

# Place your bets

What businesses need to know about the passage of Issue 3 **Interviewed by Clare DeCapua**

**T**hough Issue 3 passed in Ohio by a margin of 6 percent, the debate is far from over when it comes to how this amendment will change the face of the state and the cities in which the casinos are slated to be built.

According to Michael E. Zatezalo, the managing director of Kegler Brown Hill & Ritter, there is an immense amount of work to be done before anyone can reap the benefits of tax dollars or increased tourism.

“First, the state legislature will have to set up the gaming commission,” he says. “And then they’re going to have to figure out the laws that they need to implement Issue 3, and what they’re going to leave to the gaming commission to pass in the way of rules.”

And that’s if no further amendments are put forth in the spring of 2010 to repeal or change Issue 3, which may include increasing the tax rates, the auctioning of casino licenses to the highest bidder instead of the drafters of Issue 3, or the option for the four cities of Cleveland, Cincinnati, Columbus and Toledo to veto their respective casino.

When the casinos finally do come to fruition, making them as profitable as possible for the owners and the state and integrating them into the existing regional economies will be yet another hurdle.

“What they have to try to do is capture two markets: one is the local people that are going outside the state to gamble, and second is the tourists from out of town,” Zatezalo says.

*Smart Business* learned more from Zatezalo about the future of gambling in Ohio.

## What will be the impact of the passing of Issue 3 on businesses?

It depends on the business, where it’s located and what it does. Some of the businesses that are going to be vendors to the casino, of course, are positive about what’s happened. I’ve already had a couple of suppliers — including a few from out of state — contact me about licensing, asking what the state is going to do. Most vendors will need to get licensed to work with casinos. But right now it’s too soon to tell. The legislature has six months to come up with a regulatory scheme.

The racetracks are clearly going to be



**Michael E. Zatezalo**  
Managing director  
Kegler Brown Hill & Ritter

adversely impacted, because even if they do get the right to have VLTs (video lottery terminals), having a casino nearby is really problematical for them.

Charities are definitely going to be hurt. In any state where casinos have been legalized, charities have been adversely impacted. People are a lot less likely to go to bingo halls when they can go to a casino. Indiana’s casinos have had an adverse impact on charitable gambling in Ohio, and Issue 3 will probably have a further impact.

## What about the effect on businesses in the areas surrounding casinos?

It’s hard to say. I’ve talked about this with an economics professor at University of Nevada, Las Vegas (UNLV), and he indicates that if a casino can bring in tourists from out of state and it does it in connection with a hotel, that’s a net win. To the extent that you’re just bringing in local people and they’re spending their dollars at a casino as opposed to somewhere else, for example going to the casino restaurant as opposed to the local restaurant, then it’s just trading dollars, and it will hurt the local businesses. If you do it so there’s a synergistic kind of relationship between the casino and other events and venues in the

city, I think casinos can be helpful.

Businesses would be well served to tie in the presence of a casino with their own attractions. For example, if you can bring in people for a football or baseball game, you can run packages where they stay in a hotel near the casino, and spend a whole weekend instead of just coming in for the game.

## What will businesses that want to work with casinos need to know?

There’s going to have to be a whole regulatory scheme set up for licensing and background checks, investigations and other decisions concerning all of the rules and regulations that govern casinos. Nevada has been doing this for years and has pages and pages of regulations. It’s not something you can just do in a day. So the specifics are secondary right now to the legislature getting something done. Businesses will need to keep abreast of the regulatory requirements as the legislative process develops.

## What lies in the near future for gaming in Ohio?

The legislature is already talking about putting another amendment on the ballot. They have the authority to put in another constitutional initiative and amend this one. Already, several legislators have recommended that an amendment be proposed that provides for the option of competitive bidding and an increase in the tax percentage. So that has to filter its way through the process before it becomes clear what’s going to happen. It’s pretty aggressive to think they can get all this done in six months — and do it the right way.

It’s interesting to note that the most successful gambling jurisdictions are New Jersey, Nevada and Mississippi and there have been studies by economists at UNLV that show that these states also have the lowest taxes on casino revenues. If you’re a casino operator and you have a decision to make about where to put your money, you’re going to put it in the jurisdiction where you can get the best return. This creates better properties and a better gaming experience, so the revenues go up. <<

**MICHAEL E. ZATEZALO** is the managing director of Kegler Brown Hill & Ritter, focusing his practice primarily in real estate and financing and gaming law, for which he serves as the practice chair. Reach him at (614) 462-5497 or [mzatezalo@keglerbrown.com](mailto:mzatezalo@keglerbrown.com).

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