

# OHIO CASINO CONTROL COMMISSION

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**Testimony of Matthew T. Schuler, Executive Director  
Ohio Casino Control Commission  
House Bill 64  
Finance - Workforce Subcommittee  
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Chairman Beagle, Vice-Chair Williams and members of the subcommittee, thank you for the opportunity to testify on the budget recommendation for the Ohio Casino Control Commission.

## **HISTORY AND MISSION OF THE CASINO CONTROL COMMISSION**

In 2009, the voters approved a constitutional amendment to authorize casino gaming at four locations in Ohio.

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

In 2011, the seven-member Commission was appointed by the Governor and began the task of building an agency and a complex regulatory framework. The first full-time Commission employees were hired in October of that year.

Starting in the spring of 2012, the Commission opened four casinos in ten months. Such an expedited schedule is a feat that has not been accomplished by another gaming jurisdiction. According to industry experts, the Commission did in months what would normally take years to accomplish. Most importantly, we did so with the goal of earning the public's trust, with attention to detail and holding ourselves and those we regulate to very high standards.

The constitutional mission of the Commission is to ensure the integrity of casino gaming. To fulfill our mission and fulfill the statutory requirements of the Casino Control Law, the Commission was organized into the following divisions:

- Licensing and Investigations
- Regulatory Compliance
- Enforcement
- Responsible Gambling/Government Affairs
- Communications
- Legal
- Operations

Each division plays a distinct role in the Commission's daily operations, but all function collectively to ensure effective governance and regulation of casino gaming.

I will highlight the functions of four of our divisions to further explain how we fulfill our mission and utilize the public funds entrusted to us.

#### Division of Responsible Gambling

The Constitution designates two percent of the tax on casino revenue to fund problem gambling and other addiction services. The Division of Responsible Gambling coordinates with state and local partners to provide education, prevention and treatment programs. Working with the Ohio Department of Mental Health and Addiction Services and the Ohio Lottery Commission, the Division actively promotes Ohio's 24-hour Problem Gambling Helpline (1-800-589-9966).

The Division also provides oversight of two responsible gambling initiatives, the state's Voluntary Exclusion Program and the Problem Gambling Programs created and implemented by each casino operator.

The Voluntary Exclusion Program 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. Over 1,600 individuals have enrolled to date.

### Division of Licensing and Investigations

In Ohio, no one can own, operate, work in a gaming-related position or conduct gaming-related business with a casino without first being licensed. The law requires all persons applying for licensure to establish their suitability by clear and convincing evidence. Consequently, the Division conducts thorough investigations to determine whether applicants are suitable for licensure.

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 either grant or deny a license following extensive background investigations, including criminal history, financial history, regulatory history in other gaming jurisdictions, professional license verification, tax record examination, credit history analysis, database checks for bankruptcies and outstanding liens or judgments, and retrieval of court records.

The Division's responsibilities do not end with the issuance of a license. Suitability is an ongoing requirement and the entities, investors, holding companies and personnel are constantly changing. Additionally, applicants are required to file for license renewal every three years, which necessitates a complete suitability investigation. This ensures that Ohio licensees remain suitable to conduct or participate in casino gaming.

To date, the Commission has licensed the following individuals and entities:

- Operators 4
- Management Companies 3
- Holding Companies 88
- Vendors 28
- Key Employees 460
- Casino Gaming Employees 7,364

### Division of Regulatory Compliance

The Division of Regulatory Compliance ensures that the Commission's licensees comply with Ohio Revised Code Chapter 3772, the Ohio Administrative Code, and each casino's Commission approved internal control system. To test for compliance, the Division audits processes and finances and examines slot machine activities and table game operations. Those specialized tasks require that the Division employ individuals with specialized knowledge in accounting, auditing, and electronic gaming equipment.

The Division also works with two important entities in regulating the casinos. First, the Division coordinates the state's certified independent testing laboratories, which examine electronic gaming equipment and software before those items are allowed to enter the state. Once the machine is shipped, its software is verified then sealed to ensure the game for play is identical to the game as tested.

Second, the Division personnel work with the Department of Taxation to ensure that the casinos report accurate revenue and tax return data to the state.

In this biennium, the Division has conducted over 750 audits not including the daily review of tax payments.

### Division of Enforcement

The Commission is a law enforcement agency. The Division of Enforcement ensures the integrity of casino gaming by enforcing the Casino Control Law and working with local, state and federal law enforcement agencies. The 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 at each casino. The agents are headquartered at their respective casinos and staff a 24-7 operation. Their enforcement of Ohio Revised Code 3772.99 helps to ensure a fair and safe gaming environment for Ohio citizens and casino patrons.

To date, the Division has addressed a host of crimes including cheating, theft, robbery, credit card fraud, money laundering, forgery and counterfeiting. In this fiscal biennium, the Division has presented 534 charges to prosecutors for 436 individuals.

### **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.

Current law states, "the commission shall assume jurisdiction over and oversee the regulation of skill-based amusement machines as is provided in the law of this state." This single sentence is the extent of our authority. No further guidance was provided, or authority given, as to how this is to be accomplished.

Subsequent to the passage of HB 7 in the last General Assembly, which banned internet sweepstakes cafes, we have seen these locations rebrand themselves as skill-based game establishments. However, instead of operating legal amusement games that offer merchandise prizes, these establishments are operating slot machines and/or are paying cash prizes in violation of current law.

The provisions in HB 64 give 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 adequately address illegal casinos in Ohio that masquerade as legal skill-based amusement machine locations.

### **FUNDING OF THE CASINO CONTROL COMMISSION**

All casinos are taxed at a rate of 33%. The Commission is funded through 3% of the tax on casino revenue as well as application and license fees.

The Commission is requesting appropriation authority of \$12.5 million in FY 2016 and \$12.5 million for FY 2017. This represents an 8% decrease compared to FY 2015, continuing flat for 2017.

Since our work is to provide oversight and to regulate almost everything a casino does, there is much to be done once a facility is operational. It takes expertise, manpower and resources to ensure the integrity of casino gaming.

Chairman Beagle, Vice-Chair Williams 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.