OHIO CASINO CONTROL COMMISSION

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Testimony of Matthew T. Schuler, Executive Director
Ohio Casino Control Commission
House Bill 166
Finance Subcommittee on Primary and Secondary Education
April 3, 2019

Co-Chairman Cupp, Co-Chairman Patterson 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 (Commission).

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.

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). This 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 $34.5 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.

Since the opening of the first casino, the Commission has administered a Voluntary Exclusion Program that allows individuals to ban themselves from Ohio casinos for one year, five years or their lifetime. The Commission recently launched an expanded statewide voluntary exclusion program in conjunction with the Ohio Lottery that enables individuals to exclude themselves from all casino and racino facilities using a single application. Individuals who want to enroll must complete the Request for Voluntary Exclusion form in the presence of trained State personnel. Once the request is validated, the individual is not permitted to access any Ohio casino or racino during the length of their self-imposed ban.

There are currently over 3,400 active participants from 23 states and one Canadian province.

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 any change to information provided in their application such as a change of address, criminal charges or bankruptcies. All license holders are required to file for renewal every three years and the Commission must ensure that all applicants remain suitable.

The Commission has issued initial, new or renewal licenses for the following number of individuals and entities in FY19 and since inception:

	FY19 (final 3 months estimated)	Since 2011(final 3 months estimated)
Operators	2	12
Management Companies	0	4
Holding Companies	23	289
Gaming-Related Vendors	8	76
Key Employees	105	1,002
Casino Gaming Employees	1,571	14,406

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 completed 269 audits involving all four casinos during fiscal year 2018, with a similar number expected for fiscal year 2019.

Enforcement

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. So far during this fiscal year, 317 charges for felonies and misdemeanors have been presented to prosecutors. The total number of individuals charged statewide this fiscal year totals 189.

Gaming agents also investigate illegal casino operations around the state. Illegal casinos, typically found in strip malls and former restaurants, 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. (Please see attached photos)

To date, working with local law enforcement and county prosecutors, the Commission has served warrants on 79 locations and seized/disabled over 2,750 slot machines. It is common for the operators of these lucrative criminal enterprises to be charged with illegal gambling, money laundering and tax evasion, among others.

The Commission's share of the court-ordered 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.

Despite these efforts, we have only scratched the surface and illegal casinos continue to proliferate throughout Ohio.

SKILL-BASED AMUSEMENT MACHINES

The General Assembly gave the Commission the responsibility to regulate skill-based amusement machines in 2015. The goal of this authority is two-fold: to eliminate illegal slot machines masquerading as skill games and to validate legitimate skill-based amusement machines.

Legal skill games are commonly found at family entertainment venues and award only merchandise prizes based solely on the skill of a player. On April 23, 2018, the Commission began the administrative licensing and compliance processes designed to validate honest businesses and shut down the illegal casinos that prey on Ohio's most vulnerable populations.

Once fully implemented, the state will have a multi-faceted method of combating illegal casinos through civil and administrative remedies in addition to the ongoing criminal enforcement efforts. These tools can equip law enforcement, prosecutors, and local governments with the resources necessary to readily distinguish between licensed, legitimate skill game operators and unlicensed illegal casinos.

FANTASY CONTESTS

In 2017, the General Assembly enacted HB 132, which gave the Commission the responsibility to regulate fantasy contests.

A fantasy contest is a type of online game where participants assemble virtual teams of real players in a professional sport. These virtual 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.

The Commission has crafted a regulatory structure that is designed to ensure integrity and protect consumers.

Last month, the Commission gave initial approval to send the fantasy-contest rules through the rule-filing process. These rules cover: licensing requirements, consumer protections, ensuring the fairness of contests, the segregation of player funds, responsible contest play, financial audits and compliance audits. These rules are currently under review by the Common Sense Initiative Office.

FUNDING OF THE CASINO CONTROL COMMISSION

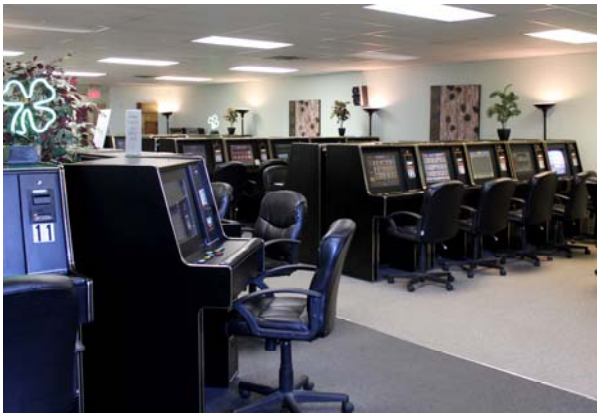
Pursuant to the Constitution, gross casino revenues are taxed at a rate of 33 percent. The Commission is funded through 3 percent of this tax as well as license fees.

The Commission is requesting appropriation authority of $13.4 million for FY 2020 (a 2.8% decrease from FY 2019) and $13.9 million for FY 2021 (a 3.7% increase percent increase from FY 2020).

The Commission's budget supports 100 full-time staff as well as seven commissioners appointed by the Governor. The Commission's table of organization is attached.

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.

Co-Chairman Cupp, Co-Chairman Patterson 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.



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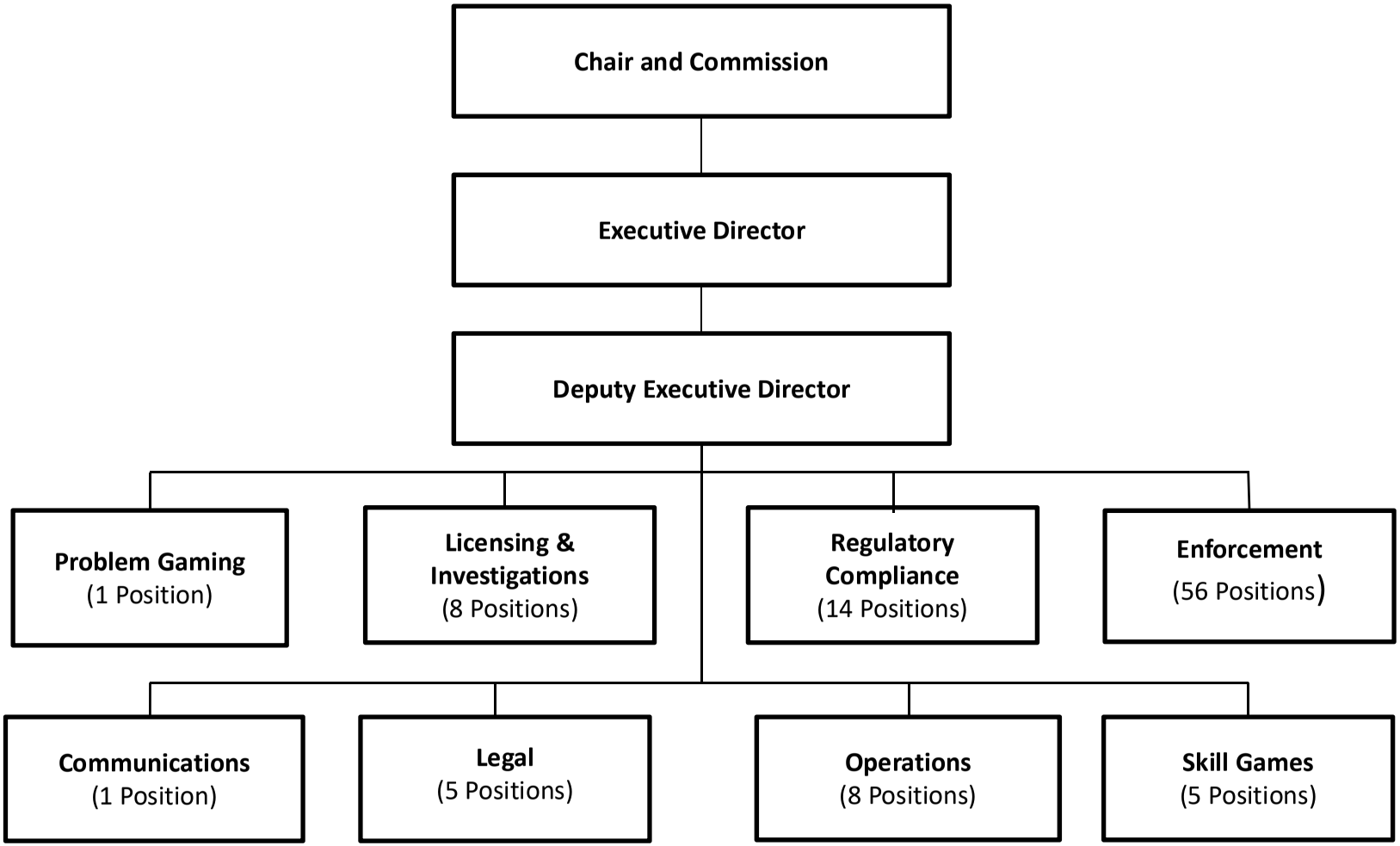
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