

*2016 Michigan
Gaming Control Board*

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



Indian Gaming Section Annual Report to the Citizens of Michigan

Calendar Year 2016

Michigan Gaming Control Board
101 East Hillsdale Street
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Submitted April 15, 2017

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This document is also available online at
www.michigan.gov/mgcb

April 15, 2017

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 Annual Report for the period of January 1, 2016 through December 31, 2016. This Report includes a summary of significant activities and operations for this time period.

From January 1, 2016 through December 31, 2016, 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 voluntary tribal compliance with the Compacts on a government to government basis.

Sincerely,

/S/

Richard Kalm
Executive Director



Michigan Gaming Control Board

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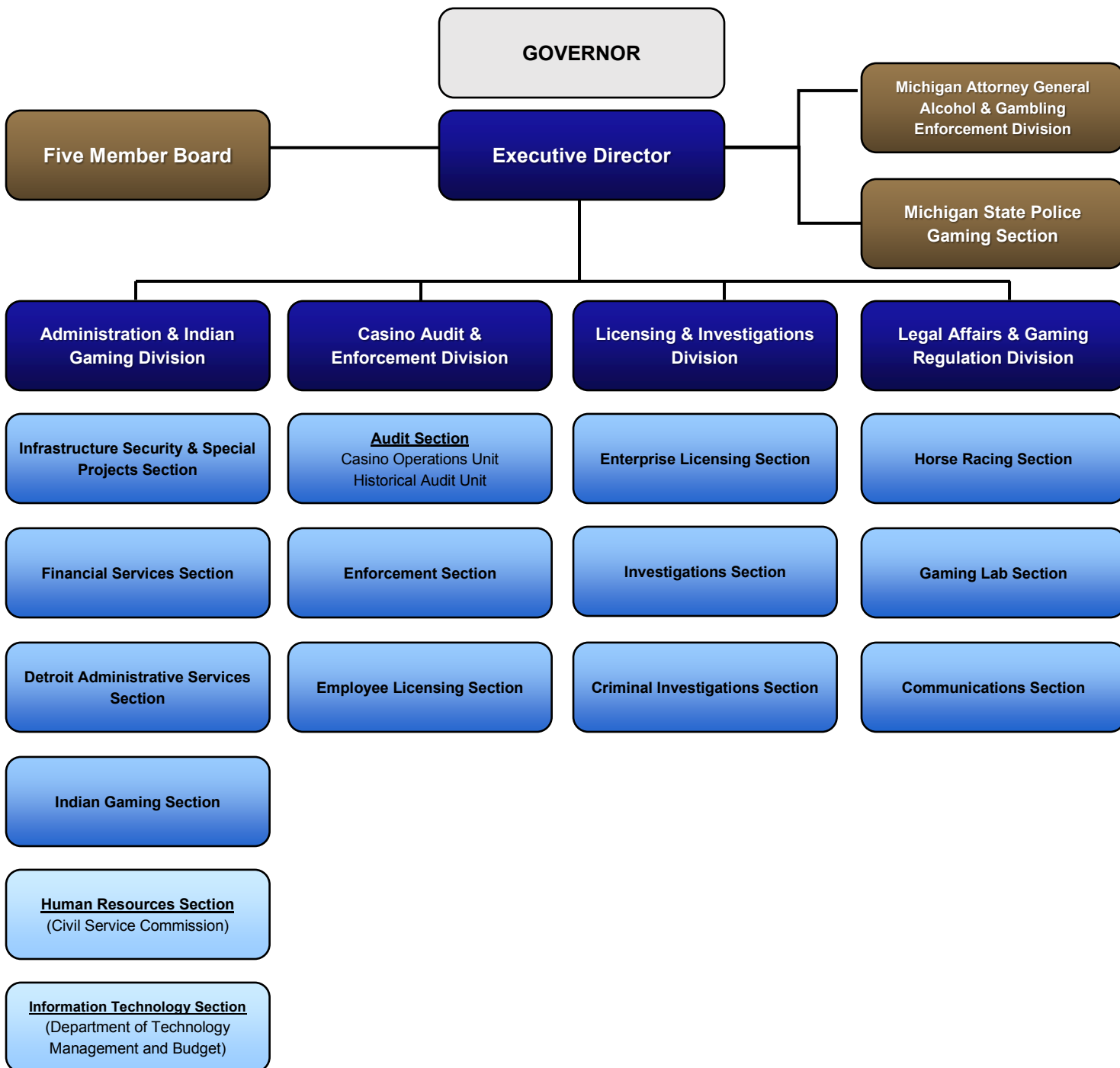
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Michigan Gaming Control Board

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Michigan Gaming Control Board Organization Chart





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 their Indian lands. The justification for the passage of IGRA was that 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.

The State of Michigan has entered into Compacts with twelve Native American tribes. These twelve Compacts have produced 23 Class III tribal casinos located throughout the State. *Please see the map of Michigan's Tribal Class III Casinos and table of Michigan Tribal Class III Casino Information located at the end of this report.*

Federally recognized tribes are individual sovereign nations. The Compacts provide that the regulation of Indian casino gaming is the responsibility of the tribes, and therefore Michigan 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 of MGCB 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.



Michigan Indian Gaming Year in Review

On May 25, 2016, the Little Traverse Bay Bands of Odawa Indians opened a second facility in Mackinaw City. Under the terms of its Tribal-State Compact, as amended, the Tribe is authorized to operate a second Class III gaming facility at the Mackinaw City site, contingent on the approval of the Mackinaw City Village Council. In October 2015, the Village Council rejected the Tribe's request to conduct Class III gaming at the Mackinaw City site. As such, the Tribe proceeded with developing a Class II gaming facility, which operates games that the Tribe has determined are Class II games. Class II gaming is not subject to the requirements of the Tribal-State Class III Gaming Compact or the oversight authority of MGCB.

The Little River Band of Ottawa Indians submitted an application to the Bureau of Indian Affairs (BIA) to obtain approval for a proposed casino and land development project located in Fruitport Township, near Muskegon. In September 2015, the BIA announced its intent to gather information for the purpose of preparing an Environmental Impact Statement on the project. The BIA published a Scoping Report in February 2016 and will need to complete the Environmental Impact Statement before the project can proceed. In 2016, the Tribe completed a purchase of 120 acres of land from Fruitport Community Schools, where it plans to construct a housing development near the site of the proposed casino.

The State of Michigan and the Match-E-Be-Nash-She-Wish Band of Pottawatomi Indians (Gun Lake Tribe) reached a partial settlement agreement to resolve a portion of a good faith dispute related to revenue sharing payments. According to the Tribe, the State's creation of the iLottery system in 2014 and decision to authorize a limited number of qualified organizations to sell charity lottery tickets using electronic pull-tab machines violated certain exclusivity rights within its Tribal-State Gaming Compact, an interpretation the State disputes. Through the partial settlement agreement, the parties elected to settle those issues on which they can agree and cooperate in economic development activities that benefit both the Tribe and the State. The Tribe began remitting revenue sharing payments pursuant to the partial settlement agreement in 2016.

The Tribal-State Class III Gaming Compact between the Nottawaseppi Huron Band of Potawatomi Indians and the State of Michigan was amended for the second time in 2016. The second amendment establishes a Heritage Fund Board, comprised of representatives of the Tribe and the State, and allocates up to \$500,000 of the Tribe's revenue sharing payments to the Board's Michigan Native American Heritage Fund. The amendment also clarifies that the FireKeepers Local Revenue Sharing Board may commit to single or multi-year funding arrangements for costs that have not yet been incurred.

Several other tribes have acquired new land, or have contemplated acquiring new land, for the purpose of conducting Class III gaming activities. Two of these tribes have purchased land with funds derived from the Michigan Indian Land Claims Settlement Act, Public Law 105-143. Whether those lands are eligible for Class III gaming will be determined through the BIA's free-to-trust approval process and/or federal court proceedings.

The Indian Gaming Section will continue to monitor all potential future developments to assess their impact on MGCB and Section operations.



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

The Indian Gaming Section is located at the MGCB Lansing office and is comprised of one audit manager, five audit staff, and one student assistant. 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 towards the costs incurred in carrying out functions authorized by the terms thereof. 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 \$740,697 during calendar year 2016.

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 2016, tribes collectively remitted \$29.2 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 2016.*

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 2016, tribes remitted \$60.4 million in payments to the MEDC and MSF. *Please see the table on page 5 for the MEDC/MSF payments by tribe for 2016.*



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Indian Gaming Chart of Revenue Sharing Provisions

Tribe	Compact Year	Percentage of Net Win to Local Gov't	2016 Amount	Percentage of Net Win to MEDC/MSF	2016 Amount
Bay Mills Indian Community	1993	2%	\$ 460,893	0%	\$ -
Grand Traverse Band of Ottawa and Chippewa Indians	1993	2%	\$ 1,607,566	0%	\$ -
Hannahville Indian Community	1993	2%	\$ 1,176,118	0%	\$ -
Keweenaw Bay Indian Community	1993	2%	\$ 536,447	8%	\$ 2,108,726
Lac Vieux Desert Band of Lake Superior Chippewa Indians	1993	2%	\$ 325,965	0%	\$ -
Saginaw Chippewa Indian Tribe	1993	2%	\$ 5,888,924	0%	\$ -
Sault Ste. Marie Tribe of Chippewa Indians	1993	2%	\$ 1,485,825	0%	\$ -
Little River Band of Ottawa Indians	1998	2%	\$ 1,588,833	6%	\$ 4,771,005
Little Traverse Bay Bands of Odawa Indians	1998	2%	\$ 988,714	6%	\$ 2,776,034
Nottawaseppi Huron Band of the Potawatomi	1998	2%	\$ 5,406,826	4-8%	\$ 17,127,304
Pokagon Band of Potawatomi Indians	1998	2%	\$ 6,093,935	6-8%	\$ 19,420,771
Match-E-Be-Nash-She-Wish Band of Pottawatomi Indians*	2007	2%	\$ 3,656,559	8-12%*	\$ 13,779,382
Total			\$ 29,216,605		\$ 59,983,222

* During the 2016 reporting period, the Match-E-Be-Nash-She-Wish Band of Pottawatomi Indians (Gun Lake Tribe) reached a partial settlement agreement with the State regarding revenue sharing payments due to the MEDC/MSF. Pursuant to the partial settlement agreement, amounts due to the MEDC/MSF are to be disbursed as follows: (1) 50% to the MSF; (2) 15% to GLIMI, LLC to be expended for economic development within the State of Michigan; and (3) 35% retained by the Tribe. The 2016 total, presented above, includes only those amounts remitted to the MSF. In addition, the 2016 total includes a lump sum payment that represents a portion of amounts previously withheld by the Tribe.



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 2016, the Indian Gaming Section presented six final net win audit reports to six tribes, which encompassed twelve fiscal years, as follows:

Tribe	Fiscal Year
Bay Mills	2014
Bay Mills	2015
Keweenaw Bay	2013
Keweenaw Bay	2014
Lac Vieux	2013
Lac Vieux	2014
Little Traverse	2013
Little Traverse	2014
Saginaw	2013
Saginaw	2014
Sault Ste. Marie	2014
Sault Ste. Marie	2015

In addition, fieldwork and write-up was performed for five tribes covering eleven fiscal years. The final reports from these audits/inspections are anticipated to be completed in 2017.



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 2016, the Indian Gaming Section presented five final compliance audit reports to five tribes, which provide detail on the extent of compliance with various sections of the Compacts. These are as follows:

Tribe	Fieldwork Year
Bay Mills	2016
Little Traverse	2015
Nottawaseppi Huron	2015
Pokagon	2016
Sault Ste. Marie	2016

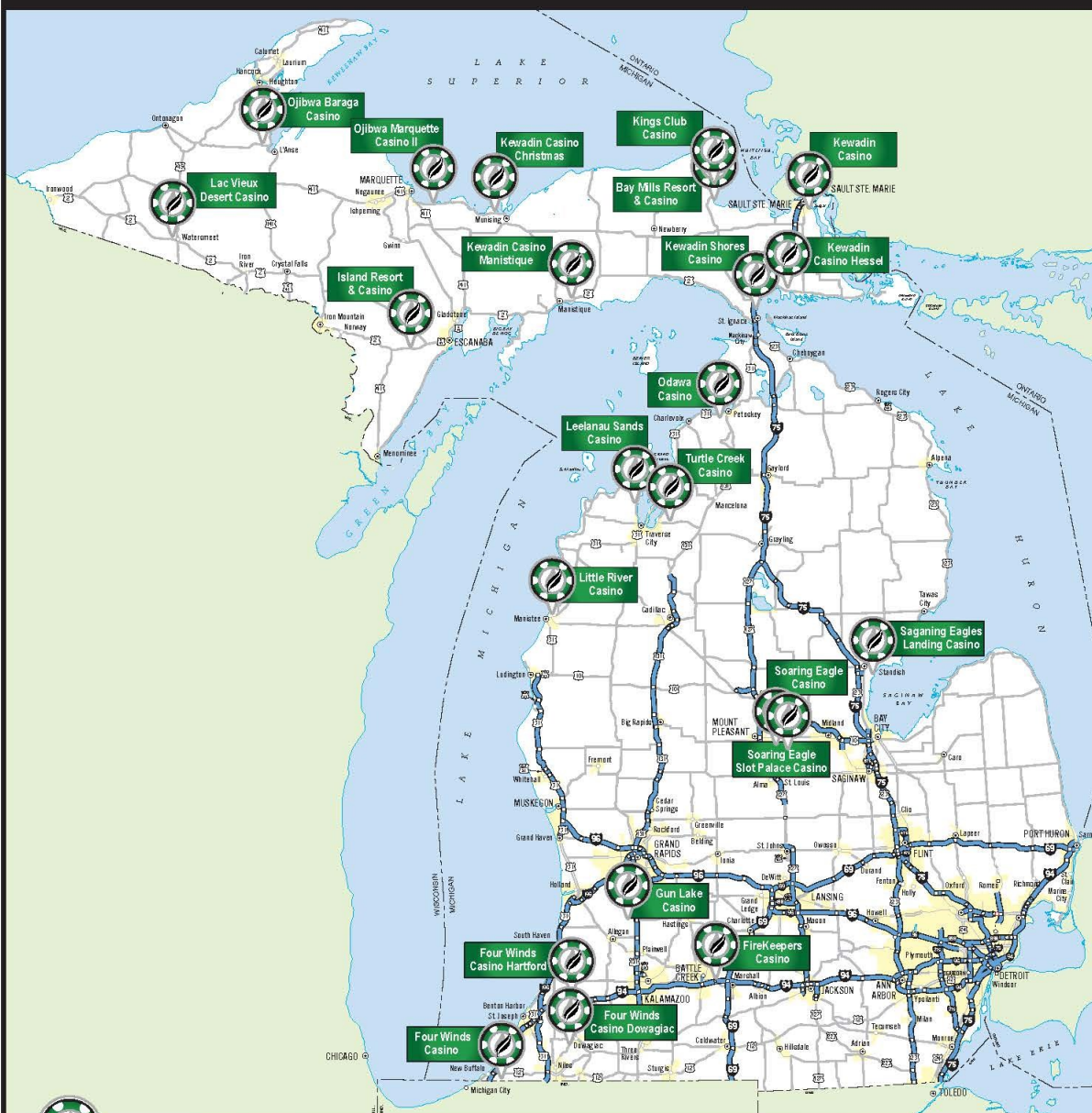
In addition, fieldwork or write-up was performed for three tribes, representing three compliance audits/inspections. The final reports from these audits/inspections are anticipated to be completed in 2017.



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MICHIGAN'S TRIBAL CLASS III CASINOS



TRIBAL CASINOS

Listing does not include the Little Traverse Bay Band - Mackinaw City gaming operation since the Tribe determined the games conducted at the facility are Class II games.

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 Tribal Class III Casino Information		
Locations	Tribal Casino	Approximate # of Class III Machines
2	Bay Mills Indian Community	
	Bay Mills Resort & Casino - Brimley, MI	725
	Kings Club Casino - Brimley, MI	250
2	Grand Traverse Band of Ottawa and Chippewa Indians	
	Leelanau Sands Casino - Peshawbestown, MI	400
	Turtle Creek Casino - Williamsburg, MI	1,150
1	Hannahville Indian Community	
	Island Resort & Casino - Harris, MI	1,200
2	Keweenaw Bay Indian Community	
	Ojibwa Casino Resort - Baraga, MI	340
	Ojibwa Casino - Marquette, MI	300
1	Lac Vieux Desert Band of Lake Superior Chippewa Indians	
	Lac Vieux Desert Resort Casino - Watersmeet, MI	600
1	Little River Band of Ottawa Indians	
	Little River Casino Resort - Manistee, MI	1,350
1	Little Traverse Bay Bands of Odawa Indians	
	Odawa Casino Resort - Petoskey, MI	1,100
1	Match-E-Be-Nash-She-Wish Band of Pottawatomi Indians (Gun Lake)	
	Gun Lake Casino - Wayland, MI	1,625
1	Nottawaseppi Huron Band of the Potawatomi	
	FireKeepers Casino - Battle Creek, MI	2,900
3	Pokagon Band of Potawatomi Indians	
	Four Winds Casino Resort - New Buffalo, MI	2,650
	Four Winds Casino Hartford - Hartford, MI	520
	Four Winds Casino Dowagiac - Dowagiac, MI	350
3	Saginaw Chippewa Indian Tribe	
	Soaring Eagle Casino & Resort - Mount Pleasant, MI	3,330
	Soaring Eagle Slot Palace - Mount Pleasant, MI (included in Resort total above)	
	Saganing Eagles Landing Casino - Standish, MI	850
5	Sault Ste. Marie Tribe of Chippewa Indians	
	Kewadin Casino - Christmas, MI	250
	Kewadin Casino - Hessel, MI	150
	Kewadin Casino - Manistique, MI	250
	Kewadin Casino - Sault Ste. Marie, MI	780
	Kewadin Casino - St. Ignace, MI	700
23	Total	21,770