

Critics of Ohio lottery privatization, slots grow

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A chorus of critics across the political spectrum is rising up against plans by Ohio Republicans to privatize day-to-day operations of the state lottery and expand its reach into slots-like video lottery terminals at horse tracks.

June 17, the American Policy Roundtable and the Ohio Roundtable condemned an agreement between the state and Rock Ohio Caesars, the operator of planned casinos in Cleveland and Cincinnati. The conservative policy groups, which opposed the 2009 constitutional amendment that authorized four casinos in Ohio, said they anticipate multiple lawsuits challenging GOP Gov. John Kasich's deal with the developer as well as lottery privatization.

"Of course we're going to litigate," said David Zanotti, CEO of the American Policy Roundtable, "and so are a bunch of other people. You can rest assured what they're opening up is a Pandora's box of lawsuits that is going to go on and on and on — because you can't go about trying to make fixes the wrong way. You can't do what they're trying to do."

Pointing to the Ohio Constitution and other provisions of state law, the groups say the lottery must be run by a state agency, its proceeds can't be diverted from education, casino fees can't be adjusted without a constitutional amendment, the governor doesn't have the authority to unilaterally authorize VLTs at tracks and a tax on businesses' commercial activity can't be applied differently to various businesses or industries.

Zanotti accused Kasich of backroom dealing that's thwarting the public, describing it as "some amazing political corruption."

Kasich spokesman Rob Nichols defended the governor's efforts as striving to secure better deals from casinos for Ohio taxpayers.

"We don't comment on litigation," he said. "Regardless, the governor is very pleased with the deal reached with Rock, with the additional \$110 million coming to the state, and with the significant number of jobs and substantial economic development provided for under the agreement."

The deal the governor struck dictates how the state's commercial activities tax will apply to casino revenues and laid out rules for slots-style VLTs at Ohio's seven horse tracks. In exchange, the company agreed to pay an additional \$110 million to the state over the next 10 years and increase its investments in the state from \$500 million to \$900 million. VLT licenses would cost \$50 million, with revenues taxed at 33.5 percent.

Gambling opponents aren't the only ones disparaging changes proposed for the Cleveland-based Ohio Lottery Commission.

Innovation Ohio, a think tank led by former Democratic Gov. Ted Strickland's chief policy adviser, said the VLT proposal Strickland laid out two years ago was a better financial deal for Ohioans than what Kasich and ROC CEO Dan Gilbert have agreed to. That plan was sidelined by a lawsuit.

The think tank pointed out that Strickland's plan called for a 50 percent tax on operators of video lottery terminals at racetracks plus \$65 million in licensing fees.

"While we applaud the Governor's pressing them for more money, we believe the deal he struck with ROC poses some significant questions concerning what Ohio got versus what it gave up," Innovation Ohio spokesman Dale Butland said in a statement.

June 17 Penn National Gaming Inc., the operator of two other casinos authorized in the 2009 amendment, reached an agreement in principle with the State of Ohio similar to the one with ROC. Penn owns a pair of tracks in the state that would be eligible under the agreement to operate VLTs.

The Ohio Civil Service Employees Association, a union representing 200 of 350 lottery employees, questioned the net job gain of the pact. At an event the union hosted June 16, former lottery commissioner Rudy Stralka said the jobs may be outsourced because many big players in the lottery industry are based overseas.

Jim LaRocca, a researcher for the lottery and OCSEA member, questioned how a private entity could operate the agency any better. He said the lottery has turned record profits and made record transfers to Ohio's public education system every year since 2007.

Under the Ohio Constitution, lottery proceeds must go to schools, which is one of critics' legal sticking points. State Sen. Michael Skindell, a Lakewood Democrat, questioned how Kasich can legally earmark the money for other purposes, and Zanotti predicted school districts would sue to protect their lottery payouts.

Backers of the privatization plan say limiting privatization to management, not operations, is a legal way around that requirement _ and a way to bring the benefits of public-private partnership to the lottery.

"The language still says that the state will be conducting the lotteries," said Mike Dawson, a lobbyist for GTech, a lottery vendor.

"Whoever does it will just be managing the Lottery, they won't be conducting the lotteries." He noted that Illinois was recently given clearance to run its state-run lottery in the similar manner Ohio is debating.

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