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# The MICHIGAN GAMING Newsletter



## Michigan Redemption Games Bill, SB 1065, Reported to The Michigan Senate Floor

On Wednesday, the Michigan Senate Regulatory Reform Committee took testimony on SB 1065, a bill introduced on May 26th and co-sponsored by Senator Lauwers (R- District 25) and Senate Minority Leader Ananich (D- District 27).

Mrs. Jasmine Tompkins, a Legislative Liaison and External Affairs Manager for the Michigan Gaming Control Board, provided testimony at the hearing.

Below please find Mrs. Tompkins testimony:

Thank you Mr. Chair and members of the committee.

I am Jasmine Tompkins with the MI Gaming Control Board and we are opposed to SB 1065

Before talking about the bill I would like to note that if there is interest in clarifying what is and isn't allowed under the current law we would be happy to work on possible paths to ensure local business owners legally own machines that could benefit their business.

This bill, however, goes further than clarifying what is legal and instead expands the limited exception of redemption gaming to include a definition of "redemption game machine" thereby authorizing many types of gambling machines that are currently used for illegal gambling and allow unregulated "mini-casinos".

We see this bill as an attempt to combat the efforts of the Michigan

Gaming Control Board, Michigan State Police, and the Attorney General's Office to stop illegal gambling throughout the State and instead create an expansion of gaming which will be unregulated and untaxed. Currently under our Penal Code all forms of gaming are prohibited unless expressly authorized by law. Examples of authorized gaming include, the three Detroit casinos, Lottery and charitable gaming, pari-mutuel horseracing, internet gaming, and sports betting.

Regarding currently allowed redemption and crane games:

- The machine must have an outcome of the game be determined through an element of skill
- The prize awarded must be based on a player achieving the object of the game
- Only non-cash prizes can be awarded
- The wholesale value of the non-cash prize is \$3.75
- The redemption value of coupons or other representations of value awarded does not exceed 15 times the amount charged for a single play of that game.
- A gift card may be awarded if it is useable only at that retailer or their affiliates, the gift card is issued in a specified amount and cannot be altered with a pin, and is redeemable only for goods and services; not cash.

Senate Bill 1065 expands the allowable prizes:

- Increasing the maximum from being no more than \$3.75 to \$500
- Including edibles
- Changes how gift cards can be used from only being allowed to be used at that retailer or its affiliates to visa gift cards that can be used anywhere

Next the bill expands how the outcome of a game is determined from an element of skill to any combination of skill and chance.

Lastly, by changing the definition of redemption game the bill expands the type of machine that is allowed from the classical type redemption games like skee-ball or hoop shooting games to slot-style machines currently used for illegal gambling. It is important to note that the machines themselves are not illegal; rather, it is the manner in which these machines are often used that makes them illegal. The manner in which they are used often does not comply with the guidelines I mentioned earlier in my testimony and are effectively replicating casino style games. In fact, many players that play these types of machines don't know the difference between these machines and slot machines found in a casino.

While, it is up to the legislature and the Governor, and in the case of an expansion of gaming the vote of the people, to decide on the types of games that are allowed. It is our role as the assigned regulators of specific authorized gambling in this state to protect Michiganders from dishonest and unfair gaming and investigate and stop illegal gambling.

This bill calls for an expansion of gaming with no regulatory framework and no regulatory body assigned to ensure the integrity of such activities. There are no protections in place for individuals with gambling problems, there is no recourse for player disputes, and there are no requirements for surveillance, security, or internal controls. Without these measures, commonly found in the gaming industry, there is a much greater risk of illegal activity. If you participate in authorized forms of gaming in this state a portion of revenue generated goes to the state and the school aid fund. Under these changes this would not be the case as there is also no tax on the gaming that would be conducted.

To own a casino license in this state involves a stringent background and licensing process of both of the applicant and their machines. This bill would allow anyone to bypass these processes and open up gambling rooms to the detriment of Michigan citizens. Some machines could be rigged to never pay out. Our seniors and those who are low income would be impacted the most. As they are the ones who will sit at these machines and continuously lose and assume it's just a bad day, and let's say they know the machines have rigged odds what is their path for recourse.

As I said earlier, we are not in the business of hindering local business owners ability to increase profits. We are in the business of ensuring the conduct of fair and honest gaming in this state. If the supporters are open to ways to license or clarify current authorized machines then we are here to help. We cannot, at this time, support a bill seeking to allow the illegal gambling we are currently trying to combat.

Thank you for your time. I have my colleague John Lessnau here to help with any questions about the difference between currently allowed machines and the illegal machines this bill would permit.

Despite the concerns raised by the Michigan Gaming Control Board, the committee voted to report the bill to the Senate floor with the recommendation it passes. The vote was 6-3 in favor.

The status of the bill can be followed [here](#).

## **Records Broken in Legal Sports Wagering and Fantasy Sports Participation, According to Study**

The Fantasy Sports and Gaming Association ("FSGA") announced a [press release](#) during the FSGA's Summer Conference at the MGM Grand in Detroit. The release reported a significant growth

in legal sports wagering and fantasy sports participation over the last year, according to a study conducted by Leger, one of America's largest independent research firms.

The study concluded that nearly a quarter of U.S. adults (defined as those 18+) – or 60.2 million – now bet on sports. This represents a 9.4 million increase (20% Year Over Year) compared to 2021. Additionally, 50.4 million, a fifth of all Americans 18+, now play fantasy sports, a 6 million increase (13.5% YOY) versus 2021, when the U.S. sports industry was still amid the COVID pandemic.

Overall, 69.5 million U.S. adults either bet on sports or play fantasy sports, and 59% of the 69.5 million do both. This crossover number is up 3.4 million (9% YOY) over 2021.

Stacie Stern, the FSGA Chair, said, "The expansion of legal sports wagering and the post-pandemic bounce back for fantasy sports is very encouraging to see." Further stating, "I'm also excited to see a greater diversity of participants throughout our industries."

The FSGA-Leger study also found fantasy sports participation has not been slowed down by the increasing accessibility of legal sports wagering. The study reported that Daily Fantasy Sports (DFS) continued to grow with over 30 million U.S. adults playing, a 12% increase over 2019 when the number was last calculated. The crossover between DFS players and season-long fantasy players is also up considerably.

Furthermore, there has been an overall increase in regulated sports betting by female bettors. In 2019, females made up 20% of sports bettors (9.2 million). In 2022, 34% of sports bettors – 20.6 million – a growth of 11.4 million women betting on sports since 2019.

Based on demographic data from the study, NFL games remain the most popular games to bet on, followed by NBA, MLB, and college sports. For fantasy sports, it is NFL, MLB, then NBA, followed by eSports which made a considerable jump among DFS players.

## Michigan Internet Gaming and Sports Betting Operators Report Combined \$160.9 Million in May Total Gross Receipts

As [reported](#) by the Michigan Gaming Control Board (MGCB), Michigan commercial and tribal internet casino gaming and sports betting operators reported a combined \$160.9 million total gross receipts in May. May receipts declined by 1.4% when compared to last month.

May internet gaming gross receipts were \$127.4 million, falling 3.8% from the record set in April 2022. Gross sports receipts totaled \$33.5 million, increasing 9.1% when compared with April 2022.

Combined total adjusted gross receipts of \$137.2 million were reported for May, including \$114.7 million from internet gaming and \$22.5 million for internet sports betting. Total monthly internet gaming adjusted gross receipts declined 3.9% from April 2022, and internet sports betting adjusted gross receipts rose nearly 35%.

Compared with May 2021, this month's internet gaming adjusted gross receipts increased 28.8%, and internet sports betting adjusted gross sports betting receipts were 127.4% higher.

Total internet sports betting handle at \$333.4 million was down by 10.2% compared with April 2022 results.

The operators delivered \$24.6 million in taxes and payments to the State of Michigan during May, with internet gaming taxes and fees contributing \$23.5 million and internet sports betting taxes and fees contributing \$1.1 million.

The three Detroit Casinos – MotorCity Casino, MGM Grand Detroit, and Greektown Casino – reported city wagering taxes and municipal service fees of \$7.1 million, with internet gaming taxes and fees contributing \$6.4 million and internet sports betting taxes and fees contributing \$693,999 for the month of May.

Tribal operators reported making total payments

of \$2.7 million of wagering payments to the tribes' governing bodies according to the MGCB.

For the first five months of 2022, aggregate internet gaming adjusted gross receipts totaled \$572.3 million, and aggregate internet sports betting adjusted gross receipts were \$69 million.

An online gaming and sports betting revenue distribution [table](#) is available on the agency's website.

During April, 15 operators were authorized for one or both forms of online wagering. Details for each operator's internet gaming and internet sports betting [results](#) are available and published on the MGCB website.