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# The \_\_\_\_\_ MICHIGAN GAMING \_\_\_\_\_ Newsletter



## **MICHIGAN HOUSE PASSES OMNIBUS PACKAGE OF GAMING BILLS**

On Tuesday, October 29<sup>th</sup>, the House Ways and Means Committee took up a package of gaming bills in committee meeting. The package of bills includes bills regarding the authorization and regulation of fantasy sports, iGaming, and sports wagering, the modernization of the Michigan Gaming Control Act and revisions to regulations surrounding charitable gaming offering casino style games as part of millionaire parties and approval of advance deposit wagering at horse tracks. Additional details regarding the provisions contained in the gaming package may be found in [Volume 25, Issue 12 of the Michigan Gaming Newsletter](#).

At the committee hearing, the Ways and Means Committee adopted amendments to the previous versions of the bills. With respect to the sports wagering bill (HB 4916), the amended bill increases the tax rate from 8% to 8.75%, resulting in an actual tax rate for the Detroit casinos of 12% once the 3.25% tax payable to the City of Detroit is accounted for. Similarly, the amendments to the iGaming bill (HB 4311) also increase the tax rates. While the tax rate was 8% in the original bill, the amended bill contains a tiered tax rate. For the first 3 years of operations, the tax rates are 4% for the first \$4 million of gross receipts, 6% for revenue between \$4 million and \$8 million, 8% for revenue between \$8 million and \$10 million, 10% for revenue between \$10 million and \$12 million, and 19% for revenue above \$12 million. For the 4<sup>th</sup> year of operation, the tiers increase to 6%, 8%, 10%, 12% and 21%, respectively. Finally, for all operations in year 5 and beyond, the tax rates again increase to 8%, 10%, 12%, 14% and 23%, respectively. The amendments also contain provisions that guarantee minimum funding to the city of Detroit as well as the school state aid fund from iLottery proceeds.

The bills amending the charitable gaming millionaire parties (HB 4730), permitting advance deposit wagering (HB 4310) and authorizing fantasy sports (HB 4308) were all substantively unchanged by the committee.

The House passed all of the bills in the omnibus package on Wednesday, October 30, with the exception of the bill modernizing the Michigan Gaming Control Act (HB4307). The package of bills now moves to the Senate for consideration. Governor Whitmer has continued to express concern that the tax rates are not high enough. Tiffany Brown, spokeswoman for Governor Whitmer, indicated: "We continue to have revenue concerns regarding the bills' negative impacts on the School Aid Fund".

There currently are only 14 session days remaining on the Senate Calendar before year-end: November 5-7, and 12-13, December 3-5, 7-9 and 14-16.

## **MICHIGAN HORSE RACING UPDATE: LICENSING DECISIONS MADE FOR NORTHVILLE DOWNS AND SPORTS CREEK**

Per a [press release](#) dated October 31, 2019, Michigan horse racing fans will be able to enjoy 52 days of live racing. Northville Downs will host pari-mutuel wagering on Fridays and Saturdays during the spring, late summer and autumn of 2020.

Under an order issued October 31, 2019, by the Michigan Gaming Control Board (MGCB), Northville Downs also received a permit to simulcast races to and from the track and conduct simulcast pari-mutuel wagering throughout 2020.

"The live racing experience boosts both the industry and the fans, and I'm pleased it will return to Northville Downs next year," said Richard S. Kalm, MGCB executive director.

A second applicant, AmRace & Sports, L.L.C., received a conditional 2020 race meeting license and simulcast permit for Sports Creek Raceway in Swartz Creek.

The conditions include:

- A track license for the track at 4290 Morrish Road, Swartz Creek, which Michigan law requires before live racing and simulcasting may occur;
- A lease, contract or agreement to use the track;
- A track grandstand fire inspection report, information on current track security measures and an emergency preparedness plan; and
- A written contract with a totalizator company and agreements for export and import simulcast wagering.

Northville Downs will split its live standardbred horse racing season with pari-mutuel wagering into two segments: Friday, March 20, through Saturday, June 20, and Friday, Sept. 11, through Saturday, Nov. 28.

Kalm said live race dates would be allocated in the further order issued for Sports Creek once the license conditions are met. The applicant requested 10 dates for thoroughbred racing.

## **SPORTS WAGERING UPDATE**

In 2018, the United States Supreme Court found that the Professional and Amateur Sports Protection Act (PASPA) was unconstitutional. Since then, numerous states have started the process of authorizing the activity on an intrastate basis. Currently, Michigan has a bill pending (HB 4916) that would authorized existing casinos in the state of Michigan to offer sports betting. Many other states have either passed legislation or are going down the path of authorizing this activity. Several key regulatory policy questions will arise for regulators in states where the activity becomes lawful.

Dave Waddell, Robert Russell and JJ Burchman of RMC Legal wrote a feature article entitled "Sports Betting Oversight" that has been published in the October 2019 issue of [Global Gaming Business Magazine](#). The article explores the question of how jurisdictions can best regulate and oversee

sports wagering as it becomes more prevalent across the United States.

The article identifies several policy issues that need to be addressed in sports betting regulation, including: integrity issues; who will operate sportsbooks; licensing of service providers; mobile and online wagering; cash reserve requirements; and collegiate sports wagering. In addition, the article discusses the four different approaches states have taken for internal controls and the practices surrounding the development of house rules. Finally, the article gives an overview of tribal sports wagering in the United States. The full article can be found [here](#).

## **MICHIGAN MOURNS THE LOSS OF TWO PIONEERS OF THE FOUNDATION OF STATE LOTTERY**

Michigan recently lost two well known trail blazers of the Michigan Lottery System.

Former **U.S. Rep. Bob “Bingo” Traxler**, a Bay City Democrat who moved from the state House of Representatives to Congress and served in Washington for nearly two decades, died October 23, 2019. He was 88.

Representative Traxler was elected to the state House of Representatives in 1962, he served for 12 years, winning the nickname of "Bingo Bob" for his role in helping to write the state's law on bingo and lotteries.

**Aggie Usedly**, known as the “Lottery Lady” to Detroit TV viewers, spent more than 30 years as a host for the Michigan Lottery.

Usedly was best remembered for drawing and announcing the winning lottery numbers every evening on WDIV-TV, channel 4 in Detroit. She also worked for almost a decade on two weekly lottery shows, Megabucks Giveaway and The Road to Riches.

Aggie Usedly was 79 at the time of her passing. No cause of death was released.

## **JACK ENTERTAINMENT ANNOUNCES SALE/LEASEBACK WITH VICI PROPERTIES**

On Monday, October 28, 2019, JACK Entertainment announced an \$843 million sale/leaseback transaction with VICI Properties for the JACK casinos in downtown Cleveland and Thistledown Racino. After paying JACK the \$843 million, VICI will enter into a 15 year rental agreement with JACK at \$65.9 million per year, with four five-year extensions exercisable by JACK.

When the transaction closes, VICI will have 26 gaming facilities in its portfolio, including properties leased to Caesars Entertainment, Penn National Gaming Hard Rock International and now JACK Entertainment. JACK will continue to operate both properties after the transaction. “Ohio continues to be one of the healthiest and fastest growing regional gaming markets and we are thrilled to add high-quality, urban real estate to our portfolio at an attractive capitalization rate,” noted John Payne, president and chief operating officer of VICI Properties.

## **MGCB PUBLIC MEETING SCHEDULED FOR TUESDAY, NOVEMBER 5**

The Michigan Gaming Control Board will hold a regular public meeting on Tuesday, November 5, 2019. The meeting will begin at 9:30 a.m. with the staff briefing, followed immediately by the regular agenda items. You can view the agenda for the November meeting by clicking [here](#).

The meeting is open to the public and questions, comments and suggestions from the public regarding Board business and the licensing regulation and conduct of casino gaming in Detroit under the Act are welcomed and encouraged during the public comment portion of the meeting.

The meeting will be located at the MGCB Detroit office, Cadillac Place, 3062 West Grand Blvd., Suite L-700, Detroit. The Cadillac Place is in

Detroit's New Center Area near the John Lodge Freeway (M-10), between Second Avenue and Cass Avenue. The Fisher Building and the Albert Kahn Building are nearby landmarks.