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The MICHIGAN GAMING Newsletter



EXECUTIVE ORDER TRANSFERS REGULATION OF MILLIONAIRE PARTIES TO MGCB EXECUTIVE DIRECTOR

On Wednesday, April 11, 2012, Governor Rick Snyder issued Executive Order No. 2012-04, which serves to transfer the duty to license and regulate the conduct of "millionaire parties" from the Bureau of State Lottery and the Lottery Commissioner to the Executive Director of the Michigan Gaming Control Board ("MGCB"). The state Bingo Act (MCL 432.101, *et seq*) allows for certain charitable organizations to obtain licenses to hold a millionaire party, which is a Las Vegas style event where bets are placed using imitation money or chips in games associated with a casino, such as Black Jack, roulette, or Texas Hold'em. The popularity of millionaire parties has exploded over the past ten years, with event revenues increasing from slightly more than \$4 Million in 2001 to more than \$193 Million in fiscal year 2011, according to annual reports issued by the Charitable Gaming Division of the Michigan Lottery.

In a release from the Governor's office regarding the Executive Order, Governor Snyder stated, "[m]any of Michigan's fine nonprofits and charities count on these games to raise revenue. This executive order allows them to continue doing so while also making sure they are not being swindled or used as a cover for criminal activity. We want to protect these civic-minded organizations from unscrupulous individuals who may try to take advantage of them or the generosity of Michigan residents."

Despite this transfer of authority, all fees collected by the MGCB Executive Director in connection with the regulation and licensing of millionaire parties will still be remitted to the Lottery Commissioner for deposit in the State Lottery Fund. Furthermore, other than with respect to the licensing and regulation of millionaire parties, the Bureau of State Lottery and the Lottery Commissioner will retain regulatory authority over all other forms of charitable gaming authorized under the Bingo Act.

In a public statement, MGCB Executive Director Rick Kalm detailed the transfer process. “The transfer of responsibility of the oversight and licensing of Millionaire parties to the [MGCB] will begin to occur in 60 days. As a result, MGCB will be working with Lottery Charitable Gaming to evaluate processes and operations relating to an efficient transfer of duties and responsibilities. When this is complete MGCB will apply its core mission to ‘ensure the conduct of fair and honest gaming to protect the interest of the people of the State of Michigan.’”

To view Executive Order 2012-04, please click [here](#).

MICHIGAN CASINO EXPANSION – BALLOT INITIATIVE UPDATE

On Tuesday, April 3, 2012, the Michigan Board of State Canvassers (“Board”) approved petition language for the group Citizens for More Michigan Jobs related to a proposed ballot initiative that would authorize the addition of eight casinos across the state. The petition language is the second such petition approved by the Board for groups seeking to expand casino-style gaming in the state for the November 6, 2012 election.

Citizens for More Michigan Jobs

Citizens for More Michigan Jobs is seeking to propose a state constitutional amendment that would authorize the establishment of eight new casino facilities, one each in Detroit, Clam Lake Township, DeWitt Township, Pontiac, Clinton Township, Birch Run Township, Grand Rapids, and Romulus. The location of each of these facilities is specified in the proposed amendment, listing the exact parcel of land where each new casino would be located.

Under current law, the three existing commercial casinos in Detroit are subject to a 19% wagering tax, with 10.1% of the tax allocated to the state and 8.1% of the tax allocated to the City of Detroit. If passed, the proposed amendment would raise the tax to a 23% tax on gross receipts which would be allocated as follows: 30% to K-12 schools throughout the state, 20% to municipal governments for fire and police services, 20% to

the local units of government where the casino is located, 20% to the county in which the casino is located, 5% to the state for the purposes of road repair and construction, and 5% to the state for gambling addiction prevention services. Casinos located in the City of Detroit, including the three existing commercial casinos, would also be subject to the 23% tax rate but would require wagering taxes to be distributed as follows: 60% to police and fire services in the city, 20% to K-12 schools throughout the state, and 20% to the state to fund road repairs and construction.

In addition, the proposed amendment would require the Michigan Gaming Control Board to issue an annual report that details the wagering taxes collected and the distributions made in accordance with the new tax structure. The amendment would also require the state legislature to “enact laws to promote and encourage the employment of Michigan residents and the use of equipment manufactured in Michigan in the development and operation of casinos in this state.”

In order for the petition language to be placed on the November ballot, Citizens for More Michigan Jobs must collect 322,609 valid signatures before July 9, 2012.

Michigan is Yours

The group Michigan is Yours received approval from the Board for petition language related to a ballot proposal to amend the state constitution to allow for seven additional commercial casinos throughout the state on November 18, 2011. The group originally received approval for similar petition language in 2010, but failed to submit the required number of signatures at that time.

Under the petition language approved for Michigan is Yours, seven additional commercial casinos would be authorized, one each in Benton Harbor, Detroit, Grand Rapids, Lansing, Port Huron, Romulus, and Saginaw. Unlike the proposal by Citizens for More Michigan Jobs, the proposed ballot initiative would not raise the existing 19% wagering tax rate.

As with the Citizens for More Michigan Jobs proposal, Michigan is Yours must collect 322,609

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valid signatures before July 9, 2012 for the group's proposal to be included on the November 2012 ballot.

ATTORNEY GENERAL SENDS CEASE AND DESIST LETTERS TO SWEEPSTAKES INTERNET CAFES

On Monday, Attorney General Bill Schuette announced that the Attorney General's Alcohol & Gambling Enforcement Division has issued formal 'cease and desist' letters to three "Internet sweepstakes cafes" operating in mid-Michigan. The letters warn of possible legal action against the cafes if they refuse to halt ongoing gambling operations that violate state gaming laws. The letters come as the result of an ongoing investigation by the Michigan State Police, the Michigan Gaming Control Board and the Attorney General's office.

"Communities across Michigan are concerned about activities happening at many so-called 'Internet sweepstakes cafes'," said Schuette. "If evidence of illegal gaming is uncovered at these cafes or elsewhere, we will work with the Michigan State Police and the Michigan Gaming Control Board to shut them down."

The three Internet Sweepstakes Cafes to receive Schuette's warning letter are:

- Cyber Café (2495 Cedar, Suites 14a & 14b, Holt, MI);
- Lansing Business Center (3620 S. Waverly, Lansing, MI); and
- Flint Business Center (4835 Fenton Rd., Flint, MI).

The three Internet sweepstakes cafés in question are businesses that sell Internet access and the chance to play computer-based casino-style games where customers can win cash prizes. The operations are housed in buildings that contain banks of computers with Internet access. Some serve light fare, like pop and chips, to patrons.

Each purchase entitles the customer to a certain number of sweepstakes entries. The customer is then given the opportunity to "reveal" whether the sweepstakes entries are winners by using a

computer monitor that activates a spinning wheel similar to that of a casino-style video slot machine. Schuette alleges that this type of gaming violates the Michigan Gaming Control and Revenue Act.

If the three cafes fail to cease their illegal gambling operations within 14 days, Schuette may take legal action, which may include the filing of a civil action or criminal charges.

Michigan's Penal Code and the Michigan Gaming Control and Revenue Act strictly prohibit unregulated gambling. According to the press release issued by the Attorney General, the only gambling authorized under state law includes pari-mutuel horse racing, bingo, the state-sponsored lottery, certain charity events and casino gambling licensed under the Michigan Gaming Control and Revenue Act.

In an effort to address the concerns that have been created by such sweepstakes internet cafes, the state has published a detailed "guide" providing a legal analysis of the topic on the Michigan Gaming Control Board's website. The guide can be viewed by clicking [here](#).

The Attorney General has encouraged Michigan citizens to report any suspicious or illegal gambling to the Michigan Gaming Control Board by calling its 24-hour anonymous tip line, 888-314-2682.