

December 13, 2019

Volume 25, Issue 34

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A publication of
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The _____ MICHIGAN GAMING _____ Newsletter



MICHIGAN LEGISLATURE PASSES COMPREHENSIVE GAMING REFORM AND EXPANSION BILLS

On Wednesday, the Michigan Senate and House passed several gaming-related bills that will authorize and regulate fantasy sports, iGaming, and sports wagering. Additionally, the legislature also passed bills authorizing advanced deposit wagering at horse race tracks, changes to rules governing charitable millionaire parties and a comprehensive modernization of the Michigan Gaming Control Act. While Governor Whitmer must still sign the bills into law, all indications are that she has been involved in the drafting and negotiation of the bills and that she will likely sign all of the presented bills.

HB 4311 authorizes and regulates internet gaming, with the Michigan Gaming Control Board overseeing the licensing and regulation of iGaming. Only the three Detroit commercial casinos and tribal casinos that currently offer casino gambling would be eligible to offer internet gaming. Operators would be required to utilize geofencing to ensure that customers are located within the state of Michigan when placing wagers. Operators are permitted two "skins", one for interactive poker and a second for all other casino style games. Initial application fees were set at \$50,000, with a \$100,000 initial licensing fee and a \$50,000 annual renewal licensing fee.

While the taxation rate has been the subject of disagreement between the governor's office and the legislature, they have compromised at a sliding scale range beginning at 20% tax on revenue up to \$4 million and increasing until it reaches 28% on all revenue exceeding \$12 million. Casinos are permitted to deduct free play amounts up to a certain percentage of gross receipts on a sliding scale for the first 5 years following passage. The tax revenue is allocated 30% to the city in which the operator's casino is located for law enforcement, job training and other similar programs, 5% to the Michigan agriculture equine industry development fund, and 65% to the state. From the state's fund, there is an annual \$500,000 payment to the compulsive gaming fund, an annual \$2,000,000 payment to the first responder presumed

coverage fund, and the remainder to the school state aid fund.

Internet gaming cannot commence until there is at least one license granted to a Detroit casino and one granted to a tribal casino.

HB 4916 authorizes and regulates sports wagering, including mobile sports wagering. As with legislation in several other states, it bars wagering on high school or younger athletic events. Unlike most sports wagering laws, however, the bill mandates that operators use official league data from the respective leagues for any in-game wagers. As with the iGaming bill, operators are limited to the three Detroit commercial casinos and tribal casino operators. Tribal operators have the option of offering sports wagering by going through the National Indian Gaming Commission (“NIGC”) or by obtaining a license from the Michigan Gaming Control Board. If the tribal operators obtain a license from the Michigan Gaming Control Board, then any sports wager can be taken on a mobile or Internet basis provided the customer is in the state, but if the tribe offers the sports wagering under the regulation of the NIGC, then all bets must be made solely on the tribal reservation property.

The legislation permits Michigan to enter into agreements with other jurisdictions to facilitate, administer and regulate multi-jurisdictional sports betting. Sports betting licenses are valid for a 5 year period, with an initial \$100,000 license fee and then \$50,000 each subsequent year. Operators must pay a tax of 8.4% of the adjusted gross sports betting receipts. The allocation of the tax is identical to the allocation required for internet wagering detailed (30% to the local municipality, 5% to the Michigan agriculture equine industry development fund, and 65% to the state, with state funds being distributed as an annual \$500,000 payment to the compulsive gaming fund, an annual \$2,000,000 payment to the first responder presumed coverage fund, and the remainder to the school state aid fund).

HB 4307 is a modernization of the Gaming Control

Act, which had not been significantly amended or updated since its passage over 20 years ago. Among many other things, the bill eliminates the ban on political contributions from casino licensees and employees, revises occupational licensing barriers, and permits certain individuals to receive a license if sufficient time has passed from any previously disqualifying criminal conviction. It also reduces the waiting periods for gaming control board members and employees from having an interest in a casino licensee either before or after their board employment and provides for nominal compensation for control board members beginning in 2024. Finally, the bill also increases the ownership threshold from 1% owners to 5% owners who must come forward for licensure.

HB 4308 authorizes and regulates fantasy sports contests. The Michigan Gaming Control Board would oversee the licensing and regulation of the industry. Initial licensing fees are \$10,000, with annual renewal fees set at \$5,000. The bill includes requirements for operators to provide resources regarding compulsive gaming behaviors on websites, as well as to set up self-exclusion controls on a customer’s account. Operators would have to pay an 8.4% tax on revenues.

HB 4310 permits third party facilitator licenses for advanced deposit wagering at Michigan horseracing tracks. Operators are required to have contracts with race meeting licensees to enable customers to wager on live and simulcast racing through their mobile phones without having to physically be at the racetrack. The wagers processed through the third party facilitators are subject to an additional 1% tax.

SB 661, a bill that would permit historical horse racing, passed the Senate but was not included by the House in the package of bills passed on December 11. More information regarding SB 661 can be found in [Volume 25, Issue 33 of the Michigan Gaming Newsletter](#).

HB 4173 revises the rules governing charities offering casino-style games commonly referred to as millionaire parties. The bill requires charitable

organizations to include in its application to the Michigan Gaming Control Board the name and address of each officer of the applicant, and the name of each dealer at the event. Charitable organizations may host up to 4 parties per year, with each party lasting no longer than 4 consecutive calendar days. The total cap on revenue received from a party is increased to \$20,000 for each day of the event.

MICHIGAN GAMING CONTROL BOARD RELEASES DETROIT CASINO REVENUES & WAGERING TAXES FOR NOVEMBER, 2019

In a press release dated December 11, 2019, the Michigan Gaming Control Board (“MGCB” or “Board”) released the November 2019 revenue figures for the three Detroit casinos — MGM Grand Detroit Casino, MotorCity Casino and Greektown Casino.

The three Detroit casinos reported \$124.2 million in aggregate revenue for November 2019, which was an increase of 7.4 percent from October. Revenues were 5.6 percent above the monthly revenue in November 2018. The year-to-date aggregate revenue totaled \$1,326,439,578.

Please see the [linked State of Michigan official financial report](#).

All three casinos experienced year-over-year increases for the month. MotorCity saw a 7.2 percent increase in revenue to \$40.8 million compared with November 2018, MGM revenue at \$53.9 million was up 2.8 percent, and Greektown revenue at \$29.5 million was up 8.7 percent compared with November 2018 results.

The November 2019 market shares for MGM Grand Detroit, MotorCity Casino and Greektown Casino were 43%, 33% and 24% respectively.

During November, the three Detroit casinos paid \$10.1 million in state gaming taxes compared to \$9.5 million for the same period last year. The three Detroit casinos reported submitting \$19.7

million in wagering taxes and development agreement payments to the City of Detroit during November.

The figures released by the Board are the gross receipts less winnings paid to wagerers. The figures do not include: 1) any fees or other relevant city, state or federal taxes; 2) wages and benefits paid to casino employees; 3) payments to suppliers, services providers or vendors; nor 4) other normal business expenses

LITTLE RIVER BAND OF OTTAWA INDIANS DISTRIBUTES REVENUE SHARING PAYMENT TO LOCAL GOVERNMENTS

The Little River Band of Ottawa Indians (“Tribe”) recently announced that it has delivered a check for \$966,852 to the Manistee Local Revenue Sharing Board representing local revenue sharing payments from the Tribe’s Little River Casino Resort. Revenue sharing payments represent 2% of the slot revenues received from the Little River Casino Resort and are distributed every six months. With the recent distribution, the Tribe has distributed \$37,253,850 to local governments since the casino opened in 1999. The Local Revenue Sharing Board utilizes the payments to reimburse local governments for costs incurred as a result of the casino’s operation, such as law enforcement and emergency services as well as to provide payments in lieu of local property tax revenue. Any remaining funds are then distributed by the local governments for other critical needs in the community.

The Tribe also announced a \$50,000 oversight payment to the Michigan Gaming Control Board/ Michigan Economic Development Corporation for the period covering October 1, 2018 through September 30, 2019. In total, the Tribe has paid the State of Michigan \$105 million since the Tribe began gaming.

Tribal Ogema Larry Romanelli stated: “The Little River Band of Ottawa Indians (LRBOI) is pleased the Manistee Local Revenue Sharing Board

allocates grant funding to local agencies and organizations that will benefit our community. This revenue stemming from the local revenue contributions generated from our Little River Casino Resort continues to show how gaming provides a positive economic impact to both our tribe and local community.”

AGA UPDATES ANTI-MONEY LAUNDERING BEST PRACTICES

The American Gaming Association (“AGA”) recently released an updated Best Practices for Anti-Money Laundering (AML) Compliance Guide on December 9, 2019. The guide reflects the casino industry’s understanding of the need for protection against money laundering and its continued commitment to compliance. The AGA initially published its guide in 2014, setting up the casino industry as the first industry to set forth a comprehensive best practices compilation for Anti-Money Laundering rules and regulations.

AML guidance and enforcement is provided by the U.S. Department of Treasury’s Financial Crimes Enforcement Network (“FINCEN”) through compliance guidelines, enforcement actions and informal guidance. The updated Best Practices Guide contains an expanded risk assessment section as well as more detailed Know Your Customer/Customer Due Diligence guidelines. Other updates include a continued commitment to a strong compliance culture and casino industry engagement with government and law enforcement, and update recommendations on new and emerging forms of gaming such as sports wagering and mobile gaming.

“As one of the most highly regulated industries in the United States, it is imperative we take every possible step to discourage illicit behavior and safeguard the integrity of the casino industry,” said Bill Miller, President and CEO of the American Gaming Association. “Through our ongoing partnership with FinCEN, the Treasury Department, and law enforcement, our industry continues to be a leader in compliance.”