

Casino tax and video lottery terminal revenue update

June 30, 2016 marked the end of the 17th quarter that Ohio has received tax revenues from Ohio's Casino profits tax. Issue 3 (the Constitutional amendment approved by Ohio's voters in 2009), created a state tax of 33% on the gross casino revenues generated by the four casinos permitted by the amendment. Gross casino revenues equal the total amount wagered minus the amount paid out in winnings. Table 1 shows quarterly casino tax revenues since the first two casinos opened in Cleveland and Toledo in May 2012.

Table 1: Quarterly Ohio Casino Tax Revenues, Calendar Years (CY) 2012-2016

CY 2012	# of Casinos Open	Total Casino Taxes (33% of Profits)	School Tax Revenue (34% of Total Taxes)
Q2 (May-June)	0	\$19,760,133	\$6,718,445
Q3 (July-Sept)	2	\$39,439,631	\$13,409,474
Q4 (Oct-Dec)	2	\$52,417,622	\$17,821,991
2012 Total	3	\$111,617,385	\$37,949,911
CY 2013	# of Casinos	Total Casino Taxes	School Tax Revenue
Q1 (Jan-March)	4	\$62,935,379	\$21,398,029
Q2 (April-June)	4	\$70,645,627	\$24,019,513
Q3 (July-Sept)	4	\$70,244,213	\$23,883,032
Q4 (Oct-Dec)	4	\$68,691,396	\$23,355,075
2013 Total		\$272,516,615	\$92,655,649
CY 2014	# of Casinos	Total Casino Taxes	School Tax Revenue
Q1 (Jan-March)	4	\$66,267,980	\$22,531,113
Q2 (April-June)	4	\$68,189,741	\$23,184,512
Q3 (July-Sept)	4	\$69,174,952	\$23,519,484
Q4 (Oct-Dec)	4	\$63,838,237	\$21,705,001
2014 Total		\$267,470,910	\$90,940,109
CY 2015	# of Casinos	Total Casino Taxes	School Tax Revenue
Q1 (Jan-March)	4	\$68,795,288	\$23,390,398
Q2 (April-June)	4	\$64,205,986	\$21,830,035
Q3 (July-Sept)	4	\$66,616,611	\$22,649,648
Q4 (Oct-Dec)	4	\$67,256,055	\$22,867,059
2015 Total		\$266,873,940	\$90,737,140
CY 2016	# of Casinos	Total Casino Taxes	School Tax Revenue
Q1 (Jan-March)	4	\$71,188,955	\$24,204,245
Q2 (April-June)	4	\$65,315,325	\$22,207,210
2016 YTD Total		\$136,504,280	\$46,411,455
2012-2016 Totals		\$1,054,983,130	\$358,694,264

Table 1 also shows the 34% share of casino tax revenues that were earmarked to Ohio's public schools by Issue 3. Public schools eligible to receive Casino Tax revenue

distributions include the 610 “regular” K-12 school districts, the 49 Career Technical Educational Centers (JVSDs), and Community Schools and STEM schools.

The figures in Table 1 show that total casino taxes averaged roughly \$68 million per quarter in calendar year 2013, and have fallen slightly to roughly \$67 million per quarter since then. Calendar year total casino tax revenues appear to have stabilized at roughly \$267 million in 2014, 2015, and 2016. This amount is about \$40 million less than the \$309 million in total casino taxes that was projected for FY 14 in the FY 14-15 Administration Budget proposal.

While casino tax revenues are collected quarterly, they are distributed to Ohio public schools twice per year. Table 2 shows the casino tax revenue payments to schools from FY 13 through the first of the two FY 17 distribution payments.

Table 2: Casino Tax Distributions to Ohio Public Schools, FY 13-FY 17

FY 13 Distributions	Quarterly Revenue Period	School Payments	# Students	\$ Per Student
January 2013	May-Dec 2012*	\$37,953,633	1,815,517	\$20.91
FY 2013 Total		\$37,953,633		
FY 14 Distributions	Quarterly Revenue Period	School Payments	# Students	\$ Per Student
August 2013	Jan-June 2013*	\$45,447,895	1,808,609	\$25.13
January 2014	July-Dec 2013	\$47,257,538	1,795,583	\$26.32
FY 14 Total		\$92,705,433		
FY 15 Distributions	Quarterly Revenue Period	School Payments	# Students	\$ Per Student
August 2014	Jan-June 2014	\$45,759,631	1,802,603	\$25.39
January 2015	July-Dec 2014	\$45,250,043	1,806,192	\$25.05
FY 15 Total		\$91,009,674		
FY 16 Distributions	Quarterly Revenue Period	School Payments	# Students	\$ Per Student
August 2015	Jan-June 2015	\$45,281,117	1,791,952	\$25.27
January 2016	July-Dec 2015	\$45,550,926	1,788,269	\$25.47
FY 16 Total		\$90,832,443		
FY 17 Distributions	Quarterly Revenue Period	School Payments	# Students	\$ Per Student
August 2016	Jan-June 2016	\$46,496,991	1,792,617	\$25.94

* The Cleveland casino opened May 14, 2012. The Toledo casino opened May 29, 2012. The Columbus casino opened October 8, 2012. The Cincinnati casino opened March 5, 2013.

The data in Table 2 shows that since the 4th casino in Cincinnati opened in March 2013, Ohio public schools have consistently received casino tax distribution payments amounting to roughly \$25 per student (roughly \$91 million in total per fiscal year). While this is not a large amount of money in the context of approximately \$16 billion in total state and local operating revenue annually, the language of Issue 3 does delineate that these distribution payments are to be on top of — rather than in place of — other state and local funds received by Ohio’s public schools.

Impact of video lottery terminals (VLTs) at “Racinos”

The most likely reason that casino tax revenues are now on a lower trajectory than initially forecast is the impact of competition from Ohio’s seven “Racinos” (horse racetracks with gaming areas) that include video lottery terminals (VLTs). Ohio’s first Racino opened at Scioto Downs in Columbus in June 2012. Table 3 provides a list of the seven Racinos and the date that each opened.

Table 3: Racino Locations and Date of Opening

Racino Location	Date Opened
Scioto Downs Racino & Racetrack	June 2012
Thistledown Racino	April 2013
Northfield Park Hard Rock Rocksino	Dec. 2013
Miami Valley Gaming	Dec. 2013
Belterra Park Gaming	May 2014
Hollywood Gaming Dayton Raceway	Aug. 2014
Hollywood Mahoning Valley Race Course	Nov. 2014

As VLTs are technically part of the Ohio Lottery, revenues from the seven Racinos are distributed to schools as part of the Lottery Profits Fund rather than through the casino tax. Table 4 provides a summary of total VLT profits from FY 12-FY 16 and their apportionment to the Racinos, Lottery, and gambling addiction programs.

Table 4: VLT Profits Allocated by Purpose, FY 12-FY 16

Fiscal Year	Total VLT Net Winnings (Profits)	Racino Commission Proceeds* (66.0%)	Ohio Lottery Proceeds (33.5%)	VLT Lottery Proceeds Per Pupil	Problem Gaming Services (0.5%)
FY2012	\$11,075,679	\$7,365,327	\$3,710,352	\$2	
FY2013	\$165,524,752	\$110,073,961	\$55,450,791	\$31	
FY2014	\$437,576,358	\$289,533,337	\$146,588,080	\$81	\$1,454,941
FY2015	\$772,956,258	\$511,445,832	\$258,940,346	\$144	\$2,570,080
FY2016	\$868,914,542	\$574,939,031	\$291,086,371	\$162	\$2,889,140
Total	\$2,256,047,589	\$1,493,357,487	\$755,775,941	--	\$6,914,161

* The Racino Commission share of VLT profits is the amount that is retained by each Racino as compensation for operating the facility. In FY 12 and FY 13 this was 66.5% of net profits before the Problem Gaming fund was instituted.

Table 4 shows that in FY 16 VLT deposits into the Lottery Fund totaled \$291.1 million. A comparison of the data in Table 1 with that in Table 4 shows that VLT lottery revenues in FY16 are larger than the highest year of total Casino tax revenue allocated to schools and all local governments (\$272.5 million in CY 2013), and more than 3 times the highest amount of Casino tax revenues allocated just to schools (\$92.7 million, also in 2013). The total amount of VLT revenues contributes to the Lottery Profits fund from FY12 through FY16 is \$755.8 million, while the total amount of Casino taxes distributed to schools from January 2013 through August 2016 is only \$359 million – less than half the amount of VLT lottery proceeds.

Table 4 also shows that on a per pupil basis (assuming the same roughly 1.8 million public school students across which the Casino taxes are distributed) VLT revenues in FY16 were only \$162 per pupil. This figure is less than 1.5% of the \$10,985 statewide average total expenditure per pupil shown on the FY15 Cupp Report

Because VLT profits are deposited into the Lottery Fund, any reductions in casino tax revenues resulting from gaming competition provided by the Racino VLTs will likely be felt more by Ohio's counties and the 4 host casino cities than by schools. However, those familiar with school funding in Ohio no doubt are aware that lottery revenues have long been thought to displace other state funding that would have flowed to schools in the absence of the lottery. To the extent that this phenomenon occurs with VLT revenues, then any future reduction in casino taxes due to competition for Ohio's gambling activity from Racinos will ultimately also be felt by Ohio's public schools.