

Redbook

LBO Analysis of Executive Budget Proposal

Casino Control Commission

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LBO Redbook

Casino Control Commission

Quick look...

- The Ohio Casino Control Commission (CAC) regulates casino gaming in Ohio and enforces casino and skills-based amusement machines laws.
- CAC receives no GRF moneys; funding is largely from a 3% share of the gross casino revenue tax. Disposition of casino tax revenue is codified in Article XV of the Ohio Constitution.
- In FY 2020, over \$6.10 billion was wagered at slots and table games, producing gaming tax revenue of approximately \$210 million.
- Casino tax revenue is distributed among state agencies and political subdivisions; from FY 2012 through FY 2020, nearly \$2.1 billion in revenue has been distributed from the gross casino tax.
- CAC is led by seven commissioners appointed by the Governor.

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
Fund 5HS0 ALI 955321, Operating Expenses					
\$11,456,162	\$12,324,499	\$12,448,244	\$13,130,000	\$13,401,718	\$13,492,672
% change	7.6%	1.0%	5.5%	2.1%	0.7%
Fund 5NU0 ALI 955601, Casino Commission Enforcement					
\$36,382	\$7,829	\$93,928	\$200,000	\$250,000	\$250,000
% change	-78.5%	1,099.7%	112.9%	25.0%	0.0%
Total funding:					
\$11,492,544	\$12,332,328	\$12,542,172	\$13,330,000	\$13,651,718	\$13,742,672
% change	7.3%	1.7%	6.3%	2.4%	0.7%

Agency overview

The Ohio Casino Control Commission (CAC) was established in 2011 to provide oversight of the state's casino industry and to enforce standards and procedures for casino operators, vendors, and their employees. CAC licenses and regulates all persons participating in casino gaming, investigates crime occurring within the casino environment, and conducts audits on casino operations. The mission of the agency was later expanded to include the enforcement of state laws pertaining to skill-based amusement machines (SBAM), and management of a regulatory system for fantasy sports contests.

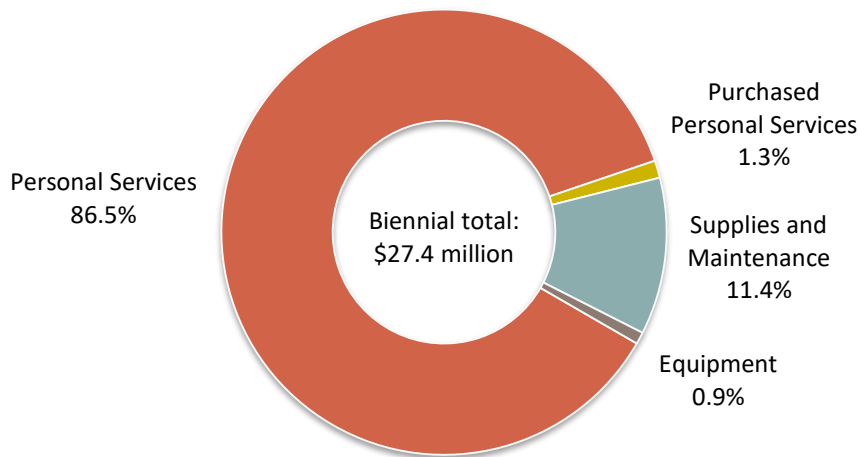
Analysis of FY 2022-FY 2023 budget proposal

This agency receives no GRF funding. CAC is financed primarily through its 3% share of Ohio’s 33% tax on gross casino revenue. The Commission’s total budget recommendations are about \$13.7 million in each year of the biennium. Proposed appropriations in FY 2022 represent an increase of approximately \$320,000 from FY 2021 estimated spending. In FY 2020, CAC employed 97 full-time employees and 11 part-time and alternative employment workers.

Executive recommendations by expense category

The chart below summarizes the executive’s recommendations by expense category. As a regulatory agency, the largest expense to the Commission is personnel costs. The Personal Services category accounts for \$11.7 million of budgeted expenses in FY 2022, and \$12.2 million in FY 2023. The executive budget proposes increases in the next biennium for both purchased personal services and supplies and maintenance.

**Chart 1: CAC Budget by Expense Category
FY 2022-FY 2023 Biennium**



Operating Expenses (955321)

This line item funds expenses directly required for general operation of the Commission, including all administrative, licensing, and regulatory activities. The Casino Control Commission Fund (Fund 5HS0) is supported by CAC’s share of the gross casino revenue tax. The appropriation for FY 2022 is \$13.4 million, a 2.1% increase over anticipated FY 2021 spending. The executive budget recommends a further 0.7% funding increase in FY 2023.

Casino Commission Enforcement (955601)

This line item provides funds for the Ohio Casino Control Commission’s Division of Enforcement. The moneys primarily go to pay for the supplies and equipment of gaming agents. The Casino Control Commission Enforcement Fund (Fund 5NU0) is funded by the CAC’s collection of fines, forfeited bail, and seized property. The executive budget appropriates \$250,000 to this

line item in FY 2022 and FY 2023, up from estimated spending of \$200,000 in FY 2021. CAC gaming agents play an active role in regulation and law enforcement within Ohio's casinos and within Ohio's community gaming establishments.

Major new initiatives

Oversight of fantasy contests was granted to CAC with the enactment of H.B. 132 of the 132nd General Assembly. The act also granted the Commission jurisdiction over all those involved with fantasy contests, including the ability to license, regulate, investigate, and penalize operators. The rules became effective on September 3, 2019. As of December 31, 2020, CAC had licensed 15 fantasy contest operators, and 11 Commission-approved accountants or accounting firms. Licensure fees are variable, from \$3,000 to \$30,000 and they depend on the number of fantasy contest players in the state of Ohio.¹

Facts and figures

Voluntary Exclusion Program

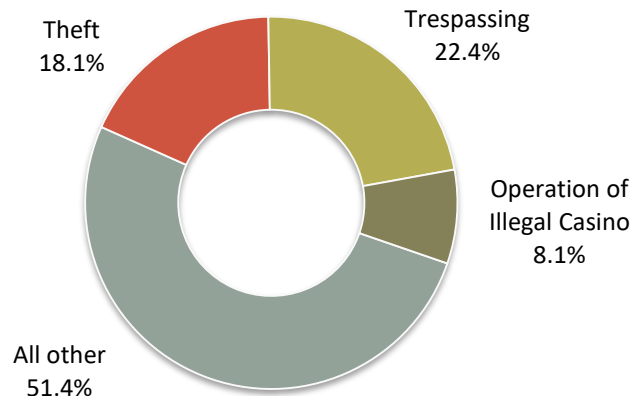
In pursuing its goal of offering a safe and healthy environment for casino patrons, CAC established a Voluntary Exclusion Program (VEP), which allows individuals to ban themselves from further gambling activities. As a collaborative effort between CAC and the Ohio Lottery Commission, the VEP is a confidential list of individuals who are not allowed to enter a casino or racino facility for the duration of their self-imposed ban, or indefinitely. Over 5,500 persons were on the VEP list as of June 30, 2020, and over 1,500 have thus far been removed from the program following the expiration of the exclusion period.

Division of Enforcement activities

In addition to staffing casinos, the Division of Enforcement works collaboratively with other local, state, and federal agencies on criminal activity both in and outside of casinos, including drug trafficking, money laundering, counterfeit currency, and other financial crimes. The Division has removed over 3,000 illegal gambling machines from operation since its inception, and works continually with local law enforcement in this effort. CAC agents charged 241 individuals with a total of 393 criminal charges during FY 2020, down approximately 41% from the previous year, a decrease largely due to the shutdown of casinos and other gambling establishments as part of the state's response to the COVID-19-pandemic. Chart 2 displays the type of offenses charged by CAC agents. The most common types of crime in Ohio's casinos and gambling industry are trespassing and theft.

¹ Ohio Administrative Code 3772-74-10.

Chart 2: Total Criminal Charges by CAC Agents by Type of Crime, FY 2020



Casino tax revenues and distributions

The casino tax applies to gross casino revenue, defined as wagers minus winnings paid to gamblers. The tax is 33% of adjusted gross revenue (AGR), equal to gross casino revenue minus any promotional gaming credits provided by casinos. Table 1 displays AGR and distributed tax revenues in recent fiscal years. Roughly more than two-thirds of gross revenues were derived from slot machines in the most recent year. Total AGR increased 3.4% from FY 2016 to FY 2019, before tumbling 24.6% in FY 2020. To slow the COVID-19 pandemic, the Governor issued an emergency declaration on March 9, 2020, and various public health orders followed, including a stay-at-home requirement. Ohio casinos were closed from March 13, 2020, through June 18, 2020. The shutdown negatively affected AGR totals in the fiscal year, but tax distributions were minimally affected because they lag by one calendar quarter. To illustrate the impact of closures, distributions in July 2020 were only \$5.1 million, down from \$71.5 million in July 2019.

Table 1. Adjusted Gross Revenue, FY 2016-FY 2020 (\$ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Table AGR	\$264.2	\$265.8	\$268.0	\$271.9	\$201.2
Slot AGR	\$552.9	\$530.4	\$559.1	\$573.0	\$435.9
Total AGR²	\$817.2	\$796.1	\$827.1	\$844.9	\$637.1
Tax Revenue	\$269.3	\$262.0	\$270.5	\$276.0	\$275.7

The disposition of gross casino tax revenues is prescribed in Article XV of the Ohio Constitution, which requires casino tax revenue to be distributed to seven funds. Table 2 indicates each fund's share and the amount of revenue distributed in FY 2020. Data are from reports of the Department of Taxation.³ Distributions to counties (Fund 5JG0) and host

² CAC reports.

³ <https://tax.ohio.gov/wps/portal/gov/tax/researcher/tax-analysis/tax-data-series/grosscasinorevenue>.

cities (Fund 5JJ0) are made quarterly on or before July 31, October 31, January 31, and April 30. Distributions to school districts (Fund 5JH0) are made semiannually on or before January 31 and August 31. A total of \$275.7 million was distributed to the funds during FY 2020. 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%	\$140.6
Student Fund (Fund 5JH0)	34%	\$93.7
Host City Fund (Fund 5JJ0)	5%	\$13.8
Ohio State Racing Commission Fund (Fund 5JK0)	3%	\$8.3
Casino Control Commission Fund (Fund 5HS0)	3%	\$8.3
Law Enforcement Training Fund (Fund 5LR0)	2%	\$5.5
Problem Gaming & Addictions Fund (Fund 5JL0)	2%	\$5.5
Total	100%	\$275.7

Wagering at Ohio casinos

Table 3 below provides dollar amounts wagered at Ohio casinos in the last six calendar years. Total wagering at Ohio casinos declined by over 20% in CY 2020, after rising approximately 1.8% in CY 2019. Total wagering at Ohio casinos was up approximately 5.4% between CY 2014 and CY 2019, but was reduced in CY 2020. The drop in wagering was due to closures, fewer slot machines, and operating hour restrictions after the casinos were re-opened, especially late in the year. In December 2020, Ohio's casinos operated a total of 4,768 slot machines and 254 table games. In contrast, in December 2019, there were 7,240 slot machines and 413 table games, respectively.

Calendar Year	Table Games	Slots	Total
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
CY 2019	\$1.16	\$6.96	\$8.12
CY 2020	83¢	\$5.61	\$6.44
\$ Change vs. CY 2019	-33¢	-\$1.35	-\$1.68
% Change vs. CY 2019	-28.4%	-19.4%	-20.8%

Licensing

CAC ensures the integrity of those in the industry by requiring participants in the industries it regulates to be licensed. Generally, gambling industry employees are required to submit to licensing requirements, which include an application, fees, and background investigations. The fee schedule for casino employee licenses and skill-based amusement gaming licenses is shown in Table 4. Initial applicants typically pay an application fee; once an application is approved, a license fee is charged. Licenses are valid for three years, and application and license fee assessments are deposited in the Casino Control Commission Fund (5HS0). In FY 2020, CAC approved almost 1,200 casino licenses and 430 skill-based amusement licenses. (Skill-based amusement licenses for operators are variable depending on the type.)

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