

Proposed 2015 Compact: Revenue Overview (Simple Ratification)

January 27, 2016

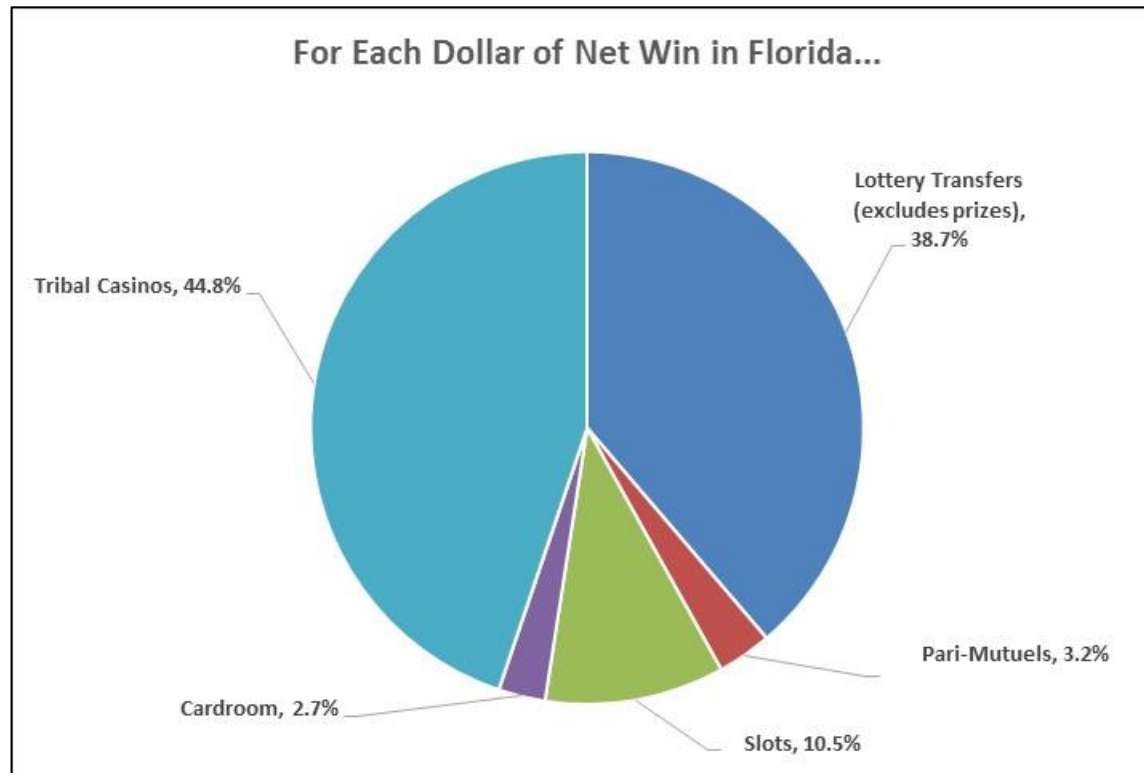
Presented by:



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Gaming in General...

FY 2014-15		(Amount in millions)	
Florida		State Revenues	Net Win
Lottery Transfers (excludes prizes)	\$	1,479.00	\$ 1,918.80
Pari-Mutuels	\$	12.59	\$ 157.58
Slots	\$	182.20	\$ 520.57
Cardroom	\$	14.34	\$ 135.89
Tribal Casinos	\$	248.50	\$ 2,218.90
Total	\$	1,936.63	\$ 4,951.74
Dollar Total Per Capita (18+)	\$	122.26	\$ 312.62



Current Indian Gaming Compact...

- The existing Compact has a term of 20 years, which began the first day of the month following the publication of the notice of approval in the Federal Register --- effectively August 1, 2010. Based on this, the expiration date is July 31, 2030.
- An exception was made for the authorization of banking or banked card games (including baccarat, chemin de fer, and blackjack). That authorization expired July 31, 2015.
- Roulette, craps, roulette-styled games, and craps-styled games were expressly prohibited.
- The covered games can be offered at all seven facilities, but two are slots-only:
 - Seminole Indian Casino – Brighton (Glades) --- **Slots Only**
 - Seminole Indian Casino – Coconut Creek (Broward)
 - Seminole Indian Casino – Hollywood (Broward)
 - Seminole Indian Casino – Immokalee (Collier)
 - Seminole Indian Casino – Big Cypress (Hendry) --- **Slots Only**
 - Seminole Hard Rock Hotel & Casino – Hollywood (Broward)
 - Seminole Hard Rock Hotel & Casino – Tampa (Hillsborough)

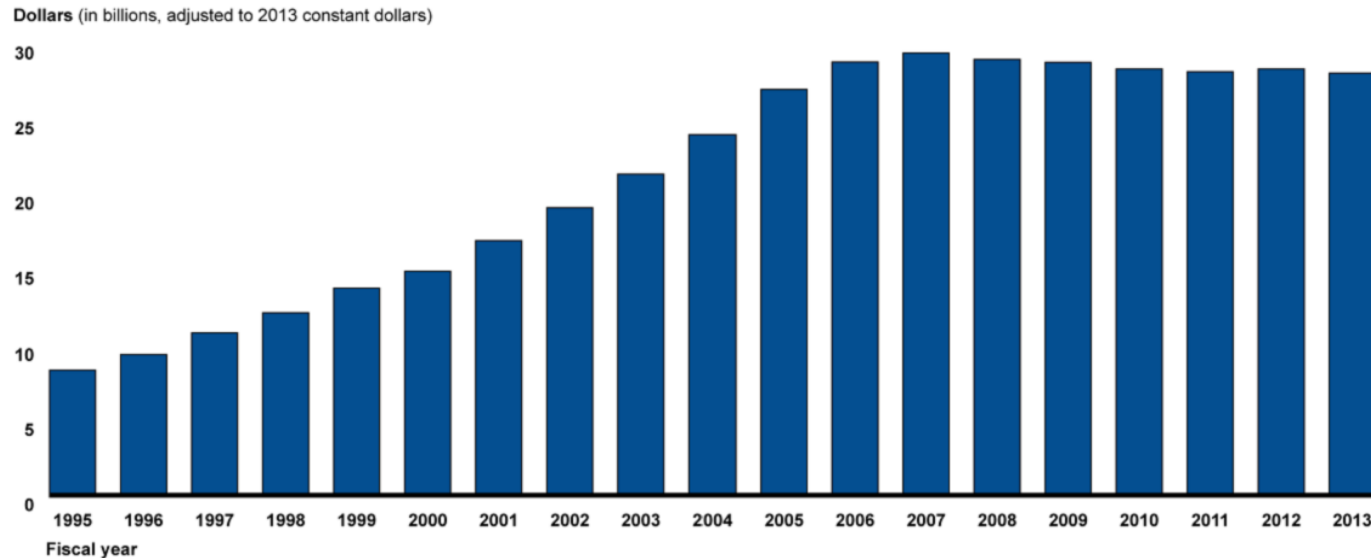
Revenue Sharing Details...

- **Guaranteed Minimum Payments were required for the first five years of the Compact which totaled \$1.0 billion.**
 - **\$150 million for Fiscal Years 2010-11 and 2011-12 ✓**
 - **\$233 million for Fiscal Years 2012-13 and 2013-14 ✓**
 - **\$234 million for Fiscal Year 2014-15 ✓**
- If the Revenue Sharing calculation exceeded the Minimum Guarantee, a True-up Payment had to be made.
 - True-up payments were generated in Fiscal Years 2012-13, 2013-14 and 2014-15; each payment was received in the immediately following fiscal year.
- The Compact also provides the following Revenue Sharing schedule.
 - 12% of Net Win up to \$2 billion (**in place through 2012-13**)
 - 15% of Net Win between \$2 billion and \$3 billion (**triggered in 2013-14**)
 - 17.5% of Net Win between \$3 billion and \$3.5 billion (**not reached in forecast**)
 - 20% of Net Win between \$3.5 billion and \$4 billion (**not reached in forecast**)
 - 22.5% of Net Win between \$4 billion and \$4.5 billion (**not reached in forecast**)
 - 25% of Net Win over \$4.5 billion (**not reached in forecast**)

Indian Gaming Across States...

Florida's estimate assumes annual long-term growth of about 1.6% per year, but slightly higher growth rates over the next few years.

Growth of Indian Gaming Revenues, Fiscal Years from 1995 to 2013 (GAO)

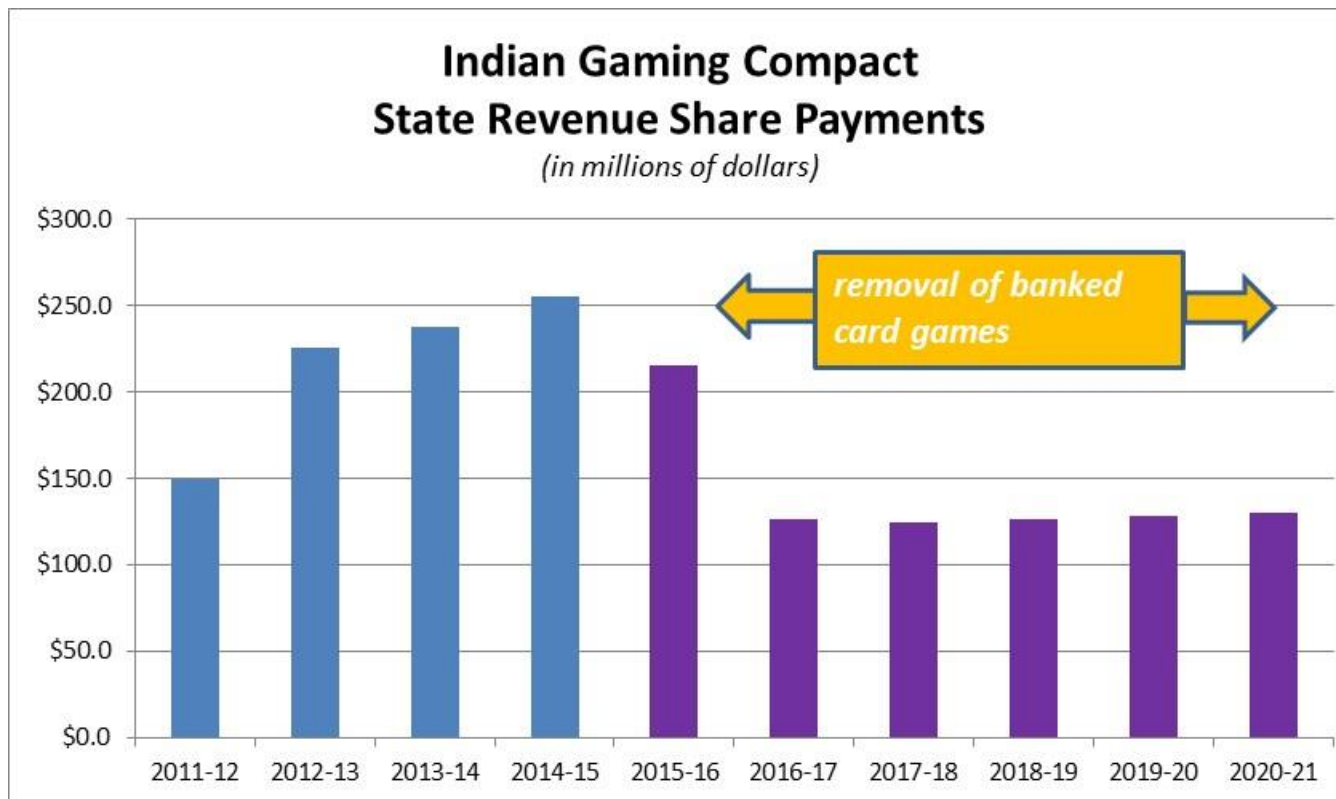


Source: GAO analysis of National Indian Gaming Commission data. | GAO-15-355

- In fiscal year 2013, about 240 of the 566 federally recognized tribes operated more than 400 Indian gaming operations across 28 states, generating \$28.0 billion. These establishments included a broad range of operations, from tribal bingo to multimillion dollar casino gaming facilities. Of these establishments, a few large operations account for a major portion of the revenue. [GAO-15-355T]

- HISTORY...** True-up payments are received the year after they are generated, so they appear here in Fiscal Years 2013-14 (\$4.3m), 2014-15 (\$21.7m), and 2015-16 (\$38.8 m). By the end of FY 2014-15, the Compact generated \$1.0648 billion in revenue sharing over its first five years (\$1 billion through the minimum payments, and \$64.8 million in true-up payments).

- FORECAST...** The Revenue Estimating Conference's convention of looking at current law / current administration means that the current forecast assumes that the authorization expires. This removes all revenue sharing related to Broward County, as well as the banked card games for the remainder of the forecast. FY 2015-16 contains the mid-year transition.



Proposed Compact...

The Revenue Estimating Conference considered the simple ratification of the Compact, with no other changes. The key revenue provisions are:

- 1) IGRA approval prior to June 30, 2016, and application of the new Compact provisions to the entire 2015-16 fiscal year.
- 2) Restoration of banked card games (and all of the share from Broward).
- 3) Extension of banked card games to potentially two facilities (Brighton and Big Cypress).
- 4) Addition of Craps and Roulette at potentially all seven facilities.
- 5) New Revenue Sharing brackets and guarantee.

Adjustments to Net Win...

Net Win	Current Forecast	Add Back Broward + Banked Card Games	Add New Banked Card Games at 2 Facilities	Add New Craps & Roulette	Total
2015-16	1,428.0	879.7	**	**	2,307.7
2016-17	1,017.8	1,359.1	8.6	40.6	2,426.1
2017-18	1,038.2	1,386.3	8.8	41.4	2,474.6
2018-19	1,054.4	1,407.9	8.9	42.0	2,513.2
2019-20	1,070.8	1,429.9	9.0	42.7	2,552.4
2020-21	1,087.5	1,452.2	9.2	43.4	2,592.2
2021-22	1,104.5	1,474.9	9.3	44.0	2,632.7
2022-23	1,121.7	1,497.9	9.5	44.7	2,673.8
2023-24	1,139.2	1,521.2	9.6	45.4	2,715.5

Based on Nevada;
assumes 45 tables.

Revenue Sharing Adjustments...

The term of the 2015 Compact is from its effective date through June 30, 2036.

- **Initial Payment Period (IPP)**... runs from the effective date to June 30, 2017. During the Initial Payment Period, the revenue share rates and brackets are equal to those in the 2010 Compact.
- **Guarantee Payment Period (GPP)**... runs through the seven-year period beginning July 1, 2017 and ending June 30, 2024. During the Guarantee Payment Period, the Tribe will make payments as specified, ranging from \$325 million in the first year to \$550 million in the last year, for a total of \$3 billion.

- At the end of the seven-year period, a **true-up payment** is required if the amount due using the revenue share rates and brackets outlined in the 2015 Compact would have generated more than \$3 billion.

New Revenue Sharing Rates (effective July 1, 2017)

Brackets	Current		difference
	Compact	2015 Compact	
\$0-\$2.0B	12.0%	13.0%	1.0%
\$2.0B-\$3.0B	15.0%	17.5%	2.5%
\$3.0B-\$3.5B	17.5%	17.5%	0.0%
\$3.5B-\$4.0B	20.0%	20.0%	0.0%
\$4.0B-\$4.5B	22.5%	22.5%	0.0%
\$4.5B+	25.0%	25.0%	0.0%

Revenue Sharing

	Current <u>Forecast</u>	2015 <u>Compact</u>	<u>Impact</u>	
2015-16	215.4	286.2	70.7	Initial Payment Period
2016-17	126.2	303.9	177.7	
2017-18	124.4	325.0	200.6	
2018-19	126.4	350.0	223.6	Guarantee Payment Period
2019-20	128.3	375.0	246.7	
2020-21	130.3	425.0	294.7	
2021-22	132.4	475.0	342.6	
2022-23	134.4	500.0	365.6	
2023-24	136.5	550.0	413.5	

Amounts shown for the new Compact are by year of obligation (not receipt). The Compact establishes the actual amount due to the State for each of the seven years in the Guarantee period.

At this time, the Conference does not believe a true-up payment will be needed. The minimum guarantee generates more than the application of the brackets over the seven-year period. Even with the changes set in motion by the new Compact, the state does not move out of the second bracket (net win greater than \$3 billion) in the forecast window.

Revenue Sharing			
	2015 Compact Minimum <u>Guarantee</u>	2015 Compact Revenue Share <u>Calculated</u>	<u>difference</u>
2017-18	325.0	343.1	-18.1
2018-19	350.0	349.8	0.2
2019-20	375.0	356.7	18.3
2020-21	425.0	363.6	61.4
2021-22	475.0	370.7	104.3
2022-23	500.0	377.9	122.1
2023-24	<u>550.0</u>	<u>385.2</u>	<u>164.8</u>
7-Year	3,000.0	2,547.0	453.0

Key Assumption for Impact Conference...

- Cannibalization—creating demand for one product at the expense of another; substitution of one purchase for another. It can be detected through:
 - The shifting among state revenue sources when the gambling product is a substitute purchase replacing the purchase of another good which would have been taxed in a different manner. (+ or – depending on the difference in tax rates)
 - The shifting among gambling products that are substitutes for each other. (+ or - depending on the difference in tax rates)
 - The shifting between a nontaxable purchase to a taxed gambling product. (+)
- Conference assumed that the additional \$40+ million from craps and roulette would mostly come from additional out-of-state visitors and Floridians who used to leave the state to play this type of game—essentially eliminating the cannibalization effect from this change. This comports with the Tribe’s stated plans to attract additional tourists.

Adjustments Not Included...

- Stated intention to undertake significant fixed capital investment, since no guarantees or deadlines were provided.
- New non-tribal gaming and other adjustments authorized by the compact, but requiring additional legislation.
- Cash Adjustments to line the estimate up with state fiscal years.

Initial Payment Period

Comparison of Cash Numbers for Fiscal Years 2015-16 and 2016-17

Current Forecast		2015 Compact		difference
	<i>FY15-16</i>		<i>FY15-16</i>	<i>FY15-16</i>
■ june 14-15	19.5	■ june 14-15	19.5	0.0
jul-may 15-16	157.1	jul-may 15-16	262.3	105.2
true-up	<u>38.8</u>	true-up	<u>38.8</u>	<u>0.0</u>
	215.4		320.6	105.2
	<i>FY16-17</i>		<i>FY16-17</i>	<i>FY16-17</i>
■ june 15-16	14.3	■ june 15-16	23.8	9.6
jul-may 16-17	<u>112.0</u>	jul-may 16-17	<u>278.6</u>	<u>166.6</u>
	126.2		302.4	176.2

Difference column shows additional \$281.4 million that could be appropriated in the upcoming budget.