



MICHIGAN GAMING
MGCB
CONTROL BOARD

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Annual Report

Annual Report To The Governor

Calendar Year 2014



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





RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
MICHIGAN GAMING CONTROL BOARD
DETROIT

RICHARD S. KALM
EXECUTIVE DIRECTOR

February 1, 2015
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 2014, 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 2014.

Sincerely,

/s/

Robert L. Anthony
Chairperson



Michigan Gaming Control Board

FROM THE EXECUTIVE DIRECTOR

The Michigan Gaming Control Board (MGCB) created its first strategic plan in 2014, developing a vision for the agency's future and designing a roadmap to guide our employees, the Board, partner agencies and other stakeholders through 2017. Our mission remains at the heart of all we do: to ensure the conduct of fair and honest gaming to protect the interests of the citizens of the State of Michigan.

We remain committed 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 in Michigan operating casinos.

The three Detroit casinos reported 2014 aggregate revenue of \$1.3 billion. State gaming taxes for the three Detroit casinos were \$108 million. The city of Detroit's bankruptcy exit plan relies strongly on taxes paid by the three casinos to the city, which totaled \$168.6 million in 2014. Charitable gaming millionaire parties self-reported 2014 revenues of \$93.3 million with \$16.1 million self-reported gross profit, and approximately \$7 million in net profit to charitable organizations. Horse racing revenues continued to decline in 2014 with combined horse racing revenue at \$3.9 million.

In 2014, the MGCB met with the public and legislators to develop millionaire party administrative rules to correct areas leading to violations of state law. The millionaire party rules promulgated in May were challenged and enjoined in court.

On July 2, 11 emergency rules were issued, allowing charities to continue running charitable games and successfully reducing illegal activities. The MGCB issued 977 millionaire party licenses between July 2 and December 31, equating to nearly 3,500 event days and more than \$50.2 million in potential chip sales. Our agency also worked with Michigan State Police and local law enforcement agencies throughout the year to suspend many operators and locations violating the Bingo Act.

Additionally, the MGCB continues to work closely with our partner agencies – the Michigan State Police (MSP) and the Michigan Attorney General's office – as well as the Detroit Police Department and the commercial casinos' security directors to accomplish goals such as excluding from the Detroit casinos felons who preyed on patrons. With the MSP and the Attorney General's office, the MGCB closed down several Internet cafes illegally providing games of chance customers could play to win a prize. An ongoing MGCB enforcement effort targets this type of gaming, which Michigan law prohibits.

Our agency's success can be attributed directly to our professional, dedicated and committed staff who ably adapt to an ever-changing gaming environment. Several employees have earned Lean Green Belt certifications and have begun implementing procedural changes to improve the agency's efficiency.

I must express my appreciation to the Governor, the Legislature, our partner agencies and other public officials for their cooperation and service. 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.

In 2015, the MGCB will continue to regulate Michigan casino gaming, charitable gaming millionaire parties and horse racing effectively, reasonably, consistently and efficiently while facing any challenges which may come our way.

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

Sincerely,

/s/

Rick Kalm
Executive Director



Michigan Gaming Control Board

Table of Contents

Mission Statement.....	1
Summary of the Michigan Gaming Control & Revenue Act.....	2
2014 Board Members.....	3
Organizational Chart.....	4
Activities of the Board.....	5
Board Meetings.....	5
Board Resolutions.....	5
Notable Accomplishments.....	6
Administration & Indian Gaming Division.....	6
Casino Audit & Enforcement Division.....	7
Licensing & Investigations Division.....	10
Legal Affairs & Gaming Regulation Division.....	13
Millionaire Party.....	15
Minors and Compulsive Gambling.....	18
Annual Underage and Compulsive Gaming Studies.....	18
Board Revenues and Expenditures.....	19
State Services Fee Fund.....	19
Application and License Fees, Fines, and Costs.....	19
Native American Casino Fund.....	20
Lab Fund.....	20
Equine Development Fund (Horse Racing).....	20
State Lottery Fund (Millionaire Party).....	21
Board Statement of Revenues and Expenditures.....	21
Casino Revenues and State Wagering Taxes.....	24
State Casino Wagering Tax.....	24



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 2014 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.

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 December 31, 2016.

Mr. Andrew T. Palms



Mr. Palms, Executive Director of Communications Systems at the University of Michigan, was appointed by Governor Rick Snyder to serve as a board member for a term expiring on December 31, 2015.

Mr. Patrick M. McQueen



Mr. McQueen, Managing Director of McQueen Financial Advisors, was appointed by Governor Rick Snyder to serve as a board member for a term expiring on December 31, 2015.

Mr. Dennis Beagen

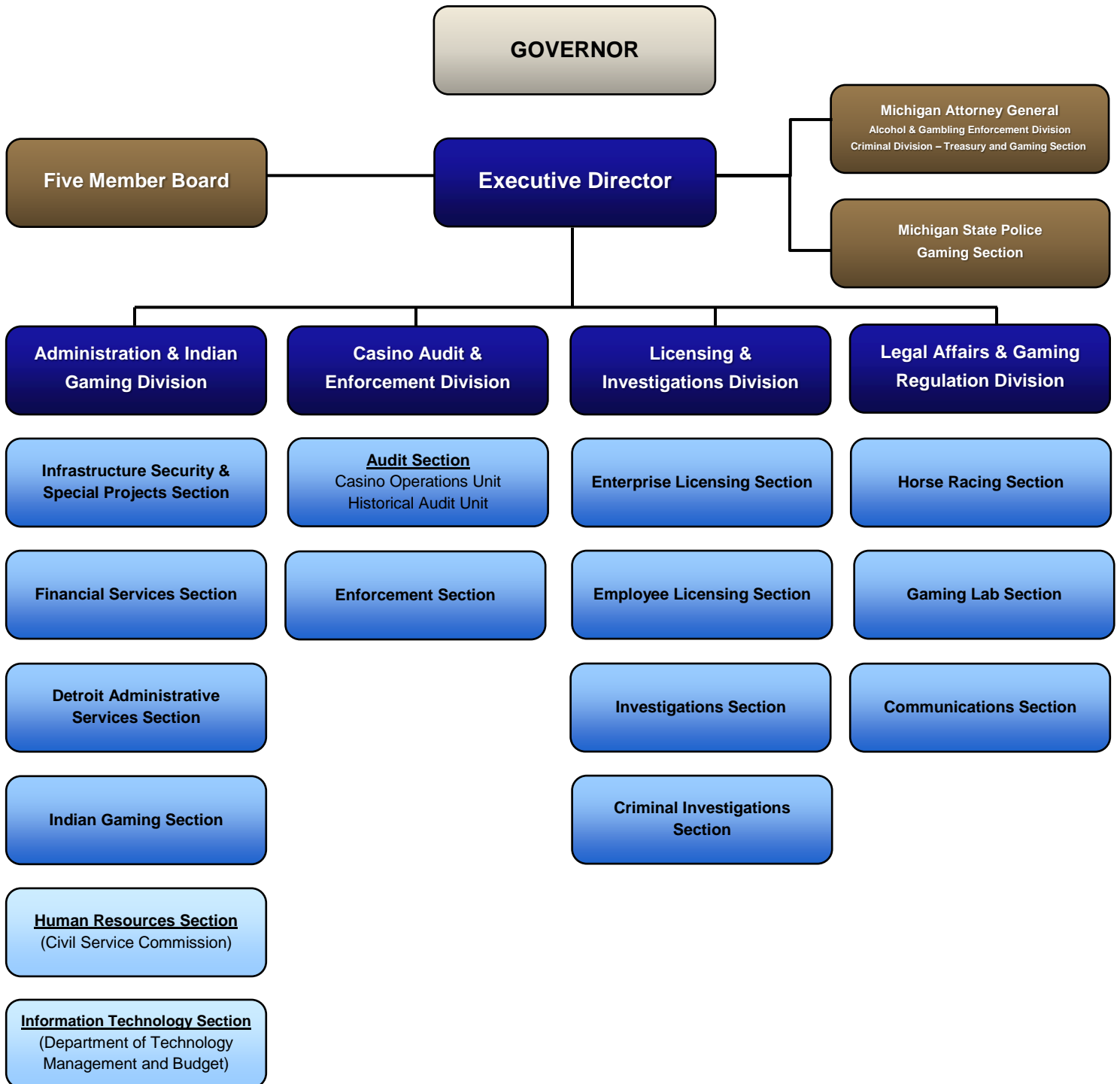


Mr. Beagen, Emeritus Professor of Communication at Eastern Michigan University, was appointed by Governor Rick Snyder to serve as a board member for a term expiring on December 31, 2016.



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 seven public meetings in 2014. 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:

February 11, 2014

March 12, 2014*

April 8, 2014

May 13, 2014

June 10, 2014

September 9, 2014

November 12, 2014

*Closed session not held

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

The Board did not adopt any resolutions in calendar year 2014.



Notable Accomplishments

Administration & Indian Gaming Division

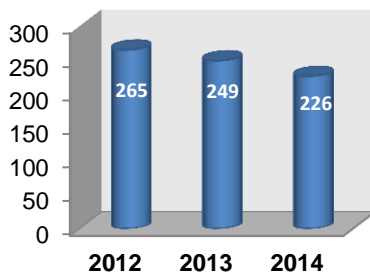
In 2014, MGCB underwent strategic planning and produced a strategic plan for years 2014-2017. The Administration & Indian Gaming Division coordinated the planning and delivery of the strategic plan on behalf of the Agency. As a result of the strategic plan, MGCB went through a reorganization to align MGCB to meet future goals. This also resulted in the development of two new additional sections: Infrastructure Security & Special Projects Section and the Communications Section.

The Infrastructure Security and Special Projects Section was established in April 2014. One of the primary tasks for the section in 2014 was the initialization of a project to modernize and consolidate the systems currently used by the MGCB. This project is currently ongoing with the business and technical requirements being finalized in order for a request for proposal to be distributed to obtain bids on new systems.

Notable accomplishments and further details of actions completed by the Indian Gaming Section can be found in the separate MGCB Indian gaming annual report.

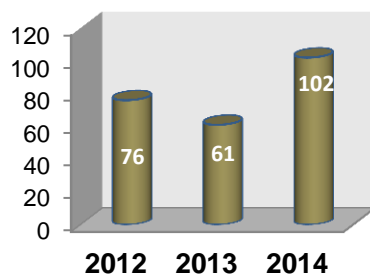
Disassociated Person List and Problem Gambling Diversion Program

Approved DPL Applications by Year



The Act created the Disassociated Persons List (DPL) designed for problem gamblers that 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 that 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, 2014, there were 3,551 people in the DPL program.

Diversion Program Completions by Year *



In 2014, 82 first-time DPL offenders were offered the Diversion Program. As of December 31, 2014, the cumulative number of DPL offenders offered the Diversion Program was 401. In calendar year 2014, two additional providers were added to the Diversion Program provider list, increasing the number of providers participating in the program to eight.

* Individual diversion programs can elapse over a calendar year with several offenders offered the Diversion Program in 2013 not completing the program until 2014. Statistics provided at left are the number of completed individual diversion programs per calendar year.



Michigan Gaming Control Board

Casino Audit & Enforcement Division



Audit Section

To be more efficient and focused during audits, the Audit Section is divided into two units: Historical Audit and Casino Operations.

Historical Audit Unit

The Historical Audit Unit completed and issued final reports for nine compliance audits for calendar year 2014. The staff conducted compliance audits at each of the three Detroit commercial casinos' gaming operations for the following areas: electronic game devices (EGD), table games and card rooms, and sensitive keys. 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.

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

Casino Operations Unit

The Casino Operations Audit Section completed the review of 1,095 daily tax returns and 36 monthly tax returns to provide reasonable assurance the reporting of \$1.33 billion in gaming revenue to the State of Michigan was free of material misstatement. Furthermore, it was assured the proper payments of \$108 million in state wagering taxes were paid and received. The section also completed the review of monthly credit reports and quarterly reports for 2014 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

Enforcement Section

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.

In October and November 2014, MGCB Enforcement staff conducted unannounced financial counts of all three Detroit casinos' cage and cage departments to verify the reporting and accountability of cash and cash equivalents.

Violations Issued/Fines Imposed

During 2014, the Enforcement Section issued violations and imposed fines as follows:

Greektown Casino, LLC (GTC)

On 5/13/2014, the MGCB settled violations related to 13 minors in the casino. The time frame for the violations encompassed 2011 through 2013 with the total amount of fines being \$43,500.

On 6/14/2014, the MGCB settled violations related to GTC marketing its services to 2 persons on the Disassociated Persons List, 1 minor in the casino, and 1 sale of alcohol before noon on Christmas Day. The time frame for these violations encompassed 2012 through 2013 with the total amount of fines being \$115,000 with \$15,000 held in abeyance.

On 8/22/2014, GTC received a warning letter for a 2013 incident where an employee inadvertently left property with a set of cancelled dice. A warning letter also was issued to GTC for a 2014 incident regarding the operation of a promotion contrary to approved rules.



Michigan Gaming Control Board

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

On 2/26/2014, the MGCB settled violations related to 9 minors in the casino. Time frame encompassed 2011 through 2013 with the total amount of fines being \$30,500.

On 9/9/2014, the MGCB settled a violation related to the casino for marketing its services to a person on the Disassociated Persons List. The time frame for this violation encompassed 2009 through 2010 with the total amount of the fine being \$17,500.

On 4/3/2014, MCC received a written warning letter for failing to include the toll-free compulsive gaming helpline number on printed promotional material.

MGM Grand Detroit, LLC (MGM)

On 11/12/2014, the MGCB settled violations related to credit processing, granting checking privileges to a subject on the Disassociated Persons List, and 5 minors in the casino. MGM paid fines totaling \$187,500 for the violations occurring between 2013 and 2014.

On 7/30/2014, MGM received warning letters related to four incidents involving minors in the casino.

On 9/9/2014, MGM received a warning letter for failure to operate a promotion in accordance with approved rules.

Supplier Fines

International Gaming Technologies (IGT)

On 11/12/2014, the MGCB settled a violation related to unapproved software. IGT paid a fine totaling \$10,000 for the violation occurring in 2014.



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

The Michigan Gaming Control & Revenue Act and related Administrative Rules require gaming-related suppliers and nongaming suppliers providing a good or service to the three Detroit commercial casinos to obtain a license with the MGCB, with the exception of entities qualifying for an exemption from licensing requirements. As of December 31, 2014, there were 134 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 goods or services under an established monetary threshold determined by the Board. As of December 31, 2014, there were 1,000 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, 2014, there were 426 entities holding a supplier license exemption.

Entities Licensed or Exempt Through MGCB (As of December 31, 2014)	
Commercial Casinos	3
Licensed Suppliers	134
Supplier License Exemptions	426
Vendor Exemptions	1,000
Total	1,563



Michigan Gaming Control Board

Employee Licensing Section

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 2014, the section received 4,395 occupational and renewal applications for investigation.

Occupational and Renewal Applications Received in 2014	
Supplier/Vendor Applications	1,294
MGM Grand Casino Applications	1,113
MotorCity Casino Applications	1,054
Greektown Casino	934
Total	4,395

The Michigan Gaming Control Board (MGCB) Licensing & Investigations Division has suspended or received the voluntary surrender of 23 employment gaming licenses by casino employees as a result of an investigation into alleged unemployment fraud. A total of 60 employees were suspected and identified by Detroit casinos. The investigation began in March after MotorCity and Greektown casinos alerted the MGCB of casino employees who had allegedly filed claims with the Unemployment Insurance Agency (UIA) declaring “underemployment” and collected benefits. The dollar amounts vary from \$1,000 to \$65,000, including overpayment and penalties. MGCB took regulatory action on 23 employees who had State gaming licenses and turned the full investigation over to UIA for possible prosecution and recoupment. The UIA will work with the Attorney General’s office to reach final disposition in these cases. These types of investigations are ongoing by MGCB.

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:

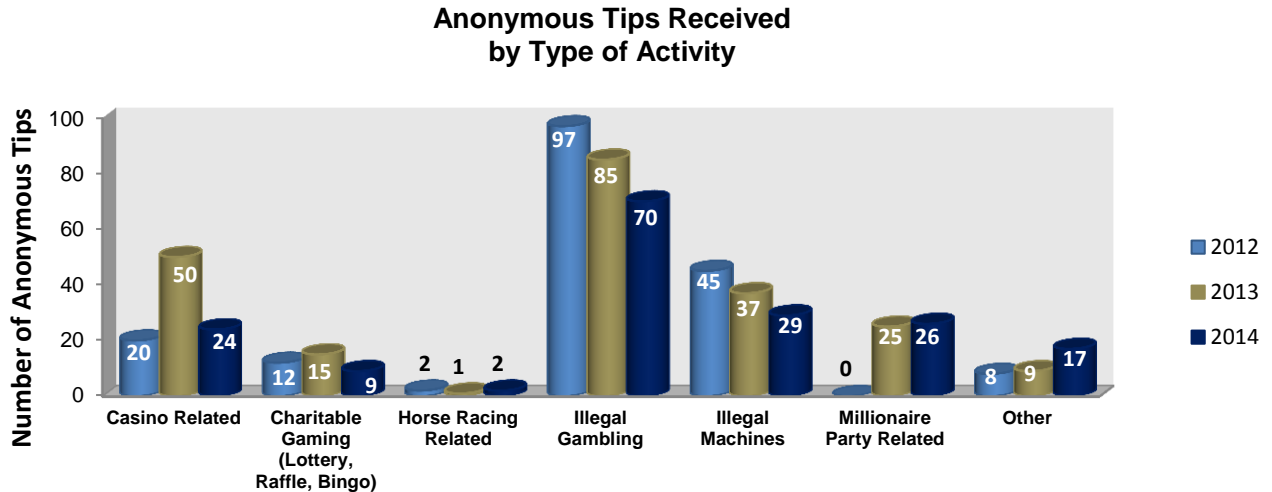
	Employee Licensing	Criminal Investigations	Enforcement Section	Totals
Voluntary Surrenders	22	18	2	42
Voluntary Withdrawals	3	0	0	3
Warning Letters	1	10	4	15



Michigan Gaming Control Board

Criminal Investigations Section

In 2011, the MGCB established an anonymous tip line and email address to report illegal or suspected illegal gambling criminal activity. The following table illustrates the types of activity reported to the MGCB through the tip line over the last three years:



Occupational Licensee Investigations

During 2014, MGCB regulation officers conducted 46 investigations into alleged criminal violations by occupational licensees. These particular investigations, which centered on licensee suitability, cooperated with and paralleled an investigation conducted by the Michigan State Police Gaming Section. As a result of these investigations, 3 individuals were summarily suspended, 19 individuals voluntarily surrendered their occupational licenses, 10 warning letters were issued, and 1 verbal warning was issued.

Exclusion List

The MGCB is committed to ensuring a safe environment for those who patronize gambling facilities in Michigan. One method for accomplishing this goal is to exclude from the casinos and horse racing tracks licensed by the MGCB any individual who may adversely affect the public’s confidence and trust in the integrity of gaming.

An individual may be excluded from the three state licensed casinos in Detroit under MCL 432.204a(l) as well as excluded from racetracks and association grounds under MCL 431.307(3) of the Horse Racing Law, and Mich. Admin Code, R 431.1130.

In 2014, 14 individuals were added to the exclusion lists for both the casinos and horse racing tracks licensed by the MGCB.



Michigan Gaming Control Board

Legal Affairs & Gaming Regulation Division

Horse Racing Section

Michigan's horse racing industry faced the closings of Mount Pleasant Meadows and Sports Creek Raceway in 2014, leaving Hazel Park and Northville Downs as the only horse racing tracks in Michigan when 2015 began. Mount Pleasant Meadows surrendered its racing license on February 12.

The Horse Racing Law prohibits tracks from offering live or simulcast racing and associated wagering without a contract with a certified horsemen's organization. Sports Creek Raceway closed at the end of the 2014 meet because the facility could not meet the requirement for 2015.

Horse racing staff continues to review and rewrite the section's rules, policies, and procedures to ensure they are within horse racing standards.

Summary of Horse Racing Revenue

January 1, 2014, through December 31, 2014	
Simulcast Wagering Taxes*	\$ 3,925,627
Occupational License Fees	41,428
Outs**	282,569
Racing Fines	13,200
Track Licenses	1000
Other Revenue	4,031
Revenue Transfers	(18,774)
Total Horse Racing Revenue	\$ 4,249,081
<u>State Tax Summary</u>	
Hazel Park Raceway	\$ 1,982,772
Mount Pleasant Meadows	2,942
Northville Downs	1,404,521
Sports Creek Raceway	535,392
Total State Tax	\$ 3,925,627

* 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 2014.



Michigan Gaming Control Board

Licensees and Licenses

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 2014, the MGCB licensed 1,970 individuals who held a total of 2,259 licenses. Some licensees hold more than one license.

For additional information regarding horse racing, please refer to the MGCB 2014 horse racing report.

Gaming Lab Section

In 2014, the Lab completed 1,354 gaming product evaluations covering 2,081 items. Of these 1,354 product evaluations completed, 1,201 were for new gaming software, 73 were for new gaming hardware, and 80 were revocations of previously approved product submissions. The Lab randomly performed 1,159 unique tests on new product submissions.

Lab staff also performs forensic evaluations, provides expert witness testimony, reviews progressive liability transfers performed by the casino, investigates technologies new to gaming or this jurisdiction, 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



Executive Order 2012-4 transferred the licensing and regulation of millionaire parties from the Michigan Lottery (Lottery) Commissioner to the Executive Director of MGCB effective June 9, 2012. 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, either tournament style or player against 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. In 2014, charitable organizations generated \$93.3 million in revenue.

Qualified Organizations

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 its members and that either has been in existence continuously as an organization for a period of 5 years or is exempt from taxation as a 501(c).

Locations

As of December 31, 2014, there were 46 active recurring locations hosting millionaire parties and 19 inactive recurring locations. The inactive recurring locations may host a millionaire party event upon request by a qualified organization. The qualified organization may operate its own event or use a licensed millionaire party supplier. Among 65 locations which may a host millionaire party, 25 are new since May 16, 2014, when the Executive Director lifted the moratorium on new locations and the Board required only licensed suppliers be attached to a location before an event is approved.



Michigan Gaming Control Board

Suppliers

Millionaire party suppliers are licensed by the Executive Director to provide goods and services to a qualified organization. In 2014, 56 entities submitted a millionaire party supplier license application to the Executive Director. This includes 25 previously approved and 31 new millionaire party supplier applications received since the Executive Director lifted the moratorium for new suppliers on January 10, 2014.

Post and On-Site Inspections

As part of their regular duties, regulation officers conduct on-site inspections of millionaire party events and post-event inspections and interviews with charities and suppliers. Post-event inspections and interviews include, in part, reviewing game records to ensure the records are completed correctly, ensuring the charity operates its event within the guidelines of the Bingo Act and rules, ensuring all proceeds are being deposited, and ensuring all proceeds are being spent and accounted for appropriately per the charity bylaws and articles of organization.

In 2014, the MGCB conducted 362 on-site inspections and 210 post inspections resulting in the following compliance actions:

- 75 Notice of Opportunity to Show Compliance (NOSC) letters issued resulting in the loss of 185 licenses to charities
- 63 Written Warnings issued to charitable organizations for various violations
- 95 Verbal Warnings issued to charitable organizations for various violations

Compliance Actions Against Suppliers

The Executive Director suspended the licenses of four millionaire party suppliers for violations relating to the Bingo Act. The suspensions ranged from two days to 30 days. All suspensions were served in full in 2014 without incident; however, one supplier with a four-day suspension later agreed to a two-year suspension, after its initial suspension, for continued violations of the Bingo Act. In addition, four suppliers completed a one-year probation in 2014 for violations occurring in 2013.

Location Closings

In 2014, as a result of investigations, three locations were closed due to continuous violations of the Bingo Act. This brings the total locations closed to 23 since the MGCB assumed regulatory responsibilities of millionaire parties in June 2012.



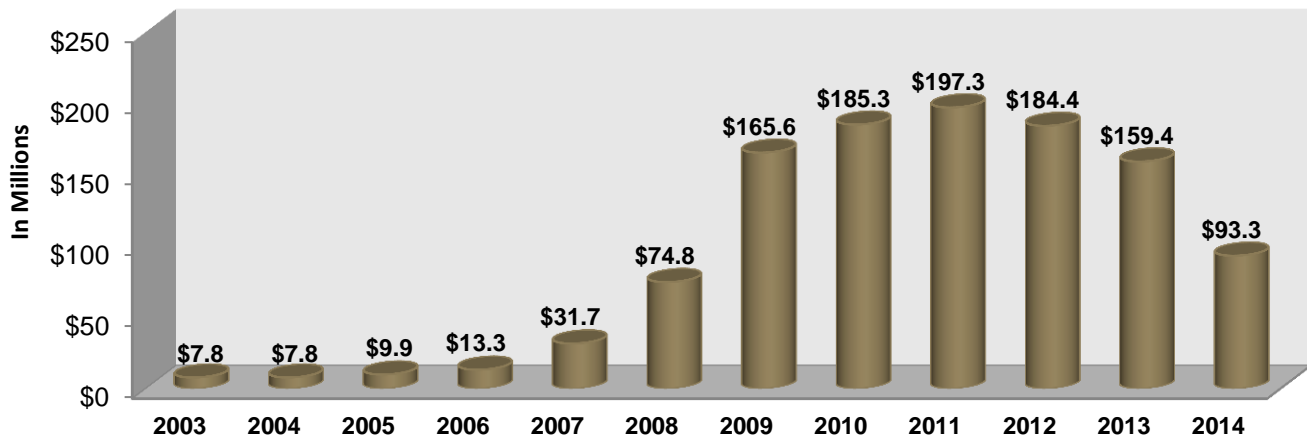
Michigan Gaming Control Board

Licensing Activity

For calendar year 2014, a total of 3,022 millionaire party licenses were issued, compared to 5,339 in 2013, representing a 43% reduction year over year. This reduction was driven primarily from licensing restrictions established by the Emergency Rules with the intent of slowing the expansion of large-scale, casino-style poker rooms. The most significant licensing impact took place in August, immediately following the adoption of the Emergency Rules in July. Licensing activity has increased steadily since August as charities become more familiar with the required regulations and new suppliers become licensed to assist charities in the millionaire party program.

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 2014 millionaire party revenue was \$93,269,653, with net profit to charitable organizations being \$6,973,618.

Millionaire Party Revenues* (In Millions)



**Revenues are self-reported by charitable organizations*

Qualified Organizations and Event Days

During calendar year 2014, 1,323 charities held 3,022 licensed millionaire party events. This equates to 10,508 days of millionaire party event gaming during 2014.



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 2014:

**Casino Licensees' Reported Contacts with Minors
On Licensed Casino Premises During Calendar Year 2014**

<i>Number of Minors</i>	MGM Grand	MotorCity	Greektown
Denied entry into the casino	510*	16,779	3,077
Physically escorted from the casino premises	19	0	6
Detected participating in gambling games other than slot machines	0	0	2
Detected using slot machines	3	1	3
Taken into custody by a law enforcement agency on the casino premises	19	0	5
Detected illegally consuming alcohol on the casino premises	5	0	0

**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 was assessed and paid a total of \$33,521,797 for calendar year 2014 and \$33,171,417 for fiscal year 2014.

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 Human Services. 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 MDCH.

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 \$2,856,594 for calendar year 2014, and \$2,440,084 for fiscal year 2014.



Michigan Gaming Control Board

Native American Casino Fund

As authorized by the Governor of Michigan, the Executive Director requires MGCB staff to conduct net win and compliance audits of Tribal Class III gaming facilities. The audits review compliance with provisions of the Tribal-State Compacts and two percent payments made to local governments based on the calculation of net win.

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, are 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 Party are remitted for deposit into the State Lottery Fund and all necessary expenses incurred by MGCB will be financed from the State Lottery Fund. Regulation of other forms of charitable gaming such as bingo and raffles will 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 2014.

Statement of Revenues and Expenditures

<i>(In Thousands)</i>		
REVENUES		
	Fiscal Year 2014	Calendar Year 2014
State Casino Gaming Fund		
Casino and supplier fines	\$ 231.5	\$ 559.0
Other	0.0	-
State Services Fee Fund		
Annual assessments	33,171.4	33,521.8
<u>Application Fees:</u>		
Casinos	143.0	140.2
Suppliers	210.9	216.0
Occupational	147.3	153.6
Vendors	32.5	31.3
<u>License Fees:</u>		
Casinos	75.0	75.0
Suppliers	525.0	575.0
Occupational	384.5	422.6
Vendors	65.8	72.3
<u>Other Fees:</u>		
Badge Replacement Fees	5.4	5.7
Other	0.5	0.5
Native American Casino Fund		
Oversight fees	799.9	790.7
Lab Fund		
Testing fees	618.7	605.4
State Lottery Fund		
Other	(1.1)	-
Total Revenues	\$ 36,410.3	\$ 37,169.1
EXPENDITURES		
State Services Fee Fund		
Board	\$ (5.9)	\$ (5.8)
Administration	(19,465.4)	(20,381.3)
Information technology	(1,777.3)	(1,772.7)
Native American Casino Fund		
	(769.5)	(747.4)
Lab Fund		
	(611.0)	(623.2)
Millionaire Party Fund		
	(2,249.8)	(2,217.7)
Equine Development Fund		
	(1,304.9)	(1,332.0)
Total Expenditures	\$ (26,183.8)	\$ (27,080.1)

Statement of Revenues and Expenditures (cont.)

<i>(In Thousands)</i>			
OTHER FINANCING SOURCES (USES)			
Transfers From Other Funds:			
Department of Agriculture	\$	1,320.0	\$ 1,320.0
Michigan State Lottery		2,339.1	2,274.1
Total Transfers From Other Funds		3,659.1	3,594.1
Transfers To Other Funds:			
State Services Fee Fund			
Department of Community Health		(960.0)	(960.0)
Department of Human Services		(1,040.0)	(1,040.0)
Michigan Office of the Auditor General		(1,272.6)	(1,272.6)
Department of Treasury		(296.6)	(362.4)
Michigan State Police		(11,605.2)	11,605.2
Department of Agriculture		-	-
Department of Civil Service		(177.3)	(177.3)
Native American Casino Fund			
Department of Civil Service		(9.5)	(7.7)
Lab Fund			
Department of Civil Service		(7.7)	(9.5)
State Lottery Fund			
Department of Treasury		(54.3)	(54.3)
Department of Civil Service		(33.9)	(33.9)
Equine Development Fund			
Department of Civil Service		(15.1)	(15.1)
Total Transfers To Other Funds		(15,472.2)	(15,538.0)
Total Other Financing Sources (Uses)	\$	(11,813.1)	\$ (11,943.9)
Excess of Revenues and Other Sources over (under) Expenditures and Other uses	\$	(1,586.6)	\$ (1,854.9)
Footnotes:			
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.			



Casino Revenues and State Wagering Taxes

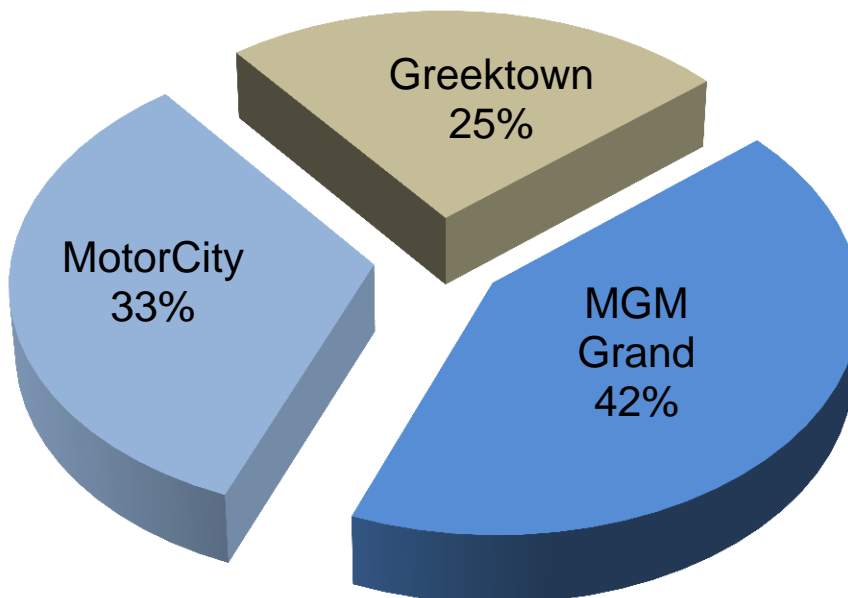
State Casino Wagering Tax

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 Act defines “adjusted gross receipts” as being the licensee’s gross gaming receipts less winnings paid to wagerers. The 8.1% is deposited in the State’s School Aid Fund to provide additional funds for K-12 public classroom education. Public Act. 306 of 2004 amended the original Act.

In calendar year 2014, the combined 8.1% State Wagering Taxes paid by the three Detroit casino licensees and deposited in the School Aid Fund totaled \$107,955,388.

The following is a monthly and annual summary of the adjusted gross receipts and State Wagering Tax payments for the three Detroit casinos for calendar year 2014:

Detroit Adjusted Gross Receipts \$1,332,782,570





Michigan Gaming Control Board

CALENDAR YEAR ADJUSTED GROSS RECEIPTS AND STATE WAGERING TAX DETAIL

Calendar Year 2014

Month	MGM GRAND		MOTORCITY CASINO		GREEKTOWN CASINO		DETROIT CASINOS	
	Total Adjusted Revenue	State Wagering Tax (8.10%)	Total Adjusted Revenue	State Wagering Tax (8.10%)	Total Adjusted Revenue	State Wagering Tax (8.1%)	Total Adjusted Gross Receipts	Total State Wagering Tax
January	\$41,231,508	\$3,339,752	\$31,710,276	\$2,568,532	\$23,106,524	\$1,871,628	\$96,048,308	\$7,779,913
February	47,575,032	3,853,578	37,245,026	3,016,847	25,788,555	2,088,873	110,608,613	8,959,298
March	50,756,665	4,111,290	42,961,185	3,479,856	31,218,834	2,528,726	124,936,684	10,119,871
April	46,974,039	3,804,897	38,240,495	3,097,480	27,058,910	2,191,772	112,273,444	9,094,149
May	47,385,946	3,838,262	39,070,816	3,164,736	28,051,733	2,272,190	114,508,496	9,275,188
June	49,682,916	4,024,316	34,026,665	2,756,160	25,298,040	2,049,141	109,007,621	8,829,617
July	46,343,669	3,753,837	36,460,812	2,953,326	28,531,147	2,311,023	111,335,629	9,018,186
August	47,205,940	3,823,681	37,911,813	3,070,857	27,545,154	2,231,157	112,662,907	9,125,695
September	43,262,784	3,504,286	33,252,421	2,693,446	26,596,444	2,154,312	103,111,649	8,352,044
October	47,044,684	3,810,619	37,675,876	3,051,746	28,654,578	2,321,021	113,375,138	9,183,386
November	43,547,042	3,527,310	36,833,929	2,983,548	26,398,769	2,138,300	106,779,740	8,649,159
December	50,116,541	4,059,440	39,615,094	3,208,823	28,402,706	2,300,619	118,134,341	9,568,882
Total	\$561,126,766	\$45,451,268	\$445,004,409	\$36,045,357	\$326,651,395	\$26,458,763	\$1,332,782,570	\$107,955,388



Michigan Gaming Control Board



This Annual report was not produced at taxpayer expense.

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