

Seminole Compact: Revenue Overview

January 2017

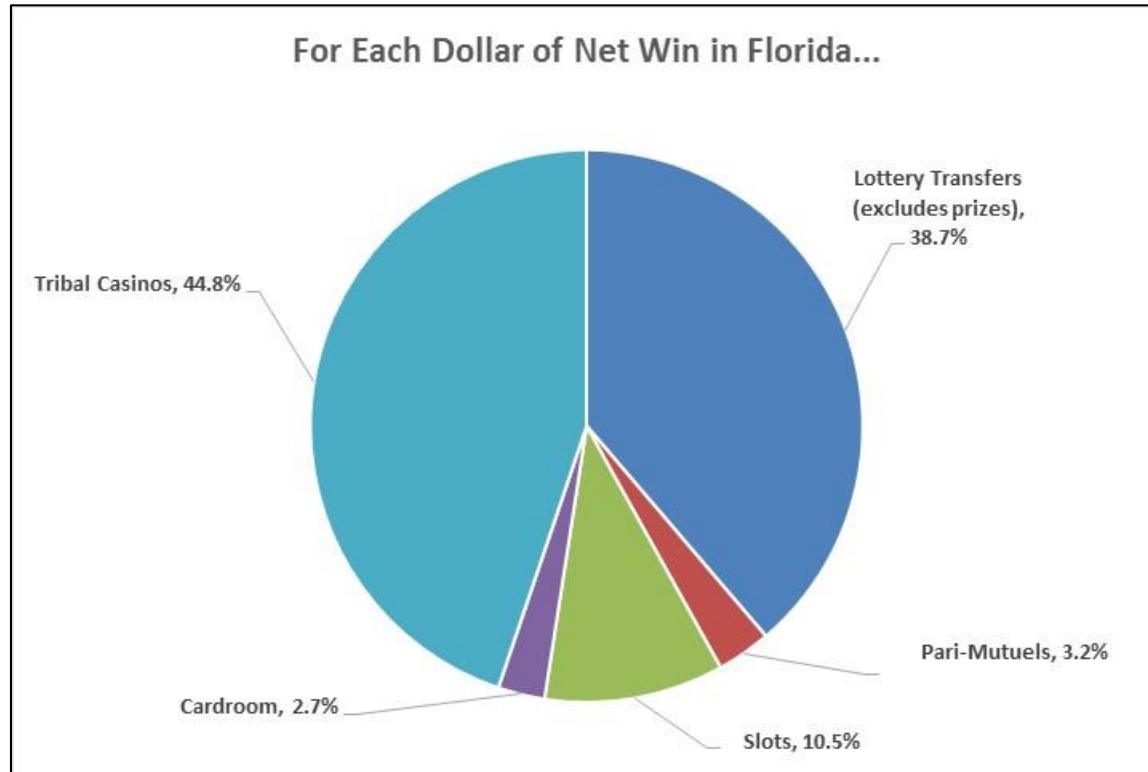
Presented by:



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Gaming Overall...

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



FY 2014-15 was the final full year of authorized banked card game activity at the Tribal facilities.

Current Indian Gaming Compact...

- The existing Compact (sometimes referred to as the 2010 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 are 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...

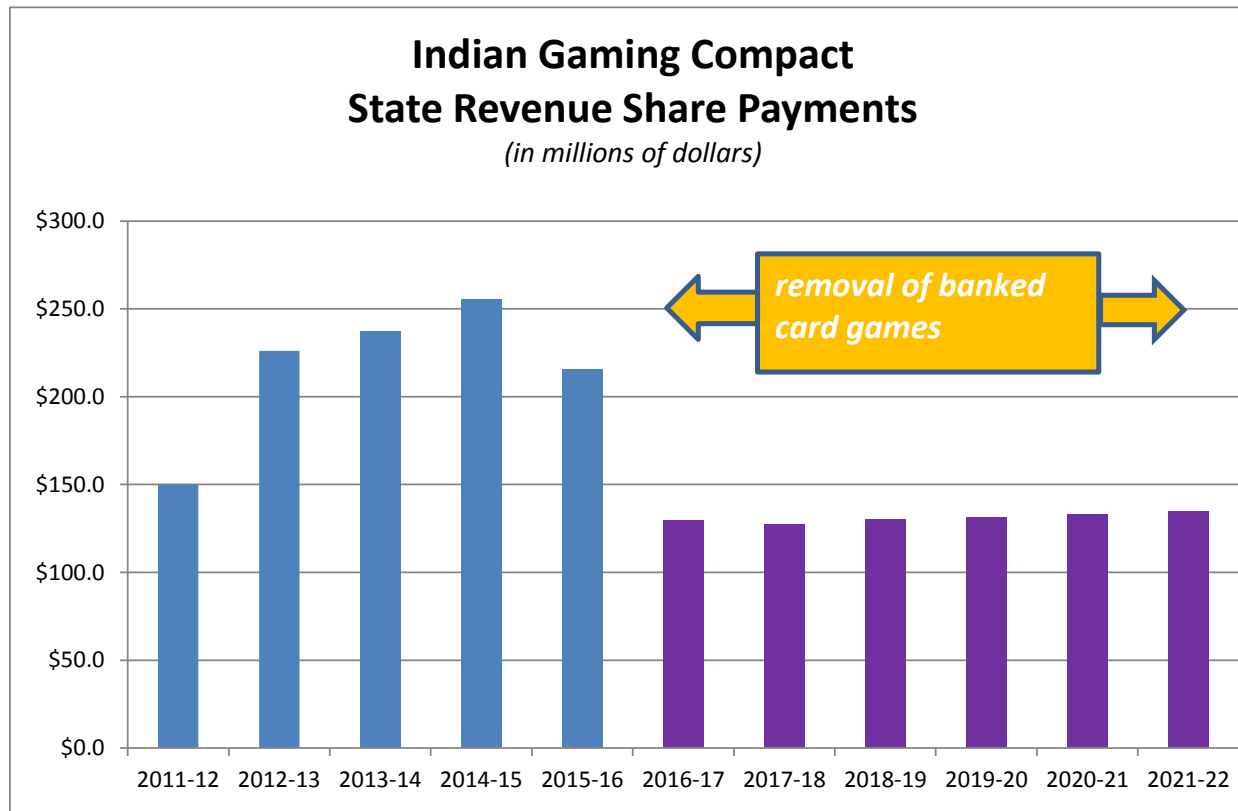
- ***Guaranteed Minimum Payments were required for the first five years of the Compact which totaled \$1.0 billion.***
 - *\$150 million for Fiscal Years 2010-11 and 2011-12 ✓*
 - *\$233 million for Fiscal Years 2012-13 and 2013-14 ✓*
 - *\$234 million for Fiscal Year 2014-15 ✓*
- ***If the Revenue Sharing calculation exceeded the Minimum Guarantee, a True-up Payment had to be made.***
 - *Formal 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 (*first 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*)

Current Compact Provisions...

- 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 authorization for banked card games expired on July 31, 2015, and the grace period ended October 31, 2015. ✓*
- The Revenue Estimating Conference's convention of deferring to current law / current administration means that the current forecast assumes that the authorization cleanly expired. This removes all revenue sharing related to Broward County, as well as the banked card games for the remainder of the forecast.
- Florida's estimate assumes annual long-term growth of about 1.2% per year, but slightly higher growth rates over the next few years.

True-up payments are received the year after they are generated, so they appear in the graph below for 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). ✓

FY 2015-16 was a transition year, containing both: (1) the switch from the Minimum Guarantee to the pure revenue sharing calculation, and (2) the partial-year removal of revenue sharing related to the deauthorized banked card games. ✓



Current Situation...

Current Compact: (2010 Compact; December 2016 Forecast)

Fiscal Year	Revenue Share With Banked Card Games			Revenue Share Without Banked Card Games		Revenue Share Difference
	Net Win	Adjusted Net Win Estimate	Adjusted Net Win Estimate	Adjusted Net Win Estimate	Adjusted Net Win Estimate	
2015-16	2,325.6	288.8	1,440.5	172.9	-116.0	
2016-17	2,414.0	302.1	1,035.8	124.3	-177.8	
2017-18	2,481.6	312.2	1,064.8	127.8	-184.5	
2018-19	2,526.2	318.9	1,084.0	130.1	-188.9	
2019-20	2,556.5	323.5	1,097.0	131.6	-191.8	
2020-21	2,587.2	328.1	1,110.2	133.2	-194.9	
2021-22	2,618.3	332.7	1,123.5	134.8	-197.9	
2022-23	2,649.7	337.5	1,137.0	136.4	-201.0	
2023-24	2,681.5	342.2	1,150.6	138.1	-204.1	
2024-25	2,713.7	347.1	1,164.4	139.7	-207.3	
2025-26	2,746.2	351.9	1,178.4	141.4	-210.5	

Note: Estimates for total collections prior to adjustments for timing and the local distribution.

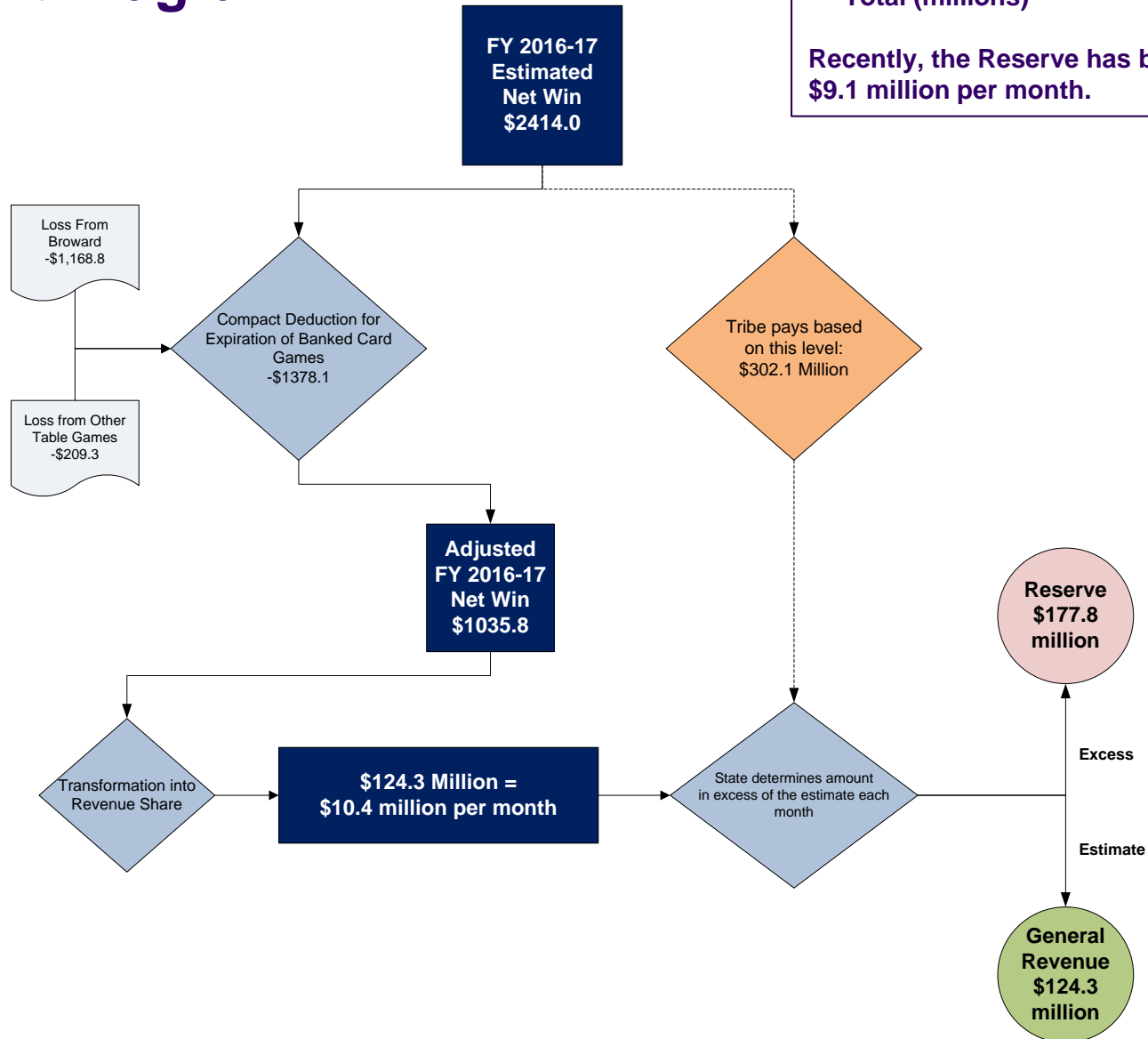
- The Tribe has continued to make revenue share payments as though the banked card games were reauthorized under the current Compact. The excess payments (any dollars above the official estimate) have been placed in an effective reserve. As of the December 2016 forecasts for Indian Gaming and General Revenue, those reserved dollars have not been included in any of the state's official estimates used for the General Revenue Outlook.

Revenue Share Payment Diagram

Effective Reserve as of Nov 2016...

Associated with FY 2015-16	116.0
Associated with FY 2016-17 (YTD)	<u>36.5</u>
Total (millions)	\$152.5

Recently, the Reserve has been building by \$9.1 million per month.



Proposed 2015 Compact...

A Revenue Estimating Conference held prior to the 2016 Session considered the simple ratification of the new Compact proposed by the Governor, with no other changes. The key revenue provisions and related assumptions were:

- 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 December 2015
official forecast; now higher.

Based on Nevada;
assumes 45 tables.

Revenue Sharing Adjustments...

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

- **Initial Payment Period (IPP)**... ran from the effective date to June 30, 2017. During the Initial Payment Period, the revenue share rates and brackets were equal to those in the 2010 Compact.
- **Guarantee Payment Period (GPP)**... ran through the seven-year period beginning July 1, 2017 and ending June 30, 2024. During the Guarantee Payment Period, the Tribe were to 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** was 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)

<u>Brackets</u>		<u>Current</u>	<u>2015</u>	<u>difference</u>
\$0-\$2.0B	IPP	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	

Estimated amounts shown for the 2015 Compact are by year of obligation (not receipt). The Compact established the actual amount due to the State for each of the seven years in the Guarantee period.

At that time, the Conference did not believe a true-up payment would be needed. The minimum guarantee generated 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 did 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. (+)
- The 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 comported with the Tribe's stated plans to attract additional tourists.

Adjustments Not Included...

- The Tribe's 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 the additional \$281.4 million that could have been appropriated in the budget for FY 2016-17.