, the jai alai sector sustained an operating loss of \$14 million. Some facilities comply with the live-game requirement by playing the same two players over and over again.
- Greyhound licensees sustained operating loss of \$35 million.
 - We would expect six of the 20 greyhound tracks that offer live racing to close if a decoupling bill were to become law. They accounted for just 21 percent of greyhound purses.
- For the state's one harness/standardbred track, the expected boost in purses from a casino at Pompano Park has failed to materialize. In fact, purses have fallen from \$9.5

million in FY 2006 (the last full fiscal year that Pompano did not have a casino) to \$7.4 million in FY 2012, a decline of 22 percent. The facility has fallen into a state of disrepair.

- The largest single category of simulcasting involves the export of signals from Florida pari-mutuels to out-of-state facilities. Gulfstream, for example, sends its signal to Yonkers, where patrons there wager on Gulfstream races. PMW does not monitor or track those wagers, which is referred to as out-of-state generated simulcast revenue. Other racing jurisdictions, such as New Jersey, does so. The failure to capture it results in an incomplete picture of overall handle in Florida.
 - To illustrate the point, PMW's 2012 report lists simulcast and intertrack handle for Gulfstream at \$102 million. But missing was out-of-state generated simulcast handle of \$605.3 million, an amount that is nearly six times the reported simulcast handle in the PMW annual report.
- Spectrum believes that the number of pari-mutuel facilities offering live events would decline from 25 to 15 if operators were allowed to cease live racing (“decoupling”). In FY 2013, there were 13 greyhound tracks, six horse-racing tracks and six jai alai frontons that conducted live pari-mutuel events. We project decoupling would result in the closure of six of the 13 greyhound tracks, three of the six jai alai frontons and a quarter-horse track that offered barrel racing. Of those facilities that would continue to operate, some would offer far fewer races or games than they do now.
- The facilities that stop offering live pari-mutuel events would continue to operate a cardroom or a casino, as those sectors are profitable and have been earning enough revenue to cover the losses incurred from offering live racing/games.
 - We believe that ceasing live racing at the pari-mutuel facilities noted above would have no impact on the state's gaming industry under any scenario. Operators note that a patron who wagers on dog or harness racing or jai alai is normally not a poker player. In horse racing, operators say they do see some crossover effect and that gross gaming revenue does increase when live racing is held. However, we do not expect any of the horse-track operators to cease live racing.
- Twenty-four pari-mutuel facilities operate cardrooms, which are restricted to poker and dominoes (which is rarely offered or played). Cardrooms last year generated \$131 million gross receipts and paid a tax of \$13.1 million.
 - Cardrooms pay a state tax of 10 percent on gross receipts. Additionally, at jai alai and greyhound facilities 4 percent of cardroom gross receipts are used to fund purses and player awards; the figure is 50 percent at horse race facilities.
 - If gaming were introduced to non-slots pari-mutuels, little impact on cardroom revenues. The demographics of cardroom (or poker) players differ significantly

from the mass-market casino player. In properties where we have worked, and at others we have observed, there is little crossover between such groups.

- If destination casino resorts were built and allowed to operate cardrooms, they may compete against the cardrooms at pari-mutuels – whether the pari-mutuels have slots and tables or not. While the destination resorts may present a competitive threat to the pari-mutuel cardrooms, they may also grow the market by attracting poker players from farther away or those who are currently not attracted to existing cardrooms at existing pari-mutuel locations.
- State would have option of prohibiting poker operations at destination resorts to protect pari-mutuels.

LOTTERY

- The Florida Lottery reported FY 2012 sales of a record \$4.45 billion, up 11 percent over the previous year, ranking third in the nation in total sales revenue (FY 2011), behind New York (including its video gaming machine revenue) and Massachusetts. On a per-capita basis, Lottery sales were \$233, also a state record.
- Since its inception in 1988, the Lottery has provided a total of \$24 billion to the Educational Enhancement Trust Fund (“EETF”). In the past fiscal year the EETF has allocated \$317 million for construction bonds, provided \$271 million for public school funding, \$130 million for state colleges, and \$254 million for state universities.
- Since 1997 the Florida Lottery has also provided scholarships to more than 600,000 students through the Bright Futures Scholarship Program, funded primarily through Lottery financial transfers. Lottery tickets are sold at 13,300 retail locations throughout the state.
- We are still analyzing the fiscal impacts of gaming expansion on the Lottery.

INDIAN GAMING

- The Seminole Tribe of Florida operates seven casinos and the Miccosukee Tribe operates one casino. Seminole Tribe gaming facilities employed 9,562, or 7,725 full-time-equivalents. Another 4,000 are employed by Seminole casino facility tenants, such as retailers who operate on-site outlets. The Miccosukee Tribe declined to cooperate with this study; told it employed more than 800.
- The Seminole Gaming enterprise generated \$1.96 billion in GGR in 2012 at its six properties; we estimate statewide GGR at Indian casinos to be in excess of \$2 billion.

- We are still analyzing the fiscal impacts of the expiration of the Compact and banked-table-games agreement.

FLORIDA GAMING SURVEY (included in final report)

The Eric Friedheim Tourism Institute at the University of Florida conducted a consumer survey in August 2013 to produce estimates of the economic impacts of changes in visitors. The 20-minute online survey included 1,223 Floridians and 1,213 non-Floridians. While we are still analyzing the fiscal impacts derived from the survey results, the key survey results are as follows:

- Visitation to Florida
 - 41% of non-Florida residents have visited Florida during the past two years, while roughly 59% have not visited Florida during the past two years.
 - 51% of non-Florida residents were extremely/somewhat interested in visiting Florida during the next year. Florida is most viewed as a destination that is popular, fun, beautiful, diverse, and interesting. Florida is least viewed as liberal, innovative or open-minded.
- Gambling Behavior
 - 84% of the respondents interviewed have gambled in their lifetime.
 - 86% of Florida residents 82% of non-Florida residents have gambled in their lifetime.
 - 48% of Florida residents 49% of non-Florida residents have gambled during the past 12 months
 - 48% of respondents have gambled at least once during the past 12 months.
 - Of those who gambled during the past year, half of Florida residents and 59% of non-Florida residents gambled only a few days during the year.
 - Respondents spent an average of \$532 a year on gambling.
 - Of those who have gambled during the past 12 months, the largest proportion of respondents interviewed play the lottery (88%), followed by gambling in a casino (77%).
 - Among those who gamble, 92% of Florida residents and 84% of non-Florida residents play the lottery. The next most popular type of gambling is gambling in a casino, with 76% of Floridians and 81% non-Florida residents participating.
 - Slot machines are the most popular game for both Florida residents (77%) and non-Florida residents (78%) who have gambled during the past year. 41% of

respondents played card games such as blackjack or poker, while 22% played other table games such as roulette or craps.

- Only 35% and 33% of Florida residents and non-Florida residents, respectively, engage in gambling for the chance of winning money or prizes.
- 67% of Florida residents and 65% non-Florida residents say the largest contributing factor for not participating in gambling is that they have other things that they would rather spend their money on. These numbers were also consistent among those residing in the three Florida geographic regions (north, central and south Florida).
- Attitudes toward Gambling
 - More than four in ten respondents are neutral toward gambling in general (neither support nor oppose). 32% support gambling and 11% support gambling but do not participate, or oppose gambling (8%) in general.
 - South Florida residents were more likely to oppose gambling (8%) than their Central Florida counterparts (7%).
 - 53% cite moral grounds as the main reason for not participating in gambling, while 46% cite religious reasons. 36% cite concerns about lost productivity and 35% cite crime as reasons for not participating in gambling.
 - South Florida residents are significantly more likely than their North Florida counterparts to cite concerns of crime for reasons not to gamble (40% vs. 25%).
- Casino Gambling in Florida
 - 37% of respondents who indicated they have gambled, have gambled in Florida at least once during their lifetime.
 - 55% of respondents who indicated they have gambled in Florida, have gambled in Florida during the past 12 months (other than the lottery).
 - More than half of respondents interviewed indicated they are not at all likely/unlikely to gamble in Florida in the future, while 26% indicate they are extremely likely/ likely to gamble in Florida in the future.
 - Non-Florida residents were significantly more likely to state that they would gamble in Florida in the future (46%) than Florida residents (23%).
 - 68% of respondents who are extremely likely/likely to gamble in Florida in the future are likely to play the lottery, while 68% are likely to gamble at an Indian casino. One in five is likely to gamble at a pari-mutuel facility – horse racetrack (21%) or dog racetrack (18%).

- For respondents who indicated they have gambled in Florida during the past year, they gambled approximately \$475.02 in Florida during that period.
- Sentiments toward Gambling in Florida
 - 42% of respondents are neutral toward expanding gambling opportunities in Florida, while 40% support but will not participate expanded gambling in the state. 11% oppose the expansion of gambling in the state.
 - 48% of the non-Florida residents and 40% of Florida residents are neutral towards expanding gambling in Florida.
 - Depending on the type of gambling, between 40% and 60% have no opinion toward the expansion, restriction or reduction of gambling in Florida.
 - 41% of Florida residents would like to see expanded casino gambling at commercial resorts, 33% at tribal facilities, and 37% for the lottery. Approximately 10% would like to see gambling restricted or reduced.
 - 67% of Florida residents and 78% of non-Florida residents are less likely to be in favor of expanding gambling in Florida if additional restrictions or limits were placed on gambling in the state.
 - A larger portion of South Florida residents (82%) than those in Central Florida (62%) and North Florida (52%) would be less likely to be in favor of expanded gambling in Florida if additional restrictions were put on gambling.
- Impact of Expanded Gambling on Florida’s Tourism Industry
 - One-third of respondents believe that the gambling industry is an extremely important/very important contributor to the overall travel and tourism industry.
 - 78% of non-Florida residents are not likely to change their visitation intentions to Florida if gambling opportunities were expanded.
 - 83% non-Florida residents would visit Florida the same amount if gambling opportunities were reduced.
 - 54% of non-visitors to Florida who have not visited Florida during the past 24 months indicated they would not come to Florida if gambling opportunities were expanded.
 - Approximately 15% of visitors said they would stay longer if gambling opportunities were expanded. The average extension was two days.
 - One in five Florida residents would spend more on travel if gambling opportunities were reduced in Florida.
 - 13% to 16% Florida residents in each region believe that reducing gambling in Florida would have a more favorable outcome for the state

- Florida residents are significantly more likely to believe that gambling offers the benefits of creating more jobs in the state or community (69% vs. 53%).
 - Across the three regions, a larger portion of residents believe that gambling offers Florida the most benefits in terms of creating more jobs in the state or community.
- Preferred Gambling Regulations
 - Nearly six in ten respondents believe that the state should regulate gambling at Internet sweepstakes cafes, arcades and truck stops.
 - More than two-thirds of Florida residents across all regions believe the state should tax gambling at internet sweepstakes cafes, arcades and truck stops.
 - Respondents residing in Central and South Florida are significantly more likely than their North Florida counterparts to believe the state should regulate gambling in internet sweepstakes, arcades and truck stops.
 - Approximately one in three respondents believes that the state should prohibit gambling at Internet sweepstakes cafes, arcades and truck stops.
 - More than six in ten of respondents interviewed believe the state should tax gambling at Internet sweepstakes cafes, arcades and truck stops.
 - Slightly less than one in five (19%) respondents is in favor of reducing the number of slot machines at pari-mutuel facilities in Florida.
 - Non-Florida residents are (54%) significantly more likely than Florida residents (36%) to be unsure of whether they are in favor of the state of Florida authorizing pari-mutuel facilities in Florida to conduct table games
 - 34% favor authorizing pari-mutuel facilities in Florida to conduct table games.
 - Central Florida (43%) and South Florida (43%) residents are significantly more likely to be in favor of the state of Florida authorizing pari-mutuel facilities in Florida to conduct table games.
 - Approximately one-third of Florida residents and one-quarter of non-Florida residents believe that there should be no change to each type of pari-mutuel facility in Florida (e.g., thoroughbred horse racing, harness racing, quarter horse racing, and greyhound racing).
- Impact of Expanded Destination Casino Gambling in Florida
 - 48% believe that Florida should authorize new destination casino resorts. Roughly one-third do not know/is not sure.
 - 44% believe that the state should authorize two or three new destination casino resorts.

- 56% believe that expanded gambling would be beneficial to Florida, while 32% are in favor of bringing a large-scale destination casino resort to their town.
 - 46% of Florida residents and 63% non-Florida residents believe that expanded gambling would be beneficial to Florida, while 31% favor bringing large-scale destination casino resorts to their town.
 - One-in-five Florida residents is either not in favor of bringing large-scale destination casino resorts to their town or is in favor of bringing large-scale destination casino resorts to Florida, but don't want one in their city or town.



GAMBLING IMPACT STUDY:

Part 1, Section A: Assessment of the Florida Gaming Industry and its Economic Effects

Prepared for the State of Florida Legislature
July 1, 2013



1201 New Road, Suite 308
Linwood, NJ 08221 USA
Tel: 609.926.5100
www.spectrumgaming.com

Executive Summary

Introduction

The Florida Legislature commissioned Spectrum Gaming Group to undertake a three-party study of legalized gambling, focusing on its economic effects (including the social costs). This report, the first in the series, is divided into two primary parts:

- The first provides overviews of many aspects of gambling generally, both nationally and as they pertain to Florida (as relevant). Because this part consists of summaries of existing data and research, we have not summarized the content in this Executive Summary.
- The second provides the economic impacts of Florida's existing gambling industry as it stands now – including the Florida Lottery, the pari-mutuel industry including slot machines and cardrooms, and Indian casinos. We provide the key performance data by sector and, working in concert with project partner Regional Economic Models Inc. ("REMI"), we provide the economic and fiscal impacts of these gambling sectors. The key findings are provided below in this Executive Summary.

This report is the product of a far-reaching scope of research and analysis. In many respects, it is a collection of several reports. We have provided a detailed Table of Contents that allows readers to easily find the topics of greatest interest to them.

While reading this report, it is important that readers understand the Legislature's instructions:

- Spectrum will not make recommendations in any of its reports. The Legislature commissioned Spectrum to undertake an economic and academic study for the purpose of educating the state's policymakers and other stakeholders so that they may make enlightened decisions regarding the future of gambling in their state.
- This is the first of three reports due to the Legislature. The two additional reports will be delivered by Spectrum on or before October 1, 2013, are as follows: Part 1, Section B: *Assessment of potential changes and economic effects*; and Part 2: *Statistical relationships between gaming and economic variables for communities*.
- Spectrum was tasked with analyzing the social costs associated with gambling in the second report. While this initial report provides a discussion of the many social costs of gambling, in Part 1B, as part of our next report, we will determine the costs as they relate to expanded gambling in Florida.

Key Gambling Sector Findings

First, we review the key performance data for each of Florida's three primary gambling sectors – pari-mutuel (including the subsectors of slots, cardrooms and pari-mutuel wagering) lottery, and Indian casinos.

Pari-Mutuel

Three distinct types of gambling take place under the umbrella of Florida's pari-mutuel industry, only one of which actually involves pari-mutuel wagering. Because state-regulated slot machines and cardrooms must be coupled with a pari-mutuel license, these activities are offered only at racetracks and jai alai frontons. All three types of gambling are regulated by the Division of Pari-Mutuel Wagering, a unit of the Department of Business & Professional Regulation.

Racetrack Slots

- The racetrack slot industry (i.e., racinos), which is legally restricted to Broward and Miami-Dade counties, has steadily grown since inception in 2006. The six racinos in 2012 reported gross slot revenue of \$489.2 million and are set for continued growth with the opening of slots at Hialeah Park in summer 2013.
- The racinos in 2012 had 3,319 employees and generated \$149.8 million in taxes directly from slot revenue. Gross slot revenue is taxed at 35 percent.

Cardrooms

- Twenty-four pari-mutuel facilities operate cardrooms, which are restricted to poker and dominoes (which is rarely offered or played). Cardrooms last year generated \$131 million gross receipts and paid a tax of \$13.1 million.
- Cardrooms pay a state tax of 10 percent on gross receipts. Additionally, at jai alai and greyhound facilities 4 percent of cardroom gross receipts are used to fund purses and player awards; the figure is 50 percent at horse race facilities.

Pari-Mutuel Wagering

Most pari-mutuel facilities lose money on their pari-mutuel operations and need cardroom and/or casino revenue to subsidize those losses.

It is important to note that the total handle numbers cited below are understated because the Division of Pari-Mutuel Wagering does not collect data on out-of-state generated handle, which is the single largest component of handle.

- *Greyhound racing*: Total handle for the 13 facilities that ran greyhound racing fell from \$933.8 million in FY 1990 to \$265.4 million in FY 2012, a decline of 67 percent – mirroring the decline nationally. The number of Florida greyhound performances (a racing card of at least eight races) fell from 3,853 to 3,636, a decline of only 6 percent. One of the reasons for the relatively small decline is because of the 90 percent rule:

Operators with cardrooms are required to conduct at least 90 percent of the live performances that were held the year before their cardrooms opened, which for many of them was 1996. Although attendance has declined precipitously since 1990, reliable figures are unavailable because most tracks no longer charge for admission.

- *Thoroughbred racing:* Thoroughbred racing is the dominant pari-mutuel sector in Florida, with the three tracks accounting for 61 percent of total Florida handle in FY 2012. A Florida thoroughbred operator must run a minimum of 40 performances a year. From FY 1990 to FY 2012, Florida thoroughbred performances fell from 348 to 327, a decline of 6 percent; paid attendance fell from 653,206 to 97,738, a decline of 85 percent. Total handle in FY 2012 was \$530.7 million and live handle was \$78.6 million; both figures are in decline, although they have somewhat stabilized since slots were introduced at two of the tracks. Purses increased from \$78.1 million to \$81.1 million, a rise of 16 percent. The three tracks generated a combined operating profit of \$13 million for FY 2012. Much of the profit, \$10.6 million, came from pari-mutuel operations, with the rest from slots and/or cardrooms.
- *Harness racing:* Florida's sole harness track, Isle Casino and Racing at Pompano, accounted for 5 percent of total Florida handle in FY 2012. The Pompano track must run at least 140 performances a year but it can seek a one-time, 10 percent reduction from the 140-performance minimum. Attendance has declined such that Isle Pompano no longer charges admission and attendance figures are not kept. Total handle in FY 2012 was \$49.5 million and live handle was \$4.4 million; both figures are about the same as the year earlier.
- *Quarter horse racing:* Quarter horse racing returned to Florida in November 2009 at Hialeah Park after an 18-year absence. Quarter horse racing (inclusive of barrel racing) accounted for less than 1 percent of total Florida handle in FY 2012. Quarter horse racing had 76 performances in FY 2012. It generated a live handle of \$1.7 million, total handle of \$2.1 million and purses of \$3.8 million. Almost all of the traditional quarter horse activity was at Hialeah, where the operator subsidized purses as part of its contract with horsemen.
- *Jai alai:* Of all the pari-mutuel sectors, jai alai has sustained the steepest cuts in attendance and popularity. Since 1990, total handle has fallen 91 percent, live handle 96 percent, player awards 63 percent and performances, 63 percent. In 1990, 3.9 million people paid to watch the sport. In 2012, total paid attendance was 9,068. From pari-mutuel operations, the jai alai sector sustained an operating loss of \$14 million. Their cardrooms were able to generate an operating profit of \$1 million. Miami Jai Alai had the highest handle at \$6.6 million in FY 2012.

Lottery

The Florida Lottery reported FY 2012 sales of a record \$4.45 billion, up 11 percent over the previous year, ranking third in the nation in total sales revenue (FY 2011), behind New York (including its video gaming machine revenue) and Massachusetts. On a per-capita basis, Lottery sales were \$233, also a state record.

Since its inception in 1988, the Lottery has provided a total of \$24 billion to the Educational Enhancement Trust Fund (“EETF”). In the past fiscal year the EETF has allocated \$317 million for construction bonds, provided \$271 million for public school funding, \$130 million for state colleges, and \$254 million for state universities. Since 1997 the Florida Lottery has also provided scholarships to more than 600,000 students through the Bright Futures Scholarship Program, funded primarily through Lottery financial transfers. Lottery tickets are sold at 13,300 retail locations throughout the state.

Indian Casinos

The Seminole Tribe of Florida operates seven casinos, and the Miccosukee Tribe operates one casino. The Seminole Tribe advised Spectrum that in 2012 its gaming facilities employed 9,562 total employees, or 7,725 full-time-equivalent employees (“FTEs”). Another 4,000 are employed by Seminole casino facility tenants, such as retailers who operate on-site outlets. The Miccosukee Tribe declined to cooperate with this study, although a Miccosukee Gaming & Resort employee advised Spectrum that its gaming property employs “over 800.”

The Seminole Gaming enterprise generated \$1.96 billion in GGR in 2012 at its properties, and we estimate statewide GGR at Indian casinos to be \$2.2 billion.

At least two other Indian tribes/nations are trying to operate casinos in Florida:

- The Poarch Band of Creek Indians, based in Atmore, AL, has land in Escambia County, which is held in trust by the US government, and also owns, or has options to own, or agreements to control 10 pari-mutuel permits along the Interstate 10 corridor between Pensacola and Jacksonville. The Poarch Band said it is seeking to negotiate an agreement, which could include revenue-sharing, with the State to operate Class II gaming.
- For the past decade the Muscogee Nation of Florida has been pursuing federal recognition by act of Congress in order to initiate gaming operations as a means of economic development. Tribal landholdings are well positioned to offer casino gaming in the Florida panhandle.

Fiscal Impacts

Our analysis examines the total economic and fiscal impacts of the gambling industry by subsectors in 2012. Spectrum found that Florida's gambling industry directly employed 15,748 and supported an additional 10,063 jobs. Its impact on induced jobs was 4,983; when factoring in the estimated number of additional jobs created by retailers selling lottery tickets, Spectrum found that Florida's gambling industry was responsible for 55,648 direct jobs, 14,269 indirect jobs and 19,025 induced jobs.

Following are the economic and fiscal impacts by gambling sector:

2012	Direct Employment	Indirect Employment	Induced Employment	State Tax Revenues (FY 2013) (M)
Pari-mutuel	4,953	1,659	1,309	\$206.6
Lottery	408	2,267	-111	\$1,882.0
Retail Lottery	39,900	4,206	14,042	\$123.7
Native American Casinos	10,387	6,137	3,785	\$293.3
Floridians' Out-of-State Gaming Spending	0	693	3,143	\$15.4
2012-2060 Slow Growth	Average Annual Direct Employment	Average Annual Indirect Employment	Average Annual Induced Employment	Average Annual State Tax Revenues (FY2013-2060) (M)
Pari-mutuel	5,449	1,757	-1,298	\$587
Lottery	449	5,295	969	\$3,452
Retail Lottery	39,099	10,148	28,918	\$581
Native American Casinos	10,933	6,246	769	\$401
Floridians' Out-of-State Gaming Spending	0	488	2,334	\$28.6
2012-2060 Normal Growth	Average Annual Direct Employment	Average Annual Indirect Employment	Average Annual Induced Employment	Average Annual State Tax Revenues (FY 2013-2060) (M)
Pari-mutuel	5,449	1,607	-1,939	\$581
Lottery	449	5,288	-1,106	\$3,561
Retail Lottery	39,099	9,775	27,674	\$590
Native American Casinos	10,933	5,660	-473	\$374
Floridians' Out-of-State Gaming Spending	0	455	2,239	\$27
2012-2060 Strong Growth	Average Annual Direct Employment	Average Annual Indirect Employment	Average Annual Induced Employment	Average Annual State Tax Revenues (FY 2013- 2060) (M)
Pari-mutuel	5,449	1,478	-2,506	\$575
Lottery	449	5,256	-1,239	\$3,645
Retail Lottery	39,099	9,418	26,330	\$551
Native American Casinos	10,933	5,145	-1,605	\$364
Floridians' Out-of-State Gaming Spending	0	428	2,157	\$25

Source: Regional Economic Models Inc., Spectrum Gaming Group

GENERAL ASSESSMENT OF GAMBLING¹

I. POLICY CONSIDERATIONS

Throughout the report, Spectrum identified policy needs that would be vital to shaping Florida’s gambling industry. They can be summarized as:

- A. A legislatively crafted plan for future development and growth;
- B. Clear regulation of the gambling industry; and
- C. A tax regime that promotes public policy goals.

A. LEGISLATIVELY CRAFTED PLAN FOR FUTURE DEVELOPMENT AND GROWTH

Florida is not an emerging gambling state. In terms of revenue, employment, number of gaming locations and other important measures, it already is a major gambling state, with a wide array of options. Florida is arguably a microcosm of US gaming, with all of the forces that are shaping the industry in other states at play here. Absent a plan for growth, these forces will continue unabated in shaping the industry in both Florida and elsewhere. Moreover, the presence of such forces will also constrict the ability of lawmakers to chart the future of gaming. – Part 1A, p. 5.

In an increasingly competitive global economy, casino gambling is seen as a quick and easy way to create jobs, increase convention and tourism business and stimulate development of additional visitor attractions and amenities. However, to maximize the economic benefits of casino development and to minimize any potential negative impacts, it is vital that state and local policy makers have a clear understanding of how different implementation scenarios and community variables may affect short and long term outcomes. – Part 1A, p. 220.

Perhaps the most important question is whether casinos generate more benefits than costs. Unfortunately, the answer to this question is not obvious, and probably depends on the jurisdiction under consideration. ... The experiences in a variety of casino jurisdictions confirm that careful planning is important for the success of the casino industry. Casinos should be integrated with their surrounding communities; they should be introduced in appropriate sizes and numbers for the current and potential future markets. The benefits of introducing casinos can be maximized, and the negative impacts minimized, if their development and regulation is carefully considered. – Part 1A, p. 226-227.

POTENTIAL POLICY QUESTIONS

- What, if any, forms of gambling should be allowed and under what conditions?
- How many gambling locations should be allowed? Where? Should there be local approval?

¹ The Executive Summary of Part 1A of the [Spectrum Gambling Impact Study](#), beginning at page ix, broadly summarizes the scope of the study and summarizes the findings of Spectrum Gaming Group’s fiscal analysis of the current Florida gambling industry. It does not summarize the bulk of the report, Section II “General Assessment of Gambling”, which provides a general assessment of gambling, including the national industry, the Florida industry and regulatory scheme and policy considerations. This outline, prepared by staff, summarizes that section.

- How much flexibility should gambling operators be afforded? Should they be able to relocate their facilities? Should pari-mutuel wagering operators be allowed to stop conducting performances and still conduct other forms of gambling? Should such operators be required to conduct a minimum number of performances?
- Who should be authorized to offer gambling activities? Should pari-mutuel wagering permitholders have an oligopoly on non-pari-mutuel wagering forms of gambling? Should the Seminole Tribe have a monopoly?
- How should new operators be chosen? Through a bid process or by noncompetitive application?

B. CLEAR REGULATION OF THE GAMBLING INDUSTRY

The term “effective” is not synonymous with strict, but it should be synonymous with “understandable,” “comprehensive,” and “defensible.” In other words, every rule to be found in gaming statutes, regulations or policies should have a clear and legitimate purpose that can be readily communicated and understood. – Part 1A, p. 153. See summarization of “Trends and Best Practices” below at p. 30.

The overriding regulatory interest that permeates all effective legislative schemes is the recognized need to engender public confidence and trust in the integrity of the regulatory process and gambling operations. – Part 1A, p. 121.

Florida’s convoluted gambling laws ... have allowed an expansion of gambling to occur that the Legislature may never have intended. Rulings in recent years by the state’s regulatory agency, the Division of Pari-Mutuel Wagering (“PMW”), have allowed what critics call an “exploitation” of current gaming laws. ... The result has clearly been an expansion of gaming that has led to contentious litigation. There are currently 21 lawsuits challenging PMW policies. – Part 1A, p. 8-9. See also “Issues with PMW Annual Reports,” Part 1A, p. 71-72, summarized below at p. 10.

POTENTIAL POLICY QUESTIONS

- Should one regulatory agency or multiple agencies oversee all forms of gambling? Should such agency(ies) have law enforcement authority? Should such agency(ies) have authority to enforce criminal gambling statutes?
- Should a commission be empowered to make decisions? Should such decision makers be employed full or part time?

C. TAX REGIME THAT PROMOTES PUBLIC POLICY GOALS

Many state and local governments are in a conflicted position when it comes to legalized gambling. They are often the beneficiaries of increased tax revenues, but they must also bear the financial burden of any social dysfunction caused by gambling. – Part 1A, p. 170.

Gambling is a reliable and predictable funding source for governments, except in times of pronounced recession and when competition arises in neighboring states. ... Gambling, however, costs governments in both direct and indirect ways in such areas as crime, public health, infrastructure, law enforcement and emergency services, social services, schools (in those areas with large, high-employment casinos) and workforce training. Whether the economic benefits brought by gambling receipts outweigh its economic and social costs has been the subject of considerable research – and considerable debate. – Part 1A, p. 181.

POTENTIAL POLICY QUESTIONS

- What are Florida’s public policy goals?
 - Promote large investments that may encourage tourism?
 - Promote investment in local communities to protect existing gaming and/or nongaming markets?
 - Promote investment in related industries, such as horse breeding?
 - Maximize direct state revenues from gambling?
 - Provide barriers to entry to discourage future expansion?
- How should the negative costs of regulated gambling be managed?
- What role should license fees play? Should they serve as a barrier to entry? A realization of value for the state? Coverage for the costs of regulated gambling?

II. EVOLUTION OF GAMBLING

A. FORCES SHAPING EVOLUTION OF INDUSTRY

PART 1A, pp. 5-8

- Legal: Federal law, state constitution, Indian gaming compact.
- Market: Local and regional (as states expand, there is pressure to compete by expanding).
- Historic: Seminole & Miccosukee tribes, pari-mutuel industry.
- Political.
- Technology: New technology sparks new avenues for/forms of gambling.
- Competitive: State vs. state, in-state (pari-mutuel wagering, tribe) – compete for market and legislative & regulatory attention & resources.

B. EXPANSION DRIVERS

PART 1A, pp. 8-18

- Economic recessions lead to authorizations.
 - Great Depression – Nevada, pari-mutuel wagering in Florida and other states authorized gambling; recent recession sparked expansion across the country.
- Declines in existing industry leads to subsidies.
 - As pari-mutuel wagering profitability declines, new games authorized to subsidize purses. Domino effect in other states with horse tracks competing for horses.
- States respond to expansions in other states.
 - Argument is residents are spending elsewhere, so expand to keep those dollars in state.
- Gambling proponents need to win once; opponents need to win every time.

C. COMPETITION

PART 1A, pp. 22-28

- Competition is for entertainment dollars.
 - Pari-mutuel wagering used to be only show in town, now more choices for discretionary spending.
- Florida MICE (meetings, incentives, conferences and exhibitions) industry.
 - Orlando market:
 - 85% leisure, 15% MICE.
 - Competitive: convention business more than doubled in 20 years, now approaching pre-recession peaks.
 - Competes against convention destinations with casinos. Orlando hotel operators view the Seminole Hard Rock Tampa, about 60 miles away, as far enough away to not detract from Orlando brand, but close enough to satisfy visitors who want a casino.
 - Destination resort style casinos, with convention space, would add new supply to the competitive MICE industry and new amenities to competing facilities in South Florida, which could impact Orlando adversely.

In our view, Orlando's ability to grow its conventions and meetings business in the face of this countervailing national trend underscores an important asset in this market: Orlando's strength in attracting business travelers is growing without gaming, and that absence is to some degree fueling that growth. Orlando has carved out a significant, profitable niche in that national market, and gaming would clearly be antithetical to that image and its ability to dominate that important segment. – Part 1A, p. 24

D. FACTORS AFFECTING PROFITABILITY

PART 1A, pp. 42-49

- **Gambling Tax Rate**
 - Gambling tax rates range from 7 to 65%.
 - Higher rates are generally in states that limit competition.
 - The higher the tax rate, the less flexibility operators have in managing costs.
- **Cost of Capital**
 - Capital costs generally lower for larger projects, more diversified companies and companies with longer track record.
- **Competition**
 - Competition is a major determinant in profitability.
 - More competition leads to more incentives to customers, which leads to lower profit margin.
- **Scope and Diversity of Offerings**
 - Amenities can have dramatic effect on profitability.
 - Unneeded, costly hotel rooms result in lower profitability, as the casino absorbs costs.
 - Independently successful hotels/restaurants can enhance profitability of the casino through additional profits and increased traffic.
- **Accessibility**
 - Gambling is convenience-driven. More accessible properties (easy ingress/egress and parking, etc.) will have more visitors.
- **Management Quality**
 - Operating efficiency is critical.

E. CASINOS, NATIONWIDE

PART 1A, pp. 49-55

- There are nearly 1,000 casinos nationwide, with a total of \$66 billion in gross gaming revenue in 2012.
- Casinos are the highest grossing form of legal gambling, surpassing lottery sales.
- For a chart of state offerings, see Part 1A, p. 51.
- For a chart of state tax rates, see Part 1A, p. 58.

PROFITABILITY WITHIN CASINOS

PART 1A, pp. 46-47

- **Slots:** biggest contributor to profitability: low operating cost, take up little space.
- **Table games:** generate higher bets and house retains greater percentage, but slower transactions and higher labor costs.
 - Addition of table games can increase slot revenue. Part 1A, pp. 18-21. New visitors drawn by tables spend some on slots and bring guests who play slots.
- **Hotel rooms, food, beverage:** usually small contribution, given high labor, maintenance and other costs.
- **Destination resorts:** profitability dependent on efficacy of design and mix of demand generators (hotel, spa, restaurants, clubs) and ability to draw visitors from far away.

NEW FORMATS

PART 1A, pp. 54-63

DESTINATION RESORT CASINOS

- Features include:
 - A critical mass of hotel rooms, restaurants, leisure activities & other resort features.
 - Attracts out-of-market patrons for multiple-night stay.
 - More hotel rooms than gaming positions, so more activities are needed to keep guests satisfied. Other high-end amenities draw customers, creating higher demand to justify more rooms.
- Destination resorts are more likely to:
 - Promote tourism, by pulling from more distant locations.
 - Withstand competition, by offering a variety of amenities.
 - Generate more revenue, by reaching greater percentage of adult population.
- Convenience-oriented facilities can become destinations (ex. Dover Downs, Gulfstream Park).

HUB AND SPOKE MODEL

- Company operates multiple properties. Properties in higher tax jurisdictions act as spokes, building databases of players to feed to property in lower tax jurisdictions, the hub, through loyalty programs.
- Hub likely to employ 3,000 to 5,000 FTEs; spoke, 800 to 1,000.
- Tribes are also doing this, including Seminole Gaming, which is planning to expand offerings in other markets.
- Florida racino operators have expressed interest in partnering with other companies (hubs).

URBAN RESORT

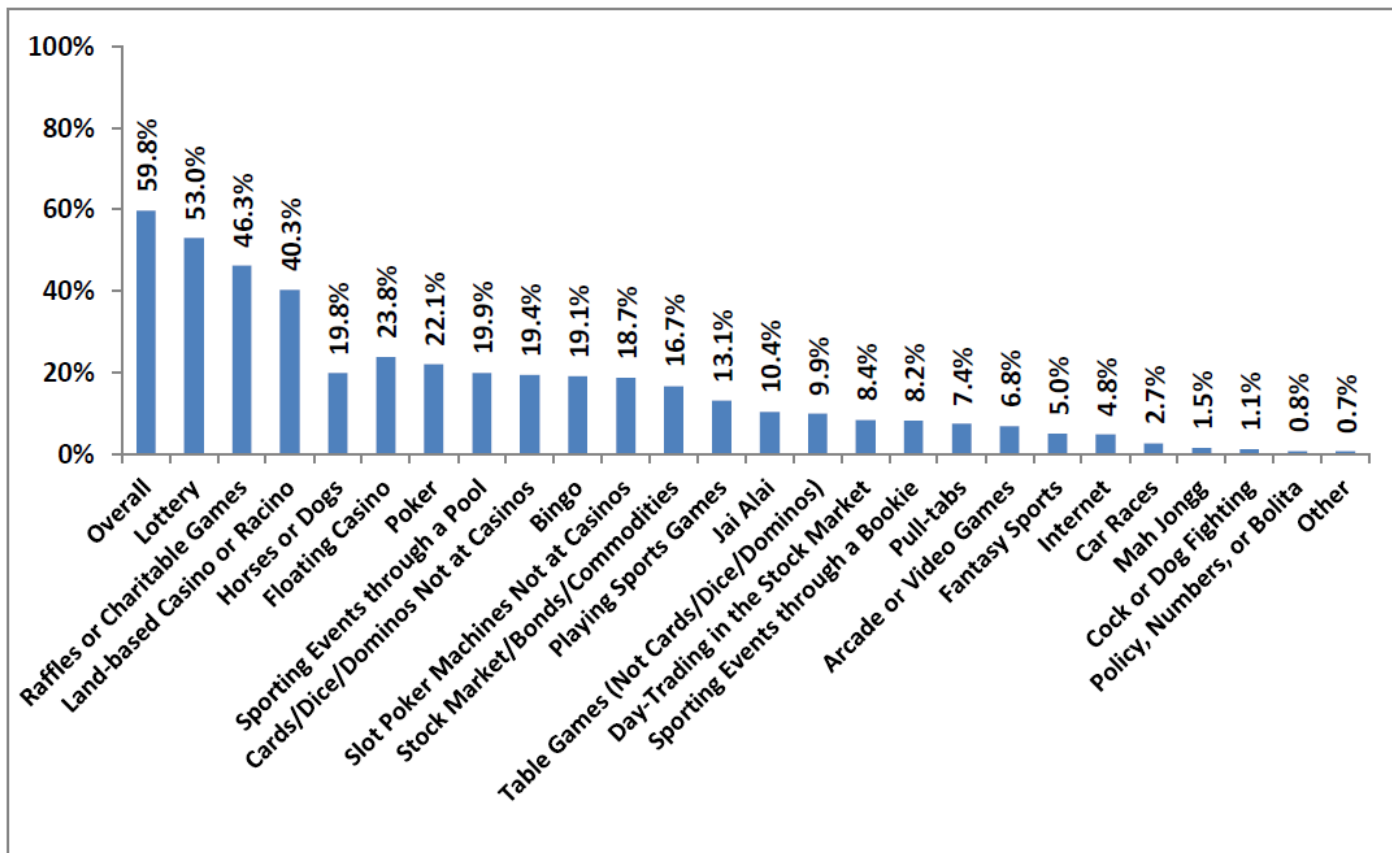
- New model supported by Caesars. New casinos in Ohio follow this model.
- Integration of the casino within existing business community and attractions.
- “In this model, the casino itself is both a physical and a metaphorical hub. Its spokes radiate not only to amenities in the casino complex itself, but also to established restaurants, shops, hotels and recreation offerings in the larger metropolitan area.”

III. FLORIDA GAMBLING INDUSTRY

A. DEMAND

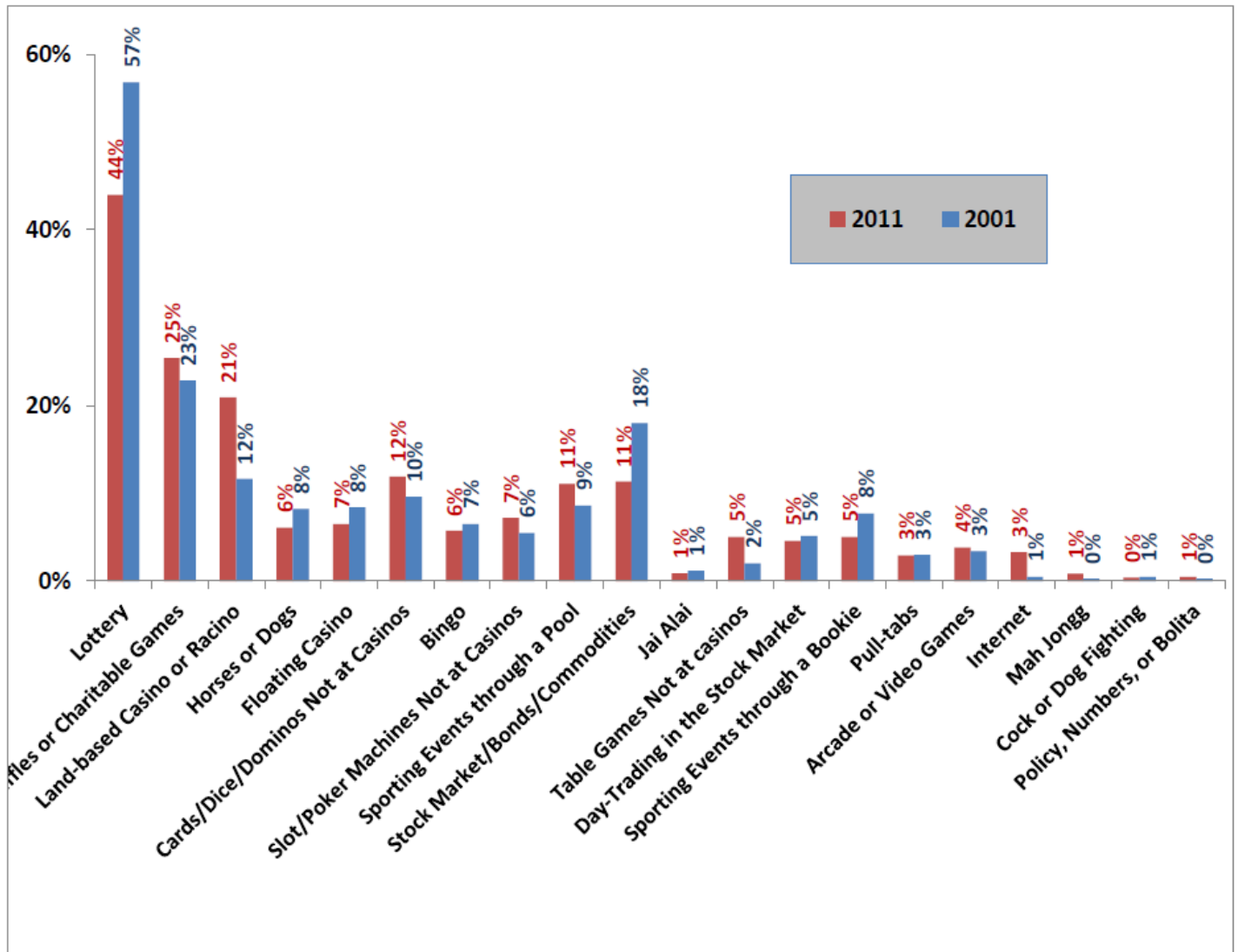
PART 1A, pp. 31-36

Figure 8: Lifetime gambling participation by Floridians, 2011



Source: Florida Council on Compulsive Gambling

Figure 9: Past-year gambling participation by Floridians, 2001 vs. 2011



Source: Florida Council on Compulsive Gambling

What is most revealing about this behavioral comparison after a decade is that Florida residents report less past-year gambling participation for lottery, horse and dog racing, floating casino, the stock market, and sporting events through a bookie in 2011 than they did in 2001. Conversely, gambling participation has increased among Floridians since 2001 for land-based casinos, cards, table games, and gaming machines found outside the casinos, sporting events through a pool, and gambling on the Internet. – Part 1A, p. 35.

Florida is among the more gambling-rich states, as measured by number and types of options. - Part 1A, p. 30.

2012	Facilities	Employment		Gaming Positions	Gross Gaming Revenue		State Tax Revenues
		Direct	Indirect		Induced	Position/Day	
Pari-mutuel Wagering	14 Greyhound						
	9 Horse						
	6 Jai alai	4,953	1,659	1,309	-		\$206.6 million
	1 ITW						
Racinos	6 Racinos ³				6,393 Slot machines 147 Poker tables	\$198	\$527.6 million
Lottery		408	2,267	-111	-		\$1.882 billion
Retail Lottery		39,900	4,206	14,042	-		\$4.45 billion
Indian Casinos	7 Casinos -6 Seminole ⁴ -1 Miccosukee	10,387	6,137	3,785	14,500 Class II & III Slots 450 Card tables	\$349	\$2.2 billion
Out of State	-	-	693	3,143	-		\$15.4 million

² Does not include wagers placed through Advanced Deposit Wagering companies or out of state.

³ Hialeah Park plans to offer slots later this year. They have had a license for a couple years but have yet to come online.

⁴ Seminole Tribe also authorized to have class III slots at Big Cypress facility in Clewiston. Currently houses just a few slot machines.

B. FLORIDA REGULATION

Florida's convoluted gambling laws ... have allowed an expansion of gambling to occur that the Legislature may never have intended. – Part 1A, p. 9.

DIVISION OF PARI-MUTUEL WAGERING

Part 1A, pp. 71-72

- Inaccurate annual reports
 - Division makes no effort to independently verify reported information.
 - Purse numbers for Isle of Capri at Pompano Park (harness track) were grossly overstated in PMW annual reports for FY 2009-2012.
 - Annual reports include operator contributions to purses within category representing purse contributions from pari-mutuel operations.
- Incomplete annual reports
 - Division does not break down cost of regulation by sector (horseracing versus greyhound, for example).
 - No way for Legislature to determine whether each industry is paying its cost of regulation or to weigh the costs versus benefits. Evidence that greyhound racing costs more to regulate than it generates.
 - Division does not track out-of-state generated simulcast revenue.
 - The majority of revenue is generated from out-of-state simulcast. For example, Gulfstream reported \$102 million intertrack & simulcast handle, but the out-of-state generated simulcast handle was six times that amount, \$605.3 million.
 - Other racing jurisdictions do track this information.
- Jurisdiction
 - Division oversees pari-mutuel wagering, cardrooms and slot machines. It is also the designated State Compliance Agency under the Compact.
 - The addition of slot machines resulted in 50 full-time employees dedicated to slot machine licensing. Four full-time equivalent positions were added for oversight of the Compact.

Even with this increase in the PMW budget it is apparent that the agency is still heavily dedicated, in staff, to the regulation of pari-mutuel operations rather than slot operations, even though the State's revenue comes by this time primarily from the operation of the slot machine operations. This is due to the numbers of facilities – 27 pari-mutuel operations vs. six slot operations. – Part 1A, p. 127.

C. TRIBAL GAMBLING

PART 1A, pp. 63-65, 128-129

SEMINOLE GAMING

- Reputation
 - Indian gaming varies, Seminole Hard Rock casinos considered national destination resorts.
 - The Seminole Tribe Has secured investment-grade rating for its debt (BBB-).
- Florida Operation
 - 8 facilities in 5 counties (Broward, Collier, Hillsborough, Glades and Miami-Dade).
 - Seminole Tribe Gaming Commission oversees gambling on Seminole lands. The Director of Compliance and Regulation for Gambling, Ed Jenkins, has significant experience with the FBI and gaming industry.
 - Spectrum believes the Seminole Tribe regulation of gambling is being taken serious:
 - Surveillance departments within casinos are required to report directly to the Commission, rather than operators. Spectrum believes this helps prevent crimes.
 - Commission staff is present in casinos 24 hours a day, seven days a week.
- Beyond Florida
 - Seminole Gaming is largely viewed as more than a Florida operation.
 - Seminole Hard Rock has 18 properties, and plans to potentially triple that number over the next 5 years. It believes between 8 and 15 markets could support a Hard Rock Casino, and as many as 50 that could support a Hard Rock Hotel.

The Gaming Commission has established a regulatory structure that Spectrum believes is thorough and substantial. – Part 1A, p. 129.

OTHER TRIBES

POARCH BAND OF CREEK INDIANS

- Based in Atmore, AL, the Poarch Band of Creek Indians has a very small piece of trust property in Escambia County, FL.
- The Tribe also owns, or has options to own, or agreements to control 10 pari-mutuel permits along the Interstate 10 corridor between Pensacola and Jacksonville. It would like to operate class II slot machines at some of these pari-mutuel facilities in North Florida.

MUSCOGEE NATION OF FLORIDA

- The Muscogee Nation is not a federally recognized tribe, but is attempting to gain federal recognition through Congressional Act. Prospects are not promising.
- The Tribe owns land close to Gulf beaches in Panhandle, where it would like to operate casinos.

D. PARI-MUTUEL INDUSTRY

PART 1A, pp. 37-39, 66-91

NATIONAL TRENDS

PART 1A, pp. 67-68

- The majority of wagers placed on intertrack or simulcast races, rather than live races.
 - Live handle (wagers) in CY 2010 was 12% of total horse racing handle, 29% total greyhound racing handle, and 42% total jai alai handle.
- Pari-mutuel Wagering declined by 37% from 2000 (\$18.3 billion) to 2010 (\$11.5 billion).
- Paid attendance is a rarity, so no definitive way to track attendance.
- Competition is for entertainment dollars, not just gambling dollars. Pari-mutuel wagering used to be only show in town, but now many more choices exist for discretionary spending.

Note that attendance for horse racing – the largest component by far of pari-mutuel wagering – attracts fewer than 3 percent of adults, although that percentage actually rose by two-tenths of 1 percent over the past four years. [Chart shows it is on a par with chess, and significantly less popular than bird watching.] – Part 1A, p. 80

FLORIDA, GENERALLY

- Florida accounts for 59% of pari-mutuel wagering in the United States.
- Industry is a “circular firing squad” – infighting.
 - Competes for customers, gaming revenue and for attention from Legislature.
 - Disagreements
 - Whether the principal business should be pari-mutuel wagering or casino gambling.
 - Whether the legislative agenda should focus on gaining authorization for additional forms of gambling, such as table games, or a reduction in taxes.
 - Common ground
 - Pari-mutuel wagering interests will join in opposition to Tribal gaming and Internet Cafés.
 - Pari-mutuel wagering, tribal, Orlando and anti-gambling interests will join in opposition to destination resorts.
- There is little interest in pari-mutuel wagering.

The thoroughbred sector is clearly the healthiest of the sectors but it too has sustained steep declines in live handle. What’s keeping many of the other pari-mutuel facilities open is cardroom and slot revenue but eventually, if the downward trend continues, it is likely that even those revenues will not be enough to keep some greyhound tracks and frontons open. Many operators acknowledged to us that the prospect of possibly operating slot machines was enough for them to continue to stay in business and sustain significant losses. In FY 2012, the pari-mutuel operations at the greyhound tracks sustained operating losses of \$35 million, jai alai, \$14 million and harness, \$2.4 million. Only the thoroughbred tracks were able to realize an operating profit, \$10.6 million, from their pari-mutuel operations. – Part 1A, p. 87.

- Total handle fell 51% from FY 1990 (\$1.8 billion) to FY 2012 (\$876 million).

- Live handle fell 95% (\$1.8 billion to \$190 million).
 - Performances decreased 41% (6,931 to 4,904).
 - Pari-mutuel operations in the state had combined operating loss of \$50 million.
 - Only 8 of the 28 facilities had operating profit for pari-mutuel wagering activities.
 - Largest loss: \$11.6 million (Fort Pierce/Miami Jai Alai).
 - Largest profit: \$6.3 million (Gulfstream).
 - Greyhound – operating loss of \$35 million.
 - Jai Alai – operating loss of \$14 million.
 - Harness – operating loss of \$2.4 million.
 - Thoroughbred – operating profit of \$10.6 million.
 - When cardrooms and slot machines were included, combined overall operating profit of \$1.9 million.
 - 13 facilities had losses. \$21.6 million at Fort Pierce/Miami Jai Alai.
 - Largest operating profit: \$16.4 million at Flagler Greyhound Track (offers slot machines).
- The state receives little revenue from pari-mutuel wagering.
 - From FY 1985 to FY 2012, revenue reduced from \$119.4 million to \$11.8 million (91%).
 - Jai alai – 99% decline (\$29.7 million to \$378,000).
 - Greyhound – 99% decline (\$77.2 million to \$3.7 million).
 - Horse – 39% decline (\$12.5 million to \$7.6 million).

	Facilities	Handle		Trends (1990-2012)				Operating profit	State Tax Collections
				Handle		Performances (8 events)	Purses		
		Live	Total	Live	Total				
Thoroughbred	3	\$78.6 million	\$530.7 million	-54%	-33%	-6%	+16%	\$10.6 million	\$7.6 million
Harness	1		\$48.1 million	-	-57%	-	-	-\$2.4 million	
Quarter Horse	5	\$1.7 million	\$2.1 million	-	-	-	-		
Greyhound	14	\$93 million	\$265.4 million	-90%	-67%	-6%	-18%	-\$35 million	\$3.7 million
Jai Alai	6	\$14 million	\$30 million	-96%	-91%	-63%	-63%	-\$14 million	\$378,000

ISSUES

CASINO OPERATIONS OVERSHADOW PARI-MUTUEL WAGERING, Part 1A, p. 72

- Factors
 - Statutory requirement to run full schedule of live racing in order to operate cardroom or slots.
 - Requirement passed because cardrooms and slots were intended to supplement, and be confined to, existing pari-mutuel wagering facilities.
 - Amount varies by operator and is tied to 90% of what operators conducted when they received cardroom license.

- Horsemen and dog owners claim operators have purposely destroyed pari-mutuel operations to convince Legislature to remove any requirement for live racing/games.
 - Decreased interest in pari-mutuel wagering, so pari-mutuel operations generally have an operating loss (total industry loses \$50 million annually).
 - Two factors above lead to operators cutting costs for pari-mutuel operations as much as possible:
 - Reduce race cards and number of players on rosters.
 - Conduct two-horse races; barrel racing; two-man (playing repeatedly) jai alai; two-dog races.
 - Decline of Purses, Part 1A, p. 76.
 - Cardroom supplements
 - Jai alai & greyhound facilities must use 4% of cardroom gross receipts to fund purses. Horse facilities must use 50%.
 - Slot machine supplements
 - Florida is unique in not requiring percentage or amount of slot machine revenue to supplement purses.
 - Thoroughbred and quarter horse permitholders must have a contract with horsemen before casino can open. Jai alai, greyhound and harness permitholders do not. Purses show this with thoroughbreds supplemented at 12-14%, while others are supplemented at about 2%.
 - Slot machine revenue accounts for much less of purses in Florida than other states. Pennsylvania casino gross gaming revenue accounts for 75 to 91 percent of purses; in Florida it ranges from 22 to 48 percent.
 - The introduction of slots increased purses overall by 2.2% at the racinos. The increase in PA ranged from 126-200%.

Unlike other racino states, Florida statutes do not mandate that a certain percentage of gross gaming revenue or a dollar amount from slot machines be used to fund purses and for breeding purposes. ... Florida slot revenue accounts for much less on a percentage basis of total purse revenue than it does in other racino states. In Pennsylvania, for example, casino GGR accounted for anywhere from 75 percent to 91 percent of purses. In Florida, our review of the FY 2012 PMW annual report showed that the figure ranged from 22 percent to 48 percent. – Part 1A, p. 76.

- Other approaches, Part 1A, p. 88.
 - Pennsylvania has a racing advocate to ensure racinos do not ignore racing interests.
 - Pennsylvania Gaming Control Board compiles annual report measuring impact of slot machines on horse racing industry.
 - Almost all racino states require a certain percentage of gross gaming revenue (slots/casino) be used to enhance purses.

SHIFT TO SIMULCAST WAGERING & ADVANCE DEPOSIT WAGERING, Part 1A, p. 73-75

- Live handle makes up only 24.3% of total Florida-generated handle today.
 - Since 1990, when intertrack wagering began, live handle has decreased 95%, while total handle has decreased 51%.
- The state does not collect data on, or tax, wagers placed out of state or through ADW companies (by phone/online).

The largest single category of simulcasting involves the export of signals from Florida pari-mutuels to out-of-state facilities. Gulfstream, for example, would send its signal to Yonkers. No information is available from PMW for this category, which is often called out-of-state generated simulcast revenue. The reason is because PMW does not track it. We note that other racing jurisdictions, such as New Jersey, do so. Without these data, it is not possible to offer a complete picture of simulcasting in Florida. – Part 1A, p. 74.

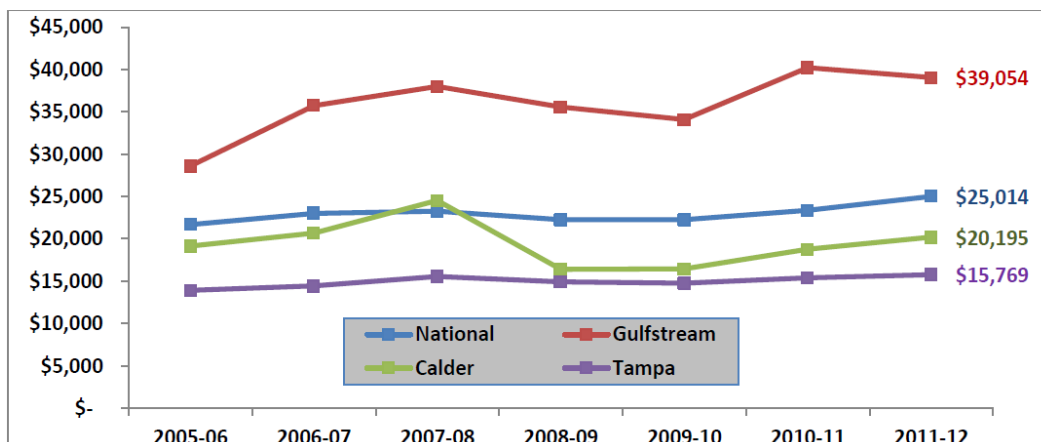
- Advance Deposit Wagering
 - Players deposit Advance Deposit Wagering is depositing funds with a company before making wagers. The company then makes the wagers on the player's behalf.
 - Most companies are established in Oregon, through a hub network, which has a total handle of \$2.24 billion.
 - Oregon hub total handle increased 47% from 2007 to 2012, while Florida total handle fell 42% and Florida ITW handle (wagering on a Florida race from a remote Florida track) fell 59% during the same timeframe.
 - Florida pari-mutuel permitholders own ADW companies out of state and, within their Florida facilities, promote wagering through them instead of through a teller.
 - Tax implications
 - ADW wagers are untaxed. The state does not collect data on them.
 - Kentucky is considering taxing ADW companies on bets made within that state at a rate of .5%. That tax would be split between the state (retaining 15%) and tracks and purse accounts (85%). Kentucky expects annual collections of \$400,000.
 - Purse implications
 - Wagers become part of the wagering pool of the host track, but the takeout rates are much different. For example, whereas a track and horsemen may split 20 cents on a dollar wagered at a Florida track, they would split 6-9 cents on a dollar wagered through an ADW company.
 - ADW companies offer rebates to players of as much as 12%. Players come to see a live race and wager through ADW companies, often owned and advertised by the pari-mutuel operator.

THOROUGHBRED RACING

Part 1A, pp. 77-80

- Dominant sector in Florida – 3 tracks account for 61% of total pari-mutuel handle.
- Combined operating profit of \$13 million.
 - \$10.6 million of profit came from pari-mutuel wagering, rather than cardrooms or slots.
 - \$2.7 million of profit came from slot machines at Calder & Gulfstream.
 - \$2.3 million gross operating profit for cardrooms.
- Handle
 - Calder had highest at \$207 million.
 - Overall handle declined 33% from 1990 (\$789.2 million) to 2012 (\$530.7 million).
 - Live handle fell 54% from 1990 (\$170.5 million) to 2012 (\$78.6 million).
- Performances
 - Minimum 40 performances (8 races) per year to qualify for cardroom and/or slot licensure.
- Purses
 - Total performances fell 6% from 1990 (348) to 2012 (327).
 - Total purses increased 16% from 1990 (\$78.1 million) to 2012 (\$81.1 million).
 - State law requires contract with horsemen before casino (slots) may open. Other sectors (greyhound & jai alai) do not have this requirement. Thoroughbreds end up paying more gross gaming (slots) revenue toward purses than others.

Figure 23: Average purse per race, Florida and national thoroughbred tracks, 2011-12



Source: Tampa Bay Downs

- Calder Casino and Race Course
 - Highest handle at \$207 million.
 - Purses: 12% of total gross gaming revenue went to purses.

Calder Casino and Race Course is also typical of the racino market in drawing most of its customers from within a 10-mile radius, and also competes against both the Hard Rock and Coconut Creek casinos, with the former being only two exit stops away on the Florida Turnpike. Calder competes against Coconut Creek for the market in the Boca Raton area. – Part 1A, p. 40.

- Gulfstream Park
 - 88% (<\$6.2 million) of operating profit came from pari-mutuel operations.
 - No other pari-mutuel wagering facility in the state comes close to this. Most lose money on pari-mutuel wagering operations and need cardroom and/or slot revenue to subsidize those losses.
 - Operator considers facility a racetrack first, then a casino.
 - Performance
 - Horsemen consider success story.
 - Daily purses average >\$411,000.
 - 13.8% (\$7.5 million) of total gross gaming revenue (\$54.5 million) went to purses.
 - 20% increase in on-track wagering in last year.
 - \$658 million wagered on Gulfstream signal out of state (average \$733,000 per race).
 - Next highest were California's Santa Anita (\$622,000 per race), New York's Aqueduct (\$508,000 per race).

Gulfstream is being positioned as a racing destination and as a centerpiece for the Stronach Group, which is moving its racing operations to Florida, and which operates other tracks, including the signature Santa Anita in California. The core difference is that Gulfstream focuses more on racing, and views casino gaming primarily as a means of funding purses, which allows it to compete for top horses with tracks in northern states. – Part 1A, pp. 40-41.

- Tampa Bay Downs
 - Operating profit of \$3 million.
 - National rankings
 - 12th of 68 thoroughbred tracks in average daily handle, although this is declining.
 - 34th of 68 thoroughbred tracks in average daily purses.
 - Only Florida thoroughbred track without slots. Only track in nation competing against in-state racinos.
 - Purses are not supplemented by slots. Average purses (\$15,769) are 42% below Calder/Gulfstream and 37% below national average.
 - Field (number of horses) has shrunk 12% in past 3 years.
 - Competition for horses is fierce (23% fewer race-ready horses), TBD purses aren't competitive.

What has hurt Tampa Bay Downs is that it is unable to supplement its purses with casino revenue as other thoroughbred tracks in Florida and throughout the country have done. The competition is fierce for quality horses as the nationwide breeding program has collapsed, resulting in 23 percent fewer race-ready horses being available to compete. Tampa Bay Downs has seen its field size shrink by 12 percent in the past three years. Horse owners are taking their horses to tracks that offer higher purses, and that invariably means tracks that supplement their purses with casino revenue. – Part 1A, p. 79.

GREYHOUND RACING

Part 1A, pp. 83-86

- Florida is one of 7 states with greyhound racing. It hosts 64% of all races.
 - Nationwide, total handle down by 65%; live handle declined by 76%; performances declined by 21%.
- Combined industry operating loss of \$35 million.
 - Only 3 tracks made profit.
 - Cardroom operations offset loss with an operating profit of \$39 million.
- Total handle fell 67% from 1990 (\$933.8 million) to 2012 (\$265.4 million).
 - Palm Beach Kennel Club had highest handle at \$36.3 million; Melbourne Greyhound Park, lowest at \$162,000.
 - Live handle fell 90% from 1990 (\$933.8 million) to 2012 (\$93 million).
- Performances
 - Total performances (8 races) fell 6% from 1990 (3,853) to 2012 (3,636).
 - Operators must conduct 90% of the number of races they conducted the year before their cardroom opened in order to maintain cardroom licensure. Decoupling cardroom and slot licensure from pari-mutuel operations would result in 5 or 6 tracks closing, according to operators.
 - Melbourne Greyhound Track proposed running 2-dog races with a 2-kennel roster under the same ownership for 2013. It backed down after the American Greyhound Association came out against the proposal.
- Total purses fell 18% from 1990 (\$34.5 million) to 2012 (\$26.3 million).

“It is a dying sport,” said Michael Glenn, general manager of the Palm Beach Kennel Club, one of the country’s premiere greyhound tracks. “Decoupling (removing the requirement for minimum performances) will help us in the short run as we would run fewer races which, in turn, will lower our operating costs. Our simulcast revenue will also increase, but there just are not enough folks out there to come to the track and wager on these races. There is not any interest.” PBKC would shut down the dog track if it could, Glenn said.

Jamie Shelton, CFO of Jacksonville Greyhound Racing, agrees with Glenn. He said that no matter what efforts are made to prop up the sport, interest is not there. “We can see it by our live handle. The older folks are not being replaced,” he said. “There are just too many other things to do out there today. Watching a greyhound race is not at the top of most people’s agenda.”

With the three permits, Orange Park operates year-round: 340 days and 417 performances in FY 2012. Shelton said the facility just about breaks even but he noted that it is just a matter of time before the losses on racing will become so large that Orange Park will have to close. Even slot machines would not help, as they would not compel people to bet on the dog races, he noted. Slot machines would prop up the business for a while but eventually the sport will die, he said.

Jack Cory, a lobbyist for greyhound owners, said the sport would not be dying if track operators would reinvest in their properties. He noted that some of them have let them deteriorate to the point where going to those tracks is unpleasant. He noted that the intent of the 90 percent rule was to preserve live racing by making sure that live racing had to be offered in exchange for the right to operate a cardroom or casino. – Part 1A, pp. 84-85.

HARNESS RACING

Part 1A, pp. 80-81

- Isle Casino and Racing at Pompano (Only harness track in Florida).
 - Minimum 140 performances (8 races per performance).
 - Total handle fell 57% from 1990 (\$112.1 million) to 2012 (\$48.1 million).
 - Accounted for 5% of total Florida handle.
 - Purses declined by .5% since the introduction of slots at the facility.
 - 2.1% (\$2.6 million) of total gross gaming revenue (\$121 million) went to purses.
 - Much less than thoroughbreds (Gulfstream paid 13.8%).
 - Not required to have contract with horsemen. No statutory minimum supplements from slots.

Only the ground floor of the [Pompano] racetrack was open. The facility is in a state of disrepair. According to Pennachio, [president of the Florida Standardbred Breeders & Owners Association], management will close the grandstand area later this summer, which will force patrons to watch live races from a row of seats set up outside the casino. That places spectators by the turn as horses approach the finish line, making it difficult from that angle for them to see who wins. – Part 1A, pp. 80-81.

QUARTER HORSE RACING

Part 1A, pp. 81-83

- Returned to Florida in 2009 at Hialeah Park after 18-year absence.
- Total handle: \$2.1 million. Accounted for less than 1% total pari-mutuel handle. Live handle: \$1.7 million.
- Total 76 performances (of 8 races each).
 - State law requires allows ITW on quarter horse racing only when there is live racing, which only occurs for 40 days per year. This makes it difficult to attract new players.
- Purses: \$3.8 million.
- Barrel racing struck down as unadopted rule
 - Gretna had live handle of \$31,000; purses of \$202,000.
- Hialeah Park
 - Almost all quarter horse racing is at Hialeah, where operator subsidized purses.
 - Seeking thoroughbred racing.
 - Planning \$842.9 million project to convert facility to a destination resort with casino, hotel, town center & retail district.
 - Opening slot machines this summer: Daily purses will increase by 47%, to \$140,000 for a total of \$5.6 million in FY 2013.

Eventually, Hialeah Park expects to convert the 200-acre property into a destination resort that will feature a \$112.5 million casino hotel, a \$75 million casino hotel, a \$119 million entertainment and convention complex, a \$210 million town center and retail district and a \$61.3 million parking garage. The total cost of the project is estimated to be \$842.9 million. [Hialeah owner John] Brunetti noted that racing will be integrated into the complex so that it will never become an afterthought, which he believes is the case at too many Florida pari-mutuel facilities. – Part 1A, pp. 81-82

JAI ALAI

Part 1A, pp. 37-39, 86-87

- Florida is only state to offer jai alai. It hosts six jai alai operators.
- Combined industry operating loss of \$25.6 million.
 - \$21.6 million from Ft. Pierce-Miami Jai Alai, whose auditor expressed concerns about whether it could remain open. Addition of slots may help.
 - Pari-mutuel side lost \$14 million.
 - Cardrooms generated profit of \$1 million.
- Handle
 - Accounts for 3% of statewide pari-mutuel handle.
 - Total handle fell 91% from 1990 to 2012.
 - Miami Jai Alai had highest handle (\$6.6 million); Hamilton Jai Alai had lowest (\$2).
 - Live handle fell 96% from 1990 to 2012.
- Performances
 - Total performances fell 63% from 1990 to 2012.
 - Operators must conduct 90% of the number of games they conducted the year before their cardroom opened in order to maintain cardroom licensure. Minimum ranges from 24 (Hamilton) to 214 (Dania).
 - Last year, Ocala Jai Alai hired 2 locals to play each other repeatedly to comply with the minimum. It lost \$453,000 on jai alai operations, which included \$22,000 tax for electing to conduct 41 of the 100 required performances.
 - In 2005, Hamilton Jai Alai built the first new fronton in 22 years. It had a total handle last year of \$2. It relies on a 4-player jai alai roster. It must run 100 performances to maintain its cardroom license; next year it will be able to reduce that number to 40 under an existing statute.

“It was cheaper for me to pay the tax than it was to stay open,” [Ocala Jai Alai General Manager Brian Matthews] noted. “If this was just jai alai, we would have been closed long ago.” ... “People call it a joke, and I cannot disagree,” [Hamilton Jai Alai Operator Glenn Richards] said. “It is either do this or shut the door. We cannot get anyone to watch this anymore.” – Part 1A, p. 87.

- Total players’ awards fell 63% from 1990 (\$ million) to 2012 (\$ million).

Jai alai cannot make the same claims as the horse-racing industry that it supports numerous ancillary industries – such as racing’s ties to agriculture, as well as its span across multiple states and nations – yet its subsidies endure, with no visible efforts to eliminate, reduce or replace them.... So why do the subsidies for jai alai endure? The elimination or reduction of jai alai subsidies would give casinos tied to frontons an unfair advantage over casinos tied to other forms of pari-mutuel wagering. ... The bottom line is that jai alai permits are being issued and sought due to reasons that have nothing to do with the profitability of jai alai. – Part 1A, p. 38.

RACINOS

Part 1A, pp. 39-42, 63, 76

	Casino Miami	Magic City	Calder	Gulfstream	Mardi Gras	Pompano Park
Opened	Jan-12	Oct-09	Jan-10	Nov-06	Dec-06	Apr-07
Slot Machines	1,058	801	1,204	853	1,057	1,420
Poker Tables	12	18	29	20	30	38
PMW	Jai Alai	Jai Alai	Thoroughbred	Thoroughbred	Greyhound	Harness
Slot supplements	~2%	~2%	14%	12%	~2%	~2%
Change in purses after introduction		+119%			+33%	-.5%

- Market profiles of particular racinos, Part 1A, p. 39-42.
 - Mostly pull from 10-mile radius.
 - “Gulfstream is being positioned as a racing destination. ... The core difference [between Calder and Gulfstream] is that Gulfstream focuses more on racing, and views casino gaming primarily as a means to funding purses, which allows it to compete for top horses with tracks in northern states.” Part 1A, p. 41.
- Majority of gambling revenue at racinos comes from Floridians within a 1 or 2 hour drive.

CARDROOMS

Part 1A, pp. 89-91

- National Trends
 - Five states, including Florida, allow cardrooms (poker) separate from casinos.
 - Florida is only state that restricts cardrooms to pari-mutuel facilities.
 - Gross receipts increased by 17-fold from \$2.8 million (2002) to \$54.2 million (2007).
 - California
 - Number of cardrooms reduced from 119 (2002) to 92 (2007).
 - Gross receipts increased by 46%, from \$563 million (2002) to \$794 million (2007).
- Only pari-mutuel wagering operators are eligible for cardroom licenses.

The cardrooms have become so profitable that they have enticed new pari-mutuel operations to open and have resulted in still others continuing to remain open even though their pari-mutuel activity generate substantial losses, as we have noted throughout this report. For example, the greyhound sector cardrooms generated an operating profit in FY 2012 of \$38.8 million while their pari-mutuel activities had an operating loss of \$35 million. – Part 1A, p. 91.

- Generally, cardrooms may only be offered at the same location the operator conducts pari-mutuel wagering; however, the first off-track betting parlor/cardroom opened in Jacksonville in 2012. The operator relied on a Division of Pari-mutuel Wagering declaratory statement to relocate its permit to a new location and not build a track or run races, having leased another property to run races.
- Initially cardrooms could only be open from 2 hours before post time to 2 hours after last event. This was later removed.

- Greyhound and jai alai facilities must use 4% gross receipts to supplement purses; horseracing facilities must use 50% to supplement purses.
- Initially very restricted in operations, restrictions relaxed over time to enhance profitability.
 - Pot limits of \$10 removed in 2003; gross receipts went from \$2.8 million (FY 2003) to \$18.5 million (FY 2004).
- Statistics
 - 24 cardrooms.
 - \$131.5 million in gross receipts.
 - Palm Beach Kennel Club had highest at \$11.4 million; Hamilton Jai Alai had lowest at \$596,000.
 - State revenue: \$1,000 per table annual license fee; 10% tax on gross receipts.
- Prospects
 - FY 2013 data shows cardroom revenue declining at many facilities: Calder by 17%, Tampa Bay Downs by 14%, Pensacola Greyhound Track by 10%.

Some operators, such as Jamie Shelton, the CFO of Jacksonville Greyhound Racing, noted though that cardroom revenues have begun to level off across the state. In an interview with Spectrum on May 30, 2013, Shelton said that it is unrealistic to expect cardroom revenue to continue to subsidize pari-mutuel operations. At some point, he noted that there will come a point where the cardroom profits cannot cover the pari-mutuel losses. "It is just a matter of time," he said. – Part 1A, p. 91.

E. CHARITABLE BINGO

Part 1A, pp. 91-96

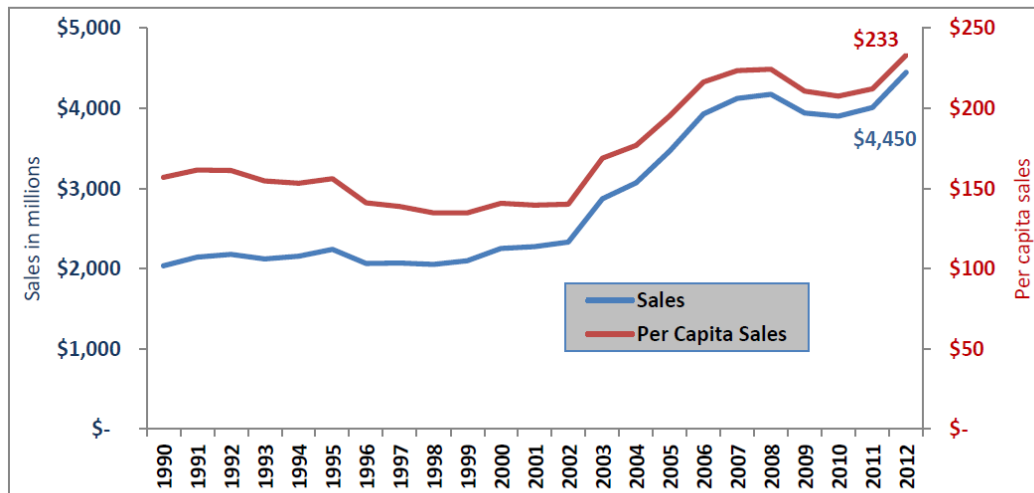
- Only nonprofit charitable organizations are eligible to offer bingo. The net proceeds must go toward charitable organization.
- Bingo is generally subject to local regulation.
- Estimated 300-400 bingo operations. This is trending downward.
- Proliferation of internet/sweepstakes cafes impacted bingo participation; although some bingo halls also had adult arcade games.
- High-stakes bingo at Seminole Tribe and Miccosukee Tribe facilities.
 - Seminole Gaming: Revenue from bingo fell from \$24.6 million (2001) to \$4.1 million (2012).

F. LOTTERY

Part 1A, pp. 96-100

- Most profitable form of gambling. For each \$1 ticket sold, state keeps 50 cents as net revenue.

Figure 25: Florida lottery sales, 1990-2012



Data source: Florida Lottery, Florida Office of Economic & Demographic Research; for fiscal years

- National
 - Only 6 states do not have a state lottery.
 - Florida ranks third in total sales revenue.
 - New York, Minnesota, New Hampshire, North Dakota and Virginia offer some form of online subscription service for lottery tickets. Delaware will also be selling tickets online, as well as offering most casino games online through a lottery-controlled platform. Other states, including Massachusetts, Maine and Vermont are also considering using the Internet for lottery sales.
- Criticism
 - Regressive tax: revenues tend to come disproportionately from lower-income individuals.
 - Benefits of lottery-funded educational initiatives tend to accrue to higher-income individuals.
- Popular
 - Most broadly popular and regionally widespread gambling activity (53% played nationally; 44% Floridians played in last year).
- Player demographics
 - Men play more than women.
 - Adults play more in their middle years than when young.
 - Catholics play more than Protestants.
 - Lottery play falls with formal education.
 - 46 percent of laborers play; 25 percent of advanced professionals play.
 - Retirees and students play least of all.
 - Hispanics in the west and blacks in the east play more than non-Hispanic whites.
 - Black respondents [to a NORC study] spend nearly twice as much on lottery tickets as do white or Hispanic respondents.

- Average annual lottery spending in dollar amounts is roughly equal across the lowest, middle, and highest income groups. This implies that on average, low-income households spend a larger percentage of their wealth on lottery tickets than other households.
 - Regressivity varies across lottery products with low-income players favoring instant games.
- Florida Department of Lottery did not fulfill a request for information concerning lottery sales in poor neighborhoods and non-Floridian sales.

“[T]he most active 10 percent of [lottery] players account for 50 percent of the total amount wagered, while the top 20 percent wager about 65% of the total.” – Part 1A, p. 91.

IV. OTHER FORMS OF GAMBLING

A. RETAIL GAMING

Part 1A, pp. 101-103

- Seven states authorize the placement of a small number of electronic gaming devices (slot machines, VLTs, video poker, etc.) in authorized retail locations – often bars.
- In the five states where full-year data were reported for fiscal year 2012, the retail EGDs generated \$2.3 billion in gross gaming revenue.

Retail gaming programs are seen as successful from a revenue standpoint because of their wide geographic distribution and convenience. However, they are controversial because the EGDs may be too convenient for those with, or susceptible to, gambling problems and because they may be in plain view of children. – Part 1A, p. 100.

B. SPORTS BETTING

Part 1A, pp. 103-106

- Federally restricted to four states: Delaware, Montana, Nevada and Oregon. New Jersey is challenging this.
- Only Nevada offers traditional sports betting.
- Casino operators describe sports betting as marginally profitable. In Nevada, it accounts for 1.1 and 1.6% of all gaming revenue.
- Illegal sports betting ranges from \$80 billion to \$380 billion annually (1999 estimate) vs. \$2.9 billion wagered in Nevada (2011).
- Globally estimated to be 10% of all land-based gambling; 45% of all Internet gambling.

C. INTERNET GAMBLING

Part 1A, pp. 113-120

- Department of Justice had long interpreted the federal Wire Act to prohibit Internet gambling. It released an opinion in 2011 reversing course and finding that it only applied to sports betting. This opened the door to state-regulated Internet gambling.
- Delaware, Nevada and New Jersey have each passed enabling legislation.

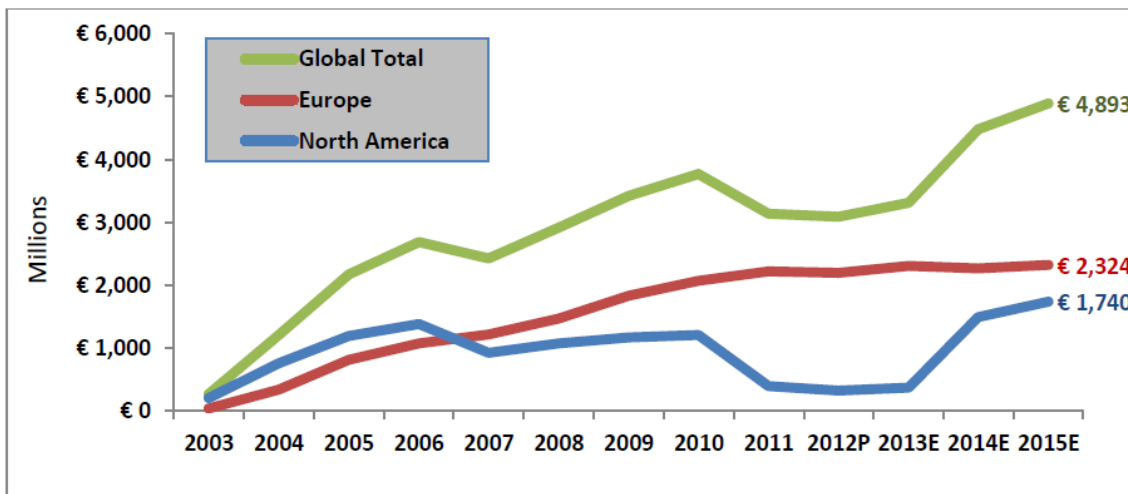
Figure 31: Legal US jurisdictions for Internet gambling

State	Legalization Date	Operator	Games Offered	Actual or Target Implementation Date
Delaware	July 23, 2012	Delaware Lottery	Lottery Casino (some games)	September 30, 2013
Nevada	February 21, 2013	Nevada casinos and partners	Poker only	April 30, 2013
New Jersey	February 26, 2013	Atlantic City casinos	Casino (all games)	November 26, 2013

Sources: Delaware Lottery, Nevada Gaming Control Board, New Jersey Division of Gaming Enforcement

- A 2006 federal law suppressed Internet gambling by prohibiting payment processors from handling gambling transactions. This resulted in ‘Black Friday,’ April 15, 2011, when the U.S. Dept. of Justice entered indictments against offshore operators, including Full Tilt, Absolute Poker, and Poker Stars, alleging fraud.

Figure 33: Internet poker revenues globally, Europe and US



Source: H2 Gambling Capital

D. ILLEGAL/UNREGULATED GAMBLING

Part 1A, pp. 106-113

- Generates an estimated \$150 billion annually.
- Electronic gaming devices were popular until this year when Florida passed HB 155 to clarify that electronic sweepstakes games at Internet cafés and 8-liner reel games, found in adult arcades and also called *maqintas*, are prohibited. The law is being challenged.
- *Bolita* is an illegal numbers game popular in South Florida.

Figure 30: Illegal and unregulated gambling participation in Florida, 2011

Gambling Activity	Lifetime %	Past Year %	Past Week %
Poker	22.1	12.0	3.4
Sporting Events Through a Pool	19.9	11.1	0.9
Cards/Dice/Dominos Not at Casinos	19.4	11.9	2.2
Bingo	19.1	5.7	1.1
Slot/Poker Machines Not at Casinos	18.7	7.2	1.2
Playing Sports Games	13.1	7.3	2.0
Table Games Not at Casinos	9.9	5.0	0.2
Sporting Events Through a Bookie	8.2	5.0	1.0
Pull-Tabs	7.4	2.9	0.3
Arcade or Video Games	6.8	3.8	0.8
Fantasy Sports	5.0	3.6	1.5
Internet Gambling	4.8	3.3	0.8
Car Races	2.7	1.2	0.6
Mah Jong	1.5	0.8	0.4
Cock or Dog Fighting	1.1	0.4	0.0
Policy, Numbers, or Bolita	0.8	0.5	0.1
Other	0.7	0.0	0.0

Source: Florida Council on Compulsive Gambling

Enforcement

Part 1A, pp. 145-147

- Investigation of illegal gambling is generally handled by law enforcement, as opposed to regulators.
- State gaming regulatory agencies enforce only when they have law enforcement authority.
 - Actual prosecution referred to county or local prosecuting authority.
- Ohio
 - Ohio Casino Control Commission has authority to levy and collect penalties for noncriminal violations. Criminal violations referred to local prosecuting office or Attorney General’s office.
 - For Internet cafés, the Attorney General’s office and the Ohio Casino Control Commission staff cooperated. Casino Control Commission examined the machines to determine whether they met the definition of slot machines.
- Massachusetts
 - State police handle illegal gambling investigations.
 - Massachusetts Gaming Commission has a state police unit assigned to it. Depending on the nature of the illegal gambling, either the MGC unit or another unit take responsibility for it.

- New Jersey
 - Two main gambling agencies, Casino Control Commission & Division of Gaming Enforcement (DGE).
 - DGE is the prosecutorial arm for civil matters and has state police assigned to it, under the purview of the Attorney General's office. The state police assigned to DGE would investigate illegal gambling.
- Kansas
 - Racing & Gaming Commission, which has enforcement agents, takes lead on illegal gambling issues. Prosecution is left to local prosecutors.
- Pennsylvania, Maryland, Iowa
 - Gaming agencies have no authority over illegal gambling. Local or state law enforcement would enforce.

V. GAMBLING REGULATION

A. FLORIDA

Part 1A, pp. 121-129

- Division of Pari-mutuel Wagering within Department of Business & Professional Regulation
 - Pari-mutuel wagering on thoroughbred, quarter horse, harness and greyhound racing and jai alai.
 - Cardrooms.
 - Slot machine operations at pari-mutuel facilities.
 - State compliance agency under gaming compact with Seminole Tribe.
 - No authority to regulate other forms of gambling.
- Department of Lottery.
- Charitable bingo is regulated locally.
- Miccosukee and Seminole Tribe gaming operations are governed by federal law and tribal gaming commissions. The Seminole Tribe's gambling is also subject to a gaming compact with the state.

B. GENERALLY

Part 1A, pp. 130-149

LICENSURE

The selection of casino operators is the starting point of establishing public trust in the casino industry as one of integrity. It is critical that this step be completed carefully and thoroughly. Through this process the state is not only establishing that the gaming industry is one of integrity, but that the selection of who will be a casino operator has been done with integrity by the state. – Part 1A, p. 130.

- Qualifications for licensure: honesty, integrity, absence of criminal record, and financial stability.
- Bid process versus non-competitive application. See Best Practices below at page 30.
 - Bid process is usually found in jurisdictions that limit the number of licenses. Limitations on number and location of licenses can create a destination area.

- Application processes
 - Most jurisdictions use the multi-jurisdictional personal history disclosure form, supplemented by state-specific forms.
 - Casino applications usually also require individual applications for owners, managers, officers, directors, parent companies and shareholders with at least 5% equity.
 - Universally accepted practice to perform background investigations.
 - Costs paid by applicants.
 - Information provided on applications is generally confidential.

REGULATORY STRUCTURES

While it may be argued that there are many advantages and disadvantages to expanding gaming, we believe there is no valid argument for the expansion of gaming without taking the proper regulatory measures. While a strong regulatory structure may be expensive to implement, this expense is typically borne by the gaming industry and not taxpayers. On the other hand, a weak or flawed regulatory system will invite nefarious and criminal activity, will fail to assure integrity of operations, and will not maintain the public trust and confidence in the regulatory system. Weak or flawed regulations is neither a model which is acceptable to the state nor a model which is an acceptable business practice to the casino industry that is regulated. – Part 1A, p. 148.

- State overviews: Iowa (p. 138), Kansas (p. 137), Maryland (p. 134), Massachusetts (p. 131), New Jersey (p. 135), Ohio (p. 133) and Pennsylvania (p. 136).
- Consolidated or segregated?
 - Consolidated
 - Pros: Maximum use of resources, prioritization of functions.
 - Cons: Risk of bias toward awarding licenses, minimizing investigations.
 - Segregated
 - Pros: More independent line for investigative functions; overlapping functions give greater assurance of integrity.

CRITICAL REGULATORY FUNCTIONS

- **Licensing:** “Without having some mechanism for a regulatory agency to review all contracts with a casino operator, even those that relate to non-gaming companies, the regulatory agency may be unaware of the movement of large amounts of money or the infiltration of organized criminal elements.”
- **Ongoing Review of Daily Operations:** “Virtually all states also maintain a presence in the casino. The extent of this presence varies from a 24/7 inspector or agent at a publicly visible level, such as exists in Pennsylvania, Massachusetts and Ohio, to a limited law enforcement presence such as what now exists in New Jersey.”
- **Internal control requirements:** “Virtually all states have requirements that require the casino operation to address internal controls within their operations.”

- **Auditing:** “Regulatory agencies have an audit function over the casino operations, though the extent and frequency of such audits may vary. At a minimum, best practices demonstrate that the casino regulatory agency must conduct random unscheduled audits relating to the collection of gaming revenue.”
- **Underage gambling and problem gambling**

ORGANIZATION OF REGULATORY AGENCIES

- Typical departments or offices in casino regulatory agencies:
 - Investigations.
 - Internal Controls.
 - Licensing.
 - Financial Analysis.
 - Operational Review of Casinos.
 - Auditing.
 - Other functions: Casino regulatory agencies are in great need of services in Information Technology since the management of revenue and license data is an ongoing, regular and challenging process. There is also a need for the accounting for and transfer of funds, as many regulatory agencies are the trustee of funds. There is also a need for typical services such as administration, human resources, and public information dissemination.
- Question of whether decision makers should be full or part time. Full time commissioners are likely to be more focused on position, but are paid more.

ENFORCEMENT

- Agencies empowered to oversee all aspects of gaming operations.
 - Periodic on-site inspections, investigations, examination of internal control procedures.
- Sanctions vary from stern warning letters to fines to suspension or even revocation of licenses.
 - Gaming license is considered a revocable privilege, not a right of entitlement.
- See Illegal Gambling above at p. 26 for information about enforcement of gambling prohibitions and unlicensed gambling.

Regardless of the regulatory scheme employed, Spectrum has found that regulation is most effective when it provides the following, as noted in the aforementioned 2010 report:

- *Provides for sufficient regulatory oversight by creating a unit or team that is frequently on the casino floor, accessible to the public and visible to casino employees.*
 - *Creates a license structure that addresses all those that participate in the gaming industry, including the casino licensees, the companies that service those licensees and the employees. It is only by examining the background of all those who seek to participate in the industry that integrity can be assured.*
 - *Creates a decision-making structure that allows for independence from the investigatory branch of the regulatory structure. In addition, sufficiently staff the decision-making agency to ensure it has adequate resources to carry out its duties. – Part 1A, pp. 142-143.*
-

C. TRENDS AND BEST PRACTICES

Part 1A, pp. 149-159

GOALS

Overriding regulatory interest is to engender public confidence and trust in the integrity of the regulatory process and gambling operations.

- Promoting public confidence in gaming as both a leisure activity for the public, and as an investment opportunity that would generate interest from casino operators seeking an attractive return on invested capital.
- Fostering public confidence and trust in the integrity of the regulatory process and gaming operations.
- Ensuring individuals and businesses involved meet standards of good character, honesty and integrity.
- Ensuring the prohibition of unsuitable persons and entities from participating in the gaming industry.
- Developing, overseeing and monitoring programs to address problem gambling, including reviewing responsible-gaming policies and practices, while maintaining and enforcing exclusion lists.
- Addressing other critical public policy concerns, such as underage gambling or demands on public services.
- Optimizing financial benefits from multiple revenue streams, including gaming taxes, employment taxes and tax revenue generated from other sources, such as tourism and purchases of goods and services.
- Maintaining flexibility in governing rules to ensure regulators can adapt to technological changes and revise rules as circumstances change and as regulators become more familiar with industry practices.
- State-specific goals, such as promoting tourism, reviving or improving urban areas, creating employment opportunities, enhancing the conventions and meetings business, creating opportunities for other businesses within the jurisdiction, and/or attracting additional capital investment.

DIFFICULTIES

- Once a license is issued, the power of regulators and lawmakers to effect change diminishes.
- Sometimes, goals can conflict with each other. For example, a goal of maximizing license fees can conflict with a goal of maximizing capital investment. The market does not always cooperate.

CONSIDERATIONS

- Bid process versus non-competitive application: Competitive bidding process may make it more likely goals will be met, since applicants are incentivized to establish ambitious plans to meet the goals.

[J]urisdictions that have the ability to establish a competitive bidding process would, with all else being equal, be more likely to achieve goals, since applicants for licensure have more incentive to establish ambitious plans to achieve goals. ... Absent a competitive bidding process, gaming tends to evolve either as a system in which pari-mutuel facilities are grandfathered in, sometimes with requirements for significant capital investment, or with no statutory limit on the number of licenses in specific geographic regions such as the Gulf Coast of Mississippi, Las Vegas or Atlantic City. – Part 1A, pp. 150-151.

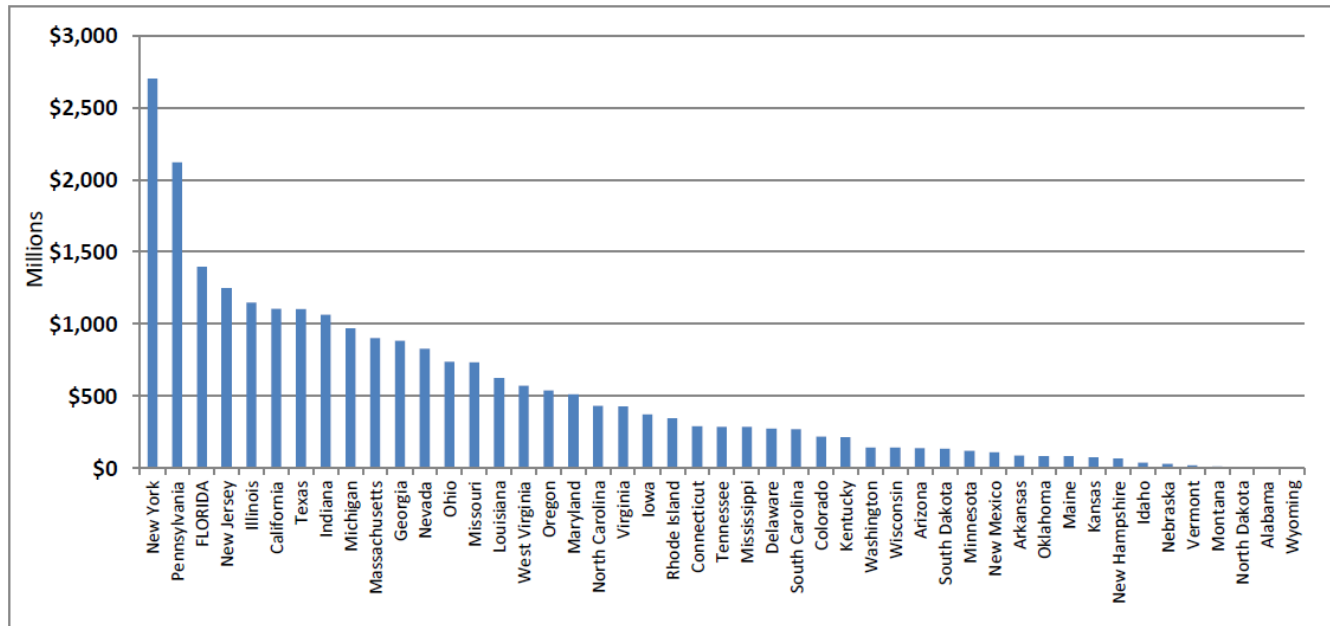
- Political process
 - Every rule should have a clear and legitimate purpose that is easily understood.
 - Regulation typically begins strict and then relaxes. Tightening regulation would be difficult to implement practically and politically.
 - “The ability of elected and appointed officials to shape and guide the policies that govern gaming, and that are designed to marshal the economic and social benefits of gaming, are at their zenith prior to the issuance of gaming licenses.”
 - “To whatever extent is reasonable and appropriate, steps should be taken to insulate gaming from politics, and to limit the ability of the gaming industry to directly influence the political process.”
 - “Over time, regulators and the regulated are likely to grow closer to each other. Left unchecked, a real risk exists that regulators can become cheerleaders for the industry they govern.”
 - Examples from New Jersey:
 - Limiting, or eliminating, the ability of gaming licensees and their key employees and qualifiers from making political contributions at the state and/or local levels.
 - Appointing regulators to fixed terms that are not tied to the terms of the elected officials who make such appointments.
 - Establishing guidelines for regulators that limit their ability to participate in the political process.
 - Limiting the ability of regulators to secure outside income.
 - Establishing strict post-employment restrictions for regulators and top staff that limit their ability to work for the industry they govern once they leave public employment.

The problem of balancing dual roles [of a gambling regulatory agency] remains, and is arguably a permanent concern that will require a permanent balancing act. In gaming, the issue of dual mandates specifically translates into a risk of sending a message to licensees that revenue maximization is a primary goal, often at the expense of such other policies as addressing problem gambling, or of maintaining standards of character, honesty and integrity. – Part 1A, p. 155.

D. GAMBLING AS PUBLIC FUNDING SOURCE

Part 1A, pp. 160-181

Figure 42: States' FY 2010 overall gambling revenue, by rank



Source: The Nelson A. Rockefeller Institute of Government

Figure 43: State receipts from largest Native American casino states

\$ millions	FY 2008	FY 2009	FY 2010
Arizona	111.2	97.5	89.0
California	244.7	408.8	411.0
Connecticut	411.4	377.8	359.3
Florida	n/a	n/a	287.5
Michigan	53.9	55.7	38.8
New Mexico	65.5	63.7	62.7
New York	148.0	70.4	129.6
Oklahoma	71.6	92.8	14.2
Wisconsin	45.1	121.8	52.2
Subtotal	1,151.3	1,288.7	1,444.2

Source: The Nelson A. Rockefeller Institute of Government

FACTORS AFFECTING STATE GAMBLING REVENUES

- The revenue performance of a state’s various gambling sectors.
- The types of gambling allowed and their availability to key population centers.
- The tax rate on gambling revenue, or other fees and obligations.
- The public policy – or underlying purpose of why gambling was established. In Nevada, for example, the low casino-revenue tax rate has spawned the development of multibillion-dollar resorts, which in turn collect sales and lodging taxes that do not show up in gambling-specific revenue reports.

RELIABILITY

- Generally gambling provides a reliable revenue stream for governments, except in times of severe recession.
- At the state level, gambling revenue is subject to rapid decline when neighboring states introduce competing products.

COSTS TO THE STATE⁵

- Direct costs: specific transportation infrastructure improvements, costs of additional law enforcement.
- Indirect costs: harder to identify. Hidden costs, such as job losses due to problem gambling.
- What is a social cost; what is a benefit?
 - Researchers disagree on how to conceptualize and quantify how gambling affects society.
 - Social costs, even when identified, are difficult to measure.
 - One school of thought: nine categories of social costs: crime, business & employment, bankruptcy, suicide, illness related to pathological gambling, social service costs, direct regulatory costs, family costs, and abused dollars.

TRAFFIC AND TRANSPORTATION INFRASTRUCTURE

- Potential impacts, which may not end at municipal boundaries:
 - Roadway needs to support increased traffic. Can cost hundreds of millions of dollars to bring infrastructure up to standards.
 - Public transportation may be impacted with increased loads on train or bus traffic and pressure to increase otherwise unprofitable routes to transport workers.
- Casino developers often agree to share some of the estimated costs of improvement.

LAW ENFORCEMENT AND EMERGENCY SERVICES

- Noncriminal demands include increased service calls for 911 emergencies, motor vehicle breakdowns, traffic accidents, disputes, etc.
- Cleveland incurred \$3.1 million in additional expenses related to police largely due to increased visitors and activity in downtown when the Horseshoe Casino opened. A special police unit was created to handle the issues. Similar impacts were found in Connecticut from Indian gaming casinos.

SOCIAL SERVICE COSTS

- Increased costs due to drawing increased people (patrons and employees) to the area.
- Energy & 24-hour activity of casinos attract homeless and financially destitute (panhandling & temporary accommodation in public areas).
- People with gambling problems appear to account for higher percentage of the homeless. A couple studies found about 22-25% of homeless in casino areas cite problem gambling as the cause of their homelessness.
- Increased homeless population may impose additional costs for psychiatric and mental health counseling, public welfare, food stamps, emergency shelters and indigent care, law enforcement, etc.

⁵ See also Impacts of Gambling at page 34 of this summary.

SCHOOLS

- New residents (employees) mean higher demand for public education.
- Casino employees are generally service workers who tend to be lower paid and ethnically diverse.
- A study for Norwich, CT, found an annual cost of \$2 million related to casinos. The district had to create an English as a Second Language program as the students spoke nearly 30 different languages.
- Some jurisdictions require a portion of casino revenues be dedicated to education.

WORKFORCE TRAINING

- Cost of developing and training workforce for Massachusetts casino industry was estimated at \$9 million.
- Responsibility usually comes under local Workforce Investment Board, a federally created program that coordinates state, local and federal funding to appropriate employment training programs.

E. IMPACTS OF GAMBLING

Part 1A, pp. 181-227

MORAL AND ETHICAL ISSUES

- 36% of Americans find gambling morally unacceptable.
- As public acceptance of gambling has grown, arguments of morality have lost ground, although they still exist.

OPPORTUNITY COSTS

- Opportunity costs are those costs incurred in foregoing the benefits of one course of action while pursuing the benefits of another. Difficult to measure.
- Argument is that, while legalized gambling may provide economic benefits in the short term, those benefits are offset by the social costs and may not be sustainable in the long term and alternative industries would be more productive.

NEGATIVE SOCIAL, CRIMINAL, PERSONAL IMPACTS

CRIME

[C]onflicting studies and interpretations of data present a huge challenge to state and local policy makers attempting to accurately gauge how casino gambling related crime might affect their communities. Another complication in analyzing the crime related costs of legalized gambling is that costs are often dispersed among various levels of government – federal, state, county and municipal. – Part 1A, pp. 172-173.

- Costs
 - Crime has direct impact on resources and quality of life. Increases in crimes require allocation of additional resources, which offsets revenue benefits of legalized gambling. Lower quality of life can lead to residents and businesses leaving, causing urban blight.

- Proponents and opponents of gambling are able to point to studies showing casinos either increase or reduce crime.
- Casino impacts on crime rates
 - One study found that 8% of casino county crimes can be attributed to the casino.
 - Some studies confirm this finding; others find no relationship between crime and casinos.
 - Rate criticized as overstatement, because it was based on crimes per resident only, rather than crimes per [resident + tourists].
 - Another study found increases in burglaries, but decreases in car thefts and aggravated assaults.
 - Only Indiana studied, controlled for number of tourists and casino customers.
 - County level research tracking the change in crime rates when a casino opened found that crime was reduced initially (likely due to increased employment), then increased over time (often due to pathological gambling).
 - Study criticized as inadequately addressing causation. By comparing casino to non-casino counties, they did not control for volume of tourists. Increase in crime could have been attributed to increased visitors.
 - Researchers responded to criticism with a review of national park visitors that determined that the type of visitor and nature of the attraction have significantly different effects on crime rates.

A recent, fairly comprehensive review of the casino-crime literature shows that almost all studies that find a relationship between casinos and crime calculate the crime rate by excluding the tourists from the population at risk. Those studies that do include the tourists in the population measure find no casino effect on crime rates. Given the best available evidence, it seems unlikely that the existence of casinos causes an increase in crime rates, properly calculated. There may be a relationship between casinos and crime, but there is no good evidence, as yet, to support such claims. – Part 1A, pp. 190-191.

- Specific crimes
 - Political corruption
 - Since 2006, casino/gambling industry has spent roughly \$30 million annually on lobbying federal politicians, employing more than 400 lobbyists.
 - Some high-profile political corruption cases linked to gambling, including former Illinois governor Rod Blagojevich (wire fraud in attempt to shake down racetrack owner in return for support of legislation subsidizing racetracks).
 - One study of potential links between corruption and casinos found the most evidence for regulators being ‘captured’ by the industry they are supposed to regulate. It did not find evidence that corruption leads to introduction of casinos.
 - Driving under the influence
 - Anecdotal evidence indicates a connection between an increase in drunk drivers and casinos.
 - Arrests doubled in Bethlehem, PA, after Sands Casino Resort opened in 2009, while staying constant in nearby noncasino counties. Same was true in Norwich, CT, after Indian casinos opened.

- One study showed that DUI rate fell within urban areas with casinos, while it increased in suburban and rural areas. (Possibly due to public transportation, shorter driving distances, substitution of gambling for bar-hopping).
- Drunk driving fatalities, Part 1A, p. 197.
 - One study found an increase in alcohol-related traffic fatalities of 9.2% in casino counties with average population. This rate declines as the county population increases. This may be due to 'miles driven,' with casinos in rural counties associated with longer commutes and more fatalities.
- White collar crime
 - Limited research, but anecdotal evidence of white collar crime linked to gambling.
 - One study found increased arrests for embezzlement (20%), forgery (19%) and decreased arrests for fraud (-11%). Impossible to determine whether gambling was motivation, limitations to data used.

PUBLIC HEALTH

- Casino proponents point to potential to create employment with tangible benefits, improving the quality of life in a community.
- Opponents point to negative impacts, such as pathological and problem gambling, which is associated with drug and alcohol abuse, depression, higher rates of child abuse and neglect, domestic violence and family break ups, weakening the quality of life in a community.
- Communities may respond to public health concerns with a 'community health impact assessment,' covering assessment, policy development and assurance. Kansas HIA Project serves as an example, Part 1A, p. 175.

DISORDERED GAMBLERS

- Prevalence
 - Most negative socioeconomic impacts are associated with problem and pathological gamblers, an estimated .4 to 2% of the population. It could be as high as 15% of certain populations.
 - The odds of being a disordered gambler are about 1%; however, one study found the odds increased to 1.9% for those who live within 10 miles of a casino.
 - One study found the number of different forms of legal gambling in a state related to an increase in the proportion of problem gamblers in the state.
 - Calls to Florida's problem gambling help line have increased 50% since slot machines were introduced in 2005. More than 50% of callers identify slot machines as their problem.
 - Psychologists have not found significant differences in prevalence rates over time, however.
- Impact
 - There is solid evidence that disordered gamblers are more likely to engage in crime – one study found that 89% of pathological gamblers admitted to having committed a crime.
 - 1999 Survey of Gamblers Anonymous participants found annual social cost per gambler of \$9,500:
 - Criminal Justice (thefts, arrests, trials, incarceration): \$3,498.
 - Employment (lost hours, unemployment compensation, lost productivity): \$2,941.
 - Bad debt: \$1,487.
 - Civil Court: \$848.

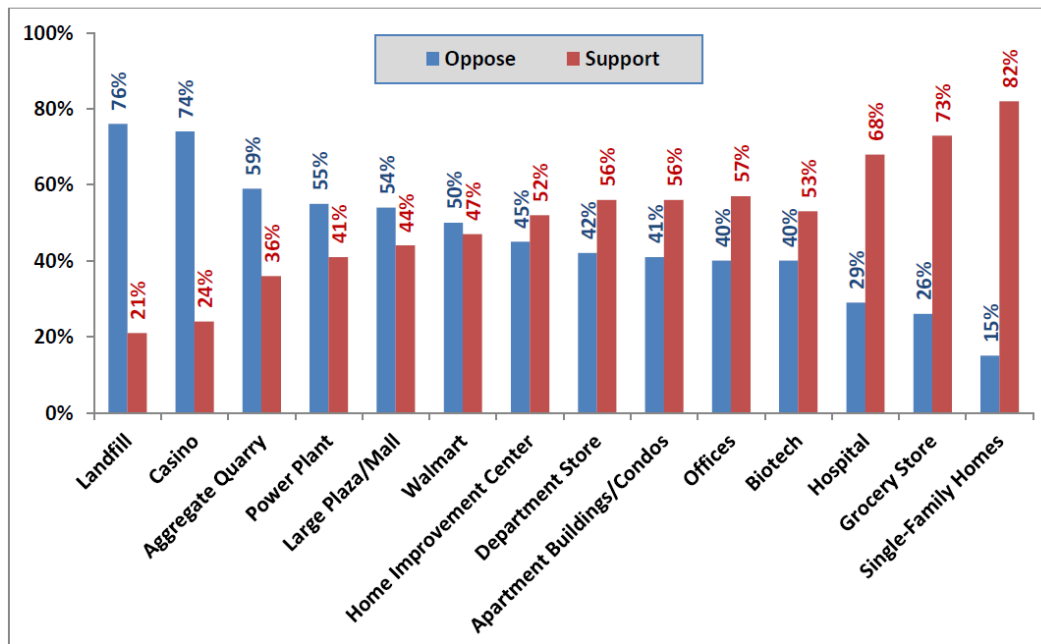
- Therapy: \$361.
- Welfare: \$334.
- Such monetary estimates are criticized as most problem gamblers have other behavioral problems that could account for some of the costs.
- Problem or pathological gambler could have other pre-existing disorders such as drug and alcohol abuse or mental issues. Causation is difficult to identify. The data suggests that people with other disorders may be more inclined to problem gambling.
- The Florida Council on Compulsive Gambling provided a list of issues and suggested solutions. It is included in the report at pp. 201-206. They range from the lack of a clear and consistent state policy on gambling that addresses regulatory and public health issues to funding concerns to problem gambling programming.

“Pathological gambling often occurs in conjunction with other psychological problems, including substance abuse, mood disorders, and personality disorders. The joint occurrence of two or more problems – termed co-morbidity – is an important, though complicating factor in studying this disorder. Is problem or pathological gambling a unique pathology that exists on its own or is it merely a symptom of a common predisposition, genetic or otherwise, that underlies all addictions?” – Part 1A, pp. 173-174, quoting 1999 National Gambling Impact study Commission.

NIMBY (NOT IN MY BACKYARD)

- Concern that casino will change feel of community.
- In Florida, this can be seen in concerns that expanded gambling would damage the Florida brand.
- Polls report that the majority of Americans do not support having a casino in their own community. Casinos consistently rank as the second- or third-most opposed land use. This is in contrast to the American Gaming Association’s annual poll, which in 2012, showed 85% of Americans said casino gambling is acceptable for themselves or others.

Figure 49: Saint Index 2011: Support and opposition to land use in respondent’s own community, nationwide



Source: The Saint Consulting Group

PERSONAL IMPACTS

- Bankruptcy
 - Majority of studies suggests that the existence of casinos does cause an increase in personal bankruptcy rates, especially in close proximity to the casinos. Disordered gamblers are likely disproportionately responsible for this effect.
- Other personal impacts
 - Difficult to measure, but solid anecdotal evidence that problems with suicide, divorce, homelessness are linked to problem gambling.

Figure 48: Percentage of individuals reporting various problems associated with gambling

Problem	Non-Gamblers		Low-Risk Gamblers		At-Risk Gamblers		Problem Gamblers		Pathological Gamblers	
	Lifetime	Past Year	Lifetime	Past Year	Lifetime	Past Year	Lifetime	Past Year	Lifetime	Past Year
Health poor/fair, past year	22.8	21.0	14.0	12.3	15.7	13.2	16.3	22.6	31.1	29.6
Mentally troubled (currently) (RDD only)	10.7	14.6	15.9	17.1	26.5	28.5	42.3	24.2	41.9	66.5
Mental health tx, past year	5.1	6.9	6.8	6.3	6.4	10.1	12.8	5.4	13.3	12.9
Emotionally harmful family argument about gambling	NA	0.5	0.1	0.3	0.8	6.8	15.8	10.5	53.1	65.6
Manic symptoms, ever	NA	0.7	NA	1.6	11.3	17.6	16.8	13.4	32.5	40.1
Depressive episode (RDD only)	NA	0.1	NA	1.0	8.6	17.4	16.9	5.2	29.1	20.0
Alcohol/drug dependent, ever (RDD only)	1.1	0.9	1.3	1.8	5.6	13.3	12.4	13.9	9.9	20.0
Drug use 5+ days, past year	2.0	2.4	4.2	5.1	9.2	13.5	16.8	16.1	8.1	13.9
Any job loss, past year	2.6	4.8	3.9	3.6	5.5	2.1	10.8	0.0	13.8	25.0
Bankruptcy, ever	3.9	3.3	5.5	6.4	4.6	10.9	10.3	13.8	19.2	10.7
Arrested, ever	4.0	7.0	10.0	11.9	21.1	25.7	36.3	25.0	32.3	26.4
Incarcerated, ever (RDD only)	0.4	–	3.7	–	7.8	–	10.4	–	21.4	–

Source: National Gambling Impact Study Commission, Table 7-2, p. 7-21.

Despite the lack of results in macro studies of the negative impacts of gambling, jurisdictions should be aware that such problems are likely to occur, even if they affect a relatively small number of people. – Part 1A, p. 200.

POSITIVE SOCIAL, CRIMINAL, PERSONAL IMPACTS

EMPLOYMENT AND WAGES

- New casinos create new jobs and cause an increase in the demand for labor, which may increase average wages.
 - Opponents argue that casino jobs are low-skill and low-paid.
- One study found an increase in employment after a casino opens. There was a smaller impact on employment growth in more populous casino counties.

ECONOMIC GROWTH

- Casinos represent new economic activity in a region. A 2010 analysis has shown strong statistical evidence that casino revenues cause economic growth. A similar 2007 analysis did not find the same effect.

TAX REVENUES

- Substitution effect
 - See in-depth discussion in Part 1A at pp. 212-215 explaining the effect in various areas (savings, alternative gambling activities, etc).
 - Although gambling is usually taxed at relatively high rates, this does not necessarily mean that the existence of the gambling industry results in a net increase of state tax revenues. If there is a large substitution effect away from other consumption, legalized gambling could actually result in decreased tax revenues. However, this would be unusual since gambling is usually taxed at a much higher rate than other goods and services.
 - One study found that 10% increase in gambling tax revenue led to 4% decrease in taxes from other amusement and recreation sources.
 - Another study found that \$1 in lottery revenue has a cost of 15 to 23 cents in other types of government revenue.
 - The most comprehensive tax study found an increase in total net tax revenue associated with lotteries (effect reduced as sales increased) and slight decrease in total net tax revenue associated with casinos.

[The study] found statistical evidence that lotteries do lead to an increase in state net tax receipts, but that the positive effect diminishes as sales increase. Their casino result was interesting, that casinos have a mildly negative impact on state tax receipts. However, their analysis also finds a positive impact on state tax revenues from increases in per capita income (i.e., economic growth) and hotel employees (as a proxy for tourism). If casinos generate economic growth and are a significant component of a state's tourism sector, then casinos may still have a positive impact on state-level tax receipts. So, although their analysis suggests that the direct effect of casinos on taxes is probably not positive, the overall impact of casinos may be positive when the economic growth and tourism effects of casinos are accounted for. – Part 1A, p. 209.

SUBSTITUTION EFFECT

Part 1A, pp. 212-220

- New casino revenues would come from a combination of:
 - New spending from Floridians;
 - New spending from out-of-state tourists;
 - Existing spending on other Florida non-gambling industries (by Floridians and tourists);
 - Existing spending on other Florida gambling industries (by Floridians and tourists); and
 - Existing spending by Floridians on out-of-state purchases, including gambling.

The evidence suggests that casinos are likely to have a negative impact on lotteries, and some other businesses may see decreased revenue as a result of a casino's opening. But this is no different from what happens when any other business opens. Certainly some of the revenues for a new casino would come at the expense of other, existing gambling firms in Florida. ... The academic studies that have been performed suggest that, at least for non-gambling industries, casinos are more likely to act as complements than substitutes. – Part 1A, pp. 219-220.

FISCAL IMPACTS OF GOVERNMENTAL POLICIES

Part 1A, pp. 220-227

- Poor land use and regional planning can create barriers to later efforts to address impacts from casinos on traffic, public safety and other public goods. Connecticut and New Jersey are examples.
- Casinos must be right sized and properly integrated into host communities. Atlantic City is a cautionary tale.
- While there are plenty of examples to look to for guidance, a clear, compelling understanding of the costs and benefits of casinos is difficult to develop and the academic literature is contradictory.
 - Studies have found modest positive, modest negative and no effects. Others have found social benefits of casino gambling were outweighed by social costs.
 - Dubuque, Iowa is seen as a community where gambling has been a successful component of the overall economic development strategy. Residents still highly favor the casinos – and they must pass a referendum in each casino county every 4 years to continue gambling in that county. The last referendum in Dubuque, Iowa, passed by 70%.
 - Casino models and legislative frameworks have different effects:
 - One view is that integrated resort casinos increase the economic potential of casinos while minimizing costs.
 - Horseshoe Casino Cleveland (opened May 2012) is an example of a city integrated-style casino.
 - Profits less than expected, city receiving \$13.4 million in taxes.
 - City police department incurring additional \$3.1 million in costs.
 - Overall impact considered positive, crime did not soar and no adverse impact on local bars and restaurants.

Perhaps the most important question is whether casinos generate more benefits than costs. Unfortunately, the answer to this question is not obvious, and probably depends on the jurisdiction under consideration. – Part 1A, p. 226.

What was released? **Draft** of assessment of potential changes in Florida’s gaming industry.

What’s wrong with the draft?

1. **Tables** illustrating the economic impacts of various scenarios did not include direct gaming tax revenues or the indirect effects of those revenues on the economy. The analysis, in some cases, was also based on a misunderstanding of the Florida tax code.

The direct gaming tax revenues were included as bullets preceding tables for each scenario.
2. **Executive Summary Conclusions** were incomplete as they were based on the tables only, so also excluded direct gaming tax revenues.
3. **Tables** illustrating impacts to **compact revenues** included technical errors.

When’s the final report due? November 1.

* The highlighted portions of the attached draft executive summary contain incomplete data that may change in the final report.



Spectrum Gaming Group

Experience. Integrity. Independence.

GAMBLING IMPACT STUDY:

**Part 1, Section B: Assessment of Potential
Changes to Florida Gaming Industry and
Resulting Economic Effects**

and

**Part 2 : Statistical Relationships between
Gaming and Economic Variables for
Communities**

Prepared for the State of Florida Legislature
September 30, 2013



1201 New Road, Suite 308
Linwood, NJ 08221 USA
Tel: 609.926.5100
www.spectrumgaming.com

Executive Summary

The Florida Legislature commissioned Spectrum Gaming Group to undertake a three-part study of legalized gambling, focusing on its economic effects and social costs. The first part, *Part 1, Section A: Assessment of the Florida gaming industry and its economic effects*, was delivered by Spectrum to the Legislature on July 1, 2013. This report combines the final two parts:

- Part 1B: An assessment of potential changes and economic effects (via extensive analysis of potential changes to the state's gaming industry, under a variety of scenarios as requested by the Legislature), and:
- Part 2: Statistical relationships between gaming and economic variables for communities.

While reading this report, it is important that readers understand the Legislature's instruction to not make recommendations in any of its reports. The Legislature commissioned Spectrum to undertake an economic and academic study for the purpose of educating the state's policymakers and other stakeholders so that they may make enlightened decisions regarding the future of gambling in Florida.

Combined Report Conclusion

This combined report examines the economic impact question from three separate analytical methodologies: gravity model, the REMI¹ model, and forecasts based on previous econometric results. Although the three methods have key distinctions in their assumptions and data, their findings are similar. Overall, Spectrum believes that the expansion of casino gambling, whether on a small scale or very large scale, would have, at best, a moderately positive impact on the state economy.

There would certainly be a net increase in state tax receipts, to the extent that additional gambling opportunities increase tourism and casino taxes are set above sales tax rates. There are likely to be only mild positive impacts on local and statewide employment and wages, however. This is because casinos would not represent a large expansion of their local economies (at least, in larger Florida counties, which we assume would be the most likely sites for any future casino expansion). Finally, the social costs of gambling should be kept in mind. However, the evidence suggests that social costs would not change dramatically, especially since gambling opportunities are already widespread across Florida.

¹ Regional Economic Models Inc., Spectrum's economic-modeling partner for this project.

Part 1B – Key Findings

Economic/Fiscal

Spectrum analyzed Florida's baseline gaming industry and 12 gaming-expansion scenarios² provided by the Legislature:

- **Baseline:** The Florida casino landscape reflects current law/current administration and that the banked card provision of the Compact will not be renewed.
- **Scenario A:** Renewal of the Seminole Tribe's exclusive authorization to conduct banked card games on Indian lands, as defined in the Indian Gaming Regulatory Act.
- **Scenario B:** Granting the Seminole Tribe exclusive authorization to offer table games on Indian lands, as defined in the Indian Gaming Regulatory Act.
- **Scenario C:** Regulating, prohibiting, restricting and/or taxing simulated casino-style gambling at Internet sweepstakes cafes, arcade amusement centers or truck stops. This scenario was subsequently modified to discuss the economic implications of the prohibition of these types of casino-style gambling.
- **Scenario D:** Modifying or repealing live racing requirements for pari-mutuel facilities, including evaluation of impacts on purses and award for all forms of pari-mutuel activity.
- **Scenario E:** Changing tax rates for Class III games at pari-mutuel facilities.
- **Scenario F:** Adjusting restrictions on the number and operation of slot machines at pari-mutuel facilities in Miami-Dade and Broward counties.
- **Scenario G:** Authorizing pari-mutuel facilities in counties other than Miami-Dade and Broward to offer slot machines.
- **Scenario H:** Authorizing pari-mutuel facilities to conduct table games or other Class III games.
- **Scenario I:** Authorizing a limited number (two) of casino/resort complexes in Miami-Dade and/or Broward counties.

² In all scenarios, it is important to note that (1) All revenue projections are expressed in current dollars unless specifically noted otherwise; (2) as applicable, revenue projections and resultant fiscal impacts are adjusted for future years based upon REMI's forecasted inflationary growth, as well as with respect to changes in adult population; and (3) all projections include slot operations at Hialeah Park, for which we assumed a September 1, 2013 opening date (although it actually opened August 14, 2013), and at Dania Jai-Alai, for which we assume an opening date of July 1, 2014.

- **Scenario J:** Authorizing a limited number (six) of casino/resort complexes throughout the state.
- **Scenario K:** Authorizing a limited number (two) of casino/resort complexes in Miami-Dade and/or Broward counties and authorizing pari-mutuel facilities in Miami-Dade and Broward counties to conduct table games or other Class III games.
- **Scenario L:** Authorizing a limited number (six) of casino/resort complexes around the State and authorizing all pari-mutuel facilities statewide to offer both slots and table games (or other Class III games).

Additionally, within some of the 12 aforementioned scenarios, we prepared sub-scenarios to show impacts of the following:

- Minimizing cannibalization of GGR to existing casinos.
- Maximizing statewide GGR levels.
- Pari-mutuel facilities having the option to end live performances, with supplementation of horse purses and awards calculated as percentage of statewide GGR, rather than by facility.

Our economic/fiscal analyses omit two of the listed scenarios: C, because gambling in non-casinos is prohibited; and D, because modifying or repealing live-racing requirements does not impact the analysis of gaming facilities.

Spectrum principally relied on gravity modeling to develop gross gaming revenue (“GGR”) projections and related metrics under each gaming-related scenario. The following table summarizes our projections by scenario for those that relate to legalized gaming:

\$M, current \$ / Scenario:	Baseline	A / E	B	G-1	G-2	H-1 / H-2	H-3	H-4
# Pari-mutuel Casinos	8	8	8	26	26	8	26	26
# Native American Casinos	8	8	8	8	8	8	8	8
# Destination Resorts	0	0	0	0	0	0	0	0
Grand Total # Casinos	16	16	16	34	34	16	34	34
# FL Counties w/ Casino	6	6	6	21	21	6	21	21
# Slots	22,973	22,973	22,973	41,273	48,673	22,973	40,973	48,173
# Table Games	0	344	418	344	344	681	1,221	1,437
# Positions	22,973	25,037	25,481	43,337	50,737	27,059	48,299	56,795
GGR / Position / Day (Actual\$)	\$293	\$292	\$293	\$264	\$224	\$284	\$253	\$215
Slot Win	\$2,455.7	\$2,301.2	\$2,297.5	\$3,853.6	\$3,884.8	\$2,277.0	\$3,701.8	\$3,723.6
Table Win	\$0.0	\$368.8	\$427.6	\$325.2	\$259.3	\$531.1	\$763.8	\$742.0
GGR	\$2,455.7	\$2,670.0	\$2,725.1	\$4,178.7	\$4,144.1	\$2,808.0	\$4,465.5	\$4,465.5
" " In-State	\$2,287.0	\$2,490.5	\$2,542.9	\$3,878.1	\$3,845.2	\$2,621.6	\$4,144.3	\$4,144.3
" " Out-of-State	\$168.8	\$179.5	\$182.2	\$300.6	\$298.9	\$186.4	\$321.3	\$321.3
Net GGR Rev. (Taxable)	\$583.6	\$547.0	\$547.0	\$2,110.8	\$2,389.4	\$668.4	\$2,476.9	\$2,787.7
Tax \$ (at 35%)	\$204.3	\$191.4	\$191.4	\$738.8	\$836.3	\$233.9	\$866.9	\$975.7
Tax \$ (at 27%) US Median	\$157.6	\$147.7	\$147.7	\$569.9	\$645.1	\$180.5	\$668.8	\$752.7
Tax \$ (at 54%/12%) PA Model	\$315.1	\$295.4	\$295.4	\$1,139.8	\$1,290.3	\$314.5	\$1,164.5	\$1,310.5

\$M, current \$ / Scenario:	Baseline	I	J	K	L-1	L-2
# Pari-mutuel Casinos	8	8	8	8	19	19
# Native American Casinos	8	8	8	8	8	8
# Destination Resorts	0	2	6	2	6	6
Grand Total # Casinos	16	18	22	18	33	33
# FL Counties w/ Casino	6	6	9	6	19	19
# Slots	22,973	30,573	45,773	30,573	53,473	54,873
# Table Games	0	831	1,631	1,081	2,112	2,154
# Positions	22,973	35,559	55,559	37,059	66,145	67,797
GGR / Position / Day (Actual\$)	\$293	\$246	\$236	\$239	\$224	\$218
Slot Win	\$2,455.7	\$2,580.6	\$3,764.0	\$2,562.3	\$4,247.4	\$4,253.9
Table Win	\$0.0	\$614.4	\$1,018.8	\$677.0	\$1,150.2	\$1,143.7
GGR	\$2,455.7	\$3,195.0	\$4,782.8	\$3,239.3	\$5,397.6	\$5,397.6
" " In-State	\$2,287.0	\$2,965.1	\$3,847.4	\$2,838.3	\$4,387.3	\$4,387.3
" " Out-of-State	\$168.8	\$229.9	\$935.4	\$401.0	\$1,010.4	\$1,010.4
Net GGR Rev. (Taxable)	\$583.6	\$1,326.3	\$3,390.3	\$1,394.5	\$3,994.9	\$4,028.7
Tax \$ (at 35%)	\$204.3	\$464.2	\$1,186.6	\$488.1	\$1,398.2	\$1,410.0
Tax \$ (at 27%) US Median	\$157.6	\$358.1	\$915.4	\$376.5	\$1,078.6	\$1,087.7
Tax \$ (at 54%/12%) PA Model	\$315.1	\$609.8	\$1,495.9	\$618.4	\$1,763.6	\$1,781.2

Source: Spectrum Gaming Group. Notes: Scenarios H-1 and H-2 have pari-mutuel operators limited to Miami-Dade and Broward counties, whereas Scenarios H-3 and H-4 have pari-mutuel operators statewide. Scenarios G-1, H-3, and L-1 reflect results with location/sizing constraints imposed to minimize cannibalization of existing operators.

Working with project partner REMI, Spectrum then projected the economic impacts of the gaming scenarios noted above compared to the Baseline scenario (as applicable). Scenarios E and F had no estimated changes in employment or GGR relative to the Baseline scenario and thus no quantifiable change. These scenarios were run through REMI's Tax-PI model under four different budget conditions:

1. That labeled *Default Budget* was that provided by the State of Florida Office of Economic and Demographic Research.
2. That labeled *Florida pari-mutuel gaming tax* reflects all gambling taxed at Florida's prevailing pari-mutuel slots rates, i.e. 35 percent.
3. That labeled *US median gaming tax rate* reflects all gambling taxed at national median rates, i.e. 27 percent.
4. That labeled *Pennsylvania gaming tax rates* reflects all gambling in Florida taxed using the rates prevailing in Pennsylvania, i.e. 54 percent for slots and 12 percent for table games.

A summary of the employment, Gross State Product and tax revenue impacts at the baseline is as follows:

Baseline Average	At Default Budget	At Florida Pari-Mutuel Gaming Tax Rate	At US Median Gaming Tax Rate	At Pennsylvania Gaming Tax Rates
Employment	11,073	11,074	11,073	11,076
Gross State Product	\$1,120	\$1,120	\$1,120	\$1,120
Gaming Taxes	\$0.22	\$0.26	\$0.21	\$0.39
Sales/Use Tax	\$26.51	\$26.51	\$26.51	\$26.51
Lottery	\$1.85	\$1.85	\$1.85	\$1.85
Compact Revenues	\$0.11	\$0.11	\$0.11	\$0.11
All other Revenues	\$46.30	\$46.30	\$46.30	\$46.30

Source: Spectrum Gaming Group, Regional Economic Models Inc. Jobs in thousands, \$ in nominal billions.

Next, we look at the economic/fiscal impacts by scenario using the Default Budget and at three different gaming-tax levels. The results are incremental to the Baseline Level.

The first table (following page) shows the economic/fiscal impacts of each scenario that does not involve a combination of expansion scenarios.

Average change by scenario, as compared to Baseline Level									
At Default Budget	A	B	G-1	G-2	H-1	H-3	H-4	I	J
Employment	1,697	1,982	6,650	9,209	3,253	10,351	13,941	2,737	13,002
Gross State Product	\$172	\$210	\$972	\$1,002	\$264	\$1,189	\$1,256	\$586	\$2,333
Gaming Taxes	(\$0)	(\$0)	\$30	\$35	\$2	\$36	\$42	(\$3)	(\$3)
Sales/Use Tax	\$3	\$3	\$8	\$11	\$5	\$13	\$17	\$17	\$53
Lottery	(\$3)	(\$4)	(\$0)	(\$0)	(\$4)	(\$1)	(\$1)	\$1	\$3
Compact Revenues	\$44	\$53	(\$110)	(\$110)	\$47	(\$110)	(\$110)	(\$47)	(\$110)
All other Revenues	\$2	\$2	\$12	\$14	\$4	\$16	\$19	\$15	\$48
At Florida Pari-Mutuel Gaming Tax Rate	A	B	G-1	G-2	H-1	H-3	H-4	I	J
Employment	1,728	2,018	6,403	8,879	3,268	10,038	13,543	2,840	13,248
Gross State Product	\$175	\$212	\$951	\$974	\$266	\$1,163	\$1,223	\$595	\$2,353
Gaming Taxes	\$1	\$2	\$16	\$17	\$3	\$19	\$20	\$3	\$10
Sales/Use Tax	\$3	\$3	\$8	\$11	\$5	\$12	\$16	\$17	\$53
Lottery	(\$3)	(\$4)	(\$0)	(\$0)	(\$4)	(\$1)	(\$1)	\$1	\$3
Compact Revenues	\$44	\$53	(\$110)	(\$110)	\$47	(\$110)	(\$110)	(\$47)	(\$110)
All other Revenues	\$2	\$2	\$11	\$14	\$4	\$15	\$19	\$15	\$48
At US Median Gaming Tax Rate	A	B	G-1	G-2	H-1	H-3	H-4	I	J
Employment	1,728	2,014	6,354	8,830	3,262	9,981	13,483	2,830	13,206
Gross State Product	\$175	\$212	\$947	\$970	\$265	\$1,159	\$1,218	\$594	\$2,350
Gaming Taxes	\$1	\$1	\$13	\$14	\$2	\$16	\$17	\$2	\$8
Sales/Use Tax	\$3	\$3	\$8	\$11	\$5	\$12	\$16	\$17	\$53
Lottery	(\$3)	(\$4)	(\$0)	(\$0)	(\$4)	(\$1)	(\$1)	\$1	\$3
Compact Revenues	\$44	\$53	(\$110)	(\$110)	\$47	(\$110)	(\$110)	(\$47)	(\$110)
All other Revenues	\$2	\$2	\$11	\$14	\$4	\$15	\$19	\$15	\$48
At Pennsylvania Gaming Tax Rates	A	B	G-1	G-2	H-1	H-3	H-4	I	J
Employment	1,745	2,036	6,527	9,011	3,294	10,187	13,696	2,875	13,353
Gross State Product	\$176	\$215	\$962	\$986	\$268	\$1,176	\$1,236	\$598	\$2,362
Gaming Taxes	\$2	\$2	\$23	\$24	\$4	\$27	\$29	\$5	\$16
Sales/Use Tax	\$3	\$3	\$8	\$11	\$5	\$12	\$17	\$17	\$54
Lottery	(\$3)	(\$4)	(\$0)	(\$0)	(\$4)	(\$1)	(\$1)	\$1	\$3
Compact Revenues	\$44	\$53	(\$110)	(\$110)	\$47	(\$110)	(\$110)	(\$47)	(\$110)
All other Revenues	\$2	\$2	\$12	\$14	\$4	\$16	\$19	\$15	\$48

Source: Spectrum Gaming Group, Regional Economic Models Inc. Jobs in units, \$ in nominal millions (rounded).

The next table (following pages) shows the economic/fiscal impacts of each scenario that involves a combination of expansions scenarios.

Average change by combination scenario, as compared to Baseline Level							
At Default Budget	A-1	B-1	H-2	I-1	K	L-1	L-2
Employment	1,246	1,530	2,803	2,285	2,179	14,388	15,827
Gross State Product	\$163	\$201	\$256	\$578	\$543	\$2,497	\$2,590
Gaming Taxes	(\$0.44)	(\$0.38)	\$1.80	(\$2.90)	(\$3.64)	\$8.50	\$10.23
Sales/Use Tax	\$1.90	\$2.55	\$4.36	\$16.35	\$47.63	\$39.71	\$58.36
Lottery	(\$3.35)	(\$4.14)	(\$4.01)	\$1.34	\$6.04	(\$8.60)	\$0.47
Compact Revenues	\$43.87	\$53.35	\$46.52	(\$46.91)	(\$91.41)	(\$109.72)	(\$109.72)
All other Revenues	\$1.23	\$1.92	\$3.60	\$14.34	\$44.93	\$34.85	\$54.52
At Florida Pari-Mutuel Gaming Tax Rate	A-1	B-1	H-2	I-1	K	L-1	L-2
Employment	1,276	1,512	2,815	2,386	2,285	14,517	15,944
Gross State Product	\$166	\$200	\$257	\$586	\$552	\$2,507	\$2,599
Gaming Taxes	\$1.22	\$1.56	\$2.50	\$2.82	\$2.33	\$15.75	\$16.53
Sales/Use Tax	\$1.95	\$2.57	\$4.38	\$16.42	\$47.74	\$39.73	\$58.38
Lottery	(\$3.35)	(\$4.24)	(\$4.01)	\$1.35	\$6.05	(\$8.60)	\$0.47
Compact Revenues	\$43.87	\$55.08	\$46.52	(\$46.91)	(\$91.41)	(\$109.72)	(\$109.72)
All other Revenues	\$1.28	\$1.98	\$3.62	\$14.39	\$45.02	\$34.86	\$54.53
At US Median Gaming Tax Rate	A-1	B-1	H-2	I-1	K	L-1	L-2
Employment	1,276	1,560	2,809	2,378	2,276	14,458	15,883
Gross State Product	\$165	\$203	\$256	\$585	\$551	\$2,502	\$2,594
Gaming Taxes	\$0.93	\$1.20	\$1.98	\$2.10	\$1.70	\$12.37	\$13.02
Sales/Use Tax	\$1.95	\$2.59	\$4.37	\$16.42	\$47.74	\$39.68	\$58.31
Lottery	(\$3.35)	(\$4.13)	(\$4.01)	\$1.35	\$6.05	(\$8.60)	\$0.46
Compact Revenues	\$43.87	\$53.35	\$46.52	(\$46.91)	(\$91.41)	(\$109.72)	(\$109.72)
All other Revenues	\$1.28	\$1.96	\$3.62	\$14.40	\$45.02	\$34.83	\$54.49
At Pennsylvania Gaming Tax Rates	A-1	B-1	H-2	I-1	K	L-1	L-2
Employment	1,292	1,586	2,841	2,423	2,312	14,662	16,097
Gross State Product	\$167	\$206	\$259	\$590	\$555	\$2,519	\$2,612
Gaming Taxes	\$1.92	\$2.45	\$3.75	\$4.52	\$3.83	\$23.77	\$24.87
Sales/Use Tax	\$1.98	\$2.64	\$4.43	\$16.46	\$47.75	\$39.88	\$58.53
Lottery	(\$3.35)	(\$4.13)	(\$4.00)	\$1.35	\$6.06	(\$8.58)	\$0.49
Compact Revenues	\$43.87	\$53.35	\$46.52	(\$46.91)	(\$91.41)	(\$109.72)	(\$109.72)
All other Revenues	\$1.30	\$2.01	\$3.67	\$14.42	\$45.03	\$34.97	(\$23.85)

Source: Spectrum Gaming Group, Regional Economic Models Inc. Jobs in units, \$ in nominal millions.

Based on our analysis of the scenarios, Spectrum concluded:

- Under the most robust expansion scenario analyzed (Scenario L), overall GGR at Florida's casinos could more than double to \$5.4 billion in GGR annually (in current dollars). Under this scenario there would be 33 economically viable casinos statewide spread over 19 counties (compared to the Baseline scenario with 16 casinos in 6 counties) – while the number of gaming positions would nearly triple from the Baseline scenario (and approach 68,000 gaming positions statewide). The economic and fiscal impacts (excluding the social costs, which are broken out

below) resulting from this scenario (L-2) would be as follows: Average annual gains under current law/current administration at 16,097 jobs, \$2.6 billion in gross state product, and -\$22 million in state revenues due to the loss of compact revenues.

- Under the least robust expansion scenario analyzed (scenarios A and B), overall GGR at Florida's casinos could increase by 8.7 percent to 11 percent, to \$2.7 billion in GGR annually (in current dollars). Under this scenario, there would still be 16 casinos in six counties (as this scenario contemplates continuation of table games exclusivity for the Seminole Tribe or authorization of additional types of table games at such facilities). The economic and fiscal impacts (excluding the social costs, which are broken out below) resulting from these scenarios would be as follows: Scenario A averages gains of 1,697 jobs, \$172 million in gross state product, and \$41 million in state revenues; Scenario B averages gains of 1,821 jobs, \$210 million in gross state product, and \$51 million in state revenues. These results are under the current law/current administration assumption.

Spectrum and REMI also used information from a comprehensive consumer survey conducted by the University of Florida for this study to produce estimates of the economic impacts of changes in visitors. Section A (see Chapter III) describes the impact of current visitors extending their stay due to the presence of expanded gaming opportunities. Section B describes the impact of the increase in Florida-based gambling by residents who currently gamble out of state or at a Native American casino. Section C describes the impact of the increase in Florida-based gambling by residents who currently do not gamble but would if additional activities were available. Section D describes the impact of the increase in visitors to Florida rather than an alternative destination due to the availability of gaming. Section E describes the impact of the decrease in visitors to Florida due to the availability of gaming.

The following table summarizes the economic impacts for each section described above:

At Default Budget	A	B	C	D	E
Employment	40,734	12,337	293	125,989	-7,405
Gross State Product	\$5,179	\$1,380	\$60	\$10,616	(\$623)
Gaming Taxes	\$17.87	\$4.25	\$0.45	\$13.63	(\$0.80)
Sales/Use Tax	\$70.24	\$20.92	\$0.43	\$204.54	(\$12.01)
Lottery	\$3.94	\$1.11	(\$0.47)	\$9.37	(\$0.55)
Compact Revenues	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
All other Revenues	\$81.82	\$23.58	\$0.43	\$223.80	(\$13.14)

Source: Spectrum Gaming Group, Regional Economic Models Inc., University of Florida. Dollars in nominal millions.

Social

The body of scientific research focusing on the consequences of gambling expansion is relatively limited by both its size and methodological quality. Upon systematic examination, the research fails to demonstrate that gambling expansion has changed the prevalence of gambling-related problems. Nevertheless, before we can draw a confident conclusion about the

epidemiological consequences of gambling expansion, the implication of having a small body of methodologically weak research is the need to conduct high-quality prospective longitudinal studies to clarify the impact of expanded gambling upon the public health and welfare. Such a study would demonstrate the number of new cases of gambling disorder, the course of such problems, and the distribution of these problems based upon exposure to expansion.

With that in mind, we need to be mindful of two primary possibilities:

- Gambling expansion is related to the emergence and development of gambling-related problems as the conventional wisdom suggests.
- Gambling-exposed settings have adapted to the influence of gambling by developing sufficient immunity and resilience to gambling that gambling expansion has little impact on the public health and welfare.

In this report, we note that the identification of a specific social cost of gambling expansion is entirely dependent upon the operational definition of social cost. Unfortunately, to date, the economic experts in this area have not come to an agreement about a gold standard for defining social cost. In fact, the extent of expert disagreement in this area of research is quite profound. Disagreement among economic perspectives yields a broad range of social cost estimates. More specifically, for Florida, the range of economic estimates is, for the gross social costs based on past-year problem and disordered gambling, between \$258 million and \$823 million per year. For lifetime problem and disordered gambling, we estimate the social costs to be between \$373 million and \$1.19 billion per year, as seen in the following table:

Gross Annual Social Cost Estimates for Florida Past-Year Prevalence Estimates			
Definition	Pathological Gamblers	Problem Gamblers	Total Estimated Cost
Economics	\$172,351,000	\$ 86,156,000	\$258,507,000
Economics + transfers	\$390,717,000	\$195,397,000	\$586,114,000
Economics + transfers + internalized costs	\$548,754,000	\$274,309,000	\$823,063,000
Gross Annual Social Cost Estimates for Florida Lifetime Prevalence Estimates			
Economics	\$287,252,000	\$ 86,156,000	\$ 373,408,000
Economics + transfers	\$651,195,000	\$195,397,000	\$ 846,592,000
Economics + transfers + internalized costs	\$914,494,000	\$274,309,000	\$1,188,803,000

Source: Spectrum Gaming Group summary. All amounts are rounded to the nearest \$1,000.

Florida is already exposed to a considerable array of gambling opportunities and access. The scientific literature suggests that gambling expansion will not automatically translate into an enduring set of expanded gambling problems for mature gambling jurisdictions. This is especially true for areas that already have a meaningful amount of gambling opportunities available to its residents – such as Florida. This means that the expansion scenarios Florida is considering, from minimal to maximal, probably will not have as diverse or as robust an impact as they could within a less-gambling-exposed jurisdiction.

REMI used the estimate of social costs to run a simulation that focuses on capturing their economic impacts on the State of Florida. These costs were modeled by reducing the amenity value

of Florida. This methodology is used to capture non-pecuniary aspects that can generally be described as quality of life and results in fewer in-migrants to the state.

At Default Budget	Average
Employment	-665
Gross State Product	(\$67)
Gaming Taxes	(\$0.00)
Sales/Use Tax	(\$3.58)
Lottery	\$0.66
Compact Revenues	\$0.00
All other Revenues	(\$7.30)

Source: Spectrum Gaming Group summary, Regional Economic Models Inc. Dollars in nominal millions.

Part 2 – Key Findings

Part 2 of the three-part study commissioned by the Florida Legislature focused on how the introduction or expansion of gaming impacts the host or nearby communities.

This report analyzes county-level data on employment, average weekly wages, and the number of establishments in operation, and offers projected impacts of casino expansion in selected Florida counties. The analysis utilizes previously published estimated casino impacts on employment and wages, and estimated casino impacts on the number of establishments based on peer counties outside of Florida. Key points are as follows:

- The literature on the economic impacts of legalized casinos is mostly recent, with many studies published since the early 1990s. Many researchers and casino opponents have argued that casinos may “cannibalize” other industries, resulting in no net positive (or a negative) impact on employment and wages.
- Specific projections of the economic impacts of casinos have been mixed.
- The study by Cotti (2008) is the most comprehensive county-level study on the economic impacts of casinos. His estimated impacts on employment and wages are utilized in projecting impacts from prospective casinos in selected counties in this report.
- We collected data from the Bureau of Labor Statistics (Quarterly Census of Employment and Wages) on number of people employed, average weekly wages, and the number of establishments, at the county level, from 2002Q1 through 2012Q4.
- We analyze the potential impacts of introducing casinos in Broward, Hillsborough, Miami-Dade, and Orange counties, and project the number of jobs that would be created, on net, with the introduction of casinos, compared to if no casinos were introduced. The results suggest that, countywide, there is unlikely to be significant changes in overall employment and average wages with the introduction of casinos. However, there will be increases in employment and wages in the leisure and

hospitality and “other services” sectors. The most likely reason the analysis concludes that the employment and wage impacts are insignificant is that research has shown that casino impacts are less noticeable in larger-population counties.

- Another finding is that the number of establishments in all industries (at the county level) is projected to increase with the introduction of casinos.
- Specific projections, in terms of number of jobs created, changes in average weekly wages, and changes in the number of establishments, are provided for three sectors: All Industries, Leisure & Hospitality, and Other Services. Estimated casino effects are:
 - All Industries: No. of establishments (+2.32 percent), No. employed (+0.28 percent), and Avg. Weekly Wages (-0.12 percent)
 - Leisure & Hospitality: No. of establishments (+2.85 percent), No. employed (+3.61 percent), and Avg. Weekly Wages (+2.28 percent)
 - Other Services: No. of establishments (+4.39 percent), No. employed (+2.03 percent), and Avg. Weekly Wages (+3.36 percent)
- When we consider the employment and wage impacts of prospective pari-mutuel counties that add slot machines, our projections suggest that the effects are likely to be similar to a standalone casino (in percentage terms). Since most counties that currently host pari-mutuels have very large populations, the estimated employment and wage impacts (on All Industries) are minor.
- Taken together, along with state-level estimates provided by REMI, the results suggest that casinos would likely have a mildly positive economic impact on their local economies and the state economy. We find no evidence to support the contention that casinos dramatically “cannibalize” other industries. The fact that casinos will compete with other firms, and that there is no net effect on county-level employment, suggests that, on balance, casinos have a neutral impact on local labor markets.
- The report notes caveats that should be considered when interpreting the results.

