

**MEMORANDUM**

**TO:** Christine Jasica, Ohio Lottery Commission

**FROM:** Christopher Smyke, Regulatory Policy Advocate

**DATE:** February 7, 2018

**RE:** **CSI Review – Technology Providers (OAC 3770:2-5-01, -02, -03, -04, -07, -09, and 3770:2-11-01)**

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On behalf of Lt. Governor Mary Taylor, and pursuant to the authority granted to the Common Sense Initiative (CSI) Office under Ohio Revised Code (ORC) 107.54, CSI has reviewed the abovementioned administrative rule and associated Business Impact Analysis (BIA). This memo represents CSI's comments to the Agency as provided for in ORC 107.54.

**Analysis**

On January 9, 2018, the Ohio Lottery Commission (Commission) submitted a draft rule package consisting of seven no-change rules to the CSI Office as part of the five-year rule review requirement contained in Ohio statute. The CSI public comment period closed on January 22, 2018 with no comments submitted.

The rules in this package mainly address technology providers for video lottery gaming terminals, covering licensure, applications, fines, fees, records, audits, and inspections. In addition, the rules provide for the licensing of independent testing labs. Ohio Administrative Code (OAC) 3770:2-11-01 sets forth the licensing fees for technology providers, as well as for video lottery sales agents and gaming employees.

Prior to filing with CSI, the Commission sought public input on the no-change rules via email from representatives of all seven of Ohio's racetracks. No comments were received during early stakeholder outreach or during the CSI public comment period.

The impacted business community includes the seven horse racing operations currently holding permits from the Racing Commission, as well as individuals and entities that wish to associate

with those businesses. In addition, independent testing labs are affected by the rules; the Commission publishes a set of criteria testing labs must meet for licensure. Technology providers incur an application fee of \$2,000 and \$100 for individual licenses. In addition, technology providers must open themselves to audit and inspection by the Commission, and may incur administrative disciplinary action, such as monetary fines and suspension or revocation of licensure for non-compliance with Commission regulations. The rules also include licensure fees for video lottery sales agents (based on a \$50 million fee schedule), key gaming employees at \$250, and gaming employees at \$100.

The BIA justifies the rules as necessary in order to ensure consistent enforcement and standardized requirements, while implementing the Commission's statutory directives to license video lottery sales agents. In addition, the BIA defends the licensure, inspection, and audit requirements in order to promote good business practices and incentivize compliance.

Following review of the draft rules and BIA, it has been determined that the standards espoused by the CSI Office have been met, and the adverse impacts of the rules are justified.

### **Recommendations**

For the reasons discussed above, the CSI Office does not have any recommendations for this rule package.

### **Conclusion**

Based on the above comments, the CSI Office concludes that the Ohio Lottery Commission should proceed with the formal filing of this rule package with the Joint Committee on Agency Rule Review.

CC: Emily Kaylor, Lt. Governor's Office