



Select Committee on Gaming Meeting Packet

Wednesday, November 6, 2013
12:00 PM
MORRIS HALL (17 HOB)

REVISED



The Florida House of Representatives

Select Committee on Gaming

Will Weatherford
Speaker

Robert Schenck
Chair

AGENDA

November 6, 2013
Morris Hall (17 HOB)
12:00 PM –3:00 PM

- I. Call to Order and Roll Call
- II. Update on Spectrum Gaming Report

Rod Motamedi
Senior Economic Associate, Regional Economic Models, Inc.
- III. Discussion of gaming regulatory structures

Michael J. Pollock
Managing Director, Spectrum Gaming Group

Michael Diamond
Associate Vice President of Research, Spectrum Gaming Group

Fred Gushin
Managing Director, Spectrum Gaming Group
- IV. Adjournment

Committee Meeting Notice
HOUSE OF REPRESENTATIVES

Select Committee on Gaming

Start Date and Time: Wednesday, November 06, 2013 12:00 pm
End Date and Time: Wednesday, November 06, 2013 03:00 pm
Location: Morris Hall (17 HOB)
Duration: 3.00 hrs

Update on Spectrum Gaming Report
Discussion of gaming regulatory structures

NOTICE FINALIZED on 10/30/2013 09:24 by Hodgins.Sandra



Spectrum Gaming Group

Experience. Integrity. Independence.

GAMBLING IMPACT STUDY:

EXECUTIVE SUMMARY:

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

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

Prepared for the State of Florida Legislature
October 28, 2013



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Executive Summary: Parts 1B and 2

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.

Spectrum professionals appeared before the Senate Gaming Committee and the House Select Committee on Gaming as part of this engagement. Committee members in both chambers asked a variety of thoughtful questions, and expressed views that demonstrate the complexity of this issue and that highlight the challenges facing the Legislature as it considers future gaming policies. Rep. Matt Gaetz offered a telling observation, noting: “As I’ve read the report, and heard the reactions of the report ... it’s sort of become this session’s version of the Rorschach test, where everyone can stare at the inkblot and see what they want to see.”¹

Indeed, that apt analogy has been put forth by other legislators in other states, most notably by Sen. Jim Whelan of New Jersey, whose district includes Atlantic City, where he previously served as mayor. In Whelan’s analogy, Atlantic City is a “Rorschach test” in which pro- or anti-gaming advocates can find ammunition to support their views. That characterization highlights the layers of complexity that surround any analysis of the economic and social impacts of gaming, and should serve as a cautionary note that no individual finding or data point lends itself to a simple conclusion, and that any quantitative analysis must be accompanied by a thoughtful qualitative analysis.

¹ Gray Rohrer, “House Panel Looks at Gambling Study, Finds few Conclusions,” *Florida Current*, October 9, 2013; <http://www.thefloridacurrent.com/article.cfm?id=34805348>.

Combined Report Conclusion

This combined report examines the economic impact question from three separate analytical methodologies: gravity model, the REMI² 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 a moderately positive impact on the state economy. This is not to say that the economic impacts are necessarily small in their own right – in fact, under some expansion scenarios the economic modeling shows gains of tens of thousands of direct, indirect and induced jobs – but that the impacts are relative to Florida’s large, statewide 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.

Part 1B – Key Findings

Economic/Fiscal

Spectrum analyzed Florida’s baseline gaming industry and 12 gaming-expansion scenarios³ provided by the Legislature (and under some scenarios, we analyzed each with certain material variations). For each scenario, we provide key economic/fiscal impacts after the 10th year, using the State of Florida’s Default Budget/Florida pari-mutuel gaming tax rate. Note that the scenario results are in comparison to the Baseline level. Additionally, we provide qualitative implications and considerations for each scenario.

The scenarios are as follows:

² Regional Economic Models Inc., Spectrum’s economic-modeling partner for this project.

³ 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.

- **Baseline:** The Florida casino landscape reflects the current law/current administration, and assumes that the banked card provision of the Seminole Compact will expire, and not be renewed (as we cannot assume a governmental action as part of our baseline).⁴ There are 16 casinos in six counties having a total of 22,973 slots, or gaming positions, and no table games.
 - Total state employment: 11,453,282
 - Gross State Product: \$1.466 trillion
 - Gaming taxes: \$312 million
 - Compact revenues: \$121 million
 - Implications/considerations:
 - Revenue sharing per the Seminole Compact would exclude net win generated at the Seminole Tribe's Broward County facilities.
 - Expiration of the banked card provision of the Seminole Compact may help to level the competitive playing field between the pari-mutuel casino industry and the Seminole casino enterprise.

- **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. No new casinos; however, the 344 table games currently operated by the Tribe are included in this scenario.⁵ This scenario depicts a 9 percent increase in statewide gaming positions over the baseline.
 - **Scenario A**
 - Change in employment: +1,581
 - Change in Gross State Product: +\$227 million
 - Change in gaming taxes: -\$16 million
 - Change in Compact revenues: +\$193 million
 - **Scenario A-1** *authorizes the end of live performances at pari-mutuel facilities (i.e., decoupling).*
 - Change in employment: +1,154

⁴ As it relates to economic impacts, the Florida Office of Economic and Demographic Research provided REMI with a budget file for Tax-PI calibrated to its understanding of current law/current administration as of June 21, 2013.

⁵ The banked card provisions of the Seminole Compact are renewed for an additional 15 years and the Compact is not otherwise amended – this is an extension of the status-quo (as these table games are currently in operation).

- Change in Gross State Product: +\$219 million
 - Change in gaming taxes: -\$16 million
 - Change in Compact revenues: +\$193 million
- Implications/considerations:
 - Revenue sharing agreement that is presently in place (per the Seminole Compact) would continue.
 - This scenario would effectively extend the status quo and, as such, would not address economic concerns expressed by pari-mutuel operators outside of Broward and Miami-Dade counties with respect to their ability/desire to have gaming operations.
- **Scenario B:** Granting the Seminole Tribe exclusive authorization to offer table games on Indian lands, as defined in the Indian Gaming Regulatory Act. No new casinos; however, the 344 table games currently operated by the Tribe are included in this scenario, as well as the addition of 74 table games that may include roulette and craps at five Seminole casinos (excluding the Tribe's Brighton and Big Cypress locations). This scenario depicts a 10.9 percent increase in statewide gaming positions over the baseline.

- ***Scenario B***

- Change in employment: +1,865
 - Change in Gross State Product: +\$272 million
 - Change in gaming taxes: -\$16 million
 - Change in Compact revenues: +\$205 million
- ***Scenario B-1*** *authorizes the end of live performances at pari-mutuel facilities (i.e., decoupling).*
 - Change in employment: +1,441
 - Change in Gross State Product: +\$264 million
 - Change in gaming taxes: -\$16 million
 - Change in Compact revenues: +\$205 million
- Implications/considerations:
 - Granting table-games exclusivity to the Seminole casinos – with the addition of craps and roulette games – would result in additional revenue and, presumably, profit for the Seminole Tribe. The State of Florida may want to consider whether a more substantial revenue-sharing agreement is warranted for this privilege. However, the

numbers in this report are based on the revenue sharing agreement in the current Compact.

- Granting the Seminole Tribe table games exclusivity could widen the revenue gap between the Seminole casinos and the pari-mutuel casinos, creating deterioration of operating performance for the pari-mutuels. This could result in declining revenue and financial performance for the pari-mutuel operators, leading to lower capital reinvestment and less-attractive facilities.
- **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. Therefore, Spectrum did not forecast the economic/fiscal impacts.
- **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. Because this scenario does not directly involve gaming, Spectrum did not forecast the economic/fiscal impacts.
 - Implications/considerations: Modifying or repealing live racing requirements would not impact revenue sharing per the Seminole Compact. We also see no impact on cardroom and/or slot revenue, as operators have indicated that they see, little if any, crossover play from gamblers who wager on pari-mutuels. Several facilities would cease live performances and the numbers of live events at other tracks could decrease. Breeders, trainers, jockeys and players would be impacted by any reductions in the number of live performances.
- **Scenario E:** Changing tax rates for Class III games at pari-mutuel facilities. Because this involves using rates other than the Florida pari-mutuel gaming tax rate, we could not provide economic/fiscal impacts under that budget. For impacts using other gaming tax rates, see figures 24 and 25 of Part 1B.
 - Implications/considerations:
 - Changing tax rates at pari-mutuels would not impact revenue sharing per the Seminole Compact.
 - If the State desires to grow, or at least maintain, its tax receipts from gaming facilities, the pari-mutuel operators must be in a position to market effectively and reinvest in their properties to keep them fresh and attractive to patrons. Properties that cannot spend adequately on marketing and facilities risk being caught in a vicious cycle that results in lower employment and tax receipts.

- Increasing tax rates on pari-mutuel slot revenues most likely would reduce operating margins at a time when the Seminole Tribe is expanding and improving its operations in South Florida. Increased tax receipts could offset potentially lower gaming revenues in the short run but could leave the pari-mutuel operators at a competitive disadvantage in the long run (or, at worst, could create a situation where one, or some, are no longer economically viable operations and potentially cease operations).
- Decreasing tax rates on pari-mutuel slot revenues could assist in protecting operating margins, allowing for greater marketing reinvestment and facilities improvements, leading to greater revenues. However, lowering the tax rate creates an additional risk for the State if operators view the lower taxes as a new revenue stream that can be invested outside of Florida. Any such consideration of a lower tax rate could include a commitment from operators to reinvest any additional funds in their Florida facilities.
- **Scenario F:** Adjusting restrictions on the number and operation of slot machines at pari-mutuel facilities in Miami-Dade and Broward counties. Spectrum did not provide economic/fiscal impacts under this scenario because it is unlikely to materially change the gaming landscape.
 - Implications/considerations:
 - Increasing the hours of operation and/or allowing existing pari-mutuels in Broward and Miami-Dade counties to have more than 2,000 slot machines would not impact revenue sharing per the Seminole Compact.
 - Increasing the maximum slot units per facility or amending the current regulations for the hours of operation – or both – will have no material positive impact on revenues and overall operating performance for existing pari-mutuels.
- **Scenario G:** Authorizing pari-mutuel facilities in counties other than Miami-Dade and Broward to offer slot machines. Per assumptions and modeling, there would be at least 18 additional casinos throughout Florida, located in 15 additional counties; while the total number of slots in Florida could more than double (i.e., an increase ranging from 18,300 to 25,700 slots).

- **Scenario G-1** has casino sizing restrictions in place for potential, new casino locations that are in close proximity to existing casinos as a mechanism to minimize cannibalization of GGR at existing casinos.
 - Change in employment: +16,119
 - Change in Gross State Product: +\$2.12 billion
 - Change in gaming taxes: +\$753 million
 - Change in Compact revenues: -\$121 million
- **Scenario G-2** does not include a mechanism to protect GGR at existing casinos, while each potential, new casino location could have up to 2,000 slots despite proximity to existing casino locations.
 - Change in employment: +20,147
 - Change in Gross State Product: +\$2.3 billion
 - Change in gaming taxes: +\$888 million
 - Change in Compact revenues: -\$121 million
- Implications/considerations:
 - All revenue sharing per the Seminole Compact would end.
 - Adopting this scenario could result in incremental increases in revenue due to the State, as well as incremental jobs and license fees, from development of casinos at pari-mutuel locations statewide.
 - The revenue generated by slot machines could provide a valuable funding source for improved racing facilities and racing purses, if operators were required to supplement purses, as demonstrated with the South Florida racinos and in other racino states.
 - The addition of slot machines may positively impact cardroom revenues, while the capital improvements required to add slot machines may require, or at least encourage, the track to simultaneously upgrade its cardroom, which could make it more popular with patrons.
 - The State may want to examine issues of saturation in certain areas throughout Florida, as some existing casino operators could face revenue declines, which could in turn lead to a deterioration of profitability and related operating margins.
 - Having gaming facilities throughout the state could impact Florida's family-friendly image in that travelers could be continually exposed

to advertisements and other marketing materials for one or more slots locations.

- The scale of such expansion would add logistical concerns regarding the need for, and cost of, regulation because the gaming facilities would be so widely dispersed.
 - Adding up to 20 additional casino locations throughout Florida would represent an unprecedented casino expansion in the United States. Once this action is taken, it will be difficult to unscramble the egg.
- **Scenario H:** Authorizing pari-mutuel facilities to conduct table games or other Class III games. If limited to pari-mutuels in Broward and Miami-Dade counties there would be no new casinos in Florida; however, the number of table games statewide increases by 681 (17.8 percent increase in statewide gaming positions). However, if expansion were to occur at pari-mutuels outside of Broward and Miami-Dade counties, per assumptions/modeling, there would be at least 18 additional casinos throughout Florida, located in 15 additional counties; while the total number of gaming positions in Florida could more than double (i.e., an increase ranging from 25,326 to 33,822 gaming positions).
 - **Scenario H-1** applies to the existing pari-mutuels in Broward and Miami-Dade counties only (i.e., no expansion of gaming to pari-mutuels outside of these two counties).
 - Change in employment: +3,403
 - Change in Gross State Product: +\$334 million
 - Change in gaming taxes: +\$44 million
 - Change in Compact revenues: +\$28 million
 - **Scenario H-2** applies to the existing pari-mutuels in Broward and Miami-Dade counties only and each would be permitted to end live performances (i.e., decoupling).
 - Change in employment: +2,975
 - Change in Gross State Product: +\$326 million
 - Change in gaming taxes: +\$44 million
 - Change in Compact revenues: +\$28 million
 - **Scenario H-3** applies to all pari-mutuels statewide (up to 28 locations) and includes casino sizing restrictions for potential, new casino locations that are in close proximity to existing casinos as a mechanism to minimize cannibalization of GGR at existing casinos.

- Change in employment: +21,832
- Change in Gross State Product: +\$2.58 billion
- Change in gaming taxes: +\$933 million
- Change in Compact revenues: -\$121 million
- **Scenario H-4** applies to all pari-mutuels statewide (up to 28 locations) and does not include a mechanism to protect GGR at existing casinos.
 - Change in employment: +27,018
 - Change in Gross State Product: +\$2.83 billion
 - Change in gaming taxes: +\$1.08 billion
 - Change in Compact revenues: -\$121 million
- Implications/considerations:
 - Revenue sharing per the Seminole Compact would be impacted, as follows:
 - If only Broward/Miami-Dade pari-mutuel locations offered table games, the Seminole Tribe would be relieved of the minimum revenue share payment and would also be entitled to a reduction in the amount of 50 percent of the decline in revenues from its Broward County facilities, comparing the year before the new gaming began with the 12 months after such new gaming commenced. Although the Seminole Tribe would also be released from making the guaranteed minimum payments, it would still be obligated to make payments based on the percentage revenue sharing schedule. If this provision were triggered, the Seminole Tribe would receive the relief described until the revenues once again exceed the base year, at which point the reduction would be eliminated.
 - If any or all of the 20 pari-mutuel locations outside of Broward and Miami-Dade counties offered slots and/or table games all revenue sharing per the Seminole Compact would end. The scale of such expansion would add logistical concerns regarding the cost of regulation because the gaming facilities would be so widely dispersed.
 - A critical element in authorizing table games would be the tax rate on table-games revenue. Jurisdictions that have set a high tax rate on slot revenue, such as Delaware and Pennsylvania, have established lower

rates on table games because of the significantly higher labor costs involved.

- The revenue generated by slot machines could provide a valuable funding source for improved racing facilities and racing purses, if operators were required to supplement purses, as demonstrated with the South Florida racinos and in other racino states. This could in turn enable the host pari-mutuel facilities to attract more and higher-quality horses and jockeys (and greyhounds), which would flow through to benefit trainers and breeders. However – as results in other racino states have shown – a higher-quality racing product does not necessarily translate into higher handle/increased popularity for the racing industry, as this activity is in decline nationwide.
 - The addition of slot machines may positively impact cardroom revenues. The cardrooms may also benefit from crossover between poker players and blackjack players. While most poker players do not cross over to other casino games, they may travel with spouses or other adults who do play casino games, and might be expected to spend money in non-gaming areas, such as hotels, dining and entertainment. The opposite phenomena also holds true, where casino-centric (or slots and/or table games) customers may travel with spouses or other adults who do play poker – and this can serve to increase cardroom revenue.
 - The capital improvements required to add slot machines and table games may require, or at least encourage, the host racetrack to simultaneously upgrade its cardroom, which could make it more popular with patrons.
 - The scale of such expansion would add logistical concerns regarding the need for, and cost of, regulation due to oversight of table games operations at existing pari-mutuel locations in Broward and Miami-Dade counties or in combination with the oversight of both slots and table games at up to 20 additional locations that would be widely dispersed statewide.
- **Scenario I:** Authorizing a limited number (two) of casino/resort complexes in Miami-Dade and/or Broward counties (and the remainder of the Florida casino landscape reflects current law/current administration, albeit with the addition of table games that may include roulette and craps games at all seven Seminole casinos). While casinos would not expand into any additional counties, per assumptions and modeling, the number of statewide gaming positions would increase by 55 percent (an increase of 7,600 slots and 831 table games).

- **Scenario I**
 - Change in employment: +14,050
 - Change in Gross State Product: +\$1.86 billion
 - Change in gaming taxes: +\$365 million
 - Change in Compact revenues: +\$20 million
- **Scenario I-1** allows for the end live performances at existing pari-mutuels with slots (i.e., decoupling).
 - Change in employment: +13,622
 - Change in Gross State Product: +\$1.85 billion
 - Change in gaming taxes: +\$365 million
 - Change in Compact revenues: +\$20 million
- Implications/considerations:
 - Revenue sharing per the Seminole Compact would be impacted, as it would exclude net win generated at the Seminole Tribe's Broward County facilities.
 - Destination resort gaming restricted to Broward and Miami-Dade could provide a desirable combination of economic benefits via expansion while minimizing the negative consequences because gaming already is prominent in South Florida – such destination resorts could:
 - Place Florida in the major leagues of casino gambling, and the state could be transformed into a major international competitor for the ultra-high-end traveler who includes casino gambling as part of his/her entertainment experience. In this regard, Florida could compete with Las Vegas, Macau and other world-class casino markets for the highest-stakes players (dependent on the quality, location and marketing of the destination resorts).
 - Leverage the existing natural resources (ocean and beaches) and the state's considerable tourism infrastructure.
 - The location and breadth of non-gaming amenities in such destination resorts, however, could pose threats to existing restaurants, hotels and entertainment options – particularly if the resorts failed to attract incremental out-of-market visitors.

- Destination resorts could threaten existing pari-mutuel slot operations. Although the current pari-mutuel slot patrons are viewed as neighborhood-loyal and convenience-driven in terms of choosing “their” place to participate in gaming activities, the impact of authorizing two destination resorts in Miami-Dade and/or Broward counties could negatively impact pari-mutuel slot operations dependent on their physical location and relative attractiveness with respect to the local population. The opportunity for a higher-quality gaming facility – along with the opportunity to earn player rewards such as hotel stays, gourmet meals and show tickets – could be an incentive influencing the switching behavior of some patrons.
 - Destination resorts could be an immediate competitive threat to the Seminole-owned casinos, which could result in those properties lowering their costs, potentially providing a lesser experience for their patrons – both locals and prospective visitors. However, it also could prompt these properties to further improve/expand their offerings to compete with the destination resorts. Such responses by the Seminole casinos, however, also could place further pressure on the existing pari-mutuels.
 - Adding destination resort gambling could change visitor perceptions regarding Florida’s family-friendly image.
 - Such expansion would increase the need for, and cost of, regulation, as these two additional casinos would add 7,600 slots and 400 table games to Florida’s commercial casino landscape.
- **Scenario J:** Authorizing a limited number (six) of casino/resort complexes throughout the state – one in each of the following counties: Broward, Duval, Hillsborough, Miami-Dade, Orange, and Palm Beach. The remainder of the Florida casino landscape reflects current law/current administration, albeit with the addition of table games that may include roulette and craps games at all seven Seminole casinos. Per assumptions and modeling, there would be at least six additional casinos throughout Florida, located in three additional counties; while the total number of gaming positions in Florida would increase by 142 percent (an increase of 22,800 slots and 1,631 table games).
 - Change in employment: +38,372
 - Change in Gross State Product: +\$5.34 billion
 - Change in gaming taxes: +\$1.37 billion
 - Change in Compact revenues: -\$121 million

- Implications/considerations:
 - All revenue sharing per the Seminole Compact would end.
 - All of the Implications and Considerations in Scenario I (excluding revenue sharing impact) also apply to this Scenario, as well the following:
 - As noted in Spectrum’s first report, many business leaders in the Orlando area fear that any quantifiable revenue gains to the State by placing a casino in that region could have significant ramifications for Orlando’s family-friendly brand, which could reduce or negate any of those financial gains. While there is no reliable way to quantify such concerns, we suggest they have significant validity.
 - Such expansion would increase the need for, and cost of, regulation, as the addition of six destination resorts would add 22,800 slots and 1,200 table games to Florida’s commercial casino landscape. Additionally, three of the destination resorts would be widely dispersed statewide (i.e., in areas where there are currently no existing commercial casinos, outside of southeastern Florida).
 - If destination casino resorts were built and allowed to operate cardrooms, they may compete against the cardrooms at pari-mutuels. 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.
 - Destination resorts could threaten existing pari-mutuel slot operations. Although the current pari-mutuel slot patrons are viewed as neighborhood-loyal and convenience-driven in terms of choosing “their” place to participate in gaming activities, the impact of authorizing destination resorts could negatively impact pari-mutuel slot operations dependent on their physical location and relative attractiveness with respect to the local population. The opportunity for a higher-quality gaming facility – along with the opportunity to earn player rewards such as hotel stays, gourmet meals and show tickets – could be an incentive influencing the switching behavior of some patrons.

- **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 (and the addition of table games that may include roulette and craps at all seven Seminole casinos). While casinos would not expand into any additional counties, per assumptions and modeling, the number of statewide gaming positions would increase by 61 percent (an increase of 7,600 slots and 1,081 table games).
 - Change in employment: +13,889
 - Change in Gross State Product: +\$1.81 billion
 - Change in gaming taxes: +\$398 million
 - Change in Compact revenues: +\$20 million
 - Implications/considerations:
 - Revenue sharing per the Seminole Compact would be impacted, as it would exclude net win generated at the Seminole Tribe's Broward county facilities.
 - This scenario includes full-blown casino gambling in South Florida (with the potential for 10 full-service casinos in the market), as such, there would be the opportunity to market South Florida as a gambling destination, one that could compete with Las Vegas and other fly-in gambling markets. Such marketing, however, could be at odds with existing Florida branding, and the family-friendly tourism promotions that dominate advertising and marketing statewide.
 - A key issue would be tax parity: Would the destination resorts pay the same tax on GGR as the pari-mutuels would on their slot and table revenue? If not, there could be a competitive and potentially unfair imbalance; if so, the pari-mutuels may be encouraged to make substantial capital improvements to compete with the new destination resorts, which could result in significant gains in construction and permanent operational jobs.
 - The Seminole casinos would retain their ability to compete effectively with all gaming entrants in the marketplace.
 - Such expansion would increase the need for, and cost of, regulation due to the addition of table games operations at existing pari-mutuel locations with slots in combination with the need to regulate two destination resorts that would add a total of 7,600 slots and 400 table games to Florida's commercial casino landscape.

- Destination resorts could threaten existing pari-mutuel slot operations, as well as the potential table games operations at these locations. Although the current pari-mutuel slot patrons are viewed as neighborhood-loyal and convenience-driven in terms of choosing “their” place to participate in gaming activities, the impact of authorizing destination resorts could negatively impact pari-mutuel slot and table games operations dependent on their physical location and relative attractiveness with respect to the local population. The opportunity for a higher-quality gaming facility – along with the opportunity to earn player rewards such as hotel stays, gourmet meals and show tickets – could be an incentive influencing the switching behavior of some patrons.
- **Scenario L:** Authorizing a limited number (six) of casino/resort complexes around the State and authorizing all pari-mutuel facilities statewide (up to 28) to offer both slots and table games or other Class III games. Additionally, this scenario allows for the end of live performances at pari-mutuels (i.e., decoupling) and includes the addition of table games that may include roulette and craps at all seven Seminole casinos. Per assumptions and modeling, there would be at least 17 additional casinos throughout Florida, located in 13 additional counties; while the total number of gaming positions in Florida could nearly triple (i.e., an increase ranging from 43,172 to 44,824 gaming positions [from the addition of 30,500 to 31,900 slots and 2,112 to 2,154 table games]).
 - *Scenario L-1 includes casino sizing restrictions for potential, new pari-mutuel casino locations that are in close proximity to existing casinos as a mechanism to minimize cannibalization of GGR at existing casinos.*
 - Change in employment: +47,799
 - Change in Gross State Product: +\$6.39 billion
 - Change in gaming taxes: +\$1.67 billion
 - Change in Compact revenues: -\$121 million
 - *Scenario L-2 does not include a mechanism to protect GGR at existing casinos, while each potential, new pari-mutuel casino location could have up to 2,000 slots and 60 table games despite proximity to existing casino locations.*
 - Change in employment: +48,605
 - Change in Gross State Product: +\$6.42 billion
 - Change in gaming taxes: +\$1.69 billion

- Change in Compact revenues: -\$121 million
- Implications/considerations:
 - All revenue sharing per the Seminole Compact would end.
 - This is effectively a “wide-open” scenario that could result in Florida having more casinos than all but five states, as such:
 - Florida could have up to 42 casino locations, while there could be saturation in certain markets and the viability of some prospective operations would be in doubt (although we project eight of these locations would not be economically viable).
 - The presence of so many casinos would make them highly visible throughout the state and potentially change the perception of Florida among some visitors. Tourism-related agencies and groups would need to consider whether to include casinos as part of their marketing campaigns.
 - The State would need to address the regulatory structure to effectively regulate up to 34 commercial casinos. The scale of such expansion would add logistical concerns regarding the cost of regulation because the gaming facilities would be so widely dispersed.
 - The revenue generated by slot machines and table games statewide could provide a valuable funding source for racing purses and improved racing facilities, as demonstrated with the South Florida racinos and in other racino states. This could in turn enable the host pari-mutuel facilities to attract more and higher-quality horses and jockeys (and greyhounds), which would flow through to benefit trainers and breeders. However – as results in other racino states have shown – a higher-quality racing product does not necessarily translate into higher handle/increased popularity for the racing industry, as this activity is in decline nationwide.
 - 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.

- The addition of slot machines may positively impact cardroom revenues. The cardrooms may also benefit from crossover between poker players and blackjack players. While most poker players do not cross over to other casino games, they may travel with spouses or other adults who do play casino games, and might be expected to spend money in non-gaming areas. The capital improvements required to add slot machines and table games may require, or at least encourage, the host racetrack to simultaneously upgrade its cardroom, which could make it more popular with patrons.
- Destination resorts could threaten existing and/or new pari-mutuel slot and table games operations. Although the current pari-mutuel slot patrons are viewed as neighborhood-loyal and convenience-driven in terms of choosing “their” place to participate in gaming activities, the impact of authorizing destination resorts could negatively impact pari-mutuel slot and table games operations dependent on their physical location and relative attractiveness with respect to the local population. The opportunity for a higher-quality gaming facility – along with the opportunity to earn player rewards such as hotel stays, gourmet meals and show tickets – could be an incentive influencing the switching behavior of some patrons.
- A key issue would be tax parity: Would the destination resorts pay the same tax on GGR as the pari-mutuels would on their slot and table revenue? If not, there could be a competitive and potentially unfair imbalance; if so, the pari-mutuels may be encouraged to make substantial capital improvements to compete with the new destination resorts, which could result in significant gains in construction and permanent operational jobs.
- The Seminole casinos would retain their ability to compete effectively with all gaming entrants in the marketplace.
- Such expansion would increase the need for, and cost of, regulation due to the addition of table games operations at existing pari-mutuel locations in Broward and Miami-Dade counties coupled with the oversight of both slots and table games at up to 20 additional locations that would be widely dispersed statewide. Additionally, there would be six destination resorts that would add 22,800 slots and 1,200 table games to Florida’s commercial casino landscape, while three of the destination resorts would be widely dispersed statewide (i.e., in areas where there are currently no existing commercial casinos, outside of southeastern Florida).

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 GGR projections and related metrics under each gaming-related scenario. We developed assumptions based on Florida data, national data, our research for this report, and Spectrum’s experience in analyzing gaming markets. Different assumptions can lead to different conclusions. It is critical to understand the assumptions used in this report; they are provided in Part 2, Chapter II – “Assumptions, Methodologies and Considerations.”

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). Scenario F had no estimated changes in employment or GGR relative to the Baseline scenario and thus no quantifiable change. REMI's Tax-PI model was used to examine 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 casino gambling taxed at Florida's prevailing pari-mutuel slots rates: 35 percent.
3. That labeled *US median gaming tax rate* reflects all casino gambling taxed at national median rates: 27 percent.
4. That labeled *Pennsylvania gaming tax rates* reflects all casino gambling in Florida taxed using the rates prevailing in Pennsylvania: 54 percent for slots and 12 percent for table games.

The Default Budget and the Pari-Mutuel Rates budget are methodologically equivalent, thus results are shown for three different budget assumptions.

The values for Year 10 of the baseline forecast for employment, Gross State Product and tax revenues are as follows (please see Figure 5, Part 1B, for an explanation of each impact category):

Baseline – Year 10	At Default/Florida Pari-Mutuel Gaming Tax Rate	At US Median Gaming Tax Rate	At Pennsylvania Gaming Tax Rates
Employment	11,453,282	11,452,546	11,455,032
Gross State Product	\$1,466,181	\$1,466,107	\$1,466,354
Gaming Taxes	\$312	\$246	\$467
Sales/Use Tax	\$35,850	\$35,848	\$35,854
Lottery	\$1,999	\$1,999	\$1,999
Compact Revenues	\$121	\$121	\$121
All other Revenues	\$56,049	\$56,048	\$56,052

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

Next, we look at the economic/fiscal impacts by scenario using the Default Budget and at two 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.

Year 10 change by scenario, as compared to Baseline Level ⁶									
At Default Budget/Florida Pari-Mutuel Gaming Tax Rate	A	B	G-1	G-2	H-1	H-3	H-4	I	J
Employment	1,581	1,865	16,119	20,147	3,403	21,832	27,018	14,050	38,372
Gross State Product	\$227	\$272	\$2,118	\$2,303	\$334	\$2,585	\$2,829	\$1,861	\$5,345
Gaming Taxes	(\$16)	(\$16)	\$753	\$888	\$44	\$933	\$1,084	\$365	\$1,374
Sales/Use Tax	\$4	\$5	\$36	\$45	\$7	\$49	\$60	\$31	\$87
Lottery	(\$10)	(\$11)	\$1	\$1	(\$3)	(\$0)	\$0	(\$4)	(\$3)
Compact Revenues	\$193	\$205	(\$121)	(\$121)	\$28	(\$121)	(\$121)	\$20	(\$121)
All other Revenues	\$3	\$4	\$38	\$46	\$6	\$50	\$60	\$27	\$78
At US Median Gaming Tax Rate			G-1	G-2	H-1	H-3	H-4	I	J
Employment			16,712	20,845	3,428	22,569	27,946	14,224	39,965
Gross State Product			\$2,216	\$2,419	\$339	\$2,707	\$2,977	\$1,896	\$5,568
Gaming Taxes			\$582	\$686	\$34	\$721	\$843	\$281	\$1,127
Sales/Use Tax			\$36	\$45	\$7	\$49	\$60	\$31	\$88
Lottery			\$6	\$7	(\$2)	\$6	\$8	(\$1)	\$6
Compact Revenues			(\$121)	(\$121)	\$28	(\$121)	(\$121)	\$20	(\$121)
All other Revenues			\$38	\$46	\$6	\$50	\$60	\$27	\$78
At Pennsylvania Gaming Tax Rates			G-1	G-2	H-1	H-3	H-4	I	J
Employment			14,810	18,583	3,577	21,036	26,045	14,001	37,929
Gross State Product			\$1,897	\$2,042	\$362	\$2,448	\$2,663	\$1,848	\$5,247
Gaming Taxes			\$1,159	\$1,367	\$4	\$1,199	\$1,401	\$417	\$1,660
Sales/Use Tax			\$36	\$45	\$7	\$49	\$60	\$32	\$88
Lottery			(\$11)	(\$13)	(\$1)	(\$8)	(\$9)	(\$5)	(\$11)
Compact Revenues			(\$121)	(\$121)	\$28	(\$121)	(\$121)	\$20	(\$121)
All other Revenues			\$39	\$47	\$6	\$50	\$60	\$28	\$79

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

⁶ Per agreement with the Legislature, Scenarios A and B are analyzed only under the Default/Pari-Mutuel Rates Budget.

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

Year 10 change by combination scenario, as compared to Baseline Level ⁷							
At Default Budget/Florida Pari-Mutuel Gaming Tax Rate	A-1	B-1	H-2	I-1	K	L-1	L-2
Employment	1,154	1,441	2,975	13,622	13,889	47,799	48,605
Gross State Product	\$219	\$264	\$326	\$1,853	\$1,806	\$6,388	\$6,419
Gaming Taxes	(\$16)	(\$16)	\$44	\$365	\$398	\$1,672	\$1,689
Sales/Use Tax	\$3	\$4	\$6	\$30	\$34	\$107	\$109
Lottery	(\$10)	(\$11)	(\$3)	(\$4)	(\$4)	(\$4)	(\$4)
Compact Revenues	\$193	\$205	\$28	\$20	\$20	(\$121)	(\$121)
All other Revenues	\$3	\$3	\$5	\$27	\$33	\$99	\$101
At US Median Gaming Tax Rate			H-2	I-1	K	L-1	L-2
Employment			3,000	13,794	14,076	50,345	51,213
Gross State Product			\$331	\$1,887	\$1,843	\$6,721	\$6,759
Gaming Taxes			\$34	\$281	\$307	\$1,420	\$1,436
Sales/Use Tax			\$6	\$30	\$34	\$110	\$112
Lottery			(\$2)	(\$1)	(\$2)	\$7	\$7
Compact Revenues			\$28	\$20	\$20	(\$121)	(\$121)
All other Revenues			\$5	\$27	\$33	\$101	\$103
At Pennsylvania Gaming Tax Rates			H-2	I-1	K	L-1	L-2
Employment			3,148	13,572	13,891	47,227	46,468
Gross State Product			\$353	\$1,839	\$1,801	\$6,262	\$6,135
Gaming Taxes			\$3	\$417	\$430	\$2,039	\$2,068
Sales/Use Tax			\$6	\$31	\$34	\$109	\$109
Lottery			(\$1)	(\$5)	(\$5)	(\$15)	(\$12)
Compact Revenues			\$28	\$20	\$20	(\$121)	(\$121)
All other Revenues			\$5	\$27	\$33	\$101	\$102

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

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 IV) 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

⁷ Per agreement with the Legislature, Scenarios A-1 and B-1 are only analyzed under the Default/Pari-Mutuel Rates Budget.

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/ Florida Pari-Mutuel Gaming Tax Rate – Year 10 Change	A	B	C	D	E
Employment	38,851	11,651	313	117,608	-6,905
Gross State Product	\$5,868	\$1,549	\$70	\$11,868	(\$696)
Gaming Taxes	\$33	\$7	\$1	\$25	(\$1)
Sales/Use Tax	\$85	\$25	\$1	\$245	(\$14)
Lottery	\$3	\$1	(\$0)	\$6	(\$0)
Compact Revenues	\$0	\$0	\$0	\$0	\$0
All other Revenues	\$94	\$27	\$1	\$258	(\$15)

Source: Spectrum Gaming Group, Regional Economic Models Inc., University of Florida. Dollars in nominal millions. Revenues in fiscal years (FY).

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/ Florida Pari-Mutuel Gaming Tax Rate	Year 10
Employment	-1,186
Gross State Product	(\$126)
Gaming Taxes	(\$0)
Sales/Use Tax	(\$6)
Lottery	\$1
Compact Revenues	\$0
All other Revenues	(\$11)

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

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: Number of establishments (+2.32 percent), No. employed (+0.28 percent), and average weekly wages (-0.12 percent)
 - Leisure & Hospitality: Number of establishments (+2.85 percent), No. employed (+3.61 percent), and average weekly wages (+2.28 percent)
 - Other Services: Number of establishments (+4.39 percent), No. employed (+2.03 percent), and average 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.



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Testimony of Michael Pollock, Managing Director
Florida House Select Committee on Gaming
November 6, 2013

Thank you, Mr. Chairman and members of the committee. We have been asked to address the critical issue of regulation, which quite frankly, is one of our favorite topics. As individuals, our background is rooted in regulation. My partner, Fredric Gushin, served with distinction as an assistant attorney general and assistant director of the New Jersey Division of Gaming Enforcement for many years. Michael Diamond, whom you know, served as an investigator with the office of the New Jersey Inspector General, and I served as Public Information Officer and advisor to the chairman of the New Jersey Casino Control Commission.

Our ranks are filled with alumni from a variety of regulatory and law-enforcement agencies, and we fundamentally believe in the efficacy of effective regulation.

“Effective regulation” can be defined as regulation that advances a variety of public policies while protecting the overall public interest. While the entire scope of policies to be advanced will – and arguably should – vary from jurisdiction to jurisdiction, certain goals would be considered universal. Such goals would include:

- 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 that individuals and business entities involved in gaming meet universally accepted 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, including self-exclusion.

- Addressing other critical public policy concerns, such as underage gambling, or casino-related demands on law enforcement and other public services.
- Optimizing financial benefit to the jurisdiction from multiple revenue streams, including gaming taxes, employment taxes and tax revenue generated from other sources, such as expanded tourism and purchases of goods and services.
- Maintaining flexibility in writing the rules that govern gaming to make sure that regulators are able to adapt to changes in technology and to revise and reform regulations as circumstances change, and as regulators become more familiar and comfortable with evolving industry practices.

Jurisdictions 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.

Whether a licensing process is competitive or not, however, the ability of regulators to take action after a license is issued diminishes quickly and dramatically. Absent specific violations that would warrant fines or either the revocation or non-renewal of a license, regulators have a limited ability to prod operating licensees in specific policy directions. The larger goal then in the effective regulation of gaming is to align the goals of the public and private sectors.

The alignment of goals is quite achievable in gaming, but is by no means assured in all instances. For example, both the state and the casino operator have a stake in realizing an attractive return on investment. The state receives tax revenue, among other benefits, while investors are rewarded for the risks they have undertaken. Similarly, both the public and private sectors have an abiding interest in promoting public confidence, and in maintaining high standards for integrity. Operators, who are often licensed in multiple jurisdictions, would not want to risk their gaming license in *any* jurisdiction as that would put their licensure at risk in *every* jurisdiction.

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. Indeed, while the perception of “strictness” will vary, depending on the vantage point, “strictness” is a relative term.

Typically, gaming regulation starts out strict and then allows for reforms as circumstances change, and as regulators become more comfortable with the processes involved in the governance of gaming. To move in the opposite direction – moving from a relatively relaxed regulatory regimen to a more restrictive one – would be difficult to implement practically and politically. In large measure, the inherent difficulty in moving toward a more strict regulatory system if one is needed can be attributed to the relationship between gaming and politics. By its nature, gaming is inextricably intertwined with the political process – a reiteration of one of this report’s core themes. Gaming’s very existence – as well as its ability to generate profits – depends on its ability to be in the good graces of elected and appointed officials, and to remain there.

In understanding and in governing the relationship between the gaming industry and politics, certain trends and observations should be considered, based on our experience in other markets:

- 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.

Much of this can be described as common sense, and as recognition of reality. While public confidence in gaming demands that controls be put in place to restrict the ability of the industry to influence the political process, such controls are clearly limited, and gaming can never be fully insulated from politics, or vice versa.

Starting with New Jersey's enactment of the Casino Control Act in 1977, certain steps have been identified that establish some level of insulation. These include:

- Limiting, or eliminating, the ability of gaming licensees and their key employees and qualifiers¹ 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.

¹ "Qualifier" is a widely used term in gaming regulation that refers to individuals with the ability to influence a licensee's policies, such as owners, officers and directors. Typically, an entity cannot secure a gaming license unless all of its qualifiers are deemed to be licensable as well.



Select Committee on Gaming Meeting Packet

Wednesday, November 6, 2013

12:00 PM

MORRIS HALL (17 HOB)

REVISED

ADDENDUM A – (11/5/2013, 1:30 pm)



Select Committee on Gaming Meeting Packet

**Wednesday, November 6, 2013
12:00 PM
MORRIS HALL (17 HOB)**

Addendum A

Functions of Regulators

- Investigate applicant qualifications (Probity)
- Investigate violations of the gaming act and regulations
- Conduct reviews, audits and on-site observations
- Hear and decide administrative cases
- Promulgate regulations
- Collect license fees and taxes
- Power to sanction licensees
 - Includes power to revoke



Accomplished Through:

- Investigations
 - Licensing investigations and regulatory investigations
- Compliance reviews
- Financial audits
- Discussions with operators
- Filing of complaints and warning letters
- Strict compliance approach



Regulatory Structures

- New Jersey – 2 agency approach
 - Division of Gaming Enforcement
 - Part of the Attorney General’s Office
 - Law enforcement agency
 - Responsible for conducting all investigations/audits
 - Can initiate complaints/settlements
 - Casino Control Commission
 - Quasi-judicial in nature – hear and decide cases
 - Establishes policies through regulations
 - 3 commissioners and independent staff
 - Decisions subject to appeal



Regulatory Structures

- Nevada – 2 agency approach
 - Nevada Gaming Control Board
 - Law enforcement agency
 - Criminal and regulatory responsibilities
 - Professional staff and budget
 - Nevada Gaming Commission
 - Part-time Commissioners
 - Final decision making
 - No appeal of licensing decisions
 - Minimal staff



Regulatory Structures

- Pennsylvania
 - Commissioners Appointed
 - Governor
 - Speaker
 - Senate President
 - State Police initially excluded
 - Bureau of Investigations and Enforcement (BIE)
 - Does not have law enforcement authority
 - Initial licensing investigations



Regulatory Structures

- Allowed possible unsuitable companies to be licensed
- Initial licensing seemed pre-ordained in some situations
- Negative publicity for the PGCB
 - Led to legislative hearings
 - Grand Jury investigation and report
- Perceived to be overly political



Regulatory Structures

- Australian States
 - Casino Control Divisions
 - Combines the two agency approach
 - Responsible for regulatory enforcement
 - Headed by Executive Director and professional staff
 - Criminal enforcement assigned to police
 - Commissions or boards act as final decision makers
 - Focus on regulatory issues
 - Defer AML to National Government

Regulatory Structures

- Singapore
 - Casino Regulatory Authority
 - Strong Executive Director (Chief Executive)
 - Professional staff
 - Independent agency associated with the Ministry of Home Affairs (Police)
 - Authority Members cannot overrule Chief Executive
 - Relationship with Ministry of Tourism
 - Defined and separate functions
 - Regulatory process successfully implemented with the opening of two IR's in Singapore in 2010

Gaming Control

- Factors to be considered:
 - Existing governmental structure
 - Dedicated agency to regulate gaming
 - Single agency recommended
 - Relationship of casino regulation to law enforcement
 - Gaming Control agency or its enforcement division designated as a law enforcement agency
 - Conduct of investigations
 - Intelligence
 - Operational controls
 - MICS and AML controls
 - Hearing procedures
 - Needs to be proportional to the level of gaming



Gaming Control

- Recommendations:
 - Single agency with primary responsibility to control casinos
 - Regulatory oversight
 - Professional staff
 - Authority as decision makers
 - Relationship with law enforcement & other agencies
 - Part of gaming control
 - Essential to oversee gaming



Universal Goals and Objectives of Regulation

- Integrity of the regulatory process
 - Maintain public confidence in the regulatory process
- Implementation of public policies
- Probity, suitability and licensing
 - Keep the bad guys out
 - Keep organized criminals out
- Fairness of the games
- Assuring that monies are fairly collected



Some Lessons Learned

- Politics and gaming regulation
 - Incompatible
- Expectations and perceptions
 - Keep expectations realistic
 - Do not over-promise results
- Concessions made to licensees should not undermine or compromise the regulatory process
- Flexibility in the regulatory process is needed
- Learn from other jurisdictions
 - Do not copy them



Cost of Regulation

- Applicants should pay for the costs associated with the probity investigations
- Funds should be held in escrow by the regulator
- Licensees should bear costs of regulation – not the general public
 - Separate account for regulators
- Typically start-up costs expensive
 - May involve multiple investigations
- Ongoing regulatory costs
 - Typically 1% to 1.75% of casino win

Spectrum Gaming Group

Thank You

