

Redbook

LBO Analysis of Executive Budget Proposal

Casino Control Commission

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LBO Redbook

Casino Control Commission

Quick look...

- The Ohio Casino Control Commission (CAC) regulates casino gaming in Ohio and enforces casino and skills-based amusement machines laws.
- CAC receives no GRF moneys; funding is largely from a 3% share of the gross casino revenue tax. Disposition of casino tax revenue is codified in Article XV of the Ohio Constitution.
- In FY 2022, over \$10.08 billion was wagered at slots and table games, producing gaming tax revenue of approximately \$334.1 million.
- Casino tax revenue is distributed among state agencies and political subdivisions; from FY 2012 through FY 2022, nearly \$2.3 billion in revenue has been distributed from the gross casino tax.
- CAC is led by seven commissioners appointed by the Governor.

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
Fund 5HS0 ALI 955321, Operating Expenses					
\$12,448,245	\$12,387,061	\$13,880,647	\$15,599,767	\$16,352,000	\$16,753,000
% change	-0.5%	12.1%	12.4%	4.8%	2.5%
Fund 5NU0 ALI 955601, Casino Commission Enforcement					
\$93,928	\$96,071	\$110,175	\$250,000	\$250,000	\$250,000
% change	2.3%	14.7%	126.9%	0.0%	0.0%
Fund 5YR0 ALI 955602, Problem Sports Gaming					
\$0	\$0	\$0	\$0	\$500,000	\$500,000
% change	--	--	--	--	0.0%
Total funding:					
\$12,542,172	\$12,483,132	\$13,990,822	\$15,849,767	\$17,102,000	\$17,503,000
% change	-0.5%	12.1%	13.3%	7.9%	2.3%

Agency overview

The Ohio Casino Control Commission (CAC) was established in 2011 to provide oversight of the state’s casino industry and to enforce standards and procedures for casino operators, vendors, and their employees. CAC licenses and regulates all persons participating in casino gaming, investigates crime occurring within the casino environment, and conducts audits on casino operations. The mission of the agency was later expanded to include the enforcement of

state laws pertaining to skill-based amusement machines (SBAM), the management of a regulatory system for fantasy sports contests, and the regulation of the sports gaming industry.

Major new initiatives

For the upcoming biennium, the governor has proposed an increase in the tax on sports betting receipts from 10% to 20%. Sports betting proprietors in the newly legalized Ohio sports betting industry must currently pay a 10% tax on sports betting receipts (SBR), which is defined as the total amount of wagers taken in minus winnings and voided wagers. This tax revenue, along with revenue from license fees and fines, is distributed as follows: 98% is used to support public and nonpublic K-12 education and 2% is used to combat problem sports gambling. By increasing the tax rate on SBR from 10% to 20%, the amount of revenue received from those taxes will approximately double following the change. This will result in a significant increase in the amount of money that is distributed for the purposes outlined above. The amount of the increase is currently unknown, but likely in the tens of millions per year. As of the writing of this Redbook, the 10% tax revenue from the first month of sports betting legalization has not yet been reported. Refer to the “**Sports gaming**” section for more information about sports betting and CAC’s role within the industry.

The budget recommendation includes two proposed changes regarding the regulation of sports gaming. The first proposed change allows CAC to exclude a person from participating in sports gaming in Ohio if the person has threatened harm against a person who is involved in a sporting event, where the threat was related to sports gaming. The second proposed change prohibits a sports gaming proprietor from providing “free” or “risk-free” promotional gaming credits if those gaming credits require a person to incur any loss, deposit any funds, risk the person’s own money to use winnings from the wager, or restrict a person from withdrawing their own funds or winnings. If a sports gaming proprietor violates this rule, CAC is allowed to restrict or prohibit that sports gaming proprietor from providing promotional gaming credits to patrons.

Analysis of FY 2024-FY 2025 budget proposal

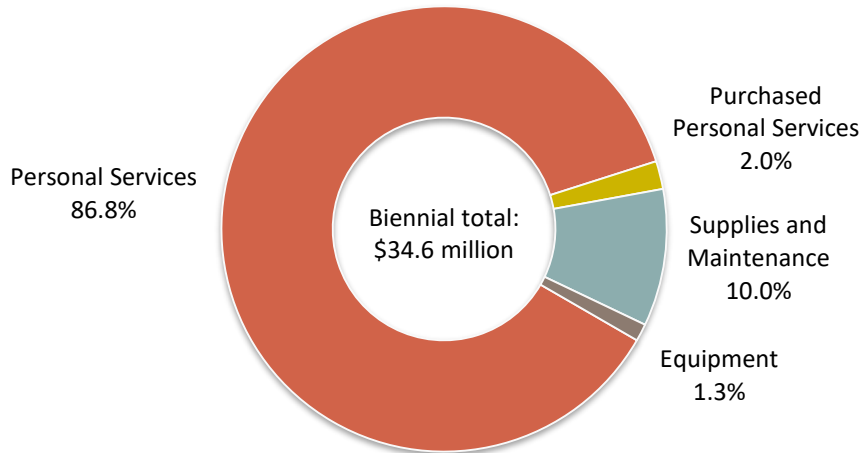
This agency receives no GRF funding. CAC is financed primarily through its 3% share of Ohio’s 33% tax on gross casino revenue. The Commission’s total budget recommendations are about \$17.1 million for FY 2024 and \$17.5 million for FY 2023. Proposed appropriations in FY 2024 represent an increase of approximately \$1.25 million from FY 2023 estimated spending. Increases in spending during FY 2022 and expected in FY 2023 are driven by new duties required of CAC related to regulating sports gaming in Ohio; those duties were enacted in H.B. 29 of the 124th General Assembly. The budget proposes a new line item, 955602, Problem Sports Gaming, funded by 2% of the 10% tax on sports betting receipts. In FY 2022, CAC employed 99 full-time employees and 9 part-time and alternative employment workers.

Executive recommendations by expense category

The chart below summarizes the executive’s recommendations by expense category. As a regulatory agency, the largest expense to the Commission is personnel costs. The Personal Services category accounts for \$14.8 million of budgeted expenses in FY 2024, and \$15.2 million in FY 2025. The executive budget proposes increases in the next biennium for both purchased personal services and equipment. Proposed spending on supplies and maintenance in FY 2024 is

14.6% lower than expected spending in FY 2023, with FY 2025 proposed spending 4.1% higher than the FY 2024 level.

**Chart 1: CAC Budget by Expense Category
FY 2024-FY 2025 Biennium**



Operating Expenses (955321)

This line item funds expenses directly required for general operation of the Commission, including all administrative, licensing, and regulatory activities. The Casino Control Commission Fund (Fund 5HS0) is supported by CAC's share of the gross casino revenue tax. The recommended appropriation for FY 2024 is \$16.4 million, a 4.8% increase over anticipated FY 2023 spending. The executive budget recommends a further 2.5% funding increase in FY 2025. Increased appropriations in this line item for the upcoming biennium are in large part due to the implementation of sports gaming. Increased appropriations allow the CAC to hire additional staff, accommodate the influx of new licenses, and provide the resources needed to regulate this new industry. More information regarding sports gaming is provided in a later section titled "**Sports gaming.**"

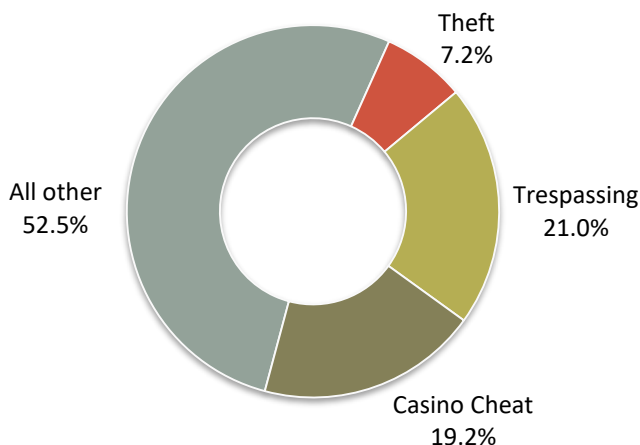
Casino Commission Enforcement (955601)

This line item provides funds for the Ohio Casino Control Commission's Division of Enforcement. The moneys primarily go to pay for the supplies and equipment of gaming agents. The Casino Control Commission Enforcement Fund (Fund 5NU0) is funded by the CAC's collection of fines, forfeited bail, and seized property. The executive budget recommends appropriations of \$250,000 to this line item in both FY 2024 and FY 2025, matching the estimated spending of \$250,000 in FY 2023. CAC gaming agents play an active role in regulation and law enforcement within Ohio's casinos and within Ohio's community gaming establishments.

In addition to staffing casinos, the Division of Enforcement works collaboratively with other local, state, and federal agencies on criminal activity both in and outside of casinos, including drug trafficking, money laundering, counterfeit currency, and other financial crimes. The Division has

removed over 4,800 illegal gambling machines and other equipment from operation since its inception, and works continually with local law enforcement in this effort. CAC agents charged 156 individuals with a total of 276 criminal charges during FY 2022, up approximately 2.6% from the previous year. Chart 2 displays the type of offenses charged by CAC agents. The most common types of crime in Ohio's casinos and gambling industry are trespassing and cheating.

Chart 2: Total Criminal Charges by CAC Agents by Type of Crime, FY 2022



Problem Sports Gaming (955602)

This line item, a new ALI proposed in the executive budget, would fund various programs regarding sports problem gambling. The funding will be used for educational materials for sports gaming proprietors, increasing awareness of problem gambling to customers, and assisting treatment professionals in treating those that have a problem. The Problem Sports Gaming Fund (Fund 5YR0) is funded by a 2% share of the 10% sports gaming tax on sports betting receipts. Uses of this funding source are governed by section 3772.062 of the Revised Code, which was enacted in H.B. 29. The executive budget proposes appropriations of \$500,000 to this line item in both FY 2024 and FY 2025.

Sports gaming

During the 134th General Assembly, H.B. 29 was signed into law and legalized sports betting in Ohio starting on January 1, 2023. With the enactment of H.B. 29, oversight of sports gaming was granted to CAC. The law requires CAC to regulate the sports gaming industry in the state by establishing and enforcing policies that govern sports gaming licensees and consumers. Since the enactment of H.B. 29, CAC has received over 4,400 sports gaming license applications, 3,160 of those consisting of employee licensing applicants and 1,291 consisting of entity license applicants. Entity license applications include 23 Type A, 27 Type B, and 7 Type C sports gaming proprietor license applications. Type A sports gaming proprietors offer sports gaming through online/mobile sports pools, Type B offer sports gaming through “brick and mortar” sports gaming facilities, and Type C offer sports gaming through self-service or clerk-operated terminals located at certain host facilities.

H.B. 29 established several funds in the state treasury in connection with this new regulatory framework, including the Sports Gaming Revenue Fund (Fund R068). Through January 2023, Fund R068 had already received \$39.2 million in sports gaming licensing fee revenue alone, with \$38.4 million being transferred to the Sports Gaming Profits Education Fund (Fund 5Y00) to be used for public education and extracurricular activities.¹ GeoComply, a geolocation company used widely across the legal sports gambling industry, reported that more than 2.25 million unique accounts used sports gambling apps in Ohio within the first month of its legalization.² Given the exploding popularity of sports betting in Ohio, the regulation of the sports gaming industry will be a key responsibility of the CAC moving forward.

Facts and figures

Voluntary Exclusion Program

In pursuing its goal of offering a safe and healthy environment for casino patrons, CAC established a Voluntary Exclusion Program (VEP), which allows individuals to ban themselves from further gambling activities. As a collaborative effort between CAC and the Ohio Lottery Commission, the VEP is a confidential list of individuals who are not allowed to enter a casino or racino facility for the duration of their self-imposed ban, or indefinitely. Over 4,500 persons were on the VEP list as of June 30, 2020, and over 2,000 have thus far been removed from the program following the expiration of the exclusion period. With the launch of sports gaming in Ohio at the start of 2023, CAC staff are working on updating the VEP to allow for online enrollment.

Casino tax revenues and distributions

The casino tax applies to gross casino revenue, defined as wagers minus winnings paid to gamblers. The tax is 33% of adjusted gross revenue (AGR), equal to gross casino revenue minus any promotional gaming credits provided by casinos. Table 1 displays AGR and distributed tax revenues in recent fiscal years. Roughly two-thirds of gross revenues were derived from slot machines in the most recent year. Total AGR increased 23.5% from FY 2018 to FY 2022.

	FY 2018	FY 2019	FY 2020³	FY 2021	FY 2022
Table AGR	\$268.0	\$271.9	\$201.2	\$259.6	\$307.6
Slot AGR	\$559.1	\$573.0	\$435.9	\$658.1	\$693.1
Total AGR⁴	\$827.1	\$844.9	\$637.1	\$917.7	\$1,000.7
Tax Revenue	\$270.5	\$276.0	\$275.7	\$220.0	\$334.2

¹ OAKS Revenue Reports.

² See [cleveland.com](https://www.cleveland.com) article.

³ Ohio casinos were closed from March 13, 2020 through June 18, 2020 due to COVID. The shutdown negatively affected AGR totals in FY 2020, but tax distributions were minimally affected because they lag by one calendar quarter.

⁴ CAC Reports.

The disposition of gross casino tax revenues is prescribed in Article XV of the Ohio Constitution, which requires casino tax revenue to be distributed to seven funds. Table 2 indicates each fund's share and the amount of revenue distributed in FY 2022. Data are from reports of the Department of Taxation.⁵ Distributions to counties (Fund 5JG0) and host cities (Fund 5JJ0) are made quarterly on or before July 31, October 31, January 31, and April 30. Distributions to school districts (Fund 5JH0) are made semiannually on or before January 31 and August 31. A total of \$334.1 million was distributed to the funds during FY 2022. Of the 3% of receipts to CAC, one cent of every dollar is transferred to the Department of Taxation for tax administration costs.

Fund	Share	Distribution Amount
County Fund (Fund 5JG0)	51%	\$170.5
Student Fund (Fund 5JH0)	34%	\$113.6
Host City Fund (Fund 5JJ0)	5%	\$16.7
Ohio State Racing Commission Fund (Fund 5JK0)	3%	\$10.0
Casino Control Commission Fund (Fund 5HS0)	3%	\$10.0
Law Enforcement Training Fund (Fund 5LR0)	2%	\$6.7
Problem Gaming & Addictions Fund (Fund 5JL0)	2%	\$6.7
Total	100%	\$334.2

Wagering at Ohio casinos

Table 3 below provides dollar amounts wagered at Ohio casinos in the last six fiscal years.⁶ From FY 2017 to FY 2022, total wagering at Ohio casinos increased 31.1%. In comparison to FY 2021, total wagering in FY 2022 increased by 9.1%. In FY 2022, Ohio's casinos operated 5,741 slot machines and 398 table games.

Year	Table Games	Slots	Total
FY 2017	\$1.22	\$6.47	\$7.69
FY 2018	\$1.18	\$6.67	\$7.85
FY 2019	\$1.16	\$6.90	\$8.06
FY 2020	\$0.85	\$5.25	\$6.10

⁵ [Department of Taxation gross casino revenue tax reports](#). Tax revenue reported through Department of Taxation and tax revenue reported through CAC differ due to rounding and timing of reports.

⁶ Wagering numbers are provided by CAC reports. It is important to note that these numbers include promotional credits and wagered winnings, and thus are not exact indicators of how much Ohioans won or lost at these games.

Table 3. Wagering at Ohio Casinos (\$ in billions)			
Year	Table Games	Slots	Total
FY 2021	\$1.12	\$8.12	\$9.24
FY 2022	\$1.31	\$8.77	\$10.08
\$ Change vs. FY 2021	\$0.19	\$0.65	\$0.84
% Change vs. FY 2021	17.0%	8.0%	9.1%

Licensing

CAC ensures the integrity of those in the industry by requiring participants in the industries it regulates to be licensed. Generally, gambling industry employees are required to submit to licensing requirements, which include an application, fees, and background investigations. The fee schedule for casino employee licenses and skill-based amusement gaming licenses is shown in Table 4. Initial applicants typically pay an application fee; once an application is approved, a license fee is charged. Licenses are valid for three years, and application and license fee assessments are deposited in the Casino Control Commission Fund (Fund 5HS0). In FY 2022, CAC approved 1,703 licenses and officials anticipate approving over 1,500 in FY 2023.

Table 4. License Fees by Type		
Casino License	Application Fee	Licensing Fee
Individual Registration by Exam – Initial	\$250	\$250
Individual Registration – Renewal	\$100	\$50
Skill-Based Amusement Game License	Application Fee	Licensing Fee
Key Employee	\$25	\$25
Operator	\$125-\$250	\$125-\$250
Vendor	\$250	\$250