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Editor in Chief

J.J. Burchman, Esq.

Phone: 517.999.5414
burchman@rmclegal.com

Senior Gaming Analyst & Editor

Robert R. Russell, II

Phone: 517.507.3858
russell@rmclegal.com

Associate Editor

David D. Waddell, Esq.

Phone: 517.507.3858
waddell@rmclegal.com

Associate Editor

Randy G. Gross, Esq.

Phone: 517.999.5416
rgross@rmclegal.com

News Reporter & Digital Content Editor

Riston Escher

rescher@rmclegal.com

Production Coordinator

Christina M. Morris

cmorris@rmclegal.com

Subscription information:
info@michingangaming.com

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The MICHIGAN GAMING Newsletter

Special Edition

Q&A with Henry Williams

Executive Director, Michigan Gaming Control Board



The Michigan Gaming Law Newsletter had the honor of conducting an interview with Michigan Gaming Control Board Executive Director Henry Williams on February 2, 2023. Director Williams begins the third year of his six year term in May of this year. As executive director, Mr. Williams oversees a staff of 146 employees. He is responsible for the direction, execution, and coordination of all activities related to the regulation of commercial gaming, internet casino gaming and internet sports betting, fantasy sports, horse racing, and millionaire party charitable events in Michigan, along with the responsibility for oversight of compact compliance of the State's 24 tribal casinos. Mr. Williams, of Detroit, previously served in the role as deputy director of the MGCB's Casino Operations Division for more than six years and previously held various positions with the MGCB since 2001 as a regulation officer, senior regulation officer and employee licensing manager.

Below please find the Michigan Gaming Law Newsletter Questions, and Director Williams responses:

Since your appointment as executive director of the Michigan Gaming Control Board, has the mission of your agency changed at all? If so, how?

Williams: The MGCB's mission has not changed, but the agency has grown as its duties expanded following the signing of the various gaming bills in 2019. Our fiscal year 2023 budget request was the largest in the agency's history. We received and are using the additional funding to increase staff — we hired nearly 40 employees last year — and invest in better technology. We also are growing our focus on responsible gaming outreach, adding staff and expanding our offerings. The additional funding also supports our responsible gaming outreach.

What are some of the main objectives/goals that your agency would like to accomplish during 2023?

We've seen unexpected challenges in recent years because of COVID-19. While the agency has a business continuity plan, we will look at what we learned since 2020 and incorporate real-life experiences into the MGCB's updated business continuity plan by the end of 2023.

Michigan Gaming Law Newsletter:

Recruitment remains challenging, and we will convene an internal committee this year to look at strategies and incentives for attracting and retaining talent. Of course, we always seek ways to improve our business processes and technology so we can best serve the industries we regulate and Michigan citizens. We also will continue work to review and update administrative rules so they remain effective and relevant.

We are concerned about the proliferation of non-regulated gaming machines in bars, restaurants and party stores. The unregulated machines do not offer consumers the protections of legal, regulated gaming, and they also have no controls to prevent underage gambling.

Last year, the MGCB and Michigan Liquor Control Commission launched an information campaign to educate business owners and the public about the illegal use of gambling machines. The agency continued its efforts to enforce state gaming laws, leading to the confiscation of 373 gaming machines and 17 individuals receiving criminal convictions in 2022. We plan to continue to address illegal gambling in Michigan in cooperation with the Michigan Department of Attorney General and other law enforcement agencies across the state.

We also plan to expand our Responsible Gaming outreach through a public-facing program that will launch soon.

How has your background and prior experience helped you in furthering the mission of the Agency?

I've been with the agency for more than 20 years, starting as a regulation officer and earning promotions to higher-level positions throughout my career. I have served as executive director for a year and a half and previously was a deputy director for more than six years. I've had a hand in guiding and adjusting the agency's regulatory approach as the industry has matured. I have experience handling day-to-day business and challenges.

The MGCB was focused on regulating the Detroit casinos in my early years with the agency, but its role has expanded greatly during the past 10-plus years. My experience as a social worker also has heightened my awareness of the issues of problem gambling and led me to expand the agency's responsible gaming outreach.

What are the respective roles of the MGCB, the State Police, and the Attorney General with regard to gaming enforcement issues? Is that a cooperative relationship, or do the agencies work independently in tandem?

Under the Michigan Gaming Control and Revenue Act, the Lawful Internet Gaming Act, the Lawful Sports Betting Act, and the Fantasy Sports Consumer Protection Act, the MGCB regulates and has supervisory authority over the state-regulated casinos and internet gaming (excluding Lottery), and the MGCB's Executive Director has sole authority over regulating horse racing and millionaire parties (authorized under the Horse Racing Act and Bingo Act, respectively) in Michigan. The MGCB also conducts investigations into suspected illegal gambling.

Michigan State Police (MSP) investigates possible violations of the Acts and criminal statutes related to gaming activities.

The Attorney General (AG) provides legal assistance with investigations of violations of the Acts, as well as the Penal Code and the Liquor Control Code (as it relates to gambling). The AG provides specialized assistance with the seizure and forfeiture of anything used or intended to be used to facilitate illegal gambling operations in the state. This includes prosecuting, both civilly and criminally, businesses and private landowners for participating in or operating illegal gambling enterprises. The AG also offers legal analysis and advice to the MGCB related to regulatory matters and assists with regulatory compliance matters.

The MGCB, MSP and AG enjoy a cooperative relationship. Information is exchanged regularly among these parties to ensure the requirements of the Acts are met efficiently.

Have you noticed any regulatory-specific issues or problematic trends which have arisen and/or changed in recent years with the introduction of new forms of gaming?

After the new forms of gaming launched, our agency and our partners at the Michigan Department of Health and Human Services noticed an increase in inquiries for assistance with problem gambling. We have expanded our Responsible Gaming section staffing and continue to work cooperatively with MDHHS and Michigan State Lottery on addressing problem gambling issues in Michigan. We've also worked to increase awareness of the tools patrons can use, including self-exclusion options and setting limits. We have expanded our Responsible Gaming outreach program, and you will hear more about plans to deliver the information more broadly very soon.

Internet gaming companies operating in Michigan have increased their use of affiliate marketing services companies, and we expect the number of affiliates to grow. We require each affiliate marketer to assert they will not work with unlicensed internet gaming companies. If they fail to comply, they will lose the benefits of working within Michigan's large regulated market.

Under the Lawful Internet Gaming Act, the MGCB has authority to investigate illegal internet gaming. We are concerned about the companies operating outside the legal, regulated market in Michigan. In particular, there are many large, illegal, offshore sportsbooks and online casinos that pose a threat to our citizens and the legal, regulated U.S. market.

Of course, the offshore operators do not have regulatory oversight, protections for problem gamblers, or age verification requirements. Their patrons can be subject to failure to pay winnings or even identity theft. Without federal government support, state regulators at this time can do little beyond raising awareness of the potential for harm.

Like other regulators, we have felt concerns about internet casino gaming and internet sports betting

advertising. However, Michigan laws do not give the MGCB regulatory authority over advertising for these forms of gaming.

We have shared our concerns with the operators and providers, particularly warning against use of the agency's logo on their sites. Licensees may indicate they have a Michigan license, but we feel use of the logo incorrectly implies endorsement by our agency.

In general, the industry should think through its advertising strategies carefully because regulators and lawmakers may have to rethink advertising regulation if they don't approach it responsibly.

Impressively, Responsible Gaming has been a focus area of yours during your initial term at the MGCB. Can you outline some of the programs you have established or other steps you have taken to address the topic and how you feel they are helping to address problem gambling in the state of Michigan?

The MGCB sought and received additional funding in Fiscal Year 2023 for responsible gaming programs, allowing us to expand our resources. The section has grown from one person to a staff of five since I became executive director in 2021.

Our Responsible Gaming section has created and distributed information on responsible gaming to community groups and also can make live presentations for community groups. The section interacts with various cultures and is finalizing for distribution written materials which have been translated into multiple languages: Arabic, Mandarin, Vietnamese and Spanish. The agency also will enhance information available on the web. You can expect to hear more about responsible gaming outreach and programs in 2023.

Michigan's iGaming and iSports markets have exceeded initial financial projections. From a regulator's perspective, how do you feel the industry is doing in the state? Any changes or

modifications to the regulatory landscape that suppliers, operators or platform providers should be aware of as the industry enters year two of operations?

Internet casino gaming and internet sports betting saw great successes since Michigan launched both forms of gaming in January 2021. The level of interest and resulting revenue have far exceeded what the Michigan Legislature projected when the gaming bills were under consideration in 2019.

We feel the first two years of operation have gone smoothly. We have gone successfully through a provider change for one of the operators and launched expanded options through live dealer and multi-state poker.

However, we want to encourage the industry to improve staffing and communication related to patron disputes between residents and internet gaming and internet sports betting operators and providers. It's important for the operators and providers to maintain visibility and communication with customers when an issue arises.

We hope to pool the knowledge and resources of regulators around the country by creating a multi-state task force to discuss online gaming changes, trends and goals. It's too early to predict how the collaboration may change or modify the regulatory landscape.

The MGCB is responsible for the regulatory oversight of horse racing, charity gaming, and fantasy sports. How are these segments of the industry performing given the pandemic and the new forms of competition for the gambling dollar? Does the MGCB have any changes in the works relating to horse racing, charity gaming and fantasy sports on the horizon?

Each form of gambling regulated by the MGCB has enthusiasts. Some people prefer horse racing, others like supporting charities through millionaire party events, still others like to visit the casinos or sportsbooks and a growing number of residents and visitors enjoy internet casino

gaming, internet sports betting and fantasy sports.

Horse racing benefitted from the introduction of advance deposit wagering through third-party facilitators in 2020 and an increase in funding in 2021 and 2022 courtesy of internet gaming and internet sports betting taxes. The taxes were deposited in the Michigan Agriculture Equine Industry Development Fund, which is administered by the Michigan Department of Agriculture and Rural Development, and distributed as the law requires to the track and the certified horsemen's association. Northville Downs' management has signaled its intention to establish a new location in Plymouth Township by filing site plans for a new track facility, which indicates their confidence in the future of horse racing in Michigan.

The MGCB worked with the Governor's Office and the Legislature last year to secure a change in the funding source for millionaire parties. In December, Gov. Whitmer signed into law [Public Act 269 of 2022](#) and [Public Act 270 of 2022](#), which amended the Lawful Internet Gaming Act (LIGA) and the Bingo Act, respectively. The funding now comes from the internet gaming fund instead of from charitable gaming license fees and ticket sales. The new, more stable funding source will help us improve technology and maintain service levels for charities without increasing licensing fees. Charities faced many challenges from COVID-19, but we are seeing a comeback with more events being scheduled.

We are revising the draft fantasy sports administrative rules and intend to file the with the Michigan Office of Administrative Hearings and Rules this year. MOAHR must review and approve the rules before they can go to the Michigan Legislature for approval. Through November, fantasy contest operators reported adjusted revenue of \$15.3 million in 2022, which was slightly below the full-year 2021 total of \$16.2 million. It is likely adjusted revenue will equal 2021 results once December numbers are reported in February despite some operators deciding to leave the Michigan market in 2022.

The MGCB plans to submit updates to the Millionaire Party rules to bring them up to date and ensure consistency with changes to the Bingo Act as amended in 2019.

What is your general outlook with regard to the state of the gaming industry in Michigan?

The gaming industry in Michigan has shown strength in recovery from COVID-19.

The Detroit casinos' revenue hasn't reached the record levels of 2019, but it remains strong. We've seen investment in the properties, and they are significant contributors to Downtown Detroit's entertainment and hospitality offerings.

Internet casino gaming and internet sports betting have been extremely popular and provided more than \$420 million in taxes and payments to the state, the city of Detroit and tribal governments during 2022. Gaming tax payments are the No. 2 revenue source for the City of Detroit and an important source of state funding for K-12 education in Michigan. During fiscal year 2022, the agency sent more than \$365 million to the state School Aid Fund from gaming taxes.

We expect multi-state poker will grow in 2023 following its recent launch on Jan. 1. Currently, one provider offers multi-state poker, but others likely will follow. Other states in the Multi-State Internet Gaming Agreement may join New Jersey

and Michigan, expanding the provider's pool of potential players. We may see additional live

dealer studios, and we expect to approve an internet gaming provider for the Hannahville tribe.

Based on year-over-year growth, internet gaming and internet sports betting should remain strong in 2023. Inflation may have cut into the Detroit casinos' business in 2022 to some extent, but the casinos' overall revenue fell only slightly from 2021 results. The casinos are experienced and clever marketers, and they will continue to attract patrons.

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J.J. Burchman, Esq.
Phone: 517.999.5414
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Senior Gaming Analyst & Editor
Robert R. Russell, II
Phone: 517.507.3858
russell@rmclegal.com

Associate Editor
David D. Waddell, Esq.
Phone: 517.507.3859
waddell@rmclegal.com

Associate Editor
Randy G. Gross, Esq.
Phone: 517.999.5416
rgross@rmclegal.com

News Reporter & Digital Content Editor
Riston Escher
rescher@rmclegal.com

Production Coordinator
Christina M. Morris
cmorris@rmclegal.com