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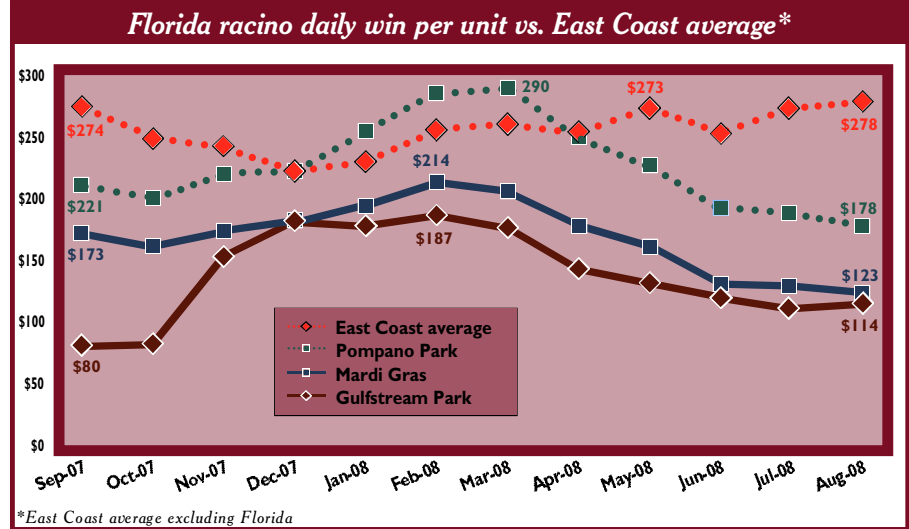
**Florida outlook ...**

LEGISLATURE AND GOVERNOR  
HAVE TIMELY OPPORTUNITY  
TO BOOST RACINOS, SCHOOL FUNDING

*Editor's note: The Seminole Tribe of Florida appeared to clear the last hurdle toward becoming a major U.S. gaming operator when signing a compact with the state allowing it to offer Class III slots and live table games. The compact has run afoul of two laws, one of which is the law of unintended consequences. Alan B. Koslow, Shareholder and Director of Entertainment, Hospitality and Gaming Law for the law firm of Becker & Poliakoff, P.A. in Fort Lauderdale, offers a provocative analysis of this situation. Koslow represents South Florida parimutuel interests as well as gaming equipment providers in Florida and the Caribbean.*

BY ALAN B. KOSLOW

Florida has never been an easy state to peg when it comes to gaming. It is where the modern-day Indian gaming industry was born; it has 26 parimutuel facilities throughout the state and is the last U.S. bastion of jai alai; a statewide vote allows racetrack slots in just two counties, one of which rejected it the first time around; casino boats leave from ports on both sides of the state to ply the gambling trade in interna-



tional waters; the Seminole Tribe casinos recently added live table games that may or may not be legal; and schemers and dreamers salivate at the prospect of big-time commercial gaming at any number of destinations in the state.

The issue du jour, of course, is the Seminole Tribe of Florida's compact, which the Supreme Court struck down on July 3. Although this is potentially a major setback for the Seminole Tribe, the situation does create a unique opportunity for the state to create a level playing field between the Tribe, which has its rights granted by federal law, and the seven existing parimutuel facilities in Broward and Miami-Dade counties, which have their rights granted by state law.

The compact went beyond Florida law by granting the Seminole Tribe the ability to operate banked card games — blackjack, baccarat and all others — which are prohibited by state law. On September 11, Governor **Charlie Crist's** motion for rehearing and the Seminole Tribe's motion for rehearing were denied by the Florida Supreme Court. The state, however, appears to be powerless to stop the Seminoles from continuing to deal cards at their casinos.

The Governor and the Legislature can remedy the compact situation through the legislative process while at the same time creating a level playing field with South Florida's seven parimutuels and also

maximizing gaming tax revenues to the state for public education.

This can be accomplished by an amendment to Chapter 849 of Florida Statutes, granting the same banked card games to the seven existing licensed parimutuel facilities. These seven racinos — five racetracks and two jai alai frontons — have already been approved for Class III slot machines, authorized by the Florida Constitution and Chapter 551 of Florida Statutes.

The Seminole compact acknowledged the ability of the State to grant banked card games to the existing seven racinos. The racinos could be taxed at 10 percent of revenues accrued from banked card games, which is the same tax rate that the Seminoles are supposed to pay to the state. Banked card games at the racinos would collectively create sorely needed additional tax revenues for public education equal to or exceeding what the Seminole Tribe is projected to produce in tax revenues per year (estimated between \$100 million and \$200 million per year).

The public-education aspect of gaming is significant, as Crist and the legislature have a paramount obligation to increase public school education. Florida is the fourth largest state, but ranks dead last in public funding per pupil.

The Legislature should go further by imposing a lower tax rate on gross gaming revenue to the racinos; see **FLORIDA** on page 2

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they pay a state tax of 50 percent now, but 35 percent would be more reasonable. This would create a more level playing field with the Seminole Tribe, who pay zero taxes on Class II slots and were supposed to pay 10 percent on Class III slots and table games under the compact that was struck down.

Such legislatively approved changes would provide the following positive results:

- It would allow racinos to compete more effectively with the Seminole Tribe.

- It would allow the seven Broward and Miami-Dade racinos to reinvest and finance additional revenue into upgrading their facilities — they already have vast landholdings that could house entertainment destinations. The upgrades would likely include master plans with entertainment venues similar to the Seminole Hard Rock Hotel and Casino resorts in Hollywood and Tampa. That would create construction jobs and permanent operational jobs.

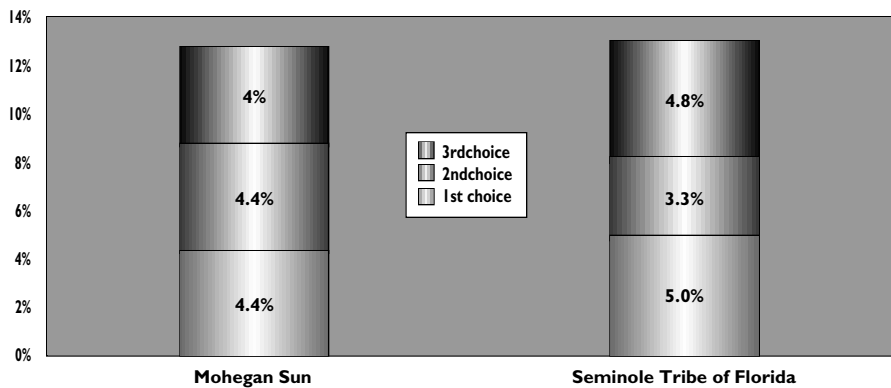
- Retention of additional revenues would allow racinos to have sufficient funding to market and promote their property. Consequently, this would create additional revenues for the state.

- By lowering the tax rate from 50 percent to 35 percent on slot machine revenue, the state could actually increase total gaming revenue taxes received per year because the seven racinos would be able to fully develop and market their entertainment venues as a result of the reduced tax rate. Additional marketing and enhanced development by the seven racinos would allow each property to develop its own brand, create a destination entertainment resort, grow each of their respective loyal customer bases, and maximize gaming and all other revenue streams, thereby also increasing tax revenues to the state.

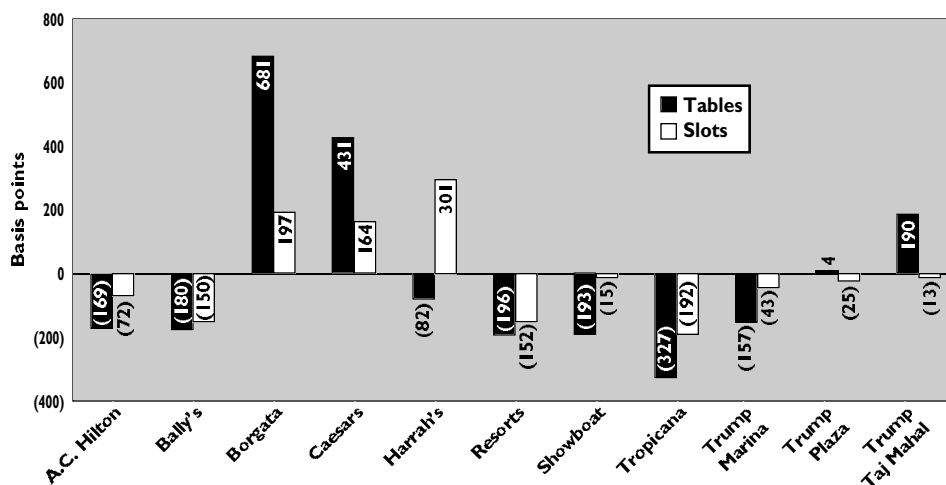
- The state has the opportunity to create a true gaming destination in Florida, providing multiple brands and high-quality gaming-entertainment experiences all within a short drive of each other. Considering the tourism infrastructure already in place in South Florida — including two major airports, seaports and myriad hotels — the potential here is tremendous.

Whether Crist and the Legislature consider the gaming big picture remains to be seen, but clearly — based on the Florida Supreme Court's rulings — the Seminole tribe's leverage is not as significant as it was before July 3. The governor and Legislature have the rare opportunity to legalize the compact with the Seminole Tribe of Florida and significantly enhance public education funding by granting South Florida's parimutuels the banked card games which, in turn, eventually lead to seven entertainment destination resorts — without expanding the number of gaming venues. ■

### Tribal operators emerge as employers of choice



### Atlantic City fair share analysis, last 12 months



Our fair-share analysis, for the 12-month period ending August 31, 2008, examines each property's market share of table games revenue and slot machine revenue vs. its market share of table units and slot units. By definition, a perfect fair share score is 0; for example, a property that earns 7.3 percent of the slot machine revenue also operates 7.3 percent of the market's slot machines. A positive fair-share score indicates greater operational efficiencies. Scores are measured in basis points, or hundredths of a percentage point. We note that Harrah's table-games fair-share score is improving since the opening of The Pool leisure/entertainment complex and hotel tower.



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