











# Indian Gaming Section Annual Report to the Citizens of Michigan Calendar Year 2012

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

Calendar Year 2012

Michigan Gaming Control Board  
101 East Hillsdale Street  
Lansing, MI 48933

Submitted May 23, 2013

*Please direct inquiries to  
David Hicks (517) 241-1659*

*This document is also available online at  
[www.michigan.gov/mgcb](http://www.michigan.gov/mgcb)*

May 23, 2013

To the Citizens of the Great State of Michigan:

On behalf of the Michigan Gaming Control Board, I am pleased to submit to you the Indian Gaming Section Annual Report for the period of January 1, 2012 through December 31, 2012. This report includes a summary of significant activities and operations for this time period.

Based on review of two percent payment data for the 2012 reporting period, Michigan Indian Gaming reported net win has reached a historical high.

From January 1, 2012, through December 31, 2012, the Indian Gaming Section 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, we have 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,

A stylized signature of Richard Kalm, featuring the letters 'MGCB' in a large, bold, serif font. The signature is overlaid on a circular, golden-yellow graphic that resembles a seal or logo. The signature is written in a dark color, possibly black or dark blue, and is positioned centrally below the word 'Sincerely,'.

/s/  
Richard Kalm  
Executive Director



## TABLE OF CONTENTS

Section	Page
Michigan Gaming Control Board Organization Chart	1
Michigan Indian Gaming Overview	2
Michigan Indian Gaming Regulatory Framework	2
Indian Gaming Section Mission, Personnel, Source of Funding, Total Expenditures	3
Payments to Local and State Government	4
Indian Gaming Section Oversight Accomplishments	6
Tribal Casinos in Michigan - Map	8
Michigan Tribes with Compacts, Casinos, and Number of Slot Machines	9



# MICHIGAN GAMING CONTROL BOARD ORGANIZATION CHART





## **Michigan Indian Gaming Overview**

Based on analysis of 2012 two percent payments to local units of state governments, Indian gaming in Michigan reported net win on electronic games of chance of nearly \$1.5 billion; surpassing historical totals. This increase can be attributed largely to both the Gun Lake casino in Wayland and the Pokagon Band of Potawatomi Indians' second facility in Hartford recording their full first year of revenue, coupled with the general stabilization of existing operations.

In the future, the Pokagon Band of Potawatomi Indians is anticipating opening their third facility in April of 2013 that will be located in Dowagiac, Michigan. The Little Traverse Bay Bands of Odawa Indians have announced plans to open a second facility in Mackinaw City. Other tribes may be exploring the potential for online gaming. We also continue to closely monitor the events surrounding several other proposed developments located throughout the state that have been widely publicized in various media forums.

## **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 Indian tribal 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 oversight of Class III gaming operations. Before a Tribal-State Gaming Compact becomes effective, IGRA requires the Office of the Secretary, United States Department of the Interior, to approve the compact and publish its approval in the Federal Register.

The State of Michigan has entered into Tribal-State Gaming Compacts (written agreements between tribal governments and the state) with twelve Native American tribes. These twelve compacts have produced 22 tribal casinos located throughout the State. *Please see the map of Tribal Casinos in Michigan and listing of Michigan Tribes with Compacts 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 an oversight authority over compliance with provisions of the Tribal-State Gaming Compacts.



The Indian Gaming Oversight program was originally established within the Office of Racing Commissioner, Department of Agriculture. On November 21, 2002, Governor John M. Engler officially designated and authorized the executive director of the Michigan Gaming Control Board (MGCB), and his designees, agents, and employees, as the State of Michigan's representative. It is MGCB's responsibility to conduct the State's authorized inspections of Class III gaming facilities and records, pursuant to and in accordance with provisions of the various Tribal-State compacts for the conduct of Class III gaming on Indian lands in Michigan. This oversight authority includes conducting financial and compliance audits and inspections of the tribal casinos' operations to determine the extent of compliance with the Tribal-State Gaming Compacts and related Consent Judgments.

Board members of MGCB have no oversight role or authority over the Tribal-State gaming compacts.

Cooperation between the State and the tribes is imperative in protecting the interests of both the State and tribes, as well as ensuring public confidence in the integrity of tribal gaming within the state.

### **Mission, Personnel, Source of Funding, Total Expenditures**

The Indian Gaming Section was created within MGCB to provide oversight of Class III gaming operations as required in the Tribal-State Compacts. The Indian Gaming Section has six budgeted full time equivalents consisting of five staff auditors and an Audit Manager. The Indian Gaming Section reports to the Deputy Director of Administration and Indian Gaming. *Please see Michigan Gaming Control Board Organization Chart on page 1.*

The Tribal-State Compacts outline that the tribes shall make annual payments to the State to be applied towards the costs incurred for carrying out functions authorized by the terms of the compacts.

Subject to certain exclusivity provisions, the Tribal-State Compacts and related Consent Judgments stipulate that a percentage of annual net win, derived from all Class III electronic games of chance, is to be paid 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.

These funds are placed into the Native American Casino Fund which recorded expenditures of \$527.8 thousand during calendar year 2012.



## **Payments to Local and State Government**

Under provisions of the Tribal-State Class III Gaming 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 2012, tribes collectively remitted \$29.9 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 2012.

In addition, the Tribal-State 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 Compact or related Consent Judgment exclusivity provisions. For reporting period 2012, tribes remitted \$60.9 million in payments to the MEDC and MSF. Please see the table on page 5 the MEDC/MSF payments by tribe for 2012.



## Indian Gaming Chart of Revenue Sharing Provisions

Tribe	Compact Year	Percentage of Net Win to Local	2012 Amount	Percentage of Net Win to MEDC/MSF	2012 Amount
Bay Mills Indian Community	1993	2%	\$ 599,281	0%	\$ -
Grand Traverse Band of Ottawa and Chippewa	1993	2%	\$ 1,736,196	0%	\$ -
Hannahville Indian Community	1993	2%	\$ 1,153,457	0%	\$ -
Keweenaw Bay Indian Community	1993	2%	\$ 612,137	8%	\$ 3,211,511
Lac Vieux Desert Band of Lake Superior Chippewa	1993	2%	\$ 346,520	0%	\$ -
Saginaw Chippewa Indian Tribe	1993	2%	\$ 5,827,143	0%	\$ -
Sault Ste. Marie Tribe of Chippewa Indians	1993	2%	\$ 1,784,699	0%	\$ -
Little River Band of Ottawa Indians	1998	2%	\$ 1,861,166	6%	\$ 4,602,626
Little Traverse Bay Bands of Odawa Indians	1998	2%	\$ 1,117,794	6% (6-10% if second facility is opened)	\$ 3,353,381
Nottawaseppi Huron Band of the Potawatomi	1998	2%	\$ 4,946,182	4-8%	\$ 15,284,729
Pokagon Band of Potawatomi Indians	1998	2%	\$ 6,682,110	6-8%	\$ 21,090,223
Match-E-Be-Nash-She-Wish (Gun Lake)	2007	2%	\$ 3,277,564	8-12%	\$ 13,394,648
<b>Totals</b>			<b>\$ 29,944,249</b>		<b>\$ 60,937,117</b>



## Indian Gaming Section Oversight Accomplishments

### *Net Win Audits/Inspections*

The Indian Gaming Section performs financial audits to ensure that the net win totals are fairly stated, in all material respects, and related payments to local units of state government/local revenue sharing boards and payments to MEDC/MSF are properly remitted in accordance with the relevant Tribal-State Gaming Compact and related Consent Judgment.

In calendar year 2012, the Indian Gaming Section presented final audit reports to seven tribes which encompassed eleven fiscal years listed as follows:

<u>Tribe</u>	<u>Fiscal Year</u>
Grand Traverse Band	2009
Grand Traverse Band	2010
Hannahville	2010
Hannahville	2011
Keweenaw Bay Indian Community	2010
Little River	2010
Pokagon Band	2010
Pokagon Band	2011
Saginaw Chippewa Indian Tribe	2009
Saginaw Chippewa Indian Tribe	2010
Sault Ste. Marie Tribe	2009

In addition to the these issued final reports, fieldwork and write-up was performed on an additional four tribes covering seven fiscal years with final reports anticipated in calendar year 2013.



### *Compliance Audits/Inspections*

In addition, the Tribal-State Gaming Compacts contain several provisions that require compliance oversight. These sections include 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 regulation of the sale of alcoholic beverages.

The Indian Gaming Section presented final compliance audit reports to seven tribes in calendar year 2012: the Grand Traverse Band, Hannahville Indian Community, Keweenaw Bay Indian Community, Lac Vieux Desert Band, Little River Band, Little Traverse Bay Band, and Pokagon Band. In addition to these final reports, fieldwork and write-up was performed on an additional four tribes with final reports anticipated in calendar year 2013.

### *Additional Accomplishments*

In addition to the audit and inspections conducted, we note the following additional accomplishments for calendar year 2012:

- Obtained payments to local units of state government/local revenue sharing boards and payments to MEDC/MSF and updated the MGCB website.
- Neared completion of upgrading audit management software to Teammate R10.
- Hired additional audit staff and attended several Indian Gaming related training conferences.
- Prepared and submitted an annual report to MEDC.
- Updated section policies and procedures.
- The Indian Gaming Section, with collaboration of the Casino Operations Audit Unit, developed a Millionaire Party Implementation Report incorporating all actions and functions required for a successful transfer of millionaire party duties from Lottery to the Executive Director of MGCB.
- Training was developed and provided to educate MGCB staff of the purpose of millionaire parties and related laws and issues.



# Michigan Gaming Control Board

## MICHIGAN'S TRIBAL CASINOS



### TRIBAL CASINOS

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



## Michigan Tribes with Casinos and Number of Slot Machines

Michigan Tribal Casino Information		
Locations	Tribal Casino	Approximate No. of Slot Machines
2	<b>Bay Mills Indian Community</b>	
	Kings Club Casino - Brimley, MI	250
	Bay Mills Resort & Casino - Brimley, MI	700
2	<b>Grand Traverse Band of Ottawa &amp; Chippewa Indians</b>	
	Leelanau Sands Casino - Suttons Bay, MI	450
	Turtle Creek Casino - Williamsburg, MI	1300
1	<b>Hannahville Tribe</b>	
	Chip-In's Island Resort & Casino - Harris, MI	1400
2	<b>Keweenaw Bay Indian Community</b>	
	Ojibwa Casino - Baraga, MI	300
	Ojibwa Casino - Marquette, MI	300
1	<b>Lac Vieux Desert Band</b>	
	Lac Vieux Desert Resort Casino - Watersmeet, MI	650
1	<b>Little River Band</b>	
	Little River Casino - Manistee, MI	1500
1	<b>Little Traverse Bay Band of Odawa Indians</b>	
	Odawa Casino & Hotel - Petoskey, MI	1300
1	<b>Match-E-Be-Nash-She-Wish Band of Potawatomi (Gun Lake Band)</b>	
	Gun Lake Casino - Wayland, MI	1400
1	<b>Nottawaseppi Huron Potawatomi</b>	
	FireKeepers Casino - Battle Creek, MI	2700
2	<b>Pokagon Band of Potawatomi</b>	
	Four Winds Casino Resort - New Buffalo, MI	3000
	Four Winds Hartford Casino - Hartford, MI	500
3	<b>Saginaw Chippewa Indian Community</b>	
	Soaring Eagle Casino & Resort - Mt. Pleasant, MI	4200
	Soaring Eagle Slot Palace - Mt. Pleasant, MI	
	Saganing Eagles Landing Casino - Standish, MI	800
5	<b>Sault Ste. Marie Tribe of Chippewa Indians</b>	
	Kewadin Casino - Christmas, MI	250
	Kewadin Casino - Hessel, MI	150
	Kewadin Casino - Manistique, MI	250
	Kewadin Casino - Sault Ste. Marie, MI	750
	Kewadin Casino - St. Ignace, MI	700
22	<b>Total</b>	22850