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2017 Michigan Gaming Control Board

# Annual Report



# Annual Report to the Governor

**Calendar Year 2017**



Michigan Gaming Control Board  
3062 West Grand Boulevard, Suite L-700  
Detroit, MI 48202

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

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





STATE OF MICHIGAN  
**MICHIGAN GAMING CONTROL BOARD**  
DETROIT

**RICK SNYDER**  
GOVERNOR

**RICHARD S. KALM**  
EXECUTIVE DIRECTOR

March 1, 2018  
Honorable Rick Snyder  
Governor of Michigan

**AN OPEN LETTER TO GOVERNOR RICK SNYDER AND THE MICHIGAN LEGISLATURE:**

On behalf of the Michigan Gaming Control Board (Board), I am pleased to present the Annual Report to the Governor for calendar year 2017, pursuant to Section 15(1) of the *Michigan Gaming Control & Revenue Act*, as amended, Public Act 69 of 1997, MCL 432.201 (Act). This Annual Report is submitted not only to comply with the statutory reporting requirements under the Act, but to provide a summary of significant activities and operations of the Board and the Board's staff. The Annual Report includes a report on the licensure, regulation and operations of authorized commercial casino gaming in the City of Detroit for 2017.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert L. Anthony', with a long horizontal flourish extending to the right.

Robert L. Anthony  
Chairperson



# Michigan Gaming Control Board

## FROM THE EXECUTIVE DIRECTOR

In 2017, the Michigan Gaming Control Board marked its 20<sup>th</sup> anniversary as a state agency dedicated to ensuring the conduct of fair and honest gaming. Our agency continues to change and adapt to meet new regulatory challenges as our scope grows to embrace other forms of regulated gaming, the industry evolves and technology brings new ways to game.

We began our existence 20 years ago as regulator of the three Detroit commercial casinos. Their economic impact has been significant both for the State of Michigan and the City of Detroit since the first temporary casinos opened in 1999.

Through last year, the casinos have paid \$2.04 billion in wagering taxes to the State of Michigan and made an estimated \$2.79 billion in wagering taxes and development agreement payments to the city of Detroit. The Detroit casinos reported \$1.4 billion in aggregate revenue in 2017, up 1.1 percent from 2016, and paid \$113.4 million in gaming taxes to the state.

Last year the agency took another step to help small businesses that want to supply goods and services to the Detroit casinos. In April, the Board eliminated some licensing requirements for construction subcontractors, making it easier for them to bid on projects. This decision follows a January 2015 board action creating less restrictive licensing requirements for non-gaming suppliers.

The MGCB continued work on improving our licensing processes by signing a contract in 2017 to develop a new information technology management system for the agency. In December, MGCB relaunched its website in a new format designed to provide quicker access to all licensing forms.

We commissioned a survey in late 2017 to evaluate our customer service to charities hosting casino-style gaming events known as millionaire parties. Overall, the majority of customers—87 percent—are satisfied with the agency's event licensing services. We are implementing improvements suggested by charity representatives who responded to the survey.

Last year, we supported the community through agency volunteer efforts honoring veterans and helping local food banks.

The MGCB works closely with our partner agencies, the Michigan State Police (MSP), the Michigan Attorney General's (AG) office, the Detroit Police Department and the commercial casinos' security directors. Their assistance provides tremendous support as we work to fulfill our mission.

I would like to thank the Governor, the Legislature, our partner agencies and other public officials for their cooperation and service. My sincere appreciation goes to the Board and to MGCB employees for their dedicated service. I am proud of our professional, dedicated and committed staff who believe strongly in our agency and its work.

Sincerely,

/s/

Richard Kalm



# Michigan Gaming Control Board

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# Michigan Gaming Control Board

## 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 (Act)*. The voter-initiated Act established the MGCB as an autonomous agency within the Michigan Department of Treasury (Treasury) exclusively responsible for licensing and regulating the three commercial Detroit casinos. In July 1997, the voter-initiated Act was amended substantially by the Michigan Legislature's enactment of Public Act 69 of 1997. The amended Act provided for more stringent licensing criteria, substantially strengthened the licensing and regulatory authority of the MGCB and provided for a system to collect 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 and MGCB employees 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 commercial casino gaming in the City of Detroit.

# Michigan Gaming Control Board 2017 Board Members

## Mr. Robert L. Anthony, Chair



Mr. Anthony has been appointed by Governor Rick Snyder to serve as Board Chair for a term at the pleasure of the governor. Mr. Anthony has served on the Gaming Control Board since January 2011 and has been reappointed by Governor Rick Snyder to serve as a board

member for a four-year term expiring on December 31, 2018.

Mr. Anthony retired as a senior risk and quality partner of PricewaterhouseCoopers, LLP. Mr. Anthony served global clients over his career working closely with client audit committees and senior management on matters that included entity-wide risk analysis and risk management. He also served as a member of the PricewaterhouseCoopers Global Audit Policy Board.

Mr. Anthony graduated from the University of Michigan where he was awarded a B.A. and an M.B.A. He currently resides in Northville with his wife Catherine.

## Ms. Carla Walker-Miller



Ms. Walker-Miller of Detroit, president of Walker-Miller Energy Services, L.L.C., has been appointed by Governor Rick Snyder to serve as a board member for a term expiring on December 31, 2020.

## Mr. Patrick M. McQueen



Mr. McQueen, Managing Director of McQueen Financial Advisors, was reappointed by Governor Rick Snyder to serve as a board member for a term expiring on December 31, 2019.

## Mr. Andrew T. Palms



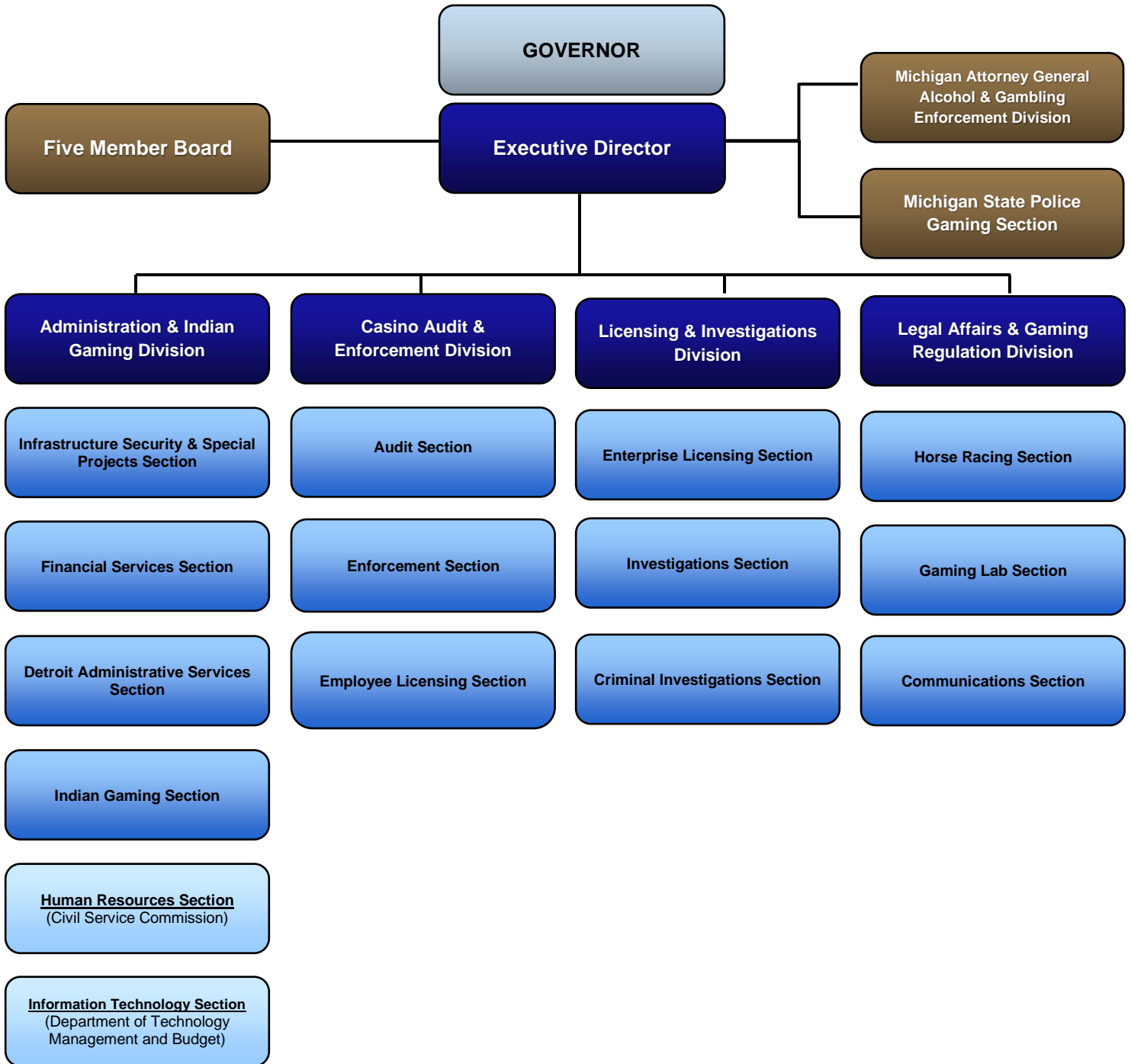
Mr. Palms, Executive Director of Communications Systems at the University of Michigan, was reappointed by Governor Rick Snyder to serve as a board member for a term expiring on December 31, 2019.

## Ms. Barbara Smith



Ms. Smith, owner of the Law Offices of Barbara B. Smith, PLLC, and of Smith Mediation Center, has been appointed by Governor Rick Snyder to serve as a board member for a term expiring on December 31, 2020.

# Organizational Chart







# Michigan Gaming Control Board

## Activities of the Board

### Board Meetings

From inception, the Board has encouraged public input regarding policies, procedures and activities related to licensing and regulating the three Detroit commercial casinos. To conduct Board business, inform and receive input from the public, the Board held six public meetings in 2017. At these meetings, the Board not only conducted its official business, it 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 Cadillac Place, 3062 West Grand Boulevard, Suite L-700, on the following dates:

January 10, 2017*	July 11, 2017*
March 8, 2017*	September 12, 2017
April 25, 2017*	October 30, 2017

The Board adjourned to closed session after the 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). 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, were held in accordance with Michigan's Open Meetings Act.

*\*No closed session held*



## MGCB Notable Activities



### Administration & Indian Gaming Division

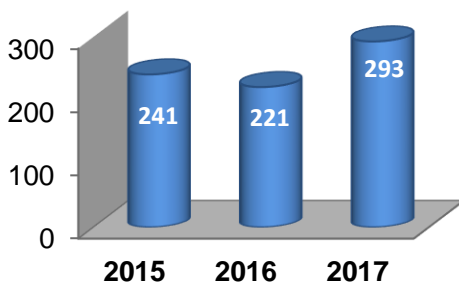
The primary project in 2017 was the ongoing MGCB IT modernization project. The MGCB IT modernization project encompasses the replacement of more than 20 MGCB legacy systems with a more efficient and customer friendly IT application. A vendor was selected and a contract was signed in February 2017 to begin implementation of the new Enterprise IT system, Case Handling & Information Processing System (CHIPS). In April 2017, the project's first phase began as the agency and the vendor collaborated to gather information on current millionaire party business processes. This work creates the foundation for online services for MGCB customers, which are expected to go live in November 2018.

Notable accomplishments and further details of actions completed by the Indian Gaming Section can be found in the separate Indian Gaming Annual Report.

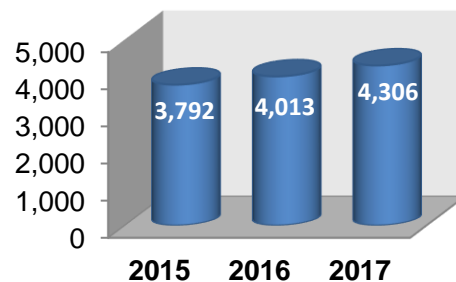
### *Disassociated Persons List and Problem Gambling Diversion Program*

The Act created the Disassociated Persons List (DPL) designed for problem gamblers who request self-exclusion for the remainder of his or her life from entering and gaming at the three commercial casinos in the city of Detroit. The law also states an individual who violates the terms and conditions of the DPL is guilty of criminal trespassing, punishable by imprisonment for not more than one year, a fine of not more than \$1,000 or both. As of December 31, 2017, the DPL program included 4,306 people.

**Approved DPL Applications by Year**



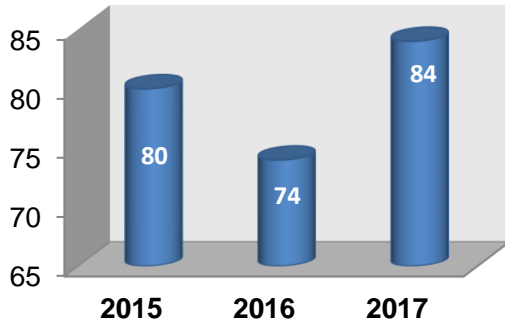
**Cumulative Approved DPL Applications Per Year**





# Michigan Gaming Control Board

**Diversion Program Completions by Year\***



In 2017, 111 first-time DPL offenders were offered the Diversion Program, and 84 discharge summaries were received for those completing the program. Since inception, a cumulative total of 678 DPL offenders have been offered the Diversion Program, and 531 have completed it.

*\*The Diversion Program offers a first-time offender the option of completing a treatment program rather than burdening the criminal justice system further. First-time offenders offered the Diversion Program within a calendar year may not complete the program until the following year. Statistics provided above are the number of completed individual diversion programs per calendar year.*



# Michigan Gaming Control Board



## **Licensing & Investigations Division**

The Licensing & Investigations Division is responsible for licensing the commercial casinos and their employees and suppliers, administering licensing exemptions, reviewing casino debt transactions, reviewing transfers of ownership in casino and supplier licensees, millionaire party program licensing and conducting regulatory and criminal investigations in conjunction with the Michigan Attorney General's office.

### **Enterprise Licensing Section**

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The Enterprise Licensing Section oversees licensing for commercial casinos and their suppliers by administering licensing exemptions, reviewing casino debt transactions, reviewing transfers of ownership in casino and supplier licensees, conducting millionaire party program licensing (refer to Millionaire Party on page 10 for additional information) and assisting with analytical review of financial documentation related to ongoing investigations.

The Act and related Administrative Rules require gaming and nongaming suppliers to obtain a license with the MGCB to provide goods or services to a commercial casino. Entities qualifying for a licensing exemption are given an exception. As of December 31, 2017, there were 117 active supplier licensees.

Vendor license exemptions are conditional waivers of the supplier licensing requirements of the Act and Administrative Rules. Vendor exemptions must be approved by the Executive Director and are eligible only for nongaming entities providing goods or services under an established monetary threshold determined by the Board. As of December 31, 2017, 677 entities held a vendor exemption.

Supplier license exemptions are approved by the Executive Director for nongaming entities which are not deemed necessary to protect the public interest or accomplish the policies and purposes of the Act. As of December 31, 2017, 278 entities held a supplier license exemption.

During the MGCB's April 25 board meeting, the MGCB adopted a resolution creating new license exemption classifications for construction subcontractors. Starting in June 2017, construction subcontractors were able to perform up to \$2 million worth of work in any rolling 12-month period for a Detroit casino working on large construction projects without obtaining an MGCB supplier license. The previous maximum was \$400,000. By changing the licensing requirements, the agency hopes to assist small-business growth by encouraging more construction subcontractors to seek business with the casinos. As of December 31, 2017, 11 entities held a subcontractor exemption.



# Michigan Gaming Control Board

<b>Entities Licensed or Exempt Through MGCB (As of December 31, 2017)</b>	
Commercial Casinos	3
Licensed Suppliers	117
Supplier License Exemptions	278
Vendor Exemptions	677
Subcontractor Exemptions	11
<b>Total</b>	<b>1,086</b>

## **Investigations Section**

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The Act requires each supplier to renew its license annually. In 2011, the annual review of the supplier policy was updated to require an onsite investigation only every five years for applicants and a remote investigation for the four interim years. The policy update has reduced license renewal costs for the suppliers and has proved to be a more efficient, cost-saving method for MGCB to perform its annual renewal of supplier licenses.

The Act requires the Board to investigate and determine the eligibility of individual applicants. These applicants are referred to as “qualifiers.” Qualifiers—persons referred to in the definition of applicant—are affiliates, affiliated companies, officers, directors or managerial employees of the applicant and persons who hold a greater than 1 percent direct or indirect interest in the license applicant.

The Investigations Section also conducted the three commercial casino renewal investigations. Recommendations for approval of the three casino renewals were approved by the Board on September 12, 2017.

## **Criminal Investigations Section**

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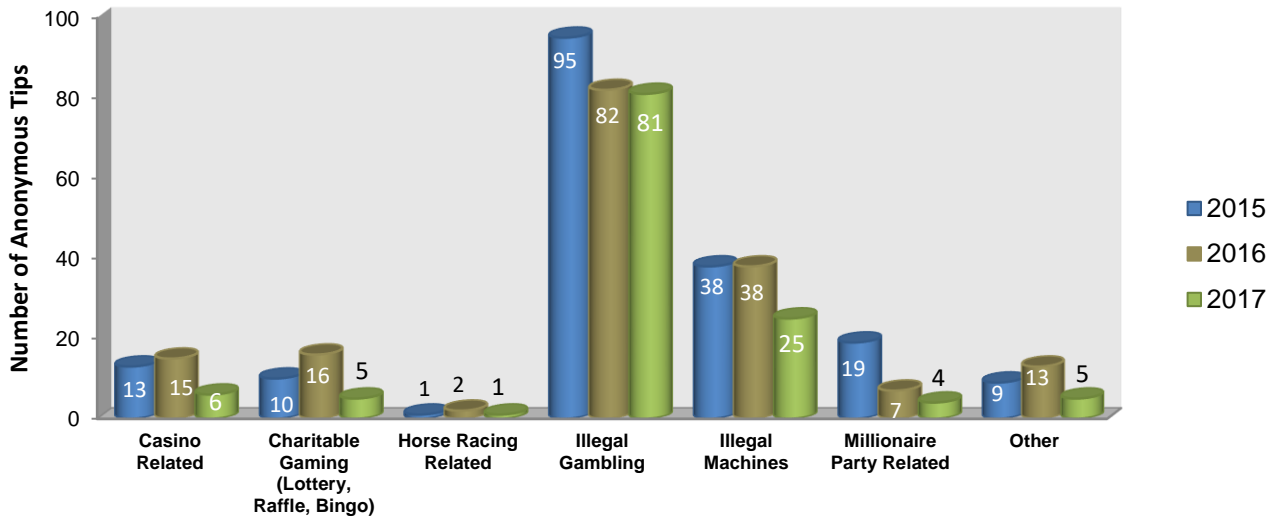
In 2011, the MGCB established an anonymous tip line and email address for the public to report illegal or suspected illegal gambling activity. All information received is reviewed for credibility and assigned for appropriate follow-up action. The Criminal Investigations Section forwarded 12 anonymous tips to other agencies for follow up and investigated an additional 25 tips.



# Michigan Gaming Control Board

The following table illustrates the types of activity reported to the MGCB through the tip line over the last three years.

**Anonymous Tips Received  
by Type of Activity**



## Investigations Involving Occupational Licensee

During 2017, the Criminal Investigations Section conducted 25 investigations into alleged violations by holders of an MGCB-issued occupational license. These investigations focused on licensee suitability. As a result of these investigations, nine individuals voluntarily surrendered their occupational licenses and one warning letter was issued.

## Exclusion List

The MGCB is committed to ensuring a safe environment for those who patronize the three licensed casinos in Detroit. One way to accomplish this goal is to exclude from entering any of the casinos individuals who may adversely affect the public's confidence and trust in the integrity of casino gaming in the three state-licensed casinos as outlined in MCL 432.204a(1)(l). Posted on the MGCB website, the Exclusion List contains the names of individuals who meet the criteria for exclusion and are not permitted to enter any of the three licensed casinos. Violating this exclusion is a misdemeanor criminal offense.

During 2017, 41 individuals were investigated to determine whether they met the criteria for exclusion from the three licensed casinos in Detroit. As a result, 26 individuals were added to the Exclusion List, while eight are in the process of being excluded pending review.





# Michigan Gaming Control Board

## Millionaire Party

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The Executive Director enforces the oversight of millionaire party events through the *Traxler-McCauley-Law-Bowman Bingo Act*, Public Act 382 of 1972 (Bingo Act).

A millionaire party is an event where wagers are placed on games of chance customarily associated with casino gaming, using imitation money or chips. The most common millionaire party poker game conducted throughout the state is Texas Hold'em poker, either tournament style or player to player. Other preferred games include Omaha, which is played player against player, and blackjack, which is player against the house. Millionaire parties are held by non-profit organizations to generate funds for charitable purposes.

## Qualified Organizations

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Qualified organizations (commonly referred to as "charities") are defined in the Bingo Act as bona fide religious, educational, service, senior citizen, fraternal or veterans' organizations operating without profit to their members and either have been in existence continuously as an organization for a period of five years or are exempt from taxation as 501(c). In 2017, 816 qualified organizations held events.

## Locations

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Locations may be at church venues, K of C halls, VFW halls, etc. As of December 31, 2017, there were 47 locations approved to host millionaire parties on a recurring basis.

## Suppliers

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Millionaire party suppliers are licensed by the Executive Director to provide goods and services to a qualified organization. As of December 31, 2017, there were 28 active millionaire party suppliers licensed by the Executive Director.

## On-Site and Post Inspections

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In 2017, the MGCB conducted 1,657 on-site\* and post-event\*\* inspections. Each inspection is an opportunity for Board staff to interact with and counsel charitable organizations on how to manage their events while complying with the Act and Rules.

*\*On-Site Inspections: Regulation officers conduct inspections during ongoing millionaire party events to ensure compliance with the Act and Rules.*

*\*\*Post-Event Inspections: Regulation officers conduct inspections of qualified organizations after a millionaire party event has taken place. All game documents and financial records are reviewed and the principal officer is interviewed.*

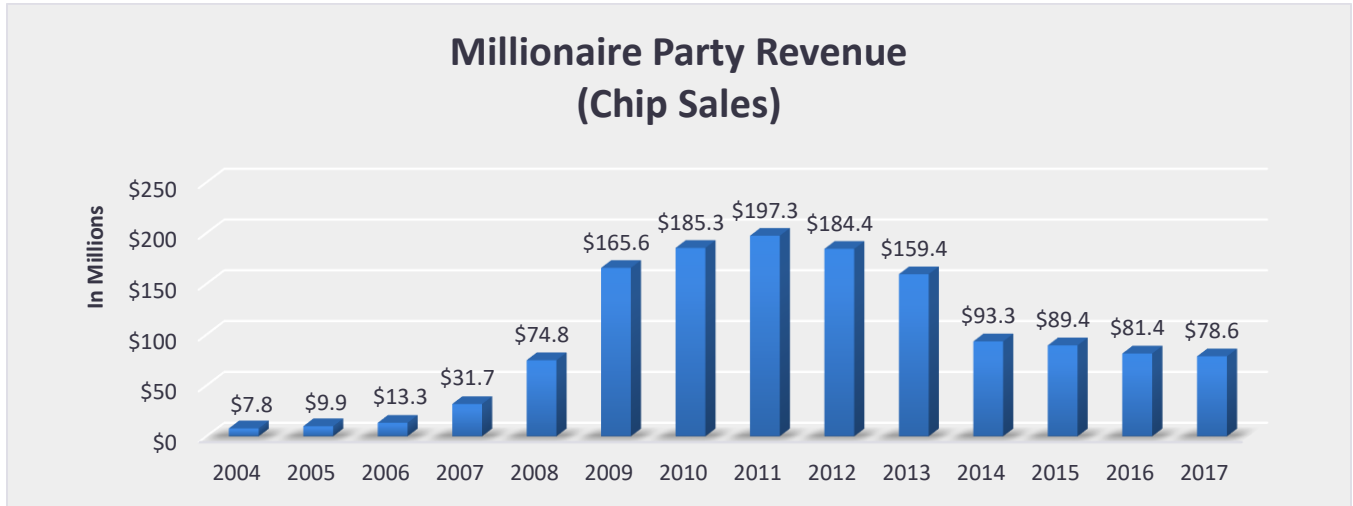


# Michigan Gaming Control Board

## Licensing Activity

For the calendar year 2017, a total of 2,387 millionaire party licenses were issued authorizing 8,714 separate millionaire party days. This resulted in the sale of approximately \$78.6 million in chips at millionaire parties with net profits to charities of approximately \$7.0 million. Licensing volumes in 2017 remained relatively consistent throughout the year.

The charitable organizations self-report all financial data for their millionaire party events to the MGCB.\*



\*2016 revenue differs from that reported in the 2016 Annual Report due to a calculation error identified and corrected.

## Licensing and Event Days

The chart below represents licensing and event day trends since 2008.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Licenses Issued</b>	4,029	8,140	8,217	7,894	7,218	5,339	3,022	2,820	2,619	2,387
<b>Event Days</b>	14,020	32,005	29,964	29,212	27,119	18,997	10,508	10,146	9,608	8,714



# Michigan Gaming Control Board



## Legal Affairs & Gaming Regulation Division

### Horse Racing Section

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Michigan's live pari-mutuel racing season ran for 100 days in 2017, which was three days longer than the previous year. It was the third consecutive year the tracks and horsemen's associations requested and received additional race dates to extend the season.

Northville Downs conducted 60 live Standardbred race dates. Although 54 race dates were allocated, it was granted six additional days of live Standardbred racing on Fridays and Saturdays from December 1 through 16 after track management and the Michigan Harness Horsemen's Association requested an extension.

Hazel Park Raceway conducted 40 live Thoroughbred race dates. The track originally was allocated 36 race dates. It was granted four additional days of live Thoroughbred racing on September 10, 11, 17 and 18 after track management and the Michigan Horsemen's Benevolent and Protective Association requested an extension.

In September, the agency released more than \$1 million in horse racing purse pool money held in escrow for more than two years for Hazel Park Raceway and the Michigan Harness Horsemen's Association. The money was placed in escrow because the two organizations did not sign a race meeting contract for 2015. State law at the time stipulated holding the funds in escrow until an agreement to race was signed, but the Michigan Legislature amended the law to allow distribution in 2017. The funds were used for track operations and improvements at Hazel Park Raceway and to enhance purses for harness racing.

MGCB staff members and industry representatives are working to update horse racing administrative rules. It is the first comprehensive revision of the rules since 1985. Much of the focus is on modernizing racing practices and safety initiatives for equine and human participants.

Enhanced equine drug testing also was initiated in 2017. The new testing further ensures the conduct of fair and honest gaming and makes horse racing a safer sport for equine participants. The agency sought bids for laboratory services from nationally accredited facilities. The new process improved the sensitivity of testing and saved the horse racing industry approximately \$500,000. MGCB representatives met with stakeholders before enhanced testing was implemented to ensure a smooth transition. While prohibited drug findings increased in 2017, the horsemen are adjusting to comply with the new requirements.



# Michigan Gaming Control Board

<b>Summary of Horse Racing Revenue</b>	
<b>January 1, 2017, through December 31, 2017</b>	
Simulcast Wagering Taxes*	\$3,202,706
Occupational License Fees	41,038
Outs**	262,991
Racing Fines	7,700
Track Licenses***	0
Other Revenue	7,266
Revenue Transfers	(10,275)
<b>Total Horse Racing Revenue</b>	<b>\$3,511,426</b>
<b>State Tax Summary</b>	
Hazel Park Raceway	\$1,808,163
Northville Downs	1,394,543
<b>Total State Tax</b>	<b>\$3,202,706</b>

\* The simulcast wagering tax is 3.5% of all wagers on simulcast races at each licensed track. Live wagering is not taxed in Michigan. The simulcast wagering tax total was calculated based on date earned and verified by independent auditors. Timing differences exist when reconciling to the State accounting system due to the actual depositing of revenue occurring in the subsequent calendar year.

\*\* "Outs" are uncashed winning tickets. Governed by Public Act 505, 1998, the race meeting licensee (the track) keeps 50% of the winning payout on the tickets and the other 50% is deposited into the Agriculture Equine Fund.

\*\*\* A total of \$2,000 for track license fees for both tracks were received in December 2016 for the 2017 calendar year.

For additional information regarding horse racing, please refer to the MGCB 2017 Horse Racing Annual Report.

## **Gaming Lab Section**

In 2017, the lab completed 1,075 gaming product evaluations, of which 1,011 were for new gaming software and 64 were for new gaming hardware. The lab randomly performed 993 unique tests on new product submissions. The lab also processed 43 revocations of previously approved product submissions. Once revoked, a product is no longer approved for use in the commercial casinos.

Lab staff also performs forensic evaluations, reviews progressive liability transfers by the casinos, processes malfunction occurrences and manufacturer notifications, researches emerging gaming technologies, reviews data and reports used in gaming tax calculations, drafts rule waivers, creates policies and assists in addressing patron complaints.



# Michigan Gaming Control Board



## Casino Audit & Enforcement Division

### Audit Section

In 2017, the Audit section continued to perform historical and operational audits to ensure revenue was properly reported and the licensees were in compliance with their Internal Control Standards (ICS) and the Administrative Rules.

### *Historical Audit*

Historical auditors completed and issued final reports for nine compliance audits in calendar year 2017. Auditors conducted the compliance audits as scheduled at each of the three Detroit commercial casinos for gaming operations in the following areas:

Compliance Audits Completed During Calendar Year 2017	
Description	Scope of Audit
Table Games and Card Rooms	<ul style="list-style-type: none"> <li>Examine source documents to ensure fill/credit slips and marker forms were issued and completed by authorized personnel</li> <li>Examine live gaming devices, chips, cards and dice to ensure adherence to Administrative Rules and the licensee Internal Control Standards</li> <li>Verify delivery documentation is complete and accurate</li> <li>Examine physical and automated source documents for statistics, progressives, player ratings, and dealer tokens to confirm values are accurate, complete, and properly analyzed by appropriate personnel.</li> <li>Evaluate system access to ensure permissions are comparable to employee position descriptions.</li> <li>Review the adequacy of the licensee's Internal controls and determine when improvements are necessary</li> </ul>
Electronic Gaming Devices (EGD)	<ul style="list-style-type: none"> <li>Evaluate procedures based upon licensee's internal controls and standard operating procedures</li> <li>Review source documents to ensure high-limit accountabilities were completed by authorized personnel</li> <li>Compare system database information to manufacture records</li> </ul>





# Michigan Gaming Control Board

Compliance Audits Completed (Continued) During Calendar Year 2017	
Description	Scope of Audit
Electronic Gaming Devices (EGD)	<ul style="list-style-type: none"> <li>• Verify EGD specifications adhere to regulations</li> <li>• Examine EGD records for completion and maintenance in accordance with the licensee internal control standards</li> <li>• Review the adequacy of the licensee's Internal controls and determine when improvements are necessary</li> </ul>
Sensitive Keys	<ul style="list-style-type: none"> <li>• Evaluate procedures of accessibility of sensitive keys</li> <li>• Review internal controls and standard operating procedures</li> <li>• Audit physical inventory of the content of the keywatcher units</li> <li>• Test proper functions of the units' system access controls</li> <li>• Review reports and records for compliance</li> <li>• Review user access compared to transactions report and key matrix to assure access to specific keys was restricted to authorized personnel</li> <li>• Examine system generated reports to verify system information included date/time of key removal/return of keys, key description and alarm notifications are accurately captured by the automated keywatcher system</li> <li>• Evaluate adequacy of controls and procedures for accessing sensitive key information and emergency procedures in the event of a malfunction of the sensitive keywatcher unit</li> </ul>

The overall audit objective is to provide reasonable assurance the operating activities for the three Detroit casinos conform to specified conditions, rules and regulations, and control activities provide for integrity and reliability of reported gaming revenues and other financial information.

Auditors concluded the three Detroit casino gaming operations generally were in compliance for the audits issued in 2017. However, for all three casinos combined, the following audit findings were noted: two Administrative Rule violations, 11 issues of noncompliance to internal controls, nine administrative modifications to internal control systems and three procedural improvements.

### *Operational Audit*

Operational auditors completed the review of 1,095 daily tax returns and 36 monthly tax returns to provide reasonable assurance the reporting of \$1,400,536,681 in gaming revenue to the State of Michigan was free of material misstatement. Furthermore, auditors assured the proper payments of \$113,443,471 in state wagering taxes were paid and received. They also completed the review of monthly credit reports and quarterly reports for 2017 to ensure the licensees complied with the Administrative Rules and their Internal Control Standards (ICS). Monthly and quarterly financial information licensees are required to submit is reviewed and analyzed accordingly.

In 2017, the Michigan Gaming Control Board audit section confirmed \$177,372,096 in wagering taxes and development agreement payments with City of Detroit officials.





# Michigan Gaming Control Board

## Casino Revenues and Wagering Taxes

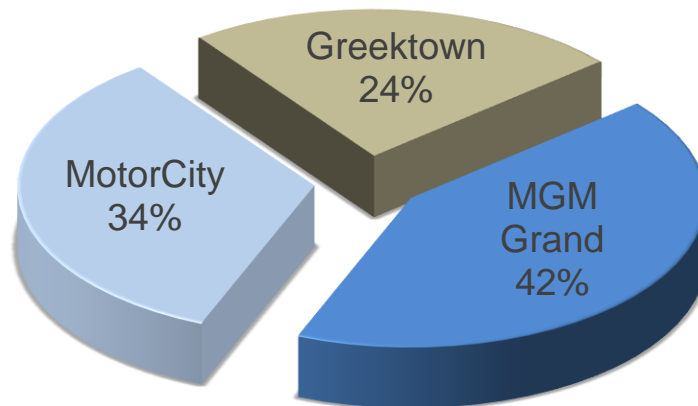
### Casino Revenues

The Act defines “adjusted gross receipts” as the licensee’s gross gaming receipts less winnings paid to wagerers. “Gross receipts” are defined as the monetary value collected from gaming less a deduction for bad gaming debt. The adjusted gross receipts of the Detroit casinos include both table games and electronic games of chance.

The following is a monthly and annual summary of the adjusted gross receipts and market share for the three Detroit casinos for calendar year 2017:

Month	MGM GRAND CASINO	MOTORCITY CASINO	GREEKTOWN CASINO	TOTAL DETROIT CASINOS
January	\$ 47,122,786	\$ 38,437,983	\$ 26,444,022	\$ 112,004,791
February	48,090,072	40,560,816	28,590,936	117,241,824
March	54,150,615	45,102,231	31,950,729	131,203,575
April	49,596,030	42,121,056	29,280,455	120,997,541
May	50,523,650	40,664,492	28,757,825	119,945,967
June	48,614,446	37,943,849	26,515,592	113,073,887
July	51,207,555	40,495,542	27,322,068	119,025,165
August	47,879,610	38,397,114	25,198,417	111,475,141
September	47,984,286	38,442,109	27,223,984	113,650,379
October	48,410,235	38,361,620	25,895,828	112,667,683
November	48,581,506	38,235,948	26,266,961	113,084,415
December	50,030,457	39,869,038	26,266,818	116,166,313
<b>Total</b>	<b>\$ 592,191,248</b>	<b>\$ 478,631,798</b>	<b>\$ 329,713,635</b>	<b>\$ 1,400,536,681</b>

### Detroit Adjusted Gross Receipts \$1,400,536,681





# Michigan Gaming Control Board

## State Casino Wagering Tax

Section 432.212 of the Act imposed an 8.1 percent State Wagering Tax on the adjusted gross receipts received by each Detroit casino licensee from casino gaming authorized by the Act. The 8.1 percent is deposited in the State's School Aid Fund to provide additional funds for K-12 public classroom education.

In calendar year 2017, the combined 8.1 percent State Wagering Taxes paid by the three Detroit casino licensees and deposited in the School Aid Fund totaled \$113,443,471.

The following is a monthly and annual summary of the State Wagering Tax payments for the three Detroit casinos for calendar year 2017:

Month	MGM GRAND CASINO	MOTORCITY CASINO	GREEKTOWN CASINO	TOTAL DETROIT CASINOS
January	\$ 3,816,946	\$ 3,113,477	\$ 2,141,966	\$ 9,072,389
February	3,895,296	3,285,426	2,315,866	9,496,588
March	4,386,200	3,653,281	2,588,009	10,627,490
April	4,017,278	3,411,805	2,371,717	9,800,800
May	4,092,416	3,293,824	2,329,383	9,715,623
June	3,937,770	3,073,452	2,147,763	9,158,985
July	4,147,812	3,280,139	2,213,087	9,641,038
August	3,878,248	3,110,166	2,041,072	9,029,486
September	3,886,727	3,113,811	2,205,143	9,205,681
October	3,921,229	3,107,291	2,097,562	9,126,082
November	3,935,102	3,097,112	2,127,624	9,159,838
December	4,052,467	3,229,392	2,127,612	9,409,471
<b>Total</b>	<b>\$ 47,967,491</b>	<b>\$ 38,769,176</b>	<b>\$ 26,706,804</b>	<b>\$ 113,443,471</b>



# Michigan Gaming Control Board

## City of Detroit Wagering Tax

Section 432.212 of Public Act 69 of 1997 imposed a 9.9 percent wagering tax on the adjusted gross receipts received by each Detroit casino licensee from casino gaming authorized by the Act. Public Act 306 of 2004 amended the original Act. Effective September 1, 2004, the city of Detroit wagering tax was increased temporarily by 2 percent to 11.9 percent. The elevated tax rate was reduced by 1 percent to the current rate of 10.9 percent when each of the three Detroit casinos became fully operational.

Development agreements also exist between each of the three Detroit casinos and the city of Detroit. Within these agreements, an additional 1 percent of each casino's adjusted gross revenue is required to be disbursed daily to the city once a casino reaches \$400 million in adjusted gross revenue for a calendar year. The requirements outlined within the development agreements exceed what is required by the Act.

In calendar year 2017, the combined City of Detroit Wagering Taxes paid by the three Detroit casino licensees totaled \$177,372,096. Currently, this represents a significant percentage of the City of Detroit's budget.

A monthly and annual summary of the City of Detroit Wagering Tax payments for the three Detroit casinos for calendar year 2017 follows:

Month	MGM GRAND CASINO	MOTORCITY CASINO	GREEKTOWN CASINO	TOTAL DETROIT CASINOS
January	\$ 5,607,611	\$ 4,574,120	\$ 3,146,839	\$ 13,328,570
February	5,722,719	4,826,737	3,402,321	13,951,777
March	6,443,923	5,367,166	3,802,137	15,613,226
April	5,901,928	5,012,406	3,484,374	14,398,708
May	6,012,314	4,839,075	3,422,181	14,273,570
June	5,785,119	4,515,318	3,155,355	13,455,792
July	6,093,699	4,818,969	3,251,327	14,163,995
August	5,697,674	4,569,256	2,998,612	13,265,542
September	10,161,821	4,574,611	3,239,655	17,976,087
October	6,244,920	4,570,301	3,081,603	13,896,824
November	6,267,014	8,932,437	3,125,768	18,325,219
December	6,453,929	5,143,106	3,125,751	14,722,786
<b>Total</b>	<b>\$ 76,392,671</b>	<b>\$ 61,743,502</b>	<b>\$ 39,235,923</b>	<b>\$ 177,372,096</b>



# Michigan Gaming Control Board

## Enforcement Section

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The Enforcement Section continues daily monitoring of the casinos' responsibilities to ensure gaming integrity. Regulation officers located in the three Detroit casinos are authorized by the Act to investigate alleged violations of the Act, Administrative Rules and internal controls systems to ensure all casino facilities, activities and games are in compliance.

### *Violations Issued/Fines Imposed*

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During 2017, the Enforcement Section issued violations and imposed fines as follows:

#### **Greektown Casino, LLC (GTC)**

4/25/2017: The MGCB settled a violation for GTC's use of unapproved software in an EGD. The violation occurred October 20, 2015, with a fine of \$20,000 with \$10,000 held in abeyance.

1/26/2017: GTC was issued a warning letter for improperly paying out wagers on a table game. The violation occurred 10/16/2016.

3/16/2017: GTC was issued a warning letter for failure to transfer a progressive liability within 30 days. The violation occurred 8/5/2016.

Four (4) GTC occupational licensees were issued warning letters for allowing minors to enter the casino. The violations occurred in 2017.

#### **Detroit Entertainment, LLC d/b/a MotorCity Casino-Hotel (MCC)**

3/8/2017: The MGCB settled a violation related to MCC allowing an unlicensed person to perform duties in a restricted area. The violation occurred 10/28/2015, with a fine of \$10,000.

1/6/2017: MCC was issued a warning letter for an internal control violation for not properly marking the cash straps located in the cage drawers. The violation occurred 11/9/2016.

5/15/2017: MCC was issued a warning letter for an Act violation for publishing an advertisement that did not include the toll-free compulsive gaming helpline telephone number. The violation occurred 8/24/2016.

5/31/2017: MCC was issued a warning letter for a rule violation for paying out on a jackpot without obtaining identification from the patron winner. The violation occurred 2/5/2017.

9/1/2017: MCC was issued a warning letter for a rule violation for setting a progressive EGD to exceed 100% of the theoretical payout. The violation occurred 3/17/2017.



# Michigan Gaming Control Board

Five (5) MCC occupational licensees were issued warning letters for allowing minors to enter the casino. The violations occurred in 2017.

5/4/2017: One (1) MCC occupational licensee was issued a warning letter for failing to provide the MGCB with a required notification when a minor entered the casino. The violation occurred 1/12/2017.

2/9/2017: One (1) MCC occupational licensee was issued a warning letter for a playing card violation. The violation occurred 11/24/2016.

4/7/2017: One (1) MCC occupational licensee was issued a warning letter for allowing a disassociated person to complete a transaction in the casino. The violation occurred 12/26/2016.

6/2/2017: One (1) MCC occupational licensee was issued a warning letter for a rule violation for paying out on a jackpot without obtaining identification from the patron winner. The violation occurred 2/5/2017.

## **MGM Grand Detroit, LLC (MGM)**

9/12/2017: The MGCB settled a violation related to MGM allowing a disassociated person to complete a transaction in the casino. The violation occurred 1/5/2016, with a fine of \$20,000.

9/12/2017: The MGCB settled a violation related to MGM allowing a minor to enter the casino. The violation occurred 6/25/2016, with a fine of \$3,000.

9/12/2017: The MGCB settled violations related to MGM allowing a minor to enter the casino. The incident occurred 9/4/2016, with a fine of \$2,500.

9/12/2017: The MGCB settled violations related to MGM allowing a minor to enter the casino. The incident occurred 5/20/2016, with a fine of \$4,000.

2/17/2017: MGM was issued a warning letter for failure to retain the required video from the cage overviews for 21 days. The incident occurred 10/27/2016.

2/27/2017: MGM was issued a corrective action letter for conducting a slot tournament without MGCB approval. The violation occurred 12/15/2016.

Seven (7) MGM occupational licensees were issued warning letters for allowing minors to enter the casino. The seven (7) separate violations occurred in 2016 and 2017.

Two (2) MGM occupational licensees were issued a warning letter for failure to identify a disassociated person in the casino. The two (2) separate violations occurred in 2017.



# Michigan Gaming Control Board

## Supplier Fines

### Aristocrat Technologies Inc.

7/11/2017: The MGCB settled a violation related to permitting an unlicensed person to conduct activities in a casino that required a license under the supplier licensee. The incident occurred 5/4/2016, with a fine of \$15,000.

## Employee Licensing Section

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The Detroit casinos and related suppliers employ approximately 7,000 personnel in positions requiring an occupational license. These individuals are licensed for a two-year period. In 2017, the section received 4,467 new and renewal occupational applications for investigation.

Occupational and Renewal Applications Received in 2017	
Supplier/Vendor Applications	1,060
MGM Grand Casino Applications	1,430
MotorCity Casino Applications	1,103
Greektown Casino Applications	874
<b>Total</b>	<b>4,467</b>

In addition, licensing actions were taken against occupational licensees due to various violations of the Michigan Gaming Control & Revenue Act and Administrative Rules as depicted below:

	Employee Licensing	Criminal Investigations	Enforcement Section	Totals
Voluntary Surrenders	9	9	0	18
Voluntary Withdrawals	14	0	0	14
Warning Letters	3	1	22	26





## Minors and Compulsive Gambling

### Annual Underage and Compulsive Gaming Studies

Section 15(2) of the Act, MCL 432.215(2), requires each casino licensee to conduct an annual study on minors and compulsive gaming. Section 15(1) of the Act further requires MGCB include certain information regarding minors on casino premises, which each licensee must compile as part of the annual study. The following table summarizes the required information compiled and reported by each of the three Detroit commercial casino licensees in their respective annual studies on minors and compulsive gaming for calendar year 2017:

**Casino Licensees' Reported Contacts with Minors  
On Licensed Casino Premises During Calendar Year 2017**

<i>Number of Minors</i>	<b>MGM Grand</b>	<b>MotorCity</b>	<b>Greektown</b>
<b>Denied entry into the casino*</b>	<b>2,026</b>	<b>14,525</b>	<b>8,082</b>
<b>Physically escorted from the casino premises</b>	<b>8</b>	<b>0</b>	<b>6</b>
<b>Detected participating in gambling games other than slot machines</b>	<b>1</b>	<b>3</b>	<b>0</b>
<b>Detected using slot machines</b>	<b>1</b>	<b>1</b>	<b>3</b>
<b>Taken into custody by a law enforcement agency on the casino premises</b>	<b>8</b>	<b>3</b>	<b>0</b>
<b>Detected illegally consuming alcohol on the casino premises</b>	<b>0</b>	<b>1</b>	<b>0</b>

*\* Numbers indicate all patrons denied entry as reported by the casinos*

*Note: MGM reported the same minor was detected at a slot machine and in a gambling game other than slots.*



# Michigan Gaming Control Board

## Board Revenues and Expenditures

### State Services Fee Fund

Section 432.212a of the Act provides all casino-related regulatory and enforcement costs, compulsive gambling programs and other casino-related programs, activities, and services conducted by MGCB, the MSP, AG's office, MDCH and other state agencies shall be paid from annual fees assessed on the three Detroit casino licensees. Under the Act, each casino 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 casinos were assessed and paid a total of \$33,917,145 for calendar year 2017 and \$33,562,633 for fiscal year 2017.

From the annual assessment fees paid each year by the licensees, \$2,000,000 must be deposited in the State of Michigan's Compulsive Gaming Prevention Fund. Up to \$1,040,000 may be distributed annually to the Domestic Violence and Treatment Board administered by the Department of Health and Human Services (DHHS). The remaining \$960,000 is to be used exclusively for the treatment, prevention, education, training, research and evaluation of compulsive gamblers and their families, as determined by the director of the DHHS.

### Application and License Fees, Fines and Costs

MGCB is authorized by the Act to collect various license application fees to fund MGCB'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 MGCB to assess and collect license fees for both the initial issuance and subsequent renewals of casino, supplier and occupational licenses. In addition to application and license fees, the Act authorizes MGCB 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. MGCB collected application and license fees and other authorized fees, fines and reimbursement of costs totaling \$2,126,698 for calendar year 2017, and \$2,292,922 for fiscal year 2017.



# Michigan Gaming Control Board

## **Native American Casino Fund**

The Indian Gaming Oversight program originally was established within the Office of Racing Commissioner, Department of Agriculture. The Governor of Michigan officially designated and authorized the Executive Director of MGCB and his designees, agents and employees as the State of Michigan's representative to conduct the State's authorized inspections of tribal Class III gaming facilities and records. This is done pursuant to and in accordance with the provisions of the various Tribal-State Compacts for the conduct of tribal Class III gaming on Indian lands in Michigan. Oversight responsibilities include conducting financial and compliance audits of the tribal casino's operations to determine the extent of compliance with the Tribal-State Gaming Compacts and related consent judgments. MGCB Board members have no oversight role or authority over the Tribal-State Gaming Compacts. Each compact outlines that the tribe shall make annual payments to the State to fund 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 agreements stipulate 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 Board for oversight related to these payments.

## **Lab Fund**

Administrative Rule 432.1842 of the Act provides that all gaming devices and equipment distributed to a casino licensee must be approved by the Board prior to being placed on the gaming floor of the Detroit casinos. It further requires the manufacturer or distributor of the equipment to pay the cost of testing. The lab has an established fee schedule for payments of various testing which is designed to fund the costs associated with testing.

## **Equine Development Fund (Horse Racing)**

Per Executive Order 2009-45 the Office of the Racing Commissioner and the position of Racing Commissioner were abolished and those functions were transferred to the MGCB Executive Director. All powers, duties, and functions of regulating live horse racing were placed with the Executive Director effective January 17, 2010. MGCB Board members have no authority or role in regulating live horse racing. Prior to Executive Order 2009-45, the Office of Racing Commissioner was a Type-I agency under the Michigan Department of Agriculture, now referred to as the Michigan Department of Agriculture and Rural Development (MDARD). Executive Order 2009-54 maintains the authority, powers, duties and functions under Section 20 of the *Horse Racing Law of 1995*, Public Act 279 of 1995, MCL 431.320 (Equine Development Fund) within MDARD effective March 15, 2010. These Executive Orders gave regulatory authority over racing to the Executive Director, but this function's funding is still retained by the MDARD.



# Michigan Gaming Control Board

## **State Lottery Fund (Millionaire Party)**

Per Executive Order 2012-04 the licensing and regulation of charitable millionaire party gaming was transferred from Lottery to the MGCB Executive Director. This executive order transferred the licensing and regulatory authority of millionaire party gaming under the Bingo Act to the MGCB Executive Director; however, Lottery retains the funding of this function through the State Lottery Fund. All millionaire party fees collected by MGCB are remitted for deposit into the State Lottery Fund, and all necessary expenses incurred by MGCB are financed from the State Lottery Fund. MGCB Board members have no authority or role in regulating millionaire parties. Regulation of other forms of charitable gaming such as bingo and raffles remains with Lottery.

## **Board Statement of Revenues and Expenditures**

Section 432.215(1) of the Act requires MGCB's Annual Report include an account of financial position and the results of operations under the Act, for the period covered by the report. Like other state agencies, MGCB operates on a fiscal year (October 1 – September 30) basis, but the Act requires MGCB's Annual Report be based on the calendar year. To give a more comprehensive account of financial position and the results of operations, the following financial statement reports MGCB's revenues and expenditures for both calendar year and fiscal year 2017.

# Statement of Revenues and Expenditures

(In Thousands)

<b>REVENUES</b>	<b>Fiscal Year 2017</b>	<b>Calendar Year 2017</b>
<b>State Casino Gaming Fund</b>		
Casino and supplier fines	\$ 105.6	\$ 109.6
Other	0.1	0.1
<b>State Services Fee Fund</b>		
Annual Assessments	33,562.6	33,917.1
<u>Application Fees:</u>		
Casinos	82.1	82.1
Suppliers	361.7	344.4
Occupational	163.4	180.3
Vendors	19.8	22.8
<u>License Fees:</u>		
Casinos	75.0	75.0
Suppliers	535.0	530.0
Occupational	363.9	376.6
Vendors	61.9	61.8
<u>Other Fees:</u>		
Badge Replacement Fees	5.9	6.0
Other	0.1	0.1
<b>Native American Casino Fund</b>		
Oversight fees	786.5	695.1
<b>Lab Fund</b>		
Testing fees	518.6	338.0
<b>Total Revenue</b>	<b>\$ 36,642.2</b>	<b>\$ 36,739.0</b>
<b>EXPENDITURES</b>		
<b>State Casino Gaming Fund</b>		
Information Technology	\$ (326.5)	\$ (326.5)
<b>State Services Fee Fund</b>		
Board	(5.1)	(4.8)
Administration	(20,546.8)	(20,868.2)
Information Technology	(3,090.0)	(2,890.7)
<b>Native American Casino Fund</b>	(688.6)	(694.7)
<b>Lab Fund</b>	(505.8)	(478.2)
<b>Millionaire Party Fund</b>	(2,685.1)	(2,669.4)
<b>Equine Development Fund</b>	(1,707.3)	(1,806.5)
<b>Total Expenditures</b>	<b>\$ (29,555.2)</b>	<b>\$ (29,739.0)</b>

## Statement of Revenues and Expenditures (cont.)

(In Thousands)

OTHER FINANCING SOURCES (USES)		
<b>Transfers from Other Funds:</b>		
Department of Agriculture	\$ 1,724.3	\$ 1,724.3
Michigan State Lottery	2,786.8	2,732.6
<b>Total Transfers from Other Funds</b>	<b>4,511.1</b>	<b>4,456.9</b>
<b>Transfers to Other Funds:</b>		
<b>State Services Fee Fund</b>		
Department of Community Health	(960.0)	(320.0)
Department of Human Services	(1,040.0)	(346.7)
Michigan Office of the Auditor General	(1,357.9)	(1,357.9)
Department of Treasury	(319.0)	(319.0)
Michigan State Police	(8,055.0)	(8,055.0)
Department of Civil Service	(200.3)	(200.3)
<b>Native American Casino Fund</b>		
Department of Civil Service	(10.8)	(10.8)
<b>Lab Fund</b>		
Department of Civil Service	(8.0)	(8.0)
<b>State Lottery Fund</b>		
Department of Treasury	(59.8)	(59.8)
Department of Civil Service	(41.9)	(41.9)
<b>Equine Development Fund</b>		
Department of Civil Service	(17.0)	(17.0)
<b>Total Transfers to Other Funds</b>	<b>\$ (12,069.7)</b>	<b>\$ (10,736.4)</b>
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (7,558.6)</b>	<b>\$ (6,279.5)</b>
<b>Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>\$ (471.6)</b>	<b>\$ 720.5</b>
<b>Footnotes:</b>		
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.		





This Annual Report was not produced at taxpayer expense.

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