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TESTIMONY REGARDING HOUSE BILLS 4926, 4927, 4928
HOUSE REGULATORY REFORM COMMITTEE
10:30 AM, WEDNESDAY, SEPTEMBER 13, 2017¹

Dear Chairman Iden, Vice-Chair Bellino, Vice-Chair Moss, and Representatives Crawford, Dianda, Leutheuser, Chirkun, Theis, Liberati, Webber, Love, Griffen, Jones, Hauck, Hoitenga, and Reilly,

My name is Mike Cox and I am a lawyer who represent the Stars Group, the world's leading provider of online gaming products and services. Amaya is public-traded on the NASDAQ, is licensed in over 100 jurisdictions globally, and is on the cutting edge of legal online gaming in America and across the world.

I want to thank you for the courtesy of sharing some thoughts and observations on House Bills 4926, 4927, and 4928. These observations come from my role as legal counsel for the Stars Group, but are also shaped in part on my prior practical experiences as a regulator here in Michigan.

Because I expect other witnesses will address the important public policy gains these bills achieve, such as increased consumer protections from online scammers and illegal-off-shore sites who steal money and IDs, increased protection for children, increased revenues for the State, I plan to focus today on the bills and address in broad strokes some of the provisions in the bills and how those provisions fit with Michigan's current regulatory scheme for gaming.

1. **These House bills are the product of collaboration with other states.** Delaware began legal internet gaming in 2012, followed by New Jersey and Nevada in 2013. This package is the product of consulting with the regulators and private industry representatives from those states with a focus on incorporating what works there in with Michigan's existing legislation.
2. **HB 4926 brings some concepts from the states that make Internet gaming work.** As a result, HB 4926 is based on some of the existing concepts from New Jersey and Nevada, tailored to unique concepts found in Michigan law.
3. **This bill package is a policy alternative that benefits from discussions in the Senate over the past 2 years.** Many aspects of this bill incorporate ideas that have been

¹ If any committee member has questions that are not addressed or answered at the committee hearing, please contact Mike Cox at mc@mikecoxlaw.com.

discussed in the Michigan Senate over the past two years as that body has studied and discussed its version, SB 203, with stakeholders. HB 4926 and its companion bills are drafted as a streamlined policy choice for legislators.

4. **SB 203 is tailored for Michigan and is constitutional.** For example, one of those concepts is Michigan's constitutional provision, Article 4, Sec 41, that restricts the expansion of gambling without approval by popular vote. SB 203 addresses this restriction by limiting the potential Internet gaming licensees and regulated entities to the existing 3 licensed Detroit casinos and regulated Indian tribes. By its terms, Article 4, Sec 41 has an exception or safe harbor for these parties: "This section [restricting future gaming] shall not apply to gambling in up to three casinos in the City of Detroit or to Indian tribal gaming."
5. **Internet gaming providers are limited to those already offering gambling.** Accordingly, HB 4929 limits Internet gaming providers to those who are already offering brick-and-mortar gaming to Michigan citizens: the three licensed Detroit casinos and the federally-regulated Indian tribes who have compacts with the State. As a result, only those entities that are already regulated gaming entities are eligible for internet gaming: this not only makes sense legally, but also as a policy matter – regulators already have a history with the pool of potential applicants here.
6. **Internet gaming regulation is complementary to the GCRA.** Also, this Internet gaming legislation is intended to be complementary with the existing brick-and-mortar regulation, the 1997 Gaming Control and Revenue Act ("GCRA"), which was crafted by the Legislature after Michigan's voters authorized casino gaming with Proposal E in 1996.
7. **Importantly, HB 4926 does not conflict with the GCRA.** Indeed, 4926 disclaims any potential conflicts with the GCRA, as well as the state lottery:
 - a. Section 41: "A law that is inconsistent with this act does not apply to internet gaming as provided for by this act. This act does not apply to lottery games offered by the bureau of state lottery, ..."
 - b. And, licensing under SB 203 is based on brick-and-mortar licensing for the Detroit 3 casinos under the GCRA. By that, I mean, an exhaustive and probative review by the Gaming Control Board of each applicant's eligibility.
8. **Gaming Control Board will oversee Internet gaming.** The Gaming Control Board will continue to play the same regulatory oversight role, through the creation of an "internet gaming division" within the Board, that licenses and regulates not only the providers of Internet gaming, but also the suppliers and platform providers. Thus, the same regulatory scheme that has been so effective and successful over the past 20 years in regulating casino gaming will assume authority and jurisdiction over internet gaming.
9. **Gaming Control Board will enact rules.** In addition to licensing the Internet gaming providers, the Board will promulgate rules specific to Internet gaming. (Section 10).

10. Strict Requirements To Protect Children, Consumers, and Prosecute Offenders.

With the passage of this package, future Michigan online internet gaming patrons can go to a website maintained by a licensed casino and regulated by the Michigan Gaming Control Board, or to an Indian Tribal website subject to a State of Michigan compact and federal regulation, knowing that she or he will not be a victim of ID theft. Further, through Section 11 of HB 4926, all licensees and tribes must have geolocation software to validate that each patron is over 21 and gaming within the borders of Michigan. Finally, this bill provides 10-year felonies for anyone who engages in illegal internet gaming or lies or falsifies information to get a license. (Section 13).

11. Revenue projections for the State of Michigan. Legalization of online gaming will result in a positive net revenue increase for the State of Michigan. Based on conservative projections taken from New Jersey data, expected revenue should conservatively exceed \$45 million annually.