



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 4307 (Substitute S-2 as reported by the Committee of the Whole)

Sponsor: Representative Brandt Iden

House Committee: Regulatory Reform
Ways and Means

Senate Committee: Regulatory Reform

CONTENT

The bill would amend the Michigan Gaming Control and Revenue Act to do the following:

- Modify definitions used throughout the Act.
- Require each member of the Michigan Gaming Control Board (MGCB) to receive compensation in the amount of \$1,000 (or \$1,250 for the Chairperson) for each public board meeting that he or she attended beginning January 1, 2024.
- Revise various provisions regarding Board member and Board employee requirements.
- Delete the requirement that four members (instead of three) constitute a quorum when making determinations on applications for casino licenses.
- Delete a provision that provides the Board the authority to revoke or suspend a casino license or impose any other disciplinary action if the casino licensee has violated the Michigan Liquor Control Act or rules promulgated under that Act.
- Allow the Board to enter into agreements with other jurisdictions to facilitate, administer, and regulate multijurisdictional gaming by casino licensees if the gaming under the agreement were conducted only in the United States.
- Revise the information that would be exempt from the Freedom of Information Act.
- Eliminate a provision requiring the divestment from or termination of a financial interest acquired by an employee or agent of the Board's spouse, parent, or child.
- Allow the Board to waive provisions that otherwise would make a person ineligible for a casino license, supplier's license, or occupational license if certain conditions were met.
- Eliminate the requirement for a casino license applicant to provide an adequate surety bond.
- Require a casino licensee to comply with the Federal Bank Secrecy Act of 1970.
- Revise the conditions under which an institutional investor could receive a waiver from eligibility requirements under the Michigan Gaming Control and Revenue Act.
- Revise several provisions related to a supplier's license.
- Delete a requirement that a supplier file a quarterly return with the Board listing all sales, leases, and services.
- Require each local labor organization that directly represents casino gaming employees to register with the Board biennially, instead of annually.
- Delete a provision requiring wagers to be received only from a person present in a licensed casino.
- Exempt sports betting from a provision prohibiting a person who holds a casino license from installing, owning, or operating on the casino premises a game that is played with a device that allows a player to operate the game by transferring funds electronically from a credit or debit card.
- Specify that a player's mobile or other personal device would not be considered an electronic funds transfer terminal.

- Eliminate the requirement that an authorized casino licensee display and allow wagering on simulcast horse races only at the licensee's casino.
- Specify that a casino licensee would not be subject to any excise tax, license tax, privilege tax, occupation tax, or other tax, payment, or fee, that was imposed for internet wagers or other internet gaming described in the bill exclusively on a casino licensee or casino licensees by the State or any political subdivision of the State, except as otherwise provided.
- Specify that, if a casino licensee provided a wagerer with a device to conduct internet gaming while at the casino, the 19% wagering tax otherwise provided in the Act would be imposed on the adjusted gross receipts received by the casino licensee from the wagerer's internet gaming on the device.
- Impose a wagering tax of 8.4% on the qualified adjusted gross receipts received by a casino licensee from sports betting conducted under the Act.
- Require a casino licensee to provide to the Board (and to the Department of Treasury and State Budget Office, upon request) a monthly report concerning certain gaming operations.
- Require an audit conducted by a casino licensee to be transmitted to the Board 90 days after the end of each fiscal year, instead of 30 days after the end of each quarter of each fiscal year.
- Create additional responsibilities for the Department of State Police regarding the storage of fingerprints submitted under the Act.
- Allow a casino licensee to market or advertise its services, other than by direct mail, for the casino licensee's nongaming amenities, such as hotels, restaurants, and event centers.

The bill also would repeal Sections 7b, 8a, and 10 of the Act. (Section 7b prohibits certain individuals who have an interest in a casino licensee or casino enterprise from making a contribution to a candidate or committee through certain legal entities. Section 8a requires a casino licensee to post a \$1.0 million bond to the State before the license may be issued. Section 10 specifies that alcoholic beverages may only be sold or distributed in a casino under the Michigan Liquor Control Act.)

MCL 432.202 et al.

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would have a negative fiscal impact on the Michigan Gaming Control Board by an unknown amount. The bill would include compensation to Board members for attending meetings in addition to covering necessary expenses incurred in execution of their official duties. This would total an additional \$5,250 for each Board meeting that was conducted with all Board members attending. The Board typically meets at least six times per calendar year, which means at least \$31,500 in additional annual expenses if all members attended six meetings.

The bill could allow fewer supplier licenses be issued on nongaming suppliers, such as garbage haulers, maintenance, and food. In fiscal year (FY) 2017-18, the MGCB generated \$510,000 from supplier license fees, which was the largest fee type generated. Similarly, fewer applications could be required, which would lead to less corresponding revenue generated in application fees.

The bill removes disciplinary action on casinos that violate the Michigan Liquor Control Act. In FY 2017-18, the board generated \$91,000 on fines imposed on casinos and suppliers. Of the total fines issued in 2018, casinos were not charged a fine for a violation of the Michigan Liquor Control Act; however, casinos have been issued fines and citations for allowing minors to enter, which may increase the likelihood of a violation of the Michigan Liquor Control Act.

The bill would allow the Board to enter into agreements with other jurisdictions to facilitate, administer, and regulate multijurisdictional gaming within the United States, which could increase the MGCB's administrative costs. The total increase is unknown and would depend on the amount of resources necessary to enter into and provide oversight required by the Board on any new multijurisdictional gaming agreement.

In Section 12, the bill could have a substantial impact on the existing Casino Gaming Tax. The provisions in subsection (16) state that the tax on sports betting is "in lieu of the taxes and fees otherwise imposed" under the Act, suggesting that the sports betting tax would supercede or replace the existing Casino Gaming Tax. Because the provision does not limit itself to only taxes otherwise imposed on sports betting, such a change could reduce School Aid Fund revenue by approximately \$120.0 million per year, and could reduce revenue to the City of Detroit by nearly \$150.0 million per year.

Additionally, the proposed subsection (17) references a 19% tax otherwise imposed under Section 12. While the effective tax rates under subsections (1), (4) and (7) equate to a combined effective 19% tax, there is no 19% wagering tax provided under Section 12. While the subsection would limit the "19% tax" to only a device to conduct internet gaming while at a casino, unless the device were used to place sports bets, it is unclear if the language is sufficient to make the taxes in subsections (1), (4), and (7) apply to those activities.

As a result, the revenue impact of the bill is unclear. Depending on the interpretation of the language in Section 12, the bill either could generate significant revenue for the State or reduce revenue to the State.

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