

December 6, 2019

Volume 25, Issue 33

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A publication of
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The _____ MICHIGAN GAMING _____ Newsletter



MICHIGAN LEGISLATIVE UPDATE

The Michigan legislature has been busy recently addressing a variety of gaming-related bills. On December 4, 2019, the House passed HB 4307, a modernization of the Gaming Control Act. Previously, the House had passed the other bills in the gaming package, including sports betting (HB 4916), fantasy sports (HB 4308), advanced deposit wagering for horse tracks (HB 4310), charitable gaming millionaire parties (HB 4730), and iGaming (HB 4311). Additional details regarding the provisions contained in the gaming package may be found in [Volume 25, Issue 12 of the Michigan Gaming Newsletter](#) and [Volume 25, Issue 29 of the Michigan Gaming Newsletter](#).

As amending the Gaming Control Act requires a 3/4ths majority vote, it took a bit longer to pass HB 4307. The bill passed by a 89-19 margin. HB 4307 contains many changes to the Gaming Control Act, including eliminating the ban on political contributions from casino licensees and employees, revising occupational licensing barriers, and permitting 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. Finally, the bill also increases the ownership threshold from 1% owners to 5% owners who must come forward for licensure. HB 4307 now moves to the Senate where it has been assigned to the Senate Regulatory Reform Committee. The Senate Regulatory Reform Committee has scheduled a hearing on Tuesday, December 10 in which it will take up the full package of gaming bills.

On the Senate side, bills governing sports wagering were introduced on December 3, 2019. SB 663 and 664, sponsored by Sen. Curtis Hertel (D-District 23), permits and regulates sports wagering and are substantively identical to HB 4916. SB 663 and 664 were referred to the Senate Regulatory Reform Committee.

Senators Jim Ananich (D-District 27), Dan Lauwers (R-District 25), and Kevin Daley (R-District 31) jointly sponsored a bill (SB 661) that would permit wagering on historical horse racing (“HHR”). Unlike sports wagering, HHR was not part of the package of gaming bills previously passed by the House. A handful of states have authorized HHR, which utilizes randomly selected horse races to permit pari-mutuel-style wagers on machines that provide users with a slot machine type interface. Currently, HHR is permitted in Alabama, Arkansas, Kentucky, Oregon, Virginia and Wyoming. Other states, such as Colorado, Idaho, Nebraska, have seen ballot proposals seeking to authorize the machines defeated by voters. SB 661 was also referred to the Senate Regulatory Reform Committee and will be taken up in the December 10 meeting.

Both the House and the Senate will need to move quickly to get any gaming legislation passed in 2019, as there are only six more scheduled sessions before the end of the year, with the last three sessions only tentatively scheduled for December 17-19. As Michigan’s legislative term is two years, however, the bills will carry over into 2020 if they are not passed before year-end.

STATES CONTINUE TO COMBAT ILLEGAL GAMBLING MACHINES

State regulators across the country continue to attempt to crack down on illegal gambling machines. Missouri is the latest state to heighten its efforts. In October, Lottery Director May Scheve sent a letter to lottery retailers warning them that they may face prosecution if they have illegal gambling machines in stores. She wrote: “Sales of games through illegal gambling devices hurts legal lottery sales and profits for public education.” Missouri’s first criminal case involving alleged illegal slot machines will go to trial in December. Now Missouri Senate President Pro Tem Dave Schatz has announced that he will file legislation in December to increase penalties for possession and operation of illegal slot machines. These machines can be found in numerous locations in Missouri, such as restaurants, gas stations, bars, and convenience stores. Mr. Schatz noted that the Missouri State Highway Patrol

testified that the number of complaints it has received regarding the illegal machines has nearly quadrupled from last year, ballooning from 39 complaints in 2018 to 145 this year.

Other states have taken similar action to crack down on illegal gambling. In the spring of 2018, the Ohio Casino Control Commission promulgated new rules requiring skill game operators to apply for a license and pay registration fees, an action that has permitted Ohio authorities significant enforcement powers to reduce illegal gambling operations. For more information, see [Volume 24, Issue 12 of the Michigan Gaming Newsletter](#). The Commonwealth of Pennsylvania has also introduced legislation that strengthens criminal fines and prosecutions for owners and operators of illegal gambling games.

The State of Michigan has also continued efforts to reduce and eliminate illegal gambling operations. Based on information gathered statewide since 2015, the Michigan Gaming Control Board estimates more than 1,000 locations in Michigan have some type of illegal electronic gambling device. Working with the Michigan Attorney General’s Office and local law enforcement, the MGCB assists in eliminating these illegal gambling operations around the state. The results show that:

- 92 locations have been investigated to date
- 22 locations were closed via search warrants by the Attorney General’s office or local police
- 37 Cease and Desist letters were served on owners and locations resulting in the closure of another 25 locations
- 45 additional locations closed for unknown reasons

Enforcement actions include:

- 977 machines seized
- More than \$160,000 in cash forfeited to local law enforcement
- 30 individuals faced 120 charges
 - 86 Felonies
 - 34 Misdemeanors

Currently, several more locations are being investigated.

Gaming Control Board Executive Director Rick Kalm noted: “Illegal gambling is unregulated, breeds crime and robs local governments, tribal governments, and the School Aid Fund of revenue. It also funds more illegal operations such as money laundering and organized crime.”

The Association of Gaming Equipment Manufacturers (“AGEM”) has recently introduced an initiative to combat the proliferation of illegal gambling machines, announcing that it has reached out to the American Gaming Association to partner on a document highlighting the many reasons for trying to eliminate illegal gambling machines. Marcus Prater, Executive Director of AGEM, noted: “Unregulated gaming machines designed to look like regulated slot machines fool players into thinking they are getting a fair chance and enrich only the unregulated machine companies and their locations while creating a burden for regulators and law enforcement and providing no tax benefit or otherwise for the states where this activity takes place.”

GUN LAKE TRIBE SHARES \$9.6 MILLION WITH STATE AND LOCAL GOVERNMENTS

The Gun Lake Tribe announced its fall revenue sharing payments from electronic gaming revenues reported between April 1, 2019 to September 30, 2019. The State of Michigan received \$5,613,249, the Local Revenue Sharing Board received \$2,384,933, and GLIMI, an economic development entity, received \$1,683,975. Since entering into its compact with the State, the Gun Lake Tribe has shared a total of \$136,337,400 with state and local governments.

Bob Peters, Chairman of the Gun Lake Tribe, said, “This revenue sharing distribution to the state and local communities allows us to continue the mission of Gun Lake Casino by providing a thriving work environment for our Team Members, endless opportunities for our Tribal Citizens, and dedicated service to the quality of life for Michigan’s citizens.”

The revenue sharing payments are dependent on

the preservation of exclusive gaming rights within the Tribe’s competitive market area, which includes Kent, Kalamazoo, and Ingham counties. The Gun Lake Tribe’s gaming compact with the State of Michigan defines this exclusive gaming area and includes statewide expansion of some lottery games.

Of the revenue shared, the Tribe has shared more than \$91 million with the State of Michigan. These payments help fund the Michigan Economic Development Corporation, which awards grants to businesses to invest in Michigan and create jobs. In addition, the Local Revenue Sharing Board receives and administers the payments that are directed to local community causes. The gaming compact mandates that funding support local municipalities for costs incurred due to operation of the casino, public safety services, and replacement of tax revenue.