

LSC Greenbook

Analysis of the Enacted Budget

Casino Control Commission

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ATTACHMENT:

Budget Spreadsheet By Line Item

Casino Control Commission

- Agency regulates the casino gaming industry
- The enacted budget authorizes the agency to regulate skill-based amusement machines

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. 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 budget appropriates about \$14.0 million each in FY 2016 and FY 2017, a total of \$27.9 million for the biennium for the Commission. Actual spending for FY 2015 was \$9.1 million. Appropriations in the budget would decrease CAC funding by \$2.7 million (8.9%) over FYs 2014-2015. Table 1 below provides funding changes to the various expense categories between the two biennia.

	FY 2014-FY 2015	FY 2016-FY 2017	Change (\$)	Variance (%)
Personal Services	\$11.6	\$17.3	\$5.7	49.1%
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	\$3.0	-\$9.0	-75.0%
TOTAL	\$30.7	\$27.9	-\$2.7	-8.9%

*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 73% of the appropriations in FYs 2016-2017 are for personal services, including purchased personal services. The two categories combined are expected to rise by about 63% over the previous biennium. However, the decline in appropriations is mostly due to a reduction in payments to racetrack host localities (Subsidies Shared Revenue), from \$12.0 million in FYs 2014-2015,¹ to \$3.0 million in the current biennium.

Regulation of Skill-Based Amusement Machines

The 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 regulation of skill-based amusement machines will increase CAC's operating expenses. The budget does not specifically account for these additional duties, though related expenditures may be partially or fully offset by revenue from fees and penalties collected from persons in the skill-based amusement machines business.

Changes to the Salaries of Commissioners

The 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 were \$30,000, since September 2014, after being reduced from \$60,000 in H.B. 483 of the 130th General Assembly. This provision increases salaries of the seven commissioners by a total of \$140,000 in FY 2016 and \$70,000 in FY 2017. Commissioner salaries are paid from the Casino Control Commission Fund (Fund 5HS0). The budget also removes a provision requiring that commissioners be paid monthly, to bring them into line with other state employees that are paid bi-weekly.

Payments to Municipal Corporations and Townships

H.B. 64 amends Section 9 of H.B. 386 of the 129th General Assembly to modify a previous requirement that the Governor, State Racing Commission, and necessary parties discuss, negotiate, and reach agreement for providing annual \$500,000 payments to each municipal corporation and township in which a horse racetrack is located,²

¹ Please note that the \$12.0 million for the preceding biennium does not show up in the attached spreadsheet; the \$12.0 million payment in FY 2014 from line item 955501, Racetrack Host Supplement, was previously included in the budget under Revenue Distribution Funds instead of directly in the Commission's budget.

² Anderson Township (Belterra Park), Northfield (Hard Rock Rockino), Dayton (Hollywood Dayton Raceway), Austintown (Hollywood Mahoning Valley), Turtlecreek Township (Miami Valley Gaming), and North Randall (ThistleDown).

excluding Scioto Downs. The budget instead requires CAC to make half of the payments to the eligible entities from the Casino Operator Settlement Fund (Fund 5KT0). Each of these municipal corporations and townships would receive \$1 million as follows:

- (1) From Fund 5KT0: \$500,000 (\$250,000 by December 31, 2015, and \$250,000 by December 31, 2016);
- (2) From the permit holder of the applicable track: \$500,000 (\$250,000 by December 31, 2015, and \$250,000 by December 31, 2016).

The budget act also states that it is the intent of the General Assembly that these payments are made in full, complete, and total satisfaction of any payment contemplated or required by any version of the provision. This provision increases expenditures from Fund 5KT0 by \$1.5 million in each of FY 2016 and FY 2017. It also increases revenues to the municipal corporations and townships where each of the six commercial horse racetracks are located by \$500,000 in each of the next two years.

Other Transfers to and from Fund 5KT0

H.B. 64 requires the Director of Budget and Management, in consultation with the Director of the Casino Control Commission, to establish a schedule of transfers totaling \$4,701,620 to the Casino Operator Settlement Fund (Fund 5KT0) from the Casino Control Commission Operating Fund (Fund 5HS0). The budget act also requires, on July 1, 2015, or as soon as possible thereafter, the Director of Budget and Management to transfer \$4,701,620 cash from Fund 5KT0 to the State Lottery Fund (Fund 7044).

ANALYSIS OF ENACTED BUDGET

The following table shows the appropriations in CAC's budget in each fiscal year of the biennium. The appropriations will fund onsite compliance and law enforcement staff to ensure the integrity of casino gaming in Ohio through enforcement of rules and regulations, and allow payments to certain municipal corporations and townships, as described in the previous section.

Appropriations for the Casino Control Commission				
Fund	ALI and Name		FY 2016	FY 2017
Dedicated Purpose Fund Group				
5HS0	955321	Operating Expenses	\$12,415,000	\$12,415,000
5KT0	955501	Racetrack Host Supplement	\$1,500,000	\$1,500,000
5NU0	955601	Casino Commission Enforcement	\$50,000	\$50,000
Dedicated Purpose Fund Subtotal			\$13,965,000	\$13,965,000
Total Funding: Casino Control Commission			\$13,965,000	\$13,965,000

Funding for FY 2016 is \$4.8 million (52.9%) above FY 2015 spending of \$9.1 million. The increase is primarily due to an increase in expenditures for personal services compared to FY 2015, and required payments to most cities and townships hosting racinos as required by H.B. 64. Appropriations for FY 2017 are the same as for FY 2016.

FACTS AND FIGURES

Ohio levies a 33% tax on gross casino revenue. Like most state taxes the tax is administered by the Ohio Department of Taxation; unlike most state taxes the tax rate is specified in the Ohio Constitution. The Cincinnati casino opened in March 2013, completing the staggered opening of Ohio casinos, so that FY 2014 was the first fiscal year during which all four casinos were operating for the full year. The Toledo and Cleveland casinos started in May 2012, followed by the Columbus facility in October 2012. Table 2 below provides the distribution of casino tax receipts to various funds as prescribed by the Ohio Constitution as of June 2015.

	Share	FY 2013	FY 2014	FY 2015	Total Allocation
Gross Casino Revenue County Fund (Fund 5JG0)	51%	\$89.0	\$140.7	\$137.7	\$367.4
Gross Casino Revenue County Student Fund (Fund 5JH0)	34%	\$59.3	\$93.8	\$91.8	\$244.9
Gross Casino Revenue Host City Fund (Fund 5JJ0)	5%	\$8.7	\$13.8	\$13.5	\$36.0
Racing Commission Fund (Fund 5JK0)	3%	\$5.2	\$8.3	\$8.1	\$21.6
Casino Control Commission Fund (Fund 5HS0)	3%	\$5.2	\$8.3	\$8.1	\$21.6
Problem Casino Gambling and Addictions Fund (Fund 5JL0)	2%	\$3.5	\$5.5	\$5.4	\$14.4
Ohio Law Enforcement Training Fund (Fund 5JN0)	2%	\$3.5	\$5.5	\$5.4	\$14.4
TOTAL	100%	\$174.6	\$275.8	\$270.0	\$720.4

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 and other purposes over several years.

Distributions to counties (from Fund 5JG0) and host cities (from Fund 5JJ0) are made quarterly on or before July 31, October 31, January 31, and April 30. Distributions to school districts (from Fund 5JH0) are made semiannually on or before January 31 and August 31. Amounts distributed to counties, host cities, and school districts are available on the Department of Taxation's website.³

Table 3 below provides amounts wagered at Ohio casinos in the last two fiscal years. It shows total wagering in FY 2015 at casinos fell by about \$244 million (3.0%), from a decrease in activity at slot machines (3.7%), while betting at table games experienced a small increase (0.5%). Gamblers are able to experience table games only at

³ http://www.tax.ohio.gov/tax_analysis/tax_data_series/GrossCasinoRevenue.aspx.

casinos, as current law prohibits such games at racinos. The drop in wagering at slot machines may be due to the direct competition from electronic gaming devices at Ohio racinos. The last two of seven Ohio racinos opened in August and September 2014, thus all 11 Ohio gambling facilities were in operation for most of FY 2015, with nearly 18,360 electronic gaming devices available statewide (7,888 at casinos and 10,468 at racinos).

Table 3. Wagering at Ohio Casinos (in millions)			
	Table Games	Slots	Total
FY 2014	\$1,337	\$6,784	\$8,121
FY 2015	\$1,344	\$6,533	\$7,877
\$ Change	\$7	-\$251	-\$244
% Change	0.5%	-3.7%	-3.0%

CAC.docx/jc

FY 2016 - FY 2017 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2014	FY 2015	Appropriation FY 2016	FY 2015 to FY 2016 % Change	Appropriation FY 2017	FY 2016 to FY 2017 % Change
Report For Main Operating Appropriations Bill			Version: As Enacted					
CAC Ohio Casino Control Commission								
5HS0	955321	Operating Expenses	\$ 9,487,669	\$ 9,131,341	\$ 12,415,000	35.96%	\$ 12,415,000	0.00%
5KT0	955501	Racetrack Host Supplement	\$0	\$0	\$ 1,500,000	N/A	\$ 1,500,000	0.00%
5NU0	955505	Casino Commission Enforcement	\$0	\$ 4,000	\$ 0	-100.00%	\$ 0	N/A
5NU0	955601	Casino Commission Enforcement	\$0	\$0	\$ 50,000	N/A	\$ 50,000	0.00%
Dedicated Purpose Fund Group Total			\$ 9,487,669	\$ 9,135,341	\$ 13,965,000	52.87%	\$ 13,965,000	0.00%
Ohio Casino Control Commission Total			\$ 9,487,669	\$ 9,135,341	\$ 13,965,000	52.87%	\$ 13,965,000	0.00%