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2017 Michigan Gaming Control Board

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



# Indian Gaming Section Annual Report to the Citizens of Michigan

Calendar Year 2017



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

Submitted April 15, 2018

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



**RICK SNYDER**  
GOVERNOR

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

**RICHARD S. KALM**  
EXECUTIVE DIRECTOR

April 15, 2018

To the Citizens of the Great State of Michigan:

On behalf of the Michigan Gaming Control Board (MGCB), I am pleased to submit to you the Indian Gaming Annual Report for the period of January 1, 2017, through December 31, 2017. This report includes a summary of significant activities and operations for this time period.

From January 1, 2017, through December 31, 2017, the Indian Gaming Section of the Michigan Gaming Control Board continued its oversight efforts of the Tribal-State Class III Gaming Compacts through the conduct of inspections, audits, and observations. In fulfilling our duties and responsibilities, MGCB has continued to receive invaluable assistance from the Michigan Attorney General's Office and the Office of the Governor's Legal Counsel for Native American Affairs.

As always, we strive to increase positive communications with each of the tribes and encourage voluntary tribal compliance with the Compacts on a government-to-government basis.

Sincerely,

/S/

Richard S. Kalm  
Executive Director



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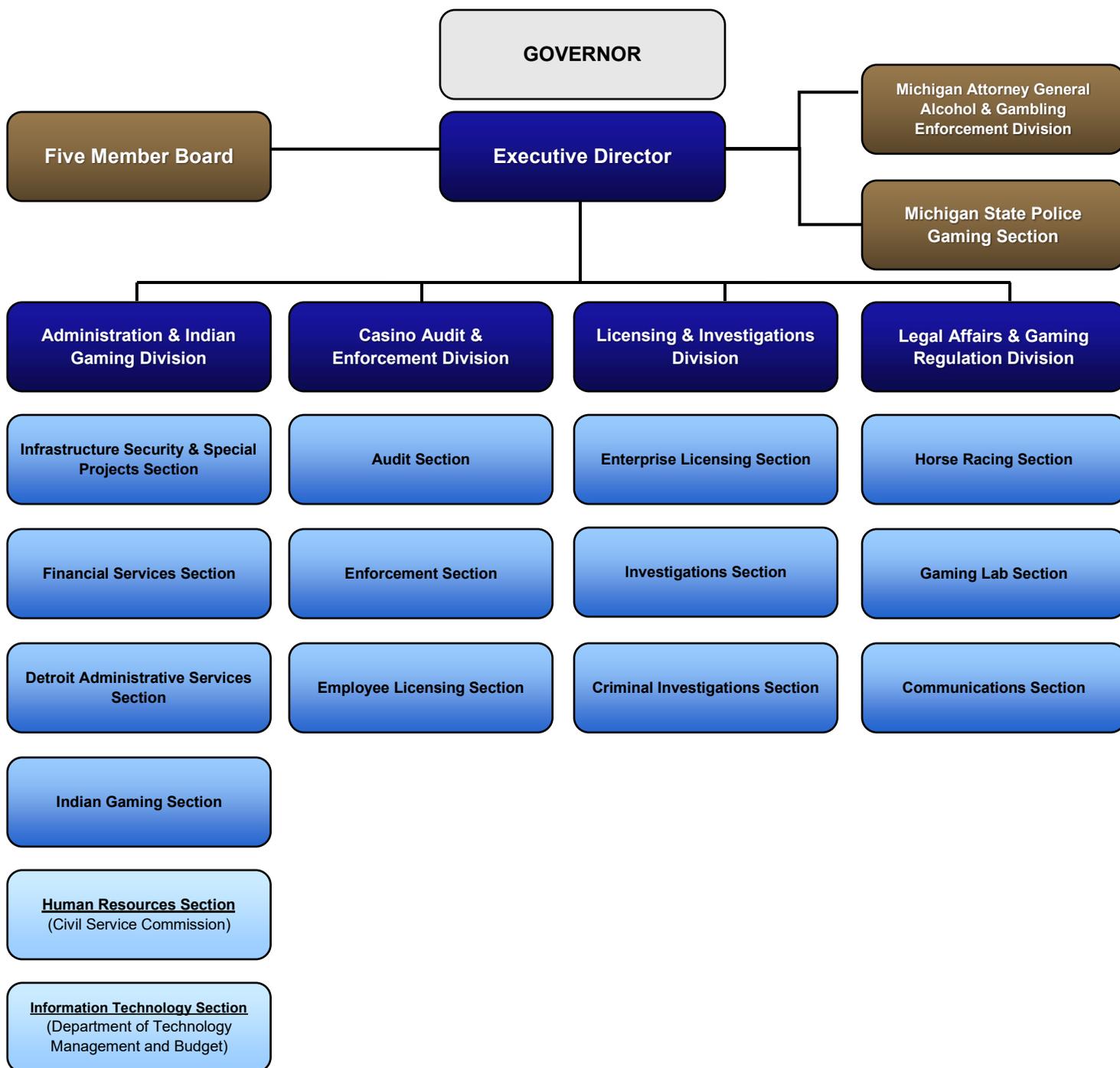
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## Michigan Gaming Control Board Organization Chart





## **Michigan Indian Gaming Regulatory Framework**

The federal government passed the Indian Gaming Regulatory Act of 1988 (IGRA), which authorizes Indian tribes to operate casino gaming on their Indian lands. The justification was that IGRA would create economic development and self-sufficiency on Indian tribal lands, meet tribal requests for authorized casino gaming, and ensure that state governments would be involved in the oversight of Class III gaming operations. Under IGRA, Class III gaming activities are lawful on Indian lands only if such activities are conducted in conformance with a Tribal-State Class III Gaming Compact (Compact). Before a Compact becomes effective, IGRA requires Office of the Secretary, United States Department of the Interior, approve the Compact and publish its approval in the Federal Register.

The State of Michigan has entered into Compacts with 12 Native American tribes. These 12 Compacts have produced 23 Class III tribal casinos located throughout the State. *Please see the map of Michigan's Tribal Class III Casinos and table of Michigan Tribal Class III Casino Information at the end of this report.*

Federally recognized tribes are individual sovereign nations. The Compacts provide that the regulation of Indian casino gaming is the responsibility of the tribes, and therefore Michigan has no regulatory authority over Class III gaming conducted on Indian lands. Although the State of Michigan does not regulate Indian casino gaming, the State does have oversight authority over compliance with the provisions of the Compacts and related Consent Judgments.

The MGCB Executive Director holds the duty and authority to conduct oversight of tribal Compacts related to Indian gaming. It is MGCB's responsibility to conduct the inspections of Class III gaming facilities and records, pursuant to and in accordance with the provisions of the Compacts. This oversight authority includes conducting financial and compliance audits and inspections of the tribal casinos' operations to determine the extent of their compliance with the Compacts and related Consent Judgments.

Board members of MGCB have no oversight role or authority over the Compacts.

## **Michigan Indian Gaming Year in Review**

### ***1993 Tribal-State Compact Renegotiations***

The 1993 Tribal-State Compacts were subject to an initial term of 20 years, which ended November 30, 2013. At least one year prior to that date, the State of Michigan provided six tribes with written notice of its right to renegotiate their 1993 Compacts. The State and each of the tribes commenced good faith negotiations on a government-to-government basis.



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On March 14, 2017, the State executed a new Stipulation for Entry of Consent Judgment with the Hannahville Indian Community, effectively extending the term of the Tribe's 1993 Compact through November 30, 2042. The new agreement introduces or modifies requirements related to the computation of net win, calculation and disbursement of revenue-sharing payments, and implementation of Minimum Internal Control Standards. Discussions between the State and the other five tribes engaged in compact renegotiations are ongoing.

## ***Odawa Casino Mackinaw***

Under the terms of its Tribal-State Compact, as amended, the Little Traverse Bay Bands of Odawa Indians is authorized to operate a second Class III gaming facility in Mackinaw City, contingent on the approval of the Mackinaw City Village Council. In October 2015, the Village Council rejected the Tribe's request to conduct Class III gaming at its Mackinaw City site. Accordingly, on May 25, 2016, the Tribe opened the Odawa Casino Mackinaw as a Class II gaming facility, which operates games the Tribe has determined are Class II games. In December 2017, the Village Council reversed its previous decision, authorizing the Tribe to conduct Class III gaming at the Casino. It is anticipated that the Tribe will begin adding Class III electronic gaming machines to the facility in 2018. Class III gaming conducted at the Odawa Casino Mackinaw will be subject to the requirements of the Tribal-State Compact and the oversight authority of MGCB.

## ***Indian Lands Eligible for Class III Gaming***

The Sault Ste. Marie Tribe of Chippewa Indians purchased, or has agreed to purchase, land in Lansing and Huron Charter Township with funds derived from the Michigan Indian Land Claims Settlement Act, Public Law 105-143 (MILCSA). In June 2014, the Tribe submitted applications to the Department of Interior, Bureau of Indian Affairs, to have the parcels placed into trust, asserting that land-into-trust acquisition is mandatory pursuant to MILCSA. The Tribe noted it intends to conduct gaming activities on each of the properties. In a letter dated July 24, 2017, the Department of Interior denied the Tribe's applications, concluding that they failed to demonstrate that acquisition of the parcels would meet the conditions necessary to trigger MILCSA's mandatory trust provisions. On October 24, 2017, the Tribe's Board of Directors passed a resolution authorizing and directing the Tribe to take necessary action, including initiating litigation, to challenge and overturn the denial of its trust applications.

Several other tribes have acquired new land, or have contemplated acquiring new land, for the purpose of conducting Class III gaming activities. This includes one additional tribe that has purchased land with funds derived from MILCSA. Whether those lands are eligible for Class III gaming will be determined through the Department of Interior's fee-to-trust approval process and/or federal court proceedings.

## ***Future Developments***

The Indian Gaming Section will continue to monitor all potential future developments to assess their impact on MGCB and Section operations.



## **Indian Gaming Section Mission, Personnel, Source of Funding, and Total Expenditures**

Located at the MGCB Lansing office, the Indian Gaming Section is comprised of one audit manager, five audit staff, and one student assistant. The section is responsible for conducting audits/inspections of tribal casinos to verify their compliance with the Tribal-State Class III Gaming Compacts and related Consent Judgments. The Indian Gaming Section reports to the Deputy Director of the Administration and Indian Gaming Division of MGCB. *Please see Michigan Gaming Control Board Organization Chart on page 1.*

The Compacts provide that the tribes shall make annual payments to the State to be applied towards the costs incurred in carrying out functions authorized by the terms thereof. Some tribes, subject to certain exclusivity provisions, are required by the Compacts and related Consent Judgments to remit a percentage of their annual net win, derived from all Class III electronic games of chance, to the Michigan Strategic Fund (MSF) or Michigan Economic Development Corporation (MEDC). The MEDC provides funding to the Indian Gaming Section for oversight related to these payments.

All funds are placed into MGCB's Native American Casino Fund, which recorded expenditures and transfers of \$705,467 during calendar year 2017.

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

Under provisions of the Compacts and related Consent Judgments, all tribes are required to remit two percent of their respective net win to local units of state government or local revenue sharing boards. For reporting period 2017, tribes collectively remitted \$29.7 million to local units of state government/local revenue sharing boards in two percent payments. *Please see the table on page 5 for the two percent payments by tribe for 2017.*

In addition, the Compacts and Consent Judgments require some tribes, based on exclusivity provisions, to remit payments to the MEDC or MSF. The percentage of net win paid to the MEDC or MSF ranges from 2 percent to 12 percent, depending on the exclusivity provision contained in the Compact or related Consent Judgment. For reporting period 2017, tribes remitted \$57.3 million in payments to the MEDC and MSF. *Please see the table on page 5 for the MEDC/MSF payments by tribe for 2017.*



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## Indian Gaming Chart of Revenue Sharing Provisions

Tribe	Compact Year	Percentage of Net Win to Local Gov't	2017 Amount	Percentage of Net Win to MEDC/MSF	2017 Amount
Bay Mills Indian Community	1993	2%	\$ 449,179	0%	\$ -
Grand Traverse Band of Ottawa and Chippewa Indians	1993	2%	\$ 1,606,414	0%	\$ -
Hannahville Indian Community	1993	2% <sup>(1)</sup>	\$ 1,066,903	2-7% <sup>(2)</sup>	\$ 570,009
Keweenaw Bay Indian Community	1993	2%	\$ 549,288	8%	\$ 2,197,152
Lac Vieux Desert Band of Lake Superior Chippewa Indians	1993	2%	\$ 303,514	0%	\$ -
Saginaw Chippewa Indian Tribe	1993	2%	\$ 5,863,508	0%	\$ -
Sault Ste. Marie Tribe of Chippewa Indians	1993	2%	\$ 1,575,177	0%	\$ -
Little River Band of Ottawa Indians	1998	2%	\$ 1,665,457	6%	\$ 4,996,373
Little Traverse Bay Bands of Odawa Indians	1998	2%	\$ 973,182	6%	\$ 2,777,952
Nottawaseppi Huron Band of the Potawatomi	1998	2%	\$ 5,656,690	4-8% <sup>(3)</sup>	\$ 18,126,760
Pokagon Band of Potawatomi Indians	1998	2%	\$ 6,178,492	6-8%	\$ 20,196,107
Match-E-Be-Nash-She-Wish Band of Pottawatomi Indians	2007	2%	\$ 3,861,464	8-12% <sup>(4)</sup>	\$ 8,476,076
<b>Total</b>			<b>\$ 29,749,268</b>		<b>\$ 57,340,429</b>

- (1) Amount does not include payments remitted to an interest-bearing escrow account designated for Bark River-Harris School District, as required pursuant to the 2017 Stipulation for Entry of Consent Judgment between the Hannahville Indian Community and the State of Michigan.
- (2) Amount includes payments remitted to Travel Michigan and the Michigan Strategic Fund, as required pursuant to the 2017 Stipulation for Entry of Consent Judgment between the Hannahville Indian Community and the State of Michigan.
- (3) Amount includes payments remitted to the Michigan Strategic Fund and Michigan Native American Heritage Fund, as required pursuant to the 2016 amendment to the Tribal-State Compact between the Nottawaseppi Huron Band of the Potawatomi and the State of Michigan.
- (4) Pursuant to a partial settlement agreement between the Match-E-Be-Nash-She-Wish Band of Pottawatomi Indians and the State of Michigan., amounts due to the MEDC/MSF are to be disbursed as follows: (1) 50% to the MSF; (2) 15% to GLIMI, LLC to be expended for economic development within the State of Michigan; and (3) 35% retained by the Tribe. The 2017 total, above, includes only those amounts remitted to the MSF.



## Indian Gaming Section Oversight Accomplishments

### ***Net Win Audits / Inspections***

MGCB's oversight authority includes performing financial audits to ensure the net win totals are accurately stated and the related payments to local units of state government or local revenue sharing boards and the Michigan Economic Development Corporation or Michigan Strategic Fund are properly remitted in accordance with the relevant Compacts and related Consent Judgments.

In calendar year 2017, the Indian Gaming Section presented nine final net win audit or review reports to seven tribes, which encompassed 15 fiscal years, as follows:

<b>Tribe</b>	<b>Fiscal Year</b>
Grand Traverse	2014
Grand Traverse	2015
Hannahville	2014
Hannahville	2015
Little River	2015
Little River	2016
Little Traverse	2015
Little Traverse	2016
Match-E-Be-Nash-She-Wish	2013
Match-E-Be-Nash-She-Wish	2014
Match-E-Be-Nash-She-Wish	2015
Match-E-Be-Nash-She-Wish	2016
Nottawaseppi Huron	2015
Pokagon	2014
Pokagon	2015

In addition, fieldwork and write-up was performed for two tribes covering four fiscal years. The final reports from these audits/inspections should to be completed in 2018.



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## ***Compliance Audits / Inspections***

The Compacts contain several provisions which require compliance oversight. MGCB's Indian Gaming Section performs audits/inspections to ensure compliance with Compact provisions pertaining to authorized Class III games, regulation of Class III gaming, employee benefits, Bank Secrecy Act, providers of Class III gaming equipment and supplies, notice to patrons, and the sale of alcoholic beverages.

During calendar year 2017, the Indian Gaming Section presented three final compliance audit reports to three tribes, which provide detail on the extent of compliance with various sections of the Compacts. These are as follows:

<b>Tribe</b>	<b>Fieldwork Year</b>
Hannahville	2016
Little River	2017
Little Traverse	2017

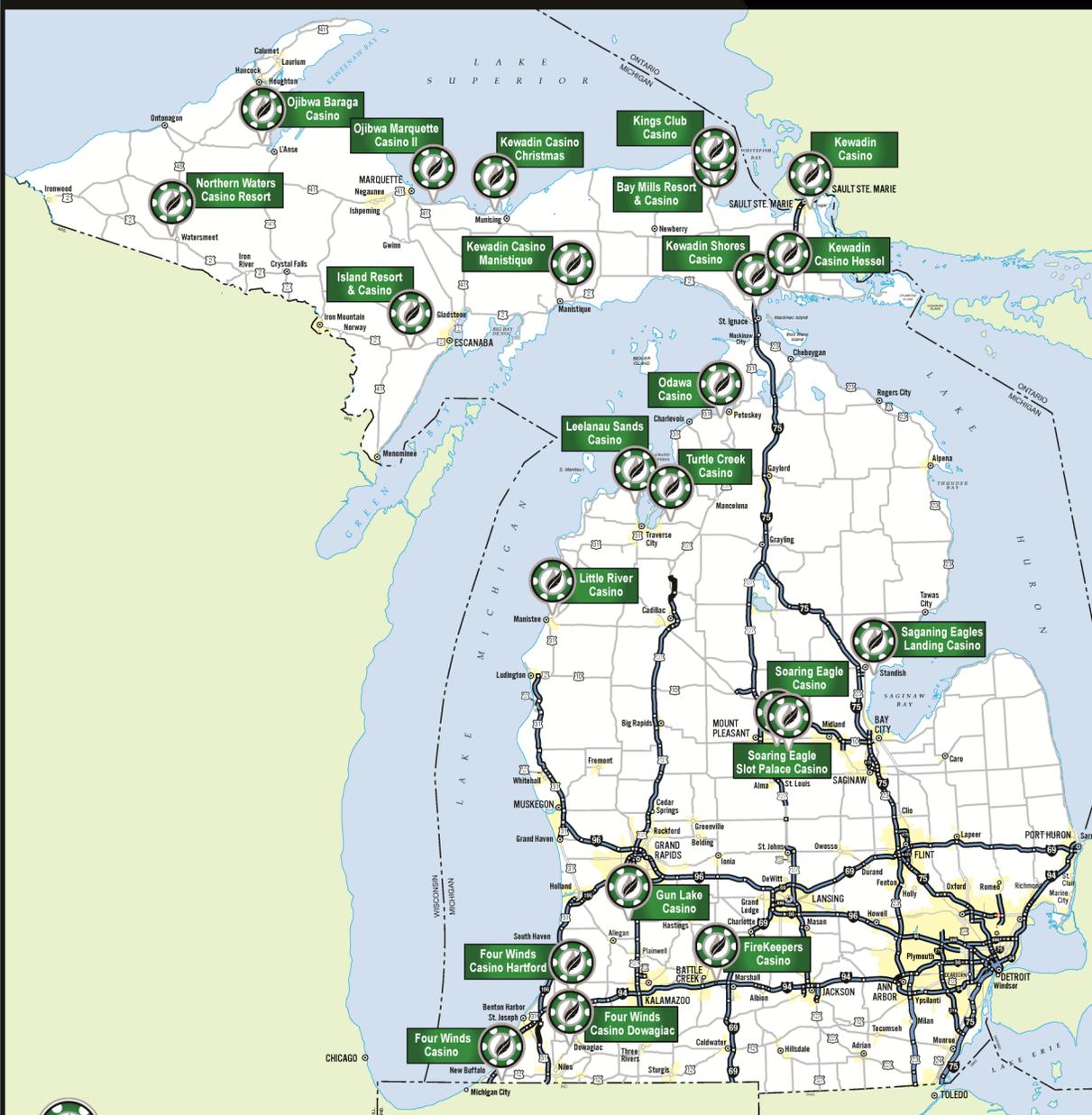
In addition, fieldwork and write-up was performed for two tribes, representing two compliance audits/inspections. The final reports from these audits/inspections are anticipated to be completed in 2018.



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## MICHIGAN'S TRIBAL CLASS III CASINOS



### TRIBAL CASINOS

Listing does not include the Little Traverse Bay Band - Mackinaw City gaming operation since the Tribe determined the games conducted at the facility are Class II games.

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



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Michigan Tribal Class III Casino Information		
Locations	Tribal Casino	Approximate # of Class III Machines
2	<b>Bay Mills Indian Community</b>	
	Bay Mills Resort & Casino - Brimley, MI	750
	Kings Club Casino - Brimley, MI	250
2	<b>Grand Traverse Band of Ottawa and Chippewa Indians</b>	
	Leelanau Sands Casino - Peshawbestown, MI	400
	Turtle Creek Casino - Williamsburg, MI	1,200
1	<b>Hannahville Indian Community</b>	
	Island Resort & Casino - Harris, MI	1,200
2	<b>Keweenaw Bay Indian Community</b>	
	Ojibwa Casino Resort - Baraga, MI	340
	Ojibwa Casino - Marquette, MI	289
1	<b>Lac Vieux Desert Band of Lake Superior Chippewa Indians</b>	
	Northern Waters Casino Resort - Watersmeet, MI	497
1	<b>Little River Band of Ottawa Indians</b>	
	Little River Casino Resort - Manistee, MI	1,400
1	<b>Little Traverse Bay Bands of Odawa Indians</b>	
	Odawa Casino Resort - Petoskey, MI	1,000
1	<b>Match-E-Be-Nash-She-Wish Band of Pottawatomi Indians (Gun Lake)</b>	
	Gun Lake Casino - Wayland, MI	2,000
1	<b>Nottawaseppi Huron Band of the Potawatomi</b>	
	FireKeepers Casino - Battle Creek, MI	2,900
3	<b>Pokagon Band of Potawatomi Indians</b>	
	Four Winds Casino Resort - New Buffalo, MI	2,600
	Four Winds Casino Hartford - Hartford, MI	500
	Four Winds Casino Dowagiac - Dowagiac, MI	400
3	<b>Saginaw Chippewa Indian Tribe</b>	
	Soaring Eagle Casino & Resort - Mount Pleasant, MI	3,300
	Soaring Eagle Slot Palace - Mount Pleasant, MI (included in Resort total above)	
	Saganing Eagles Landing Casino - Standish, MI	800
5	<b>Sault Ste. Marie Tribe of Chippewa Indians</b>	
	Kewadin Casino - Christmas, MI	250
	Kewadin Casino - Hessel, MI	150
	Kewadin Casino - Manistique, MI	250
	Kewadin Casino - Sault Ste. Marie, MI	800
	Kewadin Casino - St. Ignace, MI	700
23	<b>Total</b>	<b>21,976</b>