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The _____ MICHIGAN GAMING _____ Newsletter



HOUSE REGULATORY REFORM COMMITTEE HOLDS HEARING ON HISTORICAL HORSE RACING BILL

On Tuesday, February 11, the House Regulatory Reform Committee held a hearing on SB 661, a bill that would authorize historical horse racing ("HHR"). SB 661 was previously passed by the Senate in December 2019.

HHR is an electronic gambling machine that permits players to bet on replays of historic horse races, and displays the results of the wager in an entertaining manner. Players are able to either review handicapping information and predict the order of finish, or allow the machine to automatically make selections. The wagering is based on the pari-mutuel system where the bets are pooled into different betting pools for different events, ranging from picking the winner of the race, picking the top three finishers in the exact order, or any number of similar bets traditionally associated with horse racing wagering. Proponents of HHR argue that it will result in stability and sustainability of horse racing, whereas opponents claim that the HHR machines are really just slot machines that have not been authorized under state law. HHR has been approved in several states across the country, but has also been banned in several other states as violating constitutional prohibitions against new forms of gambling.

In its hearing, the Committee received testimony in support of the bill from the current owners of the Schwartz Creek racetrack and the owners of Northville Downs. They noted that breeders have been forced to move out of state due to the decline of the horse racing industry in Michigan, and that HHR is necessary for horse racing to survive in Michigan. Representatives from Firekeepers Casino, MGM Grand, and MotorCity Casino testified in opposition to the bill. They cautioned that if HHR moves forward, the Detroit casinos will have a significant drop in slot revenue and that HHR could lead to some tribal casinos

suspending revenue sharing payments to the state by arguing that their exclusivity guarantee in their compacts is violated by HHR. Committee members and witnesses discussed whether HHR was a new form of gambling that would require a statewide referendum as well as a local vote under the Michigan Constitution or if it could move forward without a vote.

The Regulatory Reform Committee adjourned without voting on SB 661, and the bill will need to be taken up again by the Committee to advance to the House Ways and Means Committee before coming before the floor for a vote.

JOINT INVESTIGATIONS BY ATTORNEY GENERAL AND MGCB HALT MORE THAN A DOZEN ILLEGAL GAMBLING OPERATIONS

The Michigan Gaming Control Board (MGCB) issued a press release on February 12, 2020, detailing a joint enforcement effort by Michigan Attorney General Dana Nessel and the MGCB that resulted in the closure of more than a dozen businesses running illegal gambling operations in 2019.

The 14 businesses in question claimed that they were offering skill-based redemption games, which are legal in Michigan. As opposed to casino-style slot machines that have outcomes based solely on chance, skill-based redemption games have outcomes that are determined predominantly by the player's skill. After investigation, the MGCB determined that the games were not redemption games but rather illegal casino-style video slot machines. Each business chose to close rather than face potential criminal charges, including a 10-year felony charge.

"Illegal gambling can lead to money laundering and other crimes that impact the safety and security of Michigan communities," said Rick Kalm, MGCB Executive Director. "Legal gambling is taxed and regulated, and taxes go back into the

community as funding for K-12 education. An illegal gambling operation doesn't support the community but instead siphons funds away from it."

"Gambling regulations are in place for a reason, and when bad actors choose to ignore the law, they must be held accountable," said Attorney General Nessel. "We're grateful for the opportunity to work with our partners at the Michigan Gaming Control Board in putting a stop to these illegal operations."

The locations issued cease-and-desist orders in 2019 are:

Kent County

- The Nudgemaster Café, 3514 Plainfield Ave., Grand Rapids

Lapeer County

- Fortunes Skilled Gaming Lounge, 1777 South Cedar St., Imlay City
- Atlantis Internet Café, 759 East St., Lapeer
- Jackpot Island Café, 700 South Main St., Lapeer

Genesee County

- Burton Redemption Center, 5515 Davison Rd., Burton
- Monte Carlo Café, 723 South State Rd., Davison

Macomb County

- Jewlz Haven, 66783 Gratiot Ave., Richmond
- Spinners 777, 43648 Schoenherr Rd., Sterling Heights
- Lucky's Skill Game Café, 66830 Van Dyke Rd., Washington Township

Oakland County

- Internet Café, 290 South Telegraph Rd., Pontiac
- Lucky's 7160 Highland Rd., Waterford
- Bingo City, 4443 Dixie Highway, Waterford
- Waterford Redemption Center, 3687 Highland Rd., Waterford

Washtenaw County

- Stoney Creek Internet Café, 2040 Whittaker Rd., Ypsilanti

A [guide](#) to internet cafes can be found on MGCB's website.

DETROIT CASINOS REPORT 7.1 PERCENT YEAR-OVER-YEAR AGGREGATE REVENUE INCREASE IN JANUARY

The three Detroit casinos – MGM Grand Detroit, MotorCity, and Greektown – reported \$120 million in aggregate revenue in January for a 7.1% increase in year-over-year aggregate revenue. January revenue was 6.1% lower than December 2019’s reported revenue of \$127.8 million.

MotorCity saw an 11.7% increase in year-over-year revenue in January, reporting \$41.8 million. Greektown reported \$28.2 million, which was a 9.8% increase from January 2019. MGM Grand revenue increased 2.1% from January 2019 to \$50 million.

The January market shares were:

- MGM Grand Detroit – 42%
- MotorCity Casino – 35%
- Greektown Casino – 23%

The three casinos paid \$9.7 million in gaming taxes to the State of Michigan in January, compared with \$9.1 million in January 2019. During January, the three casinos reported \$14.3 million in wagering taxes and development agreement payments to the City of Detroit.

MEN TO BE SENTENCED IN CONNECTION WITH ILLEGAL GAMBLING OPERATION IN MACOMB COUNTY

An operator of an illegal gambling operation, David Hoppe, and his son will be sentenced in Macomb County Circuit Court in March. As previously reported in [Volume 26, Issue 5](#) of the Michigan Gaming Newsletter, the trial began on January 29th and resulted in a conviction for David Hoppe and a plea deal from Lucas Hoppe.

A jury found Hoppe guilty of one felony count of running an illegal gambling operation, two felony counts of using computers to commit a crime, and

a misdemeanor charge of maintaining a gambling house for gain in Roseville, Michigan. Chief Judge James M. Biernat, Jr. will sentence Hoppe on March 5th.

Hoppe’s son, Lucas, pleaded guilty to a reduced felony charge of attempting to run an illegal gambling operation, while three other charges against him were dropped. Judge Diane M. Druzinski will sentence Lucas Hoppe on March 12th. Charges against Denise Hagan, an employee of the operation, were dropped.

“Illegal gambling operations not only pose a threat to consumers through rigged games, but they also rob our schools and government of essential funding,” said Michigan Attorney General Dana Nessel. “We have gambling regulations in place to protect our residents – and those who defy those regulations will be held accountable.”

Executive Director of the Michigan Gaming Control Board (MGCB) Rick Kalm said, “Illegal gambling operations can lead to other serious crimes. In general, people are cheated, and the money earned by these facilities funds organized crime. We urge Michigan citizens to report suspected illegal gambling to local authorities or to our agency.”

David Hoppe’s felony charges carry a maximum penalty of 10 years in prison, while Lucas Hoppe could be sentenced to a maximum of 5 years.