

Florida
Gaming Summit
Edition



Michael Pollock's
**GAMING INDUSTRY
OBSERVER**

Intelligence for the Gaming Industry®

A SPECTRUM GAMING GROUP PUBLICATION

Political trends ...

EFFORTS TO OVERTURN BAN
ON SPORTS-BETTING
GET SECOND LOOK IN BAD ECONOMY

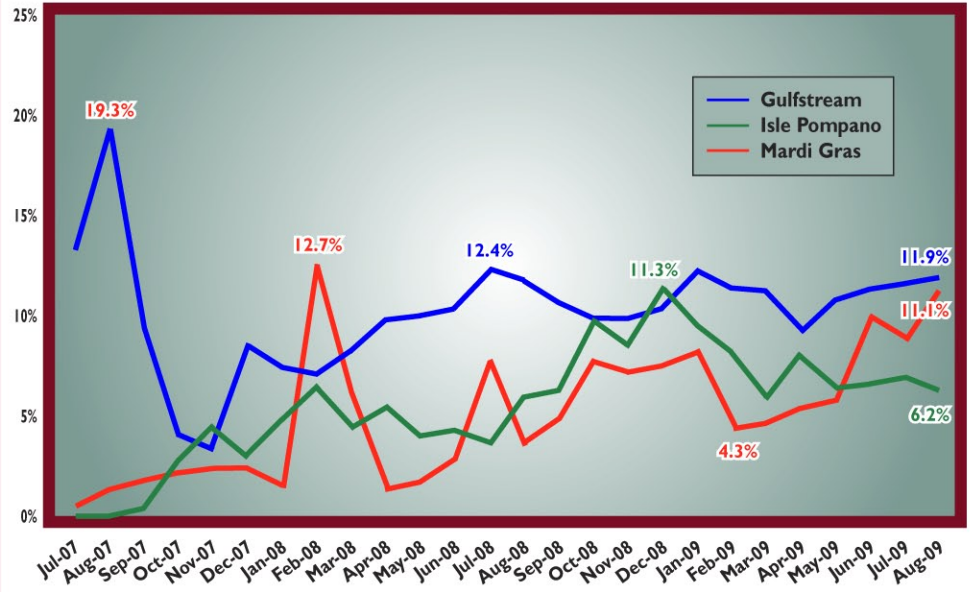
With college football games on Saturday, NFL games on Sunday and the major league baseball playoffs filling the gaps, this may be the busiest time of year for gamblers who like to bet on sports.

This has not escaped the notice of state governments, which are increasingly interested in tapping into gambling revenue as their budgets diminish in the greatest economic crisis since the Great Depression. One route is to legalize, regulate and tax sports betting.

Sports betting has not received significant consideration due to the imposing federal prohibition. But with Delaware having a breakthrough of sorts and some factions in New Jersey persistent in attacking the federal ban, sports betting is getting a second look in some quarters.

“Sports gambling is the last great untapped see *SPORTS-BETTING* on page 7

Florida racino promo slot credits as pct. gross gaming revenue



SOURCE: FLORIDA DIVISION OF PARI-MUTUEL WAGERING DATA

Florida outlook ...

STRIKING BALANCE BETWEEN
SEMINOLE, PARI-MUTUEL GAMING
WOULD BE JACKPOT FOR STATE

Editor's note: The following analysis is by Alan B. Koslow, who leads the Hospitality and Gaming Law Department at Becker & Poliakoff in Fort Lauderdale, FL. He helped to win passage of Amendment 4, which allowed racetrack gaming in Broward and Miami-Dade counties, and currently represents the Isle of Capri and Mardi Gras Gaming racinos and some slot manufacturers. With assistance from legal intern Blair M. Dickert, Koslow offers this thought-provoking analysis of the proposed Seminole gaming compact. The views expressed are his and not necessarily that of this newsletter or its publisher.

On August 31, the Seminole tribe of Florida and Governor **Charlie Crist** signed a proposed gaming compact that, among other things, would increase funding for public education by having the tribe make annual gaming payments to

the state that amount to between 12 percent and 25 percent of net gaming win. In exchange for these payments, the Seminole tribe would receive exclusive rights to operate certain Class III gaming facilities at its various Florida gaming locations.

However well intended, the combination of exclusivity in gaming products and a relatively low rate provides the tribe with a gaping competitive advantage over Florida's pari-mutuel casinos in South Florida and potentially throughout the state. That is why we believe that the Florida Legislature must insist on a level playing field for Florida's pari-mutuels by rejecting the compact as is and providing for more balanced competition amongst all gaming facilities.

The Legislature's failure to ratify the existing compact could create the necessary leverage for the tribe to come back with a compact more favorable to the pari-mutuel gaming operators. Anything less could be viewed in some quarters as the Seminole tribe trying to stifle competition.

Crist's stated intention is to increase and enhance the dollars available to Florida's educational system. see *FLORIDA* on page 6

Register now

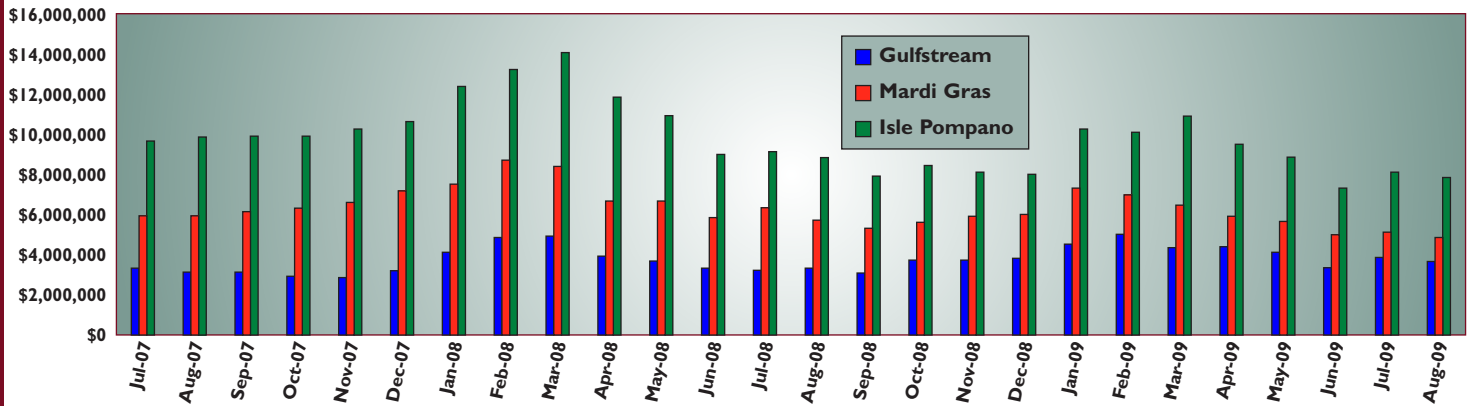
Gaming Industry Observer
co-produces the



October 19 - 20, 2009

Seminole Hard Rock Hollywood
www.floridagamingssummit.com

Florida racino gross gaming revenue



SOURCE: FLORIDA DIVISION OF PARI-MUTUEL WAGERING

F L O R I D A
c o n t i n u e d f r o m p a g e 1

But the compact he approved this time actually weakens his goal by prohibiting additional revenue creation from existing non-tribal facilities and grants the tribe several “outs” on their payment obligations to the state.

The compact grants the right of Class III gaming exclusivity to the tribe and limits the exception for the seven existing pari-mutuel facilities in Broward and Miami-Dade counties (and Hialeah Park). The compact adds a back-door provision that states such licenses cannot be transferred or otherwise used to move or operate such slot machines at any other locations. This prohibition is in direct contradiction to the right granted to the tribe in allowing it to move and expand within its jurisdictional reservation.

Further, the compact, as currently written, does not allow the state to raise additional public education funds by allowing video lottery terminals at pari-mutuels outside of Broward and Miami-Dade counties. If any of the 19 pari-mutuel facilities located outside of Broward and Miami-Dade counties are granted additional gaming rights after January 1, 2009, then the tribe is automatically and fully relieved of the annual gaming-tax payment to the state.

Today, South Florida pari-mutuels with slot machines are required by state law to pay 50 percent of their respective gaming revenues to the Florida Educational Enhancement Trust Fund. If the compact is ratified by the Florida Legislature, then the requirement will be decreased to 35 percent. While helpful to the struggling pari-mutuels on its face, the compact further favors the tribe by calculating the tribe’s financial obligation to the state as a sliding scale percentage of its net win, which equates to significantly less than the 35 percent rate imposed on the pari-mutuels.

Furthermore, the tribe is immune from, and thus

will never pay sales, tourist or property taxes, so its overall tax rate structure remains significantly lower than that its pari-mutuel competitors.

The state retains the right to reject the proposed compact and thereby force the tribe and governor back into negotiations. This scenario is likely the one to play out in the current environment in Tallahassee.

If the state and the tribe cannot reach an agreement, the tribe has the ability to negotiate a deal with the U.S. Department of Interior. However, any such deal would probably exclude the tribe’s right to deal blackjack and other banked card games, which are not otherwise allowed under present Florida law and may take longer than renegotiations with the sta

We believe that it is in the state’s interest that the Legislature insist on a compact that promotes competition among all players, including non-tribal facilities. Competition forces the market to be influenced by the decisions of others, which causes strategic planning.

Thus, the compact and state legislation must mandate that both tribal and non-tribal facilities be allowed to expand and relocate, but not increase the overall number of existing gaming and pari-mutuel locations. This will generate the greatest revenue potential for the state.

The state should also keep its options open with regard to granting Class III gaming for pari-mutuels outside of Dade and Broward counties, which will also provide additional revenues throughout the state.

It is evident that many legislators remain hesitant to ratify the proposed compact. Florida Senate President **Jeff Atwater** sent a letter to Crist stating that

the Senate still had questions regarding the proposed compact. Atwater also sent a letter to Florida senators, revealing his concerns saying “an initial review has raised questions regarding some of the terms of the compact. . . . We have a responsibility to exercise due diligence to ensure we understand the long-term ramifications of the proposed compact.”

State Representative **Bill Galvano** said he will not recommend the proposed compact due to it ignoring certain limits placed within the Legislative Statutes, and is quoted as saying “it is not acceptable.”

If Florida succeeds in forming a balanced and winning compact, it will open the door for Florida to become a gaming power player. A balanced compact that fosters competition will cause facility owners to invest much-needed

capital to upgrade their aging facilities; ultimately, this will create several entertainment destination resorts, all with their own niche market.

These upgraded facilities would entice tourists to visit the state, and in turn, would generate additional revenue for local governments and businesses. The creation of thousands of new jobs would also help the housing market, and an improved housing market boosts the overall economy.

Florida’s tourist economy and infrastructure is already in place, including major airports, seaports and hotels. The solution, in our opinion, is obvious. If finally done right, the Seminole Tribe and the pari-mutuel operators will be working together to give Florida the competitive advantage in the gaming world that is there for the taking, thus giving its citizens the right to cash in annually on this elusive, incredible jackpot. ■

A balanced
compact that fosters
competition will cause
facility owners to
invest much-needed
capital.