

Redbook

LBO Analysis of Executive Budget Proposal

Casino Control Commission

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LBO Redbook

Casino Control Commission

Quick look...

- The Ohio Casino Control Commission (CAC) oversees four casinos and casino gaming in Ohio.
- CAC receives no GRF funding; Funding is largely from a 3% share of the gross casino revenue tax.
- In FY 2018, a total of \$7.98 billion was wagered at slots and table games, producing gross casino revenues of \$827 million and tax revenue of \$272 million.
- Casino tax revenue is distributed among state agencies and political subdivisions; from FY 2012 through FY 2018, approximately \$1.6 billion in revenue has been distributed from the gross casino tax.
- Disposition of casino tax revenues is codified in Article XV of the Ohio Constitution.
- CAC is led by seven Commissioners appointed by the Governor.

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
Fund 5HS0, ALI 955321, Operating Expenses					
\$9,842,762	\$11,173,059	\$11,456,162	\$13,560,000	\$13,180,629	\$13,673,127
% change	13.5%	2.5%	18.4%	-2.8%	3.7%
Fund 5KT0, ALI 955501, Racetrack Host Supplement					
\$1,500,000	\$1,500,000	\$0	\$0	\$0	\$0
% change	0.0%	-	-	-	-
Fund 5NU0, ALI 955601, Casino Commission Enforcement					
\$14,835	\$4,890	\$36,382	\$250,000	\$250,000	\$250,000
% change	-67.0%	644.0%	587.2%	0.0%	0.0%
Total funding:					
\$11,357,596	\$12,677,949	\$11,492,544	\$13,810,000	\$13,430,629	\$13,923,127
% change	11.6%	-9.4%	20.2%	-2.7%	3.7%

Agency overview

The Ohio Casino Control Commission (CAC) was established in 2011 for oversight of the casino industry. The commission establishes standards and procedures for casino operators, vendors, and their employees. CAC licenses and regulates all persons participating in casino gaming, as well as investigates gaming crime.

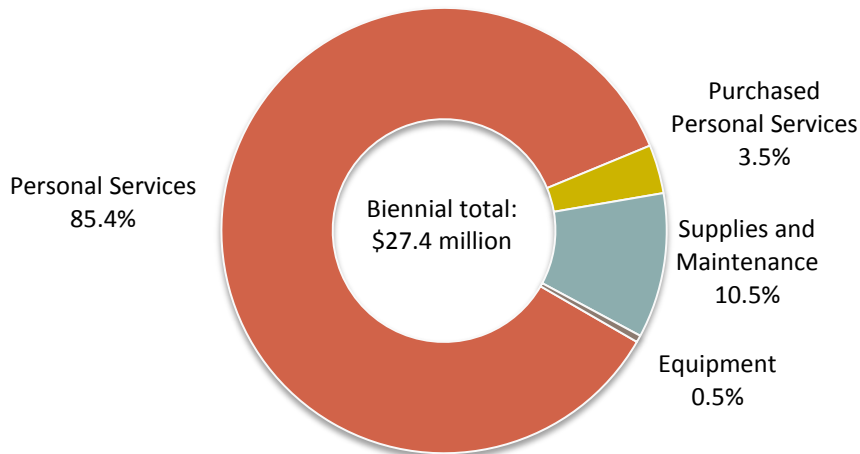
Analysis of FY 2020-FY 2021 budget proposal

This agency receives no GRF funding. The CAC is financed primarily through its 3% share of Ohio's tax on gross casino revenue. The Commission's total budget recommendations are \$13.4 million in FY 2020 and \$13.9 million in FY 2021. Proposed appropriations in FY 2020 spending represents a 2.7% decrease from FY 2019 estimated spending. CAC employs 107 full-time employees and 18 part-time and other types of employees in FY 2019.

Executive recommendations by expense category

The chart below summarizes the executive's recommendations by expense category. As a regulatory agency, the largest expense of the commission is personnel costs. The Personal Services category accounts for \$11.3 million of budgeted expenses in FY 2020, and \$12.0 million in FY 2021. Budgeted amounts for both Purchased Personal Services and Supplies and Maintenance are anticipated to decline in both FY 2020 and FY 2021, relative to estimated FY 2019 expenses.

**CAC Budget by Expense Category
FY 2020-FY 2021 Biennium**



Operating Expenses (955321)

This line item funds expenses directly required for general operations of the Commission. Fund 5HS0 is supported by CAC's share of the gross casino revenue tax. The appropriation for FY 2020 is \$13.2 million, a 2.8% decrease over anticipated FY 2019 spending. The executive recommends an increase of \$0.5 million for FY 2021 relative to FY 2020 proposed spending. Increases are attributable to an expected rise in personal services spending.

Casino Commission Enforcement (955601)

This line item provides funds for the Ohio Casino Control Commission's Division of Enforcement. The moneys primarily go to pay for the supplies and equipment of gaming agents. Fund 5NU0 is funded by the CAC's collection of fines, forfeited bail, and seized property. Estimated spending in FY 2019 is \$250,000; no increase is recommended for this line item for FY 2020 and FY 2021. CAC's Division of Enforcement responded to hundreds of consumer complaints in CY 2018, removing over 3,000 unregulated slot machines from operation.

Major new initiatives

In the most recent year, CAC launched the regulatory system for skill-based amusement machines (SBAM). The Skills Games Division of CAC is responsible for drafting rules, licensing, and provides compliance provisions for this new industry. The Commission has already begun accepting registrations and license applications from vendors.

H.B. 132 of the 132nd General Assembly gave CAC authority to license, regulate, and conduct fantasy sports contests. The Commission has drafted rules which outline registrant conduct as well as protections for consumers participating in the industry. The Commission expects to receive approximately 1,200 entity-level skilled game license applications, 1,200 individual applications, and between 10 and 20 fantasy gaming license applications.

Facts and Figures

Licensing

An integral part of casino operations is ensuring the integrity of those people who work in the industry. Employees are required to submit to licensing requirements, which include an application, fees, and background investigations. The fee schedule is shown in Table 1. Initial applicants typically pay a \$250 application fee, whereas renewal applications cost between \$50 and \$100. Business license and fee assessments are deposited in the Casino Control Commission Fund (5HS0), and resulted in revenues totaling around \$3.8 million in FY 2018.

License Type	Fee
Individual Registration by Exam – Initial	\$250
Individual Registration – Renewal	\$100
Firm Certificate of Authorization – Initial	\$250
Firm Certificate of Authorization – Renewal	\$50

Casino tax revenues

The casino tax applies to gross casino revenue of casinos, generally defined as wagers minus winnings paid to gamblers. The tax rate is 33% of gross casino revenue. Promotional gaming credits issued to casino patrons are excluded from the definition of gross casino revenue.

Table 2 displays Adjusted Gross Revenues (AGR) and distributed tax revenues over the FY 2014 to FY 2018 period. Total AGR has risen modestly, increasing 2.2%. Roughly two-thirds of gross revenues were derived from slot machines.

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Table AGR	\$264.4	\$268.5	\$264.2	\$265.8	\$268.0
Slot AGR	\$560.7	\$540.2	\$552.9	\$530.4	\$559.1
Total AGR ¹	\$825.1	\$808.7	\$817.2	\$796.1	\$827.1
Distributed Tax Revenue²	\$275.8	\$270.0	\$269.3	\$262.0	\$270.5

Distribution of Casino Tax Receipts

The disposition of gross casino tax revenues is embedded in the Ohio Constitution which requires casino tax revenue to be distributed to seven funds. Table 3 indicates each prescribed fund share and revenue distributed in FY 2018. Data are from the annual report of the Department of Taxation. Distributions to counties from (Fund 5JG0) and host cities from (Fund 5JJ0) are made quarterly on or before July 31, October 31, January 31, and April 30. So, the distributions are made for taxes collected the prior quarter. Distributions to school districts from (Fund 5JH0) are made semiannually on or before January 31 and August 31. Amounts distributed to counties, host cities, and school districts are available on the Department of Taxation's website.³ Of the 3% of receipts to CAC, one cent of every dollar is transferred to the Department of Taxation for tax administration costs.

Fund	Share	Distribution Amount
County Fund (Fund 5JG0)	51%	\$137.9
Student Fund (Fund 5JH0)	34%	\$92.0
Host City Fund (Fund 5JJ0)	5%	\$13.5
Ohio State Racing Commission Fund (Fund 5JK0)	3%	\$8.1
Casino Control Commission Fund (Fund 5HS0)	3%	\$8.1
Law Enforcement Training Fund (Fund 5LR0)	2%	\$5.4
Problem Gaming & Addictions Fund (Fund 5JL0)	2%	\$5.4

¹ Adjusted Gross Revenue totals as reported by CAC.

² Revenue distribution as reported by the Department of Taxation.

³ <http://www.tax.ohio.gov/government/casino.aspx>.

Wagering at Ohio Casinos

Table 4 below provides amounts wagered at Ohio casinos in the last six calendar years from reports of the Commission. Ohio casinos operated 7,307 slot machines and 400 table games at the end of CY 2018. Total wagering at Ohio casinos rose approximately 1.9% in CY 2018, from the FY 2019's level. However, total wagering at Ohio casinos is down approximately 1.5% between CY 2013 and CY 2018. More specifically, gambling has declined at table games (about 10%) during this period, in part due to the declining number of table games offered by casinos. On the other hand, wagering at slot machines in CY 2018 rose in the last two years, and achieved a record level in CY 2018.

Table 4. Wagering at Ohio Casinos (in billions)			
	Table Games	Slots	Total
CY 2013	\$1.30	\$6.80	\$8.10
CY 2014	\$1.32	\$6.38	\$7.70
CY 2015	\$1.34	\$6.62	\$7.96
CY 2016	\$1.26	\$6.42	\$7.68
CY 2017	\$1.20	\$6.63	\$7.83
CY 2018	\$1.17	\$6.81	\$7.98
\$ Change vs. CY 2017	-\$0.03	\$0.18	\$0.15
% Change vs. CY 2017	-2.5%	2.7%	1.9%