

OHIO CASINO CONTROL COMMISSION

Mike DeWine
Governor



June E. Taylor
Chair

**Testimony of Matthew T. Schuler, Executive Director
Ohio Casino Control Commission
House Bill 33
Finance Subcommittee on Primary and Secondary Education
February 21, 2023**

Chair Richardson, Ranking Member Isaacsohn 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

As detailed in the Constitution and the law, the mission of the Commission is to ensure the integrity of casino gaming, sports gaming, fantasy contests, and skill-based amusement machines.

To ensure integrity, the law provides that the Commission shall have jurisdiction over all persons participating in the gaming types listed above and shall have authority to complete the functions of licensing, regulating, investigating, and enforcing the law.

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

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

Responsible Gambling Programs

Since its creation, the Commission has actively pursued programs and policies designed to promote responsible gambling and grow Ohio's problem gambling continuum of care. Ohio was the first state to bring the resources of multiple agencies together to maximize efforts and results through the creation of Ohio for Responsible Gambling (ORG). This initiative involves the Ohio Department of Mental Health and Addiction Services, the Ohio Lottery Commission, and the Ohio Casino Control Commission and works to coordinate with state and local partners to provide education materials, prevention programs and treatment options.

The Constitution dedicates 2% of the tax on gross casino revenue to fund problem gambling and other addiction services. Additionally, 2% of the tax on gross sports gaming revenue and certain license fees are dedicated to fund problem sports gaming services, specifically. To date, more than \$54 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. While a significant amount of funding is distributed to county mental health boards for treatment and prevention efforts, funds are also set aside for state-level programming that is beyond the capacity of the boards such as the Ohio problem gambling helpline, statewide prevention and awareness campaigns, and gambling treatment accreditation programs.

In conjunction with the Ohio Lottery Commission, the Commission administers a Voluntary Exclusion Program (VEP) that allows individuals to ban themselves from Ohio casinos and racinos for one year, five years or their lifetime. With the advent of sports gaming and online wagering, the VEP has moved online and individuals may enroll through their computer or mobile application in addition to the current in-person sign-up. Once the request is validated, an individual is not permitted to access any Ohio casino, racino, physical sportsbook, or online sportsbook during the length of their self-imposed ban.

There are currently over 4,600 active participants from 25 states as well as the Province of Ontario, Canada.

Licensing and Investigations

The law requires every person conducting or participating in gaming to be licensed. Using the criteria set forth by the General Assembly in ORC 3772, 3774, and 3775, the Commission conducts suitability investigations of each applicant to determine eligibility for licensure, ensuring only suitable persons are involved in Ohio's gaming operations.

The Commission has completed suitability investigations and has issued initial, new, or renewal licenses for the following number of individuals and entities in the FY 22-23 biennium (last 4 months estimated).

Casino Gaming:	
Operators	3
Management Companies	0
Holding Companies	24
Gaming-Related Vendors	15
Key Employees	165
Casino Gaming Employees	2,800
Total	3,007
Sports Gaming:	
Type A, B, & C Sports Gaming Proprietors	53
Management Services Providers (Including Mobile)	40
Sports Gaming Supplier	40
Holding Company	116
Key Sports Gaming Employee	600
Standard Sports Gaming Employee	2,500
Type-C Sports Gaming Host	1,242
Total	4,591
Skill-Based Amusement Machine Gaming:	
Type B & C Operators	80
Vendors	7
Key Employees	253
Type-C Location	153
Total	493
Fantasy Contest Gaming:	
Fantasy Contest Operators	19

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. When license holders are required to file for renewal, the Commission must ensure that all applicants remain suitable.

Regulatory Compliance

Through the Division of Regulatory Compliance, the Commission ensures that its licensees comply with the law, the Ohio Administrative Code and each operator'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 electronic gaming equipment, casino game operations, sports gaming operations, fantasy contests, and associated financial transactions. These specialized tasks require the Commission to employ subject matter experts with specialized knowledge in accounting, auditing, compliance, and electronic gaming equipment (EGE). The Division will have completed more than 312 audit projects in this biennium.

The Compliance Division uses a risk-based, agile audit approach to ensure 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.

The Division has provided a custom-built website to licensees to facilitate the approval of compliance procedures, changes, and documents. The website simplifies the submission, tracking, modification, and approval of required processes and procedures. In addition, the Division has streamlined the sharing of test results and files between the agency and its test labs and has automated the verification of sports gaming systems using a custom verification tool.

Enforcement

The Commission is a law enforcement agency and is responsible for enforcing the Casino and Sports Gaming Control Laws. 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, 503 charges for felonies and misdemeanors have been presented to prosecutors. The total number of individuals charged this fiscal biennium totals 253.

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 131 locations and seized/disabled over 5,470 slot machines. This equates to more than all slot machines at the four casinos combined. 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.

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 than 412 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 23 Fantasy Contest Operators.

FUNDING OF THE CASINO CONTROL COMMISSION

Pursuant to the Constitution, gross casino revenues are taxed at a rate of 33%. The Commission is funded through 3% of this tax as well as license fees associated with casino gaming, sports gaming, skill games and fantasy contests.

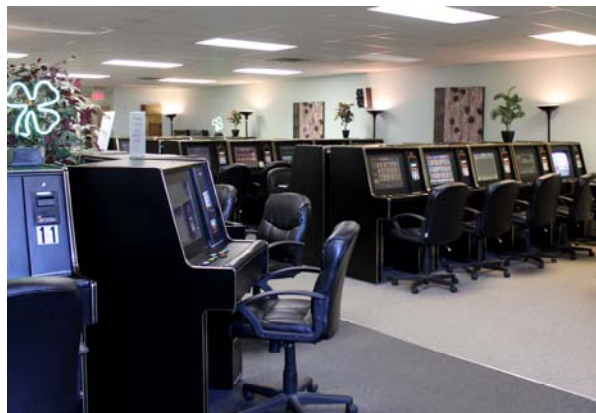
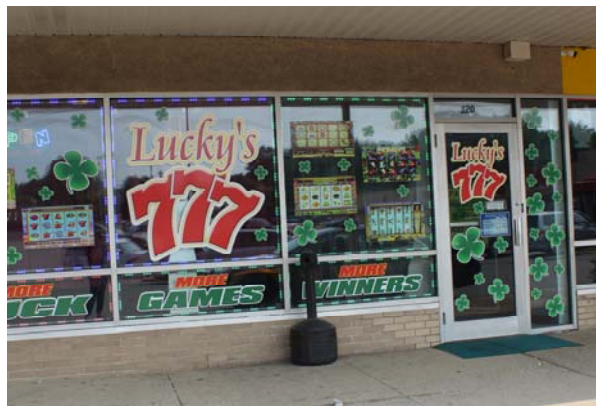
The Commission is requesting appropriation authority of \$16.3 million for FY 2024 (a 4.8% increase from FY 2023) and \$16.7 million for FY 2025 (a 2.5% increase from FY 2024). The requested increase is provide funding for 7 additional staff in the next biennium to support the Commission's new sports gaming responsibilities and increased payroll costs associated with requirements in the OCSEA and FOP bargaining unit contracts.

The Commission's budget supports 111 full-time staff as well as seven commissioners appointed by the Governor. The Commission's table of organization is attached. Generally, 88% of the Commission's budget pays for salaries and benefits. The other 12% is for maintenance and equipment. The requested appropriations will allow the Commission to meet its statutory requirements through the next biennium and maintain all services and activities.

Additionally, the Commission is requesting appropriation authority of \$250,000 in each fiscal year for the Enforcement Fund (a 0% increase for both fiscal years) to provide, equipment, training, investigative tools and other support to the gaming agents.

Also, for the first time, the Commission is seeking appropriation authority of \$500,000 in each fiscal year for the newly-created Sports Gambling Addictions Fund. The fund receives 2% of the tax on gross sports gaming revenue and 2% of certain sports gaming license fees. The fund will be used in coordination with the existing Problem Gambling and Other Addictions Fund with a specific focus on prevention and treatment for those at-risk and those with a sports gambling problem.

Chair Richardson, Ranking Member Isaacsohn 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





OHIO CASINO
CONTROL COMMISSION





OHIO CASINO CONTROL COMMISSION

