

OHIO CASINO CONTROL COMMISSION

John R. Kasich
Governor



June Taylor
Chair

**Testimony of Matthew T. Schuler, Executive Director
Ohio Casino Control Commission
House Bill 49
Primary and Secondary Education Subcommittee
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Chairman Cupp, Ranking Member Miller and members of the subcommittee, thank you for the opportunity to testify in support of the Administration's budget recommendation for the Ohio Casino Control Commission (OCCC).

MISSION OF THE CASINO CONTROL COMMISSION

Article XV, Section 6(C)(4) of the Ohio Constitution established the Casino Control Commission to ensure the integrity of casino gaming in Ohio.

ORC 3772.03(A) further provides that, "to ensure the integrity of casino gaming, the commission shall have authority to complete the functions of licensing, regulating, investigating, and penalizing casino operators, management companies, holding companies, key employees, casino gaming employees, and gaming-related vendors. The commission also shall have jurisdiction over all persons participating in casino gaming authorized by Section 6(C) of Article XV, Ohio Constitution, and this chapter."

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

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

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Responsible Gambling Programs

The Commission coordinates with state and local partners to provide educational materials, prevention programs and treatment options under the umbrella of Ohio for Responsible Gambling (ORG). The initiative involves the Ohio Department of Mental Health and Addiction Services (OhioMHAS), the Ohio Lottery Commission, the Ohio State Racing Commission and the Ohio Casino Control Commission. One of the shared resources provided is Ohio's 24-hour Problem Gambling Helpline (1-800-589-9966).

The Constitution dedicates 2 percent of the tax on gross casino revenue to fund problem gambling and addiction services. To date, more than \$23.6 million has been directed to support education, prevention and treatment. The money is allocated through an agreement between OhioMHAS and the Commission's Executive Director, and is distributed on a per capita basis to local ADAMHS Boards.

The Commission also administers a Voluntary Exclusion Program which offers individuals the ability to ban themselves from a casino facility for one year, five years or their lifetime. Individuals who want to enroll must complete the Request for Voluntary Exclusion form in the presence of trained Commission staff. Once the request is validated, the individual is not permitted to access any Ohio casino during the length of their self-imposed ban.

There are currently over 2,786 active participants from 19 states and one Canadian province.

Additionally, the Commission, in cooperation with the Ohio Department of Job and Family Services established the Child Support Intercept Program at each casino. Each time a person cashes their winnings, the person's name will be run against the list of those owing court-ordered child support. If there is a match, the amount owed will be deducted from the winnings. To date, more than \$2.2 million has been intercepted.

Licensing and Investigations

The Casino Control Law requires every person conducting or participating in casino gaming to be licensed. The Commission conducts suitability investigations of each applicant to determine eligibility for licensure, ensuring only suitable persons are involved in Ohio's casinos.

License applicants include casino operators, management companies, holding companies, gaming-related vendors, key employees, and casino gaming employees. All suitability investigations result in a recommendation to the Commission to grant or deny a license. These recommendations are made following an extensive background check that includes criminal, financial and regulatory history, professional license verification, tax record examination, credit history analysis, database checks for bankruptcies and outstanding liens or judgments, and retrieval of 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 changes in personal information, including change

of address, criminal charges or bankruptcies. All license holders are required to file for renewal every three years and the Commission must conduct a new suitability investigation.

To date, the Commission has issued initial, new or renewal licenses for the following number of individuals and entities:

- Operators 9
- Management Companies 3
- Holding Companies 228
- Gaming-Related Vendors 54
- Key Employees 744
- Casino Gaming Employees 11,005

Regulatory Compliance

Through the Division of Regulatory Compliance, the Commission ensures that its licensees comply with the Casino Control Law, the Ohio Administrative Code and each casino’s detailed 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.

To ensure compliance, the Division examines slot machine activities, table game operations, financial transactions and conducts process audits. These specialized tasks require the Commission to employ subject matter experts with specialized knowledge in accounting, auditing and electronic gaming equipment (EGE). Excluding daily, monthly and annual financial reviews, the Division will have performed 624 audits involving all four casinos in this fiscal biennium.

Enforcement of the Law

The Commission is a law enforcement agency and is responsible for enforcing the Casino Control Law. The Enforcement Division is comprised of gaming agents, investigators, and criminal intelligence analysts. Gaming agents are certified peace officers in the State of Ohio and have arrest authority on all casino property as well as outside of the casino when enforcing the criminal provisions of the Casino Control Law. 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 a host of crimes including cheating, theft, robbery, credit card fraud, money laundering, forgery and counterfeiting. During this fiscal biennium, 1,231 charges for felonies and misdemeanors were presented to prosecutors. The total number of individuals charged statewide totals 768.

Illegal Casino Investigations



OHIO CASINO
CONTROL COMMISSION

Gaming agents also investigate illegal casino operations around the state. The partnerships gaming agents have cultivated with local sheriff's offices, police departments and county prosecutor's offices have proven invaluable in these investigations – which have resulted in the seizure of slot machines and equipment and the closure of these illegal businesses.

To date, the Commission has served warrants on 19 locations and seized/disabled 1,066 machines and nearly \$700,000 in ill-gotten proceeds. The Commission's share of the financial proceeds from these cases is deposited into the Enforcement Fund which is used to support ongoing and additional illegal casino investigations around the state.

SKILL-BASED AMUSEMENT MACHINES

When the Casino Control Law was enacted, it not only established the Commission's authority over the regulation of casino gaming in this state, but also vested the Commission with jurisdiction over the regulation of skill-based amusement machines.

In order to be considered a legal skill game in Ohio, two essential requirements must be met. The outcome of the game must be solely dependent on the skill of the player and the prize must be merchandise valued at no more than \$10.

Illegal casinos masquerading as legal skill games operations have been in existence for many years. However, subsequent to the passage of HB 7 of the 130th General Assembly, which banned internet sweepstakes cafes, the problem grew as many of these locations rebranded themselves as skill-based game establishments, continuing to operate slot machines and/or pay cash prizes in violation of the law.

To address this growing problem, HB 64 of the 131st General Assembly gave the Commission rule-making authority with respect to skill-based games. Together with our current law enforcement authority, the rule-making provisions will enable the Commission to validate honest businesses through licensing and compliance activities and shut down the illegal casinos that prey on Ohio's most vulnerable populations.

FUNDING OF THE CASINO CONTROL COMMISSION

Pursuant to the Constitution, all casinos are taxed at a rate of 33%. The Commission is funded through 3% of the tax on casino revenue, as well as license fees.

The Commission is requesting appropriation authority of \$15.3 million in FY 2018 and \$15.6 million for FY 2019. This represents a 25.1 percent increase compared to FY 2017 and a 2.1 percent increase from FY 2018. The increase in the Commission's budget is necessitated by the additional responsibilities to regulate skill-based amusement machines.

As you can see from the chart below, the Commission is requesting flat funding for our ongoing operations with respect to casino gaming. The additional revenue of \$3.076 million in FY 2018 and \$3.409 in FY 2019 is to support additional staff, equipment and supplies for the new Division of Skill Games. The revenue for this increase will be generated from license fees paid by skill games operators, vendors and key employees.

The Commission is also requesting appropriation authority of \$250,000 in each fiscal year for the Enforcement Fund to support the gaming agents and the increased demand for investigations of illegal casinos.

| Funds | FY 2014 Actual | FY 2015 Actual | FY 2016 Actual | FY 2017 Estimate | FY 2018 Introduced | % Change | FY 2019 Introduced | % Change |
|-------------------------|--------------------|--------------------|--------------------|---------------------|---------------------|---------------|---------------------|--------------|
| Casino Regulation | \$9,487,669 | \$9,131,341 | \$9,842,762 | \$12,250,576 | \$12,250,576 | 0.00% | \$12,250,576 | 0.00% |
| Skill-Game Regulation | \$0 | \$0 | \$0 | \$0 | \$3,076,579 | | \$3,409,169 | 10.81% |
| Total Operating | \$9,487,669 | \$9,131,341 | \$9,842,762 | \$12,250,576 | \$15,327,155 | 25.11% | \$15,659,745 | 2.17% |
| Enforcement Fund | \$0 | \$4,000 | \$14,835 | \$50,000 | \$250,000 | 400.00% | \$250,000 | 0.00% |
| Total All Funds | \$9,487,669 | \$9,135,341 | \$9,857,597 | \$12,300,576 | \$15,577,155 | 26.64% | \$15,909,745 | 2.14% |

Chairman Cupp, Ranking Member Miller and members of the subcommittee, thank you for the opportunity to present the Commission's budget proposal. I would be happy to answer any questions you may have.