

DEPARTMENT OF TREASURY  
EXECUTIVE DIRECTOR OF THE MICHIGAN GAMING CONTROL BOARD  
MILLIONAIRE PARTIES  
EMERGENCY RULES

Filed with the Secretary of State on July 2, 2014

These rules take effect upon filing with the Secretary of State  
and shall remain in effect for 6 months.

(By the authority conferred on the executive director of the Michigan gaming control board  
under executive order 2012-04, by section 13 of 1972 PA 382, MCL 432.113.)

FINDING OF EMERGENCY

The Executive Director of the Michigan Gaming Control Board promulgates these rules to protect the public health, safety, and welfare of Michigan citizens and to advance the public policy of prohibiting all gambling activities not conforming to the exception to otherwise illegal gambling expressed in the Traxler-McCauley-Law-Bowman Bingo Act, 1972 PA 382, MCL 432.101 *et seq.*

The Bingo Act was not designed to regulate permanent “poker rooms” and large-scale public gaming. But this type of large-scale public gaming has become a reality in this State after casino-style charitable gaming known as millionaire parties, run by qualified non-profit organizations, was expanded in 2004 to include Texas Hold’em poker. Since that time, self-proclaimed for-profit “poker rooms,” have emerged across the state. Many of these businesses operate seven days a week, simultaneously host multiple charities’ gambling, and profit substantially off of charitable fundraisers. But these venues lack the protections for the health, safety, and welfare of citizens found in legitimate casinos regulated by the Gaming Control Board. Conducting multiple simultaneous events—where each charity may sell \$15,000 in chips—creates an environment ripe for comingling chips, complicates enforcing the Bingo Act’s limitations, and increases the risk that the charities themselves will be victims of criminal activity, including fraud and theft.

Recognizing the public safety threat generated by large-scale gambling at unlicensed, self-proclaimed “poker rooms,” the Bureau of State Lottery issued a moratorium on new locations and suppliers. Ultimately, the Governor determined that such large-scale gambling should be regulated by the same body that regulates licensed casinos in this state. Subsequently, in June 2012, the Governor transferred authority over licensing and regulating millionaire parties to the Executive Director of the Michigan Gaming Control Board.

The Executive Director soon learned that allowing unlicensed for-profit businesses to thrive from casino-style gambling without proper oversight subjected charities, acting to raise

July 1, 2014

money to support their lawful purposes, to manipulation by locations and suppliers. The Executive Director has conducted over 1,350 on-site and post-event inspections and audits, uncovering more than 500 violations of the Bingo Act and its rules. The investigations uncovered numerous instances of locations altering game records, either with or without the charity's knowledge, in order to exceed the \$15,000 chip-sales limit. The investigations have also uncovered "pay for play" schemes in which locations required charities to surrender two events worth of proceeds as a condition for conducting their events at the location. As a result, for-profit "poker rooms" have illegally diverted substantial monies from charities.

Further, the Executive Director's investigations have revealed schemes in which locations have paid charities to not show up at events for which they had obtained licenses and have conducted the millionaire parties themselves, without accounting for the sale and redemption of chips or providing the proceeds to the charities. Charities have also reported suspected collusion among dealers and players. A systemic problem continues to exist with the locations and suppliers running the gaming for the charities and profiteering from it. Too few representatives from the charities are present at these events to ensure their control over the events and compliance with the law. Moreover, large-scale public gaming involving multiple charities in an unmarked area hinders effective regulation of these events.

The Executive Director continues to discover substantial criminal activity at millionaire-party locations, much of which occurs after 12:00 a.m. Criminal activity taking place includes armed robberies, assaults, criminal sexual conduct, incidents involving disorderly persons, disturbances, frauds, weapons offenses, and prostitution. Further, illegal unlicensed poker games have been discovered at various locations. This activity will continue without proper emergency regulatory measures.

Conducting multiple simultaneous events at profit-driven static locations seven days a week has distorted what the Bingo Act contemplated. In order to ensure the integrity of public gaming and the safety of the charity volunteers, patrons, and location and supplier employees, the Executive Director recently promulgated rules designed to more effectively regulate casino-style gambling to be operated by charities. Specifically, the Executive Director determined that the public interest and the effective enforcement of the requirements of the Bingo Act would be best served by funneling enforcement through the charities and licensed suppliers, rather than unlicensed, for-profit, permanent "poker room" locations.

The new administrative rules went into effect on May 14, 2014. But on May 30, 2014, the Michigan Court of Claims, Hon. Pat M. Donofrio, issued an order enjoining the Executive Director from enforcing the new rules "in [a] manner that is inconsistent with the prior practice and rules that were in force prior to the issuance of the new rules." *Michigan Charitable Gaming Assn v Kalm*, Mich Ct of Claims No 14-112-MZ (issued May 30, 2014). The implication of this order is to permit self-proclaimed "poker rooms" to daily operate large-scale gambling in a manner not contemplated by the Bingo Act, without the necessary safeguards found in the newly promulgated rules. Given the need for consistent regulation, the order must be applied beyond the parties to the suit. Further, attempts to enforce the new rules against non-parties may spawn additional litigation, which is not in the public's best interest.

Notably, Michigan Courts have long recognized that gambling is an activity requiring strong police regulation to protect the public interest. Without proper regulation, far-reaching negative consequences to the public health, safety, and welfare like those discussed above will continue.

The Executive Director therefore finds that preserving the public health, safety, and welfare requires promulgating the following emergency rules without the notice and participation procedures required by sections 41 and 42 of the Administrative Procedures Act, 1969 PA 306, as amended, MCL 24.241, MCL 24.242. See MCL 24.248.

Rule 1. The executive director may authorize up to 2 millionaire party events per location per day.

Rule 2. There shall be no more than 4 millionaire party event days at a location per week.

Rule 3. A qualified organization shall only conduct a millionaire party with equipment that it owns, rents from another qualified organization under a rental agreement approved by the executive director, or purchases or rents from a supplier.

Rule 4. A qualified organization shall not enter into agreements with the location owner or lessor other than those addressed in the written rental agreement approved by the executive director.

Rule 5. (a) A qualified organization may have bona fide members serve as dealers at a millionaire party or it may hire dealers from a supplier. A dealer shall not be an employee of the location owner or lessor, unless that person is a bona fide member of the qualified organization and is dealing during an event at the organization's location.

(b) A qualified organization applying for a license shall include with its application a list of the dealers who will work at the proposed event.

(c) A licensed supplier who supplies dealers to qualified organizations shall include with its application a list of dealers who will work at millionaire parties. A supplier shall be under a continuing obligation to provide a list of current dealers available for hire.

(d) The qualified organization or licensed supplier shall provide information to show the dealers have never been convicted of, or forfeited bond upon a charge of, or pled guilty to any of the following offenses:

(i) A felony.

(ii) A gambling offense.

(iii) Criminal fraud.

(iv) Forgery.

(v) Larceny.

(vi) Filing a false report with a governmental agency.

(e) A licensee is responsible for ensuring its dealers act in compliance with the act, these rules, and directives.

(f) If the application is granted, only those persons listed on the application may be a dealer at a millionaire party event.

Rule 6. The executive director will determine the permissible hours of the day during which a millionaire party may be conducted.

Rule 7. (a) Each expense that the millionaire party licensee pays concerning the millionaire party must be in compliance with all of the following:

- (i) Incurred in connection with the conduct of the millionaire party.
  - (ii) Necessary and reasonable.
  - (iii) Itemized.
  - (iv) Approved by the executive director in writing before the licensed millionaire party.
- (b) A qualified organization shall not accept any compensation in connection with a millionaire party unless expressly authorized by the act or rules.
- (c) The payment of expenses incurred in connection with the conduct of the licensed millionaire party event shall be necessary and reasonable, but shall not exceed 45% of the event gross profits.

Rule 8. (a) A qualified organization shall include on its application the names of the bona fide members who will staff the event. At least 3 bona fide members must be present at all times during the event. A bona fide member acting as a dealer does not count towards the required number of persons staffing the event.

(b) One of the bona fide members listed on the application shall be the millionaire party chairperson. No person may serve as millionaire party chairperson of more than 1 qualified organization during the same calendar year.

(c) If for any reason the number of bona fide members is fewer than 3, the qualified organization shall report this to the executive director immediately and may be required to cease conducting the licensed millionaire party.

(d) All bona fide members of the qualified organization shall wear vests, buttons, or other distinctive apparel to define them as members of the qualified organization and not employees or agents of the location or licensed supplier.

(e) Unless permitted by the act, rules, or by written authorization of the executive director, only bona fide members of the qualified organization holding the millionaire party license may perform any of the following duties:

(i) Monitoring the games and verifying all games have been conducted in conformance with the rules of the game.

(ii) Verifying the age of the players.

(f) A bona fide member of the qualified organization shall not play millionaire party games at an event where he or she is working or assisting.

(g) A bona fide member of the qualified organization shall not share in a prize, or purchase, play, or accept charity game tickets or numeral game tickets offered for sale by the licensee at any time during the day he or she is working or assisting.

(h) A bona fide member of the qualified organization shall not split a prize with a player or accept tips of any kind, except for cash tips given to bona fide members serving as a dealer at a millionaire party event.

(i) A location owner or lessor, a shareholder of a privately held corporate owned or leased location, partner, officer, agent, or employee of a location owner or lessor, or a person residing in the same household as a location owner or lessor, shareholder of a privately held corporate owned or leased location, partner, officer, agent, or employee of a location owner or lessor shall not do any of the following:

(A) Be an officer of a qualified organization conducting a millionaire party at the location in which he or she owns, leases, represents, or works.

(B) Participate as a player in any gaming event being conducted under the millionaire party license at the location in which he or she owns, leases, represents, or works.

(C) Participate in any aspect of a millionaire party event, including providing dealers, equipment, or workers; unless, subject to the executive director's approval, all of the following conditions exist:

(1) A qualified organization is using a location it owns, rents, or leases on a continual basis for the regular use of its members.

(2) The qualified organization is using that location to conduct its own licensed millionaire party events.

(3) The waiver is granted for not more than 16 millionaire party events in a calendar year at that location.

Rule 9. (a) An organization applying for a license shall include with its application a description of the proposed location, the specific area of that location in which gaming will be conducted, and a description of how that area will be demarcated. Only the demarcated area approved by the executive director may be used for gaming during the millionaire party event.

(b) The qualified organization shall ensure that access to the demarcated area is controlled.

Rule 10. (a) Persons under 18 years of age shall not be permitted in the demarcated area of a millionaire party when gaming is being conducted.

(b) At events where alcoholic beverages are served, persons in the demarcated area who are 18 years of age or older, but less than 21 years of age, shall be identified by wearing a mark indicating the qualified organization has verified his or her age and identification.

Rule 11. (a) "Act" means the Traxler-McCauley-Law-Bowman bingo act, 1972 PA 382, MCL 432.101 to 432.120.

(b) "Bona fide member" means a member, according to an organization's established membership criteria, who participates in the organization to further its lawful purposes.

(c) "Dealer" means the person performing the act of dealing, assisting in the supervision of the dealers, or providing technical advice to the millionaire party chairperson on an executive director-approved game in accordance with the approved rules of the game and in accordance with the act and these rules during a licensed millionaire party.

(d) "Executive director" means the executive director of the Michigan gaming control board under the authority granted in Executive Reorganization Order No. 2012-3, MCL 432.91.

(e) "License" means only a millionaire party or supplier license that is issued by the executive director.

(f) "Licensee" means a qualified organization issued a license to conduct millionaire party or an organization or persons licensed under section 4a(2) or (3) of the act. Licensee also means a supplier licensed under the act.

(g) "Location owner" means the owner, or the owner's agent(s), who own the building, enclosure, part of a building or enclosure, or a distinct portion of real estate that is used for the purpose of conducting events licensed under the act.


(h) "Demarcated area" means the physical area in which licensed millionaire party gaming will be conducted, the boundaries of which are marked with rope or tape or separated in an access-controlled area of the location.

Richard S. Kalm  
Executive Director of the Michigan Gaming Control Board



Executive Director

Pursuant to Section 48(1) of 1969 PA 306, as amended, MCL 24.248(1), I hereby concur in the finding of the Executive Director of the Michigan Gaming Control Board that circumstances creating an emergency have occurred and that protection of the public health, safety, and welfare requires the promulgation of the above rules pertaining to the millionaire parties conducted in accordance with the Traxler-McCauley-Law-Bowman Bingo Act, Act 382 of 1972, as amended, MCL 432.101 *et seq.*

  
Rick Snyder, Governor

7-1-14  
Date