



Common Sense Initiative

Mike DeWine, Governor
Jon Husted, Lt. Governor

Sean McCullough, Director

MEMORANDUM

TO: Christine T. Jasica, Ohio Lottery Commission

FROM: Joseph Baker, Regulatory Policy Advocate

DATE: June 24, 2021

RE: **CSI Review – Video Lottery Game Requirements: Video Lottery Game Play; Lottery Prize Payments (OAC 3770:2-7-01 and 3770:2-7-02)**

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

Analysis

This rule package consists of two no change rules proposed by the Ohio Lottery Commission (Commission) as part of the statutorily required five-year review process. This rule package was submitted to the CSI Office on May 14, 2021, and the public comment period was held open through May 31, 2021. Unless otherwise noted below, this recommendation reflects the version of the proposed rules filed with the CSI Office on May 14, 2021.

The rules in this package govern the payout of lottery prize payments, including specifying individuals who may participate and who are prohibited from engaging in video lottery games, as well as the payment and redemption of credit vouchers issued by video lottery agents.

OAC 3770:2-7-01 permits lottery prize payments to be paid to participants over the age of 21 and prohibits certain individuals from playing lottery games, including those under the age of 21, employees of the Commission, Auditor of State, technology providers involved in video lottery, and relatives or spouses of such individuals. The rule additionally requires that all video lottery terminals display the amount wagered and awarded for each opportunity to win, to provide a method for participants to view the payout tables, and to be approved by the Commission.

OAC 3770:2-7-02 requires video lottery participants to redeem credit vouchers within 180 days of issuance at the location where the voucher was issued. Any winnings are also required by the rule

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to comply with all laws regarding withholding of taxes, debts, obligations and reporting requirements and participants may be required to submit their name, address, date of birth, and Social Security number to the Director of the Commission prior to obtaining or redeeming a credit voucher to enforce these laws. The rule also establishes minimum requirements for determining the validity of credit vouchers and allows the Director of the Commission to have final authority in declaring whether to honor a credit voucher or declare it void. Lastly, the rule states that the Commission is not liable for credit vouchers after payment, or responsible for any misplaced, stolen, or missing credit voucher.

During early stakeholder outreach, the Lottery Commission sent the proposed rules to stakeholders at all seven Ohio racetracks, including Miami Valley Gaming/Delaware North Companies, Penn National, MTR Gaming, MGM Northfield Park, MGM Grand Detroit, Jack Entertainment, Boyd Gaming, and Scioto Downs. No comments were received in response to that request for feedback, or during the CSI public comment period.

The business community affected by these rules includes the seven horse racing organizations that currently possess racing permits granted by the Ohio Racing Commission, as well as individuals who are affiliated with or employed by these organizations. The rule additionally impacts individuals who are pursuing licensure or currently operating as licensed video lottery sales agents or employees. The Commission observes that the adverse impact created by the rules includes the administrative effort necessary to obtain approval from the Director of the Commission for video lottery games prior to permitting public participation, as well as to comply with reporting and withholding requirements to satisfy taxes, debts, and other obligations that the participant may have prior to receiving video lottery winnings. The Commission notes that failure to obtain approval from the Commission prior to offering video lottery games may result in a discretionary fine, or other sanctions. Similarly, the penalty for non-compliance with the rule governing credit vouchers may also result in a discretionary fine. The Commission states in the BIA that the adverse impacts created by the rules are necessary to ensure consistency and legality, product integrity, decency, and security standards, and to incentivize ongoing compliance with Lottery standards.

Recommendations

Based on the information above, the CSI Office has no recommendations on this rule package.

Conclusion

The CSI Office concludes that the Ohio Lottery Commission should proceed in filing the proposed rules with the Joint Committee on Agency Rule Review.