



# 2015 ANNUAL REPORT



# Annual Report To The Governor

**Calendar Year 2015**



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, 2016  
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 2015, pursuant to Section 15(1) of the *Michigan Gaming Control and 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 2015.

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

The Michigan Gaming Control Board (MGCB) took significant steps in 2015 to make it easier for small businesses to supply goods or services to the Detroit casinos by relaxing small-business disclosure requirements and improving license exemption turnaround time.

By changing disclosure requirements for non-gaming Detroit casino suppliers, 24 percent fewer vendor licensing exemptions were needed, and the MGCB received 20 percent fewer license requests through December. The agency also cut the casino licensing exemption turnaround time in half from 42 days to 21 days, saving 16,800 processing days in 2015.

The MGCB also decreased its millionaire party license application turnaround time by 12 days, or 28 percent, in 2015. On average, the agency awarded charity gaming licenses within 31 days of receiving an application.

The improvements show our agency's ongoing commitment to our mission and our responsibilities for licensing and regulating commercial casino gaming, charitable gaming millionaire parties and live horse racing in the State of Michigan. The MGCB also provides oversight of compliance with the Tribal-State Compacts with the 12 federally recognized tribes operating casinos in Michigan.

The three Detroit casinos reported 2015 aggregate revenue of \$1.37 billion. State gaming taxes for the three Detroit casinos were \$111 million. The city of Detroit's budget relies strongly on taxes and development agreement payments by the three casinos, which totaled \$174.3 million in 2015. Charitable gaming millionaire parties self-reported 2015 revenues of \$89.3 million with \$8.4 million self-reported as net profit. Horse racing revenues continued to decline in 2015 with combined horse racing revenue at \$3.5 million.

In May, the Michigan Court of Appeals issued a ruling that restored the 2014 millionaire party administrative rules. The appellate court upheld the legality of MGCB's rulemaking process, reversing a lower court's 2014 order permanently enjoining the rules.

Throughout 2015, our agency worked with Michigan State Police and local law enforcement agencies to suspend operators and locations violating the Bingo Act and to investigate illegal gambling activities. Additionally, the MGCB continues to work closely with our partner agencies – the Michigan State Police and the Michigan Attorney General's office – as well as the Detroit Police Department and the commercial casinos' security directors to ensure enforcement of the Gaming Control and Revenue Act.

I must express my appreciation to the Governor, the Legislature, our partner agencies and other public officials who support our efforts to regulate gaming. My sincere appreciation also goes to the Board and MGCB employees who ensure our mission of fair and honest gaming to protect the interests of the citizens of Michigan is accomplished every day. Our agency's success can be attributed directly to our professional, dedicated and committed staff who ably adapt to an ever-changing gaming environment.

If you should need additional information or assistance, please contact us.

Sincerely,

/s/

Rick Kalm  
Executive Director







# 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 substantially amended 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 MGCB, and provided for a system for collection of wagering taxes and fees for the City of Detroit and the State of Michigan.

The Board is comprised of five Michigan residents appointed by the Governor with the advice and consent of the Senate. One member is designated by the Governor as the chairperson. Under the Act, no more than three members may belong to the same political party. The Michigan Legislature vested the Board and the 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

## Summary of the Michigan Gaming Control & Revenue Act

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

- Authorizes up to three licensed casinos in the City of Detroit (MGM Casino was licensed in July 1999; MotorCity Casino was licensed in December 1999; Greektown Casino was licensed in November 2000).
- Creates the Michigan Gaming Control Board (an autonomous agency within the Michigan Department of Treasury) and vests the Board with exclusive authority to license, regulate, and control casino gaming in the three authorized Detroit casinos.
- Authorizes the Board to promulgate necessary administrative rules to properly implement, administer, and enforce the amended Act.
- Provides for the licensing, regulation, and control of casino gaming operations; manufacturers and distributors of gaming equipment and other casino suppliers; and casino and supplier employees.
- Establishes standards and procedures for the issuance of casino licenses, casino supplier licenses, occupational licenses, and the approval of gambling games and gaming equipment and devices.
- Authorizes civil and criminal penalties for violation of the Act.
- Authorizes and imposes certain state and city wagering taxes on casinos and various fees on casino, supplier, and occupational licensees.
- Requires the deposit of state casino wagering tax revenues in the state school aid fund for K-12 public education in Michigan.
- Authorizes the City of Detroit to levy and collect wagering taxes and municipal services fees to defray the cost of hosting casinos and provide funding for police training and public safety programs, local economic development programs, youth development programs, capital improvements, local tax relief, and other programs to improve the quality of life in the City of Detroit.
- Creates the State Services Fee Fund to provide funding for the operations of the Board to license, regulate, and control casino gaming, and for the State's compulsive gambling prevention program and other casino-related programs.
- Requires annual Board registration of local labor organizations representing casino gaming employees.
- Requires certain safeguards by casino licensees to prevent compulsive and underage gambling.
- Prohibits political contributions by certain persons with interests in casino and supplier license applicants and licensees to state and local political candidates and certain committees.
- Establishes certain requirements and safeguards for members, employees, agents of the Board, license applicants, licensees, and others involved in gaming to prevent conflicts of interest.



# Michigan Gaming Control Board

## Michigan Gaming Control Board 2015 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. 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.

### Mr. Michael Watza



Mr. Watza, partner of Kitch, Druthas, Wagner, Valitutti & Sherwood, was reappointed by Governor Rick Snyder to serve as a board member for a term expiring on December 31, 2016.

### 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, 2016.

### 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

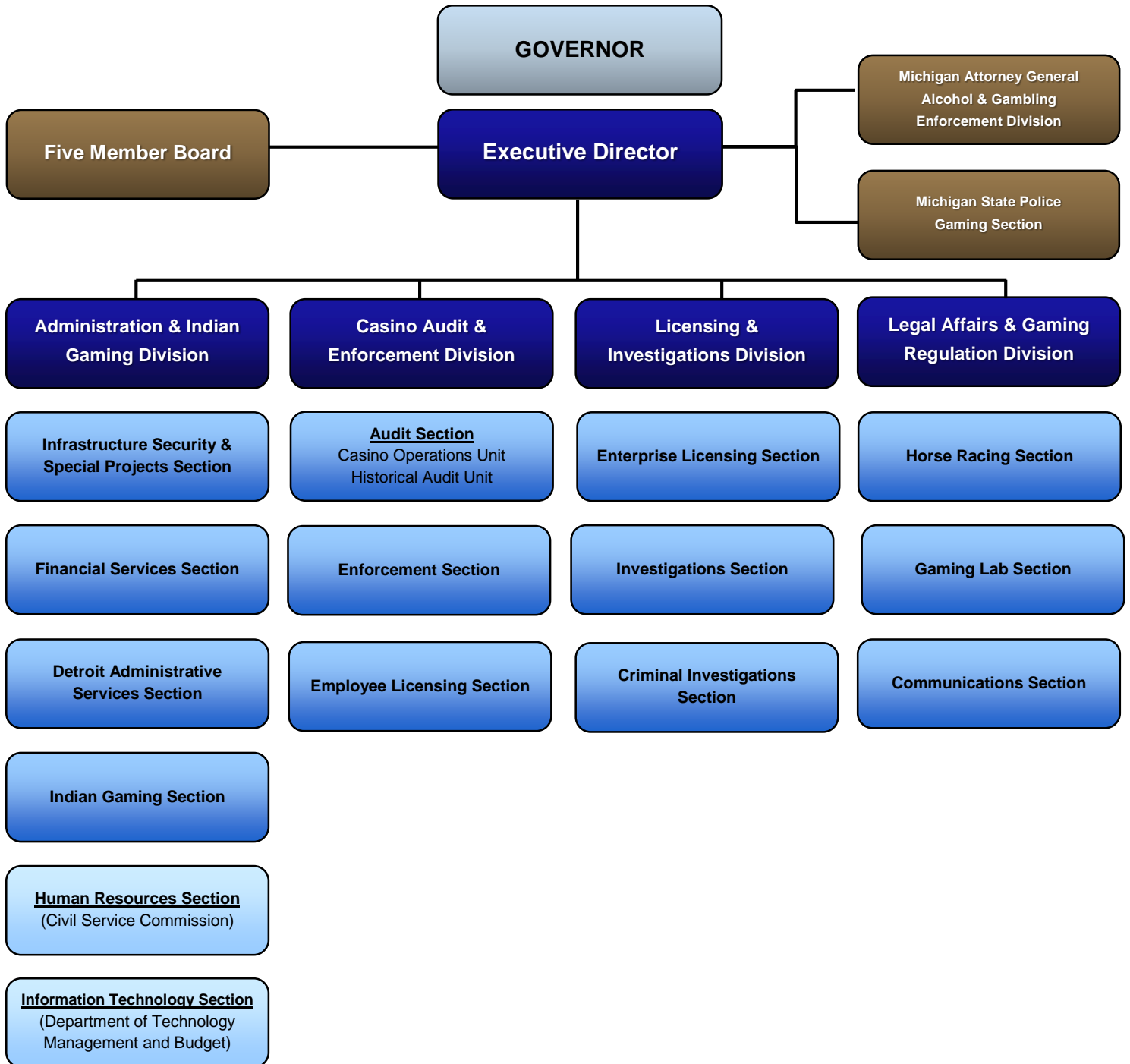


Mr. Palms, Executive Director of Communications Systems at the University of Michigan, was reappointed by Governor Rick Snyder to serve as a board member for a term expiring on December 31, 2019.



# Michigan Gaming Control Board

## 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 2015. 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 13, 2015  
March 10, 2015  
May 12, 2015

June 16, 2015  
September 8, 2015  
November 10, 2015

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.

### Board Resolutions

One resolution, 2015-01, was adopted in calendar year 2015 which altered the supplier licensing threshold.



# Michigan Gaming Control Board

## Notable Accomplishments

### Administration & Indian Gaming Division

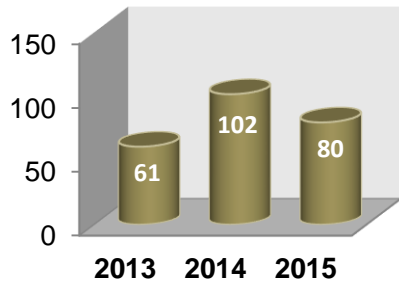
In 2015, the primary project for MGCB was the continuance of the MGCB IT modernization project. The MGCB IT modernization project encompasses the replacement of over 20 MGCB legacy systems with a more efficient and customer friendly IT application. The Request for Proposal (RFP) for this replacement system was released to bid on December 22, 2015.

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

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

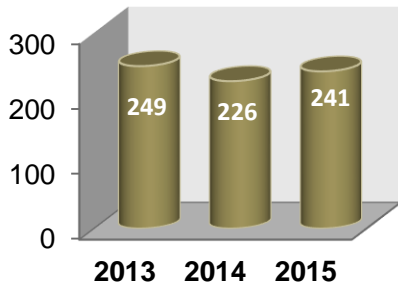
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**Diversion Program Completions by Year \***



The Act created the Disassociated Persons List (DPL) designed for problem gamblers who request to self-exclude themselves from entering and gaming at the three casinos located in the city of Detroit for the remainder of his or her life. The law also states that 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, 2015, there were 3,792 people in the DPL program.

**Annual Approved DPL Applications by Year**



In 2015, 78 first time DPL offenders were offered the Diversion Program and 80 discharge summaries were received for first time offenders completing the program. As of December 31, 2015, the cumulative number of DPL offenders offered the Diversion Program was 479. The cumulative total of discharge summaries received for first time offenders completing the Diversion Program was 368. In calendar year 2015, two additional providers were added to the Diversion Program provider list, increasing the number of providers participating in the program to 10.

*\* Individual diversion programs can elapse over a calendar year with several offenders offered the Diversion Program in 2015 not completing the program until 2016. Statistics provided above are the number of completed individual diversion programs per calendar year.*





# Michigan Gaming Control Board

## Casino Audit & Enforcement Division



### **Audit Section**

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In 2015 Historical and Daily Audit sections were merged under one reporting structure, to maximize the talent and effectiveness of staff the while still performing historical and daily operational audits.

#### *Historical Audit Unit*

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Historical Audit completed and issued final reports for eight compliance audits for calendar year 2015. The staff conducted compliance audits at each of the three Detroit commercial casinos' gaming operations for the following areas: Player Development, Title 31/Title 26, Table Games and EGD Drop/Count, and Purchasing. 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.

Historical Audit concluded the three Detroit casino gaming operations were generally in compliance. However, for all three casinos combined, the following audit findings were noted: two Administrative Rule violations, six issues of noncompliance to internal controls, and nine administrative modifications to internal control systems.

#### *Casino Operations Unit*

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Casino Operations completed the review of 1,095 daily tax returns and 36 monthly tax returns to provide reasonable assurance the reporting of \$1.38 billion in gaming revenue to the State of Michigan was free of material misstatement. Furthermore, it was assured the proper payments of \$111.5 million in state wagering taxes were paid and received. They also completed the review of monthly credit reports and quarterly reports for 2015 to ensure the licensees were in compliance with the Administrative Rules and their Internal Control Standards (ICS). Monthly and quarterly financial information, as required for submission by the licensees, have been or are being reviewed and analyzed accordingly.



# Michigan Gaming Control Board

In addition, the Michigan Gaming Control Board audit section met in December 2015 with City of Detroit officials to collaborate on confirming the wagering taxes received from the three Detroit casinos going forward.

## **Enforcement Section**

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The Enforcement Section continues to carry out 7 days a week/24 hours a day monitoring of the casinos' responsibilities to ensure gaming integrity. Regulation officers are located in the three Detroit casinos and 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 2015, the Enforcement Section issued violations and imposed fines as follows:

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

On 4/10/2015, GTC received a warning letter for allowing a minor to enter the casino.

On 9/8/2015, the MGCB settled violations related to nine minors in the casino. The time frame for the violations encompassed 2013 through 2014 with the total amount of fines being \$34,000.

On 9/8/2015, the MGCB settled violations related to GTC operating promotions and/or tournaments not in accordance with approved rules. The time frame for these violations encompassed 2013 through 2014 with the total amount of fines being \$48,000.

On 9/8/2015, the MGCB settled additional violations related to GTC's failure to maintain video coverage of a patron dispute and the casino's failure to identify a disassociated person in the casino. The time frame for these two incidents encompassed 2013 through 2014 with the total amount of fines being \$45,000.

On 10/1/2015, GTC received a warning letter for failing to respond to a patron dispute in the required time.

On 11/5/2015, GTC received a warning letter for failure to maintain video coverage related to a patron dispute.

On 11/10/2015, the MGCB settled violations related to 2 minors in the casino. GTC paid a fine totaling \$5,000 for the violations which occurred in 2014.

On 12/21/2015, GTC received a warning letter for allowing an unauthorized employee access to surveillance coverage.



# Michigan Gaming Control Board

Warning letters were issued to nine (9) GTC employees holding occupational licenses. Eight (8) were warned regarding allowing minors to enter the casino and one (1) was warned for failing to properly report cash transactions. The time frame for these violations encompassed 2014 through 2015.

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

On 5/12/15, the MGCB settled a violation related to a 2013 incident regarding the casino failing to properly record withholding taxes with the total amount of fine being \$2,500.

On 5/12/2015, the MGCB settled violations related to two minors in the casino. The time frame for the violations encompassed 2013 through 2014 with the total amount of fines being \$8,500.

Two (2) MCC occupational licensees received written warning letters for allowing minors to enter the casino. The time frame for these violations encompassed 2014 through 2015.

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

Four (4) MGM occupational licensees received written warning letters for allowing minors to enter the casino. The time frame for these violations encompassed 2014.

## **Supplier Fines**

### American Gaming Electronic

On 9/8/15, the MGCB settled a violation related to the distribution of unapproved software. American Gaming paid a fine totaling \$8,000 for the violation which occurred in 2014.

### JMC Electrical Contractor

On 9/8/2015, the MGCB settled a violation related to the vendor allowing an unlicensed employee on the gaming floor. JMC paid a fine totaling \$10,000 for the violation which occurred in 2014.



# Michigan Gaming Control Board

## 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 2015, the section received 4,323 occupational and renewal applications for investigation.

Occupational and Renewal Applications Received in 2015	
Supplier/Vendor Applications	1,056
MGM Grand Casino Applications	1,364
MotorCity Casino Applications	1,068
Greektown Casino	835
<b>Total</b>	<b>4,323</b>

In addition, licensing actions have been 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	1	19	0	20
Voluntary Withdrawals	19	0	0	19
Warning Letters	2	3	15	20



# 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, licensing related to the millionaire party program, and conducting regulatory and criminal investigations.

### Enterprise Licensing Section

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The Enterprise Licensing Section is responsible for the licensing function for commercial casinos, suppliers to commercial casinos, administering licensing exemptions, reviewing casino debt transactions, reviewing transfers of ownership in casino and supplier licensees, licensing related to the millionaire party program (refer to the Millionaire Party section below for additional information), and assisting the Investigations Section with analytical review of financial documentation related to ongoing investigations.

The Act and related Administrative Rules require gaming and nongaming suppliers providing a good or service to a commercial casino to obtain a license with the MGCB, with the exception of entities qualifying for an exemption from licensing requirements. As of December 31, 2015, there were 120 active supplier licensees.

Vendor exemptions and supplier 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 only eligible for nongaming entities providing a good or service under an established monetary threshold determined by the Board. As of December 31, 2015, there were 756 entities holding a vendor exemption with MGCB. 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, 2015, there were 363 entities holding a supplier license exemption.

<b>Entities Licensed or Exempt Through MGCB (As of December 31, 2015)</b>	
Commercial Casinos	3
Licensed Suppliers	120
Supplier License Exemptions	363
Vendor Exemptions	756
<b>Total</b>	<b>1,242</b>



# Michigan Gaming Control Board

## Investigations Section

The Act requires each supplier to renew its license annually. In 2011, the policy for conducting the annual review of suppliers was updated to require an onsite investigation only every five years for the applicants, while the investigation occurs remotely for the four interim years. This policy update has reduced costs associated with the renewal for the suppliers and has proved to be a more efficient and 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 all 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 person making application and persons who hold a greater than 1 percent direct or indirect interest in the person making application for a license.

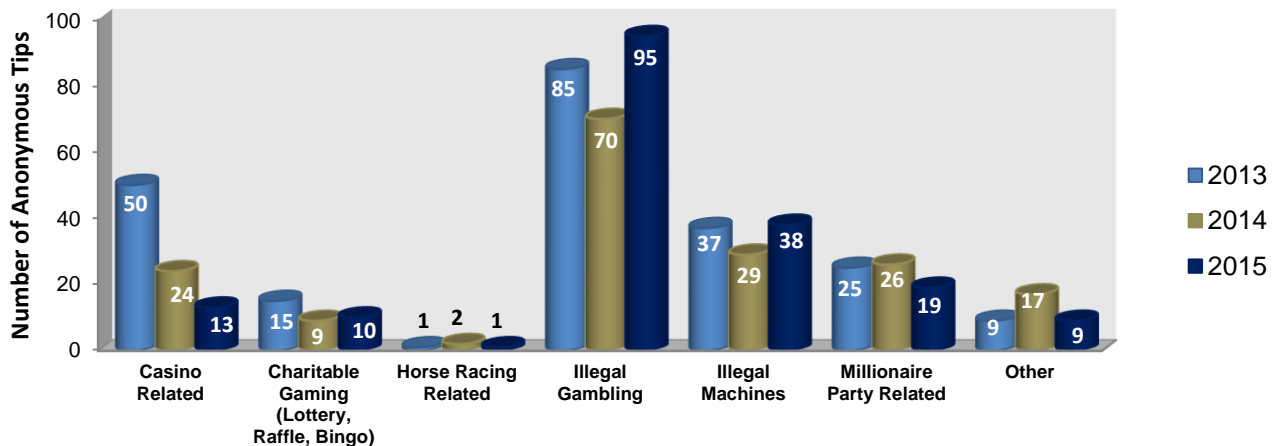
In 2015, MGCB staff conducted supplier investigations throughout the United States, Canada, and Australia.

The Investigations Section also conducted three casino renewal investigations. Recommendations for approval of the three casino renewals were approved by the Board on September 8, 2015.

## Criminal Investigations Section

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 appropriately assigned for follow-up investigations. The CIS forwarded 37 anonymous tips to other agencies for follow-up. The following chart 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**





# Michigan Gaming Control Board

## *Investigations Involving Occupational Licensee*

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During 2015, the CIS conducted 58 investigations into alleged criminal violations by holders of an occupational license issued by the MGCB. These particular investigations, while criminal, focused on licensee suitability and paralleled an investigation conducted by the Michigan State Police Gaming Section. As a result of these investigations, 15 individuals voluntarily surrendered their occupational licenses, one warning letter was issued, and one verbal warning was issued. Additionally, three investigations were turned over to Employee Licensing, five investigations were turned over to the Enforcement Section, and one investigation was turned over to the Michigan State Police Gaming Section for follow-up.

## *Exclusion List*

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The MGCB is committed to ensuring a safe environment for those who patronize the three licensed casinos in Detroit as well as all state licensed race tracks. One method for accomplishing this goal is to exclude individuals from entering any of the casinos or race tracks 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) and MGCB licensed race tracks as outlined in MCL 431.307(3). The Exclusion List, which is posted on the MGCB website, contains the names of individuals who meet the criteria for exclusion and are not allowed into any of the three licensed casinos. Violating this exclusion is a misdemeanor criminal offense. In 2013, the CIS completed and implemented policies and procedures for adding individuals to the MGCB's Exclusion List. During 2015, 15 individuals were investigated for possible exclusion from the three licensed casinos and licensed race tracks. Fourteen investigations resulted in individuals being added to the exclusion list. Six additional individuals are being reviewed for possible exclusion.



# Michigan Gaming Control Board

## Legal Affairs & Gaming Regulation Division

### Horse Racing Section

Michigan's horse racing industry raced at two tracks in 2015 for the first time since the 1940s due to the closure of Mount Pleasant Meadows and Sports Creek Raceway. The two racing types, harness and thoroughbred, are now represented by one track each. While simulcast wagering taxes decreased 9% in 2015 due to the closure of Sports Creek Raceway, taxes generated at the remaining tracks showed an increase.

Live racing opportunities for the Michigan harness industry at Northville Downs increased substantially as did the revenue from live wagering. Live racing opportunities for thoroughbreds, quarter horses and Arabian horses were cut short when purse pool funding at Hazel Park Raceway was expended before completion of the allotted days.

Horse racing staff has requested proposed changes in legislation that would update the Horse Racing Law of 1995. The staff also reviewed and suggested changes to the rules, policies and procedures to ensure they are within national and state horse racing standards.

<b>Summary of Horse Racing Revenue</b>	
<b>January 1, 2015, through December 31, 2015</b>	
Simulcast Wagering Taxes*	\$3,556,749
Occupational License Fees	36,790
Outs**	277,726
Racing Fines	3,475
Track Licenses	
Other Revenue	
Revenue Transfers	
<b>Total Horse Racing Revenue</b>	<b>\$3,874,740</b>
<b>State Tax Summary</b>	
Hazel Park Raceway	\$1,981,164
Mount Pleasant Meadows	
Northville Downs	1,575,585
Sports Creek Raceway	
<b>Total State Tax</b>	<b>\$3,556,749</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. The funds were received as revenue in 2015.





# Michigan Gaming Control Board

## *Licensees and Licenses*

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MGCB issues licenses for owners, trainers, assistant trainers, drivers, jockeys, apprentice jockeys, veterinarians, farriers, racing officials, track and association employees, grooms, stable help, vendors, corporations, partnerships, and temporary licenses for authorized access to various restricted areas of the track. There are a total of 58 licensing categories. During 2015, the MGCB licensed 1,566 individuals who held a total of 1,900 licenses. Some licensees hold more than one license.

For additional information regarding horse racing, please refer to the MGCB 2015 Horse Racing Annual Report.

## **Gaming Lab Section**

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In 2015, the lab completed 1,068 gaming product evaluations covering 1,558 items. Of the 1,068 product evaluations completed, 1,034 were for new gaming software and 34 for new gaming hardware. The lab randomly performed 983 unique tests on new product submissions. The lab also revoked 57 previously approved product submissions.

Lab staff also performs forensic evaluations, provides expert witness testimony, reviews progressive liability transfers performed by the casino, 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

## **Millionaire Party**



Governor Rick Snyder signed Executive Order 2012-4 on April 11, 2012, transferring the licensing and regulation of millionaire parties from the Michigan Lottery (Lottery) Commissioner to the Executive Director of MGCB effective 60 days from the date of signing of the Order. 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 on 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 citizens, fraternal, or veterans' organizations that operate 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).

## **Locations**

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Locations may be at church venues, K of C halls, VFW halls, etc. However, a location also may be a 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.

As of December 31, 2015, there were 50 active recurring locations hosting millionaire parties.

## **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, 2015, there were 33 active millionaire party suppliers licensed by the Executive Director.



# Michigan Gaming Control Board

## Post and On-Site Inspections\*

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In 2015, the MGCB conducted 732 on-site inspections and 582 post inspections resulting in the following actions:

- 19 Notice of Opportunity to Show Compliance (NOSC) letters issued resulting in the loss of 42 licenses to charities
- 106 written warnings issued to charitable organizations for various violations
- 102 verbal warnings issued to charitable organizations for various violations

*\*Post 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.*

*On-Site Inspection: Regulation officers conduct inspections during ongoing millionaire party events. The purpose is to ensure compliance with the Act and Rules. The inspections are conducted regularly at random events.*

## Compliance Actions Against Suppliers

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While conducting an on-site inspection at a location, a regulation officer discovered a dealer working for the supplier had provided false identification. The dealer was a convicted felon and is prohibited from being a dealer. This resulted in the suspension of the supplier license. The supplier avoided a license suspension and license revocation hearing by agreeing to surrender its license voluntarily.

A regulation officer conducting a post inspection on several qualified organizations discovered a supplier had committed multiple violations of the Bingo Act. In addition, the supplier had been cited two times in the recent past for Bingo Act violations. The MGCB halted millionaire parties involving this supplier. The supplier avoided a license suspension and license revocation hearing by agreeing to surrender its license voluntarily.



# Michigan Gaming Control Board

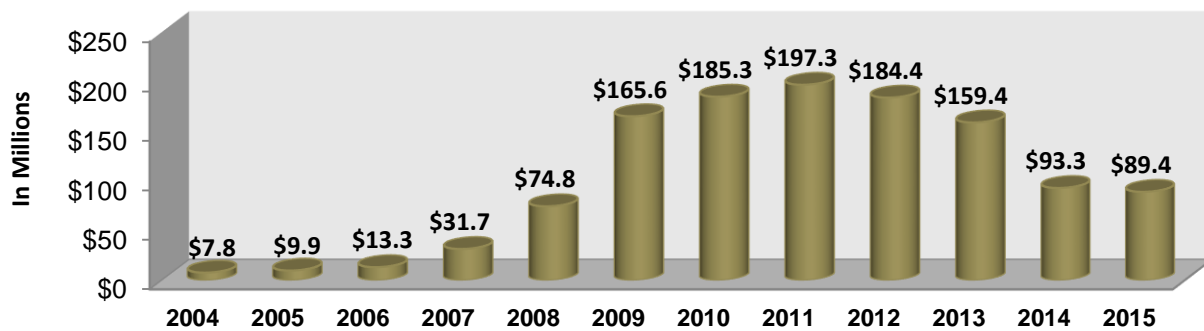
## Licensing Activity

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For the calendar year 2015, a total of 2,820 millionaire party licenses were issued, compared with 3,022 in 2014, representing a 6.6% reduction year over year. This reduction was driven primarily from licensing restrictions established by Administrative Rules with the intent of slowing the expansion of large-scale, casino-style poker rooms. When compared with 2014, licensing volumes in 2015 remained relatively consistent throughout the year.

All financial data MGCB gathers relating to the millionaire party program is self-reported by the charitable organizations conducting millionaire party events. As such, the self-reported data supports that 2015 millionaire party revenue was \$89,391,942, with net profit to charitable organizations being \$8,447,072.

**Millionaire Party Revenue\***  
(In Millions)



*\*Revenues are self-reported by charitable organizations*

## Qualified Organizations and Event Days

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During calendar year 2015, 1,055 charities held 2,820 licensed millionaire party events. This equates to 10,146 days of millionaire party event gaming during 2015.



# Michigan Gaming Control Board

## Minors and Compulsive Gambling

### Annual Underage and Compulsive Gaming Studies

Section 15(2) of the Act, MCL 432.215(2), requires that each casino licensee conduct an annual study on minors and compulsive gaming. Section 15(1) of the Act further requires MGCB include certain information regarding minors on casino premises, which each licensee must compile as part of their 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 2015:

#### Casino Licensees' Reported Contacts with Minors On Licensed Casino Premises During Calendar Year 2015

<i>Number of Minors</i>	<b>MGM Grand</b>	<b>MotorCity</b>	<b>Greektown</b>
Denied entry into the casino	405*	13,768	4,942
Physically escorted from the casino premises	20	1	5
Detected participating in gambling games other than slot machines	1	1	1
Detected using slot machines	1	2	1
Taken into custody by a law enforcement agency on the casino premises	20	1	1
Detected illegally consuming alcohol on the casino premises	1	0	1

*\*Does not include persons denied entry without identification.*



# 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 \$33,857,015 for calendar year 2015 and \$33,634,524 for fiscal year 2015.

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 \$2,764,440 for calendar year 2015, and \$3,171,749 for fiscal year 2015.



# 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, 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. Board members of MGCB have no oversight role or authority over the Tribal-State Gaming Compacts. Within each of these compacts, it is outlined 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. Please reference the separate MGCB annual report on Indian Gaming for additional details.

## **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 provides the manufacturer or distributor of the equipment is required 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 Executive Director of MGCB. All powers, duties, and functions of regulating live horse racing were placed with the Executive Director effective January 17, 2010. Board members of MGCB 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. 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 the Michigan Department of Agriculture effective March 15, 2010. These Executive Orders gave regulatory authority of racing to the Executive Director, but the funding of this function 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 Executive Director of MGCB. This Executive Order transferred the licensing and regulatory authority of millionaire party gaming under the Bingo Act to the Executive Director of MGCB, however the funding of this function is still retained by Lottery through the State Lottery Fund. All fees collected by MGCB in connection with Millionaire Parties are remitted for deposit into the State Lottery Fund and all necessary expenses incurred by MGCB are financed from the State Lottery Fund. Regulation of other forms of charitable gaming such as bingo and raffles remain 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. While MGCB, like other state agencies, operates on a fiscal year (October 1 – September 30) basis, 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 2015.



# Statement of Revenues and Expenditures

<i>(In Thousands)</i>		
<b>REVENUES</b>		
	<b>Fiscal Year 2015</b>	<b>Calendar Year 2015</b>
<b>State Casino Gaming Fund</b>		
Casino and supplier fines	\$913.8	\$628.8
Other	.8	1.3
<b>State Services Fee Fund</b>		
Annual assessments	33,634.5	33,857.0
<u>Application Fees:</u>		
Casinos	23.1	23.6
Suppliers	246.8	240.5
Occupational	159.9	138.4
Vendors	32.1	28.7
<u>License Fees:</u>		
Casinos	75.0	75.0
Suppliers	600.0	560.0
Occupational	402.6	387.4
Vendors	75.1	72.2
<u>Other Fees:</u>		
Badge Replacement Fees	6.1	6.2
Other	0.0	0.1
<b>Native American Casino Fund</b>		
Oversight fees	765.7	715.7
<b>Lab Fund</b>		
Testing fees	636.5	602.3
<b>State Lottery Fund</b>		
Other	1.1	-
<b>Total Revenues</b>	<b>\$37,573.1</b>	<b>\$37,337.2</b>
<b>EXPENDITURES</b>		
<b>State Services Fee Fund</b>		
Board	\$ (6.8)	\$ (8.1)
Administration	(20,211.0)	(19,580.5)
Information technology	(1,861.4)	(2,039.1)
<b>Native American Casino Fund</b>		
	(677.0)	(721.6)
<b>Lab Fund</b>		
	(628.5)	(606.8)
<b>Millionaire Party Fund</b>		
	(2,484.3)	(2,631.8)
<b>Equine Development Fund</b>		
	(1,522.6)	(1,502.2)
<b>Total Expenditures</b>	<b>\$ (27,391.6)</b>	<b>\$ (27,090.1)</b>

# Statement of Revenues and Expenditures (cont.)

<i>(In Thousands)</i>		
<b>OTHER FINANCING SOURCES (USES)</b>		
<b>Transfers From Other Funds:</b>		
Department of Agriculture	\$1,535.2	\$ 1,535.2
Michigan State Lottery	2,571.1	2,643.2
<b>Total Transfers From Other Funds</b>	<b>4,106.3</b>	<b>4,178.4</b>
<b>Transfers To Other Funds:</b>		
<b>State Services Fee Fund</b>		
Department of Community Health	(960.0)	(960.0)
Department of Human Services	(1,040.0)	(1,040.0)
Michigan Office of the Auditor General	(1,304.8)	(1,304.8)
Department of Treasury	(303.3)	(237.6)
Michigan State Police	(7,990.9)	(7,990.9)
Department of Civil Service	(181.8)	(181.8)
<b>Native American Casino Fund</b>		
Department of Civil Service	(11.0)	(11.0)
<b>Lab Fund</b>		
Department of Civil Service	(8.0)	(8.0)
<b>State Lottery Fund</b>		
Department of Treasury	(55.5)	(55.5)
Department of Civil Service	(32.4)	(32.4)
<b>Equine Development Fund</b>		
Department of Civil Service	(12.6)	(12.6)
<b>Total Transfers To Other Funds</b>	<b>(11,900.3)</b>	<b>(11,834.6)</b>
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (7,794.0)</b>	<b>\$ (7,656.2)</b>
<b>Excess of Revenues and Other Sources over (under) Expenditures and Other uses</b>	<b>\$ 2,387.5</b>	<b>\$ 2,590.9</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.		



# Michigan Gaming Control Board

## Casino Revenues and Wagering Taxes

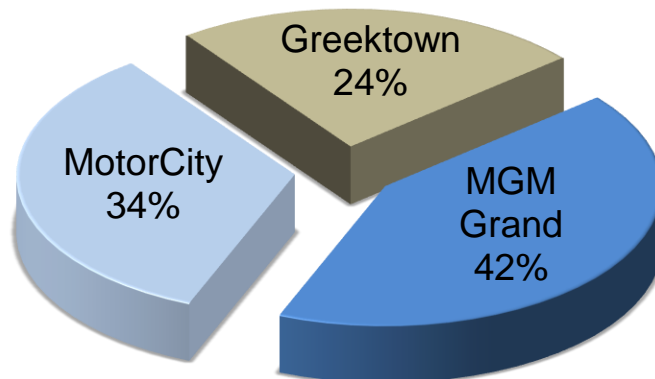
### Casino Revenues

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 2015:

Month	MGM GRAND CASINO	MOTORCITY CASINO	GREEKTOWN CASINO	TOTAL DETROIT CASINOS
January	\$ 46,227,017	\$ 38,061,452	\$ 26,733,376	\$ 111,021,845
February	47,523,251	39,023,484	27,875,609	114,422,344
March	49,824,134	43,432,911	30,646,861	123,903,906
April	51,849,138	40,532,402	28,167,336	120,548,876
May	51,747,440	39,825,609	28,242,004	119,815,053
June	47,328,472	37,006,364	25,595,356	109,930,192
July	48,731,188	38,735,883	27,306,479	114,773,550
August	43,554,725	37,075,822	26,823,835	107,454,382
September	45,237,115	35,736,055	26,582,832	107,556,002
October	47,477,189	37,769,746	27,592,315	112,839,250
November	46,712,513	36,239,634	25,727,517	108,679,664
December	55,832,577	41,056,001	28,574,794	125,463,372
<b>Total</b>	<b>\$ 582,044,759</b>	<b>\$ 464,495,363</b>	<b>\$ 329,868,314</b>	<b>\$ 1,376,408,436</b>

### Detroit Adjusted Gross Receipts \$1,376,408,436





# Michigan Gaming Control Board

## State Casino Wagering Tax

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

In calendar year 2015, the combined 8.1% State Wagering Taxes paid by the three Detroit casino licensees and deposited in the School Aid Fund totaled \$111,489,083.

The following is a monthly and annual summary of the State Wagering Tax payments for the three Detroit casinos for calendar year 2015:

Month	MGM GRAND CASINO	MOTORCITY CASINO	GREEKTOWN CASINO	TOTAL DETROIT CASINOS
January	\$ 3,744,388	\$ 3,082,978	\$ 2,165,403	\$ 8,992,769
February	3,849,384	3,160,902	2,257,924	9,268,210
March	4,035,755	3,518,066	2,482,396	10,036,217
April	4,199,780	3,283,125	2,281,554	9,764,459
May	4,191,543	3,225,874	2,287,602	9,705,019
June	3,833,606	2,997,516	2,073,224	8,904,346
July	3,947,226	3,137,606	2,211,825	9,296,657
August	3,527,933	3,003,142	2,172,731	8,703,806
September	3,664,206	2,894,620	2,153,209	8,712,035
October	3,845,652	3,059,349	2,234,978	9,139,979
November	3,783,714	2,935,410	2,083,929	8,803,053
December	4,522,439	3,325,536	2,314,558	10,162,533
<b>Total</b>	<b>\$ 47,145,626</b>	<b>\$ 37,624,124</b>	<b>\$ 26,719,333</b>	<b>\$ 111,489,083</b>



# Michigan Gaming Control Board

## City of Detroit Wagering Tax

Section 432.212 of Public Act 69 of 1997 imposed a 9.9% 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 temporarily increased by 2% to 11.9%. The elevated tax rate was reduced by 1% to the current rate of 10.9% 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% 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, an additional 1% is required. The requirements outlined within the development agreements are in excess of what is required by the Act.

In calendar year 2015, the combined City of Detroit Wagering Taxes paid by the three Detroit casino licensees totaled \$174,258,005. Currently, this represents approximately 17% of the City of Detroit's budget.

The following is a monthly and annual summary of the City of Detroit Wagering Tax payments for the three Detroit casinos for calendar year 2015:

Month	MGM GRAND CASINO	MOTORCITY CASINO	GREEKTOWN CASINO	TOTAL DETROIT CASINOS
January	\$ 5,501,015	\$ 4,529,313	\$ 3,181,272	\$ 13,211,600
February	5,655,267	4,643,795	3,317,198	13,616,260
March	5,929,072	5,168,516	3,646,977	14,744,565
April	6,170,047	4,823,356	3,351,913	14,345,316
May	6,157,945	4,739,247	3,360,798	14,257,990
June	5,632,088	4,403,757	3,045,847	13,081,692
July	5,799,011	4,609,570	3,249,471	13,658,052
August	5,183,012	4,412,023	3,192,036	12,787,071
September	9,703,442	4,252,591	3,163,357	17,119,390
October	6,124,558	4,494,600	3,283,486	13,902,644
November	6,025,914	8,546,910	3,061,574	17,634,398
December	7,202,403	5,296,224	3,400,400	15,899,027
<b>TOTAL</b>	<b>\$ 75,083,774</b>	<b>\$ 59,919,902</b>	<b>\$ 39,254,329</b>	<b>\$ 174,258,005</b>



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