

# Michigan Gaming Control Board



## Overview

*“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.”*



# Gaming in Michigan

Michigan Gaming Control & Revenue Act and Administrative Rules- 1997

- Detroit, land-based casinos (3); retail sports betting

Tribal-State Gaming Compacts and Consent Judgement- 2002

- Oversight of land-based tribal casinos (24)

Horse Racing Law of 1995 and Administrative Rules- 2010

- Licensing and regulation of live horse racing (1 track)

Traxler-McCauley-Law Bowman Bingo Act and Administrative Rules- 2012

- Licensing and regulation of millionaire party charitable gaming events

Lawful Internet Gaming Act and Administrative Rules- 2019

Lawful Internet Sports Betting Act and Administrative Rules- 2019

Fantasy Contests Consumer Protection Act and Administrative Rules- 2019



# Gaming in Michigan (continued)

MGCB performs activities to ensure compliance with the Acts and Administrative Rules:

## Licensing

Occupational and Entity

## Enforcement

Ensure compliance with the acts and administrative rules  
Monitor internal controls

## Audit

Verification of tax payments, purchasing and operations

## Lab

Testing of slot machines/gaming devices/software

## Responsible Gaming

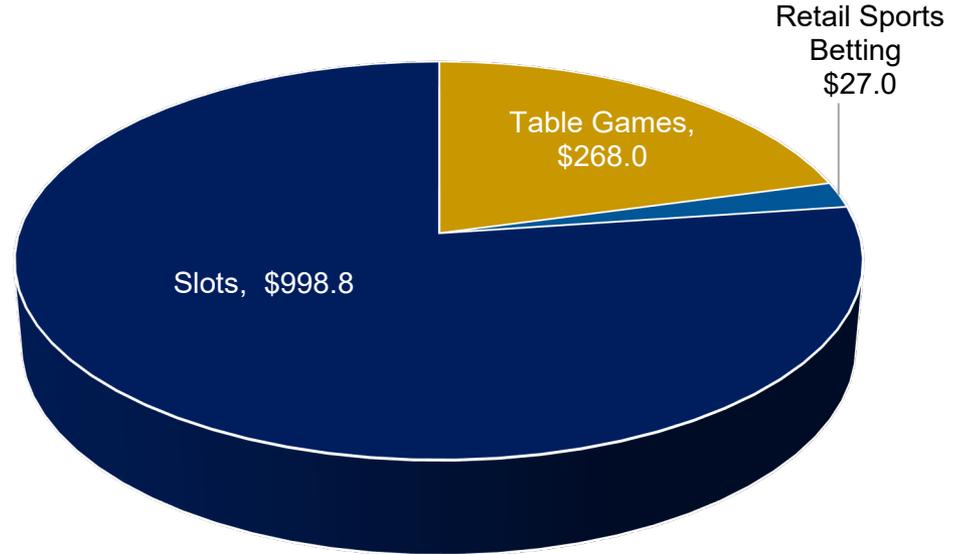
Add/remove individuals from disassociated persons list.  
Maintain statewide responsible gaming database



# Michigan Gaming Control & Revenue Act and Administrative Rules

- The Michigan Gaming Control & Revenue Act and Administrative Rules apply to the three Detroit (land-based) casinos, including retail sports betting.
- The Detroit casinos reported \$1.2 billion in gaming revenue in 2021 (slots and table games).
  - 104% increase compared to 2020, \$620 million
  - 13% decrease compared to 2019, \$1.45 billion
- Retail sports betting went live in March 2020.
  - 2021 was the first full year of operation.

**Total Yearly Aggregate Revenue 2021  
(in Millions)**



**Detroit Casino Market Share**

MGM 43%    MCC 35%    GTC 22%



# Michigan Gaming Control & Revenue Act and Administrative Rules

- Wagering taxes are required to be remitted by the Detroit casinos based on adjusted gross receipts of **gaming revenue (slots and table games)**.
  - In calendar year 2021, the combined 8.1% **State Wagering Taxes** paid by the three Detroit casino licensees and deposited in the School Aid Fund (SAF) totaled **\$102.6 million** (compared to \$50.3 million for 2020 and \$118 million for 2019).
  - In calendar year 2021, the combined **City of Detroit Wagering Taxes** paid by the three Detroit casino licensees totaled **\$160.8 million** (compared to \$73.8 million for 2020 and \$184 million for 2019).
    - The Detroit casinos also have development agreements with the City of Detroit that require an additional 1% tax to be paid when the casino's adjusted gross revenue reaches \$400 million in a calendar year.



# Michigan Gaming Control & Revenue Act and Administrative Rules

- Wagering taxes are required to be remitted by the Detroit casinos based on adjusted gross receipts of **retail sports betting**.
  - In calendar year 2021, the combined 3.78% **State Wagering Taxes** paid by the three Detroit casino licensees and deposited in the School Aid Fund totaled **\$1 million** (compared to \$690,865 for 2020).
  - In calendar year 2021, the combined 4.62% **City of Detroit Wagering Taxes** paid by the three Detroit casino licensees totaled **\$1.3 million** (compared to \$844,391 for 2020).



Gaming in Michigan (continued)

# Tribal – State Gaming Compacts Revenue Sharing Payments

Tribe	Compact Year	Percentage of Net Win to Local Gov't	2020 Amount*	Percentage of Net Win to MEDC/MSF	2020 Amount*
Bay Mills Indian Community	1993	2%	\$ 230,541	0%	\$ -
Grand Traverse Band of Ottawa and Chippewa Indians	1993	2%	1,146,286	0%	-
Hannahville Indian Community	1993	2%	930,538	2-7%	236,127
Keweenaw Bay Indian Community	1993	2%	468,458	8%	496,028
Lac Vieux Desert Band of Lake Superior Chippewa Indians	1993	2%	195,596	0%	-
Saginaw Chippewa Indian Tribe	1993	2%	5,293,564	0%	-
Sault Ste. Marie Tribe of Chippewa Indians	1993	2%	1,306,050	0%	-
Little River Band of Ottawa Indians	1998	2%	1,378,609	6%	2,562,770
Little Traverse Bay Bands of Odawa Indians	1998	2%	832,657	6-10%	N/A
Nottawaseppi Huron Band of the Potawatomi	1998	2%	4,918,734	4-8%	10,770,893
Pokagon Band of Potawatomi Indians	1998	2%	4,396,495	6-8%	7,133,594
Match-E-Be-Nash-She-Wish Band of Pottawatomi Indians	2007	2%	3,684,810	8-12%	7,712,026
<b>Total</b>			<b>\$ 24,782,338</b>		<b>\$ 28,911,438</b>

\* Complete 2021 data is not yet available.



# Lawful Internet Gaming Act and Administrative Rules

- Allows licensed internet gaming operators to offer casino games on the internet.
  - An operator license may be issued to a Detroit casino licensee or a Michigan tribe that conducts Class III gaming.
- Internet gaming went live in January 2021.
- Adjusted gross internet gaming receipts was \$1 billion for 2021.
- Operators pay a range of 20% to 28% tax on adjusted gross internet gaming receipts allocated as follows:

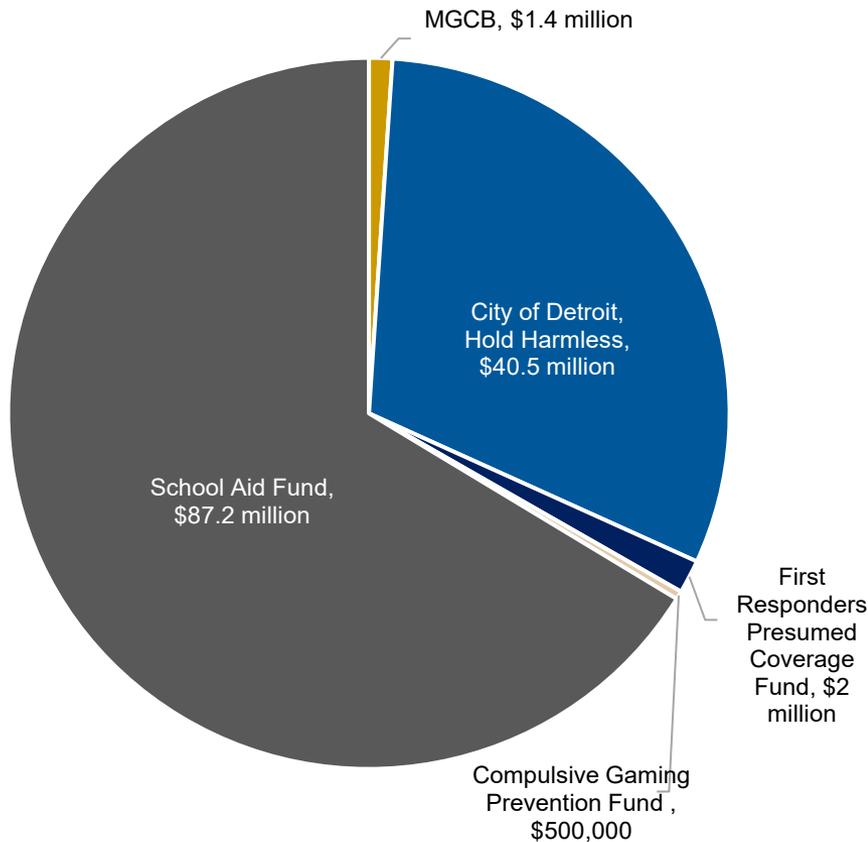
	Internet Gaming Fund	Agriculture Equine Industry Development Fund	Michigan Strategic Fund	City of Detroit	Local Governing Body
Non-Tribal Operator	65%	5%, up to \$3 million	0%	30%	0%
Tribal Operator	70%	0%	10%	0%	20%

- \$201.7 million in taxes and payments were remitted to the **State of Michigan** for 2021.
- \$48 million in taxes were remitted to the **City of Detroit** for 2021.
  - Additionally, \$7.2 million was remitted to the City of Detroit from the Detroit casinos as the required 1.25% municipal service fee.



# Lawful Internet Gaming Act and Administrative Rules

FY 2021 Internet Gaming Fund Expenditures/Transfers



- \$131.6 million was deposited in the Internet Gaming Fund for fiscal year 2021.
  - \$128.4 million from tax/payments from internet gaming operators.
  - \$3.2 million from application, license, and gaming lab fees.
- Internet gaming revenue significantly exceeded projections:

Fiscal Year 2021	Total Revenue	SAF Contribution
Projection	\$18,200,000	\$8,625,000
Actual	\$ 131,555,538	\$87,169,538

- For FY 2022, projections for total revenue is \$175 million and SAF contribution is \$169 million. Total revenue projection for FY 2022 is approximately **10 times higher** than originally projected.



# Lawful Internet Sports Betting Act and Administrative Rules

- Authorizes licensed sports betting operators to offer internet sports betting.
  - An operator license may be issued to a Detroit casino licensee or a Michigan tribe that conducts Class III gaming.
- Internet sports betting went live in January 2021.
- Adjusted gross internet sports betting receipts was \$110.6 million for 2021.
- An 8.4 percent tax is imposed on adjusted gross sports betting receipts allocated as follows:

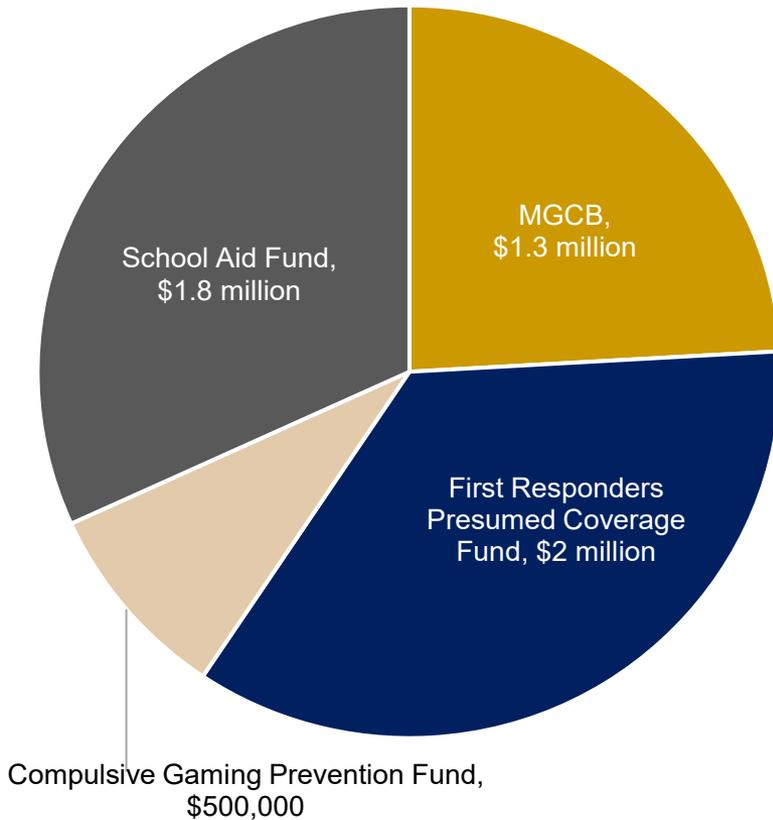
	Internet Sports Betting Fund	Agriculture Equine Industry Development Fund	Michigan Strategic Fund	City of Detroit
Non-Tribal Operator	65%	5%, up to \$3 million	0%	30%
Tribal Operator	90%	0%	10%	0%

- \$7.3 million in taxes and payments were remitted to the **State of Michigan** for 2021.
- \$2.7 million in taxes were remitted to the **City of Detroit** for 2021.
  - Additionally, \$1.3 million was remitted to the City of Detroit from the Detroit casinos as the required 1.25% municipal service fee.



# Lawful Internet Sports Betting Act and Administrative Rules

FY 2021 Internet Sports Betting Fund Expenditures/Transfers



- \$5.6 million was deposited in the Internet Sports Betting Fund for fiscal year 2021.
  - \$4 million from tax/payments from internet sports betting operators.
  - \$1.6 million from application, license, and gaming lab fees.



# Fantasy Contest Consumer Protection Act and Administrative Rules

- Allows only licensed fantasy contest operators, Detroit casinos, and Michigan tribes to offer fantasy contests in Michigan.
- Administrative Rules are in the promulgation process.
  - MGCB is reviewing public and stakeholder feedback
  - Draft will be submitted to JCAR when ready
- For 2021, fantasy contest adjusted revenues totaled \$16.2 million.
- Operators pay the state an 8.4% tax on fantasy contest adjusted revenues.
  - 100% of the tax is deposited in the fantasy contest fund.
  - At the end of the fiscal year, after MGCB expenses of \$78,836, the remaining fund balance is transferred to the school aid fund. For fiscal year 2021, this transfer was \$1.5 million.



# Fiscal Year 2023 Executive Recommendation

Ongoing Appropriations	FY 2022	FY 2023	Increase
Casino Gaming Control Administration (176.0 FTE) - Includes 34 MSP and 10.5 AG staff	\$29,826,700	\$34,027,000	\$4,200,300
Information Technology Services and Projects	3,480,200	5,327,000	1,846,800
Michigan Gaming Control Board (5 Board Members)	50,000	50,000	-
Office of Racing Commissioner (10.0 FTE)	2,095,200	2,129,700	34,500
Millionaire Party Regulation (20.0 FTE)	3,109,700	3,168,000	58,300
<b>Casino Gaming</b>	<b>\$38,561,800</b>	<b>\$44,701,700</b>	<b>\$6,139,900</b>

One-Time Appropriation	FY 2023
Responsible Gaming Advertising	\$3,000,000

- No General Fund money or Detroit, land-based casino, tax money is used to fund MGCB's appropriations.
- Details for the increases are provided on the following slides.



# FY 2023 Budget Requests Proposals for Change

## ■ Additional Positions Needed to Support New Gaming Programs

*\$3.3 million, 25 FTEs*

- Internet gaming, internet sports betting, and fantasy contest has created a significant additional workload beyond original projections. Specific examples as follows (compared to 2019):
  - Gaming lab submissions have increased 58%
  - Media inquiries have increased 303%; media output has increased 144%
  - Entities licensed or exempted has increased 64%
  - Individual records processed has increased 49%
  - Fraud investigations involving online platform providers have increased
  - New financial components
- Challenges exist in implementing the following without the additional positions requested:
  - Monthly tax/payment form audits/reviews
  - Review of release notes to report significant platform IT changes
  - Processing participant complaints
  - Investigations into alleged violations of Acts and Rules
  - Internal control reviews
  - Platform audits (IT audits)
  - Compliance audits and monitoring inspections
  - Platform security assessment reviews



# FY 2023 Budget Requests Proposals for Change

## ■ Additional IT Positions to Support New Gaming Programs / Maintain Domain

*\$1.5 million, 6 FTEs (for DTMB)*

- The requested positions will support and enhance the following IT systems:
  - Enhance existing systems and develop new systems as needed for the new programs
  - Develop and enhance Live Dealer surveillance video
  - Expand Secure File Transfer Services
  - Expand access to third party vendor systems via secure Gateway to Gateway
  - Automate paper processes by expanding the MGCB Portal
- Cover additional user licenses, document storage, desktop rates for 25 FTEs being added, increasing network storage capacity by 30%.



# FY 2023 Budget Requests Proposals for Change

## ■ Responsible Gaming Advertising

*\$3 million, 0 FTEs*

- Expands the amount of advertising to promote responsible gaming and the mechanisms in place to assist problem gamblers.
- Operators spend approximately \$500 million annually on internet gaming, internet sports betting, and fantasy contests advertising to compel people to gamble.
- MGCB has a responsibility to advise Michigan citizens to gamble responsibly and to inform them of the programs that are available if they have a gambling problem.
- Advertising would include television, radio, printed brochures, and materials.
  - In addition, MGCB staff are available for public speaking engagements.



# FY 2023 Budget Requests Proposals for Change

## ■ Responsible Gaming Advertising (continued)

*\$3 million, 0 FTEs*

- The Responsible Gaming Section has received a significant increase from citizens inquiring about the following:
  - Internet gaming and internet sports betting self-exclusion program
  - Staying responsible while gaming online
  - Resources available to assist in staying responsible
- The Responsible Gaming Section has processed the following since May 2021:
  - 97 applications to self-exclude from internet gaming
  - 93 applications to self-exclude from internet sports betting
- Problem Gambling Article References:
  - Bridge, 2/7/2022: “A year into online gambling, Michigan problems multiply as Super Bowl nears”
  - Fox 17 West Michigan: IN-DEPTH, 1/24/2022: “One year later: Internet gambling and its impact on MI”



# FY 2023 Budget Requests

## Current Services Baseline

### ■ Fund Millionaire Parties with Internet Gaming

*Represents a \$3.2 million shift.*

- Allocates excess internet gaming fund revenues to support the millionaire party program, instead of being funded by State Lottery Fund.
- Charitable gaming revenue has been continuously declining in recent years, this change provides a stable funding source for millionaire party events.

