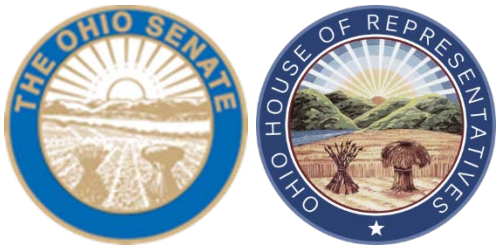


Report of the Study Commission on the Future of Gaming in Ohio

July 2024

Nathan Manning
State Senator
13th District



Jay Edwards
State Representative
94th District

Members of the General Assembly,

We have had the honor to chair the Study Commission on the Future of Gaming in Ohio, and would like to take this opportunity to explain the background of the Study Commission and our activity over the past several months. First, we will provide a brief history of the policy developments regarding gaming in Ohio.

In 1933, the General Assembly approved pari-mutuel wagering on horse races, and established the Ohio Racing Commission. Today, the Commission oversees racing such as Thoroughbred racing, short Quarter Horse meetings, and harness races at eight tracks and 65 county fairs.

In 1971, Ohio State Senator Ron Mottl spearheaded a campaign to create a lottery in Ohio, which would be approved by voters two years later by State Issue 1. By August of 1974, the Lottery would roll out their first game, and would expand their offerings moving forward, including Mega Millions in 2002 and KENO in 2008.

In 2009, voters would approve Issue 3, legalizing gambling at four casino sites in Cincinnati, Cleveland, Columbus, and Toledo, the first of which would open in May of 2012. The constitutional amendment also established the Ohio Casino Control Commission to provide oversight.to casinos, and now have expanded their responsibilities to oversee other forms of gaming such as skill games, fantasy contests, and sports gaming.

During the 134th General Assembly, sports gaming as well as electronic bingo for veterans and fraternal organizations were both created in House Bill 29 and House Bill 110. In House Bill 29, the legislature created Type A (online apps), Type B (in-person, brick and mortar) and Type C (kiosks) for sports gaming. Type A and Type B are regulated by the Ohio Casino Control Commission (OCCC) and Type C is regulated by the Ohio Lottery Commission (OLC) with help from the OCCC.

With the recent advances in technology and the changes in our world since the last time there was a gambling expansion in Ohio, the legislature decided to enact Section 610.90 in House Bill 33 of the 135th General Assembly to create the Study Commission on the Future of Gaming in Ohio.

The Study Commission was tasked with:

- Examine the current status of the statewide lottery and the future of the lottery industry and make recommendations to the General Assembly.
- Examine the implementation of sports gaming and the future of the sports gaming industry and make recommendations to the General Assembly.

- Examine the current status of casino gaming in this state and the future of the casino gaming industry and make recommendations to the General Assembly.
- Examine the current status of horse racing in this state and the future of the horse racing industry and make recommendations to the General Assembly.

The commission consisted of three members of the House of Representatives, three members from the Senate, the chairperson of the State Lottery Commission, the chairperson of the Ohio Casino Control Commission and the chairperson of the State Racing Commissions. Senator Nathan Manning and Representative Jay Edwards were designated as the Co-Chairs of the Study Commission.

Below is the full membership of the Study Commission (in alphabetical order):

Representative Cindy Abrams
Scott Borgemenke (Chair, Ohio State Racing Commission)
Senator William DeMora
Representative Jay Edwards (Co-Chair)
Michelle Gillcrist (Director, Ohio Lottery)
Senator Terry Johnson
Senator Al Landis
Representative Jeff LaRe
Senator Nathan Manning (Co-Chair)
Thomas Stickrath (Chair, Ohio Casino Control Commission)
Representative Bride Rose Sweeney

Four meetings took place over the course of three months on February 20th, March 19th, March 20th, and April 11th 2024. The Study Commission heard testimony from numerous members and interested parties. We appreciate the valuable point of view and information provided by all those who testified.

According to the legislation, the Study Commission must report its recommendations to the General Assembly by June 30th, 2024 and ceases to exist after this report is submitted. In this report, you will see testimony presented to the Study Commission and letters submitted by several members detailing their takeaways, points of view, or recommendations moving forward.

We would like to thank the members of the Task Force for their time, attention, and efforts to better understand and impact the Future of Gaming in Ohio.

Sincerely,

State Senator Nathan Manning

Ohio's 13th Senate District

State Representative Jay Edwards

Ohio's 94th House District

Letters from members of the Study Commission on the Future of Gaming in Ohio

135th General Assembly

Representatives Jay Edwards, Jeff LaRe, and Cindy Abrams

July 12th, 2024

Report on the Future of Gaming in Ohio

We write this letter as the three Republican House members on the Study Commission on the Future of Gaming in Ohio and are encouraged with the current state and direction of the gaming industry. The industry has seen a drastic change in the past few years; revenues continue to increase, and the regulatory backbone remains strong. In 2023, the new online sports gaming industry generated more than **$143.3 million** in tax revenue.[1] 98% of those funds went to help fund K-12 education in Ohio through the Sports Gaming Profits Education Fund. Likewise, the Ohio State Lottery was able to contribute **$1.46 billion** to the Lottery Profits Education Fund after prize, retailer, and operations payouts.[2] This funding is vital to making sure our schools are adequately funded so they are able to provide meaningful education to the next generation of Ohioans. We are glad that these numbers have grown and see a future where further expansion in the gaming/lottery industry will see these numbers grow even more.

Even with the tax revenue growth, the Ohio Casino Control Commission, the Ohio State Lottery Commission, and the Ohio State Racing Commission have been able to excel in their regulatory role with the ever-growing and ever-changing industry. A breakdown of the regulatory environment's success and recommended changes are as follows:

[1] Schuler, M. (2024, March). Executive Director of the Ohio Casino Control Commission. OCCC Testimony to the Study Committee on the Future of Gaming in Ohio.
[2] Gillcrist, M. (2024, March). Director of the Ohio Lottery Commission. OLC Testimony to the Committee to Study the Future of Gaming in Ohio.

Ohio State Lottery Commission

Through the Ohio State Lottery Commission's ("Lottery") intercept program, the Lottery was able to intercept over $13.9 million last year in state debt or child support/spousal support. The intercept program works by conducting a background check on all lottery prizes over $600 or video lottery terminal (VLT) prizes over $1200. Additionally, the Lottery has a robust staff where duties range from facilitating relationships and providing services at each of the Lottery's more than 10,000 retailers to monitoring, reviewing, approving, and regulating each racino in the state. The Lottery continues to be a strong example of a collaborative and a responsible partner in the future gaming landscape.

Ohio Casino Control Commission

The Ohio Casino Control Commission ("OCCC") also keeps the gaming industry highly regulated with 100% surveillance and heavy collaboration with law enforcement. Through the expansion of online sports gaming in 2023, OCCC monitors sportsbooks compliance with the general protections within the law (i.e., age restrictions, exclusion lists, data security, and multi-factor authentication). They maintain wager integrity regardless of whether the wager is placed in-person, online, or on an app. They are charged with vetting and approving all systems and equipment used while also enforcing geofencing and location-based requirements for sports gaming technologies. The OCCC participates in annual third-party audits in addition to an internal risk-based and compliance audit. Finally, OCCC has incident reporting functions that monitor illegal or suspicious activity, security breaches, and patron confidentiality breaches. Even as OCCC's regulator role grows with the industry, they remain dedicated to being one of the nation's best.

One point of future regulatory clarification that may be needed to the Ohio Revised Code was recommended by the Executive Director of the OCCC during the hearings and we would recommend implementation of such change.

Ohio State Racing Commission

The Ohio State Racing Commission ("OSRC") has a different role than the previous two entities but continues to be an important piece in the regulatory framework of gaming. The OSRC is tasked with licensing all racing personnel and horsemen in Ohio, coordinating with the Ohio Department of Agriculture to perform drug testing and equine drug testing, while also maintaining a healthy

and safe environment at all racetracks in Ohio. In 2023 alone, Ohio hosted 2,385 Thoroughbred races and 6,658 Standardbred races which contributed to an economic impact of around $1.3 billion for the state.[3]

One point of future clarification that also may be needed to the Ohio Revised Code under ORSC is around who runs the horse racing at county fairs. Such confusion has caused safety concerns with the Commission due to the overlapping authority discussed during the hearings.[4]

We commend these three entities on their continued work to provide a competitive gaming environment in this state while maintaining a safe and fair experience for all users. When looking to the future of gaming in Ohio, the following items came up during committee that we would like to address:

- *Legalization of iGaming/iLottery*

There has been a lot of discussion around legalizing forms of iGaming and iLottery that would allow users the same freedom that online sports gaming does now. However, there has been pushback from the brick-and-mortar gaming facilities and lottery retailers who have been worried about the effect that would have on their annual revenue with decreased in-person participation. While we understand their hesitation to expand due to an uncertain impact, we believe that iLottery and iGaming could be a net benefit to the state of Ohio. Looking at other states who have implemented either or both iLottery and iGaming, we see significant increases to tax revenues generated with greater participation but also that in-person sales continued to increase. That can largely be contributed to more people participating in the market on their phones and becoming more comfortable/knowledgeable about doing it at a physical location. For example, Pennsylvania, which launched iLottery in 2018, saw an increase of almost 20% of sales in traditional retail stores.[5] Furthermore, Kentucky, which launched iLottery in 2017, saw an increase of 56% of in-store lottery sales since the launch of iLottery.[6]

[3] Borgemenke, S. (2024, April 11). Chairman of the Ohio State Racing Commission. OSRC Testimony to the Study Commission on the Future of Gaming in Ohio.
[4] (Schuler, 2024)
[5] (Gillcrist, 2024)
[6] (Gillcrist, 2024)

Similarly, iGaming states have all seen big revenue jumps.[7] Connecticut, in just its second year of iGaming saw a 44.7% percent increase in its gaming market in 2023, while Michigan, which also legalized iGaming in 2021, is now home to the largest online gaming market in the United States at $3.6 billion.[8] These tax revenue benefits to the state and funding that could be provided to our K-12 education system cannot be overlooked.

With tremendous potential, future General Assemblies must make sure any future expansion of a gaming platform is done safely and with the current system in mind. With on-going domestic and foreign threats to everyday Ohioans' data, these platforms provide another avenue for hackers to gain access to someone's personal records. Further, any expansion of gaming must be done so with caution to the current framework in mind. Allowing iGaming would have an impact on the current casinos and VLT's that exist throughout this state. These businesses employ thousands of Ohioans, pay huge amounts of taxes, have invested substantial amounts of their personal capital into these venues and equipment, and have a large philanthropic arm that reaches almost every locality in the state. Any implementation of iGaming must not come at a cost to these entities.

While the state should proceed with caution and care with any expansion of this magnitude, with the right regulatory framework, these types of gaming can thrive with nominal impact to our current system.

- *Sports Gaming Tax Increase*

Shortly after legalizing online sports gaming in this state, the General Assembly, through the state's annual budget, HB 33, doubled the tax rate on sports betting from 10% to 20%.[9] Such action was premature. Sports gaming had just kicked off six months earlier and the General Assembly implemented a substantial tax increase on sports gaming companies who had already invested millions of dollars into kickstarting the industry in Ohio. This hampered the growth that was occurring and made other companies think twice about coming to Ohio to invest. As future General Assemblies look at making changes to the sports gaming platform or implement new forms of

[7] Joseph, Brian. "States Embracing New Form of Gambling: IGaming." State Net, LexisNexis, 3 Mar. 2024, www.lexisnexis.com/community/insights/legal/capitol-journal/b/state-net/posts/states-embracing-new-form-of-gambling-igaming.
[8] (Joseph, 2024)
[9] Kosich, John. "Ohio Sportsbook Operators Must Pay Double the Tax on Their Winnings Going Forward." News 5 Cleveland WEWS, News 5 Cleveland WEWS, 6 July 2023, www.news5cleveland.com/news/local-news/ohio-sportsbook-operators-must-pay-double-the-tax-on-their-winnings-going-forward.

gaming, they must keep those who are going to be making the investments in mind. At a minimum, the companies who look to make future investments in Ohio should know what they are buying into.

- *Collegiate Prop-Betting*

In February of 2024, by request of the NCAA, the OCCC implemented a policy that banned proposition 'prop' betting on individual college athlete performances.[10] While we understand the circumstances in which this decision was made, we believe it is one that was not needed. With the current landscape of collegiate athletics and NIL, players are now being paid to play (and perform) in certain sports. That is no different than any other professional sport (i.e., NFL, NBA, or MLB). And with professional sports, any individual can go on DraftKings or FanDuel to place a prop-bet on any athlete. Reports of harassment and potential threats are unacceptable at any stage of athletics. Such acts should be investigated and prosecuted accordingly. But the response from the OCCC to simply ban prop-betting on individual collegiate athletes looks to solve the problem without addressing the issue. We recommend that the OCCC's policy be rescinded and prop-betting on college athletes be restored.

- *Lottery Vendor Process*

Before this Study Commission came to order in February, commission members had reached out to the Director of the Lottery Commission ("Director") and asked to hold on any release of an RFP for a new lottery vendor contract. Such request was made so that members of the Commission could question the Lottery about the current vendor and could provide input on what an RFP process may look like. While the State Lottery Commission has the complete authority to release the RFP whenever they so choose, this was a simple and timely request. However, such request was not granted, and the RFP went out just prior to the Director providing testimony before the commission. With the RFP out, Commission members were unable to ask the Director questions regarding the contract and vendors. Such prohibition wasted the time of not only the commission members, but the Director as well.

[10] Ohio Casino Control Commission. (2024, February 23). Response to the NCAA Regarding Proposition Wavers. Columbus, OH.

Therefore, it must be noted that the current vendor of the State Lottery has had a tremendous record running the lottery since 2009. Not only have they had a stellar record, but they have also invested hundreds of millions of dollars into this state, including 200 employees who call Ohio home.[11] Over their 15 years with the state lottery contract, the vendor has seen record lottery sales year-in-and-year-out more than doubling sales and profits since the contract's inception. Furthermore, any change in vendors could be potentially detrimental to local retailers who operate this equipment. Such a switch would be an expensive and arduous process that would see the old and new vendor going to every retail establishment switching out equipment, training local staff, and fixing any bugs on the new systems.

We welcome the RFP process by the State Lottery Commission but remain cautious to changing vendors in a time where Ohio has one of the strongest and most prosperous lotteries in the country.

- *Preventing Gambling Addiction*

Finally, gambling can be extremely addicting so we must make sure that resources are always available to those who may be suffering from it. In the final months of 2022, the Ohio Department of Mental Health and Addiction Services (OhioMHAS) conducted a survey which found that 1 in every 5 gambling adults were at-risk for developing a gambling disorder (that is more than 1.8 million Ohioans).[12] Furthermore, in the first year of legal sports gaming, OhioMHAS saw a 55% increase in call volume to the Ohio Problem Gambling Helpline.[13] Even with this increased responsibly, we commend all the shared work Ohio for Responsible Gambling has done, especially given the national awards it has received.[14] We therefore note that future General Assemblies must consider the overall impact that gaming and gambling has on individuals, families, and communities. Any additional expansion that occurs must include more funds to support those most in need of care. Further, education regarding gambling addiction must be provided to Ohio's youth as they will be particular vulnerable as gaming continues to grow in Ohio.

[11] Wheeler, R. (2024, March 19). Senior Vice President of Government Relations. Intralot Testimony to the Study Commission on the Future of Gaming in Ohio.
[12] Frohnapfel-Hasson, S. (2024, March 19). Chief of the Office of Prevention and Problem Gambling for OhioMHAS. OhioMHAS Testimony to the Study Commission on the Future of Gaming in Ohio.
[13] (Frohnapfel-Hasson, 2024)
[14] (Frohnapfel-Hasson, 2024)

In conclusion, future General Assemblies will have the ability to analyze how sports gaming revenues have fared once the new market settles and will better be able to predict what a further expansion might do. The legalization of iLottery and iGaming is expanding, including in many of our neighboring states, and we may see such expansion coming to Ohio in the future. While we support such expansion, we remain cautious that such is only done with (1) K-12 education funding from gaming revenues remaining intact, (2) responsible gambling and addiction programs adequately funded, (3) continued support is given to local lottery retailers and brick-and-mortar locations, and (4) appropriate tax percentages are implemented that still promote a competitive marketplace in Ohio.

Over a multitude of years, the Ohio General Assembly has created a model lottery and gaming industry for the rest of the country to emulate. However, the work is not done. We look forward to seeing what the future of gaming in Ohio looks like and the changes that are made to continue to make Ohio an industry leader.

Sincerely,



Rep. Jay Edwards
Ohio's 94th District
Co-Chairman



Rep. Jeff LaRe
Ohio's 73rd District



Rep. Cindy Abrams
Ohio's 29th District

Nathan Manning
State Senator
13th District

Over the past few months, I have had the honor to serve as co-chair for the Study Commission on the Future of Gaming in Ohio. I would like to take this opportunity to provide a few of my own observations as well as some recommendations for the legislature moving forward.

In regards to Type B sportsbooks, I believe we need to take a closer look on how to improve their ability to be successful while also allowing them to provide an enjoyable experience for the consumer. These brick-and-mortar locations provide jobs for many Ohioans, and it would be beneficial for everyone to work alongside them to find commonsense solutions. While not necessarily a complete solution, I believe lowering the tax rate for Type B's back down to 10 percent would hopefully allow existing sportsbooks to be more successful and attract other companies to open new ones.

It was also made clear that improvements are necessary for Type C sportsbooks, as they are not working as intended. This could include working with vendors and the Lottery in order to make a product that is more consumer friendly and enjoyable. One possibility is exploring the removal of some of the barriers that put Type C sportsbooks at a competitive disadvantage compared to other sports betting options and discourages consumers from using Type C kiosks.

In the next 5-10 years, the horse racing industry will likely continue in their struggle to remain a lucrative gaming sector. The General Assembly should continue to keep an eye on this industry, acknowledge its struggles, and look for solutions.

Additionally, iLottery and iGaming was noteworthy topic of conversation. Other states have shown that these online products are very popular to the consumer and they also bring in substantial revenue to the state. However, we must proceed with caution, as some of these products may need more vetting since they are more easily accessible to the consumer and could potentially have more addictive qualities. In the 134th General Assembly, I sponsored Senate Bill 269, which authorized the Ohio Lottery Commission to offer electronic lottery games on mobile devices while maintaining revenue flow to local retail establishments. While SB 269 passed the Senate, it stalled in the House and clearly needs more discussion. In the short term, I do believe we should move forward with a portion of SB 269 and allow Lottery to offer draw games and multi-state games online. These products are already available online through third party venders, and it is common sense to allow Lottery to offer them directly to consumers.

Finally, evidence of increasing rates of problem gaming in the past few years was made clear. Although we are exploring ways to improve the consumer experience by removing barriers to certain gaming products, we should always be cautious of the unintended consequences of making gaming products easily accessible. While Ohio is investing more than many other states

in order to combat this issue, we must continue to do so and make sure we do not lose sight of this problem in the midst of increased gaming in the state.

I would like to thank Director Schuler and Chair Stickrath of the Ohio Casino Control Commission, Director Gillcrist, along with her team at the Ohio Lottery Commission, Chair Borgemenke and Director Dragone of the Ohio Racing Commission, and all those who provided great insight and help when it came to testimony and information. It is due to these leaders, along with the members of the Future of Gaming Study Commission, who have done such great work in their positions that has made Ohio one of the best states in the country when it comes to the gaming industry.

Sincerely,



State Senator Nathan Manning

Ohio's 13th Senate District

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Standing Committees
Community Revitalization - Chair
Agriculture and Natural Resources – Vice Chair
Energy and Public Utilities
Small Business and Economic Opportunity

July 2, 2024

I am grateful to have had the opportunity to serve on the Study Committee on the Future of Gaming in Ohio, and I especially want to thank Senator Manning and Representative Edwards for their leadership throughout this committee process.

Based on the presentations I heard during the committee meetings, I am not in favor of the expansion of the lottery in the state of Ohio. My position is to maintain the status quo and keep the brick and mortar sites rather than have the state expand into iLottery and other forms of virtual gaming.

I would also like to express that the state remain committed to monitoring and funding addiction services as it relates to gambling in Ohio. Making sure that citizens who gamble are doing so safely and responsibly should be a top priority for the state as gaming continues to develop in the state of Ohio.

I am appreciative of everyone who took time to testify before the committee, and want to let them know that their insight was invaluable as the Ohio General Assembly continues to review this issue.

Sincerely,

Al Landis
State Senator
31st Senate District

135th General Assembly

Representative Bride Rose Sweeney

Report on the Future of Gaming in Ohio

Over the course of just four meetings, the Study Commission on the Future of Gaming explored the current status and potential future of sports gaming, casino gaming, horse racing, and the lottery. This is a complex area of state law, dealing with highly lucrative and heavily regulated industries that impact state revenues and influence the way that Ohioans live and work. Despite its limited timeframe, the Commission successfully examined the major threads that make up the rich tapestry of gaming policy in Ohio and identified several paths forward.

Ohio's gaming landscape has shifted considerably in recent years with the legalization of sports gaming as well as electronic bingo for veteran and fraternal organizations. As technology continues to advance and consumer preferences change, the legislature will inevitably contemplate revising or expanding the gaming laws. Significant policy changes require additional study and public hearings, but one thing is very clear: The future of gaming must put Ohioans, Ohio workers, and Ohio businesses first.

1. **Consider the Impact of iGaming and iLottery on Ohio Workers & Ohio Businesses**

Much like sports gaming, all forms of gaming are evolving to be available virtually whether we like it or not. The Commission heard extensively about the prevalence of Bovada and the illicit market already operating in Ohio without any of the consumer protections required under current law. Some have suggested that the expansion of iGaming and iLottery may be inevitable. If that is the case, then lawmakers have a responsibility to look closely at these proposals and identify ways to create a level playing field that protects consumers and future-proofs Ohio's assets, economy, and workers including union labor.

iGaming

Should iGaming move forward, tethering licenses to brick-and-mortar casinos in order to offer virtual poker, slots, and table games would be a balanced approach. Ohio's two largest neighbors, Michigan and Pennsylvania, have both legalized iGaming and *each* saw $1.7 billion in gross internet gaming revenue in 2023 alone. According to the Legislative Service Commission, similar gross revenues taxed at the same rate as casinos would generate $500-650 million in annual tax revenue for the State of Ohio. While these dollars would be a game-changer for addressing the state's childcare crisis or many other worthy endeavors, caution and thoughtful implementation are warranted as iGaming may have adverse effects on Ohio businesses and workers if done poorly or through a rushed process.

Proponents claim that iGaming supplements existing revenue with new consumers, while opponents argue it cannibalizes casino revenue by diverting existing consumers away from brick-and-mortar facilities and onto smartphone apps operated by large out-of-state companies. The truth may lie somewhere in the middle as there are recent studies on both sides of the issue. Any expansion of iGaming should proceed in a way that acknowledges and respects the current industry that has invested in our state to create thousands of good-paying union jobs, strengthen our local economies, and generate much-needed revenue for local governments and public education.

The American Gaming Association estimates that gaming in Ohio—commercial casinos, retail sports betting, and mobile sports betting—supports nearly 34 thousand jobs with an annual economic impact of $7.3 billion and an annual tax impact of $1.4 billion. Any policy changes should be made with this in mind. Several witnesses offered options for proactive steps that the state could take while protecting these jobs and safeguarding against industry disruptions. For example, the state could implement a limited pilot program and gauge its impact on Ohio's market compared to neighboring states. The state could legalize only one type of iGaming, such as online poker, to test the waters while still chipping away at the illicit market. Another proposal that seemed well-received was requiring licenses to be linked to the existing brick-and-mortar industry in order to have a more seamless transition.

iLottery

Similarly, the legislature should take care to lift up the existing workforce and small businesses when allowing for the sale of online lottery tickets by the Ohio Lottery (i.e., iLottery). One suggestion to protect businesses and workers is temporarily increasing the base commission for in-person lottery sales or allowing retailers to share a percentage of iLottery revenue to compensate for any potential revenue loss. Another worthwhile proposal is to differentiate the types of games offered on an iLottery platform so that some games can only be found in brick-and-mortar venues. It is worth noting that some groups oppose iLottery because online games in some other states look very similar to games offered at casinos. More evaluation should be done to see what types of games should be allowed and how that influences the market.

Still, iLottery appears to be the next evolution of the state lottery system, which has generated billions of dollars for public education since 1974. Lawmakers should strike a balance between brick-and-mortar and online play that builds a consensus between all parties and recognizes the many "mom and pop" retailers that sell lottery tickets. With third-party services already offering online lottery products, the state should embrace the future of the Ohio Lottery. When updating its mobile application for iLottery, the Ohio Lottery should emphasize transparency for consumers, perhaps through education on jackpot odds or by publishing the number of jackpot prizes remaining for applicable contests as it currently does on its website.

The General Assembly should give serious consideration to iGaming and iLottery with extensive vetting through the legislative committee process. Specific recommendations are difficult to produce after only four meetings, but the reality is that many other states are moving in this direction and

Ohioans are already using the illicit market. Lawmakers should accept that it is very likely that these expansions are only a matter of time and move forward in the best interest of the State of Ohio. As technology evolves and society progresses, so too should our laws.

2. **Prioritize Treatment/Prevention of Problem Gambling, Enhance Consumer Protections**

The Commission heard testimony from the Ohio Department of Mental Health and Addiction Services that those at-risk for problem gambling have increased from 5% in 2012 to nearly 20% in 2022, with young people and particularly young men and minorities being most at-risk. After sports gaming became legal in January 2023, the Ohio Problem Gambling Helpline saw a 55% increase in calls for a total of 9,500. While not all those calls related to problem gambling (e.g., someone calling the hotline to redeem a lottery ticket), these numbers demonstrate a need for further consumer outreach and education, as well as continued coordination between state agencies.

Four state agencies partner on the Ohio for Responsible Gambling initiative: the Lottery Commission, the Casino Control Commission, the State Racing Commission, and OMHAS, with OMHAS being the lead agency responsible for the prevention and treatment of problem gambling. As Ohioans grow more and more comfortable with constant access to gaming, the state should be proactive in breaking down stigma for seeking help and ensure that Ohioans feel comfortable calling the helpline. I share the sentiment of the Problem Gambling Network of Ohio that the consumer protections laid out in Ohio's sports gaming laws should apply to any further expansion of gaming in Ohio. Several examples include Know Your Customer regulations, clearly and conspicuously posting the Ohio Problem Gambling Hotline, ensuring access to the statewide Voluntary Exclusion Program, and restricting advertising on college campuses. Regulating and taxing Daily Fantasy Sports (DFS) as sports betting merits further consideration as there appears to be areas of agreement between at least some DFS operators and consumer groups.

With the increased prevalence of problem gambling via new and existing channels, it is critical not only to provide sufficient consumer protections across all areas of legalized gaming, but also to ensure adequate behavioral health supports. As with other healthcare areas, we know that there are challenges with recruiting and retaining qualified providers as well as limits to what those providers can do. Lawmakers should continue expanding access to telehealth services especially in hard-to-reach areas, incentivize financial literacy training for problem gambling clinicians, and support building a stronger safety net of responsible gambling education and resources. With the constant evolution of gaming, lawmakers need to understand the connection between the changing landscape and problem gambling.

As gaming opportunities continue to expand, it is essential that funding also increases to combat problem gambling. When Ohio voters approved casino gaming, the ballot initiative included a 2% set-aside for problem gambling. Given the difficulty of amending the Constitution, any future legislative expansion of gaming should *at least* maintain this set-aside for problem gambling prevention, treatment, and research. The legalization of sports gaming included this 2% set-aside. Since actual revenue exceeded estimates, the Casino Control Commission received Controlling Board approval to increase its appropriation authority for problem sports gaming from $500,000 to $3.5 million per year.

Additional revenue to combat problem gambling could be used in ways yet unimagined as our understanding of the new gaming landscape and its impact on individuals and society continues to grow. For example, earlier this year, OCCC received Controlling Board approval for a contract to study the best ways to communicate with someone demonstrating markers of harm. One proposal that pairs well with this and deserves exploration is monitoring global betting behavior across multiple virtual applications for markers of harm. OCCC testified that the State of New Jersey has a system that uses player data to create an anonymized, unique identifier so that global betting behavior can be monitored for issues. With consumers often switching between multiple gaming applications, this type of system may hold merit if it protects consumer privacy.

Finally, the legislature should do more to crack down on so-called "grey machines" in a way that protects consumers and generates revenue for problem gambling prevention and treatment. The Commission heard from the Attorney General's office and several other witnesses that there are thousands of untaxed, unregulated, and unlicensed machines in Ohio, mostly illegal slots. After providing clear guidance to Ohio's businesses and gaming community on what is acceptable, the state should define illegal machines and empower law enforcement to bring them in. The legislature should review similar policies in other states, such as Virginia's $25,000 fine on grey machines or Kentucky's bounty system that gives law enforcement additional revenue for seizing illegal machines. While these proposals need fleshing out, they deserve consideration as a potential revenue source for ADAMH boards and local law enforcement as well as a protection for Ohio businesses, workers, and consumers.

It is impossible to roll back the technological advances that have made so gaming universally accessible. The world has changed, so Ohio must adapt and focus on strengthening consumer protections and improving the ability to access resources and counseling for those Ohioans who are at-risk for problem gambling. State policy should always treat problem gambling as a mental health disorder and not as any kind of moral failure or personal shortcoming.

3. **Revisit Existing Laws to Better Serve Ohioans & Ohio Businesses**

Sports Gaming

As with any new area of law, sometimes changes are necessary to ensure that it operates as intended. The Commission heard a variety of witnesses urging us to revisit certain aspects of the sports gaming law. In particular, the Governor's tax increase on sports gaming from 10% to 20% drew significant criticism. Many proprietors cited frustration with such a significant change to the program halfway through the first year of legalization and the instability that caused their businesses.

The legislature should continue to monitor how this new tax rate affects the gaming industry. The witnesses who gave the most compelling reasons to reexamine the tax rate were those who pointed to lost opportunities for Ohio businesses and workers such as a high-end restaurant for the Memorial Tournament that fell through. It is clear that the legislature could be doing more to allow the benefits of legalized sports gaming to bolster local economies and workers. Lawmakers should be exploring

every avenue to enable Ohio businesses and Ohio workers to compete for a fair piece of the pie. We can do this by further looking at ways to incentivize in-person play.

Lastly, any revisions to the gaming laws should keep the interests of charitable organizations in mind.

Horse Racing

Ohio's long tradition of Horse breeding and racing has been affected by the expansion of gambling over the past two decades. The decline of revenues from pari-mutuel betting has impacted various aspects of the industry. The legislature should explore various options to bolster the industry, including a look at the current funding formula to increase purses, and support racetracks, their employees and elder care programs. This examination should include giving the State Racing Commission and track operators the resources necessary to continue adequate regulation of this potentially hazardous sport to ensure the safety and wellbeing of jockeys, horses, track personnel and patrons.

The commission heard testimony from the State Racing Commission regarding their ability, due to a lack of resources, to provide only limited oversight of horse racing at county fairs. The legislature should establish a task force encompassing the various partners to examine county fair racing and identify solutions to clarify jurisdiction, ensure safety and benefit all participants in these events. The legislature should consider increasing fines for egregious or repeat violations of horse racing laws.

In conclusion, it is fair to assume that the evolution of society and advancement of technology will continue to drive innovation across the gaming industry. Faced with that reality, lawmakers should take a proactive approach and be prepared for the future of gaming in this state. Together we can strike a balance that provides additional mental health resources, protects good-paying union jobs, and respects the Ohio businesses – from large casinos to small "mom and pop" shops – that are essential to our communities. As gaming continues to modernize in other states, the legislature should continue the progress made by this Commission in the years to come.

Respectfully submitted,

Bride Rose Sweeney

BRIDE ROSE SWEENEY
State Representative, 16th District
135th Ohio General Assembly

William P. DeMora
State Senator
25th Senate District

Committees:
General Government - *Ranking*
Local Government - *Ranking*
Energy and Public Utilities
Insurance
Transportation

July 11, 2024

To: Senator Nathan Manning and Representative Jay Edwards

RE: Study Commission on the Future of Gaming in Ohio

Dear Co-Chairs Edwards and Manning,

I write to share my suggestions regarding the future of gaming in Ohio. Throughout the numerous meetings of this commission, we heard testimony from a variety of stakeholders about the current gaming landscape in Ohio, and I want to highlight valuable components that can move our state forward.

First, we must ensure that Ohio's storied horse tracks can remain profitable. Ohio has some of the most historic tracks in the nation, but they risk falling into obscurity due to small purse sizes and limited racing. To remain relevant, thoroughbred tracks would need to open up evening cards to draw in larger crowds and, as such, increase purse sizes.

Second, iLottery and iGaming have the opportunity to broadly change gaming in Ohio by opening up a massive source of revenue for the state and increasing access to all Ohioans. Despite these new opportunities, they come with the potential to cause undue harm to the existing industry. The 25th Senate District, like all of Ohio, has a large network of corner stores, gas stations, bars, restaurants, and small mom-and-pop convenience stores, all of which rely on the income from selling state lottery tickets as a substantial portion of their revenue. Additionally, Ohio has some of the premier casinos in the country, including Hollywood Casino-Columbus in my district. The casino gaming industry employs hundreds of people with good, union jobs. We cannot risk the position of these critical institutions by making them irrelevant, with Ohioans who want to gamble turning to their phones instead of supporting brick-and-mortar stores.

I also have concerns about creating too-easy access to gambling. The Ohio Lottery Commission, casinos, and many other businesses that sell gambling or lottery products have worked very hard to curb problem gaming and gambling addiction. Creating a way for Ohioans to gamble anywhere at any time will intrinsically limit the effectiveness of these well-thought-out systems. Much like mobile sports betting, having more access to gaming products on mobile devices may further increase the risk of problem gaming.

Finally, I have several concerns about iGaming's potential to limit future investments in brick-and-mortar businesses. Several bars in my district that have sportsbooks or other investments, such as Keno, have struggled to find a market with the introduction of online sports betting. They are taxed heavily and must meet strict requirements to offer these products. Introducing iGaming in the state

will further impede their ability to compete in the market, thus leading to decreased future investments.

I want to thank all of the committee members for their work, all of the professionals who testified in front of the committee by giving key insights, both co-chairs for running open and fair committee hearings, and finally, my staff and the staff of both co-chairs for their hard work.

Sincerely,

William P. DeMora
State Senator, District 25

Ohio Senate| 1 Capitol Square Columbus, OH 43215 | (614) 466-4583 | DeMora@ohiosenate.gov

July 11, 2024

Dear Co-Chairs Manning and Edwards,

Thank you for including the Ohio Lottery Commission as a member of the Legislative Study Commission on the Future of Gaming in Ohio. The testimony provided by the plethora of stakeholders shows the vast extent of gaming activity happening in the State of Ohio.

As you know, the Ohio Lottery is unique, in that it is completely self-sufficient and is a non-GRF (General Revenue Fund) agency that does not depend on a single dime of taxpayer dollars to operate. In short, the Ohio Lottery is a state-owned business, and operates with keen attention to keeping operating costs low, diversifying its game portfolio, and maximizing revenue for the State.

Our mission is to support education by offering entertaining gaming experiences and our vision is to invest in Ohio's students and communities through gaming innovation. Ohio Lottery profits are directed to the Lottery Profits Education Fund (LPEF) and represent around 12% of all State dollars spent on education; a number that has risen over the past decade.

As requested here are some of our key takeaways from the hearings:

- **Consider Lottery Profits in Any Expansion of Gambling Discussion:** Ohio Lottery asks that any expansion of gambling options to Ohioans be considered with keen attention to the impact it will have on Lottery profits which the Legislature relies on for education. Additionally, as has been seen by neighboring states, any expansion will have a direct impact on traditional lottery products, brick-and-mortar racinos, and on lottery retailers—of which many are small businesses. The Ohio Lottery is already experiencing a negative impact from additional legalized competition for Ohioans discretionary income. For example, before sports betting was authorized in Ohio, Keno™ was growing around 5%. Since sports betting began, Keno is down 1.9%; therefore, the true impact of these competing factors is nearly 7% for a product line that produces over $150 million each year in profit. *Any* future gaming discussion must incorporate a full study and analysis of how it will impact the profits the Ohio Lottery provides to the State for education.

- **Responsible Gambling Provisions:** During the Committee there were numerous mentions of the Ohio Lottery and Ohio Casino Control Commission's (OCCC) approach to responsible gambling and how our partnership has set the standard nationwide for these prevention efforts. In Ohio, we are nationally recognized for our responsible gambling programs and initiatives which is often referred to as the "Ohio Model." This is accomplished through the Ohio for Responsible Gambling consortium, consisting of the Ohio Lottery, OCCC, the Ohio State Racing Commission and Ohio Mental Health and Addiction Services. Going forward, any additions or modifications of the gaming landscape in Ohio should include rigorous responsible gambling programs and education spearheaded by the regulatory body.

- **Enhancement Opportunities**:
    - Although our traditional lottery game sales have remained strong, the national trend for lotteries shows growth is slowing. Given the sophistication of the Ohio Lottery's gaming portfolio, there are minimal, if any, new lottery games that would generate double-digit growth. As a business, the Ohio Lottery must adjust to meet the growing needs of consumers as the State relies on its profits for education funding. To this end, 14 states have authorized a program allowing players to purchase certain lottery games online.

The states with this type of program have not hurt their retail locations, but have added to the retailers' bottom lines. The most profitable iLottery programs are the ones that do not have significant regulatory and/or financial restrictions placed upon their program.

- In the enabling legislation, type C sports gaming was not permitted to operate under the same guidelines as type A (mobile) and B (physical sportsbooks) sports gaming, nor set up like a traditional lottery game. While type C sports gaming will never compete with mobile (type A) gaming, one of the type C proprietors testified requesting an even playing field. This would include amending ORC 3770.25 to reduce the limitations placed on type C with respect to bet types and other items, that are not placed on type A or B wagering.

- **Racino Parity Offerings:** During the Committee, there was a proposal to allow video poker, electronic table (e-table) games, and table games into the seven racinos regulated by the Ohio Lottery. Table games would necessitate a constitutional amendment. However, allowing the racinos to offer video poker and e-table games is a matter of policy. The estimates presented at the Committee were approximately $25 million in additional profit to the State via the Lottery Profits Education Fund, if video poker and e-table games were introduced at the seven racinos. This estimate could be revised depending on the number of properties that place these new games as well as the popularity of them with the patrons of the racinos.

In conclusion, the Ohio Lottery is a business that is owned by the State of Ohio and has been a successful public private partnership between retailers, vendors, employees and our players. Our profits are vital to the State and mandated by each biennial budget, and therefore act uniquely as a clearly defined and measurable requirement. As we mentioned in our testimony, the Ohio Lottery is the only gaming entity in Ohio where 100% of its profits flow to the State. There were numerous suggestions made by interested parties throughout the commission. Some of these suggestions would introduce other legalized forms of gambling, while others would add another level of bureaucracy and restrictions which may hinder the Ohio Lottery's ability to maximize profits for the LPEF, thoroughly harming future education funding.

Therefore, the Ohio Lottery respectfully asks that any future gaming changes be studied as to their impact on the LPEF. This would provide a holistic picture of how any changes to Ohio's gaming landscape would affect not only the Ohio Lottery's education contribution, but also the economic impact on our nearly 11,000 retailers, who are in all 88 counties of our great State.

Thank you for your consideration and we stand ready to work with the members to help finalize the content of this report.

Respectfully submitted,



Michelle B. Gillcrist, J.D.
Director
Ohio Lottery Commission

Date: July 8, 2024

To: Co-Chair Edwards, Co-Chair Manning & Members of the Commission

From: Christopher Dragone, State Racing Commission Executive Director

Re: Study on the Future of Gaming

Co-Chair Edwards, Co-Chair Manning and members of the Study Commission, thank you. The Ohio State Racing Commission greatly appreciates the Commission's thorough discussion and open dialogue with all interested gaming entities.

The OSRC would like to reiterate several points brought up during Chairman Borgemenke's testimony. As Chairman Borgemenke indicated some legislation might be necessary to clarify the jurisdiction over racing at County Fairs. Currently the OSRC is providing some oversight, but with the lack of funding only a minimum standard is being provided. Should funding of the Commission change, a more active role could be expected. A key reason for the diminished oversight is the current formula for the funding of the OSRC. Our funding is substantially based on the revenues from the pari-mutuel tax, which is in steady decline, in fact experiencing an average 19% drop in the last 3 years. A new formula or supplemental funds may need to be explored to offset these shortfalls.

77 S. High Street
18th Floor
Columbus, OH 43215-6108

Phone: 614 | 466 2757
Fax: 614 | 466 1900
racing.ohio.gov

The State of Ohio is an Equal Opportunity Employer and Provider of ADA Services

The second issue we need to address is the Ohio Revised Code limits the amount of fines for top level offenders to $1,000.00 dollars and one year suspension. This does not take inflation into account and is not comparable to other venues. It falls woefully short of being a deterrent in the current standard of racing. We are suggesting the fine be raised to $10, 000.00 dollars for extreme offenders.

Again, the OSRC thanks the Committee for its time and efforts.

Sincerely,



Christopher Dragone

77 S. High Street
18th Floor
Columbus, OH 43215-6108

Phone: 614 | 466 2757
Fax: 614 | 466 1900
racing.ohio.gov

The State of Ohio is an Equal Opportunity Employer and Provider of ADA Services

Testimony provided to the Study Commission on the Future of Gaming in Ohio

OHIO CASINO CONTROL COMMISSION

Mike DeWine
Governor

Thomas J. Stickrath
Chair

Testimony of Matthew T. Schuler, Executive Director
Ohio Casino Control Commission
Commission to Study the Future of Gaming
February 20, 2024

Co-Chair Edwards, Co-Chair Manning and members of the Commission, thank you for the opportunity to testify regarding the Casino Control Commission's responsibilities with respect to casino gaming.

BACKGROUND

In 2009, Rock Gaming and Penn National Gaming partnered to place a constitutional amendment on the ballot that would authorize casino gaming at four facilities located in Cincinnati, Cleveland, Columbus, and Toledo. The measure passed with 52% of the vote.

In 2010, the General Assembly passed the bipartisan Casino Control Law.

In 2011, Governor Kasich appointed the first members of the Commission. The Commission is a seven-member bipartisan body. The Constitution requires that at least one Commissioner have experience in auditing and accounting, law enforcement and criminal investigation, the practice of law, and at least one member be a resident of a county with a casino.

MISSION OF THE CASINO CONTROL COMMISSION

As detailed in the Constitution and the law, the mission of the Commission is to ensure the integrity of casino gaming and has jurisdiction over all persons participating in casino gaming.

To fulfill its Constitutional mission and the statutory requirements of the law, the Commission executes four main functions:

- Responsible Gambling Programs
- Licensing and Investigations
- Regulatory Compliance
- Enforcement of the Law

What is a Gambling Problem?
Problem gambling (sometimes referred to as “gambling addiction” or “gambling disorder”) is gambling behavior that is damaging to a person or their family. Gambling disorder is a recognized mental health diagnosis.

How is a Gambling Problem Measured?
The Problem Gambling Index is the standardized measure of at-risk gambling behavior. (See Slide)

What is the Prevalence of Problem Gambling in Ohio?

Survey Year	Do Not Gamble	Non- Problem Gambler	Low Risk	Moderate Risk	Problem Gambler
2022	17.2%	63.0%	10.9%	6.1%	2.8%
Ohio Pop. 2022	1,573,094	5,758,463	991,513	560,248	254,729
2017	25.1%	64.4%	6.4%	3.0%	0.9%
2012	41.4%	53.0%	4.2%	1.1%	0.4%

Responsible Gambling Programs
Ohio was the first state to bring the resources of multiple agencies together to maximize efforts and results through the creation of Ohio for Responsible Gambling (ORG). This initiative involves the Ohio Department of Mental Health and Addiction Services, the Ohio Lottery Commission, and the Ohio Casino Control Commission and works to coordinate with state and local partners to provide education materials, prevention programs and treatment options.

The Constitution dedicates 2% of the tax on gross casino revenue to fund problem gambling and other addiction services. The money is allocated through an agreement between OhioMHAS and the Commission’s Executive Director. While a significant amount of funding is distributed to county mental health boards for treatment and prevention efforts, funds are also set aside for state-level programing that is beyond the capacity of the boards such as statewide prevention and awareness campaigns, the Ohio problem gambling helpline, and gambling treatment accreditation programs.

In conjunction with the Ohio Lottery Commission, the Commission administers the Time Out Ohio program that allows individuals to ban themselves from Ohio casinos, racinos, retail sportsbooks and online sportsbooks for one year, five years or their lifetime. Individuals may enroll through their computer or mobile application in addition to the in-person sign-up. Once the request is validated, an individual is not permitted to access any of the above during the length of their self-imposed time out.

To augment the Time Out Ohio Program, GamBan is available to all Ohioans. It is a downloadable application that once activated prevents a device from accessing more than 60,000 gambling websites and apps (legal and illegal) worldwide. It is being offered at no cost to anyone looking for protection from online gambling.

Individuals seeking treatment for a gambling addiction often have serious financial problems. However, most problem gambling clinicians are not financial experts able to address this important aspect of recovery. GamFin is a service that seeks to fill this gap by connecting clinicians with financial specialists and advisors to provide financial training, case counseling and other online resources.

Licensing and Investigations

The law requires every person conducting or participating in casino gaming to be licensed. Licenses fall into the following types:

Casino Gaming:	CY 22-23
Operators	3
Management Companies	0
Holding Companies	33
Gaming-Related Vendors	13
Key Employees	187
Casino Gaming Employees	2,720
Total	**2,956**

Unlike other licenses that require specific education or training, the threshold for a person to receive a gaming license is good character, honesty, integrity, and financial stability. The General Assembly established the specific statutory criteria that the Commission must investigate and evaluate before determining whether a person is suitable for a license.

The law requires the Commission to consider criminal history, financial and regulatory history, reputation and experience, tax compliance, credit history, litigation history, bankruptcies, outstanding liens or judgments, and court records.

The licensing process does not end once a license is issued. Suitability is an ongoing requirement for all licensees, and the Commission has the authority to reopen a licensing investigation at any time. License holders have a duty to update the Commission regarding any change to information provided in their application. When license holders are required to file for renewal, the Commission must ensure that all applicants remain suitable.

Regulatory Compliance

Through the Division of Regulatory Compliance, the Commission ensures that its licensees comply with the law, the Ohio Administrative Code and each operator's detailed, Commission-approved, internal control systems. These regulatory systems are designed to ensure that no one can commit an error or fraud and have the ability to conceal that error or fraud.

The Commission's rules and the operators' internal control systems cover all gaming aspects of a casino's operation. Broadly, these cover the following areas:

- Casino operator's table of organization
- Auditing, accounting, anti-money laundering procedures
- Cashier's cages, main bank, count rooms, redemption kiosks
- Financial Reports, forms, records and documents

- Credit
- Table games
- Electronic gaming equipment and systems
- Information technology systems, Cybersecurity audits
- Security, access controls, key systems
- Surveillance

(See example videos)

To ensure compliance, the Division audits against all rules and controls, examines electronic gaming equipment, casino game operations, and associated financial processes and transactions.

Enforcement

The Commission is a law enforcement agency and is responsible for enforcing the Casino and Sports Gaming Control Laws. The Enforcement Division is comprised of gaming agents, investigators, and a criminal intelligence analyst. Gaming agents are certified peace officers in the State of Ohio and have arrest authority on all casino properties as well as outside of the casino when enforcing the criminal provisions of the Casino and Sports Gaming Control Laws. Agents are headquartered at their respective casinos and staff a 24-7 operation.

Gaming agents have worked collaboratively on joint investigations with Bulk Currency Task Forces statewide, the Federal Bureau of Investigation, the Drug Enforcement Agency, the Internal Revenue Service and the Secret Service, as well as city police departments and county sheriff's offices.

To date, the Division has addressed crimes including cheating, theft, robbery, credit card fraud, money laundering, forgery, and counterfeiting. (See example videos)

Gaming agents also investigate illegal casino operations around the state. Illegal casinos, often found in third-generation strip malls, offer slot machines and pay cash in violation of Ohio law. They attempt to avoid scrutiny by law enforcement and local governments by claiming that the devices are skill-based amusement machines, which are legal under Ohio law. In reality, these devices are slot machines under the law because they incorporate an element of chance, players are awarded cash payouts, or both.

To date, working with local law enforcement and county prosecutors, the Commission has served warrants on 146 locations and seized/disabled over 6,400 slot machines. This equates to more than all slot machines at the four casinos combined. It is common for the operators of these lucrative criminal enterprises to be charged with illegal gambling, money laundering and tax evasion, among others.

Co-Chair Edwards, Co-Chair Manning, and members of the Commission, thank you for the opportunity to present. I am happy to address any questions.

OHIO CASINO CONTROL COMMISSION

THE REGULATED CASINO INDUSTRY

2009 Casino Ballot Initiative



Rock GAMING

PENN NATIONAL GAMING, INC.

2009 Casino Ballot Initiative



Vote Totals

Yes	52%
No	48%

Money Spent

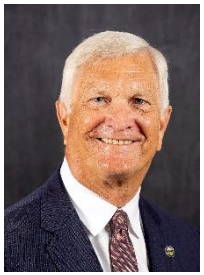
For	$47 M
Against	$25 M



PASSED

www.casinocontrol.ohio.gov

Ohio Casino Control Commissioners



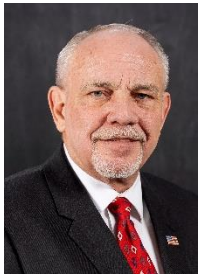
Tom Stickrath



Will Lucas



Sheetal Bajoria



Keith Cheney



Penelope Cunningham



Lynn Slaby



Christopher Smitherman

About the Commission

- Bipartisan commission.
- The Chair and the Commissioners appointed by the Governor.
- At least one Commissioner must have experience in each of the following areas:

  - Law Enforcement
  - Auditing & Accounting
  - Practice of Ohio Law
  - Reside in a county with a casino

Ohio's Casinos



JACK Cleveland Casino

May 14, 2012

J·A·C·K ENTERTAINMENT



Hollywood Casino Toledo

May 29, 2012

PENN NATIONAL GAMING, INC.



Hollywood Casino Columbus

October 8, 2012

PENN NATIONAL GAMING, INC.



Hard Rock Casino Cincinnati

March 4, 2013

Hard Rock CASINO

*The Cleveland casino transitioned to the JACK brand in May 2016.

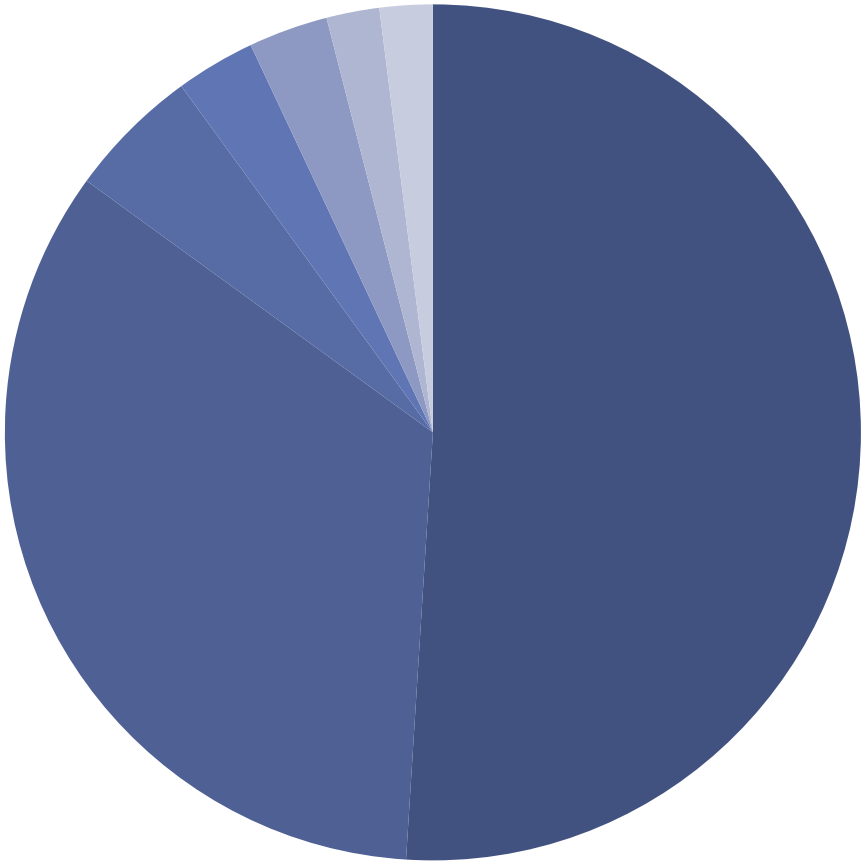
*The Cincinnati casino transitioned to the Hard Rock brand in September 2020.

Casino Revenue 2023

	Gross Gaming Revenue	Table Drop	Table Revenue	Hold %	Slot Coin In	Slot Revenue	Hold %
JACK Cleveland	$268,152,560	$438,474,085	$107,126,600	24%	$1,994,686,039	$161,025,960	8%
Hollywood Columbus	$272,208,417	$298,524,959	$62,240,782	21%	$2,836,428,690	$209,967,635	7%
Hard Rock Cincinnati	$249,664,733	$326,833,216	$85,393,273	26%	$2,103,826,704	$164,271,460	8%
Hollywood Toledo	$224,909,995	$137,668,046	$31,307,604	23%	$2,393,862,190	$193,602,391	8%
Total	**$1,014,935,705**	**$1,201,500,306**	**$286,068,259**	**24%**	**$9,328,803,623**	**$728,867,446**	**8%**

Approx. Tax Paid (33%)	$334,928,783

Distribution of Tax on Casino Gaming



- County Fund 51%
- Student Fund 34%
- Host City 5%
- Racing Commission 3%
- Casino Commission 3%
- Law Enforcement 2%
- Problem Gambling 2%

Casino Revenue is Taxed at 33%

Distribution of Tax on Casino Gaming 2023

FUND		AMOUNT
County Fund	51%	$170,813,679
Student Fund	34%	$113,875,786
Host City Fund	5%	$16,746,439
Racing Commission	3%	$10,047,863
Casino Control Commission	3%	$10,047,863
Law Enforcement Fund	2%	$6,698,576
Problem Gambling and Other Addictions Fund	2%	$6,698,576
TOTAL		**$334,928,783**

OHIO CASINO CONTROL COMMISSION

THE METHODS OF REGULATION



Mission Statement:

The Ohio Casino Control Commission has the responsibility to ensure the integrity of casino gaming, sports gaming, skill-based amusement machines, and fantasy contests

Ohio Casino Control Commission

Functions to Ensure Integrity

- **Problem Gambling Services**
- **Licensing & Investigations**
- **Regulatory Compliance**
- **Enforcement of the Law**

OHIO CASINO CONTROL COMMISSION

PROBLEM GAMBLING SERVICES

Problem Gambling Index

Questions:

1) Have you bet more than you could really afford to lose?
2) Have you needed to gamble with larger amounts of money to get the same feeling of excitement?
3) When you gambled, did you go back another day to try to win back the money you lost?
4) Have you borrowed money or sold anything to get money to gamble?
5) Have you felt that you might have a problem with gambling?
6) Has gambling caused you any health problems, including stress or anxiety?
7) Have people criticized your betting or told you that you had a gambling problem, regardless of whether or not you thought it was true?
8) Has your gambling caused any financial problems for you or your household?
9) Have you felt guilty about the way you gamble or what happens when you gamble?

Scoring:

0 = “Never”
1 = “Sometimes”
2 = “Most of the time”
3 = “Almost always”

Low Risk: 1-2
Moderate Risk: 3-7
Disordered Gambling: 8 or <

Problem Gambling Prevalence

Survey Year	Do Not Gamble	Non- Problem Gambler	Low Risk	Moderate Risk	Problem Gambler
2022	17.2%	63.0%	10.9%	6.1%	2.8%
Ohio Pop. 2022	1,573,094	5,758,463	991,513	560,248	254,729
2017	25.1%	64.4%	6.4%	3.0%	0.9%
2012	41.4%	53.0%	4.2%	1.1%	0.4%

The Ohio Model



Department of Mental Health & Addiction Services

Casino Control Commission

Lottery Commission

Racing Commission

Statewide Awareness Campaigns







State-Level Programs

- Problem Gambling Helpline
- Gambling Treatment Accreditation
- Time Out Ohio
- GamBan
- GamFin



TIME OUT OHIO

OHIO CASINO CONTROL COMMISSION

LICENSING & INVESTIGATIONS

Casino-Related Licenses Issued by the Commission CY 22-23

Casino Gaming:	
Operators	3
Management Companies	0
Holding Companies	33
Gaming-Related Vendors	13
Key Employees	187
Casino Gaming Employees	2,720
Total	**2,956**

Licensing Standards

Factors used when evaluating applicants:

Criminal History	Financial History	Compliance with gaming-related laws & regulations
Reputation & experience	Tax Compliance	Credit history & debt
Litigation History	Bankruptcies	Liens & judgements

All investigations result in a recommendation to grant or deny licensure.

OHIO CASINO CONTROL COMMISSION

REGULATORY COMPLIANCE

Regulatory Compliance

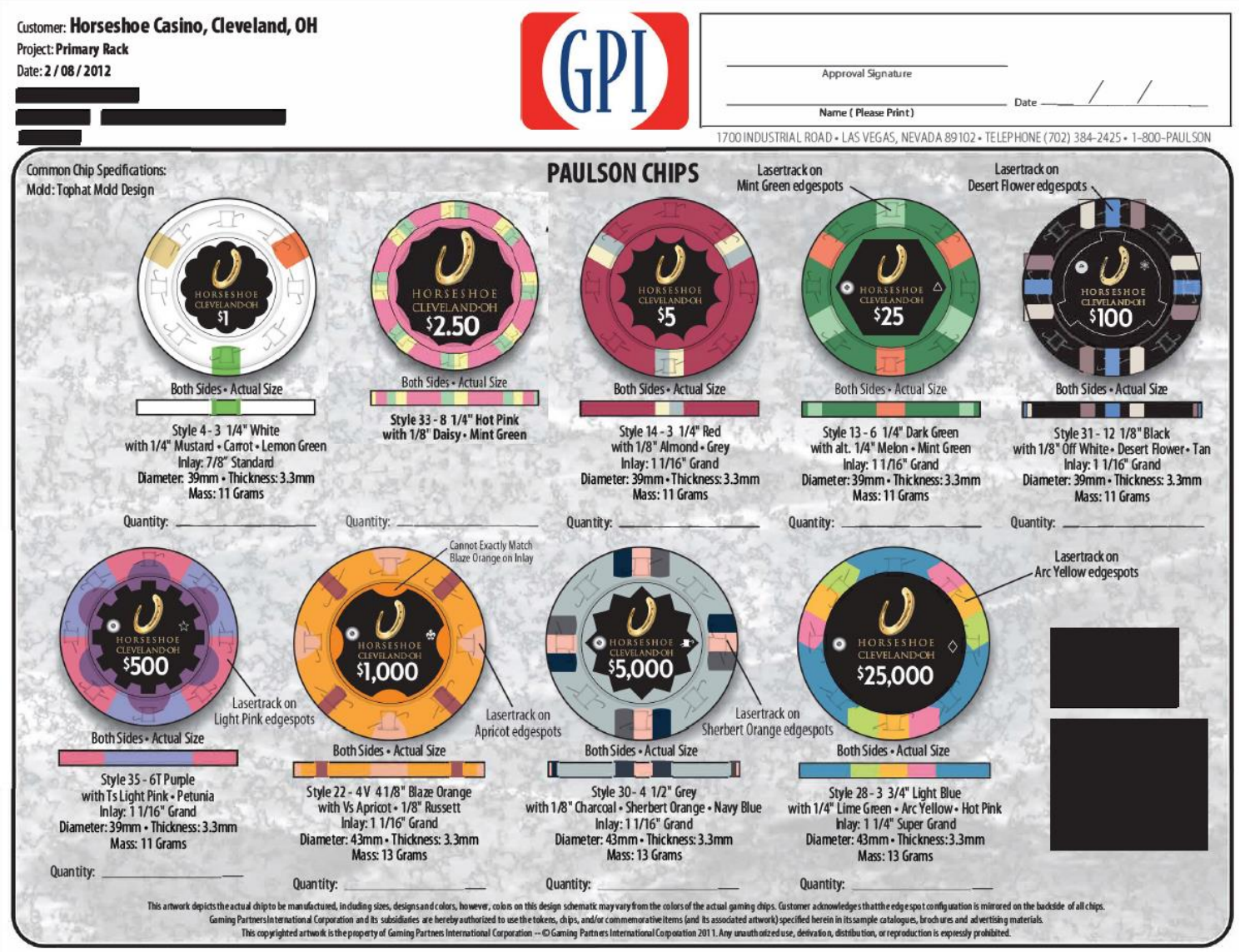
- Casino operator's table of organization
- Auditing, accounting, anti-money laundering procedures
- Cashier's cages, main bank, count rooms, redemption kiosks
- Financial Reports, forms, records
- Credit
- Electronic gaming equipment and systems
- Table Games
- Information technology systems, Cybersecurity audits
- Security, access controls, key systems
- Surveillance



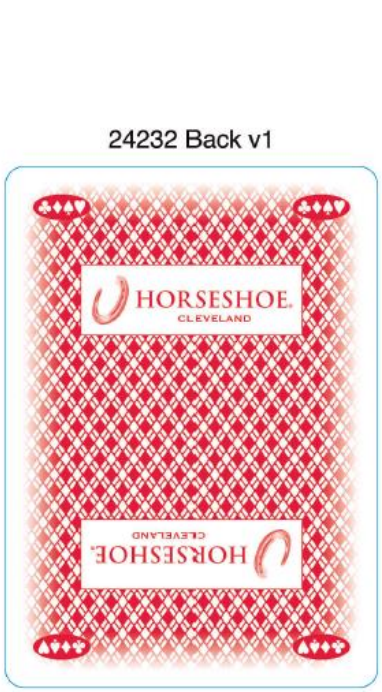


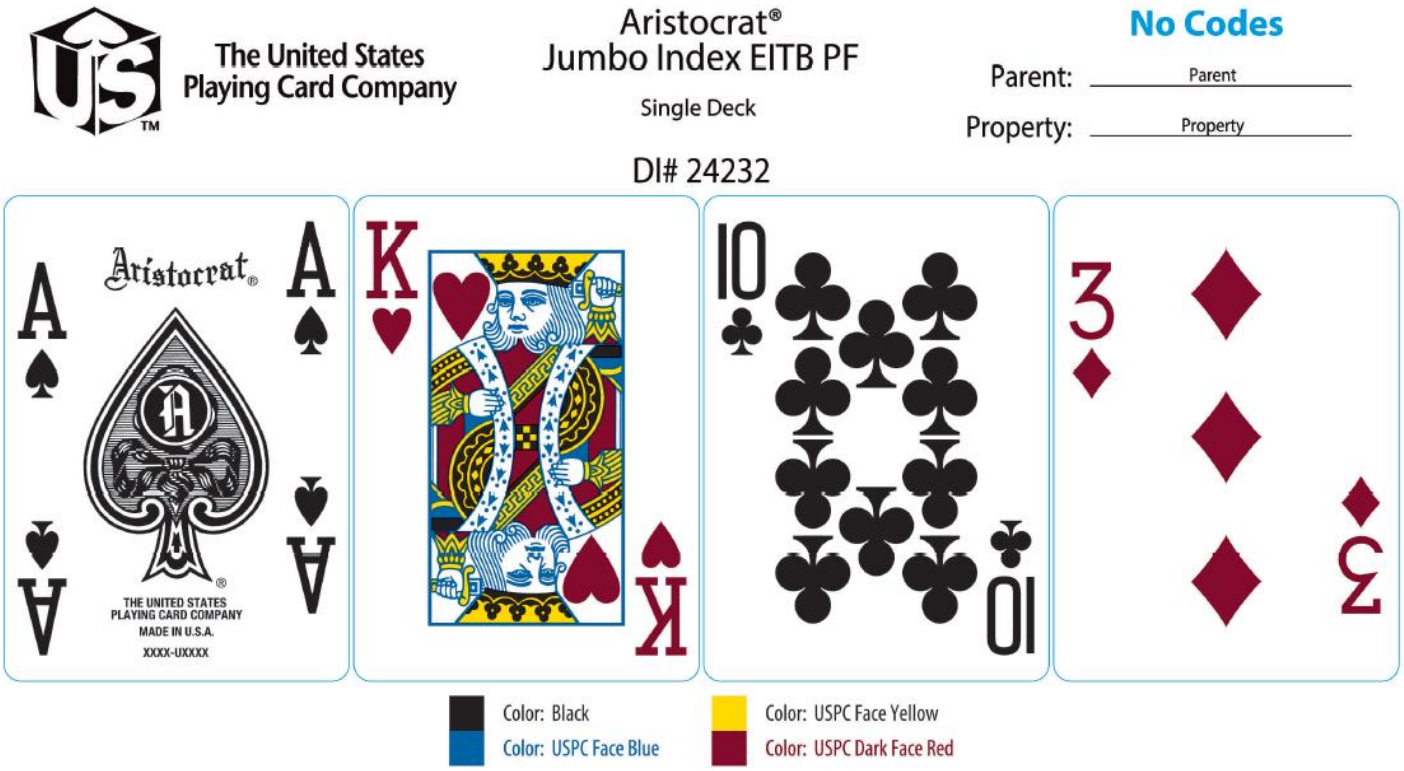


Tables: Chip Schematics



Tables: Card Schematics





Tables: Dice Schematics

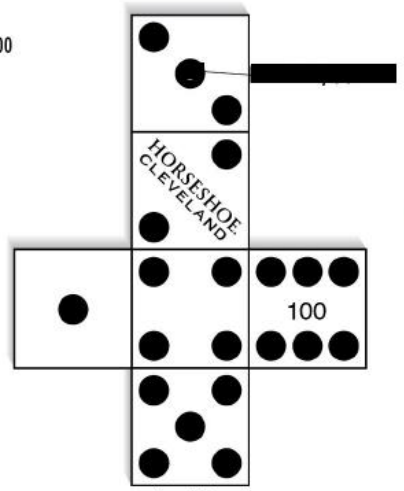
Customer: **Horseshoe, Cleveland, OH**
Monogram: **Horseshoe Cleveland**
Date: **3/23/2015**
[redacted]

GPI
1700 INDUSTRIAL ROAD
LAS VEGAS, NV • 89102
T• (702) 384-2425

Representative of Licensee (Approval Signature)	Intended Use
Representative of Licensee (Please Print)	Date
Title (Please Print)	Phone

BUD JONES CHIPS

Dice Specifications:
Size: .775"
Color: Dark Blue, Dark Red
Spots: Flush
Monogram: Gold
Style: Razor Edge
Security Features:
1. Serial Number (starting at 100 and continuing)
[redacted]



Actual Size










Actual Dice Photos

Customer: **Horseshoe Casino – Cincinnati, OH**
Project: **Let It Ride Bonus Wtih Three Card Bonus**
Date: **1 / 11 / 2013**
Sales Assistant: **Regina Farland**
Artist: **Sam Steinborn**
File: **Horseshoe Cinci LIRB-01 w3CB DFX 75482v8.ai** Job# **75482**

GPI

Approval Signature

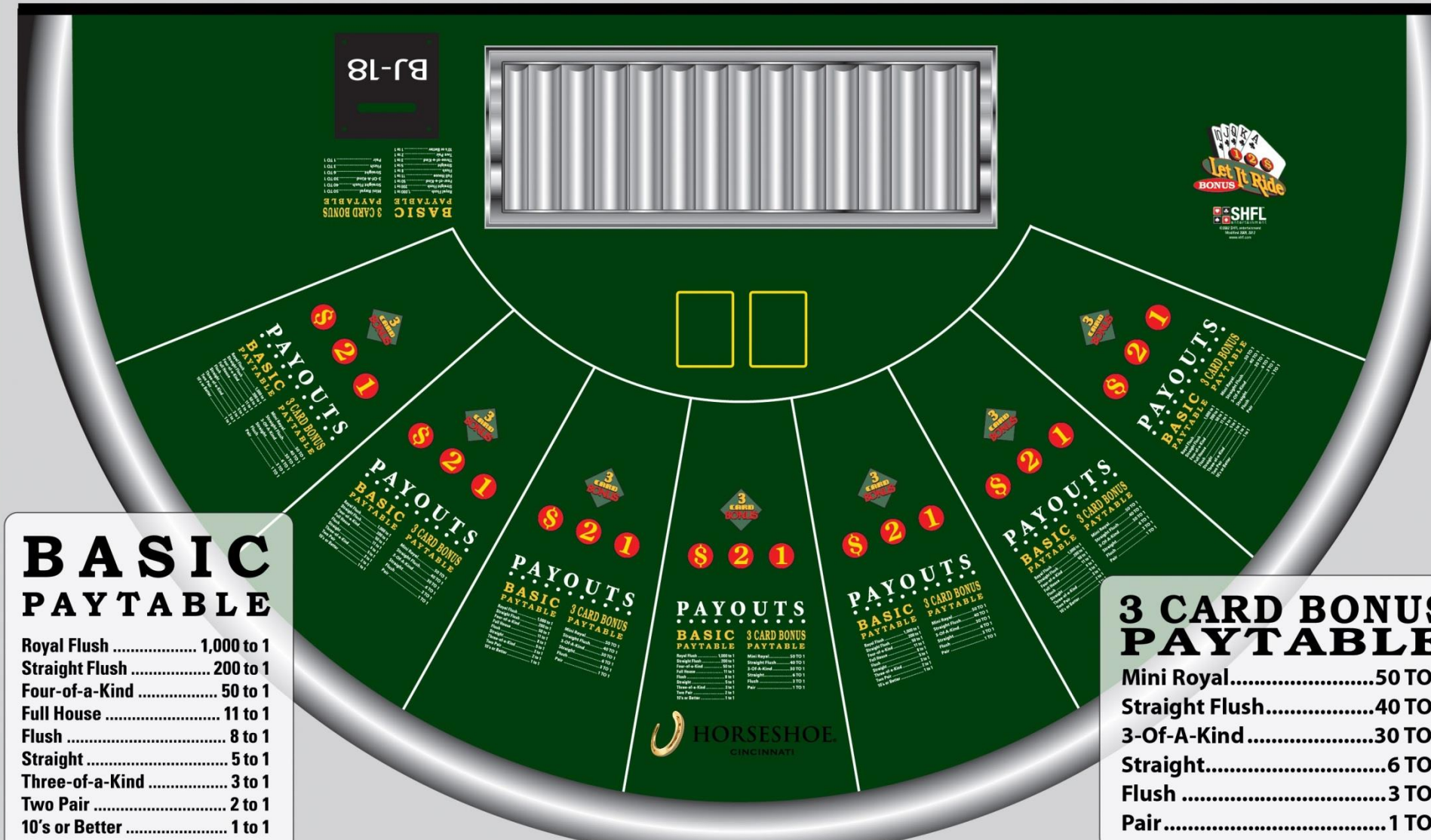
Name (Please Print)

Date / /

1700 INDUSTRIAL ROAD • LAS VEGAS, NEVADA 89102 • TELEPHONE (702) 384-2425 • 1-800-7

Backgound Color: Moss Green
Cloth Size: 90" x 57"

DIRECT PRINT LAYOUT



BASIC PAYTABLE

Royal Flush	1,000 to 1
Straight Flush	200 to 1
Four-of-a-Kind	50 to 1
Full House	11 to 1
Flush	8 to 1
Straight	5 to 1
Three-of-a-Kind	3 to 1
Two Pair	2 to 1
10's or Better	1 to 1

3 CARD BONUS PAYTABLE

Mini Royal	50 TO
Straight Flush	40 TO
3-Of-A-Kind	30 TO
Straight	6 TO
Flush	3 TO
Pair	1 TO

Controls in Action



Controls in Action



OHIO CASINO CONTROL COMMISSION

ENFORCEMENT

Enforcement

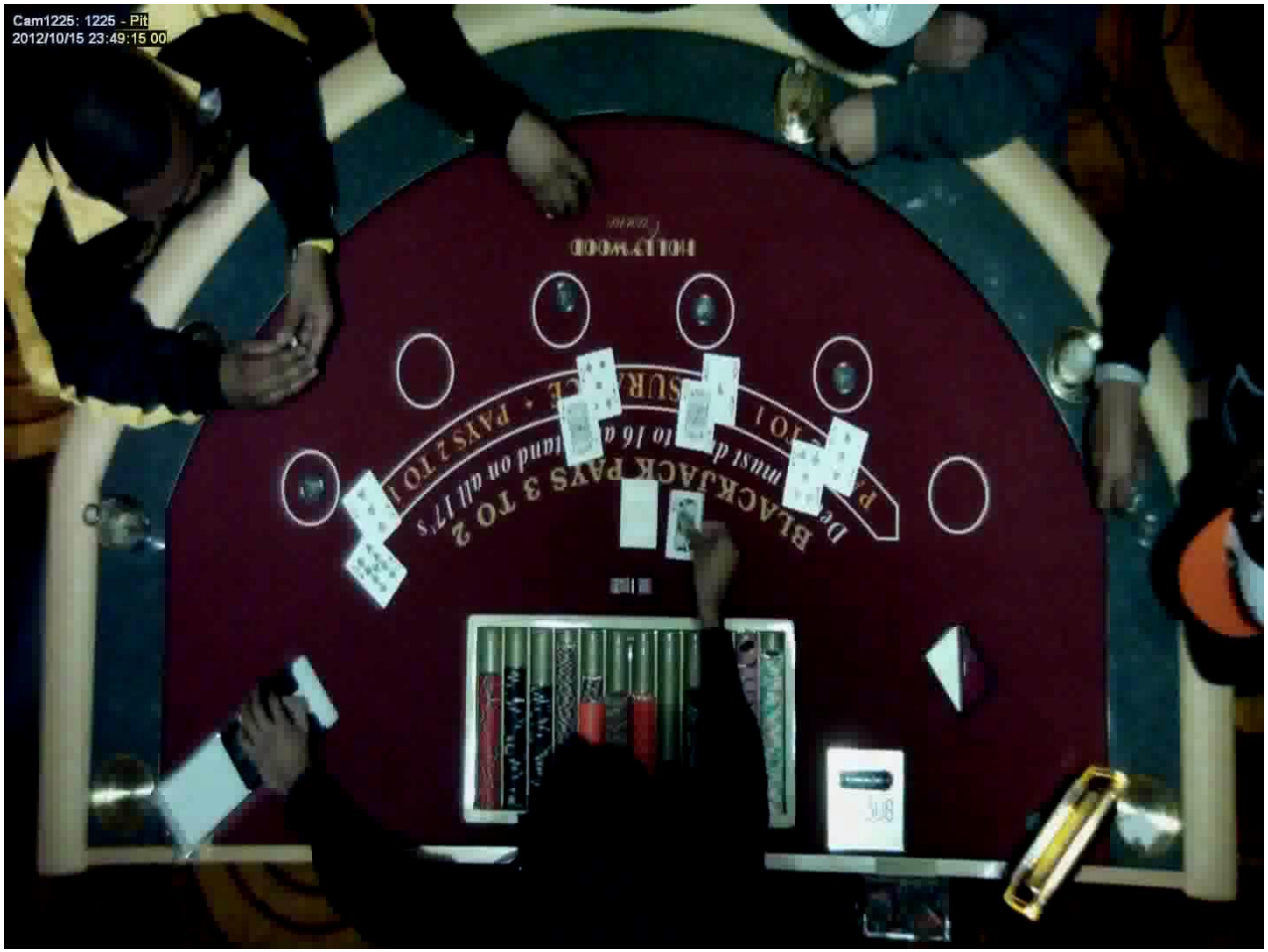
- The Commission is a law enforcement agency.
- Gaming agents are peace officers and have arrest authority at the casinos and outside the casinos when enforcing the gaming laws.
- Gaming agents are headquartered at each of the four casinos and staff a 24/7 operation.



Cheating – Capping A Bet



Cheating – Pinching A Bet



Theft



Money Laundering



Money Laundering



Illegal Casino Investigations









Illegal Casino Investigations









Illegal Casino Investigations

- Warrants served on 146 locations
- 6,400+ illegal slot machines seized/disabled
- Approx. $6.6 million in cash seized on site







OHIO CASINO CONTROL COMMISSION



Study Commission on the Future of Gaming in Ohio

Presentation submitted on behalf of the Sports Betting Alliance before Committee Co-Chairs Senator Nathan Manning and Representative Jay Edwards

By Michelle MacGregor, Senior Strategist at Orrick, Herrington & Sutcliffe, LLP.
February 20, 2024

SPORTS BETTING ALLIANCE

BETMGM DRAFTKINGS Fanatics Betting & Gaming FANDUEL

SPORTS BETTING ALLIANCE

An Overview of iGaming

Presentation Overview

BACKGROUND

- iGaming and its global footprint
- iGaming market framework
- Technology and platform consumer safety

OHIO'S OPPORTUNITY

- Ohio revenue projections
- Illegal market
- Success of the U.S. legal market
- Economic impact on gaming markets

What is iGaming?

- "Internet Gaming" or "iGaming" describes **online casino games.**
- iGaming can be played from a mobile device, tablet or computer.
- iGaming typically includes the following options:
  - Roulette
  - Craps
  - Poker
  - Blackjack
  - Slots

8 states have legalized iGaming

State	Launched	Games Permitted
Nevada	02/2013	Poker
Delaware	10/2013	Slot games, table games, Poker
New Jersey	11/2013	Slot games, table games, Poker
Pennsylvania	07/2019	Slot games, table games, Poker
West Virginia	07/2020	Slot games, table games, Poker
Michigan	01/2021	Slot games, table games, Poker
Connecticut	10/2021	Slot games, table games, Poker
Rhode Island	*Q1 2024*	Slot games, table games, Poker

*In 2024, several states have introduced iGaming legislation

iGaming Framework

Regulatory framework and technology mirrors mobile sports betting

REGULATORY

- Licenses are tethered to in-state, retail gaming establishments (casinos, racinos, etc).
- We recommend a “skins” model for each iGaming license.
- Nevada aside, iGaming states allow remote registration and all eight states allow credit cards.

TECHNOLOGY

- Online sportsbook operators will already have most of the tech and staff in place to administer iGaming. Casino games and remote gaming servers plug into existing Player Account management.
- The same platform/app and login can be used for sports betting & iGaming
- Top of the line geolocation technology, customer age & verification measures, safeguards for responsible gaming

Consumer Protections in a Regulated iGaming Market

- Regulated iGaming markets implement consumer protection measures to ensure safe and responsible engagement.
- Every transaction takes place through a registered account where customer age, identity, and location is verified.
- Allows users to set parameters on their own activity, including deposit, wagering and time limits.
- Allows operators to implement monitoring and intervention capabilities for responsible gaming concerns.
- Operators use the same geolocation technology, customer age, and verification measures applied for sports betting.



U.S. Footprint: Revenue Impact

In 2023, the five states offering both online sports betting and iGaming generated:

- **$301 million** in sports betting tax revenue
- **$1.2 billion** iGaming tax revenue
- MI, PA and NJ (The Big Three) each generated over **$1.7 billion** in GGR from iGaming in 2023.

Ohio's iGaming Opportunity

- iGaming is an opportunity for Ohio to modernize its gaming options to keep pace with modern consumers.
- Ohio could generate between **$205 million to $410 million per year in NEW tax revenue** from legalized iGaming.*
- American Gaming Association's 2022 study estimates **Ohio's illegal iGaming market equates to $621 million per year** in GGR.



**This figure is derived from the adult population in Ohio multiplied by the average iGaming GGR per adult from New Jersey, Michigan and Pennsylvania taxed at 10% and 20%.*

iGaming Benefits Retail Casino Verticals

As U.S. iGaming markets mature, we are seeing a rapid rise in the study of iGaming and its impact on existing gaming revenue.

The majority consensus from recent studies conclude that **iGaming expands the overall gaming market and increases the growth rates of overall gaming revenues.**

Analysis Group 2024 Study of iGaming*:

The six iGaming states generally had stagnant or declining gaming revenues prior to legalizing iGaming, so the net effect of iGaming shows that total gaming revenues ***far exceeded*** the projected revenue that would have occurred based on the pre-iGaming growth rates of Land-based revenues alone. Across the six iGaming States, total combined revenue from Land-based casinos and iGaming has exceeded projected revenue in the most recent year of data from Land-based casinos without iGaming by 75.1%.

Market Attributes:

- iGaming creates a new way to engage with consumers.
- iGaming can capture as taxable revenue some of the existing market for offshore or illegal gaming, which is estimated to be very large in the U.S.
- iGaming can expand the gaming market because consumers are interested in engaging with established brands who are often already offering them other types of legalized betting opportunities, such as sports betting.

** Analysis Group, "The Potential Economic Impact of Legalizing iGaming on Casino Revenues in Five States," February 2024.*

Case Studies: New Jersey & Pennsylvania

The addition of new gaming markets **has helped existing brick and mortar casinos or VGTs**. Take NJ and PA, for example:

- **New Jersey.** Between 2006 and 2016, New Jersey's gaming market experienced consistent declines. With the introduction of iGaming in 20132, New Jersey saw growth across all gaming market verticals. The total change in land-based casino GGR growth post-iGaming introduction is +1.28%.*

- **Pennsylvania.** Gaming revenues in Pennsylvania were stagnant before the introduction of iGaming as part of an omnibus gaming bill. Following this bill's passage in 2017, gaming has grown successfully across all verticals. In 2022, PA's Gaming Control Board reported the following levels of growth over the past 12 months:
  - VGT revenue increased by nearly 6%
  - iGaming revenue increased by 22%
  - Retail slot machines increased by 5%
  - Retail table games revenue increased by 7%
  - **Overall gaming revenue increase: 10%**

**Eilers & Krejcik, "Comparing Online and Land-Based Casino Gaming," February 2024.*

Conclusion

The Sports Betting Alliance extends its gratitude to Senator Manning and Representative Edwards and the committee for hosting today's meeting.

We appreciate the opportunity to provide our insights and experience operating iGaming in legal U.S. jurisdictions and looks forward to contributing to the Study Commission's findings on the benefits of legalizing iGaming in Ohio.

BOYD GAMING

DATE: February 20, 2024

TO: **Study Commission on the Future of Gaming in Ohio**

FROM: Ryan Soultz, Vice President of Governmental Affairs, Boyd Gaming Corporation

SUBJECT: **iGaming Considerations**

Chairman Edwards, Chairman Manning, and fellow members of the Study Commission:

Boyd Gaming is one of the largest casino entertainment companies in the United States, owning and operating 28 casinos in 11 states, including Belterra Park in Cincinnati.

Belterra Park has a rich history dating back to 1925 when what was originally known as Coney Island Racetrack first opened. The original track was destroyed by the Great Ohio River Flood of 1937, was rebuilt and renamed River Downs. River Downs was one of the Cincinnati region's premier entertainment venues for over the next 75 years until undergoing a complete rebuild into Belterra Park. In May 2014, Belterra Park held its grand opening after more than $200 million was expended to transform the property into a modern racino. Boyd Gaming acquired Belterra Park in October 2018, bringing our Company and our five decades of gaming experience to Ohio.

We appreciate the work that you are undertaking to examine Ohio's current gaming framework while also looking at emerging issues such as iGaming. We believe iGaming – if legalized through the proper framework – can be beneficial to both the State and existing gaming venues.

We see iGaming as a natural step in the evolution of the gaming industry. We believe that it is highly complementary to our existing land-based operations, and an opportunity to engage our customers while they are not physically at our properties. We have seen benefits with customer acquisition, retention, and marketing from our Stardust iGaming platform in Pennsylvania where we also operate our Valley Forge Casino near Philadelphia.

Moreover, Boyd Gaming was the developer and managing partner of the Borgata in Atlantic City, New Jersey. The Borgata's opening in July 2003 transformed Atlantic City and the property quickly established itself as the unquestioned market leader – a position the property still holds today.

While we are no longer involved with the Borgata, we were managing the property when New Jersey legalized and launched iGaming in 2013. We embraced iGaming at Borgata despite many naysayers – both inside and outside of the casino industry – saying at the time that it would cannibalize brick-and-mortar business. The results demonstrated what we knew to be true. Here is a February 2014 statement from Keith Smith, President & CEO of Boyd Gaming, regarding how iGaming and brick-and-mortar casino visitation are complementary:

"When matching our online and land-based databases, we found that 60 percent of online casino customers had not been to Borgata in over a year, and over 75 percent had made fewer than two trips to Borgata in the past year. And on a combined basis, online and land-based poker revenue at Borgata was up more than 40 percent from our land-based play in December 2012. Clearly, online gaming is complementary to our land-based business, not competitive.

Boyd Gaming embraces online gaming and sees it as an important distribution opportunity. The roll-out in New Jersey is a good first step, but we are looking forward to opportunities in other markets as well."[1]

While our experience is important, a recent study by Eilers & Krejcik substantiates that our experience is not unique. Eilers & Krejcik found in the six states that have both iGaming and brick-and-mortar casinos found that: 1) total brick-and-mortar revenue increased in all states that implemented iGaming; 2) states that adopted iGaming saw their brick-and-mortar gaming revenue grow at a higher rate than those states that only had brick-and-mortar gaming; and, 3) adding iGaming increased brick-and-mortar casino revenue.[2]

We also believe that if Ohio legalizes iGaming, it should emulate the model implemented in New Jersey, Pennsylvania and West Virginia. In each of these states, iGaming licenses are tethered to incumbent land-based casinos and racinos, with multiple skins allowing for a robust iGaming market.

By utilizing a tethered model with multiple skins per property, these states recognize the magnitude of the economic contributions that their incumbent brick-and-mortar gaming operators have made in terms of capital investments, job creation, tax payments, procurement, and charitable giving while also providing iGaming consumers with choices.

The tethered license approach allows existing operators to operate their own iGaming platforms, license their skins to third-party partners, or a combination of both. This model allows land-based operators the opportunity to reach new customers, especially those within their own database and the databases of their partners, thereby driving incremental new visitation to land-based casinos.

In addition to providing context regarding why we support iGaming from a business perspective, it is also important to look at this from a consumer perspective.

When Ohio took the step to legalize and regulate sports wagering in 2021, a key policy consideration was to create a legal, regulated market to combat the unregulated, offshore sites

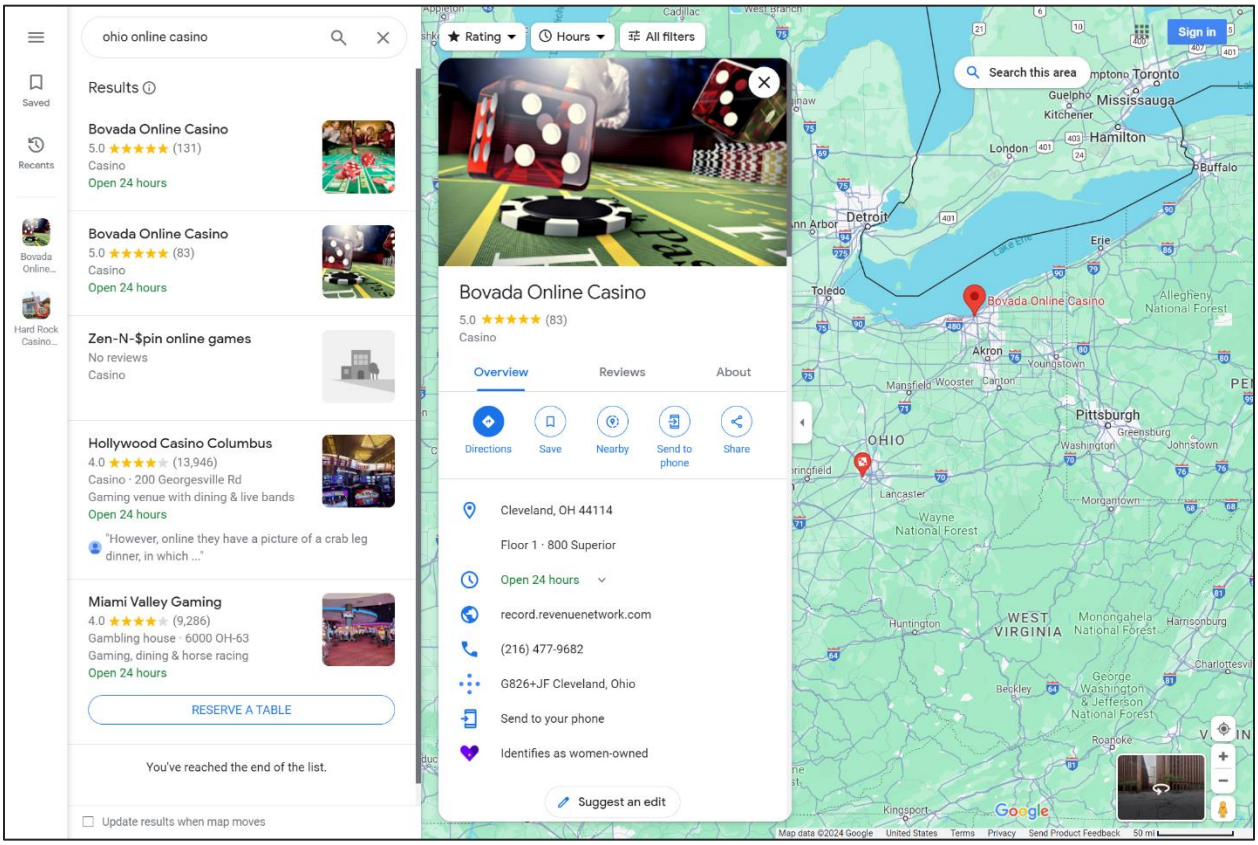
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[1] "Boyd Gaming provides update on Borgata online gaming operations". February 2014. *https://www.prnewswire.com/news-releases/boyd-gaming-provides-update-on-borgata-online-gaming-operations-240153041.html*

[2] "Comparing Online and Land-Based Casino Gaming: How the Growing Online Segment Impacts Land-Based Performance". *Eilers & Krejcik Gaming*, February 2024. https://ideagrowth.org/wp-content/uploads/2024/02/EK_iDEA_Comparison-of-Online-and-Land-Based-Casino_Feb-2024.pdf

that Ohioans were utilizing. Many of these same offshore companies have illegal, unregulated iGaming platforms.

A quick Google search for "Ohio online casino" produces a list with Bovada Online Casino at the top.



In fact, the Bovada Online Casino display ad notes that it is open 24 hours per day and boasts a 5.0-star user rating from its reviews. To add more authenticity to the ad, the map even provides a Cleveland address and phone number.

These offshore sites so effectively camouflage themselves through online search engines, paid advertisements disguised as consumer reviews, and paid social media that people easily assume that they are legal, regulated websites. The reach of these sites is so wide that the American Gaming Association estimates that these offshore sites capture as much $13.6 billion in annual revenue from Americans.[3]

Given the pervasive nature of these untaxed, unregulated offshore sites, it is important for policymakers to make sure that any future legal, regulated sites be able to effectively compete. We recognize that we will never be on a completely level playing field from a tax perspective.

[3] "Sizing the Illegal and Unregulated Gaming Markets in the U.S." *The American Gaming Association*, November 2022. https://www.americangaming.org/wp-content/uploads/2022/11/Sizing-the-Illegal-and-Unregulated-Gaming-Markets-in-the-US.pdf

However, a sound tax policy that allows the legal operators to market their sites to help move consumers to a regulated environment from an unregulated one is critical. Ohio could emulate the 15% tax rate in West Virginia or the 17.5% tax rate in New Jersey as models that work to accomplish this goal.

Moreover, these offshore sites do not offer key consumer protections that are at the hallmark of gaming policy. These protections not only revolve around games being conducted fairly and winners being paid out when they win, but also age and identity verification along with responsible gaming practices and tools for players. These are already in place in Ohio's legal, regulated sports wagering market. These same protections do not exist today for those that unwittingly log on to Bovada and countless other unregulated, offshore casinos.

Thank you for allowing us to share our thoughts on this issue with you and we look forward to further discussions regarding the future of gaming in Ohio.

Regulated iGaming 101: A Primer for Ohio Policymakers and Regulators

February 2024

For further information, please contact
igaming@caesars.com

Presentation Contents

- iGaming History & Overview
- The Existing Illegal Market and iGaming's Popularity
- A Regulated Approach Protects Consumers, Drives Out Illegal Market, and Brings Economic Benefits
- Overview of iGaming Operations
- Specific Considerations for State Policymakers
- Summary and Bottom Line

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iGaming History & Overview

Issue Overview

- Despite regulations and laws prohibiting unlicensed online gambling in the United States, illegal online casinos thrive. These illegal operations operate outside the bounds of U.S. law and target U.S. residents, offering a variety of casino games and betting options.
- Illegal online casinos operate without proper licensing or regulatory oversight, which means they are unlikely to adhere to standards for player protection, fair gaming, or responsible gambling practices. The risks these unregulated platforms pose to players include fraud, identity theft, and financial exploitation.
- Illegal iGaming fuels criminal activity, provides no consumer protection and generates no economic benefits.
- Regulated iGaming provides States with a significant new source of tax revenue.
- Regulated iGaming provides a marketing vehicle to encourage patron casino visits, enhance customer experiences, and improve brick-and-mortar gaming businesses.
- Experience in other iGaming regulated States proves that iGaming can be effectively regulated and deliver real economic benefits.
- Core issues for policymakers to ensure a commercially viable industry include establishing the number of market entrants, tax rates, regulations, and risk management systems.

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iGaming History & Overview

- This document aims to provide an overview of the current state of online casinos in the U.S., highlighting key aspects such as:
  - ✓ legality,
  - ✓ iGaming's relationship with land-based casinos,
  - ✓ online slots/table games,
  - ✓ regulations, and
  - ✓ responsible gaming practices.

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iGaming History & Overview

- iGaming is another term for online, casino-style gambling. Customers may engage iGaming on a mobile phone, personal computer, tablet, or other connected device.

- iGaming includes virtual slot machines, table games such as Blackjack, Roulette, Baccarat & Craps, Instant win games and Live Dealer streaming games.

- iGaming does *not* include online social games (i.e., "play for fun" with virtual currencies that are not redeemable for anything of tangible value).
  - ✓ Online casino gambling includes games where (i) real money is wagered, (ii) outcomes are determined with an element of chance, and (iii) real money may be won.

- In the U.S., iGaming is regulated state-by-state and players must be physically located in a state where iGaming is legal to play on State authorized apps and websites. Players must also meet a State's minimum gambling age to play.

- iGaming is currently legal in six states: Connecticut, Delaware, Michigan, New Jersey, Pennsylvania & West Virginia. Nevada permits online poker, but not other online casino style games. It is also legal to play online casino in Ontario.

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Responsible Gambling

- Responsible gambling in the U.S. refers to the set of practices, policies, and regulations aimed at promoting safe and controlled participation in gambling activities while mitigating the potential harms associated with gambling:

1. **Awareness and Education**: Providing information to the public about risks associated with gambling, signs of problem gambling, and available resources for help and support.
2. **Self-Exclusion Programs**: Allowing individuals to voluntarily exclude themselves from gambling activities for a specified period to help them regain control over their gambling behavior.
3. **Responsible Marketing**: Encouraging gambling operators to advertise their services responsibly, avoiding tactics that target vulnerable populations or encourage excessive gambling.
4. **Player Protection**: Implementing features such as deposit limits, session time limits, and reality checks on gambling platforms to help players manage their gambling habits. Operators also track patrons play and provide helpful player protection notices and advice based on their play.
5. **Support Services**: Ensuring access to helplines, counselling services, and support groups for individuals and families affected by problem gambling.
6. **Regulatory Measures**: Enforcing regulations to ensure that gambling operators comply with responsible gambling standards, including age verification procedures and measures to prevent underage gambling.
7. **Collaboration and Research**: Fostering collaboration between government agencies, gambling operators, advocacy groups, and researchers to continually improve responsible gambling policies and practices based on the latest evidence and insights.

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The Existing Illegal Market and iGaming's Popularity

The Existing Illegal Market and iGaming Popularity

- **Despite prohibitions on iGaming, the illegal market continues to flourish.**

  - ✓ In November 2022, the American Gaming Association issued a comprehensive report[1] on the illegal iGaming market in the U.S., noting that states are losing significant tax revenues on illegal games

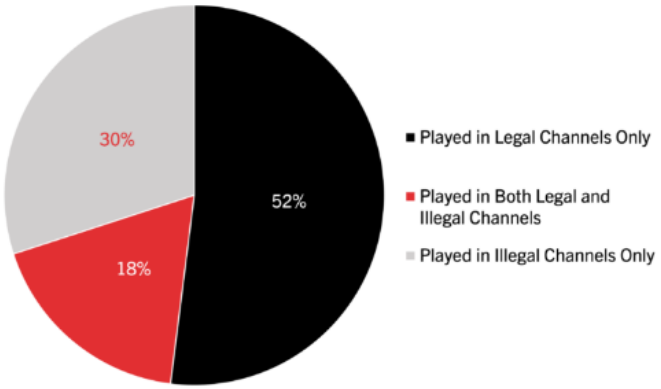
AMERICAN GAMING ASSOCIATION

iGaming Findings

Americans wager an estimated **$337.9 billion** with illegal iGaming websites, with a loss of **$3.9 billion** in state tax revenue. With **$13.5 billion** in estimated revenue, the illegal iGaming market in the U.S. is nearly three times the size of the legal U.S. iGaming market, estimated to be **$5 billion** in 2022.

With iGaming only legal in six states, **nearly half of Americans (48%)** that have played online slots or table games in the past year have played with illegal online casinos.

PERCENTAGE OF PLAYERS WHO PLAYED iGAMING IN LEGAL VS ILLEGAL CHANNELS



[1] See https://www.americangaming.org/wp-content/uploads/2022/11/Sizing-the-Illegal-and-Unregulated-Gaming-Markets-in-the-US.pdf

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The Existing Illegal Market and iGaming's Popularity

- **Who controls the illegal market?**

  - **Unregulated offshore betting, mostly operated in the Caribbean & Curacao, is the most common type of illegal iGaming business.**

  - **Consumer protections are nonexistent**. The illegal market offers
    - no protections against underage play.
    - no responsible gaming precautions.
    - no protections against fraud and corruption.
    - no financial protection.
    - unfair gaming practices, non-payment of winnings, and breaches of personal data.
      - personal and financial information vulnerable to hacking or misuse.
      - no guarantee that offshore iCasino sites operate fairly or transparently. There may be instances of rigged games or deceptive practices designed to favor the house.
      - Identity Theft and Fraud targets for cybercriminals seeking to steal personal and financial information.

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A Regulated Approach Provides iGaming Integrity, Drives Out Illegal Market, and Brings Economic Benefits

A Regulated Approach Provides iGaming Integrity, Drives Out Illegal Market, and Brings Economic Benefits

- **Legal, regulated iGaming provides market integrity through :**
  - Improved transparency and oversight
  - Cutting funds into illegal market and removing incentives for manipulation

- **Legal, regulated iGaming brings several consumer protection benefits:**
  - Effectively enforced age limits, self-exclusion, and customer education requirements
  - Consumer protection, fairness and transparency in gaming operations, including the use of certified random number generators, secure payment processing, and clear terms and conditions for players.
  - Employee responsible gaming training
  - Protections against fraudulent, "hit and run" operators
    - Maintenance of cash reserves and protection of customer assets
    - Official, legal dispute resolution
  - Protections against organized crime through licensing and regular auditing of operators that ensures integrity and probity
  - Problem Gambling Prevention: Present strategies for mitigating problem gambling, such as offering links to problem gambling services, implementing spending and other limits, and providing outreach to customers whose play may be problematic.

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A Regulated Approach Enhances iGaming Integrity, Drives Out Illegal Market, and Brings Economic Benefits

- **A legal, regulated market brings a suite of economic benefits to host states and communities**
  - Taxes on operator iGaming revenue
  - Income taxes on iGaming customer winnings
  - Employee income taxes and other spinoff tax revenues
  - Higher capital investment and business in brick-and-mortar casinos, translating to increased employment and gaming tax revenue
  - Job Creation - Increased Brick and mortar casino jobs and new localized iGaming jobs.

- **The framework, organization, and implementation of regulation in iGaming doesn't differ in fundamental ways from the regulatory missions and competencies of existing state gaming control agencies.**
  - A natural extension of existing gaming control agency authority.
  - Doesn't require reinventing the wheel, creation of new agencies or infrastructure; and it can be rolled out relatively expediently. This is particularly true in states that already offer regulated online sports betting.

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iGaming is a significant and growing American business

AGA's Commercial Gaming Revenue Tracker provides state-by-state and cumulative insight into the U.S. commercial gaming industry's financial performance based on state revenue reports.

November 2023 Commercial Gaming Revenue

NOVEMBER 2023 GGR PER GAMING VERTICAL, ANNUAL CHANGE*

	Total GGR	Slot GGR	Table Game GGR	Sports Betting GGR	iGaming GGR
Over Nov. 2022	$5.38B	$2.84B	$908.8M	$811.0M	$557.2M
	+7.0% ▲	+2.7% ▲	+18.1% ▲	+8.3% ▲	+21.5% ▲

YTD GGR PER GAMING VERTICAL, ANNUAL CHANGE*

	Total GGR	Slot GGR	Table Game GGR	Sports Betting GGR	iGaming GGR
Over Jan.-Nov. 2022	$59.84B	$32.44B	$9.32B	$9.20B	$5.58B
	+9.5% ▲	+3.3% ▲	+3.0% ▲	+46.6% ▲	+22.9% ▲

*Michigan and Louisiana are not included in the separate slot and table game revenue numbers, but combined revenue from the two verticals is included in the total. As of the publication date, sports betting revenue for Arizona and Kentucky for November was not available. Tennessee sports betting revenue is no longer publicly disclosed and has consequently been omitted from the aggregated data presented in this report.

Source: American Gaming Association

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iGaming Economics – MI / NJ / PA

Operator revenue is only about 3% of the total amount wagered (handle) before taxes and other variable expenses.

For every $100 a customer wagers:

State	Michigan	New Jersey	Pennsylvania
Handle	$100	$100	$100
Paid Winning Bettors	$97	$97	$97
Gross Win	$3	$3	$3
State Taxes	$0.75	$0.53	$1.28
Game Vendor Fees	$0.36	$0.36	$0.36
Payments	$0.21	$0.21	$0.21
Geolocation	$0.01	$0.01	$0.01
Marketing	$0.45	$0.45	$0.45
To Operator	**$1.22**	**$1.44**	**$0.68**

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CAESARS ENTERTAINMENT

Overview of iGaming Operations

iGaming Overview

- **iGaming**

  - **<u>iGaming will complement brick and mortar casinos through:</u>**
    - Omni-channel loyalty program. Reward points are earned online yet redeemed at properties for hotel, food and beverage, spa, etc.
    - Enhanced exposure to the millennial generation attracts a new customer to a brick-and-mortar casino.
    - Additional customers to market for special event parties (i.e. VIP events, New game launches).

  - **<u>iGaming will further reduce the appeal of the illegal market</u>**
    - The illegal iGaming market will still exist as long as it is more convenient and customer-friendly than traditional options that exist today.
      - Mobile remote registration of patrons instead of a in-person registration requirement expedites the growth of the regulated market and tax revenue.
    - **Geo-fencing is required to ensure wagers only occur within the boundaries of the state, thereby not violating the Wire Act.**

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iGaming improves brick-and-mortar business

- Caesars internal data: We compared customers with Brick & Mortar and iGaming play to customers who only had B&M play in 2022-2023
  - Customers who played both made more trips to and spent more per trip in B&M casinos.
  - Biggest increases observed in New Jersey (most mature iGaming market in the US).
  - After playing online, B&M customers exhibited an increase in trip frequency.
  - Similar increase observed in spend per guest

- Recent independent reports show that iGaming grows the overall tax revenues collected by states - and that the land-based casinos who have introduced iGaming have consistently been positively impacted in terms of revenues.

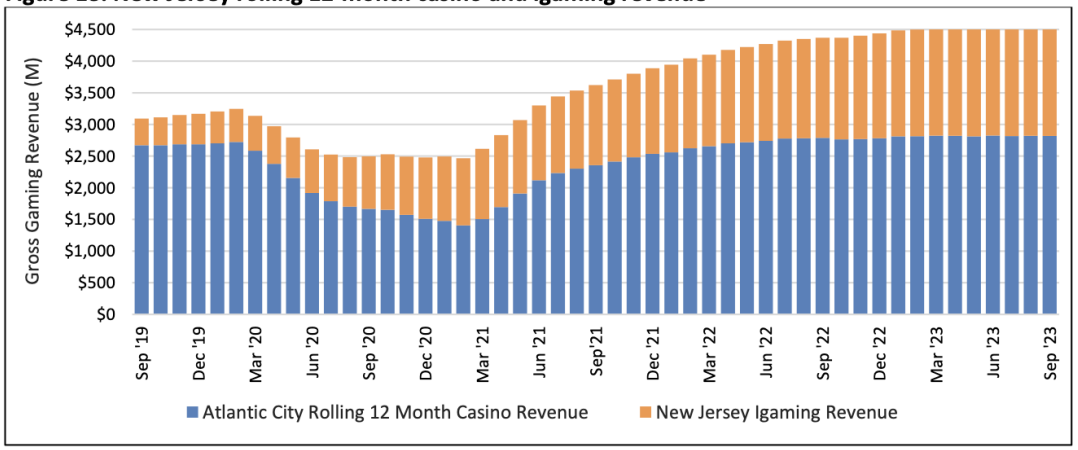
- When comparing land-based only casino states, casino states with online performed better in terms of overall revenues in each of the six iGaming regulated states.

Sources:
https://ideagrowth.org/wp-content/uploads/2024/02/EK_iDEA_Comparison-of-Online-and-Land-Based-Casino_Feb-2024.pdf
https://www.in.gov/igc/files/Spectrum-Report-for-Indiana-Gaming-Commission-2023-Final.pdf

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The relationship between iGaming and brick-and-mortar

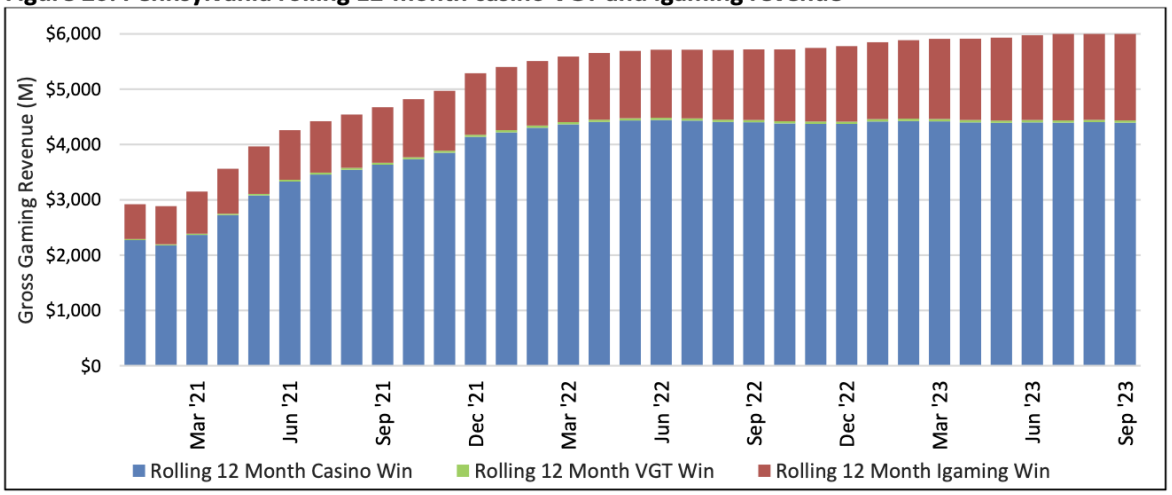
Figure 18: New Jersey rolling 12-month casino and igaming revenue



Source: New Jersey Division of Gaming Enforcement

Brick and mortar remains the larger component, but iGaming is important and growing

Figure 20: Pennsylvania rolling 12-month casino VGT and igaming revenue

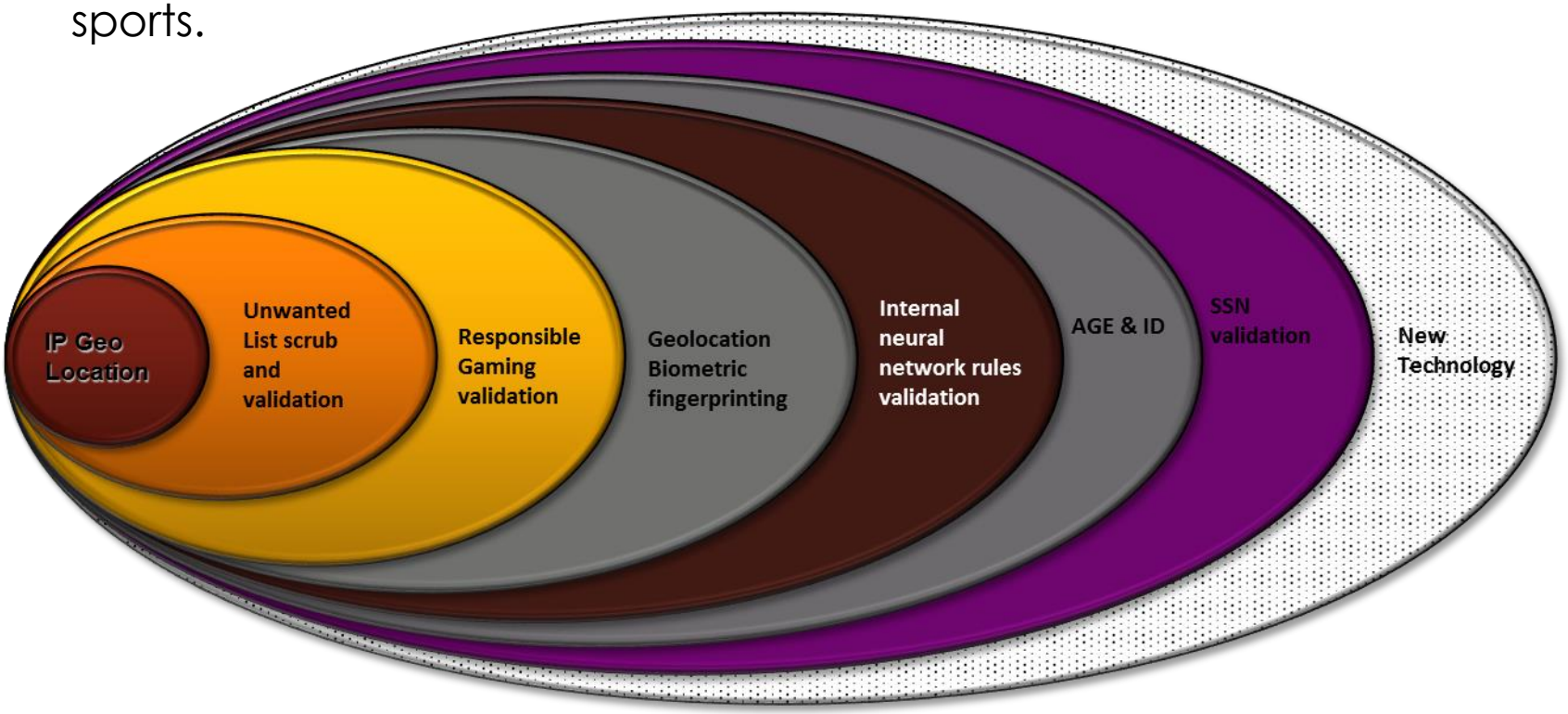


Source: Pennsylvania Gaming Control Board. Truckstop video gaming terminals included in this analysis.[26]

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Mobile Registration and Verification

- The marriage of regulation and technology makes possible a series of rigorous customer identification processes – no different than mobile sports.



- Multiple crosschecks create a comprehensive, stepwise Know Your Customer (KYC) process, with regulators controlling thresholds for accepting or rejecting a customer or wager.

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iGaming Overview - Terminology

Handle	How much money is wagered during a given time period,
Gross Gaming Revenue (GGR)	Gross Gaming Revenue (GGR) : the amount players wagered minus the amount they won.
Net Gaming Revenue (NGR)	Net Gaming Revenue (NGR) is Gross Gaming Revenue minus player bonuses
CLTV (Customer Lifetime Value)	Customer Lifetime Value (CLV) is a measurement of the total revenue generated by a player for as long as they stay on the platform.
HOLD %	How much money the online casino actually keeps

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Overview of iGaming Operations

Online casino operations involve various aspects, including licensing, software development, game offerings, security measures, customer support, marketing, and financial management:

- **Licensing and Regulation**: Before launching an online casino, operators must obtain the necessary licenses from the regulatory authorities in the jurisdictions where they intend to operate. This process typically involves background checks, financial evaluations, and compliance with strict regulations to ensure fair play and player protection.

- **Software Development**: Online casinos rely on sophisticated software platforms to manage their operations, including game management, player accounts, payment processing, and security features. Some casinos develop their proprietary software, while others use third-party platforms provided by software developers.

- **Game Offerings**: Online casinos offer a wide range of casino games, including slots, table games (such as blackjack, roulette, and poker), live dealer games, and specialty games. The selection of games can vary depending on the preferences of the target audience and agreements with game providers.

- **Game Providers:** There are numerous game providers who offer games content (slots/tables/live dealer) in USA. Games are integrated into an Operators platform via an API.

- **Security Measures**: Security is paramount in online casino operations to protect players' personal and financial information and ensure fair play. Casinos employ encryption technology, secure payment gateways, and rigorous identity verification procedures to safeguard their platforms against cyber threats and fraud.

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Overview of iGaming Operations (cont.)

- **Customer Support**: Providing strong customer support is essential for maintaining player satisfaction and loyalty. Online casinos offer various support channels, including live chat, email, and telephone support, to assist players with inquiries, complaints, and technical issues promptly.

- **Marketing and Promotion**: Effective marketing strategies are crucial for attracting new players and retaining existing ones. Online casinos use a variety of marketing channels, such as TV advertising, affiliate partnerships, social media, and promotional offers (such as bonuses and free spins), to drive traffic to their platforms.

- **Financial Management**: Managing finances is a critical aspect of online casino operations, including processing deposits and withdrawals, monitoring transactions for fraud and money laundering, and complying with financial regulations. Casinos must maintain sufficient liquidity to cover player withdrawals and operational expenses.

- **Compliance and Responsible Gaming**: Online casinos must adhere to strict regulatory requirements and industry standards to ensure compliance with laws and regulations related to gambling activities. Additionally, operators implement responsible gaming measures, such as age verification, self-exclusion options, and responsible gambling resources, to promote responsible gaming behavior among players.

- Successful online casino operations require a comprehensive approach that addresses all these aspects effectively while prioritizing player safety, fairness, and satisfaction.

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iGaming - Game Types

Online casinos in the USA offer a wide range of games to cater to diverse player preferences. Commonly featured games include:

1. **Slots**: A vast array of online slot games, ranging from classic 3-reel stepper games, to 5-reel video slots to progressive jackpot slots.

2. **Table Games**: Popular choices like blackjack, roulette, baccarat, and video poker variants.

3. **Live Dealer Games**: Live dealer games provide an immersive experience with real-time interaction with the dealer.

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iGaming Games - Slots

Online slot games are one of the most popular forms of entertainment in online casinos. These games are digital versions of traditional slot machines and come in a wide variety of themes and features. Here are some key aspects of online slot games in casinos:

- **Themes and Graphics:** Online slot games come in various themes, ranging from ancient civilizations and mythology to popular movies and TV shows. The graphics and visual elements are often vibrant and engaging, contributing to the overall gaming experience.
- **Reels and Paylines:** Most online slots have reels (the vertical sections that spin) and paylines (the patterns in which matching symbols must appear for a player to win). The number of reels and paylines can vary, offering different ways to win.
- **Symbols and Features:** Online slots feature various symbols, including standard playing card symbols (e.g., A, K, Q, J, 10) and thematic symbols related to the game's theme. Special symbols like wilds and scatters often trigger bonus features or free spins.
- **Progressive Jackpots:** Some online slots feature progressive jackpots, where a portion of each bet contributes to a growing jackpot. This jackpot can be won randomly or by achieving a specific combination during gameplay. Progressives jackpot pools are ring-fenced between States due to regulation and there are no current progressive jackpots shared between States.









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iGaming Games – Slots (cont.)

- **Bonus Rounds:** Many online slots include bonus rounds or mini-games that are triggered by specific symbols or combinations. These bonus rounds often offer additional opportunities for players to win prizes.
- **Free Spins:** Free spin features are common in online slots, providing players with a certain number of spins without having to wager additional funds. Free spins often come with multipliers, increasing the potential for bigger wins.
- **Return to Player (RTP):** RTP is a percentage that indicates the average return a player can expect over time. Online slots typically have RTP values ranging from 90% to 98% or higher.
- **Mobile Compatibility:** Most online casinos optimize their slot games for mobile play, allowing players to enjoy them on smartphones and tablets offered for both portrait and landscape modes.
- **Random Number Generators (RNG):** Online slot games use RNGs to ensure that each spin is random and independent of previous spins, providing a fair gaming experience.

- Players should choose reputable online casinos with proper licenses to ensure fair play and secure transactions when enjoying online slot games. Additionally, it's important to gamble responsibly and be aware of the terms and conditions of each game and casino.







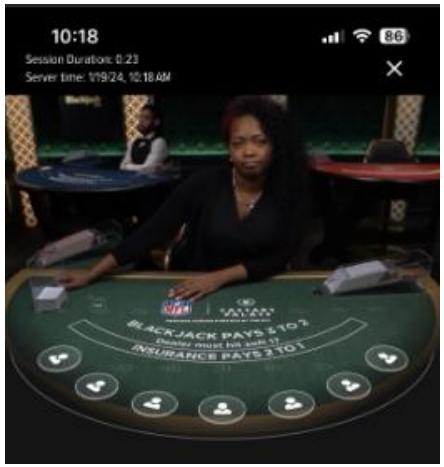


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iGaming Games – Live Dealer

Live dealer games refers to a real person who facilitates casino games, such as blackjack, roulette, baccarat, or other card games, in an online casino setting. Unlike traditional online casino games that use computer-generated graphics and outcomes, live dealer games aim to recreate the experience of playing in a brick-and-mortar casino by incorporating a human dealer into the process.





1. **Video Streaming:** Live dealer games use advanced video streaming technology to broadcast a live feed from a specially designed studio or an actual casino. Players can watch the dealer in real-time as they shuffle cards, deal, and conduct the game.
2. **Interaction:** Players can interact with the dealer and sometimes with other players through a live chat feature. This adds a social element to the online gaming experience, making it more immersive and engaging.
3. **Real Equipment:** Instead of relying on computer-generated graphics, live dealer games use real casino equipment, such as cards, roulette wheels, and gaming tables. This adds an extra layer of authenticity to the gameplay.
4. **Game Control Interface:** While the physical aspects of the game are conducted by the live dealer, players use a digital interface to place bets and make decisions. The interface often includes virtual buttons and controls for actions like placing bets, hitting or standing in blackjack, or choosing numbers in roulette.
5. **Fairness and Transparency:** Live dealer games aim to provide a transparent and fair gaming environment. Players can witness the actions of the dealer and the outcomes of the game in real-time, reducing concerns about the fairness of the software.

- In New Jersey it is a requirement for Live Dealer studios to be constructed and operated from a licensed property/casino. In other states this is not a requirement, and the Live Dealer studio can be constructed and operated outside the confines of a casino property.

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iGaming Games – Tables

Online casino table games are digital versions of traditional casino games that you can play on the internet. These games aim to replicate the experience of playing at a physical casino table. Some popular online casino table games include:

1. **Blackjack:** A card game where the goal is to have a hand value as close to 21 as possible without exceeding it.
2. **Roulette:** A game of chance where a ball is dropped onto a spinning wheel with numbered and colored pockets. Players bet on where the ball will land.
3. **Baccarat:** A card game where players can bet on the "player," the "banker," or a tie. The goal is to have a hand value closest to 9.
4. **Craps:** A dice game where players bet on the outcome of the roll, or a series of rolls, of two six-sided dice.
5. **Poker:** Various forms of poker are available online, including Texas Hold'em, Omaha, and Seven Card Stud. Players compete against each other rather than the house.
6. **Pai Gow Poker:** A variation of poker played with a standard 52-card deck plus a joker. Players aim to create two poker hands, one with five cards and another with two cards, to beat the dealer's hands.
7. **Three Card Poker:** A simplified version of poker where players aim to have a better three-card hand than the dealer.
8. **Caribbean Stud Poker:** A poker variant where players compete against the house and try to have a better hand than the dealer.
9. **Let It Ride:** A poker-based game where players receive three cards and decide whether to let their bets ride or withdraw part of them based on the strength of their hand.
10. **Sic Bo:** A dice game of Chinese origin where players bet on the outcome of the roll of three dice.

- When playing online casino table games, it's important to choose reputable and licensed online casinos to ensure fair play and security.







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iGaming– RNG (Random Number Generator)

- A Random Number Generator (RNG) is a computer algorithm designed to generate a sequence of numbers or symbols in a seemingly random manner. RNGs are crucial to ensuring fair play in various games, including slots, card games, and other chance-based activities.

1. **Fairness and Randomness:** The primary purpose of an RNG is to provide fair and random outcomes for each game. The randomness ensures that the results of spins, card draws, or any other gaming events are unpredictable and unbiased.
2. **Algorithmic Nature:** RNGs are based on algorithms that use mathematical formulas to produce a sequence of numbers that appear random. However, since they are generated by algorithms, the outcomes are technically deterministic.
3. **Seed Values:** To add an extra layer of unpredictability, RNGs often use a seed value. The seed is an initial input that influences the algorithm's output. If the seed is unknown or constantly changing, it becomes more challenging to predict or manipulate the sequence of numbers generated.
4. **Constant Generation:** RNGs continually generate numbers, even when no one is playing a game. This ensures that the next outcome is ready the moment a player initiates a spin or a bet.
5. **Cryptographic RNGs:** In some cases, especially for online security purposes, cryptographic RNGs are used. These are RNGs that rely on unpredictable physical processes, such as electronic noise or radioactive decay, to generate random numbers.
6. **Ensuring Fair Play:** The use of RNGs is a key component in ensuring the fairness and integrity of online casino games. Regulatory authorities often require online casinos to use certified RNGs and undergo regular audits to guarantee compliance with fair gaming standards.

- RNGs play a critical role in online gambling to guarantee fair and unpredictable outcomes in games of chance. Players can trust that the results are not manipulated, and online casinos often undergo third-party audits to verify the proper functioning of their RNG systems.

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iGaming– Games Integrations

The integration of games into online casinos involves several steps and processes:

1. **Game Development**: First, game providers develop the games. This involves designing the game mechanics, creating the artwork and animations, developing the software, and testing the game for functionality and fairness.
2. **Game Licensing**: Before a game can be integrated into an online casino, it needs to be licensed. Game providers obtain licenses from regulatory bodies to ensure that their games meet certain standards of fairness and security.
3. **Integration Protocols**: Online casinos use various integration protocols and APIs (Application Programming Interfaces) provided by game developers to seamlessly integrate the games into their platforms. These APIs allow the games to communicate with the casino's software and systems.
4. **Back-End Integration**: The online casino's back-end system is responsible for managing player accounts, handling transactions, and ensuring the security of the platform. The games need to be integrated into this back-end system to allow players to access them, make bets, and receive payouts.
5. **Front-End Integration**: The games also need to be integrated into the front-end of the online casino's website or mobile app. This involves creating user interfaces for the games, displaying them to players, and allowing players to interact with them.
6. **Testing and Quality Assurance**: Once the games are integrated into the online casino, they undergo rigorous testing to ensure that they work correctly, perform well, and are free from bugs or glitches. This testing is conducted by both the game provider and the casino operator.
7. **Regulatory Compliance**: Online casinos must comply with regulations set forth by gaming authorities in their jurisdiction. This includes ensuring that the games they offer meet regulatory requirements for fairness, security, and responsible gaming.
8. **Launching the Games**: Once the integration and testing process is complete, the games are ready to be launched and made available to players. The online casino may promote the new games through marketing campaigns to attract players and generate excitement.

- Overall, the integration of games into online casinos requires collaboration between game providers, casino operators, and regulatory bodies to ensure a seamless and secure gaming experience for players.

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iGaming – Player Geo-Location Services

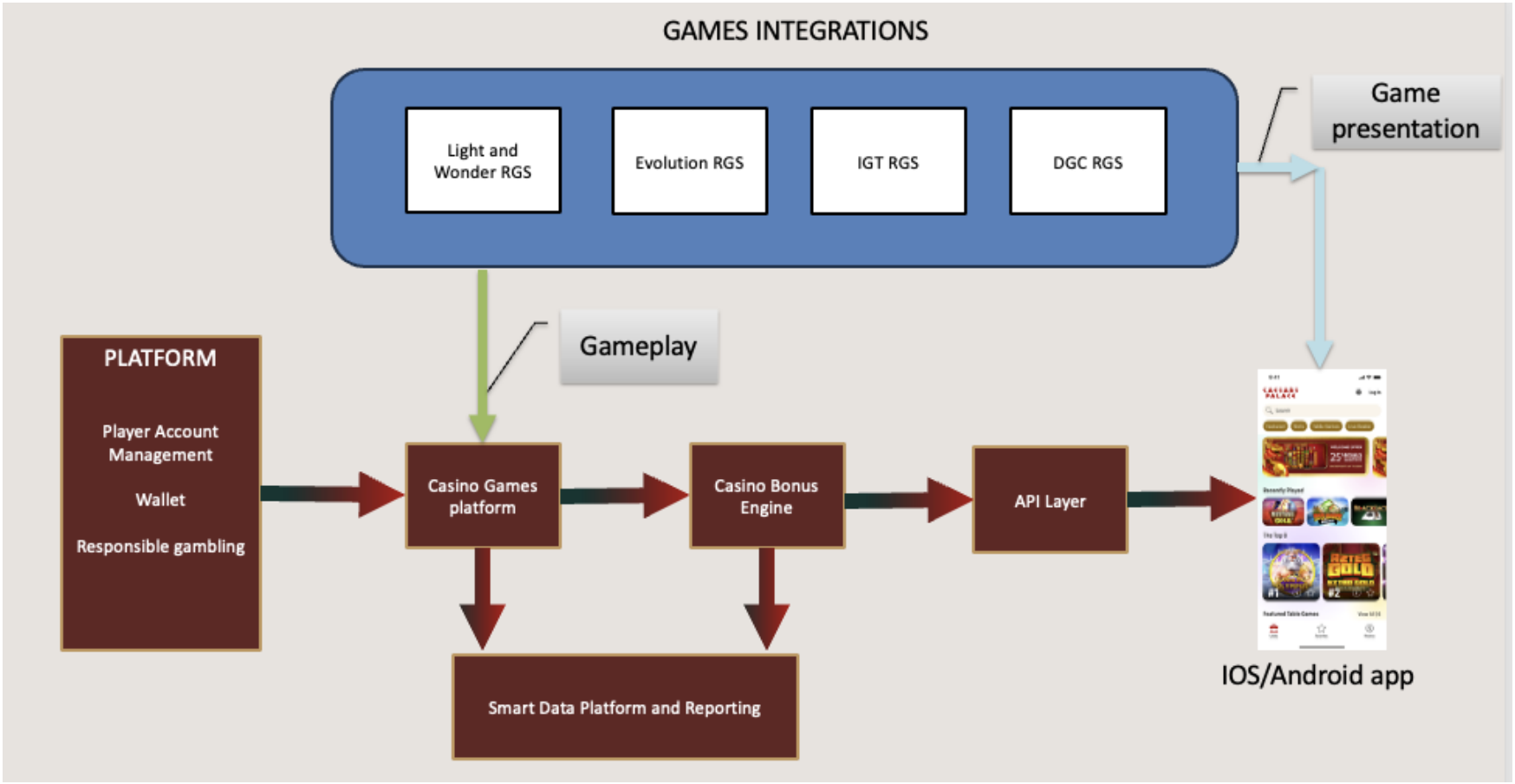
Geolocation services are used to ensure compliance with local and regional regulations regarding online gambling. These services help verify and determine the geographic location of a player to ensure they are within the legal jurisdiction where online gambling is allowed.

1. **Regulatory Compliance:** Online gambling regulations vary from one jurisdiction to another. Some regions may have specific laws that restrict or permit online gambling. Geolocation services help online casinos adhere to these regulations by ensuring that players accessing their platforms are in areas where online gambling is legal.
2. **Player Verification:** Geolocation technology helps verify the physical location of a player by analyzing various factors, such as IP address, Wi-Fi data, and GPS information from the player's device. This helps ensure that players are not attempting to access the casino from prohibited locations.
3. **Restrictions on Access:** Online casinos implement geolocation restrictions to prevent players from certain countries or regions from accessing their services. This is crucial for maintaining compliance with local laws and avoiding legal issues.
4. **Bonus and Promotion Restrictions:** Geolocation services can also be used to enforce restrictions on bonuses and promotions based on a player's location. This helps online casinos offer promotions only to players in eligible regions.
5. **Enhanced Security:** Geolocation services contribute to the overall security of online gambling platforms by adding an extra layer of verification. This helps protect against fraudulent activities and ensures a fair and secure gaming environment.

- The specific geolocation methods employed may vary among online casinos, and advancements in technology continually improve the accuracy and reliability of these services. Additionally, players need to be aware that attempting to use VPNs or other methods to circumvent geolocation restrictions is usually a violation of the casino's terms of service and could result in account suspension or other penalties.

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iGaming – How an iGaming Platform Works



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Specific Considerations for State Policymakers

Specific Considerations for State Policymakers

A Reasonable Tax Rate

Goal: Shut down the illegal iGaming market and generate state revenue

Proposal: Charge a tax similar to New Jersey on iGaming GGR, recognizing the business' fundamental economics.

Rationale: Leading economists agree this rate would be necessary to allow regulated iGaming to compete effectively with black market operators and allow for significant state revenue generation.

A Strong Regulatory Regime

Goal: Effective regulation that protects consumers, ensures transparency, promotes iGaming integrity, and respects state borders and provisions on intrastate wagering

Proposal: Use New Jersey regulatory approach as example of successful best practice

Rationale: New Jersey-style regulation is state-of-art and easily transferable to other jurisdictions.

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Specific Considerations for State Policymakers

Limit Licensees to Existing Brick and Mortar Operators

Goal: Insure and industry that leverages and augments the economic benefits of regulated industry and its investments.

Proposal: Grant licenses to Casino and Racino licensees only, which should be required to have a brick-and-mortar presence to continue to hold an iGaming license.

Rationale: iGaming should be used to drive increased business at existing brick and mortar licensees, which promotes job creation and increases economic benefits to states and host communities.

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Specific Considerations for State Policymakers

Promote Responsible Gaming

Goal: Prevent disordered gambling, encourage and assist patrons to play responsibly, and provide options for those who need help.

Proposal: Comprehensive responsible gaming training for employees, communication and enforcement of legal betting age, self-exclusion and other options for assistance - similar to safeguards already effective and in place in mobile sports betting.

Rationale: Consistent implementation and communication of best-in-class practices (responsible advertising, legal gaming age, exclusion programs, etc.) will empower customers and improve their safety.

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Summary and Bottom Line

- Prohibition doesn't work -- Millions of Americans illegally engage in iGaming today with no consumer protections and no regulatory oversight
- Experience in other American jurisdictions demonstrates that a legal and regulated approach to iGaming boosts law enforcement oversight, drives out the illegal market, and protects consumers..
- Core issues for policymakers in legalizing iGaming and creating a commercially viable industry include:
  - Establish a brick-and-mortar model along with mobile.
  - Establish a tax rate that recognizes economics and undercuts illegal market.
  - Impose strict regulatory requirements to prevent minors from playing, with robust age and ID checks; ensure players are within borders with strong geo-location technology; implement tools to address problem gambling (e.g., self-exclusion, self-imposed limits on deposits, losses, and time) and monitor bets.

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Ohio Sports Gaming Study Committee

Derek Longmeier
Interested Party Testimony
February 20, 2024

Chairman Edwards, Chairman Manning, and members of the Ohio Study Commission on the Future of Gaming in Ohio. Thank you for the opportunity to provide written testimony as an interested party regarding the future of Ohio's gambling landscape. My name is Derek Longmeier, Executive Director of Problem Gambling Network of Ohio (PGNO). PGNO's mission is to provide leadership and innovation to enhance Ohio's problem gambling service system through collaboration, advocacy, and support. PGNO engages the spectrum of stakeholders (representing prevention, treatment, recovery, operators, and regulators) required to have a sound gambling service system in the state.

While we take a neutral position concerning legalized gambling, it is our responsibility to advocate for consumer protections regarding legalized gambling and gaming expansion. Since the Ohio Department of Mental Health and Addiction Services began measuring gambling behaviors in Ohio, those at-risk for developing a gambling problem have increased from 5% in 2012 to nearly 20% in 2022. The most recent study was concluded prior to the introduction of legalized sports wagering, which in 2023 resulted in a 55% increase in calls to the Ohio Problem Gambling Helpline as compared to 2022.

Due to the unprecedented access to gambling and the resulting increase in both those experiencing gambling harm as well as those seeking support, we request that exploration of future gaming expansion include presentations from the Ohio Department of Mental Health and Addiction Services, gambling treatment providers, as well as those with a gambling disorder in long-term recovery. They can speak first-hand to what Ohioans are experiencing daily.

Thank you for the opportunity to provide written testimony as an interested party and I look forward to continued engagement throughout this process.

Sincerely,

Derek Longmeier, Executive Director
Problem Gambling Network of Ohio

Submitted Testimony from the iDevelopment and Economic Association (iDEA)
Study Commission on the Future of Gaming in Ohio
February 20, 2024

Senator Manning and Representative Edwards and members of the Study Commission, thank you for facilitating this important discussion. Regretfully, we are unable to attend the hearing in-person and we appreciate you accepting our submitted testimony.

iDEA is the leading trade association for the US online gaming industry. It was founded to advocate for responsible internet gaming policies that spur economic growth and protect consumers. Our membership represents every segment of this emerging industry and has vast experience operating in state-regulated jurisdictions across the United States, including in Ohio where our members are licensed as sports wagering operators and suppliers. iDEA is uniquely positioned to provide a 360-degree perspective into every internet gaming policy issue this Committee may consider.

The exploration of online gaming, or "iGaming," legalization and regulation in Ohio marks a forward-thinking approach to gaming. We commend the Commission's efforts to gather information as a foundational step toward legislative action.

iGaming Considerations for Ohio

Consumer Protection

Simply type “Can I play online poker in Ohio” or “Can I play online slots in Ohio” into your web browser and you will be directed to numerous websites claiming to be legal and legitimate because they operate out of the reach of the Ohio government. This should be a major concern for policymakers.

Today, any Ohio resident with an internet connection and a credit card (and even crypto currency) has access to real money online casino gaming and poker. These offshore websites operate without any restriction or consumer safety protections, leaving Ohio’s most vulnerable populations exposed. First and foremost, legalization of iGaming will protect consumers by turning an unregulated market into one that is state-licensed, regulated, taxed and accountable.

By transitioning from unregulated to a regulated environment, Ohio can ensure that all iGaming operations adhere to strict standards of fairness, data protection, and responsible gaming practices. This shift not only protects Ohioans from the risks associated with offshore and illegal sites but also promotes a culture of safe and responsible gaming.

Tax Revenue

iGaming has emerged as a significant source of tax revenue and economic benefits in states like New Jersey, Michigan, and Pennsylvania, contributing over $4 billion in taxes and surpassing revenue expectations. These funds have supported vital public services, including education, healthcare, and infrastructure, and have proven to be resilient income streams during crises like the COVID-19 pandemic.

An economic study[1] conducted by Vixio in collaboration with Light & Wonder determined that iGaming would produce $255 million in annual tax revenue to the state of Ohio. These conservative estimates are based on a 20% tax rate, which is already in place for sports betting in the state.

iGaming and Land-Based Casinos

iGaming complements land-based casinos by expanding accessibility, enabling cross-promotion, and offering extensive game varieties. It serves as a bridge for new players, integrating with land-based loyalty programs and providing valuable customer data insights for tailored marketing and game offerings.

A recent study conducted by Eilers and Krejcik Gaming[2] reveals that, in addition to adding a revenue stream for land-based casino operators, iGaming helps boost revenue from casino operators' brick-and-mortar properties. In the six states that offer iGaming, the evidence shows that online gaming is a catalyst for growth, not a competitor to land-based casinos. As this Commission considers the merits of legalizing and regulating iGaming, you can be assured that it will complement Ohio's existing land-based casinos to deliver even more gaming related tax revenues to the state.

Modernization and Competition

The introduction of iGaming represents a significant stride towards modernizing Ohio's gaming industry. It acknowledges the evolving preferences of consumers who increasingly seek convenience and omnichannel experiences. By integrating iGaming with land-based casinos, Ohio can offer a seamless gaming experience that bridges the physical and digital realms. This not only caters to the preferences of a wider demographic but also positions Ohio as a leader in the gaming industry, capable of providing a comprehensive gaming ecosystem.

It is important to note that Ohio borders three states that have already authorized online gaming – Michigan, Pennsylvania and West Virginia. It is safe to assume that Ohio residents are already

[1] US iGaming State Tax Revenue Potential, August 2, 2022 https://igaming.lnw.com/us-igaming-state-tax-revenue-potential/
[2] Comparing Online And Land-Based Casino Gaming, Eilers and Krejcik Gaming LLC, February 2024 https://ideagrowth.org/online-impact-on-land-based-casino/

participating in online gaming through these states, as was the case with sports betting before Ohio authorized it. By taking action now Ohio can avoid the risks of falling behind in the competitive regional gaming market, keep revenue in state and also modernize its gaming industry.

Existing Regulatory Foundation

The technological infrastructure and regulatory frameworks – established and overseen by the Ohio Casino Control Commission – that have successfully governed online sports betting in Ohio offer a blueprint for the safe and responsible expansion into iGaming. Digital identity verification, geolocation technology, and integrity software—cornerstones of Ohio's current sports betting system—can effortlessly be adapted to regulate online casino games, ensuring secure, fair, and responsible gaming. The regulatory safeguards in place, including consumer protection and anti-money laundering practices, are equally applicable, promising a safe environment for Ohioans to engage in online gaming.

Neighboring states have shown that regulating online sports betting and iGaming concurrently leads to a safer, more vibrant gaming ecosystem. These examples provide valuable lessons and best practices that Ohio can adapt to ensure the integrity and success of both operations.

Conclusion

In conclusion, we urge the Study Commission to consider the robust evidence supporting iGaming's economic benefits, its complementary relationship with land-based casinos, and the importance of regulating this sector to combat offshore gaming and ensure consumer protection. The passage of iGaming legislation in Ohio would represent a significant step forward in modernizing the state's gaming industry, driving economic growth, and safeguarding its citizens.

We thank the Study Commission for its attention to this testimony and look forward to contributing to Ohio's bright future in gaming.

Playtech
Ground Floor, Mid-City Place
71 High Holborn,
London,
WC1V 6DA

19 February 2024

Ohio Sports Gaming Study Committee
Rep94@ohiohouse.gov
manning@ohiosenate.gov

Dear Sirs

Playtech would like to express its support for the legalization, and regulation, of internet gaming i.e., games of chance conducted on computers or mobile devices via the Internet (igaming). A Study Committee that intends to examine iGaming and gives interested parties a great the opportunity to provide input and share expert views towards what the future of gaming might in Ohio.

Introduction to Playtech

Playtech is a leading technology supplier to the gambling sector and one of the largest B2B software and services supplier globally. We are an FTSE 250 company, regulated in 40 jurisdictions with 180 global licensees. We employ more than 7,000 people across 20 countries. (2023 Annual report)

Playtech provides operators (our licensees) with gambling software, data-driven services, and platform technology across the industry's most popular product verticals, including casino games and live casino entertainment, sports betting, poker and bingo. As well as being a specialist in online gaming and betting, Playtech is a key supplier of player management systems in land-based casinos and the largest supplier of self-service betting terminals (SSBTs) in the UK. Playtech also utilises its proprietary technology and services to operate strategic partnerships in select markets.

In 2020, Playtech entered the US market with a transactional waiver in New Jersey and has since launched casino games with several leading companies in the US. The company holds supplier licenses in several US states and has launched state-of-the-art facilities live casino studios in Michigan and New Jersey. Playtech is also an active member of several North American trade associations, such as the Indian Gaming Association, the American Gaming Association, iDevelopment and Economic Association (iDEA) and the Association of Gaming Equipment Manufacturers.

Playtech Submission

Playtech believes the legislation of igaming in Ohio would bring numerous benefits to the state and would be the best measure to curb the illegal offshore market, which in today's digital world is so easily accessible. This has been the experience in regulated markets across regions: Europe, Latin America, North America. As a result, we would welcome the legislation of the igaming sector in Ohio.

The collective US iGaming revenue reached $6.17bn in 2023, from$5bn in 2022, which shows the market's appeal to players and the potential tax revenues to igaming States as well as other direct and indirect benefits. For example, New Jersey igaming revenue was $1.92bn across 2023. In North

America, Ontario (Canada) issued a report following a full year of igaming legislation. The report showcases direct as well as indirect and induced economic benefits in the Province from igaming, as well as future projections: Report: iGaming Ontario.

Playtech welcomes a legalised igaming framework that expects high standards from the gambling industry. We believe that this should also encompass robust means of proactively preventing harm by means of data/technology (quantifiable/automated) together with support and treatment for those players that do experience harm. Best practise examples in North America, in our view are New Jersey and Ontario for example. These require that operators employ player analytics and technology to spot problematic gambling patterns early on. This isa data driven approach that allows for personalised interventions based on actual observed behaviour. It is an approach that protects all types of players, and can part of Ohio's legalisation of igaming.

As society has become more digitalised, introducing local iGaming has been a natural addition to numerous markets worldwide, including some major markets in North America. Legislation has allowed the competent regulatory authorities to set the high standards they expect, and rules for operators, on the market. This is also for the benefit of their residents. In the online environment of today, when an individual seeks to play online they will do so beyond borders. However, where a regulated environment is provided, most individuals will play online in a more controlled manner.

The success of regulating the iGaming market is to channel as many players as possible to the local legal market, away from the illegal market. In the gambling sector, this is often called the channelling rate. A high channelling is an indicator of a successfully regulated market under local control.

To achieve a high channelling rate, a regulatory framework should be attractive for licensed operators to support in the state over the long term, and should be created in a responsible manner, typically by understanding what drives the success of other similar markets.

Some of the benefits of legalising the iGaming sector include:

- **Protection of players** – Offering a legal sector will mean players can play with local licensed and verified gambling companies. In addition, players will be kept safe by the regulatory framework designed by local regulatory authorities. In an illegal offshore environment player habits are hidden from authorities.
- **Increased employment** – Jobs would be created if Ohio approved iGaming. A study exploring iGaming expansion in Indiana, a state with a population of less than 7m, concluded that introducing live-dealer iGaming would create "many hundreds of jobs through the employment of dealers" in purpose-built in-state studios[1]. That study was updated in 2023[2]. More recently iDEA issued its study in regards to Maryland. The full report can be found here and a two-page summary here.
- **Government revenues** – As shown in the early days of sports betting, the iGaming sector will contribute both meaningful licence fees and tax revenues for the state government.
- **Greater accountability** – There is little accountability or control with offshore operators regarding licensing and player failings. The state regulatory authority can set high standards and hold its licensed operators accountable by bringing the industry under local licences.

[1] Prospective Internet Casino Gaming in Indiana, September 2022
[2] Study Makes Case for Online Casino Wagering in Indiana (sbcamericas.com)

- **Safeguarding gambling addiction** – Capturing players in the legal sector instead of offshore, where players' habits are hidden from authorities. Capturing players in the legal sector will allow players to play with trusted and reputable operators. The use of data and technology to analyse players' behaviours and predict their risk earlier and more accurately.

Sports Betting

iGaming is a complementary product which, other than attracting players away from illegal websites, acts as a revenue creator to offset revenue softness during betting off-season periods and low-margin months.

In our view, the Ohio State Gambling Commission is well-placed to follow its robust regulations for mobile sports betting, including the strong emphasis on responsible gambling, for the regulation of iGaming verticals.

The revenue reliability that iGaming can provide and the economies of scale of running two products (such as marketing operations) can allow for a more competitive sports betting market and then, ultimately, a better product for the customer.

Conclusion

Playtech strongly believes the regulation of iGaming with all the popular verticals is a massive benefit for all key stakeholders. A well-designed regulatory framework to meet demand will ultimately protect players from playing with illegal websites, with no protection against gambling-related problems and personal and financial/banking data, or that any winnings would be paid out to them.

We welcome this opportunity to submit our views and look forward to future opportunities to share our regulatory and technical experiences from operating across many markets.

Sincerely,



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Ohio Lottery Testimony
Prepared for the Committee to Study the Future of Gaming in Ohio
March 2024

Hello, my name is Michelle Gillcrist, and I am the Director of the Ohio Lottery Commission. I want to thank Co-Chairs Edwards and Manning for the opportunity to testify in front of this Committee.

As background, the Ohio Lottery Commission is made up of a nine-member commission appointed by the Governor and confirmed by the Senate. The Commission serves in an advisory capacity while the day-to-day operations are run by the Director and staff. The Lottery is a self-sufficient, non-GRF (General Revenue Fund) agency that does not depend on a single dime of taxpayer dollars to operate. In short, the Lottery performs as a state-owned gaming business; and as a business it operates with keen attention to keeping operating costs low, diversifying its game portfolio, and maximizing revenue for the State.

With our business-minded approach, we run the Lottery efficiently to maximize our profit transfers to the Lottery Profits Education Fund (LPEF). We also are a reliable source of income for small businesses which sell our products throughout the State.

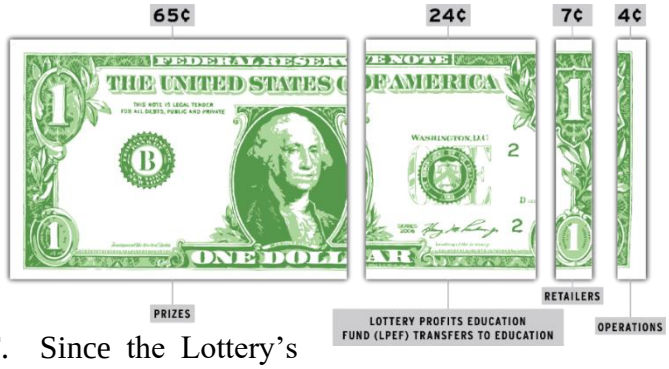
We've come a long way from our first ticket sold in 1974 and are celebrating our 50th anniversary this year! Today, we sell over 100 traditional lottery products (like scratch-off tickets and draw-based games like Mega Millions, Powerball and Keno™); we regulate the video lottery terminals (VLT) at Ohio's seven (7) racinos; and oversee "type C" sports gaming found in select Lottery retailers.



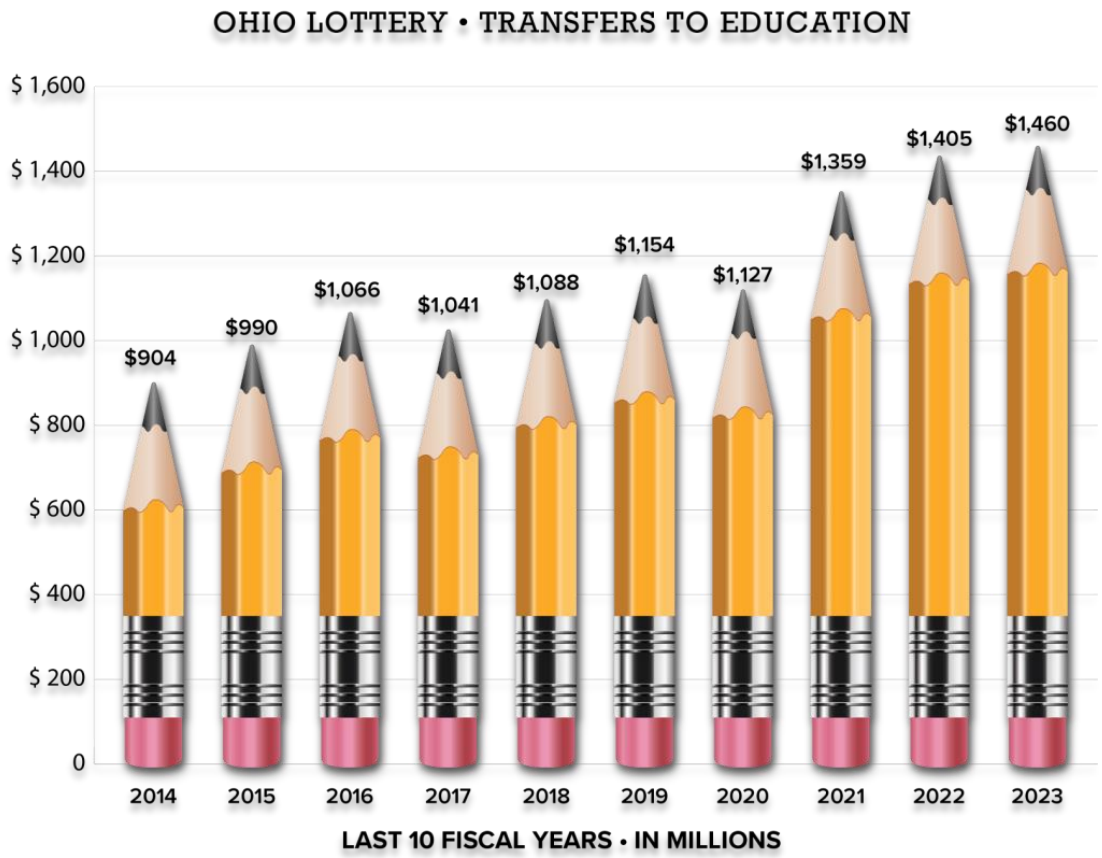
Traditional Lottery
Now I'd like to talk about traditional lottery games and give a brief overview of Lottery operations. Maintaining the integrity of our games is a critical component to the Lottery's success. In-State draw games – (like Pick 3, 4, 5, Classic Lotto, and Rolling Cash 5) are conducted by the Lottery's Office of Security and Investigations personnel and every drawing is observed by a representative of the Auditor of State. Additionally, all prize structures of lottery games are reviewed and audited to protect the integrity of gaming.

The Lottery works diligently to offer a diverse and entertaining portfolio of games to stay competitive in the market. Scratch-off and draw-game ticket designs, play styles, prize structures and themes are researched and tested. Focus groups help us ensure that scratch-off offerings are entertaining and valuable to the customer.

As a visual estimation, if one pictures a dollar bill, on average, approximately 65 cents are paid out in prizes to players; 24 cents are transferred to the State; seven (7) cents go to retailers in the form of commissions and bonuses; and only four (4) cents—or four (4) percent of traditional lottery sales—are required for our operating expenses. I am proud to say that four (4) percent is below the national industry average. The current breakdown has proven successful and enabled the Lottery to produce record profits over the last several years, including last year's record-setting profit transfer of $1.46 billion to the LPEF. Since the Lottery's founding over **$31.9 billion** has been transferred to the State and used towards education!



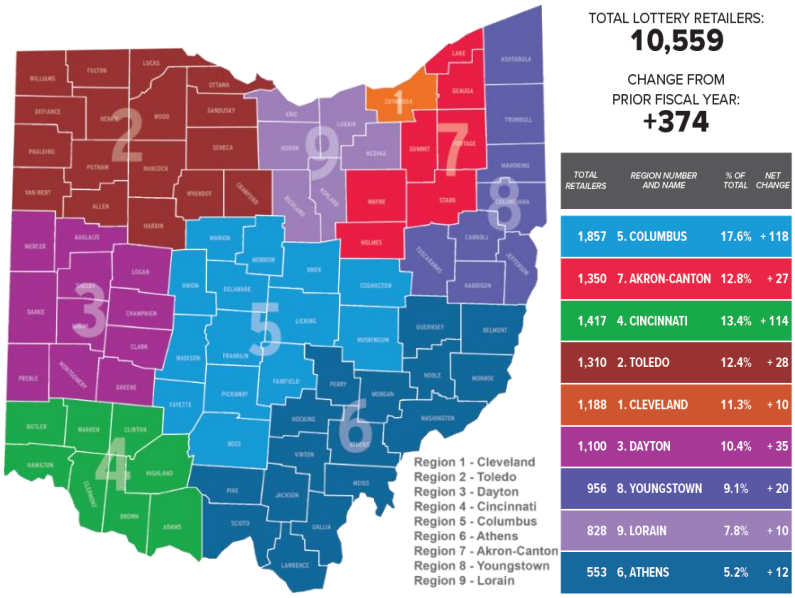
Every budget cycle, the Legislature and Administration establish in law what the Lottery's financial commitment to the LPEF is for the next biennium. 100% of the Ohio Lottery profits go to the State via the LPEF. The Commission and its staff work diligently to not only meet, but exceed, this dollar amount every year. While the Lottery does not have discretion as to how the LPEF is appropriated, we take our role to contribute to education seriously as we make up around 12-15% of the State's contribution to primary, secondary, vocational, and special education programs.



However, like other businesses competing for consumers' attention and entertainment dollars, there are challenges that could affect lottery profits going forward. The lottery industry has seen growth recently slow down. In fact, both Pennsylvania and Michigan have seen their lottery sales growth decline over the past two years. The 2023 Michigan Annual Comprehensive Financial Report cites the following factors for the decline "*increased competition from casinos now offering sports betting and online gaming (including significant marketing [and promotional] expenditures) …"*. So, while the Ohio Lottery has had amazing growth over the past decade, there are competing interests that may impact lottery sales and profits that flow to the education fund.

Relationship With Our Retailers

Every year for the past 50 years, the Lottery has paid commissions, bonuses, and incentives to its retailers. Today, the Lottery is proud to partner with over 10,500 retail businesses across Ohio. Every one of these retailers goes through a licensing process where the Lottery checks the principal owners' background and ensures that the retailer acquires a surety bond to be approved to sell lottery games. Our nine regional offices support, visit, and interact with each of our retailers to help drive sales.

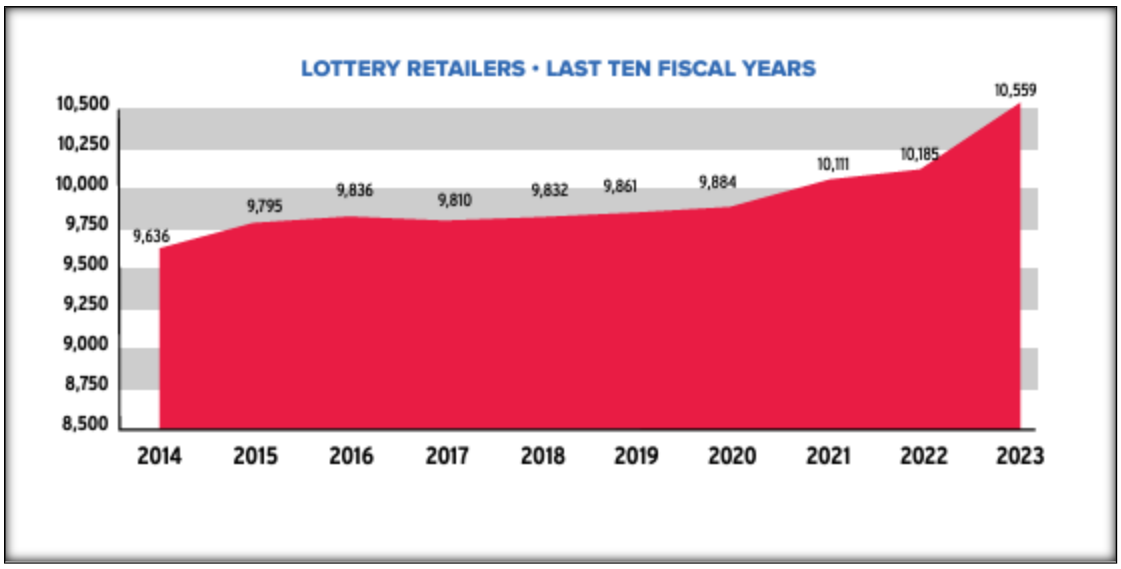


The amount of support that lottery retailers receive for signing up to sell lottery tickets is quite extensive. For example, the Lottery supplies all retailers with equipment, games, and point-of-sale (POS) collateral at no cost to them. The Lottery's regional sales staff and vendor partners visit and maintain relationships with the retailers to ensure tickets, bet slips, and thermal paper are delivered to the retailers on time. In addition, their lottery equipment is serviced, and stores receive promotional merchandise free of charge which helps grow their sales.

Additionally, retailers have multiple call centers available to them to assist with any technical issues. In fact, two-thirds of these retailers are considered independently owned small businesses. Last year, the Lottery paid retailers almost $300 million in commissions, incentives, and bonuses for just selling our products.

This is accomplished using no state tax or GRF dollars. A retailer receives products that they do not have to buy upfront; free marketing support from the Lottery, and use of sales equipment for which the Lottery bears all the costs on their behalf. Anecdotally, these businesses have shared how their lottery commissions have helped them expand their footprint and grow in communities in all 88 counties across the State. It's a win-win for small businesses and demonstrates the Lottery's impact on the State's economy that is often overlooked.

The Lottery continues to strategically recruit retailers allowing better product accessibility for our consumers and increased revenue for the State. Over the past several years, we've grown from just over 9,600 retailers to now over 10,500 and counting. This has been achieved through the recruitment of new independent locations and some chain accounts.



Prize Payments



Since 1974 the Ohio Lottery has paid **$58.4 billion** in prizes to our players. Lottery products are unique as they drive customers back into retail businesses and players often re-invest their winnings into other products too. In this past fiscal year alone, Lottery players won over $2.9 billion in prizes. That equates to over 385,000 winners that win an average of $7.9 million a day!

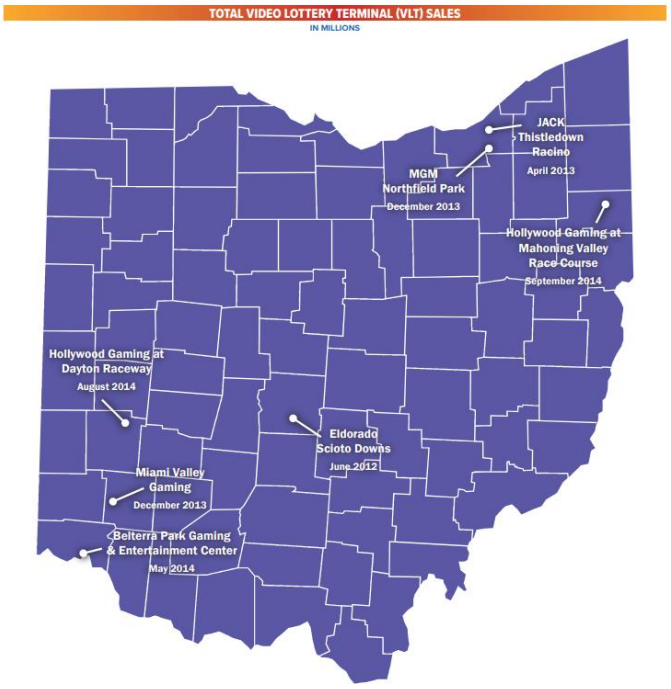
Additionally, the State benefits from Lottery prize awards as well. In Fiscal Year 2023, the Lottery withheld $22.5 million for State taxes from prizes won.

Player Loyalty

The Lottery also offers its players a rewards and loyalty club called "My Lotto Rewards". Presently, there are over 1.5 million users of "My Lotto Rewards". This app has many functions and allows players to check their tickets, cash prizes up to $25,000, enter second chance drawings, locate the nearest retailer, and view KENO™ shows and recent draw game results. It has been widely popular and one of our best marketing tools to drive continuous player engagement.

Regulatory Role

In addition to selling traditional lottery games at over 10,500 businesses across Ohio, the Lottery is also proud of its role as regulator of the VLTs at Ohio's seven racinos, which includes MGM Northfield Park, Miami Valley Gaming, Jack Thistledown, Belterra Park, Scioto Downs, Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Racecourse. The Lottery monitors, reviews, approves, and regulates all racino operations. All VLTs are connected to the Central Monitoring System (CMS) which allows the Lottery to see in real-time what occurs on each VLT. Among other functions, the CMS validates that only approved software is loaded onto the machine, tracks every button pushed, and ensures the games meet the minimum payout requirements. The CMS replaces manual processes and allows the Lottery real time access to each terminal to prevent inaccuracies and to help protect the public.



The Lottery and the Ohio State Racing Commission (OSRC) cooperated on the launch of all seven (7) racinos and continue to interact on a regular basis. All racino employees are required to hold a dual Ohio Racing/Lottery license. Additionally, as regulator, the Lottery handles licensing of the properties, their employees, and the equipment providers. The three license types are Key Gaming, Gaming, and Non-Gaming. Key Gaming employees direct the operations of the racino. They provide tax history, undergo financial review, and must submit to investigatory interviews. Gaming employees have access to security, surveillance, VLT machines and gaming systems, cash, or the ability to "comp" guests. Non-Gaming employees provide support such as maintenance, housekeeping, human resources, food & beverage, or valets. As the Lottery has security personnel on site 24/7, the Lottery assists the Racing Commission by conducting background checks for their licensure and collects the fees on their behalf. The Lottery also provides licenses to the technology providers and vendors who provide machines.

The Lottery's Security and Investigations department staffs each racino 24/7 and the Lottery's VLT Operations department assigns Regulators to specific properties. These departments establish, enforce, and verify compliance with the Lottery's regulations, operating standards, and minimum internal controls. In addition, Regulation Managers conduct daily financial reconciliation, verify internal control compliance, violation research and fine assessments, jackpot and intercept processing, employee training programs, promotional approvals and monitoring, approve shipping requests, and review all Annual Business Plans.

The State receives 33.5% of the Gross Gaming Revenue (GGR) from the VLTs. Last fiscal year, the Lottery's share of VLT revenue totaled over $450 million, all of which went to the Lottery Profits Education Fund (LPEF).

VLT RESULTS (millions)							
Fiscal Year	Credits Played	Credits Won	Promo Credits	Gross Gaming Revenue (GGR)	Racino	Lottery	Problem Gambling
2012	$122.7	$109.9	$1.7	$11.1	$3.7	$7.4	-
2013	1,996.0	1,783.0	47.5	165.5	55.5	110.1	-
2014	5,076.6	4,536.3	102.8	437.6	289.5	146.6	1.5
2015	8,508.9	7,588.6	147.4	772.9	511.4	258.9	2.6
2016	9,472.9	8,450.4	153.5	868.9	574.9	291.1	2.9
2017	10,201.3	9,104.7	169.9	926.6	613.1	310.4	3.1
2018	10,780.2	9,615.9	176.9	987.3	653.3	330.7	3.3
2019	11,587.9	10,339.9	189.4	1.058	700.5	354.6	3.5
*2020	9,032.3	8,056.4	154.9	820.9	543.2	275.0	2.7
2021	12,570.7	11,388.6	175.8	1,186.2	784.9	397.4	3.9
2022	14,700.3	13,158.4	210.7	1,331.3	880.8	445.9	4.4
2023	15,119.0	13,545.6	218.8	1,354.6	896.3	453.8	4.5

*All Ohio racinos were closed due to the COVID-19 pandemic from March 14th through June 18th.

Intercept Program

The Lottery also supports the State via its intercept program. By law, any lottery prize of $600 or more and any VLT prize over $1,200 must be intercepted to check for state debt or child/spousal support that are in arrears. The Lottery's Information Technology department developed a system that can "intercept" prizes when players owe back taxes to the State or owe spousal and/or child support. This system does so by connecting to the Attorney General's Office and Ohio Department of Jobs and Family Services (ODJFS) network. This internally developed software application runs it in a real time fashion so those who do not owe any monies can receive their winnings almost instantaneously. (Everyone receives winnings instantaneously, even with an intercept, the amount is just removed, and the remainder is provided to the winner).

In addition to the traditional uses of the intercept system mentioned above, the system is also used on the Lottery's mobile cashing application and at super retailer locations that cash lottery prizes up to $5,000. This past year we were able to intercept over **$13.9 million** owed in back taxes or for child and/or spousal support from VLT and traditional lottery prizes. The four casinos have also been using the Lottery intercept system.

Additionally, the Lottery has added the ability for sports gaming proprietors to intercept prizes, utilizing the same system. I highlight this to show the Lottery's long history of collaboration and partnership with other State agencies.

Sports Gaming

In December of 2021, the Legislature passed House Bill 29 legalizing Sports Gaming in Ohio. While the Ohio Casino Control Commission (OCCC) was tasked with regulating all three types of sports gaming, the Lottery was tasked with the oversight of "type C" or the lottery sports gaming program. The OCCC licenses "type C" host and proprietors and the Lottery then contracts with

the proprietors to offer sports gaming in licensed host locations. Unlike traditional lottery, which has one provider, the new law allows "up to 20" lottery sports gaming proprietors. The new law also did not limit "type A" (mobile) or "type B" (physical sportsbooks) but did limit "type C" in the scope of permissible wager types and wager amounts. Despite many challenges, the Lottery was able to successfully work collaboratively with OCCC and the "type C" hosts and proprietors to launch on the mandated universal start date of midnight on January 1, 2023.

This legislatively mandated program gives an amenity to licensed retail locations that want to offer limited sports gaming. Currently, "type C" sports gaming is offered at approximately 800 Lottery retailer locations across the State. With the competition of "type A" or mobile apps (which have taken approximately 97% of the market) and the legislative restrictions placed on "type C", the Lottery has realized minimal revenue for this product line. In fact, two of the five "type C" sports books that launched have left Ohio due to the difficulties of the market for "type C" operators. Overall, the "type C" proprietors took in over $13.2 million in wagers, with that producing $1.3 million in gross gaming revenue, of which approximately $300,000 was the State's share during the first year of operation.

In order to be a "type C" sports gaming host, a location must first be a licensed lottery retailer. While State profit from "type C" sports gaming has been limited due to the aforementioned reasons, since the sports gaming program launched, there have been at least 24 new Lottery retailers added. These new retailers have sold over $2.6 million in traditional lottery games, which correlates to over $609,000 in profit to the LPEF.

As Ohio looks at its future gaming landscape, I hope that consideration is given to the resources needed for implementation and maintenance of new products, including forecasted return on investment. The Lottery wants to remain a collaborative and responsible partner in these efforts.

Responsible Gambling

In an era where entertainment options are everywhere, the Lottery has demonstrated its dedication to promoting a safe and regulated gambling environment. Through robust frameworks, educational initiatives, and support systems, the Lottery has tirelessly worked to safeguard the interests of both players and the broader community.

I am proud to say that the Ohio Lottery is a national leader when it comes to responsible gambling initiatives. In fact, the Ohio Lottery was the first lottery in the country to establish a public awareness campaign back in the 1980s. Today, the Lottery continues to partner with other agencies through the Ohio for Responsible Gambling consortium, which consists of the Ohio Lottery, OCCC, State Racing Commission, and Ohio Mental Health and Addiction Services (OMHAS). Last month, at the 21st Annual Problem Gambling Conference in Ohio, I had the opportunity to participate on a panel with OCCC Executive Director Matthew Schuler and OMHAS Director LeeAnne Cornyn to discuss our collective and individual agency efforts on problem gambling and to promote March, as Problem Gambling Awareness Month. All three agencies work together to bring quality services and messaging to Ohio communities to reduce problem gambling and build awareness of resources available for prevention and treatment. This partnership is the envy of the nation, and as Executive Director Schuler testified last month, is known as the "Ohio Model" among our peers throughout the country.

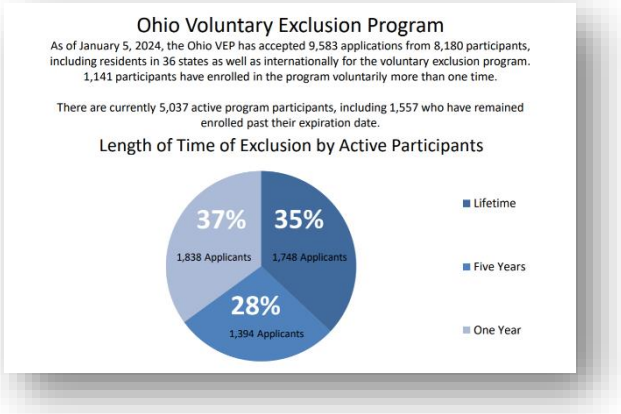
Now I'd like to provide an overview demonstrating Lottery's individual commitment to responsible gambling. Our current public awareness campaign is called "Keep it Fun, Ohio" and is marketed with advertising dollars, social media engagement, and outreach to players and interested parties. These campaigns have won awards from the National Council on Problem Gambling (NCPG) and the North American Association of State and Provincial Lotteries (NASPL).



Lottery funding also supports Ohio regional problem gambling service centers which provide free treatment at facilities throughout Ohio. More recently, in 2023, Lottery funds were provided to OMHAS to support the launch of the Ohio Gambling Telehealth Network, which is the delivery of therapeutic services, through telehealth, to treat gambling disorders, pathological gambling, and co-occurring disorders.

In addition, the Ohio Lottery was one of the first lotteries to add the Ohio Problem Gambling Helpline button on its lottery equipment. This button allows retailers to discreetly print and hand player helpline information to those whom they feel could use these resources. Furthermore, the Ohio Problem Gambling Helpline phone number is posted on all lottery tickets. The Lottery also implements velocity controls on every cashless transaction. Presently, cashless purchases have a $700 per week per card limit. These efforts led to being the first lottery in North America to obtain an "Exceeds Standards" rating through the North American State and Provincial Lottery/National Council on Problem Gambling (NASPL/NCPG) Responsible Gambling Verification Program. This is a monumental achievement as NCPG notes that it is awarded to only those lotteries who *"plan and implement effective responsible gambling in all aspects of their operations and recognize those that do it well*." Additionally, the Lottery is a proud recipient of several national awards including the 2023 NASPL Batchy Advertising Award for best Responsible Gambling TV advertising spot.

In 2019, the Lottery and the OCCC voluntarily collaborated to launch the Ohio Voluntary Exclusion Program (VEP). Under the initial terms of the program, individuals can select one location to sign up to exclude themselves from the seven racinos and the four casinos, which relieves the applicants of undo stress of traveling to multiple properties to enroll in multiple programs. Participants can sign-up for a 1-year, 5-year, or lifetime ban. Through January 2024, this responsible gambling tool has been utilized by over 8,180 participants and currently has 5,037 active program participants, (1,557 who have remained enrolled past their expiration date.)



With the passing of sports gaming legislation, which expanded the gaming footprint in Ohio, the Lottery and OCCC updated the Ohio VEP to include sports gaming and be accessible online. Most recently, the VEP program was rebranded to "Time Out Ohio" to help bring broader awareness to the VEP tool. Thanks to this update, individuals who want to ban themselves from all sports betting, racinos, and casinos in Ohio, may also do so online from the comfort of their home. The "Time Out Ohio" website recently won the prestigious 2023 Corporate Website Award from the National Conference on Gambling Addiction and Responsible Gambling.



Once again, Ohio was one of the first states in the nation to partner with Gamban to offer a complimentary one-year Gamban subscription to block access to gambling websites and apps worldwide, this is what Executive Director Schuler had testified about last month. In addition, the Ohio Lottery led the way for the Cuyahoga County Common Pleas Court in starting a Problem Gambling Addiction Program to address criminal charges that stem from problem gambling. This is one of the first such court programs in the state and the largest in the country. And finally, another show of cooperation in this realm is the recent news that the Lottery and OCCC are partnering with RecoverMe, a company that provides an app that empowers individuals to change the way they think, feel and behave towards their gambling problem. RecoverMe will be featured along with Gamban on the "Time Out Ohio" website.

We do not undertake all these efforts for recognition but rather because it is the right thing to do. We believe in providing entertaining games in a safe manner for all customers, whether they play traditional lottery games, gamble on VLTs at the racinos, or place sports bets at select lottery locations. In addition, as you heard from the last meeting, we work together with our partners throughout the State to combat this problem and have been a leading example for others to follow. The bottom line is the Lottery is committed to responsible gambling efforts and plans to grow these programs in the future.

Challenges Ahead

The Lottery is proud of its success over its first 50 years and aims to continue to grow and support the State and education in the next 50 years as well. Like other lotteries with mature product portfolios, the Lottery faces ongoing challenges to maintain and increase future revenue for the State. Numerous factors can affect lottery performance, such as the product mix and design of games offered, jackpot fatigue, and competition. Like any business, the Lottery faces market pressures on consumer attention and discretionary income. The Lottery must be nimble and adapt to the ever-changing consumer trends.

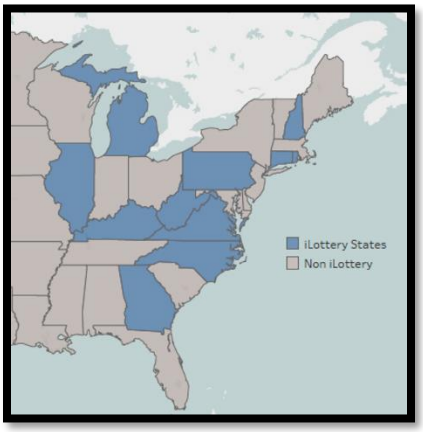
Competition from other gaming activities remains a challenge. Ohioans now have an unprecedented number of gaming alternatives in which to use their discretionary income. Many of our products have been available for decades. Our products, while successful, are not as appealing to the younger adult population. We need to provide players with products with value for their entertainment dollar, while also supporting education in Ohio. Looking at Ohio's legal gambling landscape it has grown to include sports gaming, electronic bingo, casinos, and daily fantasy sports. There has also been an expansion of the unregulated market including illegal slot

type or "grey" machines, online raffles, and card games like "Queen of Hearts". Lottery sales are impacted by these added pressures.

A decade ago, lottery products consisted of only a couple draw-based games and instant/scratch-off tickets. Players were easier to reach via traditional network television and radio advertising. Today, the Lottery's portfolio consists of several different style draw games with unique add-on features, approximately 65 scratch-off games at several price points, monitor games like Keno ™, and terminal-based fast play games. Just like other businesses, as technology continues to change, the Lottery must also adapt to maintain and grow our market share.

As I mentioned at the beginning of my testimony, the Lottery is a business that happens to be owned by the State of Ohio. In fact, if the Ohio Lottery was a private company we would rank around 672 in the Fortune 1000 companies having one of the highest percentage of profits. In order to continue to achieve that success, the Lottery must continue to reach consumers where they are. It must modernize communication via enhancements to the loyalty program, increase its presence on social media, and offer a myriad of other promotional and marketing efforts to expand the Lottery's player base. Marketing messages and products need to be delivered in environments that are immediate, relevant, and convenient for consumers.

Looking Towards the Future



Modern day consumers demand less friction when they make purchases; they want convenience, and value for their hard-earned dollars. The sale of lottery games is not immune to that demand and twelve (12) states, including the bordering states of Michigan, Pennsylvania, Kentucky, and soon, West Virginia have addressed that demand by authorizing iLottery.

While it is safe to say some retailers have worried that this launch would harm their brick-and-mortar lottery sales, the historical data spanning nearly a decade does not support this assertion. In fact, lotteries have a vested interest in bringing a new player to the whole market, including those that shop at brick-and-mortar stores.

The same is true at the Ohio Lottery. We have a proven track record and a long history of looking out for the small businesses we partner with. There are several evidentiary examples of this. The Lottery added cashless payment pin-pads to all lottery equipment at no cost to the retailer or consumer, while others pass on those fees. When retail business warranted growth, the Lottery has added self-service equipment to help retailers grow their sales and adapt as their in-store footprints evolve, too. Lottery products are always stocked and overnighted when inventory is low. These are just a few examples of the ways by which the agency continues to responsibly support its retail base and thereby the Ohio economy.

Should Ohio's legislators and policymakers decide to move forward with iLottery, the Ohio Lottery would continue its track record of supporting its retail base, as the retailers are integral to our success. As data in other states show, iLottery brings in a new player. In fact, traditional

lottery game sales have grown—and often grown at a faster rate—in brick-and-mortar stores after iLottery was launched. Research shows that iLottery allows lotteries to attract new players and enables lotteries to offer better cross-promotions that drive players into brick-and-mortar retailers too. This digital platform reaches consumers where they are and complements physical stores. This omnichannel approach allows lotteries to support and grow retail sales and meet the evolving needs of today's consumer.

One such example of this is Michigan which launched their iLottery platform back in 2015. Just looking at the past six years it shows that Michigan's traditional lottery in-store sales have grown 37%. Additionally, looking at Michigan's Annual Comprehensive Financial Report for their fiscal year 2021, they show that iLottery topped $240 million in net win for their state. Conversely, that figure dropped to $183 million in 2023 following the first two years of mobile sports betting and online casinos/iGaming in Michigan. These data points show that iLottery did not dent retail sales, however the introduction of sports betting and online casinos/iGaming did impact iLottery sales.

Another example is Pennsylvania, which launched iLottery in 2018. Pennsylvania's sales have increased almost 20% in the traditional retail stores over the past five years after their iLottery platform was launched. Additionally, our neighbor Kentucky launched iLottery in 2017 and since that launch their traditional in-store lottery sales have increased by 56% during that time. Lotteries have shown that when iLottery launches, it's not an either-or proposition but a symbiotic relationship that has benefitted traditional retailers and profits to the State.

We appreciate the General Assembly deliberating on this topic. As we've seen in the other states, the most successful iLottery programs are ones that have a diverse, competitive game portfolio, cross-promote their retail stores, and adapt to consumer trends and behavior. Although iLottery has not hurt retail sales, the introduction of online casinos/igaming would negatively impact iLottery sales.

Future of Gaming Committee Discussion

The Lottery remains committed to operating its business and growing profits to meet the needs of policymakers and the education system of Ohio. As the first day of this committee showed, interested parties will request expansion, like legalization of online casinos (AKA iGaming) in Ohio. I would respectfully ask that any new expansion of gaming be studied holistically on how it might impact the Lottery, specifically its profits given to the State for education, and the State of Ohio as whole.

The Lottery has already withstood the impact of legalized competition whose profits do not go to the LPEF. For example, the expansion into sports gaming had a negative impact on the growth of Keno™, which brings in over $150 million a year of profit for the State. Prior to the launch of sports gaming, Keno™ was growing at rate of six percent; contrast that to today where it is down just under two percent. Data from other states' gaming commissions and lotteries have also indicated that when online casinos were introduced, their states saw a negative impact on their lotteries' bottom lines.

From our own experience, we know that individuals have a limited amount of discretionary income used for entertainment purposes. Adding competition like online casinos/iGaming, which can be

accessed 24/7, will almost certainly negatively impact future Lottery revenue forecasts and profits to the State via the LPEF.

I do appreciate the opportunity to discuss the impact of gaming decisions by this body and how that impacts the Lottery Profits Education Fund. I encourage the General Assembly to remember that the main difference between other legalized forms of gambling (like casinos/racinos and sports betting) and traditional lottery is the amount of profits the State receives. With casinos, sports gaming, and VLTs, the State receives a small percentage of the revenue. With traditional lottery, the State receives 100% of the profits from the sale of lottery games. Therefore, it would seem prudent to utilize the Lottery when policymakers consider allowing the sale of gaming products online.

Conclusion

The fact of the matter is the Ohio Lottery is a $5+ billion business that just happens to be owned by the State of Ohio. The more rules and regulations that are put on the operations of the Lottery, the less profitable the Lottery is to the State. We do truly appreciate having a seat at the table as we discuss the current gaming landscape and the potential future initiatives to expand and change the gaming footprint in Ohio. We believe our track record and past successes, including last year's record $1.46 billion transfer to education, will help provide meaningful input on this topic. As the Lottery is in the midst of celebrating its 50th anniversary, I would like to proudly state that it has a track record of consistent, yet responsible growth and success.

Study Commission on the Future of Gaming in Ohio
Ohio Department of Mental Health and Addiction Services
March 19, 2024

Co-Chair Edwards, Co-Chair Manning, and members of the Commission, thank you for the opportunity to testify regarding the responsibilities of the Ohio Department of Mental Health and Addiction Services (OhioMHAS) related to prevention and treatment for problem gambling. Our agency provides statewide leadership of a high-quality mental health and addiction prevention, treatment, and recovery system that is effective and valued by all Ohioans. OhioMHAS' vision is to end suffering from mental illness, substance use disorders, and problem gambling.

My name is Stacey Frohnapfel-Hasson, and I serve as chief of the Office of Prevention and Problem Gambling for the Ohio Department of Mental Health and Addiction Services. I've overseen a team that has focused on building and expanding Ohio's problem gambling services system for youth and adults for 15 years.

Governor DeWine leads this commitment to care. And for that reason, he has proclaimed March as Ohio Problem Gambling Awareness Month. On behalf of the Governor and OhioMHAS Director LeeAnne Cornyn, I will share information with you related to the future of gaming, and its anticipated effect on Ohio citizens.

In the final months of 2022, the state conducted the third 5-year survey of Ohio adults regarding problem gambling behaviors and attitudes. This survey closed on December 31, 2022 – just minutes before the legalization of sports gambling on January 1, 2023.

With nearly 15,000 survey responses, the analysis provided a clear picture of the impact that growing gaming and gambling opportunities were having on Ohioans. Let's take a brief look at that data.

- It told us that 17% of Ohio adults are not gambling at all.
- But for those who are gambling, we know that 1 of 5 adults is at-risk for developing a gambling disorder, that's more than 1.8 million people.
- We know that 3 of every 100 Ohio adults is likely diagnosable with a gambling disorder and will need help overcoming this behavioral health illness.
- That 3% is about 255,000 people or the population of Toledo.
- We know that some populations are particularly vulnerable to the challenges of gambling and gaming, as in young adults, ages 18-44, having the highest rates of at-risk gambling.

- Non-white populations are also in a high-risk category for developing a problem with gambling, including people who are Black, or multi-racial, and people of Hispanic ethnicity.
- Further, the survey data tells us that problem gambling is often related to other risk factors, including a family history of gambling problems, using alcohol or drugs, gambling while intoxicated, and experiencing serious depression or stress.

And in addition to the statewide analysis, we have 50 more data reports – one for each of the county Alcohol, Drug Addiction and Mental Health, or ADAMH Board areas.

More and more, we are seeing Ohioans take notice of gambling and gaming and the many ways to play. It's vital that we match that constant access to betting with the same level of access to care – for when betting becomes a compulsive behavior.

With gambling now possible 24 hours a day, the need for services is growing. We saw a 55% increase in calls to the Ohio Problem Gambling Helpline this past year for a total of 9,500 calls.

We track the reasons *why* people call the Helpline. In past years the most often stated reasons for those calls were problems related to casino and lottery play. Sports gambling was way down the list. But as of last month, sports gambling was the number two reason why people are calling for help.

Gambling is being normalized in our society. Many of us grew up with church festivals, bingo, and cards with family and friends. But today young children are growing up with video and online games that mimic gambling activities, for those as young as 3 and 4-years old.

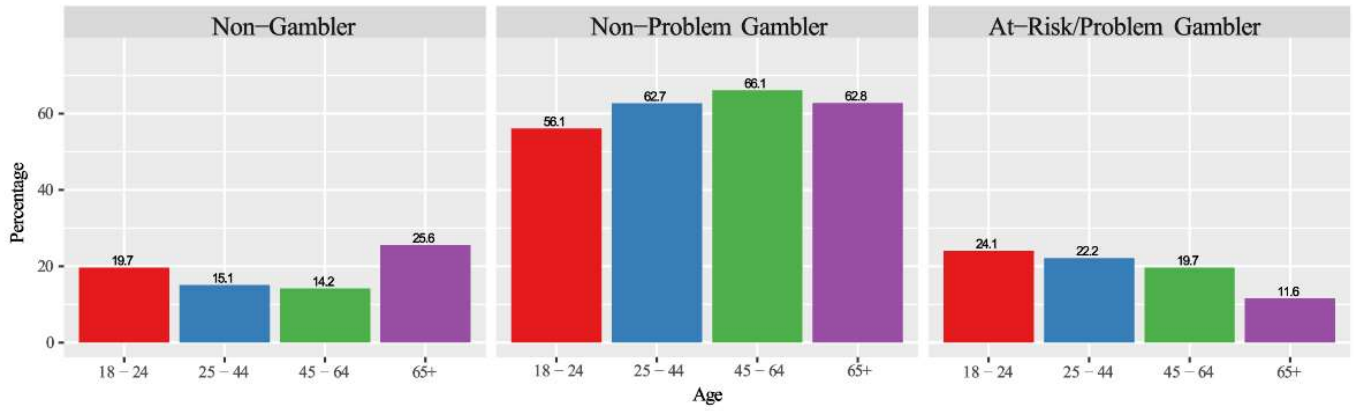
This chart shows the levels of at-risk gambling for Ohio adults: 24% of 18–24-year-olds are at-risk gamblers; 22% of 25–44-year-olds; 20% of 45–64-year-olds and about 11% of those 65 and older.

We must consider the fact that the highest rates of at-risk gambling are among the youngest players, in many cases developing a gambling problem before they reach the legal age to play. As we consider gaming for future generations, consumer protections are key to ensuring the safety of the players.

And beyond the gaming industry, funding to support behavioral health services must be in place so that anyone affected negatively by gambling has a pathway to effective care.

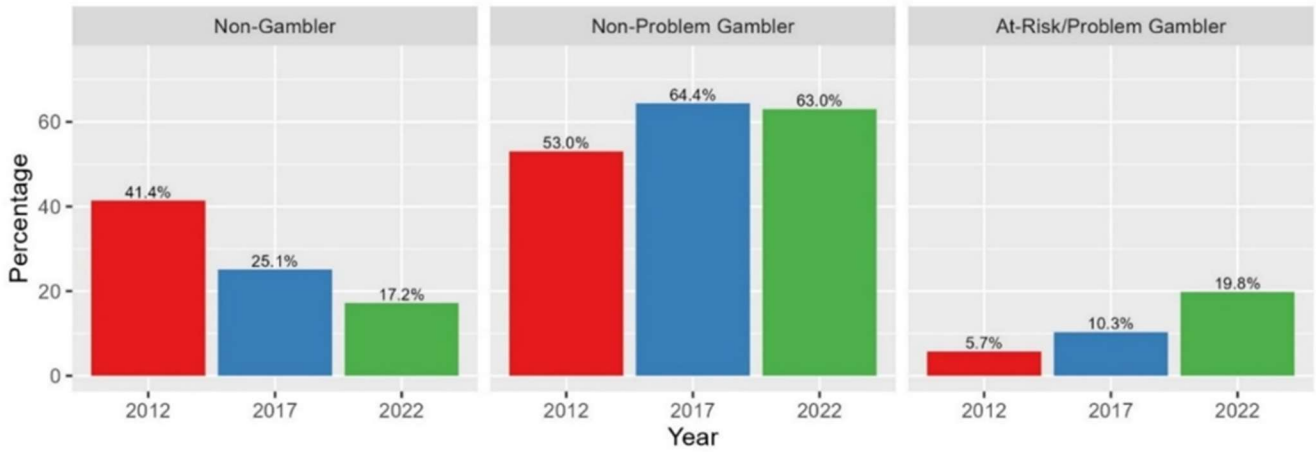
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Prevalence of Gambling Behavior by Ohio Adults



Research into gaming and gambling has shown that the more options there are for play, the more likelihood that players will develop at-risk behaviors. The next graph illustrates how this has been working in Ohio since 2012.

Gambling Behavior by Survey Year



In the first group of bar graphs, notice that in the red bar, 41% of Ohio adults didn't gamble in 2012, but in the green bar, just 17% were not gambling in the 2022 survey. In the last group of graphs on the right,

you'll see that people gambling at risky levels totaled about 5% in 2012, grew to 10% in 2017, and doubled again to 20% in 2022.

More gambling options in a state lead to more gambling problems among its population. Other states have already experienced the effects of gaming and gambling expansion.

The Department of Mental Health and Addiction Services has been serving this population since 2012 when the casino tax funds began to flow to support behavioral healthcare services for those in need. Last fiscal year, 67,000 Ohioans were screened for Gambling Disorder and 1,136 received clinical care for the disorder.

However, after more than a decade we still have some areas of the state without access to face-to-face counseling. For this reason, we continually provide specialized training to clinicians to build workforce capacity. In addition, last year we brought up an Ohio Gambling Telehealth Network, so that those who need care for Gambling Disorder have access to either in person or virtual services.

Telehealth services as an add-on to traditional face to face clinical care truly meets the clients where they are. Sometimes it's not possible to come into a behavioral health agency to access services. People may have a disability, have transportation challenges, or the closest place for in-person care is an hour or more away.

The Ohio Gambling Telehealth Network offers services during the business day, along with evenings and weekends to meet the clients' needs. Ohio is evolving its service continuum based on the needs of our communities. At OhioMHAS, we are excited about the new investments being made to support Ohioans as they engage in sports betting.

GamFin, for example, is a service being funded jointly by the Ohio Casino Control and Ohio Lottery Commissions with sports gaming funding. GamFin provides coaching and resources to the state's licensed gambling clinicians who are working with clients troubled by financial concerns. This service increases knowledge and skills for clinicians who may not be financial experts, so they can provide better support to help former gamblers who are working toward recovery and rebuilding a stable financial future.

As Ohio continues to build a safety net of responsible gambling education and resources, we turn to the Pause Before You Play media campaign. One of every ten adults in the state is seeing these messages multiple times throughout the year. We developed this campaign, along with one focused on youth and gaming, in partnership with the Ohio for Responsible Gambling collaborative that involves OhioMHAS, Ohio Casino Control Commission and Ohio Lottery Commission.

The shared work of Ohio for Responsible Gambling has won many national awards for its adult-focused responsible gambling messaging, along with a sub-campaign that provides gambling prevention

resources for youth and the parents and caregivers in their lives. The youth messaging is called Change the Game Ohio, and outreach is directed at youth influencers.

The statewide campaigns are built around the most current survey data, and the ADAMH Boards receive Board area-specific reports so that communities can use local funds for education and outreach campaigns designed for their populations most in need.

To support these local efforts, the 50 ADAMH Boards receive about $4 million annually from OhioMHAS in casino gambling tax funding to help Ohioans access services for prevention of problem gambling, clinical care for Gambling Disorder, and ongoing supports for those on the path to long-term recovery.

The campaigns provide a ready-made, turnkey package for spreading the word in communities across the state. They allow communities to use national award-winning creative resources to reach local audiences with messages that are clear, entertaining and impactful.

The launch of sports gambling has been seen as a catalyst for drawing attention to gaming and gambling and how accessible they are. With gambling now possible 24 hours a day, the need for services is growing.

Ohio's clinicians with expertise in treating Gambling Disorder are seeing people come into care much sooner than they did for older, slower versions of game play. They report clients coming in for help after sports gambling for as short a period as 1-3 months – compared to the 1-7 *years* of gambling that used to be seen as a normal gestation time for developing a Gambling Disorder. On the positive side, people *are* coming in for help, and as always, we have clinical care for Gambling Disorder at no cost to Ohioans who need it.

In addition to the $4 million in ADAMH Board allocations, about $3 million more dollars provide these services and supports:

- The Ohio Problem Gambling Helpline (1-800-589-9966) information and referral service;
- Live clinicians for those callers who want to talk to someone with expertise in care for Gambling Disorder;
- Prevention workforce, model program development, and training in Gambling Disorder care for clinicians;
- Specialized services for focus populations like the Arabic community, African American population, and Asian American/Pacific Islanders;
- Technical assistance to help ADAMH Boards build and sustain local problem gambling services systems;

- And, for when a Board or community agency runs short of funds for providing clinical care for Gambling Disorder, the department maintains a Treatment Shortfall Fund to further ensure that every Ohioan who needs treatment for a Gambling Disorder, including affected family members, can receive that care at no out-of-pocket cost.

We are fortunate to be able to utilize more than $2.3 million in funding from the Ohio Lottery Commission that supports the Pause Before You Play responsible gambling campaign, the Change the Game Ohio youth gambling prevention campaign, and workforce education opportunities for clinicians and professionals across the service continuum.

With the Ohio Gambling Surveys at five-year intervals, the state needed a more consistent method of tapping into communities to gather information about challenges caused by gambling. To lead this work, OhioMHAS formed the Ohio Problem Gambling Advisory Board, usually referred to as "PGAB."

PGAB is made up of representatives from ADAMH Boards, behavioral health providers, community coalitions, clinicians, prevention specialists, people with lived experience, a college of social work representative, researchers, and members from the Ohio for Responsible Gambling organizations.

The survey data and regular PGAB meetings help OhioMHAS and Ohio for Responsible Gambling partners determine what's working in communities related to problem gambling and what is still needed. We have recently updated the Strategic Plan for Ohio's Problem Gambling Services to serve as a short- and long-term map for the state's service structure.

We are adjusting to changes in the gaming environment and in Ohioans' behavior and attitudes as needed. This ensures a nimble service structure with a path to recovery and tools to remain healthy.

We ask that this Commission consider the overall impact of gaming and gambling growth on the state's individuals, families, and communities. With older teens and young adults affected negatively by gambling activities, we must take consumer protections into account with each new expansion.

Are we ensuring safety measures for the players? How will college students be affected? What about the workplace? And are we taking the steps necessary so that if gaming continues to grow, there will be more funds available to support those people most in need of care?

I am available to answer any questions you have.

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Richard Wheeler
Intralot
March 19, 2024
Study Commission on the Future of Gaming in Ohio

Chairmen Edwards and Manning and members of the Study Commission on the Future of Gaming in Ohio, thank you for the opportunity to testify before you this morning. My name is Rich Wheeler, and I am the Senior Vice President of Government Relations at Intralot.

Intralot has cultivated a collaborative and highly productive relationship with the Ohio Lottery since 2009 when we assumed responsibility as the State's central system vendor and conducted what was at the time, and is still, the largest end-to-end technical vendor to vendor conversion in US Lottery history. Selected by the State following a competitively bid RFP process, Intralot operates and maintains the Lottery's traditional gaming system and the video lottery terminal central monitoring system, including a communications network, associated gaming products and equipment, and support services. Which includes:

- Over 11,400 Retailer Terminals at nearly 10,800 retail locations
- 2,511 Ticket Vending Machines
- 5,949 Self-Serve Machines
- 5,245 Keno locations, including 20,000 Keno Monitors
- Added together, and including ticket checkers, communications equipment and other peripherals, this amounts to over 90,000 pieces of equipment out in the field.
- An 87,000 SF site in Strongsville, OH, which includes a shared data center and is our base for:
    - The Ohio Lottery Primary Gaming system
    - The DC Lottery Primary Systems
    - The Ohio Video Lottery central system.
    - Central systems for 7 other US states including back-ups for Wyoming, Louisiana, New Hampshire, Arkansas, and Illinois.
- A 27,000 SF Intralot owned facility in Mason, OH, which serves Ohio Lottery and all Intralot self-serve and vending contracts globally.
- Our services to the state also extend to training, support, and repairs for Lottery's approximately 10,800 retail partners across the state.

Beyond our contractual partnership with the Ohio Lottery, Intralot's commitment to jobs and economic development in Ohio is unique in the lottery and gaming industry. Since 2009, Intralot has invested hundreds of millions of dollars in this state, including our base in Strongsville which supports Ohio Lottery operations and a state-of-the-art manufacturing facility in Mason which manufactures vending and self-serve terminals for the Ohio Lottery and all Intralot's customers globally. We are extremely proud of our investment and presence in Ohio, and the close to 200 people who represent Intralot every single day and are proud to call the Buckeye State home.

Following the initial contract launch with Intralot in 2009, the state has extended and expanded, through amendment, the agreement on several occasions. Opportunities for contract modification arise on a biennial basis as our contract extensions must be approved by the Controlling Board. These ongoing renewals and extensions have resulted in over $80M dollars of value and savings for the state during the contract while the state has gained significant new investment through refreshed product and channel initiatives over the course of the contract. Together Intralot and

the Ohio Lottery have partnered to innovate across a broad range of areas that have generated significant revenue for the state. I will highlight just a few:

- The Ohio Lottery has placed a strong emphasis on responsible Draw Game portfolio development and ranks 7th out of 46 US State lotteries in Draw Game sales growth since 2009. During that time, Intralot has supported the Ohio Lottery in expanding and optimizing the portfolio with the launches of Powerball in 2010, Pick 5 in 2012, EZ Play Progressive games in 2014, The Lucky One in 2018 and Sports Bet Ohio in 2023. This is in addition to the rapid growth of Keno, which launched in 2008 under the prior vendor, but has since expanded to surpass $4.6B in total sales since 2009.
- The expansion of self-serve and vending units, with the aim of improving consumer convenience and access to Lottery has played a key role in the Lottery's growth story, with over 8,000 Vending & Self-Service Terminals across 5 different machine types all built in Mason, Ohio for the Ohio Lottery since 2009. These machines have delivered over $10bn in sales during that time, equating to around $3B in net income for public education.
- In 2012, VLTs were launched in the state under the current vendor contract through negotiations to ensure that Ohio benefited from Intralot's speed to market technology, competitive transaction rates, and easy incorporation into the existing central system. Credits played on Ohio VLTs in 2023 totaled over $15B, with $896M going to the Ohio Racing Commission, $453M going to the Lottery and $4.5M benefiting problem gambling services.
- Ohio became the first state in the nation to pioneer cashless payments on a major scale with the goal of appealing to a new generation of customers and growing revenues while allowing stronger responsible gambling controls. Intralot deployed cashless functionality to 8,000 self-service terminals in November of 2017 and over 10,000 clerk operated terminals in 2019 – which I believe is the only fully cashless capable lottery network in the country and is a great example of the Lottery keep up to date with evolving consumer shopping habits. Cashless sales total to date amount to $1.4B.
- The passage of House Bill 29 in 2021 legalized sports gaming in Ohio and was hailed by national press as the most inclusive sports gaming framework in the country, allowing Ohio small businesses throughout the state to engage. As a licensed type C sports gaming proprietor, Intralot has implemented a lottery sports gaming product at over 733 establishments in every corner of Ohio, while the next largest of the other two type C proprietors services only 57 hosts.
- Finally, Intralot has stood ready to work responsively with the Ohio Lottery on pressing operational issues that inevitably occur from time to time in a complex Lottery operation. A recent example was from the recent cyber-attack incident that the Lottery experienced with their systems. Intralot worked closely with the Lottery IT and management team to minimize the impact on Lottery operations, with various functions provided through secure Intralot channels, to ensure full Lottery integrity while maintaining uptime and sales.

Over the course of our partnership Lottery has enjoyed record sales, growing by over $2B since 2009, a compound annual growth of 4.6%, and returns to the state, benefitting public education, have more than doubled in that time, returning net income of nearly $1.5B to public education in Ohio in FY 2023.

Given the size and complexity of Ohio, Lottery systems and infrastructure contracts present a significant financial commitment both on the part of the vendor and the State. Intralot is able to offer the Ohio Lottery the lowest vendor transaction rate compared to any other U.S. Lottery's gaming system contract currently in place, even though even though the state ranks seventh in

overall population and even higher in lottery spend per capita. Additionally, and as mentioned earlier, amendments and extensions have resulted in the current compensation rate of 0.8300% on draw sales and 0.2900% on Instant Sales, which is 16.2% and 9.4% respectively lower than the original contract agreement signed in 2009. It should be noted that the consumer price index (CPI) has risen over 41% since 2009 and Intralot is presenting a contract rate lower than originally offered under the contract in 2009. In other terms factoring in the CPI compared to the original contract rate in 2009, this is 57% and 50% lower on draw and instant sales respectfully.

While Intralot is very proud of the growth of the Ohio Lottery through our partnership, we are also very aware of our duty to Ohioans to promote responsible gaming. The company's state of the art technology and operational expertise enable responsible gaming practices, embedding them in daily operations and product solutions and communicating the concept of responsible gaming to all stakeholders. Intralot ensures that players have the choice of well-designed games in a secure and supportive environment, and the company implements strategies for preventing underage, illegal and problem gambling, and minimizing any potential harm to society. In Ohio, our central system monitors consumer behavior closely to ensure that those who should not be gaming are notified and the transaction is denied. Our system and training ensure strict adherence to the wager limits set for each game, cash and cashless transaction limits, validation procedures, and age restrictions for play.

Intralot deeply value our partnership with the state and we have been clear in maintaining an open dialogue with Lottery, the Administration, and the General Assembly to strengthen this collaboration to pursue new growth opportunities and address issues promptly as they arise. We are grateful to the Ohio Lottery for allowing us to work with them to pioneer lottery gaming innovation, strengthen contributions to the Lottery Profits Education Fund, and offer the most cost-effective gaming system in the country.

Thank you for your time and I'm happy to answer any questions you may have.

Testimony to the Ohio Gaming Study Commission
Presenter – Dennis Berg
March 19, 2019

Good morning, Co-Chairman Edwards and Manning and members of the Gaming Study Commission. My name is Dennis Berg, I am pleased to present testimony today to your committee. To start I'd like to provide a brief background of myself. I'm a lifelong citizen of Ohio and graduated from Cleveland State University with a major in Accounting. I currently hold a Certified Public Accountant license in Ohio. I held an Ohio Financial Accountability Certificate granted by Ohio Auditor of State Jim Petro, I also previously held a title of Certified Fraud Examiner, and was a previous member of the Information Systems Audit and Control Association and the Institute of Internal Auditors.

My career has been focused along the accounting and auditing discipline exclusively in governmental settings. I worked for the Ohio Lottery Commission from 1991-2019, spanning roughly 28 years. While at the Ohio Lottery I served in several capacities. I established the Lottery's first ever internal audit department serving in the position of Internal Audit Manager. Additionally I later served on the Executive Director's Policy Staff, served as Finance Director, Assistant Director and eventually as Executive Director.

In the position of Executive Director, I currently hold the unofficial title of "Longest Serving Ohio Lottery Director" since the Lottery's inception in 1974. In 2018, I was elected by my industry colleagues, whom are all Executive Director's of Lotteries throughout North America, as President of the North American Association of State and Provincial Lotteries, generally referred to as NASPL. Previous to that designation I served as NASPL's Second Vice President and Treasurer. NASPL is the largest lottery trade organization in North America and is headquartered in Concord, Ohio.

For transparency, I currently have been retained as a consultant by Intralot, the Ohio Lottery's current central gaming system and VLT gaming vendor to provide strategic advice and guidance. Over the past few years there has been some management level attrition at the Ohio Lottery and some notable leadership changes within Intralot, and as such, they felt my industry knowledge and historical perspective could provide valuable insight for their operations.

My career at the Lottery was very rewarding and exciting. Unlike perhaps other governmental entities that provide important general services to the public, the Lottery was challenged to responsibly grow profits for the education fund of Ohio, which was clearly a defined and measurable goal.

We always had a target goal of providing a larger and larger amount of funds to education each year, hereby always raising the benchmark.

For some brief history, in the early decades of U.S. Lotteries (1960-1970's), Lottery operations were very simple, profit growth was slow to stagnate and the use of technology was minimal. Games mainly consisted of selling pre-printed raffle ticket type tickets, with generally a weekly drawing held on the weekend like Saturday night. Later Lotteries started to sell $1.00 scratch off tickets available for purchase primarily at your local neighborhood convenient and beverage stores. The technology around the scratch off tickets was poor when comparing to today's security standards. Retailer and Player fraud was much higher than it is today. In the 1980's terminal based draw games evolved whereby a Lottery player could choose their own selected numbers and play a daily lottery game such as pick 3, pick 4 or participate in a weekly jackpot lotto game using their own selected numbers. The technology was clunky and expensive thereby limiting the number of lottery retailers the lottery was willing to sign up. There were actually waiting lists to become a lottery retailer in that era.

In the latter half of the 1980's the popularity of instant scratch tickets accelerated, and sales increased significantly. However the technology to account for the ticket sales was insufficient to handle the volume of transactions occurring. Later in 1988 the predecessor to the Multi-State Powerball game called Lotto America started. The game name changed to Powerball in 1992.

Originally Powerball was a consortium of smaller states that wanted the synergy to obtain larger lotto game jackpots to compete with the larger jackpots perhaps their neighboring state could offer. Powerball was exclusive to not allowing larger states to join. Eventually the Powerball jackpots where so large and attractive that even larger states with their own in-state jackpot games could not compete.

In 1996, the Big Game (now called Mega Millions) was created with six states and now has 12 member states. This was an opportunity for bigger states to collaborate and compete against the Powerball jackpots. Ohio joined Mega Millions in 2002. In 2010, the Powerball consortium operated by the Multi-State Lottery Association and the Mega Millions consortium agreed to a cross selling arrangement in which all states can sell both Powerball and Mega Millions. As such, no longer are the days of people driving over state borders chasing the larger jackpots.

Fast forward through the 1990's to today, the Lottery industry along with the Ohio Lottery has grown by leaps and bounds. Better technology and faster processing speeds has tremendously helped the industry grow. In 2009 the Ohio Lottery transitioned its central gaming system utilizing the advanced state of the art technology offered by Intralot. This technology helped the lottery lower costs and accelerate growth by offering newer gaming

products and services. With over 10,400 retail establishments, the Ohio lottery now offers three multi-state jackpot games, several in-state jackpot games, daily draw games such as pick 3, pick 4 , pick 5, a vast array of instant scratch off tickets, interactive electronic tap games primarily in bars and taverns along with the fraternal and veteran halls, instant win paper based EZPLAY games, some with progressive jackpots , and the highly popular Keno game. The Ohio Lottery also operates its own popular long-standing Cash Explosion weekly television show and operates sports betting.

Player services include a loyalty rewards program, mobile app in which you can verify if you have a winning ticket, mobile cashing of winning tickets, in-store winning ticket verification machines, several thousand self-serve vending machines, debit and credit card payment devices, a winning ticket voucher cash out option on the vending machines and a play it again feature on draw tickets thereby providing player convenience and reducing costs.

Marketing and Communications to the players includes the Ohio Lottery's official primary web site and mobile app, Facebook, Twitter , Instagram, YouTube to name a few. Alongside the Lottery regulates seven racinos which utilizes Intralot's VLT technology. As such, the Ohio Lottery generates record sales and profits with over $4.0 million dollars a day on average in profits to education.

To date, the Intralot gaming system has processed over $50 billion in traditional lottery ticket sales and sales and profits have more than doubled since contract inception. In fiscal year 2018, to keep the trend line in ticket sales growth up and to avoid the risk of a **"Big Bang"** conversion and potential interruption of the gaming system, the Ohio Lottery and Intralot agreed to refresh the gaming system via a low risk controlled and migrated strategy adding an additional $62 million in gaming system upgrades and services with an additional financial benefit to the state by having compensation rates lowered by $7.5 million dollars, for a total financial benefit of nearly $70 million dollars. This upgrade included up to 13,000 new retailer terminals and 16,000 cashless processing devices. In consideration of the $70 million dollar upgrade, the Ohio Lottery agreed to amend the contract to allow for an additional six year extension, thereby allowing the recapture of investment by Intralot. For due diligence purposes, the Ohio Lottery sought an independent and unbiased assessment of this negotiation and strategy to ensure that the Lottery's thought process was in alignment with a fair and rational outcome and in the best interest of the state. The analysis was performed by an industry expert, Rossi Enterprises, and the final assessment clearly aligned with our strategy.

To conclude, over the years, here has been a lot of hard work performed by the Lottery's dedicated public servants. The tireless effort of many has generally been absent of any accolades, thank you(s) or pats on the back by the outside parties. All involved should be commended including the support of the current and past administrations, legislators and

vendor community. The Ohio Lottery is a leader in the industry, among the top ten Lotteries in the United States and is well respected for its innovative efforts.

My testimony today is not to present a specific agenda or gaming position but rather to introduce myself and serve as a resource if so inclined by the committee to seek an opinion or general guidance.

I did want to articulate, nevertheless, that with an average sales volume exceeding $12 million dollars a day or in another context $500,000 dollars an hour, the Ohio Lottery as compared to years' past is a very different and complex organization which no longer simply sells just an instant scratch off ticket and a daily draw game. The Ohio Lottery is literally tied into a very complex web of integrated technology, communication systems, social media services and multi–state lottery consortiums, thereby generating roughly $4.0 million dollars in record daily profits to education. The Ohio Lottery has to play the delicate role of being both a regulator and an entrepreneur. This can be challenging, but the Lottery has successfully fulfilled that role over the past 50 years.

Given the sales and profit generation nature of the agency, the Ohio Lottery falls under the umbrella of being considered an Enterprise Fund in the State of Ohio's Accounting System and its Financial Statements.

The Ohio Lottery and its future growth and path is now in the good hands of Director Gillcrist and her management team and support staff. Certainly the Lottery's team may be armed with specific strategic plans, challenges and opportunities that I am not aware of, and as such, any opinion or guidance I may have may be lacking the specific details that could otherwise modify my opinion or guidance. As a lifelong citizen of Ohio and former Executive Director of the Ohio Lottery, I am proud of the organization and confident of the agency's true desire to do what is best for Ohio to raise funds for education in a responsible manner.

Rossi Enterprises, LLC
40 Pearl Street, Suite 1000, Grand Rapids, Michigan 49503

April 14, 2017

Ohio Lottery Commission
Attn: Director Dennis Berg
615 West Superior Avenue
Cleveland, Ohio 44113

Director Berg,

It is my recommendation that the Ohio Lottery Commission ("OLC") extend its current gaming-system contract with Intralot, Inc. ("Intralot"), scheduled to end in 2021, for an additional six years through 2027. The OLC currently pays one of the lowest commission rates in the country for its gaming system and associated services. Further, the OLC has successfully negotiated nearly $70 million in additional equipment, upgrades, and savings as part of a six-year extension. The proposal is, in my opinion, highly-competitive and favorable to the OLC.

Opening the gaming-system contract for bidding does not guarantee a more favorable rate. In fact, it is possible that no bidder, including Intralot, will beat or even match the existing rate and services. Moreover, there are hidden costs associated with conversion to a new gaming system (such as staff hours spent testing, training, and correcting errors) that can quickly turn a facially better bid into an overall reduction in value. The proposed extension, on the other hand, would allow the OLC to retain its current rate and secure additional savings resulting in additional transfers to the Lottery Profits Education Fund.

This letter provides a high-level summary of my review and opinion. Because this letter may be subject to disclosure under Ohio's Public Records Act, it does not include information that could provide an unfair advantage to Intralot or another potential bidder should the OLC choose to open the contract for bidding. The information contained in this letter is generally available to the public, and the opinions expressed within are exclusively those of the author. My review assumes there are no pending contract disputes and that contract performance is consistent with that of other vendors in the industry. Dollar amounts have been rounded for readability and are not intended for use beyond general benchmarking and comparison.

Background

In 2009, the OLC entered into its current contract with Intralot for the implementation, operation, and maintenance of a gaming system including a communications network, associated gaming products, and support services. Among other things, the system provides point of sale for nearly 10,000 retailers across Ohio, records and transmits over $3 billion in sales data, and ensures integrity through security controls. It is, essentially, the heart of the OLC's operation.

The current contract expires in 2021. Soliciting proposals, selecting the winning bid, negotiating a contract, and building, testing, and converting to a new gaming system could easily take the next three years. To avoid a disruption in sales, the bid process would need to begin within the

next few months. Having invested significant resources in its Ohio operation, Intralot has offered additional equipment and savings as an incentive to extend the current contract.

Rossi Enterprises, LLC ("Rossi")[1] is a consulting company specializing in government-operated lotteries. Rossi entered into a professional services agreement with the OLC on March 20, 2017, pursuant to which Rossi has:

- independently reviewed the Intralot contract and extension proposals;
- identified additional deliverables and opportunities for savings; and
- actively participated in negotiating a best and final offer from Intralot.

Additionally, Rossi is prepared to participate in meetings with members of the legislature and to provide opinion testimony before the Ohio General Assembly, as requested.

Contract Review

The current contract between the OLC and Intralot includes a central gaming system, data center, internal control systems, retail terminals, ticket vending machines, telecommunications network, software development, marketing support, staff commitments, equipment maintenance, and other support services. Based on my review of the contract and associated addenda,[2] the overall agreement is comprehensive and provides services that are comparable to other jurisdictions at significant savings to the OLC.

First, the OLC pays one of the lowest commission rates in the country for its gaming system: 0.83% on games sold directly through the system, and 0.29% on instant-ticket sales tracked through the system, an effective rate of 0.55%. Georgia, Kentucky, Illinois, Indiana, Maryland, Michigan, North Carolina, Pennsylvania, Tennessee, Virginia, and West Virginia all paid higher rates for their gaming systems last fiscal year.

FY16 Commission Rate Comparison[3]

Jurisdiction	System Vendor	Vendor Commission		
		System	Instant	Eff.
Ohio	Intralot	0.83	0.29	0.5546
Virginia	IGT	0.784	0.784	0.784
Pennsylvania	SGI	0.835	0.835	0.835
Maryland	SGI	0.95	0.95	0.95
Kentucky	IGT	1.5	0.438	0.8636
Georgia	IGT	1.15	1.15	1.15
Michigan	IGT	1.18	1.18	1.18
Tennessee	IGT	1.1999	1.1999	1.1999
North Carolina	IGT	1.599	1.599	1.599
Illinois	PM[4]	1.78	1.78	1.78
Indiana	PM[5]	1.83	1.83	1.83
West Virginia	IGT	4.277	4.277	4.277

Georgia recently negotiated a lower overall commission rate of 0.8477% for its system as part of a seven-year contract extension. North Carolina

[1] Rossi Enterprises, LLC was established by M. Scott Bowen, former Commissioner of the Michigan Bureau of State Lottery from 2008 to 2017. Mr. Bowen was the Michigan Lottery's longest serving Commissioner, personally negotiated nearly $1 billion worth of contracts, and was directly involved in launching Michigan's industry-leading internet-sales program. A curriculum vitae is available upon request.

[2] Review does not include an assessment of contract performance including, without limitation, any unfulfilled work orders, incident reports, deficiency notices, settlement agreements, or assessments of liquidated damages.

[3] Commission rates determined from state financial reports, La Fleur's 2017 World Lottery Almanac, and/or contact with state lotteries. Effective rates reflect proportionate system and instant ticket sales.

[4] Illinois entered into a private-management agreement with Northstar Lottery Group, LLC. Although the agreement ended January 1, 2017, Northstar is still providing services until conversion to an appropriate replacement.

[5] Indiana entered into a private-management agreement with IGT Indiana, LLC (formerly GTECH Indiana, LLC).

opened its gaming-system contract for bid last year. It secured a new rate of 0.36% for games sold through the system and 1.15% for instant-ticket sales tracked through the system, an effective rate of 0.8961%. These reduced rates will result in significant savings for Georgia and North Carolina. The OLC's current rate, however, is still lower. As applied to last fiscal year's sales, the OLC would have paid an additional $9 million under Georgia's new rate and $10.5 million under North Carolina's new rate.

While rate comparisons are helpful, substantial differences among the jurisdictions, vendors, and contracts make a true 'apples-to-apples' comparison nearly impossible. In addition to population, economy, and demographics, differences in the authorization and regulation of gaming within each jurisdiction can greatly affect potential revenue for a lottery and its vendors. The vendors themselves range in size, capacity, and operating revenue; hold different patents, licenses, and proprietary systems; and offer different equipment, services, and operational support. Against this backdrop, vendor bids and contracts are shaped by the breadth of services sought, financial forecasts, and technology in existence at the time of the bid.

One method to even out the seemingly endless number of variables is an overall comparison of payments to vendors and distributions to beneficiaries. Aggregating payments to all vendors is a useful way to compare a lottery's performance as it is agnostic to different contract decisions such as whether to use few or many vendors, bundled or unbundled services, frequent or infrequent bidding, and conventional or new technology. Instead, the focus is strictly on output.

FY16 Overall Output Comparison[6]

Jurisdiction	Payments to All Vendors	Distribution to Beneficiary	Cost per Dollar Raised	Return per Dollar Spent	Return on Investment
West Virginia	$8 million	$518 million	$0.016	$63.80	6,280%
Maryland	$28 million	$1.08 billion	$0.026	$39.07	3,807%
Ohio	$35 million	$1.06 billion	$0.033	$30.54	2,954%
Kentucky	$10 million	$253 million	$0.038	$26.01	2,501%
Virginia	$31 million	$588 million	$0.052	$19.28	1,828%
Michigan	$54 million	$889 million	$0.061	$16.37	1,537%
North Carolina	$41 million	$634 million	$0.064	$15.62	1,462%
Pennsylvania	$78 million	$1.12 billion	$0.070	$14.31	1,331%
Indiana	$21 million	$282 million	$0.075	$13.32	1,232%
Tennessee	$30 million	$394 million	$0.076	$13.22	1,222%
Georgia	$100 million	$1.09 billion	$0.091	$11.02	1,002%
Illinois	$85 million	$680 million	$0.125	$8.02	702%

Last fiscal year, the OLC ranked third among states in the region for cost per dollar raised, return per dollar spent, and return on investment. In terms of real-world impact, each dollar spent by the OLC on its vendors correlates to more than $30 generated for Ohio schools.

Although aggregating vendor payments provides a good overall performance measure, it does not account for differences in state law that can dramatically impact profitability; most notably, the types of games allowed. For example, some jurisdictions, such as Michigan, are not currently authorized to offer video-lottery terminals ("VLTs"). The West Virginia Lottery, on the other hand,

[6] Vendor payments and beneficiary distributions determined from state financial reports, La Fleur's 2017 World Lottery Almanac, and/or contact with state lotteries.

benefits tremendously from VLTs, which it regulates rather than operates. Last fiscal year, the West Virginia Lottery paid about $8 million in vendor costs associated with $188 million in traditional lottery sales – and incurred no vendor costs for the $898 million it took in from VLTs. For perspective, the table below compares vendor payments and beneficiary distributions among lotteries in the region last fiscal year, excluding VLTs and table games where applicable.

FY16 Overall Output Comparison (excluding VLTs and table games)[7]

Jurisdiction	Payments to All Vendors	Distribution to Beneficiary	Cost per Dollar Raised	Return per Dollar Spent	Return on Investment
Kentucky	$10 million	$253 million	$0.038	$26.01	2,501%
Ohio	$35 million	$784 million	$0.044	$22.59	2,159%
Maryland	$28 million	$570 million	$0.049	$20.54	1,954%
Virginia	$31 million	$588 million	$0.052	$19.28	1,828%
Michigan	$54 million	$889 million	$0.061	$16.37	1,537%
North Carolina	$41 million	$634 million	$0.064	$15.62	1,462%
Pennsylvania	$78 million	$1.12 billion	$0.070	$14.31	1,331%
Indiana	$21 million	$282 million	$0.075	$13.32	1,232%
Tennessee	$30 million	$394 million	$0.076	$13.22	1,222%
Georgia	$100 million	$1.09 billion	$0.091	$11.02	1,002%
Illinois	$85 million	$742 million	$0.114	$8.75	775%
West Virginia	$8 million	$45 million	$0.182	$5.49	449%

Excluding VLTs and table games, the OLC ranked second among states in the region last fiscal year for cost per dollar raised, return per dollar spent, and return on investment. This is the better measurement for purposes of considering the OLC's gaming-system contract with Intralot, as that contract focuses on traditional lottery sales and related services.

FY16 Net Sales & Distributions Per Capita[8]

Net Revenue per Capita		Distributions per Capita	
West Virginia	$621	West Virginia	$283
Maryland	$507	Maryland	$180
Georgia	$412	Georgia	$106
Ohio	$338	Ohio	$96
Pennsylvania	$323	Michigan	$90
Michigan	$313	Pennsylvania	$88
Virginia	$239	Virginia	$70
North Carolina	$235	North Carolina	$63
Tennessee	$227	Tennessee	$59
Illinois	$223	Illinois	$58
Kentucky	$222	Kentucky	$57
Indiana	$182	Indiana	$42

Another broad performance measure is a comparison of sales and distributions per capita. Here again, the OLC scores well. Last fiscal year, the OLC ranked 4th in both net sales and distributions among lotteries in the region. It ranked 12th in net sales and 11th in distributions among all US lotteries. In fact, the OLC consistently falls within the top third of US lotteries in annual per capita comparisons. This reflects a stable and well-run operation. The gaming system is at the heart of that operation.

This is not to suggest that the OLC has maximized its growth potential. Significant growth is possible through the acceptance

[7] Vendor payments and beneficiary distributions determined from state financial reports, La Fleur's 2017 World Lottery Almanac, and/or contact with state lotteries. Revenue and distributions from VLTs, table games, and other sources removed, where applicable.
[8] Net sales and distributions determined from state financial reports, La Fleur's 2017 World Lottery Almanac, and/or contact with state lotteries.

of cashless transactions. This functionality is being offered to the OLC at minimal cost as part of Intralot's six-year extension proposal.

Proposed Extension

Representatives from the OLC and Intralot met in March to negotiate a best and final offer. In exchange for an extension to 2027, Intralot has offered new gaming terminals (including peripherals), upgrades, and additional savings worth nearly $70 million.

Extension Includes	OLC Cost	10-Year Savings
Equipment Lease Reduction	7.5% reduction	$7,500,000
13,000 new retail terminals (Photon terminals including printers and new user interface for cashless transactions)	No Cost	$39,000,000
Cashless functionality added to 7,000 vending machines	No Cost	$3,500,000
Cashless functionality added to 9,000 point-of-sale terminals	No Cost	$4,500,000
Cashless Processing	Actual Costs + 30%	-
Five Additional Support Center Staff	No Cost	$3,000,000
Ten Additional Field Services Staff	No Cost	$6,000,000
Data Center Upgrades	No Cost	$3,500,000
Increased Network Bandwidth	No Cost	$2,000,000
Improved Telecommunications	No Cost	$625,000
TOTAL ESTIMATED SAVINGS		**$69,625,000**

The ability to accept cashless transactions at retail terminals and vending machines carries significant value. In 2015, debit card payments totaled $2.56 trillion, up $460 billion from 2012, and credit card payments totaled $3.16 trillion, up about $610 billion from 2012.[9] A 2014 survey by Total System Services showed that 18% or less of consumers selected cash as their preferred method of payment at supermarkets, gas stations, dine-in restaurants, and department stores.[10] Use of credit and debit cards for low-cost purchases continues to rise. According to a 2016 Gallup poll, more than half of US citizens (53%) make most or all of their purchases without cash.[11] The cashless functionality offered in the extension proposal leverages consumer preferences and follows payment trends.

In addition to saving the cost for upgrading its equipment, the OLC should also see a lift in sales from this new capability. A certain percentage of existing cash sales will, of course, simply move to cashless. That said, even if the overall incremental growth attributable to cashless acceptance is just 1% over last fiscal year, it would mean an additional $40 million in sales and $11 million to Ohio schools. Moreover, the ability to accept cashless transactions will better prepare the OLC for online sales should online sales be authorized in the future.

[9] *See* 2016 Federal Reserve Payments Study, available at www.federalreserve.gov/paymentsystems/fr-payments-study.htm.
[10] *See* 2014 TSYS Consumer Payments Study, available at www.tsys.com/Assets/TSYS/downloads/rs_2014-consumer-payments-study.pdf.
[11] *See* Americans Using Cash Less Compared with Five Years Ago available at www.gallup.com/poll/193649/ americans-using-cash-less-compared-five-years-ago.aspx.

Recommendation

It is sometimes suggested that contracts should be routinely opened for competitive bidding in order to ensure best value. That is certainly true when the contract at issue is more expensive than similar contracts in the industry.

When a contract is one of the least expensive in the industry, as in this case, going out to bid should be considered carefully. A vendor incurs substantial upfront costs to plan, implement, and customize a gaming system and the associated infrastructure, equipment, and services. This makes it extremely difficult for non-incumbent vendors to underbid an incumbent. Without realistic competitive pressure, opening an existing contract for bid also opens the possibility of the incumbent vendor increasing its commission rates and still submitting the best value bid. Here, it is worth noting that the OLC is paying the lowest commission rate charged by Intralot to a US lottery. In short, there is a real risk that no vendor, including Intralot, will beat or even match the existing commission rate and services. Negotiating an extension, on the other hand, allows the OLC to both retain its current favorable rate and secure additional savings.

FY16 Intralot Rates[12]

Jurisdiction	System	Instant
Ohio	0.835%	0.29%
Louisiana	2.979%	0%
New Hampshire	1.43%	1.43%
Idaho	1.98%	1.98%
Arkansas	2.16%	2.16%
DC	2.59%	2.59%
Vermont	2.976%	2.976%
New Mexico	2.99%	2.99%
Montana	5.8%	5.8%
Wyoming	11.89%	11.89%

Moreover, conversion comes with hidden costs. Gaming systems and related services have become increasingly complex and expensive. While lottery tickets themselves may seem like fungible commodities, the back-end systems and controls are on the complete opposite end of the spectrum and rely heavily on intellectual property, customized software, and vendor-specific equipment. Converting to a new gaming system means testing every game, back-end system, and software bundle to ensure proper functionality, compatibility with other systems, security, and integrity. Testing is crucial as a complete system failure could cost the OLC more than $8 million in lost sales per day. Hidden costs can also be found in the bid process itself, which requires a significant investment of staff time drafting the request for proposals, reviewing proposals, and responding to any protests (which typically include the threat of litigation). The value of staff hours spent on the bid process, planning meetings, hardware and software testing, training (for both staff and retailers), and correcting errors, plus the impact on ordinary day-to-day operations from which staff are pulled, is difficult to estimate.

Given the foregoing, it is unsurprising that the majority of US lotteries favor contracts of ten or more years, and extensions or renewals with the existing gaming-system vendor over frequent conversions. For example:

- Georgia entered its gaming-system contract with IGT in 2003 and recently exercised an option to extend until 2025.

- Idaho renewed its gaming-system contract with Intralot effective 2017 with options to extend out to 2037.

[12] Commission rates determined from state financial reports, La Fleur's 2017 World Lottery Almanac, and/or contact with state lotteries.

- Indiana entered its private-management agreement with IGT Indiana, LLC (which includes the gaming system) in 2013 with options to extend out to 2038.

- North Carolina renewed its gaming-system contract with IGT in 2017 with options to extend out to 2032.

- Oregon entered its gaming-system contract with IGT in 2008 with options to extend out to 2030.

- Texas entered its gaming-system contract with IGT in 2010 and recently exercised an option to extend until 2026.

- Washington renewed its gaming-system contract with IGT in 2016 with options to extend out to 2036.

Based on my review of the existing contract, extension proposal, compensation estimates, and industry trends, it is my recommendation that the OLC extend its contract with Intralot for six years through 2027. The proposed extension is highly competitive within the industry and favorable to the OLC. It allows the OLC to retain its low commission rate and comprehensive services while securing additional equipment, upgrades, and savings. Further, the increased ability to accept cashless transactions will keep the OLC current with trends in the payment industry and increase sales. Finally, an extension avoids the hidden costs of conversion and provides the long-term stability necessary to foster growth.

Sincerely,

_____

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Owner & CEO
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The opinions expressed in this letter are based on information available to Rossi at the time of drafting. They are personal to the author and subjective in nature. Rossi does not and cannot warrant the accuracy of any opinion expressed in this letter, nor the information on which such opinion was based. Because the gambling industry changes quickly, the opinions expressed in this letter should only be considered relevant for a period of six months. The information upon which the opinions expressed in this letter are based is generally available to the public. Other information provided by Rossi as part of professional services, such as negotiating strategy and personal experience, is confidential and will be shared separately. This letter does not provide a legal opinion of any kind. Rossi does not and cannot provide assurances as to the current or future legality of any form of gambling or related activity. Rossi reserves the right to revise this letter at any time and for any reason during term in which professional services are provided.

March 19, 2024

Testimony on iLottery to the Ohio Study Commission on the Future of Gaming

Good morning Chairman Edwards, Chairman Manning, and members of the Ohio Study Commission on the Future of Gaming. My name is Rob Wesley and I am the Vice President of North American Customer Development at NeoGames, the leading provider of technology and iLottery solutions around the world. Over the past 10 years, NeoGames has helped to shape the US landscape as the iLottery technology and content provider in some of the most thriving states including Virginia, Michigan, New Hampshire, and North Carolina. My colleague Chris Shaban, who is the EVP of Global Customer Development of NeoGames and has 27 years in our industry, and I are before you today to discuss the history of authorization of iLottery in Ohio, share the benefits of online lottery, and urge the legislature and Ohio Lottery to coordinate a path forward to authorize iLottery in the state of Ohio.

The Ohio Lottery began this journey back in 2016 when it commissioned a study from Spectrum Gaming Group prepared for the Ohio Department of Administrative Services which concluded that an important driver of growth was implementing an online sales presence. Following the study, there were various attempts to authorize iLottery through legislation, which most recently included SB 269 in 2023. Within that time span, the Ohio Lottery Commission selected us and Pollard, as a collaborative bidder under "NeoPollard Interactive," as their iLottery vendor. The selection was done through a competitive bidding process, similar to what we have seen and been a part of in other jurisdictions. While we were prepared to begin the regulatory process and move forward as the iLottery provider - and actually had invested hundreds of thousands of dollars in preliminary investment to get the program off the ground - that contract was not approved by the Controlling Board and has ultimately led us here as we reconsider this issue and begin the process again in 2024.

iLottery is currently authorized in 15 states and is being considered in several others this session, including Maryland, Massachusetts, and New York. As this study commission, the Ohio Legislature and the Ohio Lottery Commission consider the future of gaming, we would respectfully suggest that the legislature first authorize the sale and purchase of lottery games online and second allow the Ohio Lottery to select an online lottery vendor through an open, transparent, and competitive bidding process specific to iLottery / digital services, then, in collaboration with the lottery's goal and objectives with their retailers and others launch a digital lottery program to complement and enhance the retail program and continue to maximize returns for the state.

As background, if we look at any industry -- clothing, taxi rides, shopping, music, airline tickets, and restaurant reservations -- everything is transitioning to online. The lottery industry is no different. We are seeing a shift from the historical retail-only lottery models to a more modernized hybrid approach with omnichannel retail and online components that is bringing in

new players in new, modern ways. Consumers want to have access and the ability to do everything right from the comfort of their phone, computer, and mobile devices, in addition to traditional brick and mortar options. In our experience, we recommend that the following facts and perspectives be considered to understand the benefits of iLottery for the State of Ohio:

1. **Lottery Profits go to Schools**
   Reports show that a growing and diversified economy, coupled with sound fiscal policies, has resulted in Ohio's balance sheet being as strong as ever. Over that time, it is our understanding that the state has been able to make strategic investments in critical areas like education and economic development, while still cutting personal income taxes. That is great news as Ohio is in a better fiscal position than many other states around the country.

   Reports from your Lottery leadership team also show that profits from the Ohio Lottery fund Ohio schools to the tune of almost $1.5B per year. In an age of growth and innovation, and as we have seen in other states, the goal should be to continue to see increased incremental revenue to further support the growing cost of education.

   Fully implemented iLottery programs (in concert with continued support of retail programs) in states like Virginia, Michigan, New Hampshire, North Carolina, and others have contributed tens to hundreds of millions in incremental net revenue to good causes in their respective states.

   We would recommend reaching out to public and lottery officials in those states to get specific information on their successes (and their challenges) – but we believe an iLottery program would be an important lift to Lottery profits and school funding, noting that passage would start a multiyear process of due diligence, a competitive RFP process, an award and then a project implementation program – so it will take an investment in some time from approval to when the first ticket is sold.

2. **Retailers will grow their player base and achieve incremental lottery sales-**
   iLottery sales help to reach younger players in their 20s and 30s (and others) who are less likely to carry cash. Similar to other industries, players online are an average of 12 years younger than retail players. Attracting a new player demographic will not only help iLottery to thrive but will also welcome a new base of players into the retail space.

   iLottery states have reported a rise in retail engagement alongside their online platforms, with an increase of over 25% in retail sales since the launch of iLottery. In fact, most states that have gone digital are growing at a faster rate than their non-iLottery counterparts, due in large part to the successful omnichannel programs and new players.

   We acknowledge here today - and Sen. Manning can attest to this – retailers will be skeptical, but we look forward to collaborating with them to advance an iLottery program that is good for the state and helps them continue to grow their lottery and other components of their business that benefits from the foot traffic.

3. **Additional player safety with responsible play and consumer protection tools-** The online channel provides additional player safety with key consumer protection components such as age and identity verification, player spending limits, player session limits, and self-exclusion programs. Every state that has authorized iLottery has adopted a similar suite of responsible play protections to ensure that the online market uses technological advances to know its player base, but also provides additional mechanisms to protect them. The Ohio Lottery and other lotteries are known to have a focus on responsible gaming programs and this trend has expanded with the use of digital technologies.

4. **Paperless, environmentally friendly with strong governance and cost efficiencies-** As the world looks for ways to reduce carbon emission and paper usage, these environmental benefits are also a reward of iLottery systems. In addition a modern, digital program will allow for more tools to provide strong governance and financial accountability.

5. **Improved accessibility through modern technologies-** As we saw during the pandemic, when many retail operations were forced to curtail their activity, the online option successfully filled the gap for players. Advanced iLottery solutions continue to benefit players who cannot access a retail point of sale for any given reason, be it health, mobility reasons, or inclement weather.

6. **Successful co-existence with other forms of authorized gaming-** NeoGames has seen firsthand the ability for iLottery to not only successfully co-exist with other forms of gaming, but to also be mutually beneficial to the states in which they operate. From the experience in states where iLottery operates side-by-side with iGaming and sports betting, it introduces new audiences to the different propositions. In fact, many states are beginning to introduce legislation to authorize both iLottery and iGaming together, as they look to capitalize on the opportunity to address them at once and fully modernize their gaming apparatus, with the proper digital controls in place.

As you consider these benefits of iLottery, please look at Virginia as a place who has seen these benefits come to fruition and could serve as a model for any state considering iLottery as they are currently the highest performing per capita iLottery state. Before joining NeoGames, I worked at the Virginia Lottery for more than 25 years, more than 20 of those in leadership roles the last of which was the Deputy Executive Director of Lottery. I was responsible for building and leading the team that planned, launched, and operated their iLottery program. I saw firsthand the authorization of iLottery, the successful launch of an iLottery program, the many challenges we faced and the lessons learned, and ultimately the benefits to the state, consumers, and to retail with the addition of the online program. Since launching in 2020, Virginia's annual per Capita iLottery sales are the highest in the country and have contributed an incremental $300 million in net revenue to the state from iLottery in just the third full fiscal year with iLottery. During these same three years, retailer compensation hit all-time highs with average yearly retailer compensation increasing by $14.8 million, a 12% increase when compared to the three years before the iLottery launch. And just last year, Virginia took their digital footprint to the next

level becoming the first U.S. lottery to operate a completely cloud-based iLottery program with enhanced security, capacity, and flexibility that such a program provides.

In conclusion, there are a multitude of reasons to authorize iLottery. NeoGames is hopeful that we can be helpful to this study commission, the Ohio Legislature, and the Ohio Lottery on this timely and important matter. Thank you again for providing an opportunity for us to submit our comments. We would be happy to meet in the future to discuss our views on iLottery in greater detail and can provide additional information from various iLottery programs throughout North America. Please feel free to contact myself (Rob.Wesley@neogames.com) or Chris Shaban (Chris.Shaban@neogames.com) with any questions.

Ohio Grocers Association Comments
Study Commission on the Future of Gaming in Ohio
March 19, 2023

Chair Edwards, Chair Manning and members of the study commission on the Future of Gaming in Ohio, thank you for the opportunity to provide comments on our association's historical relationship with the Lottery Commission as well as future components within the gaming system.

By way of background, the Ohio Grocers Association proudly represents over 500 food retail, wholesale, and supply companies across the Buckeye state. Our members range from the largest chain stores to the smallest "mom and pop" independent grocers as well as some convenience stores and of course the food wholesalers who supply these stores.

Lottery sales are a critical component to many of the businesses and stores OGA represents as an organization. Recent data from calendar year 2023 shows over seven hundred grocery store locations engaged as lottery retail agents and generated over $400 million dollars of sales over the course of the year. Additionally, our member companies received over $27 million dollars' worth of commissions, from base, cashing ratios or winning tickets sold. We highlight these numbers not only to show the importance of our relationship with the Lottery Commission, but also the importance our brick-and-mortar retailers provide in generating revenue for our education system and the state. We are proud to partner with the Ohio Lottery commission to serve as agents to provide a safe, regulated, and accessible product to consumers across the Buckeye state.

Lottery is a vital component to our businesses that helps draw foot traffic throughout our operations. Whether picking up a prescription, doing your weekly grocery store shopping, or simply grabbing a snack on the go, the impact is much more than just lottery-based sales. As we look to the future of the gaming landscape in Ohio, we recognize innovations in the system, such as iLottery, will likely be introduced in Ohio. The concern with internet-based gaming systems is its potential negative impact on brick-and-mortar retail operations. Not only the gaming experience within our stores but also negatively affects the ancillary sales on which our stores rely heavily.

With these concerns in mind, we would respectfully request any future iLottery system have safeguards incorporated to protect our businesses. These include a base commission increase, substantially similar payout structures between traditional games and iLottery games, and limits on certain types of games that are offered on the iLottery

platform. These modifications will help compensate for the inevitable loss of sales and customers and create a more level playing field, while also ensuring our members have the necessary tools and time to adjust to a hybrid lottery model.

We greatly appreciate the dialogue we've had with many of you on this commission, in relation to the safeguards discussed above. We look forward to continuing to engage on this important issue with you.

Respectfully,

Kristin Mullins
President & CEO
Ohio Grocers Association.

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Testimony of David P. Corey, Executive Vice President
Bowling Centers Association of Ohio &
Ohio Coin Machine Association
Study Commission on the Future of Gaming in Ohio
Tuesday, March 19, 2024

Chairman Edwards, Chairman Manning, and members of the Study Commission on the Future of Gaming in Ohio. Thank you for the opportunity to speak with you today. My name is David Corey and I'm wearing two hats today, representing the Bowling Centers Association of Ohio (BCAO) and the Ohio Coin Machine Association (OCMA).

Today we'd like to accomplish two goals: 1. Review the current gambling landscape as it pertains to "Brick and Mortar" Ohio hospitality businesses and, 2. Recommend ways in which you can continue your methodical and secure expansion of gaming in Ohio to benefit not only the state but also Ohio's Brick & Mortar Hospitality businesses that have so far been left behind during Ohio's expansion of gambling offerings.

Let us first begin by stating that we recognize and appreciate the General Assembly's "measured approach" when expanding gambling opportunities in the state. We've testified numerous times over the years (March 2021; March 2017; Sept 2015; Feb 2012, and as far back as 1994 when then Governor George Voinovich created the first Ohio Gaming Study Commission). The last gaming expansion took place in 2022 when the Legislature passed Ohio's Sports Betting Law, which took into consideration a free-market system (multiple vendors) and, it enabled Ohio's Hospitality establishments to offer sports betting via kiosks in an age-restricted manner. We think your "free-market" approach has worked and urge you to continue down that path in the future.

iLottery and iCasinos are of grave concern to us because, once again, it allows a large expansion of gambling at the expense of Brick & Mortar establishments. Casino and Lottery products on millions of Ohioans' phones is a huge threat to us. Additionally, as great partners with the Lottery, especially as it relates to Keno (some of the highest grossing Keno locations are in bowling centers) we've been asking for upgraded lottery equipment in our locations because they are desperately outdated, but haven't received any new equipment for years.

Now, the lottery won't buy equipment from the current vendor because there is an existing RFP circulating for a new Lottery Vendor and, if there's going to be a new vendor, they won't be here for 3 more years so, here we are waiting again for new equipment which costs the state sales and allows our customers to try alternate forms of gambling.

Additionally, in June of 2021, as some of you know, the General Assembly passed a positive, pro-gaming piece of legislation allowing Fraternal & Veteran Clubs to offer up to 10 Electronic Bingo machines in their clubs. This single piece of legislation saved the fraternal and veterans clubs in Ohio by giving them a massive lifeline to profitability. Most importantly, it removed 100% of the illegal, unregulated games from those locations as the clubs didn't need to rely on "gray gaming" for revenue. Initially, other charities were allowed to also provide these machines in bowling centers and bars (similar to us currently being allowed to sell paper "instant tickets" in our establishments for charitable purposes) but that provision was stripped out of the final bill. This expansion, because it excluded Ohio's hospitality establishments, came at the expense of Ohio's Bowling Centers and other hospitality businesses because we do not have a similar state regulated alternative gaming offering so, what happens? "Gray" games become more prevalent. The bars and bowling centers need to be able to compete on a level playing field because they are losing customers to the fraternal clubs.

Unfortunately, Ohio has a very robust illegal gambling market, commonly referred to as "gray gaming". As many of you know, even after various attempts to regulate away gray gaming through the Casino Control Commission's "skill game" regulations, AND the legislature banning internet gaming parlors, AND the AG's charitable law enforcement activities, Ohio STILL has a tremendous problem with illegal machines being played in Ohio. Despite previous General Assemblies' many attempts to define illegal machines through laws and regulations, unknown, out of state operators always find loopholes. It's like the game "Whack-A-Mole" – as the Ohio Casino Control Commission tries to eradicate illegal gaming parlors, another one pops up in another Ohio township a few miles away. We've assisted the Commission and the AGs office for over 30 years in identifying where these gray machine parlors are because they only hurt Ohio's hospitality and legal gambling markets.

This problem with gray gaming is only going to get worse as the Pennsylvania governor has placed taxed and regulated skill games in his budget. The Virginia General Assembly just last week sent a bill to the Governor's desk to tax and license skill games. Pennsylvania has over 60,000 illegal devices and they are spilling into Ohio every day. The answer is simple and we only need to look at states like WV, IL, LA, MT, OR, SD to see how to accomplish the goal of eradicating gray games. Since Ohioans' appetite for gaming is so voracious, the answer is what those states did – legalize low stakes gaming through Video Lottery Terminals (VLTs) in liquor permit establishments and make all gray area games illegal per se.

When a state allows and regulates gambling in brick & mortar hospitality establishments, the results are overwhelmingly positive. There are no illegal machines in those jurisdictions and the state, in a public-private partnership with Ohio companies, are the beneficiaries. In the model that the University of Cincinnati's Applied Economics Research Institute studied and reported on (which the Executive Summary is attached to our testimony - attachment A) they estimate that approximately 7,000 new Ohio jobs can be created and even more retained in Ohio's beleaguered hospitality industry.

Illinois' VLT program raises $1 billion a year for the state and local municipalities. In fact, as you will note in Illinois, for example, Penn National Gaming, in addition to having casinos in Illinois, also participates in the VLT market in liquor permit establishments, so Big Casinos also can get a piece of the local VLT pie in many jurisdictions (see attachment B). We believe the revenue figures in Ohio would be very comparable to Illinois' revenue figures because they do not include the city of Chicago. So, the population figures would be very similar and; therefore, anticipated revenue would be very comparable to what Ohio could achieve.

We respectfully recommend that the next step in your measured expansion of gambling in Ohio be specifically directed to Ohio's brick-and-mortar hospitality establishments. Allowing a limited number of VLT's in our locations should be your ultimate gaming goal. iCasinos and/or iLottery should NOT be allowed without a solution for Ohio's brick-and-mortar hospitality locations first. We've waiting patiently for too long, while dozens of hospitality

establishments and bowling centers go out of business. 8,000 age-appropriate small businesses in Ohio would be helped with the state of Ohio benefiting to the tune of hundreds of millions of dollars a year in tax revenue/license fees and with thousands of new Ohio jobs created. iCasinos, as was discussed during your last hearing, brings casino style games to over 8 million cell phones with **NO additional Ohio jobs created**, and with limited ability to monitor underage gaming.

In conclusion, I hope we were able to inspire some additional ideas to ensure Ohio is getting the most bang for its buck when it comes to expanding gaming opportunities and to include Ohio's small hospitality businesses in the near future. As always, I'm at your disposal to answer questions. Thank you.

Attachment A

UNIVERSITY OF Cincinnati

Video Lottery for Ohio: a Follow-Up Analysis

Prepared by:

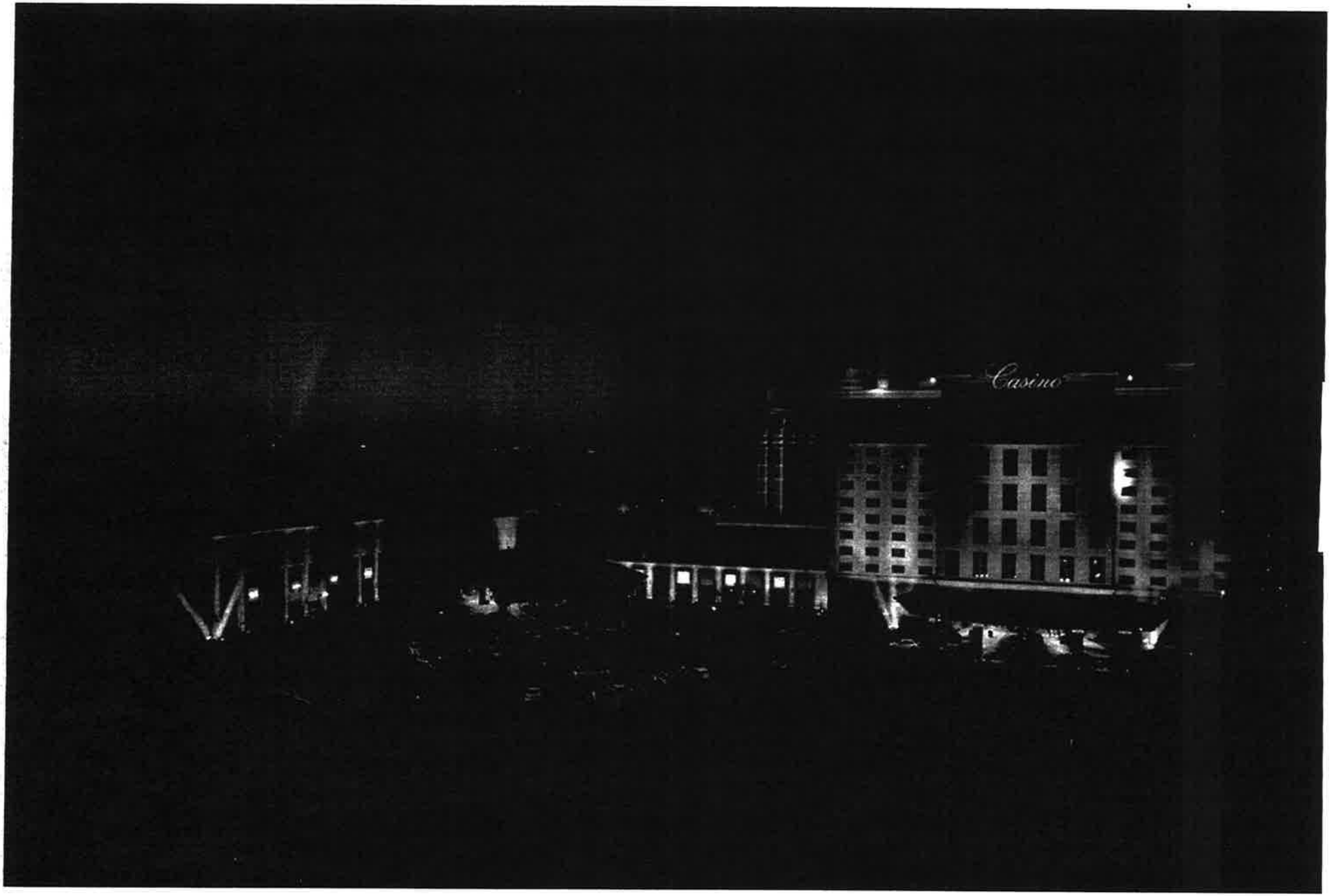
Applied Economics Research Institute

Benjamin Passty, Ph.D., Director

June 7, 2011

Executive Summary

- We study the economic impact of a proposal by the Fair Gaming Coalition of Ohio to legalize video lottery terminals in Ohio Class D Establishments. This report is a follow up to University of Cincinnati studies conducted in 1993 and 2009.
- We estimate total annual handle of a mature VLT industry in Ohio to be $3.4 billion. Out of this handle, the state would collect direct tax revenue of at least $476 million, in addition to $32.5 million in licensing fees; some of these tax collections would be offset by losses in other areas. Indirect expansion of economic activity could result in additional tax revenue to the state as well.
- Based on a recapture rate of 35% and the assumption that all proceeds are collected by Ohio vendors, we anticipate that $284 million of new revenue would enter the state of Ohio. Using an input/output model to calculate the total economic impact on Ohio means we could see a total annual economic impact as large as $523 million, with 7,036 new jobs created.
- In addition to these results, we examine potential interactions of the FGCO proposal with other forms of state-sponsored gambling, such as lotteries and the casino gambling as legalized by Ohio voters in Fall of 2009.



Attachment B

PENN NATIONAL GAMING, INC.

June 2017

Penn National Gaming Overview

- **Leading developer and operator of regional gaming and pari-mutuel gaming facilities**
  - 29 facilities in 17 jurisdictions
  - Over 35,000 slot machines, 800 table games and 4,600 hotel rooms
  - Annual revenues of over $3.0 billion

- **Strong development and acquisition track record**
  - Recent projects include Prairie State Gaming, Tropicana Las Vegas, Rocket Games and Hollywood Casino Jamul-San Diego

- **Marquee Rewards**
  - Over 3 million customers nationwide

Leading Regionally Diversified Property Portfolio

Northeast

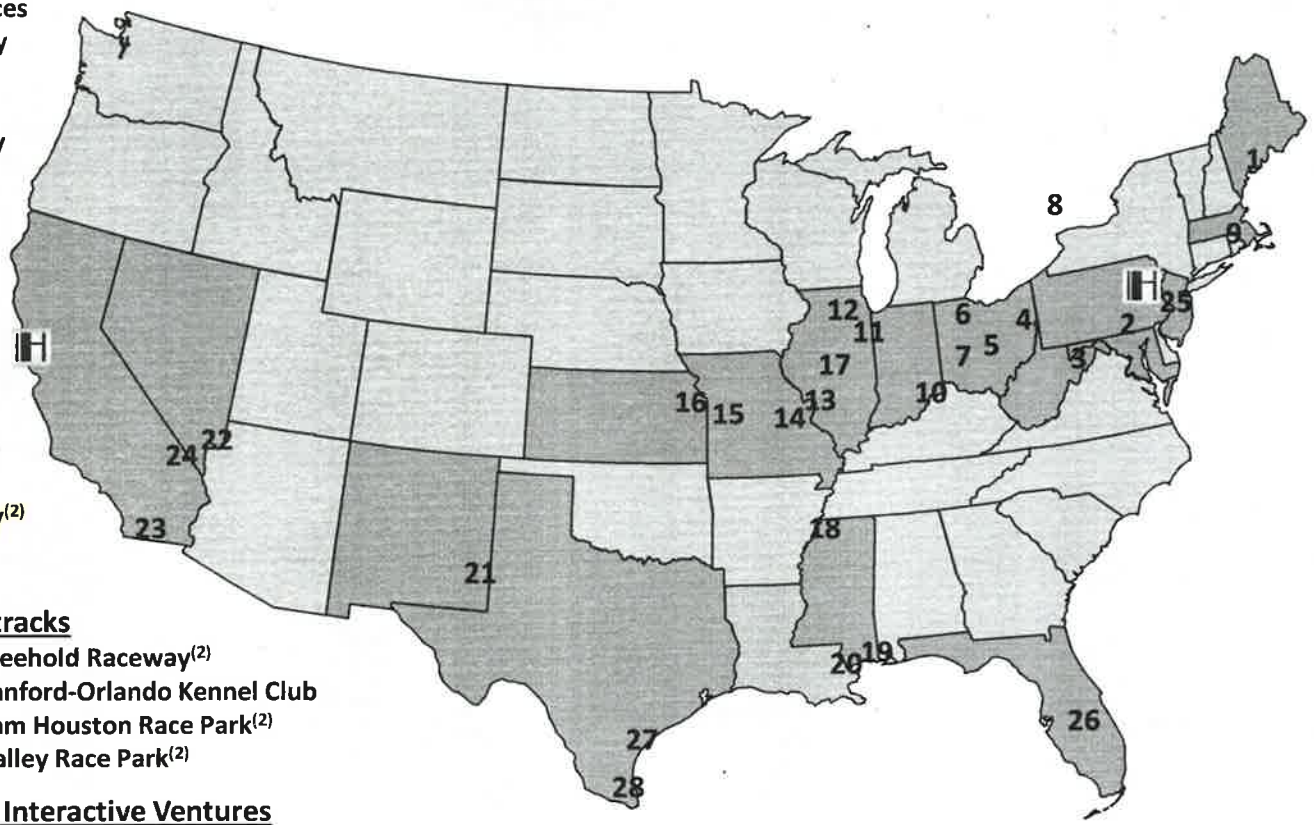
1. Hollywood Casino Bangor
2. Hollywood Casino at Penn National Race Course
3. Hollywood Casino at Charles Town Races
4. Hollywood Gaming at Mahoning Valley
5. Hollywood Casino Columbus
6. Hollywood Casino Toledo
7. Hollywood Gaming at Dayton Raceway
8. Casino Rama[1]
9. Plainridge Park Casino

Midwest

10. Hollywood Casino Lawrenceburg
11. Hollywood Casino Joliet
12. Hollywood Casino Aurora
13. Argosy Casino Alton
14. Hollywood Casino St. Louis
15. Argosy Casino Riverside
16. Hollywood Casino at Kansas Speedway[2]
17. Prairie State Gaming[3]

South/West

18. Hollywood Casino Tunica
    Bally's Tunica
    Resort's Tunica
19. Boomtown Biloxi
20. Hollywood Casino Gulf Coast
21. Zia Park Casino
22. M Resort
23. Jamul Indian Village[1]
24. Tropicana Las Vegas



Racetracks

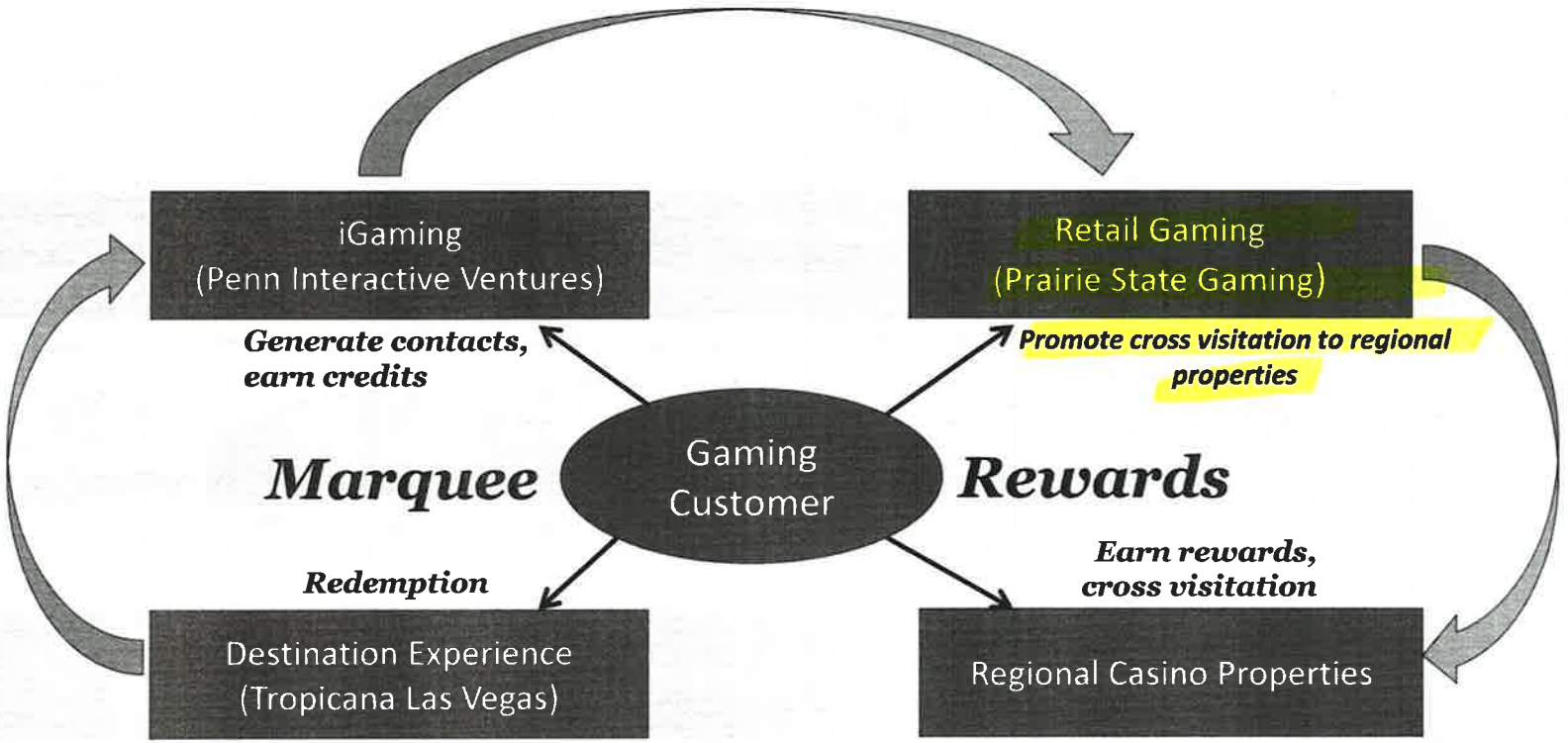
25. Freehold Raceway[2]
26. Sanford-Orlando Kennel Club
27. Sam Houston Race Park[2]
28. Valley Race Park[2]

Penn Interactive Ventures

- Rocket Games, Inc. (San Francisco)
- Hollywoodcasino.com, HollywoodSlots.com, Hollywoodraces.com (PA)

(1) Casino Rama and Jamul Indian Village are management contracts
(2) Hollywood Casino at Kansas Speedway, Freehold Raceway, Sam Houston Race Park and Valley Race Park are joint ventures
(3) Prairie State Gaming is a video gaming terminal operator in Illinois

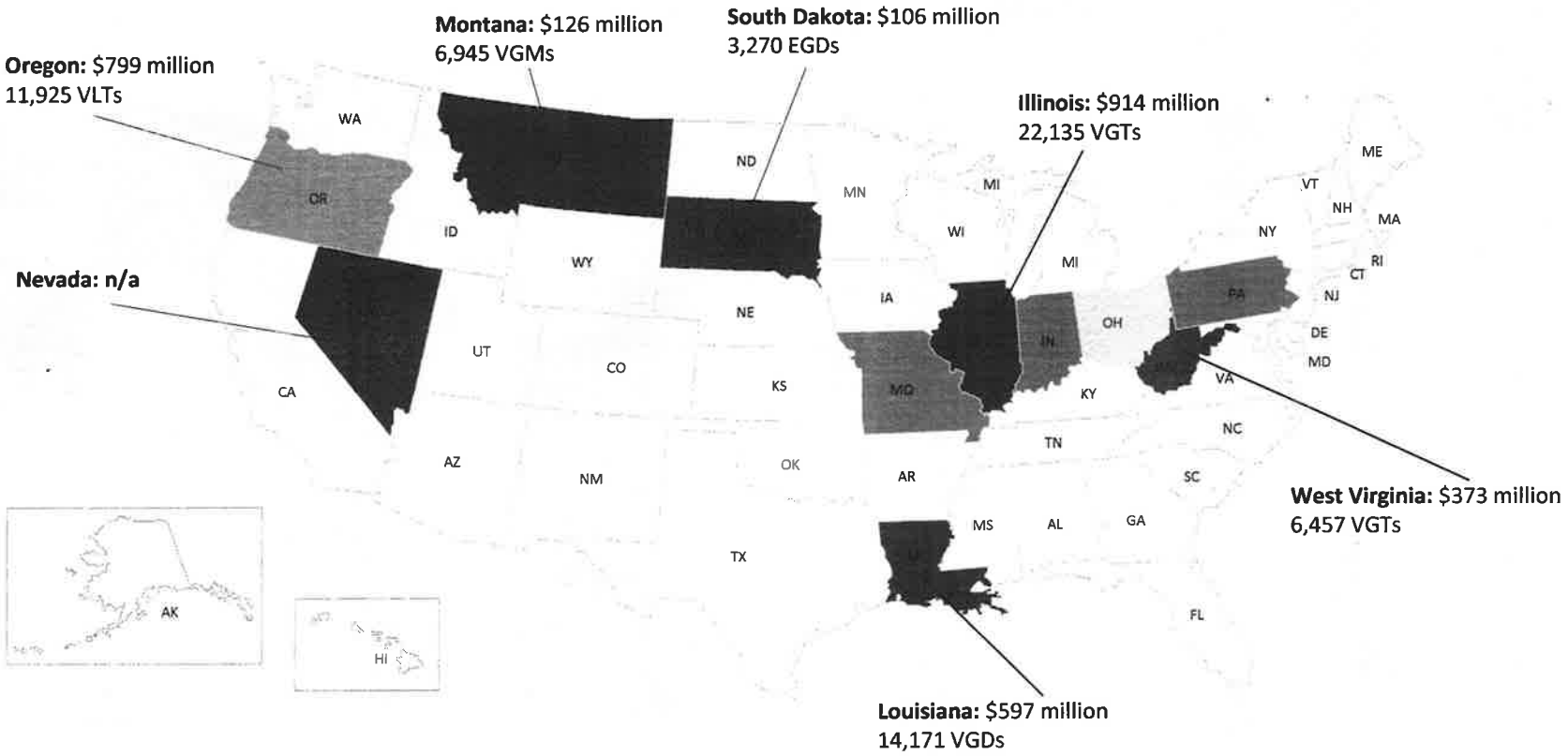
Diverse Offering with Multiple Connections to Customer



Diverse offering integrated with Marquee Rewards improves customer loyalty and facilitates customer acquisition

Overview of Retail Gaming Markets

Growth of Retail Gaming revenues in IL and LA resulted in additional states looking at potential regulatory expansion



States with retail gaming operations

States with retail gaming facilities operated by the State Lottery

States considering retail gaming operations

Source: Penn National Gaming, Inc. – 2015 State Reports

Penn National Gaming – Retail Gaming Opportunity

- **Acquired Prairie State Gaming ("PSG") in September 2015**
  - One of Illinois' largest video gaming terminal ("VGT") route operators
  - Following several tuck-in acquisition, PSG now operates more than 1,500 VGTs across a network of 330 bar and retail gaming establishments

- **Future Opportunities in Illinois**
  - Continue to grow through acquisitions
  - Utilize scale and relationships with slot manufacturers
  - Leverage database for cross promotion with casinos in Illinois and two Las Vegas properties

- **Platform for Future Growth**
  - VGT legislation has been proposed in Pennsylvania, Indiana, Missouri and other states

Ohio Sports Gaming Study Committee

Derek Longmeier
Interested Party Testimony
March 19, 2024

Co-Chairman Edwards, Co-chairman Manning, and members of the Ohio Study Commission on the Future of Gaming in Ohio. Thank you for the opportunity to provide testimony as an interested party regarding the future of Ohio's gambling landscape. My name is Derek Longmeier, Executive Director of Problem Gambling Network of Ohio (PGNO). PGNO engages the spectrum of stakeholders, including Ohio for Responsible Gambling, which is a multi-agency collaboration between the Ohio Department of Mental Health and Addiction Services, Ohio Casino Control Commission and Ohio Lottery Commission.

Before exploring the merits of iLottery, we encourage you to examine the gaming laws currently in place in the state. With four state agencies regulating various forms of gambling, we are left with a patchwork of regulations that are both difficult for operators to maintain and confusing to consumers.

Now is the time to streamline, consolidate, and make consistent Ohio's gaming regulations. Particularly with respect to the Ohio Lottery Commission's (OLC) dual mandate of raising funds for education and self-regulation. Burdening the OLC with both revenue generation and regulatory responsibilities may compromise the effectiveness of both endeavors. The potential conflict of interest, whether real or perceived, and the strain on resources could hinder the OLC's ability to provide adequate oversight, leading to a lack of transparency and accountability in the iLottery sector.

In light of these concerns, as well as others extending beyond the OLC, such as the lack of licensure for lottery courier services, PGNO recommends that the legislature establish a dedicated State Gaming Commission to serve as the sole regulator for all gambling activities within the state. This entity would be exclusively tasked with overseeing and regulating casinos, racinos, sports wagering, bingo, and iLottery should the legislature choose to authorize it. This approach aligns with best practices observed in other jurisdictions and ensures a more streamlined and effective regulatory framework.

By creating a State Gaming Commission, Ohio can achieve the following benefits:

1. Specialization and Expertise: A dedicated gaming commission would allow for the development of specialized expertise in regulation of all legal forms of gambling while

fostering a more thorough understanding of industry dynamics, emerging technologies, and best practices.

2. Enhanced Oversight and Accountability: Separating the regulatory function from operations would enhance the commission's ability to maintain a vigilant and impartial eye on gaming operations promoting fair play, responsible gaming, and ensuring consistent consumer protections.
3. Consumer clarity: Consolidating Ohio gaming laws and allocating regulatory responsibilities to a specialized gaming commission would make Ohio's regulatory process clearer to Ohio's citizens and provide a simpler process for regulatory complaints by patrons.

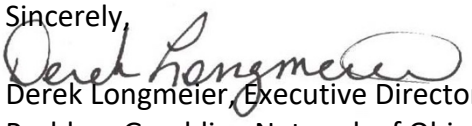
These recommendations are in no way a reflection on the current leadership at the OLC. Director Gillcrest and her team have been tremendous partners in this work and have been able to both build the strongest relationship with PGNO in our history while simultaneously bringing $1.4 billion to support education; however, we at PGNO and the charge of this Commission is to look beyond today and plan for a beyond the tenure of all of us.

In conclusion, PGNO recommends the establishment of a State Gaming Commission in Ohio and believes it is a prudent step towards ensuring the fairness transparency and efficiency of all gaming regulation in the state. By doing so Ohio can effectively balance its commitment to funding education with the need for robust oversight in the rapidly evolving gaming landscape.

I appreciate the Study Commission's dedication to exploring the future of gaming in Ohio and trust that my concerns and recommendations will be given thoughtful consideration.

Thank you for the opportunity to provide written testimony as an interested party and I look forward to answering any questions you may have.

Sincerely,



Derek Longmeier, Executive Director
Problem Gambling Network of Ohio

OHIO COUNCIL OF RETAIL MERCHANTS

March 19, 2024

The Honorable Jay Edwards
Co-Chair
Study Commission on the Future of Gaming
Ohio House of Representatives
77 S. High St., 13th Floor
Columbus, Ohio 43215

The Honorable Nathan Manning
Co-Chair
Study Commission on the Future of Gaming
Ohio Senate
Ohio Statehouse
Columbus, Ohio 43215

Dear Chairman Edwards and Chairman Manning:

On behalf of the Ohio Council of Retail Merchants & Affiliates (Council) and our 7,700 members, we appreciate the opportunity to provide written testimony before the Study Commission on the Future of Gaming in Ohio. The Council's members, including hypermarkets, supermarkets, grocery stores, and convenience stores, represent a vast majority of the Ohio Lottery Commission's authorized retail agents and have a vested interest in its continued success.

Over the past 50 years, the Ohio Lottery Commission, in partnership with Ohio retailers, has collected tens of billions of dollars for K-12 education in Ohio. As authorized lottery retail agents, retailers receive a commission on lottery game sales. Commission payments entice participation in the program and offset costs associated with offering Ohio Lottery Commission games. Although retail lottery commissions pale compared to margins on other products, lottery play does drive customer traffic to stores and contributes to the sale of other ancillary products. For smaller retailers, lottery sales may account for a higher percentage of their overall revenue. Few public-private partnerships have been as beneficial for consumers, businesses, and the state as the partnership between retailers and the Ohio Lottery Commission.

The lottery industry has evolved since the Ohio Lottery Commission's first game in 1974. Innovations, games, and products have emerged, and retailers have embraced these changes. Retailers spend considerable time and resources in training, store layout design, and marketing to position their lottery business for success. The retail sector operates in a highly competitive market with few barriers to entry. The Ohio Lottery Commission faces similar challenges with competing gaming platforms and products. For continued success, retailers and the Ohio Lottery Commission must have a shared vision for the future.

We understand that new offerings such as iLottery are an evolution of lottery play. Retailers are sensitive to changing consumer demands and have developed omnichannel strategies linking brick-and-mortar

sales with e-commerce sales. A perfect example of this strategy is curbside pickup. Retailer success hinges on customer-centric methods. In that spirit, we appreciated the thoughtful approach of Senator Manning and Senate leaders through the Senate's passage of Senate Bill 269 from the 134th Session of the General Assembly. Senators sought retailer input throughout the process. SB 269 would be a great starting position for conversations regarding iLottery or other online games.

With the introduction of sports betting to Ohio's portfolio of state-sanctioned gambling and the recent discussions on iGaming, we urge this study commission to be mindful of the delicate balance between brick-and-mortar and online play. As we move forward, we stand ready to be a resource to this study commission, Members of the General Assembly, and other industry stakeholders.

Sincerely,



Alex T. Boehnke
Vice President of Legislative and Corporate Affairs

cc: Members of the Commission

3506 Greenville Blvd NE, Greenville, NC 27834
(252) 329-7900 www.grovergaming.com

Representative Jay Edwards, Co-Chair
Senator Nathan Manning, Co-Chair
Study Commission on the Future of Gaming in Ohio

Representative Edwards and Senator Manning:

My name is Marc Downing, and I am Chief Counsel of Grover Gaming, Inc., a developer of software, game content, and gaming systems for charitable gaming jurisdictions across the country. In Ohio, Grover Gaming manufactures and distributes instant bingo deals and electronic instant bingo devices. On behalf of Grover Gaming, I would like to express our appreciation for the legislature and all the work it has done to advance charitable gaming in Ohio.

As the nation's leader in electronic charitable gaming, Grover Gaming's products have netted our charitable partners over $600 million nationwide—in Ohio, New Hampshire, North Dakota, Kentucky, and Virginia. These fundraising efforts are made possible by the work of the legislature in each of these states. As one such state legislature, thank you for making this achievement possible.

With the revenue that charitable organizations bring in, they are able to reinvest in themselves by renovating and updating their posts and lodges, offer new services to their members and, most importantly, invest more in their charitable causes in their local communities. Additionally, participating charities have seen their membership increase, tapping into younger demographics. Charitable gaming has brought positive, palpable change to charities and local communities across the nation.

The revenue generated by charitable gaming has brought many charitable clubs back from the brink of collapse. Plagued by decreasing membership, little revenue, and dilapidated facilities, many clubs struggle to pay their overhead costs. Charitable gaming has mitigated, if not erased entirely, these issues for our partnering charitable organizations.

Grover Gaming and charitable organizations both strive to raise as much money for the charitable organizations as possible. State legislation plays a huge role in determining our success in achieving this goal. For example, the revenue generated by charitable gaming is heavily dependent on whether or not members of the organizations are entertained by our games. If members are not entertained by our games, they will not play the games, and thus, the games will not bring in money for the organizations. The statutory framework determines what features we, as manufacturers, are able to incorporate into our games. We ultimately want to make games that members will enjoy playing.

Grover Gaming and charitable organizations also have a shared goal of ensuring that the organizations are prosperous both now and in the future, as this is requisite for the organization's continued support of the local community. This prosperity is dependent on revenue generated, but it is also dependent on how it is reinvested. It is important to both us and the charities that the charities are able to utilize the revenue to reinvest in themselves, ensuring future growth.

The General Assembly of Ohio has supported, and can continue to support, charitable gaming in achieving fundraising goals by keeping the interests of charitable organizations at the forefront of any considerations to amend the statutory framework.

Currently, Grover Gaming does not request any changes to the statutory framework. Charitable gaming will continue to evolve and modernize in ways unforeseeable. For this reason, Grover Gaming asks that the Ohio General Assembly continue to work towards the goal shared by charitable organizations, manufacturers, and distributors–increased fundraising for Ohio's charitable organizations.

Thank you for your time.

Very Respectfully,

Marc C Downing

Marc Downing
Chief Counsel
Grover Gaming, Inc.

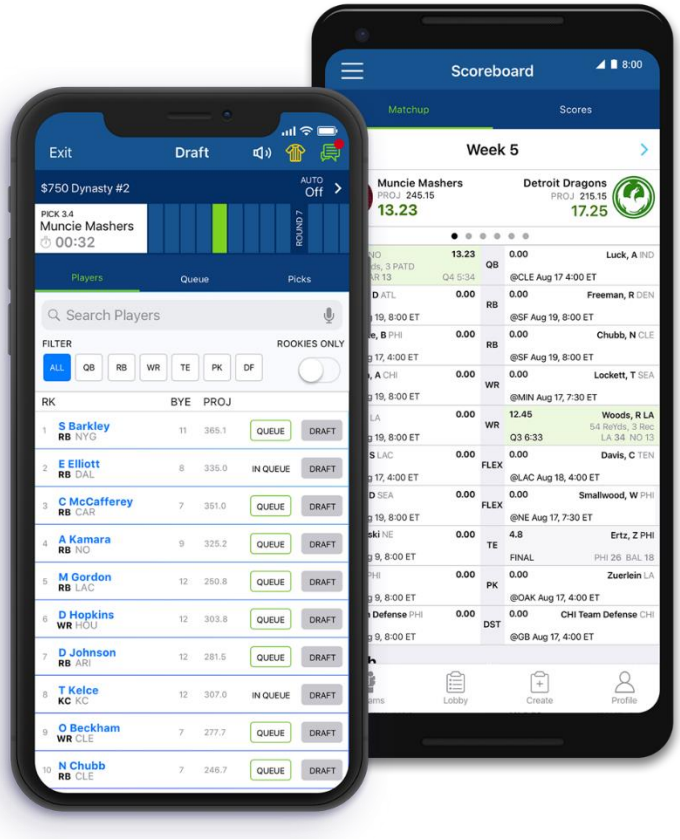
cc: Representative Cindy Abrams
Representative Jeff LaRe
Representative Bride Rose Sweeney
Senator Terry Johnson
Senator Al Landis
Senator William DeMora

OHIO CASINO CONTROL COMMISSION

FANTASY CONTESTS

Fantasy Contests

- Online Game.
- Players assemble virtual teams of real players in a professional sport.
- Teams compete based on the actual statistical performance of the real players.
- Contests can be season long or played across shorter periods of time, such as a single week of a season.
- In Ohio, contestants must be at least 18.



What is a Fantasy Contest?

ORC 3774.01(C)

“Fantasy contest" means a simulated game or contest with an **entry fee** that satisfies all of the following conditions:

1. The value of all prizes and awards offered to winning fantasy contest players is **established and made known to the players in advance** of the contest.

2. All winning outcomes reflect the **relative knowledge and skill of the fantasy contest players** and are determined predominantly by accumulated statistical results of the performance of **managing rosters** of athletes whose performance directly corresponds with the actual performance of athletes in professional sports competitions.

3. Winning outcomes are not based on randomized or historical events, or on the score, point spread, or any performance of any single actual team or combination of teams or **solely on any single performance of an individual athlete or player in any single actual event**.

4. The game or contest does not involve horses or horse racing.

Fantasy Contests

Consumer Protections

- Identity verification and online privacy and security
- Excluding any individuals who may have insider information from participating in fantasy contests
- Player fund protection and prompt payment
- Responsible gaming protocols



Fantasy Contests

LICENSE TYPES, FEES & LICENSEES

LICENSE TYPE	APPLICATION FEE*	LICENSE FEE	LICENSEES	LICENSE TERM (YEARS)
15,000 Players & Above	$30,000	NA	2	3
10,000 - 14,999 Players	$15,000	NA	2	3
5,000 - 9,999 Players	$9,000	NA	0	3
4,999 Players & Below	$3,000	NA	14	3

*The law required the commission to establish a tiered fee structure to account for small, medium and large operators and set a cap of $30,000

Fantasy Contests?



H2H CONTESTS

H2H EXPLAINED:

H2H Contests are one-on-one contests between the Player and StatHero (Winner Take All).

For all H2H contests, StatHero will reveal their team and players (LINEUPS) for all sports **daily** for NBA, MLB, NHL.

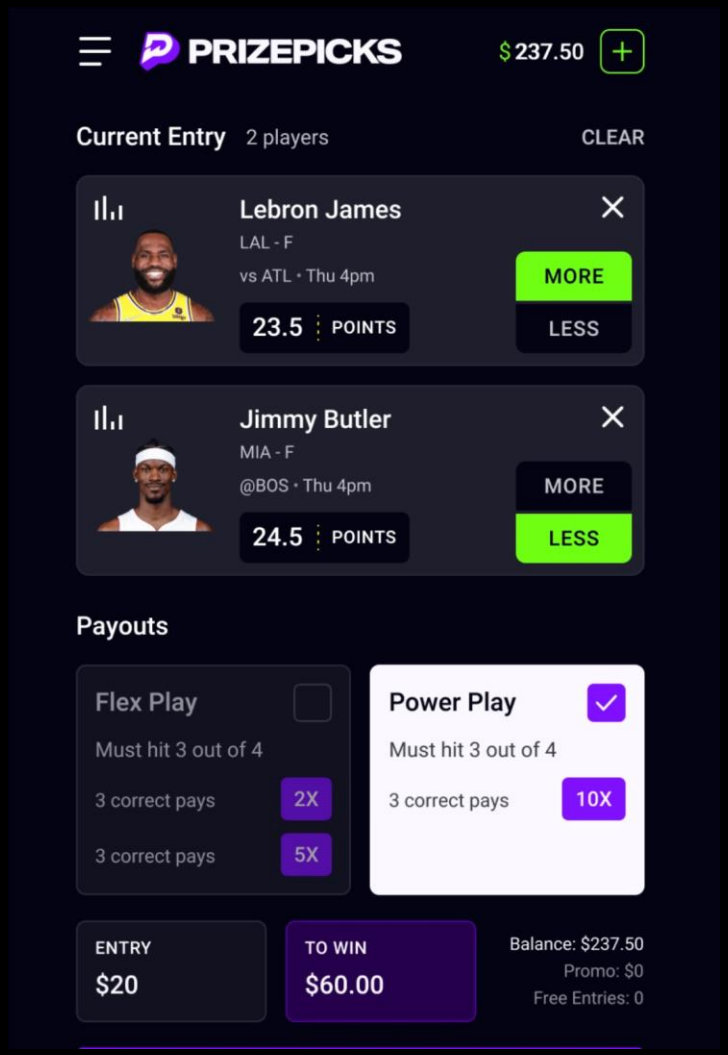
For NFL/NCAA FB contests, LINEUPS will be offered daily/weekly and active all season. H2H Contests are 1 on 1 Contests between the Player and StatHero (Winner Take All)

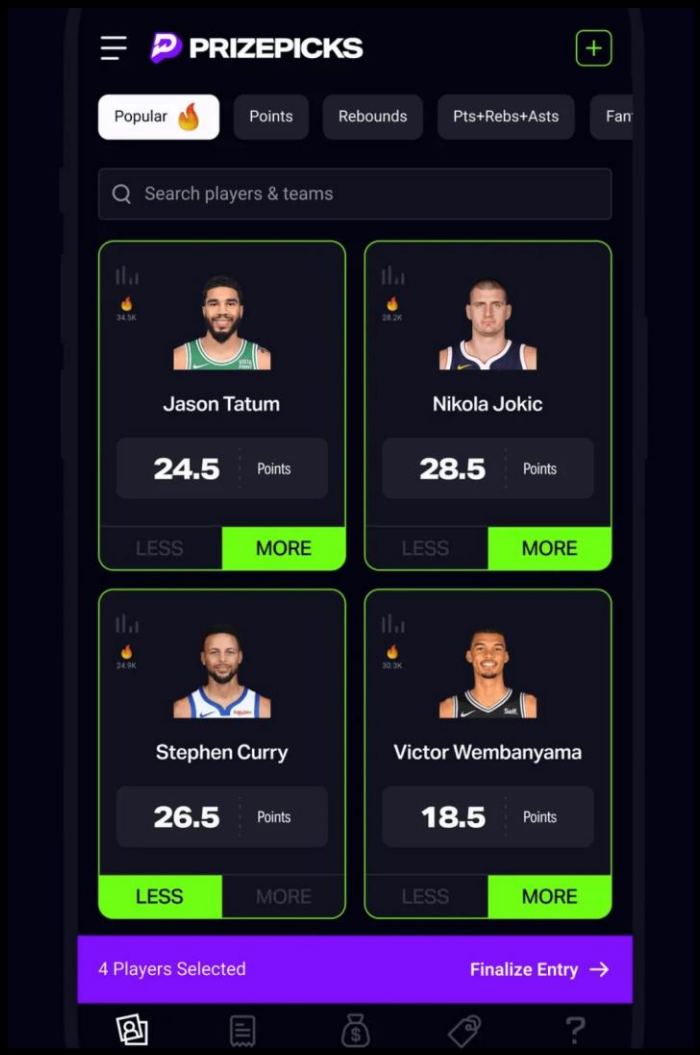
Salaries for each player will be dynamic, therefore, ALL tickets will be LOCKED at time of submission. No edits will be allowed by StatHero or the Player once ticket is locked. **Head to Head tickets are non-refundable and NO withdrawals are allowed once tickets are submitted and locked.**

StatHero offers **FULL PLAYER PROTECTION** on lineups. If a player is ruled OUT, before game time, every player will have the ability to replace their player – FREE of charge.

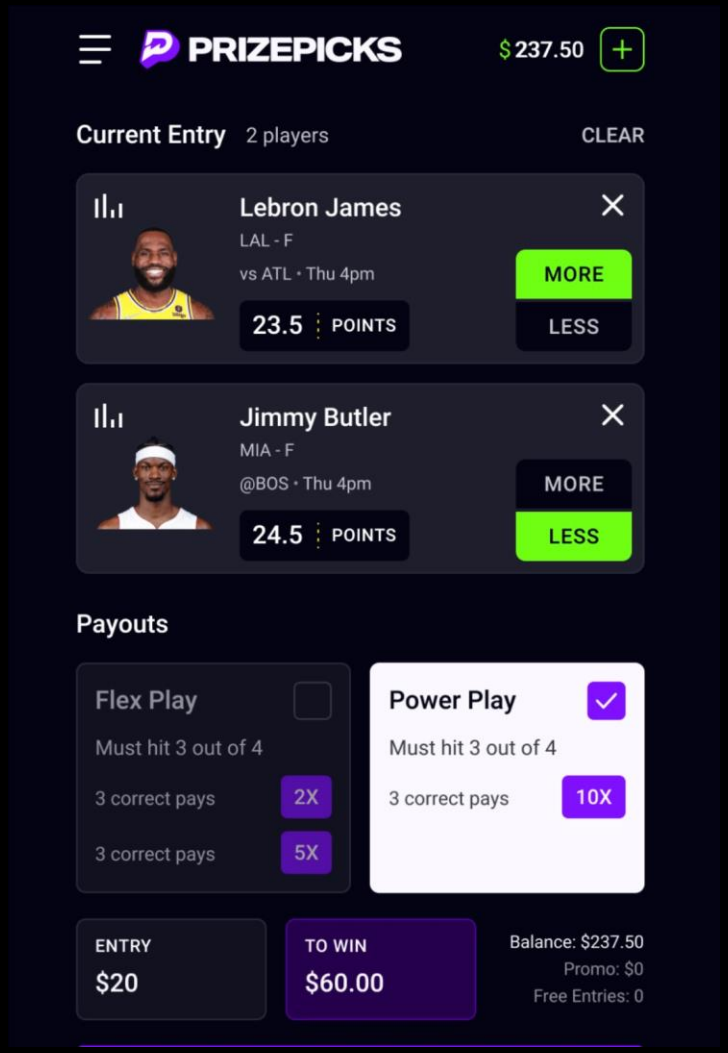
StatHero will also be protected if a H2H player is ruled OUT. StatHero may switch out player for like salary.

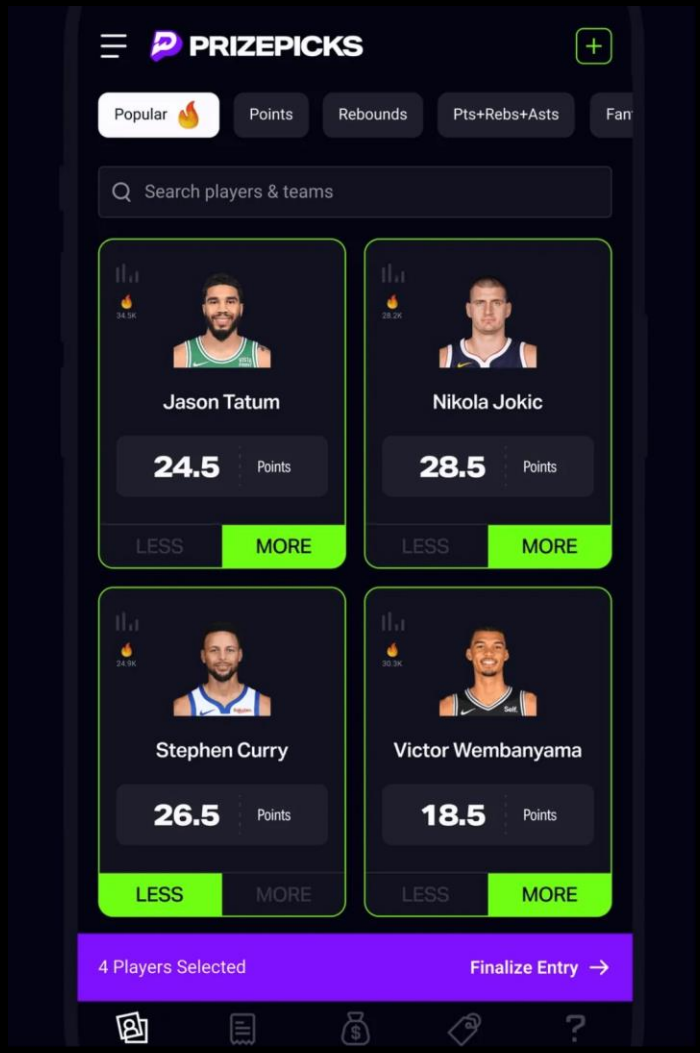
Fantasy Contests?





Sports Gaming





Fantasy Contests vs Sports Gaming

	Fantasy Contests	Sports Gaming
Age	18	21
License Fees	$30,000	$1,650,000
Gaming Taxes	0% GGR	20% GGR
Tethered to an In-State Business	No	Yes
Compliance Costs	Minimal	Significant
Responsible Gaming Requirements	Minimal	Significant

OHIO CASINO CONTROL COMMISSION

SPORTS GAMING

OHIO CASINO CONTROL COMMISSION

SPORTS GAMING

SPORTS GAMING CONTROL LAW - RECAP

Sports Gaming

Online Sports Gaming

Online sportsbooks through computers and mobile applications

Brick-and-Mortar Sportsbooks

Facilities with betting windows and/or terminals

Sports Gaming Lottery Product

Self-service or clerk-operated terminals in establishments with D-1, D-2, or D-5 liquor permits*

*The OCCC conducts licensing for the Sports Gaming Lottery operators and retail hosts

Sports Gaming

Online Sports Gaming

Type A Proprietor

Online sportsbooks through computers and mobile applications

Brick-and-Mortar Sportsbooks

Type B Proprietor

Brick-and-mortar facilities with betting windows and terminals

Sports Gaming Lottery Product

Type C Proprietor

Self-service or clerk-operated terminals in establishments with D-1, D-2, or D-5 liquor permits

Sports Gaming

Type A Proprietor

Online

ELIGIBILITY:

- Must hold a Type-B Proprietor license
  or
- Have an operational place of business in Ohio

Sports Gaming

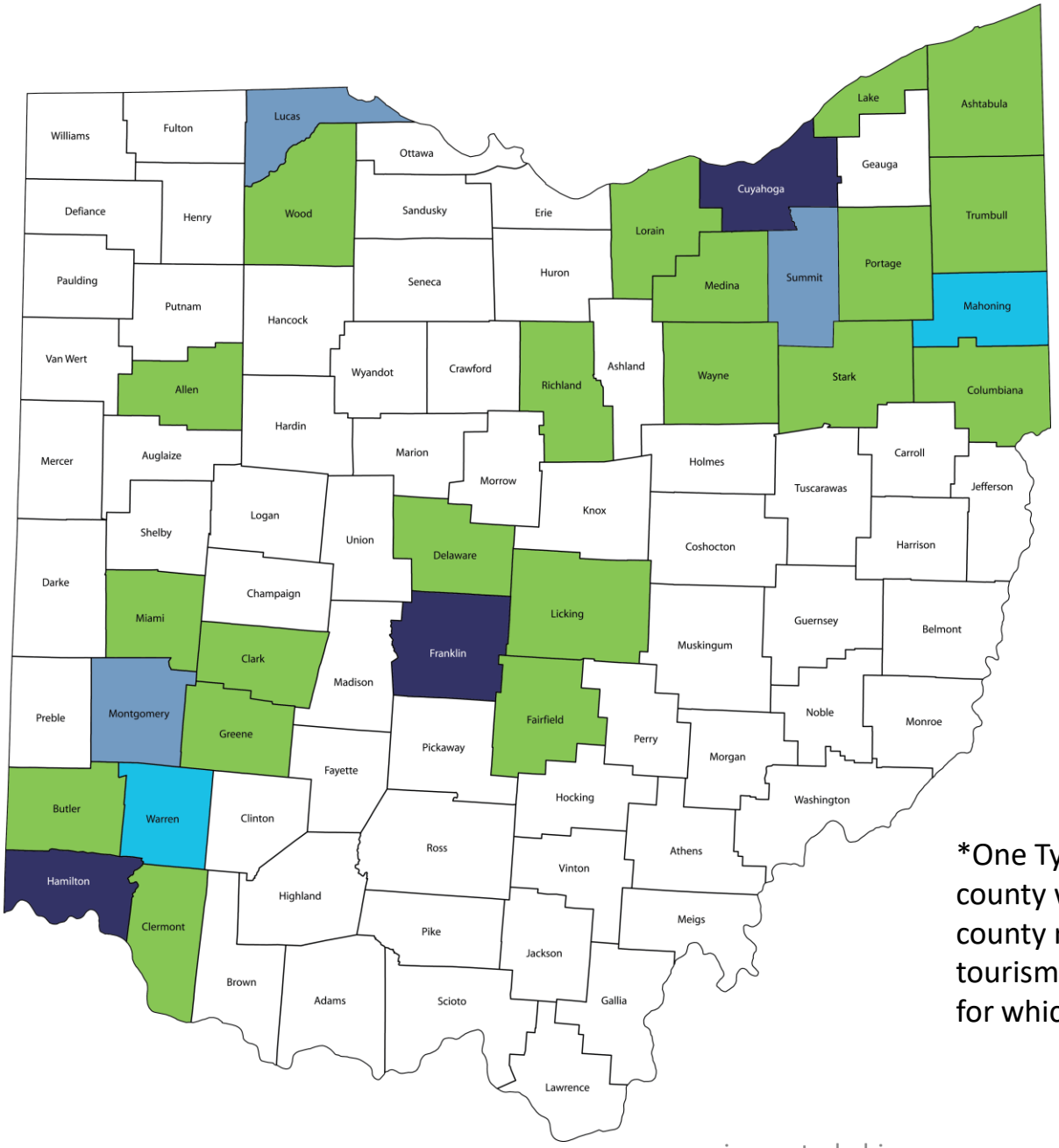
Type B Proprietor

Brick and Mortar

ELIGIBILITY:

Must Conduct significant economic activity in the county in which the sports gaming facility is to be located

Note: Locations are subject to county population totals

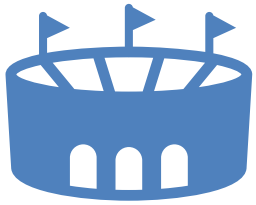


Counties Eligible for Type B Sportsbook

- 1 Physical Location
- Up to 2 Locations
- Up to 3 Locations
- Up to 5 Locations

*One Type B sportsbook may be located in a county with a population of 50,000-99,999 the county received at least 5 million visitors for tourism during the most recent calendar year for which data is available.

Preferences for Type A and B Sports Gaming Proprietors

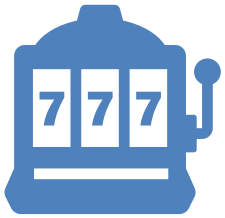


10 Sports Teams/Events

2 NFL, MLB, & MLS Teams

1 NHL & NBA Team

1 NASCAR & PGA Event



11 Casinos/Racinos

4 Casinos

7 Racinos

Sports Gaming

Type A & B Proprietors

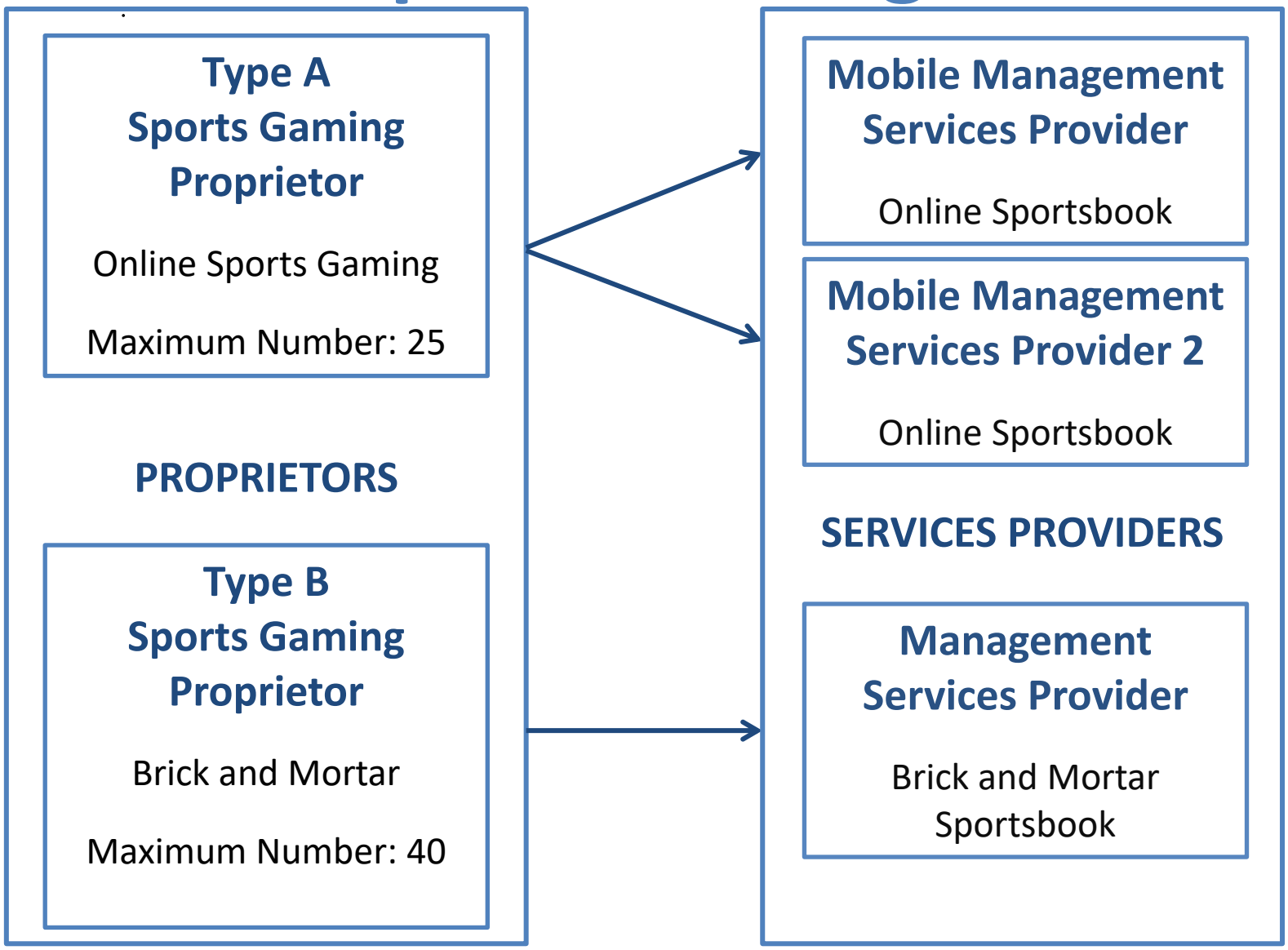
What happens when a proprietor has no sports gaming experience or a sportsbook of their own?

Sports Gaming

A person who can operate a sportsbook on behalf of a proprietor

Management Services Provider (Sportsbook)

Sports Gaming



OHIO CASINO CONTROL COMMISSION

SPORTS GAMING

CASINO CONTROL COMMISSION'S ROLE



Mission Statement:

The Ohio Casino Control Commission has the responsibility to ensure the integrity of casino gaming, sports gaming, skill-based amusement machines, and fantasy contests

Ohio Casino Control Commission

Functions to Ensure Integrity

- **Problem Gambling Services**
- **Licensing & Investigations**
- **Regulatory Compliance**
- **Enforcement of the Law**

Sports Gaming

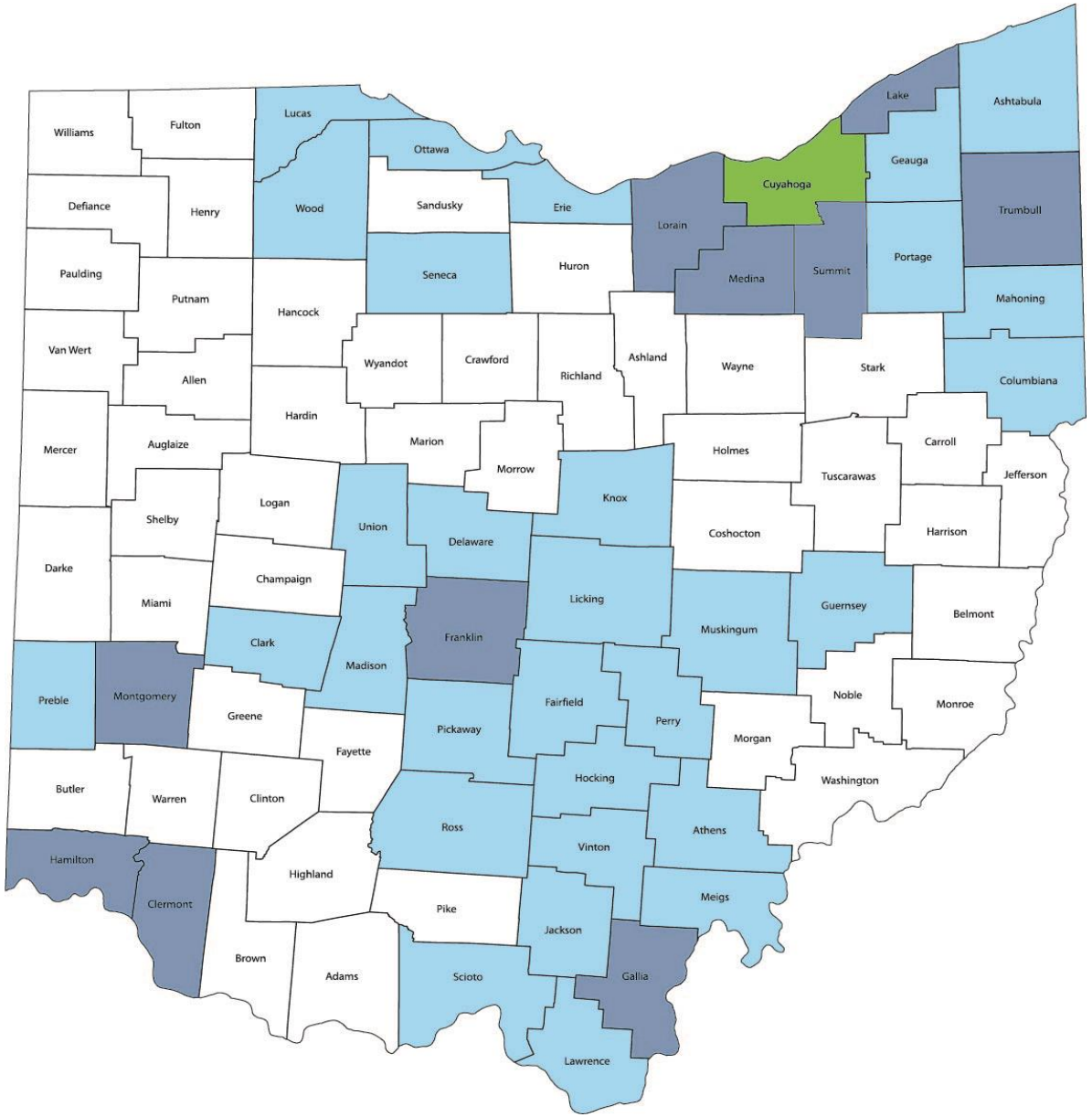
Responsible Gambling

- Problem Gambling Helpline
- Time Out Ohio
- GamBan
- GamFin
- Telehealth



TIME OUT OHIO

Problem Gambling Providers By County



Sports Gaming

Responsible Gambling

The state's problem gambling prevalence data shows that those who engage in online play have the highest at-risk/problem rate

Currently, only a small percentage of players utilize the limit setting features on the apps. These options are limited and stagnant.

A new way to encourage and integrate safer gambling is needed that will improve the uptake and design of tools to help people control their gambling

Sportsbook apps could be an effective method of prevention themselves

Sports Gaming

Responsible Gambling

Behavioral Insights Sportsbook App Research Project

- Examine mobile/web-based platforms to identify areas of opportunity for greater impact of safer play initiatives
- Partner with operators to set up experiments in their platforms such as:
  - If they modify how wins and loses are shown, how does that impact player behavior?
  - If RG tools are frictionless and naturally integrated into daily play, what is the uptake of the tool?
  - What communication methods are effective?

Sports Gaming

Licenses Issued CY 2022-2023

License Class	Number Licensed
Type A Proprietors	22
Type B Proprietors	23
Type C Proprietors	8
Mobile Management Services Providers 1st	20
Mobile Management Services Providers 2nd	1
Management Services Providers	19
Sports Gaming Suppliers	47
Holding Companies	122
Key Sports Gaming Employee	596
Standard Sports Gaming Employee	3,511
Type C Sports Gaming Host	1,183
Total	**5,552**

Sports Gaming

Application & License Fees by Type

License Type	APPLICATION FEE*	LICENSE FEE**	TOTAL FEES	LICENSE TERM (YEARS)
Type A-Sports Organizations 1 MMSP	$150,000	$1,000,000	$1,150,000	5
Type A-Sports Organizations 2 MMSPs	$150,000	$3,333,335	$3,483,335	5
Type A-Sports Organizations -1 MMSP-Renewal	$150,000	$1,000,000	$1,150,000	5
Type A-Sports Organizations 2 MMSPs Renewal	$150,000	$1,000,000	$1,150,000	5
Type A -All Others -1 MMSP	$150,000	$1,500,000	$1,650,000	5
Type A-All Others -2 MMSPs	$150,000	$5,000,000	$5,150,000	5
Type A-All Others 1 MMSP Renewal	$150,000	$1,500,000	$1,650,000	5
Type A-All Others 2 MMSPs Renewal	$150,000	$1,500,000	$1,650,000	5
Type B w/ Type A	$20,000	$140,000	$160,000	5
Type B w/ Type A Renewal	$20,000	$140,000	$160,000	5
Type B	$20,000	$90,000	$110,000	5
Type B Renewal	$20,000	$90,000	$110,000	5
Type C	$15,000	$100,000	$115,000	5
Type C Renewal	$15,000	$25,000	$40,000	5
MSP w/Type A&B	$20,000	$140,000	$160,000	5
MSP w/Type A&B Renewal	$20,000	$140,000	$160,000	5
MSP w/Type A&B Subsequent Licenses	$10,000	$140,000	$150,000	5
MSPw/Type A&B Subsequent Licenses Renewal	$10,000	$140,000	$150,000	5
MSP Initial	$20,000	$90,000	$110,000	5
MSP Renewal	$20,000	$90,000	$110,000	5
MMSP Sports Organizations	$150,000	$2,000,000	$2,150,000	5
MMSP Sports Organizations 2nd	$150,000	$6,666,665	$6,816,665	5
MMSP Sports Organizations Renewal	$150,000	$2,000,000	$2,150,000	5
MMSP All Others	$150,000	$1,500,000	$1,650,000	5
MMSP All Others 2nd	$150,000	$5,000,000	$5,150,000	5
MMSP All Others Renewal	$150,000	$1,500,000	$1,650,000	5
Occupational License	$100	$50	$150	3
Type C Sports Gaming Hosts	$0	$1,000	$1,000	3
Suppliers*	$10,000	$15,000	$25,000	3

* Application Fees are generally established by rule and go the Commission. Occupational and Supplier application fees are set by statute.

** License fees are established by statute and generally go to the Sports Gaming Education Fund. Occupational, Type C Sports Gaming Host, and Supplier License Fees go to the Commission.

Sports Gaming

Integrity Requirements

General Protections

- Sportsbooks must block prohibited persons
  - Under 21
  - Voluntary Exclusion Program
  - Involuntary Exclusion List
  - Sports Gaming Employees, Athletes, Coaches, Referees, etc.
- Safeguarding Patron Funds & Information:
  - Reserve Accounts Required for Patron Funds
  - Personally Identifiable Information Protected by Account Security, Multi-Factor Authentication

Protections by Type

- Type A Online Wager Integrity:
  - Wagers Only Accepted from Verified Accounts
  - Winnings Deposited to Same Verified Account
  - Identity, Age, and Exclusion Verified
- Type B In-Person Wager Integrity:
  - Identity Verification & authentication
  - Anonymous Wagers Over $1,000 Prohibited
  - Surveillance
  - Security

Sports Gaming

Integrity Requirements

Systems & Equipment

- Must be tested, approved, and verified by the Commission
- Changes must be vetted and approved, including additional testing when notified
- Geofencing and location-based technology requirements

Audit Requirements

- External
  - Annual Third-Party IT System and Security Audit
  - Annual Third-Party Financial Audit
- Internal
  - Risk-Based Performance & Compliance Audit by Internal Department
- Commission's Audit Program

Sports Gaming

Integrity Requirements

Incident Reporting

- Illegal or Suspicious Activity, Security Breaches, Patron Confidentiality Breaches Must be Reported
- Commission Compliance and Law Enforcement Staff Investigate

Integrity Monitoring

- Sportsbooks must monitor for unusual sports gaming activity
- Commission certifies independent integrity monitors to review unusual activity to determine if it is suspicious
- If activity is found suspicious, regulators, sports governing bodies, and other monitors are notified

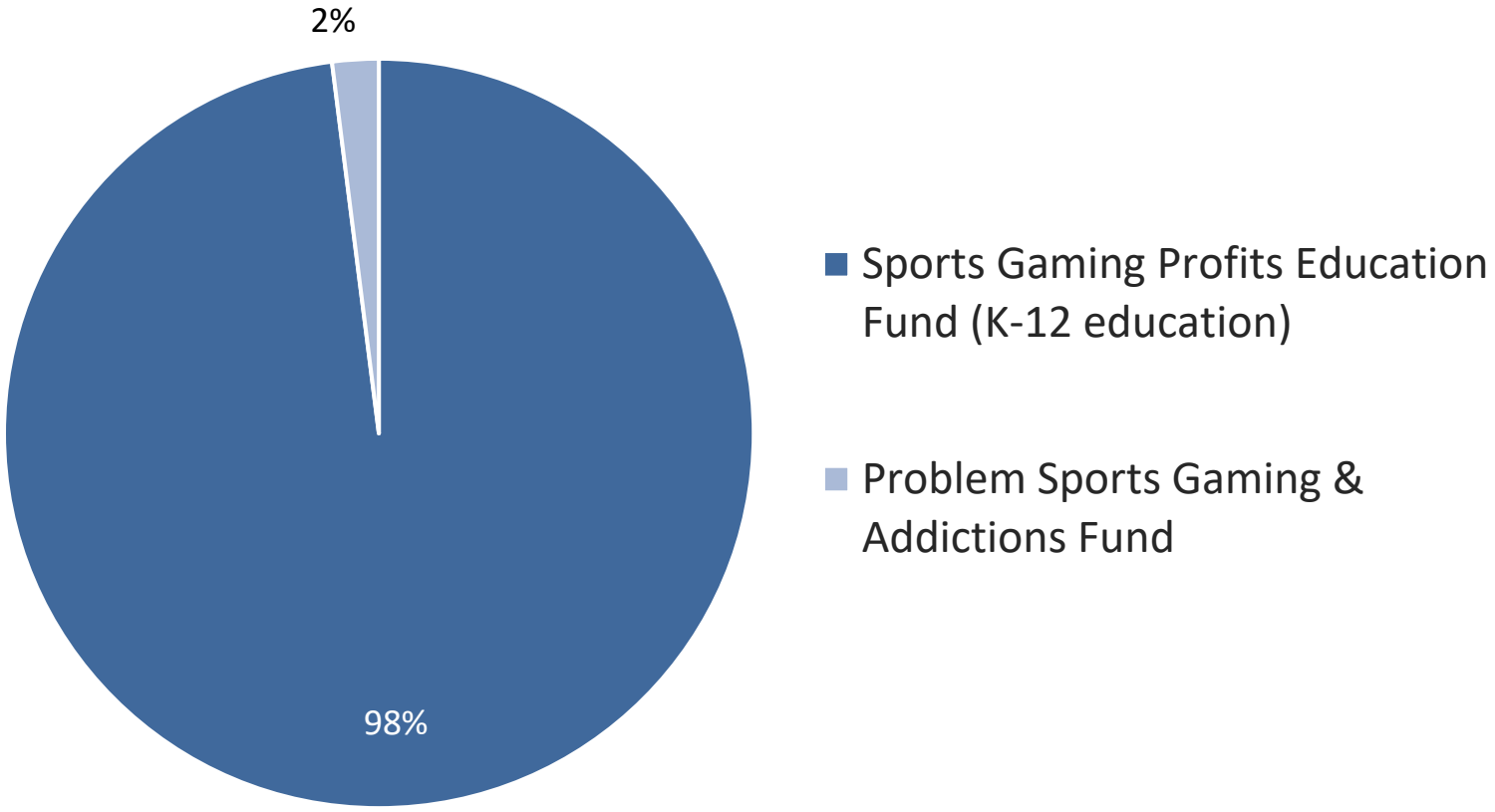
OHIO CASINO CONTROL COMMISSION

SPORTS GAMING

REVENUE

Sports Gaming

Distribution of Revenue



*The Sports Gaming Profits Fund consists of the 20% tax on sports wagers and certain license fees.

Sports Gaming

Taxable Revenue CY 2023

Month	Online	Retail	Total Taxable Revenue	Tax Paid*
January	$206,968,807	$3,506,071	$210,474,878	$21,047,488
February	$80,435,846	$940,380	$81,376,226	$8,137,623
March	$92,435,662	$2,852,580	$95,288,242	$9,528,824
April	$61,869,647	$1,496,659	$63,366,306	$6,336,631
May	$55,973,135	$1,932,383	$57,905,518	$5,790,552
June	$32,106,862	$689,028	$32,795,890	$3,279,589
July	$35,924,805	$1,235,196	$37,160,001	$7,432,000
August	$39,357,648	$1,421,323	$40,778,971	$8,155,794
September	$79,391,539	$2,372,909	$81,764,448	$16,352,890
October	$78,160,979	$2,424,380	$80,585,359	$16,117,072
November	$66,809,525	$1,363,316	$68,172,841	$13,634,568
December	$84,384,038	$2,889,537	$87,273,575	$17,454,715
Statewide Total	**$913,818,493**	**$23,123,762**	**$936,942,255**	**$133,267,745**
Percentage of Total	**97.53%**	**2.47%**		

*The tax rate was 10% January-June and 20% July-December

Sports Gaming

License Free Revenue CY 2022-2023

License Class*	License Revenue 2022	License Revenue 2023
Type A Proprietors	$16,000,000	$4,000,000
Type B Proprietors	$2,100,000	$210,000
Mobile Management Services Providers	$18,750,000	$5,625,000
Management Services Providers	$1,950,000	$220,000
Total	**$38,800,000**	**$10,055,000**

*License Fees for the classes above are deposited into the Sports Gaming Profits Education Fund

OHIO CASINO CONTROL COMMISSION

SPORTS GAMING

"Use It or Lose It" PROVISIONS

Sports Gaming

"Use It or Lose It" Requirements

As Ohio moved to legalize sports gaming, there was tremendous interest demonstrated both inside and outside of the state to participate in the new market

The bill contained provisions that some thought might limit access to that market

- Caps on the number of Type A and Type B Proprietors
- Type B options were further limited by caps based on county population
- A preferred licensing status for Ohio's casinos, racinos, and professional sports organizations

During the debate, the General Assembly was repeatedly told that the demand for licenses would exceed the bill's supply and that inactive license holders could limit the legislation's goal of furthering opportunity and economic development

Provisions were added to ensure that licensed operators who did not launch could be removed in favor of those "waiting in line"

Sports Gaming

"Use It or Lose It" Requirements

The Sports Gaming Control Law required the commission to adopt by rule a procedure allowing the commission to revoke a Type A sports gaming proprietor license and a second-designated mobile management services provider license if the licensee does not offer sports gaming to patrons under the license for a continuous period of one year or more.

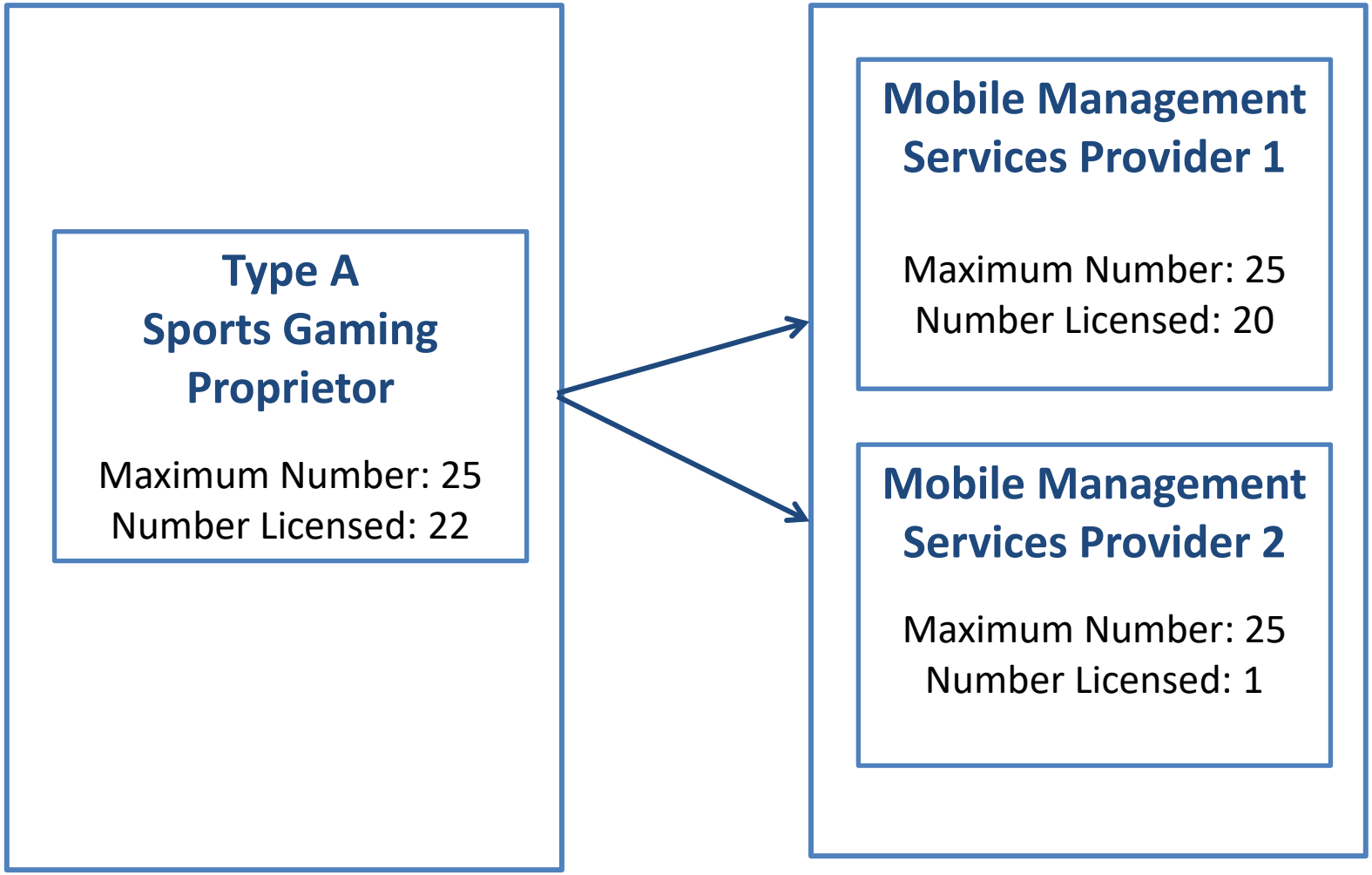
The Commission promulgated those rules in 2022 and 2023.

They are inclusive of all proprietors and services providers to:

- Harmonize the statutory provisions
- Fulfill the repeatedly stated intent of the General Assembly to promote economic development and opportunity and limit blocking of limited licenses
- Promote equal treatment among license classes (i.e. allowing a Type B proprietor to maintain a license while revoking a Type A proprietor for similar conduct) and
- Ensure accountability for all parties responsible for failure to operate (i.e. not just revoking a proprietor when their designated MMSP failed to launch)

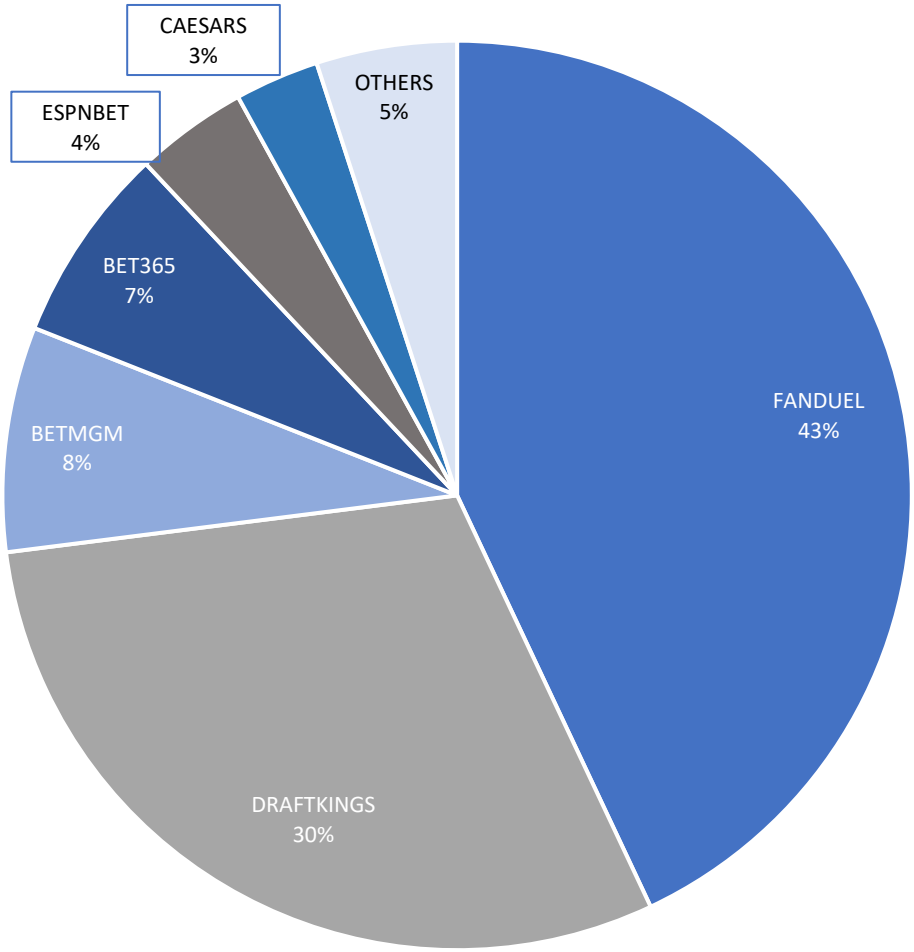
Sports Gaming

Online Licenses



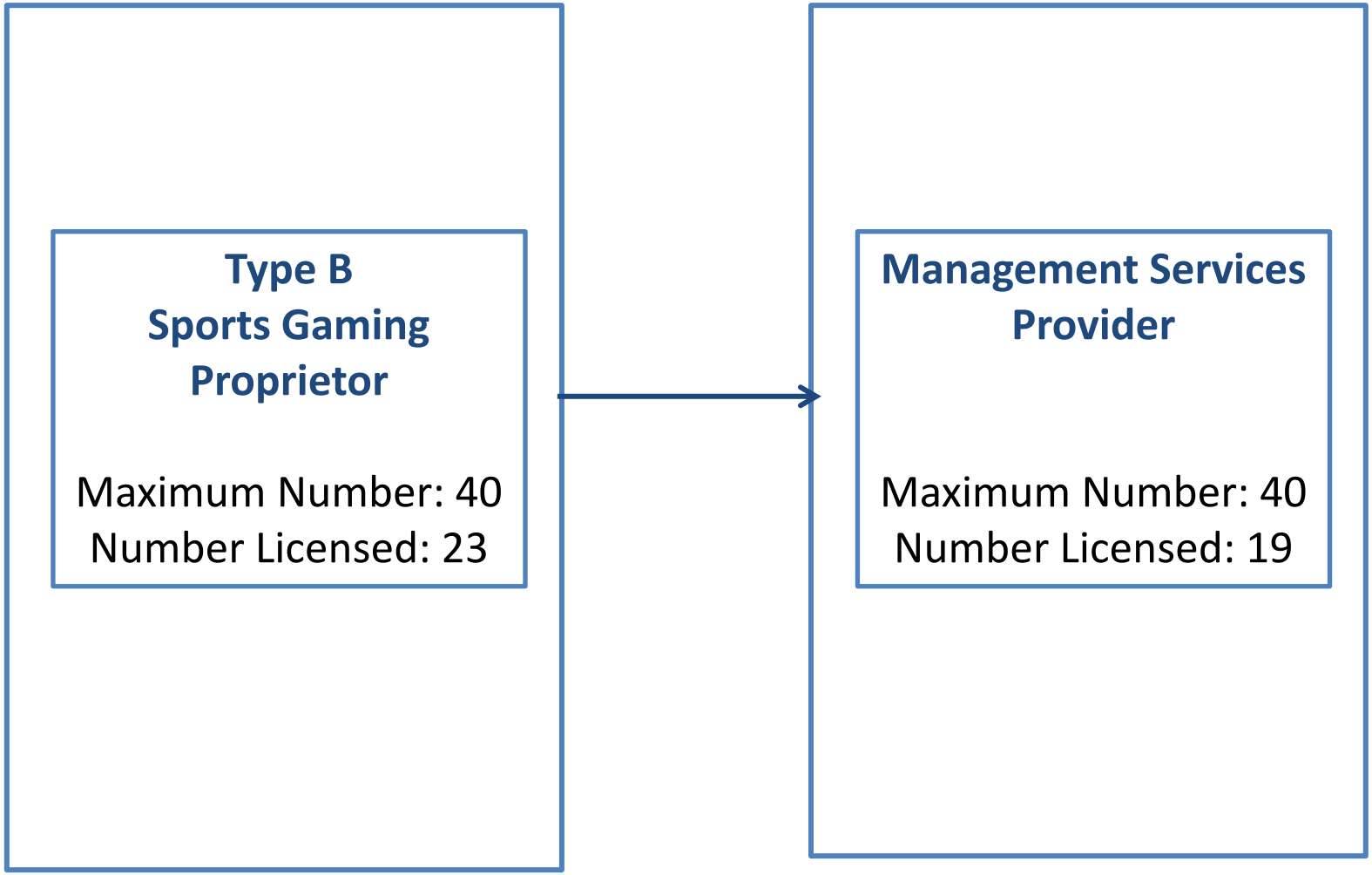
Sports Gaming

Ohio Online Brand GGR Market Share - 2023



Sports Gaming

Brick & Mortar Licenses



Sports Gaming

Type B Proprietors by County (23)

Ashtabula (Cap-1)
- Geneva Sports

Butler (Cap-1)
- Lori's Roadhouse

Cuyahoga (Cap-5)
- JACK Casino*
- JACK Thistledown Racino*
- Cleveland Browns*
- Cleveland Cavaliers*
- Cleveland Guardians*

Franklin (Cap-5)
- Hollywood Casino*
- Scioto Downs Racino*
- Columbus Blue Jackets*
- Columbus Crew*
- Muirfield Village Golf Club*

Hamilton (Cap-5)
- Belterra Park Racino*
- Hard Rock Casino*
- Cincinnati Reds*
- FC Cincinnati*

Lucas (Cap-3)
- Hollywood Casino*

Montgomery (Cap-3)
- Hollywood Dayton Racino*

Mahoning (Cap-2)
- Hollywood Mahoning Valley Racino*
- Phantom Fireworks

Stark (Cap-1)
- Hall of Fame Village

Summit (Cap-3)
- Northfield Park Racino*

Warren (Cap-2)
- Miami Valley Gaming Racino*

* A proprietor with a statutory licensing preference

Sports Gaming

Potential Affected Licensees

Type A Proprietors (Online)	**Mobile Management Services Provider**
Cincinnati Reds	Underdog Sports Wagering
Cleveland Cavaliers	
JACK Thistledown Racino	
Type B Proprietors (Brick & Mortar)	**Management Services Provider**
Geneva Sports	Out the Gate
Hall of Fame Village	Rush Street Interactive
Lori's Roadhouse	
Muirfield Village GC	
Phantom Fireworks	
Type C Proprietor	
Wright Bet Ventures	

Sports Gaming

Recommendation

To strike paragraphs (A)(4) of section 3775.04 and (A)(1)(d) of section 3775.05 and insert paragraph (F) in section 3775.03 to preclude sports gaming proprietors, mobile management services providers, and management services providers from renewing a license when it has failed to offer sports gaming to patrons during its license term.

Section 3775.03 (New)

(F) A sports gaming proprietor, mobile management services provider, or management services provider may not apply to renew a sports gaming license if the sports gaming proprietor has not offered sports gaming to patrons under the license during the license term. A sports gaming proprietor may not apply for a sports gaming proprietor license for one year after the license expires if the sports gaming proprietor did not offer sports gaming to patrons under the license during the license term. As a ministerial act, the commission shall not accept an application from a sports gaming proprietor unless it complies with this provision.

Section 3775.04

(A)~~(4) The commission shall adopt by rule a procedure allowing the commission to revoke a type A sports gaming proprietor license if the licensee does not offer sports gaming to patrons under the license for a continuous period of one year or more~~.

Section 3775.05

~~(A)(1)(d) The commission shall adopt by rule a procedure allowing the commission to revoke a designated second mobile management services provider's license if the licensee does not actively offer sports gaming under the license to the economic benefit of this state for a continuous period of one year or more.~~

OHIO CASINO CONTROL COMMISSION



STUDY COMMISSION ON THE FUTURE OF GAMING IN OHIO

March 20, 2023

Dan Sullivan, The Memorial Tournament

Chairman Edwards & Chairman Manning, Members of the Commission on the Future of Gaming, thank you for initiating this Study Commission of Ohio's future with gaming, and in particular, with respect to my comments today, the future of Sports Betting. My name is Dan Sullivan, and I serve as the Executive Director of the Memorial Tournament presented by Workday – which is a Signature event on the PGA TOUR and a division of Muirfield Village Golf Club.

The Memorial's Host and Founder, golf's greatest champion and proud Ohioan, Jack Nicklaus, created the tournament 49 years ago to ensure his hometown and state hosted one of the most prominent professional tournaments in the world of golf. The Tournament has grown in prominence over time, bringing national and international exposure to central Ohio and all of Ohio through media distribution to over 230 countries and territories each year. The Memorial Tournament generates significant economic impact for the region in the estimated amount of over $45 million per year. The Tournament has generated and distributed over $50 million to local charities, since 1976, with over $5 million distributed in 2023 alone, led by its commitment to Nationwide Children's Hospital.

I would like to begin by thanking this panel and all members of the General Assembly for taking the steps over the last number of years to legalize sports gaming, and also, importantly, provide the license preference to the Ohio Sports Owners / Proprietors. As the owners and generators of the content which sports gaming is built on, I speak for all Ohio sports proprietors when I share our appreciation for the opportunity the State has afforded each of our enterprises. With the legalization of sports gaming, a new platform of business growth was extended to each sports enterprise. This platform has provided the opportunity to grow fan bases, expand operations, and generate economic growth, which has allowed for the Memorial Tournament to elevate its charitable giving and invest in our brand.

As a point of reference, the Memorial Tournament set out on a plan two years ago to recognize its Type A (Mobile) and Type B (Retail) license preference by bifurcating the licenses with the goal of potentially building two strong relationships. The Type A license opportunity presented itself first with the Memorial having the opportunity to contract with betParx. The relationship with betParx started just 13 months ago, with the Memorial Tournament and the PGA TOUR coming together to build a long-term alignment. Our alignment is active throughout the year, including significant emphasis on Memorial Tournament week. betParx utilizes Memorial week to engage with its customers and introduce its brand and product to the attendees of the Memorial, as well as within the general market.

With respect to the Type B license, the Memorial Tournament, from the outset, actively sought to establish a relationship with an operator to create a retail location. Originally the concept of creating a retail operation in the northwest part of Columbus was very appealing to many of the retail operators. We had a number of retail locations and restaurant brand owners interested in aligning with the Memorial and a prospective retail gaming operator. As the Memorial maintained open dialogue, the prospective list of operators began to erode beginning around April, 2023. This is attributed to the number of Type B licenses available and the total number of gaming licenses activated between Type A, B and C. Having said that, the Memorial remained very active in the market, and leading into Memorial Tournament week, we had established a relationship with a gaming operator who agreed to move forward with a contracted, long-term relationship – A contract had been drafted and shared going into the week of the Memorial – May 29th, 2023. Both the Memorial and the retail operator were excited about the opportunity to move forward and work to open a retail location.

Unfortunately, the retail / Type B license opportunity started to be called into question when word began to be shared that the new state budget included language that would cause the sports gaming tax rate to double, increasing from 10% to 20%. The Memorial Tournament worked to maintain the relationship, communicating the benefit that would come through initially and over time. As we continued to work to keep an open dialogue, it became increasingly obvious that the prospective partner, the one that the Memorial had shared legal documents with, was not going to move forward with the Memorial or any other preferred license holder due to the increased tax. The operator ultimately determined the tax was too much of a barrier due to the reality that the Ohio gaming industry had only been operating for 6 months, and the tax was already being doubled. Once the Memorial was no longer entering a relationship with its Type B license preferred partner, we canvassed the other sports owners throughout the State.

We realized those that established an agreement before the tax increase were confident their relationship would continue, but any owners that were not established were not going forward, and that remains the scenario to date.

In addition there are two (2) primary and immediate concerns relative to the Type B license going forward 1) Extended Resources – We have extended a significant amount of funds to retain and maintain the license annually 2) We, along with others who have not assigned their Type B license, face a deadline for the license activation through the Ohio Casino Control Commission that will quickly approach.

It is also important to note that the Memorial's existing Type A license relationship has come under significant stress since the tax increase came into law and remains a point of contention today.

With this detail and background, I come to you today with a simple request to reconsider the existing 20% tax and work further to recommend the original tax of 10% with the understanding that the gaming industry within Ohio is still in its infancy and needs time to develop and mature, as I believe was the original intent of the statute.

By reversing the tax, the General Assembly will be providing Ohio based sports properties and businesses, such as the Memorial Tournament, the ability to fully realize the potential intended and communicated when the licenses preferences were extended.

Thank you, and I'm happy to address any questions you may have.

Study Commission on the Future of Gaming in Ohio

Presentation submitted on behalf of the Sports Betting Alliance before Committee Co-Chairs Senator Nathan Manning and Representative Jay Edwards

By Scott S. Ward, Partner at Orrick, Herrington & Sutcliffe, LLP.
March 20, 2024

SPORTS BETTING ALLIANCE

BETMGM DRAFTKINGS Fanatics Betting & Gaming FANDUEL

SPORTS BETTING ALLIANCE

The First Year of Ohio Sports Betting

Presentation Overview

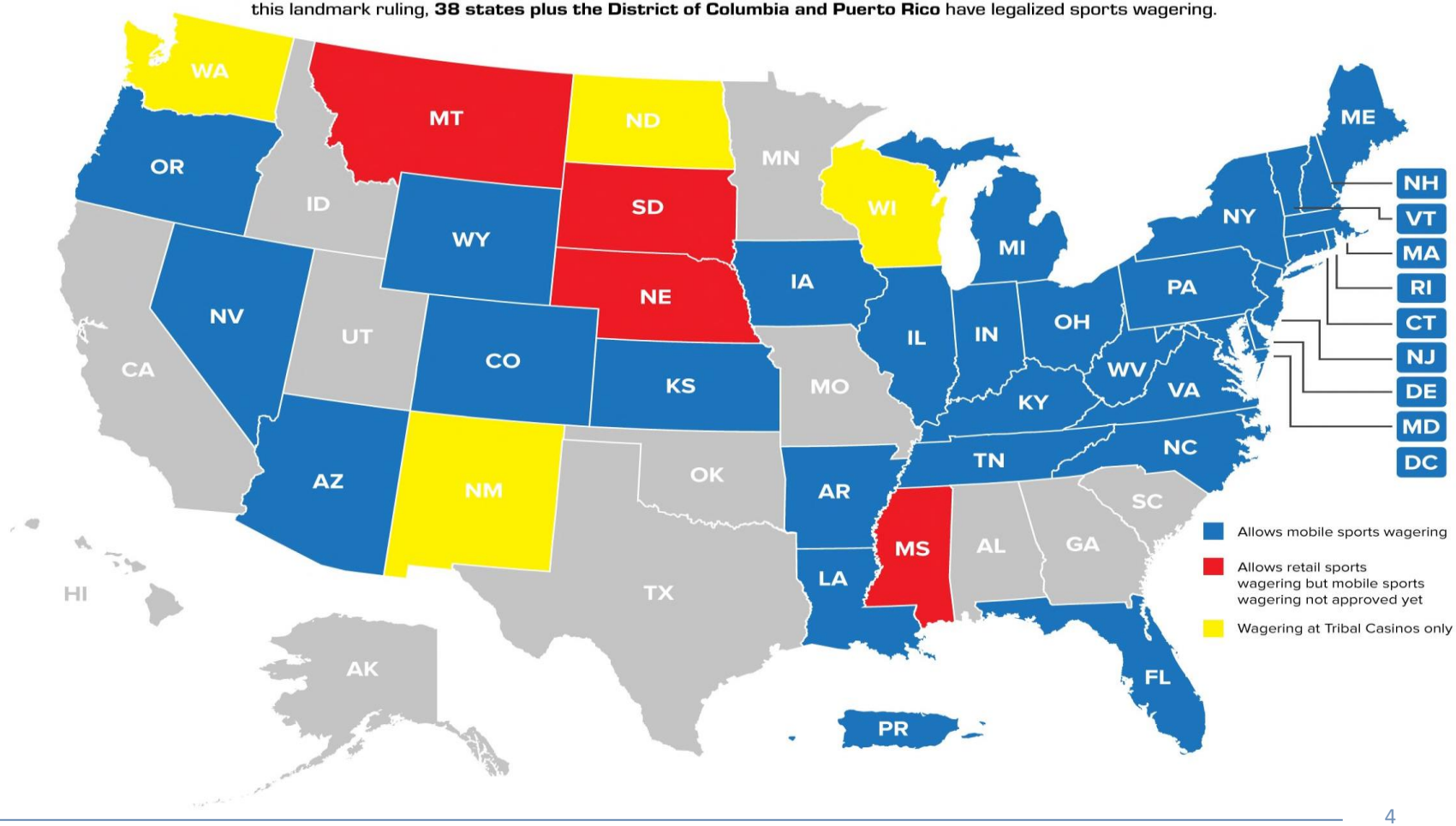
- Tax Revenue
- Integrity Protection
- Combating the Illegal Market
- Addressing Problem Gambling



SPORTS BETTING ALLIANCE

SPORTS WAGERING IN THE U.S.

In 2018, the United States Supreme Court struck down the Professional and Amateur Sports Protection Act (PASPA), an unconstitutional federal law that forbade states from deciding for themselves whether to authorize sports wagering. In the wake of this landmark ruling, **38 states plus the District of Columbia and Puerto Rico** have legalized sports wagering.



- 19 mobile sportsbooks (Type A)

Belterra Park	FanDuel
Hollywood Toledo	DraftKings
MGM Northfield Park	BetMGM
Columbus Blue Jackets	Fanatics
Cleveland Guardians	bet365
Scioto Downs	Caesars
Hollywood Columbus	ESPNbet
Hard Rock Cincinnati	Hard Rock
Columbus Crew	Tipico
Hollywood Dayton	BetRivers
Jack Cleveland	betJack
Cincinnati Bengals	Betfred
FC Cincinnati	SuperBook
Muirfield Village Golf Club	betPARX
Belterra Park	Betway
Hall of Fame Village	Betr
Miami Valley Gaming	MVGBet
Cleveland Browns	Bally's
Geneva Sports	Prime Sports

- 18 Active Retail Sportsbooks (Type B)

Jack Cleveland	betJack
Jack Thistledown Racino	betJack
MGM Northfield Park	BetMGM
Scioto Downs	Caesars
Hard Rock Cincinnati	Hard Rock
Cleveland Browns	Bally's
Columbus Blue Jackets	Fanatics
Cincinnati Reds	BetMGM
Cleveland Cavaliers	Caesars
Hollywood Columbus	ESPNbet
Cleveland Guardians	Fanatics
Hollywood Dayton	ESPNbet
Belterra Park	FanDuel
Hollywood Toledo	ESPNbet
Hollywood Mahoning Valley	ESPNbet
FC Cincinnati	SuperBook
Miami Valley Gaming	MVGBet
Columbus Crew	Tipico

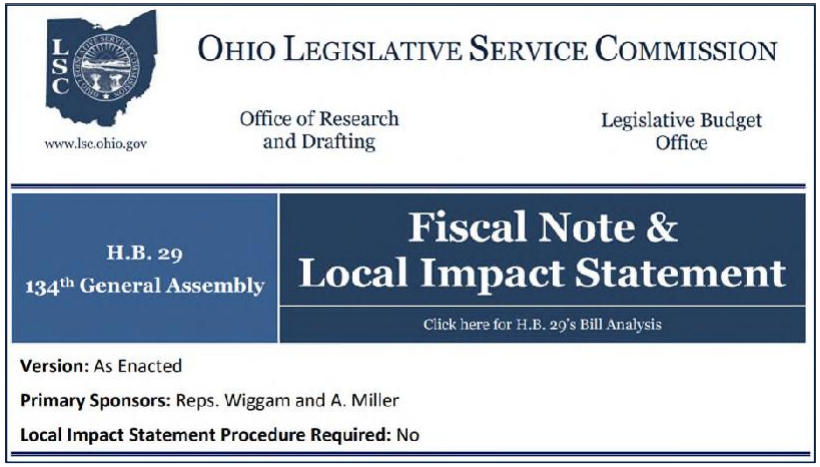
- 5 Conditionally Active Retail Sportsbooks (Type B)
- 3 Closed Retail Sportsbooks (Type B)
- 1 Withdrawn Retail Sportsbook (Type B)

Hall of Fame Village	
Muirfield Village Golf Club	
Geneva Sports	Prime Sports
Phantom Fireworks	
Lori's Roadhouse	
Ravencrest Partners	
Harry Buffalo	
Robert L. Stark Enterprises	
Cedar Downs	

SPORTS BETTING ALLIANCE

Tax Revenue

HB 29 Fiscal Analysis



OHIO LEGISLATIVE SERVICE COMMISSION

www.lsc.ohio.gov

Office of Research and Drafting

Legislative Budget Office

H.B. 29
134th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 29's Bill Analysis

Version: As Enacted

Primary Sponsors: Reps. Wiggam and A. Miller

Local Impact Statement Procedure Required: No

<u>FY 2023 Projection</u>

- $1.1 Billion Handle
- $74 Million Taxable Revenue
- $7,000,000 in Tax Revenue

<u>FY 2024 Projection</u>

- 3.1 Billion Handle
- $243 Million Taxable Revenue
- $24,000,000 in Tax Revenue

2023 Actual Revenue

Handle
$7,438,852,550

Taxable Revenue
$936,942,255

State Tax
$133,267,745

2023 Taxable Revenue		Percentage
Mobile	$913,818,493	97.5%
Retail	$23,123,762	2.5%

SPORTS BETTING ALLIANCE

Mid-Year Tax Change

New York	51.00%
Pennsylvania	36.00%
Massachusetts	20.00%
Ohio	**20.00%**
North Carolina	18.00%
Illinois	15.00%
Louisiana	15.00%
Maryland	15.00%
Virginia	15.00%
Kentucky	14.25%
Connecticut	13.75%
New Jersey	13.00%
Arizona	10.00%
Colorado	10.00%
Kansas	10.00%
Maine	10.00%
West Virginia	10.00%
Wyoming	10.00%
Indiana	9.50%
Michigan	8.40%
Iowa	6.75%
Nevada	6.75%

FY 2023 State Tax Revenue at the Original 10% Rate

$93, 694,225

13X

Projected

FY 2023 State Tax Revenue at the Revised 20% Rate

$187,388,451

26X

Projected

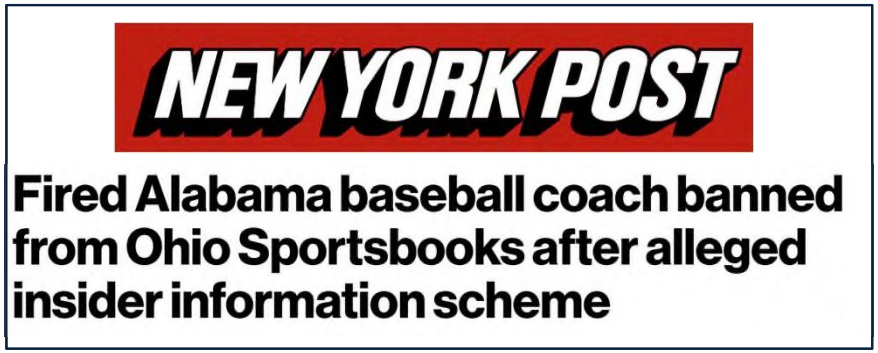
SPORTS BETTING ALLIANCE

Integrity Protection

Integrity Protection

- Real-time monitoring of sports betting by the industry and integrity monitors.
- Cooperation with multiple state regulators, NCAA, leagues and other sportsbooks.
- Stopped insider betting before it happened.

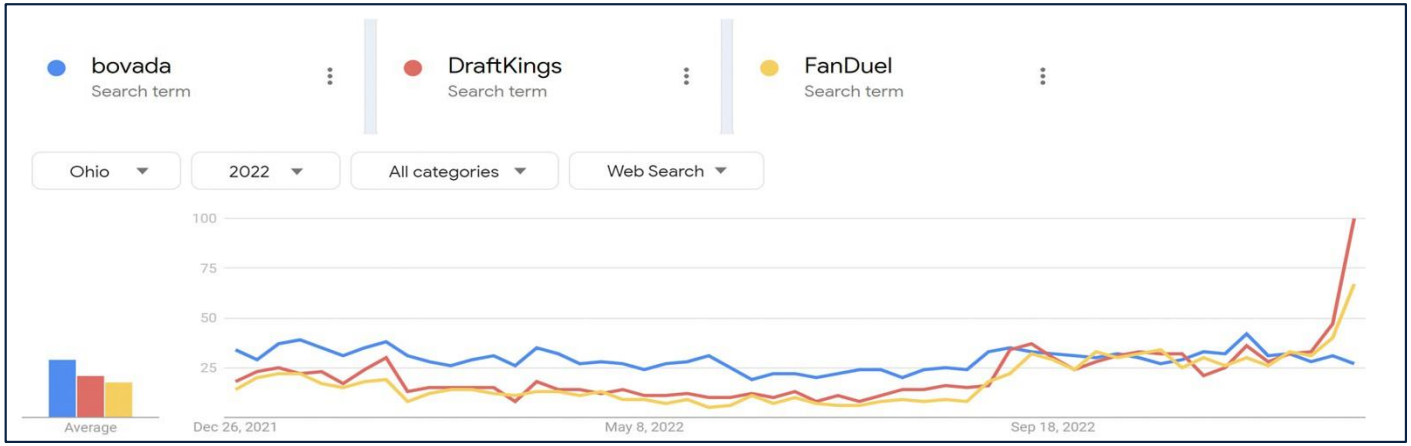


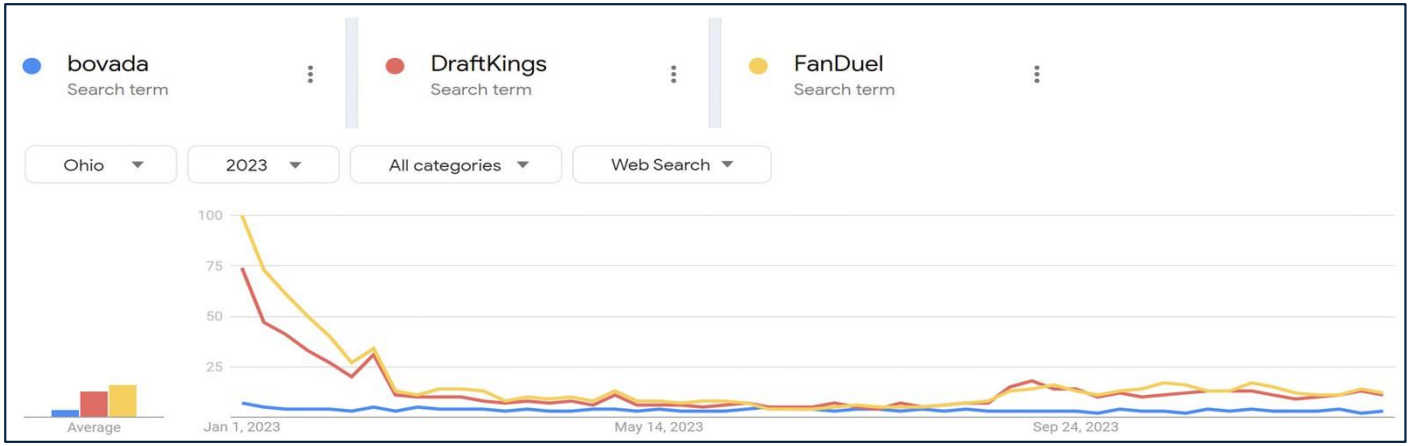


SPORTS BETTING ALLIANCE

Combating the Illegal Market

Google Trends Searches for Illegal Sports Betting Sites

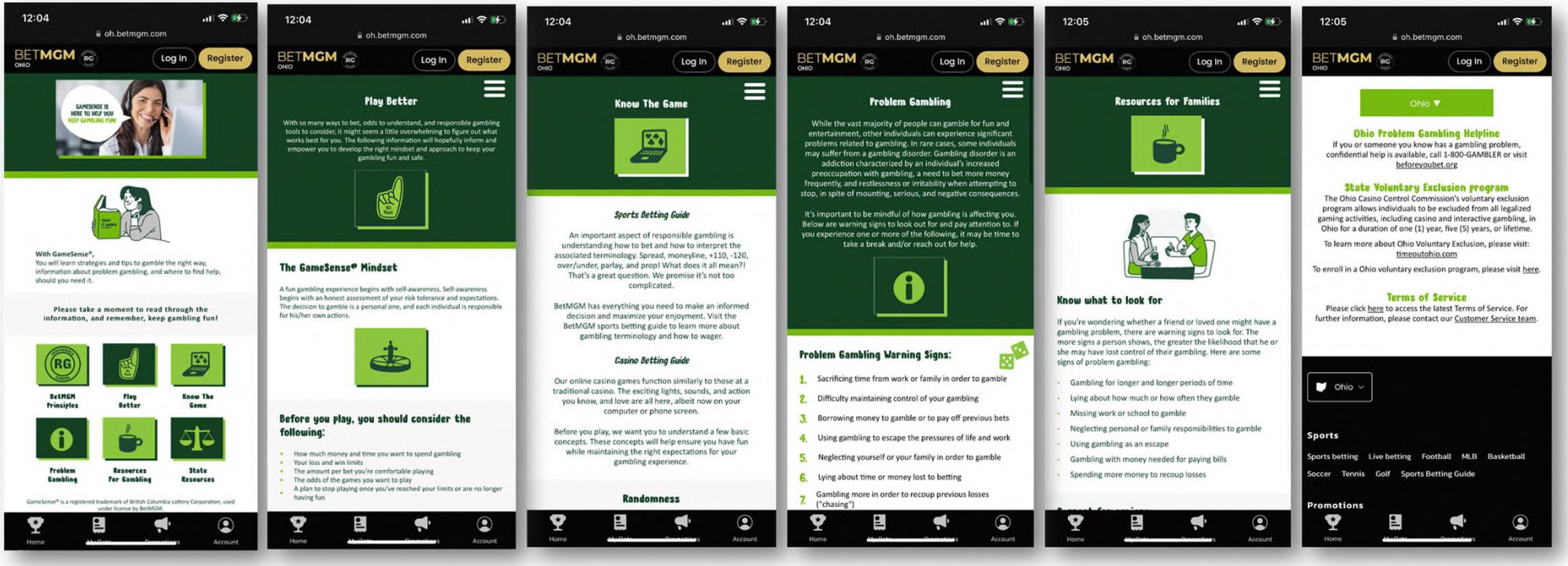




SPORTS BETTING ALLIANCE

Addressing Problem Gambling

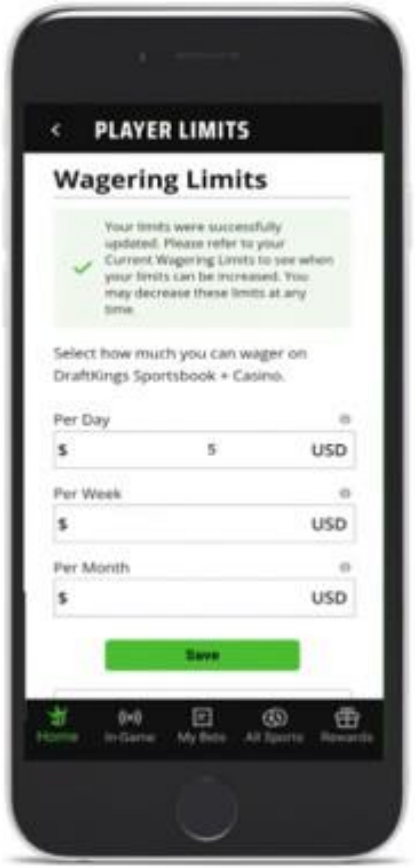
Addressing Problem Gambling



RG PLATFORM TOOLS & RESOURCES

Real-time platform alerts to investigate abnormal player behavior	✓
Integrations for player verification and self-exclusion	✓
Inactivity forced logout at 15, 30 and 45 minute intervals	✓
Easy access to user set limit transaction history	✓
Pre-determined self-exclusion options (permanent, temporary & "Cool-Off")	✓
Easy access to national and jurisdictional resources for help	✓
FAQs, screening tools, self-help toolkits	✓
Partnership with BetBlocker (free app that blocks >18,000 gambling sites)	✓
Self-Exclusion anywhere = Self-Exclusion everywhere*	✓

**Works with voluntary self-exclusion enrolled through Draftkings*



SPORTS BETTING ALLIANCE

NEWS 5 CLEVELAND

Gambling help hotline in Ohio sees triple the amount of calls after sports betting legalized

cleveland.com COVERING NORTHEAST OHIO

Calls to Ohio's gambling hotline up 55% in 1st year of sports betting

"fairly weak predictor of gambling addiction"

NCPG National Council on Problem Gambling

- Keith Whyte, Executive Director
National Council on Problem Gambling

"**vast majority** of gambling calls are people seeking the latest winning lottery numbers or help with gambling apps rather than treatment"

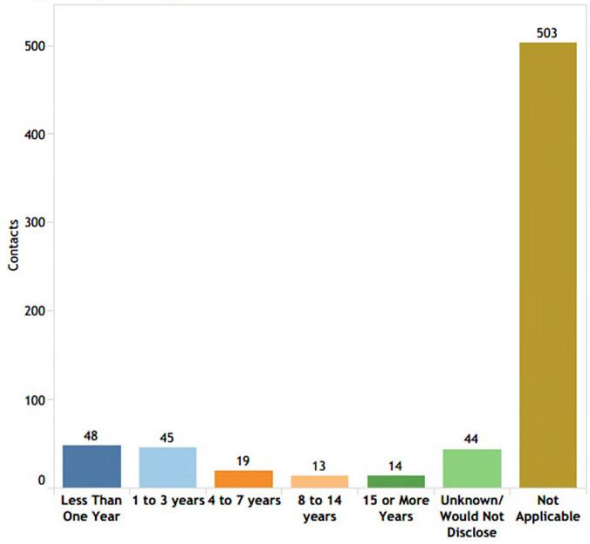
- Tennessee Redline Problem Gambling Helpline

Ohio Problem Gambling Helpline Report

January 2023
Total Contacts: 1,492

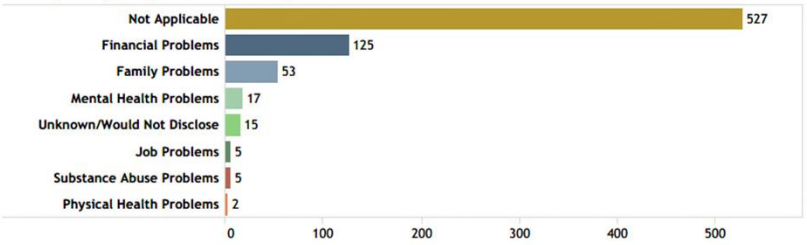
Chats: 118

Length of gambling problem*

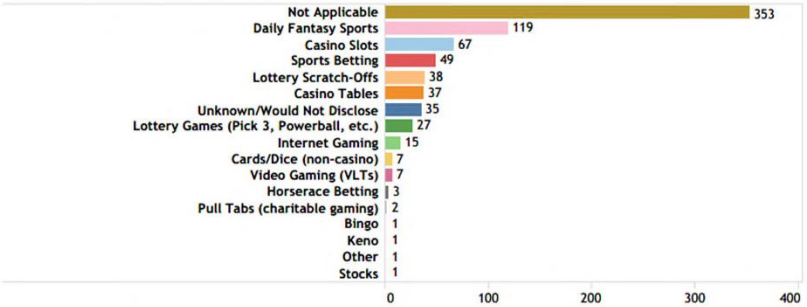


*Not Applicable reflects completed contacts unrelated to gambling addiction. Values not listed are contacts that could not be included due to insufficient data.

What prompted you to seek help?*



Types of gambling activities*



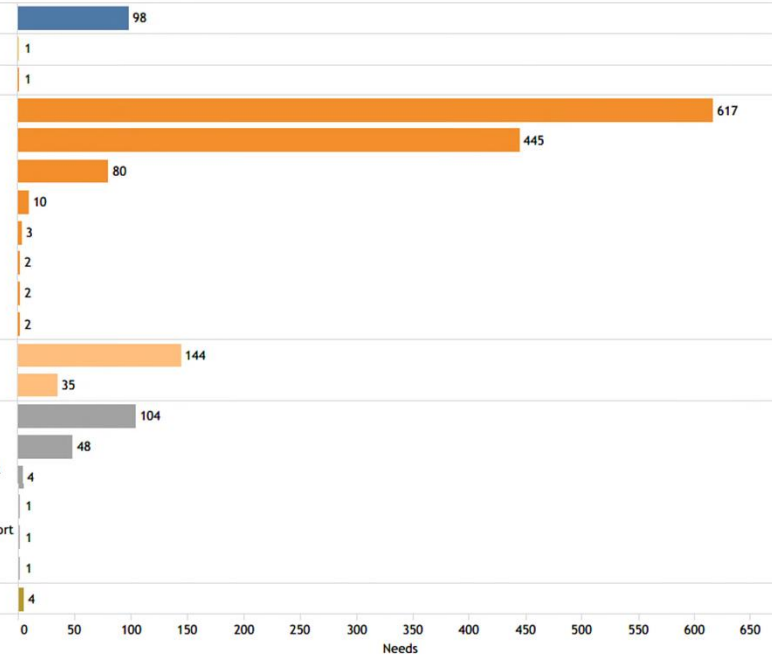
Contact Counts by Month

January 2022	February 2022	March 2022	April 2022	May 2022	June 2022	July 2022	August 2022	September 20..	October 2022	November 2022	December 2022	January 2023
456	444	541	652	523	522	685	571	550	599	657	635	1,492

prepared by United Way 2-1-1's community resource department

Specific client needs

Arts, Culture and Recreation	Lotteries	98
Housing	Emergency Shelter Clearinghouses	1
Income Support/Assistance	Federal Income Tax Information	1
Information Services	Guidance/Problem Solving Assistance	617
	Interrupted Call / Unexpected Termination	445
	Difficult Call - Could Not State Need	80
	Comprehensive Information and Referral	10
	No Caller On The Line / Bad Connection	3
	211 Lead Agencies	2
	Guidance / Problem Solving Assistance	2
	Printed Materials	2
Legal, Consumer and Public Safety Services	Gambling Regulation	144
	Gambling Self Exclusion Programs	35
Other	Gambling Addiction Counseling	104
	Gambling Addiction Support Groups	48
	Families/Friends of Individuals With a Gambling Addiction Support Groups	4
	Condition Specific Mental Health Information/Education	1
	Families/Friends of Individuals With an Alcohol Use Disorder Support Groups	1
	Gambling Addiction Hotlines	1
Transportation	Tourist Information	4



Subtotals of needs

Arts, Culture and Recreation	98
Housing	1
Income Support/Assistance	1
Information Services	1,118
Legal, Consumer and Public Safety Services	179
Other	121
Transportation	4

Conclusion

The Sports Betting Alliance extends its gratitude to Senator Manning and Representative Edwards and the committee for hosting today's meeting.

Good afternoon, Representative Edwards, Senator Manning and Esteemed Members of the Committee,

My name is Stacie Stern, the Senior Vice President of Government Affairs and Partnerships at Underdog Sports. I appreciate the opportunity to provide testimony today as the study committee explores the future of gaming and fantasy sports in Ohio.

Underdog is an emerging leader in the sports entertainment industry, focusing on verticals in paid fantasy sports, sports wagering, and sports content. Founded in early 2020 by industry veterans, we have rapidly grown to employ a workforce of more than 300 individuals across the United States. Underdog holds permits and licenses to offer fantasy sports contests in 17 states including here in Ohio, since July of 2020. And although the U.S. has seen rapid growth in the emergence of legal online sports betting, participation numbers in fantasy sports contests continue to climb with an estimated 1.5 million Ohioans engaging in games that connect them with the athletes they love to root for.

Looking ahead, Underdog is excited about the recent launch of our first online sportsbook in North Carolina, marking a significant milestone in our commitment to provide cutting-edge sports gaming experiences. We plan to launch our sports betting products in additional states, including here in Ohio, where we've already obtained a license, with plans underway for further expansion. Our mission: Build sports games that enhance how Americans interact with the sports they love, in a way that matches what matters to American sports fans.

As a fantasy sports and sports betting operator, Underdog is deeply committed to responsible gaming practices. We understand the importance of safeguarding individuals from the potential harms of excessive gambling. That's why, on top of providing comprehensive responsible gaming tools, we've established GuardDog, an initiative dedicated to investing in the prevention, detection, and treatment of problem gambling to further responsible gaming. GuardDog is an innovation fund focused on identifying and scaling new responsible gaming technologies. It launched with $1 million in initial funding to support and accelerate early-stage startups focused on building new and creative solutions to address problem gambling and further responsible gaming. I'm proud to share that we announced our first grant, idPair, earlier this month and will continue to encourage growth in the critical area of responsible gaming.

As we look forward to collaborating with the legislature and the Ohio Casino Control Commission ("OCCC"), we write to express our support for innovative legislation and regulations to keep up with modernizations in the fantasy sports and sports wagering industries.

Thank you for taking the time to collaborate with the fantasy sports industry. I appreciate the opportunity to testify, and I am available for any further inquiries.

Sincerely,

Stacie Stern
Senior Vice President, Government Affairs and Partnerships
Underdog Sports Holdings, Inc.



Ohio Sports Gaming Study Committee

Derek Longmeier
Interested Party Testimony
March 20, 2024

Co-Chairman Edwards, Co-chairman Manning, and members of the Ohio Study Commission on the Future of Gaming in Ohio. My name is Derek Longmeier, Executive Director of Problem Gambling Network of Ohio (PGNO). PGNO engages the spectrum of stakeholders, including Ohio for Responsible Gambling, which is a multi-agency collaboration between the Ohio Department of Mental Health and Addiction Services, Ohio Casino Control Commission and Ohio Lottery Commission.

As an interested party invested in the integrity and fairness of gaming activities within our state, aligning DFS regulations with those of sports betting and ensuring equitable taxation and consumer protections across both sectors are important steps to safeguarding the interests of Ohioans. The convergence of sports betting and DFS necessitates parallel regulatory frameworks. DFS was passed at a time when sports betting was illegal under the federal Professional and Amateur Sports Protection Act (PASPA). With PASPA overturned, the lines between sports betting and DFS have blurred. Failing to harmonize regulations between these two forms of gaming results in an inconsistent landscape for consumers and regulators alike. Aligning regulations would facilitate regulatory oversight, streamline compliance efforts, and enhance the overall integrity of Ohio's gaming industry.

Taxation parity between sports betting and DFS is essential for fostering a level playing field and maximizing revenue generation for the state. Just as sports betting operations are subject to taxation, DFS platforms should similarly contribute to Ohio through appropriate taxation measures by directing 2% of tax revenue dedicated to problem sports gaming.

Equally significant is the establishment of uniform consumer protections across both sports betting and DFS platforms. Ohioans participating in DFS activities should be provided the same safeguards and rights afforded to sports bettors including measures to prevent problem gambling and ensuring those engaged in DFS are above the minimum age to do so.

While the topic of today's hearing is sports betting and DFS, we should borrow items already in place through sports betting and apply them universally to DFS as well as other forms of legalized gaming in the state. These consumer protections include:

1. Know Your Customer (KYC): KYC regulations are essential for verifying the identify of players, detecting potential underage gambling, preventing fraud, and promoting responsible gambling practices that can be integrated into the KYC platforms.
2. 2% of tax revenue set-aside for problem gambling support: As with sports betting and casino gambling, 2% from tax revenue derived from gambling should be set-aside dedicated to support problem gambling prevention, treatment, and research.
3. Data collection: An Ohio college or university may receive anonymized data from a sports betting operator in order to either ensure the integrity of sports gaming or improve state-funded services related to responsible gambling and problem gambling.
4. Restricted advertising: A sports gaming operator may not advertise or promote on Ohio college or university campuses.
5. Helpline resources: Clearly and conspicuously include information about how to access help, either through the Ohio Problem Gambling Helpline or the National Problem Gambling Helpline, 800-GAMBLER.
6. Statewide Voluntary Exclusion Program (VEP): The Statewide VEP, Time Out Ohio, is a vital tool for empowering individuals to take control of their gambling by voluntarily agreeing not to engage in gambling activities in Ohio, thereby reducing the risk of excessive gambling and mitigating the negative consequences associated with problem gambling.

In conclusion, PGNO recommends using the provisions outlined in Ohio's sports betting laws and applying them across regulated gaming as well as classifying daily fantasy sports as sports betting. Doing so would ensure appropriate regulation, taxation, and consumer protections for DFS that are not currently provided under the skilled gaming designation.

I appreciate the Study Commission's dedication to exploring the future of gaming in Ohio and trust that my concerns and recommendations will be given thoughtful consideration.

Thank you for the opportunity to provide written testimony as an interested party and I look forward to answering any questions you may have.

Sincerely,



Derek Longmeier, Executive Director
Problem Gambling Network of Ohio

To: Study Commission on the Future of Gaming in Ohio

From: SidePrize LLC d/b/a PrizePicks

Date: March 20, 2024

Re: **Study Committee Hearing on Sports Betting and Daily Fantasy Sports**
Written Testimony

Dear Senator Manning, Representative Edwards and Members of the Commission,

I write to you today on behalf of SidePrize LLC d/b/a PrizePicks ("PrizePicks"), the largest privately-held Daily Fantasy Sports ("DFS") operator in the country. PrizePicks currently operates paid fantasy contests in 29 states plus the District of Columbia, many of which, like Ohio, have detailed daily fantasy contest regulations and licensing procedures. PrizePicks offers skill-based, online fantasy sports contests that allow contest participants to strategically select both a roster of athletes across multiple sports, leagues, and teams and the projected fantasy score or single- or multi-statistical measures (e.g., home runs or passing yards + touchdown passes) for each athlete on the participants rosters.

PrizePicks thanks this Legislature for its foresight and effort in passing DFS legislation ahead of the curve in 2018. As an attorney for DraftKings and FanDuel testified at the time, "fantasy sports is our new national pastime," especially in Ohio where an "estimated 1.9 million Ohioans play fantasy sports every year."[1] Since giving that testimony in September 2017, those figures have grown exponentially. In 2023, an estimated 55.7 million Americans participated in fantasy sports, a figure which accounts for a full 21% of Americans.[2] Americans of all walks of life love fantasy sports, and that passion is the lifeblood of what PrizePicks does.

Since passage of the DFS legislation, PrizePicks has been fortunate to engage with the Ohio Casino Control Commission ("OCCC") – a national leader in gaming regulation – on a variety of matters related to DFS contest regulation and market access. As of today, PrizePicks does not offer contests in Ohio, but remains in active and constructive conversations with the OCCC in order to enter the crucial Ohio market. As part of the next steps in these efforts, we look forward to working with this Commission and the State Legislature on finding potential resolutions to the current obstacles standing between our company and operation in Ohio.

PrizePicks is proud to be at the forefront of DFS 2.0, a new wave of fantasy contests that include games such as "Pick 'em" and "best ball." One of PrizePicks' fastest growing offerings is "Arena," a peer-to-peer form of Pick 'em wherein participants must select a 2-athlete, 3-athlete, or 4-athlete roster, with athletes drawn from no less than two real-life teams (in the case of team sports). Participants can neither compose a roster of athletes drafted solely from one team nor have a roster size of fewer than two athletes. Once a participant selects their roster, they are

[1] Written testimony of Scott S. Ward, National Public Policy Counsel to FanDuel & DraftKings, before Ohio Senate Finance Committee on HB 132 (September 19, 2017).
[2] Fantasy Sports & Gaming Association Winter 2024 Survey.

directed into a multi-player contest where the participants compete against each other for a prize fixed and known in advance to all contest participants.

Currently, "Pick 'em" style fantasy contests, in all forms, are not available to Ohioans because of the OCCC's prohibition on fantasy contests that "have the effect of mimicking proposition selection."[3] The OCCC's rulemaking efforts following the legislature's passage of HB 132 and creation of Ohio Rev. Code § 3774.01 were intended to ensure that fantasy contests remain "based on the skill of fantasy contest players, as required by statute."[4] This is a commendable objective, and one PrizePicks supports. But we believe these efforts to prevent predatory operators from abusing the fantasy statute have led to the unintended consequence of prohibiting all "Pick 'em" style fantasy contests under the "proposition selection" exclusion. This has set the stage to allow "salary cap" style fantasy contests, dominated by DraftKings and FanDuel, to control the DFS market in Ohio. This unintended restriction on the many types of "Pick 'em" style offerings is to the detriment of other operators that will provide additional revenue to Ohio, and, most importantly, Ohio consumers seeking the most advantageous and competitive platform on which to enjoy DFS offerings.

"Pick 'em" and other forms of DFS contests have overtaken "salary cap" as the most popular forms of DFS across the country. As you know, part of the rulemaking process in Ohio include the new rule being subjected to a Rule Summary and Fiscal Analysis. As part of the Fiscal Analysis, the promulgating agency must answer whether a proposed rule "increase[s]/decrease[s] [] revenues. . .affecting this agency, or the state generally, in the current biennium or future years."[5] In 2019, OCCC responded in the negative when asked the above question, stating that the proposed rule "will have no impact on revenues or expenditures."[6] What OCCC and others reasonably overlooked at the time was the advent of new forms of DFS, and the wild demand for these innovative contest types from consumers across the nation. This well-intentioned rule is now restricting more than a dozen DFS operators from entering the Ohio market, preventing the collection of millions in taxes and fees for Ohio, eliminating free-market competition amongst operators, and, most important of all, eliminating dozens of more choices for Ohio consumers.

In discussing this barrier to entry with the OCCC, we have found a friendly and diligent counterpart with an open-door policy and a willingness to entertain all ideas. After continuous discussion, the parties have agreed that a legislative fix to this concern is in the best interest of all involved. PrizePicks therefore asks that this Commission review the statute itself in conjunction with the stated objectives of the OCCC and spearhead discussions on how best to improve the current fantasy contest statute to remove this barrier to entry while continuing to ensure a safe, reliable and fun marketplace for Ohio's fantasy-sports loving citizenry.

Respectfully submitted,

Joshua L. Kirschner
Outside Counsel for SidePrize LLC d/b/a PrizePicks
Joshua.kirschner@nelsonmullins.com

[3] Ohio Admin. Code R. 3772-74(B)(4).
[4] OCCC Rule Package No. 186474, Notice of Public Hearing (June 3, 2019).
[5] Rule Summary and Fiscal Analysis for Rule No. 3772-74-11, Part A – General Questions § II(11).
[6] *Id.*



Wednesday, March 20th, 2024

To: Ohio Sports Gaming Study Committee
From: The Coalition for Fantasy Sports
Re: Ohio Sports Gaming Study Committee Hearing

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Dear Representative Edwards, Senator Manning and Esteemed Members of the Committee,

The Coalition for Fantasy Sports is writing to provide testimony today as the committee explores the future of gaming and fantasy sports in Ohio. Our coalition is made up of members from leading, innovative fantasy sports platforms - Underdog Fantasy, PrizePicks, and Betr, and we are proud to represent millions of fantasy sports fans across the nation.

Our members' offerings are games of skill that conform with the fantasy sports definition in the Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA), and equivalent to other daily fantasy products that have been operating for nearly a decade.

All of our members' games follow these three rules:

- Fantasy players must select multiple players from multiple teams
- The winning results must be determined by athlete performance and their accumulated statistics in real world sports events.
- The prizes must be defined and made known to contestants before submitting entry.

Unlike sports betting or gambling, we do not provide games of chance where the outcome of the game is determined mainly by chance. We believe laws and regulations are most effective when they distinguish fantasy sports as games of skill.

The Coalition for Fantasy Sports looks forward to continuing to work in partnership with the Ohio legislature and the Ohio Casino Control Commission ("OCCC") as we aim to continue the conversation surrounding modernization in the state that would permit the most innovative fantasy sports games played nationwide today.

Thank you for taking the time to work with the fantasy sports industry and our members.

Sincerely,

The Coalition for Fantasy Sports

OHIO COUNCIL OF RETAIL MERCHANTS

March 19, 2024

The Honorable Jay Edwards
Co-Chair
Study Commission on the Future of Gaming
Ohio House of Representatives
77 S. High St., 13th Floor
Columbus, Ohio 43215

The Honorable Nathan Manning
Co-Chair
Study Commission on the Future of Gaming
Ohio Senate
Ohio Statehouse
Columbus, Ohio 43215

Dear Chairman Edwards and Chairman Manning:

On behalf of the Ohio Council of Retail Merchants & Affiliates (Council) and our 7,700 members, we appreciate the opportunity to provide written testimony before the Study Commission on the Future of Gaming in Ohio. The Council's members, including hypermarkets, supermarkets, grocery stores, and convenience stores, represent a vast majority of the Ohio Lottery Commission's authorized retail agents and have a vested interest in its continued success.

Over the past 50 years, the Ohio Lottery Commission, in partnership with Ohio retailers, has collected tens of billions of dollars for K-12 education in Ohio. As authorized lottery retail agents, retailers receive a commission on lottery game sales. Commission payments entice participation in the program and offset costs associated with offering Ohio Lottery Commission games. Although retail lottery commissions pale compared to margins on other products, lottery play does drive customer traffic to stores and contributes to the sale of other ancillary products. For smaller retailers, lottery sales may account for a higher percentage of their overall revenue. Few public-private partnerships have been as beneficial for consumers, businesses, and the state as the partnership between retailers and the Ohio Lottery Commission.

The lottery industry has evolved since the Ohio Lottery Commission's first game in 1974. Innovations, games, and products have emerged, and retailers have embraced these changes. Retailers spend considerable time and resources in training, store layout design, and marketing to position their lottery business for success. The retail sector operates in a highly competitive market with few barriers to entry. The Ohio Lottery Commission faces similar challenges with competing gaming platforms and products. For continued success, retailers and the Ohio Lottery Commission must have a shared vision for the future.

We understand that new offerings such as iLottery are an evolution of lottery play. Retailers are sensitive to changing consumer demands and have developed omnichannel strategies linking brick-and-mortar

sales with e-commerce sales. A perfect example of this strategy is curbside pickup. Retailer success hinges on customer-centric methods. In that spirit, we appreciated the thoughtful approach of Senator Manning and Senate leaders through the Senate's passage of Senate Bill 269 from the 134th Session of the General Assembly. Senators sought retailer input throughout the process. SB 269 would be a great starting position for conversations regarding iLottery or other online games.

With the introduction of sports betting to Ohio's portfolio of state-sanctioned gambling and the recent discussions on iGaming, we urge this study commission to be mindful of the delicate balance between brick-and-mortar and online play. As we move forward, we stand ready to be a resource to this study commission, Members of the General Assembly, and other industry stakeholders.

Sincerely,



Alex T. Boehnke
Vice President of Legislative and Corporate Affairs

cc: Members of the Commission

3506 Greenville Blvd NE, Greenville, NC 27834
(252) 329-7900 www.grovergaming.com

Representative Jay Edwards, Co-Chair
Senator Nathan Manning, Co-Chair
Study Commission on the Future of Gaming in Ohio

Representative Edwards and Senator Manning:

My name is Marc Downing, and I am Chief Counsel of Grover Gaming, Inc., a developer of software, game content, and gaming systems for charitable gaming jurisdictions across the country. In Ohio, Grover Gaming manufactures and distributes instant bingo deals and electronic instant bingo devices. On behalf of Grover Gaming, I would like to express our appreciation for the legislature and all the work it has done to advance charitable gaming in Ohio.

As the nation's leader in electronic charitable gaming, Grover Gaming's products have netted our charitable partners over $600 million nationwide—in Ohio, New Hampshire, North Dakota, Kentucky, and Virginia. These fundraising efforts are made possible by the work of the legislature in each of these states. As one such state legislature, thank you for making this achievement possible.

With the revenue that charitable organizations bring in, they are able to reinvest in themselves by renovating and updating their posts and lodges, offer new services to their members and, most importantly, invest more in their charitable causes in their local communities. Additionally, participating charities have seen their membership increase, tapping into younger demographics. Charitable gaming has brought positive, palpable change to charities and local communities across the nation.

The revenue generated by charitable gaming has brought many charitable clubs back from the brink of collapse. Plagued by decreasing membership, little revenue, and dilapidated facilities, many clubs struggle to pay their overhead costs. Charitable gaming has mitigated, if not erased entirely, these issues for our partnering charitable organizations.

Grover Gaming and charitable organizations both strive to raise as much money for the charitable organizations as possible. State legislation plays a huge role in determining our success in achieving this goal. For example, the revenue generated by charitable gaming is heavily dependent on whether or not members of the organizations are entertained by our games. If members are not entertained by our games, they will not play the games, and thus, the games will not bring in money for the organizations. The statutory framework determines what features we, as manufacturers, are able to incorporate into our games. We ultimately want to make games that members will enjoy playing.

Grover Gaming and charitable organizations also have a shared goal of ensuring that the organizations are prosperous both now and in the future, as this is requisite for the organization's continued support of the local community. This prosperity is dependent on revenue generated, but it is also dependent on how it is reinvested. It is important to both us and the charities that the charities are able to utilize the revenue to reinvest in themselves, ensuring future growth.

The General Assembly of Ohio has supported, and can continue to support, charitable gaming in achieving fundraising goals by keeping the interests of charitable organizations at the forefront of any considerations to amend the statutory framework.

Currently, Grover Gaming does not request any changes to the statutory framework. Charitable gaming will continue to evolve and modernize in ways unforeseeable. For this reason, Grover Gaming asks that the Ohio General Assembly continue to work towards the goal shared by charitable organizations, manufacturers, and distributors–increased fundraising for Ohio's charitable organizations.

Thank you for your time.

Very Respectfully,

Marc C Downing

Marc Downing
Chief Counsel
Grover Gaming, Inc.

cc: Representative Cindy Abrams
Representative Jeff LaRe
Representative Bride Rose Sweeney
Senator Terry Johnson
Senator Al Landis
Senator William DeMora

Playtech
Mid-City Place, 71 High Holborn,
London, WC1V 6DA

19 March 2024

Study Committee on the Future of iGaming in Ohio

Att: Senator Manning and Representative Edward, members of the Committee

Playtech would like to thank you for the opportunity to provide written testimony to the Study Committee in support of legalisation of online casino and poker (igaming). With this submission we would like to complement our written testimony, focusing on Responsible Gambling.

We are a leading technology supplier to the gambling sector providing licensed operators with gambling software, data-driven services, and platform technology across the industry's most popular products, including casino games and live casino entertainment, sports betting, poker and bingo, as well as a provider of betting terminals and player management systems in casinos.

In the North Americas we hold licenses in several US states as well as Ontario, serving leading gambling companies. As a key provider of live casino entertainment, in the US we have launched state-of-the-art studios in Michigan, New Jersey and more recently Pennsylvania.

Playtech Submission

As previously stated, Playtech is of the view that regulating igaming in Ohio would bring numerous benefits to the state. This has been the experience in regulated markets across Europe, Latin America, North America. In the Annex to this letter, we share selected market information for igaming.

Online casino is not meant to drag customers out of a physical casino, but to complement the legal offer by providing games that mostly interest a different segment of players. In the absence of regulated igaming, these players would continue to search for these games online, and cognisant that citizens in neighbouring states enjoy regulated igaming. Regulating igaming would recover these players in Ohio, bringing them under state regulatory oversight and protection.

Responsible Gambling

Amongst the most important technological innovations being introduced is in the field of responsible gambling. In part, because of increased media scrutiny and political pressure in regulated jurisdictions. Particularly in Europe where igaming and online sports betting ('online gambling') has been regulated for several years. That pressure was on the industry to be more proactive in this field. It is also due to significant efforts that have been put into the research and development of **artificial intelligence tools** that allow a much better understanding of players' behaviour and can detect possible risks early on.

Today, several regulated jurisdictions, including New Jersey, require operators to have tools that analyse and monitor the behaviour of players. It is a data driven approach.

Increasingly, at events with industry and regulatory authorities represented, there are deeper discussions, on enhancing the protection of players as much as enhancing education and awareness about igaming. In our view, a more proactive approach is important, with newly regulating igaming states having an opportunity to drive this from the outset, with the industry.

We would like to share with the Study Committee the role of behavioural analytics in enhancing responsible gambling measures, how data-driven approaches can complement traditional responsible gambling tools to better protect players whilst they enjoy their entertainment activity of choice.

Traditional Responsible Gambling Tools: Responsible gambling has traditionally relied on measures such as player-set limits, self-exclusion, and reality checks. These tools remain essential, and should be accessible and promoted, though they have limitations.

- Player-set limits can be effective but require active participation and self-awareness from the player, arguably that responsibility being largely solely on the player.
- Self-exclusion is often a last resort for individuals already experiencing severe gambling problems.
- Reality checks provide periodic reminders of time/money spent but players might dismiss/ignore these.

In Europe, a Recommendation (soft law) was elaborated in 2014, encompassing over 40 guiding principles aimed at protecting consumers, players and children from risks associated with online gambling (europa.eu). It covers the above and more, the aim was to mobilise key stakeholders in the growing online gambling sector, providing a high-level baseline responsible gambling that involved regulatory authorities in its elaboration. However, as online gambling continues to expand, there has been a growing need for more proactive and personalized approaches to identify and assist at-risk players.

The Modern Complementary Approach: This is where behavioural analytics has a role to play in responsible gambling, alongside the above-mentioned. It enables proactive identification of at-risk players before harm occurs, and it enables personalised interventions for early prevention of harm.

By leveraging advances in data science and machine learning, it is now possible to **analyze patterns in player behaviour to detect early signs of problems related to gambling**. Behavioural analytics models are designed to process large volumes of data from multiple sources, such as financial transactions, gameplay history, and even mouse movements. The goal is to build a comprehensive profile of each player's gambling habits over time. In a regulated environment, players are identified and verified to open a gambling account, and with robust authentication methods and password requirements to access one's player account or log back in after inactivity so only the account holder is able to play using his/her account.

A key aspect of behavioural analytics is the ability to establish a baseline of normal gambling behaviour for each individual player. This is critical because **what constitutes risky gambling can vary significantly from one player to another**, based on factors such as income, frequency of play, and game preferences. By comparing a player's current behaviour to their own historical patterns, behavioural analytics can flag deviations that may indicate a gambling-related problem is developing.

- For example: a sudden increase in bet size, frequency of play, or total amount wagered could be an early warning sign.
- Other potential risk indicators include chasing losses, playing late at night or during work hours, and using multiple payment methods.
- Behavioural analytics models are designed to weigh the relative importance of each factor and combine them into an overall risk score for each individual player.

We would emphasize that behavioural analytics is not about labelling players as problem gamblers based on a single red flag. Rather, it is about identifying patterns over time that suggest a player may

be struggling to maintain healthy gambling habits. The goal is to enable early intervention before the problem escalates.

Once a player is flagged as potentially at-risk, the next step is to determine the appropriate intervention. This is another area where behavioural analytics can play a valuable role by **enabling personalized and targeted interactions with the player**. Instead of a one-size-fits-all approach / generic message, operators can tailor their messaging and recommendations based on the specific risk factors identified for each player.

- For example, a player who has been flagged for chasing losses might receive a message highlighting the importance of setting and sticking to a budget.
- A player who has been playing late at night might be encouraged to take breaks and consider setting time limits.
- The key is to deliver the right message at the right moment in a way that resonates with the individual player.

Research has shown that **personalized messaging can be far more effective than generic warnings** at prompting positive behaviour change. In one study, online gamblers who received tailored feedback based on their actual gambling data were more likely to read the message and take action compared to those who received a standard warning (Auer & Griffiths, 2015).

Behavioural analytics can also facilitate more efficient use of human resources by enabling operators to prioritize interactions with the highest-risk players. Customer service agents can receive training on how to interpret risk scores and initiate conversations with flagged players. These conversations can serve to gather more information about the player's situation, provide support and guidance, and discuss appropriate next steps such as setting limits or taking a break from gambling.

Behavioural analytics is *not* a replacement for traditional responsible gambling measures but a complement to them. By adding behavioural analytics, operators can take a more proactive and personalized approach to player protection.

BetBuddy

To further explain the above, we'd like to provide an example of a behavioural analytics solution that is designed specifically for the gambling industry, BetBuddy. BetBuddy is developed by Playtech. This is not the only solution available. Today, there are a number of Responsible Gambling Tools/Solutions.

BetBuddy utilizes up to four different risk models to build a comprehensive profile of each player:

1. **Inferred model:** It uses machine learning to identify patterns in player behaviour that are similar to those of past players who have self-excluded due to gambling-related problems. This model is trained on historical data and is continuously refined as new data becomes available.
2. **Exhibited model:** It tracks changes in a player's gambling behaviour compared to their own historical baseline. This model is designed to flag deviations from normal patterns that may indicate a developing problem.
3. **Declared model:** It incorporates self-assessment data provided by players. This could include responses to questionnaires or other feedback mechanisms that allow players to report on their own gambling habits and well-being.
4. **Real-time model:** Analyzes player behaviour as it occurs, updating risk scores based on the latest gameplay data. This allows for rapid identification of potential issues and enables real-time interventions.

The models are customized for each operator based on their specific player base and product portfolio. The solution is designed to integrate with existing operator systems and can be scaled to accommodate any size of operation.

In the case of BetBuddy, operators provide regular data feeds on player activity. This data is used to train and refine the risk models and to generate player risk scores. We work closely with operators to ensure data security and privacy, and **all data is anonymized** to protect player identities.

Operators who implement BetBuddy receive training on how to interpret risk scores and use the tool effectively. They also have access to a range of intervention options, from automated messaging to human interactions, that can be tailored to each player's specific risk profile. Interactions are recorded in the system to facilitate case management and continuous improvement of intervention strategies.

A key benefit of a solution like BetBuddy is that it continues to evolve based on the latest research and real-world experience. As new data becomes available and as intervention strategies are tested and refined, the models become more accurate and effective over time. This **commitment to continuous improvement is essential** in an industry where new games and platforms are constantly emerging, and player behaviours may shift in response.

While no single tool can prevent all instances of problem gambling, behavioural analytics offers a promising approach to identifying and assisting at-risk players. By leveraging data to gain a more comprehensive understanding of each individual's gambling patterns, operators can intervene early and effectively **to promote healthier/positive play habits and prevent harm**.

Conclusion

At Playtech we strongly believe the regulation of iGaming is a massive benefit for all key stakeholders. A well-designed regulatory framework will ultimately protect players from being on illegal websites, with no protection against gambling-related harm and personal and financial/banking data, or that any winnings would be paid out to them. As well as ensuring revenue due to the State from gambling.

As you study the future of igaming in Ohio, we encourage the Committee to explore the potential of behavioural analytics. In our view, it is an approach that Ohio can adopt for the regulation of igaming.

We welcome the opportunity to submit our views on an important topic. We look forward to future opportunities and to supporting efforts to promote safe and sustainable online gambling in Ohio.

Sincerely,



Charmaine Hogan
Head of Regulatory Affairs, Playtech

Sent to: Rep94@ohiohouse.gov, manning@ohiosenate.gov , jett.facemyer@ohiohouse.gov, Nicholas.boggess@ohiohouse.gov, Brendan.embry@ohiosenate.gov, lindsay.murch@ohiosenate.gov

Annex

1. **Economic Contributions of Ontario's Regulated iGaming Market Report,** iGaming Ontario
2. **North America Land-based and Online Gaming Revenues**, H2 Gambling Capital
3. **USA online casino – Live Casino Gaming Revenues by Product**, H2 Gaming Capital
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5. **Europe: Share Online Gaming and Online Sports Betting Gaming Revenues (2022/2023**), in-house estimates and various regulatory bodies.

Annex

1. Economic Contributions of Ontario's Regulated iGaming Market

 **Human capital development**	• In executing their business activities, the occupational breakdown of iGaming operators often centres around those with technical, creative, and commercial skills respectively. Early evidence suggests that the foundation of the employment base for Ontario's regulated iGaming market entails highly skilled positions. • Compensation levels are also higher than the average across all industries, as evidenced by an estimated job compensation in Year 1 of $103,000 at Ontario's licensed iGaming operators which is 41% more than the average job compensation across all industries, $73,000.[8] This reflects industry demand and premium for the highly skilled positions demanded in the iGaming market, such as engineering, software development, and product development roles.
 **Establishment of cross-sectoral linkages with high value-add sectors**	• Analyzing the expenditure activity of licensed iGaming operators shows that there is potential for the development of a 'iGaming economic ecosystem'. This ecosystem could encompass various high value added (measured by GDP) and productive (as measured by GDP per hour worked) sectors such as real estate professional, scientific, and technical services, as well as information and cultural industries, bringing together diverse organizations and talent in responding to the demand generated by the newly regulated, and growing, iGaming industry. • The iGaming industry also has the potential to benefit from Ontario's well-established technology clusters, which have been identified as a priority sector for investment attraction in the province.[9] In addition to leveraging these existing clusters, the iGaming industry also plays a vital role in nurturing and expanding them by acting as a host sub-ecosystem for top talent. This adds further momentum to Ontario's already strong position in this space, making it an attractive destination for businesses and investors alike.
 **Technological development and innovation**	• For the iGaming industry, the focus of differentiating – and winning – on product has led to an increased importance on resource and capital allocation towards 'in-house' technology, risk and trading, and product development for B2C iGaming operators. These activities support product innovation and productivity gains both within and outside the industry and can form the basis for an acquisition thesis. • From an economic standpoint in Ontario, the productivity gains in the iGaming industry could potentially create export opportunities for both products and talent services. This could drive the demand for highly skilled and technical positions, leading to increased investment in the sector. Additionally, it could lead to innovation and investment in related industries such as B2C iGaming operator partners. • Moreover, by focusing on in-house technology and product development, Ontario-based iGaming operators may create new intellectual property (IP) opportunities, which have economic benefits, as there is a large body of economic research that suggests that intellectual property is one of the key drivers of economic growth.[10] By being home to new patents, Ontario could further establish itself as a hub for innovation and attract more investment. • Overall, the productivity gains in the iGaming industry have the potential to stimulate growth in multiple areas of the economy, and further establish Ontario as a leader in the technology and innovation sectors.

It is critical to note that, for the economic benefits identified above to occur in a meaningful way, player safety must be at the forefront. The Government of Ontario acknowledged this fact and consumer protection as a key pillar when it introduced the establishment of iGaming Ontario in July 2021.[13] A licensed and regulated market offers additional choice and opportunities for the consumer, and this additional choice and opportunity requires additional awareness, education, and programs in place to support at-risk groups. Every stakeholder engaged throughout this study highlighted the importance of responsible gambling, and the opportunity for Ontario to lead, establish, and export a 'responsible gambling culture' to the global iGaming community. Specific opportunities identified, as the regulated iGaming market in Ontario evolves, include:

- Establishment of a centralized self-exclusion platform for the province;
- Building a dataset – using responsible gambling and player behaviour data - to inform an insight-driven perspective on at-risks groups for problem gambling, policy development, the design of awareness and prevention programs and to track the effectiveness of targeted prevention programs; and
- Intentional and continued consideration on how advancement in technology and analytical tools can be applied from a responsible gambling perspective; specifically interpreting data across all player touchpoints as an opportunity to garner learnings, sharing of best practices and responding to the needs of players to drive player health outcomes.

By prioritizing safe growth, Ontario can foster sustainable growth and realize the benefits outlined in this study. Moreover, implementing best-in-class regulations that balance consumer protection and commercial opportunity could enhance Ontario's comparative advantage in the iGaming industry. Safe growth will promote sustainable growth, and realization of the benefits presented throughout this study.

Source: *Economic Contributions of Ontario's Regulated iGaming Market Report by Deloitte*

2. North America Land-based and Online Gaming Revenues, H2 Gaming Capital

North America - Land-based Revenues									
(US$m)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023p**	**2024e**	**2025e**
Horserace	1,991	1,942	2,103	1,693	2,578	3,195	3,546	3,616	3,686
Sports	472	553	726	632	1,030	1,071	1,046	1,222	1,282
Total Betting	2,463	2,495	2,829	2,325	3,608	4,266	4,592	4,838	4,968
Casino	71,467	73,988	76,135	60,514	71,727	85,165	88,742	91,441	94,625
Gaming Machines	13,918	14,794	15,118	12,665	12,385	16,593	18,342	18,896	19,439
Bingo	3,183	3,308	3,428	2,570	2,630	3,568	4,152	4,350	4,559
Total Gaming	88,567	92,090	94,680	75,748	86,742	105,326	111,236	114,687	118,623
Lotteries	29,273	30,701	33,165	31,320	36,210	36,229	37,183	38,396	38,131
Total Gambling	**120,304**	**125,286**	**130,675**	**109,393**	**126,560**	**145,822**	**153,011**	**157,922**	**161,723**

North America – Onshore Online Revenues									
US$m	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023p**	**2024e**	**2025e**
Total Betting	551	718	1,110	2,076	4,769	7,990	12,067	15,503	17,574
Casino	441	578	889	2,271	5,132	6,756	8,765	10,411	14,210
Poker	43	47	56	139	178	214	268	304	720
Bingo	7	11	12	20	31	29	29	30	31
Total Gaming	491	635	956	2,429	5,341	6,998	9,062	10,745	14,961
Lotteries	404	484	675	1,049	1,814	2,093	2,926	3,644	4,089
Regional Total	**1,446**	**1,837**	**2,740**	**5,555**	**11,925**	**17,082**	**24,056**	**29,892**	**36,624**

Source: *H2 Gaming Capital*

3. USA online casino – Live Casino Gaming Revenues by Product, H2 Gaming Capital

USA - Online Casino Revenues by Product

US$m	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e	2027e	2028e
Slots	171	214	382	1,264	2,813	3,926	4,832	5,430	8,527	12,118	13,423	14,809
RNG Tables	21	25	47	198	313	388	428	466	713	985	1,061	1,170
Live Casino	32	42	71	166	650	860	1,099	1,250	1,982	2,845	3,182	3,510
Total Onshore iCasino GGR	**224**	**280**	**500**	**1,627**	**3,776**	**5,174**	**6,359**	**7,146**	**11,222**	**15,947**	**17,666**	**19,490**
Slots	76%	76%	76%	78%	74%	76%	76%	76%	76%	76%	76%	76%
RNG Tables	9%	9%	9%	12%	8%	8%	7%	7%	6%	6%	6%	6%
Live Casino	14%	15%	14%	10%	17%	17%	17%	17%	18%	18%	18%	18%
Total Onshore iCasino GGR	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: *H2 Gaming Capital*

4. Europe Land-based and Online Gaming Revenues, H2 Gaming Capital

Europe - Land-based Revenues									
(US$m)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023p**	**2024e**	**2025e**
Horserace	4,224	4,055	3,960	2,894	3,133	3,932	4,113	4,237	4,366
Sports	6,974	7,881	8,565	6,374	6,841	8,845	9,344	9,785	10,282
Total Betting	11,198	11,936	12,525	9,268	9,974	12,777	13,457	14,022	14,648
Casino	9,880	9,818	10,073	5,892	5,179	9,437	10,095	10,411	10,722
Gaming Machines	33,651	33,015	32,638	17,589	18,730	29,329	30,395	31,860	32,709
Bingo	2,178	2,297	2,192	1,191	1,083	2,011	1,752	1,731	1,698
Total Gaming	45,709	45,130	44,903	24,672	24,992	40,777	42,242	44,003	45,130
Lotteries	32,394	32,680	33,829	29,690	33,496	34,648	34,879	35,980	36,818
Total Gambling	**89,301**	**89,746**	**91,258**	**63,630**	**68,461**	**88,203**	**90,578**	**94,005**	**96,595**

Europe – Onshore Revenues									
(US$m)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023p**	**2024e**	**2025e**
Betting	7,162	8,510	10,149	12,311	16,057	17,732	20,042	22,203	24,246
Casino	5,474	6,056	7,359	9,365	11,448	13,568	16,147	18,009	19,308
Poker	718	756	836	1,237	1,121	1,175	1,315	1,381	1,430
Bingo	585	591	631	672	774	743	831	841	869
Total Gaming	6,778	7,402	8,825	11,274	13,344	15,486	18,292	20,231	21,607
Lotteries	2,907	3,436	4,159	5,271	6,251	6,669	7,344	8,173	9,024
Regional Total	**16,847**	**19,349**	**23,133**	**28,857**	**35,652**	**39,887**	**45,677**	**50,608**	**54,878**

Source: *H2 Gaming Capital*

5. Europe: Share Online Gaming and Online Sports Betting Gaming Revenues

Country	Sector	Online Gaming Revenues (US$m)	% of the Market	Country	Sector	Online Gaming Revenues (US$m)	% of the Market
Denmark	**Online Betting** **Online Gaming** **Total**	240 451 **691**	35% 65% **100%**	**New Jersey**	**Online Betting** **Online Gaming** **Total**	962 1,924 **2,886**	33% 67% **100%**
France	**Online Betting** **Online Gaming (Only Poker)** **Total**	1,895 483 **2,378**	80% 20% **100%**	**Portugal**	**Online Betting** **Online Gaming (No Live Casino)** **Total**	324 521 **845**	38% 62% **100%**
Greece	**Online Betting** **Online Gaming** **Total**	403 404 **807**	50% 50% **100%**	**Spain**	**Online Betting** **Online Gaming** **Total**	386 718 **1,104**	35% 65% **100%**
Italy	**Online Betting** **Online Gaming** **Total**	1,825 2,875 **4,700**	39% 61% **100%**	**Sweden**	**Online Betting** **Online Gaming** **Total**	**737** **821** **1,558**	47% 53% **100%**
Netherlands	**Online Betting** **Online Gaming** **Total**	298 867 **1,165**	26% 74% **100%**	**UK**	**Online Betting** **Online Gaming** **Total**	2,965 5,120 **8,085**	37% 63% **100%**

Source: in-house estimates, various gambling regulatory bodies including, Danish Gambling Authority, French National Gaming Authority, Hellenic Gaming Commission, Italian Customs Agency and Monopolies, Dutch Gambling Authority, New Jersey Division of Gaming Enforcement, Gaming Regulation and Inspection Service, Directorate General for Gambling Regulation, Swedish gambling authority and Gambling Commission

1. **France**: A study carried out by PWC showed the share of the illegal offer of online gambling and chance games (excluding "Play to earn" games) is estimated between €748 million and €1,540 million in GGR for the year 2023 . This works out to around 25% to 40% of the entire market.
2. **Portugal**: A study conducted by Aximage, a polling and market studies firm, revealed that around 40% of players bet, partly or exclusively, on unlicensed operators.

Thank you for the opportunity to submit testimony to the gaming committee. My name is David A. George and I am the President of the Fair Gaming Coalition of Ohio which was formed almost 15 years ago and consists of over 5,000 bars, taverns, truck stops and bowling centers who are fighting to ensure that gaming opportunities are shared equitably and not hogged by the racinos and casinos. The General Assembly brilliantly brought sports betting to Ohio. You passed responsible legislation that was focused on maximizing the benefit to the state, not establishing monopolies for the select few. The free market is the driving force behind determining who is successful. We respectfully ask for the same consideration as the committee studies the addition of additional forms of gaming in Ohio.

Ohio has two issues related to gaming that need addressed simultaneously:

I. Due to the now expired MOU signed by former Governor Kasich, the casinos have held a monopoly over gaming in Ohio and the state is not maximizing its revenue. Please see the attached table for the revenue Ohio is missing as compared to neighboring states.

Solution: Allow for additional VGT's outside the racetracks in bars, taverns, truck stops and bowling centers at a 40% tax rate which would result in close to $1 billion per year in revenue to the state of Ohio while creating thousands of jobs and helping thousands of small businesses . Just a reminder, at their own testimony in front of your committee the I Gaming industry projected less than half of that revenue, and only offered a 10-20% tax rate while delivering zero jobs and providing the profits to out of state companies.

II. Unregulated, unlicensed and untaxed gambling devices have been a problem in Ohio for over 20 years. The General Assembly has passed several laws trying to eliminate the devices and despite herculean efforts by the Ohio Casino Control Commission to eliminate the games, it is an unattainable task due to already taxed law enforcement, an over-burdened court system and out of state companies that stay ahead of the law making. As proven by the results via the electronic bingo program instituted by the Attorney General in the fraternal clubs of Ohio, as well as action taken in other states**, the only way to stamp out the unlicensed, untaxed devices is to provide a state regulated alternative for the small business owners to choose from. Ohio's E-bingo program quickly eradicated all illegal games that existed in the fraternal club locations as they embraced the state regulated option over any gray gaming solution. Illinois VGT program wiped out 40,000 unlicensed devices.**

Solution: Allow for a limited number of VGT's to be taxed, licensed and operated in the bars, taverns and bowling alleys of Ohio. Please see the attached table related to the benefits of a VGT program as opposed to solely doing an I Gaming and I Lottery

program. Last year close to 10,000 charitable devices were added to the fraternal clubs in Ohio, and 50,000 unregulated devices were operated in the state, yet casino revenue went up. Casino and racino revenue have hit record levels every year since inception. Pennsylvania currently has 60,000 unlicensed devices yet the state set records last year for gaming revenue. The casino/racino argument that increased competition to them will hurt their revenue is tired and not accurate. The facts clearly show that gaming devices in bars, taverns and bowling centers do not hurt their revenue. Eilers & Krejcik Gaming (EKG) conducted their own study that shows that I Gaming does not hurt casino revenue. Thus, we conclude that if putting casino gaming on over 12 million cell phones in Ohio does not hurt casino revenue, then placing a limited number of VGT's in a limited number of age appropriate locations would not either. It is critical that no I Gaming or I lottery program be implemented without accompanying legislation allowing for state regulated VGT's to be operated in age appropriate locations. Once the casinos/racinos get their I Gaming they will work to keep their enhanced monopoly by blocking any VGT program.

- We are happy to provide supporting documentation for all facts and figures

I Gaming vs VGT Comparison

I Gaming		VGT
$205-$410 million from their own testimony to this committee	**Revenue to State**	$836,000,000 to the state and $144,000,000 to municipalities
10%-20% from their own testimony to this committee.	**Tax Rate to Ohio**	40% (7% higher racino pays)
Zero	**Underage Safeguards**	Only operated at age appropriate locations that already require ID's
Zero	**Jobs Created**	8,000 + small businesses would Hire additional staffing
Just the tax rate	**$$$$ Kept in Ohio**	ALL OF IT
12 million unregulated cell phones	**Expansion of Gaming**	8,000 licensed, regulated, age appropriate locations
Zero	**Problem Solved**	The billion-dollar unregulated Illegal gaming industry currently Existing
Michigan, New Jersey, Pennsylvania, Rhode Island W. Virginia, Connecticut	**States Allowed**	Nevada, Illinois, Louisiana, West Virginia, Georgia, Pennsylvania, Montana, South Dakota, with Virginia, Missouri North Carolina, and additional units in Pennsylvania with current legislation

Pennsylvania

50,000 unregulated devices about to be taxed

$2.3 Billion from Casino's, I Gaming, VLT's in Truck Stops and Sports Betting

$1.1 Billion from its Lottery

$3.4 Billion = Total Gaming Revenue. + the pending tax on VGT/ Skill games

Illinois

0 unregulated devices

$570 million from casinos

$980 million from VGT's in bars state and municipality

$882 million from its Lottery

$0 I Gaming

$2.45 Billion= Total Gaming Revenue

Ohio

50,000 unregulated devices

$433 million from casinos and sports betting

$1.2 billion from lottery

$0 from 50,000 unregulated devices

$1.633 Billion = Total Gaming Revenue

Illinois Video Gaming Overview

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4.Financial benefits to the state of Ohio

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Video Gaming - Overview

Where did the Video Gaming Act come from and why?

• WHEN: The Video Gaming Act was enacted July 13, 2009 with strong bi-partisan support.

• WHAT: The Act allowed for up to 5 licensed, regulated and controlled Video Gaming Terminals (VGT's) at bars, restaurants, truck stops and fraternal and veterans organizations in Illinois.

• WHY: In 2009 the Illinois Legislature passed the largest public work infrastructure program in America. The program funded a multi-year $31 Billion dollars investment in road, bridge, school and water system improvements in Illinois. The program was designed to fund much needed infrastructure in the state while also serving as an economic recovery program focused on creating and retaining approximately 400,000 jobs. The infrastructure legislation is commonly referred to as "The Capital Bill". The official program name is "Illinois Jobs Now".

• REVENUE: The public works program called for issuance of $11 Billion dollars in new infrastructure bonds. Approximately $1.1 Billion dollars of new recurring annual revenue was required to fund the bond payments. Adjustments to Drivers License, License Plate, Vehicle Registration, Liquor Taxes and the Illinois Lottery resulted in approximately 2/3 of the needed new revenue. Video Gaming taxes are estimated to fund the remaining 1/3 of the needed revenue or approximately $300-400 Million annually.

Did the 2009 Video Gaming Act expand or contract gaming in Illinois?

Sound familiar?

• Prior to 2009, approximately 60,000 Illegal Gaming Terminals existed in Illinois. The terminals became known as "Gray Machines" (as in the gray area of the law). For nearly 20 years a multi-billion dollar gaming industry operated in the state that was NOT REGULATION, NOT GOVERNED and NOT TAXED.

• The 2009 Video Gaming Act tasked the Illinois Gaming Board (IGB) with regulating the Video Gaming Industry. Simple possession of "Gray Machines" became a Class 4 felony. The "Gray Machines" were quickly removed from the state. Locations and Terminal Operators underwent rigorous investigations to earn a Video Gaming License. As of April 2017 approximately **26,350** regulated, licensed and taxes Video Gaming Terminals exist at approximately **6,019** locations through out Illinois. Estimates vary but the industry is likely 90% of the way rolled out.

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Video Gaming – Regulatory Model

What regulatory model is used in Illinois?

- REGULATORY AGENCY: The Legislature gave regulatory responsibility to the Illinois Gaming Board not the Illinois Lottery. The Illinois Gaming Board is an independent state agency responsible for regulating the 10 Riverboat Casinos in Illinois as well as Video Gaming as of 2009.

- STRUCTURE: The industry is structured in tiers similar to the Liquor Industry:
  - Manufacturers – Equipment manufacturers
  - Distributors – Game and equipment distributors
  - Terminal Operators – Own and operate all VGT's in the state. Responsible for all service and cash management.
  - Licensed Location – Bars, Restaurants, Truck stops, fraternal and veterans organizations. Responsible for providing floor space and ensuring no one under 21 is allowed on a Video Gaming Terminal

- REVENUE SHARE: The VGT revenue shares are set in state law.
  - 30% Taxes: State get 25% and Local Government gets 5% (local government gets 1/6 similar to Sales Tax splits)
  - 35% Terminal Operator
  - 35% Location

- INTEGRITY
  - All individuals with 1% or more interest in any Video Gaming entity in Illinois must undergo an extensive personal and financial investigation. Illinois Gaming Board investigators are sworn law enforcement officers. The IGB works closely with the Illinois State Police. Many IGB investigators are either former State Police officers or they are on temporary duty to the IGB.
  - Terminal Operator employees known as "Terminal Handlers" who access the VGT's require an additional level of vetting by the IGB. Each Terminal Handler possesses and is required to display their IGB issued license credential.
  - Terminal Operators are forbidden from offering inducements to Locations in exchange for their gaming business. The splits are set in state law. Violation of the inducement policy is a Class 4 felony.

- SYSTEMS AND CONTROL
  - The law requires each Video Gaming Terminal to be connected in real time to the IGB Central System. The Central System monitors all play and wagering activity as well as performance and functionality.

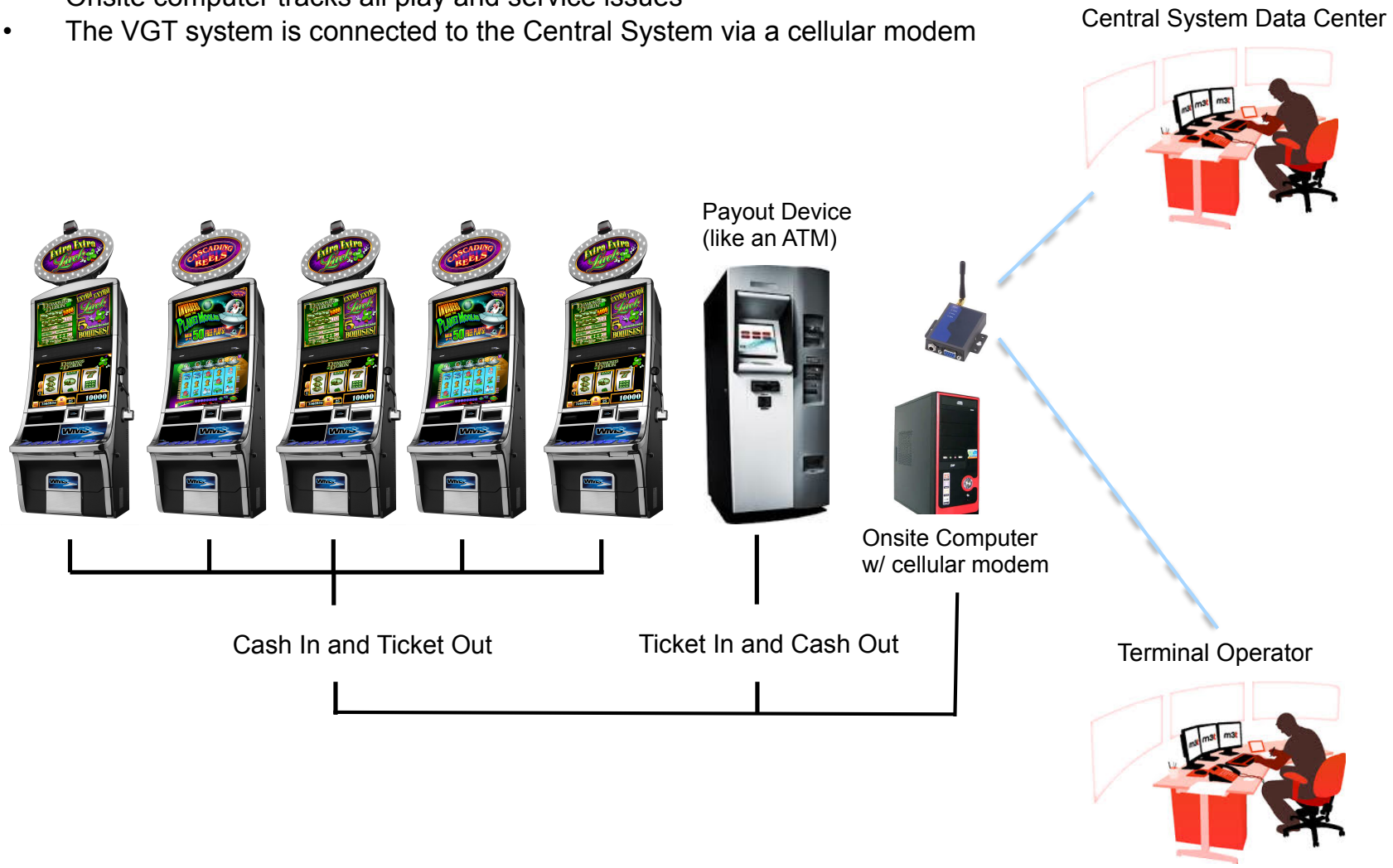
- MEASUREMENT AND TRANSPARENCY
  - The IGB publishes monthly wagering and payout reports by municipality by location.
  - All cash is tracked and reported to the Central System in real time. The Terminal Operators manage all of the cash and remits payments twice monthly to the State and their gaming Location partners.

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Video Gaming – How the system works

System Design:

- Up to 5 VGT's can be activated at a location
- VGT's only accept cash. VGT's only dispense tickets.
- Tickets are redeemed for cash at the Payout Device (similar to an ATM)
- Onsite computer tracks all play and service issues
- The VGT system is connected to the Central System via a cellular modem



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Video Gaming

As reported by the Illinois Gaming Board, at the end of 2023 there were 47,047 VGT devices driving revenue to 8,454 small businesses. The state of Illinois derived $836,474,783 in 2023 from Video Gaming while local municipalities split $144,177,905. These figures do not include the city of Chicago which "opted out" and does not have VGT's in their city limits. We would propose Ohio allow cities the same flexibility.

The state of Ohio is currently allowing an industry to operate illegally that if regulated could deliver close to $1 billion dollars to the state.

In Illinois the funds go to infrastructure. Ohio law would dictate these funds go to education via the lottery.

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Video Gaming – Summary

1. *The 2009 Video Gaming Act reformed and improved an industry for the better that was long overdue.*

2. *Gaming tax revenues are going to a very good cause funding Public Infrastructure and Local Government Projects.*

3. *The Illinois Video Gaming Act and resulting regulatory and governance model has proven to be very effective.*

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Ohio State Racing Commission

Study Commission on the Future of Gaming in Ohio

135th Ohio General Assembly

April 11, 2024

Ohio State Racing Commission Overview

Commissioners

Commissioner Tom Winters	Commissioner Greg Simpson	Chairman Scott Borgemenke	Commissioner Beth Hansen	Commissioner Dan McCarthy

Advisory Committees

Ohio Thoroughbred Race Fund	Ohio Standardbred Development Fund

OSRC Staff

3 Staff at Ohio's Racetracks	Executive Director Chris Dragone	6 Staff in Columbus, Ohio

Ohio State Racing Commission Overview

Protection **Preservation** **Promotion**

Regulation of Pari-mutuel Wagering

Protection of Wagering Public

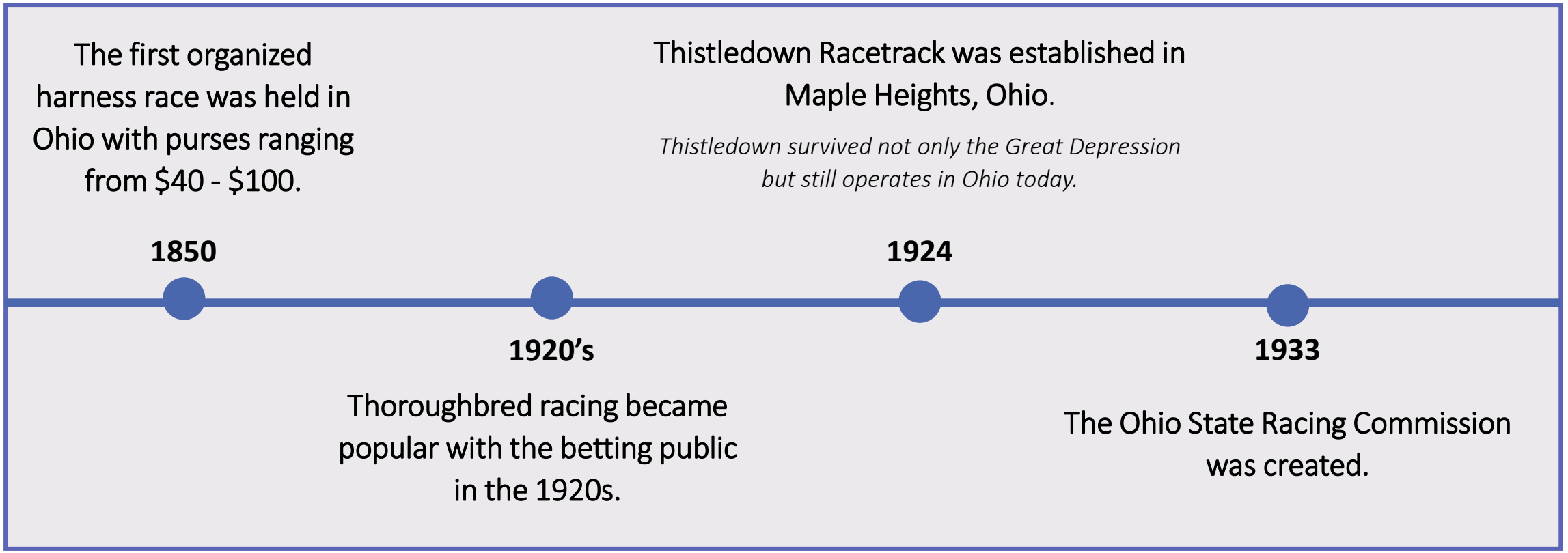
Licensing of Industry Participants

Maintain Integrity of Racing

Promote Horse Racing & Breeding

- Trainers
- Owners
- County Fairs
- Commercial Racetracks
- Breeders

History of Horse Racing in Ohio



Ohio's Commercial Racetracks



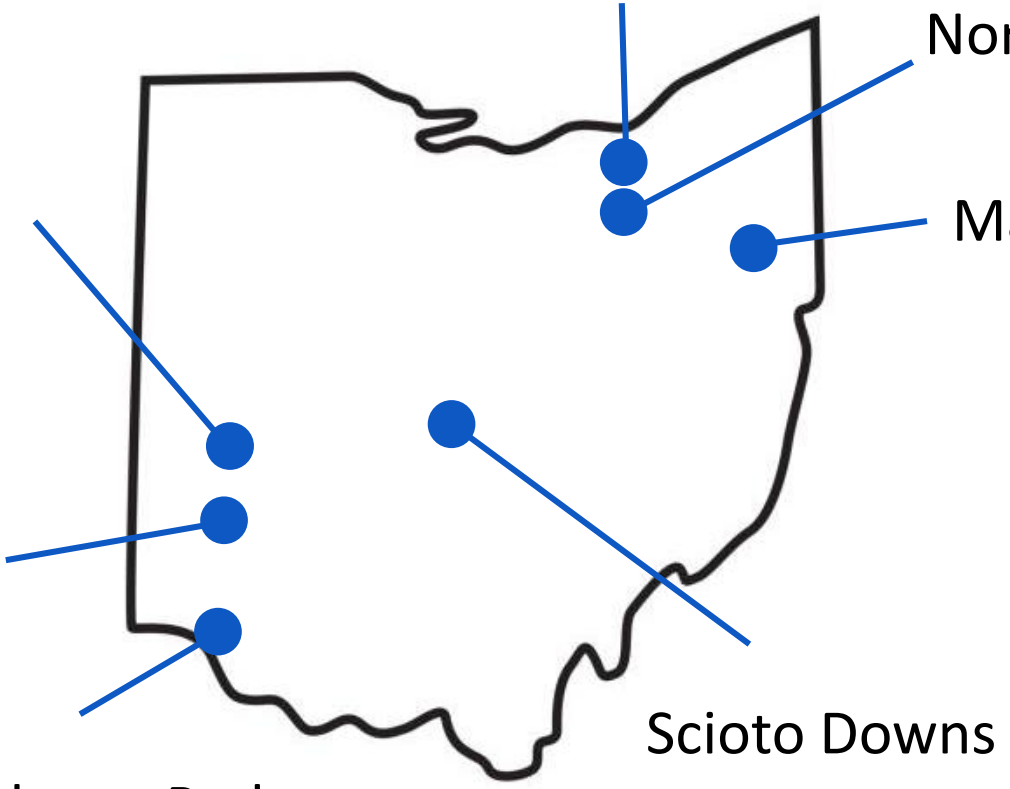
Dayton Raceway

JACK Thistledown

Northfield Park

Mahoning Valley Racecourse





Miami Valley Gaming & Racing

Belterra Park

Scioto Downs

Racehorse Breeds in Ohio



Standardbred
Harness Racing



Thoroughbred
Flat Racing



Quarter Horse
Flat Racing

Racing at Ohio's County Fairs

65 Ohio County Fairs host pari-mutuel harness racing



Economic Benefits of Racing in Ohio

By the numbers…..

40,000 Horses

are involved in Ohio racing according to the National Thoroughbred Horseman's Association

$1.3 Billion in Economic Impact

including gambling, sport and entertainment; breeding, training, & maintaining horses; operating racetracks and off- track wagering facilities

17,000 Full Time Employees

such as owners, trainers, grooms, jockeys, drivers, riders, veterinarians, van operators, racetrack employees, and supporting service and supply industries employees

Economic Benefits of Racing in Ohio

By the numbers…..

In 2023, Ohio hosted

- **2,385** Thoroughbred races with **16,125** starters
  $49 Million in purses

- **6,658** Standardbred races with **57,530** Starters
  $90 Million in purses

** Excludes $83K in quarter horse purses*

Licensing & Oversight

Enforcement Licensing

All racing personnel and horsemen are licensed in Ohio

Licenses range from $10-$100

In 2023, OSRC issued approx. 13,000 licenses

OSRC Licenses Racetrack Tote Systems

Ohio currently has 2 tote systems licensed

Drug Testing

OSRC works with the Ohio Department of Agriculture to perform drug testing and conduct equine drug testing.

Winners of all races are tested

Racehorses are also tested randomly

OSRC inspectors can also test personnel, if warranted.

Sport Safety

The Commission is dedicated to the health and welfare of Ohio's equines and riders.

Recent OSRC Safety Initiatives Include…

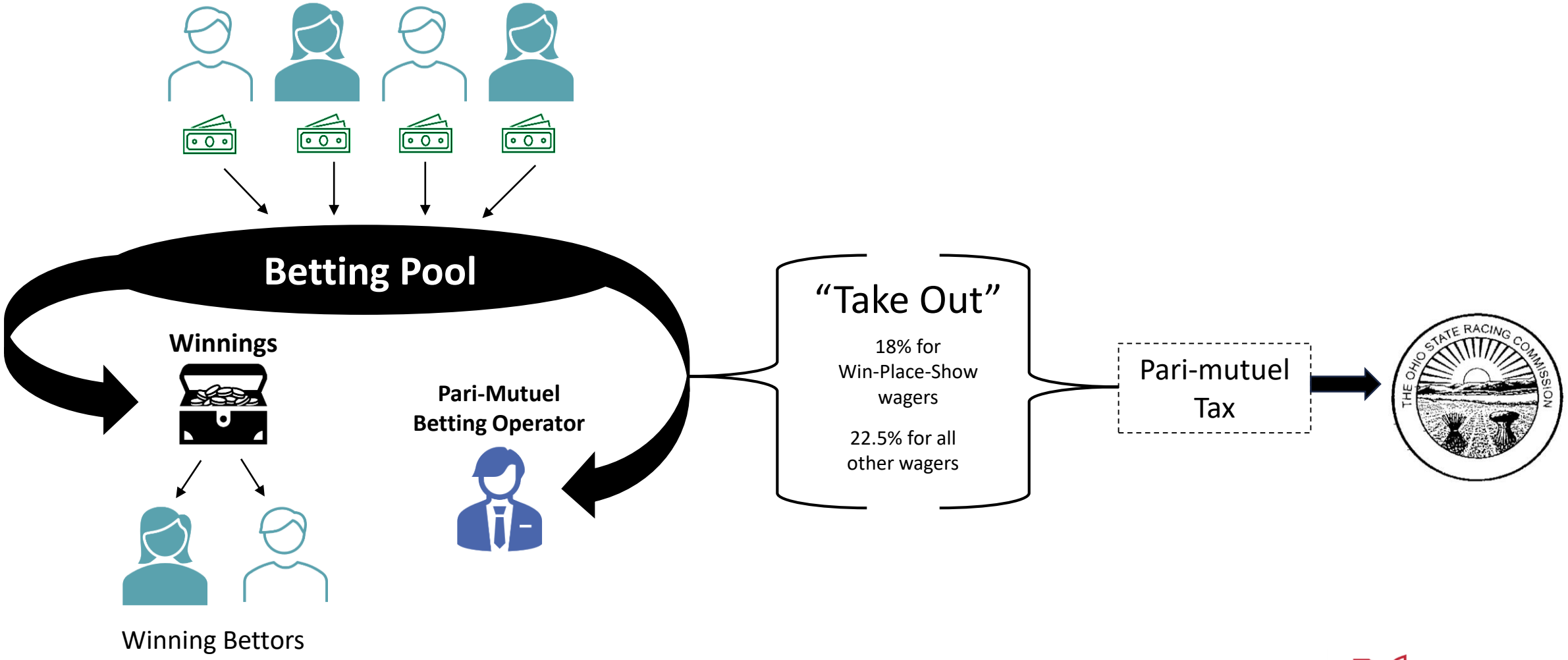
3-light System

Mandated fences around infield ponds

Mandatory Safety Vests

Air Quality Standards

Pari-Mutuel Wagering in Ohio



Pari-Mutuel Wagering in Ohio

Live Wagering

All live wagers are subject to Ohio's pari-mutuel tax.

Ex: Thistledown goers betting on Thistledown races at Thistledown Racetrack

Pari-Mutuel Wagering in Ohio

Simulcast-Import Wagering

Simulcast wagering allows permit holders to fill tracks during non-live race days with other races available to wager on. This is subject to the pari-mutuel tax.

However, racetracks negotiated the rate they would receive with approval from the horsemen's groups.

OSRC approves the locations but has no say in rates.

Ex: Thistledown goers betting on races outside Thistledown Racetrack

Pari-Mutuel Wagering in Ohio

Simulcast-Export Wagering

Tracks outside Ohio that would be wagering on live racing **are not subject to pari-mutuel tax**.

This a negotiation between permit holders and horseman's groups.

Revenue from these agreements are split between permit holders and horsemen's groups for **purses.**

With the expansion of Advance Deposit Wagering (ADW) and phone-based wagering, this has become the biggest piece of the basket.

Ex: Thistledown goers betting on races outside Thistledown Racetrack

2023 OHIO HANDLE

Track	Live	Guest ADW	Guest B/M	Total Guest	Total All Source
Scioto	$ 2,416,627.90	$ 40,086,181.65	$ 12,217,534.05	$ 52,303,715.70	$ 54,720,343.60
NFLD	$ 6,236,627.00	$ 199,677,852.07	$ 53,282,970.62	$ 252,960,822.69	$ 259,197,449.69
MVG	$ 751,437.30	$ 32,851,213.75	$ 13,352,002.48	$ 46,203,216.23	$ 47,293,827.06
Day	$ 532,471.10	$ 27,040,699.00	$ 6,732,898.00	$ 33,773,597.00	$ 34,306,068.10
Harness	**$ 9,937,163.30**	**$ 299,655,946.47**	**$ 85,585,405.15**	**$ 385,241,351.62**	**$ 395,517,688.45**

Track	Live	Guest ADW	Guest B/M	Total guest	Total All Source
MAH	$ 1,487,168.60	$ 81,438,152.00	$ 33,958,709.00	$ 115,396,861.00	$ 116,884,029.60
Belterra	$ 1,914,748.90	$ 39,893,007.33	$ 12,056,235.34	$ 51,949,242.67	$ 53,863,991.57
THD	$ 1,918,653.00	$ 55,039,955.21	$ 23,986,114.76	$ 79,026,069.97	$ 80,944,722.97
Thoroughbred	**$ 5,320,570.50**	**$ 176,371,114.54**	**$ 70,001,059.10**	**$ 246,372,173.64**	**$ 251,692,744.14**
Total	**$ 15,257,733.80**	**$ 476,027,061.01**	**$ 155,586,464.25**	**$ 631,613,525.26**	**$ 647,210,432.59**

Pari-Mutuel Wagering in Ohio

Introduction of Casinos/VLTs to Ohio

Ohio's racing industry receives 3% of the Casino Tax revenue.

This is distributed to Ohio **purse** pools with a subsidy going to those tracks not subsidized by a casino company.

The Ohio State Racing Commission currently receives 5% of that 3% tax revenue for operations.

Pari-Mutuel Wagering in Ohio

VLT's and Racinos

The horsemen groups receive, through a private agreement, 9-11% of the total net win.

Horsemen groups give back to the permit holder 70-90% to **purses.**

There is also additional money from VLT's that are set aside to support problem gaming in Ohio.

Horseracing Integrity & Safety Authority

The Horseracing Integrity and Safety Authority (HISA) is responsible for drafting and enforcing uniform safety and integrity rules in Thoroughbred racing in the U.S.

HISA was created in 2020 to implement, for the first time, a national, uniform set of rules applicable to every Thoroughbred racing participant and racetrack facility.

HISA comprises two programs

1. Racetrack Safety Program – effective as of July 1, 2022,
2. Anti-Doping and Medication Control (ADMC) Program –effective as of May 22, 2023.

Corey Jordan
Director of Policy and Legislation
Ohio Attorney General's Office
April 11th, 2024

Good morning, Chairman Manning, Chairman Edwards, and members of the Ohio Study Commission on the Future of Gaming in Ohio. My name is Corey Jordan, and I am the Director of Policy and Legislation for Attorney General Dave Yost.

Today I have with me Dan Fausey, the Chief of our Charitable Law section. Dan's section is responsible for overseeing charitable gaming in Ohio. I appreciate the opportunity to testify today to provide background on charitable gaming in Ohio.

Overview

The Charitable Law section within the Attorney General's Office (AGO) is the primary overseer and regulator for charitable gaming in Ohio. Charities wishing to raise funds through games may apply through the AGO to conduct activities including raffles, games of chance, "poker nights," and of course, bingo. Parameters for charities, and organizations wishing to fundraise for a charitable purpose are laid out in ORC 2915. The AGO's Charitable Law Section also provides educational resources including webinars and workshops to help charities protect themselves by staying up to date with governance, administration, and fundraising requirements. The AGO reviews "outliers" and "questionable" organizations to make sure that they are actually conducting charitable programming. Under existing Ohio law, the AG is also permitted to investigate after a preliminary review of an application for a license in order to better determine eligibility.

Bingo

For the purposes of my testimony before the Commission today, I have prepared for and would like to focus on our most popular game which has a hyper-local impact on Ohio's citizens, charities, and businesses - bingo. By way of background Ohio licenses 3 types of bingo. First, Type I bingo is the traditional game wherein a caller announces numbers, and players track those numbers on their paper sheets with winners determined at random by the "luck of the draw." I will momentarily skip over explaining Type II bingo and it will soon be made apparent as to why. Type III bingo is a game in which there is a "deal" of instant tickets—traditionally referred to as "pull-tabs"—which are distributed in stacks with predetermined winners, with the odds of winning clearly displayed on each card. Type III bingo was modernized during the 133rd General Assembly, to allow for a subtype, which is commonly referred to as "Electronic Instant Bingo," or "E-Bingo." Finally, Type II bingo covers the sale of instant bingo in conjunction with the traditional bingo game (Type I and III combined).

Entities eligible to conduct bingo include 501(c)(3)'s, volunteer fire and rescue organizations, and veteran, fraternal, and sporting organizations. However, an entity wishing to conduct bingo cannot simply create a new organization and avail themselves of the law. There are a number of restrictions in place to ensure that only qualified organizations are able to gain access themselves of the benefits

of fundraising via charitable gaming. These include the following organizational criterion and reporting requirements in addition to restrictions which only allow for certain volunteers to oversee these games:

- A charity must have been in *continuous* existence for at least two years prior to applying for a bingo license.

- By statute, no one may be paid for conducting bingo. All games must be conducted on an entirely volunteer basis.

- If an entity seeks a bingo license as a veteran or fraternal organization, they must be a post belonging to a statewide organization.

    - A veteran's organization must be a post of a national organization which has been in existence for at least 5 years.
    - A fraternal organization must be a chapter of a national or state organization, and in order to qualify for a charitable purpose, the organization must have been in continuous existence in Ohio for at least 15 years.

- Bingo organizations must be licensed and file annual reports with the AGO which show their income and expenses, as well as how much goes to charitable programming.

Electronic Instant Bingo

The AGO had long advocated for the legislative efforts to modernize Type III bingo by allowing Ohioans to play in an electronic format. Our office was in full support of legislation in past General Assemblies and played a hands-on role in crafting edits to the final version that ultimately provided additional regulatory controls and player safeguards. Those edits were the result of robust debate in both the House and Senate over two years and include regulatory controls supported by our office.

Electronic instant bingo was legalized in the State of Ohio in June of 2021 and implemented in April of 2022 to be conducted only by qualified veterans and fraternal organizations per Ohio law. These posts are only authorized to have up to 10 machines per location. As of March 2024, there are 901 licensed e-bingo locations operating 6,750 machines. The Ohio Attorney General's office has implemented a number of safeguards to ensure E-Bingo organizations are operating within the confines of the existing policy. This includes but is not limited to requiring organizations to maintain a separate checking account for E-Bingo proceeds, regular reporting intervals, and to keep copies of bank statements and check images from all bingo accounts for at least three years. As I just mentioned, each quarter, these records must be uploaded by bingo operators into the Charitable Account Management Portal. In addition to these financial reporting responsibilities, and administrative rules governing the conduct of bingo (see OAC 109:1-1 through 109:1-7) the AGO provides several recommendations and requirements to organizations offering E-Bingo including the following:

- It is recommended that organizations maintain at least two electronic instant bingo operators. An operator is defined as "any person who accesses the E-bingo system and funds, or who sells or redeems tickets, credits, and vouchers.
- The Ohio Administrative Code requires that organizations establish internal control policies specifically for E-Bingo operations.
- Organizations should ensure that their operators and members are aware of their fiduciary duties to maintain good standing with our office.

In addition to licensing the purveyors of E-Bingo, the AGO Charitable Law Section is also responsible for licensing the manufacturers and distributors of bingo machines. These entities must obtain an AGO endorsement in order to supply electronic equipment to the veterans and fraternal organizations; and in turn, these organizations are permitted only to procure materials from licensed and endorsed distributors.

The law requires that manufacturers and distributors provide machines that have been tested and approved by certified testing labs to ensure the games are fair, safe and incapable of being tampered with. The regulatory system also requires the machine operators to provide ongoing reporting to create a paper trail, ensuring appropriate accounting of the funds used in the machines.

Bingo's Successes and Local Impact

As I mentioned earlier, charitable bingo has a hyper-local impact on Ohio. Per Ohio law, proceeds from bingo are currently only able to be raised by charities and certain other tax-exempt organizations in Ohio for use exclusively by Ohio's charities. Though dependent on the type of bingo, these games can be run in a number of locations including, but not limited to bingo halls, church halls, convenience stores, grocery stores, restaurants, and bars. These businesses are also able to retain a portion of the profits by the games in exchange for their assistance in fundraising for a charity. Finally, Ohio's bingo distributors and manufacturers are primarily headquartered in Ohio creating local jobs and paying Ohio taxes.

Since the official launch of E-Bingo in April of 2022, the total number of E-Bingo license holders has continued to grow indicating success at the local level. Even in its infancy, the changes that were made to E-Bingo have exceeded our already high expectations, with donations to charity and financial benefits to host organizations projected to continue steadily rising. Final net profits reported by all bingo locations in 2023 summed $189,668,641.85. While 2024 data submitted by organizations is subject to change pending full review, this year's net profits are expected to exceed last year's numbers by a wide margin.

General Notes

As we have had the benefit of reviewing testimony from stakeholders who have testified before this study commission prior to our office, I would like to take the remaining minutes of my testimony to clarify some common misconceptions on the scope of our regulation of charitable gaming, and to clarify some items which may have seemed murky during previous hearings.

Questions have been posed by this committee to preceding witnesses on the legality of the "Queen of Hearts" game. Queen of Hearts is a card-based game in which proceeds are collected and paid out to a pool of players during multiple rounds. Games of chance as defined by ORC 2915.01 do not currently require a license in Ohio. Further, per a 2018 Attorney General opinion opines, the Queen of Hearts game, if operated within certain parameters, would fit under the definition of a "pool not conducted for profit," which qualifies it as being permissible in Ohio.

When it comes to improvements in charitable gaming policy, the AGO enjoys an appropriately wide breadth of rule-making authority thus we are not seeking nor recommending any changes to our statutes at this time. The flexibility has allowed the Charitable Law Section to maneuver as necessary during the implementation of the modernized Type III game through OAC 109:1. During the implementation of the modernized Type III games, the AGO was able to work with the Joint Committee on Agency Rule Review (JCARR) and stakeholders to craft rules to strike the right balance of oversight and enforcement while making the game enjoyable for players. The current rule-making authority has contributed to the success of the modernization of Type III bingo in recent years.

We would also like to add our voice to the numerous other stakeholders who have come before this commission urging you to take decisive action with regards to the unregulated, unlicensed, and untaxed gaming devices. Over the years, these games have taken many forms and created a grey machine market which continues to evolve faster than law enforcement and the law can keep up. This commission and the legislature should explore this topic further and provide clear guidance to Ohio's businesses and gaming community on what is and what is not acceptable.

I'd finally like to address the important matter of problem gaming prevention. No discussion on the future of gaming in Ohio is complete without due consideration to deterrence of addictive or otherwise detrimental behaviors in users of gaming products. Participation in charitable bingo is limited to individuals who are at least 18 years of age much like the Ohio Lottery. Further, only members and invited guests are able to play the modernized Type III game which are only able to be played at veterans' and fraternal organizations. AGO-developed flyers are also available to each facility housing gaming machines leading them to the problem gaming hotline and the resources therein.

Conclusion

Serving as the regulator of charitable gaming in Ohio is a responsibility this office takes seriously. Mr. Fausey and his team are well-equipped to continue navigating this evolving landscape. As with any modernization campaign, the adjustments that were made to bingo in recent years have provided interesting challenges, but our office remains optimistic with regard to the future of Type III, or E-bingo in addition to our other bingo games which continue to benefit and serve Ohio's charities and communities.

Chairman Manning, Chairman Edwards, and members of the study commission, thank you again for the opportunity to testify, and I would be happy to answer any questions at this time.

Chairmen Edwards and Chairman Manning and members of the Study Committee on the Future of Gaming, on behalf of the Ohio Energy and Convenience Association (OECA), thank you for the opportunity to provide testimony.

I am Jeffrey Erb, General Manager of a small family-owned chain of convenience stores in Northwest Ohio called Main Stop's. In addition, I proudly serve as the Vice President of the OECA and sit on the board of the Ohio Council of Retail Merchants. OECA is an affiliate member of the Ohio Council of Retail Merchants.

Since the beginning of our retail operations in the 1980s, we have partnered with the State of Ohio to sell Ohio Lottery games to our customers. I have been in my role for over 35 years and have witnessed the changes and improvements the Ohio Lottery has made throughout its existence. As the world changes, we must change with it. This is the constant dance that businesses engage in daily, and I applaud this commission for considering the best path forward for Ohio, the Lottery, and retailers.

As I think about the last 30 years of retail lottery, I am reminded that the lottery was built on brick-and-mortar retail sites. Lottery and retail have grown together, and lottery has become an important component for most of us as we design and grow our businesses. This has been a mostly beneficial relationship.

It may be wise to consider the issues of face-to-face commerce. In our stores, people picking out lottery tickets can slow down the transaction time. The same is true for cashing, as some folks save up a stack of winners to cash, which can slow customer service down for other folks in line. We also have exposure to shrink and must have processes in place to ensure that all of the lottery tickets in our possession are correctly handled and the products sold on the terminals are adequately paid for. This requires time, effort, and money spent on technology to do all that profitably.

This may sound like I am making an argument against retail selling Lottery… I am not! I am just explaining that retailers earn the commissions that we are paid. Over the years, retailers and Lottery have devised systems to monitor and help employees process transactions faster. We have learned how to market the Lottery effectively in the retail environment and limit loss exposure. We have been the folks answering customers' questions about how to play the various lottery games. Maybe most importantly, we have been the folks who have ensured that underage kids do not have access to the Lottery games.

As this commission looks to the future, I urge you to reflect on the past. Retailers have not only been instrumental in the growth of the Lottery, but we have also served as gatekeepers, safeguarding the Lottery from abuse and illegal sales. As you explore ways to enhance the Lottery's appeal, remember that while accessibility is crucial, it can also be vulnerable for some citizens. Retailers can act as a safeguard, preventing easy access to lottery products and potential exploitation, particularly for those who never have to leave their homes.

The partnership between Lottery and retail is tried and true. I look forward to the Lottery's ideas on how to advance the goals of the Lottery and where retailers fit in with that vision. I wish you the best of luck as you move forward in that regard. I would be happy to answer any questions you might have.

Thank you again for the opportunity to testify on these important matters.

April 11, 2024

TESTIMONY TO THE OHIO STUDY COMMISSION ON THE FUTURE OF GAMING IN OHIO BY JEFF MORRIS, VICE PRESIDENT, PUBLIC AFFAIRS & GOVERNMENT RELATIONS FOR PENN ENTERTAINMENT, INC.

Good morning. My name is Jeff Morris and I am the Vice President of Public Affairs and Government Relations for PENN Entertainment. I appreciate the opportunity to appear before this Commission to discuss the future of gaming in Ohio. As you may be aware, our Company has invested more than $1 billion in the development of Hollywood Casino Columbus, Hollywood Casino Toledo, Hollywood Gaming at Dayton Raceway and Hollywood Gaming at Mahoning Valley Race Course. In addition, we recently broke ground on an approximately $100 million dollar hotel at Hollywood Columbus, which will add hundreds of construction jobs and approximately 100 new permanent jobs upon opening. The hotel is expected to include 180 rooms and 20 suites, meeting space, an additional restaurant, and local partnerships and amenities.

We're proud to employ nearly 2,200 team members in Ohio, offering competitive salaries and wages and a robust wellness and benefits program, which includes traditional benefits and numerous additional programs, including tuition reimbursement and workforce training partnerships. On the community front, our facilities have contributed almost $6 million to local charities. Some of our many partners include:

- Ronald McDonald House Charities of Central Ohio,
- Department of Veterans Affairs in Columbus,
- Habitat for Humanity,
- Life Care Alliance (Meals on Wheels),
- American Red Cross,
- Animal Charity of Northeast Ohio,
- Rescue Mission of the Valley,
- Problem Gambling Network of Ohio,
- Shoes for the Shoeless,
- USO – Wright-Patterson Air Force Base, and the
- Standardbred Transition Alliance.

We are also proud partners with Wilberforce University as part of the PENN Diversity Committee's multi-million national STEM Scholarship Program with Historically Black Colleges and Universities. PENN has committed to annual contributions of $100,000 to the university to support STEM academic programs on campus, and we are offering internships to Wilberforce students through our Leadership Excellence at PENN program.

In short, while our parent Company may be headquartered in Pennsylvania, our four properties, their local management teams and valued team members have been outstanding corporate citizens in their communities. These are Ohio businesses and they're proud of it. Here with me today is Rick Skinner, our General Manager of Hollywood Casino Columbus, and Tim Kelley, our General Manager at Hollywood Gaming at Dayton Raceway, who can help answer any questions at the end of my testimony.

We truly appreciate the hard work being done by this Commission to study the future of gaming in Ohio. You have heard a significant amount of testimony on the various emerging issues and products in the gaming space today, so I will try to keep my statement brief and not repetitive.

On the horse racing front, Mahoning Valley conducted 101 thoroughbred racing dates in 2023, the most in the state, while recording the highest betting handle in the track's 10-year history. Those positive results were tempered with new, and ongoing, unfunded mandates from the federally enacted Horseracing and Integrity and Safety Authority (HISA), which cost Mahoning Valley over $750,000 in assessments and incremental costs, with expected cost pressures to increase going forward.

At Dayton, we concluded our 71 day standardbred race meet with the 5th straight year of increasing handle on our live races and the largest purse (prize) money distribution in the track's history. Despite these achievements, overall revenue generated by horse racing declined in part due to continued economic pressures affecting the entire industry, as well as the high capital and labor intensive nature of the horse racing business.

Like others in the industry, PENN supports the legalization of internet gaming as a key catalyst for growth, as it can be complementary to existing brick and mortar business and drive gaming and associated tax revenue. As you are aware, the border states of Michigan, Pennsylvania, and West Virginia allow for iGaming, and we are proud to offer our online Hollywood Casino products in these states. Coupled with our existing casino properties and ESPN BET sports betting app, the inclusion of iGaming in these states has resulted in PENN becoming a best-in-class omni-channel provider of entertainment to these constituencies.

However, unlike sports wagering, which has quickly become legalized in 39 states and the District of Columbia in less than six years, we are still in the nascent stages of legal iGaming in the United States, with only a handful of states in operation.

Across the country, advocates and opponents are issuing white papers, case studies and reports on the benefits and dangers of online gaming. Two unique circumstances pose problems in the analyses of both camps: the COVID-19 pandemic and the rapid proliferation of illegal slot machines and so-called "skill games" across the country.

The pandemic upended the gaming industry, changing customer habits across the board and the way casinos operate across the country. Meanwhile, the influx of tens of thousands of slot machines and skill games in bars, taverns, gas stations, laundry mats, and so on during this same

time flooded the market with new supply. In Pennsylvania alone, we believe there are upwards of 100,000 of these machines operating across the Commonwealth, which is more than four times the amount of slot machines in all the state's 17 casinos. It is our core belief that these games are illegal and we agree with the OCCC about the dangers posed due to the proliferation of these games.

These two significant data points – which occurred at approximately the same time iGaming and iLottery were legalized – make it incredibly difficult to offer an objective analysis on the effects of the legalization of iGaming and iLottery on the traditional brick-and-mortar business.

Meanwhile, the benefits of brick-and-mortar regulated gaming in Ohio are proven – tens of thousands of jobs, billions in capital investment, and billions in tax revenue. As you consider the legalization of iGaming and iLottery, I urge this commission and your fellow lawmakers to ensure that any expansion of gaming consider the effects on the existing jobs, past and future capital investment in and around the properties, and associated local benefits provided by the state's existing casino industry.

Thank you for your time and we would be happy to answer any questions.

Amy Ankerson
SVP and General Manager, El Dorado Scioto Downs
Study Commission on the Future of Gaming in Ohio
April 11, 2024

Good morning Chairman Manning, Chairman Edwards, and members of the Study Commission. I'm Amy Ankerson, the Senior Vice President and General Manager of El Dorado Scioto Downs, operated by Caesars Entertainment, here in Columbus. For the past 6 years I've been proud to call Columbus, OH my home and raise my family of three with my husband, TJ.

For over 60 years, Scioto Downs has been one of the premier harness racing facilities in the nation. We're excited about live harness racing returning to Scioto Downs on May 9th, beginning a racing season that runs until September 14. Last May we opened our new state-of-the-art grandstand, complete with VIP rooms, private balconies, and an outdoor patio. In addition to the new Grandstand, we've also made many capital improvements to our existing racing operation. We are also in the beginning stages of building a 60,000 square foot 16-race paddock in time for our 2025 meet. Harness racing is a beautiful sport, and Scioto Downs is committed to the growth and well-being of the sport – and all the benefits associated with a thriving equine industry – in our state.

In addition to live and simulcast racing, we also offer over 1,800 video lottery machines, a sports book, multiple restaurants with a new celebrity chef, Guy Fieri restaurant opening at the end of May, meeting space, and a Hampton Inn and Suites. Our 381 team members are proud to have created one of Columbus' top entertainment destinations and we invite you all to the property to experience it yourselves.

Scioto Downs has a long, storied, and successful history. Its future is bright. But we believe it's not reaching its full potential. And we believe it's not delivering the benefits to the state of Ohio that it could and should. As you envision the future of gaming in Ohio, I'd like you to consider putting Ohio racinos on a level playing field with Ohio casinos through the introduction of table games, both live dealer player games as well as electronic table games. We believe that parity with Ohio casinos would bring significant benefits to the entire parimutuel industry and the state of Ohio.

I'd like to briefly explain why and walk through some of the numbers. Table games, video poker, and electronic table games are currently only available at Ohio casinos. Ohio is relatively underserved when it comes to table games, when compared to peer states. Ohio is in fact at the low end of both table games revenue mix and as well as table games win per capita. Wider geographical availability in peer states generates higher revenues per capita.

We've used two different methodologies to estimate the size of the opportunity.

First, we looked at the table game revenue mix. In Illinois, the slot win to table games win is 75/25. In Indiana, it's 81/19. In Ohio, the current ratio is 87/13. If Ohio matched the average of its peer midwestern states, Ohio would generate $196 million in incremental gaming win, and about $65 million in gaming tax revenue.

Second, we looked at table game win per capita. Annual Ohio table game win per adult is $35. In our peer states, table game win per capita is often far higher. For example, Pennsylvania casinos generate

$95 in table game win per adult; Indiana casinos generate $90. Applying the average win per capita among peer states, Ohio table game win would be $60, translating to $217 million annually in incremental gaming revenue across the state, or $72 million in annual state gaming tax revenue.

Our analysis also indicates there are opportunities related to video poker and electronic table games. Our operating experience in other states suggest that the size of this opportunity in Ohio is about $62 million in incremental annual win from these games, or about $25 million in annual revenue for the state.

Adding the incremental effects of live table games revenues to the incremental effects of video poker and electronic table games, we project a total incremental tax revenue increase of a little over $92 million in the first year of parity. Over ten years, and assuming a modest annual growth rate, we expect that parity among the gaming offerings at Ohio racinos and casinos will provide the state with more than $1.1 billion in incremental gaming tax revenue.

We also project that parity will result in 850 to 1,100 new jobs in Ohio.

Allowing table games at Ohio racinos will also significantly improve the customer experience. Today, if a group of friends or family members wish to gamble, they have limited and potentially less convenient options if one person is a table games player and the other is a slot player.

Parity also provides racinos with opportunities related to the different demographic profiles of table game and VLT customers. Live dealer and electronic table games appeal to a younger demographic versus slots and VLTs. The median ages of 36 in Columbus and 38 in Cincinnati skew younger than the overall Ohio median age of 39.5, suggesting there is particular room for growth of racetrack-based gaming in those markets. Coupled with what's expected to be considerable population growth in Ohio, a pro-business state offering excellent physical and social infrastructure, there is little question that without parity, Ohio will be even more undersupplied with table games over the next couple of decades.

Last and certainly not least, live dealer table games and electronic table games mean increased revenues for and support of Ohio's racing and equine industry, which contributes so much to this state.

In summary, a parity scenario would bring Ohio many benefits, including gaming tax revenue, employment, improved customer experiences, increased racino visitation, and support for future population growth.

Thank you for the opportunity to testify, and I'm happy to answer any questions you may have.

Testimony to the Study Commission on the Future of Gaming in Ohio

April 11, 2024

Thank you, Chairmen Edwards and Manning and members of the Gaming Study Commission, for allowing me to appear today to testify about racing and gaming in Ohio. Chairmen Edwards and Manning, please allow me to also recognize JACK's regulators, the Ohio Casino Control Commission, the Ohio Lottery Commission and the Ohio State Racing Commission. JACK extends its respect and thanks to these regulators for their thoughtful work, diligent application of Ohio law and responsiveness to operators. Ohio is well served by each of these regulatory bodies.

My name is Daniel Reinhard and I am Senior Vice President Government Affairs for JACK Entertainment, based in Cleveland. JACK Entertainment has a deep Ohio history and is the only gaming operator headquartered in Ohio. Our gaming properties, JACK Cleveland Casino and JACK Thistledown Racino, attract over 5 million guests every year and our 1,400 team members are incredibly proud to contribute to the growth and success of our host communities. In just the last few years, JACK team members have dedicated over 1,500 volunteer hours and JACK has donated more than $5 million to local charitable organizations here in Ohio. Furthermore, in 2023, JACK spent over $3.8 million with women and minority owned businesses. JACK also contributes to Ohio's economy, not just through the state and local taxes and licensing fees we pay, which totaled nearly $340 million in the last two years alone, but also in the revenues that our partnerships with local restaurants and hotels generate, which was $32 million and $11 million, respectively, in the last five years. As directed by the Ohio Constitution, the gaming taxes paid by JACK directly support our local communities and schools.

Let me begin by extending our thanks to our partners in the racing industry, the Ohio Horsemen's Benevolent and Protective Association ("OHBPA") and our labor partners at JACK Cleveland Casino and JACK Thistledown Racino, including, but not limited to, the United Auto Workers, the United Steelworkers, Teamsters and Unite HERE, and our construction partners at the Laborers' Local 310. Without these groups, JACK Cleveland Casino and JACK Thistledown Racino would not be the great Ohio businesses that they are today.

JACK Cleveland Casino and JACK Thistledown Racino have gone through tremendous transformations over the past decade with initial investments and yearly capital expenditures exceeding $750 million. Like every business, JACK continually invests in its employees and its properties to remain competitive and thriving in an ever-expanding Ohio gaming market.

This Commission has addressed several aspects of gaming over the past few months, and I would like to address a few of those areas today from an industry perspective to relay the potential positive and negative impacts on Ohio's tax revenue, Ohio businesses, Ohio's horse racing industry and most importantly, our fellow Ohioans working at all Ohio based gaming facilities.

iGaming/iCasino

First, iGaming, or iCasino, discussed and promoted by witnesses before this Commission involves the provision of casino games – slots and table games – to customers via their personal electronic devices, such as computers or mobile phones. Thus, iGaming qualifies as "casino gaming" as defined in the Ohio Constitution. Any expansion of casino gaming in this state directly contradicts the language of the Ohio Constitution as interpreted by Ohio courts.

Casino gaming was legalized when a majority of Ohio voters approved Issue 3 on the November ballot in 2009. Issue 3 was brought forward after numerous failed attempts to authorize casinos by the legislature or on the ballot and after Michigan, Indiana, Pennsylvania and West Virginia had all legalized casino gaming with a number of facilities just a stone's throw from the Ohio border, which pulled business from Ohio-based customers across state borders, instead of retaining that business within the state to strengthen Ohio's economy. During the campaign, casinos in neighboring states spent over $25 million to encourage voters to reject Issue 3.

"Casino gaming" is defined in both the Ohio Constitution and Revised Code. "Casino gaming" means any type of slot machine or table game wagering, using money, casino credit, or any representative of value, authorized in any of the states of Indiana, Michigan, Pennsylvania and West Virginia as of January 1, 2009, and shall include slot machine and table game wagering subsequently authorized by, but shall not be limited by subsequent restrictions placed on such wagering in, such states. Online casino gaming is now authorized in three of these states: Michigan, Pennsylvania and West Virginia.

Furthermore, the Ohio Constitution allows for only one casino facility at a specifically designated location within each of the cities of Cincinnati, Cleveland, Columbus and Toledo. Casino gaming, which includes slot machine and table game wagering, is authorized only at these four designated locations. As decided by the 10th District Court of Appeals, "the amendment limits the universe of casino gaming to four specific locations in the state." *State ex rel. Walgate v. Kasich*, 2017-Ohio-5528, 93 N.E.3d 417, ¶¶ 22, 33, *app. not allowed*, 152 Ohio St.3d 1406, 2018-Ohio-723, 92 N.E.3d 878, *cert. denied*, 139 S.Ct. 108, 202 L.Ed.2d 30 (2018).

Because of these reasons, it is unequivocally clear that iGaming can only be conducted by the four licensed casinos in Ohio.

Second, iGaming is a threat to Ohio businesses and Ohio employment. Every market has limits on discretionary dollars. Gaming dollars are no different than any other market. No matter what study is presented, online consumption eats away and eventually devours retail business through diminishing dollars for the local economy. Economic damage occurs when revenues that would normally benefit local businesses and economies leave local wallets and instead flow out of the state. This shift in revenue will lead to the cannibalization of local economic activities.

The scenario of iGaming presents the risk of extreme economic damage to local Ohio businesses. In other states that have legalized iGaming, there was a 10.2% drop in brick-and-mortar

casino revenues from people playing in person according to a study from the Innovation Group. Deutsch Bank's research analysts, in their study of iGaming's impact, have also asserted a similar, significant negative impact on brick-and-mortar casino revenues. In addition, we would expect diminishing local economics to increase over time, especially given the relentless advertising and promotional bonusing schemes the primary iGaming operators have used to acquire customers in other states.

If this happens in Ohio, where there are 4 casinos and 7 racinos, the brick-and-mortar casino revenues from in-person gaming could decline by ~$221.6 million annually and instead flow out of Ohio and away from its businesses, employees and communities. This loss in revenue, which will grow over time, will erode the consistent tax base and perceived gains from iGaming.

With an estimated 5,500 direct jobs across the casinos and racinos in Ohio, this type of major decline in revenues will lead to Ohio job losses. The estimated 5,500 direct jobs in question span from management to card dealers, machine technicians, to chefs and food service workers. The folks working in these roles fuel the local economy and pay income taxes that would be lost – a number rarely referenced in this debate. And, because of the significant fixed costs of operating a brick-and-mortar gaming facility, the percentage of jobs lost would be much greater than the percentage of revenue lost.

Additionally, Ohio's agriculture industry would be negatively impacted as a substantial portion of racino revenue supports our horsemen and the thousands of ancillary agriculture jobs that sustain the horse racing industry in Ohio. Revenue loss will diminish capital investment in Ohio businesses, which furthers the employment impact by stripping contractors and construction trades from yearly investments in Ohio's properties. The negative impact to the local Ohio economies, direct employees and ancillary employees will be felt through lost Ohio wages, lost Ohio income taxes, lost Ohio benefits and fewer dollars to support those local Ohio economies.

iGaming as presented to this Commission will not bolster Ohio's gaming climate or benefit Ohioans. The proposal is flawed under the Ohio Constitution and Ohio court decisions. Ohioans can observe their local malls to understand the impact that iGaming will have on local economies. Just like online retail has decimated local retail, iGaming will do the same under any logical scenario. iGaming will damage Ohio businesses and cost Ohio jobs leading to diminished capital investment and degradation of Ohio's existing tax base.

Horse Racing

JACK Cleveland Casino and JACK Thistledown Racino support efforts to improve Ohio's racing competitiveness and look forward to working with the Ohio State Racing Commission and the OHBPA to grow the industry. JACK Thistledown has supported Ohio racing purses by over $60 million in just the last three years. Aside from protecting this industry from threats like iGaming, JACK Thistledown also opposes iLottery as presented to this Commission.

Like iGaming, iLottery is a direct threat to retail employment and the horse racing industry. While iLottery is often described as simply buying draw tickets online, Ohioans need to look no further than Michigan to understand that iLottery transforms into online, slot-like machines that

will directly compete with the current Ohio VLT product. iLottery in Ohio will simply move dollars from one Lottery product to another and threaten Ohio jobs and the racing industry in the process.

JACK Thistledown would support well thought out amendments to bolster the racing industry by adding flexibility to the racing season. For example, JACK Thistledown suggests allowing all tracks to run live racing at the time of day of their choosing. Today, JACK Thistledown can only run live racing from 1:00 pm to 6:00 pm. We are unable to effectively program the best amenities around the time limitations to engage more customers during early evening hours or even night racing.

JACK Thistledown also proposes an open dialogue between the Ohio State Racing Commission and the OHBPA to discuss the most appropriate number of live racing days. JACK Thistledown aims to put forth the best possible purses to full fields of competitors. JACK Thistledown is concerned that today's number of live racing days stretches the racing athletes while limiting purses. We hope to explore a more compact season that allows for the best athletes competing for the best purses. We have worked well with the Ohio State Racing Commission and the OHBPA in the past and look forward to productive conversations on these topics and other potential ideas to promote and grow the racing product.

Sports Betting

Today, I will close with a few comments regarding Ohio's sports betting market. Despite the well-intentioned efforts of the Ohio Legislature, Ohio's sports betting market is oversaturated, unhealthy for operators and of little benefit to Ohio businesses.

We have all read the dismal numbers for Ohio's retail sportsbooks and sports betting kiosks and have seen several operators' businesses fail entirely. More than 95% of all sports wagers are taken online with 99% of the revenue benefiting out-of-state companies with no Ohio employment or commitment to Ohio communities.

The poor climate for Ohio companies was hastened by the increase in the tax rate on sports betting just six months into operations – well after significant capital investments and personnel investments were made. Ohio businesses suffered from the unexpected change so quickly after making those initial investments. The net effect of the poor business climate has been a much less dynamic sports betting industry than originally envisioned and dramatic consolidation of the industry with just two operators generating essentially all of the revenue, with little to no benefit to Ohio based businesses.

JACK encourages the legislature to reconsider and reduce the tax increase placed on the industry, or at minimum, consider reducing the tax on retail operations based on the significant Ohio capital investments and Ohio employment. By reverting to the tax environment in which businesses made significant decisions and investments, operators would be in a better position to continue offering the best options for consumers and to build a successful business.

Chairmen Edwards and Chairman Manning, members of the Gaming Study Commission, I appreciate the time and consideration today. As always, JACK Cleveland Casino and JACK Thistledown Racino look forward to continuing productive conversations regarding Ohio's gaming market, and JACK will continue to offer constructive dialogue from the perspective of an Ohio business with Ohio employees and Ohio interests.

I am happy to address any questions.

Type C Sports Gaming Proprietor

Mark Wagoner

Prepared for the Committee to Study the Future of Gaming in Ohio

April 11, 2024

Co-Chairs Senator Manning and Representative Edwards and the other members of the Committee to Study the Future of Gaming in Ohio, I appreciate the opportunity to testify before you today. My name in Mark Wagoner, and I am a co-owner of UBetOhio®, a Type C sports gaming proprietor. With me is Andy Westmeyer, CEO of UBet Ohio.

It is funny how life turns full circle. Fifteen years ago in 2008, I was the State Senator for the Second District and served as the Chairman of the Senate Select Committee on Video Lottery Terminals in Ohio. At the time, the state lottery and horseracing were the only legal gambling in Ohio. With Ohio facing a massive budget shortfall, Governor Strickland proposed to allow video lottery terminals at Ohio's horseracing tracks, which was supposed to fill the funding hole for Ohio' schools and to ensure the vitality of Ohio's then struggling horseracing tracks. The hearings were four days of high theater and a front-page story around Ohio. The VLT provisions eventually passed through the Ohio General Assembly, providing Ohio's horseracing tracks with VLTs ever since.

I also recall the very first meeting with supporters of the constitutional amendment that first permitted casino gambling at four locations in Ohio and the Ohio Senate leadership team. The constitutional amendment required that the Ohio General Assembly pass enabling legislation within a tight timeline, which led to the creation of the Ohio Casino Control Commission. I remember grappling with many of the same issues your committee is today – tax rates, structure, and governance. Given the great success of the Ohio Casino Control Commission, that proved to be rewarding work. After dealing with these gaming issues for several years, I had my fun, willingly retired, and returned to Toledo to raise a family and practice law. Candidly, I never thought I would be back before the Ohio General Assembly to testify on gaming issues.

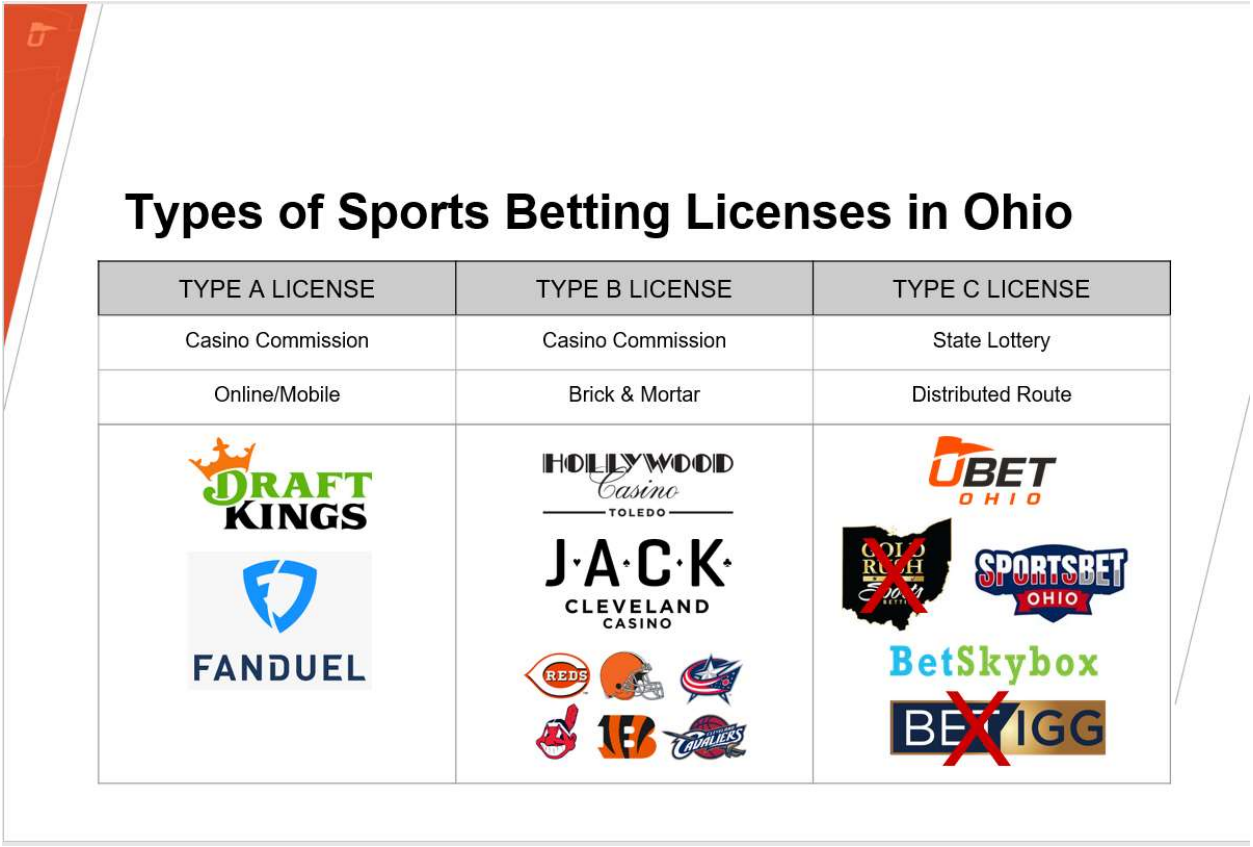
The story of UBetOhio is a uniquely Ohio one. Three families that live in the same community decided to join and form Green Bear Gaming Development, LLC. Some of the families had prior experience with Nevada gaming and ownership of the former Raceway Park horseracing track in Toledo. We named the company after our high school football team's mascot

– the Green Bears – and we've been doing business as UBetOhio. Of all the gaming companies that testified before you, UBetOhio is one of the few, if not only, that started and headquartered in Ohio. Most others are owned by publicly traded companies or private equity funds. We are not. UBetOhio prides itself on its compliance first culture and being a first-choice partner with our host locations.

I would like to use my time to provide an overview of how the Type C sports gaming business has worked in its first year. I note that this is the perspective of UBetOhio, and we do not attempt to speak for any other company, entity, or association. Before delving into that, however, I would first note that the challenges have not been regulatory ones. Both the Ohio Casino Control Commission and Ohio Lottery Commission, and Directors Matt Schuler and Michelle Gilchrist and their staffs have been outstanding. You are truly fortunate to have those two in their positions. They ask the right questions, look out for Ohioans, and help to problem solve. You should be proud of the work they are doing for the State of Ohio.

Respectfully, the challenges faced by Type C proprietors are a product of the legislative framework under which they were initially created. But rather than complain about problems, we come prepared with solutions. And that's where you can help.

Let me add some context and first provide an overview of the Type C licenses and how they operate:



You will see that, although our initial approval came from the Ohio Casino Control Commission, UBet is provider for Ohio Lottery sports gaming. As you see, there are only three active Type C proprietors in Ohio. Other than UBet, SportsBet Ohio is owned and operated by Intralot on the

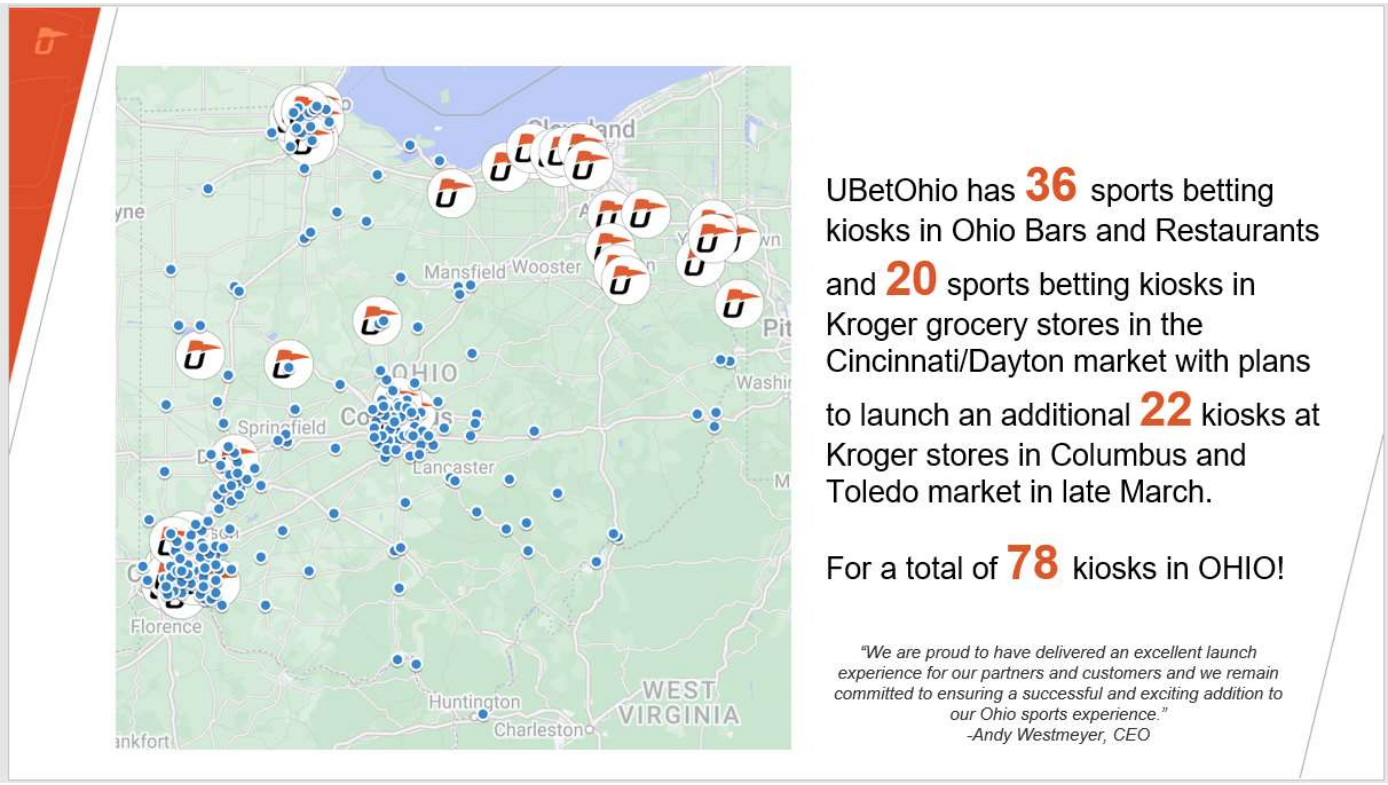
Keno kiosks owned by the Ohio Lottery. The second is BetSkybox, which is owned by Skybox Sports Network based in Las Vegas. Two Type C proprietors – GoldRush and BetIGG – both ceased operating last year.

How does the Type C model work? First, UBet and their host locations must be licensed by the Ohio Casino Control Commission. Once licensed, UBet leases kiosks from IGT, an internationally known provider of gaming equipment, delivers and services the machines, and operates the sportsbook. Here's an example of our kiosks.

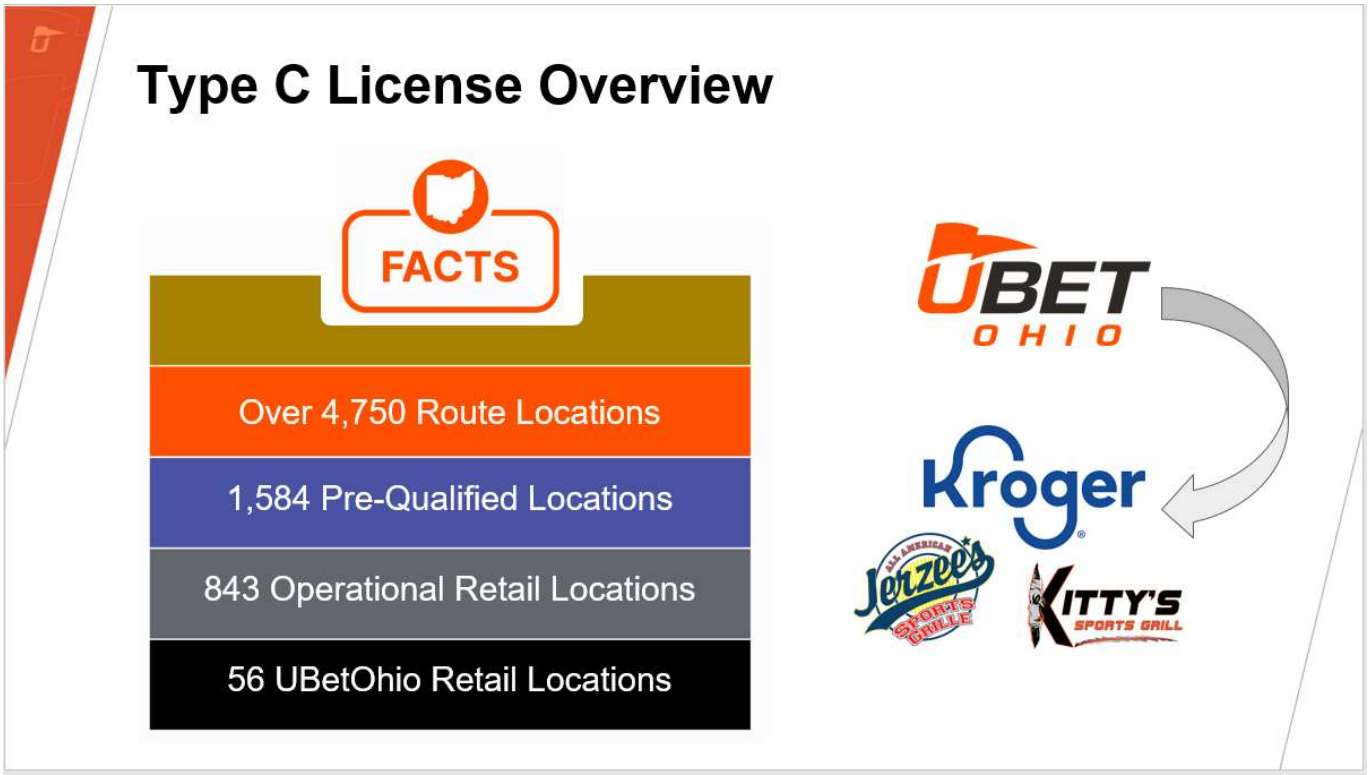


UBet will have 78 operating kiosks by the end of the month, 36 of which are located in Ohio bars and restaurants. In addition, we recently launched a partnership with Kroger where UBet already has 20 kiosks in Kroger stores with another 22 being installed this month. We hope to have

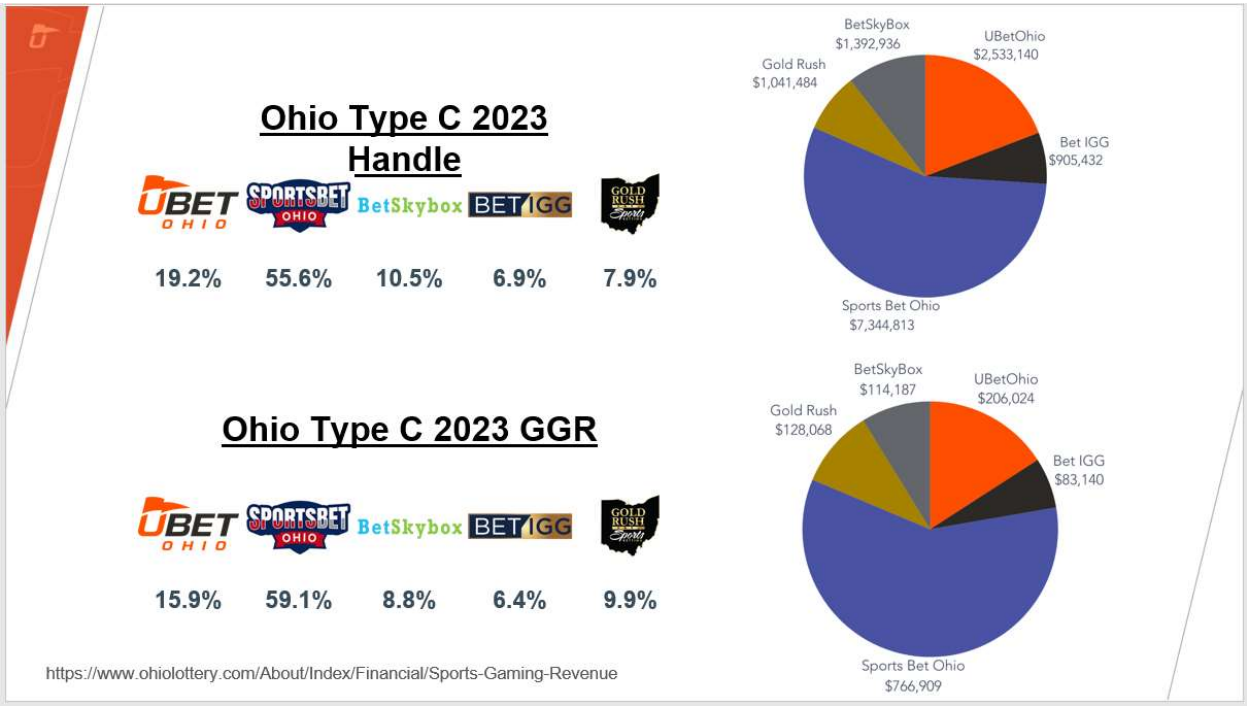
kiosks at most available Kroger stores in the near future. Here's a map of our current locations. The blue dots are additional potential Kroger locations:



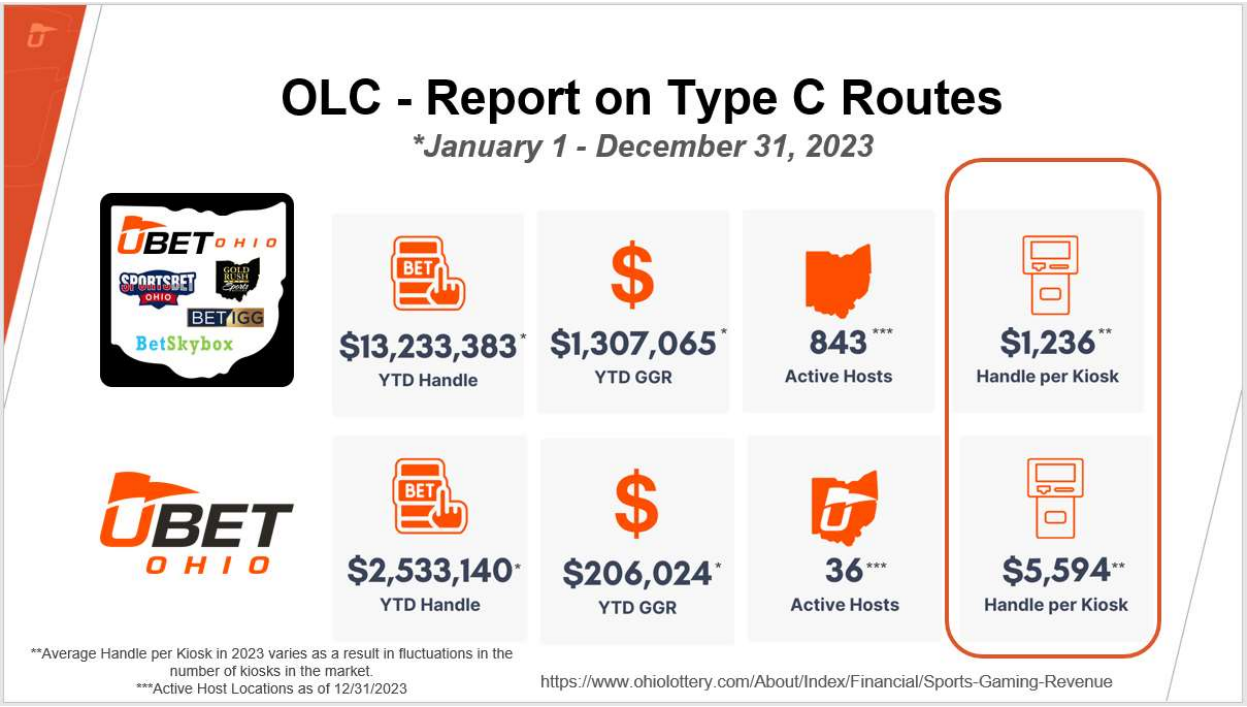
There is a lot of potential for growth for Type C kiosks:



2023 was a start-up year for Type C proprietors. Here is the revenue breakdown for Type C proprietors in 2023:



UBet has learned a lot over the last year. First and foremost, UBet learned that competition helps performance. These numbers tell a story about how competition drives performance:



As you see, UBet outperforms other locations in terms of handle and revenue performance per kiosk. The numbers from December of 2023 paint an even clearer picture:

Ohio Distributed Route Landscape

as of December 31, 2023

	UBET OHIO	SPORTSBET OHIO	BetSkybox	BETIGG	GOLD RUSH Sports	WRIGHT BET
LOCATIONS	36	733	61	13	0	0
SUPPLIER	IGT	Intralot	IGT	ISI	Playtech	ELYS
OVERVIEW	First-to-market operator leveraging gaming and sports betting experience to develop largest route in Ohio	Ohio Lottery using existing Keno machines for sports betting	Audio/video company looking to leverage A/V experience to expand into gaming	Startup operator with no gaming experience; expect exit from market in 2024	Entered the Ohio market in February 2023 and exited in October 2023. Accounted for 76 retail locations in Ohio	Dayton-based company; did not open operations
YTD HANDLE	$2,533,140.00	$7,344,813.00	$1,041,484.00	$905,432.00	$1,041,484.00	0
DEC '23 HANDLE PER KIOSK	$7,560.28	$924.69	$3,476.80	$3,794.77	0	0

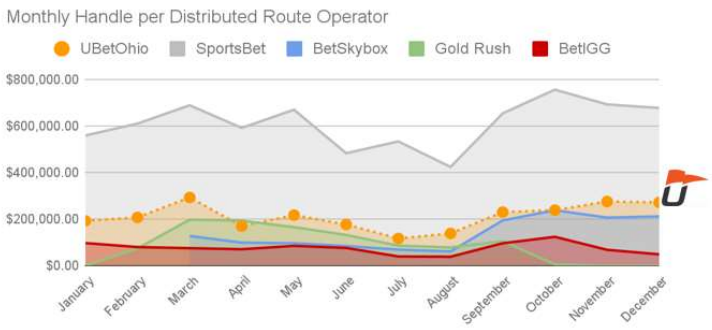
https://www.ohiolottery.com/About/Index/Financial/Sports-Gaming-Revenue

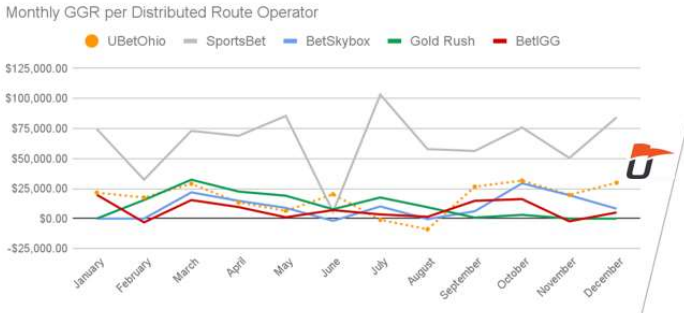
In December of 2023, UBet kiosks had an average handle of $7,560.28 compared to the SportsBet Ohio that had $924.68 in performance. Here's another way to look at the market:

"While SportsBet Ohio may show the highest Handle and GGR per month, UBetOhio's strategy focuses on selecting the best-performing locations to maximize profitability."

-Andy Westmeyer, CEO

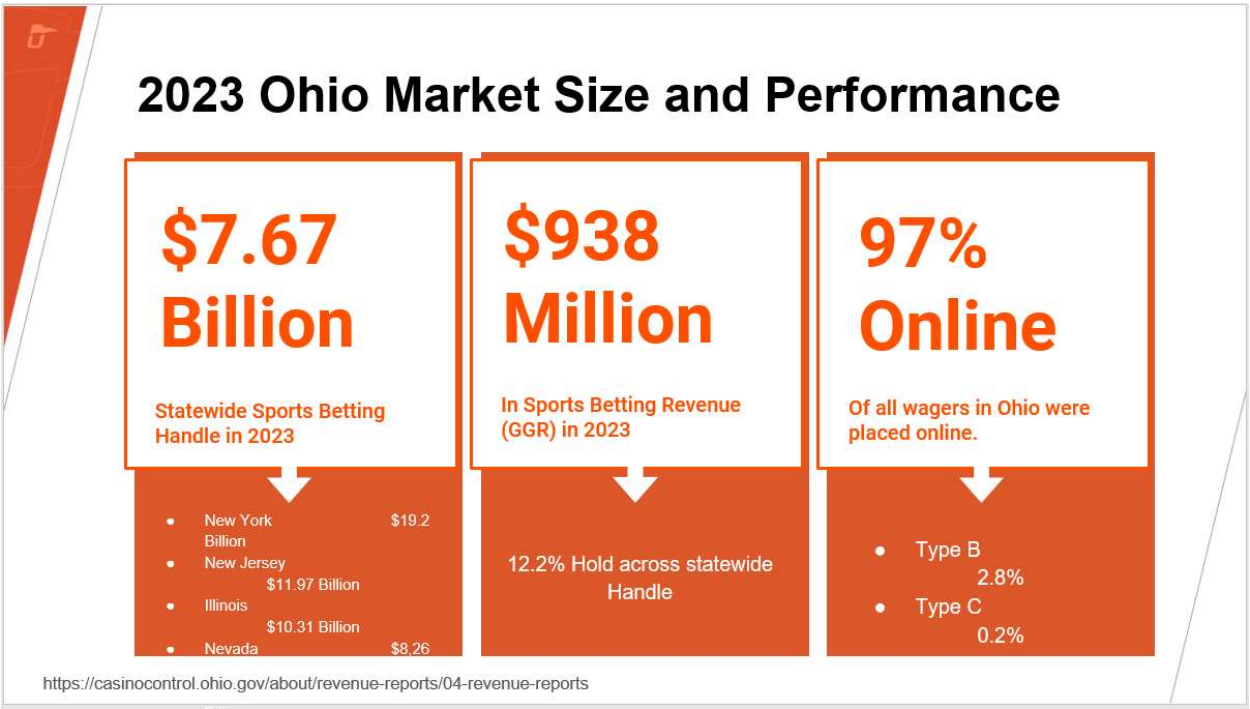
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Remember, SportsBet Ohio had a massive advantage by simply having to add the sports betting app to its existing Keno terminals, most of which were already sitting in the bars and restaurants. But when UBet was allowed to compete, UBet has shown a nearly seven-fold increase in performance between the sports betting feature on the SportsBet Ohio's Keno terminals and UBet kiosks. That shows that competition for lottery services are beneficial to driving overall revenue. For example, if the typical SportsBet Ohio Keno terminal would match UBet's typical kiosk performance, there would have been an additional $55 million in handle for Type C proprietors in just the first year.

Here is the bigger picture of the sports gaming market. Because of some of the challenges with the legislative framework, Type C proprietors capture only 0.2% of the market. Here is what we saw:



There is no question that online sports betting will remain a dominant share of the sports gaming market in the years to come. But ask yourself as a policy maker if that is necessarily a good thing? What presents the most risk for a problem gambler – having the ability to bet their entire savings account late at night on the couch after a few beers on his iPhone, or requiring that same person to leave their home providing more time to think, be around others, and the social pressures of being in public to maybe rethink their decisions? Of the three types of sports gaming licenses, I submit that sports gaming through Type C proprietors is the safest way to bet.

Also, if I was still a policy maker, I would also want to consider know how best to leverage the sports gaming structure to drive additional economic activity. I suspect Ohio's sports gaming handle will likely remain consistent, but policy decision can drive more of that economic acitivity take place where there can be ancillary economic advantages. Encouraging visits to retail locations drives more revenue than sitting on your couch on your iPhone. By removing the competitive impediments from Type C kiosks you have the chance to push other positive activities, such as

visits to local bars and restaurants, grocery stores, and other places you might ultimately allow Type C proprietors to operate. Each one of those generate more economic activity then sitting on your couch at home.

There are several changes that the Ohio General Assembly could enact that would enhance the competitive situation for Type C proprietors.

These include:

1. **Provide an even playing field**

    a. Type C proprietors need to be on the same competitive footprint as other sports betting operators in Ohio (betting types, parlays, limits, etc.). Why does it make sense that you can have more betting options on your phone while you are sitting next to a Type C kiosk?
        i. Amend R.C. 3770.35(B)(3) to allow Type C proprietors to have the same portfolio of possible bets as Type A and Type B proprietors.
    b. Allow for the same betting limits as Type A and Type C proprietors. Right now, R.C. 3770.35(B)(5) limits that the terminals shall not accept wagers aggregating more than seven hundred dollars in a calendar week from one participant. Similar restrictions are not place on Type A and Type B proprietors. Why force a sports gaming enthusiast to switch from his preferred method of sports gaming to another? A level playing field should exist so that policies are not driving patrons away from Type C proprietors.
    c. Expand permitted locations for Type C proprietors.
        i. The locations permitted to engage in sports betting through Type C proprietors should be in line with the locations that are already permitted to have lottery sales.
        ii. Type B and Type C operators should be permitted to partner so that Type C license holders can assist Type B locations, which would provide more flexibility to the Type B model.
        iii. Eliminate the number of restrictions on kiosks at a single location without a host seeking additional Ohio Casino Control permission.
    d. Reduce friction where it is already required to be 21 to enter.
        i. UBet Ohio operates in several locations where you need to be 21 to enter. At those locations, required ID scans and requirement can be safely relaxed.

2. **Competition works**

    a. UBetOhio kiosks outperform other Type C propietors, including SportsBet Ohio, which is the Ohio Lottery's Keno provider.
        i. Allow Type C proprietors to offer other lottery products, such as VLTs.
        ii. Type C operators are growing in-Ohio companies and allowing for Type C to compete on the same basis as mobile results in a net gain to the state (e.g., employees, companies, gaming and business tax revenue)

iii. Type C sports betting is beneficial to the host locations and can expand lottery gaming and taxes for Ohio if the Type C operators can also offer similar lottery products (e.g., 7X on sports applicable to 7X on VLT machines)
iv. Look at example from State of Illinois For example, the Video Gaming Act was enacted in July 2009, authorizing the placement of Video Gaming Terminals (VGTs) in licensed retail establishments, truck stops, and veteran and fraternal establishments. The VGTs are all connected to and monitored by a Central Communications System. Today, more than 8,400 licensed video gaming locations operate over 46,400 VGTs across the state – comprising the largest video gaming network of its kind in the world.

Chairman Edwards, Chairman Manning, and members of the committee, I want to thank you for your time and willingness to hear thoughts on how Type C sports gaming could be improved in Ohio.

I would be more than happy to answer any questions.

THOROUGHBRED OWNERS AND TRAINERS

HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION
OHIO DIVISION, INC. 3860 Broadway, Grove City, Ohio 43123

Telephone: (614) 875-1269 Toll Free: 1-800-321-8367 Fax: (614) 875-0786

STUDY COMMISSION ON THE FUTURE OF GAMING IN OHIO

April 11, 2024

Ohio Horsemen's Benevolent and Protective Association

(Ohio HBPA)

Introduction

Chair Edwards, Chair Manning, Members of the Study Commission on the Future of Gaming in Ohio, thank you for the opportunity to provide testimony today on the impact of horse racing in Ohio. My name is Dave Basler and I am the Executive Director of the Ohio Horsemen's Benevolent and Protective Association (Ohio HBPA). The Ohio HBPA represents nearly 2,500 owners and trainers who race at Ohio's three thoroughbred tracks.

Thank You

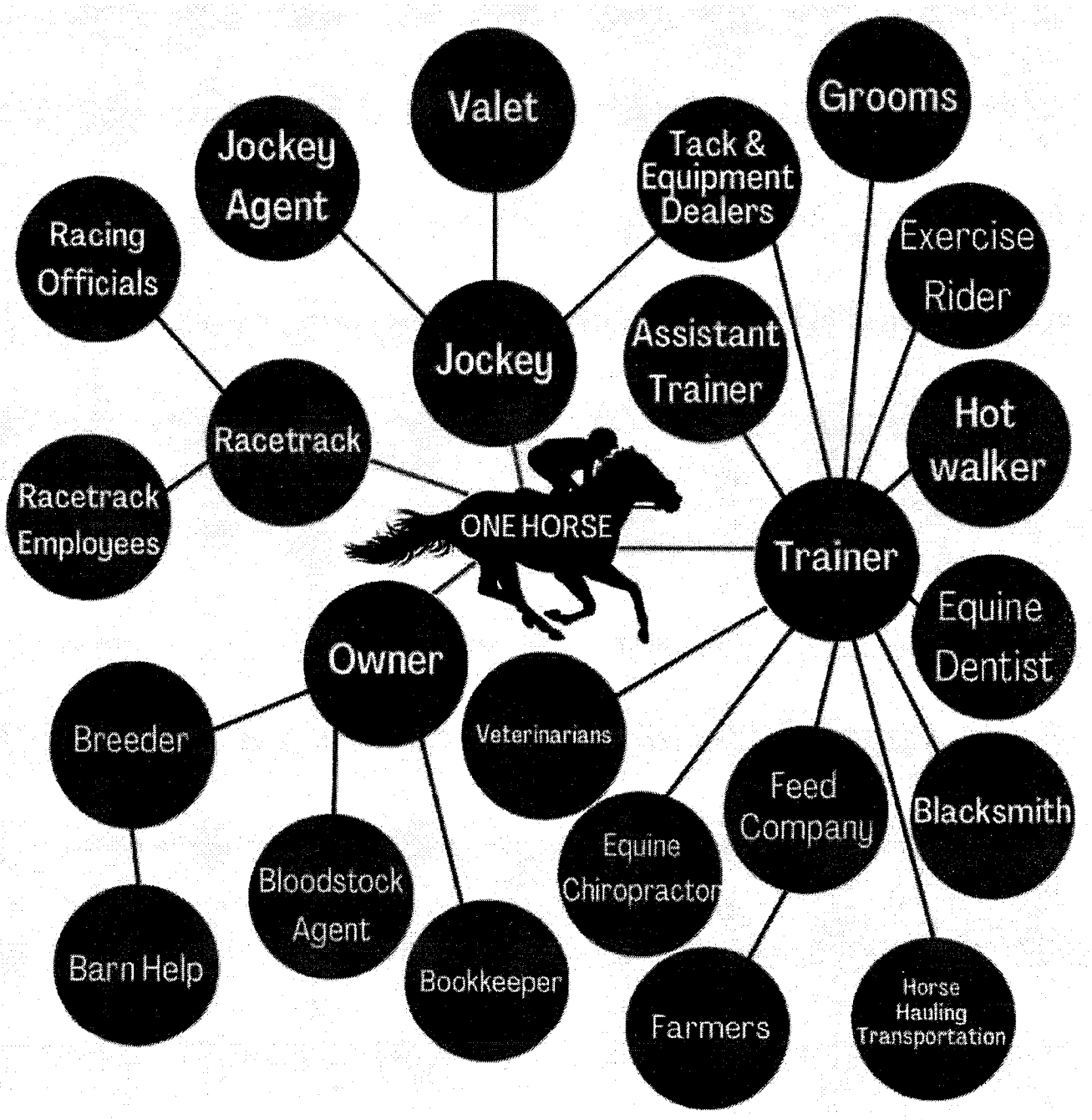
- I want to start by thanking you for taking the time to put together this study committee. All forms of gaming, including horse racing, are important parts of the state economy and provide jobs, entertainment, and social connection for many Ohioans.
- I also want to thank the Ohio Racing Commission for being responsive to industry needs including a well-reasoned approach to medication regulations and a willingness to work with the industry adjusting post times and racing schedules to account for adverse weather and other unforeseen conditions.
- Finally, I want to thank the Ohio Department of Agriculture for their assistance in responding to the recent Strangles and EHV outbreaks at Mahoning Valley Race Course.

Economic Impact of Horse Racing in Ohio

- Thoroughbred racing benefits Ohio economically, socially, and charitably. A 2018 economic impact study found that combined, all forms of horse racing including thoroughbred racing make up a $2.2 billion industry statewide.
- Both Thistledown, in the Cleveland area and Belterra Park (formerly River Downs) in Greater Cincinnati have benefited local businesses in their areas for nearly one

hundred years. Horsemen in those areas eat at local restaurants, shop in local stores, bank at area financial institutions and the list goes on.

- Horse racing is a very labor-intensive sport providing many jobs in various categories. The horses have to be fed and cared for on a daily basis and that can't be accomplished via a computer it requires human intervention.



Social Impact of Racing in Ohio

- Thoroughbred Races have long been an event that has brought people together from all walks of life. Ohioans have attended live thoroughbred racing for nearly a century with River Downs opening in 1925.
- Quote from former U.S. Equestrian Federation President David O'Connor *"Millions of Americans have a personal commitment to the horse industry, from the grassroots to those who compete nationally and internationally... Some are kids riding their backyard horse for the sheer joy of it, some support their family working for an equine business, and others are breeders and competitors at the highest levels. Together they contribute billions to the economic health of our country through their shared passion for the great American icon, the horse."*

Charity Programs

- The Ohio HBPA provides scholarships to the Ohio FFA to help finance the education of college students pursuing careers in agricultural studies.
- Scholarships to the Ohio 4-H program that helps develop youth leadership and professional skills.
- Scholarships for employees of our three racing tracks or their children as they pursue higher education.
- On going partnership with the Ohio Farm Bureau.
- Contributions to racing related charities including horse aftercare programs New Vocations and CANTER, Permanently Disabled Jockeys Fund, Equine Health and Welfare Alliance.

Requests

- Please keep horse racing in mind as IGaming is considered. Specifically:
    - Incentives for new retail locations at racetracks with a portion of revenues going to the horse racing industry AND/OR
    - Dedicating a portion of IGaming revenue for the horse racing industry
- Limitations on any VLT increases which would directly impact revenues received by the horse racing industry in Ohio.
- Consideration of a more open market regarding post times for horse racing which is currently greatly restricted by law.

I want to again thank Chair Edwards and Chair Manning for the opportunity to testify today. And I want to thank you all for committing your time and energy to studying the best path forward for gaming in Ohio. I am happy to answer any questions you have at this time.

Future of Gaming Committee
Mary Magnuson
Vice President of Government Affairs
Arrow International

Co-Chairs Edwards and Manning and members of the Future of Gaming Committee:

Thank you for the opportunity to appear before you today and thank you for including charitable gaming within the scope of your study. Charitable gaming definitely has a future in the state of Ohio. My name is Mary Magnuson, and I am Vice President of Government Affairs for Arrow International.

Arrow International is the world's largest manufacturer and distributor of charitable gaming solutions. Our mission is to help charities accomplish their fundraising goals, and we are proud that our products are used to benefit communities across the state of Ohio. Established in 1967, we are and have always been, based in Cleveland. Arrow is privately owned and has been managed by three generations of the Gallagher family. We have 57 years of experience assisting charities in their fundraising efforts: charities like veterans and fraternal service clubs, youth athletic groups, senior centers, firefighter organizations and many others. We employ over 1,600 individuals, approximately 650 of which live in Ohio. We sell products in 48 states, and we hold roughly 150 regulatory licenses. Charitable gaming isn't just a part of our business; it is our only business, and we take it seriously.

Charitable gaming is a smaller, but vital part of the Ohio gaming landscape. While it does not generate as much money as the lottery or for-profit casinos, according to the Attorney General's Office, charities in Ohio in FY 2022 raised $189 million through charitable gaming. This is $189 million that directly benefits Ohio communities, in most cases, providing critical funding for hundreds of essential programs.

As you know, in 2021, Ohio became the 8th state to legalize electronic instant bingo. Some of you may recall the criticism leveled against electronic instant bingo when the legislature was considering the bill. One criticism heard often was that electronic instant bingo is just another form of unregulated gaming. Another was that electronic instant bingo will detract from lottery and casino profits. I am happy to report that in the 2 years electronic instant bingo has been operational, those claims have proven to be unfounded. Electronic instant bingo has been a huge success, and the lottery and casinos have continued to thrive.

The instant bingo law passed by this legislature in June 2021 established solid guardrails around those who manufacture, distribute, and conduct electronic instant

bingo in this state. In December 2021, the Attorney General adopted a comprehensive set of regulations refining and building upon that law and established a program for licensing and reporting for all participants. Electronic instant bingo is, in fact, very well-regulated. All participants are licensed and must obtain separate approval for electronic instant bingo. The systems, devices, and games are independently tested against a stringent set of technical standards and are then submitted for review and approval to the Attorney General. All systems are required to have robust recordkeeping and reporting capabilities, and the Attorney General has direct access into the system data bases for auditing.

With respect to the claim that electronic instant bingo would detract from lottery and casino revenues, it is clear that the data from the last 2 years proves otherwise. In August 2023, the lottery issued a press release announcing it had shattered the sales record it set in 2021 by $133 million, hitting a record of $4.5 Billion in ticket sales. Similarly, on February 1, 2024, it was reported that Ohio casinos and racinos had, once again, broken their yearly record for revenue, doing so for the 10th time in 11 years. The state's 11 casinos and racinos brought in a combined $2.38 Billion in 2023, up from $2.33 Billion in 2022.

The $189 million raised by bingo, including instant bingo and electronic instant bingo, is, by comparison, a small piece of the gaming pie in Ohio. But that $189 million is meaningful to nearly every Ohio community. Without the money raised by charitable gaming, many local charitable service programs, veteran and fraternal clubs, youth athletic activities and more, would be faced with real financial distress and may even cease to exist.

I will let others discuss how charitable gaming impacts their operations, but one of the benefits we have noticed recently is that electronic instant bingo has contributed to the sustainability of veteran and fraternal clubs. Recently, we conducted a survey of our electronic instant bingo customers. We received responses from over 350 veteran and fraternal organizations.

We learned:

- 97% of respondents said that electronic instant bingo has helped their clubs be more sustainable;
- 90% said electronic instant bingo has positively impacted their membership; and
- 92% said electronic instant bingo is an effective means of supporting local charities.

Let me close by making a point I hope the committee will bear in mind as you consider the future of gaming in Ohio. Charitable gaming is a vital part of the Ohio gaming landscape. Neither Arrow nor our charitable partners have any desire to compete with the lottery or for-profit gaming, but we must be allowed to survive and to thrive. As you consider the future of gaming in Ohio, please do not forget charitable gaming and the benefit it provides to our state and to our local communities. Changes in gaming policy will have an impact on charitable gaming as well as on the many charitable organizations that rely on charitable gaming to sustain their programs and benefit their communities.

Co-chairs and members of the committee, thank you for your time today. I would be happy to answer any questions you might have.

Testimony of the Ohio Veterans and Fraternal Charitable Coalition
Delivered by Merle Pratt, Secretary
Before the Study Commission on Future of Gaming

April 11, 2024

Chairman Edwards and esteemed members of the commission:

Thank you for the opportunity to address you today.

My name is Merle Pratt, and I am here representing the Ohio Veterans and Fraternal Charitable Coalition (OVFCC). Our coalition comprises esteemed institutions such as the American Legion, AMVETS, VFW, Eagles, Elks, Moose, The Ohio Council of Fraternal, Veterans & Service Organizations, along with several other charitable organizations. Together, we represent a membership of 2.1 million individuals and oversee operations across 1,700 posts and lodges statewide.

The OVFCC was the driving force behind legalizing electronic instant bingo in 2021.

Following the establishment of the Ohio Lottery in 1973, veterans and fraternal organizations were among the pioneering private entities to engage in charitable gaming within Ohio. The legislature's approval in 1976 to permit bingo for charitable fundraising marked a pivotal moment, followed by the legalization of instant bingo (commonly known as pull tabs) in 2003.

Ohio's veterans and fraternal organizations may conduct various types of charitable gaming including:

- Type I traditional bingo
- Type II bingo which includes various forms of bingo played at a specified session.
- Type III bingo which includes instant bingo (pull tabs) and most recently electronic instant bingo

With the initiation of electronic gaming in Ohio, our organizations recognized the necessity for more contemporary and engaging gaming experiences to keep pace with evolving technology. Given the aging demographic of our membership, embracing technological advancements has become paramount in attracting younger members to our cause.

In 2011, we embarked on an electronic raffle pilot program, which we operated until 2021, when electronic instant bingo was finally legalized. Consequently, we ceased the electronic raffle program in favor of prioritizing electronic instant bingo.

The introduction of electronic instant bingo has decidedly bolstered our fundraising capabilities, enabling our posts and lodges to financially sustain their operations, while significantly contributing to charitable causes within our communities.

Annually, our charitable endeavors amass tens of millions of dollars in donations. Local charities and veterans in need heavily rely on the financial support we provide.

In adherence to current law, a minimum of 25% of the first $330,000 of net profits is allocated to local charities. Subsequently, for net profits exceeding $330,000, this allocation increases to 50%, ensuring substantial contributions to charitable causes.

To underscore the transformative impact of electronic instant bingo, consider the financial statistics for the October 2022 reporting period: net profits from Ohio's veterans and fraternal organizations totaled $188,927,149. That's revenue that is being put directly back into our local communities through charitable donations and the community service our posts and lodges provide. Remember, in many small towns throughout Ohio, our posts and lodges serve as a hub for the community.

It's crucial to highlight that Ohio's veterans and fraternal organizations stand out as the sole entities engaged in 100% charitable gaming. Every penny of our proceeds is dedicated to supporting either local charities through contracted agreements or directly benefits the charitable endeavors of our posts/lodges.

Here are some notable examples of the impactful charitable work carried out by our organizations:

- Eagles clubs prioritize the procurement of walking machines for Ohio State University Medical Center, aiding individuals with spinal cord injuries in their journey to regain mobility.
- Elks clubs extend financial support to established Cerebral Palsy Treatment Centers and generously award college scholarships to deserving students.
- VFW has demonstrated remarkable dedication, raising over $700,000 for Save A Warrior. Additionally, they provide crucial immediate financial assistance to indigent veterans and cover burial expenses for veterans and their families in need.
- AMVETS is deeply committed to suicide prevention through their "One is Too Many" campaign and consistently offers valuable college scholarships.
- American Legion's efforts are commendable as they raise significant funds for children's hospitals and veterans hospitals, contributing immensely to the well-being of both the younger generation and those who have served our nation.
- Most of our organizations also support Fisher House Foundation, which provides no-cost housing for veterans' families while a loved one is receiving treatment at a military or VA medical center.
- Our local posts also support hundreds of charitable causes across the state such as youth sports, school project funding, July 4th fireworks for communities, scouting,

While we are content with the current framework, we plan to advocate for specific amendments, such as permitting our organizations to contribute to their national parent organizations to qualify for grants and matching funds. Presently, the law mandates that all donations must remain within Ohio. We believe this adjustment would further enhance our capacity to support charitable initiatives on a broader scale.

Thank you for your time and consideration. We remain committed to upholding our mission of serving veterans, promoting fraternity, and supporting our communities through responsible gaming practices.

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STUDY COMMISSION ON THE FUTURE OF GAMING IN OHIO

Chairman Edwards & Chairman Manning, Members of the Commission on the Future of Gaming, thank you for convening the Study Commission on the Future of Gaming in Ohio and allowing me the opportunity to testify today.

My name is Aaron McVay, and I am the Executive Director of WCAP Counseling, located in Reynoldsburg, Ohio. Since 1972, WCAP has been serving the Central Ohio community by providing outpatient mental health and substance abuse counseling to people in need. Our services are available to anyone, regardless of their ability to pay, as we offer a sliding scale for fees, and in certain situations, we offer free counseling to clients who cannot afford the help they need. Our mission continues to be to serve people in need throughout the Central Ohio community, and we have never turned anyone away seeking treatment, regardless of their ability to pay.

In order to provide the Central Ohio community with affordable, critically important counseling services, we rely almost exclusively on state-licensed charitable fundraising events, like conducting bingo. With ongoing guidance and oversight by the Ohio Attorney General's Office, we operate our state-licensed Type I & II bingo game three times a week, which generates about half of the funds we need to operate our counseling center. The other half of our funding is generated from our Type III bingo licenses, which are utilized in selling instant bingo tickets when we are not playing Type I & II bingo. For the committee's clarification, Type I bingo is what we generally think of as traditional bingo, where players are marking their bingo cards and playing bingo. Type II bingo is the sales of instant bingo tickets during a Type I bingo game. Type III bingo is the sale of instant bingo tickets conducted outside a traditional bingo setting, when we are not playing the game of bingo.

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Over the past two years, with the increase in gaming throughout the State, the Attorney General has been providing invaluable guidance which allows us to continue fundraising in compliance with Ohio law and past practices, specifically as they apply to revenue generated by each type of licensed bingo. The Attorney General has tried to keep pace with market changes and has been updating several rules applicable to charitable fundraising. Unfortunately, in order to codify some of these past practices, we will need minor statute changes which will allow the Attorney General to maintain the status quo of bingo in our state. We look forward to working with this Legislature and with the Attorney General's office to enact these statue changes to ensure that we can continue to raise the funds needed to provide charitable services for our community, including mental health and substance abuse counseling, charitable food pantry, and counseling services to schools.

I understand that the Attorney General has the difficult task of ensuring that all licensed charities are following the rules and regulations for state-licensed charitable bingo. Attorney General Dave Yost and Assistant Attorney General Dan Fausey have done an incredible job of educating us, guiding us, and providing the seamless support of the Attorney General's Office for many years. Today, I am asking this committee to help update and modify the rules and regulations for charities like ours, and to allow us to continue our charitable fundraising so we can provide the community with the critically necessary counseling services we've been providing for over 50 years. We look forward to working with members of the General Assembly to help craft updates and amendments to the charitable fundraising statutes, and stand ready to continue to provide our charitable counseling services into the next decade and beyond.

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Once again, thank you for the opportunity to present testimony today, and I am happy to answer any questions the Committee may have.

Study Commission on the Future of Gaming in Ohio
April 11, 2024

Miami Valley Gaming & Racing
Craig Robinson, President and General Manager

Miami Valley Gaming & Racing (MVG) is a Southern Ohio racino and a modern multi-faceted entertainment destination offering live and simulcast horse racing; Video Lottery Terminals (VLTs); sports betting with a physical sports book; multiple restaurants, bars, concert and entertainment spaces; and meeting, event and conference spaces. My name is Craig Robinson and I have been part of the MVG family for over eight years and I currently serve as the President and General Manager. I live and work in Warren County and I am a fellow and proud Ohioan.

MVG is licensed and regulated by the Ohio Racing Commission, Ohio Lottery Commission and the Ohio Casino Control Commission. Strong partnerships with these regulators has resulted in increased funds for public schools and the horse-racing industry while allowing gaming in a safe, controlled environment.

MVG is a significant economic driver for southwest Ohio and contributes substantially to the State's economy through local vendor spend, job creation, tax revenue, charitable donations, funding horse racing purses and conducting live horse racing. MVG also attracts visitors from out of state, which provides an additional boost to local businesses and hospitality services.

Ohio already has a robust gaming environment which has expanded quickly over the past decade. Casinos, racinos, and sports books are highly regulated, substantially taxed and compete fiercely for market share with each other as well as with charitable gaming entities.

MVG is concerned that further expanding Ohio gaming to include internet based gaming orVLTs outside of the existing racinos would lead to a dramatic shift away from existing gaming products and locations, which have invested heavily in Ohio.

MVG urges Legislators to be mindful of the manner and timing of any potential future expansion of gaming so as to avoid creating a situation where gaming dollars are diverted from established in-state physical venues to electronic gaming companies, most of which are located outside of Ohio or the United States. As we have seen with sports gaming, there is an imbalance between physical locations and online operations. Any expansion should be done in a way that reduces potential for harm to existing businesses, employees, customers, tax revenue and private investments in Ohio.

A stable legal and regulatory environment helps create a strong backbone for a successful gaming state. There is some uncertainty regarding the Ohio market due to the recent and dramatic expansion of charitable gaming; authorization of sports books through online companies, physical sports book facilities and some restaurants and bars; the doubling of the tax rate for sports gaming during the program's rollout; proposals and discussions about internet based gaming; and the creation of this Committee to consider future expansion of gaming.

MVG has made tremendous capital investments in Ohio. Since it built its gaming and entertainment facility and state of the art horse track in 2013, it has expanded its gaming floor and facility a number of times and made multiple upgrades to the track and simulcast areas. MVG has plans for an adjacent hotel, although it has been forced to pause those plans due to its owners' concern about uncertainty in

the Ohio market. We want to continue to do our part to draw additional revenue to the Southern Ohio economy, but this uncertainty continues to stall us.

MVG is proud of its success and growth. MVG employs top notch staff who provide customers excellent entertainment experiences. MVG pays substantial taxes in Ohio that support Ohio Education, horse purses and the equine industry, and problem gaming. MVG has a significant impact on the local community and economy, supports local businesses and charitable organizations.

In closing, I am not going to make broad based claims of future tax revenues that we have paid outside consultants thousands of dollars to assemble. In fact, I am not going to make any claims about what could come in the future because I like to stick to the historical facts so please let me share a few of those with you.

FACT – MVG employs over 420 Ohioans, well over half of those are proud union members
FACT – MVG has contributed over $4.8M to local charities to support local needs. Many of our executives serve on the Board of our local not-for-profit entities as well
FACT – MVG has contributed over $190M to purse funds to support horse racing in Ohio
FACT – MVG utilizes over 1,200 vendors a year to help conduct their business, most of those are local to Southern Ohio
FACT – MVG has provided over $562M to the Ohio Lottery Commission for their use to support the education fund in Ohio.

I am here proudly representing a team of Ohioans that live, work, raise their families and vote right here in Ohio. Please do not overlook us as you search for additional sources of revenue that sound far too good to be true.

MGM Northfield Park
Study Commission on the Future of Gaming in Ohio
Ohio Racing Commission
April 11, 2024

Chairman Edwards, Chairman Manning, and fellow members of the Study Commission:

My name is Rick Limardo, Senior Vice President of Government Affairs for MGM Resorts International. I appreciate this opportunity to provide testimony on the future of gaming in Ohio on behalf of MGM Northfield Park.

MGM Resorts International is a global entertainment company with 31 national and international locations featuring best-in-class hotels, casinos, racinos, state-of-the-art meetings and conference spaces, incredible live and theatrical entertainment experiences, and an extensive array of restaurant, nightlife, and retail offerings. Here in Ohio, we made a more than $1 billion investment in 2018, when we acquired the Hard Rock Rocksino. Now known as MGM Northfield Park, we are the statewide leader in gaming and racing.

Constructed in 1934, Northfield Park has a long racing pedigree in the state. Originally a racetrack known as Sportsman Park, it hit its stride in 1957, and would eventually become one of the nation's premier harness racing tracks in the country. Today, MGM Northfield Park is the leading gaming operator in the state with nearly 800 employees and paying over $100 million in taxes annually with a significant percentage of that going towards education. We have also contributed nearly $400,000 in charitable contributions to the community since 2019.

Today, MGM Northfield Park hosts over 1,600 VLT machines, a live action sports book with seating for 60, five restaurants, five bars, facilities with capacity to accommodate parties up to 1,000, and a live entertainment venue with seating capacity of 1,820. Additionally, we have retail shops and a gas station with a carwash. On the racing side, we average 208 days of live racing and 363 days of simulcast per year, by far more than any track in the state.

Ohio's commercial brick-and-mortar gaming industry, of which MGM Northfield Park is proudly a part, continues to be a significant economic engine for the state through robust job creation and the generation of substantial tax revenues that fund important public priorities, including education. According to the American Gaming Association, casinos and racinos generated $781 million in gaming tax revenue in 2022 while supporting nearly 10,000 direct jobs in Ohio. Due to our success, we continue to invest in our property, community, and people, and have made $40 million in enhancements since we acquired the property.

As you consider the future of gaming in Ohio, we believe it is important to take a holistic approach at how best to modernize the industry and, in particular, the racinos. We have seen this with the recent passage of sports betting, which has created significant investment opportunities such as MGM's new sports book. Our new sports book has allowed us to grow our business, attract new customers, and

bring more money to the state. As we look to continue that trend, we believe it is important for the Study Commission to explore the possibility of modernizing the offerings of Ohio's racinos by allowing live dealer table games and or electronic table games which are now only available at Ohio's four casinos. This expansion would benefit racinos, the racing industry, and the state of Ohio, through additional visitation, revenue, and local high paying jobs.

By adding this amenity to the existing racinos, you provide consumers with additional choices on how to spend their recreational dollars and improve the overall customer experience. Furthermore, as we look to the future of gaming in Ohio, it is important to reach new customers and demographics. Similar to sports betting, table games will attract a new type of customer into the racinos to experience not only the gaming floor, but all the amenities our properties have to offer.

We recognize that there are some who may be concerned about the effect of modernization on land-based operations. However, if done appropriately, we see significant economic opportunity not only for industry participants, but also for the State in terms of incremental tax revenues, job creation, and diversification of the land-based gaming industry. This will ensure that just like any other entertainment product, racinos stay relevant and continue to evolve with technology and modern-day delivery methods.

I would also like to express our support for iGaming. Based on our operational experience in New Jersey and Michigan, where iGaming is offered, we have observed that there are complementary synergies between our retail casino properties and iGaming. These synergies have not only enhanced the customer experience, but have also contributed to the growth of our business in both areas.

Lastly, gaming is a highly regulated industry. MGM continues to prove that we are suitable for the privilege of holding a gaming license. We take that privilege very seriously and are grateful to our partners at the lottery, racing commission, and casino control with whom we work closely on a daily basis. Our gaming license in any jurisdiction is dependent not only on the integrity with which we operate in that market, but in all markets. As a company with over 25 destination resorts in the United States alone, we have billions of dollars of investment that depend on our ability to conduct our business consistent with the strongest regulatory and responsible gaming standards to which we are subject.

To put it simply, we are engaged in a race to the top, which is why it is critical that as Ohio considers any expansion of gaming that it do so through the casinos and racinos who have made existing investments in the state, have proven their suitability, and have prioritized consumer protections.

Again, thank you very much for offering me the opportunity to present testimony. I look forward to working with the Commission to advance the future of gaming in Ohio in a way that creates opportunities for all Ohioans, while recognizing the current contributions of the brick-and-mortar gaming industry.

BOYDGAMING

DATE: April 11, 2024

TO: **Study Commission on the Future of Gaming in Ohio**

FROM: Ryan Soultz, Vice President of Governmental Affairs, Boyd Gaming Corporation

SUBJECT: **Racing and Racino Considerations**

Chairman Edwards, Chairman Manning, and fellow members of the Study Commission:

Boyd Gaming is one of the largest casino entertainment companies in the United States, operating 28 casinos in 11 states, including Belterra Park in Cincinnati.

Belterra Park has a rich history dating back to 1925 when what was originally known as Coney Island Racetrack first opened. The original track was destroyed by the Great Ohio River Flood of 1937, was rebuilt and renamed River Downs. River Downs was one of the Cincinnati region's premier entertainment venues for over the next 75 years until undergoing a complete rebuild into Belterra Park. In May 2014, Belterra Park held its grand opening after more than $200 million was expended to transform the property into a modern racino. Boyd Gaming acquired Belterra Park in October 2018, bringing our Company and our five decades of gaming experience to Ohio.

Live racing is a key part of our business at Belterra Park. In 2023, 754 thoroughbred races were run at Belterra Park during our 93-day meet with purses totaling more than $10.7 million. Belterra Park's 2024 race meet will begin on April 25th and conclude on October 5th with another 93 days of live racing scheduled to take place on our track overlooking the banks of the Ohio River.

We appreciate the work that you are undertaking to examine Ohio's current gaming framework and matters pertaining to racing and racinos.

While thoroughbred racing is central to our business, it is important for us and others involved in thoroughbred racing to share with you that the cost structure has increased significantly in the last few years, especially with the implementation of the federal Horse Racing Integrity & Safety Act in 2022.

The Horse Racing Integrity & Safety Act, or HISA as it is commonly called, is unique to thoroughbred racing in requiring those involved in thoroughbred racing to be subject to this oversight from a new federal authority. Congress, in passing HISA, did not establish any funding mechanism for the authority's operations through federal appropriations. Instead, HISA is primarily funded by those involved in thoroughbred horseracing via fees for the authority's operations. HISA has added millions in additional annual costs for Ohio's tracks, owners, horsemen, trainers, jockeys, and others involved in thoroughbred racing that are not required for standardbred or quarter horse racing. These additional operating costs come while we have seen new gaming venues open just across the river in northern Kentucky.

While most people naturally think of Hard Rock in downtown Cincinnati as Belterra Park's nearest competitor, the fact is we have seen additional competition from "historical horse racing" machines at Newport Racing & Gaming and Turfway Park Racing & Gaming in northern Kentucky in recent years.

Historical horse racing machines, or HHRs, are electronic gaming devices manufactured by many of the same companies that supply slot machines to casinos and racinos. These HHR devices also have features that we see on slot machines, such as spinning reels or other symbols that make them almost indistinguishable for players from traditional slot machines or other electronic gaming devices. The difference is that a slot machine's outcome is determined by a "random number generator" while an HHR randomly selects the outcome of a previously conducted horse race to populate the reels. The player of an HHR does not know the horses' names, jockeys, track, conditions, or outcome of the previously ran race that is the basis of each play.

Below are examples of HHR devices manufactured by Ainsworth.



Newport Racing & Gaming opened in October 2020 with more than 500 HHRs while Turfway Park Racing & Gaming in Florence opened its new gaming area with more than 800 HHRs in September 2022. This addition of 1,300+ HHRs to the Cincinnati/Northern Kentucky gaming market is comparable to the 1,000 VLTs we operate at Belterra Park. Moreover, with Kentucky's legalization of sports wagering last year, both Newport and Turfway opened sports books just in time for the kickoff of the 2023 NFL season, there are now five retail sports books now operating in the Cincinnati market.

We know that as technologies advance, so too do the ways games are offered and played. This is occurring with the recent development of HHR-powered electronic table games.

Last year, Exacta Systems and Interblock announced that they had partnered to develop electronic table games (ETGs) powered with HHR technology[1]. Electronic table games such as the roulette game pictured below have increased in popularity in recent years. As you can tell by the image below, these games look, feel and play much like traditional table games, even if the actual outcome is technically determined by the results of historical horse races.



If these games are introduced on the Kentucky side of the Cincinnati/Northern Kentucky gaming market, Belterra Park will be at a competitive disadvantage unless we are granted the ability to offer similar

[1] "Exacta Systems partners with Interblock to launch first electronic table games (ETG) to be powered by Historical Horse Racing (HHR) technology". August 17, 2023. PR Newswire.

products for our guests. Decisions on where people go to experience gaming entertainment are driven by many factors, but the availability of new or favorite games is a key consideration.

In addition to negative impacts to our business, the state of Ohio should expect to see less revenue and smaller horse-racing purses if additional business is lost to Kentucky properties as players are drawn to HHR-driven electronic table games that are not available at Ohio racinos. We urge you to take this into consideration when examining the current state of Ohio's racing and racino operations, but also when you look at the potential decisions that could impact these industries.

Thank you for allowing us to share our thoughts on this issue with you.

THE FIVE COLLEGES OF OHIO

DENISON UNIVERSITY • KENYON COLLEGE • OBERLIN COLLEGE
OHIO WESLEYAN UNIVERSITY • THE COLLEGE OF WOOSTER

To: Study Commission on the Future of Gaming in Ohio

From: Carmen Twille Ambar, President, Oberlin College
Julie Kornfeld, President, Kenyon College
Anne McCall, President, The College of Wooster
Matt vandenBerg, President, Ohio Wesleyan University
Adam Weinberg, President, Denison University

Re: Individual Prop Betting in Collegiate Athletics

Dear Chair Edwards, Chair Manning, and Members of the Study Commission on the Future of Gaming in Ohio,

On behalf of Denison University, Kenyon College, Oberlin College, Ohio Wesleyan University, and The College of Wooster, we are writing to express our strong support for the Ohio Casino Control Commission's proposed ruling banning individual prop betting on collegiate athletics.

As colleges sincerely committed to integrating athletics as a core part of a well-rounded education for our students, we are extremely concerned about the pernicious impacts prop betting can have on college students.

We urge you to resist any efforts to override this important regulatory measure.

Individual Prop Betting is a Significant Threat to Collegiate Athletics

The ease and profitability of individual prop betting has corrosive effects on collegiate athletics:

- Individual prop betting allows more frequent, granular wagering opportunities. Bettors can wager on whether a college player will score over or under a certain number of points, make a certain number of three-pointers or goals, or record a

particular statistical benchmark. This allows for significantly more betting opportunities per game.

- Also, the more specific the prop bet, the longer the odds of it winning. As a result, bettors can make small-dollar-value bets and potentially win hundreds or even thousands if a parlay of prop bets all come through.

- Gaming companies and apps can very easily generate prop bet odds even for players and departments that lack the visibility of larger, revenue-generating athletic programs. That's because individual prop bets do not require the same level of in-depth analysis as, for example, setting point spreads for a full game.

All of this poses an acute threat to the traditional student-athlete model we uphold and collegiate athletics broadly.

Concerns About Prop Betting's Impact on Student Athletes

We applaud all steps Ohio has taken so far to safeguard the welfare and educational experience of Division III student athletes, and those protections should be maintained and not eroded. Our student-athletes are not professionals. They are young adults pursuing a well-rounded education alongside their athletic pursuits. Our programs integrate athletics as a co-curricular part of the overall academic and personal development of our students, so much so that some of us classify our athletic coaches as faculty.

Student-athletes should not be subjected to the pressures and exploitation that come with being the direct object of a billion-dollar sports betting industry. Yet the ease with which prop bets can be offered on Ohio's students means that their individual performances are at risk of being commodified for commercial gambling interests.

In all the following ways, this undermines the fundamental purpose of athletics and threatens the well-being of student-athletes:

- **Prop betting undermines the authenticity and integrity of competition:** By incentivizing individual player performances over team success, prop bets create perverse incentives that undermine the authentic competitive nature of these games. Student-athletes, who are still developing both athletically and academically, may feel pressure to prioritize personal stats to avoid harassment and abuse, or to benefit bettors over the broader goals of their teams and institutions. This corrupts the authenticity and integrity of collegiate athletics.

- **Prop betting exploits students:** College athletes are young adults, many of whom are still minors. Prop betting makes them the direct object of lucrative national gambling markets, exploiting their performance for commercial gain without their consent. The exploitation of students through individual prop betting is at odds with the values we should all share as educators and government officials entrusted with supporting the wellbeing of Ohio's college students.

- **Prop betting causes harassment and abuse of students:** Increasingly, students at all types of institutions around the country are being harassed by bettors, as losing gamblers vent their frustrations directly at players. This abuse has already started and quickly took root in Ohio. The University of Dayton's Men's Basketball team faced messages of hate and harassment from bettors just three weeks after legal sports betting launched in Ohio, and we are certain this abuse will escalate if individual prop betting is cemented as accepted practice in our state.

The Ohio Casino Control Commission's ruling to ban individual prop betting on collegiate athletics is a prudent and necessary step to safeguard the welfare and educational experience of student-athletes in Ohio. There are ample other profitable opportunities for the sports betting industry to pursue without compromising collegiate athletics and turning students into commodities.

We urge you to join us as guardians of the true midwestern spirit and values that college sports were meant to uphold, and to stand behind the Commission's proposal. The student-athletes of Ohio deserve an environment that protects them and enables them to thrive.

Thank you for your consideration.

Sincerely,

Carmen Twille Ambar, J.D., President, Oberlin College
Julie Kornfeld, Ph.D., President, Kenyon College
Anne McCall, Ph.D., President, The College of Wooster
Matt vandenBerg, Ed.D., President, Ohio Wesleyan University
Adam Weinberg, Ph.D., President, Denison University

Ohio Sports Gaming Study Committee

Derek Longmeier
Interested Party Testimony
April 11, 2024

Chairman Edwards, Chairman Manning, and members of the Ohio Study Commission on the Future of Gaming in Ohio. Thank you for the opportunity to provide written testimony as an interested party regarding the future of Ohio's gambling landscape. My name is Derek Longmeier, Executive Director of Problem Gambling Network of Ohio (PGNO). PGNO does not take a position for or against legalized gambling. As we've learned from our state gambling surveys increased access to gambling results in higher rates of problem gambling. While we maintain a neutral stance regarding gambling it is our responsibility to advocate for those who are negatively impacted by gambling and ensure that any gambling or gambling expansion includes consumer protections.

I am writing to request for consideration the consolidation of regulatory authority under a single entity, the State Gaming Commission, which would oversee all aspects of gaming within Ohio. Additionally, we request the alignment of Ohio's gaming laws to ensure consistency and transparency for all Ohio consumers.

First, we ask that you consider streamlining regulation through the creation of the Ohio Gaming Commission. This would result in re-appropriating regulatory responsibilities currently with the Attorney General's Office, Division of Charitable Gaming and the Ohio State Racing Commission. Similar re-alignment has been done in other states, such as Massachusetts. Before the establishment of the Massachusetts Gaming Commission (MGC) parimutuel wagering in Massachusetts was regulated by the Massachusetts State Racing Commission (MSRC). The MSRC oversaw horse racing and parimutuel betting activities within the state. The MSRC ensured the integrity of horse racing by enforcing rules and regulations conducting drug testing and investigating any violations or misconduct. However, with the establishment of the Massachusetts Gaming Commission which primarily focuses on regulating casinos the oversight of parimutuel wagering activities was transferred to the MGC which now regulates various forms of gambling within the state including horse racing and sports betting.

The establishment of harmonized standards across all forms of legalized wagering is essential to ensure consumers are aware of the requirements and will further mitigate the consequences of gambling. These standards should include: elements of Know Your Customer (KYC); dedicated funds for prevention, treatment, and research; provisions to collect and analyze anonymized

data; mandatory training regarding responsible gaming practices for all staff and volunteers; and requirements to include either the Ohio Problem Gambling Helpline number or the national problem gambling helpline, 800-GAMBLER. Lastly, we request increasing the minimum age for instant electronic bingo to 21 to match other electronic gaming machines, such as slot machines and video lottery terminals. This age requirement helps to protect young adults from the potential risks associated with gambling.

In conclusion we urge the Study Commission on the Future of Gaming in Ohio to prioritize the alignment of gaming laws including helpline requirements dedicated funds, and the minimum age requirement to 21, as well as establish the State Gaming Commission to oversee all aspects of gambling regulation. These measures are essential to promote responsible gaming practices, protect vulnerable populations, and uphold the integrity of gaming in Ohio.

On behalf of the PGNO membership, thank you for taking the time for due diligence. We hope that these hearings will be the first of many conversations regarding these important matters and look forward to serving as a resource to you.

Thank you for the opportunity to provide testimony as an interested party.

Sincerely,



Derek Longmeier, Executive Director
Problem Gambling Network of Ohio