

State of Michigan



Annual Report to the Governor

Calendar Year 2006



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Calendar Year 2006

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

Submitted April 15, 2007
pursuant to the
Michigan Gaming Control & Revenue Act, as amended
(Public Act 69 of 1997)

Please direct inquiries to
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www.michigan.gov/mgcb



STATE OF MICHIGAN
MICHIGAN GAMING CONTROL BOARD
EAST LANSING

JENNIFER GRANHOLM
GOVERNOR

EXECUTIVE DIRECTOR

April 15, 2007

Honorable Jennifer Granholm
Governor of Michigan

On behalf of the Michigan Gaming Control Board, I am pleased to submit to you the Board's annual report for calendar year 2006, in accordance with Section 15(1) of the *Michigan Gaming Control Board and Revenue Act*, as amended, Public Act 69 of 1997 ("the Act"). This annual report is submitted to provide you with a summary of the Board's significant activities and operations in 2006, and to update you on the status of commercial casino gaming in the City of Detroit under the Act.

During 2006, the five appointed members of the Board faithfully carried out our charge under the Act by carefully adhering to the Act's guidelines and requirements. In fulfilling our duties and responsibilities, the Board continued to receive invaluable assistance from the Michigan State Police and the Office of the Attorney General.

In September, Executive Director Dan Gustafson announced his resignation and departed the Board in November to head a statewide healthcare organization. In addition, the Honorable Judge Michael Stacey's appointment expired and ended his ten years of service. Judge Stacey was the last of the original Board members appointed in 1996. Also departing the MGCB, Ben McMakin, the deputy director of Licensing retired in December. These individuals performed key roles in the Board's success and they will be missed.

Until Mr. Rick Kalm, the newly -appointed Executive Director, can be confirmed by the Senate, the Board, through Resolution, delegated Deputy Director Thomas A. Barker to handle the day-to-day operations and specific responsibilities of the executive director.

While the Detroit casinos moved toward their "permanent" status, all three casinos collectively posted record growth and generated gaming revenues of \$1.3 billion. The casinos collectively contributed to the State of Michigan over \$157.6 million in wagering taxes. The new casinos will provide an additional 1,100 new jobs for Detroit and are slated for completion in late 2007 or early 2008.

The building of the three permanent casinos in Detroit has boosted the construction industry and provides an estimated 3,200 construction jobs that may last for up to two

years. The casino projects costs are: an estimated \$765 million for the MGM Grand Casino; \$275 million for the MotorCity Casino and \$475 million for the Greektown Casino.

With the important challenges the Board resolved this year, the Board members displayed their talents and expert judgment while providing an invaluable public service and professionalism to not only the Detroit metro area, but also the entire State of Michigan. I am very pleased with their commitment to ensure the fair and honest conduct of commercial casino gaming in the State of Michigan.

Sincerely,



Damian Kassab
Chairman



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Mission Statement

"The Michigan Gaming Control Board shall ensure the conduct of fair and honest gaming to protect the interests of the citizens of the State of Michigan."

Introduction

In November 1996, Michigan voters approved Proposal E, authorizing the development of up to three licensed commercial casinos in Detroit. Proposal E subsequently took effect as law on December 5, 1996, as the Michigan Gaming Control & Revenue Act. The voter-initiated act established the Michigan Gaming Control Board (referred to as the "Board" or "MGCB") as a Type I agency within the Michigan Department of Treasury, exclusively responsible for licensing and regulating the three authorized Detroit casinos. In July 1997, the voter-initiated Act was substantially amended by the Michigan Legislature's enactment of Public Act 69 of 1997 (referred to as the "Act"). The amended Act provided for more stringent licensing criteria, substantially strengthened the licensing and regulatory authority of the Board, and provided for a system for collection of wagering taxes and fees for the City of Detroit and the State of 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. Under the Act, no more than three members may belong to the same political party. The Michigan Legislature vested the Board with certain powers and duties specified in the Act, and such other powers necessary and proper to fully and effectively implement, administer and enforce the provisions of the Act relating to the licensing and regulation of authorized private commercial casino gaming in the City of Detroit.

Summary of the Michigan Gaming Control and Revenue Act



The Michigan Gaming Control & Revenue Act, as amended (Public Act 69 of 1997):

- Authorizes up to three licensed casinos in the City of Detroit (MGM Grand Detroit Casino was licensed in July 1999; MotorCity Casino was licensed in December 1999; Greektown Casino was licensed in November 2000)
- Creates the Michigan Gaming Control Board (a Type I agency within the Michigan Department of Treasury) and vests the Board with exclusive authority to license, regulate, and control casino gaming in the three authorized Detroit casinos
- Authorizes the Board to promulgate necessary administrative rules to properly implement, administer and enforce the amended Act
- Provides for the licensing, regulation, and control of casino gaming operations, manufacturers and distributors of gaming equipment and other casino suppliers, and casino and supplier employees
- Establishes standards and procedures for the issuance of casino licenses, casino supplier licenses, and occupational licenses, and the approval of gambling games and gaming equipment and devices
- Authorizes civil and criminal penalties for violation of the Act
- Authorizes and imposes certain state and city wagering taxes on casinos and various fees on casino, supplier and occupational licensees
- Requires the deposit of state casino wagering tax revenues in the state school aid fund for K-12 public education in Michigan
- Authorizes the City of Detroit to levy and collect wagering taxes and municipal services fees to defray the cost of hosting casinos and provide funding for police training and public safety programs, local economic development programs, youth development programs, capital improvements, local tax relief, and other programs to improve the quality of life in the City of Detroit
- Creates the state services fee fund to provide funding for the operations of the Board to license, regulate and control casino gaming; and for the state's compulsive gambling prevention program and other casino-related State programs

- Requires annual Board registration of local labor organizations that represent casino gaming employees
- Requires certain safeguards by casino licensees to prevent compulsive and underage gambling
- Prohibits political contributions by certain persons with interests in casino and supplier license applicants and licensees to state and local political candidates and certain committees
- Establishes certain requirements and safeguards for members, employees and agents of the Board, license applicants, licensees, and others involved in gaming to prevent conflicts of interest



The Michigan Gaming Control Board – Calendar Year 2006

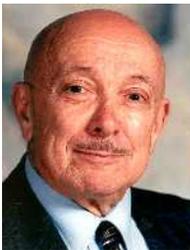


Mr. Damian Kassab, Chairman



Mr. DAMIAN KASSAB (reappointed by Governor Granholm to a term which expires on December 31, 2008). Mr. Kassab has served as the chairman of Warren Bank since 1997. Previously, Mr. Kassab formed an investment bank, Seger Financial, Inc. where he served in many capacities, including president, general counsel and treasurer. Mr. Kassab is a graduate of the University of Michigan, and has a law degree from the University of Colorado. Mr. Kassab resides in Rochester.

Hon. Michael Stacey



Hon. MICHAEL STACEY (one of five original appointees; reappointed in December 2002 to a four-year term expiring December 31, 2006) - Retired from Wayne County Circuit Court in 1994, Judge Stacey has remained active in the legal profession, by assisting with alternative dispute resolution and serving as a visiting judge. He resides in Oakland County in southeast Michigan.

Hon. Benjamin Friedman



Hon. BENJAMIN FRIEDMAN
Honorable Benjamin Friedman of Huntington Woods, partner of Friedman & Lichterman, P.C. law firm and previous 45B District Court judge is appointed for a term expiring December 31, 2007. He succeeds the Honorable Roman S. Gibbs whose term has expired.

Michigan Gaming Control Board cont'd.



Mr. Donald Robinson



Mr. DONALD ROBINSON

Mr. Robinson of Detroit, president of Donald L. Robinson & Associates consulting firm. The Governor reappointed Mr. Robinson for a term expiring December 31, 2008. He was initially appointed to fill the vacancy of the late Judge Geraldine Bledsoe Ford.

Ms. Barbara Rom



Ms. BARBARA ROM

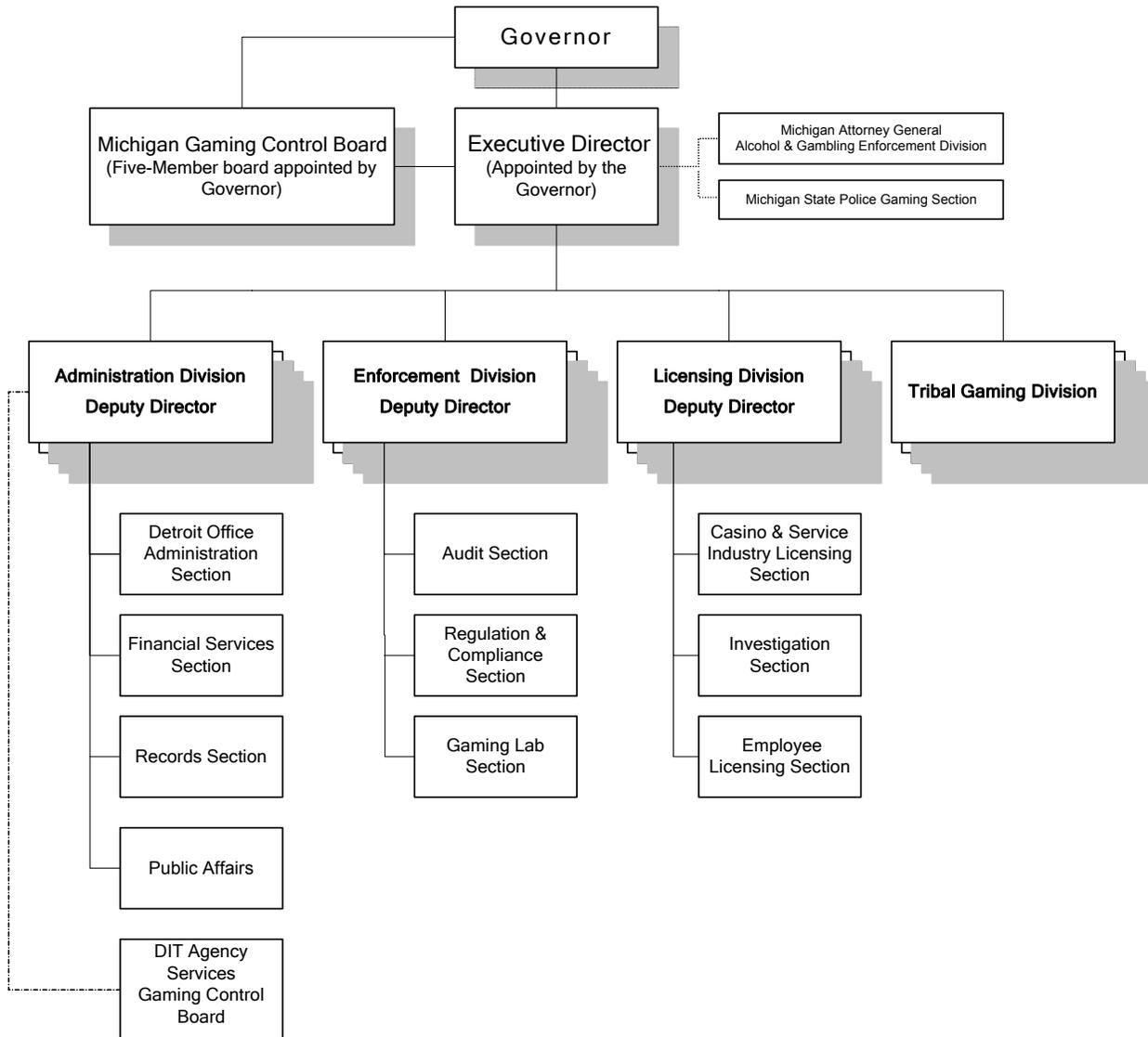
Ms. Rom of Bloomfield Hills, partner of Pepper Hamilton, LLP law firm in Detroit. Ms. Rom is appointed for a term expiring December 31, 2007. She succeeds Ritchie T. Davis whose term has expired.



Organizational Chart



Michigan Department of Treasury Michigan Gaming Control Board



Casino Auditors:

Mr. James Day	Mr. Cedric Knott	Mr. Jason Wiard
Ms. Alice Jacob	Ms. Ardrenna Lenton	Vacant
Mr. Stratford Johnson	Mr. Abdul Mutahr	Vacant
	Ms. Elizabeth Orr	

Information Systems Auditor

Mr. Rajesh Dharia

Gaming Lab:

Equipment Technician.....	Mr. Aaron Pongracz
Gaming Laboratory Engineer	Mr. Erik Henne
Gaming Laboratory Auditor	Vacant
Gaming Laboratory Engineer	Mr. Nader Jadallah
Gaming Laboratory Engineer	Mr. Jim Bridgewater
Gaming Laboratory Secretary	Ms. Beverly Kimbrough

Regulation Officers:

Ms. Deandra Abrou	Mr. Preston McBride	Mr. Randell Schnotala
Mr. Tom Bucia	Ms. Laura McDonald	Ms. Robin Simpson
Ms. Melanie Carroll	Mr. Michael McDonald	Mr. Gregory Taylor
Mr. Paul Flaherty	Ms. Gretchen Mink	Mr. Scott Thomas
Ms. Cheryl Freeman	Ms. LaTonya Morgan	Mr. John Trafelet
Ms. Stacey Johnson	Mr. Greg Nagel	Mr. Doug Zavorski
Ms. Kristina Judge	Mr. Tom Novak	Vacant
Mr. Jason Maue		Vacant

Licensing Division

Deputy Director	Mr. Ben McMakin	
Executive Assistant.....	Ms. Pam Trakul	
Casino & Service Industry Licensing Section Manager.....	Ms. Carol Flores	
Employee Licensing Section Manager	Mr. Nick Alagna	
Investigation Section Manager.....	Mr. Rae Jim Burnett	
Departmental Technicians:		
Ms. Charlotte Davidson	Ms. Sharon Henderson	Ms. Melissa Peters
Mr. Craig Goerge	Ms. Marcia Dunning	Ms. Robyne McCray
Financial Analyst	Ms. Sara Botke	
Financial Analyst	Ms. Joanne Chamberlain	
Financial Analyst	Mr. Matthew Clark	
Financial Analyst	Mr. Ron Warmbier	
Licensing Section Secretary	Ms. Melody Duwe	

Regulation Officers:

Mr. Charles Benson	Mr. Greg Kilbourn	Mr. Dale Thibodeau
Mr. Robert Braner, Jr.	Mr. Warren Lamb	Mr. Gary Washington
Ms. Celesta Clarkson	Ms. Margie McNutt	Mr. Henry Williams
Ms. Pam Duke	Mr. Mark O' Farrell	
Mr. Joseph Hanley	Mr. Rick Percy	
Mr. Gary Hough	Mr. Gary Peterson	

Michigan Attorney General, Alcohol and Gambling Enforcement Division

Assistant Attorney General in Charge Mr. John M. "Jack" Cahill
Division Head Secretary Ms. Randalyn Jegla
First Assistant Attorney General Mr. Don McGehee
Assistant Attorneys General Ms. Rhondi Keller
..... Ms. Melinda Leonard
..... Mr. Michael Lockman
..... Ms. Jessica Weiler
..... Ms. Bethany Scheib
Legal Secretary Ms. Scheryl Brooks
..... Ms. Karyn Howd

Michigan Department of State Police, Gaming Section

Inspector Ellis Stafford
Secretary: Ms. Latanya Davis

Detective First Lieutenant Vicki Johnson
Administrative Sergeant Vacant
Secretary: Ms. Joy Bradley

Special Operations Unit
Detective Lieutenant John Lessnau
Detective Sergeant Allan Reed
Analyst Vacant

Detective Specialist
Bradley Cox (On Military Leave) Jennifer Schlaufman
William Dawson Vacant
Frank Little

Casino Operation Unit
Detective Lieutenants Pam Benzing
Detective Sergeants:
Frank McCrary Vacant Marva Moore

Detective Specialists:
Steven Arendt Tonda Hill Debra Stone
Mark Castillo John Keating Tracey Walton
Emerson Cox Larissa LaMay Brad Washburn
Stephen Ford Margie Richardson Art Williams
Darrin Grandison Scott Singleton Vacant

Activities of the Board



In calendar year 2006, the five-member Board was comprised of the following gubernatorial appointees:

- **Mr. Damian Kassab** was reappointed by Governor Granholm to a term that expires on December 31, 2008. Mr. Kassab serves as chairman.
- **Hon. Michael Stacey**, one of five original appointees; was reappointed in December 2002 to a four-year term expiring December 31, 2006.
- **Hon. Benjamin Friedman** was appointed by Governor Granholm for a term expiring December 31, 2007. He succeeds The Honorable Roman S. Gribbs whose term expired.
- **Mr. Donald Robinson** was reappointed by Governor Granholm for a term expiring December 31, 2008.
- **Ms. Barbara Rom** was appointed for a term expiring December 31, 2007 by Governor Granholm. She succeeds Ritchie T. Davis whose term has expired.

BOARD MEETINGS

From its inception, the Board has encouraged public input regarding its policies, procedures, and activities related to licensing and regulating the three authorized Detroit casinos. To conduct Board business, inform, and receive input from the public, the Board held twelve public meetings in 2006. At its public meetings, the Board not only conducted its official business, but also provided the public and news media with opportunities to ask questions and offer comment regarding casino gaming issues, and the Board's relevant policies, procedures and activities.

The Board met at the Detroit Office located at the Cadillac Place, 3062 West Grand Boulevard, Suite L-700, on the following dates:

January 2006*	August 8, 2006**
February 14, 2006**	September 12, 2006**
March 14, 2006**	October 10, 2006**
April 11, 2006**	November 14, 2006**
May 9, 2006**	December 4, 2006 (Special)
June 13, 2006**	December 12, 2006**
June 29, 2006 (Special)	
July 2006*	

* No Meeting
**After public meeting, Board adjourned to Closed Session

The Board adjourned to Closed Session after ten of the twelve public meetings, to review confidential materials that were part of casino license applications and applications for placement on the Board's Disassociated Persons List, and thus protected from public review and disclosure under Sections 4c and 25 of the Michigan Gaming Control & Revenue Act, as amended, Public Act 69 of 1997, MCL 432.204c and MCL 432.225(4)(c). The Board called two special meetings. There was no Closed Session after the two special meetings. Closed Sessions are not open to the public, nor are minutes of such sessions available to the public, under Michigan's Open Meetings Act, as amended, Public Act 267 of 1976. All Board meetings, whether open or closed, are held in accordance with Michigan's Open Meetings Act.

BOARD RESOLUTIONS

The Board adopted four resolutions in calendar year 2006:

Resolution No. 2006-01 (Adopted 06-29-2006)-A Board Resolution Regarding Vendor Exemptions and Waivers From Supplier-Licensing Requirements Pursuant to Rule 432.1322(4) and Rule 432.1223 and Delegation of Authority to the Executive Director.

Resolution No. 2006-02 (Adopted 11-14-2006)-A Board Resolution Acknowledging The Contributions and Accomplishments of Executive Director Dan Gustafson and Commending Him For Distinguished and Honorable Service to the Michigan Gaming Control Board and the People of the State of Michigan.

Resolution No. 2006-03 (Adopted 12-04-2006)-A Board Resolution Delegating to Deputy Director Thomas A. Barker Certain Responsibilities of the Executive Director Until the Governor Appoints a New Executive Director.

Resolution No. 2006-04 (Adopted 12-12-2006)-A Board Resolution Acknowledging The Contributions and Accomplishments of Deputy Director Benjamin R. McMakin And Commending Him For Distinguished and Honorable Service to the Michigan Gaming Control Board.



Notable Board Accomplishments



ADMINISTRATION DIVISION

The Administration Division successfully obtained approval in 2006 from the Office of the State Budget to increase the Board's employment target to its full staffing level of 106, which the Board continues to work toward. The Michigan Gaming Control Board (MGCB) was able to hire staff to fill 12 vacancies. The MGCB still has not reached full staffing of 106.

Information Technology Section

Information Technology staff assigned to the MGCB added the new agency-wide firewall and implemented PC updates, which included the Attorney General's Office of Alcohol & Gambling Enforcement Division. The final upgrades to the Identix system and the Compliance System were implemented. In addition, conversions were completed in the GMAN network and to color document scanners.

Intranet

The final version of the MGCB Intranet was put into operation. The information network provides immediate access to necessary operational information and events throughout the three divisions of the agency.

Records Section

The Records Section processed, an all time high, 344 Freedom of Information Act requests. The section implemented a new system for managing Email records and non-records, thereby reducing the amount of memory required for the GroupWise System. The planned agency-wide training sessions for the new Email management initiative were provided to all personnel.

The Records Section:

- Scanned 21,068 batches containing 409,263 pages of application related documents.
- Processed batches of 2,086 new applications and 3,647 renewal applications.
- Scanned Indian Gaming Section records and audited over 150 boxes of assorted documents.
- Filed 2,150 compliance records.

Detroit Office

The Michigan State Police build out was completed at the Cadillac Place. The new 330 square foot evidence room is equipped with a high-density file system to accommodate the increased need for evidence storage.

Disassociated Persons Program

The 170 square foot interview room expansion to facilitate the processing of Disassociated Persons List (DPL) applicants was completed. The Board approved 315 DPL applications from individuals requesting inclusion on the list. Since its inception in 2000, the Board has placed 1,538 individuals on the Disassociated Persons List.

ENFORCEMENT DIVISION

Audit Section

The Audit Section continued to work toward full staffing during this year. During 2006, the section:

- Completed audit fieldwork for six (6) of the eleven (11) planned compliance audits for each of the three Detroit casinos and is currently completing the fieldwork for the remaining five audits.
- The section exceeded an annual performance goal for the review of casino daily tax returns and completed the review and analysis of the monthly and quarterly financial records as required for submission by the licensees.

Gaming Laboratory Section

The Gaming Lab continues to play a critical role in the mission of the MGCB by testing and analyzing all gaming devices, assisting in investigations and ensuring the integrity of casino games in Michigan. In 2006, the operation performance was improved with the addition of a Lab Auditor position. The auditor provides a consistent, proper, and efficient review of proposed changes to casino licensees internal controls and other primary controls surrounding new technologies.

The Gaming Laboratory Section:

- Worked with the State Attorney General and Treasury Departments to explain the MGCB's stance on promotional awards, regarding \$1 million dollars yearly in gaming taxes for Michigan Taxpayers.
- Redesigned the field software verification program to ensure increased levels of coverage and assurance in the preparation for casino expansion.
- Developed and implemented a successful process for the deployment of downloadable game technology.
- Completed approximately 3,000 gaming device submissions, assignments, tests and reports.
- Resolved two cases of non-compliance that involved one supplier, that was fined \$150,000, and a casino licensee that was fined \$40,000.

Regulation & Compliance Section

This section continues to carry out the 24/7 monitoring of the casinos' responsibilities to ensure gaming integrity.

During 2006 the section:

- Completed the conversion to "token-less" gaming at two of the Detroit casinos.
- Supervised the destruction of \$10 million in tokens and \$69 million in chips at the three Detroit casinos.
- Reviewed and approved controls for use of Robo-Crib - an automated pouch dispensing unit at a Detroit casino.
- Standardized the procedure and process for progressive jackpot transfers for all three Detroit casinos.
- Regulation Officers participated in weekly Construction Monitoring Team (CMT) meetings at construction sites to address regulatory, construction and supplier issues in the planning of the permanent casinos, hotels and/or convention centers.
- CMT carried out 6,333 monitoring inspections and initiated two Construction Investigation Reports of permanent casino work activities.
- Investigated and resolved 65 patron disputes regarding the conduct of gambling at a casino.
- Administered 82 Surveillance Alteration request investigations by the three Detroit casinos concerning the addition, deletion or modification of surveillance coverage.
- Initiated and completed 70 Special Projects concerning casino initiated Internal Control Standard changes, Rules of the Game, Tournaments, and other miscellaneous tasks assigned.
- Brought about 11 acknowledgments of violation regarding non-compliance investigations that resulted in disciplinary action against either a casino, occupational or supplier licensee.

LICENSING DIVISION

The Employee Licensing Section

The three Detroit casinos and related suppliers employ over 6,800 personnel in positions that require occupational licensing. The section has successfully investigated and licensed over 96 percent of those employees. The remaining employees have been issued temporary licenses pending completion of a background investigation.

The Employee Licensing Section, during 2006, completed:

- 1,311 background investigations' which resulted in issuance of new applicant occupational licenses.
- 2,980 license renewal applicants during 2006.

During 2006, the section began making plans to move personnel from Cadillac Place to the new MGM and MotorCity Casinos. This move, anticipated to occur late in 2007, will make the licensing function more accessible for casino employees. Section personnel have been assigned to the Greektown casino since June 2005. The assignment to Greektown has increased the efficiency and effectiveness of the section.

Investigation Section

The Investigation Section successfully completed 102 investigations. This included special, vendor, individual qualifiers, casino renewals and supplier license investigations. Since the permanent construction phase began this year, approximately 25 percent of the completed supplier investigations involved construction suppliers.

Casino and Services Industry Section

The Casino & Service Industry Section (CSI) revised the supplier exemptions process as directed by the Board. The supplier exemption criteria and certification was established pursuant to Board Resolution 2006-01. Casino & Service Industry staff identified and implemented program changes to accommodate certification applications under the new resolution. The Resolution 2006-01 clearly defined the criteria and process for obtaining and maintaining exemptions. As a result, staff notified the 2,761 currently exempted vendors, certified 1,670 vendors, and inactivated 1,091 vendors.

The CSI Section closely monitored the supplier activity of each Detroit casino as it relates to the construction of the permanent casinos, and staff successfully licensed suppliers pursuant to Board Resolution 2006-01. The section continues to provide on-site monitoring of new casino construction licensing issues.

The CSI Section:

- Resolved licensing issues and completed its review of 105 incoming supplier license applications.
- Renewed the three Detroit casino licenses.
- Issued 43 supplier licenses.
- Issued 43 temporary supplier licenses.
- Recommended approval of 30 Transfers of Interest applications.
- Processed 17 withdrawals from the licensing process.
- Issued 718 vendor exemptions.
- Denied 13 vendor exemptions.

In addition, based on the CSI section's recommendation, the MGCB issued a \$25,000 fine in a disciplinary action against one supplier and summarily suspended one vendor exemption.

Minors and Compulsive Gambling



ANNUAL UNDERAGE AND COMPULSIVE GAMBLING STUDIES

Section 15(2) of the Act, MCL 432.215(2) requires that each casino licensee conduct an annual study on minors and compulsive gaming. Section 15(1) of the Act further requires that the Board include certain information regarding minors on casino premises, which each licensee must compile as part of their annual study. Following is a summary chart of the required information compiled and reported by each of the three Detroit casino licensees in their respective annual studies on minors and compulsive gaming for calendar year 2006.

Casino Licensees' Reported Contacts with Minors on Licensed Casino Premises During Calendar Year 2006

	MGM Grand 1/1/06 - 12/31/06	MotorCity 1/1/06 - 12/31/06	Greektown 1/1/06 - 12/31/06
1. The number of minors who were denied entry into the casino.	533	4662	967
2. The number of minors who were physically escorted from the casino premises.	9	2	8
3. The number of minors who were detected participating in gambling games other than slot machines.	3	1	1
4. The number of minors who were detected using slot machines.	0	1	1
5. The number of minors who were taken into custody by a law enforcement agency on the casino premises.	9	2	6
6. The number of minors who were detected illegally consuming alcohol on the casino premises.	0	0	0

Board Revenues and Expenditures



STATE SERVICES FEE FUND

Section 12a of the Act, MCL 432.212a, provides that all casino-related regulatory and enforcement costs, compulsive gambling programs, and other casino-related programs, activities, and services conducted by the Board, the Michigan Department of State Police, the Michigan Department of Attorney General, the Michigan Department of Community Health, and other state agencies shall be paid from annual fees assessed on the three Detroit casino licensees. Under the Act, each casino licensee is required to pay an annual assessment fee on or before the date on which the licensee first began operating its casino and each year, thereafter, on that date. The amount of each licensee's annual assessment is equal to 1/3 of \$25,000,000 adjusted annually by multiplying the previous year's assessment by the Detroit consumer price index, as defined and reported by the United States Department of Labor, Bureau of Labor Statistics. Based on this formula, each of the three Detroit casino licensees were assessed and paid a total of \$29,135,705 for calendar year 2006 and \$28,590,710 for fiscal year 2006.

From the annual assessment fees paid each year by the licensees, \$2,000,000 must be deposited in the state's Compulsive Gaming Prevention Fund to be used exclusively for the treatment, prevention, education, training, research, and evaluation of pathological gamblers and their families, as determined by the director of the Michigan Department of Community Health.

APPLICATION AND LICENSE FEES, FINES AND COSTS

The Board is authorized by the Act to collect various license application fees to cover the Board's cost of conducting required background investigations of applicants for casino, supplier, and occupational licenses. After an applicant is determined eligible and suitable for licensure, the Act authorizes the Board to assess and collect license fees for both the initial issuance and subsequent renewal of casino, supplier, and occupational licenses. In addition to application and license fees, the Act authorizes the Board to order reimbursement of investigative costs and to impose fines as disciplinary actions to penalize violators of the Act or administrative rules of the Board. In calendar year 2006, the Board collected application and license fees and other authorized fees, fines, and reimbursement of costs totaling \$2,269,595.

BOARD STATEMENT OF REVENUES AND EXPENDITURES

Section 15(1) of the Act, MCL 432.215(1), requires that the Board's Annual Report include an account of the Board's financial position and the results of operations under the Act, for the period covered by the report. While the Board, like other state agencies, operates on a fiscal year (October 1 – September 30) basis, the Act requires that the Board's Annual Report be based on the calendar year. To give a more comprehensive account of the Board's financial position and the results of operations under the Act, the following financial statement reports the Board's revenues and expenditures for both calendar year and fiscal year 2006.

Statement of Revenues and Expenditures
(In Thousands)

REVENUES

State Casino Gaming Fund	<u>Fiscal Year 2006</u>	<u>Calendar Year 2006</u>
Casino and supplier fines	\$ 166.9	\$ 238.9
Other	0.1	0.1
 State Services Fee Fund		
Annual assessments	28,590.7	29,135.7
Application fees:		
Casinos	59.4	59.2
Suppliers	271.0	281.6
Occupational	132.3	136.3
License fees:		
Casinos	75.0	50.0
Suppliers	464.1	509.2
Occupational	460.2	446.5
Other fees:		
Badge replacement fees	3.5	3.6
Other	8.5	1.5
 Native American Casino Fund		
Oversight fees	281.3	284.4
Other	61.9	61.9
 Lab Fund		
Testing fees	546.3	542.7
Total Revenues	<u>31,121.2</u>	<u>31,751.6</u>

EXPENDITURES**State Services Fee Fund**

Board	27.0	27.0
Administration	14,139.0	14,401.7
Background investigations	464.3	469.7
Information technology	1,143.5	1,133.2

Native American Casino Fund	341.1	350.2
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Lab Fund	542.3	558.7
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Total Expenditures	16,657.2	16,940.5
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OTHER FINANCING SOURCES (USES)

Transfers from other funds:	-	-
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Transfers to other funds:**State Services Fee Fund**

Department of Community Health	(2,000.0)	(2,000.0)
Michigan Office of the Auditor General	(926.9)	(926.9)
Department of Treasury	(316.5)	(316.5)
Department of Agriculture	(8,494.6)	(8,494.6)
Department of Civil Service	(65.6)	(65.6)
Human Resources Optimization	(14.0)	(14.0)
Michigan State Police	(6,000.0)	(6,000.0)

Native American Casino Fund	(2.2)	(2.2)
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Lab Fund	(4.0)	(4.0)
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Total Other Financing Sources (Uses)	(17,823.8)	(17,823.8)
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Excess of Revenues and Other Sources over

(under) Expenditures and Other uses \$	(3,359.8)	\$ (3,012.7)
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Footnotes:

1. Approval for calendar year presentation was received from the Department of Management and Budget, Office of Financial Management.
2. Governmental fund types are accounted for using the modified accrual basis of accounting.

Casino Revenues & State Wagering Taxes



STATE CASINO WAGERING TAX

Section 12 of the Act, MCL 432.212, imposes an 8.1% State Wagering Tax on the adjusted gross receipts received by each Detroit casino licensee from casino gaming authorized by the Act. The Act defines “adjusted gross receipts” as being the licensee’s gross gaming receipts less winnings paid to wagerers. The 8.1% is deposited in the State’s School Aid Fund to provide additional funds for K-12 public classroom education. Public Act No. 306 of 2004 amended the original Act. Effective September 1, 2004 the State Wagering Tax was increased by 4% to 12.1%. Of the additional 4%, 3.5% is deposited in the State’s General Fund and .5% is deposited in the Michigan Agriculture Equine Industry Development Fund.

In calendar year 2006, the combined 8.1% State Wagering Taxes paid by the three Detroit casino licensees and deposited in the School Aid Fund totaled \$105,567,529. The combined 3.5% State Wagering Taxes deposited in the General Fund totaled \$45,615,599. The combined .5% State Wagering Taxes deposited in the Michigan Agriculture Equine Industry Development Fund totaled \$6,516,514 for the same period.

The following is a monthly and annual summary of the adjusted gross receipts and State Wagering Tax payments for the three Detroit casino licensees for calendar year 2006:

Casino Revenues & Wagering Taxes 2006

Month	MGM GRAND DETROIT		MOTORCITY CASINO		GREEKTOWN CASINO		All Detroit Casinos	
	Total Adjusted Revenue	State Wagering Tax (12.1%)*	Total Adjusted Revenue	State Wagering Tax (12.1%)*	Total Adjusted Revenue	State Wagering Tax (12.1%)*	Total Adjusted Gross Receipts	Total State Wagering Tax (12.1%)
January	\$38,774,811.05	\$4,691,752.14	\$37,755,047.98	\$4,568,360.81	\$27,814,929.85	\$3,365,606.51	\$104,344,788.88	\$12,625,719.45
February	\$41,160,376.69	\$4,980,405.58	\$37,979,163.22	\$4,595,478.75	\$29,971,114.97	\$3,626,504.91	\$109,110,654.88	\$13,202,389.24
March	\$41,491,719.32	\$5,020,498.04	\$40,939,645.43	\$4,953,697.10	\$32,215,130.56	\$3,898,030.80	\$114,646,495.31	\$13,872,225.93
April	\$41,504,985.21	\$5,022,103.21	\$36,824,790.82	\$4,455,799.69	\$27,632,204.50	\$3,343,496.74	\$105,961,980.53	\$12,821,399.64
May	\$39,218,226.27	\$4,745,405.38	\$38,143,626.11	\$4,615,378.76	\$29,958,489.80	\$3,624,977.27	\$107,320,342.18	\$12,985,761.40
June	\$40,735,940.50	\$4,929,048.80	\$38,415,572.47	\$4,648,284.27	\$27,069,221.57	\$3,275,375.81	\$106,220,734.54	\$12,852,708.88
July	\$40,447,175.20	\$4,894,108.20	\$40,668,778.66	\$4,920,922.22	\$28,956,884.11	\$3,503,782.98	\$110,072,837.97	\$13,318,813.39
August	\$41,516,202.18	\$5,023,460.46	\$38,906,972.15	\$4,707,743.63	\$28,247,544.08	\$3,417,952.83	\$108,670,718.41	\$13,149,156.93
September	\$41,646,712.95	\$5,039,252.27	\$38,893,739.65	\$4,706,142.50	\$29,297,276.67	\$3,544,970.48	\$109,837,729.27	\$13,290,365.24
October	\$39,650,357.26	\$4,797,693.23	\$37,334,441.41	\$4,517,467.41	\$25,895,109.77	\$3,133,308.28	\$102,879,908.44	\$12,448,468.92
November	\$40,747,283.03	\$4,930,421.25	\$39,775,896.44	\$4,812,883.47	\$27,759,222.50	\$3,358,865.92	\$108,282,401.97	\$13,102,170.64
December	\$42,742,177.98	\$5,171,803.54	\$43,015,436.69	\$5,204,867.84	\$30,196,616.22	\$3,653,790.56	\$115,954,230.89	\$14,030,461.94
Total	\$489,635,967.64	\$59,245,952.08	\$468,653,111.03	\$56,707,026.43	\$345,013,744.60	\$41,746,663.10	\$1,303,302,823.27	\$157,699,641.62



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