

OHIO CASINO CONTROL COMMISSION

Mike DeWine
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**Testimony of Matthew T. Schuler, Executive Director
Ohio Casino Control Commission
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Finance Subcommittee on Primary and Secondary Education
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Chair Richardson, Ranking Member Troy 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 \$44 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 4,000 active participants from 25 states as well as the Province of Ontario, Canada and Asia.

Licensing and Investigations

The Casino Control Law requires every person conducting or participating in casino gaming to be licensed. Using the criteria set forth by the General Assembly in ORC 3772.10, the Commission conducts suitability investigations of each applicant to determine eligibility for licensure, ensuring only suitable persons are involved in Ohio's casino operations.

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 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. 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 the FY 20-21 biennium and since inception:

	FY 20-21 biennium (final 4 months estimated)	Since 2011 (final 4 months estimated)
Operators	3	15
Management Companies	0	4
Holding Companies	1	1
Gaming-Related Vendors	22	99
Key Employees	238	1,240
Casino Gaming Employees	1,537	16,415

As part of the operators', management companies', and gaming-related vendors' license investigations, the Commission has also undertaken probity reviews of 62 holding companies in the FY 20-21 biennium (final 4 months estimated) and 352 since inception.

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 completed more than 268 audit projects in this biennium.

The Compliance Division uses a risk-based, agile audit approach to ensure casino compliance, which allows us to focus on areas with the greatest potential impact and to quickly identify and shift staff resources when a potential problem is identified.

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 a criminal intelligence analyst. Gaming agents are certified peace officers in the State of Ohio and have arrest authority on all casino properties 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 crimes including cheating, theft, robbery, credit card fraud, money laundering, forgery and counterfeiting. So far, during this fiscal biennium, 496 charges for felonies and misdemeanors have been presented to prosecutors. The total number of individuals charged this fiscal biennium totals 299.

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 the attached photos.

To date, working with local law enforcement and county prosecutors, the Commission has served warrants on 94 locations and seized/disabled over 3,200 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.

The regulatory framework developed by the Commission for skill games gives the state a multi-faceted method of combating illegal casinos through civil and administrative remedies, in addition to 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.

In addition to the ongoing licensing responsibilities, the Commission also reviews game approval requests. There are currently more than 380 games that have been approved for use in Ohio after a determination by Commission staff that the games meet the standards in ORC 2915.01(UU) and OAC 3772-50-24. All approved games are listed on the Commission's publicly-available database.

FANTASY SPORTS CONTESTS

In 2017, the General Assembly gave the Commission the responsibility to regulate fantasy sports contests.

A fantasy sports 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 regulatory structure is designed to ensure integrity and protect consumers. In addition to needing a license, operators must: provide responsible gaming information and a voluntary exclusion program; verify the identity of fantasy contest players; ensure prompt payment of winnings and that player funds are kept separate from operational funds in bankruptcy-remote accounts; explain the methods by which highly-experienced players will be identified; and identify the processes for offering beginning-player only contests.

Additionally, each operator is required to undergo financial and compliance audits.

To date, the Commission has licensed 16 Fantasy Contest Operators.

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 associated with casino gaming, skill games and fantasy sports contests.

The Commission is requesting appropriation authority of \$13.401 million for FY 2022 (a 2.1 percent increase from FY 2021) and \$13.492 million for FY 2023 (a 0.7 percent increase from FY 2022).

The Commission's budget supports 98 full-time staff, 4 part-time staff as well as seven commissioners appointed by the Governor. The Commission's table of organization is attached. Generally, 88 percent of the Commission's budget pays for salaries and benefits. The other 12 percent is for maintenance and equipment. The requested appropriations will allow the Commission to meet its payroll requirements through the next biennium and maintain all current services and activities.

The Commission is also requesting appropriation authority of \$250,000 in each fiscal year for the Enforcement Fund (a 25 percent increase from FY 2021 and a 0 percent increase from FY 2022) to provide, equipment, training, investigative tools and other support to the gaming agents.

Chair Richardson, Ranking Member Troy 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.



OHIO CASINO CONTROL COMMISSION





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ORGANIZATIONAL CHART

