



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Am. H.B. 491 of the 130th G.A.

Date: July 18, 2014

Status: As Passed by the House

Sponsor: Reps. Buchy and Blessing

Local Impact Statement Procedure Required: No

Contents: Makes various changes to gambling, lottery, and casino laws

State Fiscal Highlights

- **Expansion of Casino Control Commission authority.** The bill expands the Casino Control Commission's authority and jurisdiction over the regulation of skill-based amusement machines and their operations and provides for license fees. Operating expenses of the Commission will increase to exercise this authority.
- **Casino Control Commissioner salary.** The provision that reduces the annual salary of an Ohio Casino Control Commission member to \$30,000 increases operating expenses by up to \$210,000 annually relative to current law (but decreases them by the same amount relative to past years). Salaries are paid out of the Casino Control Commission Fund (Fund 5HS0).
- **State Lottery Commission.** The provisions affecting the State Lottery Commission have no state or local fiscal effects.
- **Incarceration expenditures.** GRF-funded incarceration costs may increase, as additional felony offenders could be convicted and sentenced to prison due to the bill's prohibited conduct.
- **Court cost revenues.** Annually, the state may gain a minimal amount of locally collected state court cost revenues from offenders that would be divided between the Indigent Defense Support Fund (Fund 5DY0) and the Victims of Crime/Reparations Fund (Fund 4020).

Local Fiscal Highlights

- As a result of violations of the bill's prohibited conduct, additional criminal cases may be generated for local criminal justice systems to investigate and process, potentially producing a minimal annual increase in their costs to investigate, prosecute, adjudicate, and sanction violators. A minimal annual amount of revenue in the form of court costs and fines may also be generated.

Detailed Fiscal Analysis

Changes to Gambling and Casino laws

Casino Control Commission

The bill amends both the Casino Law and the Gambling Law to grant the Ohio Casino Control Commission authority and jurisdiction over the regulation of skill-based amusement machines and their operations. The bill states that the Commission has authority to license, regulate, investigate, and penalize skill-based amusement machine operators, and also jurisdiction over all persons participating in authorized skill-based amusement machine operations, and grants the Commission the authority to adopt specified rules.

The bill prohibits a person from conducting, or participating in the conduct of, a skill-based amusement machine without first obtaining a license under the Casino Law. The bill also permits a person to apply for a skill-based amusement machine operator license, and permits the Commission to issue a license to an applicant who has met certain standards, and requires a skill-based amusement machine operator to purchase, lease, or otherwise acquire or obtain skill-based amusement machine equipment, goods, and services from a licensed gaming-related vendor.

The bill provides that the license fees for a skill-based amusement machine operator must be set by rule, subject to review by the Joint Committee on Gaming and Wagering, and requires license renewal at least every three years. The bill prohibits skill-based amusement machine operators from obtaining a license to operate a check-cashing business, provide small loans, or provide short-term loans, and increases the penalties for skill-based amusement machine prohibited conduct.

The bill also authorizes the Joint Committee on Gaming and Wagering to review laws and rules governing the operation and administration of skill-based amusement machines, to produce an annual report with respect to the operations of such machines, and to study all proposed law changes related to the operation and administration of skill-based amusement machines. Other details of changes to the Gambling Law and the Casino Law are available in the LSC Bill Analysis.

Most of the provisions in the bill regarding changes to gambling and casino laws have no fiscal impact on the Casino Control Commission. The licensing, regulation, and investigation of skill-based amusement machine operators and employees will increase operating expenditures of the Casino Control Commission. Presumably, the increases will be paid for by the revenue collected from fees related to the licensing of skill-based amusement machine operators and employees. If the fees are set too low to recover such costs, the costs would be paid from the Casino Control Commission Fund (Fund 5HS0), which is funded by 3% of casino tax revenue. Revenue to the Casino Control Commission from the casino tax revenue was \$8.3 million in FY 2014.

O.R.C. 3772.032(C) requires that any study or expenses incurred by the Joint Committee on Gaming and Wagering be paid from Fund 5HS0 or other appropriation provided by law. The bill contains no appropriations, thus, this Fiscal Note assumes the requirement that the Joint Committee on Gaming and Wagering issue an annual report with respect to the operations of the skill-based amusement games would increase expenses for the Casino Control Commission, and that such expenses can be paid out of the existing appropriation.

Other changes affecting the Casino Control Commission

The bill reduces the annual salary of an Ohio Casino Control Commission member to \$30,000, and removes a provision that entitled a member to a \$60,000 annual salary for the first four years of the Commission's existence. The Commission was created in 2010, and consists of seven commissioners. This provision increases operating expenses by up to \$210,000 annually relative to current law, but decreases them by the same amount relative to past years. Salaries are paid out of appropriation line item 955321, Casino Control – Operating (Fund 5HS0).

Impact of changes to the Gambling and Casino laws on the criminal system costs and revenues

The bill creates two new offenses: (1) "conducting an illegal skill-based amusement machine" without obtaining a license and (2) "conducting an illegal casino game." A violation of either is a misdemeanor of the first degree and a felony of the fifth degree on a subsequent offense.

Criminal justice system costs. The bill may result in an annual increase in the number of criminal investigations involving the state's Gambling Law and Casino Law, followed by an increase in the number of related criminal cases filed for local courts (courts of common pleas for felony level cases and municipal/county courts for misdemeanor level cases) to adjudicate. This could in turn create additional costs primarily for local criminal justice systems, including law enforcement, prosecutors, public defenders/assigned counsel, and sanctioning systems. The bill's felony penalties raise the possibility that additional offenders could be sentenced to the state prison system administered by the Department of Rehabilitation and Correction (DRC). The marginal cost of adding one offender to that system costs DRC between \$3,000 and \$4,000 annually. Whether the number of additional prison-bound offenders in any given year will be large enough to increase DRC's annual incarceration costs in excess of minimal, or \$100,000, annually is uncertain.

Revenue from fines. The maximum possible fine for a misdemeanor of the first degree is \$1,000. The maximum permissible fine for a felony of the fifth degree is \$2,500. The fines and any related court costs collected from an offender would be retained by the jurisdiction that operates the trial court. The amount retained is likely to be no more than minimal, as the number of offenders convicted of or pleading guilty to a violation of the bill's prohibited conduct is likely to be small when compared to overall caseloads.

Revenue from state court costs. With each additional conviction, the state might gain revenue in the form of locally collected state court costs that are forwarded for deposit in the state treasury to the credit of the Indigent Defense Support Fund (Fund 5DY0) and the Victims of Crime/Reparations Fund (Fund 4020). The amount that might be generated per year is likely to be minimal at most. In the case of a misdemeanor, the court is generally required to impose state court costs totaling \$29, divided as follows: \$20 to Fund 5DY0 and \$9 to Fund 4020. In the case of a felony, the court is generally required to impose state court costs totaling \$60, divided as follows: \$30 to Fund 5DY0 and \$30 to Fund 4020.

State Lottery Commission

The bill modifies the qualification of one person appointed as a State Lottery Commission member (of the nine Commission members) to require the member to have experience or training in the area of problem gambling or other addictions and in assistance to recovering gambling or other addicts, and replaces a provision that required the member to represent an organization that deals with those issues. The bill also allows the State Lottery Commission to begin discussions and the planning process for a statewide joint lottery game before the Governor directs the Director of the State Lottery Commission to enter into an agreement with other lottery jurisdictions to conduct statewide joint lottery games. However, the bill also specifies that the Commission must not enter into an agreement, submit rules to the Commission members, or file any rules for publication in the Register of Ohio or for legislative review before the Governor directs the Director to enter into the agreement. In addition, the bill eliminates the requirement for Controlling Board approval of license application, renewal, and administrative fees charged by the State Lottery Commission for lottery sales agent licenses.

These provisions have no fiscal effect on the State Lottery Commission.