



Michigan Gaming Control Board

Indian Gaming Annual Report 2014



Indian Gaming Section Annual



Report to the Citizens of



Michigan



Calendar Year 2014



**Indian Gaming Section
Annual Report
to the
Citizens of Michigan**

Calendar Year 2014

Michigan Gaming Control Board
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Submitted April 15, 2015

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To the Citizens of the Great State of Michigan:

On behalf of the Michigan Gaming Control Board (MGCB), I am pleased to submit to you the Indian Gaming Section Annual Report for the period of January 1, 2014, through December 31, 2014. This Report includes a summary of significant activities and operations for this time period.

From January 1, 2014, through December 31, 2014, the Indian Gaming Section of the Michigan Gaming Control Board continued its oversight efforts of the Tribal-State Class III Gaming Compacts through the conduct of inspections, audits, and observations. In fulfilling our duties and responsibilities, MGCB has continued to receive invaluable assistance from the Michigan Attorney General's Office and the Office of the Governor's Legal Counsel for Native American Affairs.

As always, we strive to increase positive communications with each of the tribes and encourage tribal voluntary compliance with the compacts on a government-to-government basis.

Sincerely,

/S/

Richard Kalm

Executive Director



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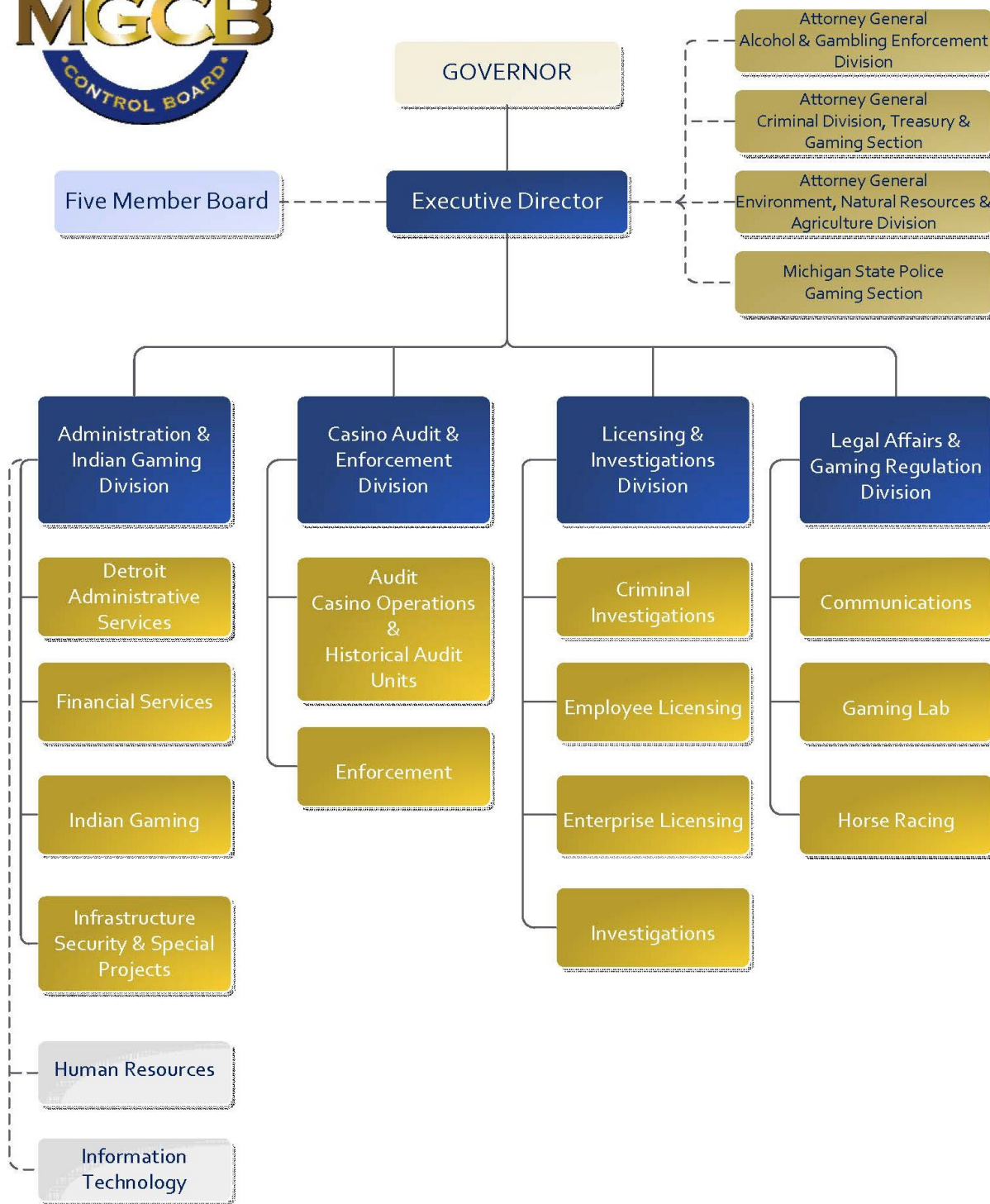


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MICHIGAN GAMING CONTROL BOARD ORGANIZATION CHART





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Michigan Indian Gaming Overview

“Net win” is defined as the total amount wagered on electronic games of chance less the total amount paid to players for winning wagers. Based on analysis of the 2014 two percent payments to local units of state governments, Indian gaming in Michigan recorded slot machine net win of approximately \$1.5 billion.

In terms of potential future development, the Little Traverse Bay Bands of Odawa Indians is exploring plans to open a second facility in Mackinaw City.

As of February 2015, the Little River Band of Ottawa Indians has submitted an application to the Bureau of Indian Affairs for approval of a proposed casino and land development project located in Fruitport Township, near Muskegon.

Several tribes have acquired new land, or have contemplated acquiring new land, for the purpose of conducting Class III gaming activities. Two tribes, both of which purchased land with funds derived from the Michigan Indian Land Claims Settlement Act, Public Law 105-143, are engaged in litigation with the state of Michigan regarding the status and/or eligibility of their newly acquired land.

Michigan Indian Gaming Regulatory Framework

The federal government passed the Indian Gaming Regulatory Act of 1988 (IGRA), which authorizes Indian tribes to operate casino gaming on tribal lands. The justification for the passage of IGRA was it would create economic development and self-sufficiency on Indian tribal lands, meet tribal requests for authorized casino gaming, and ensure that state governments would be involved in the oversight of Class III gaming operations. Under IGRA, Class III gaming activities are lawful on Indian lands only if such activities are conducted in conformance with a Tribal-State Class III Gaming Compact (Compact). Before a Compact becomes effective, IGRA requires that the Office of the Secretary, United States Department of the Interior, approve the Compact and publish its approval in the Federal Register.



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The State of Michigan has entered into Compacts with 12 Native American tribes. These 12 compacts have produced 23 tribal casinos located throughout the State. *Please see the map of Michigan's Tribal Casinos and listing of Michigan Tribes with Casinos and Number of Slot Machines located at the end of this report.*

The Compacts provide that the regulation of Indian casino gaming is the responsibility of the tribes. Michigan recognized the tribes as individual sovereign nations and, therefore, has no regulatory authority over Class III gaming conducted on Indian lands. Although the State of Michigan does not regulate Indian casino gaming, the State does have oversight authority over compliance with the provisions of the Compacts and related Consent Judgments.

The Executive Director holds the duty and authority to conduct oversight of Tribal compacts related to Indian Gaming. It is MGCB's responsibility to conduct the inspections of Class III gaming facilities and records, pursuant to and in accordance with the provisions of the Compacts. This oversight authority includes conducting financial and compliance audits and inspections of the tribal casinos' operations to determine the extent of their compliance with the Compacts and related Consent Judgments.

Board members of MGCB have no oversight role or authority over the Compacts.

Indian Gaming Section Mission, Personnel, Source of Funding, and Total Expenditures

The Indian Gaming Section of MGCB is comprised of one audit manager and five audit staff located at the MGCB Lansing office. The section is responsible for conducting audits/inspections of tribal casinos to verify their compliance with the Tribal-State Class III Gaming Compacts and related Consent Judgments. The Indian Gaming Section reports to the Deputy Director of the Administration and Indian Gaming Division of MGCB. *Please see Michigan Gaming Control Board Organization Chart on page 1.*

The Compacts provide that the tribes shall make annual payments to the State to be applied toward the costs incurred in carrying out functions authorized by the terms thereof.



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Some tribes, subject to certain exclusivity provisions, are required by the Compacts and related Consent Judgments to remit a percentage of their annual net win, derived from all Class III electronic games of chance, to the Michigan Strategic Fund (MSF) or Michigan Economic Development Corporation (MEDC). The MEDC provides funding to the Indian Gaming Section for oversight related to these payments.

All funds are placed into MGCB's Native American Casino Fund, which recorded expenditures of \$778,960 during calendar year 2014.

Payments to Local and State Government

Under provisions of the Compacts and related Consent Judgments, all tribes are required to remit two percent of their respective net win to local units of state government or local revenue sharing boards. For reporting period 2014, tribes collectively remitted \$29.1 million to local units of state government/local revenue sharing boards in two percent payments. *Please see the table on page 5 for the two percent payments by tribe for 2014.*

In addition, the Compacts and Consent Judgments require some tribes, based on exclusivity provisions, to remit payments to the MEDC or MSF. The percentage of net win paid to MEDC and MSF ranges from 4% to 12%, depending on the exclusivity provision contained in the Compact or related Consent Judgment. For reporting period 2014, tribes remitted \$56.9 million in payments to the MEDC and MSF. *Please see the table on page 5 for the MEDC/MSF payments by tribe for 2014.*



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Indian Gaming Chart of Revenue Sharing Provisions

Tribe	Compact Year	Percentage of Net Win of Local Gov't	2014 Amount		Percentage of Net Win to MEDC/MSF	2014 Amount
Bay Mills Indian Community	1993	2%	\$ 507,862		0%	\$ -
Grand Traverse Band of Ottawa and Chippewa	1993	2%	\$ 1,572,184		0%	\$ -
Hannahville Indian Community	1993	2%	\$ 1,058,371		0%	\$ -
Keweenaw Bay Indian Community	1993	2%	\$ 577,345		8%	\$ 2,309,380
Lac Vieux Desert Band of Lake Superior Chippewa	1993	2%	\$ 344,762		0%	\$ -
Saginaw Chippewa Indian Tribe	1993	2%	\$ 5,488,817		0%	\$ -
Sault Ste. Marie Tribe of Chippewa Indians	1993	2%	\$ 1,622,522		0%	\$ -
Little River Band of Ottawa Indians	1998	2%	\$ 1,535,995		6%	\$ 3,866,758
Little Traverse Bay Band of Odawa Indians	1998	2%	\$ 1,000,768		6%	\$ 2,501,813
Nottawaseppi Huron Band of the Potawatomi	1998	2%	\$ 5,004,207		4-8%	\$ 15,380,280
Pokagon Band of Potawatomi Indians	1998	2%	\$ 7,138,954		6-8%	\$ 19,473,793
Match-E-Be-Nash-She-Wish (Gun Lake)	2007	2%	\$ 3,269,440		8-12%	\$ 13,347,200
Total:			\$ 29,121,227			\$ 56,879,224



Indian Gaming Section Oversight Accomplishments

Net Win Audits / Inspections

MGCB's oversight authority includes performing financial audits to ensure the net win totals are accurately stated and the related payments to local units of state government or local revenue sharing boards and the Michigan Economic Development Corporation or Michigan Strategic Fund are properly remitted in accordance with the relevant Compacts and related Consent Judgments.

In calendar year 2014, the Indian Gaming Section presented final net win audit reports to eight tribes which encompassed 14 fiscal years, as follows:

Tribe	Fiscal Year
Bay Mills	2012
Bay Mills	2013
Grand Traverse Band	2011
Grand Traverse Band	2012
Gun Lake	2011
Gun Lake	2012
Lac Vieux	2011
Lac Vieux	2012
Little Traverse Bay Band	2012
Nottawaseppi Huron	2012
Saginaw Chippewa	2011
Saginaw Chippewa	2012
Sault Ste. Marie	2012
Sault Ste. Marie	2013

In addition, fieldwork and write-up was performed for four tribes covering six fiscal years. The final reports from these audits/inspections are anticipated to be completed in 2015.



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Compliance Audits/Inspections

The Compacts contain several provisions which require compliance oversight. MGCB's Indian Gaming Section performs audits/inspections to ensure compliance with Compact provisions pertaining to authorized Class III games, regulation of Class III gaming, employee benefits, Bank Secrecy Act, providers of Class III gaming equipment and supplies, notice to patrons, and the sale of alcoholic beverages.

During Calendar year 2014, the Indian Gaming Section presented nine final compliance audit reports to eight tribes, which provide detail on the extent of compliance with various sections of the Compacts.

Tribe	Fiscal Year
Bay Mills	2014
Gun Lake	2011
Gun Lake	2013
Lac Vieux	2013
Little Traverse Bay Band	2014
Nottawaseppi Huron	2013
Pokagon	2014
Saginaw Chippewa	2012
Sault Ste. Marie	2014

In addition, fieldwork or write-up was performed for three tribes, representing three compliance audits/inspections, with the final reports from these audits/inspections anticipated to be completed in 2015.



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Additional Accomplishments

In addition to the audits and inspections conducted, we noted the following additional accomplishments for calendar year 2014:

- Obtained data on payments made by tribes to local units of state government/local revenue sharing boards and the MEDC/MSF and updated records.
- Researched and analyzed online gaming legislation throughout the United States, including 15 bills, two amendments, and one set of proposed regulations.
- Contributed four tribal gaming related articles to the MGCB newsletter.
- Provided information on the section's business process requirements to assist in the completion of phase 1 of the MGCB Enterprise Information Technology System project.
- Assisted the MGCB with completion of the planning phase of its biennial internal control evaluation.
- Attended continuing professional education.
- Prepared and submitted an annual report to MEDC/MSF.

Notable Events

In May 2014, the U.S. Supreme Court decided *Michigan v. Bay Mills Indian Community*, which held that tribes were immune from state suit for off-reservation gaming under the Indian Gaming Regulatory Act. The case arose when the Bay Mills tribe opened an off-reservation casino in Vanderbilt, Michigan, in November 2010. The court held that while the tribe was immune from state suit, other remedies, such as suits against tribal officials, might still be available to the state.



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MICHIGAN'S TRIBAL CASINOS



TRIBAL CASINOS

Bay Mills Resort & Casino	Gun Lake Casino	Kewadin Casino Manistique	Little River Casino	Soaring Eagle Casino
FireKeepers Casino	Island Resort and Casino	Kewadin Shores Casino	Odawa Casino	Soaring Eagle Slot Palace Casino
Four Winds Casino	Kewadin Casino	Kings Club Casino	Ojibwa Baraga Casino	Turtle Creek Casino
Four Winds Casino Dowagiac	Kewadin Casino Christmas	Lac Vieux Desert Casino	Ojibwa Marquette Casino II	
Four Winds Casino Hartford	Kewadin Casino Hessel	Leelanau Sands Casino	Saganing Eagles Landing Casino	



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Michigan Tribes with Casinos and Number of Slot Machines

Michigan Tribal Casino Information		
Locations	Tribal Casino	Approximate # of Slot Machines
2	Bay Mills Indian Community	
	Bay Mills Resort & Casino - Brimley, MI	250
	Kings Club Casino - Brimley, MI	700
2	Grand Traverse Band of Ottawa and Chippewa	
	Leelanau Sands Casino - Suttons Bay, MI	500
	Turtle Creek Casino - Williamsburg, MI	1250
1	Hannahville Indian Community	
	Island Resort & Casino - Harris, MI	1400
2	Keweenaw Bay Indian Community	
	Ojibwa Casino Resort - Baraga, MI	350
	Ojibwa II Casino - Marquette, MI	300
1	Lac Vieux Desert Band of Lake Superior Chippewa	
	Lac Vieux Desert Resort Casino - Watersmeet, MI	650
3	Saginaw Chippewa Indian Tribe	
	Soaring Eagle Casino & Resort - Mount Pleasant, MI	4200
	Soaring Eagle Slot Palace - Mount Pleasant, MI	
	Saganing Eagles Landing Casino - Standish, MI	850
5	Sault Ste. Marie Tribe of Chippewa Indians	
	Kewadin Casino - Christmas, MI	200
	Kewadin Casino - Hessel, MI	150
	Kewadin Casino - Manistique	200
	Kewadin Vegas Casino - Sault Ste. Marie, MI	800
	Kewadin Shores Casino - St. Ignace, MI	800
1	Little River Band of Ottawa Indians	
	Little River Casino Resort - Manistee, MI	1550
1	Little Traverse Bay Band of Odawa Indians	
	Odawa Casino Resort - Petoskey, MI	1300
1	Nottawaseppi Huron Band of the Potawatomi	
	FireKeepers Casino - Battle Creek, MI	2800
3	Pokagon Band of Potawatomi Indians	
	Four Winds Casino Resort - New Buffalo, MI	3000
	Four Winds Casino Hartford - Hartford, MI	500
	Four Winds Casino Dowagiac - Dowagiac, MI	300
1	Match-E-Be-Nash-She Wish (Gun Lake)	
	Gun Lake Casino – Wayland, MI	1500
23	Total	23550