



Office of Budget and Management

John R. Kasich
Governor

Timothy S. Keen
Director

Testimony on the FY 2012-2013 Executive Budget Recommendation for the Casino Control Commission before the Senate Finance Committee

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Chairman Widener, Ranking Member Skindell, and members of the Committee, my name is Noah Browning and I am a Budget Section Chief in the Office of Budget and Management. Thank you for the opportunity to present the Executive Budget proposal for the Casino Control Commission. As you know, Governor Kasich named the Casino Control Commission during the budget development process and no permanent staff is onboard at this time. Consequently, the Office of Budget and Management developed the budget on behalf of the Casino Control Commission. Thus, Director Keen requested I be present to discuss the proposed fiscal year 2012-2013 budget for the Casino Control Commission.

To provide context for the Executive Recommendation, some additional background information might be useful. In November 2009, voters approved a constitutional amendment authorizing casinos at four locations in Ohio: Cincinnati, Cleveland, Columbus, and Toledo. In addition, the amendment creates the Casino Control Commission as the primary regulator of the casino gaming industry in Ohio. The amendment also included several other stipulations: first, licensed casino operators must invest a minimum of \$250 million in the development of each casino (a total of \$1 billion statewide). Second, the Constitution, as well as the Revised Code, requires \$200 million in upfront license fees for economic development activities. Third, incorporated into the Constitution is a 33 per cent tax on gross casino revenue received by the operators of the

four casinos. The tax revenue is distributed among all 88 counties, the host cities, school districts, the Ohio State Racing Commission, law enforcement training, a problem gambling and substance abuse program, and the Casino Control Commission. In addition, SB 181 of the 128th General Assembly appropriated \$5.5 million of the \$6.0 million in anticipated upfront application fees to be paid by the four casinos to the Casino Control Commission and \$250,000 each to the Inspector General and the Ohio Ethics Commission..

In October 2009, the Department of Taxation and the Office of Budget and Management presented a combined analysis on the Casino Ballot Initiative (made available on the Secretary of State's web site). The analysis focused on both tax revenues and the structure of the Casino Control Commission. The tax analysis was prepared using bordering states for the basis of calculating revenue (in concert with industry studies), while the structure of the Casino Control Commission was based on casino oversight agencies in Indiana and Michigan, and used ratios derived from their operations to form the blueprint for the Casino Control Commission.

In fiscal year 2012, based on the 2009 Department of Taxation revenue analysis, and assuming the opening of facilities in Cleveland and Toledo in early calendar year 2012, the tax on gross casino revenue is projected to yield approximately \$5.0 million for the Commission (the result of the 33% tax rate, of which the Commission receives 3%), while the initial application fees will yield approximately \$5.5 million. In addition, the Casino Control Commission will receive a temporary loan from the General Revenue Fund (GRF) for total revenues of approximately \$10.7 million in fiscal year 2012. Loans from the GRF will be repaid once the Commission's revenues are sufficient to support ongoing operations. For fiscal year 2013, the tax on gross casino revenue is projected to generate \$10.8 million for the Casino Control Commission, which is comprised of ongoing revenue from Cleveland and Toledo, and the opening of the Columbus

location. In total, approximately \$22.0 million in resources are projected to be available for operating expenses in the fiscal year 2012-2013 biennium.

Of the \$22.0 million in available funding over the fiscal year 2012-2013 biennium, the Executive Budget proposes using \$8.3 million in fiscal year 2012 and \$13.1 million in fiscal year 2013 for the Casino Control Commission's operations. Based on the proposed funding levels and the ratios derived from the study of Indiana and Michigan gaming oversight agencies, the Commission can sustain approximately 90 full time equivalents (FTEs) in fiscal year 2012 and 120 FTEs in fiscal year 2013. The majority of staff will be on-site compliance and law enforcement personnel responsible for enforcement of rules and regulations (a ratio of 6 enforcement personnel per casino per shift). In addition, the proposed funding level supports audits and investigations of casino facilities and staff for adherence to all rules and regulations (a ratio of approximately 4 auditors per casino), including adherence to the requirement to invest a minimum of \$250 million in development of each casino, as well as development of rules for approval by the legislature as required in H.B. 519 of the 128th General Assembly. I would like to caution that the assumptions I presented are those used by the Office of Budget and Management for the development of the Executive Budget proposal. The Executive Director and senior staff of the Casino Control Commission will build their infrastructure independently which may not align with the assumptions used in the Executive Budget.

Chairman Widener, Ranking Member Skindell, and members of the Committee thank you for your time today. Should you have any questions, I am happy to note them so that we may respond to the subcommittee in writing.