

# Revenue Estimating Conference Indian Gaming Revenues Executive Summary

**December 2, 2015**

The Revenue Estimating Conference met on December 2, 2015, to adopt new estimates for Indian Gaming revenues. During the first five years of the Indian Gaming Compact, the Seminole Tribe was required to make a minimum guaranteed payment for each year unless 12 percent of Net Win produced a larger amount. Net Win in Fiscal Year 2013-14 was above the minimum guarantee threshold, generating a true-up payment of \$21.7 million that was received in August 2014. A final true-up payment of \$38.8 million was received in August 2015 for Fiscal Year 2014-15 activity. The forecast has now been updated to include that final true-up payment, the actual Net Win for Fiscal Year 2014-15, and other information from the most recent quarterly financial reports available from the Tribe. Growth rates for Net Win for all fiscal years were kept the same as the August 2015 forecast.

The Compact provides that if the authorization for banked card games expires, revenue share payments from all banked card games and all Broward activity shall cease. It also provides that the Tribe has 90 days to cease operation of banked card games. The banked card games authorization expired on July 31, 2015, and the grace period ended October 31, 2015. Since then, the Tribe has continued to operate banked card games and make revenue share payments to the state that assume the prohibited activity continues. However, the official forecast does not include any funds related to the continuation of banked card games beyond the grace period.

The \$3.7 million increase in Fiscal Year 2015-16 is primarily due to a higher-than-expected final true-up payment; it generated \$2.4 million more than projected at the last Conference. The remainder of the increases throughout the forecast are mostly due to the slightly higher starting point because actual Net Win in Fiscal Year 2014-15 was greater than projected.

The following table compares the December 2015 and August 2015 forecasts, showing increases in projected revenues each year.

Indian Gaming Revenues									
Millions of \$									
	Receipts			Local Distribution			Net General Revenue		
	Aug 2015	Dec 2015	Difference	Aug 2015	Dec 2015	Difference	Aug 2015	Dec 2015	Difference
2011-12	150.0	150.0	0.0	3.8	3.8	0.0	146.2	146.2	0.0
2012-13	226.1	226.1	0.0	4.5	4.5	0.0	221.6	221.6	0.0
2013-14	237.3	237.3	0.0	7.0	7.0	0.0	230.3	230.3	0.0
2014-15	255.6	255.6	0.0	7.1	7.1	0.0	248.5	248.5	0.0
2015-16	211.8	215.4	3.7	7.7	7.7	0.0	204.1	207.7	3.6
2016-17	125.2	126.2	1.1	6.2	6.3	0.1	119.0	119.9	0.9
2017-18	123.3	124.4	1.1	3.6	3.7	0.0	119.7	120.7	1.0
2018-19	125.3	126.4	1.1	3.7	3.7	0.0	121.6	122.6	1.0
2019-20	127.2	128.3	1.1	3.8	3.8	0.0	123.5	124.5	1.0
2020-21	129.2	130.3	1.1	3.8	3.9	0.0	125.4	126.5	1.1

Distributions may not sum to the totals due to rounding.

FY15-16 includes revenues from banked card games during the 90-day grace period.

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2013-14	237.3	237.3	0.0	7.0	7.0	0.0	230.3	230.3	0.0
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Indian Gaming Revenues									
Fiscal Year	Net Win	% change	Loss From Broward 48.53%	Loss from other table games 8.65%	Remaining Net Win	Net Revenues	Revenues Collected	Minimum Payment	True-up Payment
2010-11									
2011-12									
2012-13	1,977.6				1,977.6	237.3	226.1	233.0	4.3
2013-14	2,098.0	6.09%			2,098.0	254.7	237.3	233.0	21.7
2014-15	2,218.9	5.77%			2,218.9	272.8	255.6	234.0	38.8
2015-16	2,307.7	4.00%	(746.6)	(133.1)	1,428.0	171.4	215.4		
2016-17	2,376.9	3.00%	(1,153.5)	(205.6)	1,017.8	122.1	126.2		
2017-18	2,424.5	2.00%	(1,176.6)	(209.7)	1,038.2	124.6	124.4		
2018-19	2,462.3	1.56%	(1,194.9)	(213.0)	1,054.4	126.5	126.4		
2019-20	2,500.7	1.56%	(1,213.6)	(216.3)	1,070.8	128.5	128.3		
2020-21	2,539.7	1.56%	(1,232.5)	(219.7)	1,087.5	130.5	130.3		
2021-22	2,579.3	1.56%	(1,251.7)	(223.1)	1,104.5	132.5	132.4		
2022-23	2,619.6	1.56%	(1,271.3)	(226.6)	1,121.7	134.6	134.4		
2023-24	2,660.4	1.56%	(1,291.1)	(230.1)	1,139.2	136.7	136.5		

**NOTE:** Revenues collected are lagged by one month

Assumptions: Beginning in November of 2015-16, table games are no longer active  
 Lose all of Broward County Revenues (48.53% of net win, source: financial reports for the quarter ending June 30, 2015)  
 Lose table game revenues for non-Broward facilities (8.65% of net win, source: financial reports for the quarter ending June 30, 2015)  
 True-up payments generated from activity in any Fiscal Year are received in the following Fiscal Year.

Revenue Sharing Percentages  
 12% of net win up to \$2 billion  
 15% of net win between \$2 billion and \$3 billion  
 17.5% of net win between \$3 billion and \$3.5 billion  
 20% of net win between \$3.5 billion and \$4 billion  
 22.5% of net win between \$4 billion and \$4.5 billion  
 25% of net win over \$4.5 billion

## REVENUE ESTIMATING CONFERENCE

**Tax:** Indian Gaming Revenue Sharing

**Issue:** 2015 Gaming Compact (Ratification Only)

**Bill Number(s):** Governor's December 7, 2015 Compact

**Entire Bill**

**Partial Bill:**

**Sponsor(s):**

**Month/Year Impact Begins:** the effective date of the Compact

**Date of Analysis:** January 14, 2016

### Section 1: Narrative

#### a. Current Law:

The 2010 Indian Gaming Compact provides substantial exclusivity of certain Class III gaming to the Seminole Tribe while also requiring revenue sharing with the state. The Tribe was required to make a minimum guaranteed payment for each of the first five years of the Compact unless 12 percent of Net Win produced a larger amount, in which case a true-up payment was also required. Fiscal Year 2014-15 was the last year of the minimum guarantee payment period. True-up payments were generated in fiscal years 2012-13, 2013-14, and 2014-15, which means that revenue sharing exceeded the minimum guarantee. The 2010 Compact has a term of 20 years. However, authorization for banked card games expired July 31, 2015. The Compact states that if the banked card games provision expires, the Tribe will also cease revenue share payments for all gaming activity in Broward County. From the expiration date, the Tribe had a 90-day grace period in which to terminate operation of banked card games. Banked card games and Broward County revenue sharing are not included in the current Indian Gaming forecast past the 90-day grace period (ended October 31, 2015).

#### b. Proposed Change:

The 2015 Indian Gaming Compact would replace the 2010 Compact after it is ratified by the Florida Legislature, approved under the Federal Indian Gaming Regulatory Act, and noticed in the Federal Register. The term of the 2015 Compact is from its effective date through June 30, 2036. The 2015 Compact reinstates the authority to operate banked card games at the 5 facilities that are currently operating banked card games and extends the authorization to the remaining two facilities, for the entire term of the new compact. The 2015 Compact also allows all seven of the Tribe's facilities to operate live table games such as craps and roulette.

The 2015 Compact establishes a Guarantee Payment Period that is defined as 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 7-year period, a true-up payment may be required if the amount due using the revenue share rates and brackets outlined in the 2015 Compact would have generated more than \$3 billion. The 2015 Compact also establishes an Initial Payment Period that is defined as the period beginning on the effective date of the Compact and ending June 30, 2017. During the Initial Payment Period, revenue share rates and brackets that are the same as the ones in the 2010 Compact will be used to determine payments to the state.

The 2015 Compact also outlines additional gaming that would be permitted with Legislative authorization without any negative impacts to the state's payments from the Tribe. For example, the 2015 Compact would allow the Legislature to: authorize one additional slot facility in both Miami-Dade County and Palm Beach County, add blackjack to slots facilities in Miami-Dade and Broward, reduce the tax rate for pari-mutuels to as low as 25% of slot machine revenue, and decouple slots from other pari-mutuel activities such as dog racing, horse racing, and jai alai.

### Section 2: Description of Data and Sources

2010 Gaming Compact

2015 Gaming Compact

December 2015 Indian Gaming Revenue Estimating Conference

Nevada Gaming Control Board's Gaming Revenue Information Report

Seminole Tribe Quarterly Financial Statements and Reports

### Section 3: Methodology (Include Assumptions and Attach Details)

The impact analysis estimates the Net Win associated with the additional gaming authorized under the 2015 Compact, adds it to the Net Win projections in the current forecast, and then calculates revenue sharing payments pursuant to the 2015 Compact. The analysis assumes that the 2015 Compact will be approved prior to the end of Fiscal Year 2015-16, and revenue share payments in Fiscal Year 2015-16 will be made as if the 2015 Compact was in place for the entire fiscal year. The analysis assumes that craps and roulette and banked card games at the two remaining facilities will begin operating as soon as the 2015 Compact becomes effective,

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but at an indeterminate level for the duration of Fiscal Year 2015-16. The Net Win attributed to craps and roulette was calculated based on units per location and the average net win per game in Nevada. The Net Win attributed to banked card games at the two remaining facilities was calculated using existing Net Win at these facilities, and grossing it up using the percent of Net Win attributable to banked card games at other similar facilities that currently have banked card games. The fiscal impacts presented below assume payments are made in real time and are not lagged one month from the activity generating them. This is done to simplify the presentation so that the guarantee payments shown are consistent with those outlined in the 2015 Compact and so that the guarantee payments can be compared to what the required payments would be if the revenue share rates were used during the same period. Once a ratification bill is presented to the Conference, actual cash impacts would need to be calculated. They will differ from the impact presented here.

The analysis does not include any impacts from potential additional gaming that is permitted under the 2015 Compact that would require Legislative approval.

### Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2016-17				177.7		
2017-18				200.6		
2018-19				223.6		
2019-20				246.7		
2020-21				294.7		

NOTE: There would also be a Fiscal Year 2015-16 impact of \$70.7 million.

The Conference agreed to the proposed revenue sharing obligations by fiscal year as shown in Section 4.

**Revenue Sharing (Compare to Current Forecast)**

	Current Forecast	2015 Compact	Impact
2015-16	215.4	286.2	70.7
2016-17	126.2	303.9	177.7
2017-18	124.4	325.0	200.6
2018-19	126.4	350.0	223.6
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

**Revenue Sharing (Proposed Tiers Compared to Guarantee)**

	2015 Compact Minimum Guarantee	2015 Compact Revenue Share Calculated	difference
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>
<b>7-Year</b>	3,000.0	2,547.0	453.0

**Net Win**

	Current Forecast	2015 Compact	difference
2015-16	1,428.0	2,307.7	879.7
2016-17	1,017.8	2,426.1	1,408.3
2017-18	1,038.2	2,474.6	1,436.5
2018-19	1,054.4	2,513.2	1,458.9
2019-20	1,070.8	2,552.4	1,481.6
2020-21	1,087.5	2,592.2	1,504.7
2021-22	1,104.5	2,632.7	1,528.2
2022-23	1,121.7	2,673.8	1,552.1
2023-24	1,139.2	2,715.5	1,576.3

**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

**Revenue Sharing Rates (effective July 1, 2017)**

Brackets	Current Compact	2015 Compact	difference
\$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%

Source: Gaming Revenue Information Report - Nevada Gaming Control Board  
 12 Months: 12/1/14 to 11/30/15: Statewide Grossing \$1 Million Plus (253 Locations)

Games and Tables	Locations	Units	Win Amount	Win Percent	Taxable	Of Total	Average per Game
Twenty-One	148	2676	1,090,681	0.1198	960,017,416		
Craps	129	371	386,051	0.1403	331,888,045	0.0344	1,040,569
Roulette	124	444	327,646	0.1684	272,470,414	0.0283	737,941
3-Card Poker	107	237	149,460	0.3171	102,066,234		
Baccarat	28	332	1,261,750	0.1216	1,108,321,200		
Mini-Baccarat	52	129	95,640	0.1001	86,066,436		371
Keno	55	80	27,506	0.2714	20,040,872		444
Bingo	43	43	7,725	0.0351	7,453,853		815
Let It Ride	65	84	37,383	0.2511	27,996,129		
Pai Gow	22	26	15,419	0.1942	12,424,630		0.455214724
Pai Gow Poker	94	254	104,778	0.2093	82,847,965		0.544785276
		4676	3,504,039	0.1283	3,011,593,192	0.312280763	

Card	75	681	117,890		117,890,000	0.012224353
Slots	253	146,773	6,959,065	0.0639	6,514,380,747	0.675494883
Total					9,643,863,939	

Blend	875,701.84
Number Devices	45
Add to Net Win	<b>39,406,583</b> Add to Net Win

Compact Year Ended June 30, 2015  
 0.0313 2,218,936,086  
 69,527,774

	Avg Units/Location	x 7 facilities
Craps	2.88	20.13
Roulette	3.58	<u>25.06</u>
		45.20

	Forecast	Add'l Net Win	IG growth rates
	2015-16	39.4	
	2016-17	40.6	3.0%
	2017-18	41.4	2.0%
	2018-19	42.0	1.6%
	2019-20	42.7	1.6%
	2020-21	43.4	1.6%
	2021-22	44.0	1.6%
	2022-23	44.7	1.6%
	2023-24	45.4	1.6%



**Comparison of Cash Numbers for Fiscal Years 2015-16 and 2016-17 (Initial Payment Period)**

<u>Current Forecast</u>		<u>2015 Compact</u>		<u>difference</u>
	<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