

INITIATIVE FINANCIAL INFORMATION STATEMENT

Authorizes Miami-Dade and Broward County Voters to Approve Slot Machines in Parimutuel Facilities

SUMMARY OF INITIATIVE FINANCIAL INFORMATION STATEMENT

There is no fiscal impact for state and local governments resulting from this amendment alone. However, significant costs and revenues may result for state government and for the governments of Miami-Dade and Broward counties, if the voters in one or both counties act favorably on the referendum, and if the Legislature chooses to tax the revenues resulting from the activity.

State Government Revenue Impact- Revenues to the state would result from the Legislature's decision to tax slot machine activity. It is estimated that by the third year of activity, the range of tax revenues raised would be from \$250 million to \$600 million, assuming that both counties pass the referenda, and that the Legislature taxes the activity at a typical tax rate between 30% and 50%. There would be a reduction in sales tax collections (between \$30 million and \$45 million), due to a shift in spending from items subject to the sales tax to spending on slot machines. Additionally, there would be a reduction in revenues from the sale of lottery tickets (between \$40 and \$55 million), as spending on slot machines displaces some spending on lottery tickets. The overall effect on state revenues is expected to be an increase in revenue ranging from \$200 million to \$500 million. Should only Miami-Dade County pass the referendum, the estimated increase would be between \$70 million and \$200 million. If only Broward County passes the referendum, the estimated increase would be between \$100 million and \$300 million.

Although the amendment contemplates taxation of slot machine revenues, should the Legislature choose not to tax this activity, there would be a state revenue loss of \$70 million to \$100 million from the sales tax and lottery.

Local Government Revenue Impact- Local governments statewide would experience a loss in revenues from the sales tax of between \$5 million and \$8 million. Revenues to local governments in Miami-Dade and Broward counties would likely increase due to increased tourism and recreational activity. Nearby local governments would experience a reduction in tourism and recreational activity if the availability of slot machines makes Miami-Dade and Broward counties more attractive as tourism destinations. This effect would be reduced, however, if the availability of slot machines attracts tourists who would have otherwise chosen destinations outside of Florida, or who would have chosen day cruises or casinos located on Indian reservations as gambling destinations. The combined impact of these effects cannot be determined at this time.

State and Local Government Cost Impact- Anticipated costs to the state and to local governments in Miami-Dade and Broward counties would be twofold. There would be administrative costs associated with overseeing the operation of the facilities containing the slot machines. In addition, research indicates that when gambling becomes more accessible, there are typically increases in problem gambling. Costs associated with problem gambling, while not quantifiable, may be significant, and would come in the form of increased law enforcement costs, mental health and addiction treatment costs, and possible increases in unemployment compensation costs, among others.

FINANCIAL IMPACT STATEMENT – revised July 27

This amendment alone has no fiscal impact on government. If slot machines are authorized in Miami-Dade or Broward counties, governmental costs associated with additional gambling will increase by an unknown amount and local sales tax-related revenues will be reduced by \$5

million to \$8 million annually. If the Legislature also chooses to tax slot machine revenues, state tax revenues from Miami-Dade and Broward counties combined would range from \$200 million to \$500 million annually.

I. SUBSTANTIVE ANALYSIS

A. Proposed Amendment

Ballot Title:

Authorizes Miami-Dade and Broward County Voters to Approve Slot Machines In Parimutuel Facilities

Ballot Summary:

Authorizes Miami-Dade and Broward Counties to hold referenda on whether to authorize slot machines in existing, licensed parimutuel facilities (thoroughbred and harness racing, greyhound racing, and jai alai) that have conducted live racing or games in that county during each of the last two calendar years before effective date of this amendment. The Legislature may tax slot machine revenues, and any such taxes must supplement public education funding statewide. Requires implementing legislation.

Amendment of Florida Constitution:

Article X, Florida Constitution, is hereby amended to add the following as section 19:

SECTION 19. SLOT MACHINES -

(a) After voter approval of this constitutional amendment, the governing bodies of Miami-Dade and Broward Counties each may hold a county-wide referendum in their respective counties on whether to authorize slot machines within existing, licensed parimutuel facilities (thoroughbred and harness racing, greyhound racing, and jai-alai) that have conducted live racing or games in that county during each of the last two calendar years before the effective date of this amendment. If the voters of such county approve the referendum question by majority vote, slot machines shall be authorized in such parimutuel facilities. If the voters of such county by majority vote disapprove the referendum question, slot machines shall not be so authorized, and the question shall not be presented in another referendum in that county for at least two years.

(b) In the next regular Legislative session occurring after voter approval of this constitutional amendment, the Legislature shall adopt legislation implementing this section and having an effective date no later than July 1 of the year following voter approval of this amendment. Such legislation shall authorize agency rules for implementation, and may include provisions for the licensure and regulation of slot machines. The Legislature may tax slot machine revenues, and any such taxes must supplement public education funding statewide.

(c) If any part of this section is held invalid for any reason, the remaining portion or portions shall be severed from the invalid portion and given the fullest possible force and effect.

(d) This amendment shall become effective when approved by vote of the electors of the state.

Effective Date and Severability:

This amendment shall be effective on the date it is approved by the electorate. If any portion of this measure is held invalid for any reason, the remaining portion of this measure, to the fullest extent possible, shall be severed from the void portion and given the fullest possible force and application.

B. Effect of Proposed Amendment

Currently, state law does not allow for gambling in the form of slot machines to be carried on in Florida, although casinos which include some types of slot machines as well as other gambling options do exist on Indian reservations in the state. This amendment would allow Miami-Dade and Broward counties to hold referenda to decide whether to allow the placement of slot machines in certain parimutuel facilities located within their counties. Either county may make such an election independently of the action of the other county. The Legislature must pass legislation authorizing agency rules for implementation, and may include provisions for the licensure and regulation of slot machines. The Legislature may choose to tax slot machine revenues and any tax revenues must supplement public education funding statewide.

Background

Floridians for a Level Playing Field (FLPF) is the sponsor of this proposed constitutional amendment. Its members include owners of some of the potentially affected parimutuel facilities.

FLPF states that the amendment does not directly authorize slot machines, but allows voters in Miami-Dade and Broward counties to decide whether or not they wish to allow slot machines in existing parimutuel facilities within their counties. Additionally they argue that in the event the voters approve the slot machines, gambling would not be introduced into Florida because unregulated and untaxed machines already exist in casinos on Indian reservations and on day cruise ships based in Florida. Finally, the proponents argue that all Floridians would benefit because the Legislature may tax the slot machines and tax revenues are required to be used to enhance spending on education statewide.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

Section 100.371, Florida Statutes, requires that the Financial Impact Estimating Conference "...complete an analysis and financial impact statement to be placed on the ballot of the estimated increase or decrease in any revenue or costs to state or local governments resulting from the proposed initiative."

As part of determining the fiscal impact of this proposed amendment, the Financial Impact Estimating Conference held public workshops on June 3, 2004 and on June 17, 2004, and a Financial Impact Estimating Conference on June 23-25, 2004. Also, information was gathered regarding the operation of slot machines in parimutuel facilities in other states. This information was used to prepare estimates of projected revenues if slot machines are approved in the affected counties, and if the Legislature chooses to tax the slot machine activity.

The fiscal impact for this proposed amendment is based on independent research, oral and written statements from the proponents, and discussions among the Estimating Conference principals and professional staff. Additional detail is provided in an attachment.

State revenues will be affected- If the Legislature chooses to tax slot machine revenues, the resulting proceeds must be used to supplement education spending statewide. Based on the experience of other states placing slot machines in parimutuel facilities, the conference developed estimates of expected revenues ranging from \$250 million to \$600 million for both Miami-Dade and Broward counties combined. The authorization of slot machines will reduce spending on items subject to the sales tax, and spending on the lottery, with a resulting loss in those two revenue sources combined of between \$70 million and \$100 million. The net effect

on revenues ranges from approximately \$200 million to \$500 million. Should the voters of only one of the counties approve the slots, the impact would be approximately half.

	Low	High
Slot Machines Per Location	1,203	1,765
Number of Locations	7	7
Total Number of Slot Machines	8,421	12,355
Annual Revenue Per Slot Machine	\$98,120	\$98,120
Total Slot Machine Revenues (\$ Millions)	\$826.3	\$1,212.3
Tax Rate	30%	50%
Tax Revenue from Slot Machines (\$ Millions)	\$247.9	\$606.1
Sales Tax Loss (\$ Millions)	-\$29.7	-\$43.6
Loss of Lottery Revenues (\$ Millions)	-\$37.7	-\$55.3
Net State Revenue (\$ Millions)	\$180.5	\$507.2

Local government revenues will be affected- Local governments statewide would experience a loss in revenues from the sales tax of between \$5 million and \$8 million, while local governments in Miami-Dade and Broward counties would likely experience offsetting increases in tax collections due to increased local tourism.

State and local government costs will increase- Costs to state and local governments are expected to increase due to regulatory, oversight, and licensing requirements. The magnitude of these increases is not quantifiable at this time. A second and perhaps more significant cost will be that related to an expected increase in problem gambling. With an increase in the overall level of gambling activity, the level of problem gambling will likely increase also. This will lead to a need for increased expenditures by state and local governments in several areas, including law enforcement (including impacts on the courts and jails/prisons), mental health and addiction treatment costs, and unemployment compensation costs, among others. The magnitude of the costs associated with increased problem gambling is not quantifiable at this time.

ATTACHMENT**Proposed Constitutional Amendment****Slot Machines in Miami-Dade and Broward Counties****Estimate Using Net Machine Income per Machine**

**Low Estimate for Net Machine Income--in 2007-08, machines per location equal to average of 2 lowest states in 2001-02
Net machine income per machine in 2007-08 equal to average of all four states in 2001-02**

	Year 1 2005-06	Year 2 2006-07	Year 3 2007-08	Year 4 2008-09	Year 5 2009-10	Year 6 2010-11
Slot Machines per Location	961	1,075	1,203	1,346	1,506	1,686
% Change		11.9%	11.9%	11.9%	11.9%	11.9%
Number of Locations *	7	7	7	7	7	7
Total Number of Machines	6,725	7,525	8,421	9,423	10,544	11,799
Net Machine Income/Machine	87,162	92,479	98,120	104,105	110,456	117,194
Win/Machine/Day	239	254	270	286	303	322
% Change		6.1%	6.1%	6.1%	6.1%	6.1%
First year adjustment	50%	100%	100%	100%	100%	100%
Net Terminal Income (\$ Millions)	293.1	695.9	826.3	981.0	1,164.7	1,382.8

**High Estimate for Net Machine Income--in 2007-08, machines per location equal to average of 2 highest states in 2001-02
Net machine income per machine in 2007-08 equal to average of all four states in 2001-02**

	Year 1 2005-06	Year 2 2006-07	Year 3 2007-08	Year 4 2008-09	Year 5 2009-10	Year 6 2010-11
Slot Machines per Location	1,410	1,577	1,765	1,975	2,210	2,473
% Change		11.9%	11.9%	11.9%	11.9%	11.9%
Number of Locations *	7	7	7	7	7	7
Total Number of Machines	9,867	11,041	12,355	13,825	15,470	17,311
Net Machine Income/Machine	87,162	92,479	98,120	104,105	110,456	117,194
Win/Machine/Day	239	254	270	286	303	322
% Change		6.1%	6.1%	6.1%	6.1%	6.1%
First year adjustment	50%	100%	100%	100%	100%	100%
Net Terminal Income (\$ Millions)	430.0	1,021.1	1,212.3	1,439.3	1,708.8	2,028.8

* Represents 3 facilities in Miami-Dade County (Calder/Tropical, Miami Jai Alai/Summer, and Flagler) and 4 facilities in Broward County (Pompano, Hollywood, Dania/Summer Sport, and Gulfstream)

Estimates for Tax Rates:

High	50%
Middle	40%
Low	30%

Other Assumptions:

	Year 1 2005-06	Year 2 2006-07	Year 3 2007-08	Year 4 2008-09	Year 5 2009-10	Year 6 2010-11
% From New Tourists/retained Floridians	10.0%	15.0%	20.0%	20.0%	20.0%	20.0%
Of the remainder:						
% from non-taxable spending	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
% from spending subject to Sales Tax	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
% from current Lottery	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
% from Parimutuels	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Revenue Estimates: (Millions of Dollars)

Low--Low Net Machine Income, Low Tax Rate

	Year 1 2005-06	Year 2 2006-07	Year 3 2007-08	Year 4 2008-09	Year 5 2009-10	Year 6 2010-11
Net Terminal Income	293.1	695.9	826.3	981.0	1,164.7	1,382.8
Tax Rate	30%	30%	30%	30%	30%	30%
Tax Collections, Slot Machines	87.9	208.8	247.9	294.3	349.4	414.8
Tax Impact, Sales Tax	(11.9)	(26.6)	(29.7)	(35.3)	(41.9)	(49.8)
Revenue Impact, Lottery	(15.0)	(33.7)	(37.7)	(44.7)	(53.1)	(63.1)
Tax Impact, Parimutuel Tax	-	-	-	-	-	-
Net Tax Impact	61.0	148.4	180.5	214.2	254.4	302.0

Middle--Average Net Machine Income, Average Tax Rate

	Year 1 2005-06	Year 2 2006-07	Year 3 2007-08	Year 4 2008-09	Year 5 2009-10	Year 6 2010-11
Net Terminal Income	361.6	858.5	1,019.3	1,210.1	1,436.7	1,705.8
Tax Rate	40%	40%	40%	40%	40%	40%
Tax Collections, Slot Machines	144.6	343.4	407.7	484.1	574.7	682.3
Tax Impact, Sales Tax	(14.6)	(32.8)	(36.7)	(43.6)	(51.7)	(61.4)
Revenue Impact, Lottery	(18.5)	(41.6)	(46.5)	(55.2)	(65.5)	(77.8)
Tax Impact, Parimutuel Tax	-	-	-	-	-	-
Net Tax Impact	111.4	269.0	324.5	385.3	457.5	543.1

High--High Net Machine Income, High Tax Rate

	Year 1 2005-06	Year 2 2006-07	Year 3 2007-08	Year 4 2008-09	Year 5 2009-10	Year 6 2010-11
Net Terminal Income	430.0	1,021.1	1,212.3	1,439.3	1,708.8	2,028.8
Tax Rate	50%	50%	50%	50%	50%	50%
Tax Collections, Slot Machines	215.0	510.5	606.1	719.6	854.4	1,014.4
Tax Impact, Sales Tax	(17.4)	(39.1)	(43.6)	(51.8)	(61.5)	(73.0)
Revenue Impact, Lottery	(22.1)	(49.5)	(55.3)	(65.6)	(77.9)	(92.5)
Tax Impact, Parimutuel Tax	-	-	-	-	-	-
Net Tax Impact	175.5	422.0	507.2	602.2	715.0	848.8

Video Lottery Terminals at Pari-Mutuel Locations

	<u>Start Date</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Delaware	Dec. 1995											
Net Machine Income					76.7	254.6	326.7	377.7	450.1	501.0	565.5	524.5
% Change						231.94%	28.32%	15.61%	19.17%	11.31%	12.87%	-7.25%
Installed VLTs					1,287	2,580	2,702	3,493	5,037	5,151	5,327	5,430
Total VLT Locations					2	3	3	3	3	3	3	3
VLTs/Location					644	860	901	1,164	1,679	1,717	1,776	1,810
Total State Population					0.741	0.751	0.763	0.775	0.784	0.796	0.804	0.817
Per Capita Per'l Income					26,991	27,830	28,702	29,806	31,122	32,161	33,286	
% Change						3.11%	3.14%	3.85%	4.42%	3.34%	3.50%	
Net Mach Income/VLT					59,596	98,682	120,910	108,131	89,359	97,263	106,157	96,593
Net Mach Inc Per Capita					103.51	339.01	428.18	487.35	574.11	629.40	703.36	641.98
% of Per Capita Inc					0.38%	1.22%	1.49%	1.64%	1.84%	1.96%	2.11%	
R. Island	Sep. 1992											
Net Machine Income		16.4	27.7	57	86.6	112.3	131.5	155.3	194.7	229.1	281.0	314.8
% Change						29.68%	17.10%	18.10%	25.37%	17.67%	22.65%	12.03%
Installed VLTs		1282	1282	1628	1628	1628	1628	1628	1628	2478	2478	3272
Total VLT Locations		2	2	2	2	2	2	2	2	2	2	2
VLTs/Location		641	641	814	814	814	814	814	814	1,239	1,239	1,636
Total State Population			1.016	1.019	1.021	1.025	1.031	1.040	1.048	1.059	1.066	1.076
Per Capita Per'l Income					23,996	24,683	27,061	27,981	29,198	30,028	30,929	
% Change						2.86%	9.63%	3.40%	4.35%	2.84%	3.00%	
Net Mach Income/VLT		12,793	21,607	35,012	53,194	68,980	80,774	95,393	119,595	92,454	113,398	96,210
Net Mach Inc Per Capita			27.26	55.94	84.82	109.56	127.55	149.33	185.78	216.34	263.60	292.57
% of Per Capita Inc					0.35%	0.44%	0.47%	0.53%	0.64%	0.72%	0.85%	
W. Virginia	Jun. 1992											
Net Machine Income (tracks only)				28.1	47.2	82.3	131.5	190.6	283.2	438.1	595.9	717.1
% Change						74.36%	59.78%	44.94%	48.58%	54.70%	36.02%	20.34%
Installed VLTs				1130	1,885	2,305	2,880	3,435	4,590	6,240	7,021	10,240
Total VLT Locations				3	3	3	4	4	4	4	4	4
VLTs/Location				377	628	768	720	859	1,148	1,560	1,755	2,560
Total State Population					1.823	1.819	1.816	1.812	1.808	1.802	1.800	1.810
Per Capita Per'l Income					18,486	18,692	20,154	20,861	21,737	22,697	23,605	
% Change						1.11%	7.82%	3.51%	4.20%	4.42%	4.00%	
Net Mach Income/VLT				24,867	25,040	35,705	45,660	55,488	61,699	70,208	84,874	70,029
Net Mach Inc Per Capita					25.89	45.24	72.41	105.19	156.64	243.12	331.06	396.19
% of Per Capita Inc					0.14%	0.24%	0.36%	0.50%	0.72%	1.07%	1.40%	
Iowa	Mar. 1995											
Net Machine Income					271.5	253.3	259.2	280.9	300.8	298.0	314.7	314.9
% Change						-6.70%	2.33%	8.37%	7.08%	-0.93%	5.60%	0.06%
Installed VLTs					2,820	2,851	2,910	3,008	3,126	3,503	3,574	3,505
Total VLT Locations					3	3	3	3	3	3	3	3
VLTs/Location					940	950	970	1,003	1,042	1,168	1,191	1,168
Total State Population					2.880	2.891	2.903	2.918	2.926	2.923	2.920	2.944
Per Capita Per'l Income					22,326	22,829	24,389	25,188	26,452	27,301	28,256	
% Change						2.25%	6.83%	3.28%	5.02%	3.21%	3.50%	
Net Mach Income/VLT					96,277	88,846	89,072	93,384	96,225	85,070	88,053	89,843
Net Mach Inc Per Capita					94.27	87.62	89.29	96.26	102.80	101.95	107.77	106.96
% of Per Capita Inc					0.42%	0.38%	0.37%	0.38%	0.39%	0.37%	0.38%	

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	
Average VLTs/location	848	851	960	1,171	1,421	1,490	11.9% Average annual growth rate
Average of two highest states (2001-02)	814	810	1,012	1,413	1,639	1,765	
Average of two lowest states (2001-02)	877	882	892	908	928	1,203	

Average Net Mach Inc/VLT	73,053	84,104	88,099	91,719	86,249	98,120	6.1%
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Tax Rates:	
Delaware	35%
Iowa	20%
Louisiana	29%
Montana	15.0%
Oregon	62%
Rhode Island	54%
South Dakota	49%
West Virginia	41%

Source: La Fleur 2003 Video Lottery Terminal Report, State of Iowa, and the U.S. Statistical Abstract