



A Year of Preparation

An Annual Report for
Calendar Year 1997

Michigan Gaming Control Board
1500 Abbott Road, Suite 400
East Lansing, MI 48823

Submitted April 15, 1998, pursuant to the
Michigan Gaming Control & Revenue Act, as amended
(Public Act 69 of 1997)

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INTRODUCTION

In November 1996, Michigan voters approved Proposal E, authorizing up to three licensed casinos to be built in Detroit. Proposal E subsequently took effect as law on December 5, 1996, as the *Michigan Gaming Control & Revenue Act* (the “Act”). In July 1997, the voter-initiated law was amended by the Michigan legislature. The Act, as amended, (Public Act 69 of 1997) established the Michigan Gaming Control Board (the “Board” or “MGCB”) as a Type I agency within the Michigan Department of Treasury, exclusively responsible for licensing, regulating and overseeing casino gaming in Michigan.

The Board is comprised of five Michigan residents appointed by the Governor, with the advice and consent of the Senate. One member is designated by the Governor as the chairperson. The initial five Board members serve staggered terms: one member is appointed to a two-year term, two are appointed to three-year terms, and two to four-year terms. After the initial five Board members serve their staggered terms, all subsequent Board members will be appointed to four-year terms. No more than three members may belong to the same political party. The Board has powers and duties specified in the Act, and other powers necessary and proper to fully and effectively execute, administer and enforce the provisions of the Act relating to the licensing and regulation of casino gaming in Michigan.

ACTIVITIES

On November 22, 1996, two weeks before the new voter-initiated Act took effect, Governor John Engler issued Executive Order No. 1996-09, establishing the ethical standards and restrictions that he would apply in appointing the five members to the Board, ensuring that each member would have no conflicts of interest and would be held to the highest level of integrity. In addition, the Governor appointed State Racing Commissioner Nelson Westrin as Interim Executive Director of Michigan Gaming, a temporary position created by Executive Order No. 1996-10.

Joined by Attorney General Frank J. Kelley and Director of State Police Col. Michael D. Robinson, the Governor held a news conference on November 22, 1996, to announce the two Executive Orders and Mr. Westrin’s appointment. The Governor, Mr. Kelley and Col. Robinson pledged their united commitment to properly implement Proposal E, and ensuring that all necessary laws, regulations and safeguards were put in place to protect the

public's interest and to provide for a fair, honest and legitimate casino gaming environment in Michigan.

Pursuant to the Governor's order, Mr. Westrin immediately began making preparations to enable and assist the State and the yet-to-be-appointed Board in the timely and proper implementation and administration of the new Act. Mr. Westrin continued to serve as both Racing Commissioner and Interim Executive Director of Michigan Gaming until July 17, 1997, when the Governor appointed him to a six-year term as Executive Director of the Michigan Gaming Control Board. This new position was created under the amended Act. Upon appointment to this new position, Mr. Westrin resigned his post as Racing Commissioner.

In December 1996, the Governor appointed the five members of the Michigan Gaming Control Board:

- **Mr. Thomas Denomme, Chairman** (term expires December 2000) - Mr. Denomme retired in December 1997 as Vice-Chairman and Chief Administrative Officer of the Chrysler Corporation.
- **Ms. Paula Blanchard** (term expires December 1999) - Ms. Blanchard is the former Michigan First Lady. She has extensive experience in business, public relations and politics.
- **Mr. Rich Davis** (term expires December 1999) - Mr. Davis is a former Director of the Michigan Department of State Police, and is currently Project Director for the Michigan Truck Safety Commission.
- **Mr. Taylor Segue III** (term expires December 2000) - Mr. Segue was an attorney in private practice in Detroit. Mr. Segue resigned from the Board in January 1997. He was replaced in February 1997 by **Ms. Karen Batchelor Farmer**. Ms. Farmer, also an attorney, is Manager of Civic and Government Affairs at Michigan Consolidated Gas Company.
- **Hon. Michael Stacey** (term expires December 1998) - Judge Stacey is a former Wayne County Circuit Court Judge who retired in 1994. He has remained active by assisting with alternative dispute resolution and by serving as a visiting judge.

The Board held its first public meeting in January 1997. From its inception, the Board encouraged public input into the procedures to be followed in licensing and regulating the Detroit casinos. To remain responsive to the views of the people of Michigan, 12 public meetings were held by the Board in 1997 during evening hours to conduct official business and give the public and news media opportunity to voice opinions and ask questions about the Board and its activities.

January 23, 1997	Detroit Public Library, Detroit
February 18, 1997	Detroit Public Library, Detroit
February 25, 1997	Detroit Public Library, Detroit
March 18, 1997	Detroit Public Library, Detroit
April 15, 1997	Detroit Public Library, Detroit
May 27, 1997	Detroit Public Library, Detroit
June 26, 1997	Detroit Public Library, Detroit
July 31, 1997	Detroit Public Library, Detroit
August 28, 1997	Detroit Public Library, Detroit
September 23, 1997	Detroit Public Library, Detroit
November 6, 1997	Wayne State University, Detroit (<i>Public Hearing on proposed Administrative Rules</i>)
December 2, 1997	Crowne Plaza Pontchartrain Hotel, Detroit

All Board meetings were held in accordance with the Michigan Open Meetings Act (Public Act 267 of 1976) as required by the Act.

Meetings held early in 1997 included lively discussion and spirited comment from citizens who presented to the Board their views regarding casino gaming. In later months, the public and news media came to realize that the role of the Board was to implement and administer the Act, and that the Board was committed to the expeditious implementation of those provisions.

The first order of business for the Board was to organize itself as a new State agency and to develop a framework for conducting its day-to-day duties and responsibilities under the Act. This was accomplished through a series of Resolutions adopted by the Board during its public meetings.

- **Resolution No. 1997-01** (January 23, 1997) - Approving the Board's organizational chart and personnel specifications, and authorizing the Executive Director to hire necessary personnel
- **Resolution No. 1997-02** (January 23, 1997) - Approving the employment of Nelson Westrin as Executive Director
- **Resolution No. 1997-03** (January 23, 1997) - Authorizing the Executive Director to lease necessary office space; manage and conduct the day-to-day business of the Board; and make necessary expenditures of Board funds

- **Resolution No. 1997-04** (January 23, 1997) - Authorizing the Executive Director and the Legislation & Rules Subcommittee to draft Administrative Rules for Board review and approval, and to begin the rulemaking process
- **Resolution No. 1997-05** (January 23, 1997) - Directing the Executive Director and Administration & Operations Subcommittee to develop casino license application forms for Board review and approval
- **Resolution No. 1997-06** (January 23, 1997) - Directing the Executive Director and Communications Subcommittee to develop a Media Relations Policy for Board review and approval
- **Resolution No. 1997-07** (January 23, 1997) - Establishing an Interim Code of Ethics for Board members, employees and agents
- **Resolution No. 1997-08** (January 23, 1997) - Directing the Board Chairman and a second Board member to meet with representatives of Mayor Archer's Casino Advisory Committee and the Detroit City Council to discuss proper coordination and discharge of respective duties and responsibilities of the Board and City officials under the Act
- **Resolution No. 1997-09** (January 23, 1997) - Requesting and urging the State Legislature to enact necessary legislation to amend and supplement Proposal E
- **Resolution No. 1997-10** (February 25, 1997) - Authorizing the Board chairman to send a letter to the leadership of the Michigan Senate and House of Representatives urging their support for passage of new legislation developed and proposed by the Board to amend and strengthen Proposal E
- **Resolution No. 1997-11** (April 15, 1997) - Approving the Board's Media Relations Policy
- **Resolution No. 1997-12** (August 28, 1997) - Directing the Executive Director to begin the rulemaking process for the Board's proposed Administrative Rules
- **Resolution No. 1997-13** (December 2, 1997) - Directing the Executive Director to continue the rulemaking process for a revised draft of the Board's proposed Administrative Rules

NOTABLE BOARD ACCOMPLISHMENTS

- Established the Board's main office at 1500 Abbott Road in East Lansing
- Established a temporary Board office in Detroit for use by the Board and Michigan Department of State Police Gaming Section
- Hired and trained 19 Board employees
- Developed and recommended necessary legislation to amend and strengthen Proposal E for consideration by the Michigan Legislature
- Urged the Michigan Legislature to enact proposed amendatory legislation to strengthen the Board's licensing and regulatory powers in the Act, and provide for more stringent standards and controls to ensure that casino gaming in Michigan is fair, honest and free of corruption
- Developed and approved a comprehensive set of Administrative Rules for promulgation under the Michigan Administrative Procedures Act (Public Act 306 of 1969)
- Developed necessary application forms for casino, supplier and casino employee licenses

In addition, the Michigan Department of State Police created, staffed and trained a new specialized Gaming Section as part of the Southeast Michigan Criminal Investigation Division. This Section provides the Board with necessary investigative and enforcement assistance in carrying out its duties and responsibilities under the amended Act.

The Michigan Attorney General also established a new Casino Control Division to work in-house with the Board to provide necessary legal assistance to the Board and its staff to properly discharge their duties and responsibilities under the amended Act.

All operational costs of the State Police Gaming Section and the Attorney General Casino Control Division are reimbursed by the Board pursuant to the amended Act.

CHRONOLOGY

While the Act requires the Board to submit an Annual Report on activities occurring during the previous calendar year, the Board felt it would be informative to offer a perspective by including a chronology of significant activities occurring prior to 1997 related to the legalization of various forms of gaming activity in Michigan.

Activities of the Board and its staff are indicated in bold type

1933	Parimutuel betting on the results of horse races at licensed race tracks legalized in Michigan
1972	Michigan State Lottery and various forms of Charitable Gaming legalized
1993	Seven Tribal-State Compacts approved in Michigan authorizing seven federally recognized Indian tribes to operate casinos on tribal reservations and certain tribal trust lands in the state
1994	Seven Indian tribes begin legally operating casinos in Michigan pursuant to federally mandated Tribal-State Compacts (currently, there are 17 Native American casinos in Michigan)
	Windsor (Canada) Casino opens for business
November 1996	Voters approve Proposal E in statewide general election, authorizing up to three casinos in Detroit, licensed and regulated by five-member Michigan Gaming Control Board to be appointed by Governor
	Detroit Mayor Dennis Archer announces formation of 16-member Casino Advisory Committee, charged with making recommendations to Mayor regarding the development of casinos in Detroit under Proposal E
	Governor Engler appoints State Racing Commissioner Nelson Westrin as Interim Executive Director of Michigan Gaming to make necessary preparations to enable and assist Board in proper implementation of casino gaming in Detroit, pursuant to Proposal E
	Detroit City Council forms Casino Gaming Ordinance Subcommittee
December 1996	Proposal E takes effect
	Governor Engler appoints five members to Michigan Gaming Control Board, pursuant to Proposal E (Thomas Denomme, Chairman; Paula Blanchard; Rich Davis; Taylor Segue III; and Hon. Michael Stacey)

January 1997	<p>Michigan Gaming Control Board conducts its first public meeting</p> <p>MGCB Executive Director and Board authorizes establishment of business offices in East Lansing and Detroit, and the hiring of necessary staff to administer and carry out Board's statutory responsibilities</p> <p>Board member Taylor Segue III resigns</p>
February 1997	<p>Board submits to Michigan Legislature proposed amendatory legislation to improve and strengthen its licensing and regulatory authority under Proposal E; starts developing Administrative Rules to properly license, regulate and control casino gaming in State</p> <p>Gov. Engler appoints Karen Batchelor Farmer to Board, filling vacancy created by Taylor Segue's resignation</p>
April 1997	<p>Michigan Senate creates Gaming & Casino Oversight Committee</p> <p>Michigan House of Representatives designates House of Representatives Oversight & Ethics Committee as its casino gaming oversight committee</p> <p>Board establishes temporary offices at 1500 Abbott Road, Suite 300, East Lansing</p>
June 1997	<p>Both legislative committees conduct public hearings; numerous bills introduced in Legislature to amend or supplement Proposal E</p> <p>Detroit Casino Advisory Committee issues Report to Mayor Archer</p> <p>City Council adopts Casino Competitive Development Selection Process Ordinance</p> <p>City Council adopts Gaming Enterprise District Ordinance (Mayor's Request for Proposals/Qualifications process for selection of Detroit casinos must be consistent with ordinances)</p> <p>Mayor responds to his Casino Advisory Committee's Report; issues Phase One Request for Proposals/Qualifications for development of three authorized Detroit casinos; rejects Committee's "cluster" recommendation; identifies certain areas in Detroit where casinos may be located; leaves open issue of temporary casinos; announces he wants at least 50% of casino employees to be Detroit residents</p>

July 1997	<p>State Legislature, by more than required 3/4 vote, passes SB 569 which amends Proposal E; Governor Engler signs into law enrolled SB 569 as the <i>Michigan Gaming Control & Revenue Act</i>, as amended (Public Act 69 of 1997)</p> <p>Governor appoints Nelson Westrin to six-year term as Executive Director of Michigan Gaming Control Board, pursuant to amended Act</p> <p>Five-member Board focuses on development of comprehensive set of Administrative Rules necessary to implement and administer amended Act</p>
August 1997	<p>Draft of proposed Administrative Rules approved by Board (proposed Rules establish comprehensive licensing and regulatory oversight of casino licensing process, casino licensees, casino employees and casino suppliers); Board files proposed Administrative Rules with Legislative Service Bureau and Governor's Office of Regulatory Reform, pursuant to the formal rulemaking process under the Michigan Administrative Procedures Act</p> <p>11 prospective casino developers submit responses to Mayor Archer's Phase One Request for Proposals/Qualifications</p> <p>Mayor selects and announces seven of 11 respondents as eligible to submit proposals in response to City's Phase Two Request for Proposals/Qualifications to develop three Detroit casinos</p> <p>Mayor issues Phase Two Request for Proposals/Qualifications; narrows areas where development of casinos could occur; rejects concept of land-based temporary casinos; states that he will consider temporary riverboat casino proposals</p>
September 1997	<p>Legislative Service Bureau reviews proposed Administrative Rules for publication in Michigan Register; Board receives written public comment regarding proposed Administrative Rules</p>
October 1997	<p>Board's proposed Administrative Rules are published in <i>Michigan Register</i> along with notice of November 6, 1997, public hearing on Administrative Rules; Board continues to receive written public comment regarding proposed Administrative Rules</p> <p>Seven prospective Detroit casino developers submit proposals to Mayor Archer in response to his Phase Two Request for Proposals/Qualifications</p>

- November 1997 **Board conducts public hearing on its proposed Administrative Rules as part of formal rulemaking process under Michigan Administrative Procedures Act**
- Board secures temporary office space at 1333 Brewery Park Boulevard, Detroit**
- Mayor Archer narrows list of potential Detroit casino developers to four
- Mayor selects and announces final three proposed Detroit casino developers: Atwater/Circus Circus; Greektown/Sault Ste. Marie Tribe of Chippewa Indians; and MGM Grand; Mayor begins Development Agreement negotiations with each selected developer
- December 1997 **Board approves proposed Administrative Rules (with revisions) for promulgation, and submits proposed Rules to Legislative Service Bureau for certification as to proper form, classification, arrangement, and numbering, in accordance with the rulemaking process under Michigan Administrative Procedures Act**

MINORS AND COMPULSIVE GAMBLING

The amended Act requires that the Board include in its Annual Report certain information that each casino licensee must compile annually regarding minors and compulsive gambling. Since no casino has yet been licensed by the MGCB, no such information has been compiled.

STAFF

Board Resolution No. 1997-01 authorized the Executive Director to hire 48 full-time employees and two contractual employees as needed to carry out the day-to-day operations of the Board. At year's end, the following 19 full-time employees had been hired:

Mr. Nelson Westrin, Executive Director

Ms. Patty James, Executive Assistant

Administrative Services Division

Ms. Nancy Horton, Deputy Director

Ms. Tammy Tubbs, Executive Assistant

Mr. Tom Barker, Information Systems Program Manager

Mr. Eric Bush, Director of Governmental Affairs

Ms. Leann Droste, Budget Officer

Mr. Robert Nelson, Director of Communications

Audit & Financial Services Division

Mr. Ben McMakin, Deputy Director

Ms. Laurie Lander, Executive Assistant

Mr. John Page, Audit Manager

Licensing & Compliance Division

Mr. Tom Nelson, Deputy Director

Ms. Pam Duke, Executive Assistant

Mr. Nick Alagna, Casino Employee Licensing Section Manager

Ms. Lisa Haubrick, Regulation Officer

Mr. Pat Leen, Casino Compliance Section Manager

Ms. Carol Poshedly, Casino & Service Industry Licensing Section Manager

Mr. Dale Thibodeau, Regulation Officer

Mr. John Trafelet, Compliance Officer

As previously noted, the Michigan Attorney General and the Michigan Department of State Police created two specialized units to assist the MGCB in fulfilling its statutory duties under the provisions of the amended Act. The MGCB gratefully acknowledges the cooperation and assistance of these special units and their respective staff members.

Michigan Attorney General, Casino Control Division (located at 1500 Abbott Road, Suite 300, East Lansing)

Mr. Eric Eggan, Assistant Attorney General in Charge

Mr. Jack Cahill, Assistant Attorney General

Ms. Musette Michael, Assistant Attorney General

Ms. Diane Pittman, Division Head Secretary

Mr. Peter Plummer, Assistant Attorney General

Michigan Department of State Police, Gaming Section (located at 1333 Brewery Park Boulevard, Detroit)

Inspector Dewayne Brantley

Detective First Lieutenant Morris Brown

Sergeants:

Timothy Fifer

Dave Koetsier

Allan Reed

Harold Reid

Ellis Stafford

Edward Viverette

Detective Specialists:

Arthur Andrews

Timothy Coolidge

Robbin Coppens

Kenneth Ducker

John Ely

Sean Furlong

Dwayne Gill

Kelly Goynes

John Grimshaw

Victor Latimore

Vivian Parke-Johnson

Daniel Pizanna

Paul Pummill

Emmanuel Riopelle

John Sholtz

Wynonia Sturdivant

Jerome Wren

Dawn Zonca

Secretaries:

Rebecca Blanton

Joy Curry

Patricia Zambardi

BOARD REVENUES AND EXPENDITURES

The amended Act requires that the Board include in its Annual Report information regarding the Board's financial position and results of operation under the Act. While State agencies operate on a Fiscal Year (October 1 - September 30), the Act requires that the MGCB's Annual Report be based on a Calendar Year. Both are shown here.

The Board incurred no costs prior to 1997.

CALENDAR YEAR 1997 (figures rounded to nearest dollar)

	<i>Jan-Mar 97</i>	<i>Apr-Jun 97</i>	<i>July-Sept 97</i>	<i>Oct-Dec 97</i>	<i>Total</i>
Revenues (see Note A)	\$0	\$0	\$0	\$0	\$0
Expenditures					
Gaming Control Board	\$320	\$96,468	\$731,197	\$260,048	\$1,088,034
Attorney General	55,560	52,304	116,944	79,372	304,179
State Police	<u>9,791</u>	<u>30,553</u>	<u>78,769</u>	<u>552,274</u>	<u>671,386</u>
Total Expenditures	\$65,671	\$179,325	\$926,910	\$891,694	\$2,063,599

STATE FISCAL YEAR 1997 (10/1/96 - 9/30/97) (figures rounded to nearest dollar)

	<i>Oct-Dec 96</i>	<i>Jan-Mar 97</i>	<i>Apr-Jun 97</i>	<i>July-Sept 97</i>	<i>Total</i>
Revenues (see Note A)	\$0	\$0	\$0	\$0	\$0
Expenditures					
Gaming Control Board	\$0	\$320	\$96,468	\$731,197	\$827,985
Attorney General	0	55,560	52,304	116,944	224,807
State Police	<u>0</u>	<u>9,791</u>	<u>30,553</u>	<u>78,769</u>	<u>119,113</u>
Total Expenditures	\$0	\$65,671	\$179,325	\$926,910	\$1,171,905

Note A: Summary of Revenues - Since no casino was licensed in 1997, the Board received no revenues from license applicants, licensees, or licensed casino operations under the Act. With the exception of application and license fees, revenues will not be received from the three Detroit casinos until the casinos are licensed and operational. 1997 MGCB expenditures were financed from General Fund advances approved by the Department of Management & Budget. General Fund advances will be reimbursed with interest from the State Casino Gaming Fund in an amount and manner consistent with the operating practices of the State's Common Cash Fund.

SUMMARY OF PUBLIC ACT 69 OF 1997

As previously noted, Proposal E, as approved by Michigan voters in the November 1996 statewide general election, was substantially amended by the Michigan Legislature in July 1997. In summary, the amended Act (Public Act 69 of 1997):

- Gives exclusive authority for licensing, regulation, and control of casino gaming in the state to the Michigan Gaming Control Board
- Provides for the licensing, regulation, and control of casino gaming operations, manufacturers and distributors of gaming equipment and supplies, casino employees, and those who participate in gaming
- Establishes licensing standards and procedures for issuance of casino licenses, casino supplier licenses, and casino employee licenses
- Imposes civil and criminal penalties for violation of the Act
- Imposes and authorizes certain taxes and fees on casinos and others involved in casino gaming
- Provides for the distribution of casino tax revenue for K-12 public education in Michigan, and for capital improvement, youth programs, and tax relief in the City of Detroit
- Creates certain funds for the operation of the Board and compulsive gambling prevention programs
- Establishes certain safeguards to prevent compulsive and underage gambling
- Restricts certain political contributions by casino gaming interests to state and local political candidates and committees
- Establishes a Code of Ethics for members, employees and agents of the Board, license applicants, licensees, and others involved in gaming

