

# **LSC Redbook**

**Analysis of the Executive Budget Proposal**

**Casino Control Commission**

Jean J. Botomogno, Principal Economist  
Legislative Service Commission

February 2015

## READER'S GUIDE

The Legislative Service Commission prepares an analysis of the executive budget proposal for each agency. These analyses are commonly called "Redbooks." This brief introduction is intended to help readers navigate the Redbook for the Casino Control Commission (CAC), which includes the following three sections.

1. Overview: Provides a brief description of CAC and an overview of the provisions of the executive budget that affect CAC, including major new initiatives.
2. Analysis of Executive Proposal: Provides a detailed analysis of the executive budget recommendations for CAC, including funding for each appropriation line item.
3. Attachments: Includes the catalog of budget line items (COBLI) for CAC, which briefly describes each line item and the LSC budget spreadsheet for CAC.

## TABLE OF CONTENTS

<b>OVERVIEW</b> .....	<b>1</b>
Agency Overview.....	1
Appropriation Overview .....	1
<b>Major New Initiatives</b> .....	<b>2</b>
Regulation of Skill-Based Amusement Machines .....	2
Changes to the Salaries of Commissioners.....	2
<b>ANALYSIS OF EXECUTIVE PROPOSAL</b> .....	<b>3</b>
<b>FACTS AND FIGURES</b> .....	<b>4</b>
<b>ATTACHMENTS:</b>	
Catalog of Budget Line Items	
Budget Spreadsheet By Line Item	

# Casino Control Commission

- State agency was created as a result of a constitutional amendment in November 2009 authorizing casinos
- Agency regulates casino gaming industry

## OVERVIEW

### Agency Overview

The Ohio Casino Control Commission (CAC), authorized by a constitutional amendment passed in November 2009, is responsible for licensing and regulating casino gaming, the operators of the four authorized casinos, and other matters related to casino gaming. All four voter-approved casinos are in operation. The Commission consists of seven members appointed by the Governor, with the advice and consent of the Senate. The members are Ohio residents and include: a member experienced in law enforcement and criminal investigation, a member that is a certified public accountant experienced in accounting and auditing, a member that is an attorney admitted to the practice of law in Ohio, and a member who is a resident of a county where one of the casino facilities is located. The agency develops rules, and audits and investigates casino facilities and staff to ensure integrity of gaming in Ohio. The Commission's budget gets no GRF funding. The primary funding source is 3% of the revenue from the tax on gross casino revenue.

### Appropriation Overview

The executive budget proposes appropriations of about \$12.5 million each in FY 2016 and FY 2017, a total of \$24.9 million for the biennium for the Commission. Estimated spending for FY 2015 is \$13.5 million. Appropriations proposed for the next biennium would reduce CAC funding by \$10.1 million (28.8%) over FYs 2014-2015. Table 1 below provides changes to the various expense categories between the current biennium and recommended funding for the agency for the next biennium.

	FY 2014-FY 2015	FY 2016-FY 2017	Change (\$)	Variance (%)
Personal Services	\$16.0	\$17.3	\$1.3	8.3%
Purchased Personal Services	\$0.9	\$3.1	\$2.1	230.1%
Supplies/Maintenance	\$5.8	\$3.9	-\$1.9	-32.8%
Equipment	\$0.4	\$0.7	\$0.3	94.9%
Subsidies Shared Revenue	\$12.0	\$0.0	-\$12.0	-100.0%
<b>TOTAL</b>	<b>\$35.0</b>	<b>\$24.9</b>	<b>-\$10.1</b>	<b>-28.8%</b>

\*Totals may not add up due to rounding.

As a regulatory agency, the largest expense of the Commission is personnel costs. As shown in the table above, about 70% of recommended appropriations in FYs 2016-2017 are for personal services. However, the decline in recommended spending for the biennium is due to payments totaling \$12.0 million in FY 2014 to racetrack host localities from the Casino Operator Settlement Fund (Fund 5KT0). Excluding that one-time expenditure, recommended spending from operations for the next biennium would be higher by \$1.9 million (8.3%).

## **Major New Initiatives**

### **Regulation of Skill-Based Amusement Machines**

The executive budget provides the Commission the authority to license and regulate businesses engaged in operating skill-based amusement machines, and allows the Commission to adopt rules, including rules establishing fees and penalties related to their operation. The proposed budget does not account for these additional duties, though they may be funded by fee revenues collected from persons in the skill-based amusement machines business.

### **Changes to the Salaries of Commissioners**

The executive budget changes the annual salary of Casino Control Commission members to \$50,000 in FY 2016, \$40,000 in FY 2017, and \$30,000 in FY 2018. Salaries are currently \$30,000, since September 2014, after being reduced from \$60,000 in H.B. 483 of the 130th General Assembly. The executive recommendation also removes a provision requiring that Commissioners be paid monthly to bring them into line with other state employees that are paid bi-weekly.

## ANALYSIS OF EXECUTIVE PROPOSAL

The following table shows the recommendation in the executive proposal for the appropriation items in CAC's budget in each fiscal year of the biennium. The recommended appropriations will fund onsite compliance and law enforcement staff to ensure the integrity of casino gaming in Ohio through enforcement of rules and regulations.

<b>Governor's Recommended Amounts for the Casino Control Commission</b>				
<b>Fund</b>		<b>ALI and Name</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Dedicated Purpose Fund Group</b>				
5HS0	955321	Operating Expenses	\$12,415,000	\$12,415,000
5NU0	955601	Casino Commission Enforcement	\$50,000	\$50,000
<b><i>Dedicated Purpose Fund Subtotal</i></b>			<b>\$12,465,000</b>	<b>\$12,465,000</b>
<b>Total Funding: Casino Control Commission</b>			<b>\$12,465,000</b>	<b>\$12,465,000</b>

Recommended funding for FY 2016 is \$1.1 million (8.0%) below estimated FY 2015 spending. The decrease is primarily due to a decrease in expenditures for supplies and maintenance compared to FY 2015. Recommended spending for FY 2017 is the same as FY 2016 budgeted funding. Though the executive recommends the same level of appropriations in each year of the biennium, purchases of personal services would decrease 29.2%, while spending for equipment would increase about 53.5% in FY 2017.

## FACTS AND FIGURES

The Cincinnati casino opened in March 2013, completing the staggered opening of Ohio casinos. The Toledo and Cleveland casinos started in May 2012, followed by the Columbus facility in October 2012. The table below provides the distribution of casino tax receipts to various funds as prescribed by the Ohio Constitution as of January 2015.

<b>Table 2. Distribution of Casino Tax Receipts as of January 2015 (in millions)</b>		
	<b>Share</b>	<b>Allocation</b>
Gross Casino Revenue County Fund (Fund 5JG0)	51%	\$332.3
Gross Casino Revenue County Student Fund (Fund 5JH0)	34%	\$221.5
Gross Casino Revenue Host City Fund (Fund 5JJ0)	5%	\$32.6
Racing Commission Fund (Fund 5JK0)	3%	\$19.5
Casino Control Commission Fund (Fund 5HS0)	3%	\$19.5
Problem Casino Gambling and Addictions Fund (Fund 5JL0)	2%	\$13.0
Ohio Law Enforcement Training Fund (Fund 5JN0)	2%	\$13.0
<b>TOTAL</b>	<b>100%</b>	<b>\$651.6</b>

Data are from various reports of the Ohio Department of Taxation. Casino tax receipts were in addition to the \$50 million up-front license fee, the one-time fee paid upon the filing of a casino operator's license application. Casino operators' licensing fees totaling \$200 million were deposited in the Economic Development Programs Fund (Fund 5JC0) and appropriated for economic development purposes over several years.

Distributions to counties (from Fund 5JG0) and host cities (from Fund 5JJ0) are made quarterly on or before July 31st, October 31st, January 31st, and April 30th. Distributions to school districts (from Fund 5JH0) are made semi-annually on or before January 31st and August 31st. Amounts distributed to counties, host cities, and school districts are available on the Department of Taxation's website.<sup>1</sup>

Table 3 below provides amounts wagered at Ohio casinos in the last two calendar years. It shows total wagering in 2014 fell by about \$400 million (5.0%), mostly from a decrease in activity at slot machines (6.1%), while betting at table games experienced a small increase (1.3%). Overall betting grew in the first quarter of 2014 compared to the corresponding period in 2013, then fell the rest of the 2014 calendar quarters, particularly in the July-September period when betting fell nearly 13% compared to the third quarter of 2013. That drop in wagering may be due, in part, to the competition from Ohio racinos.

<sup>1</sup> <http://www.tax.ohio.gov/government/casino.aspx>.

<b>Table 3. Wagering at Ohio Casinos (in billions)</b>			
	<b>Table Games</b>	<b>Slots</b>	<b>Total</b>
CY 2013	\$1.30	\$6.80	\$8.10
CY 2014	\$1.32	\$6.38	\$7.70
\$ Change	\$0.02	-\$0.42	-\$0.40
% Change	1.3%	-6.1%	-5.0%

CAC.docx/th

## Ohio Casino Control Commission

### Dedicated Purpose Fund Group

#### 5HS0 955321 Operating Expenses

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$4,446,365	\$10,578,446	\$9,487,669	\$13,542,674	<b>\$12,415,000</b>	<b>\$12,415,000</b>
	137.9%	-10.3%	42.7%	<b>-8.3%</b>	<b>0.0%</b>

**Source:** Dedicated Purpose Fund Group: License fees paid by casino operators and 3% of the receipts from the gross casino revenue tax

**Legal Basis:** ORC 3772.03 and 3772.17; Section 233.10 of Am. Sub. H.B. 64 of the 131th G.A. (originally established by Am. Sub. S.B. 181 of the 128th G.A.)

**Purpose:** This line item provides funds for general operating expenses, including payroll, supplies, and equipment for the Ohio Casino Control Commission.

#### 5NU0 955505 Casino Commission Enforcement

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$0	\$0	\$0	\$4,000	<b>\$0</b>	<b>\$0</b>
	N/A	N/A	N/A	<b>-100%</b>	<b>N/A</b>

**Source:** Dedicated Purpose Fund Group: Fines, forfeited bail, and all moneys derived from forfeitures of property to which the Ohio Casino Control Commission is entitled

**Legal Basis:** ORC 3772.36 (originally established by Controlling Board on July 14, 2014)

**Purpose:** This line item provides funds for the Division of Enforcement of the Ohio Casino Control Commission.

#### 5NU0 955601 Casino Commission Enforcement

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$0	\$0	\$0	\$0	<b>\$50,000</b>	<b>\$50,000</b>
	N/A	N/A	N/A	<b>N/A</b>	<b>0.0%</b>

**Source:** Dedicated Purpose Fund Group: Fines, forfeited bail, and all moneys derived from forfeitures of property to which the Ohio Casino Control Commission is entitled

**Legal Basis:** ORC 3772.36 (originally established by Controlling Board on July 14, 2014)

**Purpose:** This line item provides funds for the Division of Enforcement of the Ohio Casino Control Commission.

Appropriation Amounts as Recommended by the Governor

All Fund Groups

Line Item Detail by Agency	FY 2014	Estimate FY 2015	Introduced FY 2016	FY 2015 to FY 2016		Introduced FY 2017	FY 2016 to FY 2017		
				\$ Change	% Change		\$ Change	% Change	
<b>Report For Main Operating Appropriations Bill</b>		<b>Version: As Introduced</b>							
<b>CAC Ohio Casino Control Commission</b>									
5HS0 955321 Operating Expenses	\$ 9,487,669	\$ 13,542,674	\$ 12,415,000	(\$1,127,674)	-8.33%	\$ 12,415,000	\$ 0	0.00%	
5NU0 955505 Casino Commission Enforcement	\$0	\$ 4,000	\$ 0	(\$4,000)	-100.00%	\$ 0	\$ 0	N/A	
5NU0 955601 Casino Commission Enforcement	\$0	\$ 0	\$ 50,000	\$ 50,000	N/A	\$ 50,000	\$ 0	0.00%	
<b>Sub-Total Dedicated Purpose Fund Group</b>	<b>\$ 9,487,669</b>	<b>\$ 13,546,674</b>	<b>\$ 12,465,000</b>	<b>(\$1,081,674)</b>	<b>-7.98%</b>	<b>\$ 12,465,000</b>	<b>\$ 0</b>	<b>0.00%</b>	
<b>Ohio Casino Control Commission Total</b>	<b>\$ 9,487,669</b>	<b>\$ 13,546,674</b>	<b>\$ 12,465,000</b>	<b>(\$1,081,674)</b>	<b>-7.98%</b>	<b>\$ 12,465,000</b>	<b>\$ 0</b>	<b>0.00%</b>	
<b>Grand Total</b>	<b>\$ 9,487,669</b>	<b>\$ 13,546,674</b>	<b>\$ 12,465,000</b>	<b>(\$1,081,674)</b>	<b>-7.98%</b>	<b>\$ 12,465,000</b>	<b>\$ 0</b>	<b>0.00%</b>	